



# Whakatane District Council

27<sup>th</sup> March 2025

Andrew Carlson

Matthew Wilson





# Agenda

- Current Market
- Current Programme
- Risk Appetite – Loss Limits
- Emerging Risks



# 1

## Insurance Market Update and Strategies

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# Market Cycle

## Where are we?

Significant catastrophic events and/or poor investment returns lead to poor performance.

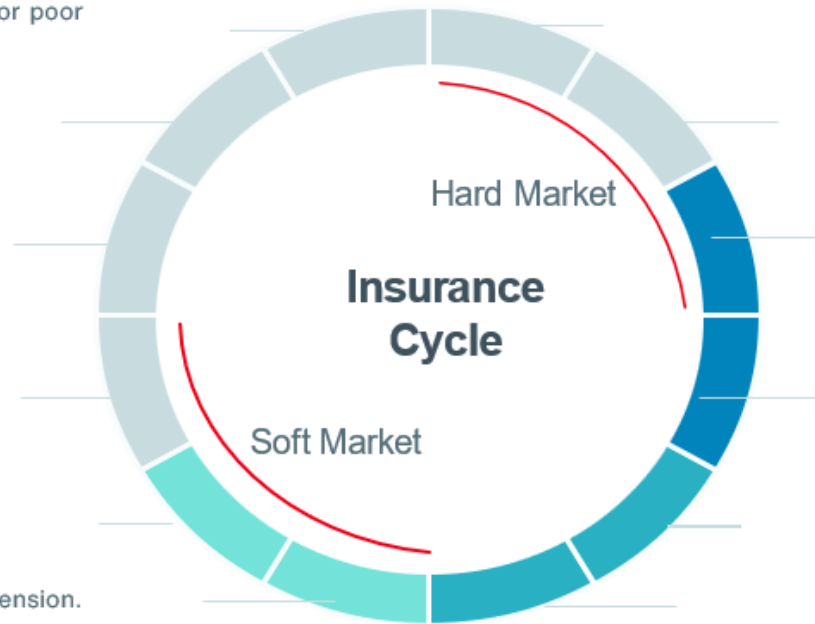
Premiums start to slowly increase.

Increase in loss ratios due to reduction in premium pool.  
Rate reductions taper off.

Insureds control the markets with Insurers competing on price and cover.

Insurers look to increase their market share.

Rate reductions due to competitive tension.



Retraction in capacity as insurers focus on underwriting profitability.

Change of insurer appetite and risk selection leads to significant lack of competition in some classes/professions.

Insurers stop writing "unprofitable businesses" leading to significant increases in pricing and reductions in the breadth of cover.

Insurers control pricing and continue to retract cover.

Rate increases improve underwriting profitability and/or investment performance improves.

Pricing becomes attractive to new capacity.

### Legend:

- Property Only
- Property & Casualty
- Casualty Only



# Global (Re)Insurance - Market Update - H2 2024

## Favourable Renewal in a Dynamic Reinsurance Market

- Mid-year renewals further consolidated the positive trends observed at 1/1 and 1/4, setting the stage for a more competitive reinsurance market in 2025.
- Treaty reinsurance conditions stabilised for insurers as the prior year's retention, pricing and coverage changes formed a new normal. Insurers saw increased reinsurer appetite which led to ample capacity at stable pricing and conditions.
- Overall, insurers achieved positive renewal outcomes at mid-year renewals, with property catastrophe risk-adjusted rate reductions and improvements in terms and / or coverage.
- Casualty treaty renewals at the mid-year were broadly stable. Ample capacity and the underlying strength of the primary casualty market helped partially offset the market's concern for loss development trends and nuclear verdicts. Notwithstanding, we are seeing a 'second round' of further notable loss emergence on U.S. casualty in particular.

