KPMG

Responding to a changing landscape

General Insurance Industry Review 2020

With the top 10 trends impacting the sector

December 2020

KPMG.com.au

The *KPMG General Insurance Insights Dashboard* which accompanies this report contains a range of interactive charts and graphs presenting the key industry metrics for the past 5 years. The interactive dashboard enables the data to be filtered to view the metrics for a particular year or insurer. It also enables comparison of metrics for an individual insurer to others in the market.

The dashboard can be accessed via our website at:
KPMG.com/au/insurancereview

Foreword

KPMG Australia's General Insurance Industry Review 2020 includes the financial results up to 30 June 2020 of all Australian general insurers.

The format, content and presentation of the 2020 General Insurance Industry Review comprises three segments:

1. **The year in review** – a concise but insightful analysis of how the general insurance sector performed throughout the year, utilising Australian Prudential Regulation Authority (APRA) annual data statistics. We have incorporated customer insights and analysis from Google regarding the types and quantum of queries performed through the Google search functions relevant for general insurance products.
2. **Top 10 emerging trends** – KPMG's views on what are the top 10 trends that will shape and influence the industry in 2021 and beyond. In this section we reflect on the implications of these current and emerging themes, which may require Australia's general insurers to significantly adapt the way they do business.
3. **KPMG General Insurance Insights Dashboard** – this interactive dashboard has been enhanced in the current year and contains a range of interactive charts and graphs presenting the key industry metrics for the past 5 years. The interactive dashboard enables the data to be filtered to view the metrics for a particular year or insurer. It also enables comparison of metrics for an individual insurer to others in the market.

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The highlights

The positives

- Gross written premium
- Net earned premium

The negatives

- Underwriting result
- Insurance profit
- Insurance margin
- Capital ratio
- Combined ratio
- Loss ratio
- Expense ratio

2020 results snapshot

Gross written premium

$46,962m	2019/20
$44,829m	2018/19
$42,744m	2017/18
$42,971m	2016/17

Insurance profit

$2,274m	2019/20
$4,399m	2018/19
$5,020m	2017/18
$4,835m	2016/17

Loss ratio

70.7%	2019/20
68.0%	2018/19
63.0%	2017/18
63.5%	2016/17

Expense ratio

25.4%	2019/20
24.0%	2018/19
25.0%	2017/18
24.8%	2016/17

Capital ratio

1.69x	2019/20
1.79x	2018/19
1.83x	2017/18
1.85x	2016/17

Source: APRA Annual General Insurance Performance Statistics June 2020 (Direct Insurers only) and KPMG analysis

Results and analysis

At a glance

		Total 2019/20	Total 2018/19	Total 2017/18	Total 2016/17
Gross written premium $m	↑	46,962	44,829	42,744	42,971
Net earned premium $m	↑	33,294	32,231	30,833	30,139
Underwriting result $m	↓	1,394	2,401	3,923	3,536
Insurance profit $m	↓	2,274	4,399	5,020	4,835
Loss ratio	↑	70.7%	68.0%	63.0%	63.5%
Expense ratio	↑	25.4%	24.0%	25.0%	24.8%
Combined ratio	↑	96.1%	92.0%	88.0%	88.3%
Insurance margin	↓	6.8%	13.6%	16.3%	16.0%
Capital ratio	↓	1.69	1.79	1.83	1.85

Source: APRA Annual General Insurance Performance Statistics June 2020 (Direct Insurers only) and KPMG analysis

Year in review

Insurance profit for the year ended 30 June 2020 was down 48.31 percent to $2,274 million, a significant reduction on the annual results from previous years. Natural hazard events, higher reinsurance costs and unfavourable investment results from volatile market conditions contributed to this result.

The COVID-19 pandemic introduced a new challenge to insurers during the year. Prior to the COVID-19 lockdown restrictions, new business volumes and retention rates were favourable to 2019. Whilst most insurers saw a favourable impact from reduced motor and home claims due to the COVID-19 restrictions, this was offset by:

- lower GWP as a result of less new business,
- increased claims provisions (i.e. travel, landlord and business interruption) and risk margins to address the COVID-19 uncertainty,
- increased one-off expenses associated with implementing business continuity plans and remote working arrangements and bringing certain functions back onshore, and
- the introduction of various customer initiatives.

