

Commercial Lines in a COVID-19 world

Webinar

2 June 2020



Agenda



**Current state
of the market**



**COVID
impacts**



Outlook

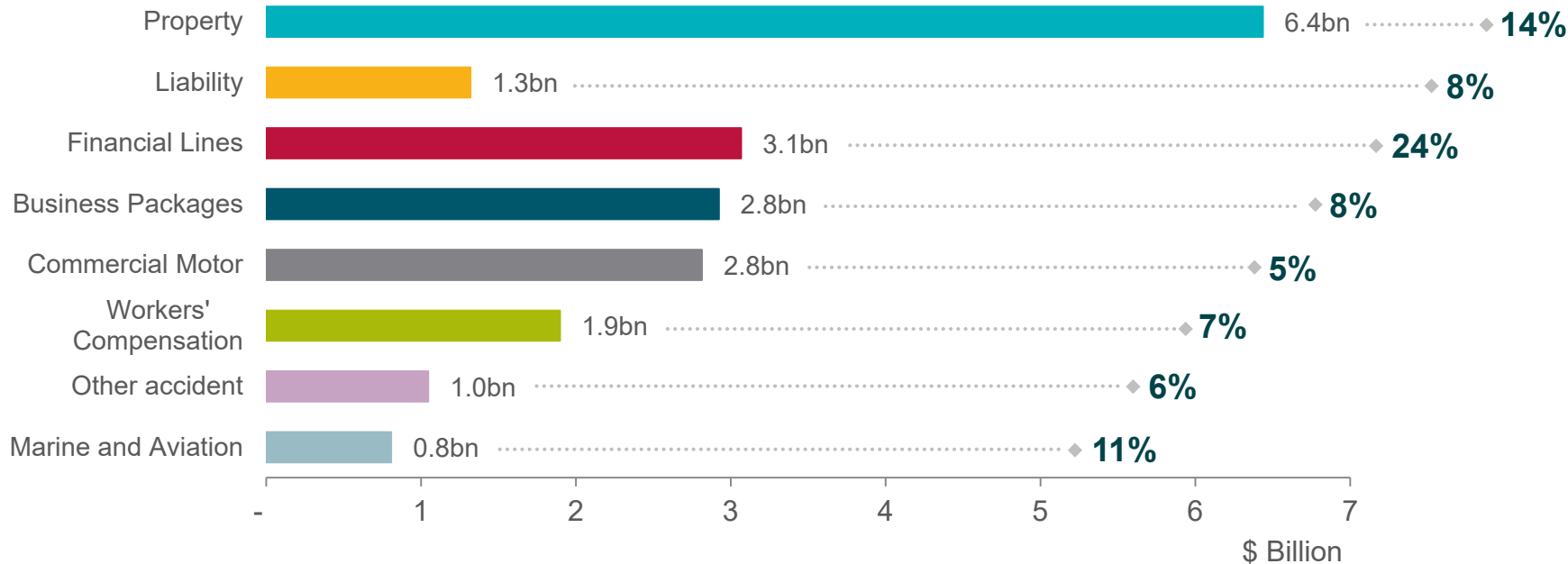


Q & A

Current state of the market

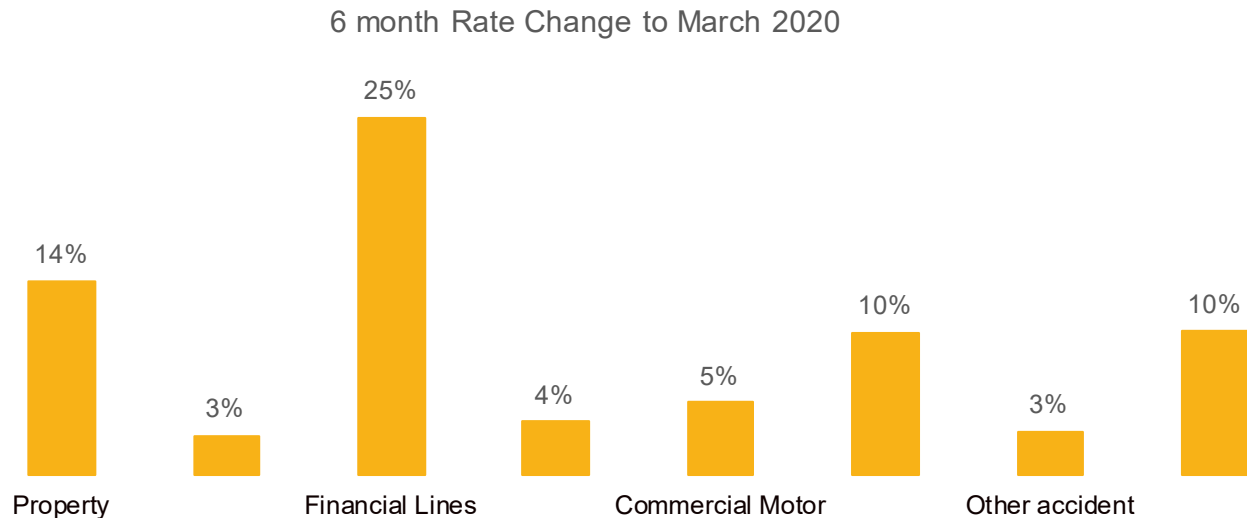
GWP to March 2020

GWP (\$bn) and % growth: Year to March 2020



Current state of the market

Rate change