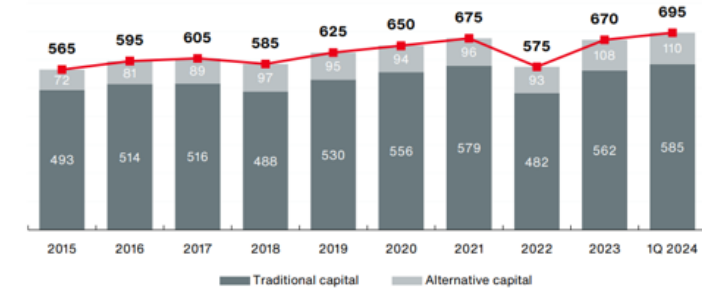
## New Peak Reached, Deployable Capacity Continues to Grow

- Aon estimates that Global Reinsurer Capital rose by \$25bn to \$695bn over the three months to March 31 2024, the main drivers were robust underwriting results and improved total investment yields which combined to deliver very strong returns on equity.
- (Re)insurers showed top line growth in property and casualty reinsurance in the first quarter of 2024 and pricing was generally viewed as remaining ahead of loss cost trends. Most companies increased their focus on growing short-tail lines.

## Global Natural Catastrophe Losses Reaches \$380 billion in 2023

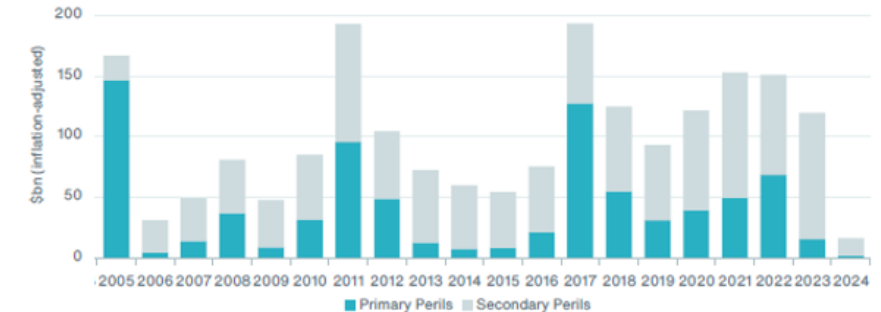
- Global Economic Losses from natural disasters in 2023 are estimated to reach \$380 billion and exceeded the 21st century average (\$312 billion) on a price-inflated basis.
- Estimated insured losses were \$119bn making it the 8th most expensive year on record.
- 2023 losses were largely driven by secondary peril events including convective storm and flood with the absence of any considerable primary peril events in the key regions which can swing global results.
- Hottest year on record in 24 countries and territories and 16,500 fatalities globally.
- Tropical cyclone and flooding remained the costliest perils of the 21st century on a cumulative basis.

Global Reinsurer Capital (USD \$Bn)



Data: Company Financials / Aon Reinsurance Solutions / Aon Securities Inc.

Global Insured Natural Catastrophe Losses



Primary Perils: Earthquake, European Windstorm, Tropical Cyclone

Secondary Perils: Drought, Flooding, Severe Convective Storm, Wildfire, Winter Weather & Other.

Data: Aon's Catastrophe Insight Database, as of April 30, 2024

# Pacific Market Dynamics and Trends

## Q4 Pacific Market Dynamics

	Overall	Pricing	Capacity	Underwriting	Limits	Deductibles	Coverages
Pacific	Soft	-1-10 %	Abundant	Prudent	Flat	Flat	Stable
Australia	Soft	-1-10 %	Abundant	Prudent	Flat	Flat	Stable
New Zealand	Moderate	Flat	Ample	Prudent	Flat	Flat	Stable

