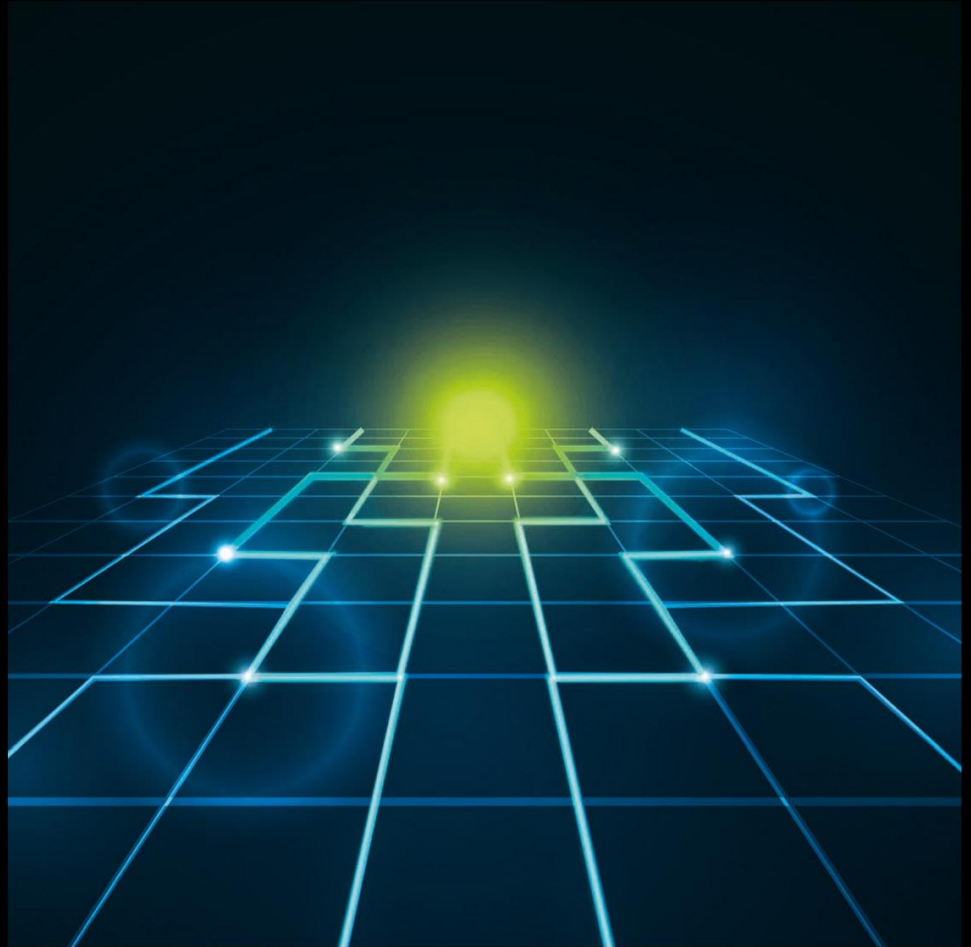


GI Glimpse



**Actuaries
Institute**

Tuesday 8 September 2015 • Sydney





Industry Performance: A Glimpse into the Future

© Andy Cohen, Finity Consulting Pty Ltd

This presentation has been prepared for the Actuaries Institute 2015 General Insurance Half Day Seminar. The Institute Council wishes it to be understood that opinions put forward herein are not necessarily those of the Institute and the Council is not responsible for those opinions.

Today's presentation

- The Story in Pictures
- Looking Backward
- Looking Forward
- Outlook by class of business

