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# MIIAA Annual Forum The Global Economy and the Australian Insurance Landscape

18<sup>th</sup> October 2012

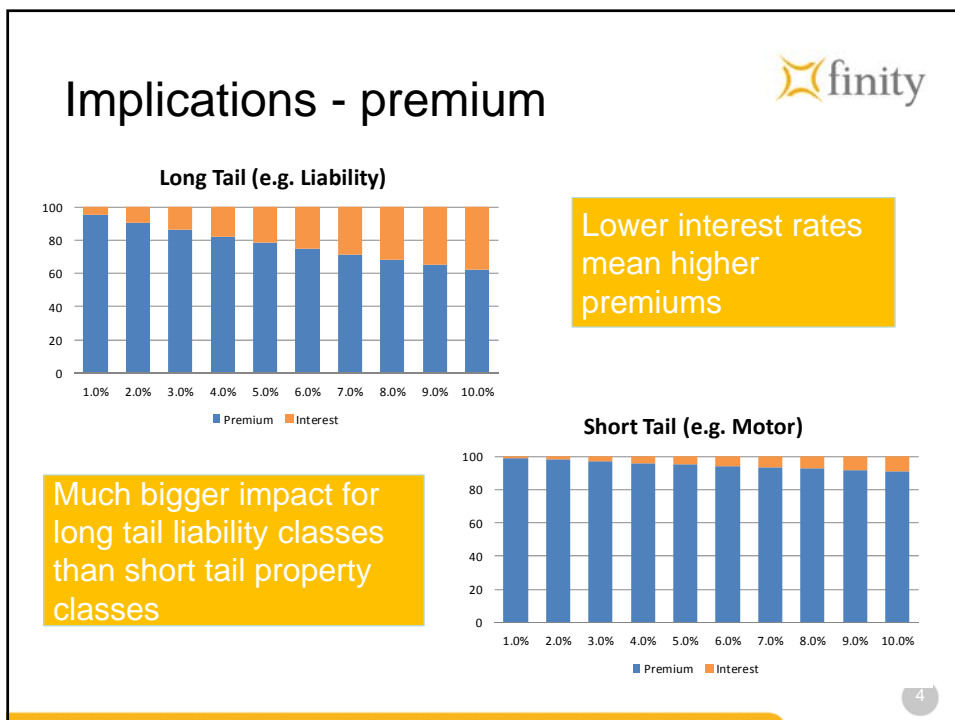
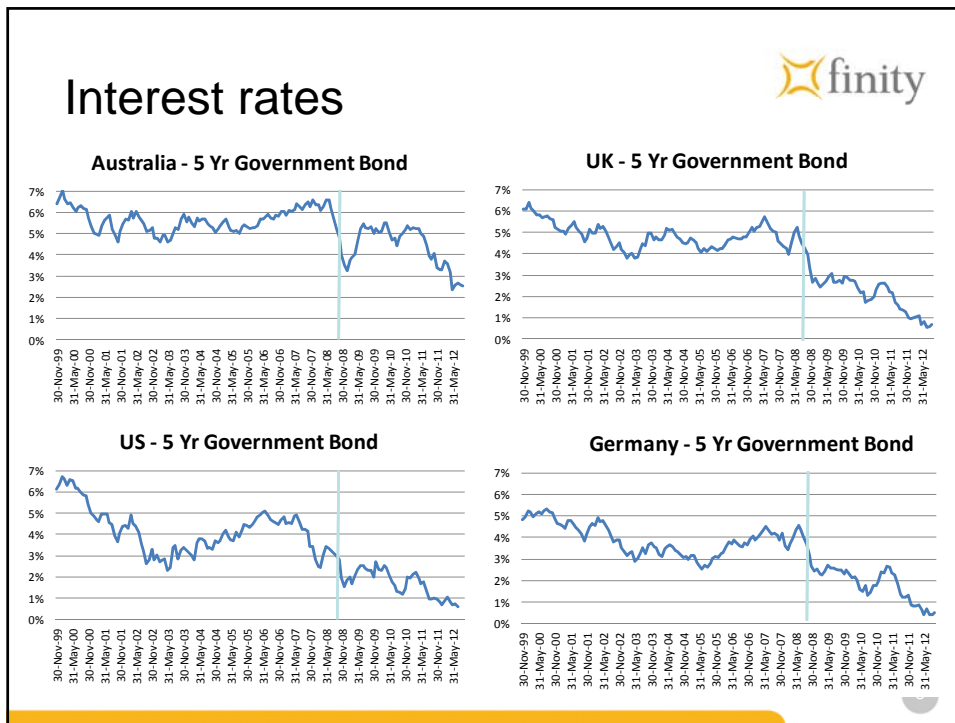
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## Global economy