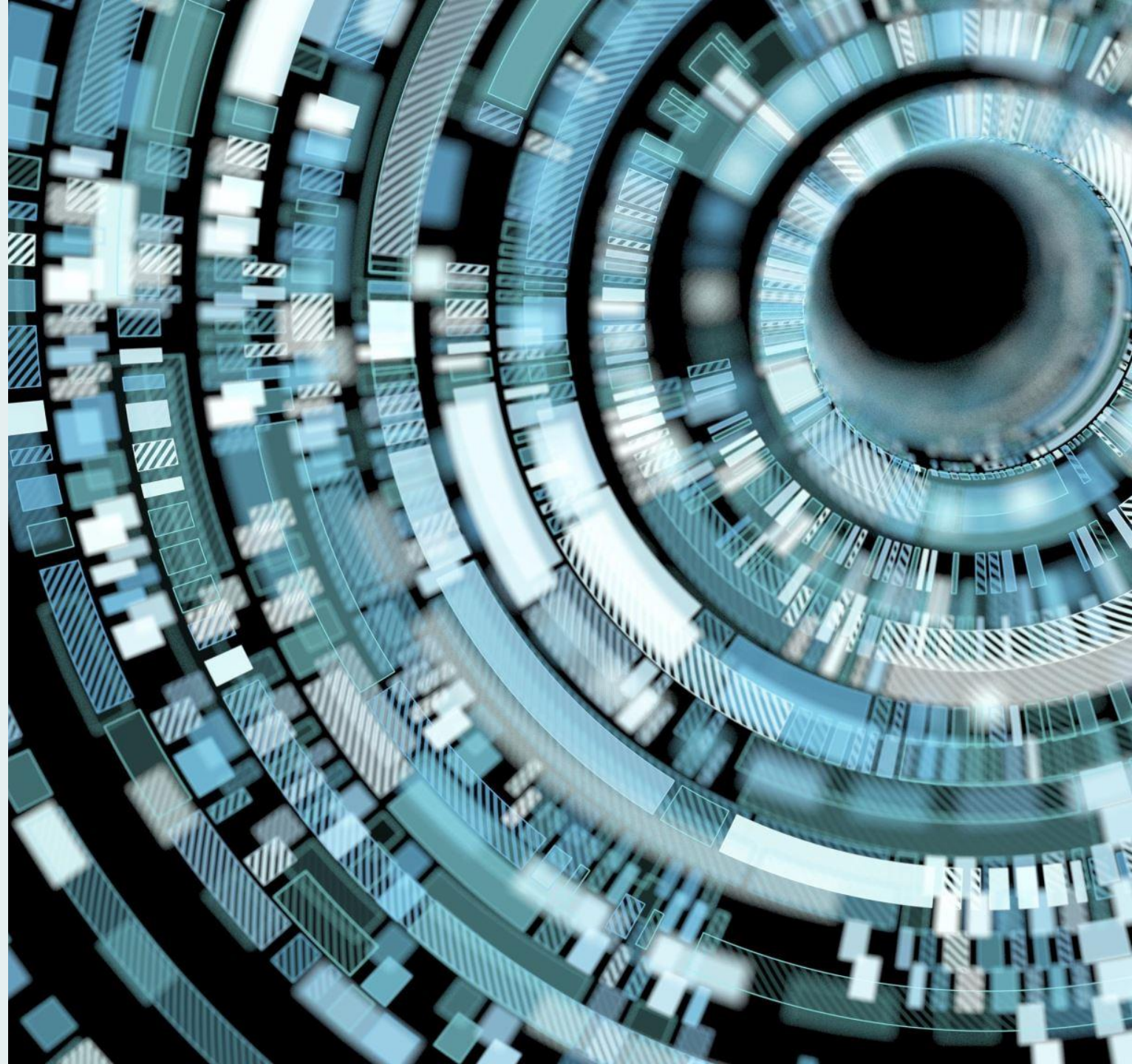
## Q4 Pacific Product Trends

	Automobile	Casualty/Liability	Cyber	Directors & Officers	Property
Pacific	Moderate	Moderate	Soft	Soft	Soft
Australia	Moderate	Moderate	Soft	Soft	Soft
New Zealand	Moderate	Moderate	Soft	Moderate	Moderate

