Insurance Market Summary

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Your guide to the insurance market and how it affects your business.

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Overview of insurance market conditions

EBM Insurance & Risk is pleased to share insights into current market conditions across key business insurance classes, the various factors affecting the availability of insurance and the approach we can take to help you work through any challenges.

Evolving insurance market

The increasingly favourable business insurance market conditions that emerged in the second half of 2023 continued throughout 2024 with prices moderating for several key commercial insurance lines.

After a number of years of significant premium rises and challenging conditions, the slight softening of the market brought a welcome reprieve for many clients. However, the market remained challenging in specific areas and for some clients, particularly liability risks with heavy US exposures and natural catastrophe (NatCat) exposed property risks.

In general, confidence in the insurance market has continued to grow throughout 2024.

Australian insurers responded to increased interest in the local market from London and Singapore in 2023 by re-entering the marketplace in 2024. The added competition saw the return of capacity for clients with quality risks and better pricing for hard-to-place risks. Increased capacity across the market also led to more stable pricing in most insurance classes.

Consequently, there was renewed confidence among insurance buyers in both coverage and pricing.

With broader coverage options becoming available throughout 2024, clients enjoyed greater choice and renewed control over risk placement and how they structured risk. With more options, clients have been able to build insurance programs to suit their risk, including in the way the program is structured and in accessing alternative risk management solutions.

Increased stability and more competition led to a levelling out of premiums in most commercial lines with rates further stabilising and increases continuing to slow.

However, the improving market conditions were influenced by the volatility of wider pressures including:

- inflation (core and social)
- interest rate movements
- capital market volatility
- economic growth (slowing locally and internationally)
- supply chain disruptions
- labour shortages, including specialist skills in some areas
- extreme weather events (global NatCat insured losses in the first half of 2024 was around US$60 billion, according to Swiss Re)
- reinsurance costs (in particular for property)
- highly challenging claims environment
- increasing frequency and severity of cyberattacks
- ESG concerns including issues around 'greenwashing', 'greenhushing' and 'social washing'
- tightening regulatory landscape
- emerging risks from the rapid adoption of artificial intelligence (AI), and
- geopolitical issues (including major elections in 40 countries) and conflicts (including the war in Ukraine and Israel–Hamas war).

It is expected these factors will continue to impact the insurance market throughout the remainder of 2024 and into 2025. Notwithstanding any major upset, there is cause for cautious confidence that conditions will continue to improve for many clients with further rate stability and increased coverage options.

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Impact on premiums

Increasing competition among insurers drove the moderation of premium rates experienced in late 2023 and early 2024 into the latter part of the year. Across most insurance classes, buying conditions improved as prices continued to stabilise and, in the case of several commercial lines, fall.

Overall, global commercial rates were flat while Australian premiums experienced a modest reduction (around 2%). It was the first time in several years that composite commercial rates had experienced a decrease. The fall was led by a contraction in financial and professional (FinPro) lines, including double-digit decreases in directors' and officers' (D&O) and cyber covers.

Premium decreases were also experienced among some property covers, while there was a modest increase in liability lines driven by inflationary pressures. Capacity generally remained ample across product lines due to increased competition among insurers and a general change in appetite with insurers looking to portfolio growth. While underwriting remained prudent, improved insurer sentiment saw an increased willingness to consider and accept risks.

Limits were generally flat, and most placements renewed with expiring limits. Deductibles continued to stabilise although some loss areas (such as worker-to-worker exposed businesses) attracted deductible increases. Coverages also remained stable. Overall, new capacity led to better pricing and conditions.

Specific market conditions

Property insurance

With capacity returning to the market, conditions for property generally improved.

The latter part of 2024 saw competition improve and Australian insurers increase their offerings. This helped to ease premiums and rates stabilised with some clients with well-managed accounts and no claims losses seeing premium reductions (-1-10%) or single-digit increases (+5-7%). Small-to-medium sized clients saw rates ranging from no change to +5%, due to less competition for this market among insurers. Loss-affected and NatCat-exposed clients saw premiums rise by up to 20%.

There was expanded capacity and increased competition for less exposed sectors and clients with risk improvements or histories with no or limited losses. Long-term agreements (LTAs) were offered to some clients, generally with reductions in year two. Loss-active risks and risks in certain sectors remained challenged as insurer appetite and supply were limited. Clients with histories of significant losses and large NatCat exposures generally saw greater increases. Clients facing macro issues, such as those relating to ESG, also experienced higher increases.

Weather perils, in particular flood events, continued to be the primary driver of property claims. As a result, placements for clients in NatCat-exposed areas remained challenging.

Following several years of tightening property terms and conditions, the practice slowed in the second half of 2024. With more competition in the market and insurers in growth mode (actively seeking new opportunities), insurers employed a more commercial approach to clause language.

Inflation and underinsurance risk remained concerns for insurers due to the impact on reinstatement values. Consequently, underwriters continued to scrutinise property valuations to ensure they were aligned with the current market and factored in increased building material and construction costs.

In addition to a greater focus on accurate valuations, insurers also scrutinised risk mitigation plans for properties and sought up-to-date risk surveys.

The property claims environment remained challenging, with claims typically taking longer to resolve than expected. Business interruption cover was also in insurer sights given the underinsurance risk when indemnity periods are too short. It is expected that greater competition in the market will continue to present more favourable conditions for clients throughout the remainder of 2024 and into 2025, although loss-affected and NatCat-exposed risks are likely to remain hard to place.

All fired up!

Powering all manner of devices from toothbrushes to electric vehicles, lithium-ion batteries are found in more and more premises. While there are many advantages to the batteries, including being rechargeable, long-lasting, energy-dense, and playing a key role in the transition to net zero, they pose one very significant risk – fire. Fires sparked by lithium-ion batteries are a growing threat to properties and surrounding areas.

State and territory fire services report that more than 1,000 fires were caused by lithium-ion batteries between January 2023 and March 2024. In just one day (15 March 2024), Fire and Rescue NSW responded to four separate lithium-ion battery fires – a fire at an electric vehicle charging station, a tradesperson's toolbox igniting, a garbage truck fire, and an e-bike fire in an apartment building.