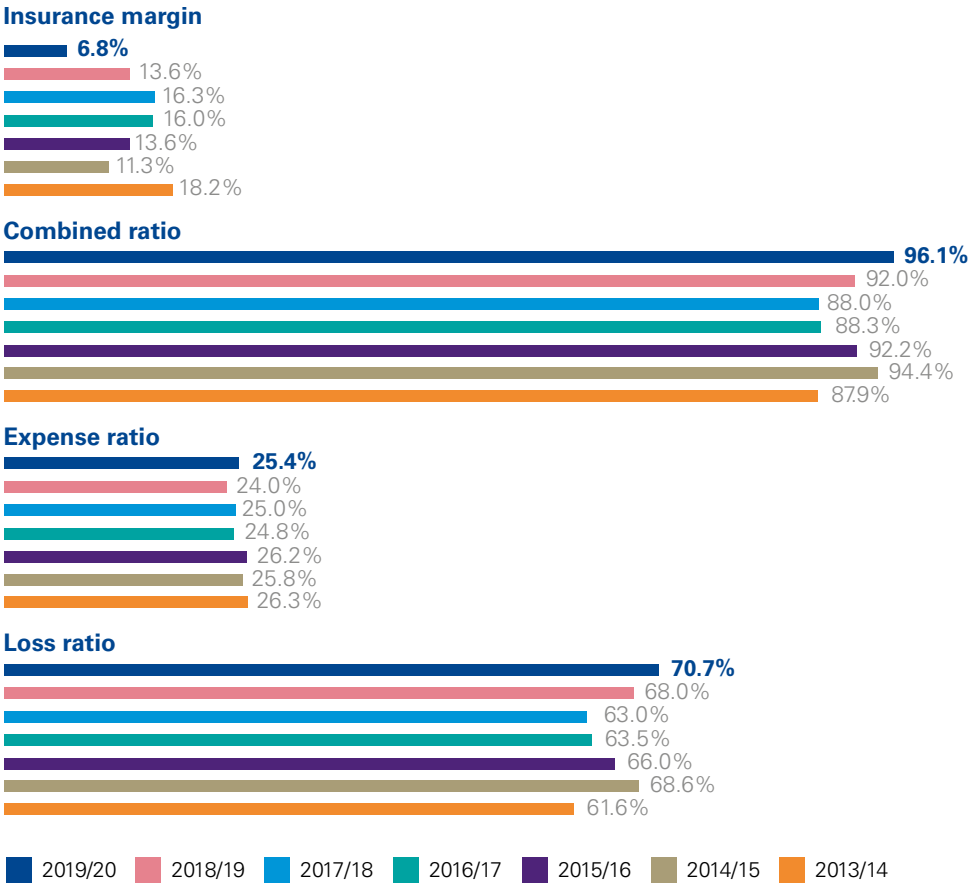
Customer initiatives offered by insurers during the COVID-19 restrictions included premium waivers or discounts, deferral of premium payments for small businesses experiencing financial hardship, maintenance of full cover on small business premises who were required to close for no additional premium, reduced payment days to suppliers and waiving administration or cancellation fees for customers experiencing financial hardship.

Whilst not included in these numbers, additional business interruption claims provisions are expected to be recognised by insurers following the NSW Court of Appeal's decision in favour of policyholders. The judgment confirmed that claims which were previously denied after relying on an exclusion of diseases declared to be quarantinable diseases under the Quarantine Act 1908 (Cth) and subsequent amendments, does not apply to losses caused by business interruption due to COVID-19 not being a disease declared to be quarantinable under the Act. This judgment is open for parties to appeal before the deadline of 16 December 2020.

Gross written premiums (GWP) increased by 4.76 percent to $46,962 million. This growth in GWP has been driven by positive volumes and rate increases mainly in the classes of motor and home. Personal lines growth was offset by reduced commercial GWP arising from portfolio exits and lower CTP GWP due to ongoing rate reduction impacts from scheme changes and competitive pricing in NSW and SA. This overall increase in GWP shows the market is continuing to incorporate price increases to cover the expected future increase costs of claims.

Key ratios

The loss ratio (claims cost) has continued to worsen in 2019/20 up 2.7 percent to 70.7 percent. This increase in loss ratio can be attributed to extensive natural catastrophe claims costs and prior period reserve movements. Natural hazard claims for the year included the catastrophic bushfires in Queensland, NSW and Victoria and severe storm activity (hail, rain and flooding) across the Eastern states between November and February (refer table below). These claims costs were partially offset by higher reinsurance recoveries and ongoing reserve releases however not to the full extent.



Source: APRA Annual General Insurance Performance Statistics June 2019 issued 23 August 2019 (Direct Insurers only) and KPMG analysis.