# 2

Current Programme

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# 2024-2025 Programme

Policy	Company Premium	Total Declared Values	Loss Limit / LOI	Excess
Vertex Combined MDBI Policy	\$ 946,404.72	\$ 524,090,168	\$ 900,000,000	Refer separate slide
Infrastructure Cover	\$ 391,116.00	\$ 682,022,601	\$120,000,000 / \$500,000,000	Refer separate slide
Commercial Motor	\$ 64,356.36	\$ 5,500,586	Market Value	Various
Employers Liability	\$ 2,960.00		\$ 1,000,000	\$ 1,000
Statutory Liability	\$ 5,586.00		\$ 1,000,000	\$10,000 / \$25,000
Fidelity/Crime	\$ 11,183.00		\$ 2,000,000	\$ 50,000
General Liability	\$ 45,812.00		\$ 15,000,000	Refer separate slide
Professional Indemnity	\$ 218,458.00		\$ 15,000,000	Refer separate slide
PI & PL - Liability Excess Layer	\$ 42,683.48		\$ 145,000,000	\$ 15,000,000
Cyber Liability	\$ 12,500.00		\$ 1,500,000	\$ 25,000
Machinery Breakdown	\$ 57,443.34	\$ 24,340,399	\$1,000,000	\$2,000 / \$5,000
Standing Timber	\$ 509.32	\$ 318,463	Declared Value	\$ 10,000
Aviation Hull	\$ 1,710.50	\$ 9,907	\$100,000	1% / 2.5%
Airport Owners & Operators	\$ 6,050.00		\$ 20,000,000	\$ 2,500
Fine Arts	\$ 9,480.21	\$ 13,067,734	Declared Value	\$10,000/ \$25,000
Marine Hull	\$ 150.00	\$ 17,100.00	Market Value	\$ 500
Total Premium (excl GST, FSL & EQC levies)	<b>\$ 1,816,402.93</b>			



# Deductible Levels

- **Material Damage and Business Interruption**

Standard - \$25,000

Flood - \$250,000

Natural Disaster – Post 1935 - 5% of the Material Damage Site Value but not less than \$5,000

Natural Disaster – pre 1935 – 10% of the Material Damage site value but not less than \$10,000

# Deductible Levels

- **Infrastructure**
  - \$750,000
- **Professional Indemnity**
  - Standard - \$25,000
  - Building Act Claims \$100,00
  - Multi-Unit Property \$25,000 per unit, minimum of \$100,000 maximum of \$500,000
- **Public Liability**
  - \$10,000



