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**General  
Insurance  
Seminar**

  
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**9-12th Nov 2008**  
**Hyatt Regency Coolum**

# **State of the Australian Liability Market**

**Susan Ley and Brad Cuff**

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## Agenda

- Background
- Experience
  - All segments
  - Small to Medium Enterprise (SME)
  - SME bodily injury (BI)/material damage (MD)
  - SME superimposed inflation (SI)
  - Corporate
- Legal trends



## **Background - The Liability Market**

- Since 2002, each state and territory government has introduced reforms aimed at public and product liability insurance
- Tort reform has been successful, but there are differing views as to the extent of the success and whether the trends may reverse



## **Background - experience**

- Ernst & Young has performed a benchmarking study of claims experience and financial ratios for public and product liability insurance
- The study is performed every 12 – 18 months with the participants representing the majority of the market



## Background – analysis approach

- 11½ years claims data in accident half-years from June 1996 to June 2007
- Claims segments
  - SME policies
  - Large or Corporate policies
  - Placement Facilities
  - Large claims (above \$1m per event)
  - Additional segments
    - Bodily Injury / Material Damage
    - State (SME only)



## Background – analysis approach

- Ultimate claim numbers extrapolate past trends
- Ultimate claims cost extrapolate past trends with high level allowance for large claims
- Projected ultimate estimates are our estimates not insurers
- Thank you to participants who have allowed us to use their data



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**Experience - all**

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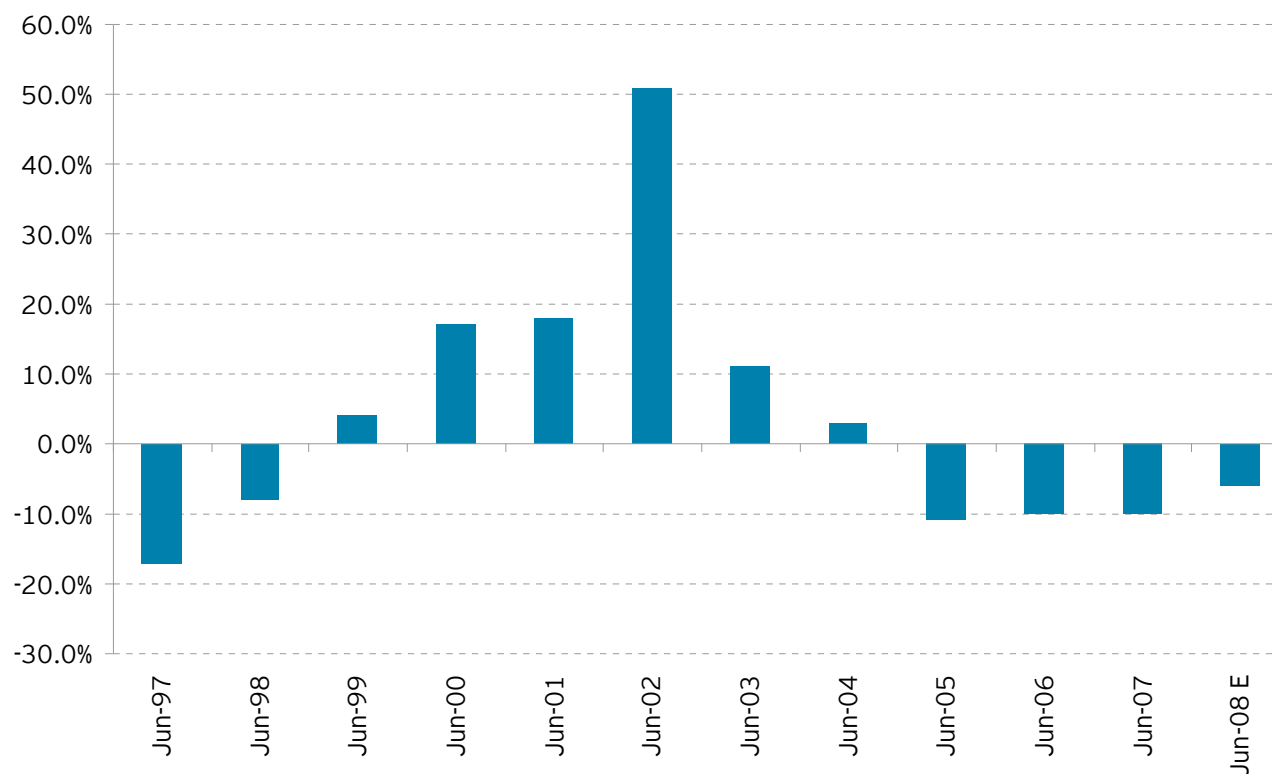
  
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# Experience – all – premium rate movements

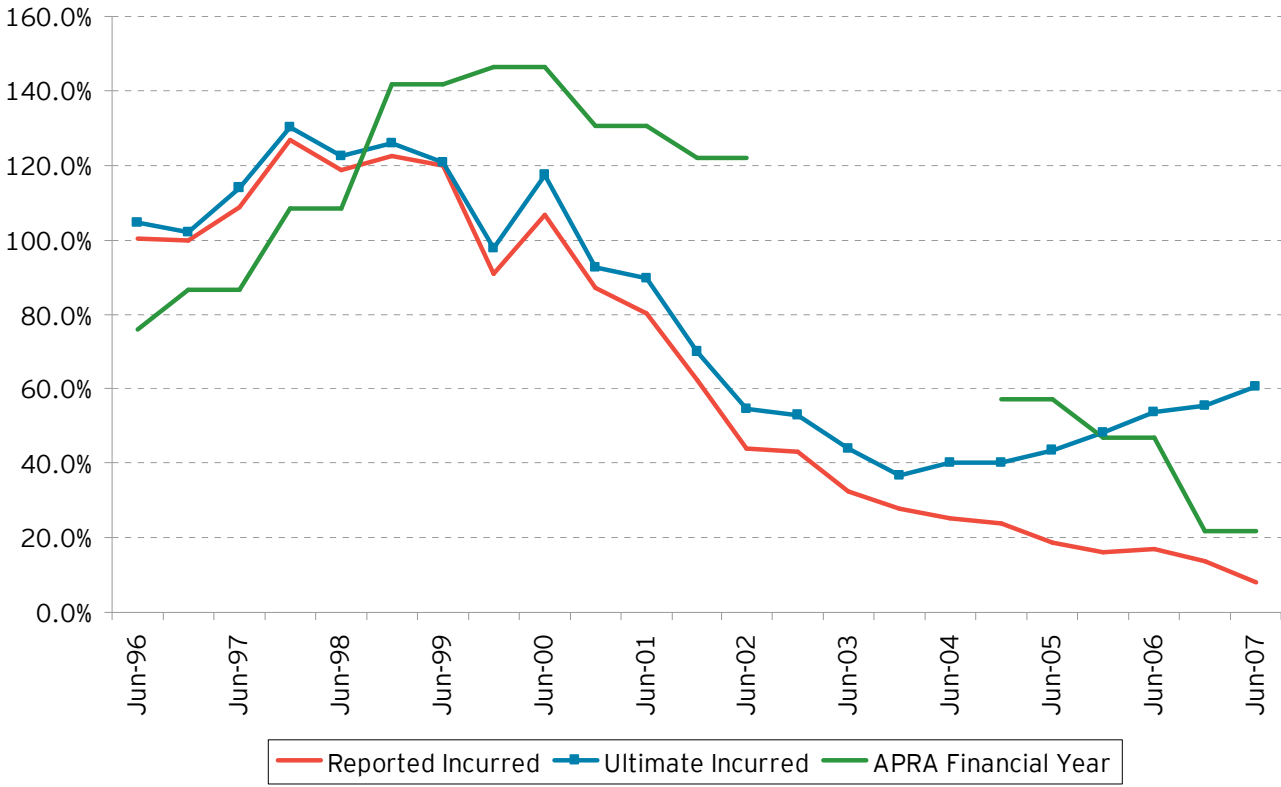


Source: JP Morgan Deloitte survey





# Experience – all – loss ratios (undisc)



Source: Ernst & Young benchmarking and APRA stats



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# Experience - SME



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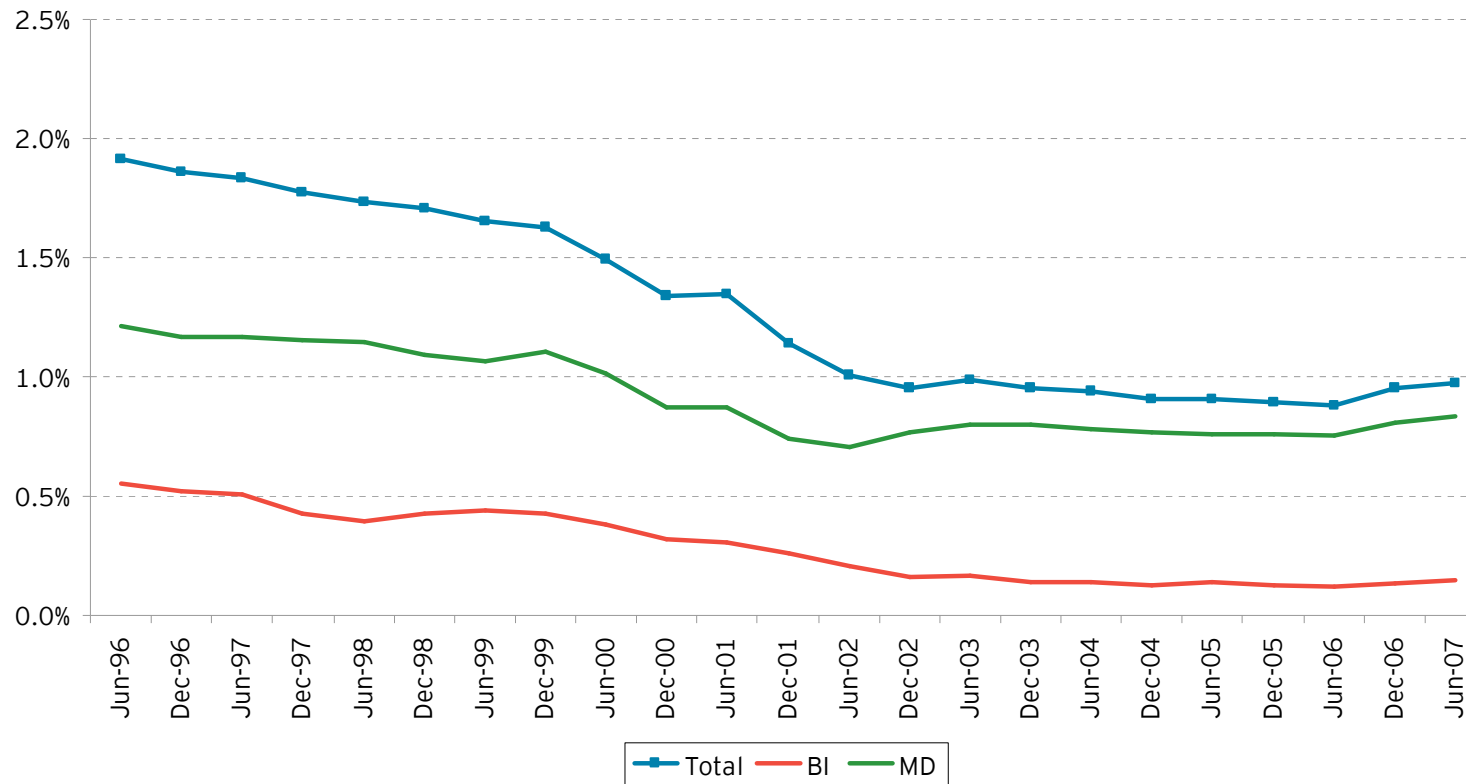
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## Experience – SME – claim frequency





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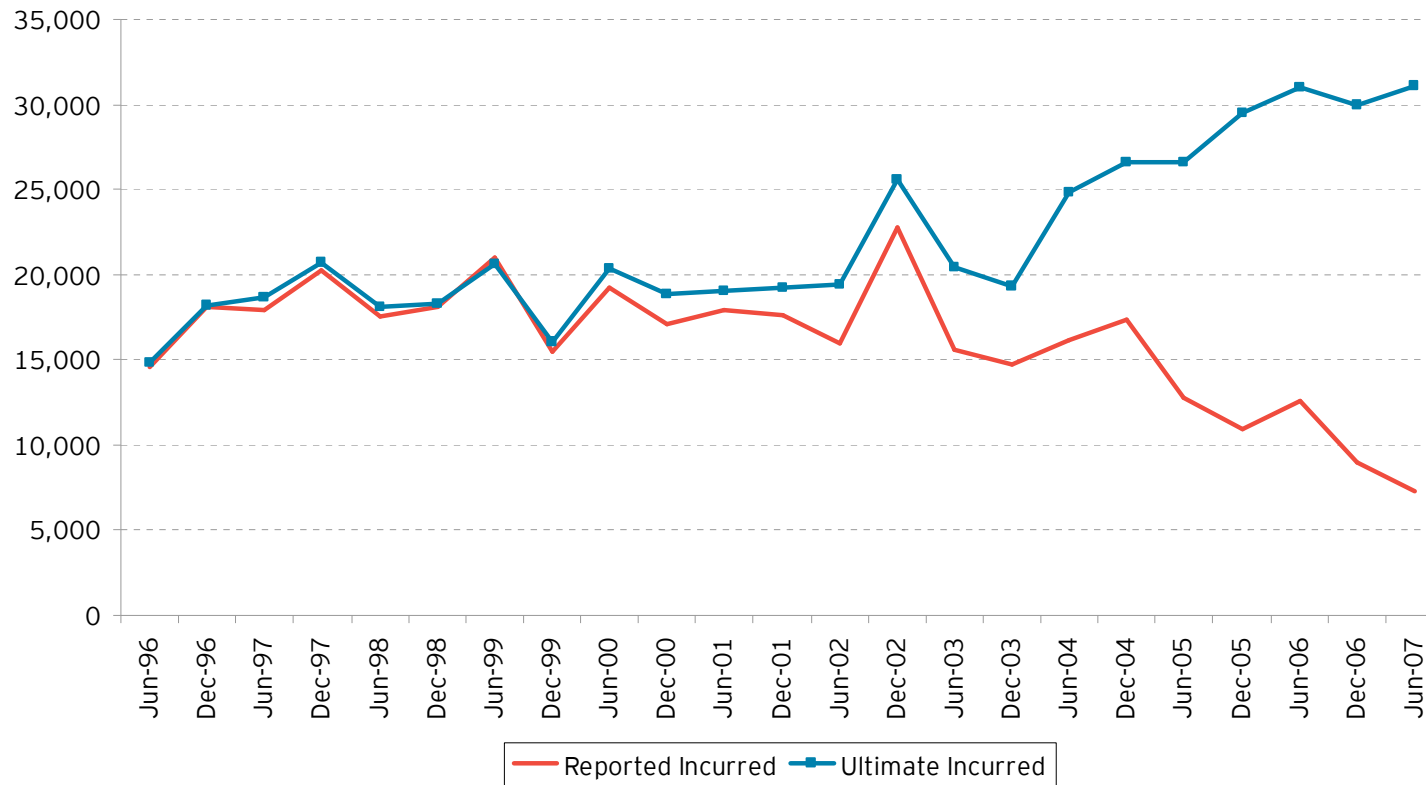
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## Experience – SME – average claim size





