



Commercial Lines Webinar

Hosted by Susie Amos

7th June, 2023



Copyright © Finity Consulting Pty Ltd

Contact details



finity.com.au



Susie Amos

Principal

E: Susie.Amos@finity.com.au

M: +61 (435) 043 408



1

State of the market

Pravesh Ponna

2

Inflation

Gokul Chandrasekaran

3

Reinsurance and the hard market

Uday Soni

4

Competitor position

Alina Pettifer

5

Cyclone pool – learnings from early adopters

Kostia Lubarsky

6

Liability – Are we in crisis?

Estelle Pearson

7

Cyber market update

Luke Sheppard



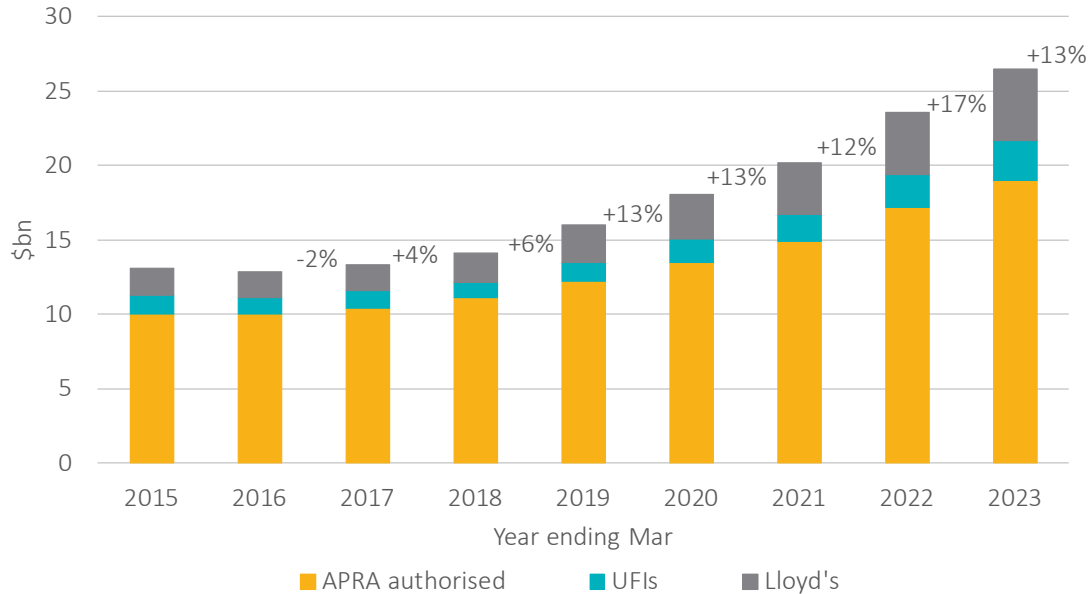


State of the Market

Pravesh Ponna



Commercial lines market GWP



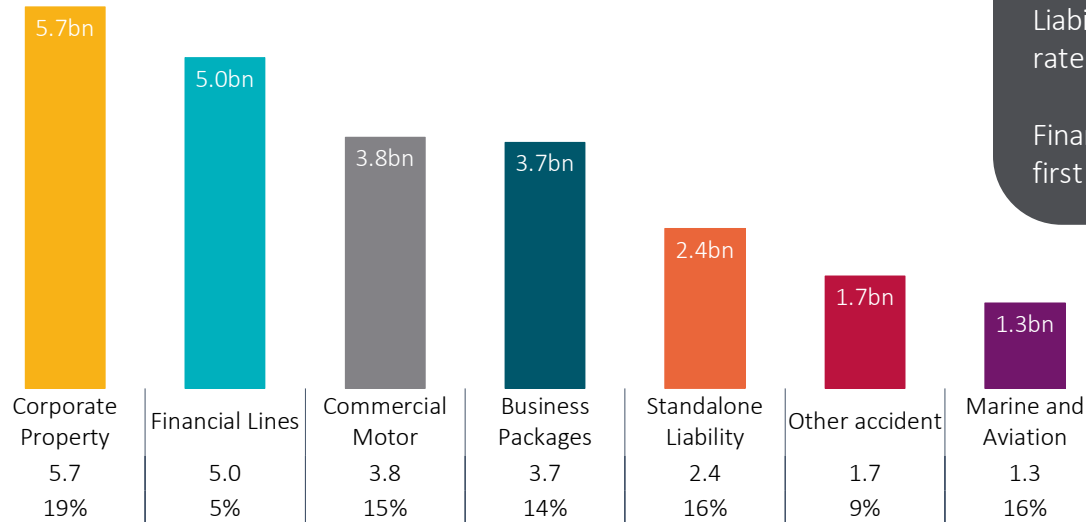
Double digit top line growth continues

Another year of strong rate increases as market continues to respond a range of cost pressures

