

IMIA Country Analysis 2010

Country	Premium Development	Claims Development	Underwriting Profitability	Business Outlook
Australia	<p>Machinery and Machinery Loss of Profits: Premiums in this segment have remained relatively static over the last 2 years. Growth continues to be constrained by the move away from stand alone coverage to inclusion of Machinery / Boiler into SME package policies or incorporated into Property / ISR programs on a sub limited basis.</p> <p>CAR: Construction premiums over the last 24 months have grown significantly driven in the first instance by significant investment in the mining and resources segment and its associated infrastructure, roads, rail and ports. The second contributing factor is the tail end of a very strong and focused government stimulus program focussed heavily on construction in the education segment.</p> <p>EAR / ALOP: EAR and ALOP premiums have returned to pre GFC levels after spiking in 2009 in support of several large Iron Ore and LNG projects getting underway.</p> <p>Electronic Equipment: Continues as relatively small segment with the majority of coverage typically incorporated within SME Package policies or alternatively as sub limits within Commercial Property programs.</p>	<p>Machinery and Machinery Loss of Profits: Loss ratio remains relatively consistent in the mid 50's however off what is a relatively small portfolio at just over \$100 million. These results do not include the performance of Machinery within package and Commercial Property / ISR programs.</p> <p>CAR /EAR: Construction and EAR loss ratios similarly have remained relatively consistent across 2009 and 2010. The large loss component i.e. >A\$1M represents approximately 20% of total losses with the largest reported industry loss at A\$5M. Working losses contribute the remaining 30 – 35% of construction losses.</p> <p>Important Note: Australia experienced its worst spate of natural disasters on record between December 2001 and March 2011 and this will have a significant impact on 2011 performance.</p>		<p>The value of engineering and commercial construction work is forecast to expand by 9.1% in 2011 driven principally by a significant project pipeline in mining infrastructure, driven by the on-going demand from Asia. At the same time there is strong growth in the oil and gas processing sector including several large LNG projects. Activity is forecast to rise from \$26 billion in 2009/10 to peak at around \$50 billion in 2013/14. Supported by Government initiatives there will also be significant investment in both road and rail infrastructure.</p> <p>At the same time commercial construction work (retail, offices, education building projects, etc) continues to be somewhat subdued with a growth rate of slightly more than 1% in 2011. 1.</p> <p>Telecommunications construction activity is forecast to rise to a very high level as the National Broadband Network (NBN) is rolled out. NBN is estimated to cost \$43 billion and be rolled out over approximately eight years.</p> <p>New house building activity is expected to be slow in 2010/11 with only 3 % growth over 2010.</p> <p>Important Note: Aggregate performance of Engineering insurers, specifically CAR/EAR portfolios, will be significantly impacted by the severe weather events Flood, Cyclone & Severe Storms experienced across the East Coast of Australia in the first quarter of 2011.</p>