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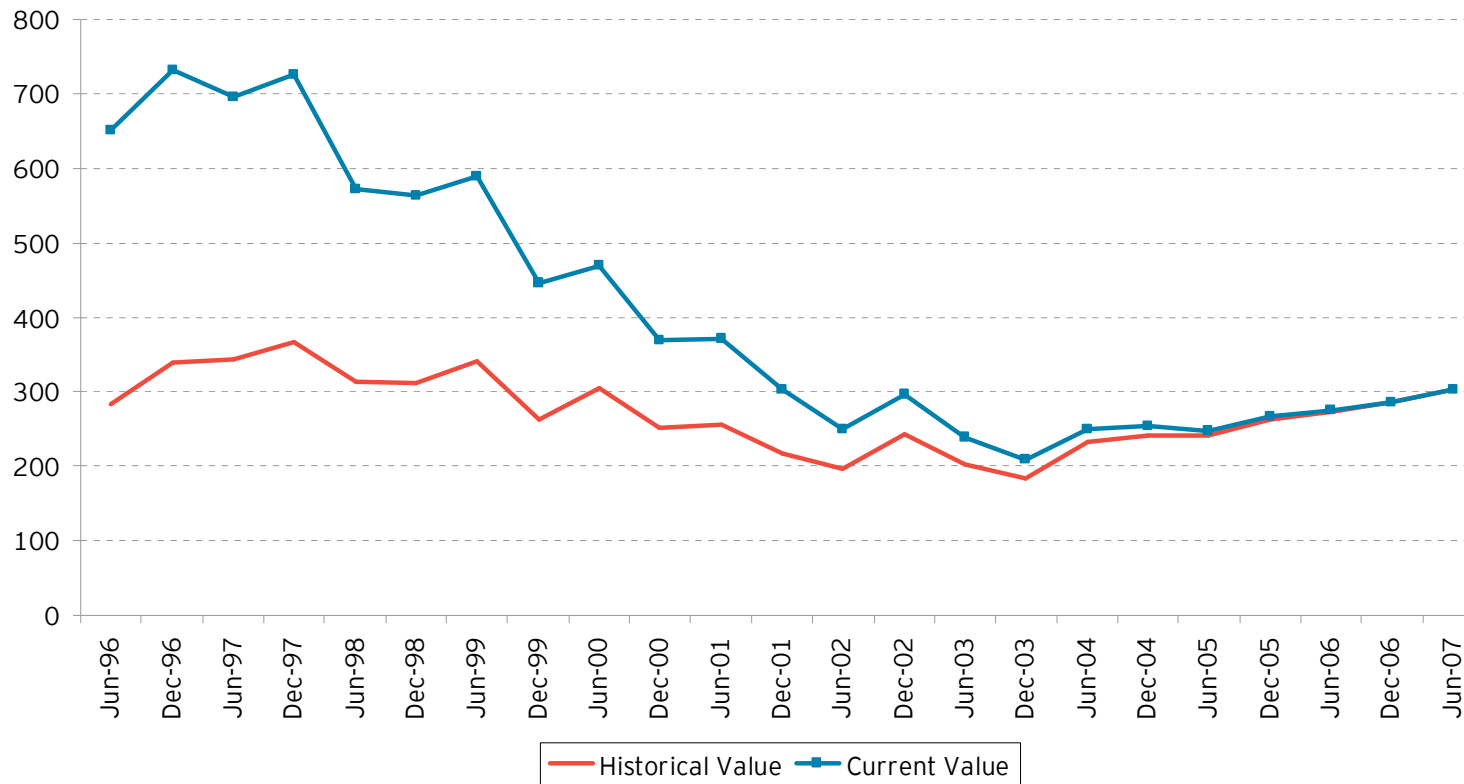
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## Experience – SME – average cost per policy



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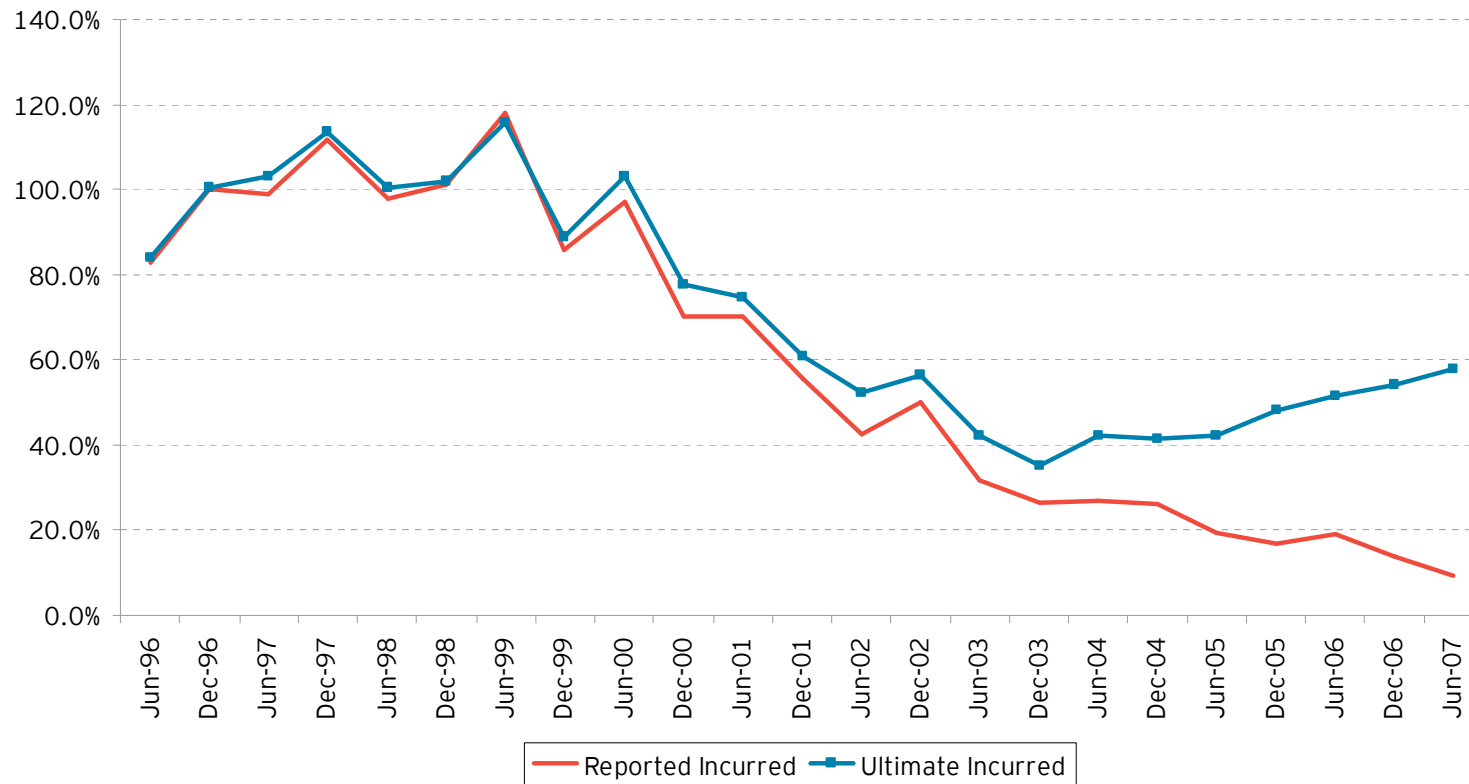
  
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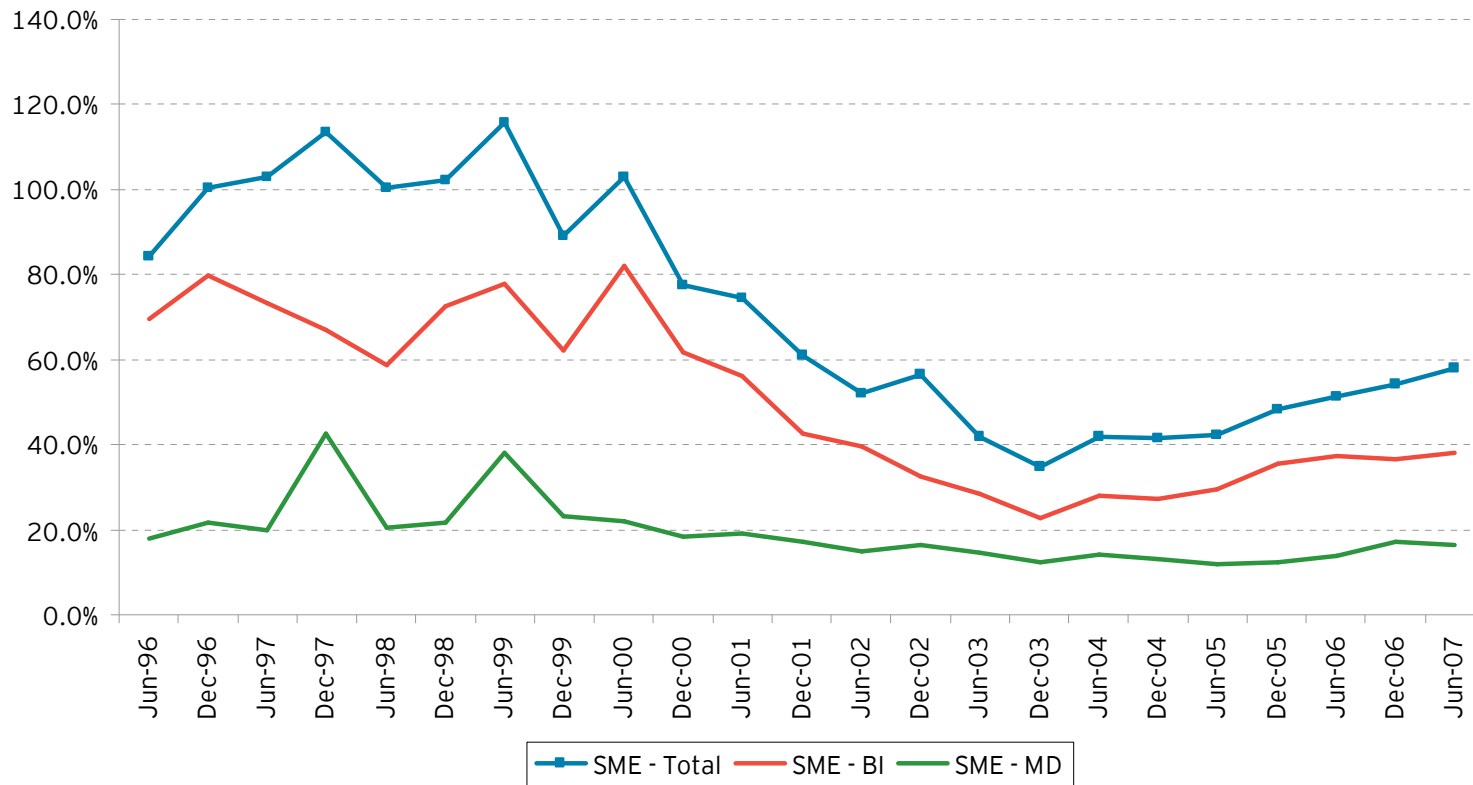
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# Experience – SME – loss ratio (undisc)





