

GI in a GFC World

General Insurance Impacts of the Global Financial Crisis



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Wednesday, 24 June 2009

THE WESTIN SYDNEY 1 MARTIN PLACE, SYDNEY

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Statutory Claims impacts

Lisa Simpson, Partner PwC

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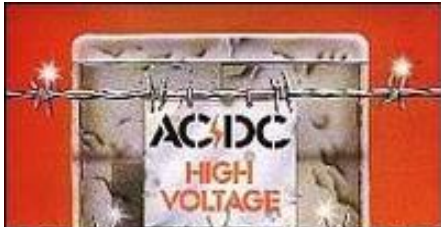
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What does ACDC have to do with the global economy?



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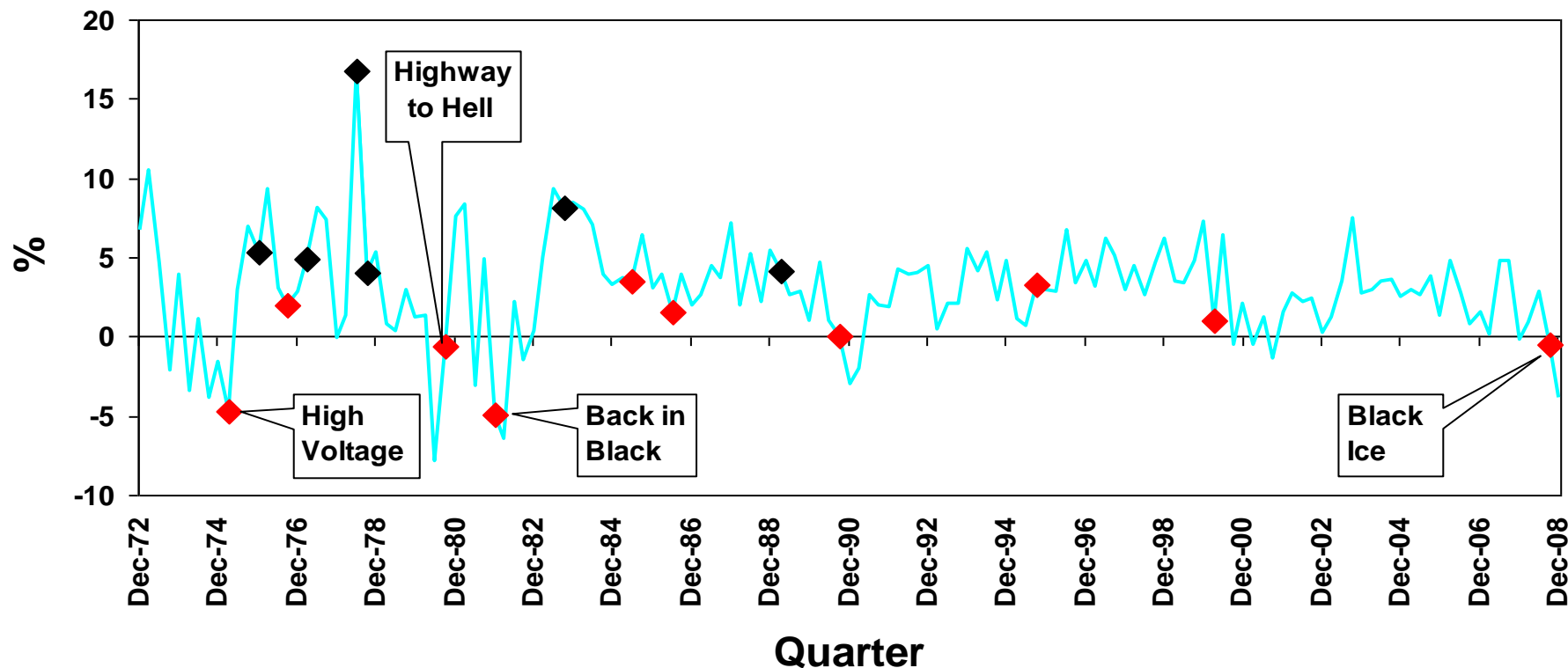


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14 of 16 album releases have either preceded or coincided with downturns in the US economy

