

Medical Indemnity  
Industry Association of Australia

*forum*



Novotel Melbourne  
on Collins  
270 Collins Street  
Melbourne

Thursday  
4 September  
2008



# MIIAA Medical Indemnity Forum

## Regulation of the Medical Indemnity Sector

Stephen Glenfield

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4<sup>th</sup> September 2008

- The history to APRA's prudential supervision of MII's
- An outline of how APRA regulates
- Where the industry currently sits
- The future challenges for the industry

- Traditionally medical indemnity cover offered by MDO's on discretionary basis
- 2002 crisis in the industry
- **Government response:**
  - Medical Indemnity Act 2002
  - Medical Indemnity (Prudential Supervision and Product Standards) Act 2003

- **APRA's mission:**  
To establish and enforce prudential standards and practices designed to ensure that, under all reasonable circumstances, financial promises made by institutions we supervise are met within a stable, efficient and competitive financial system.
- **Prudential focus in last five years**
- **International comparison**

- MI's have successfully completed the capital plans put in place in 2003 and are in position of relative capital strength
- Risk management and governance practices within the industry have improved significantly
- Together with the government reforms and financial support this has underpinned the availability and affordability of cover for most practitioners

### However:

- Ultimate claims costs are gradually rising
- Underwriting and general expenses are rising rapidly
- Competition is a strong driver



- The ongoing existence of government support and subsidy for the industry
- Changes in underlying environmental factors
- The use of capital strength:
  - Funding competitive premiums
  - Restructure reinsurance programmes
  - Funding merger activity
- Continuing evolution of risk management within the industry
- Increasing importance of investment strategy
- Reinsurance capacity - notably capacity in Australia
- Government consideration of the regulation of discretionary cover providers

## Conclusion



**The industry is well placed following five years of building capital and prudential regulation. However significant challenges remain and new challenges are emerging.**



**Questions?**



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