



Eyes Open

Massive Industry Losses: What Now?

The recent floods, cyclone and other natural disasters in parts of Australia have caused a sharp increase in insurance claims on general insurers.

According to the latest figures published by the Insurance Council of Australia (ICA), the insurance industry has received over 52,000 claims, totalling \$2.6 billion, from the flooding in Queensland alone. This would make the flood one of the largest Australian natural catastrophe claim events on record.

Combined with several other recent natural disasters across Australia and New Zealand – the Perth bushfires, Victorian floods and storms, Cyclone Yasi in Queensland, NZ's Christchurch earthquake, 2011 has been a year to forget for the Insurance Industry. Current cost estimates for the industry from these events are in excess of \$14 billion. These figures are set to rise as the Industry continues to work through the insurance claims.

As a result of this horror run of catastrophes in 2011, sources within the industry believe the days of low pricing in Australia and New Zealand are over, and premium increases are forecast.

Australia's 2% share of global premium income has not related well with its recent 15% share of global losses. With such a large gap between income and cost, premium increases are expected, to better reflect the risks posed in the region and to rebalance the current loss ratio.

Turn the page to see what our CEO Paul Hines has to say about insurance pricing forecasts...the Insurance Pricing Clock is back!



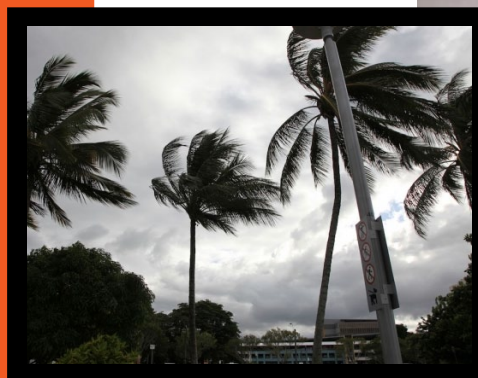
THE COST??

| | |
|----------------------------------|----------------------|
| QLD Floods (Jan 11) | \$2.6 billion |
| VIC Floods (Jan 11) | \$83 million |
| QLD Cyclone Yasi (Feb 11) | \$967 million |
| VIC Storms (Feb 11) | \$316 million |
| Perth Bushfires (Feb 11) | \$35 million |

**Total cost to Australian insurers?
\$3.598 billion**

**Total cost of the Christchurch Earthquake to NZ insurers?
\$NZ10 billion**

(above amounts are correct as at 20/04/11)



Article by GSA's Claims Manager, Gordon Tipene

The Climate Imperative

A comment from GSA's Chairman, Dr John Hewson



Kevin Rudd was right when he said that responding appropriately to the challenge of climate change was "the moral imperative" of this century. I believe that it is the biggest economic, social, political and moral challenge of this century, to make the transition to a low carbon society, in Australia and globally.

An overwhelming majority of scientists, who by nature and profession are sceptical of each other's hypotheses and research conclusions, have come together to warn the globe of the magnitude and urgency of the challenge. This, apart from anything else, ought to convince governments of the need and urgency to act decisively.

While many governments around the world are responding to this challenge, unfortunately our Government and Opposition are still

pretty much treating it as part of their 24-hour media game. Both leaders, Gillard and Abbott, have personally held multiple positions on the issue in the past. Currently, Gillard is committed to

"putting a price on carbon", but has not provided any detail, leaving Abbott the daily opportunity to run a negative, scare campaign against what he calls a "carbon tax", in circumstances where the average Australian is increasingly concerned about their cost of living. Both are also committed to reduce our emissions by only 5%, by 2020, when the science, as I read it, would suggest the cut should be some 30-40%, against a mid-century commitment of at least 90%.

The urgency is not only in terms of the magnitude of the task, but also, importantly, as the adjustment must be "front-end" loaded. It takes time to achieve the necessary changes in behaviour, of individuals, businesses, and governments, to achieve the necessary targets.

As an economist, I believe that the centre-piece of any adjustment must be a market determined price on carbon, a price set in a relatively free auction, conducted by an independent (Reserve Bank) type institution. Ideally, this institution should also be empowered to collect the revenue raised by selling the "permits to pollute", and then distribute it in accordance with guidelines proposed by the government of the day, as set in legislation.

Clearly, those at the bottom of the income scales need to be compensated, and money needs to be allocated for transition in trade-exposed industries, and also to encourage the development of alternative technologies etc. However, the polluters should not be compensated, beyond notional transitional assistance.

All this seems a "big ask" in today's political climate, but we have done it in relation to tobacco and smoking, where behaviour in our society has been changed dramatically, by a combination of taxing and regulations. This issue is "bigger" than our current politicians, and probably of the next several generations of politicians. If we fail, it will be our children, and their children, and their children's children, who will suffer.

WHO'S NEW TO GSA?



David Fisk,
Account Manager, IT

David joins us with over two decades' experience in the insurance industry. He specialises in assisting ICT companies with their insurance requirements.

Julie Lumbis,
SME Team Leader

Julie has over 20 years' experience in General insurance, bringing to GSA a wealth of commercial insurance knowledge. Julie will be developing the SME division.



The Insurance Pricing Clock is back...

