Marsh

Mid-Year Insurance Market Update 2024

Australia

A business of Marsh McLennan

The Twelve Apostles (Victoria)

1

Executive summary

Marsh is pleased to report a positive general outlook for insurance buyers in Australia as we move into the second half of 2024. Across most insurance classes, insurers' premium pools have grown and rates have stabilised. Combined with improving loss ratios and higher investment returns from high interest rates, these factors have led to significant improvement in financial results for insurers. This has encouraged a return of market competition from existing insurers as well as the introduction of some new entrants, which has been a welcomed development for insurance buyers.

Reinsurer treaty renewals earlier in the year experienced far more favourable conditions compared to the previous year, although natural catastrophe remains an ongoing challenge, particularly for those with New Zealand or US critical catastrophe exposures.

In the Australian liability insurance market, insurers have generally displayed broad appetite and a willingness to compete for new business, with the exception of those with US exposure. In these cases, some insurers have reduced capacity and/or adjusted pricing accordingly to limit their own exposure. Per- and polyfluoroalkyl substances (PFAS) exposure has continued to attract insurer scrutiny, particularly in the general liability and environmental impairment liability markets.

The financial and professional lines insurance market conditions continued to soften in the first half of 2024 and saw accelerated rate reductions compared to last year.

Marsh's *Fast Track* placement facility has provided our insureds with exclusive access to an additional 7.5% quota share capacity (increased from 5% last year) across most insurance classes, generally at a discounted price. The facility has had an immediate positive impact on increasing market competition and creating consistency on pricing for complex placements.

Overall, the first half of 2024 saw a significant improvement in market competition and the return of insurer choice for buyers, which had not been generally seen since 2017. Barring catastrophic losses from the North American hurricane season or other unforeseen events, continued improvement is likely in the purchasing environment for insurance buyers.

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Australian insurance market premium rate changes, H1 2024

Source: Marsh Pty Ltd data

Insurance class	Rate change
Property	▽ -10% to +5% △
Liability	0% to +2% △
Directors and officers liability (D&O)	-15% to -25% ▽
Professional indemnity	0% to -20% ▽
Crime	0% to +10% △
Medical malpractice	▽ -15% to +10% △
Cyber	0% to -10% ▽
Environmental impairment liability	0% to +5% △
Construction	0% to +5% △
Private health	+0.3% to +5.8% △
Accident and health	+10% to +15% △
Group life (Death)	0% to +5% △
Group life (Lump sum disability)	0% to +5% △
Group life (Long-term salary continuance)	+20% to +25% △
Group life (Short-term salary continuance)	0% to +5% △
Workers compensation	+1% to +4% △

2 Property insurance

Market overview

The first half of 2024 saw the return of price competition in the Australian property insurance market. Insurers increased their premium income targets for the year as they transitioned into a growth phase against the backdrop of strong underwriting results over the last 12 months.

After a sustained period of challenging market conditions, profitability has started to return to insurers' property portfolios. This was mainly attributable to year-on-year rate increases over the past eight years, tightening of terms and conditions, and a more benign natural catastrophe (Nat Cat) season. The first half of 2024 saw insurers focused on their growth strategy and competing for market share by increasing capacity or broadening their appetite. With the majority of insurers looking to grow, this generally led to lower prices and/or broader terms and conditions being offered in an attempt to secure more business.

Premium rate trends

In the first half of 2024, we observed Australian property insurance rate changes typically ranging from 10% reductions to 5% increases at renewal. Property insurance rate increases started to moderate in the second half of 2023 in the Pacific region.

The third quarter of 2023 saw a 2% year-on-year average rate increase, followed by further easing of rates in the fourth quarter, when pricing remained flat. While some rate increases were still being applied by some insurers, increased capacity from incumbent insurers and new entrants limited the ability for co-insurers to demand split rates and conditions. New entrants were typically happy to follow lead terms and conditions. This trend continued into 2024, and premium rates remained flat on average in the first quarter. In the second quarter, rates in the Australian property insurance market declined for the first time in over 7 years, by an average of 4%.

Insurer competition was most evident for clients with significant premium pools, which attracted interest from both domestic and international markets. Smaller accounts with less premium, those with large limits (greater than $2 billion), or significant Nat Cat exposures generally did not attract the same level of competition. For these accounts, insurers typically maintained rates or applied small increases.

Insurer competition was not uniform across all industries and rate reductions were not automatically offered at renewal. Premium reductions were generally achieved through strategic and well-executed marketing plans and negotiations, which often involved new and alternative markets putting pressure on incumbent insurers to reduce pricing in order to maintain their existing participation on an insurance program.

Key drivers of local pricing movements in the first half of 2024 were:

- Increased capacity from:
  - Insurers looking to write new business due to broadening appetite.
  - Incumbent insurers seeking to grow existing share on programs.
  - Several new entrants starting to write business in the Australian market.
  - The return and broadened appetite of some strong local markets added to competition.
  - International markets targeting Australian portfolios as a growth opportunity.
- Relatively low natural catastrophe loss experience in Australia in 2023.
- Continued impact of inflation (inflation loadings increased material damage and business interruption declared values, which in turn led to higher premiums).
- Marsh's exclusive *Fast Track* facility provided additional capacity for insureds and helped to drive market competition and lower pricing.

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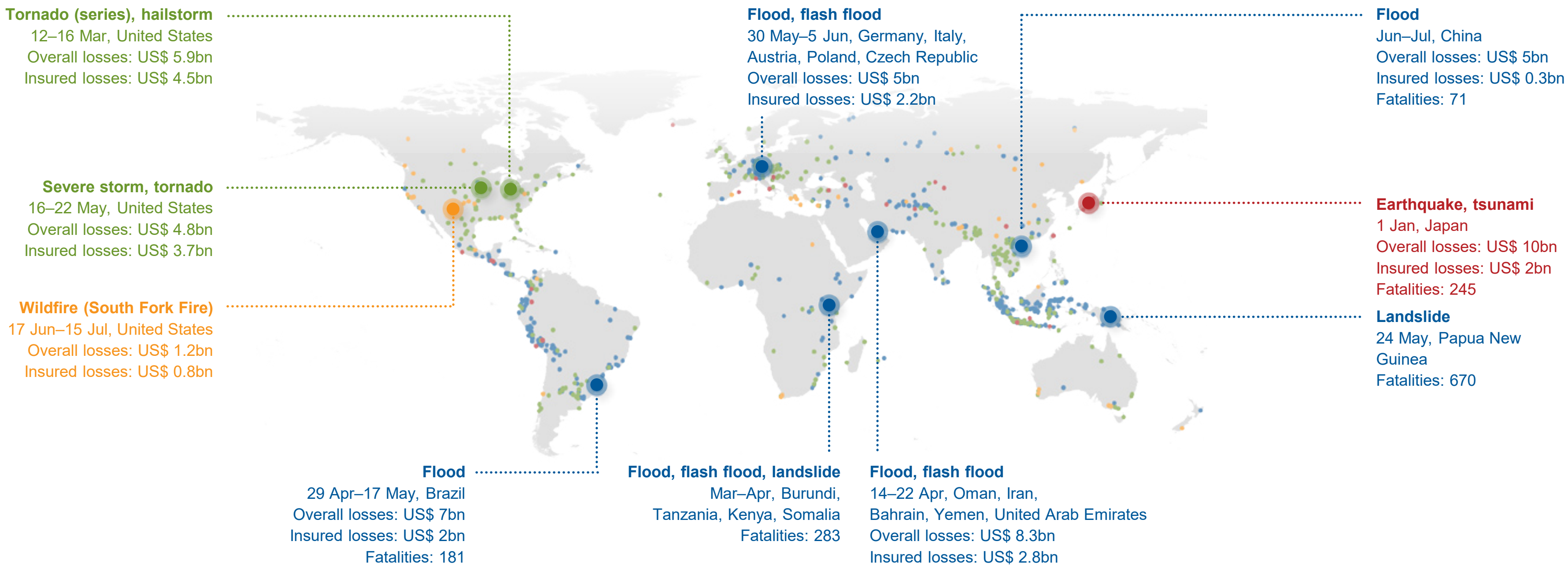
01 | Major Nat Cat loss events January-June 2024

Source: Munich Re

Natural disasters caused overall losses of US$120 billion worldwide

Munich RE



Geophysical events: Earthquake, tsunami, volcanic activity

Meteorological events: Tropical storm, extratropical storm, convective storm, local storm

Hydrological events: Flood, mass movement

Climatological events: Extreme temperature, drought, wildfire

Significant catastrophes

Small, medium and large loss events

Section continues

Key coverage and underwriting trends

Insurers scrutinising Nat Cat, secondary peril loss and valuations

Underwriters focused on Nat Cat exposures and definitions of specific perils, for example, the definition of 'flood' and whether traditional fluvial events now extend to include pluvial flood events.

