

'No excuse' for insurance firms to hike premiums

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THE Injuries Board has warned there is no need for insurance companies to raise their premiums in the current global financial turmoil.

Speculation has been rife that insurers could introduce premium increases of up to 20pc on the back of the collapse of investment banking firms such as Lehman Brothers.

However, Patricia Byron, chief executive of the Personal Injuries Assessment Board (PIAB), yesterday hit out at the prospect of such steep rises, pointing out

that over the past four years the cost to insurance companies of claims settled through the board has dropped sharply.

"Claim costs are the prime drivers of insurance premiums in Ireland and there has been no significant change in claim costs in recent months.

"At a time of economic downturn, with cost pressures facing business and consumers alike, it is important that the hard-earned cuts in insurance premiums of recent years are not reversed on the basis of tenuous or unsubstantiated links to global investment market turmoil," she argued.

"Since the Injuries Board

was established in 2004, the delivery, or administration, cost to insurance companies of claims settled through the board has fallen from nearly 50pc to less than 8pc.

"This has helped drive down the cost of insurance in recent years," she added. Last year the PIAB made assessments totalling €181m. It is estimated that over €100m a year is saved by processing claims through the board rather than through the old, adversarial, model used in the courts.

Earlier this month, the Irish Brokers' Association (IBA) warned that Irish consumers could see their insurance premi-

ums rise as a result of the meltdown in the global markets.

Canice O'Reilly, president of the IBA, said: "Many of the insurers' reserve funds were badly hit after Wall Street investment bank Lehman Brothers filed for bankruptcy protection and its peer, Merrill Lynch, was swallowed by Bank of America.

"Insurance companies are now likely to become more cautious by shoring up their reserves and taking a more conservative approach to pricing. All of this is likely to lead to a 10 to 20pc increase in overall general insurance premiums over the short term, and 20pc-plus over the medium term," he added.