2013/14

EXTRA TIME

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0

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5

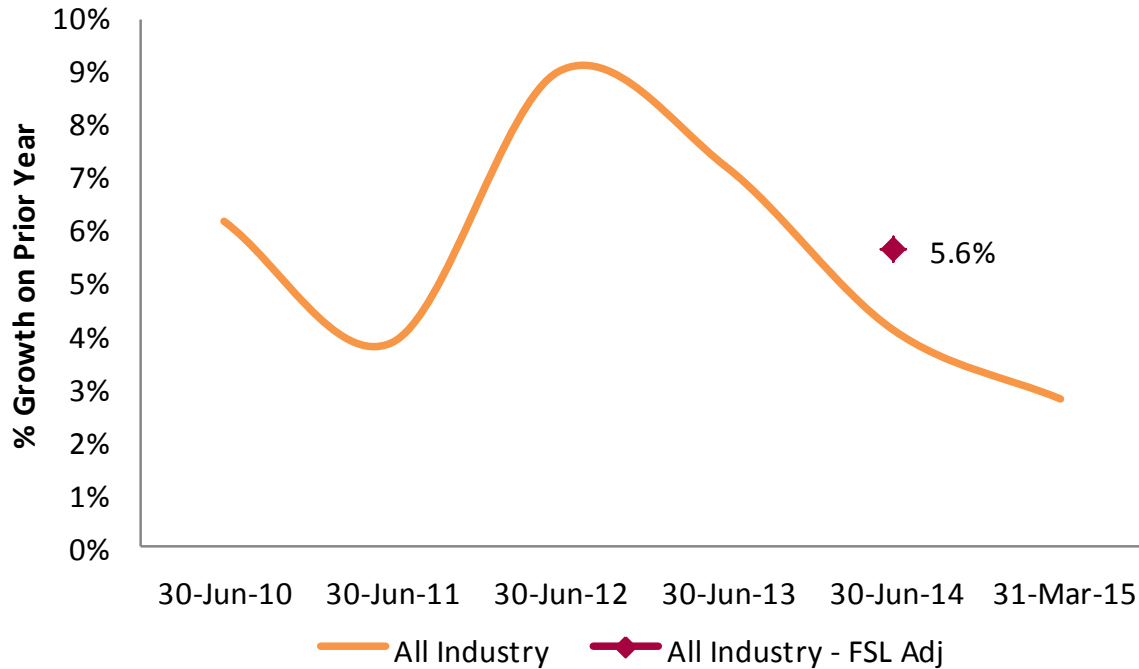
2014/15 +



