

**Speaking material for Minister of State Michael D’Arcy at the opening of the  
Brokers Ireland Annual Conference on  
16<sup>th</sup> November 2017**

**Introduction**

I would like to thank you for the invitation to open the conference here in Croke Park today. I note that it is the first conference under the new brand *Brokers Ireland* and I would like to wish you every success in this new phase of your organisation.

As a result of my work as Chair of the Cost of Insurance Working Group, which I will talk about shortly, I am very aware of the significance of your role in the insurance arena particularly the specialist advice you provide in the employer/public liability insurance area. I am also conscious that there is a broad life insurance/investment dimension to your work as well to which the transposition of the Insurance Distribution Directive is particularly relevant. I will briefly touch upon the transposition process.

The theme of today’s conference is ‘A Vision for the Future’. This is an interesting theme particularly in the context of the times we live in today. Insurance, in particular, is an area that is potentially the subject of huge changes, not only in terms of the types of risk that need cover, but also with regard to how it is sold, the use of data analytics, and the role of insurers and brokers in the future.

I understand that you will be looking at an interesting range of issues today, including: Irish, UK and European market developments; cyber security; digital strategy and business mentoring on future challenges facing brokers. You will excuse me, I hope, if my ambition does not stretch as far as speaking on all of these issues!! However I think that by providing a Government view on the ongoing work of the Cost of Insurance Working Group, the transposition of the Insurance Distribution Directive, Brexit, and also updating you on the Irish economy, I will help contribute to framing some of your discussions today.

### **Cost of Insurance Working Group**

It is important that Ireland has an insurance sector that is not only financially stable but that contributes to economic activity. The insurance sector makes a vital contribution to the Irish economy, through employment, attracting global capital and serving the needs of consumers and businesses. Given the economic significance of the insurance sector, it is vitally important that the sector operates in an efficient manner as possible.

One of the issues of greatest concern to consumers and businesses is the cost that they pay for the cover they receive. It is against this background that the Cost of Insurance Working Group was established by the Minister for Finance to examine the factors contributing to the increasing cost of insurance. Its objective is to identify immediate, medium term and longer term measures which can address increasing costs, while bearing in mind the need to maintain a stable and sustainable insurance sector. The initial focus of the Working Group was on the rising cost of motor insurance premiums and as you will know the Working Group published its Report on this matter in January. This report contained 33 recommendations and a detailed action plan on the

implementation of those recommendations. Quarterly progress reports have been published, the most recent of which was in October.

Also in January, the Cost of Insurance Working Group commenced its examination of the cost of business insurance, in particular employer liability and public liability. In this regard, it has engaged in an extensive consultation process with a range of stakeholders including Brokers Ireland, Insurance Ireland, the Hotels Federation of Ireland, IBEC, ISME, the Vintners' Federation of Ireland, the Licensed Vintners' Association, the Retail Grocery, Dairy and Allied Trades Association, Chambers Ireland, the Law Society of Ireland, the Bar Council of Ireland, the Health and Safety Authority and a number of insurers who have a large market share in the coverage of this type of risk. In addition, submissions received from interested parties were considered as part of the process.

The issues that have been raised by stakeholders related to the Employer Liability and Public Liability insurance market, include:

- the significant increase in the cost of Employer liability and Public Liability insurance to businesses,
- the increasing trend towards using larger excesses or self-insuring to manage the cost of insurance,
- the lack of availability of Employer Liability and Public Liability insurance for certain sectors

In addition, the Working Group heard about many issues related to the legal environment within which Employer Liability and Public Liability claims are handled, including:

- a frustration with inconsistency of awards and the Book of Quantum,
- the huge costs in challenging claims through the court process,
- perceived prevalence of fraudulent and exaggerated claims,
- the need to strengthen or increase the use of existing legal provisions relating to false evidence and fraudulent actions in the 2004 Civil Liability and Courts Act (Sections 25 and 26 in particular). It is clear that these provisions are not working as effectively as they should be at the moment, and
- the need for the role of PIAB to be developed further.

Two sub-groups were formed to look in more detail at, respectively, market-related issues and legal-related matters. It had been initially envisaged that the second phase recommendations would take the form of an addendum to the Report on the Cost of Motor Insurance and would be published by the end of September. However, it became clear quite quickly, that there are some very complex legal and constitutional issues which would need to be considered, and because of this, it was decided that extra time should be devoted to properly examining the relevant issues in order to ensure that effective and achievable recommendations are formulated.

Therefore, the Working Group decided that a full 'stand-alone' report will instead be prepared. The aim is to finalise that Report by the end of the year and present to the Minister of Finance, with a view to bringing it to Government in the New Year.

I would expect that this report will follow a similar format to the Motor Report and include an action plan with associated actions and deadlines for implementation.

## **Insurance Distribution Directive**

I will now say a few words about the Insurance Distribution Directive. As you are aware, it must be transposed into national legislation by February 2018. Work is ongoing by officials within the Department of Finance to progress the drafting of the transposing instrument with a view to having the directive transposed in advance of the deadline.

I recognise that the implementation of the Directive will introduce significant changes and challenges to your members. It should, however, improve EU regulation in the insurance market by ensuring a level playing field for all participants involved in the sale of insurance products. It should increase the level of consumer protection, which has been an area of focus for the EU since the financial crisis. It should also address inconsistencies in the implementation of the Insurance Mediation Directive across EU Member States and tackle the increased complexity of the insurance market since that Directive was introduced in 2002.

In relation to Level 2 matters, that is, technical implementing measures, the 2 Delegated Acts are subject to final agreement by the Council, Commission and European Parliament in the normal way and are expected to be finalised by the end of the year. We do not expect substantive amendments to the Draft texts which have been published.