Catastrophe		Claims received	Total loss $b
CAT195	Australian Bushfire Season 2019/20 (NSW, QLD, VIC, SA)	38,609	2.325
CAT196	November 2019 SEQ Hailstorm (QLD)	30,679	0.503
CAT201	January 2020 Hailstorms (VIC,ACT,QLD,NSW)	130,345	1.640
CAT202	February 2020 East Coast Storms and Flooding (QLD, NSW)	101,201	0.963

Data effective 26 Oct 2020 Source: www.disasters.org.au

Operating expenses of insurers worsened in the current year, with an increase of 1.4 percent in the expense ratio, increasing from 24.0 percent to 25.4 percent. This is a result of increasing technology, regulatory and compliance costs and one-off COVID-19 related expenses partially offset by benefits from expense reduction and process improvement programs completed by insurers during the year.

Investment income was $268 million, significantly down 91.3 percent from $3,097 million in 2018/19 due to the lower investment returns arising from the Mark to Market impacts of volatile investment markets off the back of the COVID-19 pandemic and a continued reduction in interest and yield curves.

The impact of these factors contributed to a lower industry insurance result of $2,274 million (prior year $4,399 million) and an insurance margin of 6.8 percent. The 'Key ratios' graph above shows the trend in insurance margins and other key statistics over the past 7 years.

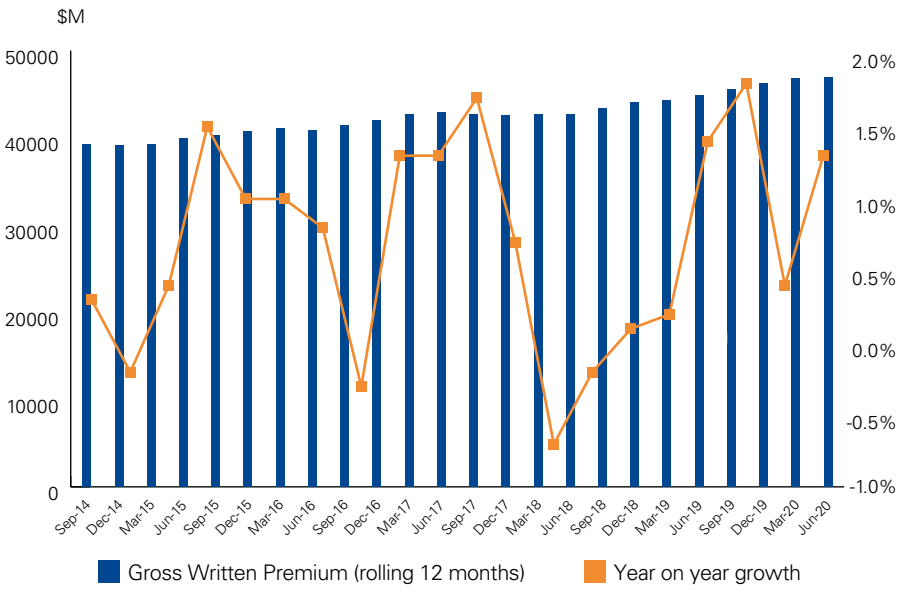
The industry's capital coverage at 30 June 2020 for direct insurers was reduced to 1.69 times the APRA prescribed capital amount. This compares to 1.79 times at 30 June 2019 and whilst down on prior years, it is still a strong position for the industry to be in.

Market outlook

The average GWP quarterly increase for 2019/20 was 1.2 percent (refer to 'Gross written premium – rolling 12 months YOY growth' graph). This growth is consistent with 2018/19 and reflects the nominal policy rate increases associated with hardening of the general insurance market over the last few years. Whilst the graph on the right shows some tapering off of premium increases in response to the COVID-19 pandemic in Q4, we expect these rate rises will return and continue in the current year across both personal and commercial classes.

Looking ahead, the current economic environment remains uncertain as a result of the COVID-19 pandemic and the impacts that can arise. Further as mentioned earlier, the industry is seeking certainty on the possible business interruption claims that may arise from the impacts of COVID-19. Insurers are forecasting continued growth in natural hazard events and higher regulatory and compliance costs are expected to continue as insurers implement a raft of changes, including operational changes in response to the Royal Commission's recommendations and related legislation and the implementation of the global accounting standard, IFRS 17 Insurance Contracts.

Gross written premium (rolling 12 months)



Source: APRA Annual General Insurance Performance Statistics June 2020 (Direct Insurers only).