Lloyd's and overseas capacity continues to grow

Line of business GWP breakdown

GWP: Year to March 2023

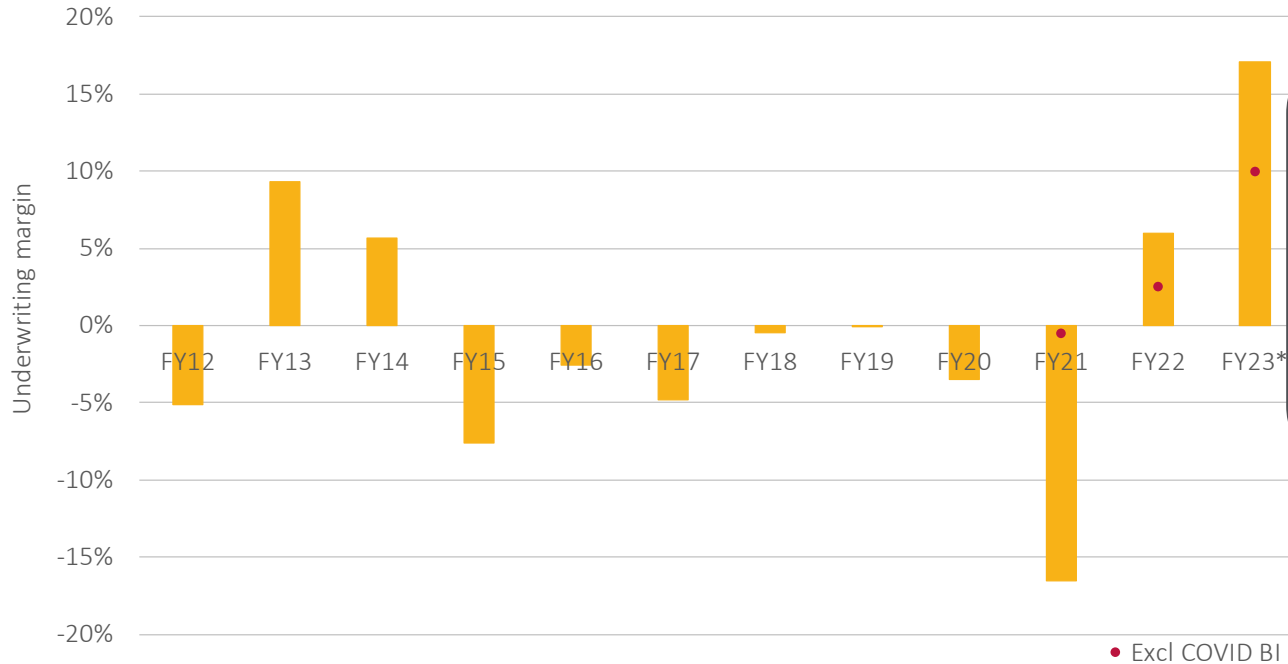


Commercial Property, Motor and BusPack rates fuelled by cost pressures

Liability increased strongly due to rate and capacity

Financial Lines moderated for the first time in many years

Overall Reported Profitability



*FY23 is the year to Mar-23, Chart is excluding yield curve impacts

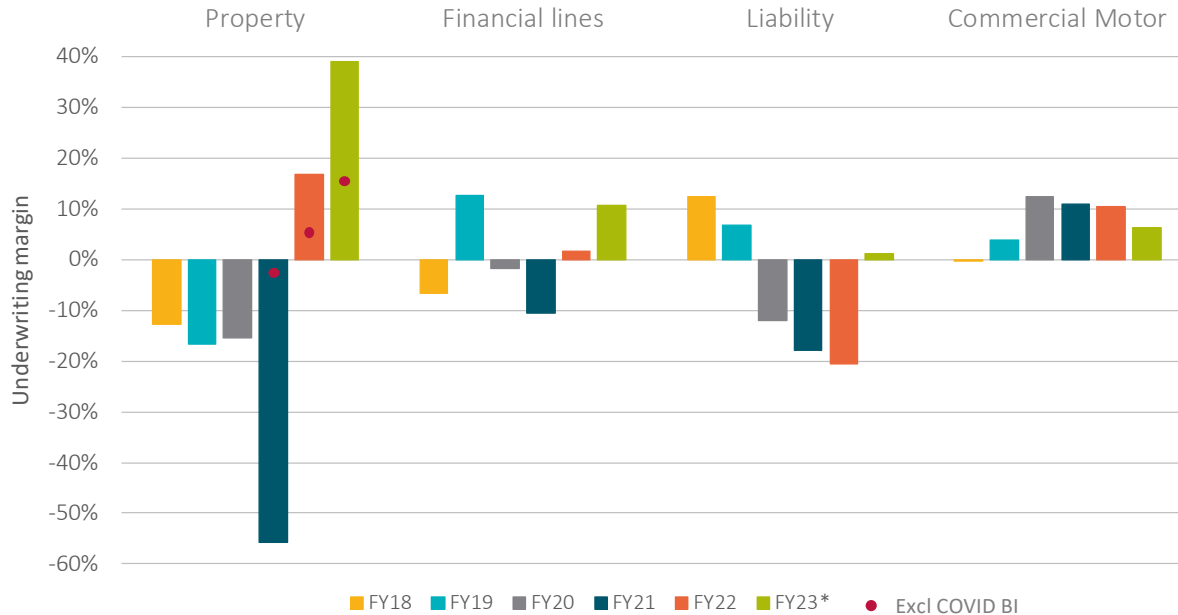
• Excl COVID BI

The last two years have been profitable for commercial lines, after a long loss making period

Strong rate increases over many years now bearing fruit

COVID-BI reserve strengthening/ releases have added volatility to reported results

Mixed profitability outcomes



Mixed results by classes

Even after normalising for COVID BI releases, Corporate Property reported a strong UW margin in FY23

Prior year impacts continue to impact Liability

*FY23 is the year to Mar-23, Chart is excluding yield curve impacts

Underlying Profitability and Outlook

	FY23 view of underlying profitability	Cost pressures	Rate outlook
Corporate Property	Profitable, below target returns	Inflation and RI costs	↗ Increasing, but at a slower pace
Standalone Liability	Profitable, meeting target returns	Inflationary pressures and segment specific issues	↗ Increasing, but at a slower pace
Financial Lines	Profitable, meeting target returns	Economic environment and segment specific issues	→ Continuing to moderate
Business Packages	Unprofitable, below target returns	Inflation and RI costs	↗ Increasing at a similar pace
Commercial Motor	Profitable, meeting target returns	Labour and materials inflation	↑ Increasing at a stronger pace