## **Part 2 – Brexit and the Economy**

I'd now like to turn to another area that I know is of interest to you – Brexit. Let me first re-iterate Ireland's commitment to the EU. This isn't an either/or choice between the UK or our membership of the EU. We want the future relationship between the EU and the UK to be as close and positive as possible; we will work hard with all our partners to achieve that. The Government's overall approach to Brexit will continue to be guided by the strategic objectives of minimising the impact on Ireland's trade and economy, protecting the Good Friday Agreement and the gains of the peace process, including avoiding a hard border, maintaining the Common Travel Area and securing Ireland's place in the EU and influencing the future of Europe.

### **Preparing the Economy for Brexit**

There is no doubt, however, that Brexit represents a serious and direct threat to our economic prosperity. We are not under any illusions about the complexity of Brexit. As the impact of Brexit unfolds over the coming years, it is clear that there are likely to be permanent changes in our trade patterns.

We have twin goals:

- to secure closest possible economic and trading relationship between the EU and UK and
- to prepare the economy to cope with turbulence of coming years and structural shift of new realities, including Brexit.

The best and most immediate policy under the Government's control to counter the likely negative economic impacts of Brexit is the continued prudent

management of public finances. The Government and Minister Donohoe confirmed this approach by ‘Balancing the Books’ in Budget 2018, putting the public finances in a better position to withstand Brexit-related fiscal shocks and to ensure that Ireland's economy continues to remain competitive in the face of future economic headwinds.

### **Brexit Opportunities**

In terms of sectoral opportunities, the continued successful development of the International Financial Services Sector in Ireland is a priority for the Government. Following Brexit, Ireland will be the only country in the EU that is an English-speaking common law jurisdiction. We have a young well educated population and the Government is working to continue a business-friendly environment here, for businesses large and small. As the Minister with responsibility for Financial Services, I am committed to driving forward our IFS2020 strategy which provides a clear roadmap to maximise any opportunities that might arise from the result of the referendum in the UK.

### **Economic developments and outlook**

In terms of our economy, we can meet these challenges from a good starting position. I am greatly encouraged by the progress which has been made towards restoring our economy's health. Indeed, after a number of years of strong growth, the recovery is now in a mature stage. In addition, a number of indicators such as consumer spending, tax trends and labour market developments all corroborate that Ireland's economic fundamentals remain solid.

The latest data show Gross Domestic Product increased by 5.8 per cent year-on-year in the second quarter of this year. This comes on the back of an increase of 5.2 per cent in the first quarter.

As part of Budget 2018, the Department of Finance published a revised economic outlook with GDP forecast to grow by 4.3 per cent this year and 3.5 per cent next year. This growth is expected to be broad-based with underlying domestic demand, that is, excluding the volatile components of investment, expected to contribute significantly.

The strength of economic growth over the past few years and the broad based nature of that growth means that the recovery has been jobs rich.

### **Labour Market**

Over 230,000 jobs have been created since the low-point reflecting the success of the Government's Action Plan for Jobs. Indeed, for every 10 jobs lost during the recession, 7 have now been replaced.

Strong growth in employment has seen the unemployment rate fall from over 15 per cent in 2012 to 6.0 per cent in October 2017 which is close to the level considered to represent full employment in Ireland.

Over the short run, we expect labour market dynamics to remain solid. The Department of Finance is projecting an additional 48,000 jobs will be created next year. Accordingly, unemployment is forecast to remain on a downward trajectory falling to around 5½ per cent by the end of next year.

## **Risks**

While growth in the economy remains robust, vulnerabilities remain and uncertainty in the economic outlook remains elevated. I already mentioned Brexit, however there are other challenges such as the changed policy stance in the US.

Domestically, we also face a number of risks such as a loss of competitiveness. Ireland remains a high cost location and as a small open economy whose economic model is dependent on exports and foreign investment, it is essential that Ireland continues to improve its relative cost competitiveness.

In view of such risks, the policy focus in Budget 2018 was on enhancing the resilience of the Irish economy to potential shocks. One such measure is the establishment next year of a rainy day fund. At least €1.5 billion will be transferred to it from the Ireland Strategic Investment Fund to start it off. Starting in 2019, once we have achieved a balanced budget in 2018 as envisaged, there will be an annual contribution of €500 million. This will be both a counter cyclical measure to avoid overheating, and will also enable us to deal with the initial effects of any shock that may occur.

More generally, in order to put the economy in the best possible position to meet the significant challenges which lie ahead, we must continue to prudently manage the public finances, implement competitiveness orientated policies and address infrastructural bottle necks.

That is what the Government will continue to do.

## **Conclusion**

To turn back again to insurance, I am pleased to see that the recent Central Statistics Office inflation data for October released last week show that there was a fall in the price of motor insurance since last year - **7.2% lower than this time last year, and 15.2% lower than it was at its peak in July 2016.**

Nevertheless, there is no room for complacency. There is a recognition of the need to find appropriate solutions to continue to address the cost of insurance for motorists and businesses. I believe that the combination of the implementation of the recommendations of the *Report on the Cost of Motor Insurance* and the formulation of new recommendations from the current second phase will effectively tackle this problem and result in fairer premiums for a wide range of stakeholders, as well as provide more certainty for industry, including brokers. The Government remains confident that the environment for insurance will evolve towards further stability which should also lead to greater capacity in the sector.

Finally, I would like to wish you all a successful and fruitful conference, and am sure that there will be many interesting debates on these issues today.

Thank you.

**ENDS**