US Real GDP & AC/DC Album Release Dates

annualised % change in US Real GDP



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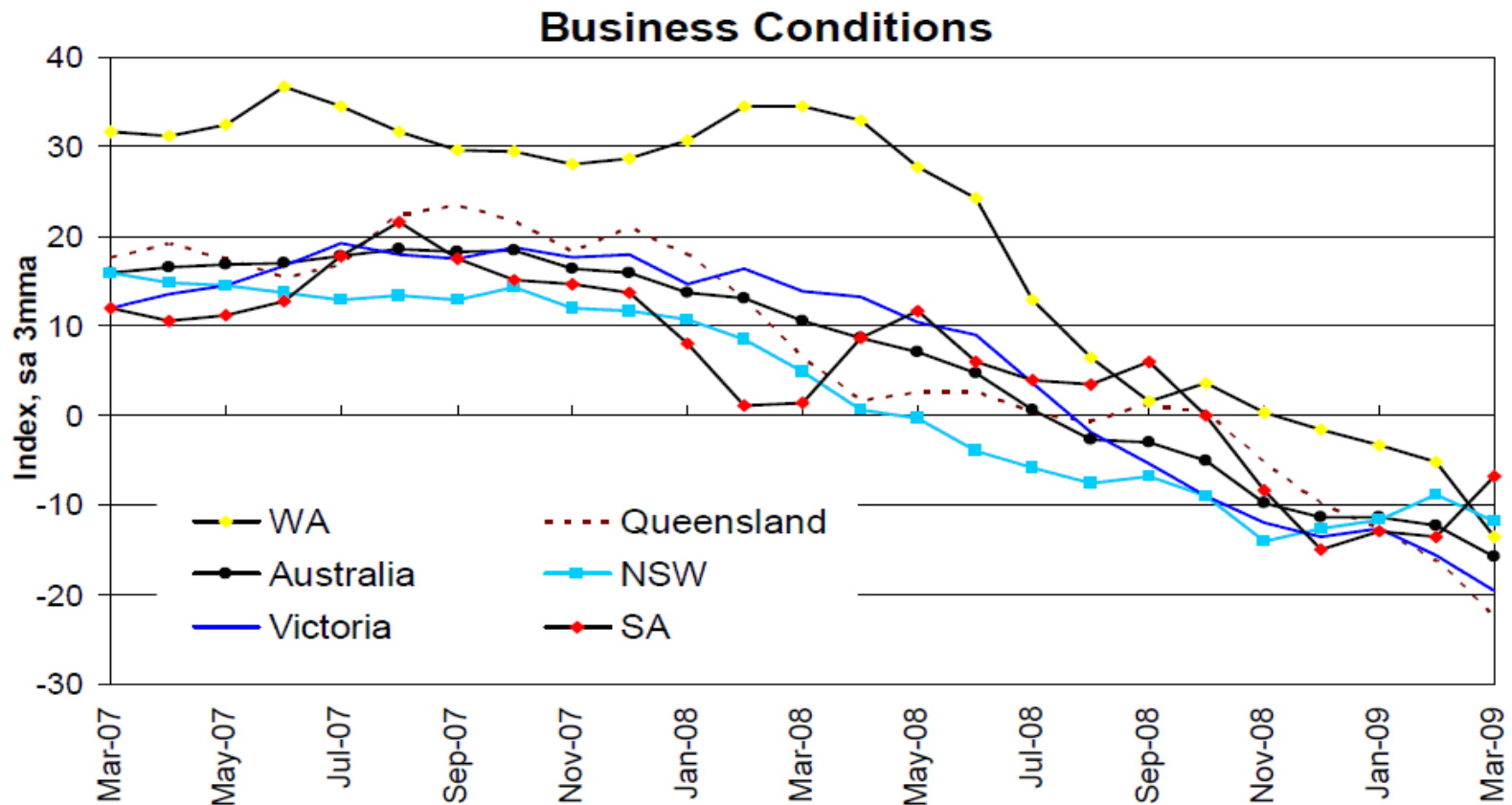
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The slowdown in the economy reflects the rapid deterioration in business conditions