In addition, insurers focused on the increased frequency and severity of secondary peril losses such as convective storm and wildfire.

Although the inflationary environment has eased, 'average' clauses remain front of mind for insurers. Insureds are still expected to demonstrate to the market their valuations process with respect to material damage and business interruption declared values.

Tough conditions persist for Australian rail industry

The rail sector continued to be challenged due to a number of large derailments that occurred in Australia in the last 12 months. Insureds in this industry continued to explore increased levels of self-insurance and limited coverage for their rolling stock in motion.

Carbon emissions continue to be a key ESG focus

Most insurers now have environmental, social, and governance (ESG) guidelines in place, with a particular focus on carbon emissions. For some insurers, commitment to the advancement of their own ESG transition journeys has impacted their underwriting guidelines, leading to more restrictive coverage and capacity available to insureds in certain industries. While there have been varied underwriting approaches to insureds who are able to demonstrate robust net-zero transition plans, insureds affected by insurers' ESG guidelines remained capacity constrained, with limited options to achieve price competition.

Insured purchasing patterns

Despite improved market conditions, the first half of the year saw a number of insureds seeking alternative risk transfer and self-insurance solutions. This has been particularly relevant for insureds with significant Nat Cat exposures, where limited insurer capacity typically comes at a higher cost. In the first half of 2024, Marsh placed several parametric programs, to either complete the limit required by the client or replace more expensive conventional insurance market capacity.

Section continues

The international market will likely play a key role in providing insureds with capacity options and drive further price competition in the local market.

Claims trends

Generally, we observed delays in the claims settlement process as insurers continued to scrutinise certain aspects of claim circumstances and values. This trend was first observed in 2023 and has continued throughout the first half of 2024.

Global and local supply chains have experienced delays in equipment loss replacements, hindering the ability for businesses to return to normal operations following a property loss, which in turn has amplified business interruption claims.

Looking ahead

It is likely that property insurance pricing will continue current trends deeper into 2024, barring unforeseen changes in conditions, such as catastrophic losses from the North American hurricane season or other unforeseen events. The international market will likely play a significant role in providing insureds with options in capacity and drive further price competition in the local market.

In the short term, the development and execution of a strategic marketing plan can enable insureds to take advantage of improved buying conditions and open up placement options to choose from at renewal, for example, supporting incumbent insurer participants and adding new entrants and/or international capacity.

As we enter the softening cycle in the insurance market, underwriting discipline and information requirements still remain. A comprehensive submission, early engagement with the market, and a well-planned strategy to generate alternative capacity are critical to a successful renewal outcome.

3 Liability insurance

Market overview

Market conditions eased considerably in the first half of 2024 for the Australian casualty/liability insurance market. New and expanded capacity within the Australian and London markets in 2023 continued, providing insureds with options to explore and test alternative insurer participation on their programs for both pricing and coverage.

Many insureds that were particularly impacted during the challenging market cycle of recent years began to experience increased insurer competition, which helped improve renewal results.

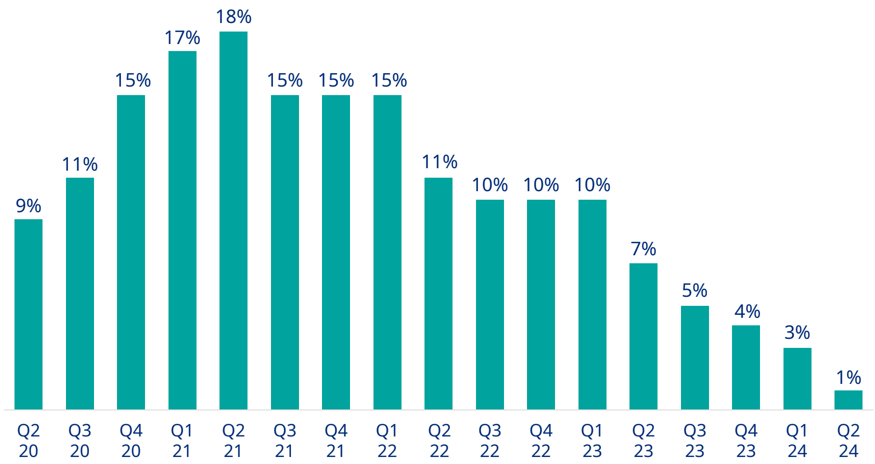
Premium rate trends

In 2023 and continuing in the first half of 2024, insurers focused on inflationary exposure and loss trends. Some insurers sought inflationary increases in their pricing, although increased market capacity and options generally worked in insureds' favour. Consequently, more insurers renewed policies close to expiring terms and conditions.

Year-on-year rate increases averaged 4% in the fourth quarter of 2023, which fell to 1% in the second quarter of 2024. In the first half of 2024, many insureds experienced rates at flat to 2% increases across the Australian liability insurance market. Placements with more challenging circumstances typically experienced higher increases or coverage restrictions.

02 | Pacific commercial insurance pricing change: Liability

Source: Marsh Global Insurance Market Index, Q2 2024



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Key coverage and underwriting trends

Capacity remains tight for certain risks and industries

Insurers exercised stringent capacity management for certain catastrophe exposures, with incumbent insurers at times reducing existing capacity at renewal. While market conditions generally improved compared to last year, certain industries and/or risks were impacted by such challenges, including:

- Rail
- Mining
- Agricultural chemicals
- Pharmaceutical
- Sports, faith and community
- Bushfire exposures
- PFAS exposures
- US exposures

Certain professional risk exposures packaged into general lability programs have been under increased scrutiny due to the complexities of these risk.

Clients with US exposures, such as multinationals with local operations and US motor vehicle fleets, continued to be scrutinised by insurers. Umbrella insurers were cautious regarding plaintiff-friendly court judgements that resulted in significant awards ('nuclear verdicts') in some US jurisdictions, and sought higher underlying coverage on some US-exposed accounts.

PFAS coverage increasingly scrutinised by insurers

Insurers continued to focus on potential exposure to PFAS chemicals. Insurers' approach to PFAS risks varied depending on the industry, level of exposure and the insured's perceived risk management maturity. The application of exclusionary language to limit PFAS cover in policy wordings has not been uniform across insurers. However, insureds in the chemicals, utilities, power and energy industries remained highly scrutinised. In order to achieve favourable renewal outcomes and the broadest cover available, insureds need to demonstrate and substantiate proactive PFAS risk identification and management during the underwriting process.

2024 sees the return of LTAs

Throughout the first half of 2024, insurers were generally more willing to offer long-term agreements (LTAs). LTAs may allow insureds to take advantage of improved market dynamics, but should be weighed against the potential for further easing of market conditions.

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Insured purchasing patterns

Purchasing patterns varied depending on the needs of the insured, the industry in which they operate, and market capacity. In the first half of 2024, insureds continued to review limits purchased, and some explored LTAs at renewal. Those experiencing poor claims performance typically evaluated higher retention levels as a way to mitigate their insurance spend.

Claims trends

Insurers continued to be mindful of inflationary claims trends, particularly where the insured has high claims frequency and/or contractor injury exposures, such as food and beverage, retail and mining industries, especially those with a large contractor workforce.

The long tail nature of liability risks combined with increasing claims inflation and an uptick in claims latency, frequency and severity, continued to drive the underwriting approach for many insurers. As a result, the first half of 2024 has seen a mix of retention structures and scrutiny on pricing from insurers.

