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November 2024 Insurance Market Update

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| <p>Increasing signs of a softening insurance market</p> | <p>Cybercriminals continue to target NZ SMEs</p> | <p>Trade credit insurance now more accessible for all</p> |
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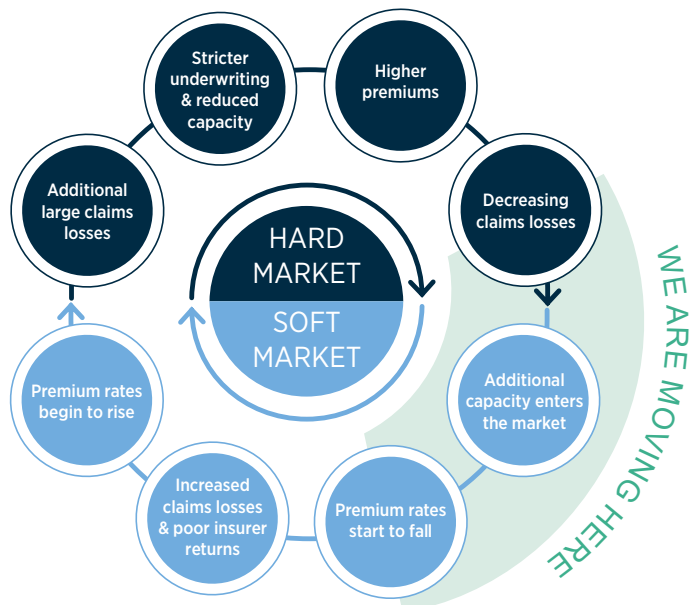
Insurance clock keeps ticking

In our July market update we discussed the signs of a slowdown in premium increases within the commercial insurance market. This trend has continued in recent months, with indications we are now entering a softer market phase.

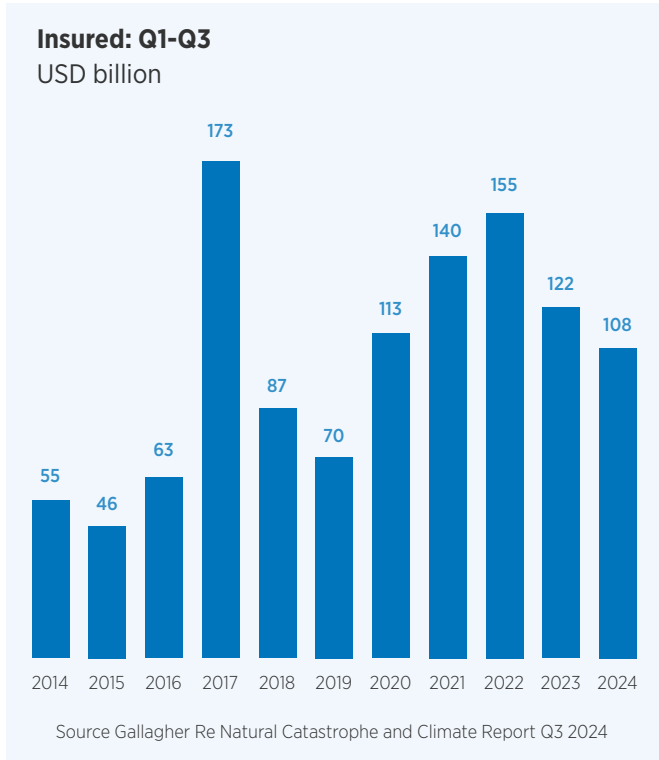
The New Zealand insurance market is dominated by two major insurance groups, IAG and Suncorp, which trade under the brands of NZI, State and AMI, and Vero and AA Insurance respectively.

Both insurance groups reported strong financial results at 30 June 2024, driven by significant growth in insurance premiums and a reduction in perils losses over the past 18 months. This has been aided by a stabilisation in reinsurance costs.

As a result, the New Zealand insurance market is now showing distinct signs of softening in many areas.



This trend reflects the global situation where pricing has been stabilising for the past six months, despite ongoing significant global losses from extreme climate events. The table below shows the costs of insured catastrophic events in the first three quarters of each year since 2014. The improvement in 2024, however, excludes any costs from Hurricane Milton, which are expected to be sizeable.



Due to the continued climate-related claims in America, global insurance and reinsurance markets are seeking to diversify their portfolios away from the USA. This means that markets such as Lloyd's of London are pursuing underwriting business in New Zealand more aggressively. This rising appetite for New Zealand risks is driving market competition, particularly in the large corporate area.

Whilst this is positive news for customers, there remains some uncertainty on how the global insurance market will perform given the impact of increasing climate events and significant geopolitical uncertainty.

Inflation in the New Zealand insurance sector was 12.9 percent year-on-year at September 2024 compared to the overall CPI rate of 2.2 percent according to Stats NZ. However, this was the first sign of a drop in the insurance inflation rate since December 2023.

