



Institute of Actuaries of Australia

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Australia v Rest of The World How do Statutory Insurances match up?

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.....the token innumerate underwriter.....!

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The running order is:

Australia v Rest of The World: How do Statutory Insurances match up?

Statutory Insurances: A Reinsurer's view of where we are.

Are Reinsurers a threatened species?

1. Australia v ROW in Compulsory Classes Challenge Cup

Classic criteria for a developed market:	Points
• Free entry of capital which fits financial criteria	25
• Deregulated pricing	20
• Dynamic, proactive regulation	15
• Strong supporting infrastructure of technical skills (healthcare, legal, accounting, actuarial etc)	20
• Active consumer lobby	5
• Freedom from political influence	15

Marks per criterion for Australian compulsory classes

Benchmark		WCA score	CTP score
Capital	25	$3.3\text{m} / 20.8\text{m} = 4$	$4.3\text{m} / 14.4\text{m} = 7$
Pricing	20	$3.3\text{m} / 20.8\text{m} = 3$	$4.3\text{m} / 14.4\text{m} = 6$
Regulation	15	11	13
Support	20	18	18
Consumerism	5	5	5
Politics	15	7	9

Australian Bureau of Statistics, Canberra: population & vehicles

Totals per class

WCA

CTP

48%

58%

How to calculate a blended score?

Straight average is 53%

Or use a mixture of workforce for WCA and vehicle count for CTP? Both have population as a base....?

10.3m at 48% = 4.9

14.4m at 51% = 8.4

Overall 13.3/ 24.7 = 54%

Comparison with European Compulsory classes: WCA

- Denmark; deregulated, mix of injury & OD pool
- Belgium; deregulated, strict liability, state OD
- Holland, France & Germany; the State steps in!
- UK; no- fault is National Insurance, EL is C/L

Comparison with European compulsory classes: CTP

- Comprehensive cover (CMV & CTP)
- Fault- based, open market
- Limited versus unlimited, EU 5th Directive
- Peculiarities: Sweden, Israel

ROW Scorecard

Denmark

Benchmark	WCA score		CTP score	
Capital	25	80% deregulated = 20	deregulated =	25
Pricing	20	deregulated =	20	deregulated = 20
Regulation	15		10	9
Support	20		18	18
Consumerism	5		3	3
Politics	15		12	13
Total			83%	88%

ROW Scorecard

Whole EU 500m

Benchmark		WCA score	CTP score
Capital	25	60% deregulated = 15	deregulated = 25
Pricing	20	60% deregulated = 12	deregulated = 20
Regulation	15	8	7
Support	20	16	16
Consumerism	5	3	3
Politics	15	12	12
Total		66%	83%

2. Statutory Insurances: A view of where we are

- CTP/ LTC: where does the money go?
- WCA: disconnect between primary and reinsurance. Why?

3. Are Reinsurers facing extinction?

Should we be worried?

Regulatory purchases

Nature of relationship

Raising of retentions

Volatility of reinsured exposure

Art Deco in NYC can illustrate this very well.....



The bit which bends with the wind....

(A\$ unlimited, 150m xs 50m)



Already thinning out.....

(A\$ 30m xs 20m)



Foundations, girders & structural goodies

(up to A\$20m FGU)



Aarrgh..!

Er.....!!

Survival Strategy: evolve or die!

Developing areas

Agencies becoming companies

Breakaways

Thank you for your attention!

I now throw myself at your mercy.....

are there any questions?

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