Our Top 10 trends are listed below and are discussed in more detail later in the report:

Top 10 trends

1. Regulatory & compliance transformation
2. Simplification & cost optimisation
3. Changing customer expectations
4. Pricing & risk optimisations
5. Technology modernisation
6. Distribution & channel optimisation
7. Insurtech
8. Mergers & Acquisitions
9. IFRS 17
10. Climate change

Customer insights

Insights from Google show that the COVID-19 pandemic had an impact on the customer insurance search trends during the year. Whilst most insurance products showed minor movements in search queries from 2019, notable movements included:

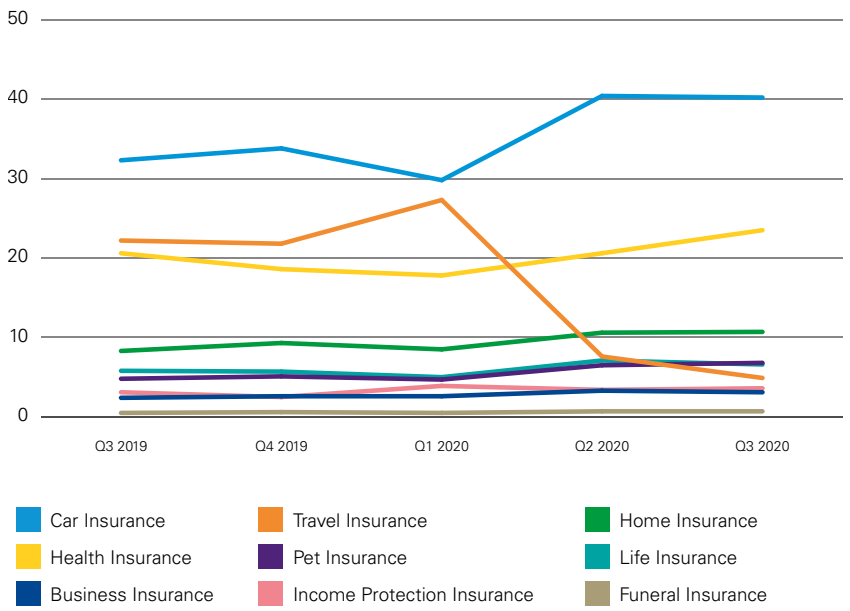
- Car insurance queries decreased in line with car usage at the introduction of the pandemic to 30 percent however peaked in the next 2 quarters to 40 percent, when restrictions started to ease and more people were choosing to use their own cars instead of public transport and undertaking more holiday travel by road.
- Travel insurance Google searches decreased 2 percent. Whilst there was a decline in new policy searches, this was largely offset by customers searching to see their terms and conditions under travel policies.
- Whilst no annual movement in pet insurance searches, searches peaked in Q2 and Q3 of 2020 at 7 percent of total general insurance Google searches during the COVID-19 lockdown, given the surge in animal adoptions during the period.
- Business insurance and income protection insurance searches increased in Q2 and Q3 of 2020 in response to the economic uncertainty arising from COVID-19.

Google searches by Insurance product

Insurance product	% of Google searches 2020	% of Google searches 2019
Car	34%	35%
Travel	20%	22%
Health	19%	20%
Home	9%	8%
Pet	5%	5%
Life	6%	5%
Business	3%	2%
Income	3%	2%
Funeral	1%	1%

Source: Google Trends Data AU, July 19 - June 20

Google search queries by insurance product



Source: Google Trends Data AU, July 19 – October 20

In order to respond to these search trends, general insurers need to adopt:

- An 'always-on' approach to digital marketing that ensures they are present during each of those critical life experiences;
- Flexible insurance products that can offer customers products that meet their needs as they require them;
- Simple, informative websites with device responsive design that are easy to navigate; and
- Personalised, relevant interactions with consumers by leveraging available data/signals.

