AON

H2 2024

Insurance Market Insights – New Zealand

Market insights to enable better decision making

AON

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Introduction

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1 Introduction

Our New Zealand Insurance Market Insights highlights trends in claims, pricing, limits, deductibles, coverage, capacity and underwriting as of the end of the first half of 2024. Additionally, we provide an outlook for market conditions for the remainder of the year.

The report also includes:

Trends across key insurance classes and products, including property, liability (including directors and officers), cyber, motor vehicle, construction, marine, trade credit and travel insurance.

Key Takeaways

1. Overall, after five years of pricing pressure, due to insurers' corrective measures and increased profitability, more moderate market conditions have emerged for most insurance product lines. Property market price increases are moderating, and increased capacity has become available.

2. Insurance affordability remains a key concern, as historic premium increases, coupled with a challenging post- COVID-19 economic environment continue to impact insurance buyers' ability to absorb further cost increases.

3. Insurers' focus on growth has sharpened, but underwriting remains disciplined.

4. Insurers' strategies will continue to focus on risk differentiation, with preferred risks that provide robust underwriting information generally experiencing the most favourable outcomes.

2

Summary

06 Summary

2 Summary

After five years of pricing pressure, insureds are now experiencing a positive shift in insurance market conditions.

Corrective measures implemented during past renewals have generally led to a more moderate market environment. Overall, market conditions continue to stabilise, providing welcome relief to buyers, though some areas of the market remain challenging and unforeseen future events could impact this trend.

The market has shown continued resilience throughout the first half of 2024, despite ongoing economic uncertainty, geopolitical instability, large-scale global climate-related events, and shifts in the labour market. This resilience comes in the wake of New Zealand's two costliest weather events on record in early 2023 - the Auckland anniversary floods and Cyclone Gabrielle - which resulted in insurance claims valued at NZD 3.75 billion.

Property insurance has remained widely available, except for risks with natural catastrophe exposure or higher hazards, which face constrained capacity. Additionally, the significant weather events in 2023 also influenced insurer risk appetite in some areas. Pricing increases are moderating due to a more benign weather environment and stabilising reinsurance price increases.

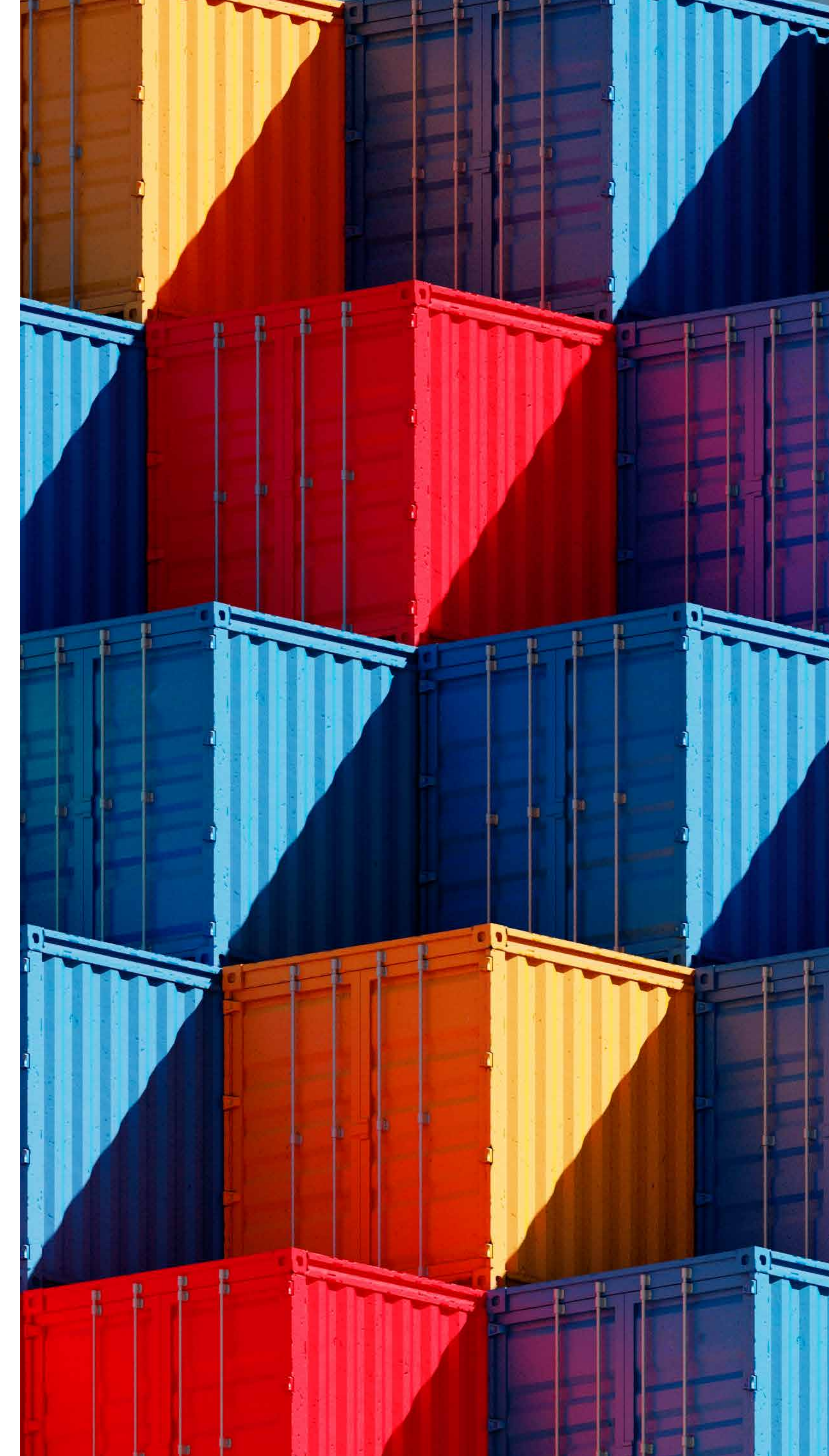
The market is also more positive for directors and officers, liability and marine as well as cyber insurance.

Indications for the second half of 2024 (assuming no major disruptions) is for a general increase in insurer competition. Insurer strategies will continue to focus on risk differentiation, and preferred risks with robust underwriting information will generally experience the most favourable outcomes.

There has been a continued shift in insurance industry and corporate perception of alternative risk solutions such as parametric, captives and facilities. Corporate risk strategies now commonly include traditional insurance, reinsurance, and alternative solutions, informed and enabled by myriad data-driven insights.

Whilst some insurers have positioned for growth, we also saw insurer strategies shift towards building more sustainable partnerships with insureds.

Insurance affordability remains a key concern as historic premium increases, coupled with a challenging post COVID- 19 economic environment, continue to impact insurance buyers' ability to absorb further cost increases.



Market Dynamics

Pricing: While some products experienced flat to modest increases, overall insurance costs tended to rise. The trend of introducing London market capacity on larger property programmes has heightened competitive tension in pricing negotiations. Additionally, the government's 12.8% increase in the Fire and Emergency New Zealand (FENZ) levy rate, effective 1 July 2024, impacts the total cost of insurance on policies where the levy applies, particularly property insurance.

Limits: Expiring limits were available for most placements. In some cases, clients considered limit options to manage programme pricing.

Deductibles: The upward pressure on deductibles experienced in previous years has generally paused; however, risk specific exposures continue to be underwritten and deductibles amended on a case-by-case basis. Some clients continued to explore deductible options to reduce premium costs.

Coverages: Coverage restrictions applied over the past two years have largely stabilised.

Capacity: Sufficient capacity was generally available across the market with the key exceptions of natural catastrophe and higher-hazard property risks where sourcing capacity at an affordable price remained challenging and often required overseas markets to support.

Underwriting: Strong underwriting rigor continued to apply across all lines with a focus on quality of risk, scrutiny of insured values, and risk location.

Key Product Trends

Property: Moderate property market conditions are finally emerging, with the key exception of risks with natural catastrophe exposure or higher hazard risks. Pricing increases continued, but further moderated, driven by a more benign weather environment and a moderation in 2024 reinsurance pricing increases. The significant local weather events in New Zealand in early 2023 also impacted insurer risk appetite in some areas. As 2024 progresses, generally modest single digit increases, or flat pricing is anticipated. Additionally, the government's 12.8% increase in the Fire and Emergency New Zealand (FENZ) levy rate, effective 1 July 2024, impacts the total cost on policies where the levy applies.

Liability: The market overall remained moderate to stable, with insurer competition and insurers offering satisfactory limits to most business sectors. However, underwriting concerns are rising due to social inflation resulting from legal verdicts and increasing financial settlement values. A recent landmark judgment in New Zealand Smith v. Fonterra & Ors has made it more challenging for corporates to use the summary strike-out procedure to avoid lengthy and costly trials in respect of climate change litigation.

Directors and Officers: Moderate market conditions continue, but underwriting caution has strengthened as insurers focus on a longer-term view of portfolio performance. This shift is largely driven by insurer concerns relating to legacy claims, ongoing risks such as insolvency filings, increasing class actions, and rising legal costs and settlement values. In general, New Zealand insureds saw less immediate benefit from the softer global directors' and officers' market. However, some larger clients were able to purchase higher limits and leverage pricing competition from excess layer capacity in the London market to their advantage.

Cyber: Corrective measures taken at past renewals have led to a more positive and competitive market environment. New capacity in the market has resulted in increased competition. However, this has come with some caveats, including insurer expectations and requirements for insureds to meet minimum cyber security standards and recent major impacts, such as the CrowdStrike outage on 19 July 2024, are expected to shape further underwriting scrutiny, particularly regarding the assessment of third-party vendor reliance and insurers' management of aggregated exposure to a single source of failure or interconnected failures.

Motor Vehicle: Market conditions remain moderate. Supply chain challenges, inflationary pressures, and the growing use of advanced technology in vehicles continued to drive increased repair costs, though at lower levels than those seen in 2023. This has led to a flattening of premium increases.

3

Property

09 Property

3 Property

Trends

The property market finally showed signs of moderating after years of adjustments aimed at addressing increased reinsurance costs, natural-catastrophe volatility, and profitability challenges, resulting in improved performance. However, some areas remain challenged, such as Wellington due to earthquake risk, and certain areas of Hawke's Bay and Auckland due to flood risk.

This resilience comes in the wake of New Zealand's two costliest weather events on record in early 2023 - the Auckland anniversary floods and Cyclone Gabrielle - which resulted in insurance claims valued at NZD 3.75 billion. These events have raised questions about the robustness of loss models and the adequacy of premiums for property secondary perils.

With many of the insurers operating in New Zealand requiring large reinsurance programmes, it was pleasing to see a return to stable market conditions at the mid-year 2024 renewal of their reinsurance treaties. As a result, capacity at mid-year 2024 was more than adequate to meet demand.

In the New Zealand property market, last year's increases of typically 15% to 20% were largely reflective of insurers passing on similar increases in reinsurance costs. While there are still residual effects from the two major weather events in early 2023, recent reinsurance renewals for insurers in New Zealand have been less severe. As 2024 progresses, we expect renewal rate increases from New Zealand insurers to level out. However, premium increases and capacity constraints will persist for risks exposed to natural catastrophes.

The London and overseas markets for excess of loss and some primary layers were more positive than in recent years, driven by strong financial results in 2023. London-based insurers are now focusing on ambitious growth targets, which has also seen new insurers entering the market, providing much needed increased capacity and more competitive pricing for the New Zealand region. Recent renewals reflected this trend, with modest increases, flat pricing or even some reductions, achieved on London-based placements. In some cases, pricing from international markets was more competitive than that of local insurers, creating some meaningful competitive tension between the New Zealand and international markets and providing greater programme stability over the medium to long term.

Insurers continue to uphold disciplined underwriting criteria for both renewals and new business, with proactive risk management, up to date property valuations, and extensive underwriting information being crucial for achieving favourable outcomes.

Looking Ahead

We anticipate generally flat to single-digit rate increases from New Zealand insurers. However, premium increases and capacity restraints will persist for natural catastrophe exposed or higher hazard risks.

With London and overseas markets focusing on ambitious growth targets and new insurers entering the market, we anticipate, flat pricing, modest increases or even some reductions.

However, insurers are unlikely to give up the pricing gains they have made over recent years due to weather-related catastrophe losses without compelling reasons, usually driven by excess capacity. London markets will provide additional capacity for preferred risks they want to underwrite. Therefore, the better the information provided to them regarding risk mitigation, loss history, and proactive risk management, the better the outcome.