# Experience – SME – BI/MD loss ratio (undisc)





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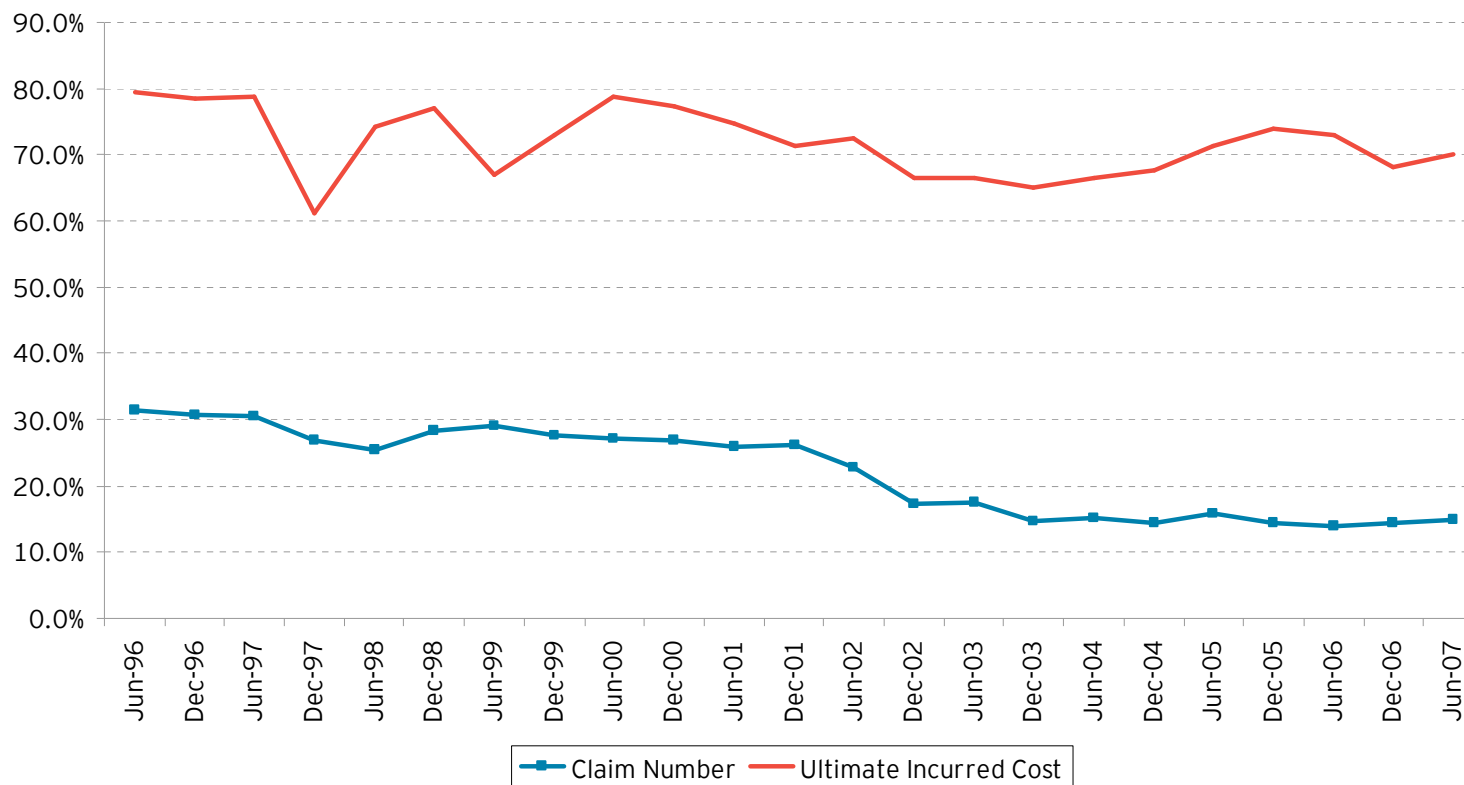
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**Experience – SME - BI**



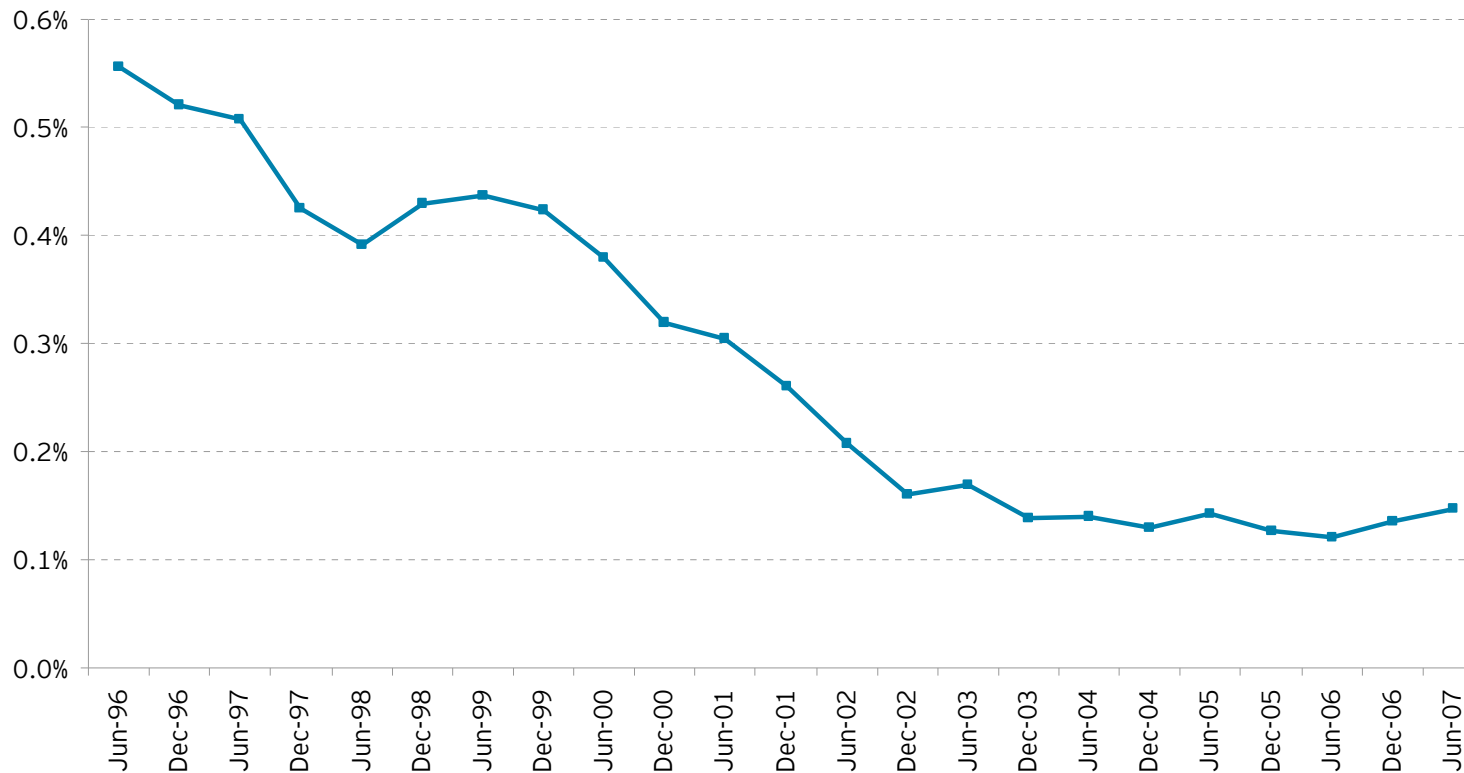


# Experience – SME – BI claims %





# Experience – SME – BI claim frequency





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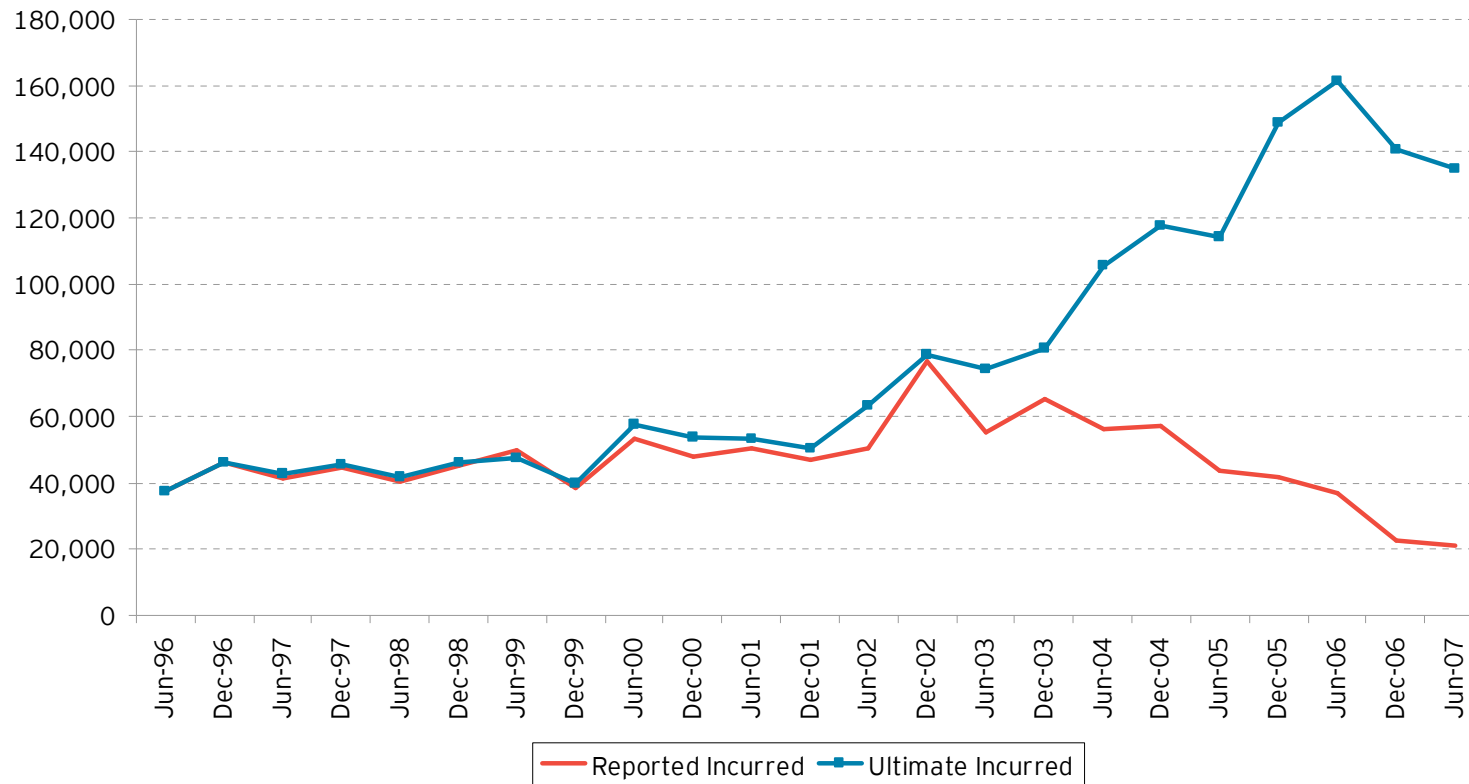
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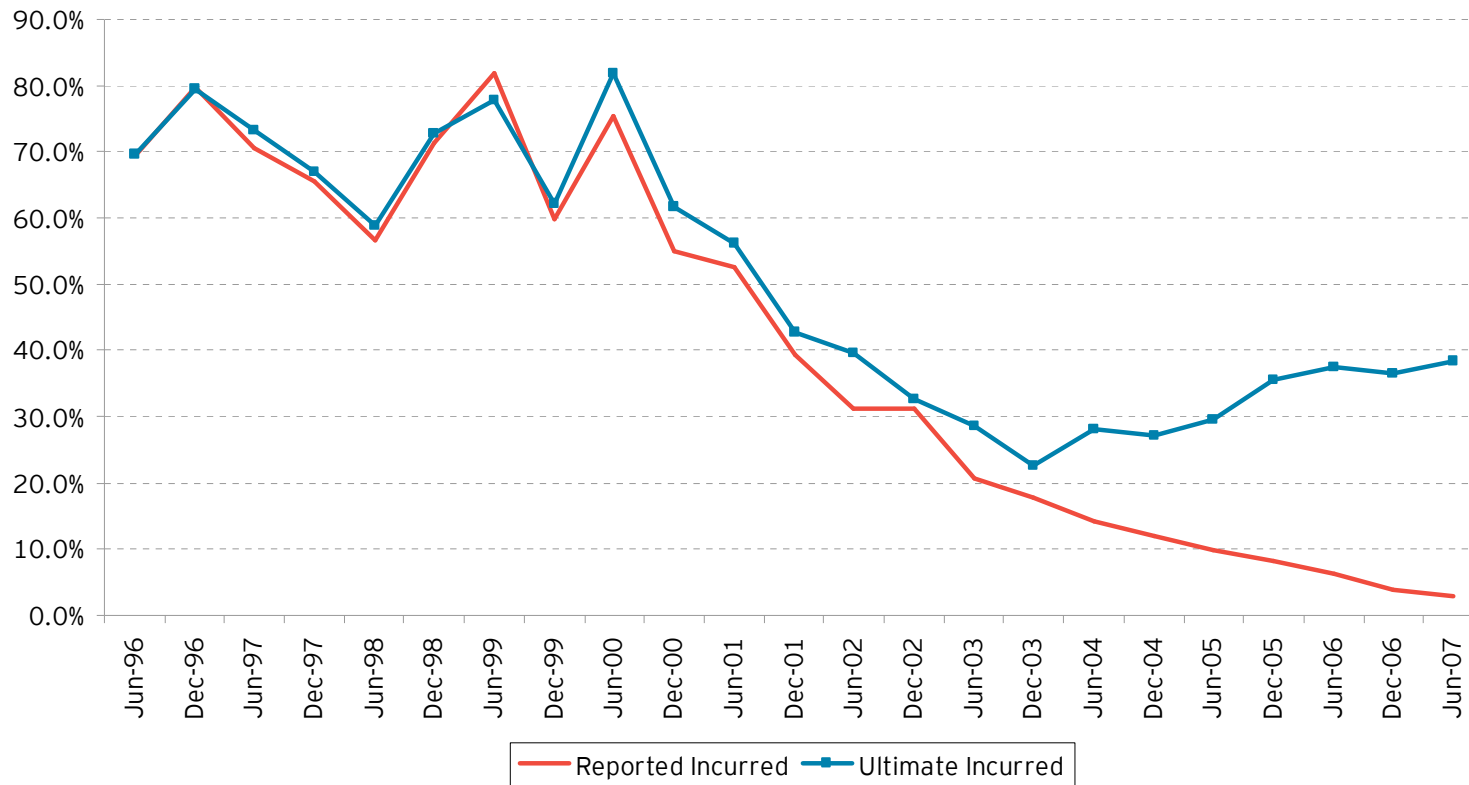
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## Experience – SME – BI average claim size