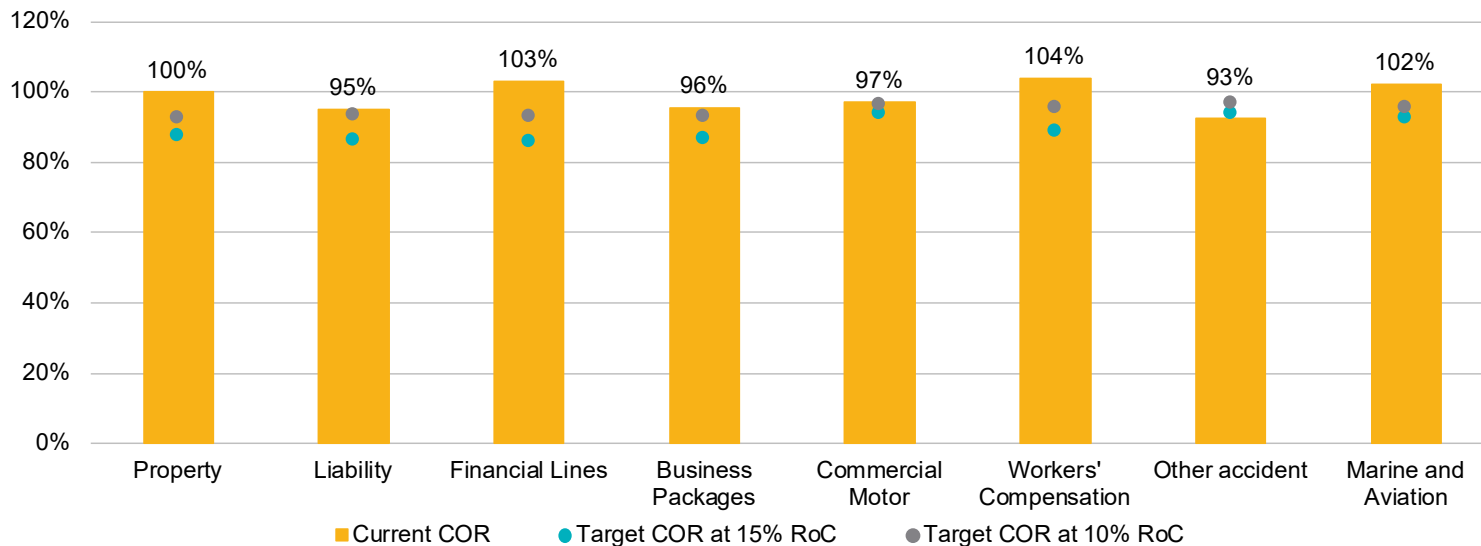
Post COVID-19
impacts:



Current state of the market

Profitability

Getting closer to target returns, but still more rate required



Rate required
to meet
Target RoC

7.5% - 15%

5% - 10%

10% - 20%

5% - 10%

2.5% - 5%

10% - 20%

Meeting

5% - 10%

Audience Poll

What do you see as the biggest issue for the commercial lines industry over the coming 12 months?