Additionally, the government's 12.8% increase in the Fire and Emergency New Zealand (FENZ) levy rate, effective 1 July 2024, impacts the total cost of insurance on policies where the levy applies.

3 Property Market Snapshot

Category	Outlook	Commentary
Claims	↑	Despite global natural catastrophe insured losses totalling USD 118 billion in 2023 - the fourth consecutive year global losses have exceeded USD 100 billion - many reinsurers reported strong results for 2023. This reflects the impact of the major re-set in the property catastrophe reinsurance market in 2023. Preliminary global catastrophe losses in the first quarter of 2024 are estimated to reach at least USD 11 billion, with additional loss developments expected. This figure is notably lower than losses in the first quarter of 2023, where they reached USD 30 billion due to higher severe convective storm and winter storm activity in the USA, the February earthquake in Turkey, as well as New Zealand's two back-to-back NZD 3.75 billion-dollar weather events.
Pricing	→	Generally flat to modest single digit increases.
Limits	→	Flat, particularly with construction inflation coming down.
Deductibles	↑	Upwards trend as insurers are reluctant to be involved in low-value claims.
Coverage	→	Flat.
Capacity	↑	Increased capacity and pressure from the London market.
Underwriting	→	Insurers continued to prioritise risk selection by maintaining disciplined underwriting practices and scrutinising valuations and natural catastrophe exposures. Comprehensive and detailed risk-information is required. Clients participating in both in person underwriting presentations meetings or virtual discussions played a key role in building relationships with insurers. In person underwriting meetings helped build relationships while virtual discussions remained a valuable and efficient approach.

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Liability

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Liability – Crime

Trends

The crime market continued to rise moderately, reflecting increases in inflation.

Where a risk was previously thoroughly assessed and there have been no significant changes, moderate increases of approximately 5% were typical. However, for certain risks where heightened underwriting scrutiny identified additional factors such as increased revenues and additional employees, increases ranged from approximately 5% to 15%.

Insurers continued to require minimum deductibles typically set at $10,000 for small to medium enterprises (SMEs) and $25,000 or more for larger organisations.

Insurers are also increasing deductibles, particularly for foreign subsidiary operations, and implementing a scale of sub-limits typically up to a maximum of $250,000 for social engineering losses. They are aiming to enhance capacity management by imposing aggregate limits across all insuring clauses, capping capacity at $5 million. Limits exceeding this amount are typically achieved through coinsurance or, more commonly, excess layer insurance placements, responding to insurers' preferences for their own policy forms.

Whilst embezzlement remains the primary risk commonly involving the misappropriation of funds by employees, there is a growing trend of sophisticated social engineering fraud, and driven by the frequency and severity of losses, crime insurers are particularly attentive to this emerging risk. Insurers are providing extensions for coverage against social engineering fraud, typically subject to sub-limits. They are actively reassessing their risk exposure, sometimes reducing sub-limits and mandating protocols to authenticate payment instructions as a prerequisite for indemnity.

Typically, a crime policy includes extensions for computer fraud, wire transfer fraud, and social engineering. Insurers are continually assessing their exposure to cyber risks, with some considering exclusions or clarifications for cyber-related coverage. It's important to consider how these two policies (crime and cyber) align in covering certain types of losses.

Looking Ahead

Due to inflationary pressures, premiums are expected to keep rising at comparable rates. Some insurers are wary of potential future increases in crime losses, driven by sophisticated social engineering scams facilitated by technologies like deep fake, as well as the use of outsourced services and remote work arrangements. The shift towards more electronic processes increases the risk of lax controls and checks, especially with employees working independently.

4 Crime Market Snapshot

Category	Outlook	Commentary
Claims	↑	Social engineering fraud claims remain a focus of insurers.
Pricing	↑	General upward trend, typically starting at 5%.
Limits	→	Limits up to $50 million are available from a select few insurers.
Deductibles	↑	General upward trend, with a typical minimum deductible of $10,000 for SMEs and $25,000 or more for larger organisations.
Coverage	↓	Insurers are managing exposure by imposing clarification causes in certain areas, such as social engineering and cyber losses, to restrict coverage terms.
Capacity	→	Access to good levels of capacity is available from a select group of insurers; some are enhancing capacity management by imposing aggregate limits across all insuring clauses.
Underwriting	→	Insurers typically request additional information such as auditor reports to management and management's responses regarding controls. There is an increasing focus on controls and processes related to social engineering fraud amongst insurers.

4 Liability – Directors and Officers

Trends

Internationally, the directors and officers markets remain competitive due to an oversupply of capacity. However, caution in underwriting is strengthening for certain industry sectors, resulting in decelerating price decreases. The risk profiles of individual insureds continue to influence renewal outcomes. Most insureds, especially those with preferred risks are benefiting from the favourable conditions in the soft market.

For insureds in New Zealand, directors and officers insurers are wary of the inflationary environment and overall economic conditions. In general, they are either offering flat renewals or requesting a minimum of 5% increase in premiums to account for inflation. Additional premium loadings may be applied based on claims history, sectors facing challenges, or the specific risk profile of individual companies.

For companies with extensive directors and officers insurance programs, primary level pricing remains flat or experiences modest discounts. However, in the excess layer markets, especially in London, pricing pressure persists due to oversupply of capacity. London markets are increasingly willing to entertain lower attachments in exchange for the higher premium return.

Some Australian-based insurers are shifting focus to New Zealand business to expand their market share and mitigate competition in their domestic market. This trend is leading to constraints on pricing by local insurers in New Zealand. Additionally, local insurers are actively pursuing new business opportunities to achieve their growth targets.

Topical considerations for directors include:

1. Limit adequacy: Ensure the coverage limits are sufficient to protect against potential liabilities.
2. Separate defence costs: Confirm if the policy covers separate defence costs in addition to indemnity.
3. Insolvency-related claims: Assess whether there is coverage or exclusion for claims related to insolvency.
4. Capital raising: Evaluate how the policy addresses risks associated with capital raising activity.
5. Claims by majority shareholders: Understand how the policy covers claims initiated by majority shareholders.
6. Evolving exposures: Consider how the coverage responds to emerging director-induced risks such as Environmental, Social and Governance (ESG) issues, cyber risks and health and safety concerns.

It's crucial for directors to review these aspects to ensure comprehensive protection under the insurance policy.

Looking Ahead

The longevity of the current softened market conditions is a topic of speculation, particularly due to the long tail nature of financial lines claims. These claims can take years to fully materialise after being notified to insurers. As a result, there is a possibility that the current softer market conditions could be relatively short lived.

With ongoing changes in risk both domestically in New Zealand and internationally, it is crucial for all directors and officers to thoroughly understand the coverage offered by their directors and officers liability insurance.

Directors should also review the adequacy of the liability limits, which are typically aggregate limits for this type of coverage. This is particularly important in the current inflationary environment, as claims can take many years to resolve, during which legal costs may escalate and general conditions influencing settlement sizes and judgments can fluctuate.

4 Directors and Officers Liability Market Snapshot

Category	Outlook	Commentary
Claims	↑	Future claims trends are expected to be influenced by several factors: 1. Insolvencies due to economic conditions: Poor economic conditions could lead to an increase in insolvency claims. 2. Inflationary costs: Rising inflation may impact the size of claims and settlements. 3. Emerging risks: Evolving risks such as Environmental, Social and Governance (ESG) issues, per - and polyfluoroalkyl substances (PFAS), climate change (including XRB climate-related disclosures), and cyber risks are creating new areas of litigation. 4. Litigation funding: The presence of active litigation funders in New Zealand could lead to more litigation against directors and officers. 5. Regulatory changes: Rapid changes in regulations and enforcement activities could also result in increased claims against directors and officers.
Pricing	→	Remains flat overall, with rate reductions observed primarily in excess layers. Consistent results may not follow.
Limits	→	Limits stable. In respect of private companies, insureds are not considering reducing limits because the potential premium savings do not outweigh the benefits of maintaining adequate cover.
Deductibles	→	Deductible levels stabilising, indicating a trend towards maintaining consistent levels rather than increasing or decreasing them.
Coverage	→	Directors and Officers coverage remains generally stable for large, financially robust organisations. However, due to insurer competition, some insureds may find insurers are now willing to consider enhancements that they were not willing to look at in the past. For less robust organisations or those in more challenging sectors, insurers may apply insolvency exclusions to their coverage terms.
Capacity	↑	The primary layer markets remain stable. In the excess layer market, there is strong competition, with London excess layer capacity influencing premium reductions from New Zealand excess layer insurers. London excess layer markets are willing to deploy their capacity at lower attachment points, driven by the prospect of higher premium returns. For private companies, insurers are now more considered in their willingness to provide capacity. The perceived quality of the risk and the industry sector significantly influence their decision-making process. Regarding publicly listed companies, insurers have managed their exposure by capping their maximum capacity at typically between $10 million to $15 million.
Underwriting	↑	Underwriting approach remains generally stable locally; however, insurers are increasingly focusing on emerging areas such as cyber risks, per- and polyfluoroalkyl substances (PFAS), artificial intelligence (AI), environmental, social and governance (ESG) factors, and geopolitical exposures. These new considerations complement traditional concerns such as financial metrics, industry sectors, and exposures to class actions. Insurers are continuing to review all exposures, whether direct or incidental, that insureds have to Russia, Belarus, Ukraine, and other countries flagged for geopolitical risks.

4 Liability – Employers Liability

Trends

Employers Liability insurance in New Zealand provides coverage to employers against settlements or damages they may be required to pay where an employee files a lawsuit for compensation for a workplace injury or illness not covered by the Accident Compensation Corporation (ACC). The policy also includes coverage for legal defence costs incurred during such claims.

Given the ACC system in New Zealand, which provides comprehensive coverage for workplace injuries and illnesses, insurers experience low claims frequency and lower claim payouts. As a result, premiums for employers' liability insurance remain stable, and there is ample capacity available in the market.

The response of management to an employee injury can determine whether a claim will manifest as an employers' liability or employment practice's action. The legal forum chosen could significantly influence the outcome. Claims brought through the Employment Court typically fall under employment practices liability insurance. Therefore, it's crucial to consider both employers liability and employment practices liability insurance together for comprehensive coverage.

Looking Ahead

The market is anticipated to remain stable, with nominal inflationary increases in premiums of around 5%, provided there are no changes to the underlying risk factors.

4 Employers Liability Market Snapshot

Category	Outlook	Commentary
Claims	→	Stable.
Pricing	→	Generally stable, with premiums expected to increase nominally by approximately 5% due to inflation, assuming no change in the underlying risk factors.
Limits	→	Stable.
Deductibles	→	Stable.
Coverage	→	Stable.
Capacity	→	Stable.
Underwriting	→	Generally straightforward.

Liability – General Liability

Trends

The general liability insurance market remained competitive and stable, with most insurers providing adequate limits to various organisations and industry sectors. In cases where insurers determined that risks had been accurately rated previously, rate increases typically averaged around 5%, aligned with comparable revenue and risk profiles and contingent upon satisfactory claims experience of both the insured and the respective business or industry sector. Insurers also showed increased openness to considering coverage enhancements.

General liability insurance typically covers property damage or personal injury caused by defective products, but the product itself is generally excluded from coverage. However, insurance coverage for defective workmanship is increasingly available, up to a maximum of $250,000. It's important to note that this coverage does not constitute a product guarantee for fitness for purpose of products. Some manufacturing firms can obtain errors and omissions extensions from specific insurers to address these concerns.

Looking Ahead

Insurers are increasingly demanding more underwriting information and time to complete the underwriting process. Businesses that export to or conduct business in the USA may face challenges in maintaining insurance coverage or encounter premium or retention increases in relation to the USA exposure.

Insurers are increasingly pressuring companies with offshore operations through subsidiary companies domiciled in offshore jurisdictions to arrange compliant local policies.

Insurers are seeking to apply exclusions for cyber-related and communicable disease exposures, where these exclusions have not already been applied.

The rating for general liability insurance typically considers projected revenues, the type of product, and export destinations. Given the current economic environment, insurers may favour a conservative approach to these estimations. If there are numerous variables involved, insurers might consider shifting to a rating based on estimated revenues, with adjustments based on actual revenue at the end of the policy period.

