



SYNOPSIS

A COMPETITIVE MARKET FOR ACCIDENT COMPENSATION – AND IMPLICATIONS FOR PRUDENTIAL REGULATION

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This paper addresses the issues and impacts as the NZ accident compensation market moves towards (likely) competitive underwriting. It also assesses the implications for the NZ regulatory environment of the consequential introduction to the market of significant amounts of long tail business.

First we consider the pathways to a competitive market in a post-privatisation world:

- Product alternatives
- Market creation
- Consumer issues
- Actuarial issues.

The move to private underwriting has important implications for the model adopted for prudential supervision of the general insurance industry. In particular, in our view the currently proposed “low touch” approach may not be sufficiently sophisticated to cope with long tail business satisfactorily. We examine:

- NZ options post-privatisation
- Lessons from Australia and the APRA world
- The current proposals from RBNZ.