

Personal Lines Market Update

Graeme Adams



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Market Metrics – Premiums and Profitability

2

Motor Insurance – still motoring along despite COVID-19 side effects

3

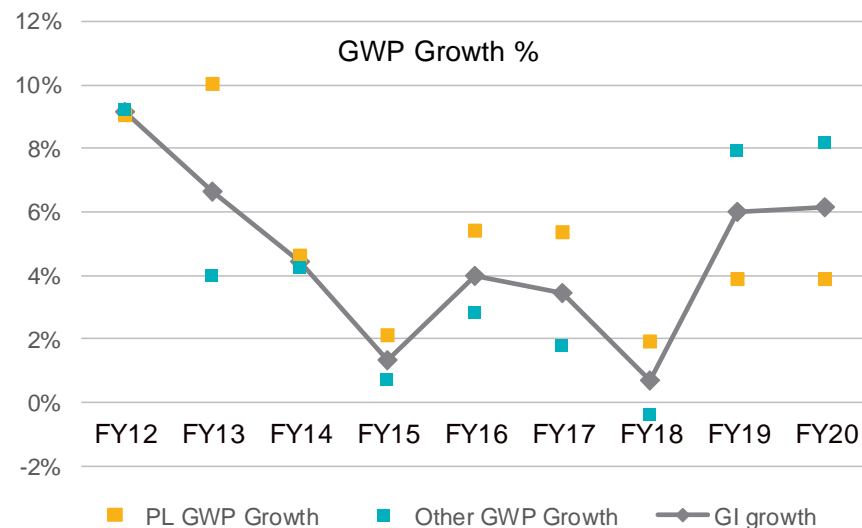
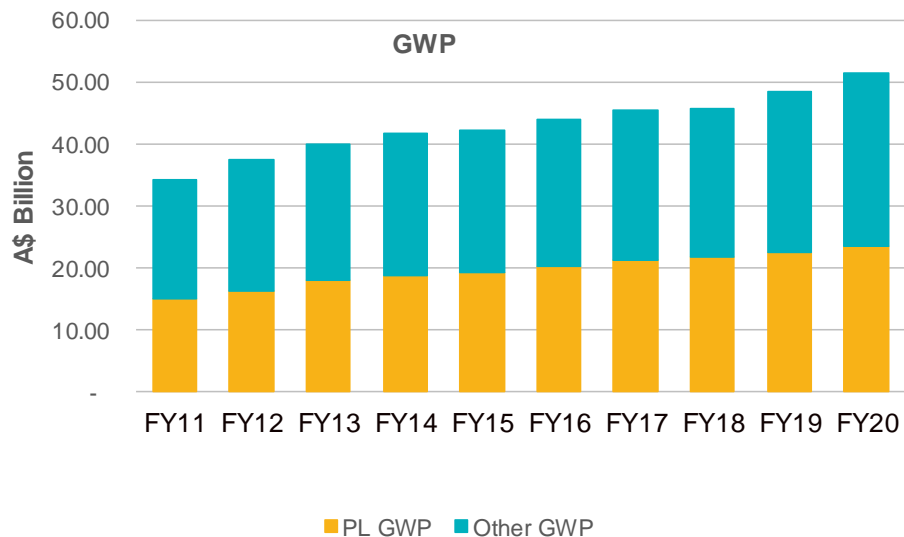
Home Insurance – needs more work

1

Market Metrics – Premiums and Profitability

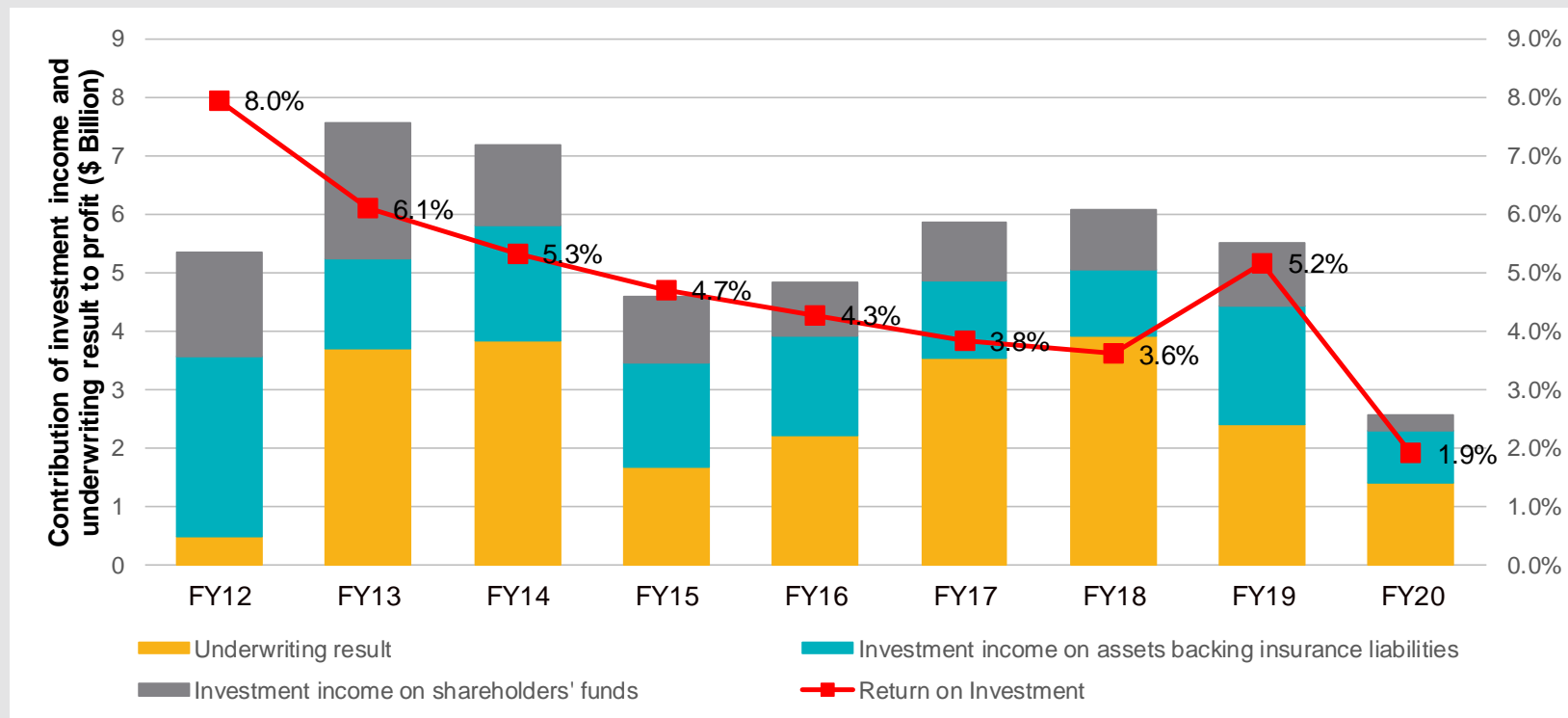
General Insurance gross written premium up 6%

- GWP 2020: **\$51.4** billion (up from \$48.4 billion in 2019)
- GWP for Motor, Home, CTP **\$23.5** billion which accounts to **46%** of the market



