



The Competition Authority
An tÚdarás Iomaíochta

Competition issues in the Non-Life Insurance Market

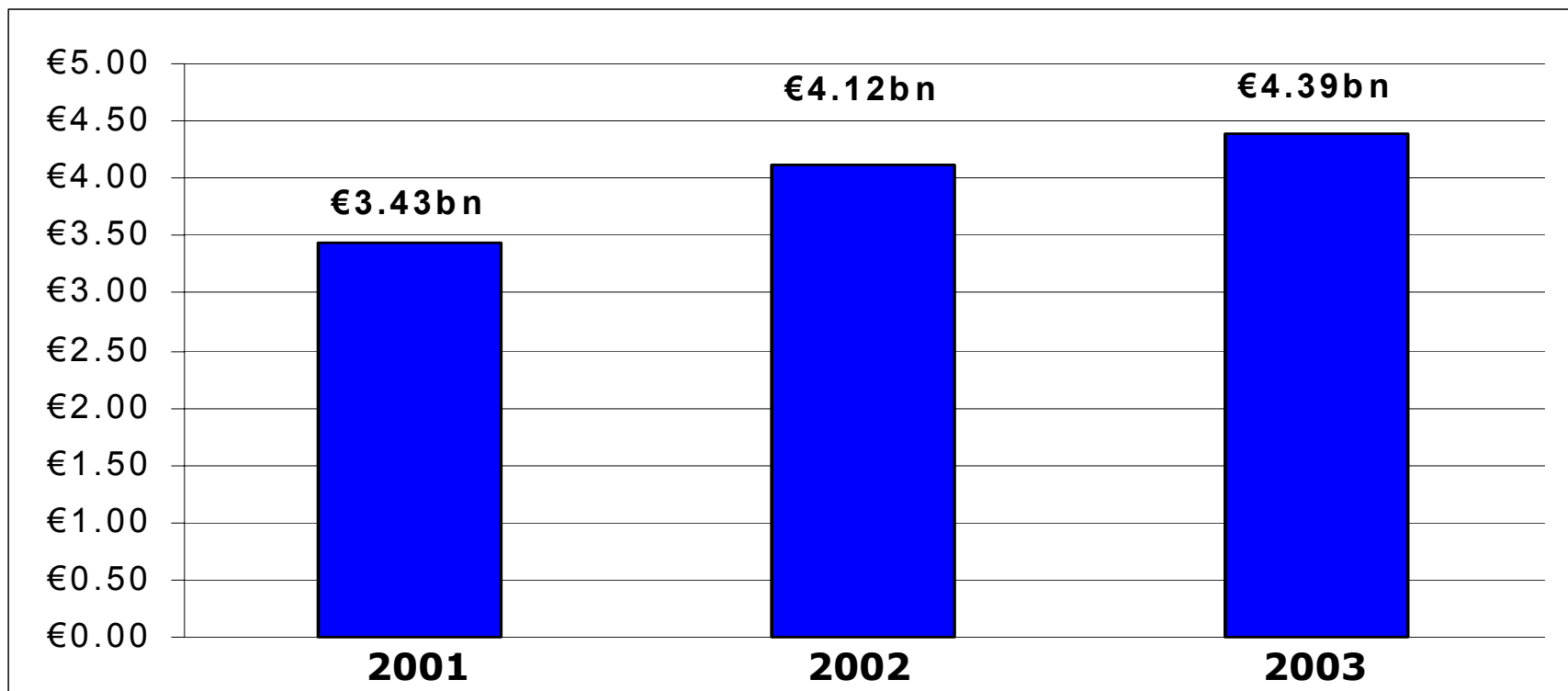
