



Northern Ireland
Assembly

**COMMITTEE FOR
ENTERPRISE, TRADE AND
INVESTMENT**

**OFFICIAL REPORT
(Hansard)**

Quinn Insurance Evidence Session

22 April 2010

NORTHERN IRELAND ASSEMBLY

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INVESTMENT**

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Members present for all or part of the proceedings:

Mr Alban Maginness (Chairperson)
Mr Paul Butler (Deputy Chairperson)
Mr Leslie Cree
Ms Jennifer McCann
Dr Alasdair McDonnell
Mr Gerry McHugh
Mr Daithí McKay

Witnesses:

Ms Mona Bermingham)
Mr Colum Courtney)
Mr David O'Donnell) Quinn Insurance
Mr Pat Rooney)
Mr Shane Wilson)

The Chairperson (Mr A Maginness):

Employee representatives from Quinn Insurance will give the Committee an oral briefing. We regard this as a very important piece of business. My colleagues around the table and I are very concerned about the future of Quinn Insurance and the danger that the situation poses to jobs not just in Enniskillen but in other parts, including the Republic and Britain.

This week, the matter was raised in an Adjournment debate in the Assembly. Although the contributions to the debate were mostly from Members from the local area, the matter concerned the whole Assembly. Given that concern, the Committee is very pleased that you have come to

articulate your concerns, and we are anxious to hear at first hand what you would like the Executive, the Department and us, as public representatives, to do.

I welcome the Quinn Insurance employees. We look forward to hearing what you have to say. I will identify those who will address us: Mona Bermingham, Colum Courtney, David O'Donnell, Shane Wilson and Pat Rooney. You are all very welcome, and please feel at ease. We are not so terrible and frightening, and we are very happy to hear what you have to say.

Ms Mona Bermingham (Quinn Insurance):

Thank you for giving us the opportunity to address you today. It means a lot to us. It is great to get the platform, and we acknowledge the Assembly's united and cross-party support, which is great news for us.

On 30 March 2010, the Irish Financial Regulator formally placed Quinn Insurance into provisional administration, and that was followed by full administration on Thursday 15 April. As part of the conditions of administration, a restriction was imposed on Quinn Insurance on writing or renewing UK and Northern Ireland insurance policies. I clarify that I will refer separately to Northern Ireland and the UK because each attracts widely differing criteria to calculate loss ratios and pricing structures.

As representatives of Quinn Insurance employees who are affected by the present situation, we are here to provide oral evidence to the Committee for Enterprise, Trade and Investment. I will briefly provide the Committee with an overview of the regulator's ruling. The regulator had several concerns that led to his decision to place Quinn Insurance into administration. Those involved solvency issues, guarantees that were provided to Quinn Group subsidiaries, and governance procedures.

There has been a lot of media speculation and debate from both sides on the whys and wherefores of whether we should be in administration. However, to be frank, those arguments are obsolete. Quinn Insurance and the Irish Financial Regulator amicably moved to place Quinn Insurance into administration on Thursday 15 April, and we, the employees, hope that that will pave the way for solutions to be brokered.

For over three weeks, employees have been very proactive in voicing our concerns for the

future of Quinn Insurance and, ultimately, the future of our jobs. We have been particularly vocal about the Northern Ireland/UK ban that was imposed and have persistently called for it to be lifted. Our approach has been varied. We have met with some of the public representatives who are here today, and we are having continued meetings with politicians south of the border. We believe that that, combined with several rallies that were held in Enniskillen, Cavan and Dublin, has been successful in highlighting the plight of employees to the general public via the media. That was crucial to us because the media hype had completely smothered the message that we needed to get out there. That message is about the reality and repercussions of the situation, which is not being fully understood.

Northern Ireland and UK business accounts for over 50% of Quinn Insurance's book. We can understand that some segments of that work may not have been profitable, but we cannot fathom why a blanket ban was imposed instead of those areas that are profitable being identified so that we could continue to trade in them.

Yesterday, the regulator lifted a portion of the ban for provisional drivers in Northern Ireland and the UK. That is not enough as it accounts for only 10% of the Northern Ireland and UK market. That means that there is an outstanding 90% ban, which obviously impinges on the 1,500 jobs that facilitate that market. We want yesterday's action to be an indication of an intention to lift more of the ban. If that is the case, we welcome that action, but on its own it is simply not enough.

In particular, we are asking for the regulator to address the issue of renewals, because that is a market in which we have a history with customers and can identify who is good and who is bad. Therefore, we cannot see the logic of not allowing us to identify good customers who desperately want to get renewals with us. At the moment, we have to turn those people away.

As it stands, we have commercial, private motor and home insurance customers in Northern Ireland and the UK ringing us up wanting to renew their policies, and we have no choice but to turn them away. That is business that we cannot retrieve for at least 12 months, even if the restriction is removed. The situation is causing massive anxiety and frustration to employees who are turning away business that could help to save their jobs. That we are still receiving a huge amount of enquiries on a daily basis is testament to the fact that there is an appetite in the market and a willingness to do business with Quinn Insurance. Further evidence of that fact is that in the

Republic of Ireland, where no restrictions have been implemented, Quinn Insurance has extremely high levels of renewals and new business. That is a sure indication of the loyalty that customers in Northern Ireland and the UK would show if they were given the opportunity to do so.