# Experience – SME – BI loss ratio (undisc)





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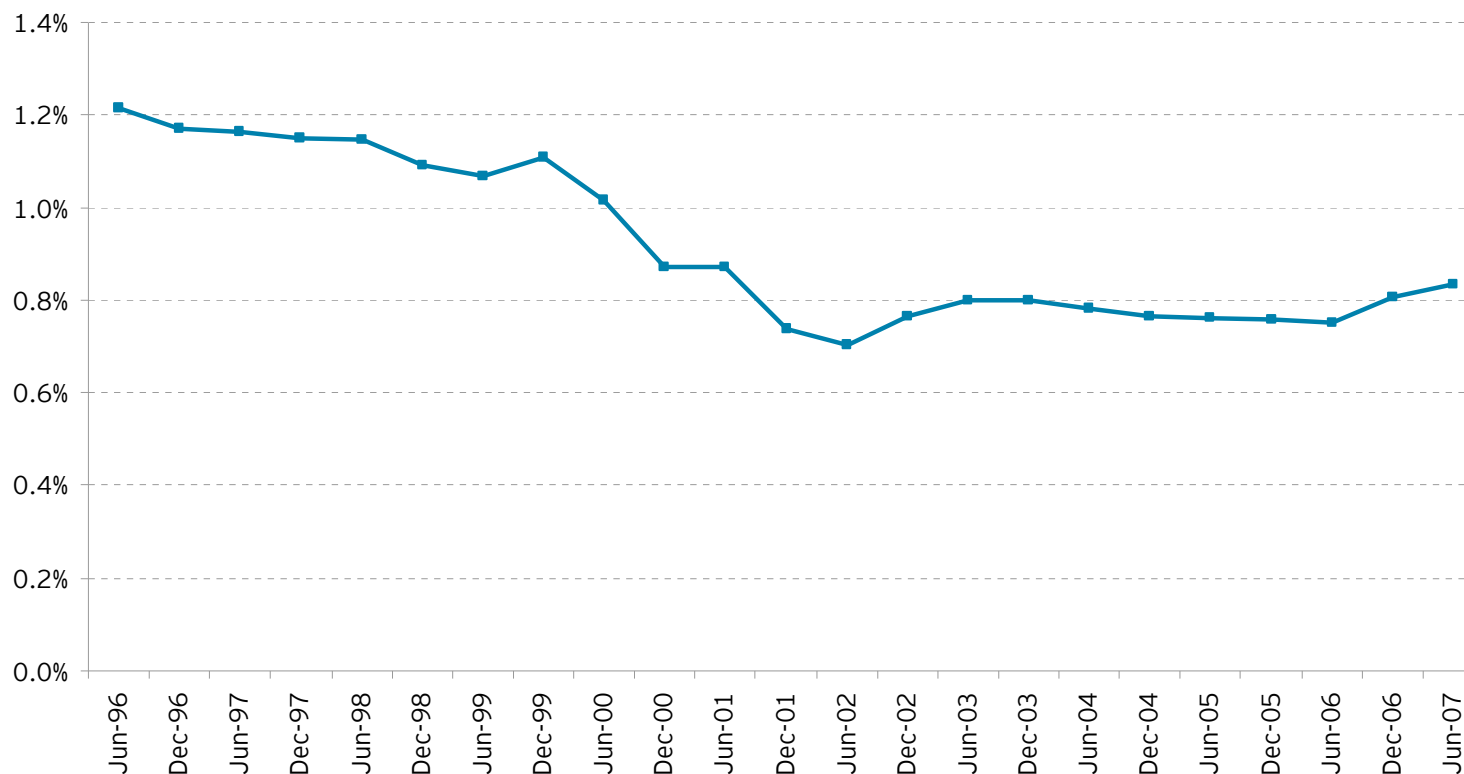
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**Experience – SME - MD**



# Experience – SME – MD claim frequency





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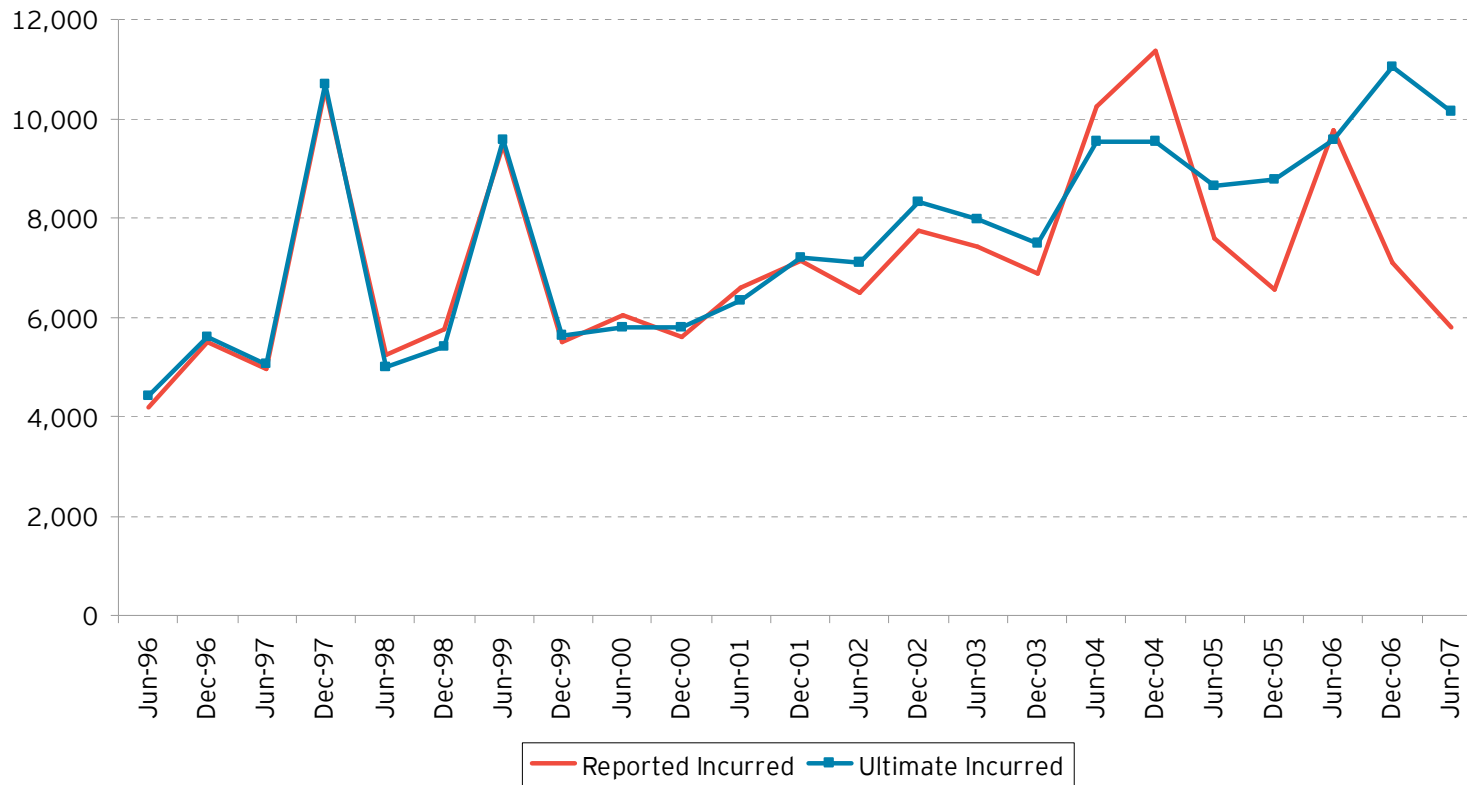
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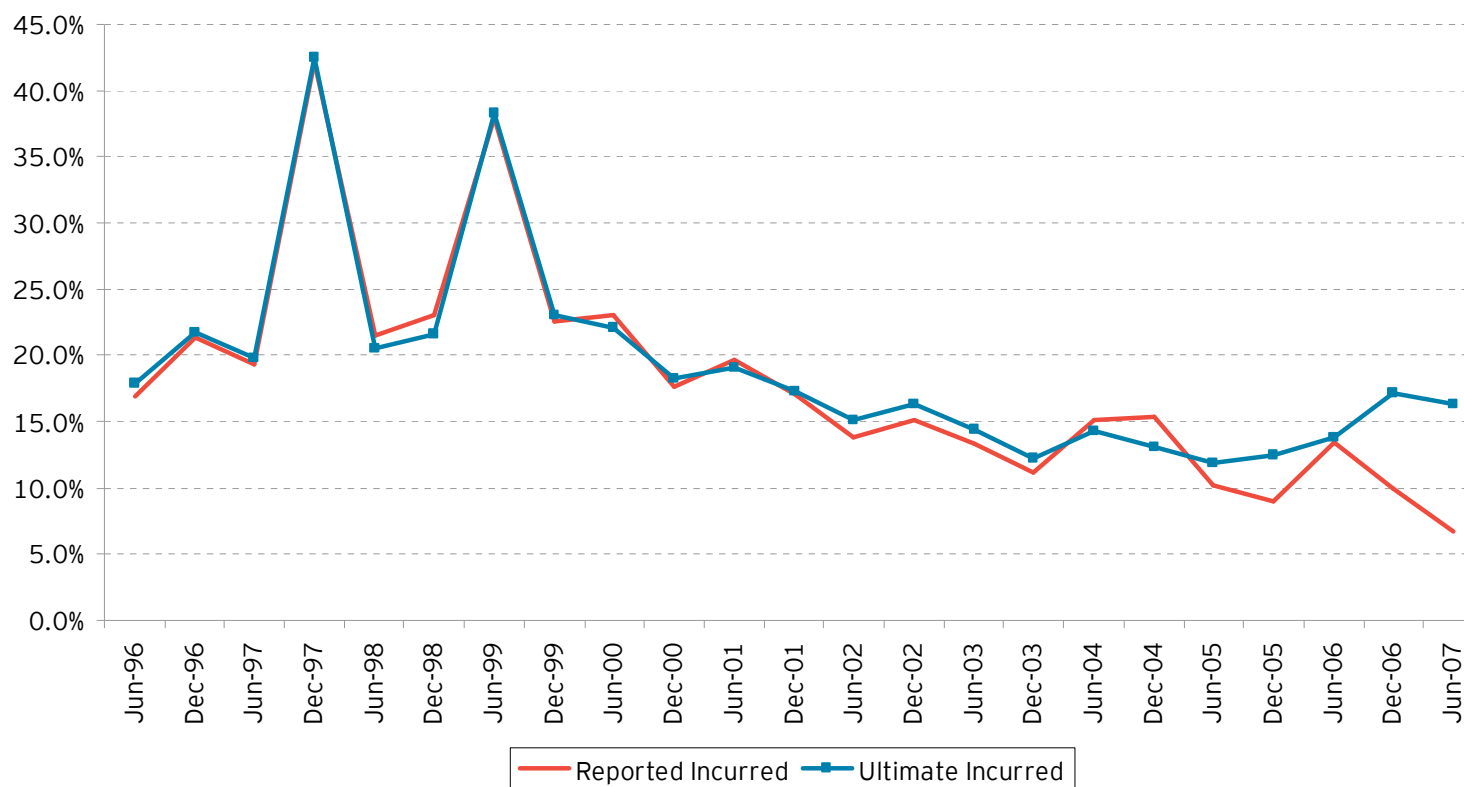
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## Experience – SME – MD average claim size





# Experience – SME – MD loss ratio (undisc)







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**Experience – SME - State**