Although Insurer reaction to the recent catastrophes remains unclear pending Reinsurance Treaty negotiations, we believe the pricing cycle is at 6 o'clock.

We are seeing early signs of rating increases (across the board in some cases); a definite reduction in capacity; a more restricted appetite. High risk 'property' placements are being worst hit!

We will monitor closely and let you know of any meaningful change...needless to say that the signs are not good for insurance buyers!



IT'S A BOY!

Congratulations to Jon Stayte, our Professional Risks Claims Executive, on the safe arrival of Callum James who arrived just in time to celebrate the New Year...

He was born at 12.57pm on 31st December 2010 weighing 3.04kg and measuring 51cm. Callum joins big sister Amy.



Rock & Bowl

GSA's annual fancy dress lawn bowls day was held back in April at the Manly Bowling Club and this year the costumes were better than ever!

The theme was 'the decade you were born' and everyone made a huge effort with their outfits.

There were dapper chaps, smurfs, hippies and ghostbusters. Michael Jackson even made an appearance along with sci-fi heavyweights, Darth Vader, Obi Wan Kenobi, Princess Leia and Chewbacca.

We created such a stir on the ferry on our way to the Bowling Club that we attracted the attention of the local press... and made it into the social pages of the Manly Daily!

In keeping with the theme, we raised money for KidsXpress with a 'Guess the Baby' competition - the chance to see each other in our younger days proved very popular!!

Amidst all the madness we did manage to fit in a game of lawn bowls with Michelle La Rosa, Tony Byrnes and Jenny Aldis making up the winning team...and this year's best-dressed award went to the ghostbusters...who gonna call?!



KidsXpress T20 Cricket Challenge 2011

February 22nd 2011 marked the inaugural KidsXpress T20 Cricket Challenge organised by Chubb and GSA.

With over 40 players from nearly 20 industry organisations and some professional guest stars thrown into the mix, the competition was fierce but friendly.

The players were split into three teams for a round robin tournament and after the rain cleared up around lunchtime, the battle commenced. The Denver Ducks, captained by Denver Van Gramberg, took home the trophy but only just.

Pro's Dominic Thornely, Gavin Robertson, Phil Emery and Jon Moss were all on hand to bowl a few blinders and pass on their words of wisdom. The day was also supported by international umpire, Darrell Hair, and NFL legend, Colin Scotts.



The Team Captains: Denver Van Gramberg, Jon Moss & James Telford

An auction was held later in the day at the Manly Wharf Hotel who kindly donated food for all the players and their supporters.



The winning team with KidsXpress CEO, Margo Ward

Margo Ward, CEO and Founder of KidsXpress, was on hand to present the trophy to the winning team and was ecstatic that the day raised over \$15,000 for her charity. This will pay for six children to go through the KidsXpress dynamic 3-month program.

Hats off to all players and supporters, including Col Fagen, Shaun Standfield and Mark Lingafelter who took time out of their busy days to support the cause.

The bright pink cricket balls, supplied by Kookaburra, went down a treat as did the auction items donated by Insite Organisation and the customised shirts supplied by Monogram. Special thanks go to James Telford and Jon Moss for pulling it together.



T20 Cricket Challenge 2011

Plans are already underway for next year's KidsXpress T20 Cricket Challenge so watch this space!

PFA Drinks 2011

The annual Property Funds Association of Australia's (PFA) networking event was held in our historic Harrington Street offices on February 17th.

This coincided with the recent announcement that GSA would be PFA's Key Sponsor for 2011.

The networking event, hosted by our Chairman Dr John Hewson, pictured above right, was a great opportunity for new and existing PFA's members to meet with the Executive Committee and catch up on the many issues that face the Direct Property industry.



GSA's Chairman,
Dr John Hewson



PFA President Robert Olde with
GSA's CEO Paul Hines

The appointment of Geoff Gedge in the newly created role of Chief Executive Officer was also announced to members on the night.

PFA President, Robert Olde, said the role had been introduced to ensure that the industry was able to capitalise on current market opportunities and that the interests of investors and fund managers remain aligned.



GSA's Nicole Mellick
with Robert Olde

In the coming year, PFA plans to pursue the abolition of Stamp Duty and push for reforms to GST, the taxation of funds and NTA support (whereby fund managers are to be given stricter capital adequacy requirements).

The recent PFA conference, held in Canberra, featured Dr John Hewson as keynote speaker and will also be attended by GSA's PFA servicing team, Paul Hines, Scott Curley, Ryan Neary and Nicole Mellick.

Gordon gets married...



GSA's Claims Manager, Gordon Tipene, is no longer an eligible bachelor.

He married his fiancée Tomoko on Monday, 10th January 2011.

The ceremony was held in Paramatta in front of family and friends who had flown in from New Zealand and Japan for the occasion.

It was followed by celebrations in Darling Harbour. For the honey-

moon, the happy couple donned their leis and jetted off to Hawaii.

Courtesy of our CEO Paul Hines, Gordon & Tomoko also enjoyed a premium BridgeClimb with many of their first-time overseas guests, giving them a view of Sydney like no other.

Congratulations
Gordon & Tomoko

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