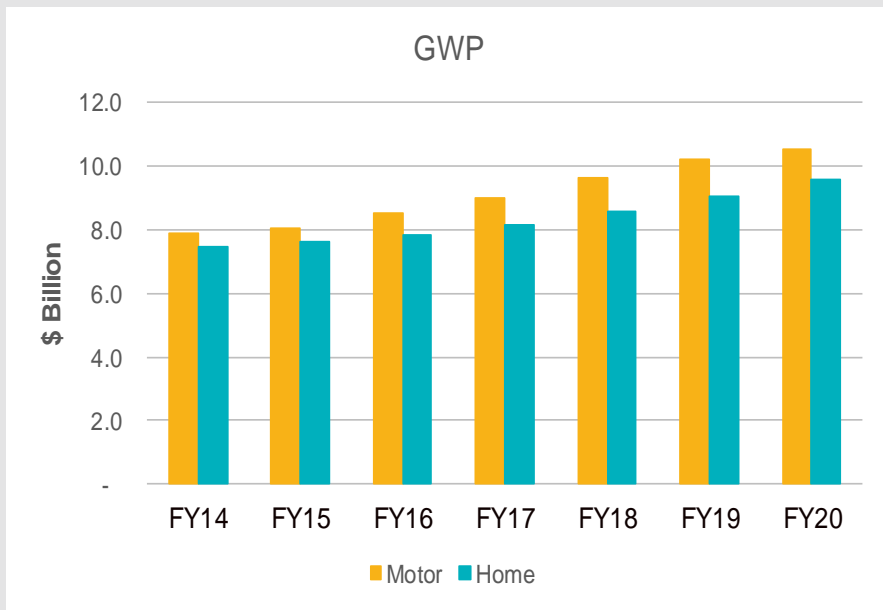
Source: APRA

FY20 GI net result was the lowest in a decade

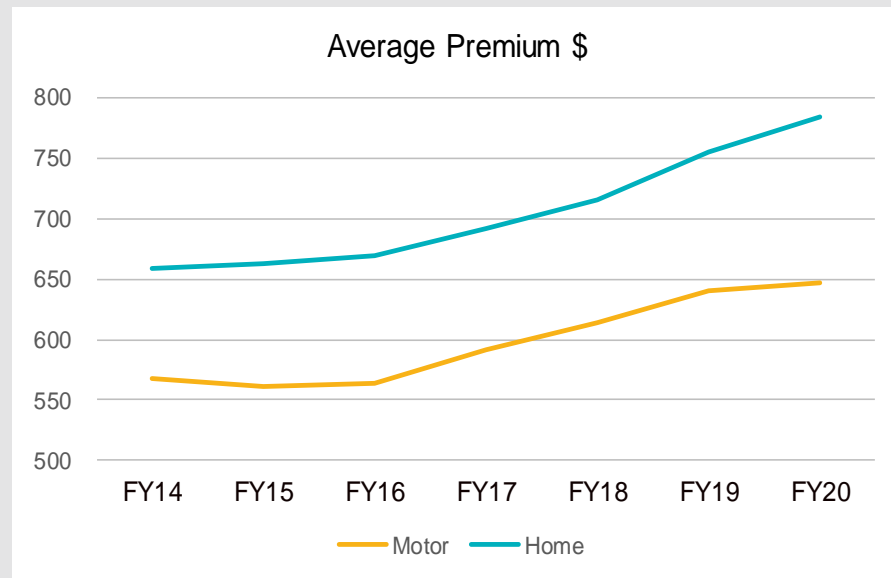


Source: APRA, Finity

Growth in the motor and home premium pools mainly due to average premium increases



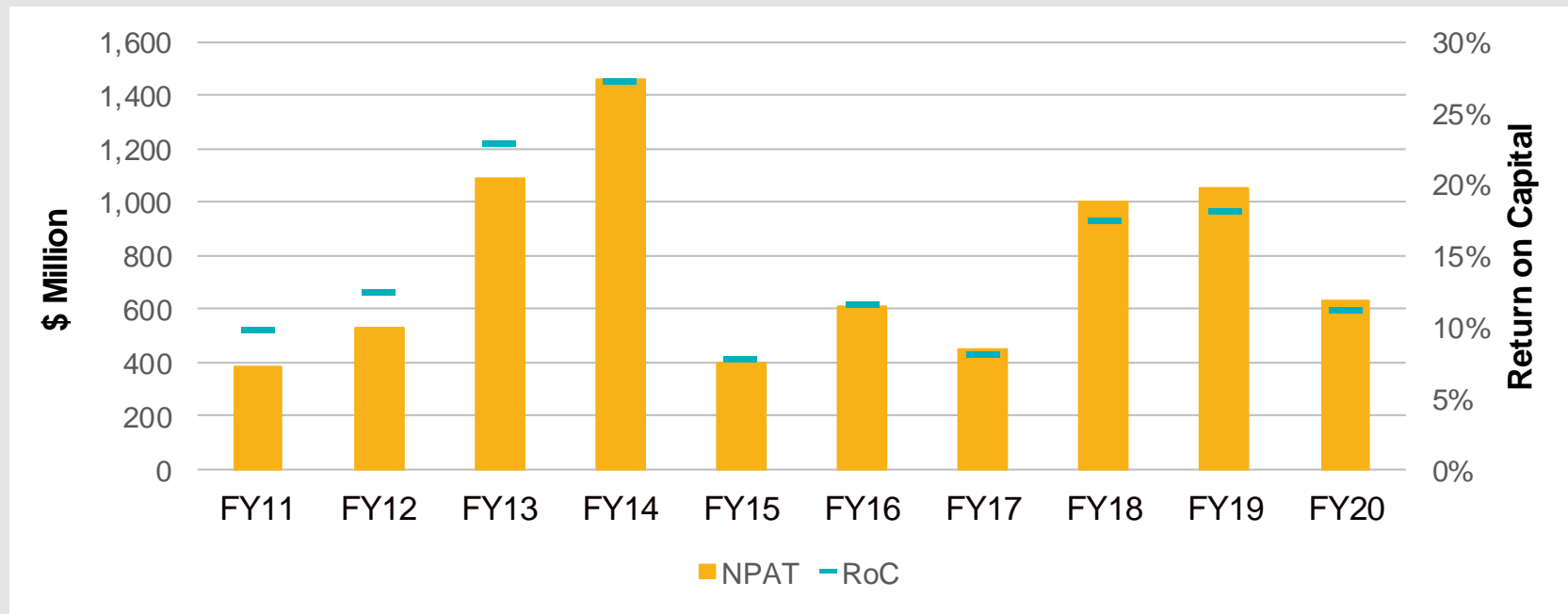
Source: APRA



Source: APRA

Currently, there is very little system growth

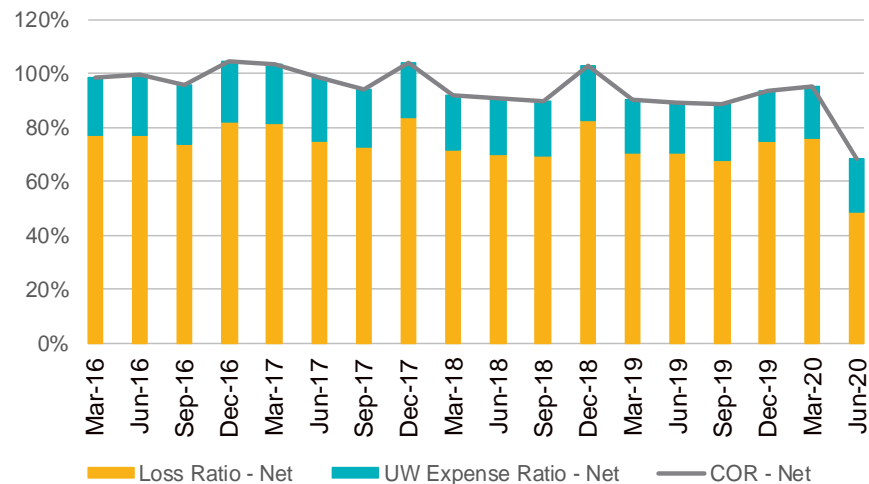
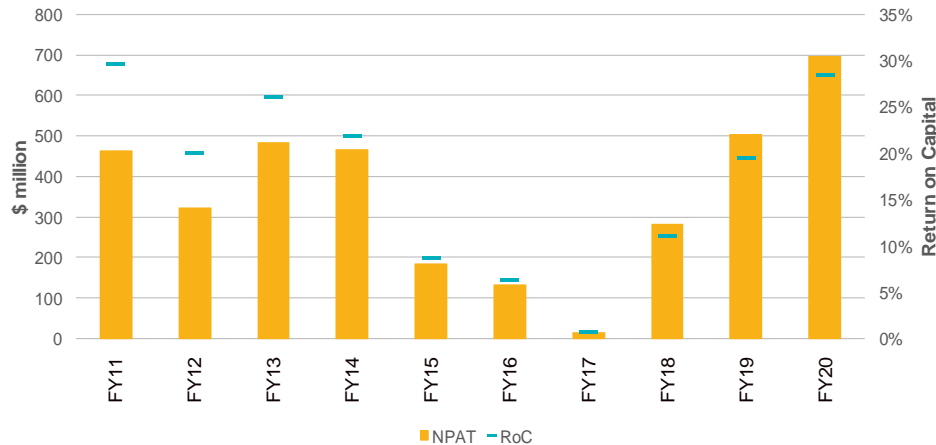
Motor and Home NPAT in FY20 impacted by Covid and events