March 8th 2005

Paul Gorecki
Member

The Competition Authority

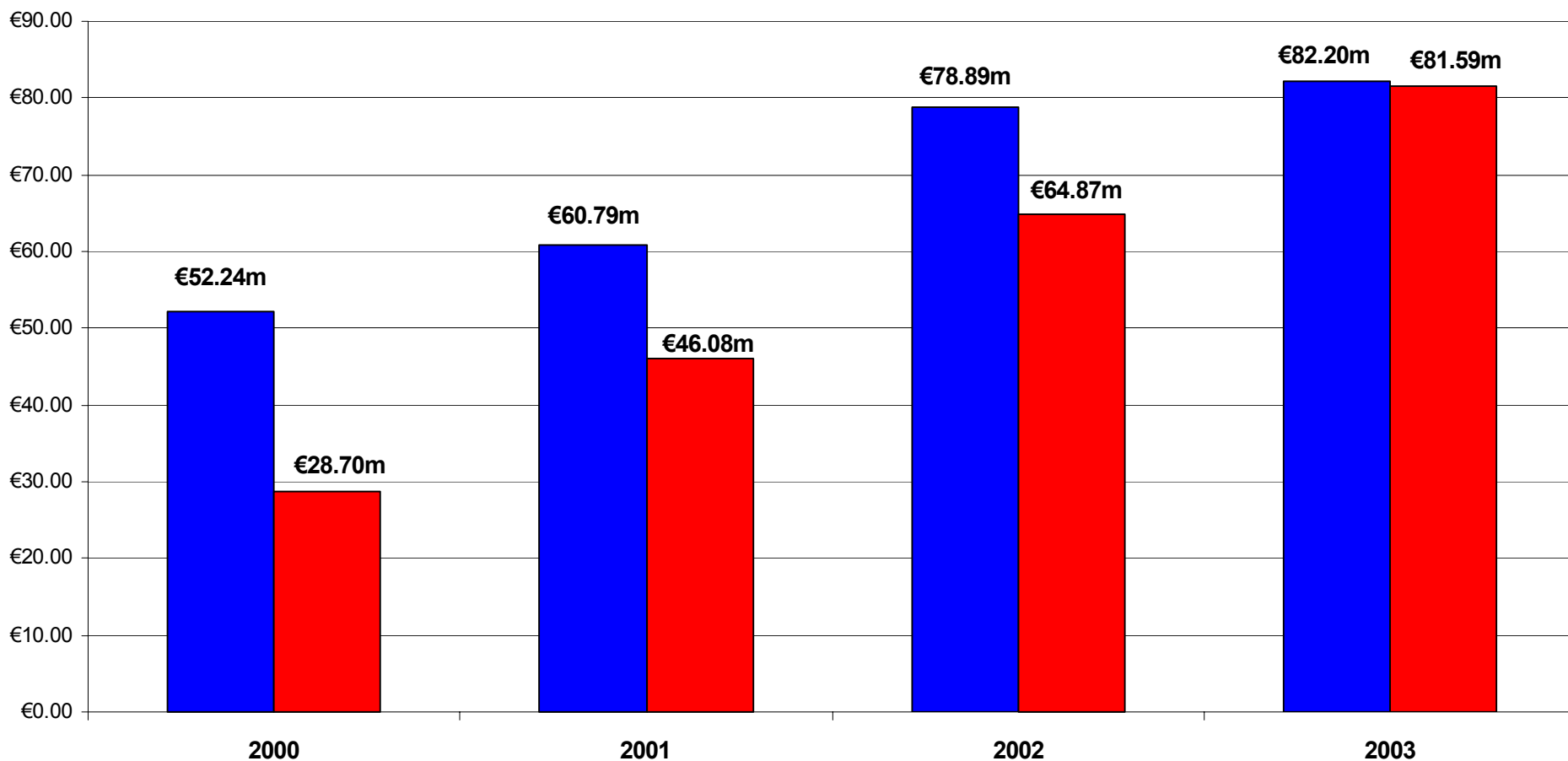
Size of the Market

Gross Premium Income (non-life