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General Liability Market Snapshot

Category	Outlook	Commentary
Claims	→	Claims are currently stable; however, due to the increase in class action litigation in New Zealand, some insurers anticipate a potential rise in (class action) claims related to product exposures.
Pricing	↑	General an upward trend, with minimum increases of around 5%, assuming there is no change in risk.
Limits	→	Limits up to $100 million are generally available.
Deductibles	→	Expiring deductible levels are generally being maintained.
Coverage	→	Insurers are hesitant to expand coverage.
Capacity	→	Capacity is generally available, but its extent may be influenced by the specific business sector.
Underwriting	↑	Insurers are exercising increased scrutiny and adopting a conservative approach to underwriting, especially where there are significant changes to the risk such as shifts in business activity, claims history, or turnover. Multinational corporations and businesses operating in diverse fields should anticipate completing comprehensive proposal forms at each renewal, along with providing additional detailed information as required. Insurers are requiring more time to complete the underwriting process.

Liability – Professional Indemnity

Trends

Throughout the first half of 2024, it became easier for professionals such as lawyers, accountants, architects and engineers to obtain Professional Indemnity insurance.

In the local market, pricing has softened, resulting in zero to moderate premium increases, for claims-free risks. Insurers are absorbing their own increased costs, which is helping to balance out the level of rating reductions and premium decreases.

Australian insurers are showing a stronger appetite for small to medium sized businesses, whereas previously they focused primarily on larger organisations. London markets are also increasingly open to New Zealand risks, although they remain selective. Additionally, the local New Zealand market generally has the capacity to underwrite the necessary levels of limits of and scope of coverage needed by most clients.

However, locally, there is limited insurer appetite to underwrite certain activities perceived as higher risk. Insurers are selective in deciding whether to underwrite businesses in these sectors.

Examples include:

- Real estate agents (due to potential complaints)
- Valuers (affected by the volatile property market)
- Financial institutions (concerns over regulatory investigations)
- Construction (civil actions more likely in constrained trading conditions)

As a result, it has become common for businesses in these sectors to explore insurance options outside of New Zealand.

There are some notable coverage differences between local and overseas insurance markets. Local insurers often provide coverage without cyber exclusions, which are commonly included in London placements. London insurers may offer advantages such as selectively offering any one claim limits, which are typically not available locally. Additionally, policies issued by London insurers may not require separate arrangements for defence costs if the jurisdiction lies outside of New Zealand.

Topical issues affecting adequate coverage include:

- Third parties seeking coverage entitlement through contracts (requiring negotiation and clarification).
- Employees working remotely outside New Zealand (impacting territory and jurisdiction).
- Workers classified as contractors rather than employees (affecting coverage and liability).
- Intellectual property risks associated with business operations.

Looking Ahead

There is upward pressure on premium rates due to increasing claims activity, rising reinsurance costs, and inflation. However, this pressure is currently balanced by increased competition from new markets in London and Australia.

4 Professional Indemnity Market Snapshot

Category	Outlook	Commentary
Claims	↑	Increased costs of defence.
Pricing	↑	For professions with claim-free risk profiles, premiums are seeing zero to moderate increases. However, corporates perceived to be high risk may face potentially greater premium increases.
Limits	→	Most insurers maintain a liability cap at $10 million. However, there is variation among insurers in how they provide Section 9 defence coverage under their policies.
Deductibles	↑	Generally, an upward trend in deductibles, typically ranging from a minimum of $5,000 to $10,000 for SMEs and $25,000 and above for larger organisations.
Coverage	→	Insurers are generally not imposing new exclusions, but requests for extended coverage typically undergo careful evaluation by the insurer before being approved.
Capacity	→	Access to good levels of capacity is available from a limited number of insurers; however, some insurers are aiming to better manage their capacity by implementing aggregate limits across various clauses.
Underwriting	→	Insurers typically respond more favourably when they receive comprehensive information such as CVs, business plans, budgets, and clear claims histories.

4 Liability – Statutory Liability

Trends

The Statutory Liability market is generally stable, but there are exceptions.

- There is continued pressure from higher defence costs and reparation orders under the Health and Safety at Work Act 2015 (HSWA). Consequently, insurers have required premium increases, and depending on the industry and/or claims history, higher excesses can be applied for breaches of the HSWA.
- Organisations regulated by the Financial Markets Authority (FMA), under the financial advice regime or Anti-Money Laundering and Countering Financing of Terrorism Act (AML/CFT), are facing increased risk exposures. Consequently, insurers are requiring higher premiums, imposing higher deductibles, or excluding entity cover in response to these heightened risks.

Looking Ahead

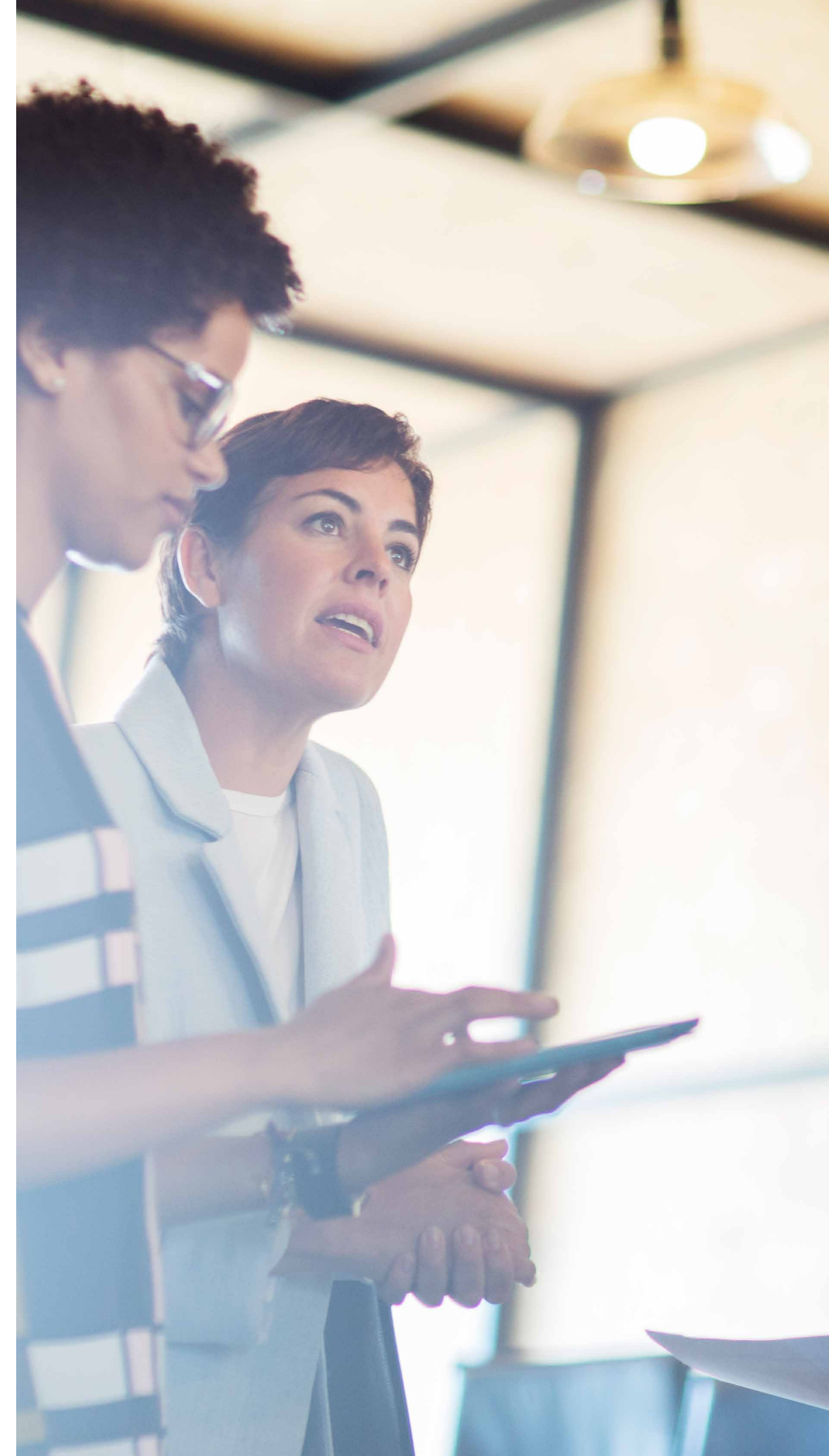
High-risk sectors such as primary producers, forestry, construction, and manufacturing can anticipate increases in premiums and deductibles. These adjustments are based on industry-wide claims experience, as well as the specific claims history of the insured. Additionally, increased attention from WorkSafe on these industries contributes to the heightened under¬writing scrutiny and adjustments in insurance terms.

Trustees of such operations should also be aware of their potential exposure to prosecution by WorkSafe, as highlighted in cases like WorkSafe New Zealand v. RH and Jury Trust. It underscores the importance of trustees ensuring compliance with health and safety regulations to mitigate legal risks.

Organisations subject to the Financial Markets Authority (FMA) regime governing financial advice or the Anti-Money Laundering and Countering Financing of Terrorism Act (AML/CFT) can anticipate increases in premiums, deductibles, or a combination of both. In addition, insurers may exclude coverage for certain risks associated with these regulatory frameworks.

The Commerce Commission appears to be actively investigating and prosecuting breaches of the Fair Trading Act related to misrepresentations in advertising, particularly puffery. This underscores the importance for businesses to ensure compliance with advertising standards to avoid potential legal action.

Other organisations can anticipate nominal inflation-related premium increases of approximately 5%, assuming no material changes in the risk.



4 Statutory Liability Market Snapshot

Category	Outlook	Commentary
Claims	↑	Reparation awards are increasing under the Health and Safety at Work Act (HSWA). Recent legislation from the Financial Markets Authority (FMA) applicable to the financial sector introduces greater risks, potentially leading to increased claims that insurers may need to address.
Pricing	↑	General upward trend in premiums, typically at least 5%, assuming there is no material change in the risk profile.
Limits	→	Limits up to $10 million are generally available, with a trend for insureds to set $1 million as a minimum limit, marking an increase from previous standards.
Deductibles	→	Expiring deductible levels are generally being maintained, with a minimum of $2,500 for WorkSafe related coverage and higher deductibles for industries and business sectors deemed to be at higher risk.
Coverage	→	Generally, there is no change except in the finance sector, which is affected by recent legislative changes such as the Financial Markets Conduct Act (FMCA) and the Anti-Money Laundering and Countering Financing of Terrorism Act (AML/CFT). Insurers are carefully evaluating the coverage provided and the terms under these regimes.
Capacity	→	Generally available, although the extent of capacity may vary depending on the specific business sector.
Underwriting	→	Generally underwriting is straightforward, except for at-risk industries and the finance sector. In cases where there is Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT) coverage, insurers will require to sight audits as evidence of compliance.

