

IMIA Analysis Report 2012

Country	Premium Development	Claims Development	Underwriting Profitability	Business Outlook
Australia	<p>Machinery and Machinery Loss of Profits</p> <p>After years of little growth premiums in this segment has started to reduced significantly. This is due to a continued move away from stand alone machinery coverage to inclusion of Machinery / Boiler into SME package policies or incorporated into Property / ISR programs on a sub limited basis.</p> <p>CAR/EAR/LOP</p> <p>Construction premiums in 2012 show a sharp increase, this has all been generated by the significant investments in 2012 in mining/oil/gas projects and its associated infrastructure, roads, rail and ports.. The reality is though, construction investment in other industries and segments continue to be very subdued.</p> <p>Electronic Equipment</p> <p>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:</p> <p>After significant deterioration in 2011, this segment has returned to profitability 2012.</p> <p>Data would suggest that premium increases have lead to better results but also to reduction in portfolio size as brokers have push this cover into SME package policies or incorporated into Property / ISR programs on a sub limited basis where it is often not priced accordingly.</p> <p>CAR /EAR /ALOP</p> <p>Whilst Construction, EAR and ALOP loss ratios have improve from 2011, the industry recorded the second highest amount of losses incurred since 2009. The LR improvement was driven by increase in premium from large/multiyear mining/LNG projects north of Australia. In this respect it's premature to say that business written in 2012 in already profitable.</p> <p>Catastrophes / Disasters</p> <p>Whilst the frequency of catastrophes were much less than 2011, the severity of those that did occur were still significant. Notable events in 2012 include:</p> <p>Ex-Tropical Cyclone Oswald cost: \$939,000,000</p> <p>NSW Ex-Tropical Cyclone Oswald Inundation and Storms: \$121,000,000</p>	<p>Overview</p> <p>The results in 2012 are a significant improvement from 2011, but this was largely driven by significant growth in mining/LNG projects. These are multiyear projects mostly located in extremely exposed Nat Cat regions of Australia. Because of this it remains to be seen whether 2012 is a profitable year from and underwriting year basis.</p> <p>Total construction losses recorded were the 2 highest since 2009.</p> <p>Furthermore it is estimated that non domiciled insurers would have losses of a similar magnitude and highlights the difficulty of truly understanding the complexity and diversity of natural perils exposures across what is a very wide continent.</p>	<p>Mega Projects an Endangered Species?</p> <p>The mega resource investment projects which accounted for much of Australian economic growth in recent years are hurtling towards a peak. Year to date (May 2013) over \$150b worth of projects have either been delayed or discontinued.</p> <p>Being a federal election year investment in government infrastructure is also likely to remain flat over the next 12-18months.</p> <p>It's expected that the residential and commercial sectors should slowly recover over the next 12-18months due to persistently low interest rates in Australia starting to take effect.</p>