

FROM THE OFFICE OF THE JUSTICE MINISTER



Department of

Justice

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Professor Alasdair Smith
Group Chairman
Private Motor Insurance Market Inquiry
Competition Commission
Victoria House
Southampton Row
London
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10 February 2014

Dear Professor Smith,

Thank you for receipt of the Private Motor Insurance Market Investigation - Provisional Findings Report. I would like to place on record my thanks to you and your colleagues for the work carried out to date and the in depth investigation and analysis which has identified a number of adverse effects on competition and potential solutions.

My Department is involved in a cross departmental working group considering the activities of claims management companies and referrals fees, and has ongoing liaison with other relevant Northern Ireland Departments on issues relating to motor insurance costs. I am concerned about the high cost of motor insurance in Northern Ireland and factors which are contributing to that. To that end my officials have been working with insurance, legal and consumer organisations to identify actions that can be taken to tackle this issue.

I have read the provisional findings report from the Competition Commission's investigation and make the following comments for your consideration.

Civil Justice omission

The report does not make any mention of the improved accessibility to the civil justice system brought about by an increase in the County Court jurisdiction to £30,000, the adoption of Pre-action Protocols, and approving court rule changes to streamline procedures. These reforms are intended to encourage the early resolution of disputes and will enable more low value claims to be processed through the cheaper, quicker and more accessible County Courts where legal costs are fixed. Consequently, these reforms are likely to have a positive impact on the cost of motor insurance in Northern Ireland.

I would have some concerns on the lack of evidence to support the identification by the OFT that the Northern Ireland legal system may be responsible for higher motor insurance premiums in Northern Ireland because the levels of compensation for personal injury claims are higher in Northern Ireland than Great Britain (Appendix 5.2 (page A5(2) – 5) refers).

I would be interested to view any evidence the Commission had gathered which would support the OFT statement, particularly any comparison of insurance costs between insurers here and in Great Britain. The cross departmental working group on which my Department sits has had difficulty getting such data. It would be useful for the Group to have sight of any data which would inform the Group's ongoing consideration of these issues.

Factual error

In paragraph 12 of Appendix 5.2 (page A5(2) – 5) it states that insurers pointed to differences in the levels of compensation set out in the guidelines as a reason for the levels of compensation being higher in Northern Ireland than Great Britain. The guidelines referenced are the *Guidelines for the Assessment of General Damages in Personal Injury Cases in Northern Ireland* (Third Edition). I would like to make you aware that a Fourth version was published on 4 March 2013.

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I understand that the Minister for the Environment, Mark Durkan, will also be writing to you in relation to the provisional findings and I am copying this letter to him for information.

I look forward to the publication of your final report in September as I believe that the Competition Commission's work will enable further valuable evidence to highlight the reasons for the higher costs in Northern Ireland compared with Great Britain.

DAVID FORD MLA
Minister of Justice