Claims data reveals that fire is the largest single cause of business interruption and corporate insurance loss – with lithium-ion batteries a key concern. There have been incidents where business premises have burned down because the batteries started a fire after being overheated, exposed to high external temperatures, damaged, not charged safely, of an unknown quality, or left unsupervised while charging.

The fires are not only destroying the business which owns the battery – in some cases the fires have spread to engulf the businesses or properties around them. For example, one claim saw a lithium-ion battery fire cause $120,000 in damage to the commercial property where the fire originated, and a subsequent $1.9 million in liability claims from neighbouring businesses. The fire was caused by a lithium-ion battery igniting when charging scooters.

In cases like this, the policyholder is not only looking at a commercial property claim but also liability claims for causing damage/loss to the other properties. Consequently, insurers are increasingly concerned about the fire risk posed by lithium-ion batteries.

If you are using, or looking at using, lithium-ion batteries within your business, talk to your EBM Account Manager about risk mitigation strategies and insurance to protect both your premises and liability to others.

Financial and professional (FinPro) lines

Conditions in the FinPro market continued to improve, with several lines experiencing premium reductions.

After several years of substantial price increases, coverage restrictions, and curtailment of insurer appetite, a softening of the FinPro market began in 2022 and has continued, with many clients enjoying increasingly favourable outcomes including long-term agreements (LTAs) being offered in some cases.

New market entrants contributed to an increase in capacity and competition within the market. This, in turn, led to greater premium stability, with rates decreasing around 12%.

The decrease in premiums was led by falls in D&O liability prices, with many clients experiencing decreases of 11-20% on average. Premium reductions of 11-20% for cyber insurance were also offered to some clients based on individual risk profile. New capacity entered the professional indemnity (PI) market in the second half of 2023, driving competition particularly at an excess of loss level. Premium reductions of around 10% were offered to clients within insurer target markets including management consultants, accountants, small-to-mid law firms, and office-based architects. In addition to modest premium rate reductions, some PI clients were offered coverage enhancements including increased sub-limits and removal of exclusions that had been previously imposed. Challenges persisted for some professions and industries including construction, engineering, renewable energy, and fintech. These clients saw PI premiums increase, as did claims-affected risks (generally single-digit rises). Deductible increases and restrictions on coverage were also imposed.

The increasing number of insolvencies and claims made trade credit placement particularly challenging, despite some competition for new and renewal business within the market. Premium rates were generally flat, but dependent on client risk profiles and loss experience.

Macroeconomic impacts such as inflation and interest rate pressures remained important underwriting factors. Insurers also continued to apply greater scrutiny to risk management in respect to regulatory risks, particularly in the ESG space.

It is expected that premium rates will continue to decline throughout the remainder of 2024 and into 2025. However, any improvements in conditions for clients is likely to be tempered by changes to insolvency rates, interest rates, inflation, regulatory changes, and the legal landscape in terms of class action activity.

Struck out: the aftermath of the global computer system outage

On Friday 19 July 2024 a collective sharp intake of breath was made across the nation – followed by abject panic. Locally and around the world, businesses were faced with 'the blue screen of death'. Initially thought to be a hack, it soon transpired that it was a glitch in a software update for Microsoft Windows users issued by cybersecurity firm CrowdStrike. While some SMEs were affected, it was the big end of town – including retailers, banks, airlines, healthcare providers, and media outlets – that was hit hardest, with many large corporations relying on CrowdStrike's Falcon endpoint detection and response platform.

The misconfiguration of Falcon's Rapid Response Content, which updated automatically, resulted in an outage affecting around 8.5 million PCs (around 1% of all Microsoft users) and disrupted global business operations as computer systems were brought to a standstill.

A week after the incident, CrowdStrike's CEO said that 97% of Windows sensors were back online. And impacted businesses were left to tally the cost of the outage. In the wake of the event, CrowdStrike is facing multiple lawsuits and legal action in various forms. Meanwhile, insurers are sifting through claims.

It has been estimated that the disruption will garner between US$400 million and US$1.5 billion in insured losses (according to cyber analytics firm CyberCube), with other estimates setting losses in the mid-to-high single-digit billions of dollars.

According to Fitch, the insurance lines most affected include cyber insurance, business interruption, and contingent business interruption. Other lines such as travel insurance, event cancellation, and technology errors and omissions (E&O) will also be impacted.

Whether businesses will be covered as they hope, will depend on the policies they have.

In some cases, those with cyber insurance will be covered, though some policies may not cover losses resulting from system downtime due to non-malicious cyber events.

In other instances, again policy dependent, there may be limited cover available through a business interruption policy. Businesses that face liability to counterparties because they were unable to meet commitments due to the outage may be able to rely on their professional indemnity (E&O) insurance or other liability policy, depending on their terms.

This event serves as a reminder that it is not just the machinations of cybercriminals that can have wide-ranging impacts for business – non-malicious cyber incidents can too. Talk with your EBM Account Manager about ensuring your insurance program provides adequate protection.

Directors & Officers (D&O)

Further signs of stability have been evidenced in the D&O market with increased competition and more favourable outcomes for clients.

The renewed market optimism that first emerged in early 2023 continued throughout 2024. This led to further stabilisation of the D&O market characterised by more favourable terms for clients. Greater competition, especially from the London market for mid-market and large private companies, drove stronger signs of stabilisation with reduced premiums.

Continued premium reductions were offered for well-governed, profitable and claims-free clients. Capacity continued to grow, and heightened insurer participation led to more competition on all layers (including primary and low attachment layers) as well as placements with and without Side C coverage.

With the increase in capacity and market competitiveness there was also some evidence of broader coverage available and a willingness by insurers to agree to bespoke extensions. There were also lower excess structures available, whereas previously there may not have been.

Increased competition also meant there was greater choice of insurers for clients, allowing them to select the most favourable carriers in terms of security, claims-paying history, and underwriter capability and track record.

Top concerns among directors included ESG, cyber, regulatory, and geopolitical risks, which drove increased demand for D&O covers. Underwriters continued to reassess premium adequacy and risk appetite. With rising insolvencies, high inflation and rising interest rates, insurers remained conservative when it came to debt restructuring and closely scrutinised debt covenants and financial statements.