In my hand, I have a very small sample of the hundreds of letters and e-mails that we have received from commercial customers and private motor customers in Northern Ireland. We also have several commercial customers in the Public Gallery who have made the journey to show solidarity with and to back the cause of Quinn employees. They, too, are in the situation of wanting to renew business with us. Those customers include the Quarry Products Association Northern Ireland, Fisher Engineering, Creagh Concrete, CDE Global, Clarke Products and Ballytherm. Those companies, which are big players in the Northern Ireland market, are all desperately trying to renew their insurance policies with us, some of which have six figure premiums. Those customers are all attractively and commercially sound in so much as they pay their premiums each year and have a very low cost ratio. Therefore, it makes no sense not to let us engage with them. They are the epitome of good business, so how does it make sense to prohibit them from doing business with us?

It should be said that each of the customers that we have had to turn away has had to approach a new insurance firm, with which they have no previous experience or relationship. It takes time to create a new commercial policy; more time than we have been allowed to offer many of our clients due to the immediacy of the regulator's decision. In addition, creating a new policy is more expensive than renewing an existing policy with your current insurer. That is having a detrimental impact on many Northern Ireland businesses, and, if nothing else, it warrants the approach of assessing each commercial customer on a case-by-case basis.

There are also firms in Northern Ireland that will struggle to get a commercially viable insurance quotation if Quinn Insurance is not in the market, given that many UK firms will not even quote for Northern Ireland business. There is a statutory requirement for all private motor drivers to have insurance. If they struggle to get a quote from an insurance company, the ombudsman will intervene and insist on a quote being given. The same does not apply for business. Therefore, if a Northern Ireland business cannot get a quotation or, indeed, one that it can afford, it will cease to trade. That cannot be allowed to happen.

Quinn Insurance employs 2,800 people in Ireland, north and south of the border. Of those employees, 1,500 are in roles that directly facilitate Northern Ireland and UK business. There are also upwards of 600 service providers, such as regional claims managers, who work directly in relation to Northern Ireland and UK business. As it stands, the blanket ban on every aspect of that business means that, for over three weeks, those employees have been unable to perform the jobs for which they are employed. That is simply not sustainable. How can those employees, based in offices in Enniskillen, Derrylin, Cavan, Navan, Dublin, Manchester and London, have any form of job security? In Fermanagh alone, more than 700 employees are affected, and they are feeling utterly dejected.

Quinn Insurance pays the 1,500 employees whose roles directly facilitate Northern Ireland and UK business over £37 million in wages every year; £17.5 million of that is paid to employees in Enniskillen alone. A further £24 million is paid to service providers. Can we honestly risk that level of salary and income tax being taken out of our local economy? Those employees are highly trained and skilled men and women who have the opportunity to remain in their communities of Fermanagh and Cavan and to contribute socially and economically in a positive fashion there. They are building and buying homes, getting married and starting families in their home county because they have been able to forge a lifestyle there that would once have been possible only in urbanised areas. If those jobs go, what is there to incentivise those people to stay? Could Fermanagh sustain a mass exodus from the county or, indeed, the country?

What would the cost be if they stayed? I wonder if anyone here even dares to project the cost of more than 700 families in Fermanagh claiming jobseeker's allowance and housing benefit. I suspect that that cost would rapidly escalate way beyond the cost of any solution. Extend that cost further afield to local businesses that would certainly struggle without the wages of 700 Quinn Insurance employees. The impact of any job losses in Quinn Insurance would quickly lead to economic disaster for entire communities. It is thought that for every one Quinn Insurance employee who is made redundant, there could be a knock-on negative impact on at least six jobs in that employee's community.

The only way to stop that disastrous impact on Northern Ireland's community is with the immediate lifting of all sectors of the ban on Northern Ireland and UK business. From a purely commercial point of view, Quinn Insurance is losing between £1 million and £1.3 million a day while the ban is in place. We are in day 23 of the saga, at a cost of £30 million. That would

amount to £475 million a year. The fact that the much valued tourism industry in Northern Ireland generates approximately £400 million a year puts that figure in context.

Quinn Insurance has changed the face of Ireland and Northern Ireland's insurance market since its introduction 14 years ago. By introducing competition to the market, and with our unique operational model, we have reduced the cost of premiums by an average of 40%. If we are eradicated from the market, it is inevitable that those premiums will climb once more. That is a burden that most households and businesses could do without in such troubled economic times. I am sure that there are people in the room who are insured with Quinn and value their consumer choice, as do all of members' constituents.

It would be remiss if we did not recognise the impact that any decision made about Quinn Insurance would have on the Quinn Group. Cognisance should be paid to the 2,700 additional jobs that are currently sustained by the group, of which approximately 800 are in Fermanagh. In addition, the Quinn Group has demonstrated its commitment to sustainable economic growth in border counties for 37 years. Employees believe that the Quinn Group needs to be part of any eventual solution, as that is the only way that we can guarantee that jobs are kept and that they are kept in their current locations. No other external investor would have invested so heavily in those forgotten rural regions nor would they have had any reason to maintain employment there. Be in no doubt that there is massive interest in Quinn Insurance from external investors. We believe that 27 offers of interest are currently on the table. The irony of that is that it is proof, if proof was needed, that Quinn Insurance is a viable, sustainable and profitable business. We need to save Quinn Insurance, and we need to do that for the employees, the policyholders and the economy.

