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McCarthy Insurance Group

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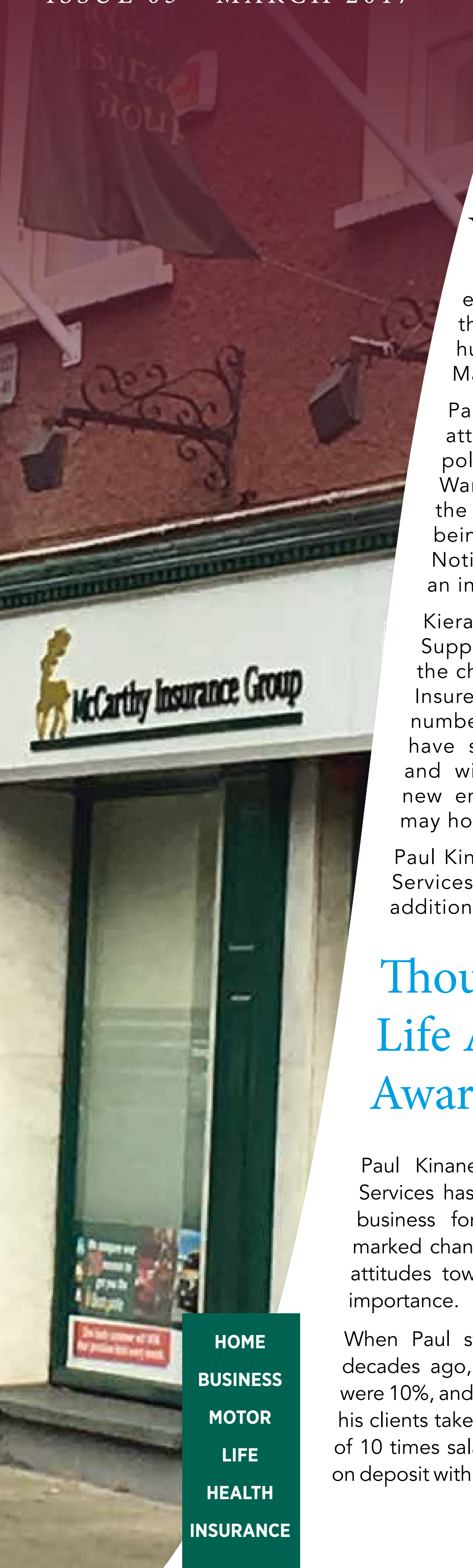

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Welcome from the Chairman

Welcome to the Spring 2017 edition of our Newsletter. In this edition we highlight some of the areas where we have seen huge change in the Insurance Markets in recent years.

Paul talks about the changing attitude of Insurers towards policy Conditions and Warranties and in particular the rise in the amount of claims being declined due to Late Notification or not carrying out an insurers risk improvement.

Kieran O'Dwyer, our Technical Support for the Group, talks about the changes in the last 20 years to Insurers and the reduction in the number of the major players we have seen through amalgamation and withdrawal. He also looks at new entrants and what the future may hold post Brexit.

Paul Kinane of Paul Kinane Financial Services Ltd, one of the recent additions to the McCarthy Insurance Group, talks about the lack of protection cover people have at present and how vital this cover is to sustain the lifestyles of people following the death of a loved one.

2016 proved to be another successful year for MIG and I personally thank you our loyal customers for your continued support as we continue to expand our markets to make sure we still have the right insurers available to enable us to give you the best cover available in the market place.

We expanded the group in 2016 with further acquisitions that fit suitably into the MIG model and we will continue to look for expansion through more of these in 2017.

May I wish you continued success for your businesses in 2017 and remember that we are here to help in any way we can.

Charles McCarthy

Chairman

Thoughts and Observations on Current Life Assurance & Serious Illness Awareness in Ireland

Paul Kinane of Paul Kinane Financial Services has been in the Life Assurance business for 41 years, and has seen marked changes in different generational attitudes towards Life Assurance and its importance.

When Paul started his career over four decades ago, bank deposit interest rates were 10%, and hence he recommended that his clients take out Life Cover for a multiple of 10 times salary, which could then be put on deposit with a bank in the event of a claim.

E.g., if a claim were paid out of £100,000 (10 times average wage of ...€10,000 in 1975), this figure could be expected to accumulate to an amount of €259,374.25 if left on deposit for 10 years. The foregoing compounded figure represents a multiple of the average wage in 1975 of 25.93, in nominal terms.

