



The Insurance Compensation Fund (the Fund)

Introduction

The Fund was established under the Insurance Act 1964 (the Act) which has been amended by the Insurance (Amendment) Act 2011 (the 2011 Act) and the Insurance (Amendment) Act 2018 (the 2018 Act). The 2018 Act provided for the transfer of the administration of the Fund from the Accountant of the High Court to the Central Bank of Ireland.

The Fund is primarily designed to facilitate payments to policyholders in relation to risks in the State where an Irish authorised non-life insurer or a non-life insurer authorised in another Member State goes into liquidation.

Payments from the Fund

Liquidation

- In the event of the liquidation of an insurance company in Ireland resulting in a draw in the Fund, the liquidator will make an application to the High Court to approve payments out of the Fund, on receipt of a verified claim. On High Court approval, the Central Bank as administrator of the Fund will pay the specified amount to the liquidator for distribution to claimants.
- In the event of the liquidation of an insurer authorised in another Member State resulting in a draw on the Fund, the State Claims Agency will make an application to the High Court on behalf of the liquidator, to approve payments out of the Fund, on completion of due diligence.

The cap on the amount to be paid out of the Fund in the event of a liquidation is 65% of the claim or €825,000 whichever is the lesser. However, in the case of third party motor insurance claims, where an insurer is in liquidation the Fund will make a payment of 100% of an award¹.

A sum due to a commercial policyholder may not be paid out of the Fund unless the sum is due in respect of a liability to an individual. In addition, not all policyholder liabilities are covered by the Fund and excluded risks include health, dental and life policies.

¹ The Fund will make a payout of 100% of an award as against a cover of 65% with an €825,000 cap) and recoup the balance (i.e. the amount over the 65%/€825,000 cap) from the Motor Insurance Bureau of Ireland (MIBI), who will collect the balance from motor insurers through an industry ex-ante fund which the MIBI will manage.



Administration

- For non-life insurance companies in administration, there is a test to be satisfied for the administrator of a non-life insurer to get access to the Fund and that is based on the location of the insurer's business. Where the average of the business of the non-life insurance company concerned, over the 3 years before the appointment of the administrator, was in the opinion of the Central Bank, at least 70% in respect of risks in the State, the Central Bank may (with the approval of the High Court) make payments out of the Fund to the administrator of the insurer. The High Court determines what amount is required to be paid out of the Fund to enable the administrator to carry on the business of the non-life insurer and for the administrator to perform his or her functions in relation to the non-life insurance company.
- Where the average of the business of the non-life insurance company concerned, over the 3 years before the appointment of the administrator, was not, in the opinion of the Central Bank, at least 70% in respect of risks in the State, the Central Bank, with the approval of the High Court, may make payments required to pay the expenses of the administrator in the performance of his or her functions in relation to the non-life insurance company.

Contributions to the Fund

The Fund is financed through contributions received from non-life insurance companies up to a maximum of 2% of the aggregate of the gross premiums paid to that insurer or insurer authorised in another Member State in respect of policies issued in respect of risks in the State. In this regard, it should be noted that excluded risks are not levied. The contributions are collected by the Revenue Commissioners who have been appointed to this role pursuant to an order dated 7 October 2011, and are forwarded to the Fund through the Central Bank.

Role of the Central Bank

In addition to the administration of the Fund, the role of the Central Bank under the Act includes the following:

- Carry out an annual assessment of the financial position of the Fund.
- Determine an appropriate contribution to be paid to the Fund by non-life insurance companies.
- Liaise with Department of Finance in relation to interest rates and repayment terms on any loan advanced by the Exchequer to the Fund.



- Publish a notice on the Central Bank's website and deliver a notice to each non-life insurance company specifying the contribution to be paid to the Fund.

Notes

The information provided here in relation to the Fund and the Act is for general information purposes only and does not purport to be an interpretation of the legislation and persons affected by this legislation should consult the legislation itself and seek legal advice if appropriate.