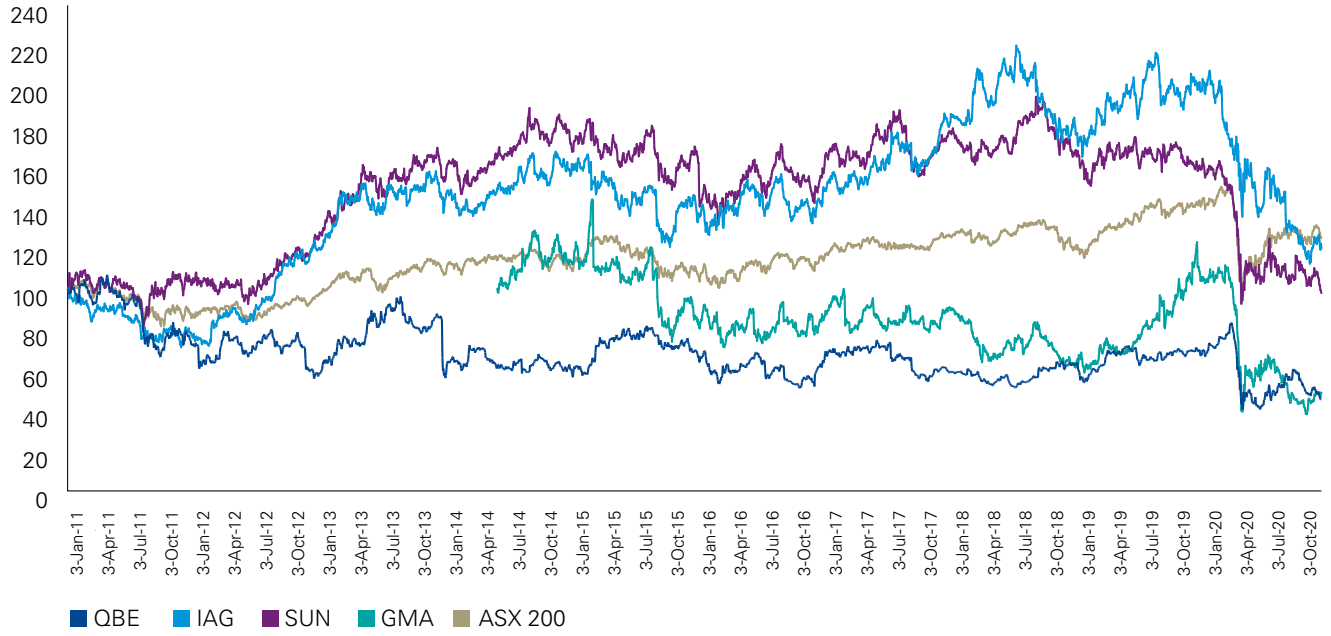
As can be seen above, we continue to see a number of trends that will impact the industry in both the short and long term.

Share price performance

The insurance companies share price performance since January 2011 graph depicts the share price performance of the four listed Australian General Insurers – IAG, QBE, Suncorp (SUN) and Genworth (GMA) – and their performance against the Australian Stock Exchange (ASX) 200 Index for the period from January 2011 to October 2020.

In line with the share price decline in the overall ASX200 Index, all of the Australian listed insurers have seen a decline in their own share prices during the period (1 July 2019 to 31 October 2020) all exceeding the ASX 200 index decrease of 10 percent. IAG was down 44 percent, Suncorp by 41 percent, Genworth by 40 percent and QBE by 31 percent with the significant declines commencing in March 2020 as a result of the volatile market conditions arising from the COVID-19 pandemic.

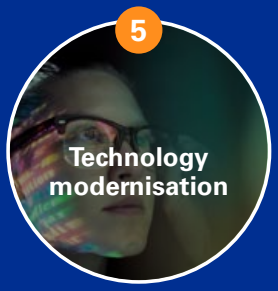
Insurance companies' performance since January 2011

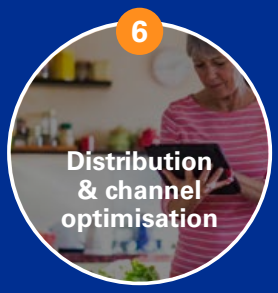


Source: KPMG analysis

Top 10 GI industry trends

Here we identify 10 emerging trends in the global general insurance sector, and consider the implications for Australian general insurers.





1 Regulatory and Compliance Transformation

There is a continued focus on regulatory and compliance, with a packed agenda for the next 18 months, which will impact all aspects of the insurance industry and all facets of the value chain.

Key challenges

- The Financial Services Royal Commission (FSRC) reform agenda (selling practices, pre-contractual disclosure, claims handling and industry codes) stretches over two years and will impact every aspect of the insurance industry
- Compliance with the General Insurance Code of Practice (GICoP) by January 2021
- ASIC's move to treat Claims as a Financial Service (CaaFS)
- Extension of Unfair Contract Terms (UCT) to Insurance
- Increased focus on risk culture and management of non-financial risk
- Transition from the Banking Executive Accountability Regime (BEAR) to the Financial Accountability Regime (FAR) regulation
- Design and Distribution obligations (DDO) and Product Intervention Powers (PIP)
- Increased data and security risks as a result of an increased remote workforce and continuously increasing instances of cyber security attacks and phishing
- Impending amendments to APRA's business continuity standards (CPS 232)

How insurers can respond

- Take stock of regulatory and industry changes and mobilise programs to ensure compliance and to identify opportunities for competitive advantage
- Structure regulatory programs to transform customer experience and operating models, as opposed to driving compliance

Simplification & cost optimisation

Profitability remains a challenge as a result of declining investment returns, increased claims and operational costs, and potential for long term decreased productivity due to remote working. This is driving a continued focus on simplification and automation across the value chain.

