

Superimposed Inflation: Are We Any Wiser?

A sketch & panel discussion session

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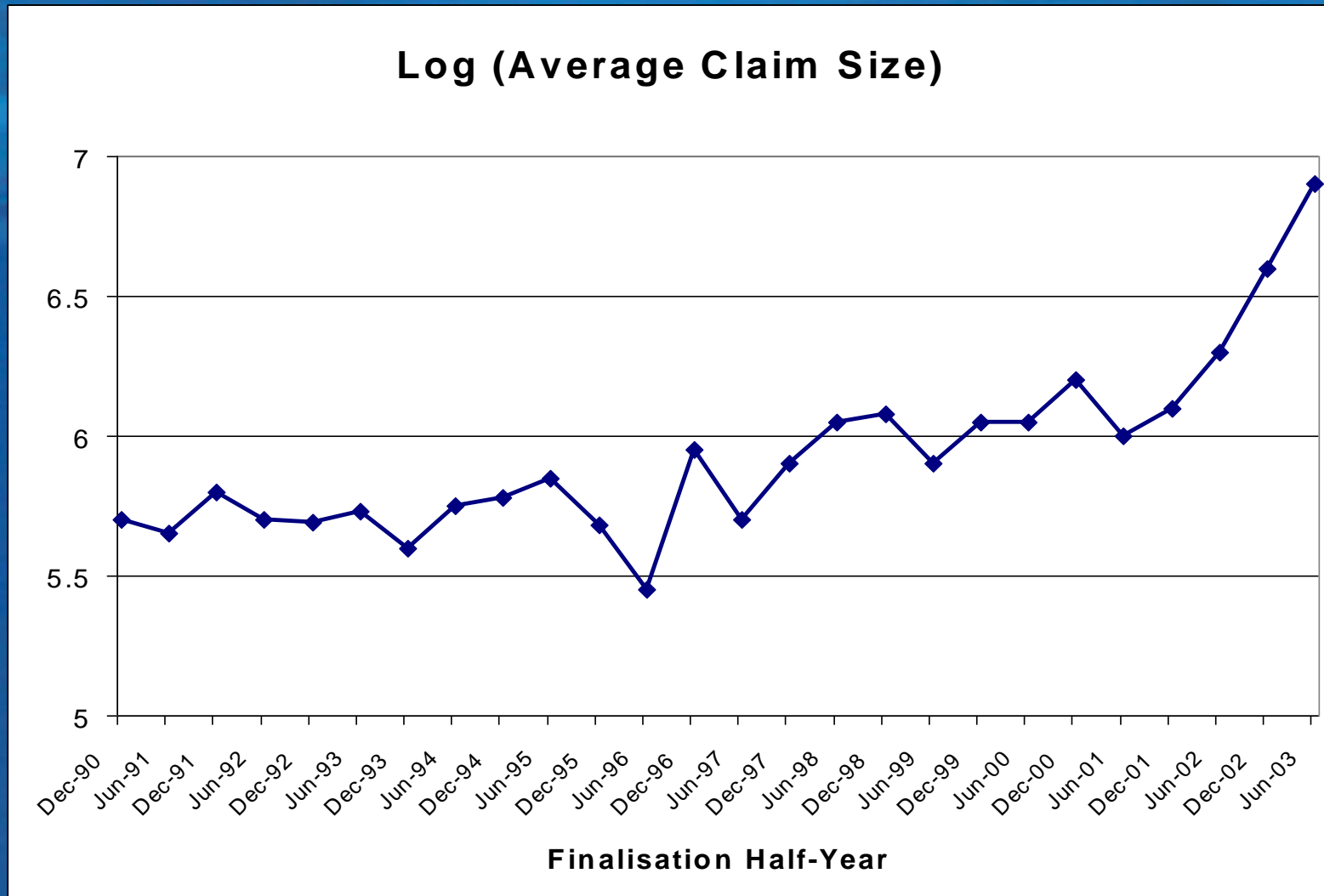
Superimposed Inflation - Are We Any Wiser?