5

Cyber

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5 Cyber

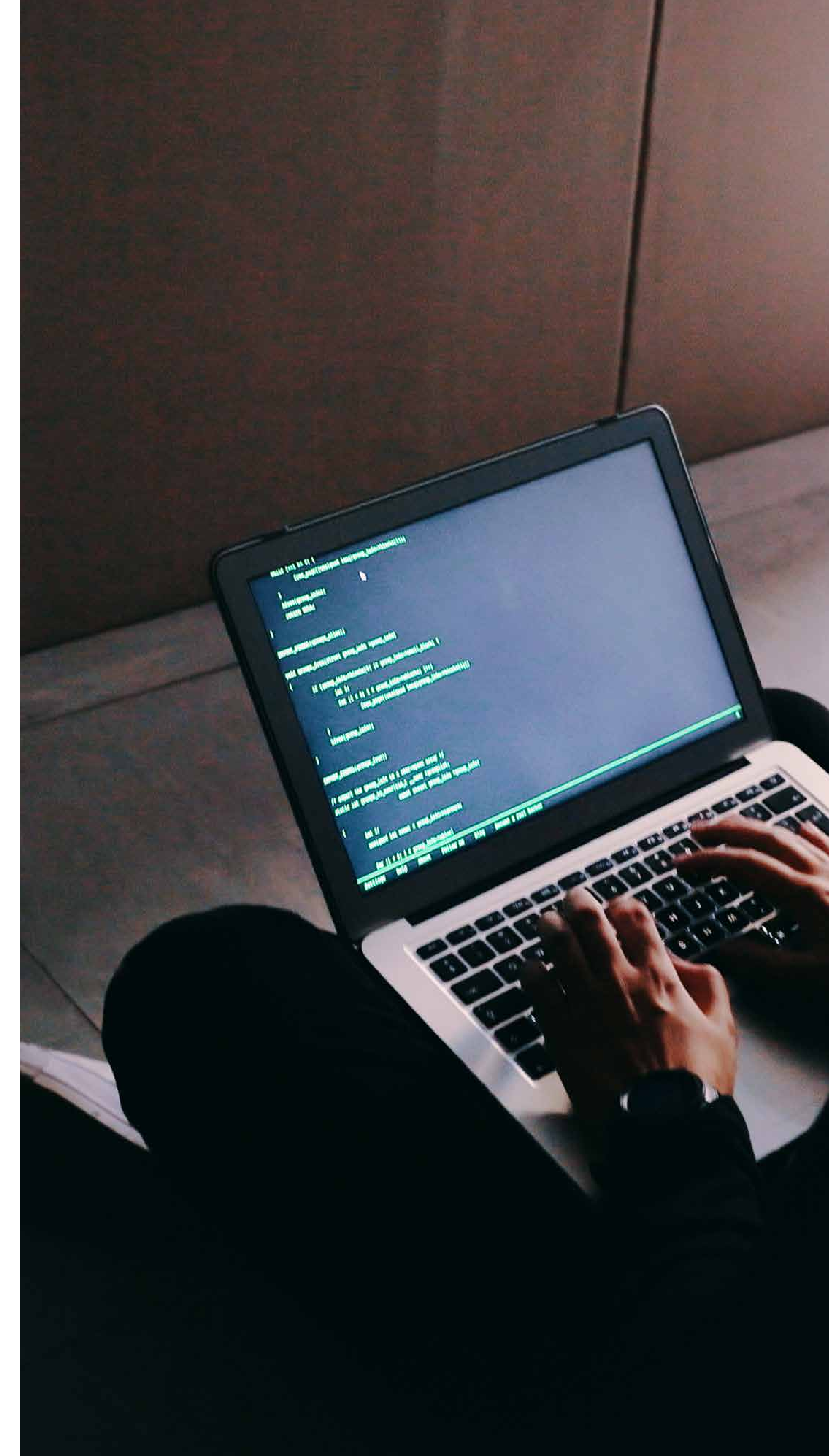
Trends

Over the past three years, the approach to underwriting cyber risk has been adjusted to take into account the significant increase in cyber incident activity, particularly driven by ransomware. These changes have led to numerous adjustments for cyber insurance purchasers. Coupled with a stabilisation in global cyber risk conditions, the cyber insurance market has moved towards a more stable setting with more capacity availability and improved policy settings now becoming common in market interactions.

To benefit from improved market dynamics, insureds must demonstrate a mature, and resilient approach to managing cyber risk. While new and returning capacity is entering the market, creating a more competitive environment, underwriting scrutiny remains stringent. High-quality submissions are more likely to benefit from the improved conditions. Conversely, submissions that fall below minimum market expectations may face challenges in securing meaningful cyber insurance coverage.

The general increases in premiums and deductibles experienced in recent years are unlikely to be significantly reversed. While there may be some softening, it is expected that the cyber insurance market has established a new level in terms of premium benchmarks and retention expectations.

In New Zealand, there is a trend towards levelling the market disparity between SMEs, middle-market, and corporate risks. Insurers are increasingly implementing minimum control criteria across all sizes of risks and adjusting premiums accordingly. However, the underwriting rigour is still somewhat less stringent for the micro-SME subset compared to larger entities.



5 Cyber

Looking Ahead

Initiatives introduced by many insurers, such as ransomware restrictions and widespread event limits, are now standard features in numerous cyber policies. As the cyber risk landscape stabilises and insurers enhance their understanding of risk controls and processes, organisations have greater opportunities and clarity of actions required to enhance their cyber posture and potentially relax or remove these restrictions. This shift towards organisations having more control over their coverage continues to evolve as the market softens.

Cyber insurance submissions require a significant amount of information before insurers will provide terms. Besides presenting comprehensive information, organisations demonstrating openness to receiving feedback from insurers regarding concerns about risk aspects and potential remediation will exhibit a desired attitude towards cyber security.

With each cyber incident, insurers gain deeper insights into cyber risks and their potential costs. It's evident that insurers prioritise an organisation's overall cyber security posture, especially minimum measures such as multi-factor authentication, encryption of data storage, tested business continuity plans, and employee training, when assessing the insurability of a risk. It's crucial for organisations to provide a clear and comprehensive summary of their cyber security maturity to insurers during this period of market softening to secure favourable coverage, pricing, and deductibles.

As experienced recently, cyber risk is a dynamic field where rapid changes are constantly possible. Forward-thinking insurers maintain their focus on several factors that could drive future changes in the cyber insurance market, such as geopolitical tensions, zero-day vulnerabilities, cyber control circumvention and systemic loss threats. These factors underscore the ongoing evolution and complexity of cyber risk management.

The three significant breaches experienced in Australia over the last 12-18 months (Optus, Latitude, and Medibank) have sparked considerable interest in cyber insurance solutions among governance and management across various business sectors, particularly in organisations that do not yet have cyber insurance cover. These incidents have underscored the threat faced by New Zealand organisations and emphasised the responsibilities to understanding and mitigate potential cyber risks. Moreover, incidents affecting trusted IT managed service providers have highlighted the aggregated risk and the heightened targeting of such organisations. These events are dispelling the perceived safety of third-party vendors, emphasising to organisations the urgent need to understand the services engaged, expected resilience levels, and potential contractual resources.

Recent major impacts, such as the CrowdStrike outage on 19 July 2024, are expected to further shape underwriting scrutiny, particularly regarding the assessment of third-party vendor reliance and insurers' management of aggregated exposure to a single source of failure or interconnected failures.

With regards to the privacy regulatory environment in New Zealand, both the incoming Privacy Minister and new Privacy Commissioner have publicly expressed concerns regarding the inadequacy of the penalty regime. This, combined with the risk of New Zealand's settings potentially losing adequacy under the EU General Data Protection Regulation (GDPR), suggests that amendments to the Privacy Act are likely. These amendments would aim to align more closely with regulations in other jurisdictions.

5 Cyber

Managing Cyber Risk

Your organisation is facing the most challenging cyber threat landscape yet experienced. Cyber insurance is just part of the solution.

Aon's Cyber Loop is our risk management model that unites stakeholders to make better decisions around cyber risk. Aon understands that there is nothing linear about cyber security, it is a circular process, and this is the guiding principle of our model. Through our model, organisations become informed participants in managing cyber risk, engaged in continuous review, improvement, and investment in security – guided by data. You can find out more about the Aon Cyber Loop here.

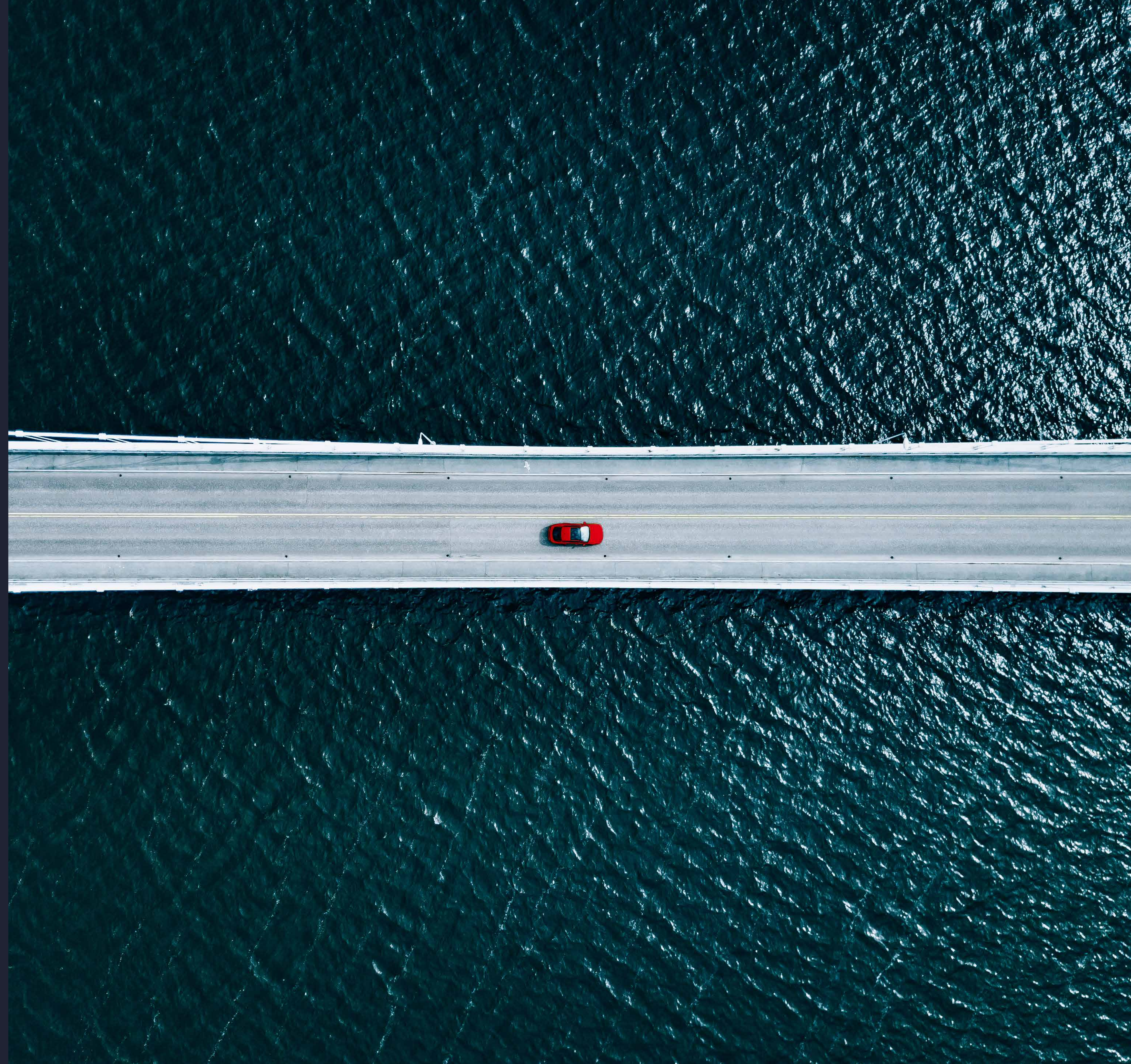
5 Cyber Risk Market Snapshot

Category	Outlook	Commentary
Claims	↑	Claim occurrences have shown a significant upward trend, with incident rates increasing by over 1000% in the past five years. Additionally, year-on-year ransom occurrences have risen by 214%.
Pricing	↘	Pricing is anticipated to remain relatively stable, with minimal decreases expected. This stability hinges on cyber insurance controls that meet insurers and industry requirements and expectations.
Limits	↑	Clients' improved understanding of cyber security risks, including the costs associated with incident management, has led to an increase in insurance limits. We expect this trend to continue into 2024, with clients increasingly seeking tailored approaches to ensure adequate coverage. This includes engaging in risk workshops to support their cyber insurance purchasing decisions, validate premium expenditure, and align with their overall risk transfer strategy.
Deductibles	→	In the past two to three years deductibles have generally increased however, standard deductible levels have now stabilised.
Coverage	↑	Where risks meet minimum underwriting criteria, coverage remains stable. However, clients with deficiencies in controls and processes may face restrictions, particularly concerning ransomware. Insurers who have previously approached cyber risks cautiously with stringent underwriting restrictions are now adopting a more relaxed attitude, which is translating into positive outcomes for insureds.
Capacity	↑	As the cyber insurance market establishes a new baseline, there is now available capacity from both new and returning insurers.
Underwriting	→	The cyber insurance market seems to have reached a consensus on minimum risk control standards. For the first time in two to three years, the underwriting submission information required remains unchanged year on year, indicating that insurers have achieved a level of comfort in understanding the risks involved.

6

Motor Vehicle

30 Motor Vehicle



6 Motor Vehicle

Trends

Motor insurance market conditions remain moderate, influenced by inflationary pressures, rising technological advance¬ments in vehicles and persistent supply chain challenges for parts. These factors collectively contribute to escalating repair and claims costs which, in turn, are driving premiums up.

Commercial motor fleet premiums are heavily influenced by the claims performance of the insureds themselves. Fleets with poorer claims records generally face premium increases. However, insurers are showing flexibility by offering more favourable terms to fleets with strong claims performance histories.