Key challenges

- Insurance industry as a whole is expected to witness a combined annual growth rate (CAGR) of 1.8 percent during 2019-2024, down from an expected forecast of 4.2 percent
- Overall performance of investment markets declining and reducing the amount of investment returns. In particular, there has been decreased returns in all ordinaries, residential property, bond rate yields and interest rates
- Growing expenses within distribution and operations through high cancellation rates from trip cancellations and business interruptions
- Increase in median age of population changing the risk profile for insurers
- Decrease in discretionary household spending
- COVID-19 impact of business interruptions, incurred claims, risk margins, motor vehicle refunds, catastrophe and premium concessions[1, 2, 3]
- Increasing cost of claims through Landlord / Trade Credit / Loan Mortgage Insurance / Business interruption / Directors and Officers
- The cost of insurance claims from four bushfire, storm and hailstorm catastrophes declared over the summer of 2019–20 was ~AU$5.2 billion [1, 2, 3]

How insurers can respond

- Continued focus on productivity, simplification, automation, and operating model across all components of the value chain (particularly claims) to drive efficiency and costs out
- Optimise claims leakage using real time analytics and decision support
- Best sourcing / right-shoring support functions to minimise spend

1 J.P Morgan Asia Pacific Equity Research 23rd July.
2 UBS Global Equity Research 22nd July 2020
3 Morgan Stanley Asia Pacific Research July 22nd

3 Changing Customer Expectations

Commoditisation of products and services given minimal price differences in the market (excluding commercial), is driving the need to differentiate on customer experience, whilst customer expectations are rapidly changing based on the significant influence of digital in daily life and the current pandemic.

Key challenges

- Customers have high digital expectations, as they are now comparing their Insurers against interactions with other utility providers
- Insurers are using playbooks of the past to develop digital experiences that don't provide a positive customer experience
- Based on current trends, digital service offerings will adequately service 80 percent of consumers, with the remaining 20 percent preferring traditional contact methods[4]
- The pandemic has changed consumer spending attitudes and sentiment towards products and services
- A third of insurance holders are looking for new propositions built on product and service flexibility, better value for money, and omni-channel delivery with prevention features
- Essential and discretionary spend amounts are changing, with consumers caring most about essential insurance products
- Consumers expect relief and discounts, reduction of ongoing premiums and product flexibility as a result of COVID-19[4]
- Consumers are showing early signs of refusing to return to pre-COVID-19 ways of interacting with organisations

How insurers can respond

- Consider the six pillars of customer experience excellence:
  - Personalisation, Time & effort, Resolution, Integrity, Expectations and Empathy[4]
- Use transformation programs to explore how emerging technologies can meet customer's evolving needs

[4] KPMG A COVID-19 call to action for the Australian insurance and wealth sector July 2020

4 Pricing & risk optimisation

Today's operating environment is putting more pressure on pricing and risk effectiveness for growth, requiring advanced data and analytics capabilities at scale.

Key challenges

- Profitability remains low and market growth is expected to have slow growth
- The cost of insurance claims from four bushfire, storm and hailstorm catastrophes declared over the summer of 2019–20 was ~ AU$5.2 billion
- Advancement in data and analytics capabilities are allowing insurers to better price risk and manage profitability, by providing more and readily available information

How insurers can respond

- Build data and analytics capabilities to allow informed decision making around risk, pricing and impacts on profitability
- Leverage third party data sources for more advanced risk and pricing decisions
- Review the current risk profile to ensure it is adequately diversified
- Review existing pricing structures

Source: "Insurance bill for season of natural disasters climbs over $5.19 billion", ICA, Link

5 Technology Modernisation

Complex legacy technologies, regulatory driven change and the need for innovative real time digital solutions are accelerating the need to modernise core technology platforms and accelerate cloud migration.

