What are we talking about today?

- Market structure
- Premium volume & composition
- Industry performance & profitability
- Regulation & the actuary’s role
- Game changers through the ages
- Key emerging trends and issues
Market structure
Premium volume & composition
Premium volume & composition

Gross Premium
1980 = $3bn 2000 = $16bn

W/Comp  | 1980: 0.5, 2000: 2.0
Casualty | 1980: 1.0, 2000: 3.0
Motor    | 1980: 2.0, 2000: 4.0
CTP      | 1980: 0.5, 2000: 3.0
Home     | 1980: 1.0, 2000: 3.0
Fire     | 1980: 0.5, 2000: 2.0

Gross Premium
2000 = $16bn 2014 = $39bn

W/Comp  | 2000: 2.0, 2014: 4.0
Casualty | 2000: 3.0, 2014: 5.0
Motor    | 2000: 4.0, 2014: 6.0
CTP      | 2000: 3.0, 2014: 4.0
Home     | 2000: 3.0, 2014: 6.0
Fire     | 2000: 2.0, 2014: 4.0
Industry performance and profitability
Performance & profitability

Return on Capital

Net profit: Net assets

-5% 0% 5% 10% 15% 20% 25%


Jun-04 Jun-06 Jun-08 Jun-10 Jun-12 Jun-14

Pre HIH
Performance & profitability

Net Combined Ratio

- 1980
- 1982
- 1984
- 1986
- 1988
- 1990
- 1992
- 1994
- 1996
- 1998
- 2000
- 2002
- 2004
- 2006
- 2008
- 2010
- 2012
- 2014

Net claims
Net expenses
Regulation and the actuary’s role
Regulation & the actuary’s role

1980

Insurance and Superannuation Commission

2014

APRA
Australian Prudential Regulation Authority
Regulation & the actuary’s role

Number of GI Actuaries

- 1980
- 1982
- 1984
- 1986
- 1988
- 1990
- 1992
- 1994
- 1996
- 1998
- 2000
- 2002
- 2004
- 2006
- 2008
- 2010
- 2012
- 2014
Game changers through the ages
Past game changers

Privatisation and demutualisation

Australia’s largest corporate collapse
Past game changers

Electronic payments

Computing speed and power
Future game changers?

Car usage & technology
Future game changers?

Data and analysis
Future game changers?

Consumers
Shopping and switching

Proportion of customers who shop/switch at renewal

Source: Roy Morgan Australian Population survey
Question: How often do you switch insurer for motor insurance?
How many quotes do you generally obtain when comparing competitor quotes?
Price is the most important consideration

Question: How important are each of the following factors when choosing a vehicle insurance provider?

- Price
- Level of Cover
- Reputation
- Product Features
- Simplicity - information /...
- Multi-policy benefits
- Simplicity - Application
- Flexibility - Excess
- Flexibility - Payment Methods
- Flexibility - Payment Frequency
- Brand
- Recommendation
- Advertising

Reputation (and brand) are equally important to customers who switch every few years and customers who never switch.
Future game changers?

Privatisations
Impact of privatisation

**Today**

- Motor: 25%
- Home: 20%
- Fire: 11%
- CTP: 9%
- Casualty: 9%
- Workers Comp: 4%
- Other: 22%
- Total: $39bn

**Post Privatisation**

- Motor: 20%
- Home: 16%
- Fire: 9%
- CTP: 12%
- Casualty: 8%
- Workers Comp: 17%
- Other: 18%
- Total: $48bn
Future game changers?

Inflation
Impact of inflation

CPI

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Key emerging trends and issues
Key emerging trends and issues

- Consolidations and new players
- No or negative industry premium growth in traditional products
- Rational competition but lower margins focus on operational efficiencies
- Individualised pricing and impact on insurance equation
- Changing consumer power