

ISME,
17 Kildare Street,
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8th March 2018

ISME RESPONSE TO THE
CENTRAL BANK (NATIONAL CLAIMS INFORMATION DATABASE) BILL

In the above consultation, issued by the Department of Finance on 22nd December 2017, the following four questions were asked:

- 1) Are there any other types of information [*aggregate level claims data, excluding fraudulent claims data*] that you believe should be collected as part of the National Claims Information Database? In responding to this question, account should be taken of the need get the balance right between additional costs for the insurers (and ultimately the policyholder) and the added value of such data, as well as the difficulties in verifying such information.
- 2) Is there certain information data that should not be collected? Why?
- 3) Do you agree that this is an appropriate funding model, given that the National Claims Information Database cannot be funded by the Central Bank?
- 4) Do you agree that this [*anonymous aggregated data from insurance undertakings for specific statistical purposes*] is the correct approach?

ISME's views are as follows:

Are there any other types of information that you believe should be collected as part of the National Claims Information Database? In responding to this question, account should be taken of the need get the balance right between additional costs for the insurers (and ultimately the policyholder) and the added value of such data, as well as the difficulties in verifying such information.

The fact that the Bill proposes only to analyse motor claims data only, at least initially, means that the title of the Bill is misleading. While motor insurance premia appear to be stabilising at an unjustifiably high level, PL and EL premia in particular represent an existential threat to small businesses. At the very least, there must be a time-delimited undertaking to extend the database to all forms of claims data.

ISME believe the claims data should be more granular, and should not exclude claims made against self-insured entities; we believe the Bill as written would do so. It is misleading to entitle the Bill 'National Claims Information Database' if it excluded claims that were settled through an avenue other than insurance underwriter. Therefore we believe the data-gathering chain should be initiated at PIAB stage, capturing 100% of claims initiated.

The data should be fed 'from the bottom up;' i.e. if something purports to be a 'National Claims Information Database' it must start with 100% of raw claims data, and gradually consolidate that into

aggregate level anonymised statistics. Thus we believe a more holistic approach to data capture is required, see below.

Is there certain information data that should not be collected? Why?

ISME has no particular views on data which should not be collected, other than to recognise that all forms of statistical generation by the state impose an administrative and cost burden on those surveyed, and thus should be as simplified as possible.

Do you agree that this is an appropriate funding model, given that the National Claims Information Database cannot be funded by the Central Bank?

ISME does NOT agree that the Central Bank is the appropriate agency for gathering this data.

The Central Bank defines its role regarding the Insurance and Reinsurance sectors in its mission statement as *'Protecting consumers through effective supervision that supports the sustainability of the insurance sector.'* However, it is abundantly clear, when one peruses the statutory requirements under the Solvency II regime¹, that consumer protection as is commonly understood by that expression comes a distant second to the prudential regulation of insurance and reinsurance providers. The prudential regulatory requirement effectively compromises the Central Bank in its consumer protection mission, in that the higher the level of return to insurers from a given level of underwriting activity, the more the insurer is compliant with the Solvency II regime requirements. Of necessity, there must be some degree of market tension between consumer protection and solvency requirements. The Central Bank is (necessarily) the most poorly placed of all state agencies to resolve this market tension in an acceptable fashion. Therefore we do not view the Central Bank as the appropriate agency to undertake the task required in the Bill.

Lest the Department of Finance be under any illusion as to the deterioration in consumer-friendly information supplied by the Central Bank, we draw the Department's attention to the so-called 'Blue-Book'² data which used to be supplied in respect of insurers, compared to the current 'Solvency and Financial Condition Reports'³ currently supplied by them. The latter are supplied in a disaggregated fashion, which do not provide any summary comparisons as the 'Blue Book' does. The Governor of the Central Bank should be directed by the Minister to consolidate and publish this information for 2016 and subsequent years forthwith.

In its previous submission to the Department of Finance regarding the Report of the Cost of Insurance Working Group,⁴ ISME argued that the CSO would be a more suitable agency for the gathering of statistics on motor (and indeed all) claims data. While we accept that PIAB could equally well achieve this functionality, we point out that both have an extant budget for data gathering, unlike the Central Bank. Furthermore, they could achieve the goals set out in this Bill by secondary legislation.