I am sure that I have not told you anything that you do not know already and that you are wondering what we are asking you to do. As I mentioned, we met many of you prior to today. Good Friday seems to be a continued day of significance in Northern Ireland politics, as it was on Good Friday of this year that six MLAs, with representatives from every party, as well as councillors and dignitaries, gathered in Quinn's Derrylin offices at the request of and in united support of Quinn employees. I do not mind telling you that employees were surprised and humbled by that. One of my fellow workers pointed out before our Enniskillen rally that we had somehow managed to galvanise cross-party, cross-community and cross-border political consensus. Since that day, our politicians in Northern Ireland have been active in bringing our

message and concerns to their peers and have been in discussions with many agencies, including the Irish Government. We are truly grateful and very proud of that achievement.

We are interacting with our political representatives south of the border, and, through them, we have managed to establish direct lines of communication with the Irish Financial Regulator. That channel of communication has been invaluable, and we believe that a relationship has been established between the Quinn employees and Mr Elderfield, which played no small part in Mr Elderfield's strong indication on Friday 16 April that segments of the Northern Ireland/UK market would reopen within days rather than weeks. We now know that a small segment of that market reopened yesterday evening.

What we need from our Northern Ireland representatives is a mechanism for similar dialogue with the UK regulatory body, the Financial Services Authority (FSA). The media have implied that the FSA could prove to be an obstacle in lifting the UK ban and that it has further concerns relating to the protection of UK customers. That makes the opening of communication all the more essential. We are aware of and embrace the independence of all regulatory bodies. We know that politicians cannot influence the FSA, and we would not want them to do so. We are asking that you use your power, as elected representatives, to pave the way for dialogue and to set up a meeting between Quinn employee representatives and the FSA. We would also like you to lobby, in whatever capacity you can, for the lifting of the remaining 90% restriction on business in the Northern Ireland/UK market. We firmly believe that that will have a positive impact on all negotiations going forward, as it seems to have had with the Irish regulator.

We also ask our Northern Ireland politicians to publicly reiterate a message from the regulatory authority and the administrators who have advised that all Quinn Insurance customers from Northern Ireland and the UK are fully covered and that all claims can be paid and are being fully paid on a daily basis. There is no risk. I am not sure that that message is being brought down to the level of policyholders. Current customers, never mind those who want to renew, are not aware that the regulator and administrator have both said that there is no risk.

It is an unfortunate fact that it is unlikely that the Northern Ireland/UK business will reopen in its entirety. However, we are staffed to facilitate 100% of that business. Therefore, we ask the Committee for Enterprise, Trade and Investment to explain to us what support network is in place should jobs in Fermanagh be lost. Are there replacement jobs for those employees? We ask

Invest NI, which has successfully courted business for Northern Ireland in the past number of years, to demonstrate to us how it can filter that success into Fermanagh. It is in the interests of all agencies to alleviate any potential strain on the budget and the resources of the Department of Health, Social Services and Public Safety, which are stretched already.

In conclusion, I will reiterate something that I said earlier. Please do not underestimate — I am sure that you do not — the power behind cross-party co-operation and the message that that sends out to the world. We applaud you all for standing together with us and ask you to remain steadfast. That will, undoubtedly, not only assist us as Quinn employees but send out a very strong message to the world that Northern Ireland's politicians are united. In turn, that can only help our economy in these tough times. We would be grateful for any assistance that the Committee can provide, and we appeal to the Committee to brief us if it can offer any assistance to enable us to reach an efficacious resolution to the current impasse.

The Chairperson:

Thank you very much, Ms Bermingham, for your address to the Committee. In response, I reiterate the Committee's concern at your situation. We will, certainly, do anything in our power — we do not, of course, represent the Executive — to try to press for an early resolution to the problems that beset Quinn Insurance. You have made a number of very interesting points and have added to the debate by emphasising the impact that the restrictions on UK trading have on local industry and local businesses, apart from car owners and users. Can you estimate — if you cannot, that is fair enough — the effect that the ban on UK commercial trading will have on local businesses?

Mr Shane Wilson (Quinn Insurance):

From a simple perspective, we question whether the FSA is protecting customers in the sense that, on 6 April, we rang clients directly and via brokers to tell them that we had to cancel their insurance at 12.00 am the next morning. Businesses that are prepared to pay any sum of money cannot get commercial insurance simply by lifting the phone. They need to assess their risk and to look at the options on the market. Therefore, the drastic decisions that were taken to stop commercial businesses' insurance being renewed from 7 April meant that some clients, who had been with us for four, five or six years and had stayed with us because they were happy with the claims model and operations model in Quinn Insurance, technically went without insurance for a day or two.

From a business perspective, it is my view that, if a business owner has no insurance for a building worth £500,000 or £1 million or a contractor has no insurance for 20 guys who are working on a site, it leaves the economy open. I question whether the drastic decisions that have been made protect customers' rights. Technically, people might have been self-insuring for several days.

The Chairperson:

Does that have an impact on their trading or operations?

Mr Shane Wilson:

We have built our model around competitiveness, and we have demonstrated that competitiveness in the Northern Ireland market and even in the UK market. We have offered our clients various incentives to encourage them to take certain actions in relation to how they manage their business, in terms of their employee initiatives and their health and safety arrangements. We rewarded people, and, if certain clients had good loss ratios, we might have given them a low claims rebate at the end of the year. Therefore, they budgeted for their insurance on that basis.

