

# THE RIGHTS ISSUE

The newsletter of

People's Rights INC.

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## Notes from an insurance profit bonanza

The recent reporting season has brought into focus another insurance industry myth. Insurers denied that poor returns on investments were a significant factor in their poor profitability. As we know they chose to blame victims of injury. The latest profit results demonstrate what a lie this was;

### Promina investment income:

\* \$96 million up from \$54 million.

### IAG investment income:

\* \$434 million up from \$120 million loss.

### Suncorp returns on investment:

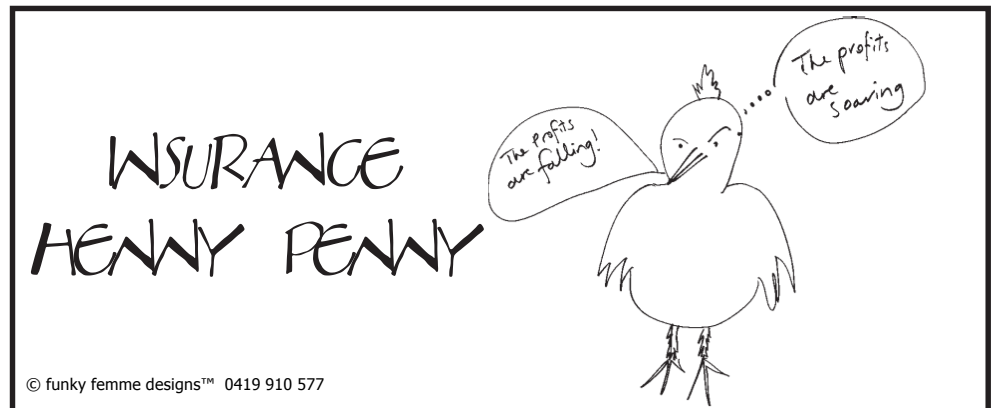
\* \$130 million up from \$11 million.

The return on investment for the above three companies totals \$660 million. This compares to the same three companies' total profit of \$1.33 billion.

Clearly, returns on investment make up a significant proportion of insurance industry profits. They're more than happy to take the profits when they come, but when their investments go awry injured people bear the brunt.

Another interesting piece of information to come out of the reporting season is the advantages reaped by the insurance industry out of increases to the discount rate.

The discount rate was increased to 5% as part of the rights cutting process. Even the Ipp Report regarded increasing the discount rate to be penalising the most seriously injured in our community, and didn't recommend it.



Only IAG disclosed the precise benefits of the increased discount rate, reporting a "\$123 million benefit from increased discount rates on claims reserves."

That is \$123 million dollars going straight into IAG's pockets, while they continue to claim in the papers that "not a single cent" of their profits has come from cuts to rights. Can you imagine the uproar if \$123 million extra was going to victims of injury? That's a million dollar settlement every three days.

## INSURANCE cowboys 'FESS UP

People's Rights has previously published this recent quote from ICA executive Dallas Booth, but we thought it was significant enough to quote it again.

**"After suffering significant losses, insurers did not need tort reform to help them try to return to profit in the liability market."**

...and again,

**"...insurers did not need tort reform..."**

They didn't need it then, they don't need it now. But you ask an injured person whether or not they need their rights. They needed them before, they need them now, and any one of us may need them in the future.

## Insurers cry poor ...from Monte Carlo

The international insurance and reinsurance industry held its annual conference recently.

The key issue for the conference was 'compensation culture,' the European name for Australia's so-called 'litigation explosion.'

It seems that insurers worldwide are licking their lips at the prospect of cutting victims' rights to compensation.

From the modesty of the Place du Casino in Monte Carlo, Lord Hunt of Wirral delivered a presentation on the topic "Compensation culture; Are we all paying too high a price?"

A question that London reinsurer Gallagher Re must have been pondering deeply as they battled to win the annual Conference Regatta held at the Monte Carlo Yacht Club.

### Insurance CEO annual earnings

Frank O'Halloran (QBE)	\$2.4 million
Michael Hawker (IAG)	\$3.3 million
John Mulcahy (Suncorp)	\$3.3 million
Mike Wilkins (Promina)	\$1.6 million