Fleet risk management, including the use of vehicle safety technologies such as telematics, is becoming increasingly important in the underwriting process.

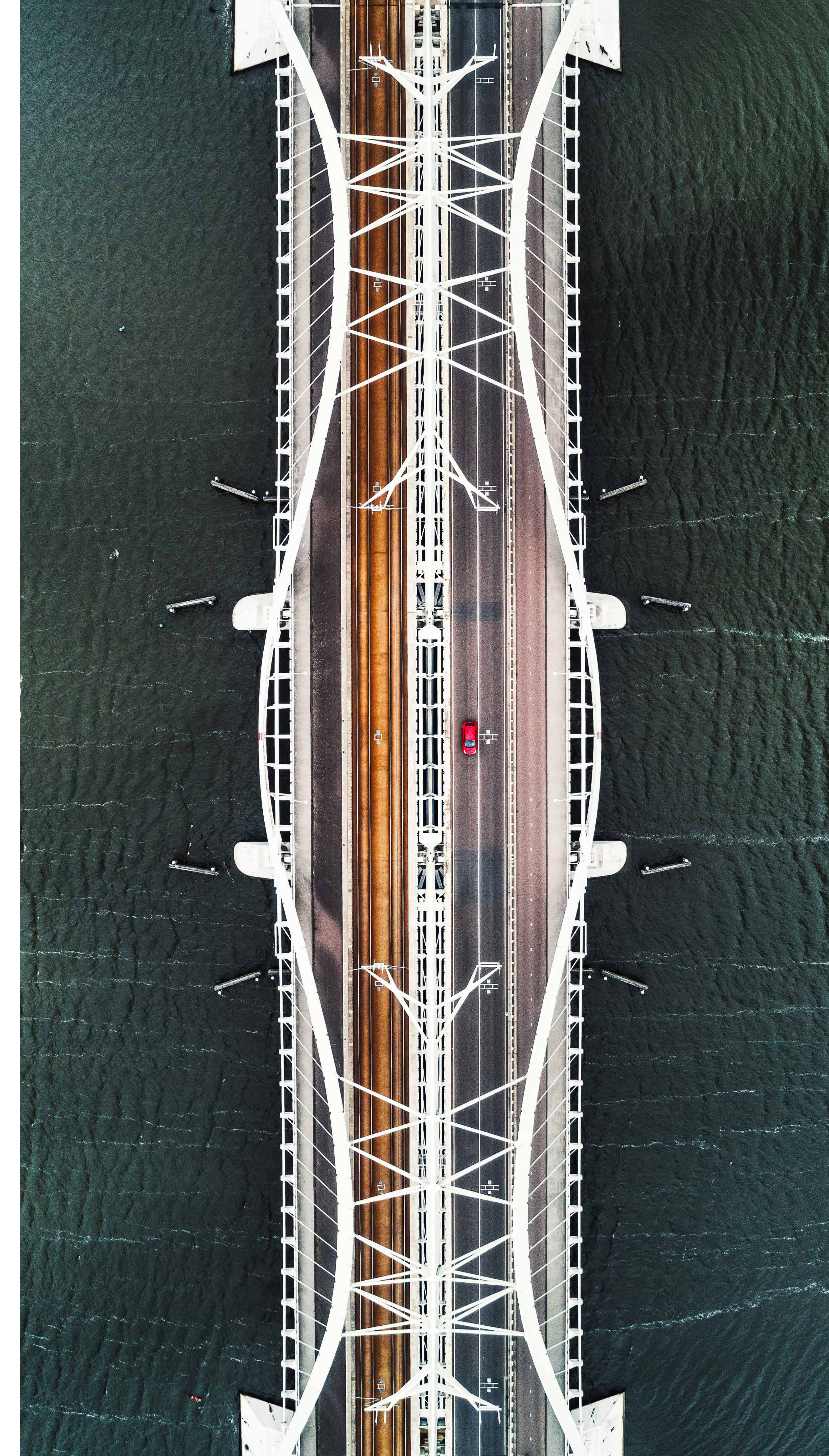
Due to the high individual value of some heavy motor vehicle combinations, such as trucks and trailers, there are limited insurer options available for heavy motor fleets.

There is an increasing trend in claims resulting from extreme weather events.

Looking Ahead

Inflationary pressures are expected to continue impacting claims costs. Insurers will maintain their focus on achieving technical rates and utilising loss modelling techniques.

Insurers are likely to continue seeking increases across the board, especially where a fleet expands. Organisations with good loss ratios (claims to premium ratio) have the best opportunity to secure rates closer to expiring rates, assuming no change in their risk profile.



6 Motor Vehicle Market Snapshot

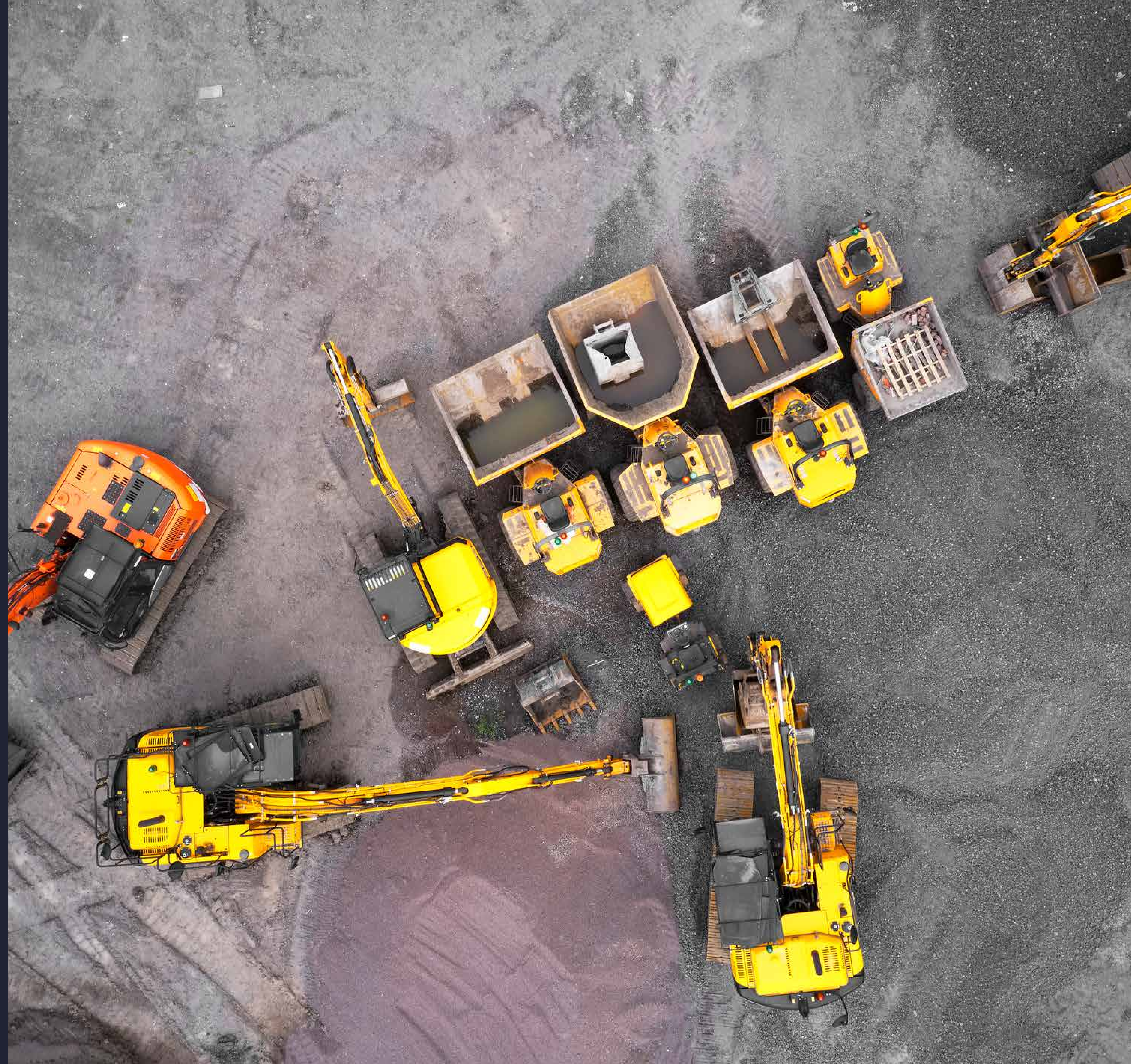
Category	Outlook	Commentary
Claims	↑	The cost of claims is increasing due to inflation, the higher level of technology in vehicles, and the associated increase in repair costs. Supply chain issues for parts further exacerbate these challenges, leading to either increased costs or delays in the ability to repair vehicles.
Pricing	↑	Insurers are seeking premium increases, even for well-performing fleets. Effective risk manage¬ment to reduce accident and claims costs remains crucial in managing overall premium costs.
Limits	→	Stable.
Deductibles	→	Deductibles can be utilised by insureds to manage the overall cost of motor vehicle accidents. For fleets with poor performance records, insurers may impose higher deductibles as a way to mitigate their risk exposure.
Coverage	→	Stable.
Capacity	→	Stable.
Underwriting	→	Providing fleet risk management information, including details on the use of vehicle safety technologies and telematics, can significantly improve the renewal outcome, especially if there has been improvements from prior poor claims history or loss ratio. This information demonstrates proactive risk management practices, which insurers often view favourably and may lead to better renewal terms and conditions.

7

Construction – Contract Works

33 Contract Works

35 Liability



7 Construction – Contract Works

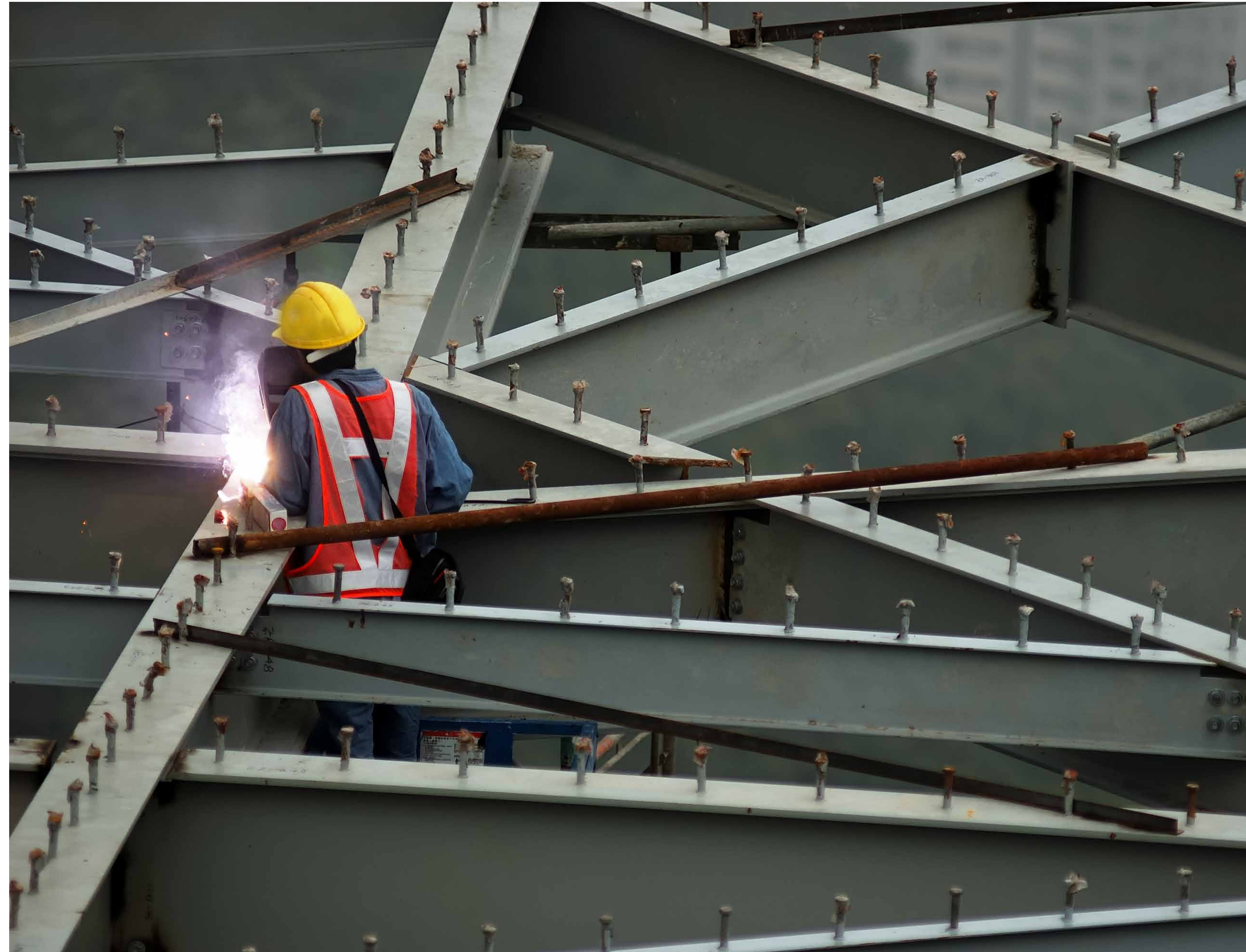
Trends

Whilst challenges persist in the construction insurance market, insurers continue to demonstrate an appetite to underwrite construction projects, albeit with close scrutiny on underwriting criteria, premium rates and deductibles. Core policy coverage has stabilised.