As a result of the decision, those clients have had to go to the market for prices and could have paid 30% or 40% more for insurance. I know of some people who have made the decision not to take out insurance. Small electrician businesses that were insured for public liability only have said that they cannot afford insurance and that, given the way that the market and the economy are going, there is a strong possibility that they will go out of business. Clients with larger businesses with more than 20 or 25 employees are concerned that they will have to look at their cost base again — everyone is doing that in the current economic circumstances — and either make cuts to cover for their insurance or just move on. Cost base is having an effect.

Mr David O'Donnell (Quinn Insurance):

The fact that employers' liability insurance is a statutory requirement in Northern Ireland and the UK, which is not the case in the Republic of Ireland, is also a major factor. Insurance is a risk-transfer mechanism. If a business is unable to obtain, in a timely fashion, the requisite insurance to cover its employees, it is in the position that Shane referred to and may have to self-insure. Self-insuring puts a strain on its resources because it has to ring-fence a certain amount of revenue and leave that aside until it is in a position to renew with another provider, if it can find

an insurer in the market willing to do business with it. Therefore, the business's cash flow is hit in the short or medium term. Moreover, a lot of companies might not have the resources to be able to ring-fence money. A company in that position has no option but to negate the risk and cease trading until it can secure alternative cover. Therefore, that statutory requirement has a massive impact.

The Chairperson:

It is not just the employees of Quinn Insurance who are affected but the employees of other firms throughout Northern Ireland.

Mr O'Donnell:

The consequential effects of the suspension of writing are huge, especially in the commercial market, as are those of the suspension of renewing the policies of our existing customers.

I understand that the regulator's primary focus was his concern for existing policyholders. He had to ensure that they could have a sense of security, and we totally understand that. However, has he given any thought to the knock-on commercial and operational effects that his decision is having on those same policyholders? I do not think that that has been looked into.

The Chairperson:

I cannot understand the regulator's ban on renewals. I may not accept it, but I can understand his prohibition on new business. However, the renewal business should surely be permitted, because to ban it would obviously have a very bad effect on current policyholders.

Mr Colum Courtney (Quinn Insurance):

You are right, Chair. We should probably clarify the distinction between private lines and others. The private lines relate to Joe Bloggs who has his motor, his household and his commercial vehicle insurance, and then there is the commercial market, which Shane and David have spoken about. You are all policyholders with different companies. As you know, an insurance company knows if a customer has made a claim in the past five years on a case-by-case basis. It is absolute madness not to have renewal business that we know is profitable. We have the history that tells us whether someone has made a claim. We should be using that business and retaining it, but we cannot operate with the ban in place. We can do nothing. That is money that is going out of the business.

Mr Shane Wilson:

We agree with you, Chair, about the decision made by the regulator. We have been lobbying on that. A blanket approach should not be taken to the UK and Northern Ireland market, and the news yesterday proved that there is profitable business in that segment of the market. If 10 products were on offer in the UK and Northern Ireland and five of them were profitable, why not let us write on those five, albeit on a renewal basis? We totally agree with what you said. The ban on renewals is one of our great concerns.

Mr Butler:

Thank you very much for your presentation.

You talked about the regulator in the UK — the FSA. The partial lifting of restrictions is reported in this morning's press. The Irish regulator is quoted as having said that the FSA was consulted on the issue of motor insurance for provisional licence holders. What role did the FSA have in the decision to bring in the administrator in the first place, so that restrictions were placed on the company? I want to clarify that matter. Additionally, if the regulator and the administrator are still looking at the rest of the Quinn Group, what impact will that have on the lifting of all the restrictions in the UK and the North?

Ms Bermingham:

The FSA has to be consulted because the ban directly affects people in its jurisdiction. It is my understanding — someone else may have a different understanding — that the Irish Financial Regulator is the key decision-maker in this situation and that it consults the FSA subsequently. However, the FSA could prove to be a stumbling block should it want to be. It does not have to go along with the Irish Financial Regulator. In our address, we were suggesting that opening up communication channels with the FSA could save time if there are stumbling blocks. For us, it is all about time and urgency. The sooner things are communicated back and forth —

Mr Butler:

So, the FSA could lift the restrictions on writing renewals and on other parts of the business.

Ms Bermingham:

No, it could not do that independently. Both bodies would have to —

Mr Butler:

It could give an opinion on it.

Mr O'Donnell:

It could advise the Irish Financial Regulator that its concerns have been addressed. From our perspective, we do not know exactly what its concerns are. Those have not been communicated to us. If we could understand them, we could perhaps play a part in facilitating a resolution and in moving things along.

From a commercial perspective, confidence and credibility are cornerstones of any insurance business. Insurance businesses must portray both qualities to the markets and to policyholders. Every day that we are in this position, that sense of confidence and credibility erodes rapidly. It is not a question of having a week or even two weeks; we are down to days and hours. That is how critical the situation has become. I have probably not stressed this enough, but there is a clear and present danger of redundancies, which would have a huge, negative impact on the business's sustainability going forward.

Mr Butler:

Have the regulator and the administrator given any indication of urgency?

Ms Bermingham:

In all communications, they have said that they are addressing matters urgently and as quickly as they can. However, as I said, this is day 23, and only one small segment of the market has been reopened. Whatever their definition of urgency is, it is certainly not the same as ours. The matter is not being addressed quickly enough.

