

The Insurance Financial Landscape

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Natural Disasters Sept 2010 – August 2011

Event	Estimate Cost NZD
Christchurch earthquakes Sept 2010; Feb and June 2011	20bn+
Queensland floods/Cyclone Yasi December 2010/Jan-Feb 2011	9bn+
Japanese Tsunami/Nuclear radiation February 2011	150bn+
US Twisters April 2011	?
Chile Ash Clouds June 2011	?
US East Coast Storm August 2011	2-3bn

Christine Lagarde
Head of International Monetary Fund

*“Europe’s growing crisis could force global economy into
lost decade”*

Beijing, October 2011

Shifting Landscape

- * Capital
- * Risk management
- * Costs
- * Low interest rates
- * Attitude of reinsurers
- * Simplicity
- * EQC/AMI out of capital
- * ANZAC Natural hazard cost (normally 2% of total – now 20%)
- * European insurers withdrawing from NZ/Rotorua line

Capital – most important issue

- * Risk appetite
- * Regulation and increased capital
- * Provide
 - * 1-1000 years earthquake
 - * 1-250 years other risks
- * Low interest rates

Costs

- * Claims excellence
 - * Increase reputation /brand strength
 - * Sheer scale of claims
- * Large increases commodity prices
- * Wages surge disaster areas
- * Competition for tradespeople
- * Sourcing of spare parts

Customer/culture

- * Credibility crucial
- * Dialogue regarding situation
- * Dealing with unknown
- * Unified culture
- * The “economic sugar hit”

Conclusion

- * Potential instability risk
- * Market risk and volatility
- * Regulatory risk
- * Economic crisis
- * “Perfect storm”