Looking Ahead

It is anticipated that the market will remain largely the same. However, for larger projects needing capacity from overseas insurers to complete the placement, more punitive terms, including specific reinsurance clauses will likely be applied. Any restrictions in coverage are expected to affect the entire placement.

As a result of changing weather patterns in New Zealand, insurers are expected to closely monitor the extent and volume of water damage claims in their portfolios to determine whether policy coverage adjustment will be necessary.



7 Contract Works Market Snapshot

Category	Outlook	Commentary
Claims	↑	Claims trend is upward, with recent complex fire claims on large projects and more prevalent flood incidents. This is in addition to normal claims activity on projects, which generally includes water damage, defects and theft.
Pricing	↑	Pressure remains on premium levels and rates.
Limits	↓	Limits are trending downwards and need to be carefully monitored and managed on very large projects to ensure there is sufficient capacity to complete the placement.
Deductibles	→	Core deductibles remain stable; however, insurers are continuing to apply increased deductibles for water damage, performance testing, and maintenance period claims.
Coverage	→	Coverage remains stable. Insurer expectations regarding hot work procedures and permits persist, and in most cases, conditions will be added to the policy to enforce compliance.
Capacity	↓	Capacity is trending downwards, and access points to insurers have become more centralised.
Underwriting	↑	Increased underwriting information requirements and insurer scrutiny.

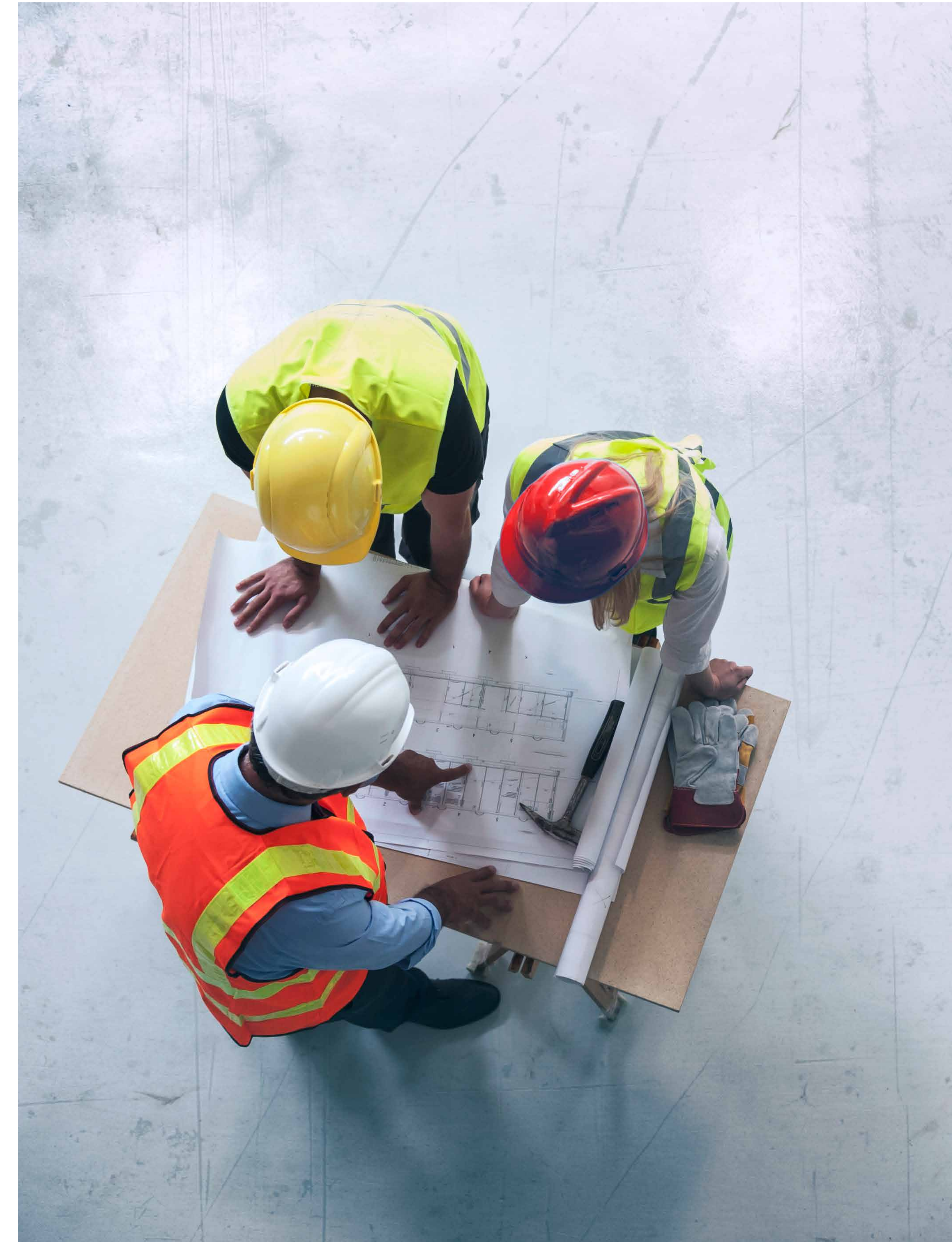
Construction – Liability

Trends

- Public Liability: Public liability rates and core policy terms and conditions remain stable; however, most insurers are now applying hot work conditions if they haven't already.
- Professional Indemnity: Construction project professional indemnity insurance was significantly impacted following the Lloyd's thematic review, leading many insurers to withdraw from underwriting this risk with some syndicates closed permanently. However, there are now signs of a returning appetite for annual policies. Project-specific professional indemnity insurance remains challenging to place, particularly for alliances, and is notably more expensive, with significant restrictions on limits and high deductibles.
- Directors and Officers: Insurers approach to directors and officers liability insurance for construction companies remains cautious, largely due to concerns about insolvencies. Reluctance to increase policy limits beyond the current levels, or offer terms on new business has improved. Underwriting submissions must include full financial accounts and statements.

Looking Ahead

Overall, there are signs of stability returning, including in pricing. However, each of the above classes of construction liability insurance has its own challenges, and careful navigation, including allowing adequate time, is required to achieve the best outcome.



Construction Liability Market Snapshot

Category	Outlook	Commentary
Claims	↑	Claim activity remains steady across all construction liability lines, with some large legacy professional Indemnity and directors and officers claims still being addressed by insurers.
Pricing	→	Pricing remains stable unless there is a material change in revenue and or risk.
Limits	→	Aside from alliance professional indemnity and single project professional indemnity, there is generally adequate capacity for all other annual insurance limit requirements.
Deductibles	→	Deductibles are stable, after a period of insurer adjustment.
Coverage	→	Coverage is stable, after a period of insurer adjustment.
Capacity	→	Capacity is generally static, except for alliance professional indemnity and single project professional indemnity insurance above $20 million.
Underwriting	→	Underwriting and information requirements remain stable.

8

Marine

38 Cargo

40 Hull

42 Protection and Indemnity

44 Liability (Port and Terminal Operation, Ship Repairer and Marina Operator)

8 Marine – Cargo

Trends

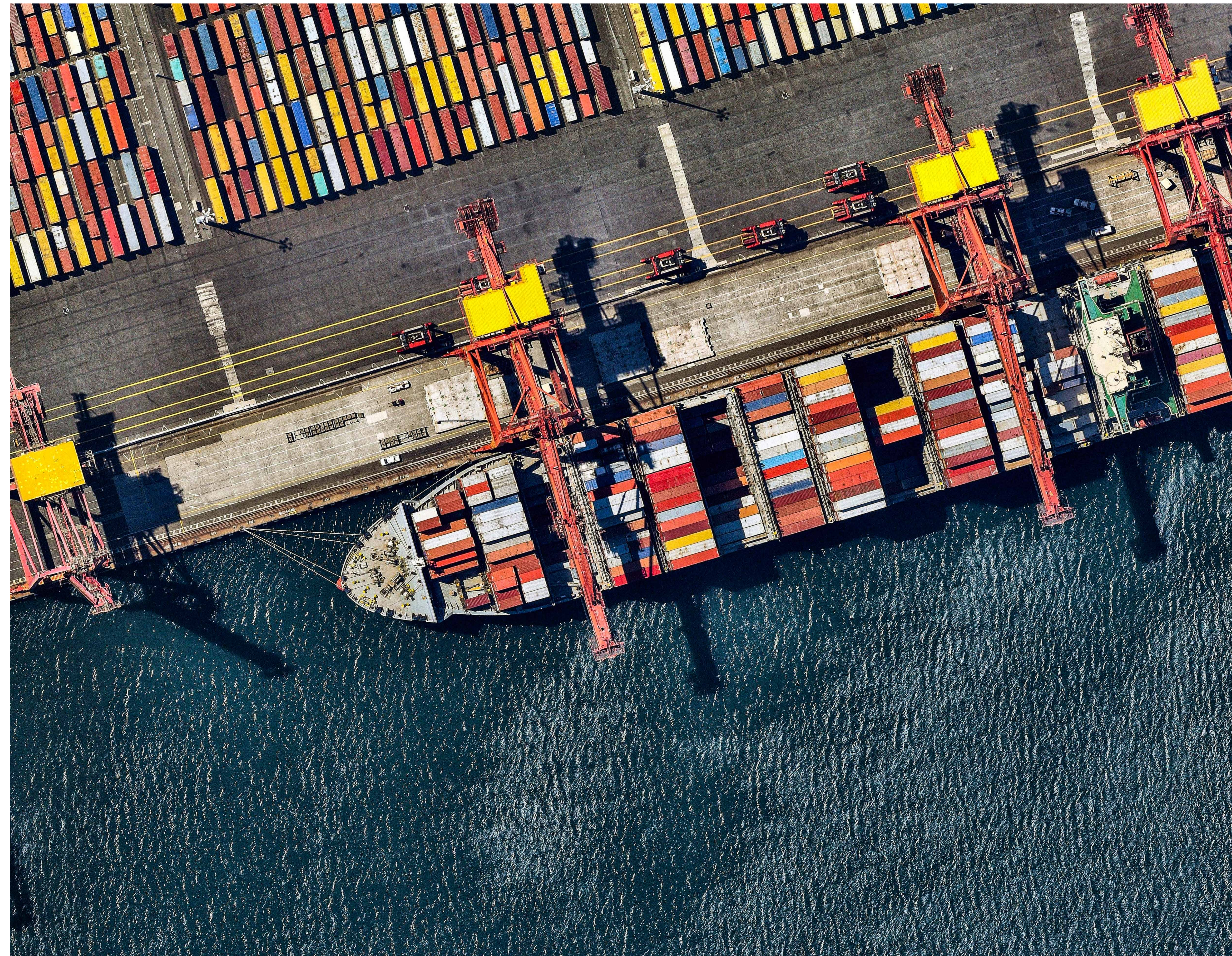
The stability of the 2023 London and Asia markets, coupled with limited large loss events, has fostered a strong trading environment in the New Zealand cargo market for the first half of 2024. Insurers have become more competitive, particularly on new business.

While insurers remain very aware of inflationary pressures, natural catastrophes, and geopolitical uncertainty, they must balance these concerns with strong growth targets and increased competition. This is translating into an increased appetite for well-performing risks, even where profitability is considered marginal, and there is greater capacity available where it is needed. However, poor-performing risks continue to face market pricing corrections, with insurers focusing on risk management plans and improvements.