Dr McDonnell:

I want to pick up on the concerns that you mentioned. First, however, having talked to most of the people around the table, I want to put on record that we are 100% behind you and your efforts. A couple of weeks ago, I visited your Enniskillen operation, and I was very moved by what staff told me. We are all big supporters of the Quinn Group generally, and we are equally concerned about what has happened in west Cavan and west Fermanagh. Indeed, a few months ago, Gerry McHugh and I came together to fight on behalf of the Quinn Group in relation to the

electricity link. We worked on that with Arlene Foster. If you are looking for friends, you are pushing at an open door here. Everyone in the Assembly is well disposed to what you are doing.

However, something is missing. There is a gap. You may not be in possession of all the facts, but what was the trigger that allowed all this to happen? I presume that you would not suggest that the regulator was malevolent or ill informed. The nub of the matter is that, in effect, we are talking about the insurance of the insurance business — its reserves. Is it correct to say that the regulator feels that reserves should be about 50% higher than what was traditionally kept?

Ms Bermingham:

The Irish solvency rate, which is one of the highest in Europe, is 150%.

The Chairperson:

What is the British rate?

Mr O'Donnell:

I understand that it is 125%.

Ms Bermingham:

It is significantly lower. You are quite right that we are not privy to the technical details, but we understand that, although we possibly did not meet Irish solvency levels, we certainly would have met the level in most European countries. We do not dispute that there is a solvency issue. You are quite right that we are not suggesting that the regulator is malevolent in any form or fashion. We dispute his action in implementing the Northern Ireland and UK ban in the interim period while those other issues could be solved, because that does not make any commercial sense.

The Chairperson:

It does not seem to have been necessary in the South.

Dr McDonnell:

That is in and around the nub of the issue. I would welcome, as I am sure colleagues would, a continuous feed of information. I am fully aware of having to fight four or five years ago, when there was no insurance on the market. At that time, you were at a relatively fledgling stage, and many of the British insurers had pulled out from here. Much of the commercial aspect that you

talked about was uninsurable.

We can talk around the issue, do the “happy talk” bit and say nice things to you, but, to be effective, we need to find some way of getting to the core issues and to reduce or dismantle those issues or do whatever is necessary. We could all dispute the level of cover, support and backup, but my estimation is that the situation is a product of the recent financial upheaval. Everyone is jittery. The Irish Financial Regulator may have demands, but can anyone produce the money for that extra cover?

Mr O’Donnell:

It might not even be a question of a capital injection per se. It might be that a temporary or interim underwriting facility is used for the hole or imbalance that exists at the moment. If that were put in place for a temporary or set period, it would enable the company to allay any fears from the FSA and the Irish Financial Regulator. It might bring them to a place where they would both be in agreement. Going forward, that would also enable the business to reassess the other financial issues that are still at play. Most importantly, it would let us get back to doing what we do best, which is writing business, keeping people in jobs and looking after our customers.

Dr McDonnell:

I am sorry, Chair, because I may be rambling a bit, but I want to get our heads around the nub of the issue. Is there a facility in the reinsurance market for a bond to bridge the difference?

Mr O’Donnell:

I am unable to comment on that, because I am not aware that there is.

Dr McDonnell:

Some banks are still viable, and, to my mind, someone should be prepared to put a bond in place that bridges the gap, which may be £20 million, £30 million or £50 million, even if that involves charging an arm and a leg.

Mr O’Donnell:

That would be another viable mechanism to solve the impasse. I do not know whether the administrators have looked to see whether such a product is available. They may well have done so and found out that that was not available. I have not explored that.

Mr McHugh:

You are all welcome to the Committee for Enterprise, Trade and Investment. I agree with Alasdair in that I am not sure that we can be of that much help. We want to be effective, and we look to you to point us in the direction in which we can be effective or, at least, where we can resolve some of the obstacles on the way to full trading again. I imagine that you will be allowed to trade more widely than writing insurance for provisional licence holders, which makes little sense. If someone were to pass his or her driving test today, they would want full insurance for driving. Where does that leave you? Do you tell them to clear off again? That is a simple matter. It does not make much sense.

People are asking where the poison started. The poison of Sean Quinn being made the scapegoat following the financial debacle down South came from the opposition parties in the Southern Government, which have been crowing for somebody to be hung out to dry for the financial affairs for a number of years. It is not possible to turn off the tap that was there a number of years ago. However, some people are trying to do that, and it has hit Quinn Insurance and, particularly, a region that does not have options. People in Dublin and Belfast know that they have options for work because work is jammed into those places.

The reason that people are loyal to Sean Quinn is that he looks after the people he employs for the rest of their lives. That includes paying most of the mortgages in County Fermanagh and further afield. No one else has ever done that in that area. Others pointed to the emigration boat. We called for jobs but never got them, and we certainly do not get them now.

Mona can, perhaps, help to answer a question about the FSA. The FSA in the UK will have its own position on the situation but, largely, will take its cue from the Southern regulator and is likely to go along with whatever he says. However, that is unknown and could create more time loss if the Irish regulator makes a move on that.

Ms Bermingham:

The FSA can be an obstacle should it wish to be, but we understand that it takes guidance from the Irish regulator because, at the end of the day, it is an Irish company that is involved. The FSA has the power to impede progress, and, before the news about the partial lifting of the ban broke yesterday, the media had suggested that the FSA was voicing concerns about further assurances

for UK policyholders. We hope that the lifting of the ban on the provisional market means that those concerns have been addressed. We assume that it would not have been lifted otherwise. However, again, the problem is that that is unknown and that there has been a lack of communication. It would be great if those channels of communication were open and we found out through them that there are no more issues. If issues remain, we need to be aware of them so that we can start work to resolve them.