¹ <https://www.centralbank.ie/regulation/industry-market-sectors/insurance-reinsurance/solvency-ii/legislation>

² <https://www.centralbank.ie/docs/default-source/statistics/statistical-publications/insurance-statistics/insurance-statistics-2015.pdf?sfvrsn=4>

³ <https://www.centralbank.ie/regulation/industry-market-sectors/insurance-reinsurance/solvency-ii/solvency-and-financial-condition-report-repository/2016-solvency-and-financial-condition-reports>

⁴ <https://www.isme.ie/assets/ISME-Response-CIWG-Report-January-2018.pdf>

In the event that the CSO or PIAB were assigned responsibility for management of a National Claims Information Database, it would merely require the allocation of a marginal sum to cover the budgetary requirements for gathering a larger dataset.

Do you agree that this [*anonymous aggregated data from insurance undertakings for specific statistical purposes*] is the correct approach?

No. We believe a far more holistic approach is required, such as the Claims and Underwriting Exchange⁵ (CUE) in the UK. Subject to the establishment of a suitable interface with PIAB, all claims data in Ireland could enter a system analogous to the CUE. This can be structured into progressively more consolidated, aggregated and anonymised data by the data gatherer, in order to comply with privacy and commercial data concerns. The consolidated, aggregated data could then form the basis of a 'National Claims Information Database' but they would be representative of 100% of claims data, not a small subset of it.

If an analogue of the CUE was set up on a statutory basis in Ireland, it would capture all claims data at the point of initiation, and follow them through investigation to settlement (or otherwise). This database would include the personal data of claimants. Rather than exclude 'fraudulent claim data,' and compile these separately (which makes no logical sense), fraudulent claim data would constitute a subset of the full data set. Only in this way can a database be interrogated for multiple claims by a single individual, or multiple claims for a single incident by the same individual, or multiple claims by a single claims consolidator. Where data protection concerns might be arise in relation to fraudulent claims, we believe Section 5 (1) (a) of the Data Protection Act 1988, to the extent (if any) that it does not permit the compilation of data to mitigate against fraudulent claims, should be amended to do so. In the base case, however, ISME does not accept that any data protection issues arise in the analysis, detection, and prevention of fraudulent claims that cannot be managed by appropriate legislative control of access to this data. The Office of the Data Protection Commissioner should be of assistance to the Department in this regard.

ISME does not accept that all '*company-by-company information provided to the Central Bank will be confidential.*' A copy of the company-by-company motor insurance data submitted to the Central Bank in 2015 is copied below. This was not illegal in 2015. We do not believe it is illegal (or commercially sensitive) now. It should therefore, at a minimum, constitute the minimum dataset sought from insurers under the Bill.

⁵ http://www.cuecheck.com/front/html/cue_index.htm

TABLE 15 - MOTOR VEHICLE IRISH RISK INSURANCE BUSINESS - NET UNDERWRITING REVENUE ACCOUNTS FOR THE YEAR 2015 (€000)