There is renewed interest in the New Zealand market from both Australian and London insurers, fuelling competition.

Looking Ahead

Insurers will increasingly focus on exposure to weather-related events following the 2023 cyclones Gabrielle and Hale, as well as the ongoing Russia-Ukraine war and the Israeli-Palestinian conflict. If risks associated with these exposures do not result in significant losses, the current competitive market environment is expected to continue.



8 Marine Cargo Market Snapshot

Category	Outlook	Commentary
Claims	→	Working cargo losses are stable.
Pricing	↓	For well-performing risks with good loss experience, pricing is competitive. However, price adjustments are required for poor-performing risks.
Limits	→	Policy sub-limits are being used more regularly to manage pricing.
Deductibles	→	Deductibles should be assessed on a case-by-case basis to influence markets and premiums.
Coverage	→	Coverage remains stable, however, war exclusions are being imposed on policies with exposure to the Russia-Ukraine war and the Israeli-Palestinian conflict.
Capacity	↑	Increased capacity is stemming from Australian and London insurers' interest in New Zealand risks.

8 Marine – Hull

Trends

Locally in New Zealand, the market is stable, although insurers remain cautious in their approach to commercial hull business. There is increased interest and support from Australian insurers and underwriting agencies, providing viable alternative markets for singletons, doubletons, and fleets.

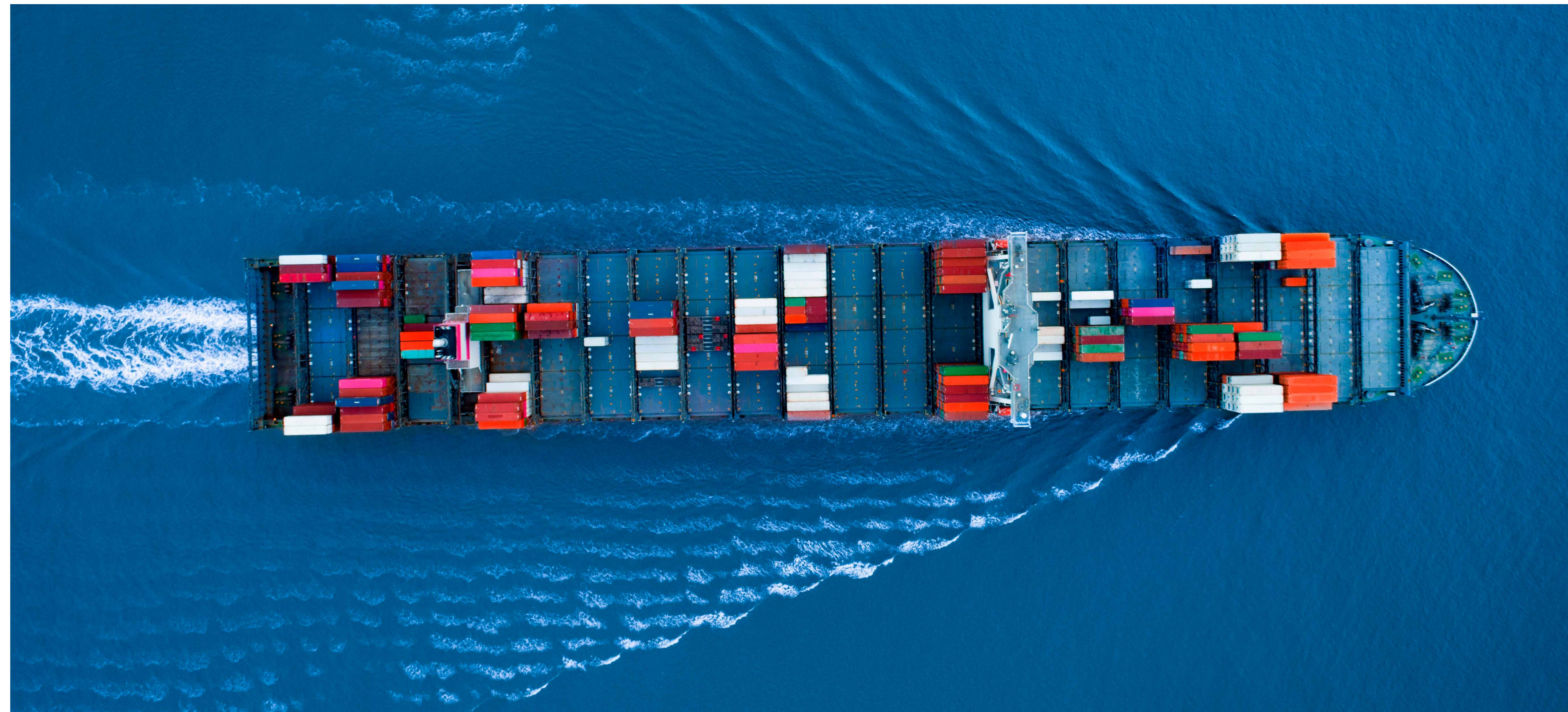
Internationally, Red Sea rates continue to experience volatility, spiking again following the Iranian attacks on Israel and hijackings that began in November 2023, with the Galaxy Leader incident. To date, there have been 133 reported incidents related to the Red Sea crisis and the attacks on shipping have caused widespread industry disruptions, forcing vessels to divert around the Cape of Good Hope and extending shipping routes. Additionally, the Russia-Ukraine war continues to drive uncertainty in the marine war market.

Insurers are increasingly interested in shipowners' ESG initiatives to align with their own internal ESG requirements, with some insurers preparing to implement ESG scoring. The International Maritime Organisation's Carbon Intensity Indicator (CII) and Energy Efficiency Existing Ship Index (EEXI), effective 1 January 2023, highlight this focus for clients, as do the Poseidon Principles for Marine Insurance which has 11 signatories.

In relation to pleasure craft, the hard market persists without new markets or capacity to drive competitive tension. Challenges remain in placing coverage for older vessels and those on swing moorings. Capacity for blue water voyages is limited, with fewer markets writing this risk. However, this is slightly offset by increased participation from overseas insurers, particularly for high-value pleasure craft. Aon has successfully secured a market for third party only liability covers.

Looking Ahead

The commercial hull market is likely to remain stable in both pricing and capacity. However, some insurers may still seek rate increases of 5% or more on pleasure craft due to the limited number of available markets.



8

Hull Market Snapshot

Category	Outlook	Commentary
Claims	→	Working losses seem to have stabilised since 2023, when claims challenged profitability of local market insurers.
Pricing	→	Pricing for quality commercial hull risks remains stable, with the addition of new capacity in the market. However, the market for pleasure craft continues to be hard, with some insurers seeking single digit rate increases.
Limits	→	For existing accounts with a high standard of risk management, insurers are willing to accept increased fleet values, including higher value disbursements, additional vessels and increased sums insured due to refits.
Deductibles	→	Deductible structures, such as additional machinery deductibles (AMDs), should be reviewed on a case-by-case basis, as they can be used to influence markets and pricing.
Coverage	→	Coverage is stable.
Capacity	→	There is increased capacity from overseas insurers for well-performing commercial hull business, while capacity for pleasure craft remains limited.

8 Marine – Protection and Indemnity

Trends

The protection and indemnity market has stabilised in recent months.

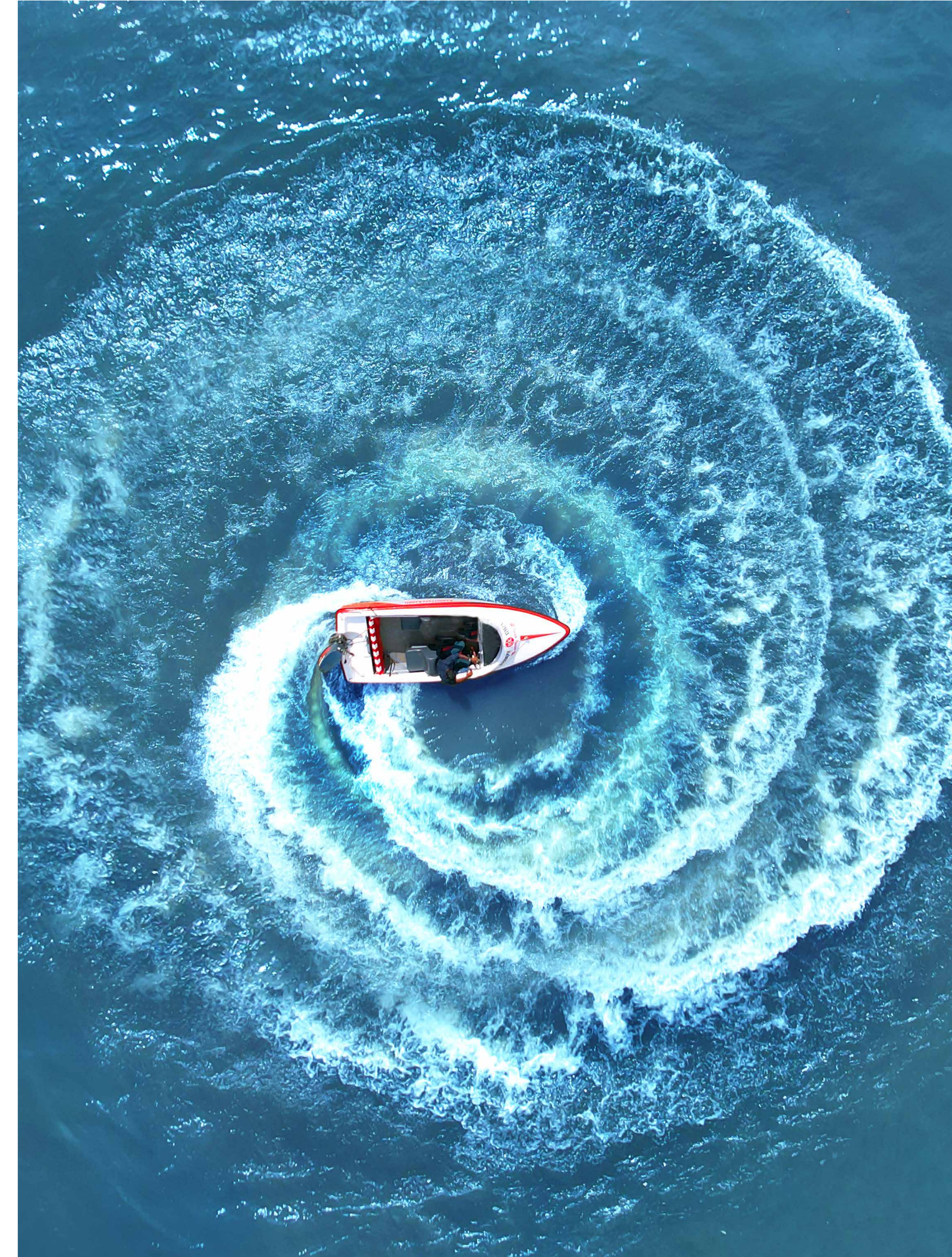
Protection and indemnity clubs' end-of-year financial results, released in May 2024, show many are achieving a combined ratio of below 100%, with strong investment returns. Gard reported a positive result of USD 161 million, while Steamship reported a positive result of USD 93 million. This performance sets the stage for Standard and Poor's to potentially review some clubs that were downgraded in recent years, such as West Club and UK Club.

However, the March 2024 incident involving the vessel Dali and Baltimore's Francis Scott Key Bridge is likely to result in a significant claim for the protection and indemnity market. The vessel is insured by Britannia Protection and Indemnity Club.

Analysts estimate that the total cost to insurers could reach up to USD 4 billion. This figure includes various components such as rebuilding the bridge, loss of revenue and tolls, liability claims from loss of life, and supply chain implications. This is expected to result in one of the largest claims ever for the marine reinsurance market.

Looking Ahead

The Baltimore bridge claim remains an unknown quantity at this time. While it is expected to have a significant impact on protection and indemnity markets, it is uncertain how this will translate into premium increases.



8 Marine Protection and Indemnity Market Snapshot

Category	Outlook	Commentary
Claims	↑	It is expected that the Baltimore bridge incident will have a major impact on protection and indemnity markets.
Pricing	→	Pricing has stabilised in recent months, with clubs willing to negotiate on general increases. However, the effect of the Baltimore bridge loss may impact this stability.
Limits	→	Limits are expected to remain stable, with many clubs staying above Standard and Poor's capital requirements.
Coverage	→	Coverage remains stable.
Capacity	→	Clubs remain above Standard and Poor's AAA capital adequacy model. They can therefore withstand some challenging years without undermining their core financial strength.

