

# Ireland: Quinn Insurance in administration

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Another pillar of the Irish economy collapsed this month.

Ireland's Quinn Group abandoned attempts to prevent the country's largest insurance company being placed in administration. Quinn Insurance has been taken out of the control of the Quinn Group for "serious and persistent breaches" of the solvency rules governing insurance companies.

Quinn Insurance, which controls Quinn Healthcare and Quinn Direct employs 2,800 people in Ireland and the UK, and holds health, home and car insurance policies for 400,000 customers. Overall Quinn Group employs around 5,500 in Ireland and 8,000 internationally. Many of those are in the company's headquarters, on both sides of the Northern Irish border, in County Cavan, neighbouring Monaghan and Fermanagh.

Although the company will still operate and honour insurance policies, it is effectively insolvent—having liabilities of €200 million more than its total assets. Paul McCann and Michael McAteer of British-based accountancy firm Grant Thornton have been appointed as administrators.

Underlying the collapse is a complex web of financial arrangements tying Quinn Insurance to Quinn Group, the nationalised and ruinous Anglo Irish Bank, the Irish government and a narrow layer of super-rich bondholders and property speculators. First among them, and at the centre of the web, is Sean Quinn, the group's founder.

Quinn's trajectory embodies the explosive growth of the most criminal and reckless forms of financial parasitism in Ireland. He started a small quarrying business in 1973, and by exploiting contacts from the Gaelic Athletic Association on both sides of the border, laid the foundations of a business empire which rapidly expanded, despite the "Troubles", into building materials, cement, tarmac, landfill and packaging.

In the 1990s, Quinn Group moved into hospitality, later buying a number of prestigious hotels in Ireland, the UK and Eastern Europe including the Prague Hilton. Quinn Insurance was launched in 1996, while in the 2000s the conglomerate continued to expand into chemicals, radiators, and energy. In 2007 Quinn Insurance took over health

insurance provider BUPA in Ireland. Quinn, a secretive operator and ally of the ruling Fianna Fail party, habitually appears to have used resources from one arm of his activities to prop up and develop the others. Quinn Group also own 25 percent of investment analysts, National City Brokers.

The profits and personal wealth extracted from workers in his tightly controlled but disparate operations combined to make Sean Quinn and his family fabulously wealthy. Quinn's personal worth increased 493 percent between 1997 and 2005, while in 2008 he was 12<sup>th</sup> on the UK and Ireland rich list, with a fortune of £3.730 billion. A year later, after the economic crash, he was still worth £2.295 billion.

Quinn's losses in 2008-2009 are at the root of the group's troubles and relate in part to his dealings with the Anglo Irish Bank.

Anglo Irish was the preferred vehicle through which Ireland's narrow clique of super-rich property developers raised money to gamble on all manner of speculative schemes. The bank, which grew rapidly over the 2000s, reported a pre-tax profit of €1.24 billion in 2007, an increase of 46 percent on the previous year.

By 2008, Sean Quinn and his family controlled a 28 percent holding in Anglo Irish through share derivatives known as Contracts for Difference, basically gambles based on the likely movements of Anglo Irish share prices. This was reduced to 15 percent in July 2008 via a highly dubious manoeuvre whereby the bank itself lent money to 10 of its wealthiest customers to buy its own shares. This transaction is currently under criminal investigation.

Shortly after, the bank inflated its 2008 figures by lending money to a rival, which then deposited the money back in Anglo Irish. The bank claimed this as a new deposit. Bank chair Sean Fitzpatrick was forced to resign after he was found to have been lending the bank's money to himself.

Quinn raised the money for his share gamble on Anglo Irish from Quinn Insurance. Cash handed over by hundreds of thousands of working people to insure their homes, cars and health was pumped by Quinn into Anglo Irish at a point where the world financial crisis of 2008 was about to break, taking Ireland's speculative property bubble with it.