Cyber risk remained a focus for insurers, especially in light of recent class actions against Australian companies. Underwriters scrutinised board involvement in cyber resilience and compliance with the changing regulatory environments. Also in insurer sights were ESG risks, namely greenwashing, greenhushing and social washing. As such, it remained important for clients to detail risk controls in their renewal proposals. It is expected that clients will continue to benefit from the competition within the D&O market throughout the remainder of 2024 and into 2025.

Deadly serious responsibility

On 20 June 2024, New South Wales became the latest jurisdiction to enact industrial manslaughter laws. Just the day before, the last state to legislate industrial manslaughter as an offence – Tasmania – saw a Bill pass the Lower House and, if passed by the Upper House, the law is likely to be enacted in 2025.

Almost 200 workers lose their lives at their place of work each year. The industrial manslaughter laws are designed to hold businesses and responsible individuals, namely company directors and officers (D&Os), accountable when negligence leads to a worker's death.

Considering these laws, organisations should look at thoroughly assessing their safety systems and governance structures. It is prudent for D&Os to have effective oversight of business operations and to ensure safety management is a priority. Failing to do so can have severe consequences.

The laws vary across jurisdictions, but each entails stiff penalties which may include imprisonment and fines for individuals and fines for body corporates. Prison terms range from 20 years to life, while fines of up to $25 million can be imposed.

D&Os are not only responsible for their actions but also for the safety culture and protocols of their organisation. Negligence in these areas can lead to prosecution.

Under law, D&O safety obligations include:

- **Proactive safety management.**
- **Informed and active management.**
- **Incident response protocols.**

It is important for D&Os to be aware that insurance is not available where the loss is uninsurable at law (whether the policy provides such a term or not). Although it is not possible for a policy to indemnify against criminal liability or monetary penalty (fines associated with an industrial manslaughter conviction), insurance for legal and defence costs can be obtained.

It is recommended that D&Os have a sound understanding of industrial manslaughter laws in the various jurisdictions in which they operate and how those laws may impact their organisation.

Having a robust risk management system in place that mitigates risk, identifies hazards, encourages reporting, and responds in crisis situations is also advisable. In addition, safety systems and protocols should be reviewed, audited, and tested to ensure compliance with industry best practice and standards.

Talk to your EBM Account Manager about risk mitigation strategies and the role of insurance in protecting your organisation.

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Cyber

Improved insurer confidence in the cyber market led to stronger competition and positive outcomes for clients with robust cybersecurity and risk mitigation in place.

The shift towards more favourable outcomes for clients that emerged in the last two years gained momentum throughout 2024. Further improvements in coverage and an overall reduction in rates were evidenced. Insurers continued to actively pursue market share, spurring increased appetite and competition.

The arrival of new cyber insurance providers helped to expand capacity and improve premium rates. Double digit premium reductions (-11-20%) were offered to clients with advanced cybersecurity and resilience baselines.

As a result of improved competition among insurers, more options were afforded to clients, including increased limits, decreased retentions, and improved pricing for maintaining policy structure. In addition to reduced premiums, decreases in deductibles, and increases in coverage were offered to clients with demonstrated robust cyber management in place.

Focus areas for insurers included ransomware, supply chain risk, and changing regulations, namely privacy.

Increasing adoption of artificial intelligence (AI) by businesses and the cybersecurity threats this entails was also in insurer sights. Insurers continued to expect continuous risk management to be detailed and evidenced in renewal proposals. A focus on cybersecurity controls was evident, with insurers expecting year-on-year resilience improvements.

While underwriting was more flexible, clients renewing or taking up cover for the first time were still required to demonstrate advanced cybersecurity and risk mitigation was in place. Insurers remained cautious about high-risk industries and organisations that did not meet expected risk management standards.

It is expected that clients with superior cybersecurity will continue to benefit from the market softening into 2025. Pricing is likely to remain on the downward trajectory and terms will continue to become more favourable, notwithstanding any deterioration in the market due to compounding factors including the rising number of cyber incidents and the insured losses these entail.

No more unto the (data) breach

Two years on, the fallout from two of Australia's most extensive data breaches continues. Collectively, the Optus and Medibank data breaches resulted in the personally identifiable information of almost 20 million Australians being stolen, held to ransom and then released onto the dark web.

Both companies took major hits – both financially and in terms of reputation. The clean-up costs associated with the breaches (investigation costs, tech resourcing, remediation, monitoring, compensation/reinstatement costs and so on) stretched into the millions, while each lost customers. Optus and Medibank are also facing legal action brought by regulators and by impacted customers.

The Australian Communications and Media Authority filed proceedings in the Federal Court against Optus for failing to protect the confidentiality of its customers' personal information as required under the Telecommunications (Interception and Access) Act 1979. If found in breach of the law, the telco faces a fine of up to $900 million.

As for Medibank, the Office of the Australian Information Commissioner filed civil penalty proceedings against the private health insurer alleging it did not take reasonable steps to protect the personal information of past and present customers as required under the Privacy Act 1988. If found to be in breach, the Federal Court can impose a civil penalty as high as $2,220,000 for each breach.

Class actions have also been brought against each company. Data breaches continue to plague Australian businesses, with the number of incidents rising each year.

With businesses increasingly being held liable for data breaches, it is more important than ever for owners and managers to ensure the data collected and held is adequately protected.

To reduce the risk of your business suffering a similar fate to that of Optus and Medibank:

- **Understand your data security obligations.**
- **Develop a cybersecurity policy with guidelines for handling private data.**
- **Assess the private data your business needs to collect and hold.**
- **Protect private data (e.g. employ access controls, encryption, multi-factor authentication, strong passwords, security updates, firewalls, anti-virus and malware protection, and endpoint detection and response software).**
- **Train employees on best practice cybersecurity protocols and data handling.**
- **Review data retention policies.**
- **Use best practice to de-identify or destroy data no longer needed.**
- **Develop a data breach response plan.**

While insurance is not a substitute for good data management practices, it can provide essential financial protection and operational support should your safeguards fail. Talk to your EBM Account Manager about appropriate cyber insurance for your business.

Marine & Cargo

Conditions in the marine and cargo market continued to moderate, though improvements were tempered by geopolitical tensions.