Insurers closely monitored the emerging trend of multiple claimants joining claims for a single injury or fatality. Additionally, claims for mental anguish further compounded total damages and legal costs.

Looking ahead

As new capacity becomes available in the second half of 2024, insureds should work closely with their broker to determine the appropriate strategy for renewal, understanding the impact of claims trends on their own insurance program. Early engagement with the market and a well-planned out strategy typically will generate competition and capacity.

Notwithstanding the above, a comprehensive and quality submission with detailed information is critical in differentiating a risk profile and achieving optimal renewal results. This is particularly important for insureds with more challenging risks. Those that can demonstrate a proactive approach to identifying and managing their risks will be best positioned to navigate the underwriting process in the current transitioning market.

4 Financial and professional lines

Market overview

In 2023, conditions in the Australian financial and professional lines insurance market continued to improve and rates softened. Renewals in the second half of 2023 generally experienced significant premium savings, particularly on directors and officers liability (D&O) programs with large side C (securities entity cover) exposures. The trend continued into 2024, with a combination of robust competition among insurers, expanded capacity and a relatively benign claims environment.

The remainder of the financial and professional lines market generally continued to experience declining rates in the first half of 2024, although not uniformly across insurance classes. Buying conditions were generally favourable for insureds as incumbent insurers sought to diversify their portfolios and new entrants increased competition, which was particularly strong for insureds that appeared to have a clear pathway through the inflationary environment and/or sound finances.

Directors and officers liability insurance

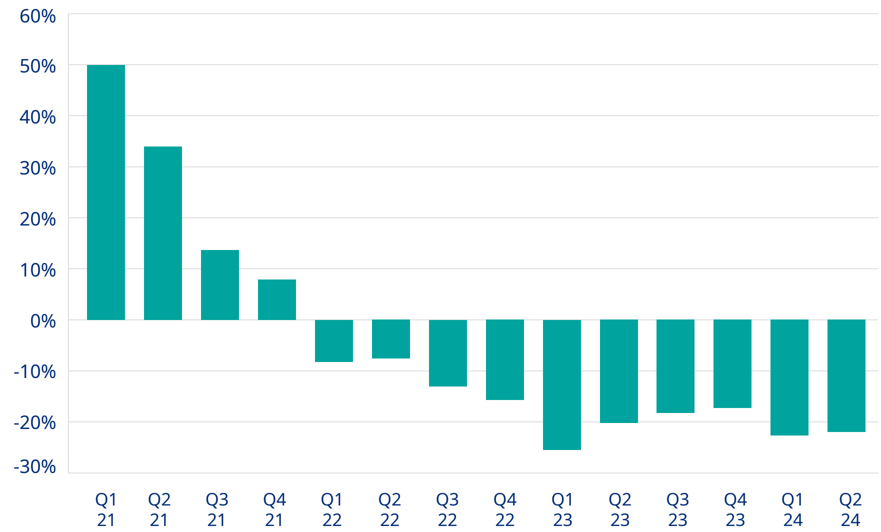
As supply continued to outpace demand, price reductions and a general improvement of market conditions in the Australian D&O space continued in the first half of 2024.

There were a number of new entrants in the local D&O market, while more London-based insurers pursued Australian risks, with a number of them having appetite for primary layer or low attachment point participation. This created healthy competition with five key London markets capable of primary layer participation and more than 40 available to compete for excess layer participation.

Additionally, local incumbent insurers added to the competitive dynamic of the market as they worked to retain existing business and also grow their portfolios in a relatively benign claims environment. As a result, insureds typically benefitted from the high level of competition currently observed in the Australian D&O market.

03 | ASX 300 D&O average premium rate change

Source: Marsh Pty Ltd data



A number of Australian shareholder class actions were successfully defended in recent years. In a notable judgement in 2024, a large Australian financial institution was found to not have breached its continuous disclosure obligations or engaged in misleading/deceptive conduct. Such cases have been encouraging for D&O insurers and demonstrated that defendants with a strong case can win in the courts. Whether these judgements will impact the future trends for class actions remains to be seen.

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Premium rate trends

Following two years of premium decreases, some observers anticipated that the pace of rate reductions would ease. However, market competition in the first half of 2024 continued to intensify as insurers focused on growth, continuing the downward pressure on rates.

In the first half of 2024, premium rates for ASX 300 listed companies decreased by 23%, on average, with ASX 100 and ASX 101-300 listed companies experiencing similar reductions. Private companies also experienced savings, but to a lesser extent.

Overall, for the first half of 2024, average Australian D&O premium reductions generally ranged from 15% to 25%.

The total premium pool for the D&O market, most of which is attributable to large publicly listed companies, remained significantly larger than in 2016, when the market saw its lowest pricing point.

The continued lack of mergers and acquisitions (M&A) activity and a substantial increase in competition contributed to insurers not meeting their growth targets. In the absence of rate increases, insurers attempted to meet their targets by focusing on new business, which increased downward pressure on pricing.

Key coverage and underwriting trends

In the first half of 2024:

- Insurers were reluctant to reduce retention levels, unless pressured by competition.
- Limits purchased were slightly higher, and often funded through premium savings.
- Insurers continued to deploy $10 million limits in a single layer, and often $15 million to $20 million with ventilation.
- Historically broad coverage that has remained through the more challenging market years largely remained intact. Coverage improvements potentially could be negotiated, but often required some level of competitive tension.
- There has been a return of LTAs, often agreed on a two-year basis and subject to yearly discounts. When making a decision about LTAs, insureds should carefully consider the opportunity to take advantage of current favourable market conditions against the potential for the market to improve further.
- Insurers continued to focus on ESG, particularly in areas such as underpayment of wage issues, 'net zero' plans, and disclosure protocols.

Renewed focus on cybersecurity and AI exposures

Following a number of high profile cyber-related incidents in recent years, insurers have shown a renewed interest in an insured's cybersecurity and resilience. The rise of artificial intelligence (AI) has become an area of heightened scrutiny for insurers, who are closely monitoring claims and other trends, particularly on D&O claims activity related to AI exposures, as is now being seen in the US.

Insured purchasing patterns

Since 2023, there has been a trend for insureds to re-invest some premium savings back into purchasing additional limit, particularly for ASX-listed insureds investing into side C and side A 'difference in condition' cover. These insureds were keen to replenish their side C cover after years of coverage erosion during the more challenging market years. We have also seen some insureds convert their cover from sides A and B only to sides A, B, and C, thereby gaining broader cover without changing the policy limit.

Looking ahead

Barring any unforeseen circumstances or significant losses, continued vigorous competition in the market will likely exert downward pressure on rates in the short to medium term. As rates fall, greater discipline is expected to return to underwriting, which may impact pricing in the longer term.

Despite buyer-friendly market conditions, stringent underwriting remains. As such, a well-prepared submission and renewal strategy, combined with early engagement of the market, can potentially enable continued competitive terms, such as broad cover, reasonable retention levels, reduced rates, and plentiful capacity.

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Professional indemnity insurance

Premium rate trends

The professional indemnity (PI) insurance market in Australia generally experienced rate reductions, although this varied across professions and risk profiles. In the first half of 2024, average year-on-year premium rate change typically ranged from flat to 20% reductions.

The increased capacity from existing markets and new entrants in both Australia and London resulted in a competitive landscape for professions that are considered to have low risk profiles, such as bookkeepers, human resource consultants, management consultants and training consultants. Low risk accounts are typically streamlined through automated online quoting systems, enabling a more efficient pricing and renewal process. Premium reductions of 10% to 20% were typically seen in the first half of 2024.

For those with more complex or higher risk profiles, competition from additional market capacity meant that premium decreases were still achievable, but to a lesser extent, generally ranging from flat to 10% reductions.

Key underwriting trends and insured purchasing patterns

During underwriting, insurers typically have shifted focus from pure financial exposure to the overall internal operations of the business, including culture, diversity, and experience of staff; exposure to vulnerable members of the community; community engagement; anti-corruption policies; adaption and exposure to generative AI; and risk management processes.