NAME OF UNDERTAKING	Opening Provision		Closing Provision		Earning Premium Income	Other Income	Total Income	Claims Paid	Claims Outstanding				Cost of Claims Incurred	Movement in Equalisation Reserve	Commission	Management Expenses	Movement in Deferred Acquisition Costs	Other Expenditure	Total Expenditure	Foreign Exchange Gain / Loss	Underwriting Profit / Loss	Investment Income Attributable to U/W A/C	Result on Technical Account		
	UPR	URR	UPR	URR					Opening Provision	Not Reported	Closing Provision	Not Reported												Opening Provision	Not Reported
Undertakings with their Head Offices in Ireland - Solvency supervised in Ireland																									
Aliant P/c	59754	0	80,955	75,334	0	141,545	2,443	147,888	85,579	84,324	82,969	20,032	83,541	82,259	0	189	22,984	-2,736	0	84,266	1	-4,237	4,685	-43,552	
AAA	84,871	0	3,658	63,592	0	277,547	3,911	281,458	22,109	82,866	9,952	67,852	10,229	26,202	0	26,463	33,465	-2,833	0	304,977	0	-43,839	5,364	-36,475	
Beech Hill	0	0	0	0	0	0	0	0	80	144	68	0	-92	0	0	0	0	0	-92	5	97	0	0	87	
Carolina Insurance	0	0	0	0	0	0	0	0	140	980	0	752	0	-88	0	0	0	0	-88	0	88	0	0	88	
Electric Insurance	0	0	0	0	0	0	0	0	0	0	1	0	0	-1	0	0	0	0	-1	0	1	0	0	1	
Euro Insurance	1287	0	452	219	0	1520	0	1520	544	834	677	774	628	492	0	80	0	80	0	5163	0	-3,623	0	-3,623	
FED	79,627	0	66,557	78,611	0	87,573	2,922	80,495	83,983	309,327	7,398	384,044	7,626	208,528	0	1220	52,028	399	0	282,255	0	-10,750	8,962	-62,788	
GO Insurance	0	0	2	0	0	2	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	2	0	2	
Irish Public Bodies	1488	268	6,334	1592	266	6,212	47	6,259	63,616	8,232	5,865	1650	2,661	2,410	0	44	969	0	3,465	0	2,834	1353	4,807		
Liberty Insurance Ltd	63,780	0	38,996	3,1681	-7,999	89,084	20,054	109,138	75,465	270,651	85,292	202,320	80,645	83,225	0	3,733	39,951	769	0	87,678	1533	-7,007	601	-6,406	
RSA Insurance	69,716	1072	-110,363	68,830	0	-109,435	26,649	-82,786	83,539	359,832	53,142	71927	8,654	-96,654	0	8,839	20,291	696	0	-56,838	0	-25,548	7,541	-8,307	
UPS	0	0	21	0	0	21	0	21	0	0	0	0	0	-1	0	0	2	0	0	1	0	20	0	20	
Zurich Insurance plc	22,969	0	48,863	22,291	0	48,267	14,083	62,344	57,002	93,071	63,955	92,964	62,223	55,863	0	9,863	6,450	668	0	80,364	0	-7,420	3,883	-6,537	
TOTAL (a)	423,302	1340	616,005	442,120	-17,703	616,430	69,399	685,829	808,486	1,841,865	354,714	1,750,275	315,093	687,875	0	70,992	185,210	-2,857	0	941,110	1,539	-253,752	32,489	-221,263	
Undertakings with their Head Offices in other EU Member States																									
ACE European	0	0	0	0	0	0	0	0	0	-40	0	-40	0	-1	-16	1	0	0	0	-16	0	16	0	16	
AG Europe Limited	34,511	0	99,796	50,667	0	81,640	22	81,662	44,416	62,690	14,648	83,102	34,946	85,266	0	12,811	12,628	-2,665	0	87,940	0	-26,078	4,400	-17,678	
Aviva Insurance Limited	84,471	0	95,347	106,926	0	114,832	1,375	116,207	107,045	336,321	40,036	327,962	37,480	47,630	0	28,166	6,598	-471	0	170,463	0	5,744	14,726	20,470	
Chubb Insurance Europe	608	0	1,669	864	0	1410	0	1,410	388	166	398	88	596	647	0	97	222	-28	0	10,106	-4	381	71	452	
Eschbacher	0	0	0	0	0	0	0	0	0	0	2	0	2	0	0	0	0	0	0	0	0	0	0	0	
Highway	0	0	0	0	0	0	0	0	650	8,463	0	2,665	-48	-66	0	0	0	0	-66	0	0	66	0	66	
RCA P/c (Irish Branch)	145	0	41	33	0	63	0	63	51	76	117	89	8	60	0	2	0	0	62	0	91	0	0	91	
Traieers	2,338	0	6,94	3,300	0	5,902	0	5,902	9,555	9,326	14,543	7,594	2,958	0	566	2,735	-27	266	5,628	0	74	89	83		
TOTAL (b)	122,519	0	307,847	165,620	0	263,940	1,397	265,337	167,605	435,811	65,554	428,882	80,202	216,324	0	41,441	31,886	-3,191	266	285,026	-4	-19,703	19,306	-397	
GRAND TOTAL	546,316	1340	923,852	607,740	-17,703	880,370	70,796	951,066	1,016,091	2,267,676	419,668	2,179,677	415,295	903,199	0	112,423	216,396	-6,148	266	1,226,186	1,535	-273,455	51,795	-221,660	