The flattening of premium pricing which began in 2023 continued throughout 2024. Improved risk appetite from insurers saw premium prices stabilise. A slight softening in the marine hull and liability market resulted in premium prices ranging from flat to low single-digit increases. The increases were attributed to claims inflation, both social and in terms of increased cost of repairs. Single-digit premium rises were applied to P&I rates. Within marine liability lines, premiums for primary liability rose by up to 5%, while excess liability rose 10% or more.

Generally, the marine cargo market remained stable and, for clients with a favourable loss ratio, renewal rates were flat to single-digit increases. Clients with marginal or poor loss records saw premium increases of more than 10% applied.

Insurers remained focussed on monitoring claims trends, vessel activity, value accumulation, NatCat impact, the use of new technology, inflationary impacts on repair costs, and fires. Underwriters continued to be concerned with persistent challenges in the marine cargo space including mis-declared cargoes, vessel fires, accumulation of risk in single locations, climate change, and political tensions. For marine hull underwriting, fires continued to be a major area of concern.

The increased adoption of digital technology within the sector drove demand for specialised cyber cover (as opposed to policy extensions). With cyber risks remaining a focus for insurers, clients needed to demonstrate robust cybersecurity was in place and risks were being managed. Underwriters continued to assess renewal proposals based on geopolitical and NatCat risks. Insurers were particularly focussed on war risks, dark fleets (vessels engaged in activity which is in breach of sanctions) and the resurgence of piracy. Consequently, key policy clauses concerning cover for vessels visiting political hot spots and perils such as war, piracy and terrorism were implemented.

The impacts of global supply chain disruptions were also in insurer sights. Challenges included the fallout from container ship Dali colliding with the Francis Scott Bridge at the Port of Baltimore, and reduced capacity of vessels transiting the Panama Canal due to water shortages. In respect to the Red Sea and surrounding region, some insurers issued notice of cancellation for war/SR&CC and placed specific regions, defined by latitudes and longitudes, 'on application'. It is expected that the improved conditions within the market will continue throughout the remainder of 2024 and into 2025, notwithstanding major loss events or disruptions occurring.

Tidal wave of insured losses surge in the wake of the Baltimore Bridge collapse

Early on 26 March 2024, container ship Dali departed Baltimore's port laden with cargo destined for Sri Lanka. The ship lost power before reaching open water and struck one of the supports for the 2.57km Francis Scott Key Bridge.

After being struck by the 300-metre-long Singapore-flagged vessel, the bridge span immediately collapsed into the Patapsco River and sent six members of a road repair crew plummeting to their deaths. The Dali, which is owned by Grace Ocean and managed by Synergy Marine, was chartered by Maersk to ship cargo. It was carrying almost 5,000 containers on board at the time of the accident, according to Synergy Marine.

The incident shut down the port (through which more than a million shipping containers pass each year) and shipping companies and maritime authorities were forced to divert trade to other ports. When news broke of the catastrophe, it sent shockwaves throughout the world's marine industry and insurance market. The collapse of the bridge is expected to result in the largest marine insurance loss ever, with experts estimating that the damage could cost as much as US$4 billion.

The insurers and reinsurers behind Grace Ocean and Synergy Marine are expected to pay out the bulk of the losses. The ship's own hull and machinery (H&M) insurance policy is expected to cover any damage the ship itself sustained, as well as salvage operations for the ship.

The ship's protection and indemnity (P&I) policy is likely to respond to all third-party liabilities such as rebuilding the bridge, loss of income/revenue for the port and bridge authority, loss of life, injuries, salvage, removal of the bridge debris and more.

The incident serves as a reminder for operators in the marine industry to ensure they are adequately protected. In events such as this tragic accident, several different insurance products could come into play for both the liable party and for those businesses impacted as a result, including:

- **business interruption (BI)**
- **supply chain or contingent business interruption (CBI)**
- **marine hull and cargo coverage, including general average**
- **trade credit**
- **inland marine insurance**
- **liability insurance policies, and**
- **reinsurance policies.**

Transport & Logistics

Supply chain risks underpinned market conditions for operators in the transport and logistics industry.

The hard insurance market for the transport and logistics industry that has prevailed for more than a decade showed few signs of improvement throughout the first half of 2024 and into the second half. Supply chain issues, labour shortages, and high demand continued to put pressure on the market and made placements challenging.

Premiums continued to be influenced by ongoing high claims costs (in terms of both volume and severity of claims), high vehicle and machinery replacement costs (for both new and used assets) and wait times, increased vehicle hire costs, and labour and parts scarcity which affected repairs. As a result, premium rates for trucks, trailers, and plant and machinery increased across the board.

A lack of capacity and limited competition in the market led to cover for goods in transit remaining challenging. Consequently, poorly performing risks, and segments of the industry, continued to face higher premiums.

Insurers remained increasingly selective in the risks they were willing to underwrite and there was no uptick in appetite or capacity. Consequently, small operators with multiple claims and distressed (high claims) accounts were difficult to place. Large fleet accounts that did not have many claims were looked upon more favourably by insurers keen to compete for market share.

Inflationary impacts on the second-hand vehicle market saw insurers focus on underinsurance risks. Insurers also remained concerned about the risks posed by the exodus of experienced drivers and the influx of less experienced drivers, given the impact on claims frequency.

Claims costs were also impacted by the shortage in availability of parts, which slowed down vehicle repairs. Supply chain disruptions, labour shortages, insolvencies, ESG requirements, and cyber threats weighed on insurer coverage decisions. Clients were required to document their risk management strategies as part of their submission to insurers.

There is little indication that current market conditions will ease in the foreseeable future.

Release the drones!

Australian businesses of all sizes and across industries and sectors are embracing unmanned aerial vehicles – UAVs or drones – at an ever-increasing rate. And their use in the transport and logistics sector is set to really take off. Approximately 1.5 million commercial drone flights will take place this year – rising to around 60.4 million flights by 2043. Of those 60.4 million flights, 77% (45.7 million) will be launched by transport and logistics companies.

The forecasted exponential growth is attributed to the devices being used for goods deliveries – takeaway food, groceries, last-mile parcels, B2B deliveries, and medical deliveries. Currently, over 120,000 trips are taking place per year, delivering small packages of groceries, supermarket goods, and specific medical deliveries such as test samples.