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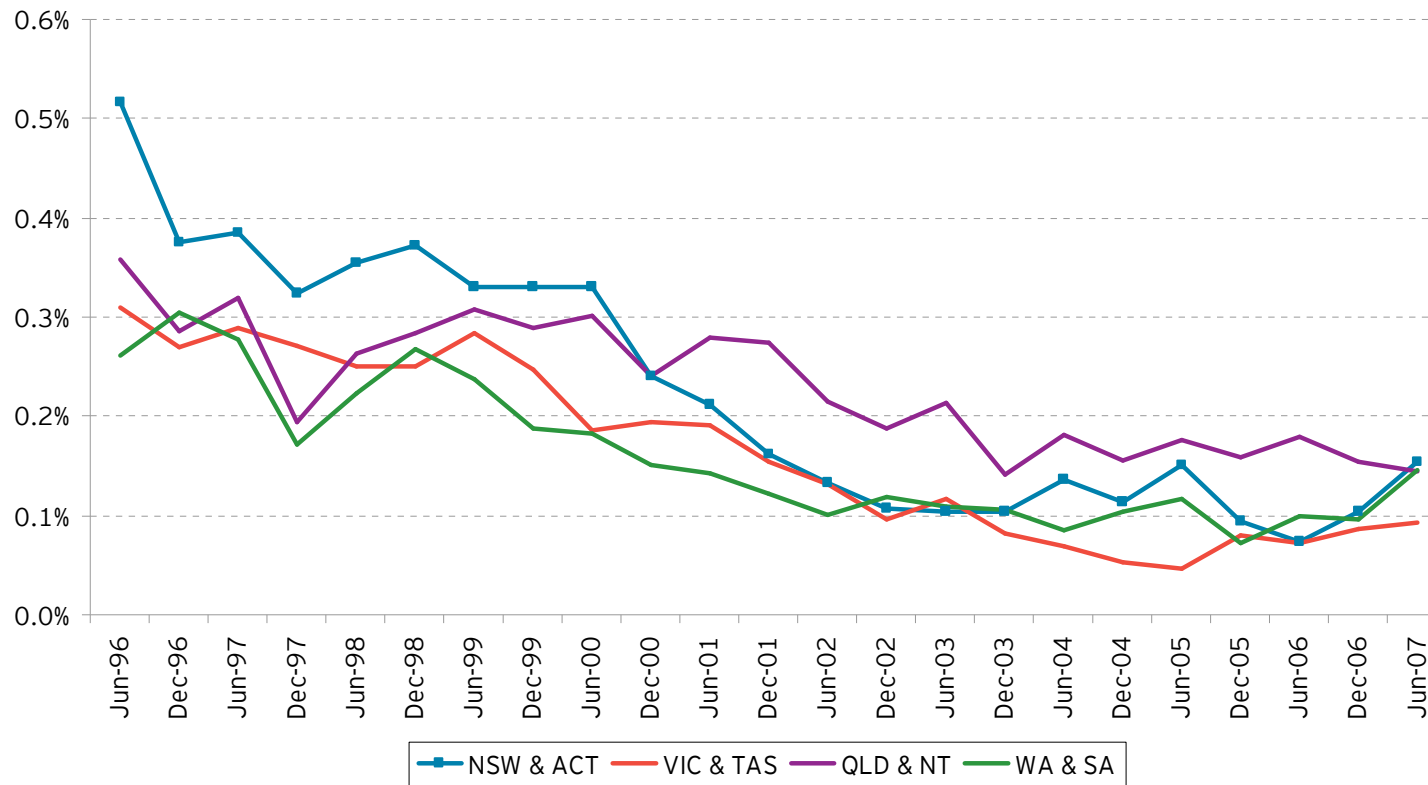
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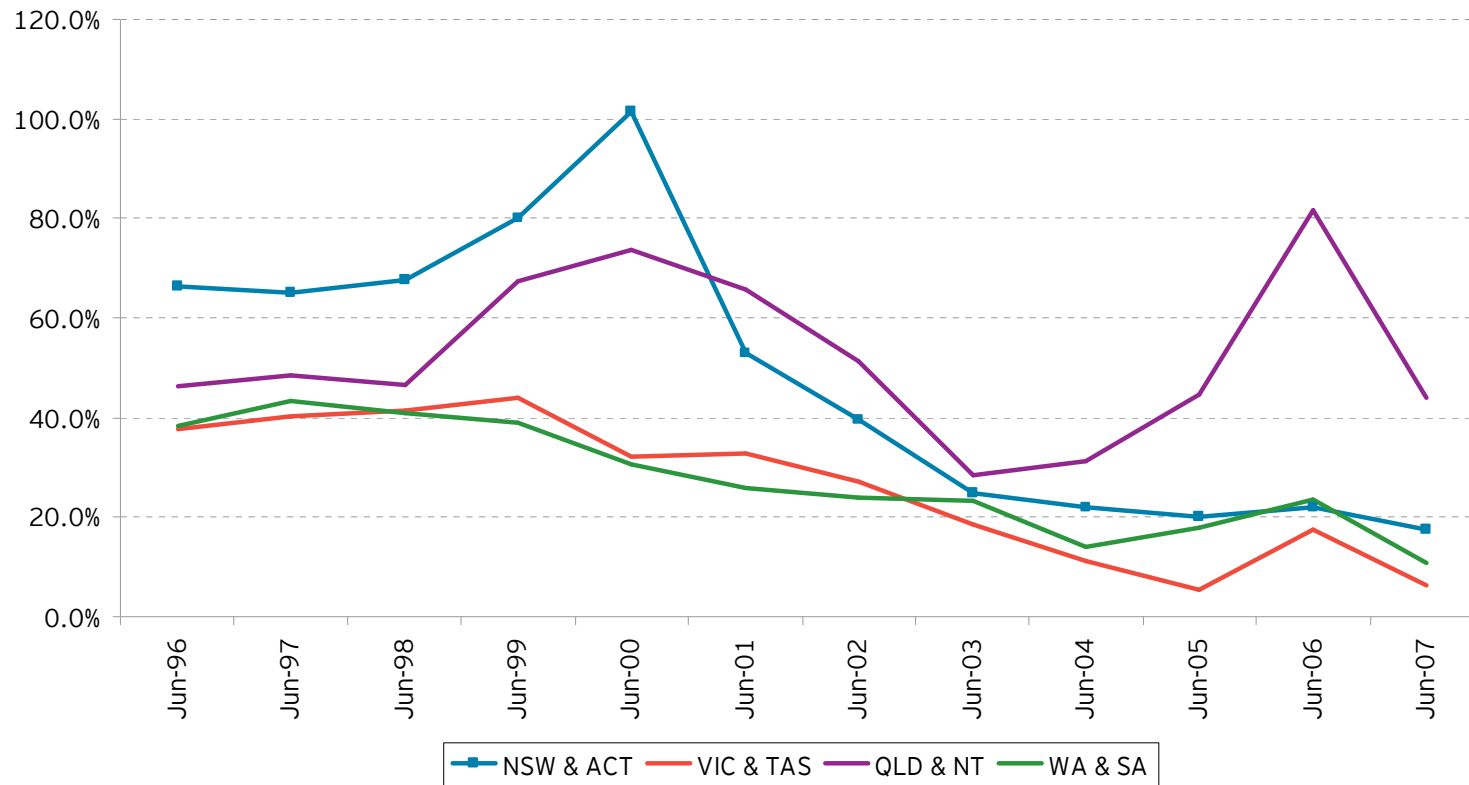
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## Experience – SME – state BI claim freq





# Experience – SME – state BI loss ratio (undisc)





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# Experience – Superimposed inflation - SME



## Superimposed Inflation

- 3 general indicators
  - Payments per claim
  - Average incurred claim size
  - Increase in claim numbers
- Considered first 10 development half years
  - Trends are generally similar for later development periods
- Only considered BI
  - MD claims represent low proportion of total claims cost
  - No evidence of SI and historically no SI in MD claims



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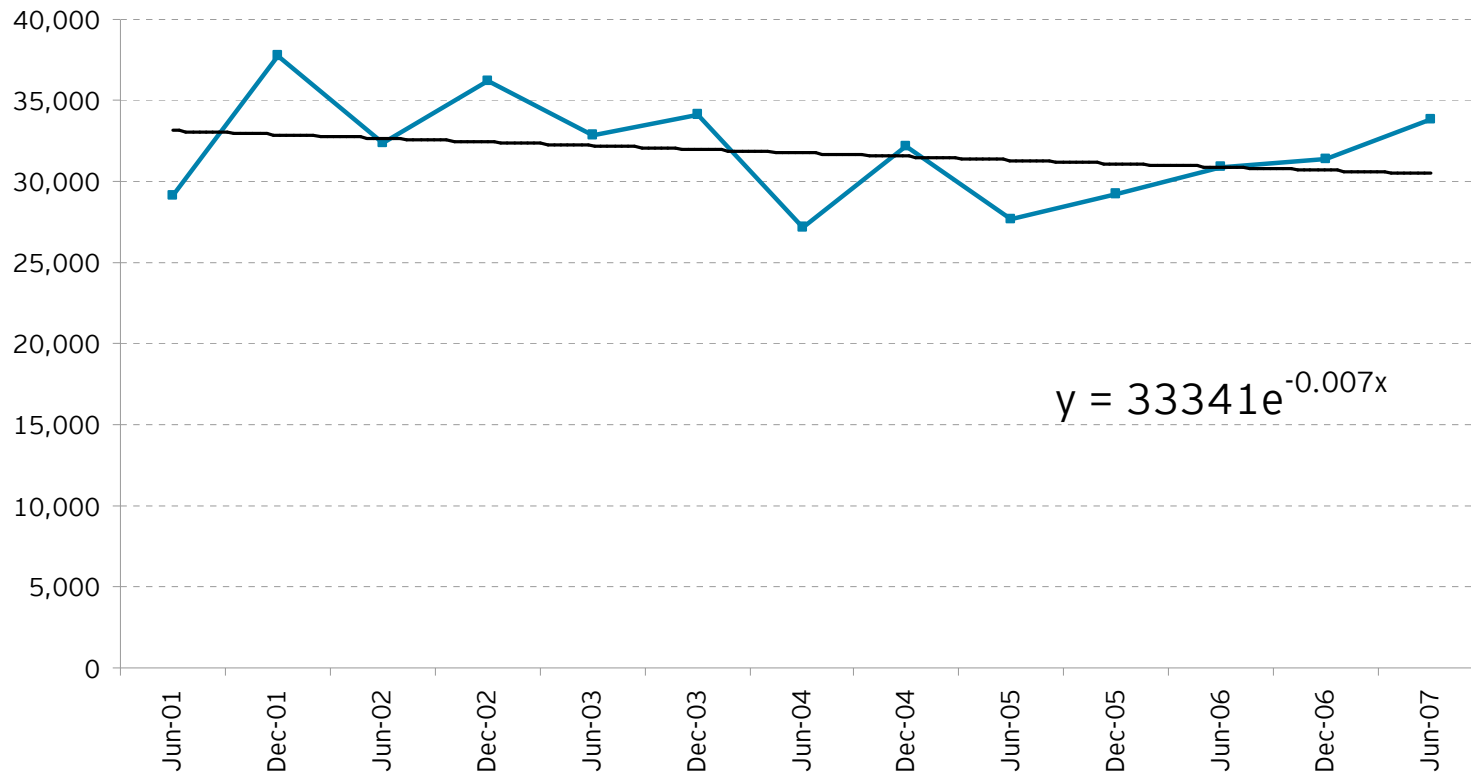
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## Superimposed Inflation – SME BI







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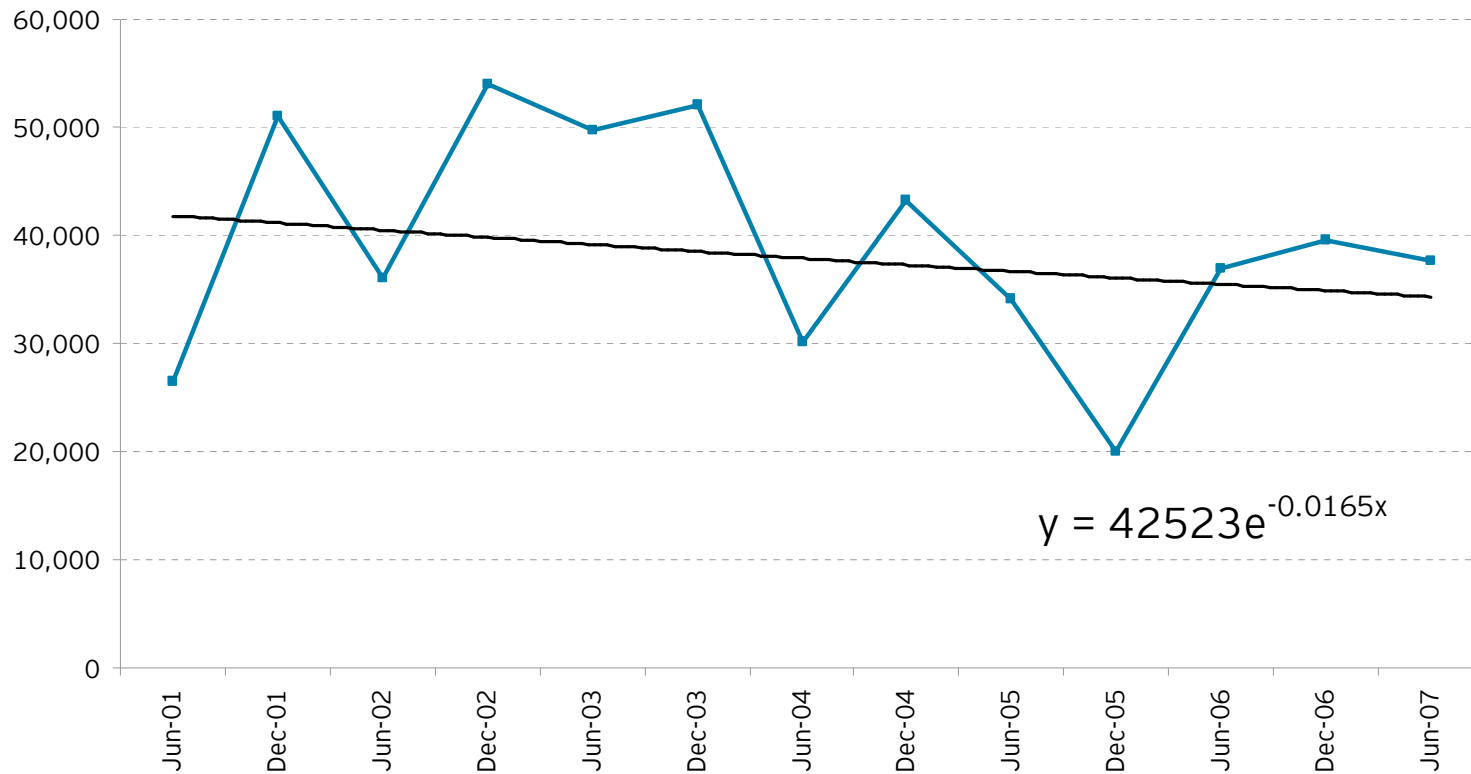
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## Superimposed Inflation – NSW & ACT