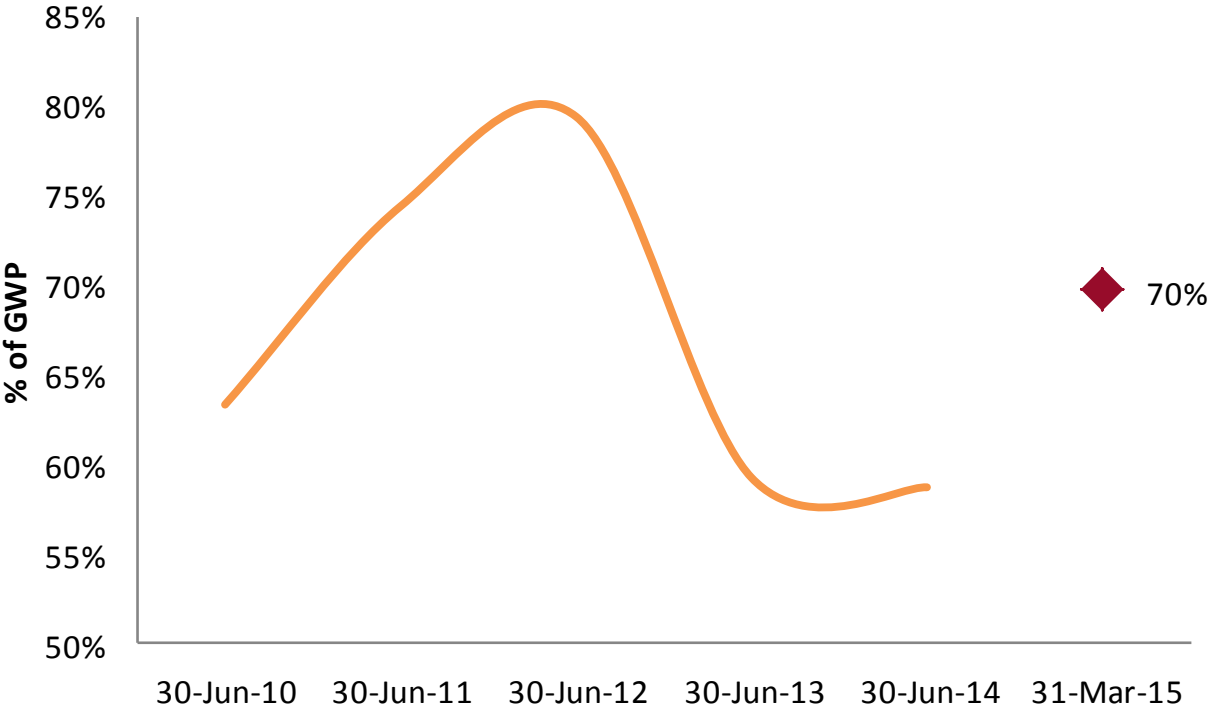


LOOKING BACKWARD

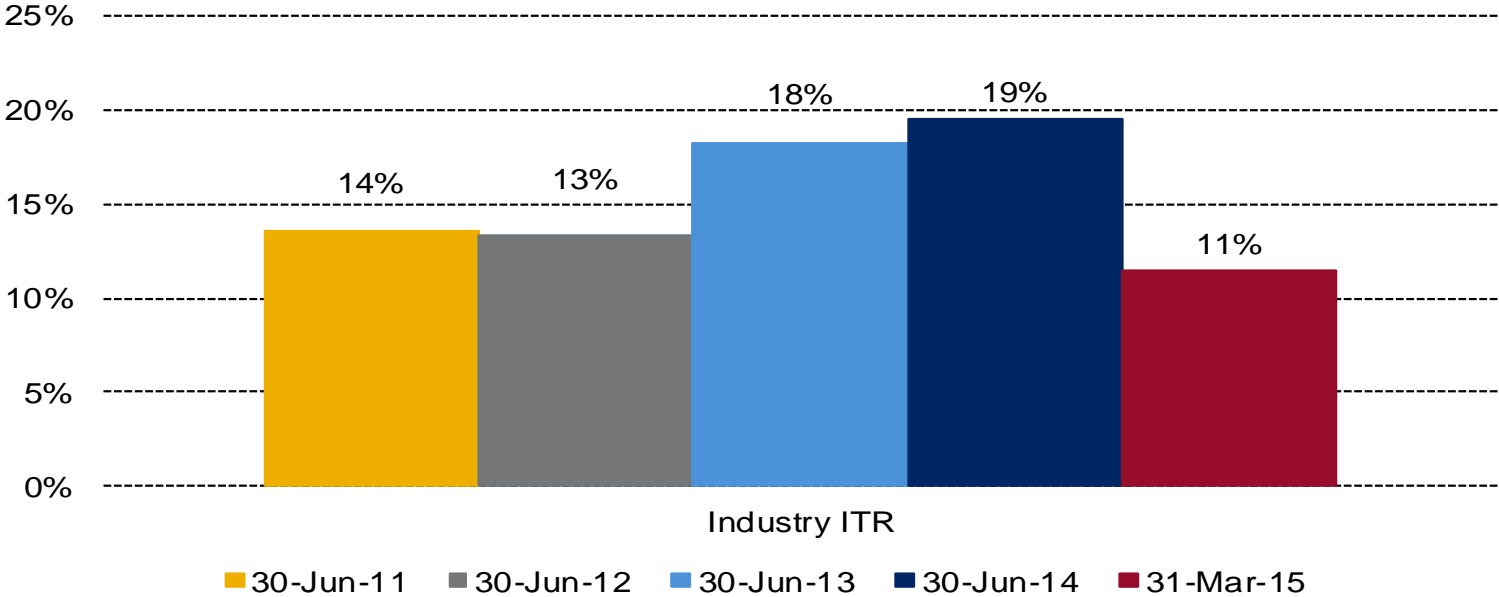
Growth in Gross Written Premium: Top line growth getting harder to find