Accounting for more than half of the almost 46 million flights forecast to take place by 2043, last-mile deliveries (where drones deliver packages from local warehouses and distribution centres to specific addresses across the country) are expected to dominate the sector's drone use. Food deliveries, with annual growth of around 25%, are expected to make up around 15 million flights a year.

Trials are already underway and, once enabling regulation and drone traffic management technologies are implemented, deliveries of food, goods, and medical products by drone are expected to become commonplace.

With more and more transport and logistics businesses expected to leverage drone technology in the years ahead, owners and operators need to understand the risks as well as the rewards.

Launching a commercial drone into the skies comes with its own set of risks. Chief among these is the risk of accident – with the drone causing damage or injury. There are also potential privacy issues involved in using drones if the devices are fitted with cameras or video.

With the emergence of new technologies, such as autonomous flight capabilities, drones are vulnerable to a variety of cyberattacks – largely due to the drone's reliance on wireless communications and the tendency for the drone to be operated from a distance, making them susceptible to interception, spoofing, and hijacking. The data transmitted between the drone and its operator can also be intercepted and used to gain access to sensitive information or networks.

Given the potential risks, transport and logistics businesses using, or planning to use, drones need to ensure they have the right protections in place.

Talk to your EBM Account Manager about specialist cover for your UAVs, and about cyber insurance too.

Source: Scyne Advisory: Sizing the future drone and advanced air mobility market in Australia.

Construction

Green shoots appeared within the construction market as insurers looked to grow their portfolios.

Following several years of challenging conditions, positive developments within the construction insurance market emerged in 2024.

Insurers focussed on growth, resulting in a net increase in competition in the market for certain insurance classes. Competition arose from insurers broadening their appetite for certain risks, renewed interest in Australian risks from London and Asian markets, and new capacity from insurers opening offices in Australia.

While premium rates are still climbing, the increased competition helped to stabilise rates for loss-free clients that have demonstrated sound risk management practices and operating in areas deemed less risky.

Premium increases in the construction all risk (CAR) market continued however increases for loss free clients slowed with increases ranging from 5% to 10%. The CAR market continued to be challenging on programs where there have been claims with rates pushed and a focus on pushing excesses higher, particularly on major perils / water damage exposures. Policy wordings containing soft coverage benefits are being challenged and typically removed, particularly on programs where losses have been sustained. The cautious approach from insurers is based upon portfolios recovering from sustained losses during recent years due to weather events, particularly on the East Coast. Challenges continue for long linear civil risks, renewable energy projects, and tailing facility upgrades.

Insurers remained focussed on water damage and ingress claims in respect to the frequency and value of incidents. Placements for trade contractors, especially plumbers and fire service contractors, proved challenging. Clients needed to demonstrate effective risk mitigation strategies to manage these risks for insurers to look favourably upon them.

The third-party liability (TPL) market has shown signs of stability as premium rates and excesses have reached a point where insurers can manage their exposures to frequency losses and contractor injury losses. This has attracted renewed interest from London insurers and new entrants resulting in increased competition which has had a positive outcome on rates with outcomes for claims free programs from -5% to +5%.

Previously, premiums had risen due to increasing litigation costs and claim frequency. With insurers achieving adequate pricing, premium and deductible levels were under control, particularly around worker-to-worker and injury to contractor claims. However, insurers still factor prior year claims, longer-term loss histories (10 years typically), WH&S protocols, contractor management, hot works processes, and site security systems into their underwriting considerations.

An influx of new insurers and additional capacity, including in the primary space from both London and new entrants, saw conditions in the design and construct professional indemnity (D&C PI) market improve. Those with clean claims records, sound risk management practices, and solid financials were offered flat to small reductions on renewal premiums. Annual D&C PI (primary & excess) premium increases ranged from -10% to +10%. Programs that have continued with the same insurer for a considerable period continued to see rate increases; however, typically remain below market premiums. With the increase in competition, stability in increase is now being seen on rating.

Within the residential construction sector, a spate of builder insolvencies impacted builders' warranty insurance. Premiums rose sharply in some jurisdictions, including Victoria where premiums lifted by an average 53%, with a 65% increase in premiums for new homes, single and multi-unit dwellings and owner-builders, while insurance for renovations increased by 20%. The August 2024 increase followed a 43% rise in September 2023 and was attributed to the record number of claims settlements in the past 12 months.

It is expected that the more positive environment will persist throughout the remainder of 2024 and gain momentum into 2025. Insurers across all lines are expected to continue to move away from broad portfolio increases in rates to look at clients on an individual risk basis. Clients with sound risk management controls and strategies, good loss history and well-presented risk profiles are likely to be viewed favourably by underwriters, which may be reflected in flat to small premium reductions.

A kink in the chain

Just 25% of construction projects meet their original deadlines within a 10% margin, according to a report from KPMG. Larger projects face even greater challenges, with 98% of 'mega projects' experiencing delays or exceeding their budgets.

Along with rising material costs, persistent project delays, inflation impacts, extended project durations, NatCat risks, high interest rates, and labour shortages, a major reason behind the problem is supply chain pressures and disruptions.

Supply chain risks in the construction sector include numerous challenges that can disrupt the flow of essential materials and goods needed for construction projects – including delays in deliveries, increased processes, and difficulties in obtaining building materials.

The local supply chain is under pressure from global trade disruptions. These include escalating conflicts in Ukraine and the Middle East which is impacting shipping costs and material availability.

Tensions between major economies such as China and the US which may lead to increased sanctions and tariffs on Chinese goods are also threatening to interfere with supply.

With disruptions from the COVID-19 pandemic, international conflicts, and trade issues, construction businesses need robust supply chain contingency plans.

Actions to help reduce supply chain issues include:

RESEARCH

Understand your supply chain, including its structure and geographic concentration of your suppliers, to help assess and identify vulnerabilities.

INVESTIGATION

Gain deeper knowledge about the businesses within your supply line, including supplier financial health, location, transportation methods, and affiliations.

ASSESSMENT

Identify and assess potential risks, not only in the material supply chain but right across your vendor network.

DIVERSIFICATION

Diversify materials, services, and suppliers to reduce reliance on a single source.