Mr McHugh:

The other issue is that you were allowed to trade until the Irish regulator made his move. Such a problem did not seem to exist in the UK, and it created a pressure to keep prices down for many people in the GB market compared with the Irish market. That has been a tremendous help to the industry and makes a big difference. Are there any precedents? Has such a situation happened before and had a good result?

Ms Bermingham:

It happened years ago with the Private Motorists Protection Association (PMPA), which, I believe, was a purely Irish insurance company. There is no precedent to compare our situation with.

Mr McHugh:

I asked questions about the FSA and whether legal obstacles exist during the Adjournment debate the other night. Those questions were not answered on the night and are on record. Perhaps the Minister will answer them because they need to be answered. That might happen from here on. Given the upcoming election, the Executive might not be as aware of the situation and its impact on the entire Six Counties. Mona will probably be able to tell us the number of hauliers who travel from Antrim to Fermanagh. The situation does not only affect people in Fermanagh. That is important and must be taken into account. Arlene Foster and Batt O’Keeffe have put pressure on the Irish side to try to make the regulator deliver.

Mr O’Donnell:

We met Batt O’Keeffe and Brendan Smith last night. They offered us their full support, and they advised us that they would be trying to open lines of communication with the financial regulator, in order to ascertain the issues that concern the FSA in the UK. It is like any problem: once you understand the problem, you can get a resolution. However, as employees, we do not understand

the problem, because we do not know the specifics.

Mr Cree:

I have been watching what is going on, and the situation seems bizarre to someone who is seeing it from the outside. Mona said that there is no risk, but, in a radio interview, the administrator said that his job was to return the company to a sound financial footing. That suggests that it was not on a sound financial footing. He went on to say that the way to solve the problem was to allow people to sell more business in the Republic. Why did he not say that they should be allowed to sell more in the UK? That seems to be a paradox. I take it that Quinn Insurance is registered in the Republic of Ireland, not in the North or elsewhere in the UK.

Ms Bermingham:

It is registered in the Republic of Ireland but licensed for the UK.

Mr Cree:

Have you any idea why the apparent discrepancies exist? Can you shed any light on that?

Ms Bermingham:

First, I want to address what has been said about there not being any risk. The administrator and the regulator have both said that, should every customer in Northern Ireland, the UK and the Republic of Ireland make a claim tomorrow, there is sufficient solvency for 100% of those claims. The issue is that there is not sufficient solvency for 150% of those claims. There is no risk; that is categoric. All claims are being processed and paid —

Mr Cree:

Sorry, I will stop you there. The administrator also said that the company needs to sell more business to safeguard jobs. As you sell more business, surely the risk is increased.

Ms Bermingham:

It is about identifying the markets in which you sell that business and the pricing strategy.

Mr Courtney:

It is about selling business to profitable markets.

Mr Shane Wilson:

The administrator probably made that statement when there was a blanket ban in Northern Ireland and the UK. In fairness to him, he had come in and was working through the plan with the company's senior management. I think that his statement was made at a time in which he was gaining an understanding of the business to keep it running as a going concern. That term is used in the insurance legislation; it is general terminology that is used when a company goes into administration. The administrator's main aim was to promote Republic of Ireland business, because anyone who comes in to manage a business as a going concern will need to keep all available lines moving.

I assume that he said that we needed to get as much business from the Republic of Ireland as possible to ensure that the jobs assigned to the Republic of Ireland — including Cavan — and Enniskillen could be maintained. The administrator has now looked at the business model for Northern Ireland and the UK. I know from speaking with him that he is happy with several segments. The regulator has confirmed that they are happy with several segments and that they will be working closely together to ensure that we can write on those segments. Likewise, there will be some segments that the regulator will not be happy for us to write on.

Therefore, I think that the comment was made at a time when the administrator did not have a full understanding of the business. His role was to keep the Republic of Ireland side up and running. If you were to put the same question to him now, he may have different views. I have spoken to him, and I know that he is keen to push certain segments up in the UK market.

Mr O'Donnell:

We are not denying that certain lines have been hit fairly heavily in the past couple of years. Professional indemnity insurance is one of those lines. I do not think that any insurance company is making money on its professional indemnity book, given the unprecedented economic upheaval in Northern Ireland, the Republic of Ireland, the UK and even globally concerning conveyances, mortgages, loans from banks, and so on. Every insurer out there has seen a prolific rise in the number of claims on its professional indemnity book. There was also bad weather in November, December and January. We all suffer the same weather. Every insurer in the UK and Ireland had to pay out on household claims for property damage resulting from the weather.

Those were three months in which households were hit very badly. However, you cannot

assess the situation by looking at a snapshot such as that. You have to look at the global picture, including the history and the potential. I am sure that the administrators are doing that. As Shane will tell you, we have hugely profitable lines and a very strong and loyal support from our customer base, private and commercial.

Mr Shane Wilson:

Leslie's point about the financial footing probably relates to the solvency margin. We are all aware that the solvency margin is an issue. However, the regulator and the administrator have said that Quinn has sound operational, business and claims models and that it is a profitable business. The core of the matter goes back to Alasdair's point. There is a question about solvency. We believe that the Quinn Group can get an answer to that question. It is hard for us, as employees, to gain an understanding of the specifics. Our main aim is to achieve whatever can be done to safeguard jobs in the locations in which employees are based. That is what we are trying to do. We accept that there is a solvency issue, but, on the other hand, the administrator and the regulator acknowledge the success of Quinn Insurance on its business, claims and operational models.