Contact details



finity.com.au



Pravesh Ponna

Principal

E: Pravesh.Ponna@finity.com.au

M: +61 (481) 303 709



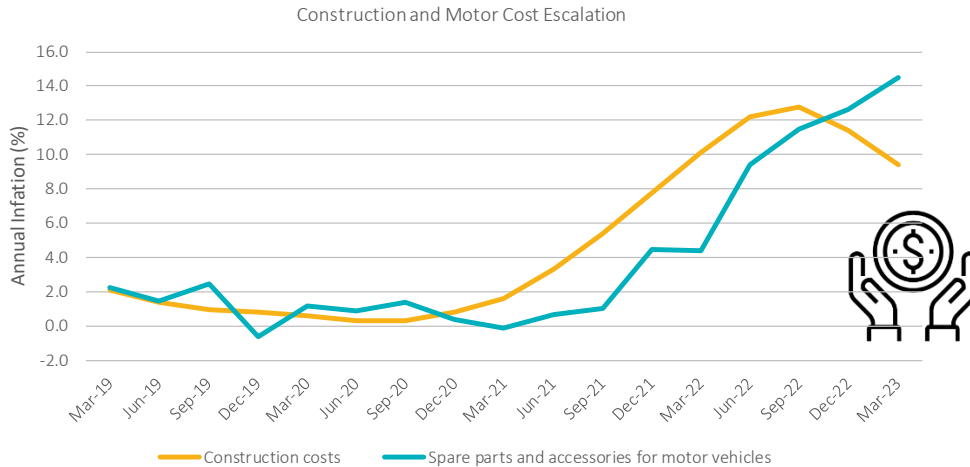


Inflation

Gokul Chandrasekaran

Inflation: Transitory or here to stay?

Market trends



Supply chain disruptions and labour shortages have driven increases in construction costs, cost of spare parts and repairs

Things to think about

Case
reserving

IBNR

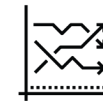
Pricing basis

Heads of
damage

Social
inflation

Claims
management

Looking ahead



Wages picking up, economic outlook uncertain, legal and medical costs rising and court awards could follow

Contact details



finitly.com.au



Gokul Chandrasekaran

Senior Consultant

E: Gokul.Chandrasekaran@finitly.com.au

M: +61 (420) 291 737



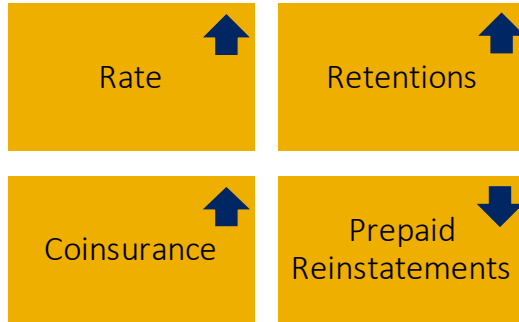


Reinsurance and the hard market

Uday Soni

Responding to the hardening reinsurance market

Market trends



Focus areas



Market strategy

Let reinsurers know what is being done to protect your portfolio

Climate cycles

Recent loss experience is not indicative of the upcoming years as we transition to El Nino

Capital

Work with your broker to understand realistic renewal outcomes and capital implications

