

- Current Challenges and Future Opportunities



SEMINAR

Friday, 22 September 2006

SHANGRI-LA HOTEL 176 CUMBERLAND ST, THE ROCKS, SYDNEY

GRIT – what are the lessons?

Lisa Simpson

Partner, PwC

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GRIT – what are the lessons?

- GRIT overview
- Consulting our stakeholders
- Methods
- Understanding the business
- Uncertainty
- Behavioural impacts
- Measuring the past



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Consulting our stakeholders

- Survey results (p22)
 - Better communication of uncertainty
 - Key assumptions and reserve drivers
 - Better explanation of methods
 - Actuaries are poor at communicating



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Methods

- Applying existing methods more consistently (p28)
- Understanding conditions for use of models
- Choice of loss ratio
- Tail factors and link to cycle
- Grouping of business
- Timing of projections
- Large claims and reinsurance



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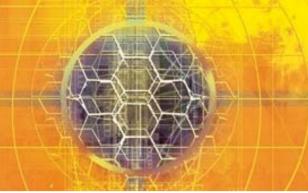


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Understanding the business

- Diagnostics for
 - Policy database (p46)
 - Claims database
 - Major Open risk
 - Underwriting
 - Claims management
 - Reinsurance

Information for each class of business



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Behavioural impacts

- Anchor bias (p120)
- Framing
- Third party pressure
- Over confidence



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QBE Insurance (QBE	QBE.AX) Dec YE					
Net Claims Development Table						
	2001	2002	2003	2004	2005	
Accident year (end of)	3,522	3,201	3,413	4,490	5,189	
One year later	3,496	3,084	3,154	4,120		
Two years later	3,599	3,004	2,921			
Three years later	3,737	2,965				
Four years later	3,753					
Current estimate	3,753	2,965	2,921	4,120	5,189	
Cumulative payments	2,883	1,975	1,474	1,566	873	



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Promina (PMN.AX)	Dec YE						
Net Claims Development Table							
	2001	2002	2003	2004	2005		
Accident year (end of)	1,165	1,187	1,479	1,634	1,841		
One year later	1,165	1,182	1,439	1,593			
Two years later	1,178	1,171	1,416				
Three years later	1,190	1,154					
Four years later	1,183						
Current estimate	1,183	1,154	1,416	1,593	1,841		
Cumulative payments	1,053	990	1,162	1,240	1,123		



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Allianz Australia	Dec YE					
Net Claims Development Table						
	2001	2002	2003	2004	2005	
Underwriting year (end of)	2,053	742	714	756	748	
One year later	1,994	655	663	714		
Two years later	2,071	656	639			
Three years later	2,175	618				
Four years later	2,115					
Current estimate	2,115	618	639	714	748	
Cumulative payments	1,264	237	142	85	36	



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Insurance Australia (IAG.AX)		Jun YE				
Claims Development Table						
	2002	2003	2004	2005	2006	
Accident year (end of)	2,313	3,677	3,881	4,024	4,105	
One year later	2,215	3,360	3,521	3,743		
Two years later	2,137	3,249	3,493			
Three years later	2,087	3,163				
Four years later						
Current estimate Cumulative payments	2,051	3,163	3,493	3,743	4,105	



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Suncorp-Metway (SUN.AX)		Ju	n YE			
Claims Development Table						
	2002	2003	2004	2005	2006	
Accident year (end of)	3,289	711	696	800	812	
One year later	3,255	689	714	704		
Two years later	3,126	642	609			
Three years later	2,929	563				
Four years later	2,892					
Current estimate Cumulative payments	2,892 2,057	563 235	609 141	704 92	812 42	



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Measuring the past

Zurich Australia

Dec YE

Net Claims Development Table

2001	2002	2003	2004	2005
211,532	204,326	205,423	216,910	252,004
183,848	168,059	191,672	198,966	
169,135	164,528	172,460		
169,523	156,952			
156,085				
156,085	156,952	172,460	198,966	252,004
80,449	60,387	37,587	31,692	15,244
	211,532 183,848 169,135 169,523 156,085	211,532 204,326 183,848 168,059 169,135 164,528 169,523 156,952 156,085 156,952	211,532 204,326 205,423 183,848 168,059 191,672 169,135 164,528 172,460 169,523 156,952 156,085 156,952 172,460	211,532 204,326 205,423 216,910 183,848 168,059 191,672 198,966 169,135 164,528 172,460 169,523 156,085 156,952 172,460 198,966



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