COLLABORATION

Collaborate with suppliers to improve decision-making and manage risk.

DEVELOPMENT

Develop effective supply chain management procedures and continency plans to address disruptions.

MONITORING

Consistently monitor risk at every project stage to identify potential disruptions early.

FOLLOW

Stay informed about geopolitical developments and explore alternative procurement strategies to enhance resilience and reduce the frequency and impact of interruptions.

Talk to your EBM Account Manager to ensure that your insurance program meets the needs of your construction business.

Mining

Conditions continued to moderate for several mining insurance lines.

The calmer rating trend which began in the second half of 2023 continued throughout 2024. Stability in the market was evident with an increase in capacity on best quality existing business and new capacity for some risks. Insurers sought accretive growth and looked to expand capacity for select well-risk managed accounts. This is resulting in insurer markets becoming more competitive to gain market share.

Clients with clean loss records and quality risk information achieved more favourable outcomes than risks with loss activity. Placement for coal mining companies remained exceptionally challenging.

Stabilisation of premium prices continued overall, with inflation remaining a factor. Some clients with favourable claims histories and superior risk quality renewed without any increase. Although global claims impacted the local market, capacity remained strong, except for thermal coal risks.

Resources led the sectors in private and public listed M&A activity in the country, prompting increased demand for cover. Pricing for Australian transactions recorded a modest decrease off the back of increased capacity from new market entrants and W&I insurers broadening their risk appetites.

Ample capacity in the market saw insurers pursue aggressive pricing strategies and offer expanded terms for D&O clients. A second year of renewal stability and softening rates from the London market was afforded to some clients.

ESG remained a key focus for D&O insurers, including greenwashing, greenhushing and social washing. Details of ESG ratings and initiatives was a prerequisite in renewal proposals.

Continued robust market capacity and competition among insurers is expected to deliver favourable renewal outcomes for D&O clients into 2025, with the potential opportunity to broaden policy terms and conditions.

The slight softening of the general liability market experienced over the past year continued, albeit tempered by continued global inflation. New capacity entered the market in 2024, and insurer appetites broadened, which led to a slight easing of rate increases.

Although capacity remained stable, insurers continued to review policy terms and conditions, in particular to limit their liability exposure to forever chemicals. Consequently, the application of a per- and polyfluoroalkyl substance (PFAS) exclusion became more frequent.

Following years of soft market conditions for the strikes, riots and civil commotion (SR&CC) and terrorism line, availability of coverage deteriorated. This, in turn, led to premium rises and increased insurer scrutiny and caution in relation to cover for mining risks.

Multiple elements of risk engineering and risk quality continued to be a focus for underwriters, including:

- ESG
- cyber risks
- regulatory changes
- commodity markets
- geopolitics
- supply chain security
- critical spares
- tailings storage facilities (TSF)
- maintenance and monitoring
- structural integrity
- condition monitoring, and
- accurate and up-to-date asset valuations.

Insurers also reassessed certain policy wordings, in particular in relation to flood definitions, commodity price margins, and business interruption volatility clauses.

It is expected that rate stability will continue throughout the remainder of 2024 and into 2025, notwithstanding any major loss events occurring within the mining market. Placements are expected to be assessed on individual merits, with loss-free, well-engineered and risk-managed risks looked upon favourably. With insurers in growth mode, the current rating trends are likely to continue to drive renewal outcomes.

Drilling down on cyber risks

Gone are the days of miners toiling down in tunnels with nothing but a pickaxe and the odd canary by their side. Today's modern mining operations are far more likely to be high-tech – with drones, autonomous vehicles, robots, big data, analytics, IoT connected devices, the cloud… Even the hardhats can be 'smart' – Bluetooth enabled, with IoT sensors, microphones, cameras, safety monitors and more.

But with the convergence of information technology and operational technology comes the increased risk of cyberattack. Increased use of technology creates new entry points into mining companies' IT systems, which cybercriminals are increasingly exploiting.

The mining industry has become a lucrative target for modern cybercriminals. According to EY's Global Information Survey, 71% of miners had seen an increase in the number of disruptive attacks and 55% were worried about their ability to manage a cyber threat.

Recent high profile data breaches have sent ripples through Australia's mining industry. Last year, Rio Tinto was hit by a large-scale leak of employee details on the dark web and Alamos Gold also experienced a well-publicised leak of confidential documents. In 2022, the Copper Mountain Mining Corporation was forced to shut its mill after a ransomware attack.

Earlier this year, Northern Minerals suffered a ransomware attack by the Bian Lian ransomware gang. According to the cybergang, the exfiltrated data released on the dark web included project and mining research data, R&D and financial data, shareholder and investor information, the personal information of employees, and corporate email archives. Just weeks later, Iluka Resources announced that threat actors attempted to disrupt its external website through a denial-of-service (DoS) attack, but that they did not gain access to the company's systems or exfiltrate any data.

Beyond data breaches, mine sites host a wealth of connected devices and equipment that could be hijacked by the unscrupulous. If cybercriminals take over the computer systems that run operations, production can be disrupted and worker safety jeopardised.

To reduce the risk of cyberattack, mining operators should be adopting a regime that includes a basic five-step framework:

STEP 1 – ASSESS
Identify and assess risks.

STEP 2 – PROTECT
Implement firewalls and malware protection.

STEP 3 – HARDEN
Harden systems to eliminate vulnerabilities (e.g. remove unused software and apps, lock-down configurations, add user access control and permissions).

STEP 4 – PATCH
Keep the system updated (patch operating system software, update device firmware).

STEP 5 – BACK-UP AND RECOVERY
All digital assets should be backed-up and a recovery plan developed.

Another important step is to secure the right insurance to protect operations against cyber threats. Talk to your EBM Account Manager about the risks your mining operation faces and the cyber insurance options available to help mitigate those risks.

Agriculture and farming

Constricted capacity across the ag industry resulted in rising premiums for farmers, growers and producers.

The hard market for almost all lines of insurance for agriculture, horticulture, viticulture and aquaculture clients persisted throughout 2024. Even clients with good loss history, proven management, robust risk controls in place, and strong balance sheets faced challenges in securing covers. Mid-year renewals saw premiums for rural insurance rise 20-40%, with broadacre grain farming alone seeing premiums rising in the vicinity of 5-10% on the back of increases of 20-30% last year. A key contributor to premium increases was claims inflation, with the cost of raw materials, labour, equipment, machinery, fuel, and transport all impacting rates and pricing. Other contributing factors included supply chain disruptions and natural disasters.