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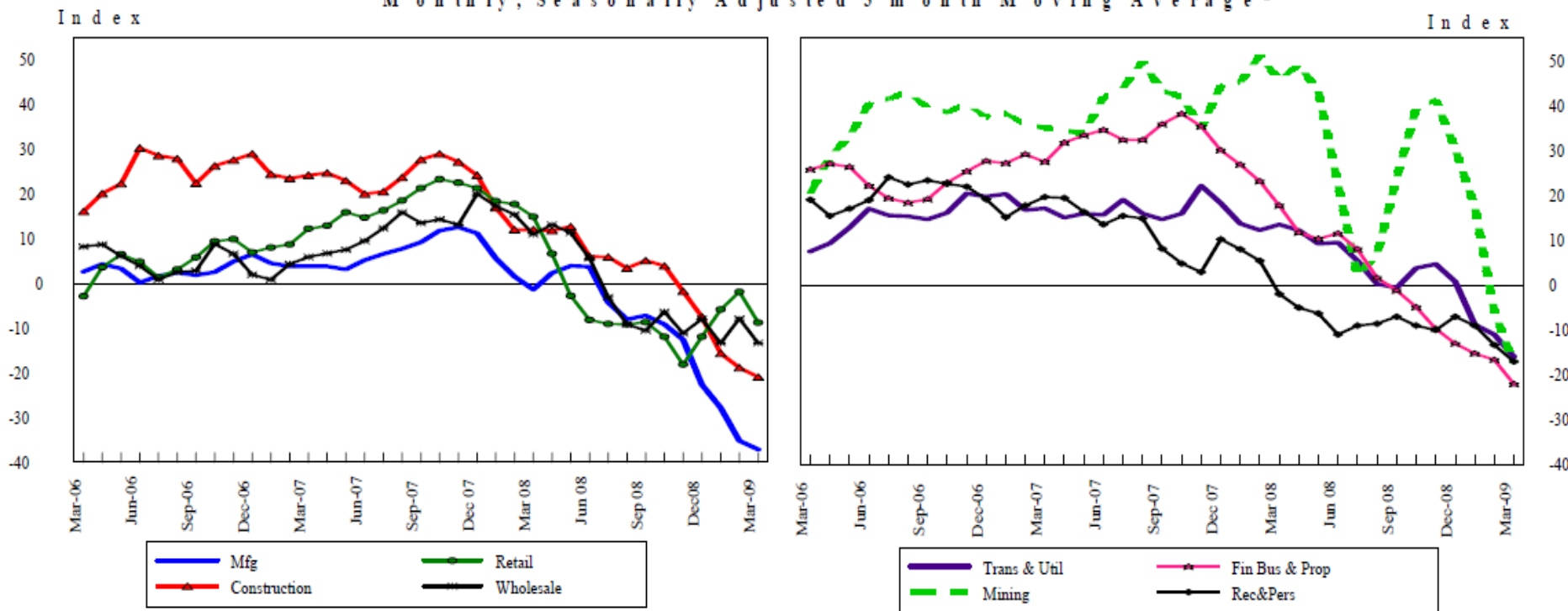
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Looking nationally at the picture by industry

Business Conditions by Industry
Monthly, Seasonally Adjusted 3 month Moving Average*



Nationally, there have been large falls across all industry groups. Mining more recent large fall, in response to commodity prices, and outlook for China. Financial Services and Property has had very large fall since October 2007.

