

Property & Casualty Market Update

Australia – October 2023



Table of Contents

1. [H1 2023: Our perspective](#)
2. [Australian Property 2023 outlook](#)
3. [Australian Casualty 2023 Outlook](#)

H1 2023: Our perspective

In the first half of 2023, the Australian market witnessed two primary themes: climate and competition.

The beginning of the year was marked by global issues such as supply chain disruption and inflation, war in Ukraine, geopolitical risks, and a hardening reinsurance market. Much of these concerns persist, however the market continues to rise to the challenge.

While premiums continued to rise, these began to moderate because of increased competition, the return of profit to Australian composite insurers, and release of Covid-related Business Interruption reserves.

In May, the Catholic Church Insurance (CCI) company announced that, as of 30 June 2023, it will cease writing new business and enter run off. Reserve deterioration on legacy abuse claims, low deductibles, and large shares on catastrophe-exposed property risk appear to be the chief culprits to this specialist insurer's downfall. While the Australian market is well placed to absorb CCI's client base, lessons learned from this event will reverberate throughout our market for years to come.

Looking ahead to the remainder of 2023 and beyond, climate-related disasters continue to pose the biggest threat. Australia, as part of the Pacific region, will enter a positive Indian Ocean Dipole (IOD)/El Niño weather phase and there is a consequent heightened bushfire and cyclone risk.

Globally, natural catastrophes are on the rise and the impact is being heightened by the increase in population growth and urbanisation. This will be closely monitored during renewals throughout the remainder of 2023.

Australian Property 2023 outlook

Premium rates

0% TO +5%

Property Non-Cat, Non-Loss
Affected

+10% TO +25%

Cat Exposed

+15% AND ABOVE

Loss Affected or Challenging
Risk

As in previous updates, property pricing continues to be two paced with attractive accounts receiving favourable terms, however with some increased capacity and competition returning to the market, undesirable accounts are able to trade out the more punitive capacity.

- Capacity constraints continue for loss affected and natural catastrophe exposed accounts, however increased capacity and competition in the Australian market has offset higher priced international market participation.
- There remains a lack of market appetite for certain high hazard risk sectors, such as unprotected EPS and waste recycling. However, rating appears to have peaked with limited competition returning to the market in H1.
- Property valuations continue to be a must have for any prudent insured. ISR average clauses or the more restrictive London LMA5060 are being applied to insureds that do not demonstrate rigour around value declarations.
- Natural catastrophe sub-limits (flood, cyclone, bushfire and hail) continue to be imposed. Limits are being applied on a per event basis and, at times, in the annual aggregate. Quantification of PML/MFL scenarios are key.
- Risk management continues to be the gold standard in differentiating a client's risk profile. Insureds who demonstrate they are an advanced and educated buyer consistently outperform the market average.

Renewal advice

- Obtain property valuations or demonstrate rigour in your declaration regime.
- Engage with your broker to scrutinise adequacy of all policy limits, as inflation and other macroeconomic issues are impacting adequacy of prior year decisions.
- Investigate and explore alternative risk finance as either a replacement or to complement your existing insurance/risk transfer program.
- Sell your story and demonstrate your risk management credentials. Include information on your approach to ESG and climate change as these topics are emerging and the areas in scope can be broad.



**For more information
please speak with your
WTW broker.**

Australian Casualty 2023 outlook

Premium rates

0% TO 10%

Primary Non-loss affected

10% TO 25%

Primary Loss affected/
challenging risk

5% TO 25%

Excess markets

Expect Primary and Excess rate increases to temper with insurers competing for accounts where their appetite aligns with buyers' business activities & product types.

- Deteriorating loss reserves from both general and social inflation are the major trends in the casualty insurance market for H1 2023.
- Lessons learned from the failure of CCI will loom large on the local market with access to coverage for abuse/molestation exposures (and other latent risk) proving to be extremely difficult and in some cases unavailable.
- Entrenched Inflation is now having a material impact on loss reserves which in turn is leading insurers to question rating adequacy on accounts with rates at the bottom of the matrix.
- Social inflation continues to be an evolving threat with legislative change and litigation funding weighing on insurers' minds.
- Bushfire exposure is a particular concern to the market, especially as Australia shifts to a positive IOD/El Niño weather phase.
- With exceptions, most buyers will find that capacity is abundant, however adequate limits, terms and conditions and pricing will be heavily influenced by buyers with strong market relationships and sound risk management practices.

Renewal advice

- Underwriting bandwidth is becoming stretched, meaning the quality of submission and clarity of placement strategy are key to success.
- Understand your risk profile and make sure this is effectively communicated to the market. Risk management is key to obtaining support for heightened risk perils i.e., bushfire.
- Interrogate loss reserves, insureds that understand the market they operate in and take an active position in negotiating claim outcomes ultimately outperform their peers.
- Use risk and analytic tools to quantify your risk, exposure to risk and efficacy of risk control measures.
- Differentiate your risk from your peers, clearly articulate the "why" in your underwriting submission focusing on improvements in loss history, loss control initiatives, ERM framework, contractual risk management and overall risk management culture.



**For more information
please speak with your
WTW broker.**

About WTW

At WTW (NASDAQ: WTW), we provide data-driven, insight-led solutions in the areas of people, risk and capital. Leveraging the global view and local expertise of our colleagues serving 140 countries and markets, we help you sharpen your strategy, enhance organizational resilience, motivate your workforce and maximize performance.

Working shoulder to shoulder with you, we uncover opportunities for sustainable success—and provide perspective that moves you.

The information contained in this document is factual and does not constitute advice. While all reasonable skill and care has been taken in preparation of this information, it should not be construed or relied upon as a substitute for specific advice on your insurance or consulting needs. No warranty or liability is accepted by the WTW company/s named, their shareholders, directors, employees or other affiliated companies, for any statement, error or omission.

Willis Australia Limited | ABN 90 000 321 237 | AFSL No. 240600

[wtwco.com/social-media](https://www.wtwco.com/social-media)

Copyright © 2023 WTW. All rights reserved.
WTW924AU

[wtwco.com.au](https://www.wtwco.com.au)