Insurance) 2001-2003



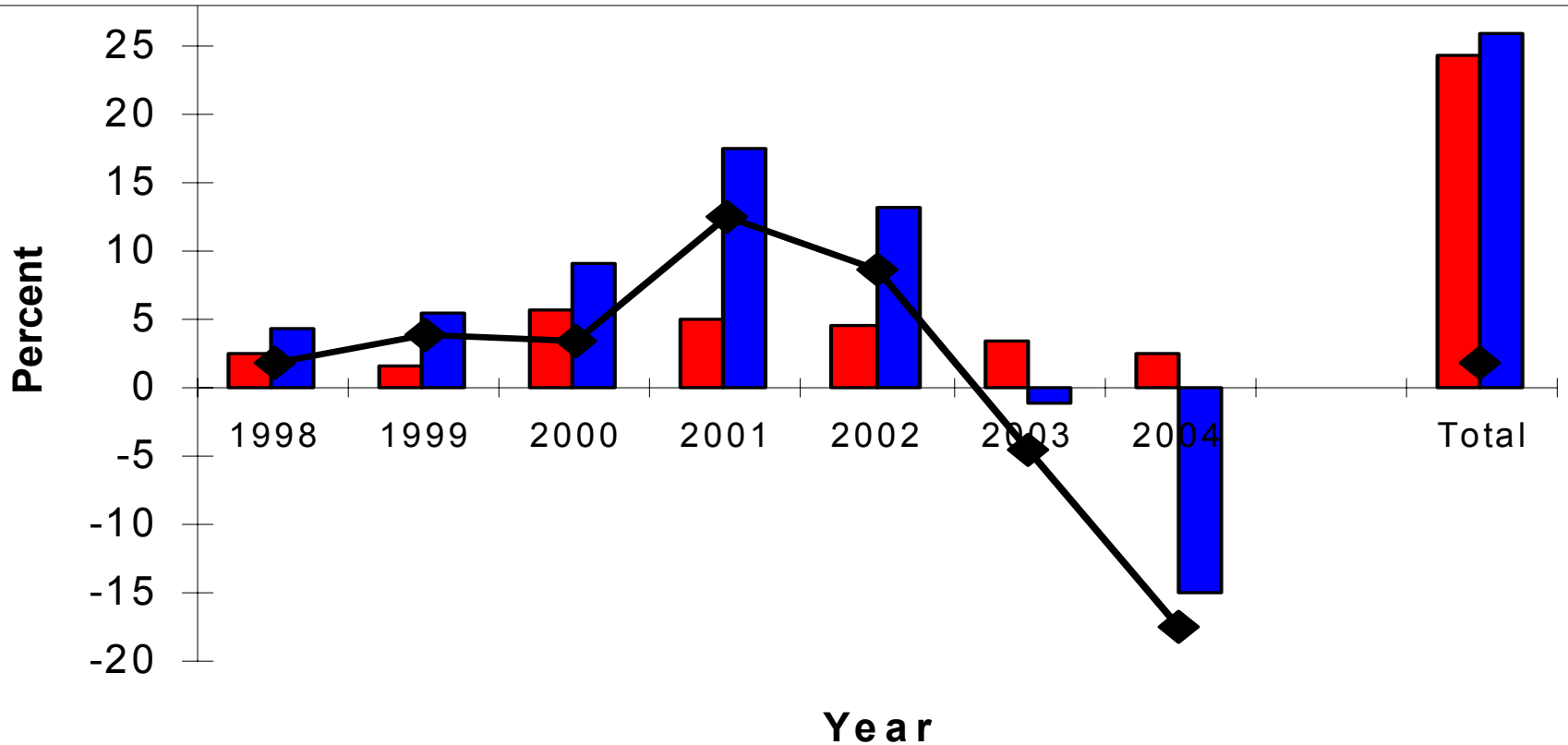
Commissions

Commissions paid on motor & liability insurance

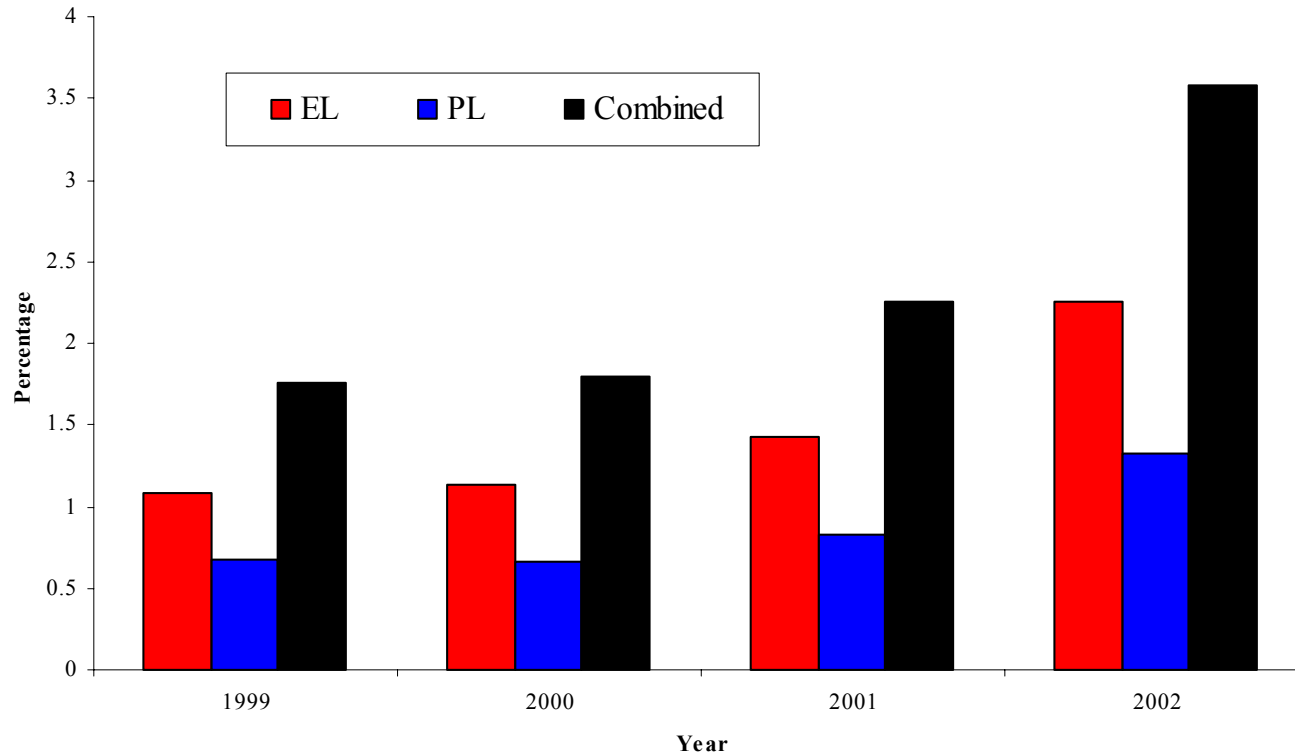