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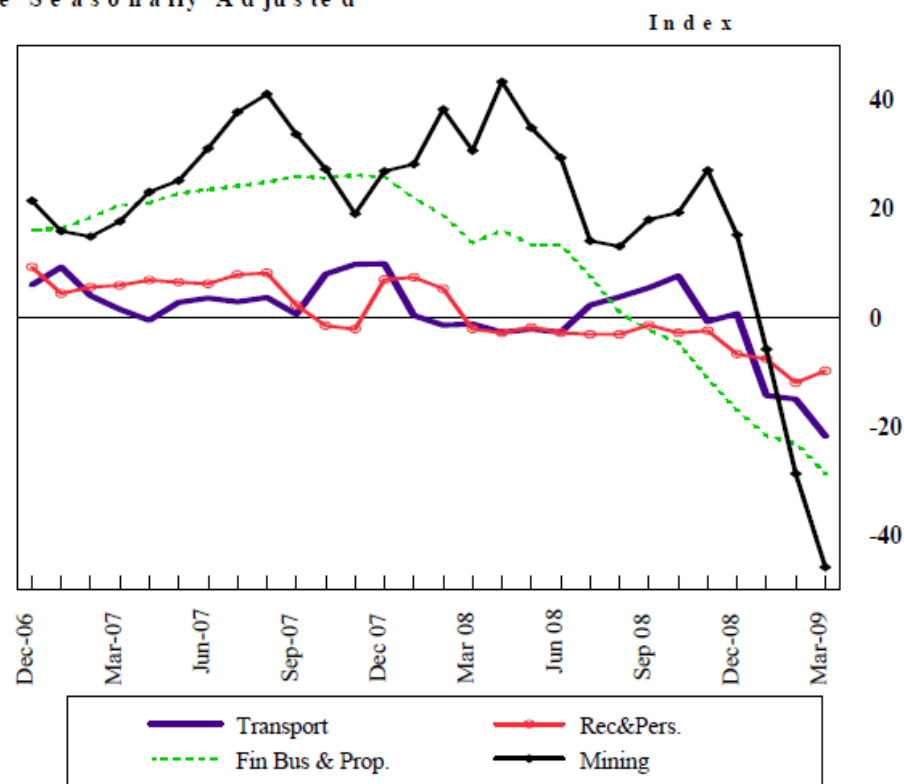
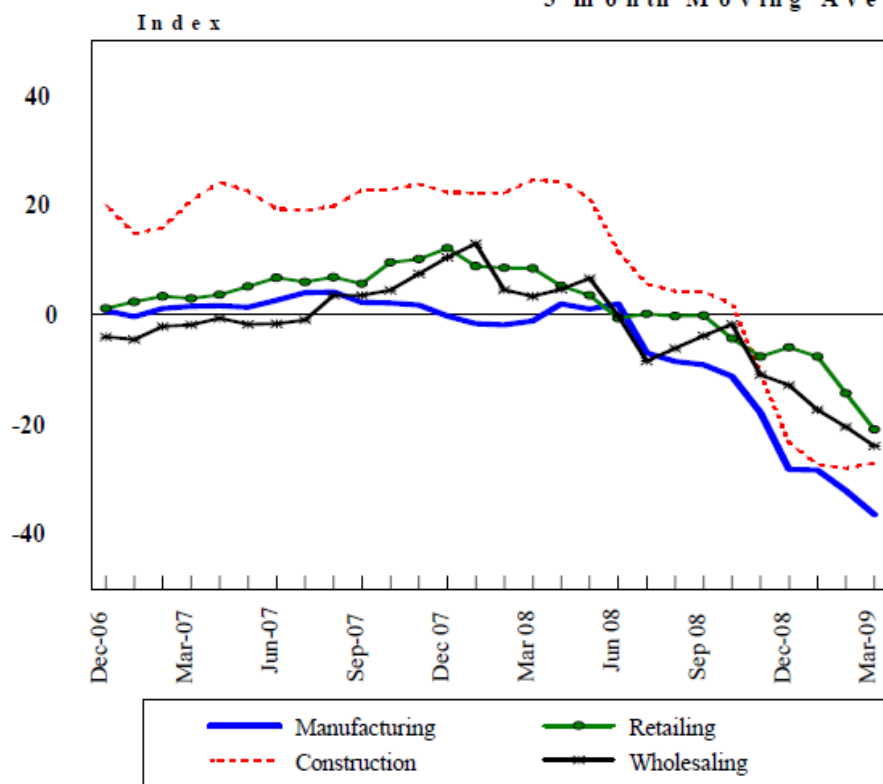


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What is the likely outcome on employment by industry?

Employment by Industry

3 month Moving Average Seasonally Adjusted *



* Seasonally adjusted by NAB

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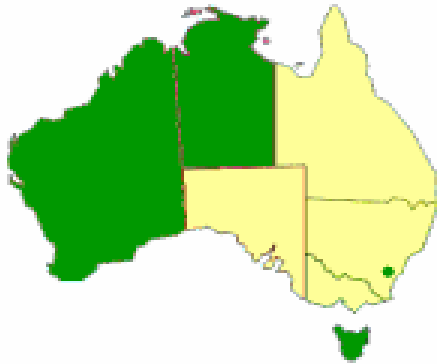
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What is the likely outcome on employment by state?

NT 4.1%



WA 4.8%

ACT 2.4%

Tas 5%

Compares to 6.7% unemployment in NSW and 6.3% in Victoria, 5.4% in Queensland and 6.5% in SA, 6% overall across Australia, as at March 2009.

In other words, the privately underwritten workers' compensation states have the lowest unemployment to date.

Nationally employment is forecast to reach above 8% by the end of 2010.