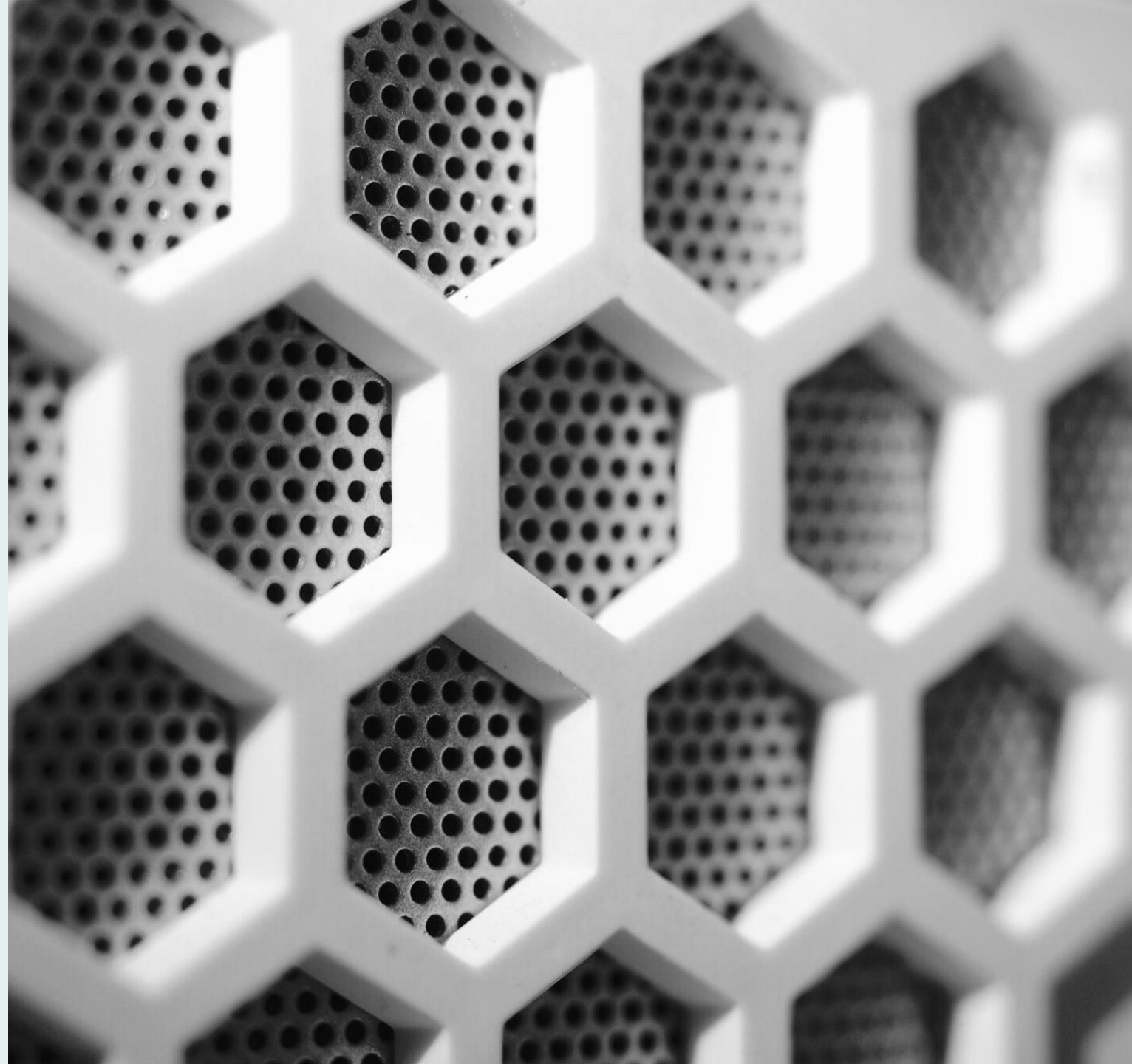
# Aggregate Limits – Liability

- **Professional Indemnity**
  - Building Act Claims Aggregate \$45M
  - Shared across a group of 37 Councils Excluding Auckland and Wellington.
- **Public Liability**
  - Policy limit to \$30M per year for Natural Disaster Related losses
- **Defence Costs**
  - Limited to \$2M per year

# 3

Risk Appetite

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# GRMS Top 12 Public Sector Risks 2023