Motor Premiums

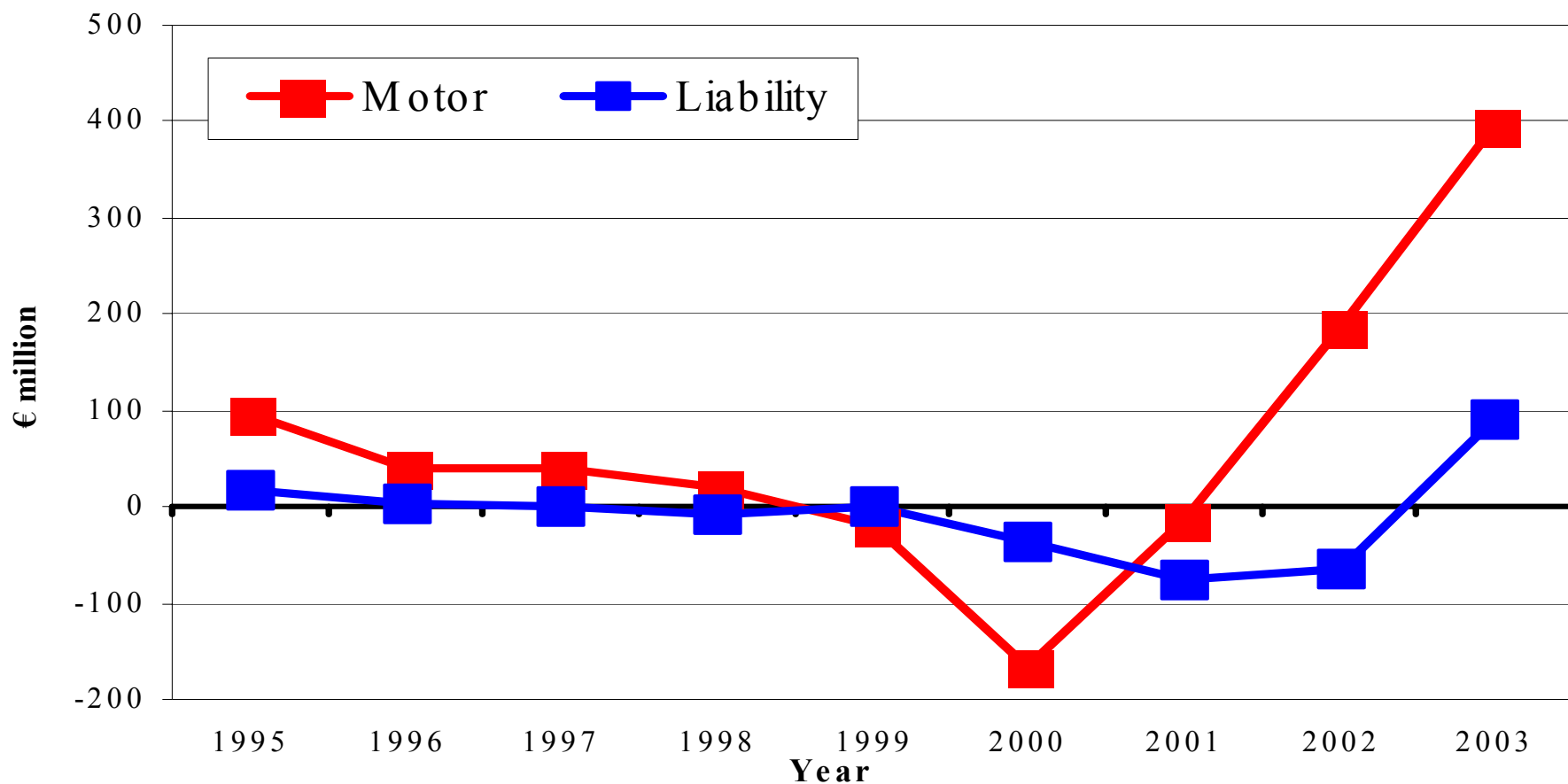
■ CPI ■ Motor Car Insurance Prices —◆— Real Motor Insurance Price Change