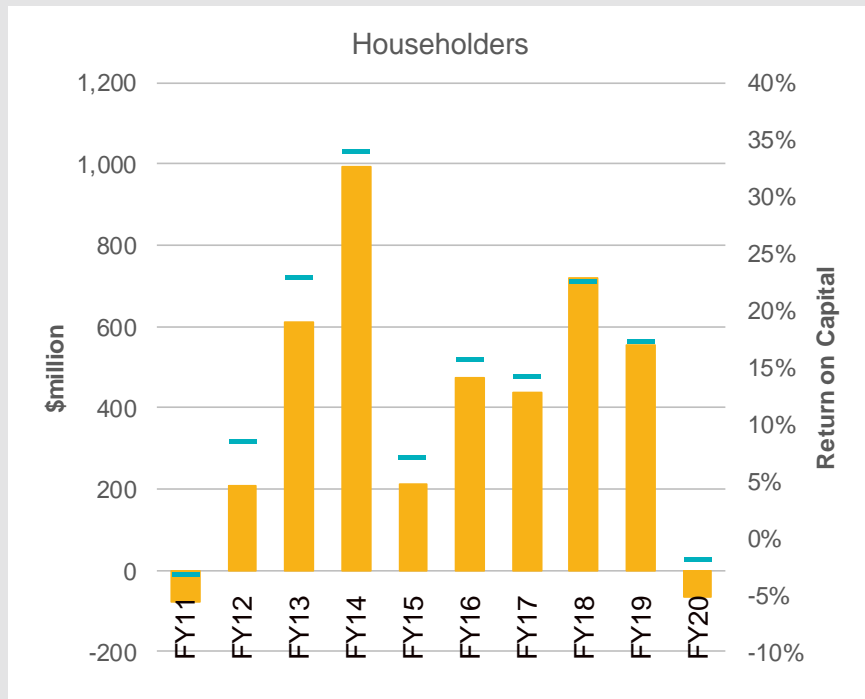
Source: APRA

Motor profitability in FY20 positively impacted by COVID-19

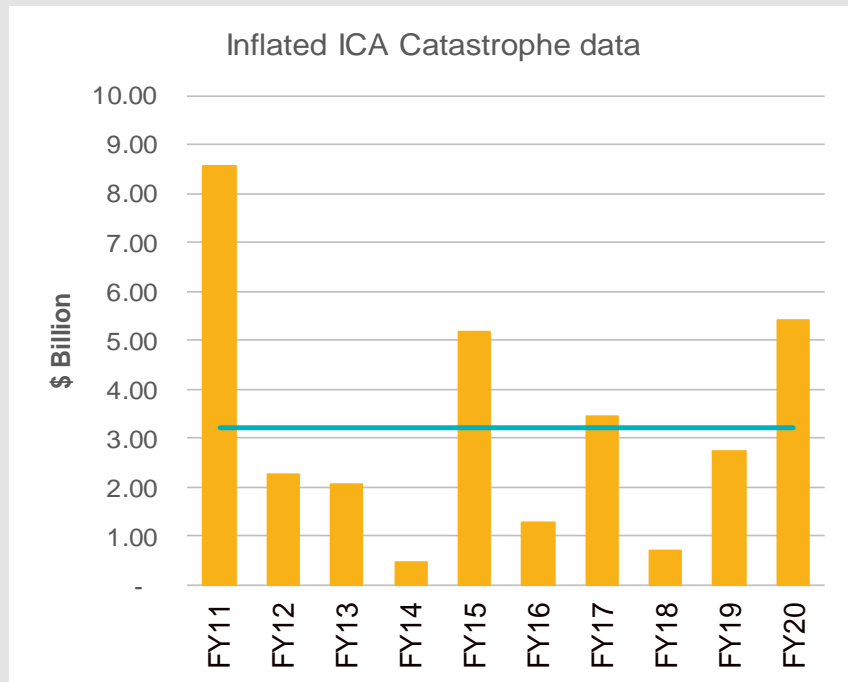
Domestic Motor



Householders negatively impacted by perils



Source: APRA

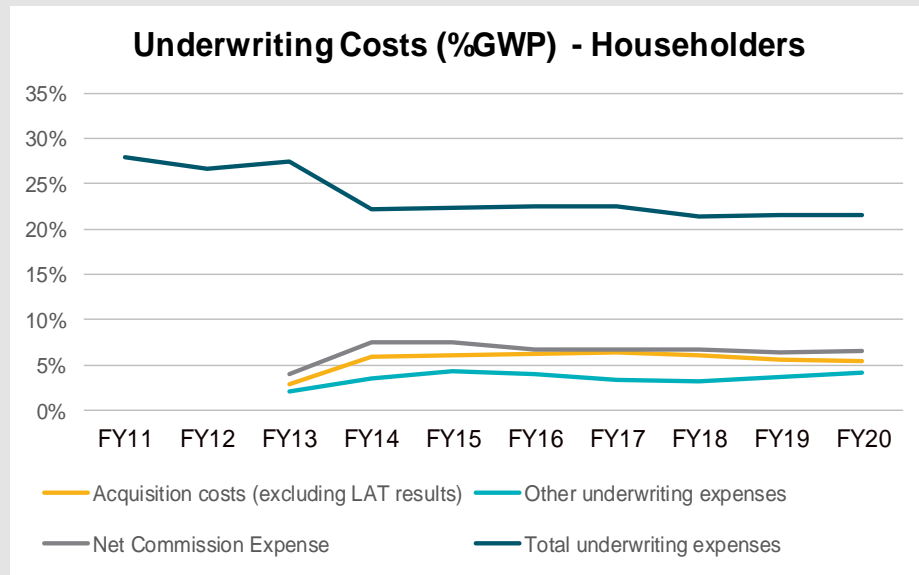
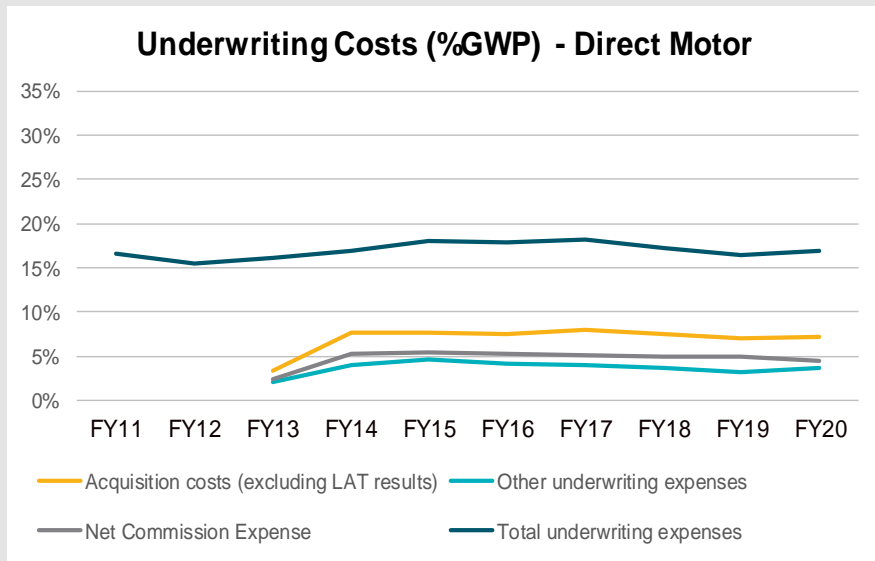


* Normalised to 2020 values

Source: ICA, Finity

Expenses (commissions) remain steady.

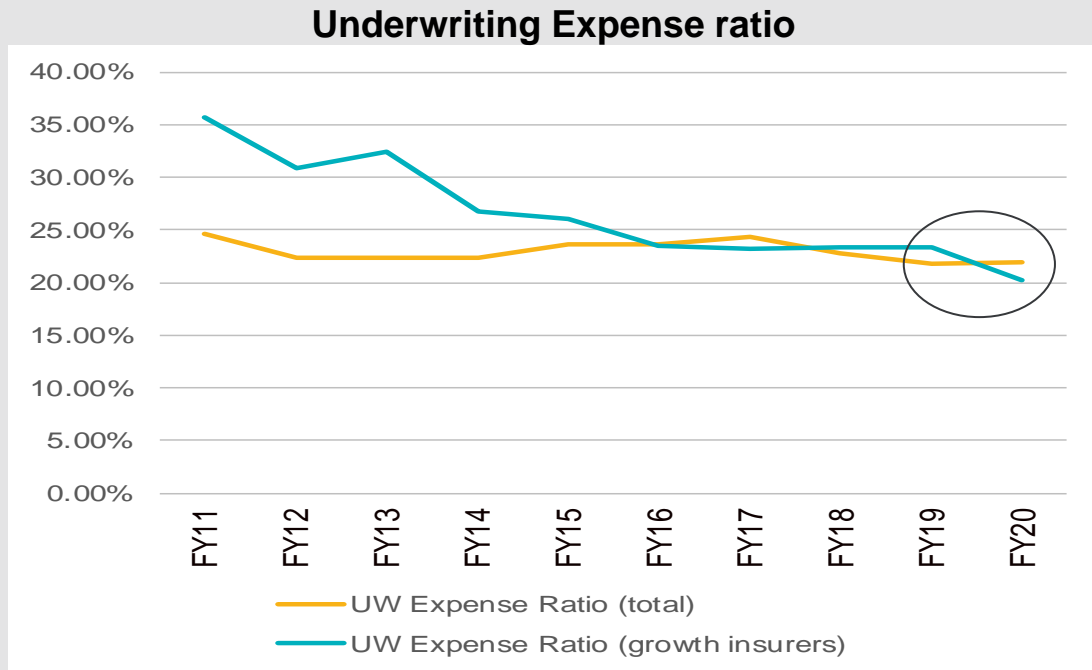
Are transformation savings offsetting increased regulation costs?



