



Information Release

13 October 2011

**Inspection Finds Majority of Insurance Firms Settle Personal Injuries
Claims In Compliance With Consumer Protection Code**

The Central Bank of Ireland today (13 October 2011) published the results of a themed inspection into the handling of third party personal injury claims by insurance firms. The purpose of the inspection was to examine whether insurance firms were compliant with the claims processing requirements of the Consumer Protection Code and to determine whether insurance firms were making an appropriate settlement offer.

The inspection examined 418 third party personal injury claim files, closed by eleven insurance firms during the period 1st April to 30th June 2010. The files inspected covered a range of personal injuries from less serious soft tissue injuries to injuries which resulted in individuals having their quality of life radically changed. The injuries arose from a wide range of accidents including traffic, workplace and public places related accidents.

The key findings from the inspection of the sampled files found that:

- Overall, third party personal injury claims are being handled appropriately by insurance firms and in compliance with the Consumer Protection Code. Insurance firms are required to take reasonable steps to verify the validity of a claim before making a decision on the outcome, communicate in writing the terms of any offer of settlement, and pay all claims within ten business days once certain conditions have been met.

- Insurance firms are settling claims across the range of amounts outlined in the InjuriesBoard.ie 'Book of Quantum' which the Central Bank used as a guide when assessing claims settled by the insurance firms.
- Some potential issues concerning compliance with the Consumer Protection Code were identified in two insurance firms and the Central Bank is following up with those concerned.
- Almost 4 in 10 of third party personal injury claims were settled by insurance firms without referral to the InjuriesBoard.ie, taking an average of 12 months from date of claim notification to the date of claim payment.
- It was noted that claimants who chose to refer their claim to the Injuries Board.ie and accepted the assessment award received a higher settlement offer than the insurance firms' last recorded offer. Claims which were settled following assessment by the InjuriesBoard.ie took on average 20 months from the date of notification to the insurer to the date of claim payment.
- Where claim assessment awards made by the InjuriesBoard.ie were rejected either by the insurer or the claimant it was noted that the ultimate claim settlement was higher than the Injuries Board assessment award. Claims which were settled following litigation took between 12 and 60 months from the date of notification to the insurer to the date of claim payment.

Director of Consumer Protection, Bernard Sheridan, said: 'The Central Bank expects insurance firms handling personal injuries claims to make a fair and reasonable offer to its claimants. Consumers who have suffered injury or loss can feel vulnerable and should take their time when assessing and agreeing a settlement.'

We are committed to ensuring that this market works in the best interests of consumers and the Central Bank will be publishing the revised Consumer Protection Code later this month. The revised Code will provide additional protection for consumers by placing greater compliance requirements on firms.'

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Notes to Editors

Determining compensation for personal injuries claims is a complex process, involving for example assessing the prognosis of an injury and the potential recovery period, and as a consequence a good deal of judgment is required as well as the appropriate legal, insurance and medical expertise to assess compensation.

For the purpose of this themed inspection the Central Bank compared the insurance firms' final settlement offer with the range of settlement values outlined in the InjuriesBoard.ie Book of Quantum.

1. An analysis of the data provided by 18 insurers that had closed third party personal injury claims during the period 1 April - 30 June 2010 revealed the following findings:
 - A total of 6,672 third party personal injury claims where a settlement was made were closed in the defined period.
 - Of the 6,672 closed claims:
 - 39% were settled without referral to the InjuriesBoard.ie
 - 9% were referred to the InjuriesBoard.ie but were settled during the interim period prior to an assessment being completed by the InjuriesBoard.ie
 - 15% were assessed by the InjuriesBoard.ie and were accepted by both insurers and claimants
 - 7% were settled after rejection of the InjuriesBoard.ie assessment but before the initiation of legal proceedings
 - 22% were settled following initiation of legal proceedings
 - 6% were settled on the steps of the court
 - 2% were settled following a court award

- 24% of the total cost of all third party personal injury claims closed in the defined period was attributed to legal costs.
 - 42% of the third party personal injuries claim settlements were closed within 12 months of the claim notification date. 20% of claims were closed within 3 months.
2. The Central Bank will be issuing a revision to the Consumer Protection Code, which will be published later this month. The revised Code will require firms to allow claimants 10 working days to accept or reject a settlement offer before making payment of a claim settlement. Insurance firms must also ensure that any claim settlement offer is fair, takes into account all relevant factors, and represents the regulated entity's best estimate of the claimant's reasonable entitlement under the policy. In addition firms will be required to issue claimants with a copy of a InjuriesBoard.ie leaflet 'Guide for Personal Injury Claimant's' which will include details on how to refer a claim to the InjuriesBoard.ie.
 3. The InjuriesBoard.ie Book of Quantum is a general guide as to the amounts that may be awarded or assessed in respect of specified types of injury.