

Stream C: E-Health & Medical Malpractice

APHA National Congress 2009

**Alex Green, Executive Manager
Suncorp Professional & Financial Risks
October 2009**

Presentation Overview



Uncertainty vs Risk

- Context from insurance market
- Insurance Principles
- What does the insurance market look like now
- Where have we come from – last 10 years
- Bringing it together for Medical Malpractice and E-Health



The Insurance Market

- \$25Bn Australian Insurance Market
- \$12.5Bn Commercial Insurance – 50%
- \$1.35Bn professional lines – 11%
- \$400m – MDO 's
- \$90m – Private Hospitals
- Combined its 1/3 of Professional Risks Market
- 4% of Commercial Market
- 2% of Total Market

Two segments – different structures



- MDO's (driven by Colleges and Associations)
 - *Insurers are*
 - *Avant market leader*
 - *MIGA, MIPS, MDA*
- Hospitals / Entities (driven by Brokers)
 - *Insurers are*
 - *London (Lloyds) – Market Form / DAC*
 - *Australian listed players – very small share*



Important Principles

- Premium is paid by customer
- Sensible Transfer of risk
- Insurers should price for profit proportional to the capital at risk
- Portfolio view required by insurers
- Target 50-80% of premium to be paid as claims depending on structure of market
- For Medmal – it is about 60%



Where Principles Failed the 1990's



- Inadequate pricing by insurers
 - Failure to understand risk
 - Failure of management
- Leading to Inappropriate transfer of risk
 - Low deductibles
 - Cheap premiums
- No need to address human / process risk within Medical operations



Market Dynamic - 2001 to 2003



- Withdrawal of local markets
- Rise of Lloyds
- Increased Deductibles
- Higher Premiums
- Better Risk Management – Lower Claims



More Stable Market

- Still a lack of good quality data
- APRA regulation has improved the approach of insurers
- Medmal market insulated from GFC and economic woes (claims related)
- Local Insurers are looking to increase offerings to this growing market segment

Trends in Healthcare

- Innovative procedures and new medical technologies
 - Increased uncertainty for insurers
 - Poor understanding of issues by insurers
- Socio Economic
 - Ageing population
 - Lifestyle diseases
- After making such progress don't regress if the insurance market does!

How should the insurance market respond?



- Better data and reporting (NCPD2)
- Australian insurers to provide better alternative products with enhancements tailored for the local market
- Specialise in Healthcare
 - develop experts to talk to providers around procedures and coverage requirements