Today, bank deposit rates are offered in basis point ranges as opposed to whole percentages - so it is now loss-making for people to put money on deposit, and therefore, PKFS believe it is reasonable to

say that people need to insure their lives for far greater multiples than 10 times salary, particularly in light of this unprecedented low-interest rate environment, which is proving punitive on savers. Notwithstanding the current status quo, in PKFS' experience, Ireland's Millennials place very little relevance in having Life Assurance or Serious Illness cover relative to previous generations.

PKFS states that this nonchalant approach to Life Assurance by the modern Irish is most injudicious, considering that Irish premiums are presently among the cheapest in Europe, and coupled with the fact that 43% of mortgage holders are currently in negative equity, PKFS believe that many people are exposing themselves to unnecessary risk should a wage-earner become sick, whereby a spouse/partner may find themselves not just having to sell the family home, but still left owing money to the bank post sale. All of this unnecessary worry and stress could be circumvented, by having the requisite amount of Serious Illness cover in place, which would pay off the negative equity tranche of the mortgage amount – especially when current Irish premiums are so cost effective.

Another demographic glaringly lacking in sufficient Life cover, are those mortgage holders who bought property at the top end of the housing boom. One of the first expenses to be cut when these unlucky house-buyers started to struggle with mortgage re-payments (through no fault of their own) was their Mortgage Protection premiums. Such mortgage-holders as well as having no Life Cover whatsoever mightn't even be aware that their mortgage is no longer insured in the event of an untimely death or illness occurring.

Joe Sheridan, a recent employee of PKFS, agrees wholeheartedly with Paul's thesis. Joe is one of the Millennial generation himself, and believes that many of his generation have been subtly formed by elements in modern media into thinking that they will live forever, and therefore Life Assurance and Serious Illness cover are well down the check-list of life concerns. Such a mentality is very risky considering that circa 44% of deaths of young Irish people are accidental in nature.

Another feature of today's society is that more and more young people are co-habiting for longer periods, and are not getting married until later in life. This culture shift also represents a challenge to the selling of Life Assurance, as many co-habiting couples believe it unnecessary to buy Life Assurance until they get married. PKFS would say to such a couple: "What if your health deteriorates by the time you get married?" Such a couple may not be able to obtain Life Assurance or Serious Illness cover when they most need it, because their health has deteriorated with age. They and their children are considerably exposed if a parent dies. Who is going to put the kids through college, etc., should either/both parent, who earns a salary, get sick or die? Again, such a situation could have been easily side stepped had the couple paid into a Dual Life Term policy with a conversion option when still young and healthy. They would have enjoyed both economical Life Cover, and also have had longevity insurance in place, should they both survive the term having secured the convertibility option on their policy. The key, says PKFS, is to take out Life Assurance/Serious Illness cover as soon as is practicably possible – the younger, the better.

It is very apparent that many of the young Irish are naïvely leaving their loved ones in a very precarious position should misfortune strike.

However, it is not just in the personal sphere where protection needs and knowledge are both insufficient, but also many modern Partnerships and Companies have similar lacunae; and PKFS believes that business clients need to be alerted to this fact.

Paul Kinane has seen companies both flourish and boom with proper cover in place and, on the other hand, to collapse as a result of inadequate/or no insurance because of the death of a key partner/director in the firm. Keyperson Insurance is a product that could give business partners peace of mind and security should one become sick and/or die. With the necessary amount of cover in place, a capital sum could be provided to mitigate the loss of knowledge, client contacts, credit obtaining potential, etc., in the event of the death/incapacitation of a pivotal company director.

A Company Buy-Sell Agreement is another arrangement that could be offered to directors/partners of a business, and is greatly undersold and recommended, according to PKFS, whereby a pre-determined agreement is in place which would give the surviving parties the control of who, if anyone, is to replace a deceased director; or the option to be able to buy back the deceased's shares from his/her Estate (i.e. cash in lieu of shares).

Based on the above, both Paul and Joe (taking a perspective from both generations) in PKFS believe that considering the environment we are in, and the modern mind-set that we are faced with, that it is now more than ever, that Life Assurance and Serious Illness cover should be proactively promoted in a most urgent manner; and in turn, Financial Advisors should be helping clients identify Life and Serious Illness needs as a priority on their clients' list of financial objectives.