1. Cyber Attacks  
/ Data Breach

2. Failure to  
Attract or Retain  
Top Talent

3. Economic  
Slowdown /  
Slow Recovery

4. Regulatory /  
Legislative  
Changes

5. Business  
Interruption

6. Damage to  
Reputation /  
Brand

7. Failure to  
Innovate / Meet  
Customers'  
Needs

8. Cash Flow /  
Liquidity Risk

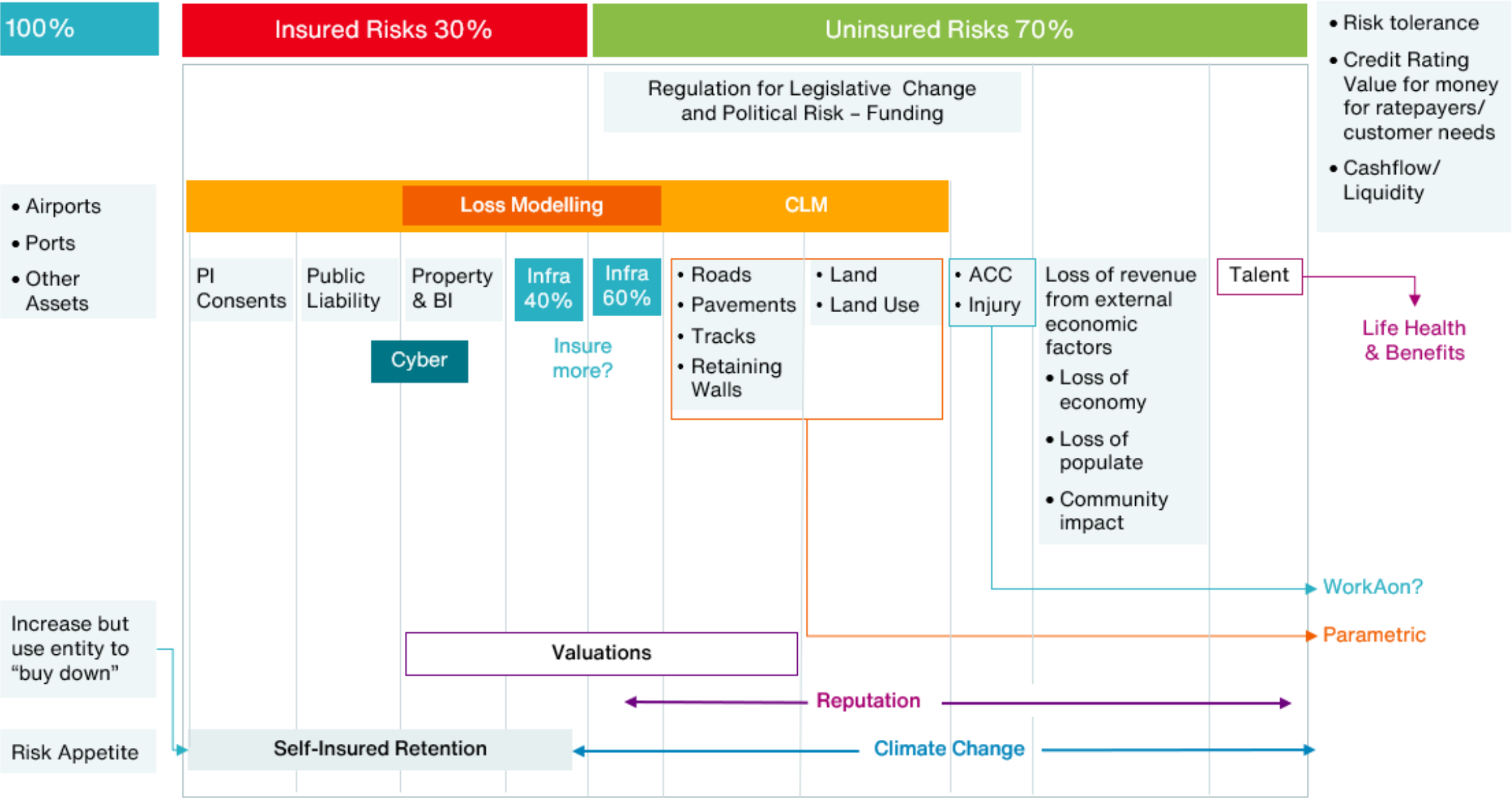
9. Property  
Damage

10. Political Risk

