

General Liability Insurance Market Insights

Q2 2018

Overview

- In general, the market remains stable; although certain sectors are seeing rate increases
- More scrutiny is being given to accounts with worker-to-worker claims, as well as sexual abuse exposures
- Demonstrating effective risk management is important in differentiating risk
- Insurers are becoming more risk selective and focusing on profitable growth
- For the most part, liability premiums should remain relatively stable throughout 2018

State of the market

General liability has experienced little change in the first half of 2018. The market continues to be competitive however insurers have started to differentiate more between loss-free and loss-active accounts. Although the market is still relatively soft, it is more difficult to achieve the type of rate reductions we've been able to negotiate in the recent past.

There is an abundance of capital, and competition remains strong, which has affected insurer profitability and underwriting returns. There is a greater analysis of portfolio performance and an emphasis on ways to deliver better value to buyers and maintain premium volumes. In some cases, this involves offering casualty risk management services as part of the insurer's product offering. Also, insurers are also looking to offer a better rating when underwriting multiple lines of business for the same insured.

As insurers continue to review overall profitability, we have seen casualty rates relative to scheme and mid-sized business packages increase in line with other packaged business classes.

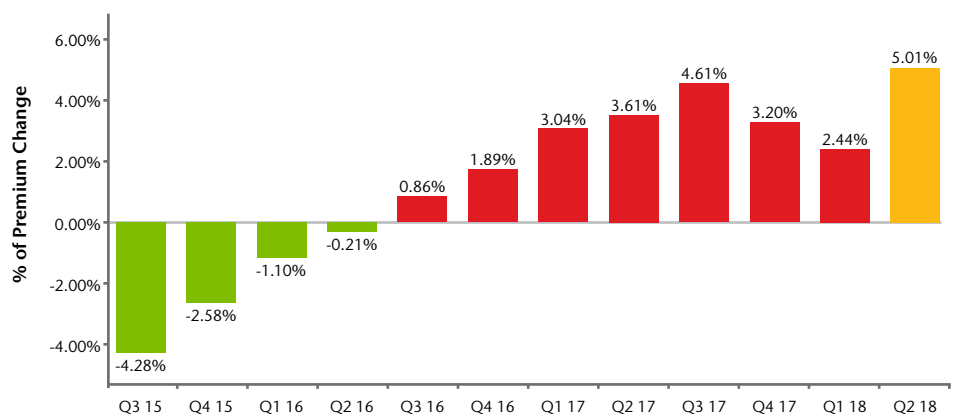
In the London market there have been rumours of a hardening insurer attitude towards Australian business and possible reductions in appetite, however no concrete announcements have been released.

A focus on frequency

Attritional losses are impacting insurers profitability. Insurers are increasing their focus on frequency of claims, which is affecting clients that deal with exposure to slips and trips, such as shopping centres, sporting grounds, supermarkets, and others that have general exposures to the public.

Underwriters are looking more diligently at accounts that have frequent losses. At renewal insurers expect to see evidence of what actions have been taken to address claims triggers.

General Liability Average
Premium percentage change on renewal by quarter



Data source: ACL Vertex Data
Policies can be of any duration and have a renewed in the period shown.

Worker-to-worker claims

Clients with a history of worker-to-worker claims, or a high ratio of labour hire to employees are being scrutinised. They are concerned that these types of losses reflect the increased utilisation of subcontractors and labour hire, which in some instances has led to cost being the determinant for the hire, rather than quality or reputation.

You can mitigate worker-to-worker claims through tighter subcontractor management. This includes better selection of subcontractors, having greater regard for occupational health and safety practices, tighter incident and claims management practices, and limiting the use of labour hire.

Royal Commission remains relevant

The Royal Commission into Institutional Responses to Child Sexual Abuse delivered its final report on 15 December 2017. Key recommendations have been made and these, together with law reforms and implementation of a national redress scheme, are being closely monitored by the insurance market.

The insurance market for organisations with sexual abuse exposures remains extremely tight. Demonstration of superior risk management practices continues to be the key for placement and pricing of sexual abuse and molestation cover.