1

**Topline
growth**

2

Profitability

3

**Capital
strength**

4

**Regulatory
challenges**

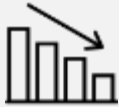
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**Operational
challenges**

COVID-19 impacts

Impacts on businesses

Reduction in trading and cashflow



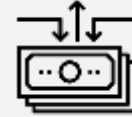
- 72% of business expect a reduction
- Differences by industry and size

Adjusting to the 'new world'



- New products
- Changed processes

Changing financial arrangements

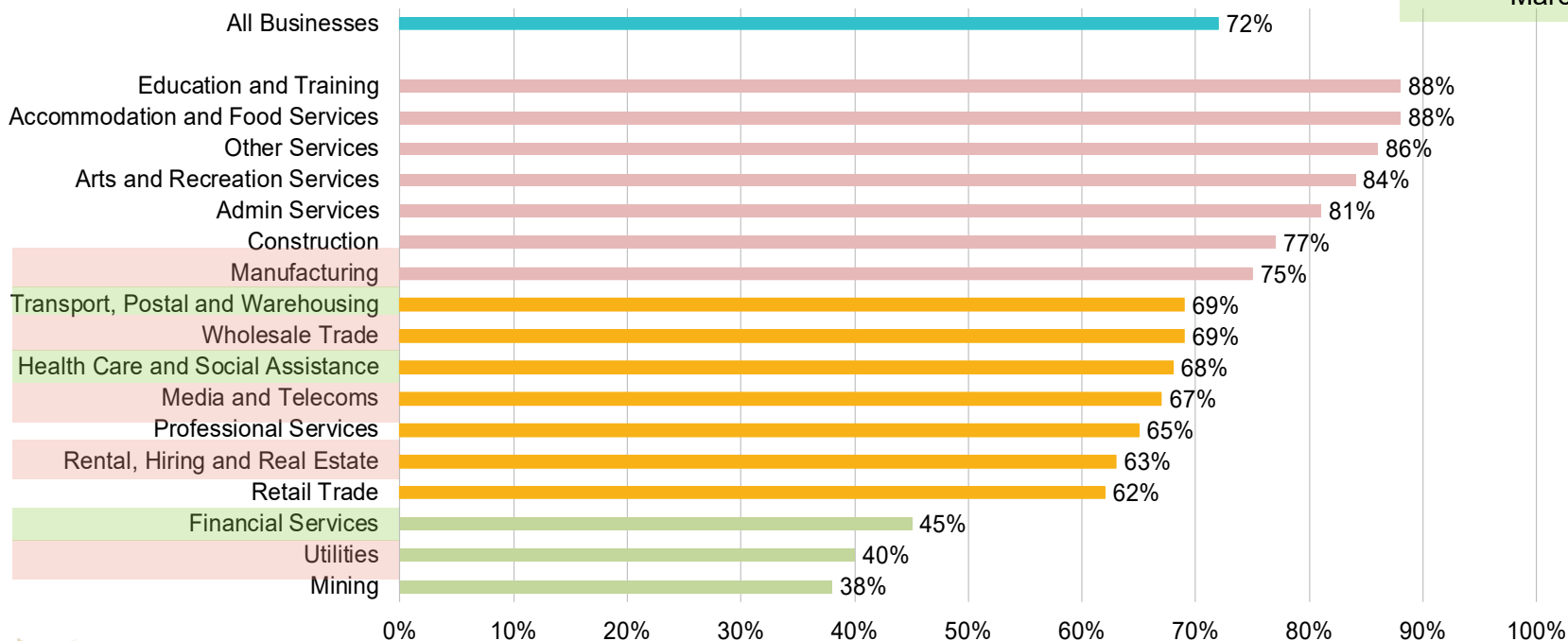


- Rent, loans, payment terms
- Insurance needs

COVID-19 impacts

By industry

Proportion of businesses with expected reduction in cashflow over the next 2 months



Worse outlook compared to March survey

Better outlook compared to March survey

COVID-19 impacts

Industry responses and considerations for insurers

Customer support measures

- SME focused
- Premium hardship and softer terms
- Adjustments and tailoring of coverage