*Total includes ESL

Source: APRA

Growth insurers are well positioned with a lower than average expense ratio



Growth insurers: Youi, A&G, Hollard

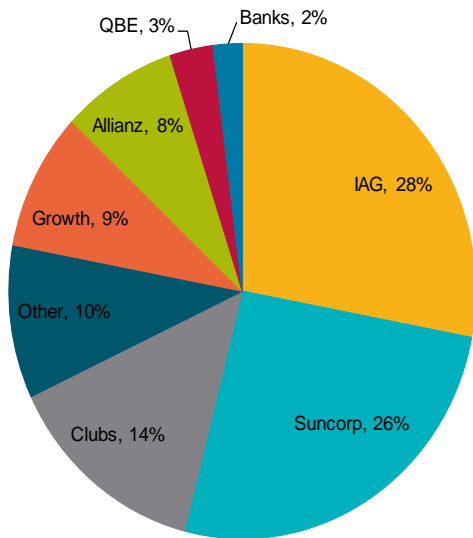
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Motor Insurance – still motoring along

Motor Insurance market shares

– the duo less dominant

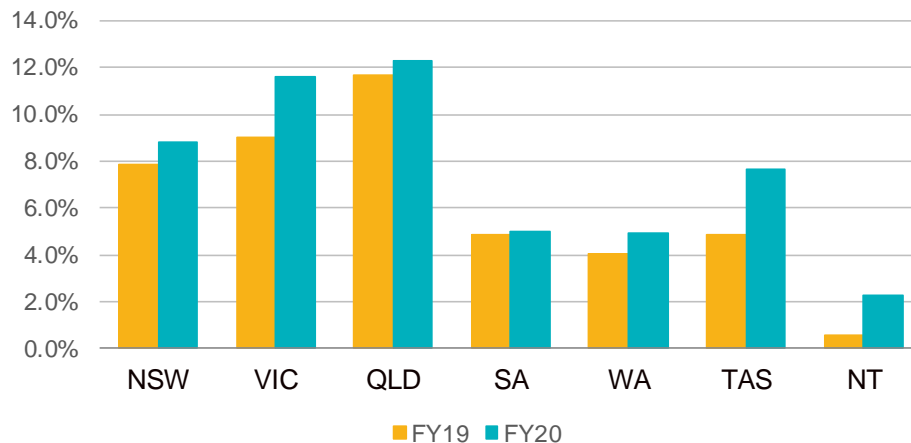
2020



Source: Roy Morgan, Finity

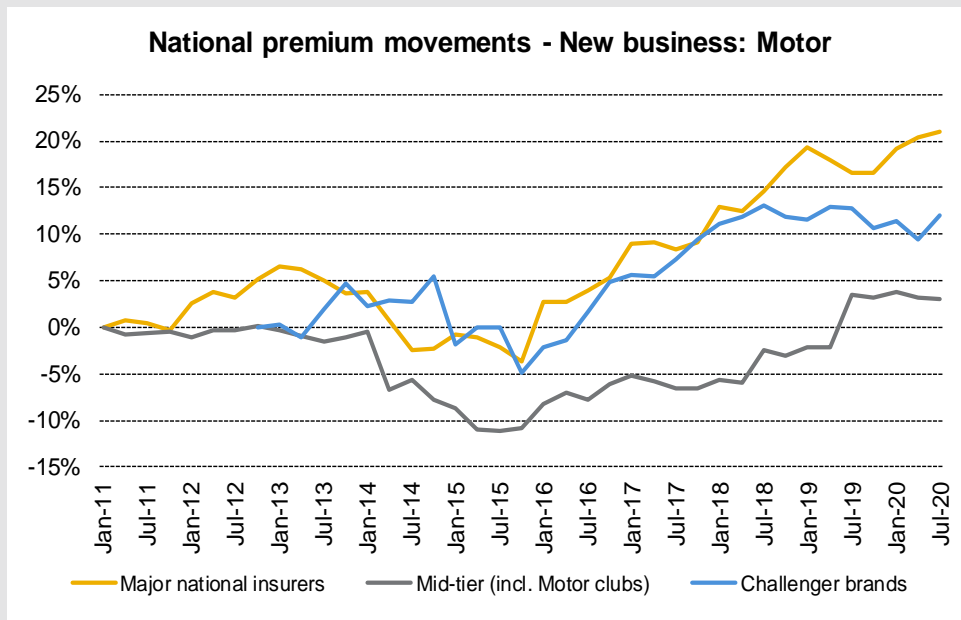
Suncorp & IAG lost a total of 11% market share in 10 years

Growth Insurers Marketshare - Private Motor



Growth insurers: Youi, A&G, Hollard

Challenger brands* continue to challenge..