A new trend emerged in the first half of 2024, with mid-sized clients starting to redesign and restructure their existing PI insurance programs to maximise premiumsavings available. Strategies included reducing existing limits of liability and purchasing 'excess of loss' policies, or using alternative co-insurance on more complex risk profiles.

Looking ahead

Barring unforeseen changes, competitive market conditions are expected to continue into the year for all professions in Australia – subject to no catastrophic losses – with stabilisation of rates likely to start taking effect in 12 to 18 months.

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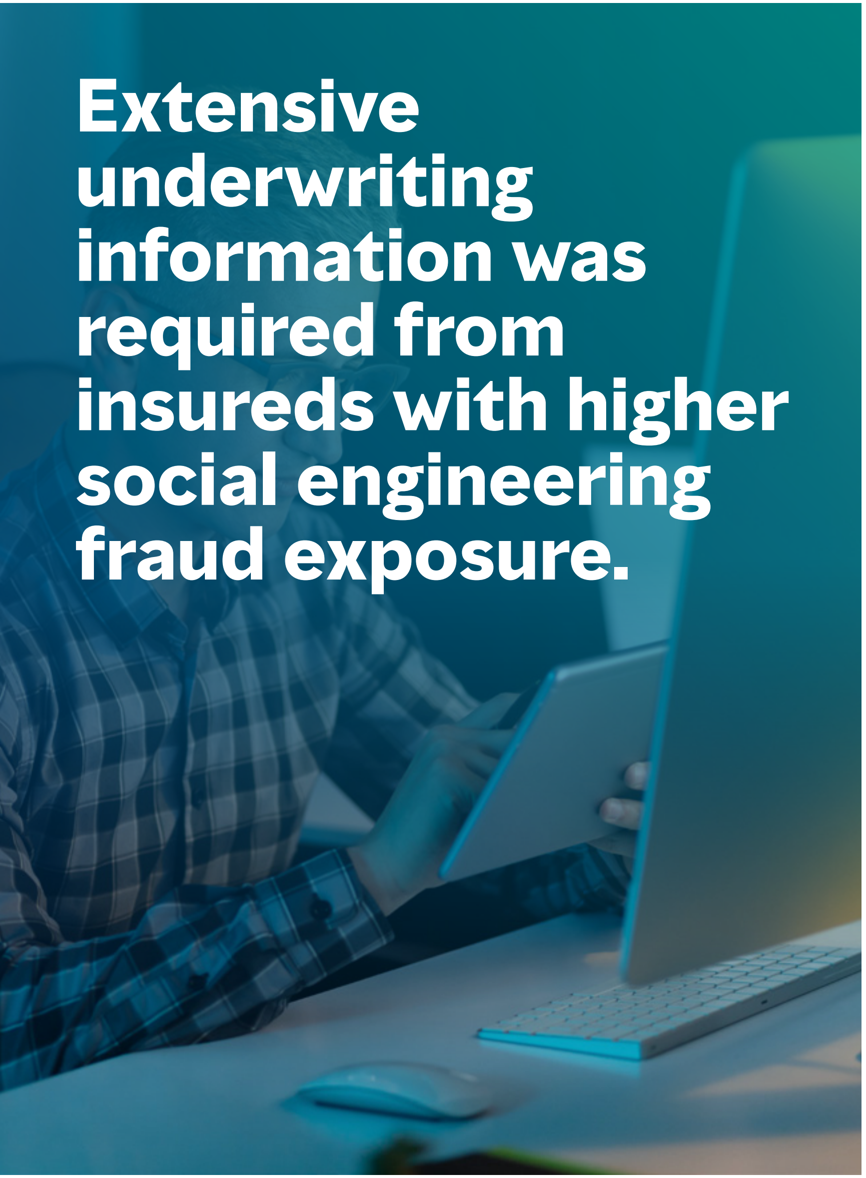

Crime insurance

Premium rate trends

The Australian crime insurance market experienced increased competition for 'whole of account' placements, such as placing crime, D&O, and employment practices liability policies with the same insurer. These placements typically saw rates range from flat to 5% increases, on average, whereas independent crime placements generally experienced increases up to 10%.

Key underwriting and claims trends

Insureds with higher social engineering fraud exposure were required to provide extensive and detailed underwriting information. Insurers focused on a business' internal controls, ongoing internal education and training of staff, and cyber controls to minimise exposure. The increased scrutiny resulted from the increased claims activity over the past 12 months, including the emergence of 'deepfake' events.

For non-financial industries, crime insurance claims increased in areas such as theft of tools in manufacturing and construction sectors, theft from patients in healthcare sectors, and theft of general property in other industries. Consequently, insurers are reviewing the number of locations, risk management controls, segregation of duties, and external audit reports to ascertain any internal trends impacting exposures.

Looking ahead

As the claims trend matures, insurers will likely continue to seek more detailed underwriting information, with stabilisation of rates expected in the near future, barring unforeseen changes in conditions.

Medical malpractice insurance

The first half of 2024 saw increased capacity resulting from existing insurers re-entering the medical malpractice insurance market, in both Australia and London. This has led generally to a more competitive pricing environment than in prior years. Insurer appetite and policy coverage also appeared broader than last year, particularly in the registered health professionals and allied healthcare sectors.

Premium rate trends

In 2024, the medical malpractice insurance market in Australia has seen insurers align their underwriting rigor and pricing model into four main risk categories:

- **Aged care providers** – Rates were generally more competitive than in prior years, driven by additional capacity and competition from both London and local insurers. In the first half of 2024, aged care providers typically saw rates remain flat or decrease by 5%, on average.

Section continues

- **NDIS providers** – Rates were less competitive in the National Disability Insurance Scheme space due to a reduction in capacity. Risks with an adverse claims history, minors exposure, and high abuse exposure typically experienced rate increases up to 10%. Abuse cover continued to be limited in availability and was often costly.
- **Hospitals and registered health practitioners (GP)** – For the registered health professional sector, risks with complex presentation exposures such as hospitals, obstetrics, and reproductive health, continued to experience premium increases, typically of 10% or higher. Available capacity remained challenging for reproductive health and technology-enabled healthcare, such as e-health and clinical AI.
- **Allied health and community care** – Rates remained competitive as market capacity increased over the past year. Stable and claim-free risks typically saw rate reductions up to 15%.

Key underwriting trends

For renewals in the first half of 2024, insurers showed interest in understanding emerging risks for healthcare providers, such as AI diagnostic tools, AI monitoring systems of patients, and security around personal data of patients. Insurers were keen to understand the risk management systems and procedures implemented to control these emerging exposures.

Insurers have heightened their scrutiny of existing aged care providers, including their adherence to and transition plans related to various regulatory frameworks, such as the Strengthened Aged Care Quality Standards, Monthly Care Statements, Residential Aged Care Accommodation Framework, and the National Aged Care Data Strategy 2024-2029. Insurers are also reviewing insureds' compliance with the Aged Care Quality and Safety Commission's (ACQSC) risk management, incident management, and notification procedure guidelines.

Insurers were generally conservative and hesitant to take on risk from new NDIS providers. Underwriting for new providers focused on the provider's risk management around abuse, privacy and respecting residents' rights.

Allied health and community care providers are currently experiencing a competitive market, with insurers focused on claims history and areas of specialised services provided.

Looking ahead

The increased market capacity will likely continue to put downward pressure on premiums and further reductions are expected through the remainder of 2024, barring unforeseen changes in conditions. Insurers will likely continue to retain existing portfolios, focusing on more profitable segments.

2024 saw insurers introduce new and innovative medical malpractice insurance solutions, such as e-health insurance, to cater to emerging and growing risks related to biotechnology, medical apps and other healthcare technology. Insurer capacity and appetite for these specialised solutions will likely evolve over time in line with the emerging risks.

5 Cyber insurance

Market overview

The Australian cyber insurance market conditions improved considerably over the last 12 months. Easing of terms and pricing were driven by general improvements in cyber hygiene and an uplift in insureds' cyber risk maturity. Improved insurer rate modelling and increased demand for insurance solutions also contributed to market stabilisation.