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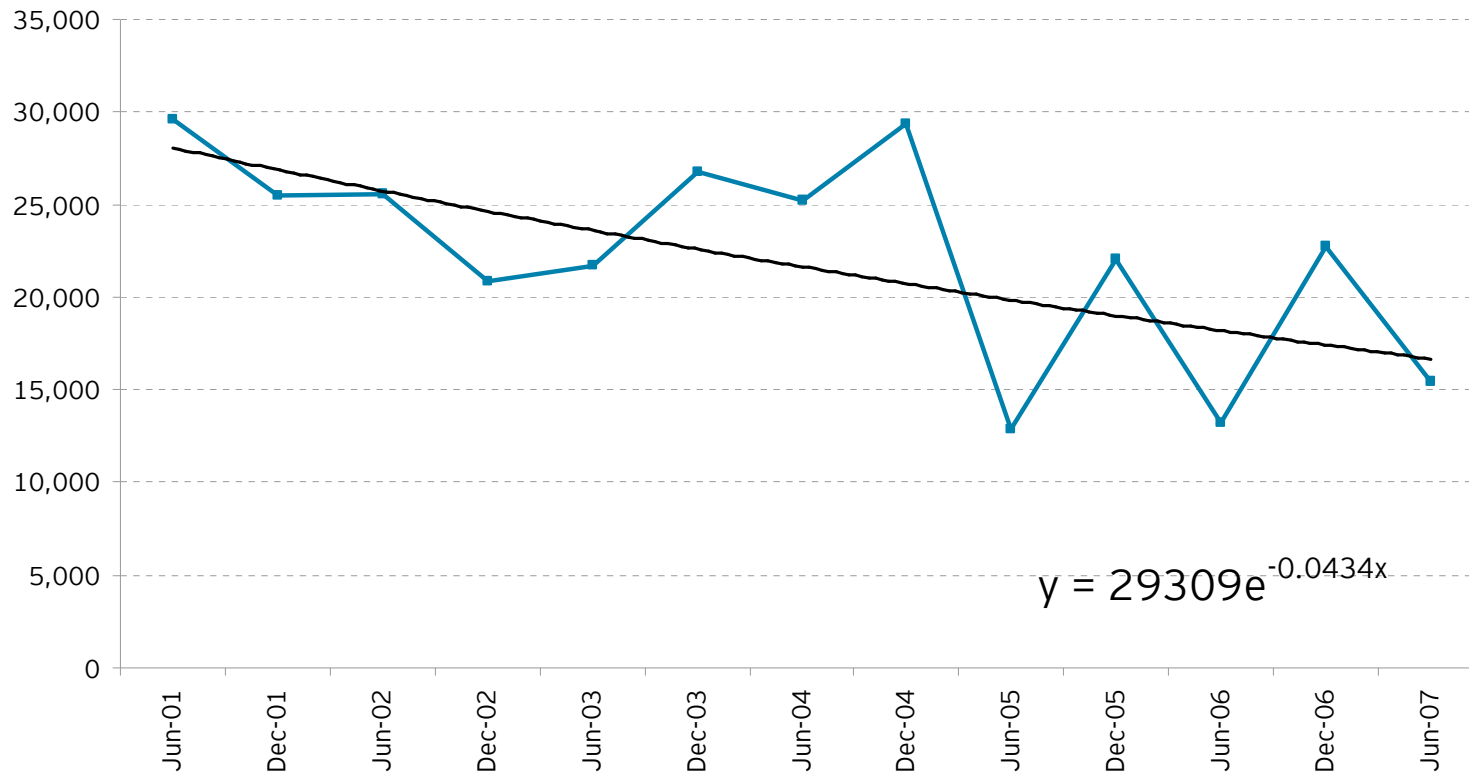
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## Superimposed Inflation – VIC & TAS





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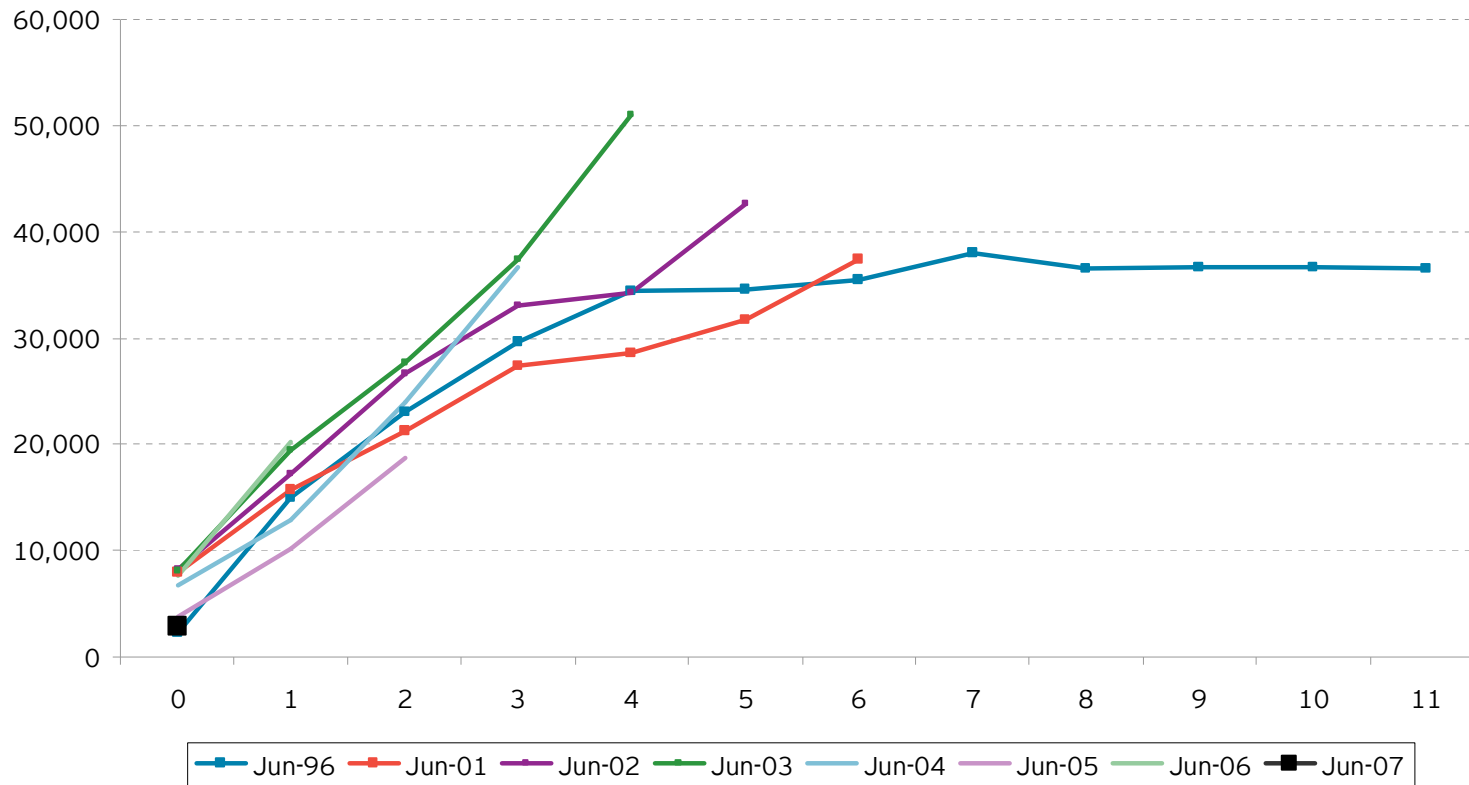
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## Superimposed Inflation – VIC & TAS





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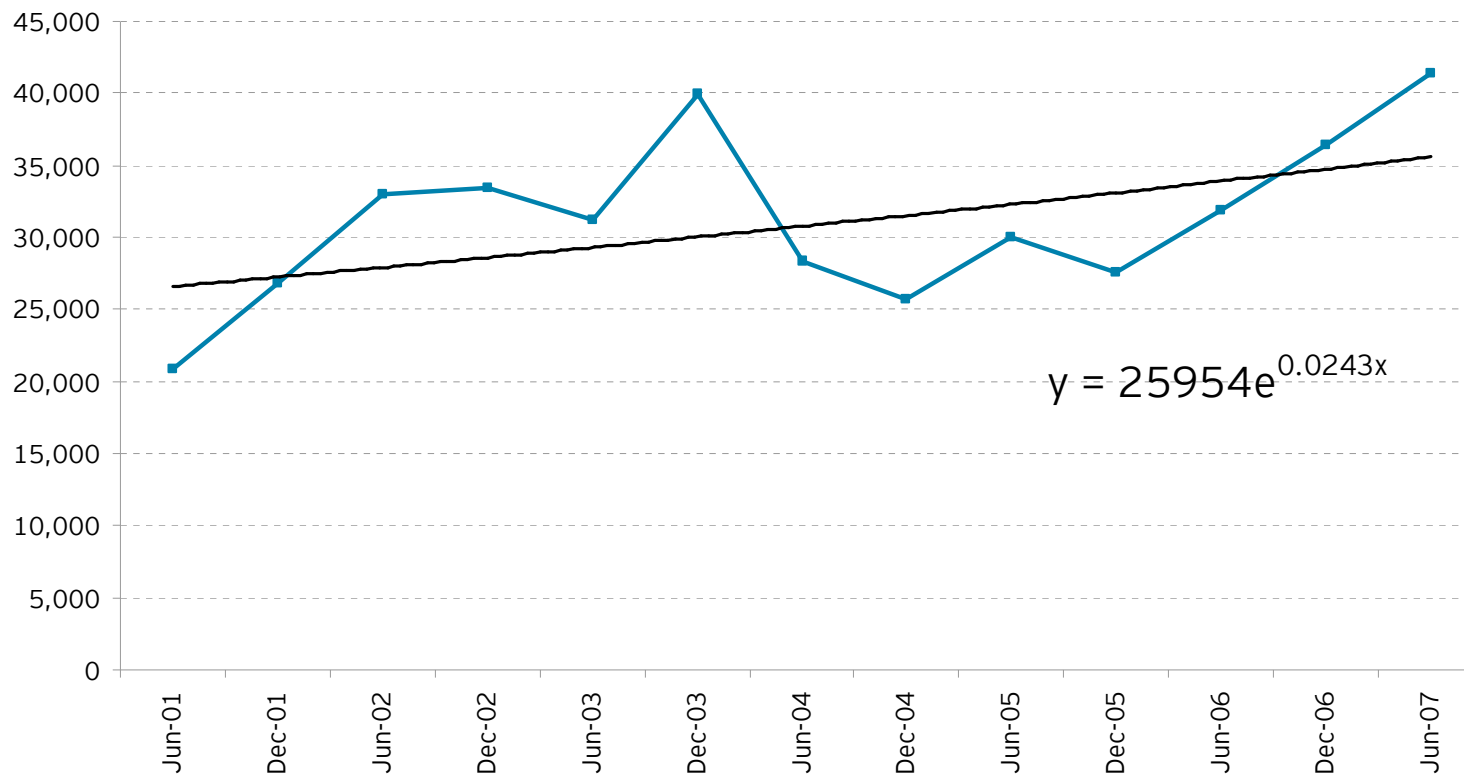
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## Superimposed Inflation – QLD & NT







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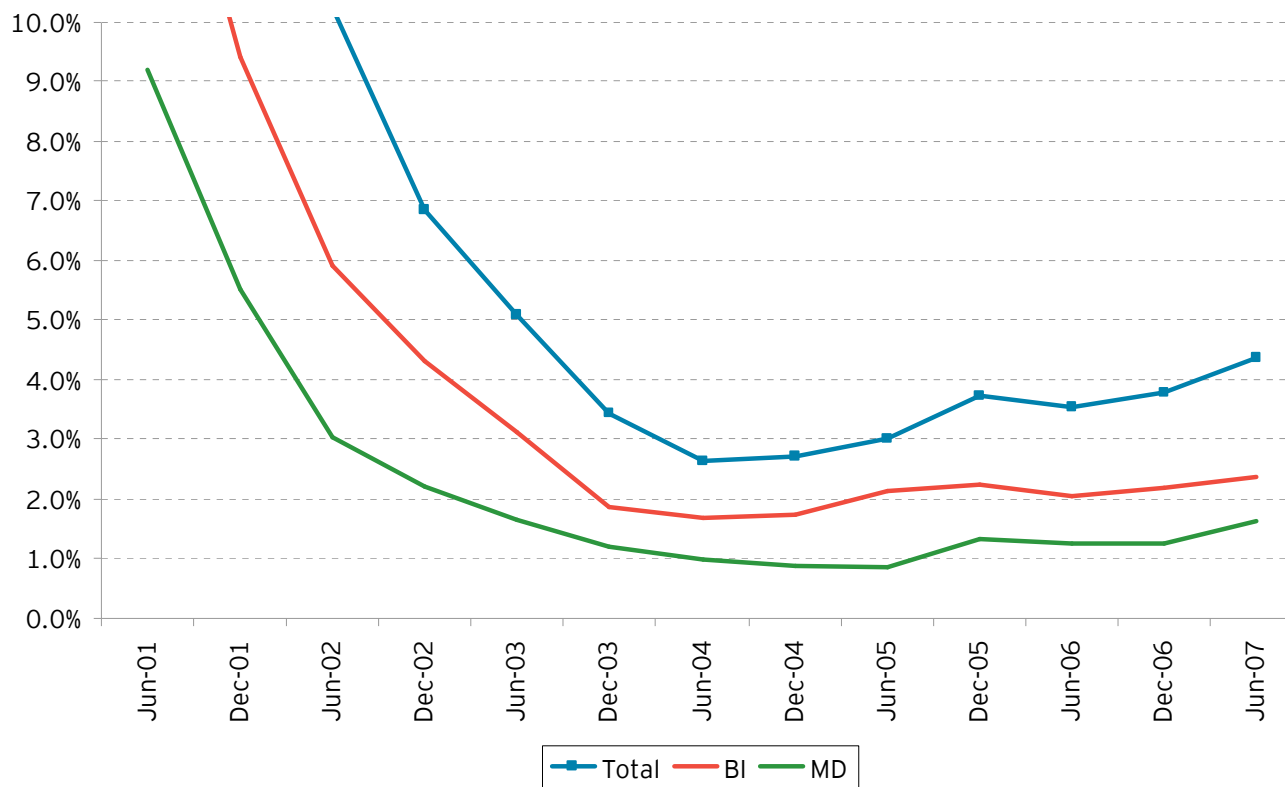
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# Experience - Corporate