Inflation

Views on inflation should be coordinated and internally consistent

CAT modelling

Form an accurate view of modelled losses early



Contact details



finity.com.au



Uday Soni

Consultant

E: Uday.Soni@finity.com.au

M: +61 (434) 105 139



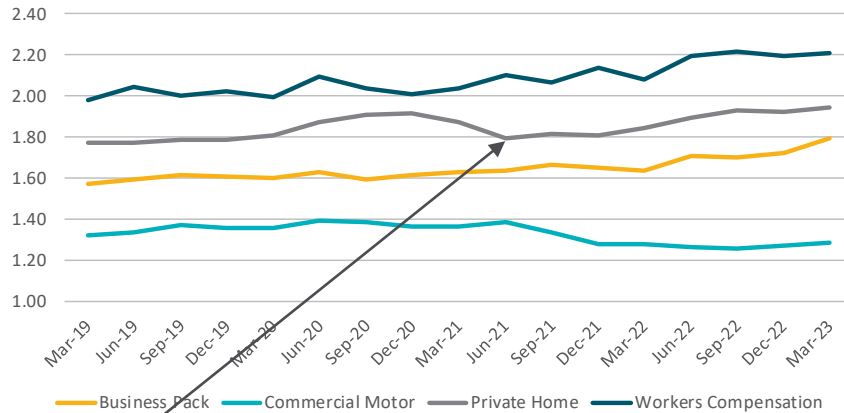


Competitor position

Alina Pettifer

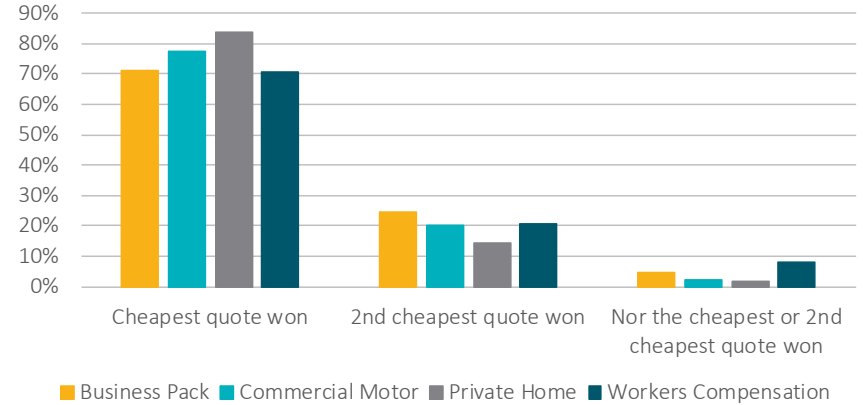
Competitive position becoming more important

Average number of new business quotes per customer



One insurer stopped transacting on Sunrise here

Winning rank (where competed)



2021 and 2022 calendar years

Source: Sunrise data sourced from Finity's Vantage product



Contact details



finity.com.au



Alina Pettifer

Principal

E: alina.pettifer@finity.com.au

M: +61 (400) 337 313





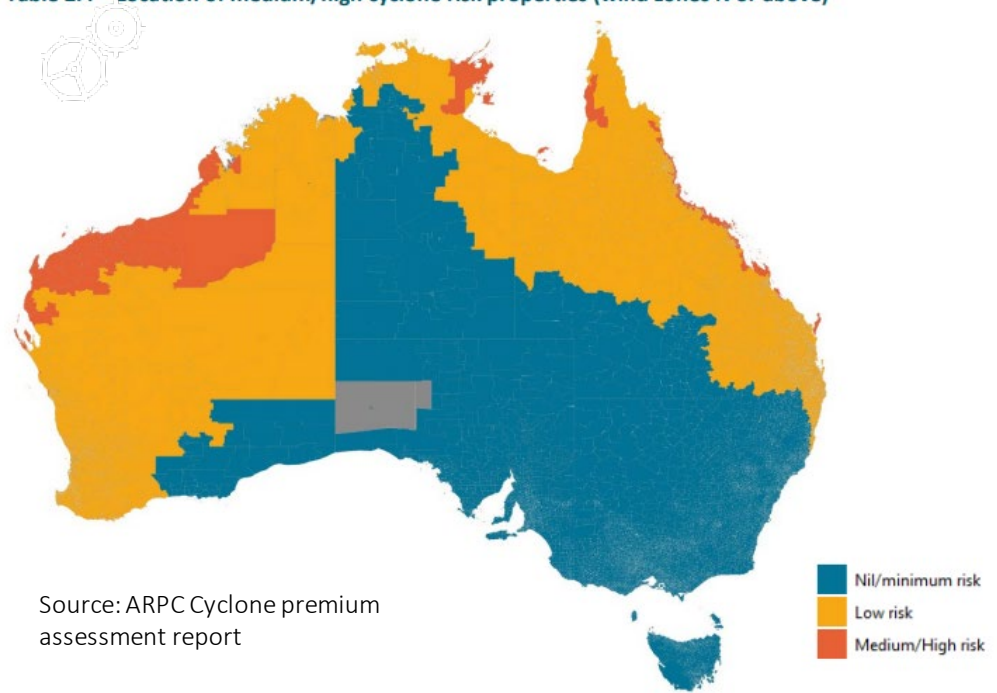
Cyclone pool – learnings from early adopters