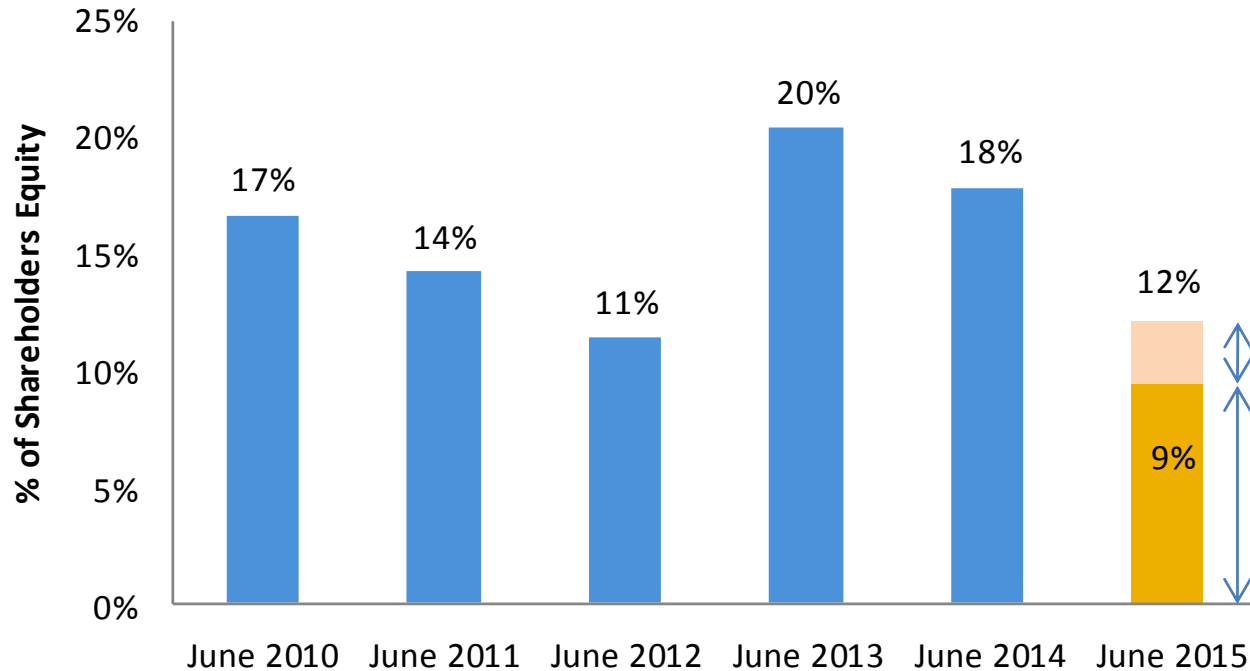
Gross Loss Ratio: A lot of weather losses in 2014/15



Insurance Margin: A strong 2014 was not be repeated in 2015



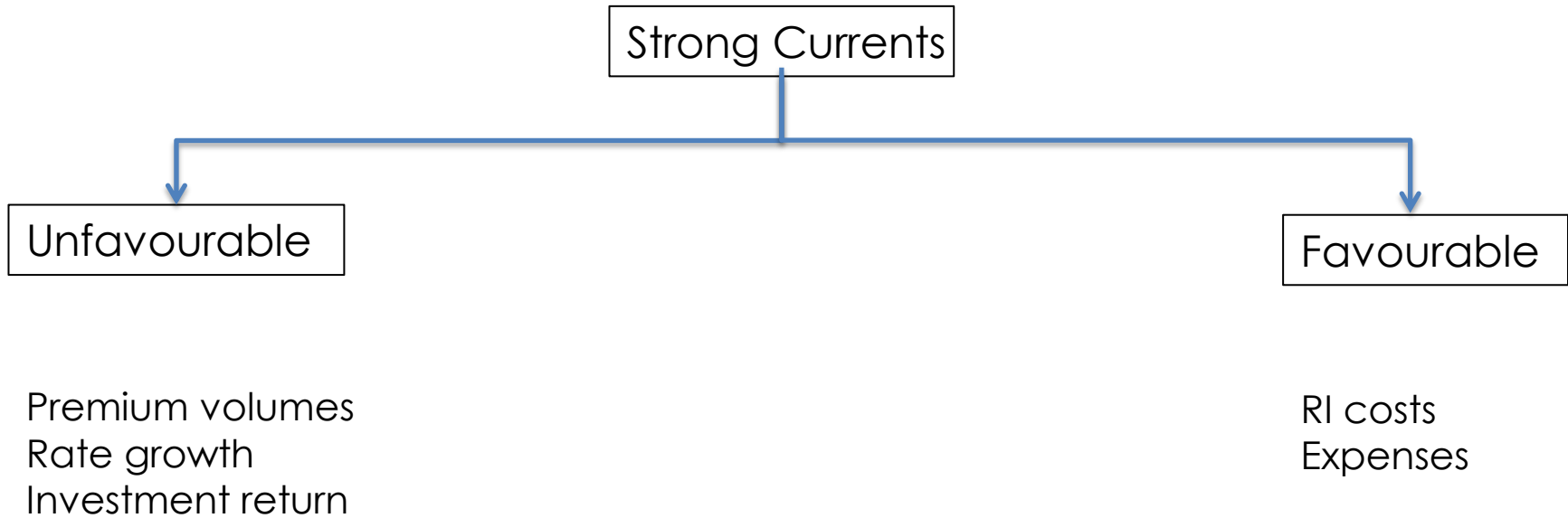
Return on Equity: 2015 in double digits, but not as good as 2014