8 Marine Liability – Port and Terminal Operations, Ship Repairer and Marina Operator

Trends

The marine liability market is overall stable. Some insurers are seeking price increases of between 2.5% and 5% for clean risks, although they are willing to negotiate for long-standing clients.

Internationally, Q2 2024 has taken a heavy a toll on London's marine liability market, primarily due to the Baltimore bridge incident. This loss is expected to impact most of the market through their reinsurance positions on the Inter¬national Group of Protection and Indemnity Clubs' reinsurance programme.

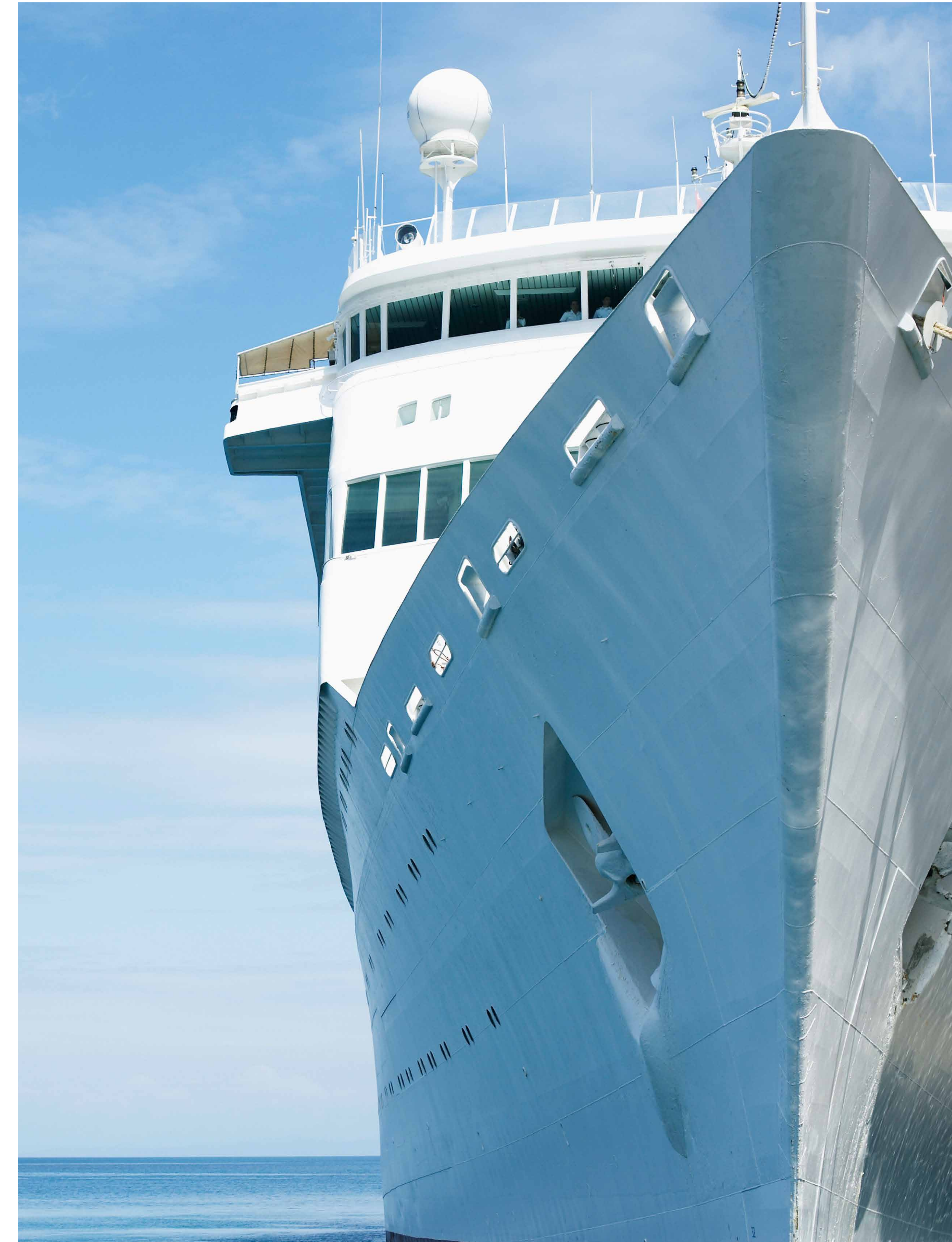
This reinsurance programme is largely written by London marine liability capacities excess of USD 100 million per event. While it is too early to provide accurate estimates on the claim quantum, insurers are preparing for significant impacts.

This could have a roll-on effect for the Asia-Pacific region, as nearly all marine liability insurers in the market are involved in the International Group of Protection and Indemnity Clubs' reinsurance placement, except for Liberty, Markel, Navium, Talbot and AIG.

Looking Ahead

In line with our protection and indemnity commentary, it is premature to comment on how this will affect market conditions.

For ship repairers' liability and marina operators' liability, it is expected that pricing and risk appetite from local insurers will remain stable. These insurance policy lines are often written in support of their marine cargo and hull portfolios.



8 Marine Liability Ports and Terminals Operations, Ship Repairers and Marina Operators Market Snapshot

Category	Outlook	Commentary
Claims	→	The impact of ongoing claims globally has not affected the New Zealand market.
Pricing	↑	Insurers are seeking price increases of between 2.5% and 5% for clean risks, although some are willing to negotiate for long-standing clients.
Limits	→	Limits remain stable.
Deductibles	→	Deductibles remain stable.
Coverage	→	Coverage is stable.
Capacity	↑	Overall, capacity remains strong, with insurers still showing appetite for excess layers.

Trade Credit

47 Trade Credit

9 Trade Credit

Trends

The global economy has slowed in the first few months of 2024, although most regions have avoided falling into recession. Geopolitical tensions are contributing to global challenges, resulting in a fragile recovery.

New Zealand has seen a 28% increase in insolvencies compared to this time last year, with a recent surge in voluntary administration, driven by tighter credit conditions, higher interest rates, inflationary pressures and marginal economic growth, particularly in the construction and retail sectors. A steady rise in insolvencies is anticipated during the second half of 2024.

Looking Ahead

Insurers results have continued to show strong operating performance, driven by high levels of account retention and new business activity, along with overall lower-than-expected claims. Claims severity has also been below average historic levels. However, this trend appears to be changing, as evidenced by an increase in the frequency of notifications of potential loss, indicating that the market cycle is beginning to normalise.

Insurance appetite remains stable; however, we expect pricing and capacity to adapt quickly to the economic cycle as insolvencies and associated covered claims accelerate.

8 Trade Credit Market Snapshot

Category	Outlook	Commentary
Claims	↑	Business insolvency levels are expected to accelerate throughout 2024.
Pricing	↑	Premium rate increases are likely.
Limits	→	Policy limits remain consistent.
Deductibles	→	Deductibles remain consistent.
Coverage	→	Policy cover remains consistent.
Capacity	→	Capacity remains available for most business sectors, except for construction.
Underwriting	↑	Insurers are requiring more transparency around financial information and data, and they are monitoring debt servicing levels.

10

Travel

50 Travel

10 Travel – Business

Trends

The costs associated with travel insurance, including medical treatment, medical evacuations, reinsurance and inflation have all risen and are expected to continue to rise. Combined with sustained global uncertainty from issues such as airline or carrier insolvency and political unrest, these factors are putting increasing pressure on premium base rates across the market.

A key sign that both travel and travel insurance are returning to normal is the high number of insurance claims. An evolving travel landscape, with greater merging of business and leisure travel and continued increases to claim costs, has further highlighted the importance of annual group travel insurance policies for organisations.

The combination of mixed travel purposes and the increased volume of insurance claims due to challenges facing airlines, such as delayed or cancelled travel arrangements, and missing or delayed baggage, has resulted in stricter underwriting criteria and more detailed proposals for both business and leisure travellers. It is vital for insurers to understand the split between leisure and business travel within an annual policy, as the acceptable ratio differs between insurers.

Looking Ahead

Sanctions against Belarus, Russia, and Ukraine remain in place, meaning travel to these destinations continues to fall outside underwriting appetite while the conflict persists. Although other global issues, such as carrier insolvencies and political or civil unrest, typically excluded from coverage, may not directly affect premium or loss ratio, they will continue to generate increased client enquiries.

The increase in both business and leisure travel will lead to a return to a more sustainable premium pool. However, the corresponding rise in loss ratios will likely prompt insurers to monitor claims and losses very closely before considering any further extension of coverage or adjustments to premiums.

The legislative environment has increased the evidence required for travel claims, whether medical or baggage related. Airlines continue to experience delays in responding to queries, which further exacerbates the timeliness of resolving claims. While our travel insurer partners have improved claim processing timeframes, it is crucial to provide complete evidence or supporting documentation when lodging a claim to ensure a timely response. Many claims can now be lodged and managed through online portals, providing clients with greater visibility over the process.

Travel - Business Market Snapshot

Category	Outlook	Commentary
Claims	↑	Increased travel activity, coupled with reduced transport route options and rising costs associated with travel claims, has kept potential claim quantum elevated. Claims volumes remain high and continue to impact processing times. Accurate claim documentation and supporting evidence for all parts of a travel claim are essential.
Pricing	↑	Premiums are increasing due to higher insurer associated with claims, including medical costs, medical evacuations, inflation, and reinsurance.
Limits	→	Policy limits remain relatively constant, except for COVID-19 medical costs, which are occasionally subject to sub-limits, particularly in group travel situations.
Deductibles	→	In most instances, deductibles remain low or are not applicable market-wide, consistent with historical trends for this product line. A major change in the near future is unlikely.
Coverage	→	Policy coverage for business-as-usual losses, has generally remained unchanged. However, coverage for the leisure components of a business trip varies between insurers.
Capacity	→	The market continues to be affected by global challenges with higher scrutiny creating hurdles to maintaining capacity. Changes in some insurers' underwriting criteria have further tightened capacity, particularly for private leisure travel with certain providers and group travel risks.
Underwriting	↑	Further limitations have been applied to incidental private travel within business travel policies and, additional underwriting information may be required to purchase this extension, which is only available on a case-by-case basis. Local underwriting approaches have tightened, and caution applied to group risk profiles.

11

Aon Advice to Clients

53 Aon Advice to Clients

10 Aon Advice to Clients

In the first half of 2024, it was once again evident that proactive engagement and the use of data-driven risk insights builds trust and credibility. This approach can attract more markets, lead to more favourable pricing, terms and conditions, and is essential for optimising risk transfer strategies.

Allow Sufficient Time

Start the renewal process early and focus efforts on quality information to attract insurers and encourage competitive tension.

Describe your valuation methodology, leverage catastrophe modelling solutions and develop a property risk improvement strategy

Clearly articulate your replacement cost valuation approach and how you adjust for inflation. In partnership with Aon's asset valuation team, conduct a thorough review of your asset values and valuation methodologies. Secure appraisals and conduct probable maximum loss studies. Leverage catastrophe modelling solutions to highlight exposed profiles and loss drivers. Develop a property risk improvement strategy and be prepared to make the required investment.

Reassess your business interruption exposure

Supply chain challenges resulting from the pandemic, the events in Eastern Europe, and the recent attacks in the Red Sea continue to create inflationary pressure for raw materials, critical equipment, and component parts. Understand both your business interruption and contingent business interruption exposures in partnership with Aon's business interruption team.

Leverage consulting and analytics

Use strategic consulting and analytics to refine your risk tolerance, adjust your risk transfer strategies, and analyse risk financing solutions. This approach will help differentiate your risk profile.

Aon's risk management services team consists of highly qualified and accredited professionals, including accountants, risk and fire engineers and certified valuers. This nationwide team of specialists assists clients in understanding their risk profiles, including climate change, developing and communicating risk management improvements, protecting interests and maximising insurance programmes.

We encourage you to engage with your Aon team to learn more about each of these recommendations.

About Aon

Aon plc (NYSE: AON) exists to shape decisions for the better — to protect and enrich the lives of people around the world. Through actionable analytic insight, globally integrated Risk Capital and Human Capital expertise, and locally relevant solutions, our colleagues provide clients in over 120 countries with the clarity and confidence to make better risk and people decisions that help protect and grow their businesses.

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