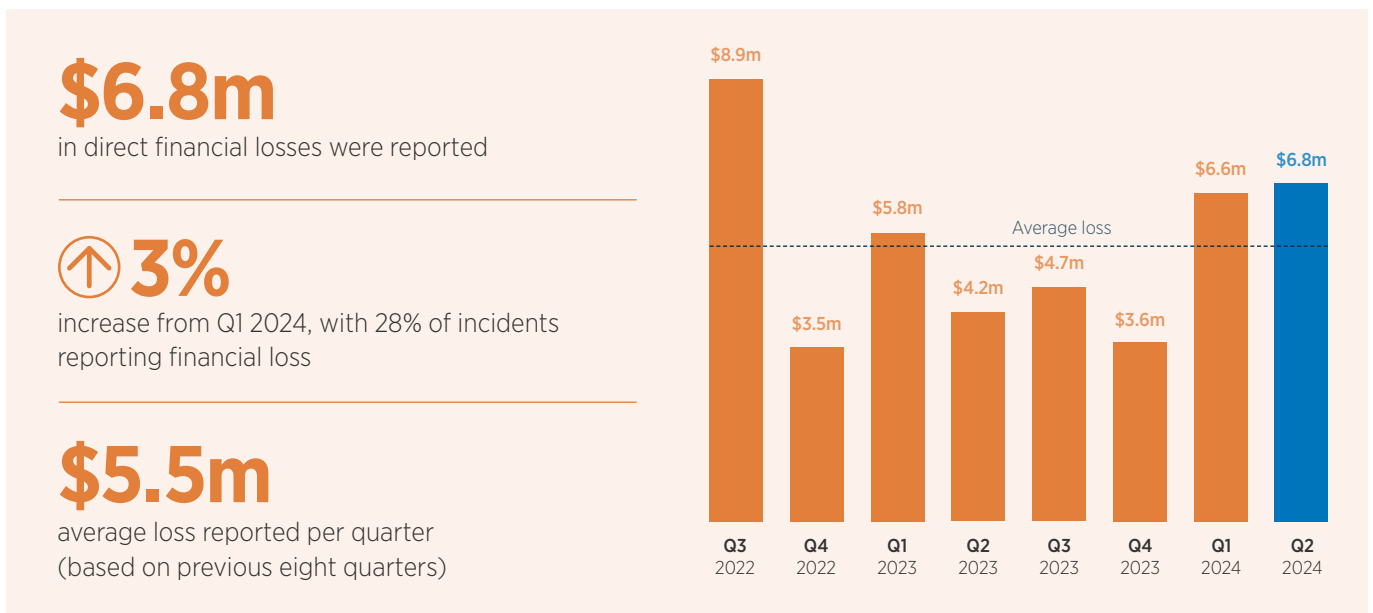
On the whole, we expect insurance company pricing to continue to reduce in the coming months but this will not be a 'one size fits all' approach. Insurance companies are scrutinising individual risks more closely and taking a much more granular approach to underwriting. Well-managed risks, with good claims histories, will be looked at more favourably than others.

As ever, it is important that clients engage with their broker early in the renewal cycle. This ensures their risk can be presented to the market in the best possible way so full advantage can be taken of the current market conditions.

Cost of cybercrime climbs

New Zealanders have experienced an increase in direct financial losses from cybercrime, according to the National Cyber Security Centre (CERT NZ).

In the second quarter of 2024, losses reported to CERT NZ amounted to an estimated \$6.8 million, with 11 incidents each exceeding \$100,000. This was a slight increase on the \$6.6m lost in the last quarter and a 61 percent increase on the \$4.2m reported the same quarter last year.



Whilst it was good news that the number of reported incidents dropped to 1,203 in Q2, there is still a disturbing amount of activity from bad actors targeting New Zealand. Cert NZ's data showed 43 percent of cybercrime is targeted at small businesses and the average cost of a data breach for an SME was \$173k.

It is imperative that businesses of all sizes adopt a proactive approach to cyber security. Employing minimum security measures such as patching software and systems, implementing multi-factor authentication and building cyber security awareness amongst staff are vital.

However, there is no substitute for good risk mitigation. Cyber insurance can form part of an overall holistic risk management framework and help respond when breaches do occur.

The cyber insurance market in New Zealand offers comprehensive cover and, as with other areas of the insurance market, increased competition is driving attractive pricing and a wider appetite to write business.



Advances in insurtech make trade credit insurance more accessible for all

Historically, trade credit insurance has really only been available to larger commercial customers and the application and underwriting process has been cumbersome.

However, several insurers offering trade credit insurance in New Zealand have invested in insurtech platforms, a blend of 'insurance' and 'technology', which have significantly transformed the availability of trade credit for businesses of all sizes.

Insurtech solutions automate many of the manual processes involved in underwriting and claims management, reducing the time and cost associated with providing trade credit insurance. This makes it more accessible to smaller commercial operations.

Online platforms and mobile applications make it easier for customers to apply for trade credit insurance, manage their policies and file claims.

With trade credit insurance in place, businesses can often secure better financing terms from lenders. Insurers' backing reduces the perceived risk for lenders, making them more willing to extend credit.

Knowing their receivables are insured, businesses can also confidently extend credit to their customers, facilitating business growth and expansion.

In summary, insurtech has made trade credit insurance more accessible, affordable and tailored to the needs of a business of any size. By leveraging technology, insurance companies have improved risk assessment, streamlined processes and provided customised solutions, thereby enhancing the availability of trade credit.

Read more about trade credit solutions for SMEs.

About Gallagher

At Gallagher, we've been helping to protect what's important to people and businesses for nearly 50 years. Gallagher is one of the world's top three insurance brokerage and risk management companies, with a network that provides services in more than 130 countries.

Previously known as Crombie Lockwood in New Zealand, we have a long history of helping New Zealanders with their insurance needs.

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