11. Rapidly  
Changing  
Market Trends

12. Supply  
Chain or  
Distribution  
Failure

# Holistic Risk Map





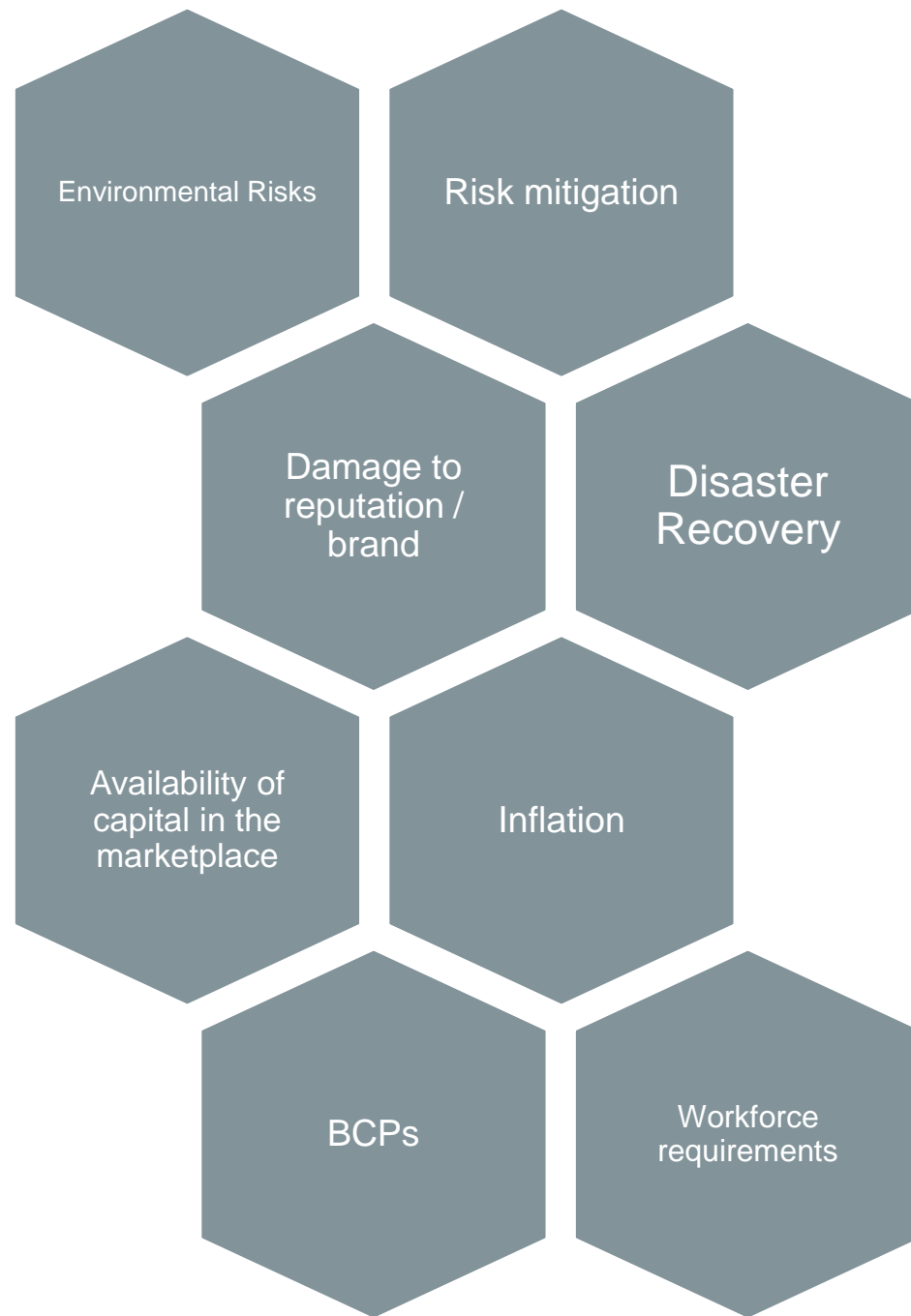
# Opportunities / Strategic Purchasing

- Alternative Risk Financing options
- Debt Headroom / Risk Funding
- Regular reviewing of insurance valuations
- Risk management maturity
- Asset selection process
- Divestment of assets
- Network Resilience