Key challenges

- Insurance companies have massive amounts of data locked in legacy systems
- With consumer expectations of service quality and digital accessibility increasing, businesses are at real risk of losing their customers if they don't adapt
- The new reality of the post-COVID-19 crisis conscious consumer, will drive a renewed focus on digital first and value based propositions
- Organisations are leveraging technology integration layers to wrap digital capabilities around core systems
- Anticipated M&A activity will be driving core technology platform modernisation with a focus on digital and data

How insurers can respond

- Develop flexible integration with legacy systems through low code / no code solutions for intelligent wrapping of core systems to deliver new digital capabilities
- Accelerate cloud migration, and/or optimise multi-modal environments where possible
- Replace / re-platform legacy technologies with cloud based platforms that future proof operations
- Purposeful, digital-first design across technology
- Ensuring the technology infrastructure supports Insurers evolving operating models

6 Distribution and Channel Optimisation

COVID-19 has accelerated the shift from digital as a channel to digital first, with an expectation of omni-channel experiences throughout the insurance lifecycle. In addition, Brokers are expanding underwriting capacity and partnering with pure play digital Insurtechs to disrupt incumbents.

Key challenges

- Lockdown forced many Australians to move to digital channels in order to connect for work, shopping and social purposes. Many older Australians were required to learn how to use digital tools they wouldn't have previously used[5]
- Consumers are searching for providers who provide a choice of channel, with expectations that their experience is seamless across all channels, with their provider knowing who they are and where they are in the process
- The top three channel benefits for consumers are convenience, 24/7 availability, and time savings[5]
- Incumbent operators face challenges from industry consolidation in recent years and increased competition from new entrants, especially data and digital-savvy companies
- The implications of COVID-19 have forced consumers to participate in a market where digital is the new norm. This sentiment opens further opportunities for insurers to increase their mix of direct to customer sales strategies, accelerating a trend that was observed pre-COVID-19
- Changes to the distribution market, with mid market broking firms being acquired by larger firms

How insurers can respond

- Review channels throughout the Insurance lifecycle, reflecting the 80/20 digital to traditional channel split[5]
- Work to transition ~20 percent of customers away from traditional and more costly channels
- Expand and improve self-service tools to better support customer and agent satisfaction.
- Optimise channels to increase time savings for customers, improve internal efficiencies, and reduce overall cost to serve
- Purposeful, digital-first design to broaden organisational appeal
- Incentivise customers for using self-service options to reduce operational overheads
- Review of distribution channels and opportunities for innovation and potential partnerships with Insurtechs and/or other providers can assist in delivering a superior and more cost effective distribution channel
- Redesign the GTM distribution strategies for indirect channels - increase direct channels where possible to get closer to end customers
- Redefine and optimise distribution partnerships

[5] KPMG A COVID-19 call to action for the Australian insurance and wealth sector July 2020

7 Insurtech

Commoditisation of insurance products is opening up opportunities for non-traditional players to enter the market, as well as lowering barrier to entry for start-ups. This coupled with insurers needing to consider newer risks, customer perceptions and demands, is creating the opportunity for new and innovative offerings from external players.

Key challenges

- After a slow start for Insurtechs in Australia, we are now becoming a global centre for Insurance innovation
- In 2020/2019, the Australian Insurtech environment saw the following changes from 2018:
  - 75 percent increase in active partnerships between Insurtechs and incumbent insurers, for example CoverWallet and AON
  - 53 percent increase in the number of Insurtech companies
- There has been an increase in deal activity between Australian Insurtechs and local and global Insurers, for example Bunnings and Evari, and Trov and Suncorp
- Gateway Australia (UK-owned Insurtech incubator and fund) was launched in 2019 to fast track the Insurance provider authorisation process and to promote entrepreneurship
- In October 2017, corporates and start-ups in the insurance industry came together to create Insurtech Australia as a standalone division within the fintech industry association to support start-ups and other innovators working in the insurance sector
- Consumers are willing to switch insurers based on their product offerings and pricing
- A third of insurance holders are looking for new propositions built on product/service flexibility, better value for money and omni-channel deliveries and with prevention features
- Customers expect flexibility to meet their specific needs and situation
- Insurance products need to be reshaped as they are not meeting needs of customers. Examples include:
  - Travel and private health; if services are not available, customers should not be paying full premiums
  - Demand for insurance by subscription with usage based pricing
  - Sustainable insurance products and impact underwriting to actively shape and contribute to society

How insurers can respond

- Review of changing customer demands to determine areas of innovation, and investigate how partnerships with Insurtechs and/or other providers can assist in delivering a superior experience
- Review of current product and services offering including loyalty and preventative programs
- Reinvention of new flexible and better value products focused on subscription and sustainability

8 Mergers & Acquisitions

There is expected to be a renewed focus on Mergers & Acquisitions (M&A) activity across the Australia general insurance market over the next 12-24 months. This is expected to be accentuated in the post-COVID-19 environment, creating buy and sell side opportunities.