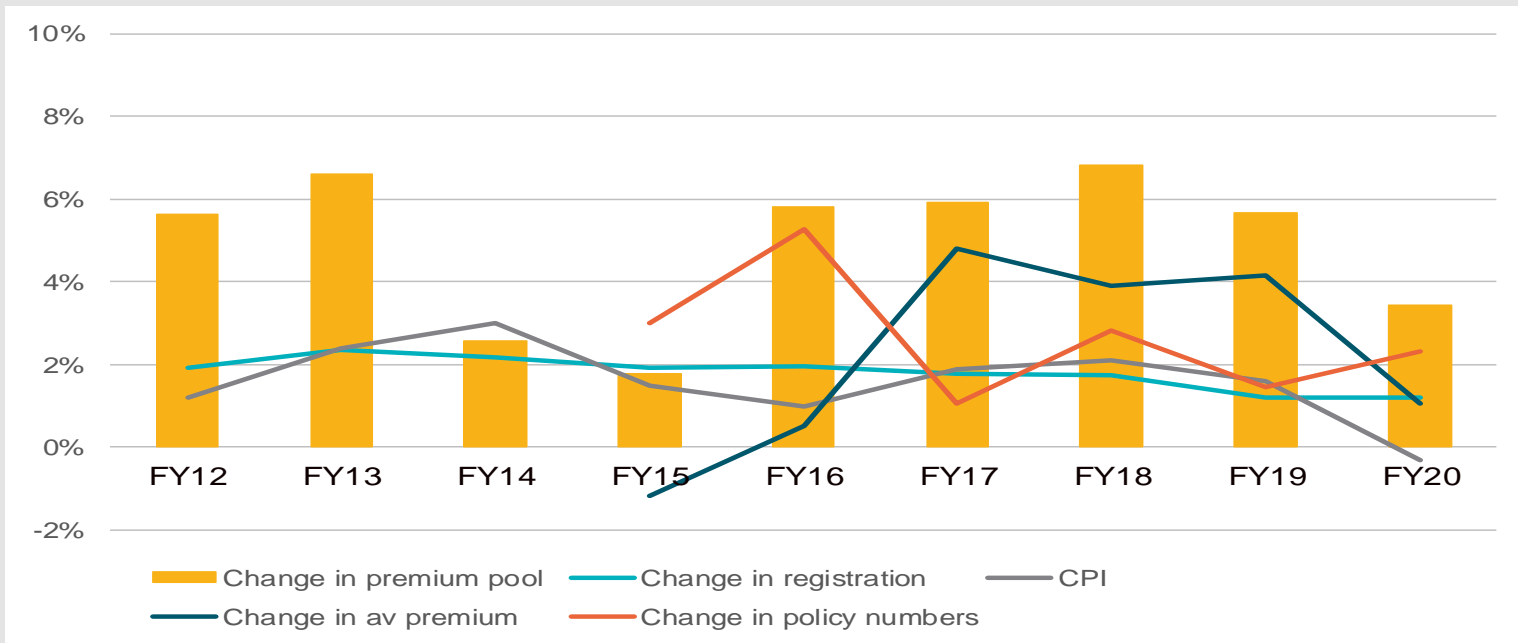


*Challenger brands: Coles, Bingle, Woolworths

Source: APRA

Source: Finity

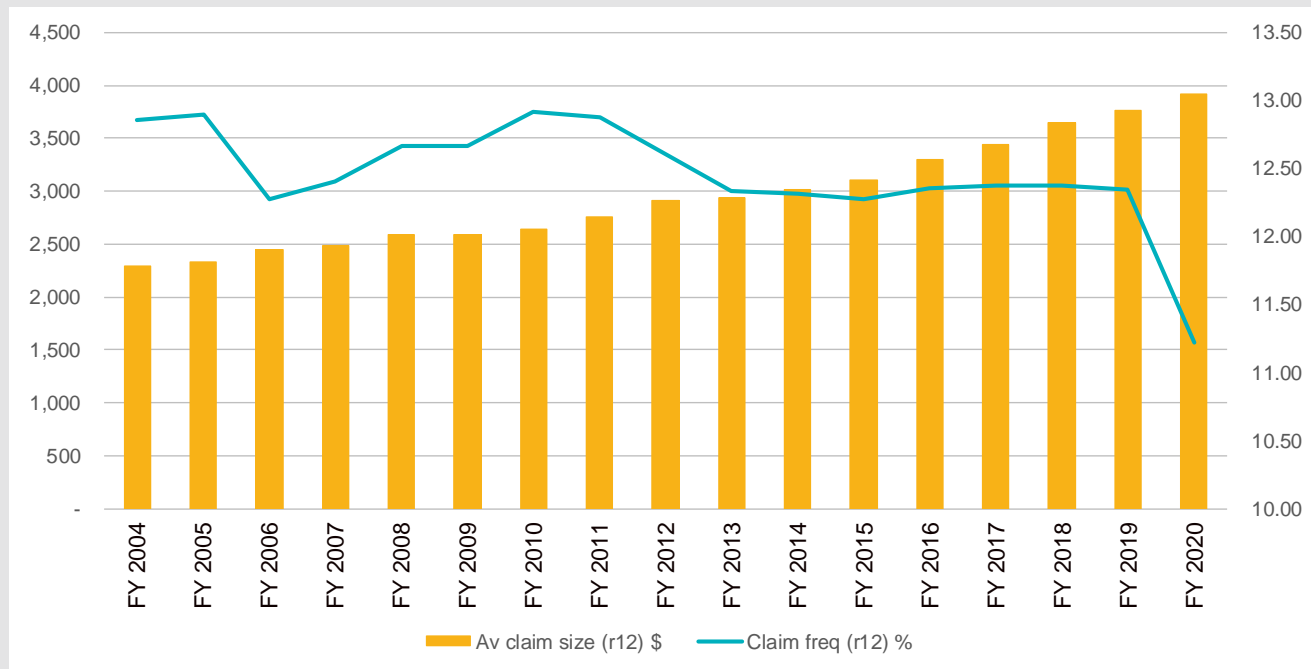
We are not quite at peak motor policy (maximum penetration of motor policies into car park) with policy growth in line with registration growth



Source: APRA, ABS and Finity

No material change to the Comp/TPPD mix

Collision claim size increased by 4%, but now more than offset by lower claims frequency in Q4



- Part prices,
- 3rd party claims managers,
- Higher tech cars
- Re-structured repairers

Source: ISA

Motor Trends and issues

Positive

- Technologies now enabling new propositions
 - Customer acquisition
 - Usage
 - Claims processing

Opportunities

- Changing vehicle and customer demographics are changing insurance needs
 - High tech cars could reduce claims frequency, but increase claims costs
 - People want to use a car, but not necessarily own it
 - More transport options
- New innovative players could capture new and developing niches

Negative

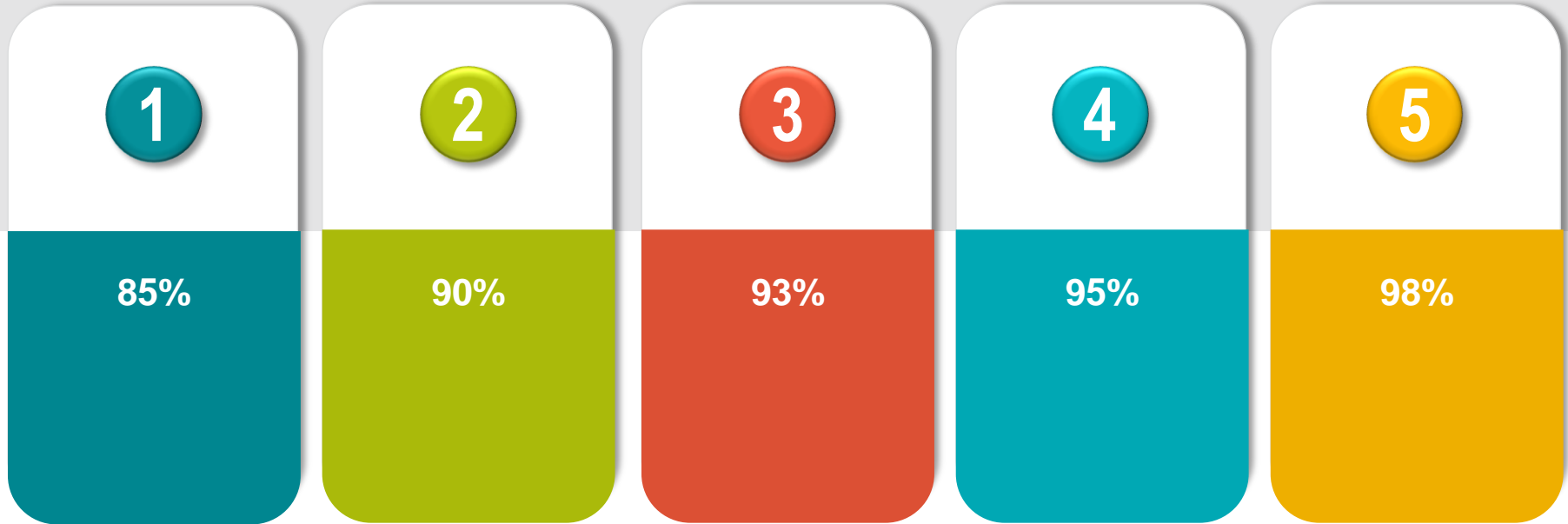
- Low growth potential
- Declining perceived value/affordability
- Continued increase in claims cost
- Constrained insurer operating models
- Possible threats from alternate carriers, eg motor manufacturers

Will it be a more competitive environment in FY21??

Two quick polls

Audience Poll

What will be the national Motor COR in FY21? (it was 86% in FY20)



Audience Poll

Where will the next major car insurer come from in the next five years?

1

**Motor
manufacturer**

2

**Tech platform
e.g. Amazon**

3

**Search engine
e.g. Google**

4

Reinsurer

5

**No new threat
in the next
five years**

Poll Results

Two interesting side effects from COVID-19



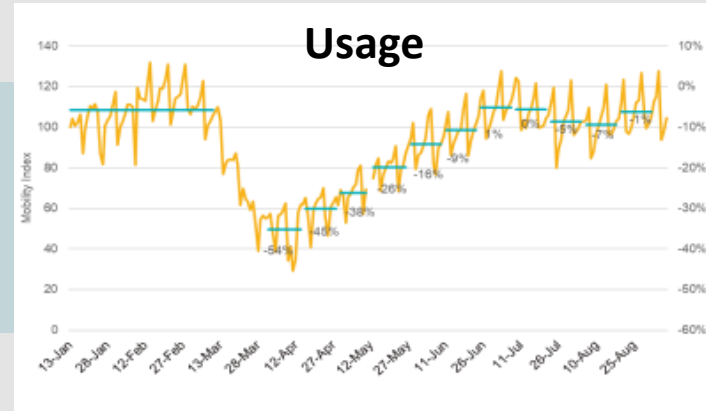
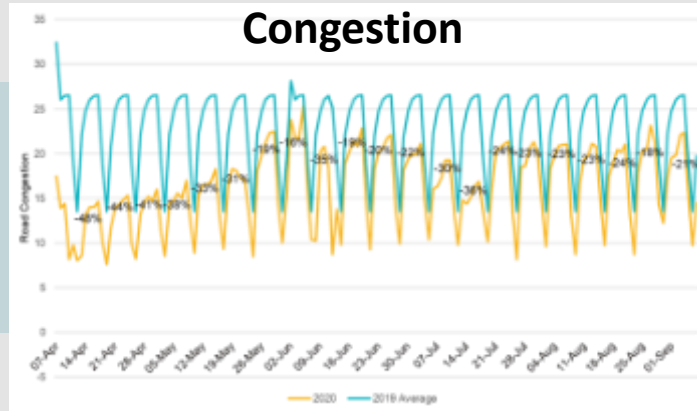
Less vehicle
congestion
causes fewer
accidents/claims