Once again, the largest increases were for property lines including farm machinery. Options for property cover remained limited, especially for clients with NatCat exposures. Capacity remained constrained, and premiums continued to rise for clients in hail-, flood- and bushfire-prone areas. Premiums for liability lines, bulk freight and other transport and logistics risks also rose. Both property and liability capacity diminished in areas where frequent losses were occurring.

Crop cover premiums rose as weather-related risk drove demand. Placement for named peril insurance remained challenging, while the market for multi-peril crop insurance remained extremely limited. Premiums for livestock cover also rose off the back of increased demand for agricultural weather insurance and the rising value of livestock. Livestock mortality cover remained challenging.

A hard market prevailed for both horticulture and viticulture insurance, with limited competition in this space. While it was possible to insure vines against fire, hail, frost, and windstorm, hail and frost cover for table and wine grapes remained particularly challenging. Challenges for hard-to-place risks persisted and clients with complex risks required multiple covers to fully insure the risk. Coverage came with higher premiums.

In addition to premium increases, deductibles rose, capacity reduced, and stricter underwriting standards were applied to clients across the ag industry. Accurate declared values, business income worksheets and response to risk improvement recommendations were underwriting prerequisites. It is expected that the current challenges in placing cover for clients across the agriculture spectrum will continue throughout the remainder of 2024 and into 2025. A softening of the farm insurance market is not anticipated for the foreseeable future.

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Locked and loader

Around 80% of farmers have experienced some form of crime on their farm in their lifetime, according to the Centre for Rural Criminology. As farms are high asset businesses, with expensive equipment and vehicles located around vast properties, one of most prevalent crimes is that of theft. The theft of machinery, equipment, and vehicles most often occurs on properties close to regional or urban centres, and among the cropping sector, horticulture operations, and other livestock farms.

It is a crime that is on the rise, according to police and the Australian Institute of Criminology. The increasing frequency and rising cost (given the high replacement values) is seeing insurance premiums rise. Tips to reduce the risk of farm machinery, equipment and vehicles being stolen include:

- Conduct regular checks on farming equipment, machinery and vehicles.
- Maintain a plan of the property where assets are stored, and always know where the equipment is located on the farm.
- Lock all buildings, sheds and gates with good quality locks.
- Install the latest security technology, sensor lights around all buildings, and CCTV cameras throughout the property and around the perimeter.
- Never leave keys in the ignition, vehicle or close by, and secure vehicle cabs.
- Secure tools and equipment, preferably by anchoring, chaining and using quality locks.
- If the vehicle or machinery can't be secured – or if it is rarely used or stored outside or in a remote area – immobilise it (e.g. by removing the battery or distributor cap, or installing an immobiliser).
- If machinery breaks down, do not leave it in a paddock (e.g. move it to a shed or near the farmhouse).
- Store important items in the main house.
- Store assets not in use in a secured shed (preferably in sight of a farmhouse) or grouped in a highly visible area.
- Build a fenced enclosure that can be padlocked shut to store equipment that cannot be secured in sheds.
- Install tracking devices on machinery and equipment.
- Mark, weld or engrave items with identification.

It is also good to:

- Record serial and model numbers, registration numbers, and identification points (i.e. make an inventory).
- Photograph and video assets.
- Store the inventory and photos in a separate secure location.
- Keep invoices and receipts as proof of ownership.

Talk to your EBM Account Manager about risk mitigation strategies and ensuring your farm assets are adequately protected (including accurate declared or replacement values) with the right insurances (including business interruption with 'increased cost of working' provision).

Liability insurance

Increased competition saw the general liability insurance market continue to moderate.

The easing of liability markets experienced in the second half of 2023 continued throughout 2024. Increased competition and capacity from new and existing markets helped to reduce the rate of premium increases – rising around 1-10%. However, insurers continued to increase rates in an effort to address inflationary pressures from deteriorating loss tails.

Rates for public and products liability (PPL) continued the rise which began in 2017. Rates increased around 8%. Bodily injury claims, particularly work injury claims, continued to be the primary driver of premium increases. Public liability premiums have increased 53% since 2015, with the most significant impacts being on large and corporate businesses, including those in construction, retail trade, and mining.

With ample capacity, there was little change in limits and coverages. Deductibles remained flat, although businesses within trending loss areas, such as retail and worker-to-worker exposed, saw deductibles rise.

Well-performing, well-managed and lower-risk accounts achieved favourable outcomes, while those with challenging risk profiles faced greater scrutiny, more stringent underwriting, and rate increases. Overall, market conditions moderated as insurers became increasingly growth focussed. Although insurers generally displayed broad appetite and a willingness to compete for new business, challenges remained for some sectors including utilities, coal, government, and businesses with heavy US-exposed risks or per- and polyfluoroalkyl substance (PFAS) exposure.

Underwriting scrutiny continued, particularly in areas such as contractor injury, ESG and US exposures.

Clients seeking additional coverages (such as PI or product recall) under general liability policies were required to provide more detailed underwriting information. In many cases, shifts in coverage were experienced.

In light of increasing outsized court awards, insurers continued to review scheduled underlying limits. Attachment points were also challenged in response to claims volatility.

Insurers continued to monitor potential claims inflation from worker/contractor injury that affect back years, especially mining and construction risks.

Social inflation is an emerging concern for liability insurance in Australia. Factors driving social inflation, such as an increase in class action filings, point to potential increases in liability claims. This, in turn, may impact the market in terms of premium pricing and coverage.

It is expected that liability lines will remain the most scrutinised of the commercial insurance market, with ongoing pricing adjustments likely to be made.

Hi-ho, hi-ho – workers compensation changes come into effect

Workers compensation schemes in three states have recently undergone changes.

WESTERN AUSTRALIA

Western Australia's modernised Workers Compensation and Injury Management Act 2023 came into effect on 1 July 2024. A complete re-write of the workers compensation legislation, the Act is designed to provide clarity and certainty for stakeholders.

