GENERAL INSURANCE *landscape*

General Insurance Premium Pricing May 2024 - Outlook for 2024/25

As your dedicated Insurance Adviser, we constantly monitor the insurance market to better understand insurance trends and how they may affect your business.

Having appropriate sums insured for the current replacement value of your assets, stock, contents and machinery is crucial. The continuing impacts of inflation, labour shortages, persistent lower AU$ at around US$ 0.66 Cents (May 2024) and supply chain issues continue to cause a dramatic increase in the costs to rebuild/repair properties and replace items. It's important that we work together to ensure you have the correct valuations and sums insured for your insurance policies.

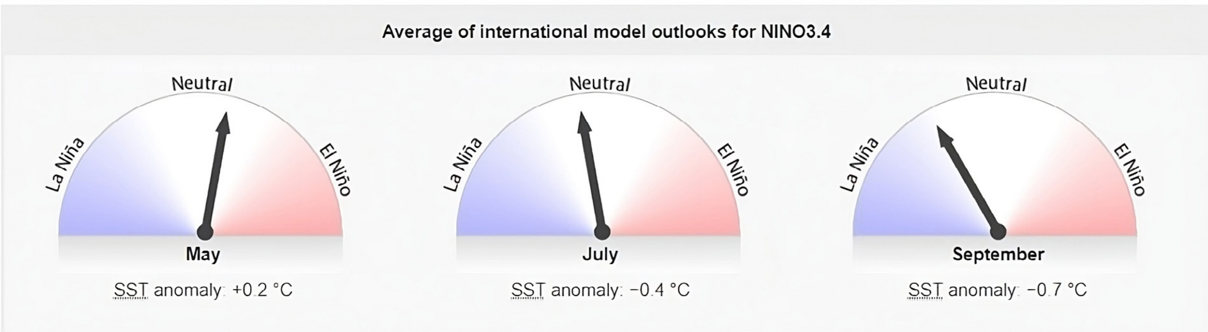
As your Adviser, we recommend that your property and other asset values be reviewed regularly to ensure you're adequately insured. Having incorrect insured values could result in an adjusted claim due to underinsurance, meaning you are paid less than you need to replace your property. Having a professional valuation can help to prevent this. Our team can arrange access to experienced quantity surveyors who can accurately confirm rebuild costs for commercial and domestic buildings, in addition to plant and machinery.

Pricing Outlook:

The following are some of the key "positives" and "negatives" that will impact insurance premiums over the next 12-18 months.

Positives:

- ✓ Improved profitability of Insurers, mainly due to improved investment returns.
- ✓ For extreme weather events, the Bureau of Meteorology has confirmed the conclusion of the El Nino pattern of drier conditions and forecasts a Neutral setting for the remainder of 2024. This means more stable conditions and less likely to have extremes of dry/hot or wet/cold weather events.



(source: bom.gov.au)

Negatives:

- ✓ The Bureau of Meteorology still maintains Extreme weather events are still likely.
- ✓ Reinsurance rates remaining high for Catastrophe Insurance that Insurers purchase due to the ongoing potential of significant weather-related claims.
- ✓ Continuing inflation and supply issues impacting sums insureds and rebuilding costs coupled with persistent lower AU$.

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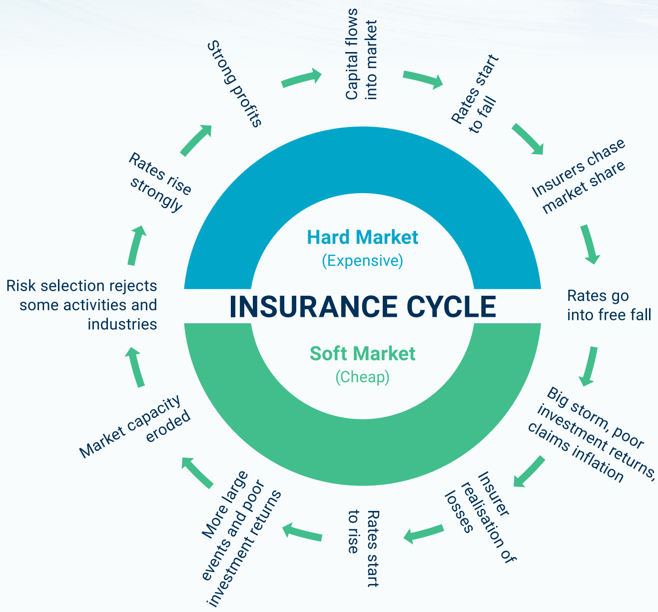
Given the less than expected number of weather-related claims paid and with reinsurance costs stabilising, we believe pricing increases will continue upwards albeit on a lesser trajectory than in previous years. We expect we will start to see pricing rates and premiums soften for claims-free risks that are not prone to catastrophe peril locations, i.e. cyclones. We expect to see increases in the vicinity of 5% - 7% for commercial insurance and 3% - 5% for property risks. Home Building and Contents remains a market that is suffering large losses and we still expect to see increases of 7%+, depending on dwelling locations. Motor premium costs are steadying; however, reliability on offshore vehicles, parts and increasing labour prices, see motor premiums continue to be above general inflation levels. Regarding Liability/Professional line classes, due to the longer-term improved outlook for investment returns on reserves held for liability classes of insurance, particularly if inflation continues to moderate, we have seen rates reduce for these classes of business.

With the continuing hard market, we anticipate:

- ✓ Premium levels softening depending on class of insurance and risk location
- ✓ Obtaining insurance coverage remains challenging in areas prone to catastrophe risk claims
- ✓ Insurers are increasing capacity on certain occupational risks, industry groups or clients
- ✓ Excesses on policies are stabilising
- ✓ Focus remains on risk management and mitigation processes
- ✓ More time and accurate information is still required to place or renew insurance



We expect that the insurance market, whilst offering softer terms, will continue to maintain underwriting discipline, meaning well managed risks are best positioned to experience best conditions of the market. As our experience consistently shows, we can achieve the best terms and premium outcomes by working together.

Looking to the future

The Insurance Industry, we believe, is between 11 and 12 o'clock on the Insurance Clock. Insurers reporting strong profits at the end of 2023 and new capital entering the market in early 2024 has amended our outlook over the position of the last few years. However, the presence and impact of future catastrophic weather events, along with economic factors for the rest of 2024, will dictate if the clock's hands move forward or backwards as we near 2025. We believe average premium increases will remain in the range of 3% - 7%. The exact figures above and below this range will be influenced by industry sector, geographic location, prior claims experience and approach to risk management.

Structural change and cost cycles are part of every industry. The Insurance Clock is a useful tool to represent where Insurance rates are now and where they're likely to be heading in the future.

Should you have any questions or would like to arrange a property and asset valuation or discuss any other general insurance needs, please don't hesitate to get in touch. We'll be more than happy to help.