

## **RGDATA Submission on Insurance Claims Database**

### **Background**

- RGDATA, the Retail Grocery Dairy & Allied Trades Association, is the representative association for 3,500 local shops, convenience stores, forecourt stores and supermarkets throughout Ireland.
- RGDATA members identified unsustainable shop insurance premium increases as one of the top threats to their business in RGDATA member surveys in 2015/2016.
- In addition, RGDATA members reported unprecedented levels of personal injury claims in 2016/2017 with over one third having faced at least one new claim in the past twelve months.
- In 2018 shop insurance costs continue to rocket due to excessive settlements foisted on retailers by insurance companies - a huge portion of which is legal costs.

In 2016/2017 a nationwide survey of 500 RGDATA members revealed:

- 85% of retailers had seen an increase in their insurance premiums over the past year.
- The average insurance premium increase was just over 30% on the previous year, but some have increased by as much as 150%.
- 44% of retailers surveyed said that they had insurance claims recently with the majority (77%) involving personal injury claims.
- 34% of retailers faced at least one personal injury claim in the last 12 months.
- Retailers reported a persistent increase in claims from serial claimants and claims that are spurious and grossly exaggerated.
- All retailers surveyed felt that insurance companies are over eager to settle claims prematurely rather than fighting cases.
- Members reported significant increases in the excess payments imposed on them by insurance companies from €5,000 to €20,000 per case.
- In over 80% of cases the insurer never consulted the retailer before settling a case and the first they hear of it/them is when their renewal notice arrives seeking a significantly hiked premium.

## **1. Insurance costs are a critical issue for RGDATA members**

Insurance costs and claims are a critical issue for independent grocers. Our members are in a tough, extremely competitive sector up against global giants from Germany and the UK. They have to operate on really tight margins, deal with fluctuating consumer sentiment and must be ruthless about the efficiency of their businesses if they are to keep their 90,000 staff in jobs, offer the best value, convenience and quality to their customers and stay in business.

What adds to the frustration is that business owners have no control over the costs involved despite spending significant amounts on risk management, security and health and safety - claims continue to spiral in our members' shops.

In 2016 RGDATA highlighted huge concerns about shop insurance premiums jumping by 30% – 50%. These costs continued to spiral in 2017. For example, McCambridges of Galway's premium went up by almost 100%. From €56,000 in 2015 to €110,000 in 2016 for an award winning Irish family business.

The seriousness of the situation is further emphasised by the fact that in 2017 some members reported that they had made the serious decision to part self insure because the PL & EL insurance premium quote they were given was so off the scale.

RGDATA presented the Working Group On Insurance Costs with the details of our member surveys, the main concerns that they raised and the impacts on the independent retail sector. We also gave our views on the Cost of Motor Insurance Report and we welcomed the following:

- measures to provide greater transparency concerning premiums,
- the development of a national claims information database,
- the establishment of a Personal Injuries Commission (PIC)
- and certain recommendations concerning the reduction of costs in the claims process.

## **2. RGDATA PROPOSALS FOR TACKLING INSURANCE COSTS AND THE HIGH COST OF DELIVERING COMPENSATION FOR PERSONAL INJURY CLAIMS**

Excessive insurance costs represent a significant drain on Irish businesses and are now at a stage where they are presenting a direct threat to the viability of many businesses in Ireland. They are undermining competitiveness and creating a situation where the high costs of insurance are directly threatening otherwise viable business enterprises.

This is a recurring problem – the last insurance crisis occurred just over a decade ago when some reforms were introduced to solve the problem of high costs. However, despite these reforms, the problem has re-occurred and businesses and consumers are now bearing the brunt of a dysfunctional market, disproportionately geared to serve the vested interests of the legal profession and the insurance industry. It is imperative that fundamental reforms are introduced that address the interests of businesses and consumers who are paying the spiralling and unsustainable costs.

***Given the recurrence of this problem and the dysfunction of the market, RGDATA believes it is time for fundamental and major reforms. There is no point in tinkering around the edges or coming up with some incidental changes which will only defer the problem for a few more years. The Government must initiate a programme of major reforms as a matter of urgency.***

This is a national crisis and requires major legal changes and cross party agreement to deliver substantive and meaningful changes.

This is no longer just about bogus, false or exaggerated claims. Even for genuine cases our courts based system for delivering compensation for personal injuries has pushed costs and awards to grossly unsustainable levels.

A system has been created which militates against the expeditious resolution of cases on a fair and reasonable basis and instead contributes to excessive costs, inconsistent and unpredictable awards and levels of damages that are prohibitive and unsustainable.

### **3. Fundamental reform of the legal system for managing personal injuries claims is required**

RGDATA has consistently argued that fundamental reform of the legal system for managing personal injuries claims is required and we have made a number of recommendations that we believe will deliver a more cost effective system that is fair to business owners, genuine claimants and the general public.

With regard to the proposed Claims Information Database RGDATA would like to make the following observations:

#### **The establishment of a Claims Information Database is a welcome and necessary measure, but it is not a substitute for fundamental and substantive reforms.**

RGDATA's submission to the CWIG and to Government supported the following:

- i. Introduction of a Register of Settlements and a Claims Database with the following information collected and collated;
  - a. Details of insurer
  - b. Amount of settlement
  - c. Type of claim
  - d. Business of the insured
  - e. Stage at which it was compromised.

With regard to the proposed Claims Information Database RGDATA would like to make the following observations:

- The Claims Database and the collection and supervision of the data should be the responsibility of an independent body that does not currently have a supervisory role over insurance companies.
- The Claims Database must be available to all and must cover EL and PL cases as well as motor cases.
- The Claims database must include information on all claims and not just Insurance Ireland members
- The Claims Database should be put in place as a matter of urgency.