Kostia Lubarsky

Who will be in the pool

Table 2.4 – Location of medium/high cyclone risk properties (wind zones N or above)

- Insurers will need to join the Cyclone pool if they write \$10m GWP across Home, SME Property and Strata in eligible areas
 - Eligible areas include both medium/high and low risk areas on the map on the right
- More details around eligibility will be provided in the slide deck that we'll share with you after the seminar



Early learnings from cyclone pool



Substantial effort involved

- Timeline – can take 6+ months
- Key work required – strategy, pricing, systems, reporting
- Expertise required – product, distribution, actuarial, reinsurance IT, legal



Opportunity to invest in systems

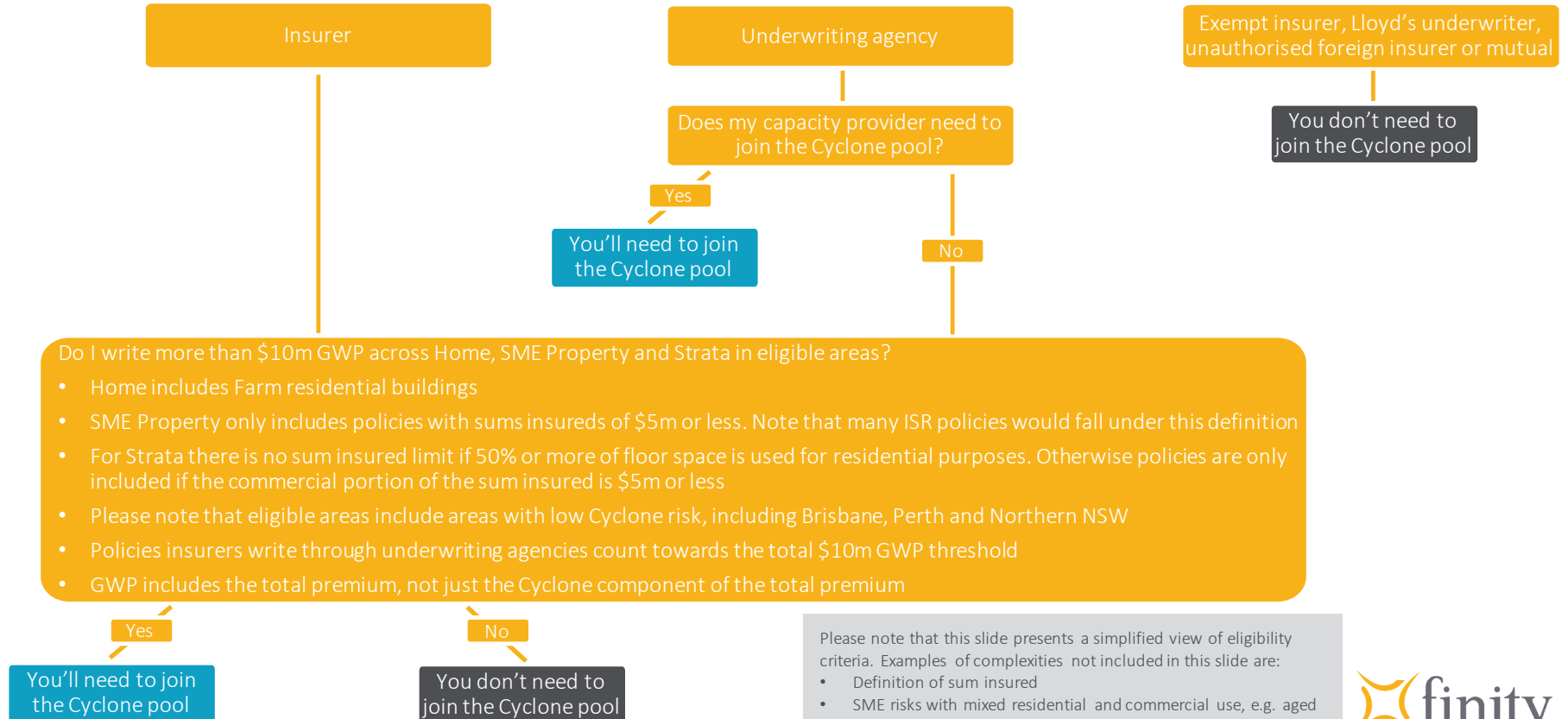
- Implementation often simpler with a modern rating system
- Future CRP rate changes likely
- Modern pricing systems not always a lot of effort to implement, lots of options exist



