

## **Insurance Compensation Fund**

The Insurance Compensation Fund ('the Fund') was set up in 1964 to protect policyholders by providing funds for the payment of insurance claims following insolvency of an insurer.

Recent events, notably the administration of Quinn Insurance, have necessitated changes to the existing arrangements and resulted in the Insurance (Amendment) Bill 2011 published on 13 September 2011 which is now being fast tracked through the Oireachtas. It is expected to become law by the end of September 2011.

### **Existing Provisions**

Payments may be made out of the Fund if an insurer becomes insolvent and an insured is unlikely otherwise to recover monies due under a policy of insurance. It does not apply in the event of administration. Key provisions are:

- Applies only to amounts due to or from an individual;
- Applies only to non-life insurance policies;
- Applies only to amounts due under a policy issued by the insurer in the (Irish) State;
- Any monies paid out of the Fund become an unsecured debt owed by the insurer (the Minister may waive all or part of the debt to allow the insurer to be placed on a sound commercial footing);
- The total amount payable out of the Fund to any one person shall not exceed 65% of the amount of admissible claims or €650,000 (whichever is the less).

### **Insurance (Amendment) Bill 2011**

The existing provisions applying to insolvent insurers are largely unchanged except that:

- The Fund will now apply only to policies covering a "risk in the state" for example a building situated in or a vehicle registered in Ireland;
- The monetary limit on compensation per person has been increased to €825,000 (whilst retaining the percentage limit of 65% of admissible claims).

The main changes introduced by the Bill apply to claims against insurers in administration. Key features are:

- The Fund will not apply to insurers authorised in another EU Member State;
- The Fund will apply only if 70% of the average business of the insurer in the 3 years prior to appointment of an administrator was in respect of risks in Ireland. Otherwise, an administrator can only request sums required to cover his expenses;
- The administrator can apply to the High Court for payment out of the Fund of such sums as are required by him to perform his functions (i.e. not limited to amounts due to or from an individual);
- As in an insolvency, any sums paid to an administrator out of the Fund are to be deemed unsecured debts of the insurer but which the Minister may waive at any time to facilitate the placing of the insurer on a sound commercial footing;
- The Fund is to be financed by means of levies on all general insurance premiums. The Central Bank will determine the levies to be paid by authorised insurers into the Fund limited to 2% of gross written premiums. The Central Bank is required to notify each insurer of the amount of the levy and contributions will be payable quarterly to the Collector General;
- Failure of an insurer to pay a contribution will be an offence.

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