Overall capacity increased with the entrance of new cyber insurers into the Australian market. Throughout the first half of 2024, incumbent insurers generally increased their share on existing programs, with some Australian insurers now offering limits of up to $15 million on either a primary or excess basis, which represents a 50% increase compared to the $10 million limit typically offered in 2023.

In a market where supply outpaced demand, the continued increase in capacity and competition created a buyer-friendly environment and put downward pressure on rates. Insurers were also more willing to work with insureds to broaden coverage.

Premium rate trends

In the first half of 2024, most cyber insureds experienced flat rates or reductions. In the second quarter, approximately 60% of Marsh clients experienced rate reductions. Premium increases were primarily seen in the small to medium enterprise (SME) segment, driven by a combination of increases in insurers' minimum rates and risk-specific factors, such as material growth in the insured's revenue.

Cyber insurance pricing movements in the Australian market were notably different compared to the same period last year. While 2023 saw rate increases typically in the 10% to 20% range, in the first half of 2024 rates at renewal were typically flat to 10% decreases.

Section continues ▸

Key coverage and underwriting trends

Cyber self-assessments adding value to underwriting process

Underwriting and pricing guidelines from insurers have focused less on metrics like revenue and industry, and instead placed greater emphasis on internal controls. More clients have incorporated the Marsh Cyber Self-Assessment (CSA) tool as part of their renewal or placement strategy to assess their overall cybersecurity profile. During the underwriting process, this step can highlight to insurers the strengths in an organisation's cybersecurity position, while also opening opportunities for insureds to address factors that may be perceived by insurers as less than ideal. Our CSA data has shown a strong correlation between the strength of an organisation's cyber risk management procedures and its corresponding exposure to potential cyber incidents.

Continued focus on vendor cyber risk

Insurers continued to scrutinise companies' supply chain ecosystem, seeking information regarding vendor cyber risk exposures, particularly where there is a single provider dependency for critical business systems.

Increasing demand and capacity for cyber physical damage cover

Cyber physical damage cover continued to evolve as market capacity increased. Standalone or blended cyber physical damage insurance has become an increasingly common way for insureds to address coverage gaps under their traditional insurance policies, arising from cyber-triggered events that potentially can cause physical/ property damage.

Insureds seeking coverage enhancements

Throughout the first half of 2024, insureds focused on achieving cost savings and using the competitive market to achieve both short- and long-term coverage enhancements. Insurers were generally willing to provide extensions of cover in areas such as:

- Listing non-technology suppliers for contingent business interruption cover.
- Writing back cover for certain physical assets such as servers, laptops, and mobiles.
- Business interruption triggered reputational harm protection.

Growing size and use of excess facility

Another key development in the cyber market was the number of London insurers that signed up to the latest and broadest version of Marsh's proprietary wording, *Cybershield*. As of the first half of 2024, there were 18 markets signed up, of which 7 insurers signed up in the last 12 months.

Currently the largest facility of its kind in the market, the Marsh *ECHO* excess facility increased to $125 million in 2024, compared to $100 million in 2023. The facility provides insureds with direct and efficient access to additional Lloyd's capacity, as well as a guaranteed reinstatement of limit in the event of a loss, typically at lower pricing compared to replacing the limit through the open market. Some clients have purchased the pre-agreed reinstatement and others have purchased the reinstatement post-incident to maintain adequate cover during critical times.

Legislative landscape: Spotlight on privacy protection

Cyber insurers maintained a close eye on legislative changes, particularly those related to privacy protections. Following several years of extensive public consultation, the Australian Government reaffirmed its commitment to protect personal data by bringing forward legislation in August 2024 to overhaul the *Privacy Act 1988 (Cth)* as part of its broader privacy reform. It is expected that most of the recommended reforms as detailed in the Privacy Act Review Report (published February 2023) will likely be implemented. As such, insurers are placing greater focus on data protection frameworks of companies, such as data collection, retention, and deletion policies and whether they align with legislative requirements.

Insured purchasing patterns

Interest and investment in cyber insurance continued to grow year-on-year as a result of the rise in operational reliance on technology, digital supply chains and data. Following a number of high profile data breaches in Australia and increasing awareness of cyber risk exposures and their potential impact, cyber insurance has become an efficient mechanism for providing protection for financial and operational consequences, reputational damage, and regulatory repercussions from cyber events. The number of cyber insurance policies placed into the market continued to rise.

A number of clients purchased higher limits on their cyber program in the first half of 2024 to take advantage of market conditions and pricing. The use of analytics to drive decision making around appropriate size of limits continues to increase. Marsh clients have been using Blue[i] Analytics Solutions and/or Cyber Advisory modelling, which enables specific scenarios to be considered, to help inform policy design and limit selection.

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Claims trends

Ransomware events continue to dominate the claims landscape both globally and in Australia, resulting in significant financial losses for businesses. Locally, SMEs have been particularly impacted by business email compromise and social engineering fraud. Overall claims frequency in Australia increased over the last 11 years (see Fig. 4).

Notable cyber claims trends in the first half of 2024 included:

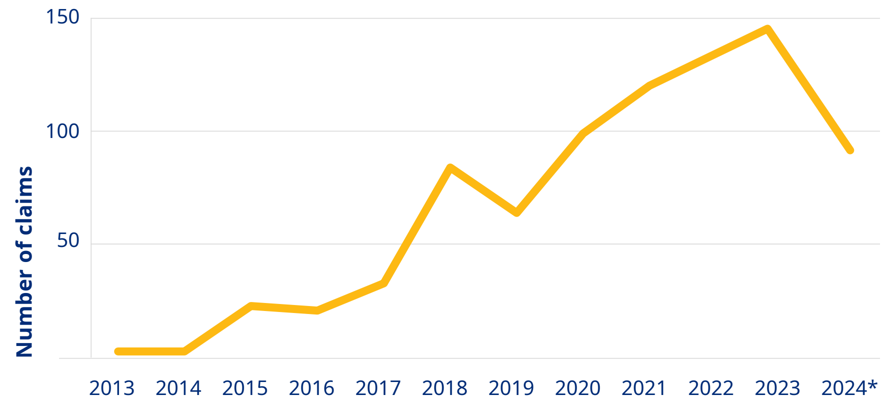
- Decline in frequency of ransomware claims.
- Increased frequency of business email compromise events, for example, funds transfer fraud primarily impacting small businesses.
- Increased claim notifications in healthcare and professional services sectors.
- Downward trend in companies electing to pay a ransom.
- Increased overall loss costs related to ransomware events due to third party liability costs.

Globally, the healthcare, communications, retail/wholesale, and media and technology sectors reported the most cyber claims in 2023, with healthcare consistently ranking in the top position in recent years (see Fig. 5).

Cyber attacks target critical infrastructure and natural resources

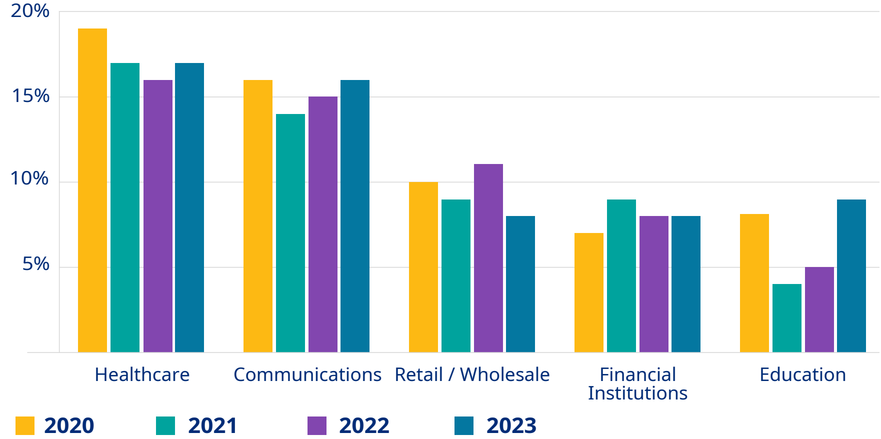
In addition to industries that hold a substantial amount of personal and/or sensitive data, cyber attacks in the first half of 2024 have targeted the critical infrastructure and natural resources sectors. These industries rely heavily on both information technology (IT) and operational technology (OT) systems that monitor and control physical devices and processes. The security of OT networks has traditionally fallen behind IT networks, and as OT networks become increasingly digitised, associated cyber risk is also increasing.

