

Medical Indemnity
Industry Association of Australia

forum



Novotel Melbourne
on Collins
270 Collins Street
Melbourne

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2008



MIIAA Medical Indemnity Forum

Regulation of the Medical Indemnity Sector

Stephen Glenfield

General Manager

Specialised Institutions Division

4th 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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