



Challenges of renewing insurance arrangements

Aon's *Industrial Special Risk and General Liability Insurance Market Insights, Australia Q2 2020*¹ highlights continuing challenges with renewing insurance arrangements. Globally, Aon reports successive years of poor insurance performance driven in part by frequent and several natural catastrophes. Locally, Aon report these same issues with the unprecedented bushfire events at the start of last year, followed by the COVID-19 pandemic. This has resulted in insurers taking increasingly aggressive action to firm up underwriting performance in the current environment.

To manage the insurance risks, Aon advises to have a clear renewal plan or strategy, and to engage early with their insurers.

NRSCH recommends renewal plans or strategies should be reflected in providers Business or Operational plans.

Insurance Cover

Aon report insurers are narrowing coverage terms and conditions across property and general liability cover, such as with natural perils like hail, bushfire and drought that are difficult to predict, price and manage. This narrowing coverage is being offered on a 'take it or leave it' basis. Other favourable coverage gained during more favourable market conditions are being narrowed, excluded, or attracting additional premium charges.

Aon advises with your renewal strategy to understand what cover is 'nice to have' rather than 'essentials'.

NRSCH recommends where insurance cover is either wound back or withdrawn, that providers consider reflecting this in their Risk Registers where exposure to the event will fall back on the provider to self-insure.

Premium and Deductibles/ Excesses

Where claims and insurers loss ratios are high, Aon reports insurers are taking action to firm up underwriting performance through premium increases, or increasing deductibles/excesses. Although increasing deductibles will continue to be pushed by insurers to manage their exposure and premiums, Aon advises the premium savings should be appropriate or proportionate to the increased self-insurance.

NRSCH recommends that Providers review budgets/forecasts for insurance premiums and deductibles/excesses to ensure they reflect any changes to their insurance arrangements.

¹ <https://aoninsights.com.au/isr-gl-insurance-market-insights/>