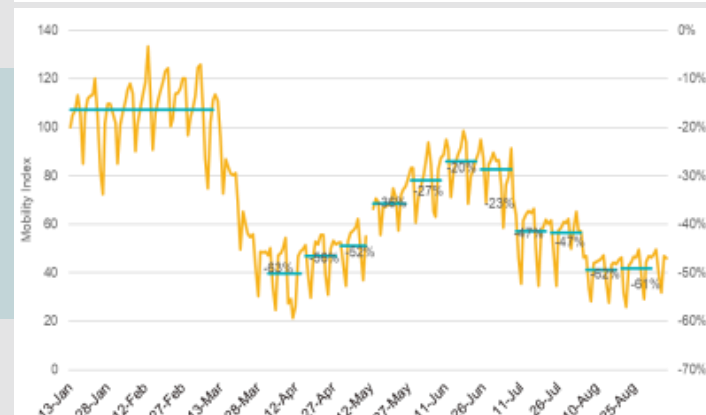
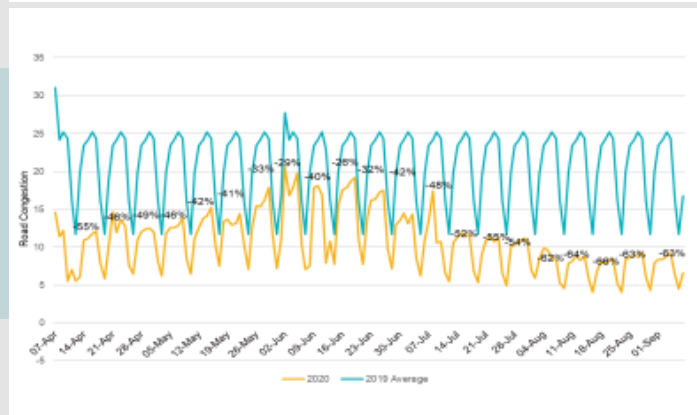
Car theft is
on the rise
– a sign of
economic
hardship?

Vehicle congestion and usage correlate with claims frequency

Sydney



Melbourne



Source: TomTom



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Source: Apple

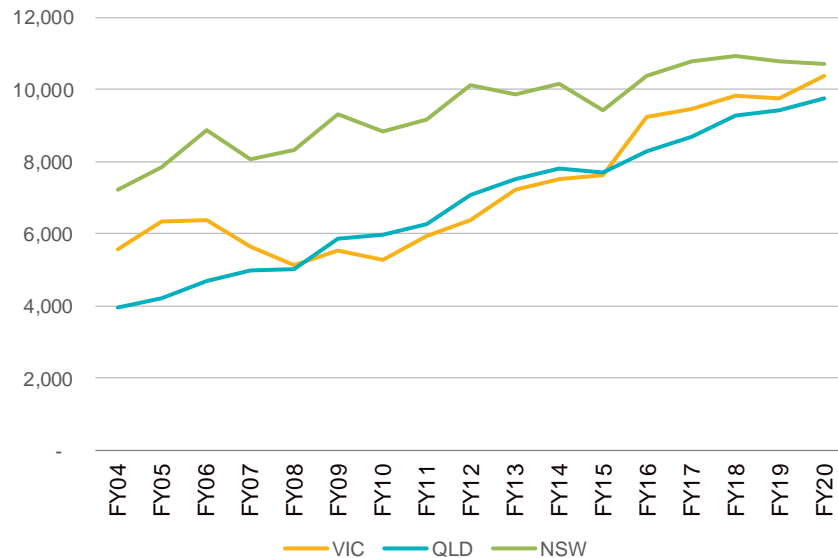
Car theft is a growing problem in Vic and Qld

2019-04 to 2020-03

State	No of registered vehicles (000)	Thefts	Thefts per 000 vehicles	% of thefts	% change in 12 months
NSW	4,358	12,522	2.87	20.8	1.7
VIC	3,978	17,483	4.39	29.1	13.4
QLD	2,930	15,442	5.27	25.7	21.0
WA	1,637	7,712	4.71	12.8	3.6
SA	1,113	3,858	3.47	6.4	23.9
TAS	348	1,275	3.67	2.1	13.2
ACT	260	1,136	4.37	1.9	6.4
NT	99	737	7.43	1.2	14.1
AUS	14,723	60,165	4.09	100.0	11.2

Source: ABS, National Vehicle Theft Reduction Council

Theft - Average Claim Size \$



Source: ISA

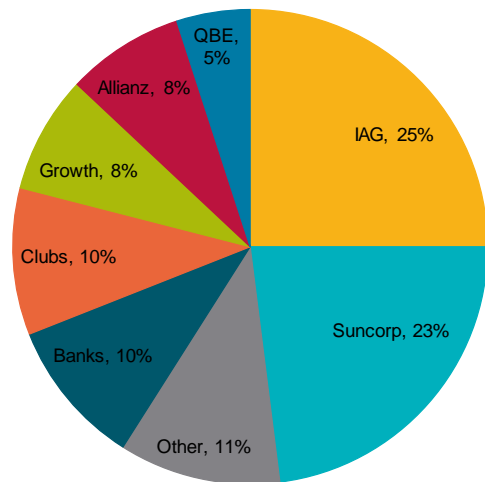
3

Home Insurance – needs more work!