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Comments from Workers compensation

- Fewer statutory claims expected overall
- Expect longer weekly benefit durations, especially for stress
- Less opportunities for part-time and other modified duties
- If extended recession, could see pressure on conciliation results due to decreased job availability at suitable duties
- Auto industry a particular concern
- From past experience, independent assessors quite aware of claimants' psychosocial situation, may subconsciously respond esp. for hearing loss & gradual onset.
- Impairment assessors may find more injuries in addition to main injury, increasing overall WPI
- Bigger worry is increase in number of new lump sum impairment lodgements
- Expect more gradual process / "discretionary" injuries
- Already seeing much more aggressive advertising from law firms & specialist clinics – potential increase in common law

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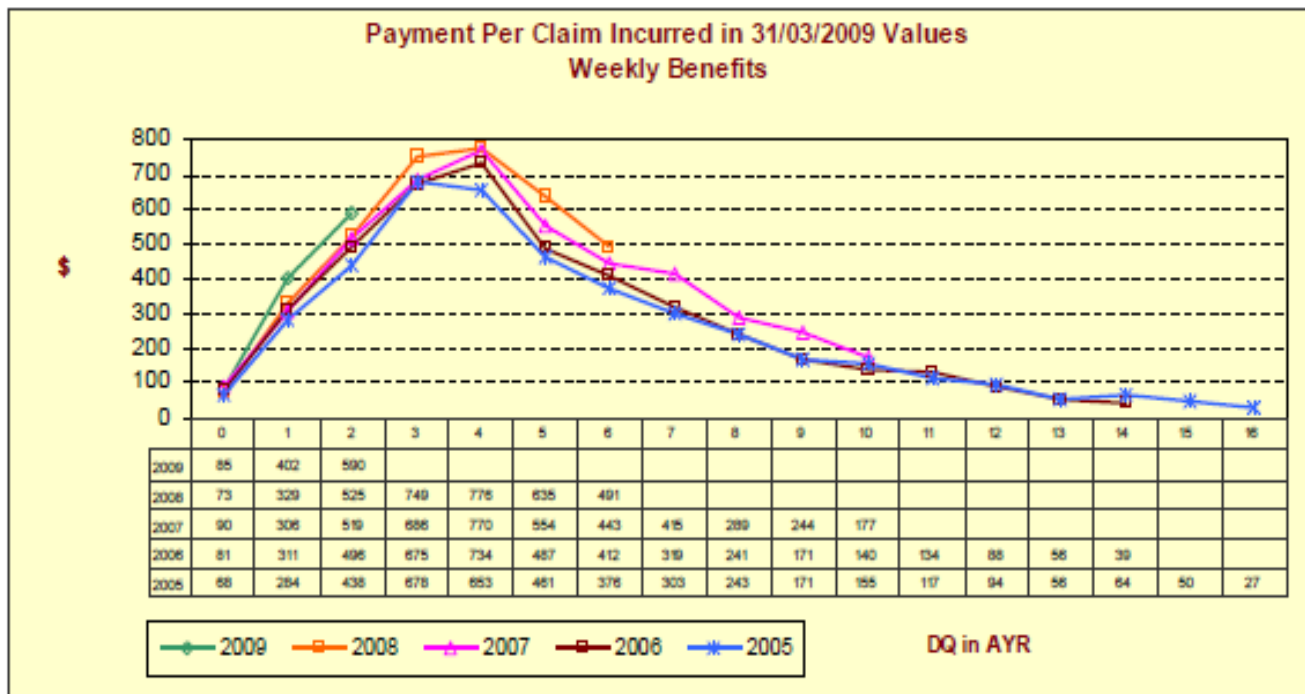
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WA Workers compensation industry claims reported



Early evidence of higher PPCI, and slightly lower rates of finalisation.

