

Committee on Finance, Public Expenditure and Reform, and Taoiseach

Competition and Consumer Protection Commission

Opening Statement

Our Role

We share the concerns of consumers, this Committee and the Government about the rising cost of motor insurance. Our consumer helpline has received 1,466 queries since the middle of last year in relation to motor insurance, 227 of which relate to increasing motor insurance premiums specifically. We have followed closely this Committee's deliberations and that of the Department of Finance Working Group.

We are grateful for the opportunity to discuss our work and views.

To begin I would like to briefly outline our structure, functions and work in the broader insurance sector. The Committee will be aware that the Competition and Consumer Protection Commission ('the CCPC') consists of a Chairperson and Membership structure which together form a collegiate decision-making Commission, in addition each Member has individual executive responsibilities.

The CCPC is the statutory body responsible for enforcement of competition and consumer protection legislation across the economy. With a few important exceptions, such as groceries, our economy wide remit means that we do not regulate individual sectors. In relation to the financial services sector Government policy means that, along with consumer protection, the Central Bank imposes the sectoral rules and codes of conduct under which financial services providers and the market must operate.

The CCPC enforces competition legislation, which in contrast to regulation, provides for intervention after a breach has happened. We also have a specific remit in terms of personal finance information and education.

Sectoral regulators, such as the Central Bank, are usually the first port of call to address sectoral issues, given their in-depth expertise and sector specific powers. The exception to this is where the CCPC's remit and powers (e.g. competition enforcement and public awareness), specific to the problems at hand, are not replicated by the sectoral regulator.

The CCPC has been active in the insurance sector over the years.

Our Work

In 2005, the then Competition Authority undertook a major study which identified a number of reasons why competition among insurance companies was not as strong as it could be. For example, consumers were slow to switch to another insurer. The study recommended greater disclosure of risk-related data as a lack of data acts as a barrier to entry. New entrants would find it extremely difficult to assess the overall market risk without accurate data.

We have on several occasions investigated complaints relating to alleged anti-competitive behaviour by industry participants. This included an investigation into whether private motor insurance companies had access to competitor future pricing information on a regular basis through an IT system. This was resolved by means of legally binding Agreements and Undertakings obtained from the relevant parties involved.

As part of our statutory personal finance education role we provide information to consumers to help them make informed choices. Along with conducting consumer awareness campaigns we publish periodic insurance surveys which help consumers be aware of the options available to them and we regularly publish switching reports to encourage consumers to find the best deal available to them.

Open Investigation

In October 2015, we engaged with Insurance Ireland with regard to concerns about price signalling. No immediate enforcement action was required but we implemented a strategy to more closely monitor the sector and establish whether there are grounds for suspecting a breach of competition law.

The industry has, in recent times, openly signalled up-coming increases in premiums. We have noted public statements made by insurance companies forecasting, with confidence, that premiums will rise, at times specifying the amount of the predicted rise and that these increases are inevitable. Statements signalling future pricing intentions may result in a degree of unspoken coordination which may breach competition law.

We have been frankly very concerned by these statements and this week, after detailed planning over a number of months, we issued summonses and formal requests, under our powers, for information to players in the sector. The evidence collected will allow us establish the facts and take appropriate action.

What Would Make Things Better?

Our views on the market are informed by our activities – it is clear to us that there is a significant issue of transparency, disclosure and confidence in the sector. Parties that have come before you have offered different, often conflicting views on what is happening. This does nothing to promote confidence in the market and the frustration of motorists facing sustained increases is understandable and well founded.

We are extremely active in the sector but our actions will not explain what is happening in the market; we are therefore glad to see that the Department of Finance Working Group, which our parent Department is represented on, is studying this issue as a matter of priority. We are available to assist either this Committee or the Working Group.

In terms of what we would like to see - it is clear that publication of more detailed, up-to-date and extensive statistical data, particularly relating to claims and settlements, would allow for a better diagnosis of what is happening in the sector. This could perhaps be done by either the regulator or the Personal Injuries Assessment Board. It should restore some confidence.

It may also in turn promote the entrance of new firms to offer competition, something which is vital to the long term health of the sector. We of course must also ensure that this competition is healthy - both the regulator and ourselves have different but complementary roles in this regard. We would welcome any initiative that would allow for consumers to more easily switch provider thus encouraging competition and greater choice.

We would urge the Committee and the Working Group to scrutinise the cost of legal services, an area which we have advocated in for years, and their impact on the cost of insurance. We will be represented on the Board of the Legal Service Regulatory Authority which is being set up at present.

We are of the view that the work of this Committee and the Working Group is shining an important light on the issues in the sector which we hope will result in recommendations, legislative changes or co-ordinated action that will have a positive and lasting effect on this vital market.