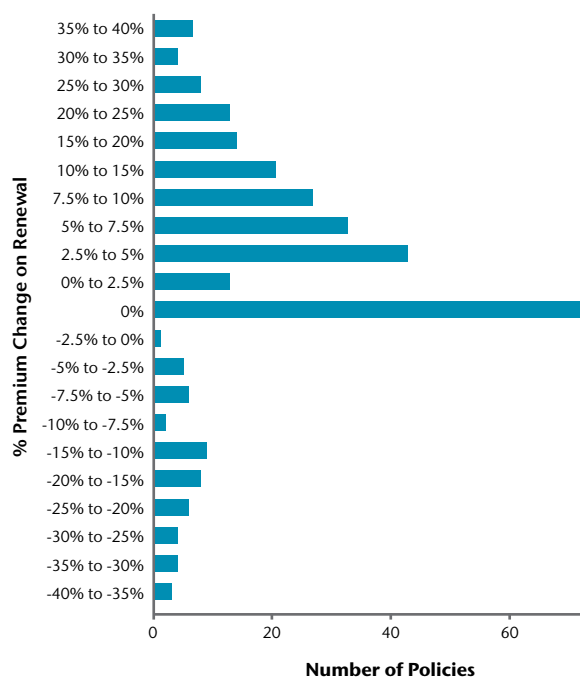
Looking ahead

In general, liability premiums should remain relatively stable throughout 2018. This is a result of an abundance of capital coupled with an international reinsurance market that saw flat or small single digit rate increases at the 2017 end of year treaty renewal period. Nevertheless, certain sectors will continue to harden, including the ones identified above. As a general trend, clients that are able to demonstrate effective and proven risk management plans and procedures will fare better at renewal.

Insurers will continue to look closely at their profit and their combined ratios. General liability ratios in Australia are currently acceptable; however, internationally ratios are deteriorating and this will no doubt put pressure on local casualty rating at some time in the future.

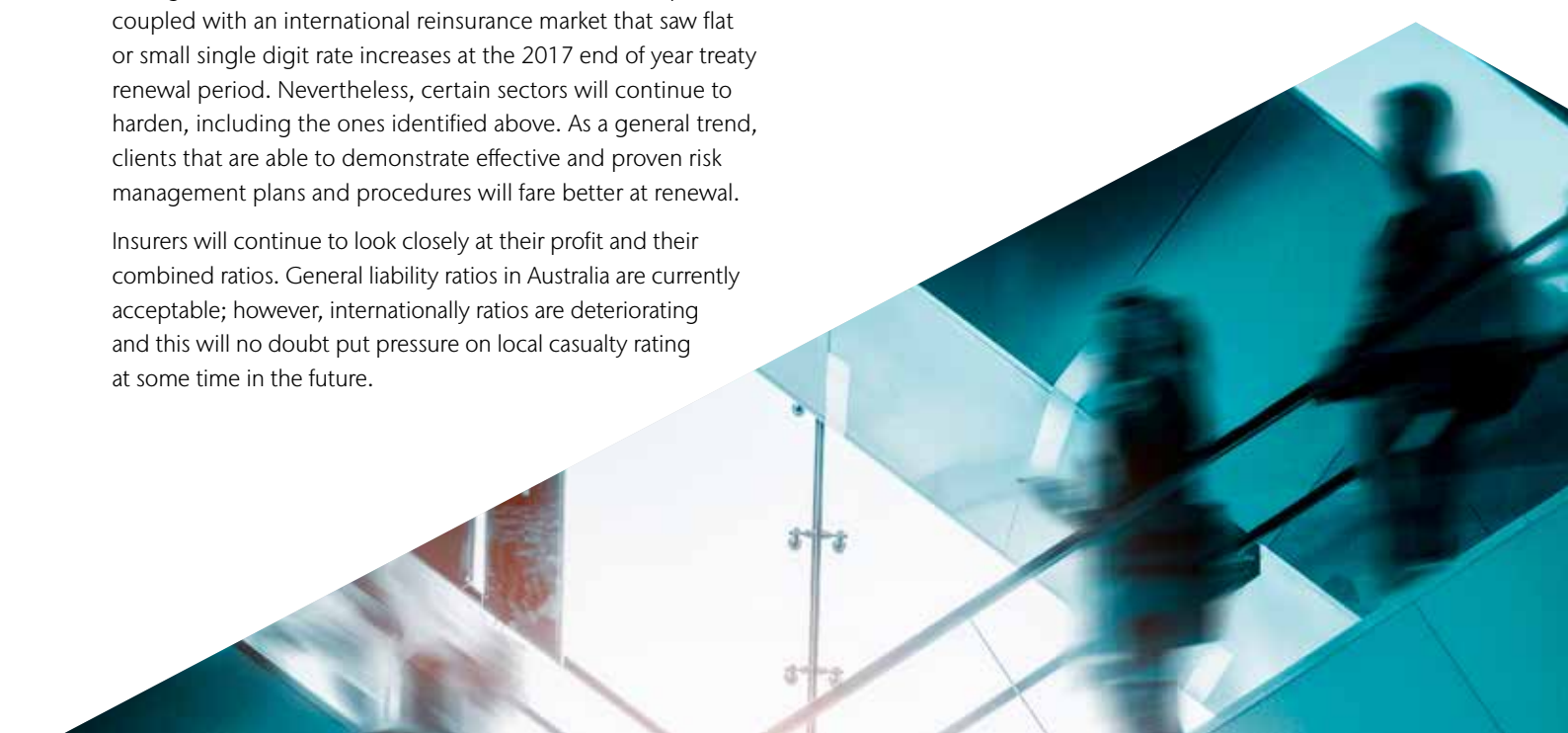
General Liability

Premium percentage change distribution on renewal - Q1 2018



Data source: ACL Vertex Data

Policies can be of any duration and have renewed in the period shown



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