Anglo Irish was the crash's first major corporate loss in

Ireland. The bank, facing a run on its suddenly declining assets, saddled with vast sums of non-performing loans, was nationalised in early 2009. The entire board was replaced, and responsibility for the company's debts and obligations was transferred to the public purse. Last month, the bank reported a loss of €12.7 billion, the largest loss in Irish corporate history. €8.3 billion has already been handed over to the bank, while another €10 billion handout was recently announced by Fianna Fail Finance Minister Brian Lenihan.

Anglo Irish is also expected to hand over as much as half of its entire loan book of €72 billion to the National Asset Management Agency (NAMA), the so-called "bad bank" or state funded dustbin for bad debts. On March 31, the European Commission announced an investigation of state support for Anglo Irish. The Quinn Group owes Anglo Irish €2.5 billion.

However, it is not clear whether it is the Anglo Irish debt which has brought down Quinn Insurance. The immediate trigger appears to have been the revelation that Quinn Insurance had made guarantees of around €1.2 billion to a number of Quinn Group bondholders. These guarantees, made between 2005 and 2008, outweighed the assets and cash held by the group, calling into question its ability to fund insurance claims. Despite efforts since 2008 to establish a viable plan to stabilise Quinn Insurance, existence of the bonds was only publicly revealed on March 24 this year.

Remarkably, shortly before administration was announced, the most likely scenario to rescue Quinn Insurance, and one still not entirely excluded, was that it would be taken over by Anglo Irish. The nationalised bank was to take over the insurance company, inject €700 million of public cash to prop it up, while attempting to recoup the €2.8 billion owned by Quinn. This would have required approval from both the Financial Regulator and Finance Minister Lenihan.

Following the exposure of management "techniques" at Anglo Irish, the government have been attempting to give the office of Financial Regulator some veneer of credibility. In the end, the newly appointed regulator, Matthew Elderfield, formerly head of the Bermuda Monetary Authority in the British-controlled offshore tax haven in the North Atlantic, pressed the High Court and government to call time on Quinn. Elderfield was known to be concerned that taking on Quinn Insurance's liabilities would further compromise the financial black hole that is Anglo Irish.

The impact on the Quinn Group is likely to be serious. While a number of buyers are lining up to take over Quinn Insurance, no doubt with its debts repackaged and dumped, deprived of access to its insurance arm the Quinn Group may now unravel at the cost of many thousands of jobs.

The decision to place Quinn Insurance in administration

heralds a new phase of the financial crisis as its impact on the "real economy" of productive businesses, hotels, airlines, building companies, and shops intensifies. Ireland's latest unemployment figures show 433,000 on the Live Register, equating to a 13.4 percent rate of unemployment. The Economic and Social Research Institute predicted recently that unemployment would begin to fall in 2011, but only on the basis of 100,000 workers leaving the country.

News of imminent administration generated alarm amongst the insurance group's workforce. 300 workers demonstrated outside the *Dáil*, the Irish parliament, following the initial March 31 decision to appoint administrators. A week later, 3,000 marched in Dublin, while 1,500 took to the streets in Cavan. Another 1,500 workers and supporters attended a rally in Enniskillen, Northern Ireland April 8. 641 staff are employed at Quinn Insurance' Enniskillen branch. Quinn Insurance is one of the few large employers in the area. Over 17,000 people have signed up to the Save Quinn Insurance page on Facebook.

In the main, the protests have been directed, not against Quinn Group, but against the "Financial Wreckulator" as one placard put it. Some of the protests were organised by Mona Bermingham, a Public Relations officer for Quinn. Politicians on both side of the border have entirely avoided criticising the group. While many held placards saying "Save our Jobs", others demanded "Hands Off Quinn Insurance." Testifying to Quinn's near feudal grip on the area, and to the devastation a Quinn collapse could have on the local businesses, Cavan Chamber of Commerce held its own rally in support of Quinn Insurance April 7.



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