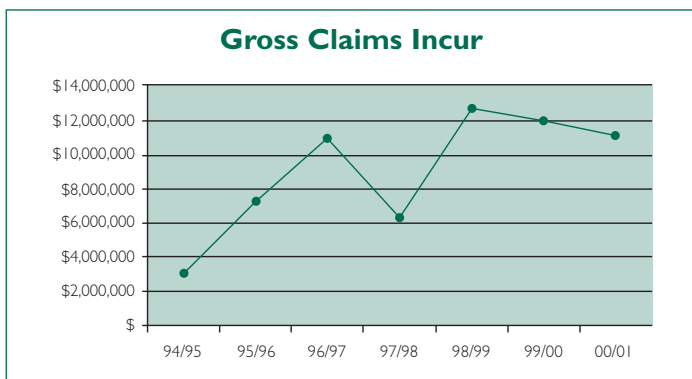


Public Liability Circular

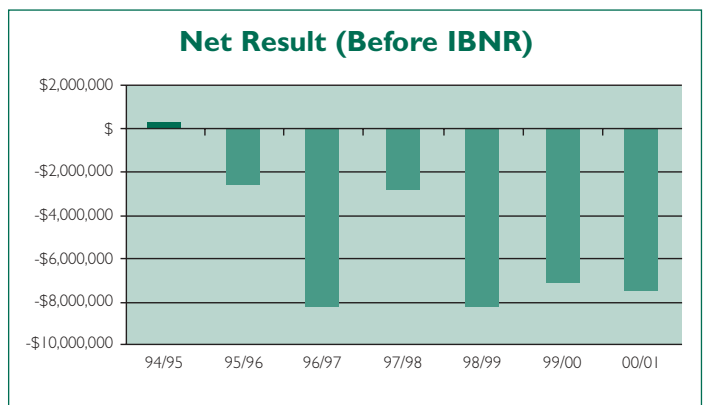
- Catholic Church Insurances liability portfolio has shown underwriting losses over the last six years.
- The Australian Insurance Industry as a whole has been and continues to face major difficulties in the area of Public Liability Insurance. Some major insurers have withdrawn from classes of liability insurance, others are implementing significant price increases or refusing to insure certain industries altogether.
- The demise of HHH, which was a major Public Liability underwriter in Australia illustrates some of the problems which the industry has been experiencing in liability insurance.
- The types of claims being allowed by the courts are placing a much greater burden on church organisations and Catholic Church Insurances than was the case in the past.
- The sizes of court awards are increasing every year, as are the costs of defending these claims. Claims are becoming much more expensive to settle now than was the case five years ago.
- As a result of this worsening claims experience we have implemented increases in our Public Liability rates.

This graph below illustrates the growth in claims, over the past seven years. The values of claims incurred have increased from \$3.1 million in 1994/95 to \$11 million in 2000/01 – a 258% increase. For the same period the premium pool increased by 78%.



- To ensure that claims can be fully paid into the future Catholic Church Insurances uses only reinsurers with first class security. This level of security is not always the cheapest price that might be available but is one that we consider to be vital.
- To ensure that we are fully funded Catholic Church Insurances is obliged to make allowances for incidents which have occurred at schools and parishes that have yet to be notified to CCI. These are known as Incurred But Not Reported claims (IBNR's). If these allowances were taken into account the impact on the level of the losses shown in the graph below would be even greater.

Our combined net loss for the seven-year period for the portfolio was \$36.1 million. Losses were experienced in each of the last six years with 1994/95 being the last year in which a profit was posted. The loss for the 2000/01 year was \$7.5 million.



- Losses cannot continue to be absorbed into the future and to ensure the long-term viability of Catholic Church Insurances as “The Church’s Insurer” premium increases are necessary.
- The ‘Mission Statement’ of CCI is to provide **ongoing security** to the Catholic Community as a whole and we will achieve this by being around in 20 or 30 years to deal with the Liability claims that are occurring today.