

## Country Analysis Report - Australia

Country	Premium Development	Claims Development	Underwriting Profitability	Business Outlook
<p><b>Australia 2014</b></p>	<p>Construction and Engineering classes are likewise impacted by broader coverage and premiums per risk are lower than any previous time in this markets history. The industry reported a net earned premiums of \$31 billion and a total GWP in the general insurance sector in Australia of \$40b. Construction and engineering makes up approximately 1.25%. Machinery Insurance showed an untypical large increase whereas CAR stayed relatively flat and EAR premium dropped sharply.</p>	<p>Total construction losses recorded were similar to 2013. 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. The industry experienced 48 large claims (excess of \$1m). The majority (52%) of these claims were related to Natural Perils on Civil Engineering Works. The average of claim size of the large claims was \$4.7mio and the largest reported was \$31m in respect of a fire.</p>	<p>The construction and engineering sector operated to a LR of 49% in 2014 compared to total general insurance sector LR of 64%. These reported loss ratios are a composite of insurer's declarations and will require further development in future underwriting years to determine ultimate profitability. Reported loss ratios for 2014 were flat against last year which is largely driven by a relatively benign NATCAT year.</p>	<p>The outlook for investment in Australia continues to be soft primarily in the mining sector as spending on massive resource projects which generated most of the growth in the Australian economy in recent years has ceased. Economic growth in Australia is currently below trend and is expected to go sideways for the next couple of years. From an insurance perspective, rates are extremely soft and coverage's are the broadest at any point in time for the Construction and Engineering classes of business. There is an oversupply of capacity that is driving smaller shares for all market players. Insurance margins for some domestic insurers are lower than forecast due in part to these pressures.</p>