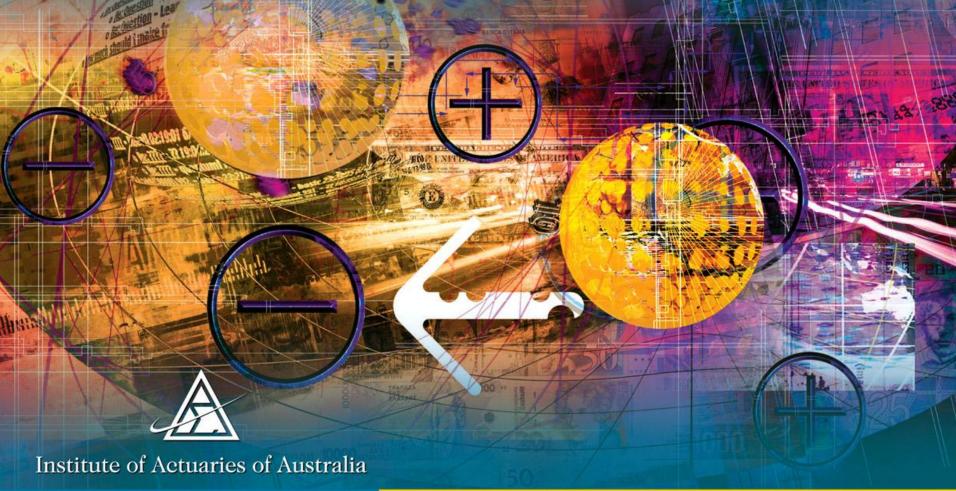
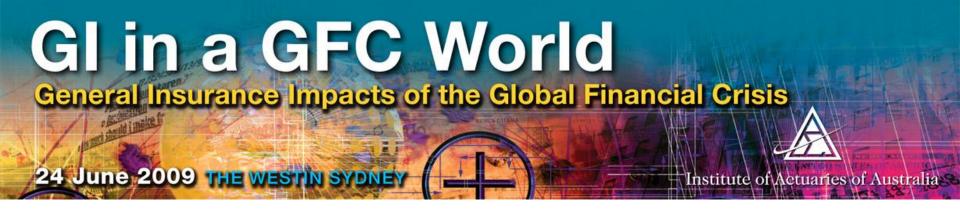
GI in a GFC World

General Insurance Impacts of the Global Financial Crisis



Wednesday, 24 June 2009



The Impact of the GFC on Claims Experience

PL, PI and D&O

Stephen Wilson



Agenda

- Public liability (PL)
- Professional indemnity (PI)
- Directors & officers (D&O)



Public liability

- Limited direct impact of GFC
- Tort reforms why were they so effective?
- Economic conditions
- Company profitability / insolvencies
- Market cycle
- Judiciary social conscience / sympathetic
- Claims management
- Risk management



Professional indemnity

First wave – investors / clients suing directly

- Accountants and financial planners
- Financial institutions
- Property industry

Second wave – other advisors implicated

- Lawyers
- Auditors
- Trustees
- Other advisors analysts, brokers



PI - Recent developments

Financial advisors / services firms

estimated amounts lost or frozen

Margin lenders - \$1.4bn

- Opes Prime (ANZ involved)
- Lift Capital

Financial planners - \$1bn

- Storm Financial (CBA admission)
- PIS (Westpoint class action and ASIC investigation, class action over Timbercorp)



PI - Recent developments

Debenture issuers – \$0.5bn

- Westpoint (pre GFC)
- Australian Capital Reserve
- Bridgecorp

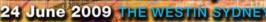
- Fincorp
- Elderslie Finance
- Asset Loans

Managed Investment Schemes – \$6bn

- Timbercorp
- Great Southern

Frozen unlisted property and mortgage funds – \$20bn

- Centro Direct Property funds
- Howard Mortgage Trust



PI - Recent developments

Auditors being pursued

- MFS collapsed with debts of \$1b
- Opes Prime ASIC investigation, class action
- Centro Cross claim filed by Centro
- ABC Learning Class action
- Allco collapsed in Nov 08 with debts of \$1.1b
- Rubicon trusts
- City Pacific
- Babcock
- Westpoint



Directors & officers

Limited class actions historically

- GIO 1999 \$112m
- Aristocrat Leisure 2003 \$136m

Three main areas of developments

- Liquidity issues eg ABC Learning, Allco, Centro
- Insolvencies eg Allco
- Securities class actions non-disclosure eg NAB,GPT

Increased regulator activity

- ASIC
- ACCC



D&O – Class actions

Refer PI – many will involve D&O class actions
IMF Website – currently funding over 30 actions - total \$1.2b
Other litigation funders, Slater & Gordon, Maurice Blackburn
Major actions with PI related actions:

- Centro Properties / Centro Retail excess of \$200m
- Great Southern / Timbercorp 55,000 investors, potential losses up to \$2.6b
- Lehman Bros Councils and IMF 600 investors in class
- Opes Prime more than 50 investors & estimate of \$150m

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D&O – Class actions

Major actions – potential maximum claim values:

- Allco collapsed in Nov 08 with debts of \$1.1b
- ABC Learning potential \$100m (D&O & auditor)
- GPT alleged non-disclosure prior to 24% fall in share price
- NAB alleged non-disclosure on CDOs potential \$200m
- Oz Minerals non-disclosure refinance agreement \$50m

Summary

Liability

- 2001 to 2008 Continued favourable experience
- Future outlook
 - Environment has deteriorated dramatically
 - Likely to lead to adverse claims experience

PI and D&O

- Adverse claims experience
- Extent of future deterioration depends on the economy