Early pricing learnings

- Up to you what to charge, just need to pass on savings
- Documenting savings tricky with premium and RI increases
- Useful to confirm questions with ARPC

More details around key eligibility criteria



Contact details



finit.com.au



Kostia Lubarsky

Senior Consultant

E: Kostia.Lubarsky@finit.com.au

M: +61 (415) 738 892

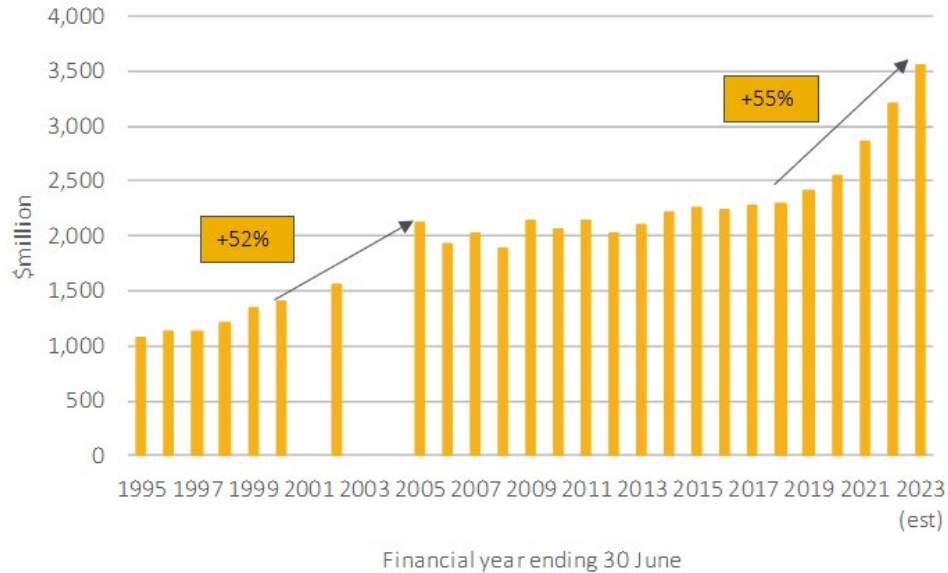




Liability – are we in crisis?