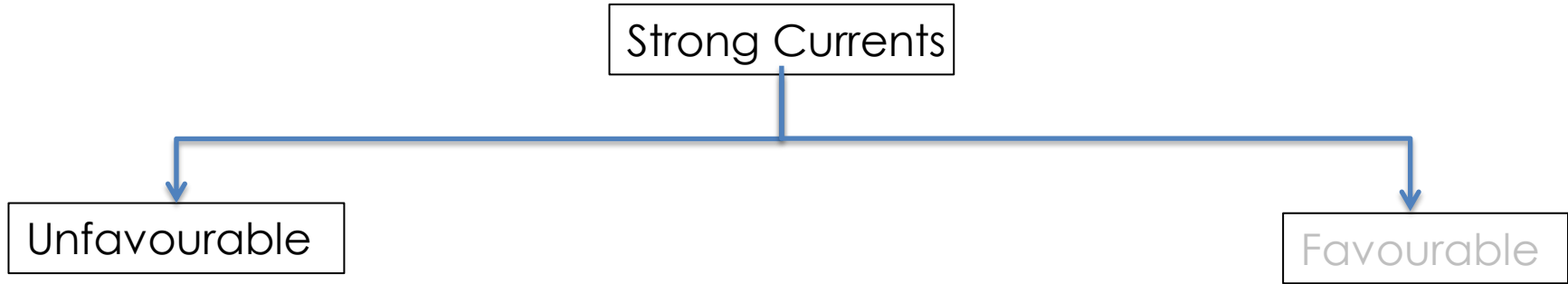


LOOKING FORWARD

“Glimpses” into the Future



Margin Pressure – Top Line



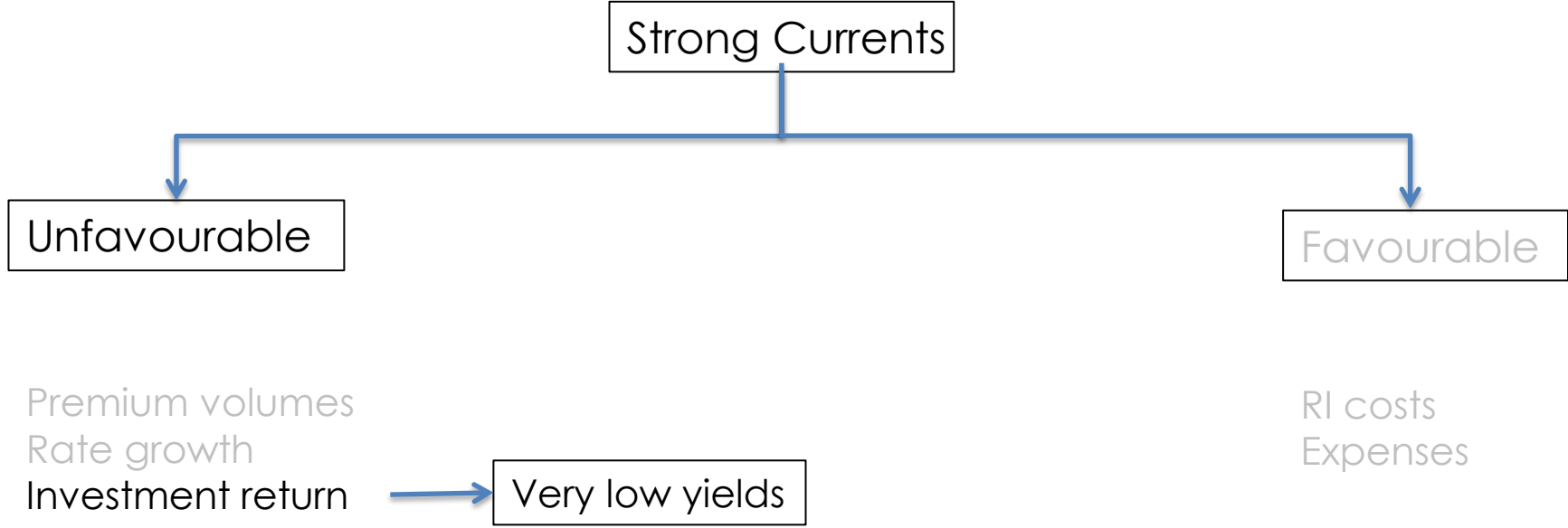
Premium volumes
Rate growth
Investment return



