GENERAL INSURANCE *landscape*

General Insurance Premium Pricing October 2024 - Outlook for 2024/25

As your dedicated insurance adviser, we constantly monitor the insurance market to better understand insurance trends and how they may affect your business.

Having appropriate sums insured for the current replacement value of your assets, stock, contents, and machinery is crucial. However, the costs to rebuild or repair properties and replace items have dramatically increased due to the recent impacts of inflation and persistent labour shortages. With AU$ now at close to 0.69 cents (7 Oct 2024) and improved supply chain issues, we are seeing some moderation of insurance pricing.

It's important that we work together to ensure you have the correct valuations and sums insured for your insurance policies.

As your adviser, we recommend that your property and other asset values be reviewed regularly to ensure that you're adequately insured. If insured values are incorrect, this could result in underinsurance, which means you receive a claims payment that is less than the amount you need to replace your property.

A professional valuation can help prevent underinsurance. Our team can arrange access to experienced quantity surveyors who can accurately confirm rebuild costs for commercial and domestic buildings, as well as plant and machinery.

Pricing Outlook:

The following are some of the key "positives" and "negatives" that could impact insurance premiums over the next 12-18 months.

Positives:

- ✓ Continued improved profitability of insurers, mainly due to higher investment returns, more stable reinsurance pricing and a relatively benign period of large insurable events over the last 12 months.
- ✓ We are seeing renewed interest from new insurance capacity entering the Australian market and improved risk appetites from local insurance companies. This is providing renewed confidence for buyers of insurance in terms of both pricing and coverage.
- ✓ Clients with well risk-managed businesses and not exposed to natural catastrophes should see some relief in pricing over the next 12-18 months.
- ✓ We are definitely seeing a trend toward lower single-digit rate increases for business package and property clients. Given the recent period of higher interest rates, there will be some rate relief for professional indemnity and liability insurance.
- ✓ Having your teams be more cyber-aware in terms of office hygiene, email security, and two-factor authentication certainly reduces your exposure to cyber crime.

Negatives:

- ✓ Extreme weather events are still likely.
- ✓ Natural catastrophe exposed or risks with claims history or high-risk occupation categories will see continued rate increases.
- ✓ Continuing inflation impacting sums insureds and rebuilding costs.
- ✓ Some challenges still persist for some professions such as construction, fintech, engineering, renewal energy along with directors' and officers' insurance relating to ESG, cyber and geopolitical risk exposures.

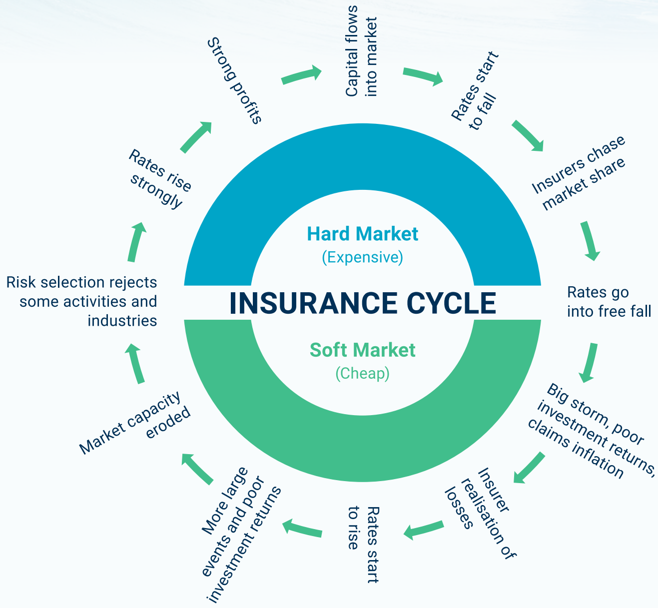
Given the above, we believe rates will start to moderate for many clients over the next 12-18 months. We will see lower increases in the low single digits (flat to 5%) across most of their programs.

There will be some potential easing of liability/professional line classes due to the longer-term improved outlook for investment returns on reserves held for liability classes of insurance. If inflation continues to moderate, this will lower the impact of claims inflation on claims reserves held by insurers.

Motor premium costs are steady. However, the reliability of offshore vehicles and parts and the increase in labour prices keep motor premiums above general inflation levels. Electric vehicles remain a key underwriting and pricing consideration.

With a moderating market, we anticipate:

- ✓ Premium levels softening, depending on class of insurance and risk location
- ✓ Policy excesses stabilising
- ✓ Quality underwriting data is still required to place or renew insurance
- ✓ Overall, the market now has ample capacity, policy coverage is stable, pricing is moderating, however, underwriting remains prudent
- ✓ Obtaining insurance coverage remains challenging in areas prone to catastrophe risk claims



Looking to the future

We believe the insurance industry remains between 11 and 12 o'clock on the Insurance Clock. Insurers reporting solid profits for the first six months of 2024 and new capital entering the market have amended our outlook over the last few years. Measures taken by insurers in the previous 3-5 years have led to a generally more favourable market environment.

We also predict that average premium increases will remain between flat to 5%. The exact figures will be influenced by:

- industry sector
- geographic location
- prior claims experience
- approach to risk management

It's important to note that structural change and cost cycles are part of every industry. The Insurance Clock is a useful tool to represent where insurance rates are now and where they will likely be heading in the future.

If you have any questions, would like to arrange a property and asset valuation, or wish to discuss your general insurance needs, please don't hesitate to get in touch. We'll be more than happy to help.