

INSURANCE & TODAY'S CRISIS

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- 2) SEPTEMBER 11 & H.I.H**
- 3) INDUSTRIES AFFECTED**
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INSURANCE – WHAT’S CREATED TODAY’S CRISIS?

History:

- 1) Insurance Companies have worked towards market share since the 70’s. Investment income filled void.
- 2) During this period the legal profession captured the system of litigation.
- 3) No focus on social or political reforms.

Look at this for a mess:

National Acts:

1. Tax
2. Pensions
3. Medicare

State Controls:

Workcover Acts	x 15
Transport Acts	x 9
Crimes Compensation	x 9
Private Health	x 9
Legal Liability	x 9
Compensation	

SEPTEMBER 11 & H.I.H

We were already in trouble when....

1) H.I.H – F.A.I Collapsed:

This left high risk end of market with few options.

2) September 11:

- Took many reinsurers out of the market.
- Terrorism is now excluded from most contracts.

Very few now want to play

INDUSTRIES AFFECTED

The loss of capacity is focussed on the following industries however everyone is being affected.

- 1) Building Industry - At least 70% problem
- 2) Tourism & Leisure - At least 90% problem
- 3) Medical - Probably 100%

- Loans are being rejected
- Businesses have become unsellable

WHAT IS GOVERNMENT DOING?

NO VISION

- Some states are making attempts to limit compensation.
- Local councils are setting up captives for events under their control.
- Consideration to a terrorism fund.
- F.S.R.A reform bill has been passed.

NO DIRECTION

WHAT SHOULD HAPPEN – NZ SCHEME HAS WORKED FOR 30 YEARS

- 1) Introduction of NO FAULT INJURY compensation scheme with set entitlements.
- 2) States and private enterprise to be involved in top up protection.
- 3) The money crazed section of the legal profession seem to focus on injury. Property damage liability is not a difficult to insure.

WHAT DOES THIS MEAN FOR TRANSPORT?

INDUSTRY STILL SUPPORTED BY:

- OAMPS
- N.T.I
- Allianz
- Zurich
- Suncorp

Any off-shore underwriting agency should be considered

RED ALERT

TRANSPORT INDUSTRY TRENDS & CONCERNS

TRENDS:

- Self insurance to acceptable levels or high aggregate deductibles.
- Lifting level of risk management

CONCERNS:

- Goods in control, especially from companies who self insure
- Ability to cover rail transportation
- Increasing premiums
- Status of customers protection

ANTICIPATED COSTING:

- | | |
|-----------------------------------------------------------------|-------------------|
| • Fleet – result driven expect | + 10 – 20% |
| • Asset protection, reduction in government charges, base rates | + 10 – 20% |
| • Public & Products Liability
If rail | + 40%
Higher |
| • WorkCover base rate | + 20% |
| • Marine | Still competitive |

THE FUTURE

- 1) There will be government interaction
LOBBY – LOBBY – LOBBY
- 2) Be aware of your customers insurance status
- 3) Strengthen your relationship with insurance providers and risk consultants
- 4) Manage your risks as though all claims are your responsibility

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O/AMPS