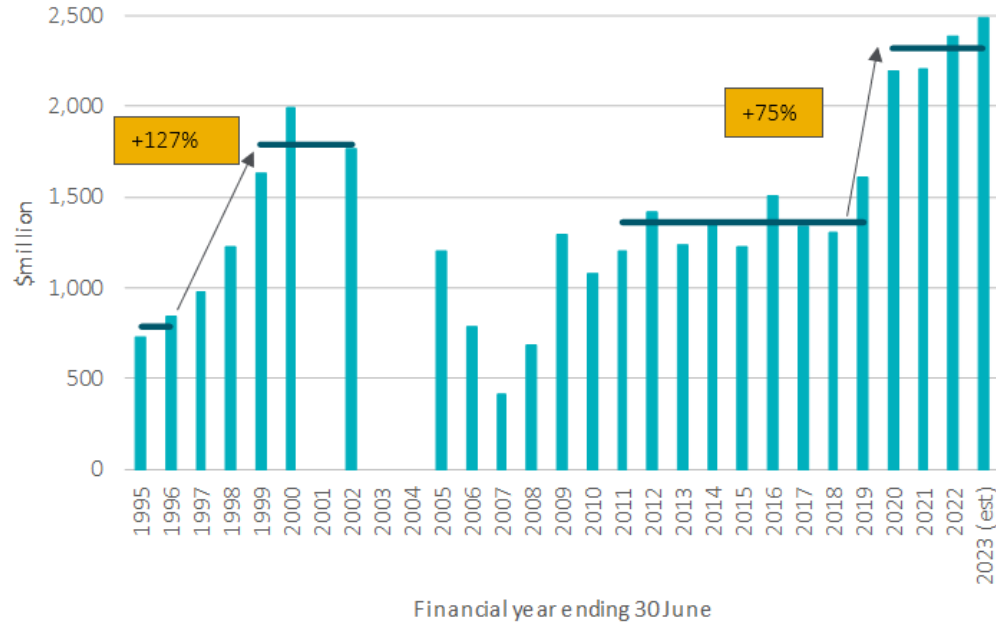
Estelle Pearson

Are we in a crisis – gross premiums



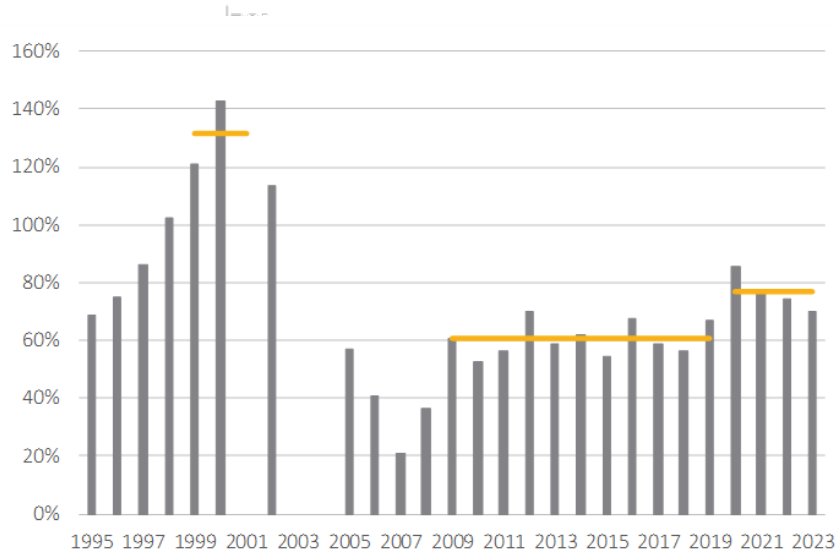
Note: 2001 excluded as HIH did not submit APRA returns and 2003 and 2004 excluded as APRA did not publish market statistics for these years

Are we in a crisis – gross claims cost (ex yield curve)



Note: 2001 excluded as HIH did not submit APRA returns and 2003 and 2004 excluded as APRA did not publish market statistics for these years

Are we in a crisis – gross loss ratio (ex yield curve)



Note: 2001 excluded as HIH did not submit APRA returns and 2003 and 2004 excluded as APRA did not publish market statistics for these years

Contact details



finitly.com.au



Estelle Pearson

Principal

E: Estelle.Pearson@finitly.com.au

M: +61 (419) 420 079





Cyber market update

Luke Sheppard

Cyber Risk & Insurance – What's new

Cyber Threat Landscape

Large Cyber Events

Ransomware

Major concern for Businesses

Government

Privacy Act Amendments

2023 May Budget

2023-2030 Strategy

Insurance

Moderating Rate Change

Consistent Terms

Overseas Product Development

Contact details



finity.com.au



Luke Sheppard

Consultant

E: Luke.Sheppard@finity.com.au

M: +61 (423) 264 740