Home Insurance market shares – more fractured now

IAG and SUN down 8% in ten years

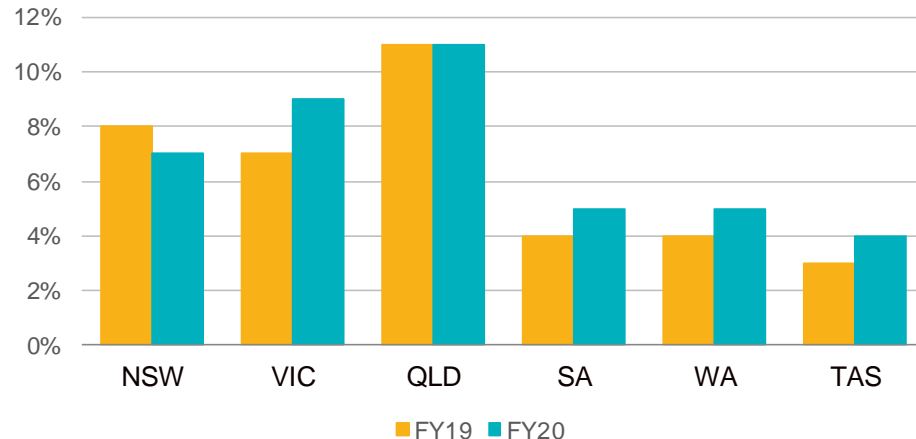
2020



Source: Roy Morgan, Finity

Growth insurers mostly along the east coast

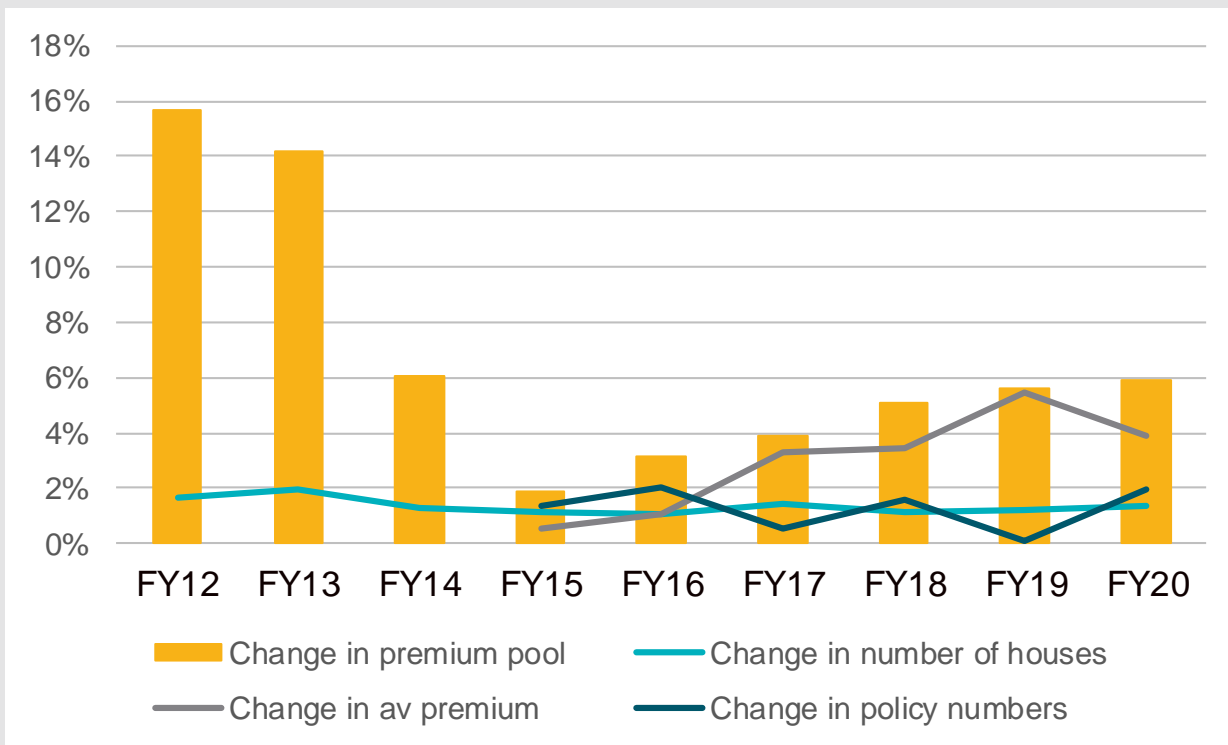
Growth Insurers Marketshare - Home



Growth insurers: Youi, A&G, Hollard

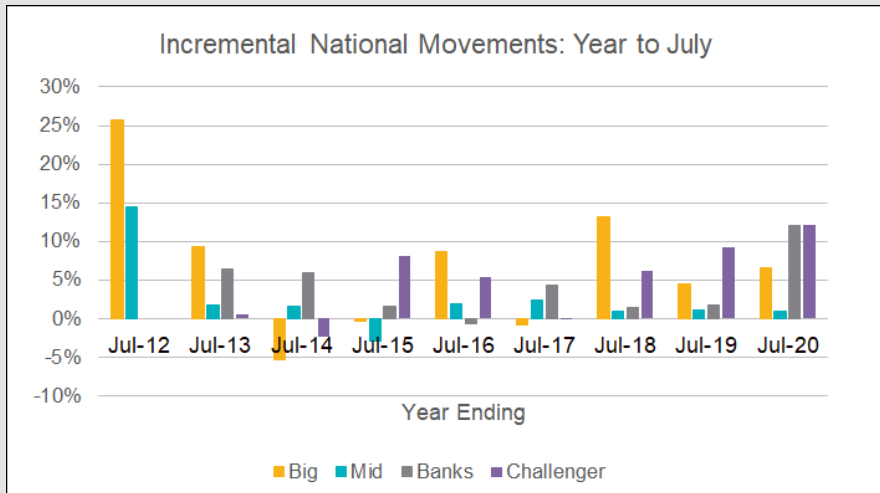
Club insurers, growth insurers and banks doing well

Growth in Building and Contents policy count in line with system growth despite premium increases (no peak policy yet)

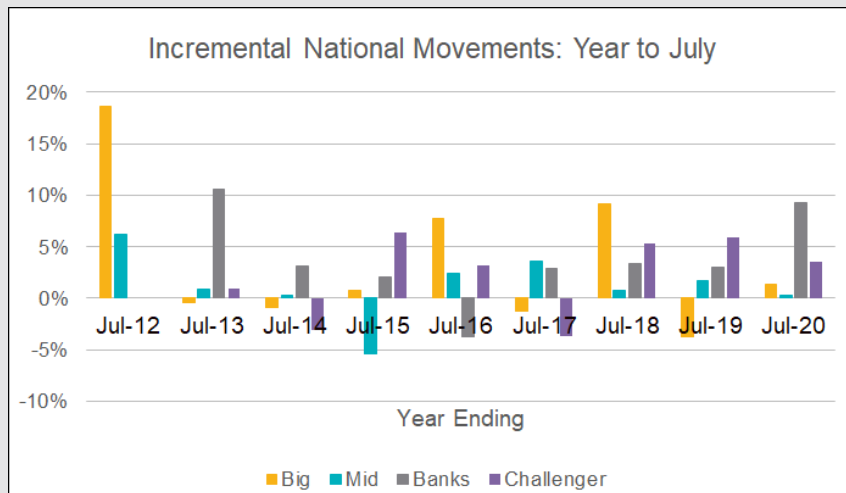


New business Home premium increases varied by the size of the insurer

Buildings



Contents



Big: IAG SUN QBE Allianz

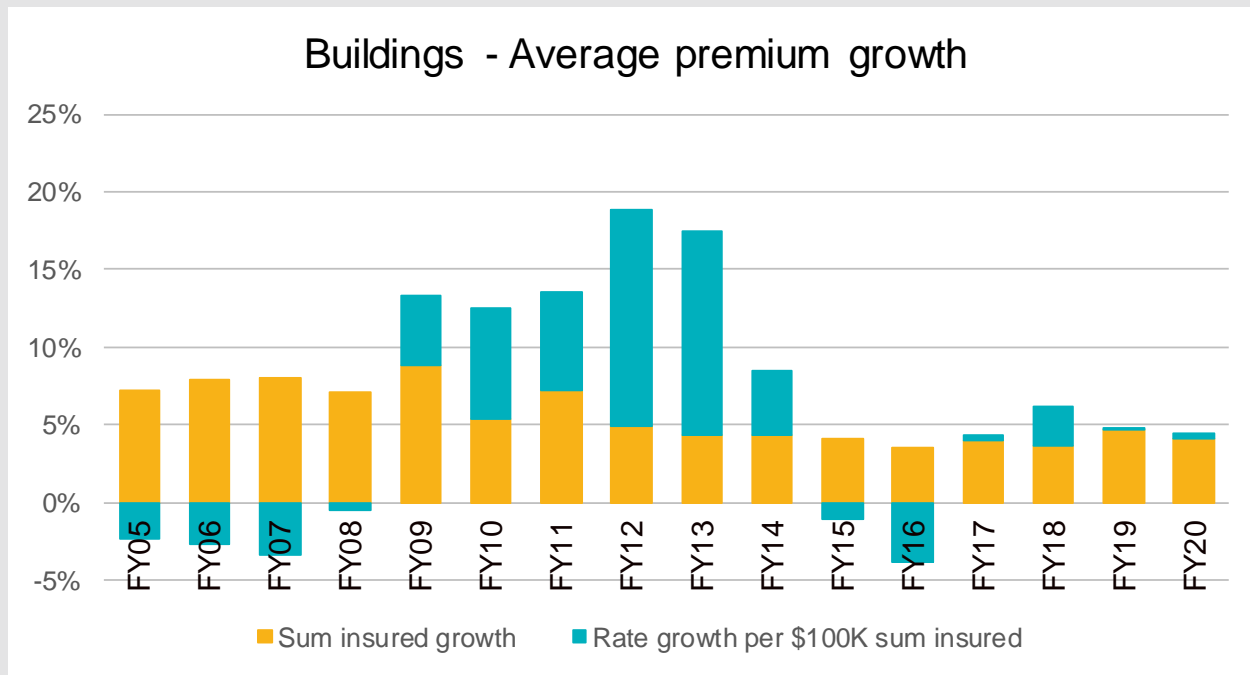
Mid: Motor clubs

Banks: Comminsure, One path, Westpac Essential Care, Allianz NAB

Challenger: Coles, Woolworths, Real

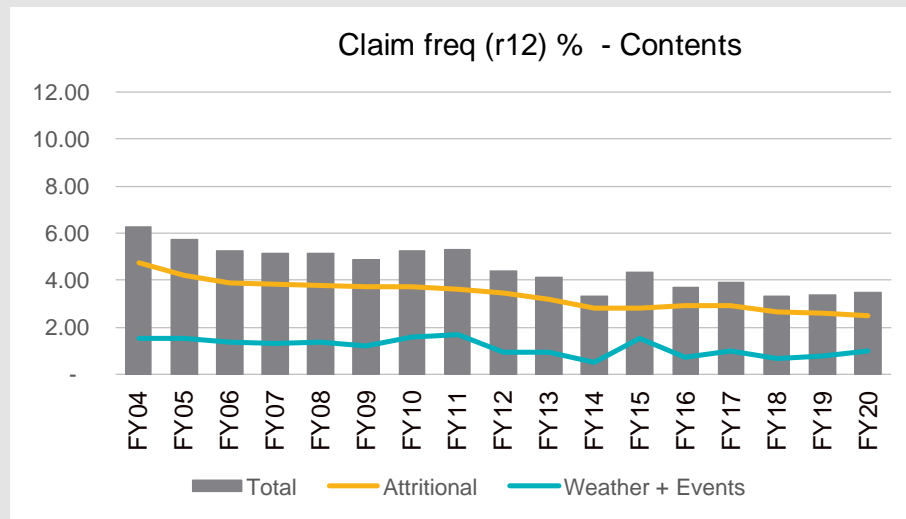
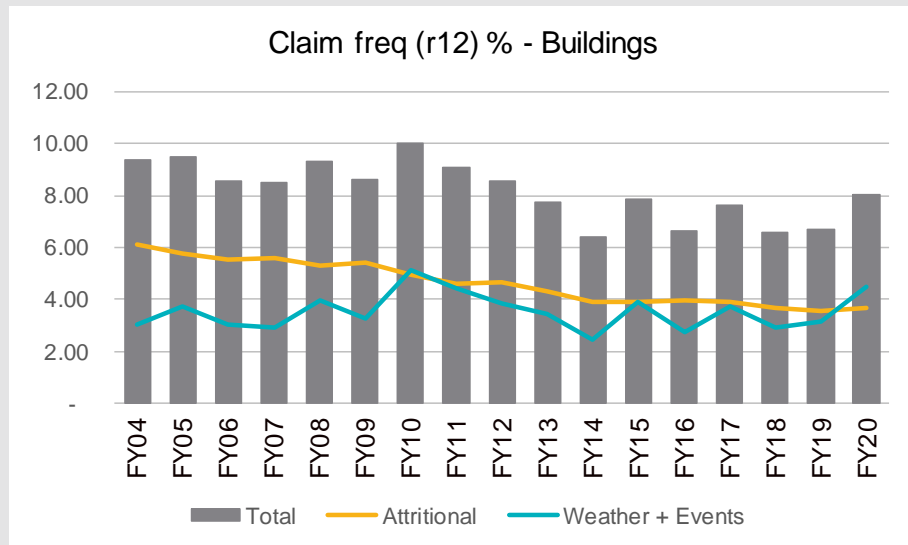
Source: Finity Market Finesse