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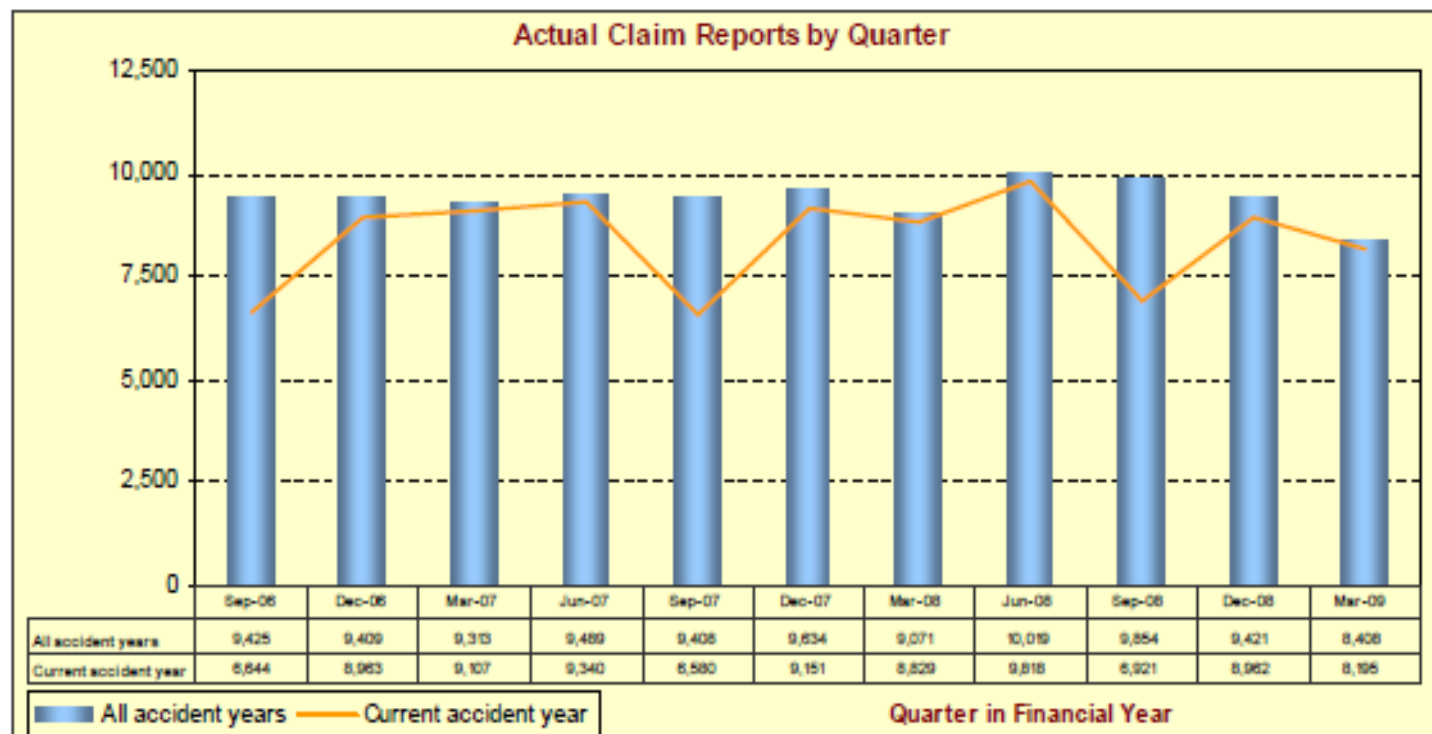
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WA Workers compensation industry claims reported