04 | Cyber claims notifications 2013-2024
Source: Marsh Pty Ltd data



*2024 represents provisional data as at August 2024.

05 | Reported claims by industry 2020-2023
Source: Marsh global claims data



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AI creating new cyber threats and vulnerabilities

The growing adoption and use of artificial intelligence (AI) in business has created new opportunities for threat actors to target companies, for example, using AI to detect vulnerabilities or to conduct sophisticated social engineering fraud.

IT vulnerabilities where no patch or security fix is available has increased in recent years; the number of reported 'zero-day vulnerabilities' increased by 56% in 2023 compared to 2022. Third-party suppliers represent an increasing cyber vulnerability, with third-party attack vectors responsible for almost 30% of breaches globally in the fourth quarter of 2023. Significant incidents, such as the recent vulnerability exploited in a file transfer software, highlight the importance for organisations to assess their wider supplier network's cybersecurity exposures in addition to their own.

Insurers continue to monitor AI developments and seek specific underwriting information from insureds that actively utilise it.

Major software upgrade cyber incident

Following a recent large scale global cyber incident – which was related to an error in a software upgrade – we expect insurers to increase their focus on the following aspects of a business during underwriting:

- Business continuity plans and how fast they can be activated.
- Reliance on external IT providers and their cybersecurity profiles and practices.

While the financial impact from this incident is not expected to have a significant impact on insurers' cyber portfolios broadly, resulting losses coupled with persistent ransomware claims may lead to some pressure on reinsurance rates. Any impact on cyber insurance premium rates will likely take time to realise, and we do not anticipate this event alone to drive broad rate adjustment.

Looking ahead

The significant improvement in cyber risk maturity profiles and growing investment in cyber hygiene by Australian organisations will likely continue to make a positive impact on the Australian cyber insurance market. Barring unforeseen events, current favourable buying conditions and the ability to negotiate competitive premiums and broad coverage are expected to continue for the remainder of 2024 and beyond. The Australian regulatory environment will continue to recognise the ever-evolving cyber threats impacting businesses and the critical importance of protecting an individual's data.

Clients continue to benefit during their renewals from using Marsh's self-assessment tool and benchmarking data as it helps differentiate their risk when approaching the market. Starting the renewal strategy early and demonstrating strong maturity and cyber resilience are key to generating market interest and favourable renewal outcomes.

6 Environmental liability insurance

Market overview and premium rate trends

The Australian environmental impairment liability insurance market stabilised in the first half of 2024, with average rate changes ranging from flat to 5% increases. Rate increases have moderated compared to the same period in 2023, when increases of 5% to 10% were seen.

Rates were driven by increased reinsurance costs, growing claims frequency and costs, and costs of remediation of pollution, which have increased due to inflation.

In some instances, competition among insurers achieved through the remarketing of insurance programs put downward pressure on pricing.

Key coverage and underwriting trends

PFAS cover remains challenging amidst evolving health impacts and clean-up costs

The market appetite for PFAS cover is changing rapidly. PFAS chemicals historically have been used extensively in commercial and industrial applications including repellent/coating materials, insecticides/pesticides, food packaging, cosmetics, medical devices, aviation hydraulic fluid and firefighting foam. In recent years, the environmental and health impacts of PFAS have come under the spotlight.

Given the persistent nature of PFAS once it enters the environment (including through soil, stormwater, groundwater and river ways), insurers remain focused on future clean-up costs as regulatory guidelines and clean-up standards evolve. For example, what is deemed as acceptable toxicity levels currently from a human health and ecological perspective may change and likely become more stringent in the future.

Environmental impairment liability insurance policies are designed to respond to clean-up efforts to the extent required under environmental law. If the law changes within a policy period, an insurer may be liable for the required clean-up in accordance with the new legislation. As such, the cost of clean-up can also change as the law changes. PFAS related pollution is typically expensive to remediate, particularly disposal of contaminated soil.

Section continues ▶

As environmental policies are designed to respond to third-party bodily injury and property damage losses, insurers are keeping a close watch on litigation developments involving illness or loss of property value. The understanding of potential health impacts from PFAS chemicals continues to develop, as will the impact on the insurance market.

In the first half of 2024, underwriting approaches and renewal outcomes were varied and subject to the assessment of individual risk profiles.

Fixed site insurance

In the first half of 2024, insurers imposed PFAS exclusions on fixed site pollution legal liability policies covering properties where PFAS is present or likely to be present, such as water utilities, defence sites, airports, ports and terminals, landfills, development sites, and manufacturing and industrial properties.

PFAS exclusions have been applied in some cases when the policy is covering new pollution conditions – for example, future spills – in addition to pre-existing pollution conditions, given the difficulty to identify a new spill versus a historical spill if PFAS is already persistent in the environment.

Some insurers also offered writebacks in PFAS coverage on certain risks, for example, the storage or maintenance of fire extinguishers containing PFAS foam, or the use of fire suppression systems in a hostile fire where PFAS foams or aqueous film forming foams (AFFF) are permitted. Alternatively, some insurers have offered PFAS coverage with a small sub-limit.

Insurers have typically imposed PFAS exclusions on policies in the absence of evidence confirming there was no legacy PFAS contamination at a site. As such, insurers have been seeking specific and detailed underwriting information, including:

- Whether operations at a site use, store, or manufacture PFAS products, materials, or fire suppressants, currently or in the past.
- Detailed site investigations that assess the risk of PFAS contamination being present.
- Any correspondence with environmental regulators on PFAS related matters.
- Insured's risk management controls and procedures.

In the first half of 2024, appetite for multi-year policies covering declared properties reduced in length, to one to three years compared to previously available five-year policy periods. With environmental legislations and clean-up standards constantly evolving, insurers have shown a growing preference to underwrite the risk on a more regular basis.

Contractors pollution liability insurance

It is not common to see a PFAS exclusion under contractors pollution liability insurance policies, which are intended to cover spills caused by 'covered operations' of defined works under the policy. The cover is not designed to respond to legacy PFAS contamination, other than where legacy PFAS has been directly aggravated by the 'covered operations.' In most cases, the environmental insurance market has been comfortable in providing coverage without imposing PFAS exclusions. Whether treaty reinsurers may impose further restrictions in the future remains to be seen.

Coal or thermal coal exposed risks

The market continued to be challenging with limited insurer appetite and capacity for clients in the coal or thermal coal industries, particularly where coal or thermal coal derived revenue breaches the insurer's thresholds. Underwriting guidelines and ESG requirements varied among insurers, with their internal sustainability teams often becoming involved in underwriting related to these risks.

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Insured purchasing patterns

Purchasing patterns have varied depending on insureds' needs and the industry in which they operate. General trends observed in 2024 include:

- Some clients changed insurers due to:
  - Desire to retain the broadest PFAS coverage available.
  - Premium cost considerations.
- Some clients entered into LTAs to lock in desirable coverage and premium terms.

Claims trends

In the environmental liability claims space, most reported incidents over the last 12 months related to PFAS or asbestos; however, the frequency increased for pollution losses arising from heavy rainfall events.

- **PFAS contamination:** A number of class actions related to PFAS contamination causing widespread damage in recent years have resulted in settlements in significant amounts (greater than $100 million). This included a multi-site class action settlement after PFAS contamination negatively impacted some 30,000 residents and devalued their respective properties spanning seven communities near military bases across Australia. These class actions and settlements have raised concern among environmental liability insurers over future potential PFAS litigation in Australia and its impact on insurance claims costs.
- **Asbestos contaminated mulch:** Numerous sites across NSW and Queensland have been identified as being contaminated with asbestos mulch derived from resource and recovery facilities. These findings have led to an increase in the number of claims notifications under environmental liability policies. The full material impact of these losses on the insurance market, particularly on insurer profitability, remains to be seen.

Looking ahead

Barring unforeseen changes in conditions, rate increases for the remainder of 2024 are likely to follow a similar pattern as the first half of the year due to inflationary and economic pressures. Insureds that can demonstrate sound environmental risk management, compliance with relevant legislation, have good claims experience, and have maintained key insurer relationships will be well positioned to achieve flat or minimal rate increases.