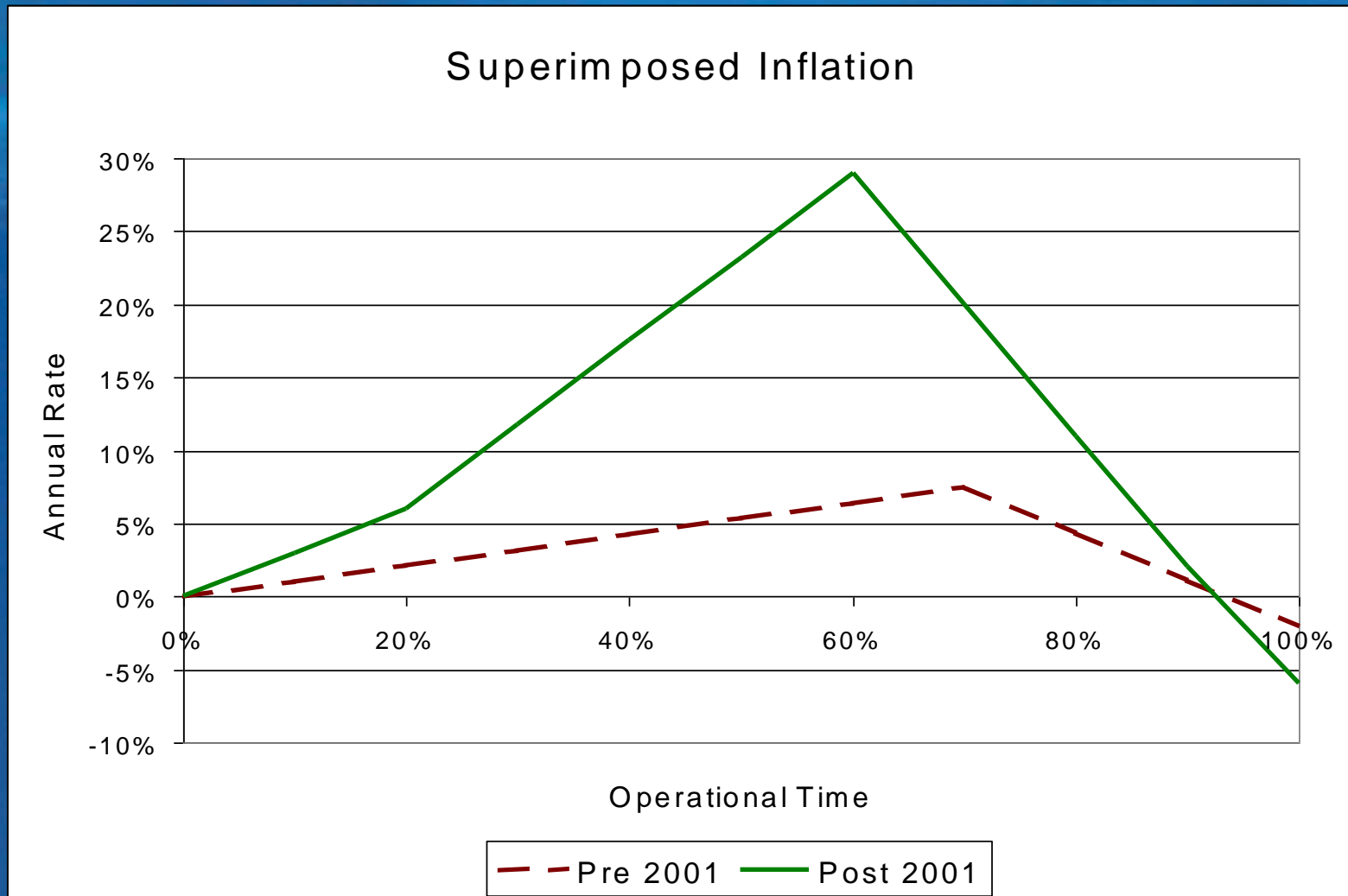
Scene 1



Trend in Past Superimposed Inflation



Superimposed Inflation – Pre & Post 2001



- Overall 'trend of 10%' pa for post-2001



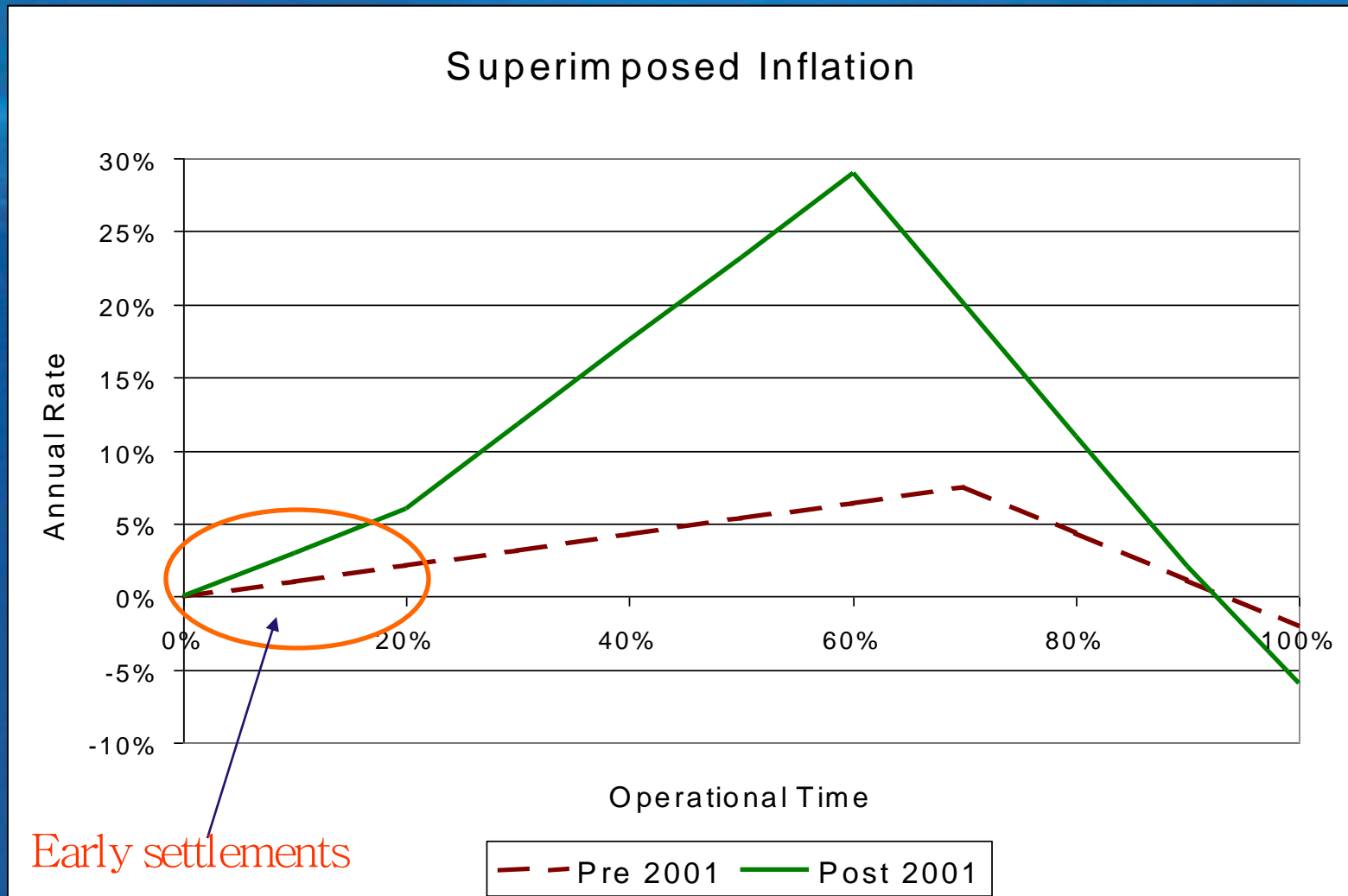
- Past a suitable guide for the future?
- What legitimate reasons for not adhering to the past?
 - Legislative change?
 - Social pressures?
 - Claim mitigation efforts?



Scene 2



Superimposed Inflation – Pre & Post 2001



- What weight to be given to management comments on improved underwriting/claims management?
 - refer Justice Owen’s comments on “optimism...without proper basis”



Scene 3



Options for reducing trend

- 10%, 9%, 8%, 7%, 6%, 5% thereafter

OR

- 10%, 10%, 10%, 9%, 8%, 7%, 6%, 5% thereafter

OR

- 10%, 10%, 10%, -5%, 5% thereafter

OR

- ???



Questions

- Is it in any way reasonable to damage an insurer by carrying out financial forecasts on basis of extrapolated trend that has a probability of virtually zero?
- In absence of any clear guidance as to when/ how trend will be interrupted, how can one justify any lesser forecast?



Closing scene



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The Panel

- **Geoff Atkins**
- **Chris Latham**
- **Brett Ward**

