

**Speech by the Taoiseach Mr. Bertie Ahern T.D.
at the Insurance Institute of Ireland's
Industry Leaders Conference,
Friday, 8th of September 2006**

Acknowledgements:

Mr Michael Brennan, President, Insurance Institute of Ireland

Mr Denis Hevey, CEO, Insurance Institute of Ireland

Distinguished guests,

Ladies and Gentlemen.

Throughout history the availability of insurance has been a close companion to economic growth and development. Naturally, over time, the concerns of the industry and its consumers have changed. Today's conference is a great opportunity to gain insight into the current workings of the insurance sector and the key issues that it faces. The quality and range of the speakers on the programme should ensure some stimulating debate during the course of the day.

Social Partnership and the National Economy

This event takes place at an opportune moment, following recent ratification of the New Social Partnership Agreement '*Towards 2016*'. I am heartened by the very positive outcome to the ratification process. I again acknowledge the leadership and commitment shown by all of the social

partners, including the business community, both to social partnership itself, and to reaching this new agreement.

The measures agreed represent a fair balance between the needs of business and the need to provide assurances to employees about living standards at a time of great change, both economic and social. The level of pay increases reflects the right balance between what we know about productivity, inflation, and the range of factors which will impact on the competitiveness of our economy over the medium term.

The Economy

The strides made by the Irish economy since the early 1990s have outdone the most optimistic of expectations. We now enjoy unparalleled prosperity. 2005 was another very strong year, with GDP and GNP growth of 4.7% and 5.4% respectively. Similar rates of growth, are projected for the next three years. Our population is growing strongly, and our labour force has grown by a third since 1997. That is half a million extra people in jobs.

These changes have contributed enormously to our ability to attract and stimulate investment, both of which have been key factors in our success over the last decade.

Role of Insurance Industry in Ireland

The insurance industry has, of course made its own important contribution to this success and it is important to acknowledge the importance of a strong, vibrant and competitive insurance industry to the Irish economy. It underpins so much of what we do on a day-to-day basis by simply facilitating the transfer and effective management of risk.

The insurance industry provides protection against almost every conceivable risk, from natural catastrophes to household damage. Availability of insurance at competitive rates also encourages people to innovate and to take risks and thus helps the economy to flourish over the longer term.

As an employer, the insurance industry also makes an important contribution to our economy. Now directly employing some 15,000 people in high quality jobs, with many more areas such as brokering, the sector generates an important contribution to the Exchequer.

Insurance Institute of Ireland

The financial services industry here in Ireland is now global in nature and the internationalization of Irish financial services amounts to a major success story.

I know that the Insurance Institute of Ireland is dedicated to providing education and training to the insurance Industry and has played an important role in the emergence of Ireland as an international insurance

centre. Many reasons are given for the success of the IFSC but invariably the availability of skilled staff is quoted as one of the top three. The Insurance Institute of Ireland has provided a large part of the insurance education and technical training that has created this skilled workforce.

The Government is committed to supporting the further development of the financial services industry and especially the internationally-oriented sector, as a key growth element in the Irish economy, continuing to build on the platform of past achievement.

Insurance Industry and the future

The Government has also introduced various measures in recent years that impact positively on the insurance sector in Ireland. These include the establishment of the Personal Injuries Assessment Board, and the enactment of the Road Traffic Act 2006 that introduces a number of new road safety measures. These include expanded penalty points, mandatory alcohol testing, and privately operated speed cameras.

These and other successful reforms are resulting in significant reductions in insurance costs for motor and liability cover. Consumers and business alike have reaped the benefits. I was particularly heartened by recent figures that indicate that motor premiums have dropped by 45% on average in the past three years and that motor premiums in July 2006 were lower in real terms than at any time since June 1992.

These new road safety measures provide opportunity for further progress, including with the co-operation of the Insurance Industry. There is now scope to place greater emphasis not just on accident history, but on overall road safety and driver behaviour, in setting premiums. Under the penalty point system, insurance discounts for clean records, and surcharges for poor ones, would represent an important contribution to road safety and would also be consistent with the interests of your industry.

Pensions

Another area where we have a common interest in working together is pensions and the pensions challenge that Ireland is facing. Whilst we are still some years away from the impending crisis faced by many other countries, this issue is now firmly on the national agenda for discussion and debate.

Under the new Social Partnership Agreement, "Towards 2016", the Government has agreed to publish a Green Paper on Pensions Policy to outline the major policy choices and challenges in this area. Following consultation, a framework will be developed to comprehensively address the pensions agenda. The timescale for this process is the next twelve months.

The Green Paper will have to consider all aspects of our pension system to ensure that it is financially, economically, and socially sustainable in the medium to long term. I welcome the call by Michael Brennan as President of the Insurance Institute of Ireland for members of the Institute to contribute to the discussions that will take place.

I recognise the important role that the Life Assurance Industry is playing in pension provision. Irish Insurance Federation statistics show that their members' Pension Premium Income amounted to over €4.2 billion in 2005 alone. I hope that they will continue to promote private pension coverage through using the considerable tax reliefs which are available to people to make provision for their retirement years.

SSIA accounts are now maturing and represent a unique opportunity for account holders to start or increase their pension provision. This could be done through rolling over all or part of SSIA savings into a pension and by keeping up the savings habit.

The Minister for Finance, Brian Cowen, has also included special incentives for lower income SSIA holders through the Finance Act 2006 which are valuable for people on lower incomes. I hope that the insurance industry will help consumers to understand the advantages of using the SSIA opportunities to address their future pension needs.

Regulation

A competitive insurance industry can increase national competitiveness and help to reduce the costs of doing business. The Government can play a role here through ensuring that the regulation governing the industry facilitates new product and service development, promotes investment and is transparent, responsive and proportionate. Appropriate and targeted

regulation of the insurance industry also delivers clear benefits for consumers.

In this regard, I welcome the participation here today of Mr Patrick Neary, Chief Executive of the Financial Regulator. I am sure that his presentation on the Regulator's perspective on the changing customer landscape will be an important contribution.

My Department is working with the relevant stakeholders to ensure the effective implementation of the action plan contained in the Government's White Paper *Regulating Better*. Our Better Regulation Programme This is geared towards improving the regulatory environment and ensuring that consumers are placed firmly at the centre of policy-making.

As part of this work, two important initiatives are underway in my Department that require the input of business to bring validity and credibility to the consultation processes. The first is the Business Regulation Survey, currently being conducted by the ESRI, which aims to find out which existing regulations pose barriers to competitiveness and competition, what rules cause a disproportionate administrative burden and in what areas new or different regulations are required. The second initiative involves my Department seeking the views of stakeholders in relation to existing regulatory appeals mechanisms, including those applicable in the financial services sector, and how they might be improved.

I strongly encourage you, as practitioners in the insurance industry, to become actively engaged with both of these initiatives.

Concluding remarks.

In conclusion, ladies and gentlemen, it is clear that a continuing strong economy is good for Ireland and good for the Irish Insurance Industry. I am confident that over the months and years ahead we can sustain the progress of recent years and, by working together to rise to the challenges we can also reap the benefits. No doubt your programme today will touch on many of these. Enjoy the rest of the day.

ENDS