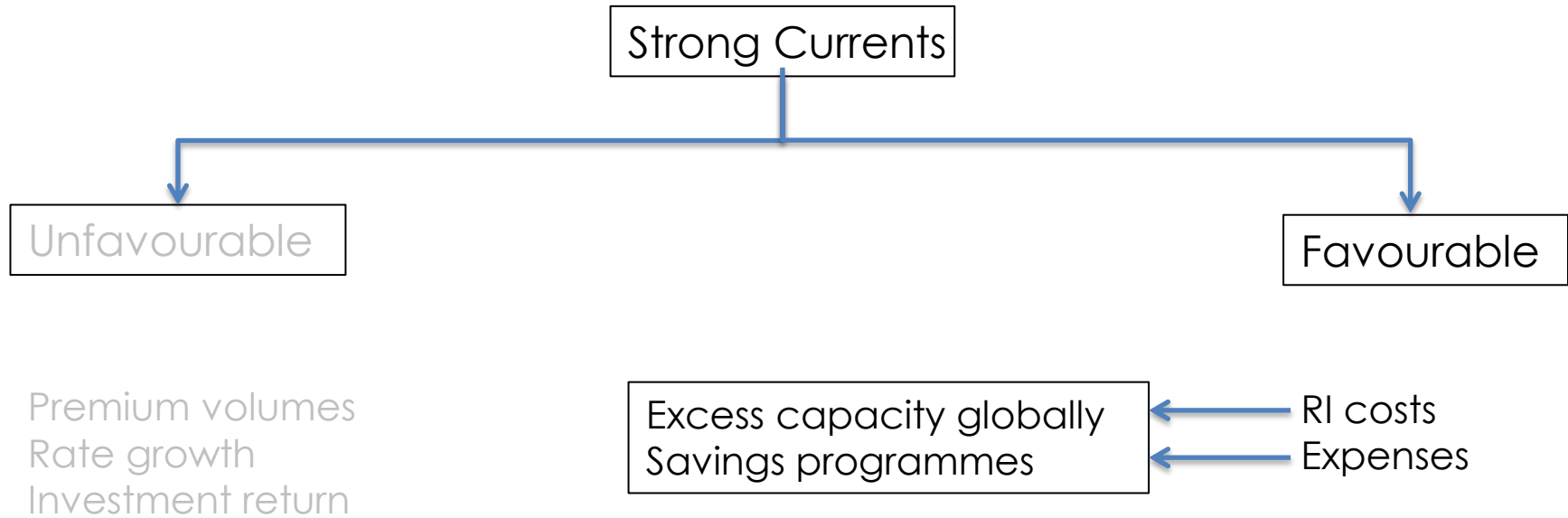
High ROCs in Personal
Excess capacity in Commercial
Competition
Declining customer loyalty
Reducing demand for insurance

RI costs
Expenses

Margin Pressure – Investment Returns



Some upsides ... but not enough





Class of Business – Short Term Outlook: Low growth but profitability “holding up”

Class	Premium Growth Outlook	Profitability Outlook	Risks
Motor	1%	Good	Competition
Householders	3%	Good	Weather
CTP	2%	Not meeting target - NSW	NSW frequency
	14% if SA privatises	Meeting target - QLD	
Commercial Property	0%	Not meeting target	Competition, Weather
Liability	2% - 3%	Borderline	Competition, deterioration in claims environment
Professional Indemnity	0%	Borderline	Class Actions, Economy
D&O	0%	Poor	Class Actions, Economy
Workers' Compensation	3% - 5%	Borderline	Claim size growth

Definitions:

Good	ROC well above 15%
Meeting target	ROC above 15%
Borderline	Profitable, but probably less than 15% ROC
Not meeting target	Profitable but ROC well below 15%
Poor	Loss making

2015/16 +

WARNING



**STRONG
CURRENT**
you could be swept away
from shore, and could drown
IF IN DOUBT, DON'T GO OUT

The sign is rectangular with a black border. The top section is orange with the word 'WARNING' in black. Below this is a white section containing a yellow diamond-shaped warning symbol. The symbol depicts a swimmer in the water with two arrows pointing outwards from the swimmer, indicating a strong current. Below the symbol, the words 'STRONG CURRENT' are written in large, bold, black letters. Underneath that, in smaller black text, it reads 'you could be swept away from shore, and could drown'. At the bottom of the sign, in bold black letters, it says 'IF IN DOUBT, DON'T GO OUT'. The sign is mounted on an orange post.