# Experience – corporate claim frequency per \$10k premium





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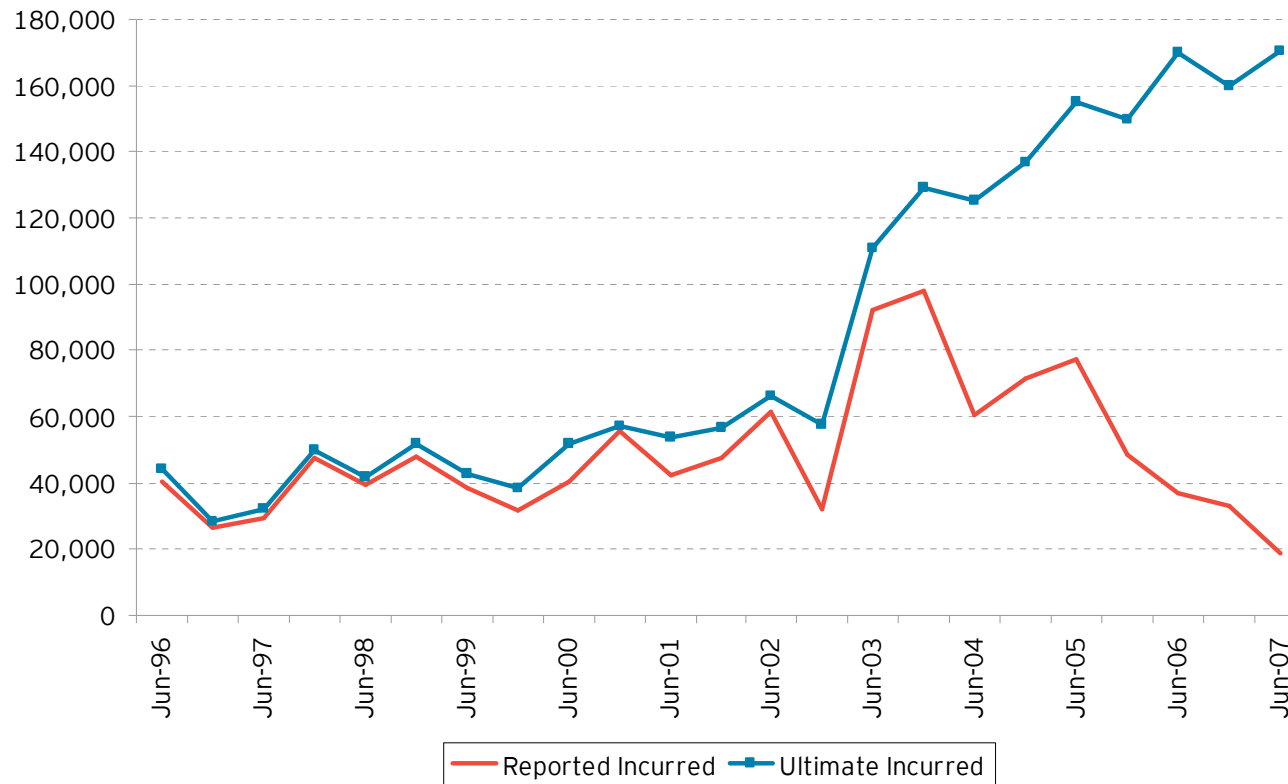
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## Experience – corporate – average claim size







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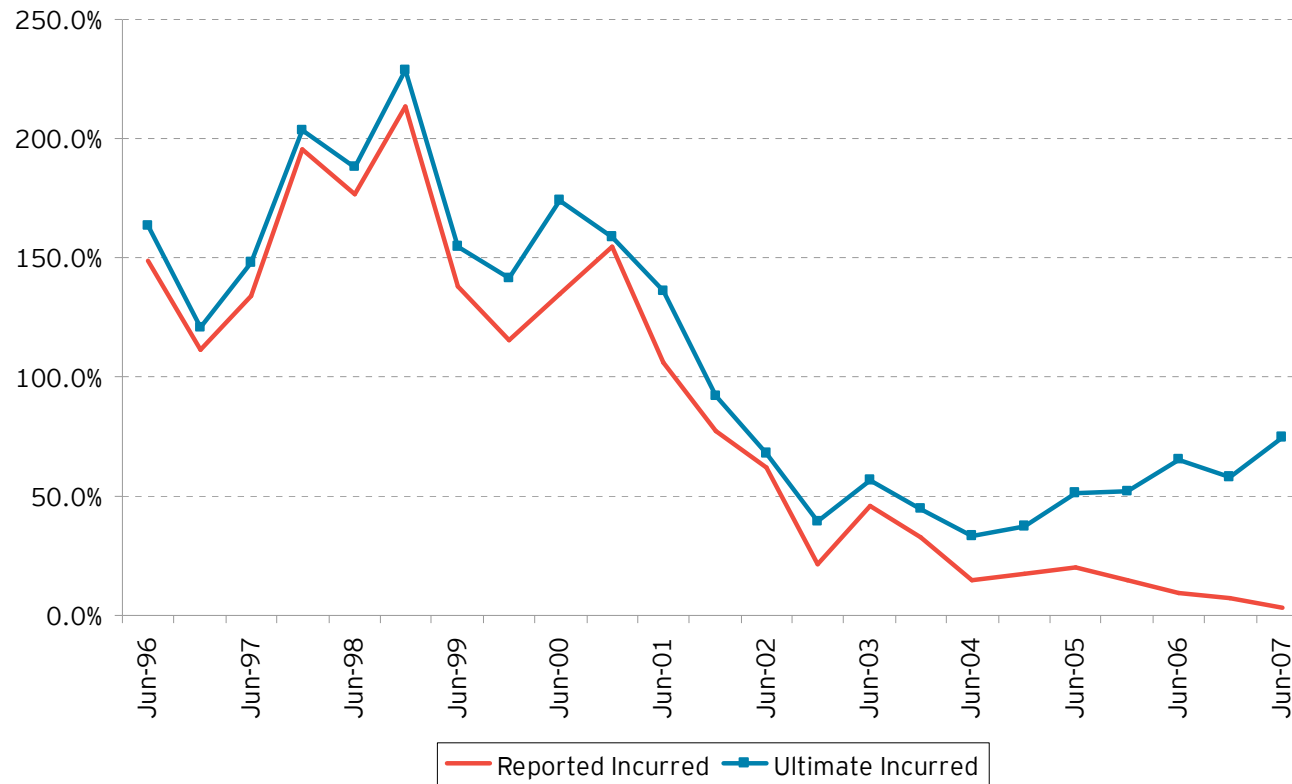
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## Experience – corporate – loss ratio (undisc)





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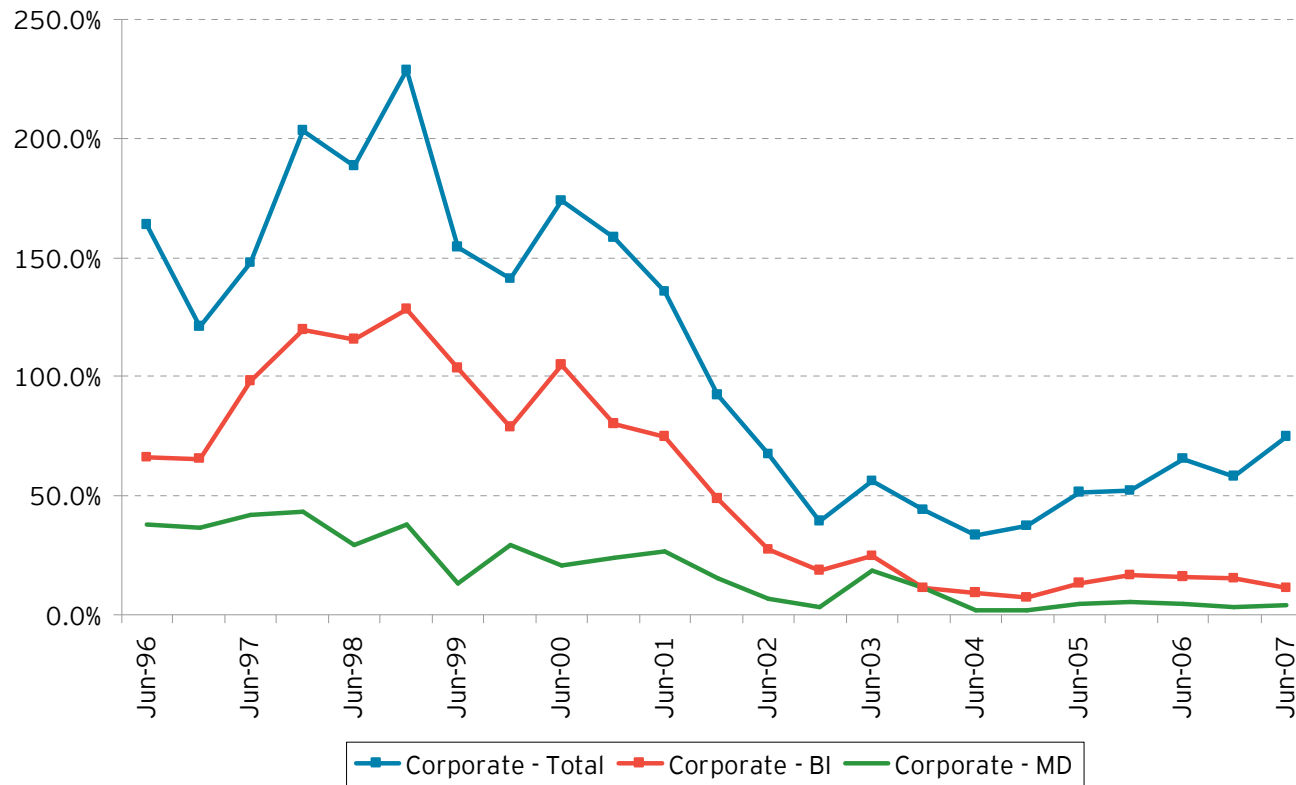
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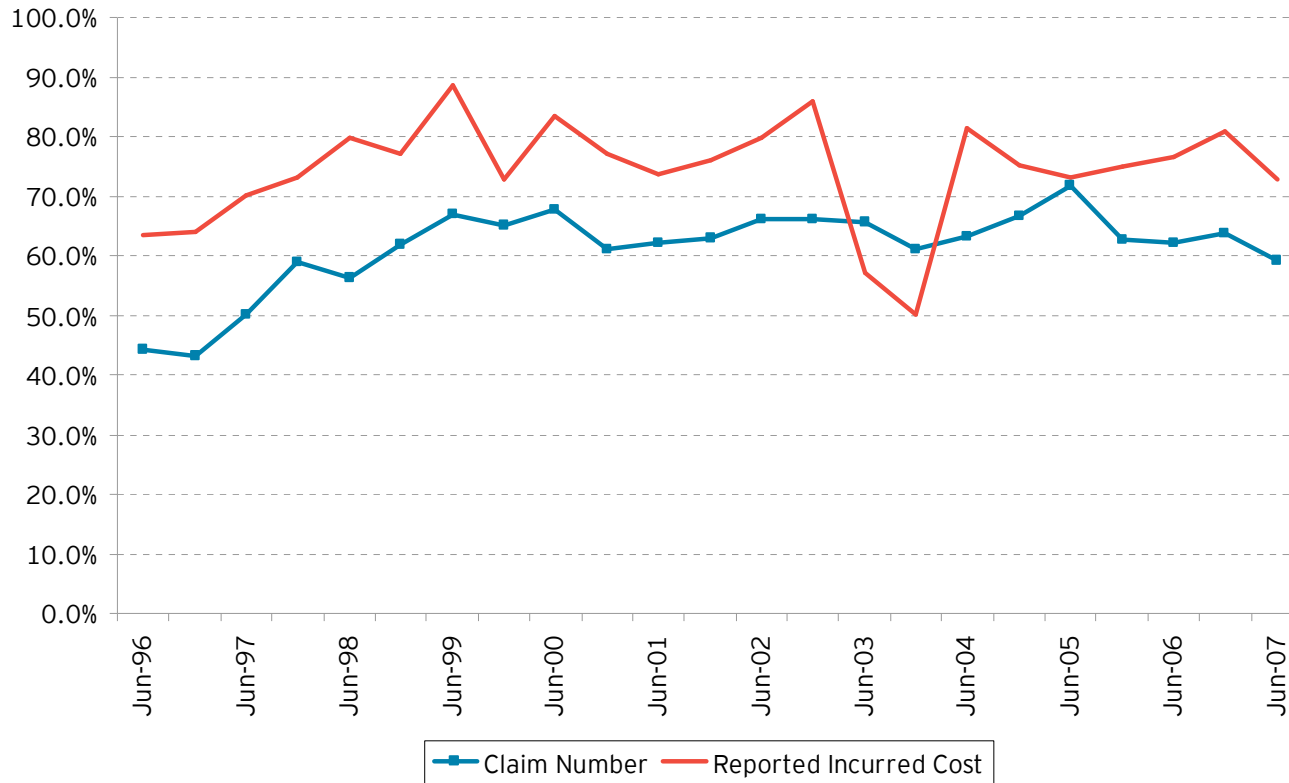
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## Experience – corporate – BI/MD loss ratio (undisc)