Buildings average premium growth mostly due to growth in sums insured



Source: ISA

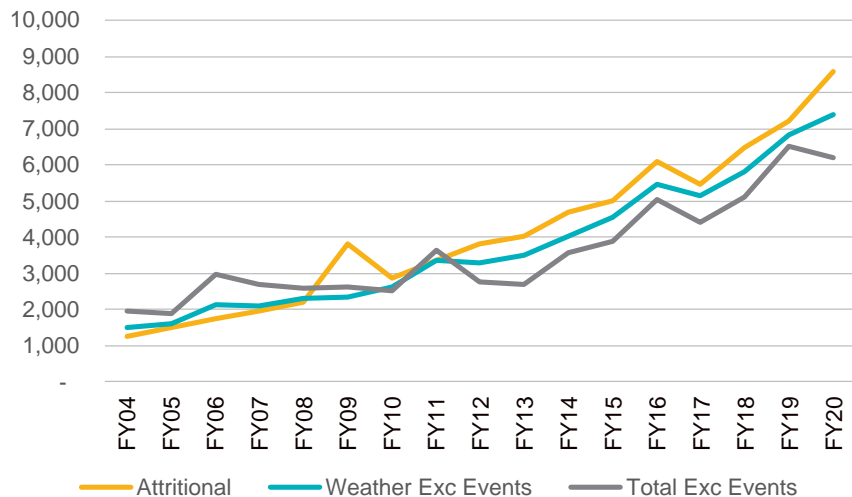
Attritional claims frequencies are declining slowly



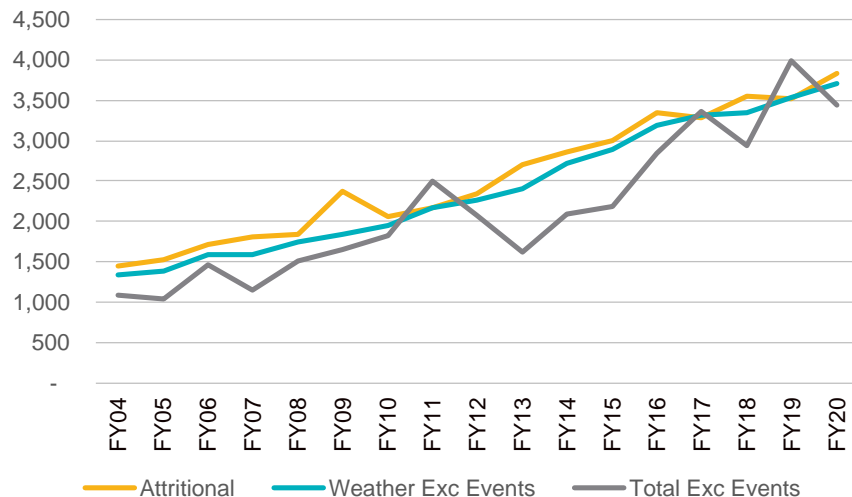
Source: ISA

Claims costs are rising faster than declining frequencies

Average Claim Size - Buildings



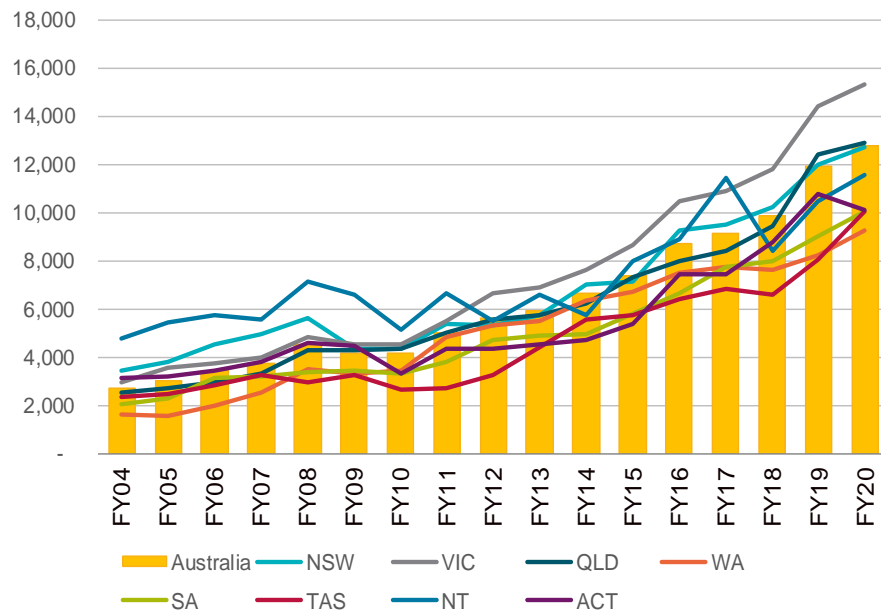
Average Claim Size - Contents



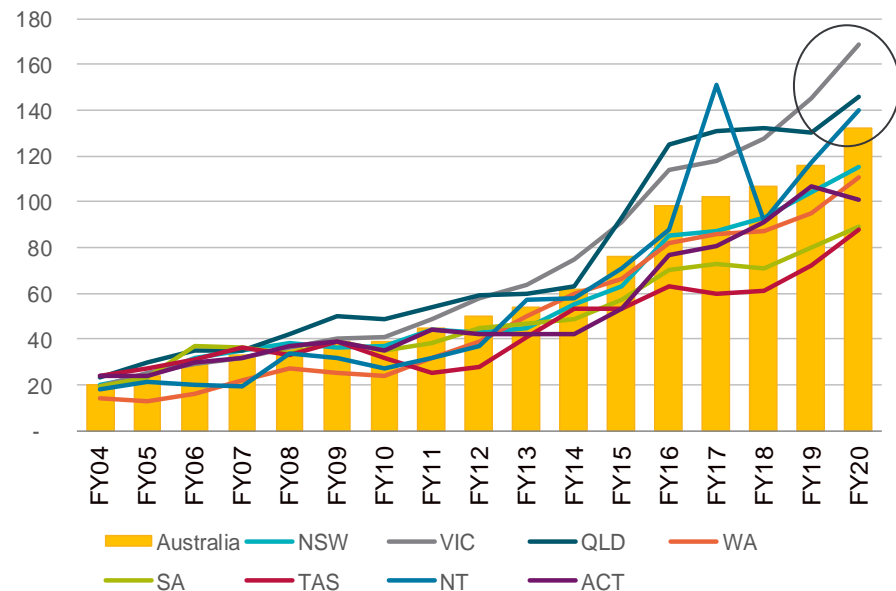
Source: ISA

Burst pipes are still a problem for some insurers

Burst Pipes - Average Claim Size \$



Burst Pipes - Cost per Policy \$



Source: ISA

Home trends and issues

Positive

- Technologies now enabling new propositions
 - Customer acquisition
 - Home usage may change
 - Claims processing
- More regulation

Opportunities

- Potential for new products to reflect new ways that homes are used, and new risks

Negative

- Low growth potential (lower migrant intake/population growth, more units)
- Unaffordable premiums for houses in high risk areas
- Continued increase in claims costs
- More regulation

Wrap Up

- Motor insurance should continue to be quite profitable for FY21, but long term issues remain
- Home insurance affordability will be more of an issue during our economic downturn. It will not be easy to affect the required rate increases.
- Potential for innovative and nimble players to capture new market niches while incumbents focus on re-structured operating models

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