Key challenges

- There has been significant M&A activity in the life insurance space with the majority of banks selling their insurance businesses. We expect this trend to accelerate into the general insurance area in the next 12-24 months
  - 140 deals internationally and 7 within Asia Pacific[6]
  - For disclosed values (19 available) average revenue multiple 2.9x, EBITDA multiple 20.3x, EBIT multiple 34.5x and Earning Multiple of 15.1x[6]
- International insurance companies have been typically interested in Australian insurers as a result of:
  - Products in Australia being mature, providing the opportunity to leverage Australian products overseas
  - Australia being a comparatively smaller market, providing them with the ability to test and learn on a smaller scale
  - Achieving geographical diversity to reduce risk
- Post-COVID-19, we are expecting to see insurers look to acquire companies that will provide them with the opportunity to grow, whilst also providing synergies and or cost optimisation

How insurers can respond

- Australian and International insurers can review acquisition opportunities in the Australian market
- Australian insurers can prepare their business for acquisition

[6] Merger market deals report (Last 6 months Insurance Report)

IFRS 17

A further 12-month delay has provided a welcomed relief for Insurers. The level of work to ensure compliance by 1 January 2023 should however not be underestimated.

Key challenges

- COVID-19 has resulted in many insurers "slowing down" their IFRS 17 projects in the first half of the 2020 calendar year. The challenge now is on prioritisation of the project and keeping everyone motivated and aligned to overcome project fatigue
- Keeping the costs of change under control is even more challenging with the longer timeframe for implementation
- Most recognise they need more time with their software vendors to test, validate and configure their solutions to fit their particular business needs and appreciate the extra time
- Data requirements for disclosures are proving to be a tall order and seeking practical ways to meet the requirements is more time consuming than anticipated
- Australian Prudential Regulations Authority (APRA) is due to release a Quantitative Industry Study (QIS) to 12 regulated entities to collect information so APRA can formulate its approach to integrating IFRS 17 into the LAGIC framework

How insurers can respond

- Revisit implementation road maps to check that they are practical and achievable given other demands on time, people and resources
- Analyse the impact of the changes for your specific business and implementation plans to identify the further steps required to operationalise the change
- Use the additional time for test and parallel runs
- Quantitative assessments are encouraged to support accounting policy decisions selected
- If participating in the APRA QIS, engage with APRA on key decisions and their implication on future APRA reporting

10 Climate change

Insurers continue to face a higher exposure to natural perils, such as flood, bushfire and cyclone. Summer 2019/2020 saw the worst Australian bushfire season on record and modelling predicts the frequency and severity of these natural peril event trends will only continue to increase.

Key challenges

- Summer 2019/2020 was the worst Australian bushfire season on record, known as the "Black Summer,". Bushfires affected the entire continent and resulted in 34 fatalities and burned through an estimated 18.6 million hectares of land between September 2019 and March 2020. The Australian insurance industry's loss footprint is estimated at A$1.9 billion, according to PERILS, the independent Zurich-based organization providing industry-wide catastrophe insurance data
- Climate modelling based on current levels of global carbon emissions and current carbon targets indicate that Australia's exposure to natural perils is going to increase significantly in the period to 2050 – insurers face the prospect of an increasing exposure to physical climate risk
- There is a looming market failure and potential significant risk of underinsurance for some locations and classes of assets as natural perils become uninsurable (the likelihood is the burden of underinsurance will continue to affect lower socio-economic groups and have greatest impact on regional Australia)
- Continuing calls from investors, NGOs and society for insurers to remove support/financial services from significant carbon emitters. Many of the larger insurance companies in Australia have committed to not invest in or insure any new thermal coal projects and phase out insurance of and investment in existing thermal coal clients by 2030. Some have extended this moratorium to oil and gas exploration
- The expectations of a La Nina impacting the eastern states of Australia this coming summer

How insurers can respond

- Report exposure to and strategic response to climate risk under the Task Force on Climate related Financial Disclosures (TCFD) recommendations and the Climate Measurement Standards Initiative (CMSI) when reporting
- Considering climate risk and carbon exposure across investment portfolios. Set carbon emissions targets across portfolios that are aligned to Science Based Targets initiatives and consider applying negative screens to high carbon emissions intensity investments
- Continue to support industry initiatives such as the CMSI
- Demanding/developing better climate modelling to further improve risk practices
- Educate customers through sharing insight and analysis and develop new products that encourage customers to undertake mitigation plans and increase their climate reliance

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