# Experience – corporate – BI claim %



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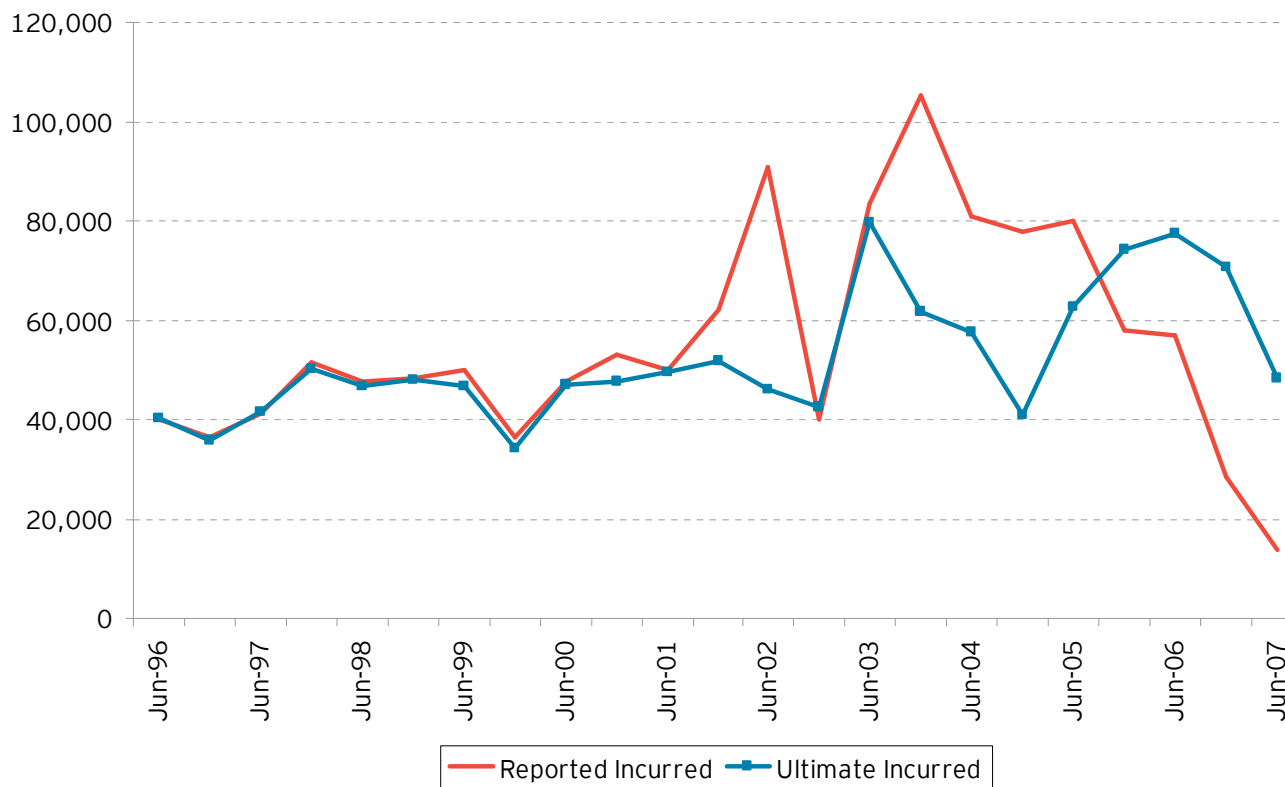
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# Experience – corporate – BI average claim size





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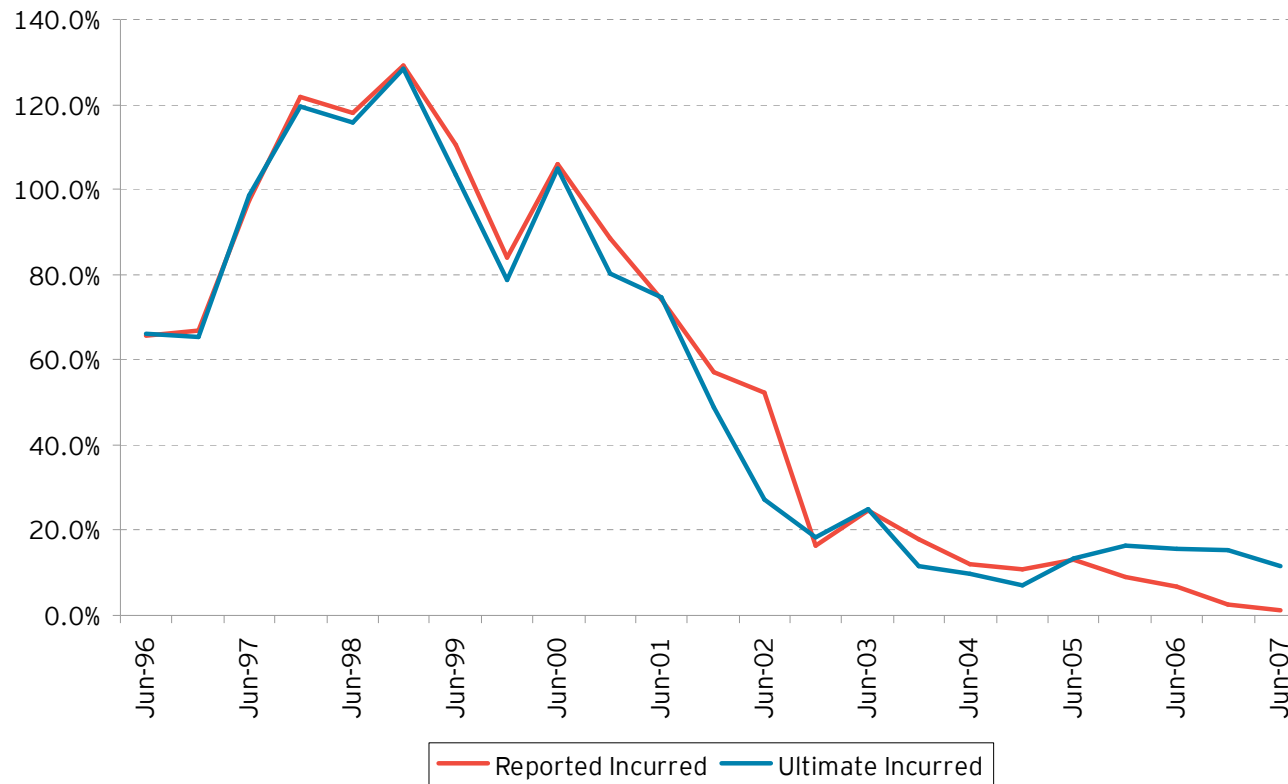
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## Experience – corporate – BI loss ratio (undisc)





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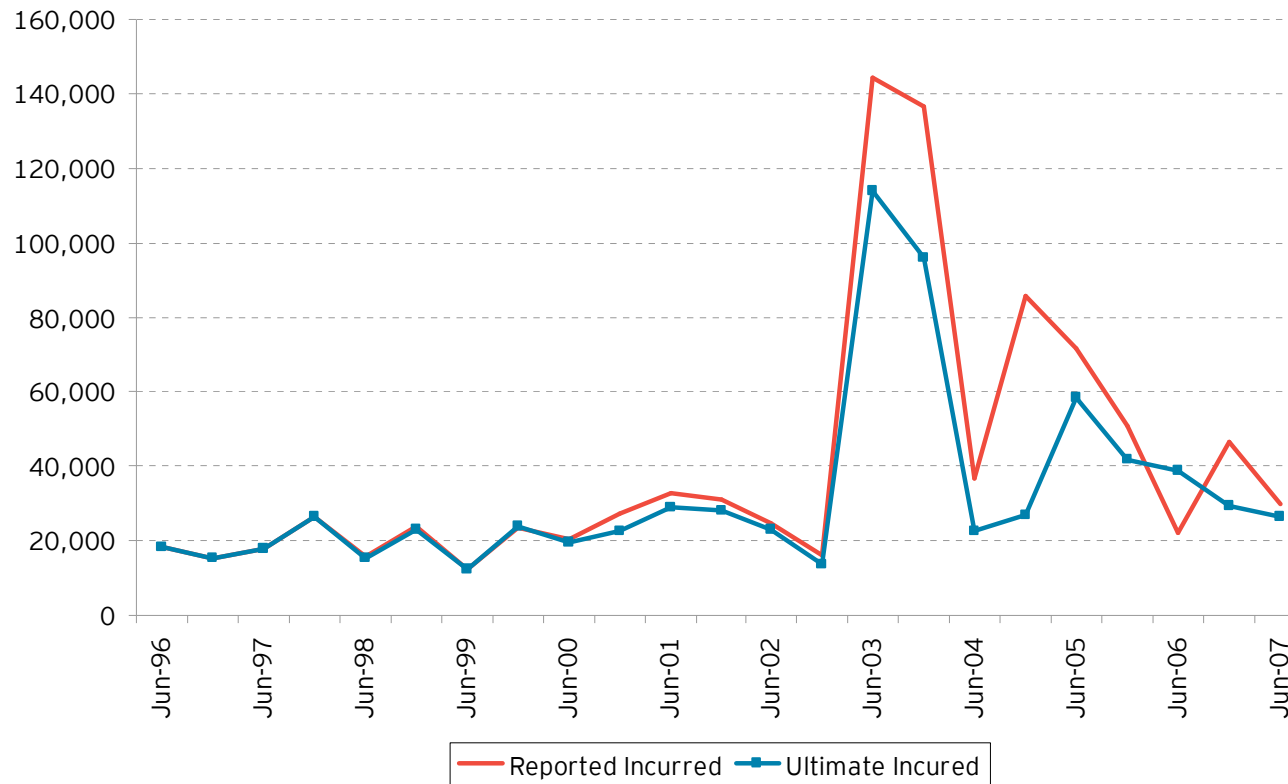
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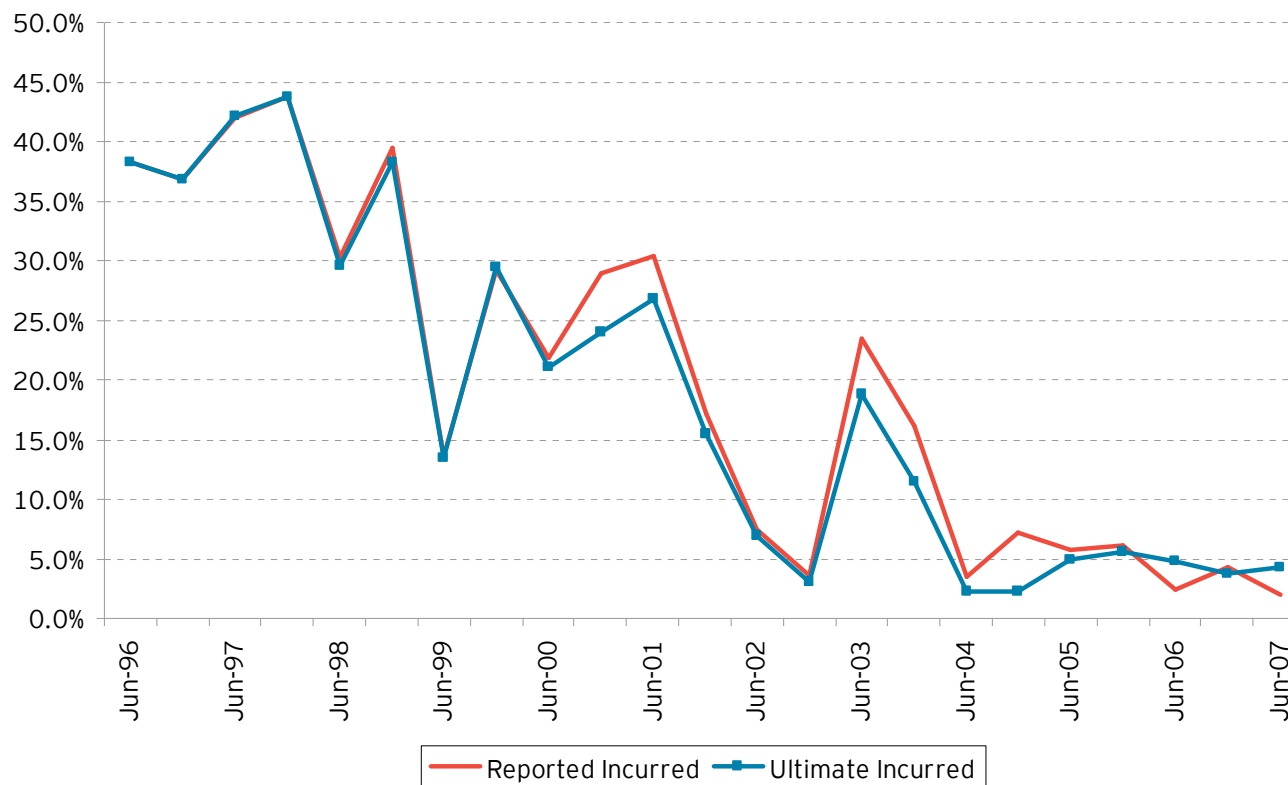
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## Experience – corporate – MD average claim size





# Experience – corporate – MD loss ratio undisc





## Key trends

- Superimposed inflation
  - Evidence in Queensland.....  
..... but not Vic and NSW however...
- Drop in claim frequency
  - For BI
  - For MD





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# Legal issues



## Legal Trends

- Tort Reform
  - Reforms to standard of care, causation and recoverable damages
  - Reforms went beyond what was recommended in the Ipp Committee's final report
  - Growing rumblings about the affect of the reforms on the rights of plaintiffs
  - Prescribed assessment procedures in QLD and VIC



## Legal Trends

### New Civil Filings

- NSW
  - Steadily decreasing
  - Increasing numbers of appeals
- QLD
  - District court matters steadily decreasing
  - Significantly increasing Supreme Court filings
- VIC
  - 20% reduction in new filings
  - 10% increase in Appeals



## Legal Trends

- **Recent Cases**
  - *Golden Eagle International Trading Pty ltd v Zhang*
- **NSW**
  - *Harrison v Melham*
  - *Fallas v Mourals; Jaber v Rockdale City Council*
  - *Woolworths Ltd v Lawlor*
  - *Blacktown City Council v Hocking; Angel v Hawkesbury City Council*



## Legal Trends

- **QLD**
  - *Green v Hanson Construction Materials Pty Ltd*
  - *Pollard v Trude*
- **Victoria**
  - *Godfrey Spowers (Victoria) Pty Ltd v Lincolne Scott Australia Pty Ltd & Ors*
  - *Hynes v Hynes*
  - *Amendola v Coles Supermarkets Australia Pty Ltd*



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# Questions