For insureds with more challenging risks, like PFAS or asbestos exposures, insurers typically will look more favourably on those that keep up-to-date with changing regulations and take proactive steps to minimise potential future liability for PFAS or to minimise the risks of asbestos contaminated mulch at their sites.

7 Health insurance

Market overview and premium rate trends

The private health insurance industry continued to experience moderate annual premium increases, with an average increase of 3% seen in 2024. While this increase was marginally higher compared to the previous five years, it was less than the 6% increase that most health funds initially submitted to the Federal Government for approval at the end of 2023.

From a Consumer Price Index (CPI) perspective, the health group rose by 5.7% in the second quarter of 2024 compared to the same period in 2023, with hospital and medical services (+6.7%) being the main contributor.

The income thresholds used to calculate the Medicare levy surcharge and private health insurance rebate have increased from 1 July 2024.

Service accessibility ease pressure off hospitals

Following the introduction of telehealth during the pandemic, which continues to be broadly used by Australians, accessibility of services became an expected deliverable for many members. In 2024, private health insurers continued to cover telehealth services for psychology, physiotherapy, dietetics, exercise physiology, and speech pathology.

Hospital substitute programs have gained support and seen wider use, aiding patient recovery while freeing up hospital beds. APRA data shows the first quarter of 2024 saw a decrease in hospital treatment episodes by 4.5%, which has been largely driven by hospital substitute programs.

Insured purchasing patterns

In 2024, private health insurance coverage across the country remained stable, with 44.8% of the population covered for private hospital treatment, which represents a marginal increase from 2023. There was some change in the level of cover purchased, with some members choosing to downgrade cover due to cost of living pressures. It remains to be seen whether this becomes a broader trend.

In the corporate space, health insurance continued to be a highly valued employee benefit in Australia. Multinational employers are leading the way, with the high-tech sector in particular having a high prevalence of employers offering health insurance to staff.

Looking ahead

With voluntary health plans continuing to be an attractive employee benefit, the success of these programs is heavily reliant on careful program design and planning, as well as engagement across all stakeholders. Given the community rated nature of private health insurance in the Australian market, employers with subsidised health plans will likely continue to explore cost sharing measures and/or plan designs that offer a greater level of budgetary predictability.

8 Accident and health insurance

International health (Expatriate insurance)

Expatriate medical insurance provides medical and related insurance covers and emergency assistance services to employees working overseas on assignment. Cover is currently typically available for both outbound (expatriates) and inbound (non-resident) employees. Global expatriate insurers have benefited from having network medical providers in place, which has assisted with easing of the global inflation rate.

Medical inflation and foreign currency fluctuation drive up claim costs

In the first half of 2024, international health insurance premium increased, on average, by 10% to 15% compared to the previous year. Australian insurers have continued to take a cautious approach to expatriate medical corporate plans, largely driven by medical inflation and other key factors such as:

- Foreign currency fluctuation.
- Limited ability to negotiate costs and implement cost containment measures with overseas medical providers.
- Significant increase in cost of medical evacuation across both expatriate and travel insurance programs.

These factors have contributed to the frequency of high-cost claims and poor claims performance on group programs.

Corporate travel

In the first half of 2024, the global travel industry continued to make significant progress in recovering from the COVID-19 pandemic. With widespread vaccination efforts and improved treatments, travel restrictions have eased and confidence in travel has been boosted. Corporate travel is returning to pre-pandemic levels of activity. Nearly 1.8 million Australian overseas departures were recorded in June 2024, which represents a 13% increase from the same period last year.

Notable market trends and observations from the first half of 2024 include:

- **Health and safety measures:** As travel resumes, elevated standards of public health and safety measures that were established as a result of the pandemic are likely to remain to prevent the spread of infectious diseases, such as enhanced cleaning protocols and health screenings. Vaccination requirements and the use of digital health passports or certificates have eased, and in most cases, are no longer required.
- **Changing travel patterns:** The pandemic reshaped travel patterns and preferences. Business travel continued to be influenced by the adoption of remote work practices and virtual meetings, leading to a potential shift towards more essential and strategic business trips. Leisure travel may see a surge as people seek to make up for lost time and explore new destinations.
- **Technology and digital transformation:** The pandemic accelerated the adoption of technology in the travel industry. Digital tools for contactless check-ins, online bookings, and virtual experiences are likely to continue to evolve and become more prevalent. Travellers may also rely more on real-time information, mobile apps, and AI-powered services for personalised recommendations and assistance.

These factors combined have contributed to average corporate travel insurance premiums increase by 10% to 15% in the first half of 2024, as compared to last year.

Section continues

Looking ahead

Despite the uplift in travel activities, the future of travel is uncertain as it can be influenced by factors including the progression of the pandemic, government regulations, economic conditions and traveller behaviour. Due to the uncertain nature of the travel sector, similar rate increases are likely to continue for the remainder of the year and potentially into 2025 in the Australian corporate travel insurance market. It is important to stay updated on the latest travel advisories, follow guidelines from health and travel authorities, and consult with travel professionals for the most accurate and up-to-date information regarding travel in 2024 and beyond.

Group personal accident and sickness

The Australian group personal accident (GPA) insurance market experienced challenging conditions in the first half of the year, including:

- **Coverage limitations:** Some GPA insurance policies have specific coverage limitations and exclusions. These restrictions can vary between insurers and policy wordings. It is important for insured groups to carefully review the policy terms and conditions in order to gain a deep understanding of what is covered and what is excluded. Insurers' appetite has been constantly changing, which can be challenging during renewal.
- **Pre-existing conditions:** Some policies exclude coverage for pre-existing conditions, and therefore will not cover any injuries or disabilities related to that condition. This is proving to be challenging in an ageing workforce.
- **Premium cost:** The cost of GPA insurance can vary depending on factors such as the size of the insured group, the level of coverage, and the risk profile of the group. Premiums can be a significant expense for organisations, especially if they have a large number of members or if the group engages in high risk activities. Premium increases of 10% to 15% were observed in the first half of 2024.
- **Claims management:** The claims management process for GPA insurance can at times be complex and time-consuming. Insured groups are often required to provide detailed documentation and evidence to support their claims. Delays or disputes in the claims process can create challenges for individuals seeking much needed compensation for their injuries and/or medical costs.

Looking ahead

In light of potentially ongoing rate fluctuations and the return of LTAs, insureds should carefully consider opportunities to lock in competitive rates and terms for two to three years, where possible with the insurer.

To ensure a healthy and protected workforce, organisations should closely monitor incurred claims and implement a robust early reporting and return-to-work framework. The development of a comprehensive health and well-being strategy should be led by the C-suite in collaboration with representatives from HR, occupational health and safety, risk management, operations, ESG, and marketing and communications.

9 Group life insurance

Market overview

Profitability in the life insurance industry continued to be challenging for insurers. The persistent decline in profits since 2018 have been attributable to:

- Changing business conditions in a post-COVID-19 environment.
- High inflation rates leading to cost of living considerations when purchasing life insurance products.
- Regulatory involvement ranging from the *Treasury Laws Amendment (Putting Members' Interests First) Act 2019* and the implementation of stricter financial advisor licencing requirements have seen an increase in cancelled and lapsed policies.
- Shrinking life insurance market – exit of a major life insurer in 2023, less competition to drive competitive pricing due to less profitability.

Notwithstanding the above, the first half of 2024 saw minimal change in the life insurance market. APRA's concern over the sustainability of long-term disability insurance (salary continuance insurance) has continued to put pressure on rates. On the back of this, the changes APRA made in December 2019 in the retail insurance sector to long-term individual salary continuance plans are beginning to be adopted in the group insurance space. These changes include reducing the excessive income replacement ratios, changing the definition from 'own occupation' for the term of the benefit period to 'any occupation', and the removal of any features that allow the insured to earn income from continued work.

By adopting these changes, organisations can typically achieve cost savings of up to 20% and still maintain the long-term nature of the policy.