Mr Cree:

David touched on the last point that I want to make. I am not an expert on insurance by any means — I am not an expert on many things. However, I would have thought that insurance is like a basket of variables. At any point in time, some of those are profitable and others are not, but the result is the proceeds or product of that total basket. There may be some unprofitable lines but that is not unusual. I think that that is what David was going on to say. You must look at the total picture and that must be profitable. Is that your feeling?

Mr O'Donnell:

It is 100%. We have no doubts about that.

Mr Courtney:

Leslie, you referred to the point about growing and selling more business. We are the second biggest insurer in the Republic of Ireland. The Republic of Ireland's insurance market will contract this year, in line with the economy contracting, by about 20%. We planned to maintain the business that we had in the Republic of Ireland, and our growth market was to be the UK. As Mona said, we are 100% staffed up for that. We were selling 7,000 policies each week. We are

now selling 1,500, which is the same as the figure for the Republic of Ireland. We need to get back into the UK market.

I want to clarify a differentiation. Shane and David are brokers for commercial business, such as public liability and employers' liability. In Enniskillen, the majority of business is in private lines. The way in which we sell business in private lines is that the customer gets a quote from a website such as moneysupermarket.com or confused.com and then rings Quinn Insurance. We sell the insurance over the phone or the Internet. If we were permitted to trade in private lines — insurance for provisional drivers is a private lines product — we would probably get back into the market straightaway. The ban would not have impacted on us as much as it will impact on commercial brokers. We have 700 people in Enniskillen who are primarily call centre staff selling private lines. If we could resume that business, their jobs would be safeguarded immediately. I cannot stress enough how important it is to get that ban lifted.

You are right to say that we know the lines that are profitable and those that are less profitable. However, we were new in the UK. In the first two years of any new business, you learn your book and whether it is profitable, and you build a pattern. We have been in the UK market for two years now. Show me any business that is profitable after one year.

Ms J McCann:

You are very welcome and thank you for your presentation. A lot of the points have been covered. However, I think that the concerns about solvency can be solved very easily by making representations through the Executive to the Irish and British Governments, asking them to underwrite any deficit. Obviously, it is not a 100% deficit but a 50% deficit that is being talked about. That would be easily done, given what was done for the banks. You are not even asking for a cash injection, just to have a guarantee underwritten.

Your main concern is the protection of jobs, and that should also be the Executive's main concern, given the trend in unemployment figures in the recession and the knock-on effect that any job losses would have. I have been following the debate, and I know that it is about not just the people employed by Quinn Insurance or the Quinn Group but the impact that the loss of jobs would have on other jobs and businesses throughout the island of Ireland. That is an urgent issue. I find it unsettling, to say the least, that avenues are not already open to enable you to find out what the problems are with the FSA. Given the seriousness of the situation, why have those

discussions not taken place? Have the Executive been asked to contact the FSA to request that it meet employees? If you do not know what the problems are, how will you solve them? Lifting the ban is essential to sorting out the situation. Have you asked the Executive to kick off those discussions?

Ms Bermingham:

We have spoken to six MLAs who, as I said earlier, came to Derrylin that day. We have never directly asked for a meeting with the FSA as clearly as we have done today. We are aware that the Assembly Members have been in contact with the FSA on our behalf and that their work is ongoing. On the back of the successful relationship that we have established with the Irish Financial Regulator, and when there was media speculation that the FSA could be the stumbling block, we thought that a direct request for a meeting was what we needed to do next. To be honest, pressing for such a meeting was probably not at the top of our agenda in our interactions with MLAs; however, we are now moving it there.

Ms J McCann:

The Committee has had discussions with the FSA on credit union and Presbyterian Mutual Society issues, so the Committee may be able to push ahead on that meeting for you. That is something tangible that we may be able to do.

Mr O'Donnell:

We would be very grateful for that, Chair.

Ms J McCann:

You are pushing at an open door here, because the crisis will cause hardship to families and have a knock-on effect for the general economy. The Executive and the Department of Enterprise, Trade and Investment should be very concerned about the issue.

Mr McKay:

Thank you for your excellent presentation. It paints a clear picture of the economic impact of the loss of business. There is a public perception that the problem will have no impact beyond Fermanagh and Cavan. Gerry has already said that it will affect all of the North. Mona has talked about the impact on the construction industry, and a number of familiar Quinn Group customers are here today.

Will you outline and elaborate on Quinn Insurance's customer base? I am particularly interested in the construction industry, which has a huge impact on my constituency. With thousands of construction workers currently on the dole, I am interested to know what the impact on that industry would be. I would also like an overall breakdown of your customer base.

Mr Shane Wilson:

I suppose that you are trying to understand the mix of our customers. Historically, Quinn Insurance is predominantly a construction-based insurer. In the past three to four years, we have diversified into several other areas, including the motor trade, hospitality and manufacturing. Therefore, we have a wide spectrum of the Northern Ireland market. It would now be unfair to say that we are just a construction-led insurer.

