General Insurance Seminar

Insuring Tomorrow

Actuaries Institute

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General Insurance Industry: Yesterday, Today and Tomorrow

Estelle Pearson

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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
Market structure

1980

- NRMA
- South British United
- Royal Insurance
- Commercial Union
- Mercantile Mutual
- QBE Insurance
- MMI General
- AGC
- GRE
- NZI
- Other

2000

- NRMA
- HIH
- QBE
- AMP
- Commercial Union
- Royal & Sun Alliance
- CGU
- Allianz
- Suncorp
- Zurich
- Fortis
- Other
Premium volume & composition
Premium volume & composition

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

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

W/Comp  Casualty  Motor  CTP  Home  Fire

1980  2000

2000  2014

1980 = $3bn 2000 = $16bn

2000 = $16bn 2014 = $39bn
Industry performance and profitability
Performance & profitability

Return on Capital

Net profit: Net assets

Pre HIH
Performance & profitability

Net Combined Ratio

0% 20% 40% 60% 80% 100% 120% 140%


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

1980

Insurance and Superannuation Commission

2014

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

Number of GI Actuaries
Game changers through the ages
Past game changers

Privatisation and demutualisation

Australia’s largest corporate collapse
Past disruptors

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
Switching behaviour

**External On-Line Survey**

- **Question:** How often do you switch insurer for motor insurance?
- **Answer:**
  - **Every year:** 0%
  - **Once every few years:** 10%
  - **Rarely:** 20%
  - **Never:** 100%

**Finity Staff Survey**

- **Question:** How many quotes do you generally obtain when comparing competitor quotes?
- **Answer:**
  - **Every year:** 0
  - **Once every few years:** 4
  - **Rarely:** 6
  - **Never:** 6

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*Serious* | *Non-Serious* | *Quotes obtained*
---|---|---

[Graph showing data]
Price is the most important consideration

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

- 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

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Future game changers?

Inflation
Impact of inflation

CPI

0% 2% 4% 6% 8% 10% 12%

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