# 4

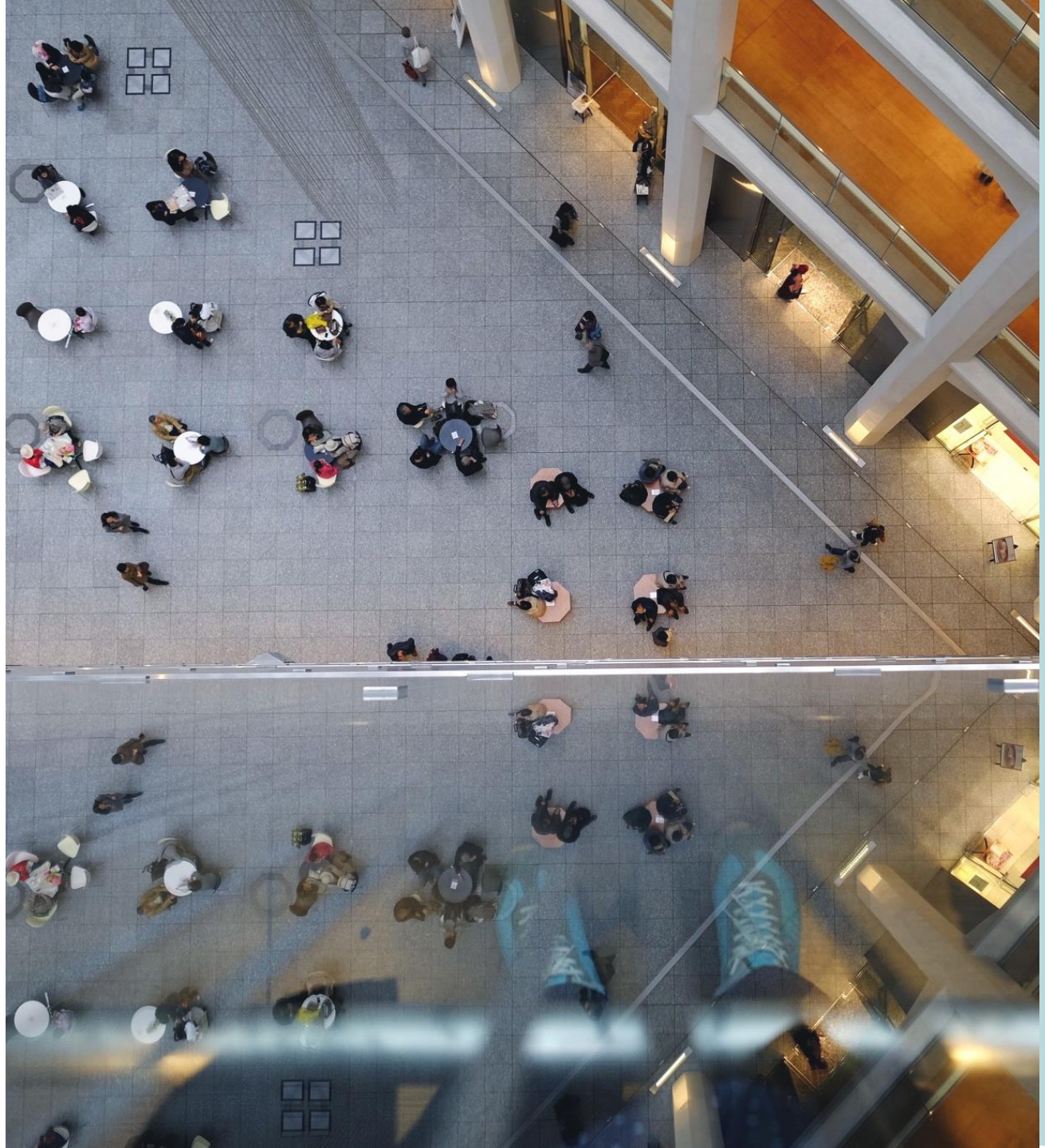
## Emerging Risks







# Questions?





# Ngā mihi