Some of the key legislative amendments include:

- **Enhanced financial support for workers**
- **Revised calculation of income compensation**
- **Comprehensive coverage for catastrophic injuries**
- **Amending the Limitation Act 2005 (WA): Workers suffering silicosis are now on the same footing as workers with asbestosis.**
- **Access to annual and sick leave accruals and entitlements while on income compensation**
- **Provisional payments**
- **Revised return to work requirements and processes.**

VICTORIA

On 31 March 2024, Victoria's WorkCover scheme was modernised with the passing of the Workplace Injury Rehabilitation and Compensation Amendment (WorkCover Scheme Modernisation) Act 2024.

Designed to deliver a more contemporary and sustainable scheme to make sure it continues to support Victorian workers in the future, the main changes are:

- **New eligibility requirements for mental injury claims.**
- **An additional whole person impairment requirement for workers to continue to receive weekly payments after the 130-week second entitlement period.**

NEW SOUTH WALES

From 30 June 2024, medium-sized businesses have been able to choose their claims service providers (CSPs). Eligible medium-sized employers (those which have an average performance premium over $200,000) can choose a CSP (from a pool of six providers) that best fits their business needs when they renew their policy.

If you have questions about the changes, talk to EBM's Injury Management team.

Looking ahead

The improved market conditions for most of the commercial insurance lines brought welcome relief to clients, following several very challenging years for businesses.

It is expected that the increase in capacity and reduction in premium prices will continue into 2025. However, micro and macro conditions remain volatile, and the local insurance market is expected to continue to be influenced by several key risks including:

- **volatile capital markets**
- **shifting reinsurance capacity**
- **changing risk appetite among global reinsurers**
- **higher claims costs**
- **slowing economic growth, both locally and with major trading partners such as China**
- **inflation**
- **ESG challenges**
- **global conflicts**
- **geopolitical concerns (including repercussions from elections in 40 countries during 2024)**
- **increasing regulatory compliance and reporting frameworks**
- **climate change, and**
- **cybercrime.**

With insurers actively pursuing growth in a number of lines, the increased competition is expected to translate into more favourable outcomes for clients in terms of premiums, coverage, deductibles, limits, terms and conditions. However, not all insurance classes will see improvement, with challenging conditions remaining in the transport and logistics, and agriculture and farming sectors.

An overall slight softening of previously hard markets (namely property and liability) is likely to transpire over the next six months. Continued improvement within FinPro lines is also anticipated for quality risks.

While the improved conditions remain somewhat tenuous, there is cause for cautious optimism.

Our Advice: Managing cover as the cost of doing business rises

As Australian households struggle through the current cost of living crisis, SMEs are also facing cost of doing business challenges. These challenges include fluctuating inflation and rising prices across the board, rising interest rates and reduced borrowing capacity, low unemployment and rising wages, lower productivity, rising insolvencies, supply chain disruptions, lower business confidence, and changing legislation and increasing regulation.

In response to the challenging economic environment some SMEs are looking at ways to reduce costs. One area they may focus on is their insurance program.

If you are concerned about premium prices and are looking to reduce expenditure while avoiding the risk of underinsurance, talk to your EBM Account Manager well ahead of renewals (3-6 months is recommended).

Together, we can explore options to ensure your business remains protected if adjustments are made to your insurance program.

Some options that you may consider exploring with us include:

- Conducting a comprehensive insurance needs assessment to carefully consider risks and your options for managing those risks.
- Reviewing your risk profile and management strategies – the risk your business represents to an insurer is reflected in the premiums you pay and a demonstrated proactive approach to risk management can positively influence those premiums.
- Bundling covers, where possible, instead of taking out various separate policies, like property damage, business interruption, theft and public liability.
- Increasing deductibles, which can be an effective way to reduce premiums for some insurance lines.
- Reducing policy limits, without jeopardising cover or risking underinsurance.
- Prioritising covers if it is not financially viable for you to insure all the risks and exposures that your business faces.
- Self-insuring risks with a low financial impact.
- Updating sums insured to ensure the right level of cover is in place.
- Reviewing indemnity periods for business interruption.
- Layering indemnity limits – layer insurance cover from two or more insurers to achieve the full indemnity required for your risk (option is dependent on the size of your business).
- Investigating alternative risk transfers such as parametric insurance, captives, protected cell companies, alternative retention and limit strategies, or 'buffer' programs.

Any changes to your insurance program should be carefully considered in respect to legal requirements (such as mandatory insurances) and contractual obligations. Your EBM Account Manager can discuss options with you with a holistic view in mind.

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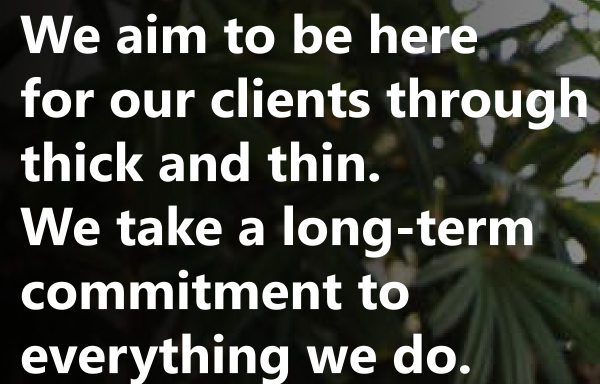
About us

EBM Insurance & Risk was established in 1975 on the simple premise that insurance is complex and requires honest and concise interpretation, delivered professionally and personally.

Our team provides insurance and risk expertise across a range of industry sectors including construction, agribusiness, manufacturing, mining and mining contracting, not-for-profit, marine, transport, trades and all other small, medium and corporate business operations, together with private households and landlords.

Today, over 5,000 businesses and individuals entrust EBM to deliver innovative insurance broking solutions.



We aim to be here for our clients through thick and thin. We take a long-term commitment to everything we do.

Ward Dedman
Chief Executive Officer / Executive Director

100% Australian owned and operated

Founded in Western Australia in 1975, EBM Insurance & Risk is proud to be locally owned and operated. With a network of eight offices nationally and a team of over 150, we have grown to become one of Australia's leading privately-owned insurance brokers, entrusted by more than 5,000 businesses to deliver innovative insurance solutions.

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