Liability Premiums

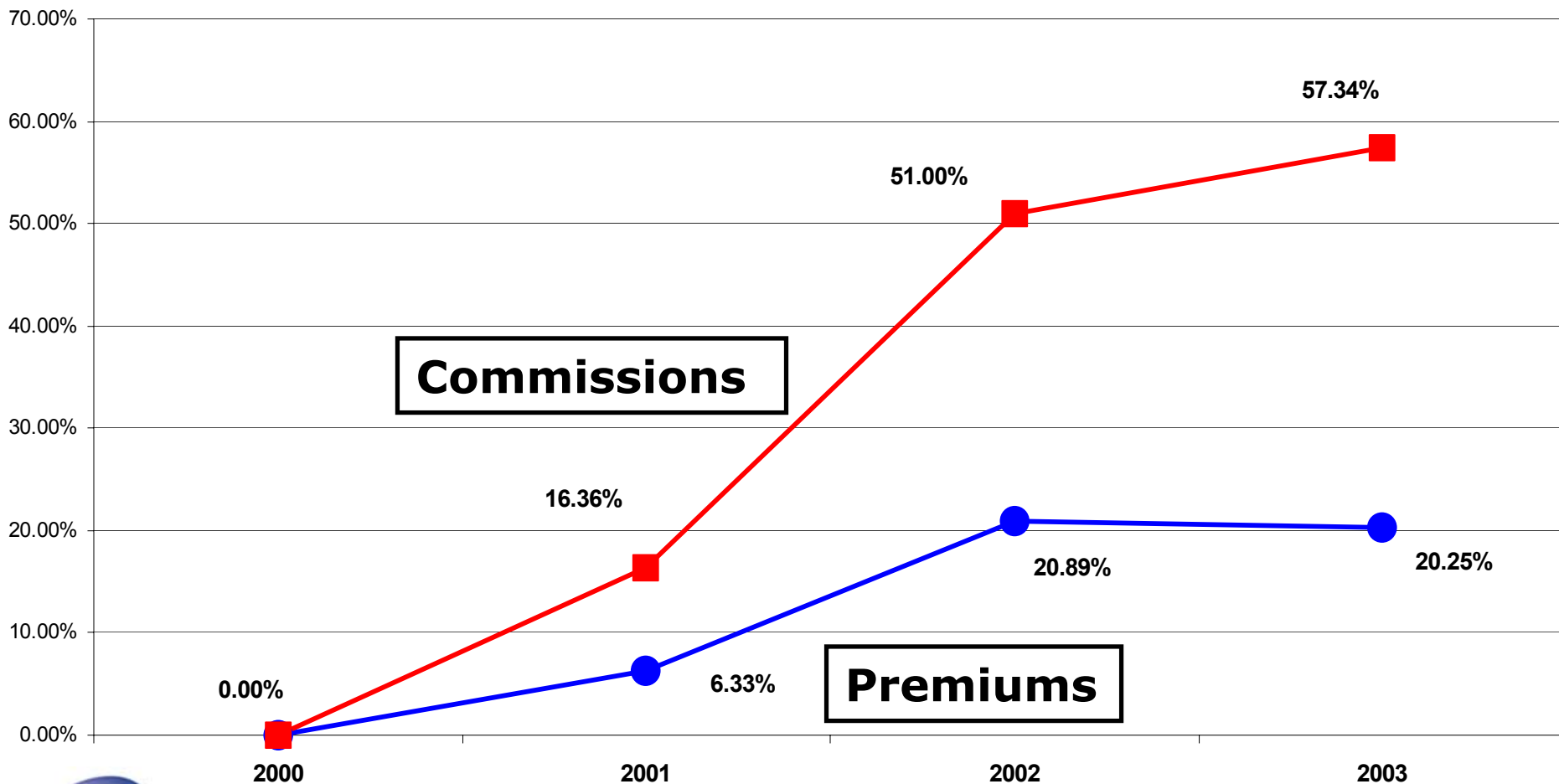


Net Operating Profit



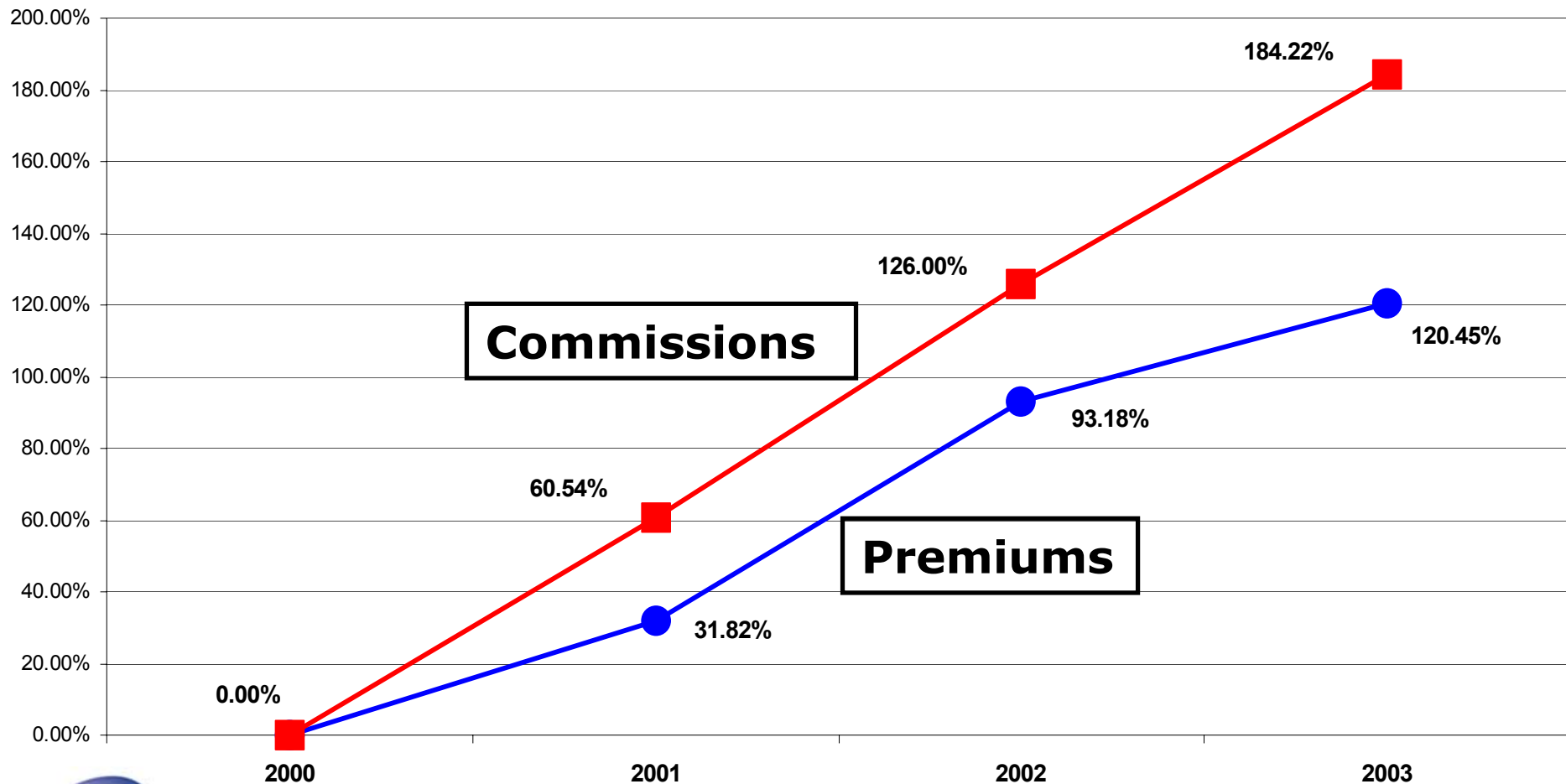
Growth in Commissions

Motor Insurance (2000 as a base)



Growth in Commissions

Liability Insurance (2000 as a base)



Segments of Market are Highly Concentrated

In individual segments of the motor & liability markets are highly concentrated:

- Specific categories of motorists, businesses & voluntary groups are "**locked in**" to their current insurance supplier and/or intermediary, and;
- Insurance companies are "**locked out**" of many important segments of the insurance market.



Locked In

Notice for Renewal Liability Insurance, 2002-03

Date of Renewal Notice Receipt	ISME (%)	AIR (%)
Two or more weeks in advance	49	40
Less than two weeks before renewal	31	49
On the day of renewal	7	7
After the renewal date	13	4



Locked In

“Approximately 50% of companies found that when they wanted to change insurer, the existing insurer was the only one willing to give them a quotation”

Alliance for Insurance Reform

“At our last renewal date we put a proposal to the only potential competitor of our current insurer, who replied to the broker with a one line response refusing the quote”