The implication of current economic times for construction-led insurance is that everyone's turnover and wages have dropped, and those are among the key criteria for underwriting risks. Prior to the issue with the regulator, the percentage of policies that lapsed was higher in the Republic of Ireland than in Northern Ireland. In the North of Ireland, even businesses that were struggling would keep some form of insurance because employers' liability insurance is compulsory, so there is a difference there. Even if the economic situation meant that a business thought that it might not cope, it would still have kept some form of insurance. That has a knock-on effect. A motor trade business has contacted us to renew its insurance policy, which is due to expire on 27 April. That business has been insured with us for two years. It is happy with the service and is claims free, but it cannot renew its policy with us at present. We insure a wide variety of segments, and that applies to the UK market as well.

Ms Bermingham:

That is only one half of the equation.

Mr Courtney:

In addition to the commercial part, we have the private lines part of the business. Our core channels for selling private lines are the call centre and the Internet. In the UK, we mostly use the Internet, which is our pathway into the UK. We have 2% of the UK market in private lines, so we are still a relatively small operator. Yet, we are the tenth biggest insurer in the UK for private lines. If we got back into the UK market, we would still do good business, despite the fact

that we are so small. We have 750,000 private lines customers for household, motor and commercial vehicle insurance. That business is split 50:50 between the UK and the Republic of Ireland. We had forecast that business in the Republic of Ireland would reduce, and that is why we were planning to grow our business in the UK market, which is a relatively new book.

Mr McKay:

The FSA is a key player, and I agree with Jennifer that we should discuss what role we can play to bridge the gap between us and the FSA.

David touched on the issue of confidence and credibility and how key that is for an insurance company. I know that it is in its early stages, but is there any analysis of the uptake by provisional driving licence holders on the first day of trading?

Ms Bermingham:

Today is literally the first day of trading, so we do not have that analysis. However, private lines buyers are more price led than commercial buyers. The trust and reputation aspect is definitely more poignant in a commercial setting.

Mr Courtney:

We sell that insurance through the Internet, so all the systems have to be put back in place. It is not just a case of switching it on.

The Chairperson:

So, it takes a bit of time to do that.

Dr McDonnell:

Chair, may I ask a very simple question? On an ongoing basis, who is the contact point?

Ms Bermingham:

That would be me.

Dr McDonnell:

We need that contact. There is no point in our taking action and then needing quick updates. We need hour-by-hour contact with you.

The Chairperson:

Mr Rooney, do you want to say anything in conclusion?

Mr Pat Rooney (Quinn Insurance):

We have spoken a lot about the solvency issues, how we got to where we are, and trying to identify where the difficulties may arise. However, in the past — I think that it was in 2004 — we had the best solvency ratio of any insurer in Ireland.

A fair bit of our balance sheet is property based, and the devaluation of property clearly had a knock-on effect for our solvency. My understanding is that, as part of reviewing our financials, our internal audit system revalued our property. They told the regulator that they thought that there might be a problem and asked how they should address it, and he effectively closed us down. We believe that he may have had another agenda in doing so, but that is only an opinion. Until recently, the regulator had an advert on his own website indicating that he was open to job offers. He has been in the job for only five months, and we believe that his agenda is to tell everybody how tough he is.

Another issue is that the regulator is an appointee of the Irish Government, and he was brought into a situation that they believed was under-regulated. I believe that we now have a situation where we are possibly over-regulated. Certainly, the commercial viewpoint was not understood clearly or taken on board to any considerable degree. If it had been, time would have been given to the company to re-establish itself.

The Northern Ireland and UK market, as you have heard, is extremely critical to us. About a dozen of our customers, some of whom are our biggest customers, came here to support us at short notice. Between them, there is probably £3 million or £4 million worth of insurance sitting behind me. That is business that we cannot get back into our hand today.

Even if we understand all the issues around solvency, it is no good telling me that we need to raise £50 million, £100 million or £150 million, because I cannot raise it. I could not raise £150 at present. We probably cannot fix those issues, but there are things that we can fix. We are good at selling insurance and have been doing it for a living for a long time, and we are good at dealing with impacts when insurance is required and when things go wrong. Someone mentioned

the risks that we take, and we are good at sorting out those situations. Over many years, we have proved that we can run a very profitable company. If we could not, we would not have 27 suitors in the background snapping at our heels. We believe that, if we are allowed to do our job, the issue of solvency, given time, will resolve itself.

I did not quite understand what you said, Ms McCann. I hope that you were saying that you are looking at a mechanism to plug the black hole until we have regenerated enough income to plug the solvency gap ourselves.

Mr Shane Wilson:

A concern that we have touched on has to do with the implications of job losses. What support network can be provided for employees in Enniskillen? Is there any vision for putting new industries or enterprises into Fermanagh to assist with the replacement of those jobs?

The Chairperson:

That is important if the situation comes to that, which we hope it will not. Today, we have learned about the necessity of getting Quinn Insurance trading fully again. That is of the essence.

Mr Courtney:

As Mona said, we have been out of business for 23 days. Even if we do get back into business, with the business that we have lost in that time, there will still be significant job losses.

Mr O'Donnell:

As we said, the business is resourced for 100% operational capacity. If we get back up and running tomorrow, our operational capacity will have been reduced. It is inevitable that there will be job losses.

Mr Courtney:

We are trying to minimise the impact, but there will still be job losses.

The Chairperson:

I understand that point, and I am sure that my colleagues appreciate that point. Obviously, time is of the essence, so we will act as quickly as we can to try to assist you in this very difficult situation. We wish you well and are pleased that you could come today. Thank you for your

very frank, lucid and important contribution in which you described the situation and outlined a way forward. Thank you very much for coming.

Mr O'Donnell:

Thank you very much.