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Competition driving down insurance premiums: brokers

Intensified competition between insurance companies is significantly driving down premium rates, according to the latest survey by the National Insurance Brokers Association.

Insurance brokers reporting on the June 30 policy renewals period say 53% of their clients have experienced decreases in premiums, with the most substantial reduction occurring in the formerly difficult public liability sector.

NIBA brokers handle about 80% of the commercial insurance business transacted in Australia each year – and about 50% (or \$7 billion in premiums) of Australia's total insurance business.

The latest six-monthly Market Conditions Questionnaire of NIBA's 2600 intermediaries and 500 member companies found the commercial lines market at three out of 10 in terms of hardness – a vast contrast to previous years. Even six months ago brokers were rating the market at six out of 10 in terms of hardness.

“In previous years it hasn't been uncommon for brokers to rate the commercial lines market at an eight or nine out of 10, so this result certainly shows premium rates are dropping and there is far more capacity in the market,” NIBA Chief Executive Noel Pettersen said. “But whether or not underwriters are maintaining technical pricing remains to be seen.”

Public liability premiums – which most brokers said six months ago were increasing – are turning, with 33% of respondents in the latest survey saying public liability premiums have dropped by between 10-19%.

However, some classes of insurance are seeing continuing rises, albeit at much lower intensity than previously. Most brokers said Business Interruption and Directors' & Officers' premiums rose by up to 9%.

“Aggressive competition in the market has led to the levelling out of many premium rates, and in some cases led to quite sharp reductions,” Mr Pettersen said. “Now it is important for insurers to maintain their underwriting discipline to ensure the market remains profitable. No one wants a return to volatility.”

Another trend noted by brokers is insurers' increasingly flexible attitudes to rates. As one survey respondent noted: “Initially, premium rates were on par with last year's rates, but discussion with insurers could result in reductions of up to 20%.”

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For further information contact Noel Pettersen on 02 9459 4305 (w) or 0417 248 712

For figures and statistics contact Jane Lindhe at jane@mccmedia.com.au

National Insurance Brokers Association of Australia

Level 18, 111 Pacific Highway NORTH SYDNEY NSW 2060

Phone 02 9964 9400 Toll Free 1800 004 306 Fax 02 9964 9332 www.niba.com.au