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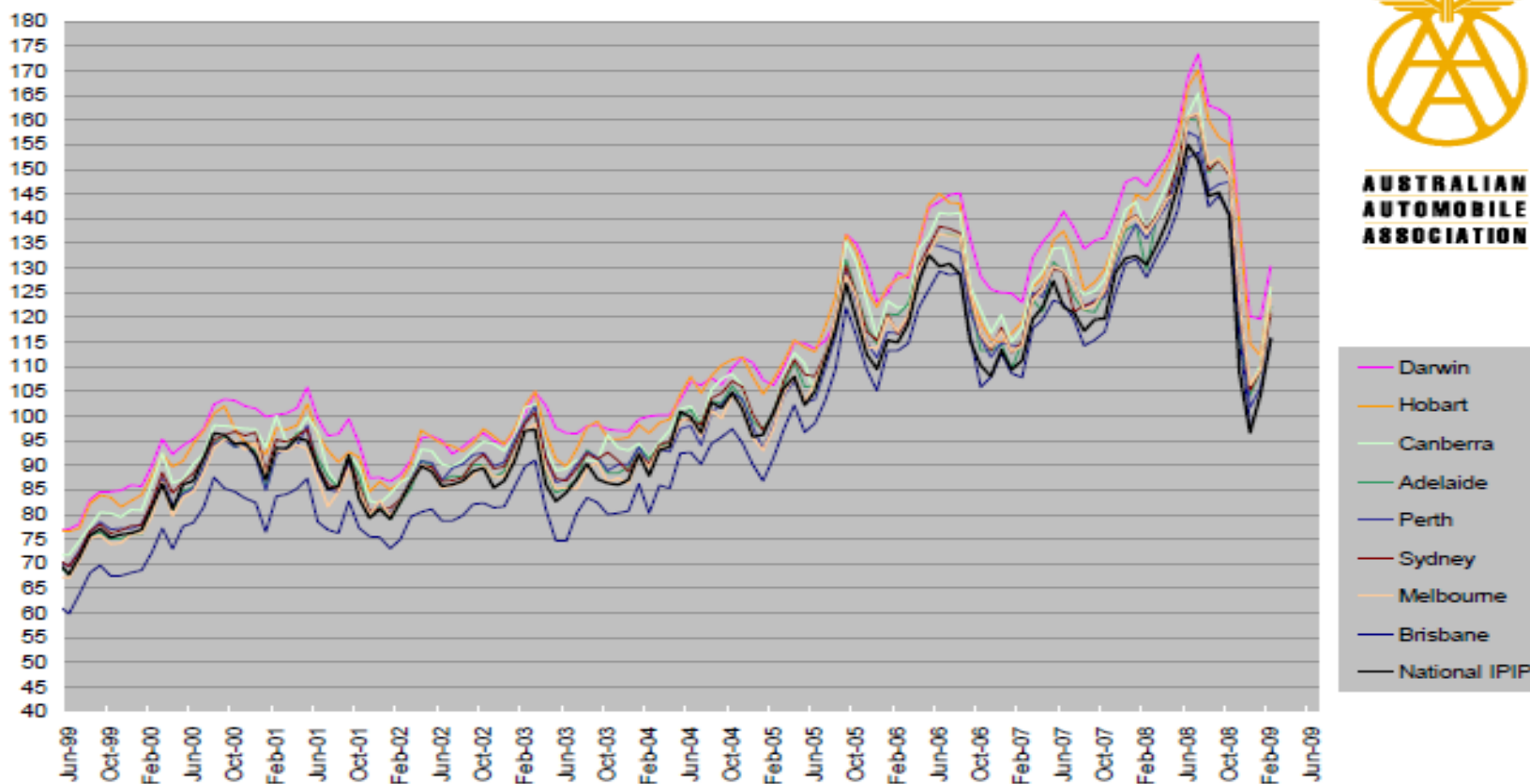
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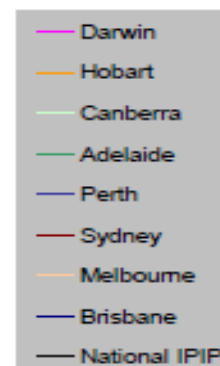
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CTP – fuel prices are also related

Average monthly capital city unleaded petrol prices (cpl)



AUSTRALIAN
AUTOMOBILE
ASSOCIATION



Source: FuelTrac

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CTP Exposure and Claim Frequency

- more risky discretionary driving may reduce in a recession (night time, weekends)
- Expect a frequency reduction but this is temporary given that causes are temporary
- Unregistered vehicles may increase
- Some people may move to motor cycles instead of cars
- Slowed improvement in vehicle safety technology – related to new car sales

CTP Periodic Benefits

- Potential temporary slowing of attendant care wage growth
- Unpaid family carers may seek to be paid for their services
- Unpaid family carers may enter the workforce
- New workforce entrants could fill unfilled shifts
- Some pressure on paramedical costs, as reduction in private paramedical may lead providers to attempt to “fill the gap” with more compensable services



CTP Lump Sum Benefits – Summary of Research and discussions

- Potential incr. in economic loss settlements; hard to distinguish between claimants not returning to work due to the economic situation or due to their injury.
- Potential pressure on Common Law granting rates
- Potential incr. in impairment lodgements
- Possible reduction in vicissitudes in Common Law settlements – would incr. average settlement/award sizes
- Newly unemployed people may dispute statutory benefits
- Impairment assessors may find more injuries in addition to main injury, increasing overall WPI
- Expect more gradual process / “discretionary” injuries
- From past experience, more activity around claims @ TAC, esp. increased demands for fast reimbursement

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NSW CTP Claimant Frequency experience to date