Construction Industry Federation

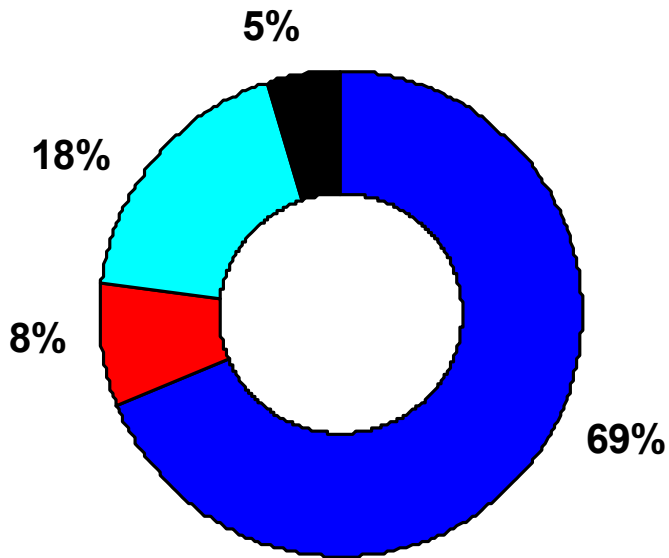


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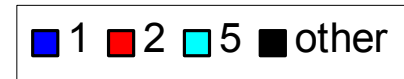
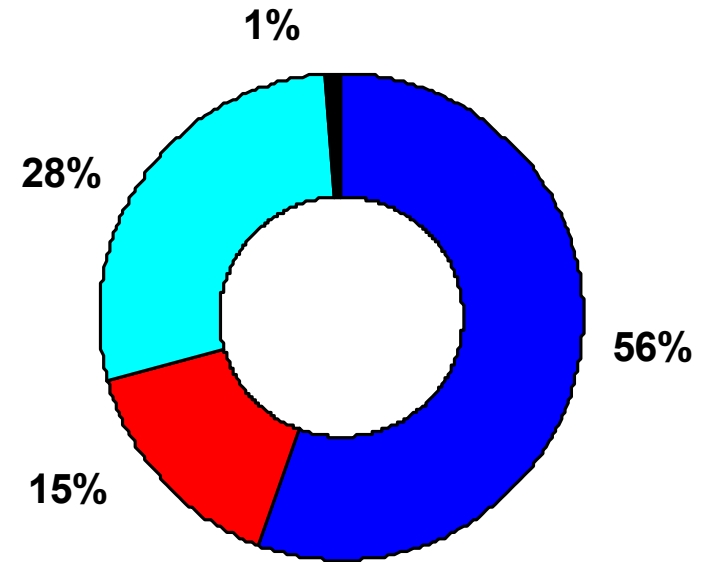
Locked Out

Female Drivers (17-20) Third Party, Fire and Theft

Full Licence



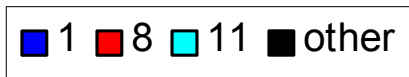
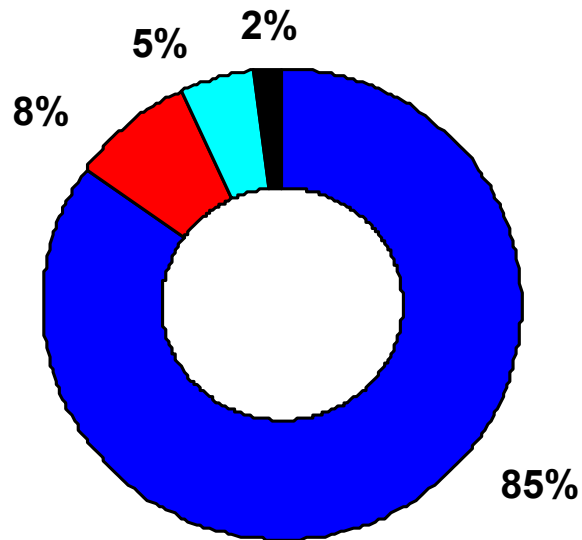
Provisional Licence