In order to discuss further, please call

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Emails: pkinane@pkfs.ie jsheridan@pkfs.ie

Consolidation in the Irish Insurance (Non-Life) Market

Over the past 20 years or so the 'General' or 'Non-Life' insurance market, internationally, has undergone major consolidation which has affected the Irish market in significantly reducing the number of Insurance Companies that operate here. This has arisen mainly from mergers and takeovers such as Hibernian, Norwich Union and General Accident merging into Aviva in 2000; Insurance Corporation of Ireland, Church & General and Cornhill became Allianz; PMPA GRE became AXA; Irish National were taken over by Eagle Star who in turn were taken over by Zurich; Royal Insurance Co and Sun Alliance merged to form RSA in 1996 and more recently RSA have bought Europa General (a specialist Irish Insurer for Haulage and Liability), Benchmark (a specialized SME Insurer), Sertus (a private car Insurer), and Insure.ie and 123.ie, both of whom are specialist Personal Lines ON-LINE insurers. These acquisitions enabled RSA move from 3rd to 1st in the Irish non-life market in 2012; and of course Liberty Insurance bought Quinn Insurance out of administration in 2011.

By 2013 the conventional Irish Insurance market was made up of RSA, Aviva, Allianz, Axa, Zurich, FBD, Liberty, AIG, Travelers, Irish Public Bodies, Ecclesiastical and Lloyds, with only FBD and Irish Public Bodies being Irish owned.

You will be aware from the news; of the collapse of Setanta Insurance company, which was based out of Malta (EU), writing Irish motor business. This highlighted the reality that not all Insurers in Ireland are regulated by our Central Bank. This was also the case with Gable Insurance, who were recently put into administration by the Financial Market Authority of Liechtenstein (EU). Gable were especially active in the Leisure sector and have now left many hotels, pubs and restaurants essentially with no insurance cover, no return premium and little or no cover for historic claims. MIG made a conscious decision not to trade with Gable and we advised all our clients accordingly.

Two major 'global' Insurers i.e. Mitsui and QBE have wound up their Irish operations and re-located to London, while remaining active in the Irish market in a reduced capacity from there.

We have seen a lot of media comment around price increases in recent months, and while this is almost entirely focused on motor insurance, there have also been significant rate increases applied across SME & Manufacturing.

Haulage, Taxi and Coach businesse's have seen huge increases for both motor and liability where increases can be as high as 50%. These increases have been applied at the same time that many of the aforementioned Insurers have retracted from the market and in some sectors, such as Leisure, have withdrawn completely from quoting new business. There are many calls for more and greater competition to be introduced to our market, but this suggestion has to be weighed against the reality that the top 10 Non-Life European Insurance companies by Gross Premium volume in 2015 versus the Irish top 10 are as per the table below:

European Top 10 Vs	Irish Top 10
Allianz	Aviva
Axa	Allianz
Zurich	Axa
Generali	FBD
Talanx	RSA
Mapfre	Zurich
Aviva	Lloyds
Covea	Liberty
Ergo	AIG
RSA	IPB

Allianz, Axa and Zurich control 55% of the EU market between them and, of course, all 3 are already here, as are Aviva and RSA. Generali pulled out of Ireland in 2001, as a result of significant losses and are unlikely to return. Mapfre (Spanish) are in Ireland already, writing Personal Accident and Breakdown cover, but have no intention to move into Motor or Liability. Talanx (German) are unlikely to enter the Irish market, in our opinion, for several reasons, including the negative publicity our market has attracted especially with regard to our system of Court settlements and dealing with the perpetrators of Fraud.

Lloyds remains an essential market for Irish clients and Ergo and Covea already trade into Ireland through London also, and all are available to MIG clients. Nonetheless it should be recognized that 7 out of the top 10 are here or are accessible, and It should also be borne in mind three of the largest US insurers; AIG, Liberty and Travelers are also present in Ireland. So where are new entrants going to come from?