Claims trends

In the first half of 2024, cancer claims continued to be prevalent within the Australian life insurance market and mental illness cases have been markedly rising. To combat this trend, early intervention has been key in proactively managing and improving an organisation's claims experience. Insurers proactively offered return-to-work strategies and rehabilitation services to prevent incidents eventuating into claims. Insurers have also continued to invest in additional wellness product offerings to assist individuals and organisations to maintain a healthy lifestyle.

Premium rate trends

Similar to last year, policies with long-term benefit periods (including five years benefit period) were the most affected by the uncertain economic outlook, with average rate increases of 20% to 25% in the first half of 2024. Those with an adverse claims experience generally saw higher increases. Short-term (two years) rates remained relatively stable. Death and lump sum total and permanent disability premium rates were also stable.

10 Workers compensation insurance

Market overview

The workers compensation market continued to be impacted by inflationary pressures, long tail claims and increased frequency in the first half of 2024; however, this has been partially offset by an uplift in wages declared against policies. With this and the legislative changes in Western Australia, insurers targeted an average increase of 2% to 5% across their portfolios; however, actual outcomes varied based on each state's scheme position and individual insurer performance. Marsh's portfolio experienced an average 2% rate increase across the underwritten states, performing better than industry rates.

For those states underwritten by scheme regulators (Queensland, New South Wales, Victoria, South Australia), average industry/scheme rates increased between 0% to 8%. Privately underwritten states and territories (Australian Capital Territory, Northern Territory, Tasmania, Western Australia) saw average industry rate changes ranging from 4.8% reductions to 0.3% increases.

Underwritten states and territories (ACT, NT, Tas, WA)

The recommended rate position of each scheme as suggested by the respective scheme actuary are:

06 | Recommended industry/scheme rates for underwritten states and territories

	2023-2024	2024-2025	% change
WA	1.727%	1.732%	+ 0.3%
Tas	1.90%	1.89%	- 0.5%
ACT	2.10%	2.00%	- 4.8%
NT	N/A	N/A	N/A

Section continues

Australian Capital Territory

Wages and premiums continued to rise in the ACT, consequently offsetting claim liabilities. This has resulted in the recommended average scheme rate to reduce by 4.8% from the expiry (from 2.10% to 2.00%). Common law claims in the ACT continued to heavily impact insurer profitability. Offsetting the large losses has been the continual decrease in claims frequency in recent years as well as the projected reduction expected in 2024-2025. Insurers' portfolios continued to be impacted by long tail liabilities, which have been greater than scheme and actuaries' forecasts and rising scheme levies.

Most insurers have been focused on stable growth in the ACT, particularly in low risk sectors such as administration and hospitality. Conversely, insurers continued to avoid those industries with higher risk and greater common law exposure, such as construction.

Northern Territory

The NT continued to be a difficult jurisdiction for insurers to manage and price. While the economy in the NT continued to see improvement post-COVID-19 with the return of international students and tourism, wage growth has been slow and not readily offsetting the continuous rising claims costs. With challenging portfolios due to the type of risk and location of large employers often being remote in the NT, insurers have been seeking negligible rate increases at renewal, regardless of performance.

Tasmania

The Tasmanian scheme's suggested average rate was 1.89% of wages for 2024-2025, which represents a 0.5% reduction from the 2023-2024 recommended rate. This reduction is attributed to an 11% increase in written wages that underpinned the prior year's rating combined with the stable claims frequency.

Insurers in Tasmania continued to look for growth as the portfolios remain profitable. We expect to see a competitive market on most risks for the 2024-2025 financial year, with rate increases applied only due to performance.

Western Australia

The introduction of WA's legislation modernisation has seen a simplification of the *Workers Compensation and Injury Management Act 2023* (the Act); however, it is also expected to generate increased claims costs greater than forecasted by WorkCover WA. It has since been determined that the scheme report underestimated the impact of the Act change on current claims, causing insurers to reevaluate pricing models.

We have observed WA insurers seeking increases on expiring premium rates regardless of scheme recommendations (0.3%) to account for increasing future liabilities. Insurers have been generally seeking increases of 4% to 7% prior to considering claims performance of the employer, which is expected to continue into the second half of 2024.

Managed fund jurisdictions (Qld, NSW, Vic, SA)

While privately underwritten jurisdictions saw some average industry rates decrease in 2024, the managed fund markets continued to see average industry rate increases, albeit not as significant as in 2023. All schemes reported increasing costs, with mental health claims costs being a highlight, deteriorating at a higher rate than overall scheme costs.

07 | Recommended industry/scheme rates for managed fund jurisdictions

	2023-2024	2024-2025	% change
Qld	1.29%	1.34%	+ 4.1%
NSW	1.60%	1.73%	+ 8%
Vic	1.80%	1.80%	0%
SA	1.85%	1.85%	0%

Section continues ▸

With this, NSW published an 8% recommended industry increase, which is the second year of a three-year increase, as expected. WorkCover Queensland announced a 4.11% increase, which was the lowest average rate in the country, while both SA and Victoria's industry rates held steady. It should be noted that Victoria increased their industry rate significantly in 2023, by 42%.

icare introduces new large employer model

During the first half of 2024, icare announced a new large employer model to align with organisations considering self-insurance. In addition, the banding (premium threshold) for employers to choose claims service providers (CSP) in NSW has reduced to give employers more choice, along with the introduction of new CSPs into the scheme and publishing performance statistics. Despite this, scheme movement was limited and will likely drive icare to redistribute the market to ensure greater scale for all CSPs. However, this will also likely create disruption in the market.

Victoria announced a number of legislative changes, which came into effect on 31 March 2024, to modernise the scheme and acknowledge the current profile of mental injury claims. A market freeze is currently in place until 1 October 2024, which prevents employers from changing agents while the government introduces these legislative changes. WorkSafe Victoria has also undergone some leadership changes, which are anticipated to drive a new strategy to help improve the current poor scheme position.

Excess of loss (Self-insurance)

The excess of loss (XOL) market continued to experience difficult conditions driven by the exit of unprofitable insurers, resulting in a lack of competition, which has been further compounded by the remaining two insurers reevaluating their pricing models and retention levels.

Through the first six months of 2024, there was some easing of rate increases and more stability and certainty around the availability of insurance. Average rate increases were in the range of 5% to 10%, with consistently increased retention levels required by insurers. Insureds renewing with incumbent insurers have generally experienced roll-over retention levels or adjusted to a higher banding to reflect their risk profile. For insureds seeking a change of insurer or new entrants to the market, retention levels have typically been higher and start at around $2.5 million or higher, depending on the jurisdiction of cover or risk profile.

Despite portfolio-wide increases, employers with a program viewed by insurers as well-managed may have been able to achieve roll-over rates or inflationary increases.

Looking ahead

Although market conditions will likely remain challenging in the XOL insurance market for the rest of the year, the market is stabilising as the runoff of long tail liabilities relating to low retention periods are passing and being realised. Insurers will likely be more focused on refining pricing and retention levels for individual risks, rather than applying broad increases portfolio-wide.

To enable the best possible renewal outcome, it is critical for employers to:

- Adhere to policy wording requirements and set up reporting processes with immediate claim lodgement for high risk matters and regular notifiable data exchanges.
- Engage in frequent and collaborative communication with insurer's claims team on notifiable claims.
- Adopt best practice claim and injury management approaches to mitigate future claim exposure.
- Estimate claims accurately as under-reserving can create uncertainty and additional risk.

11 Industry specific insights

In addition to this *Australian Mid-Year Insurance Market Update 2024,* a number of industry specific addendums are available. The industry specific market updates take a deep dive into the state of market throughout the first half of the year, including local market insights and outlook, coverage trends, insurer appetite, market influences, as well as tips on how to maximise renewal outcomes.

To learn about the latest industry specific insurance market insights and trends, click on the links below.

Download Construction report

Download Strata report

For further information, please contact your local Marsh office or visit our website at marsh.com/au

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It is important to note that reported pricing changes are averages and that the data used to estimate the changes cover a wide range of clients in terms of size, industry, location, claims history and other parameters. Many clients received pricing changes that deviated from the average, some higher and some lower.