



Motion to the Finance SPC – 16th January 2020

Motion in the name of Cllr. Dermot Lacey

This Committee agrees to discuss the following motion for recommendation to the full Dublin City Council:

Dublin City Council

1. Notes that –
 - (a) under the Local Government Act 2001 the functions of this Council include –
 - (i) the promotion of social, environmental, recreational, cultural, community and general development, including enterprise and economic development, in its administrative area, and
 - (ii) the promotion of the interests of the local community in relation to general recreational, leisure, sports, games, artistic, linguistic and cultural activities and the public use of amenities,
 - (b) the cost of public liability insurance is seriously impacting upon the operations and threatening the viability of not-for-profit organisations offering recreational and leisure activities and amenities, to the detriment of economic, social and cultural development and the interests of the local community generally,
 - (c) the Council is a member of IPB Insurance CLG, a mutual general insurance company limited by guarantee which is owned by the local authorities that established it and which, reflecting its mutual origin and purpose, aims in its operations for a combined operating ratio (the sum of incurred losses and expenses divided by premiums) of 95%, and
 - (d) it is a function of the elected council to determine by resolution the policy of the Council,
2. Resolves that it is the policy of this Council, in furtherance of the functions referred to in paragraph 1 (a), that its membership of IPB Insurance should be used to secure that public liability insurance is offered by that company to not-for-profit organisations in this sector at the cheapest rates that are consistent with financial prudence and the avoidance of loss, and
3. Requests and requires the Chief Executive, pursuant to sections 140 and 149 (6) of the Local Government Act 2001 –
 - (a) in co-operation with other local authorities and with IPB Insurance, to take all necessary steps, including if need be the securing of amendments to the constitution of IPB Insurance at a general meeting of the company, for the development and implementation of concrete proposals to achieve this policy, and
 - (b) to report back regularly to the Council on the matter.

Report

The Chief Executive referred this motion to IPB Insurance and received the following response:

'Dublin City Council is a Member of IPB Insurance (IPB). IPB is a mutual insurer which has been in existence for over 90 years and which, as a specialist large liability insurer, applies a risk appetite tailored to Members' risk exposures. Members include all Local Authorities, the Education & Training Boards, Regional Assemblies and the HSE. IPB is regulated by the Central Bank of Ireland and that regulatory framework entails significant obligations in respect of capital requirements and governance arrangements to effectively manage the risks underwritten by IPB. Given their complexity, IPB's deep expertise in providing cost-effective insurance solutions for Members' key risks enables Local Authorities to continue to deliver services with the peace of mind of appropriate protections.

Many factors impact on both the availability and pricing of insurance, the performance of the wider liability market in which IPB operates as outlined below has had a significant impact on the risk appetite of insurers. Cumulative underwriting losses, occurring when the premiums charged for risks undertaken is less than the cost of claims incurred, have been recorded in each of the past 6 years. In that period the liability market has sustained cumulative losses of €349m¹.

Based on the poor market performance in recent years and reflecting IPB's lack of experience in the markets suggested in the motion, it is unlikely that the pricing of any insurance products could be at more favourable levels than the market is currently offering. As a regulated and competitive entity, IPB must price insurance products to deliver a (marginal) underwriting profit to sustain the ability to pay future claims in all markets it participates in. As a specialist and niche insurer, IPB is not active in the wider insurance market in the sectors outlined in the motion for discussion and does not have the associated experience to inform underwriting decisions, including pricing.

In addition, reflecting its Member profile, IPB is an effective insurer for large scale entities and would not be in a position, without significant investment in technology and considerable resourcing commitments and a change in underwriting focus, to service the insurance needs of a large volume of small groups, associations, not-for-profit organisations and so on. These considerations collectively indicate that this proposal would not be straightforward.

As the statistics highlight, the market has been loss making for a sustained period – although the outlook is improving somewhat as central Government are acting to address the cost of claims, a significant performance driver, with the establishment of the Personal Injuries Commission and the introduction of new legislation.

It would be reasonable, based on the assumption that the market will perform better in the coming years, that insurers who have exited will return and this will address both availability and pricing of insurance concerns.

¹ *Insurance Ireland Factfile for 2017 (published July 2019 and reflective of most recently available industry figures)*