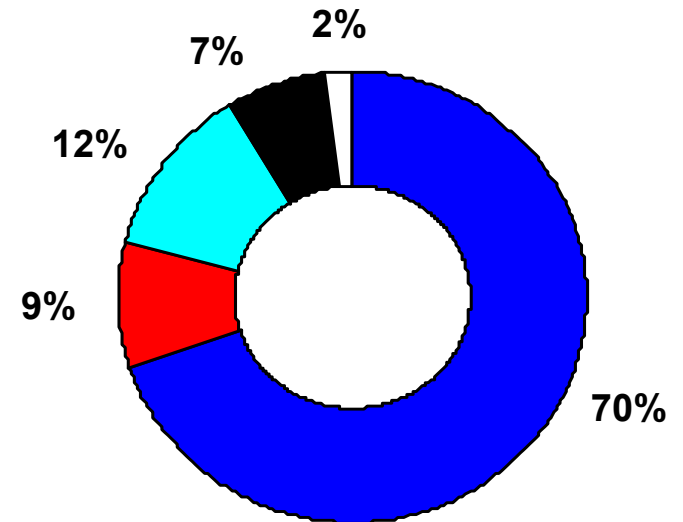
Locked Out

Male Drivers (17-20) Third Party, Fire and Theft

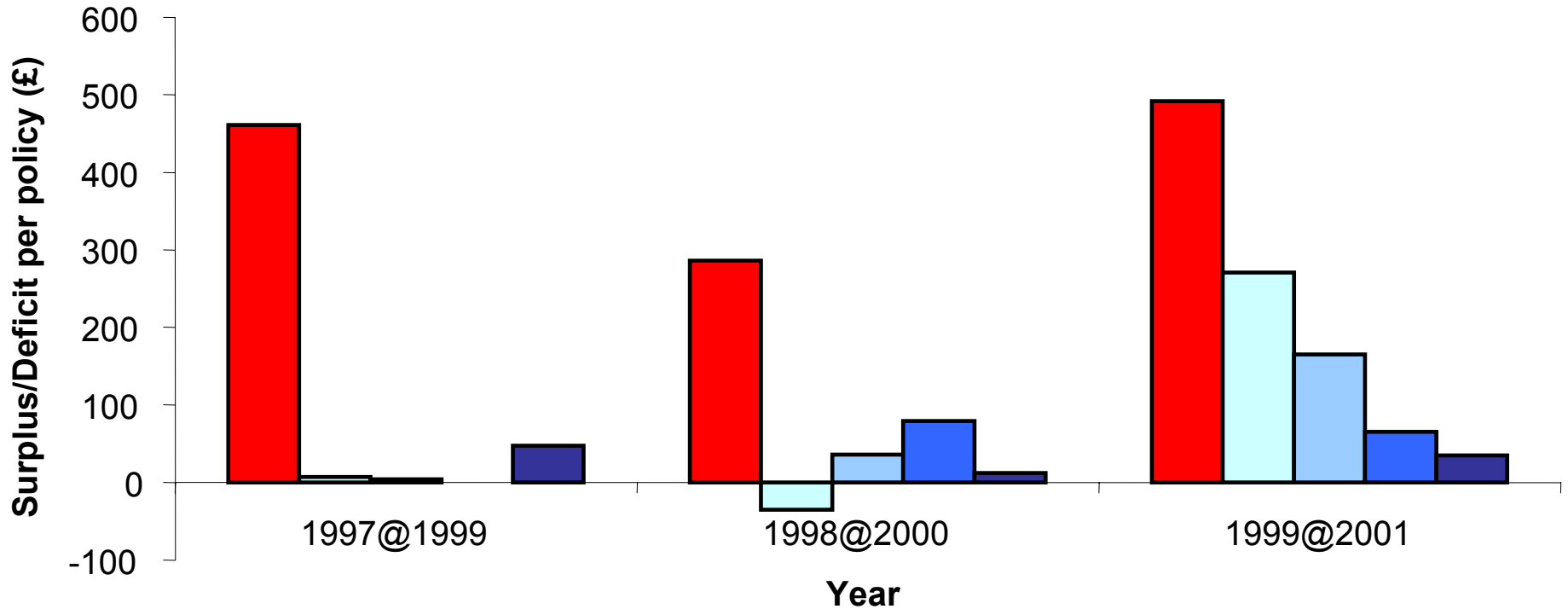
Provisional Licence



Full Licence



Locked Out



- 21-24, Female, Provisional
- 21-24, Female, Full
- 25-30, Female, Provisional
- 31-40, Female, Full
- 51-60, Female, Full



Information is Power

The insurance market in Ireland needs to be more open and more transparent

- Information to empower motorists, businesses & voluntary groups to shop around for a better deal
- Information to enable new and existing insurers to get into or expand in the profitable Irish insurance market
- e.g. Taxis / Hackneys (motor insurance)
- e.g. Electricians (liability insurance)



Information is Power

UK Personal Banking

- Top 4 firms = 68%
- Switching rate = 6%
- Profitability = High/Excessive
- Return = 5% above market

UK Motor Insurance

- Top 4 firms = 51%
- Switching rate = 53%
- Profitability = Low/Negative
- Return = 8.95% below market



Open up the market

For motorists

- Certified claims history (insurance companies)
- Break down of premium charges (insurance companies)
- Procedures for companies to self-insure (Dept of Transport)
- Disclosure of all commissions & compensation paid (intermediaries / brokers)
- Clarity on types of intermediaries (intermediaries / brokers)
- Renewal notices direct to customer (insurance companies)



Open up the market

For business & voluntary organisations

- Renewal notices 8 weeks in advance (insurance companies)
- Break down of premium charges (insurance companies)
- Certified claims history (insurance companies)
- Cost surveys of liability insurance (IFSRA)
- Disclosure of all commissions & compensation paid (intermediaries / brokers)
- Clarity on types of intermediaries (intermediaries / brokers)
- Renewal notices direct to customer (insurance companies)



Open up the market

For new & existing insurance companies

- Centralised gathering & publishing of statistics (IFSRA)
- Insurance Statistical Review available by June (IFSRA)
- Transparency of claims through the legal system (Dept of Justice & Courts Service)
- Transparency in MIBI – non-insured drivers (MIBI)
- Transparency in the Declined Cases Agreement (Dept of Transport)
- Insurance Compensation Fund to cover all Irish mass risk (IFSRA)



Conclusion

In individual segments of the motor & liability markets:

- Specific categories of motorists, businesses & voluntary groups are **"locked in"** to their current insurance supplier; and,
- Insurance companies are **"locked out"** of many important segments of the insurance market

The insurance market in Ireland needs to be more open and more transparent

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