Whilst rate increases in the Personal Lines market will we believe begin to slow down and even stabilize in 2017, unfortunately we do not see the same trend for Commercial Lines, which is not attracting the same media focus as the Private Car market for example. Insurers are advising us that rate increases will continue through 2017 across Leisure, Haulage, Taxi and SME/Retail, whilst the 'stand-alone' EL and PL/Products markets can expect significant rate increases also, as Insurers complain of growing losses. These will be a cause of major concern especially for the Manufacturing and Construction sectors. To combat this we here at MIG, have continued to source new markets to ensure our clients have choice, particularly more affordable choice. We are now trading more and more with Insurers whose names are possibly less recognizable , such as, Optis, KennCo, Thomond, Contessa, Capital Cover, Ace, Mitsui, Tokio Marine, Ageas, Dual, XL, Hiscox, Catlin, Aspen, CV Starr, Surestone, and QIC (Qatar Insurance Co). There is less standardisation of covers and policy wordings and there is a growing trend in the market for more complex and more restrictive conditions and warranties. We ensure however that we review their offerings; especially their policy wordings, to ensure clients have all the necessary information in deciding, with our assistance, whether to switch to one of these.

In conclusion, a lot has changed and with Brexit and possible trade barriers, a lot more may change in the next few years. Now more than ever you need an expert on your side to advise you and protect you and your business.

Kieran O'Dwyer,

Technical Support McCarthy Insurance Group

Changing Attitudes

Here at MIG, we are known for looking after our clients caringly and professionally, by listening and understanding your needs and then advising you on the best protection for you and your business. It's not all about price, as we have found that some Insurers are now reducing their risk with reduced covers and including new Conditions, Endorsements, Exclusions Limits and Warranties in an effort to avoid claims more easily. This is making our job a lot more difficult, as we have to scrutinise all these documents, before they are ever offered to you, but unfortunately some brokers are not as diligent as us and just offer the cheaper price, without looking at the hidden risk to you and your business.

The latest Condition that some have 'slipped' into their policy wording, is that of 'LATE NOTIFICATION', which means, that if you don't notify them of an incident that may give rise to a claim within 'X' days, of the said incident, then they will basically repudiate your claim, which in plain English means; you are 'on your own'! Imagine the trauma, when a solicitor's letter arrives in six, twelve or even 24 months later, citing an incident that you personally, may or may not have any knowledge of, and your insurer repudiates same?

Your CCTV footage may be erased. The employee, who witnessed the incident, may be left your employment or even the country! " Unfortunately this is becoming a very common feature in our society.

If it is warranted on your policy, that you have a monitored Burglar Alarm and/or Fire Alarm, then not alone must the Alarms be activated, you must also have a maintenance contract on the alarms and a 24 hour monitoring contract.

On Restaurant policies, there are always 'Extractor Hood Cleaning Conditions' which could mean Professional Cleaning of Cooking Extraction ducting, up to four times a year. If this was the case and a professional cleaning company was not able to verify the cleaning, then any resulting claim would be voided. Similarly, for the Maintenance of Fire Extinguishers and Fire Fighting Equipment.

The proper Disposal of Waste is also a huge ground for voiding a fire claim. For example Paper Recycling bins may be required to be over ten metres from a building. If they are not, then any malicious damage or fire caused could be voided.

'Assumptions' that you sign up for, need to be read and questioned. Common Assumptions are: *'Have not had any claims at this or any other premises, in your name or that of a company in which you are/were, a partner or director of in the last five years'*

'Our premises are greater than 250 Metres from a River, Stream or Water source'

The list can be endless.........

Proper sums insured are vital for the proper payment of claims. Imagine being faced with a bill, that you would need to cover, due to the undervaluation of your property. Unfortunately we are seeing that Loss Adjusters, who are appointed by Insurers to settle claims, applying 'AVERAGE', more frequently. This is mainly due to buildings not having been surveyed or re-valued in the last five to ten years or even longer. We are here to advise and we can help with valuations also, even if only giving an opinion.

We are also seeing more and more businesses changing or adding to the type of business or products they offer on a more regular basis. Do not wait for renewal date or for us to ring you. If for example you decide to put in a deep fat fryer into your shop, that then is a material risk that needs acceptance by your insurer first. So contact us before you even make the change, so that you can understand the risk, and more importantly that your insurer knows exactly what they are covering.

Don't DIY YOUR INSURANCE PROTECTION - GET ADVICE FROM YOUR TRUSTED PARTNER AND ADVISOR.

Paul Kavanagh CID QFA CIP
Certified Insurance Director
Managing Director

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