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-  Sovereign debt crisis
-  Unemployment
-  US economy
-  China growth
-  Resource prices
-  Safe havens

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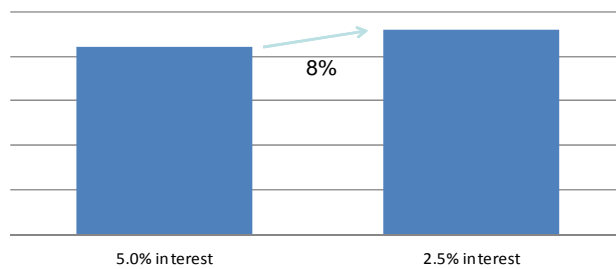


## Implications – balance sheet



Outstanding claims may be 2 to 3 times annual premium so a 8% change in the outstanding claims provision has a significant impact on profit

Outstanding Claims (3.5 yrs to payment)



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## What insurers are saying



“Lower natural perils”  
“Lower reserve releases”  
“Lower interest rates”

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## Insurer performance



Industry return on capital for 2011/12 similar to 2010/11

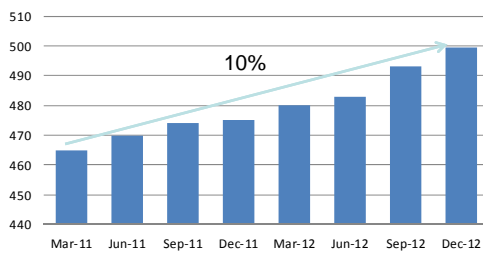


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## Insurer pricing response

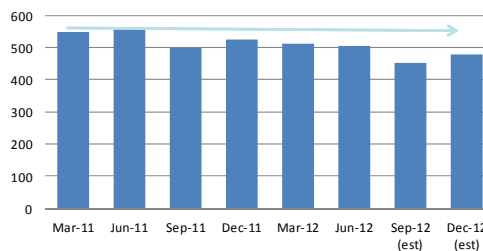


NSW CTP Average Premium



Actual pricing response depends on market conditions

Liability Gross Premium (\$m)



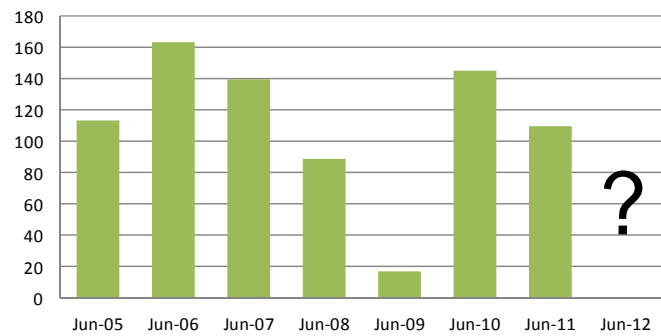
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## MII – impact on profit



GFC impact on MII profit in 2008/09 evident  
Will current problems have similar impact?

MII Group Net Profit (\$m)



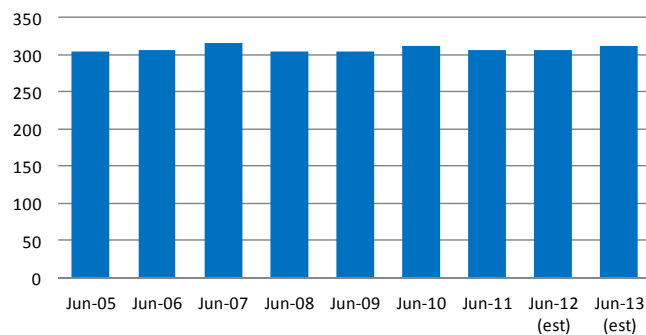
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## MII – price impact?



Common renewal date means 2012/13  
premiums already locked in

Medical Indemnity Subs + Premium (\$m)



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## Summary



Main insurance impact so far is lower interest rates



Australian insurers profits impacted by lower rates  
Premiums increasing for some classes



Profit impact may be greater for MIIIs  
No pricing impact until 2013/14