Pricing response

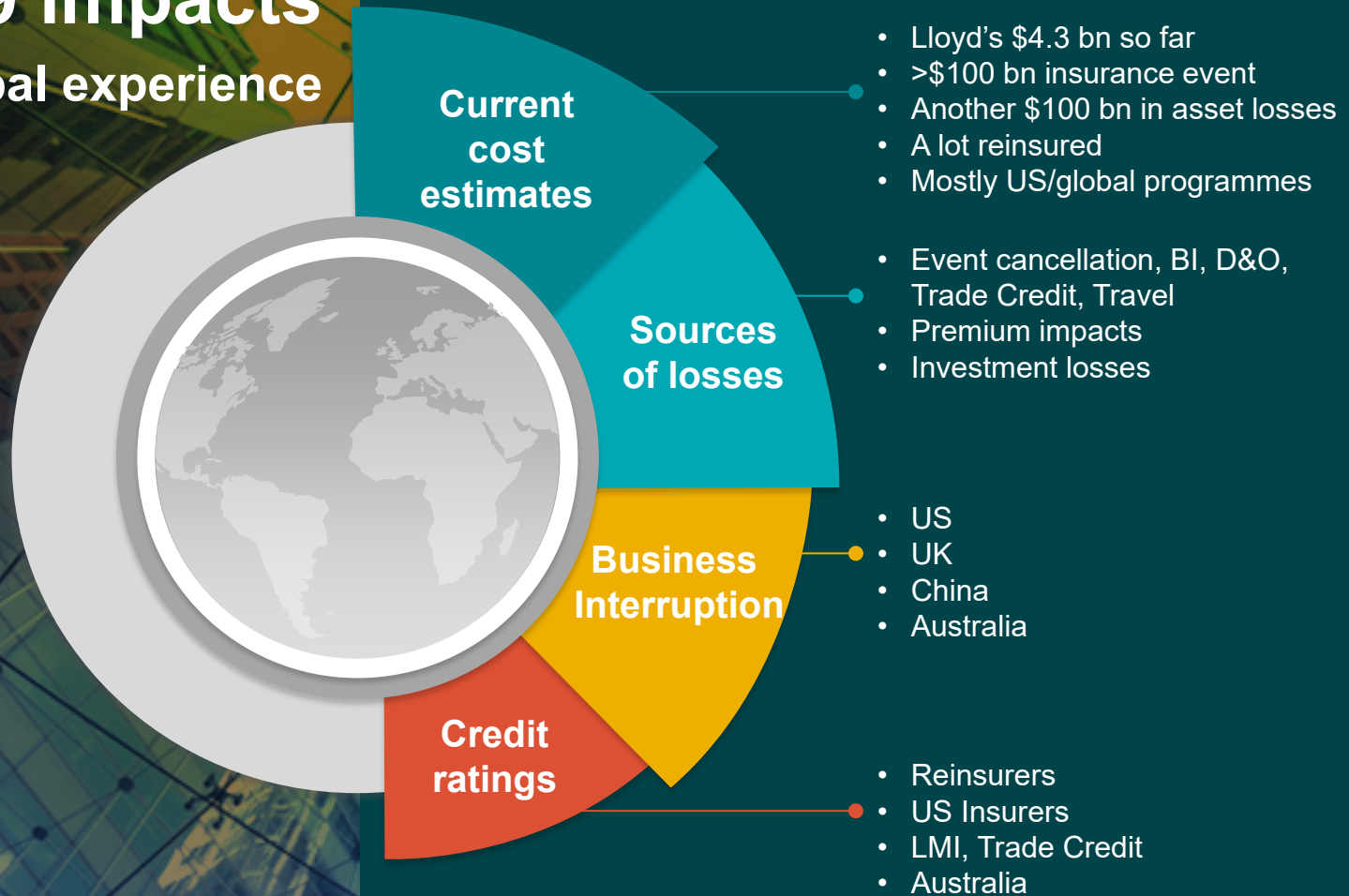
- SME vs corporate
- Renewed underwriting focus

Watch points for insurers

- Reduced turnover and coverage
- Changes to policy terms
- Changing risk exposures

COVID-19 impacts

Global experience



























COVID-19 impacts

Potential claims impacts

Class of business	Claims pressure	Considerations
Property	Offsetting*	<ul style="list-style-type: none">• Changing mix of non-natural perils• Claims inflation• * BI coverage
Liability	Offsetting	<ul style="list-style-type: none">• Less slip and trip claims.• Breach of duty claims and class actions• Court and mediation suspensions
Financial Lines	Higher	<ul style="list-style-type: none">• Inability to perform role or operations• Economic downturn• Cyber claims
Workers Compensation	Higher	<ul style="list-style-type: none">• Direct workplace exposure• Lower claims from locked-down industries• Delayed return to work• Working from home and psychological claims
Commercial Motor	Lower	<ul style="list-style-type: none">• Reduction in claim frequency• Claims inflation

Outlook

	Property	Liability	Financial Lines	Business Packages	Commercial Motor	Workers' Compensation
Volumes	 Will hold up	 Lower turnovers	 Depressed economy	 Depressed economy	 Reduced usage	 Depressed economy
Premium Rates	 Increases for certain segments	 Minimal movement	 Increases for certain segments	 Challenging environment	 Challenging environment	 Challenging environment
Claims	 Offsetting impacts* (subject to BI)	 Offsetting impacts	 Direct and indirect impacts	 Offsetting impacts	 Lower frequency	 Direct and indirect impacts
Profitability	 Still challenging	 To hold up	 Still challenging	 Challenged	 To hold up	 Still challenging

Note: Outlook are based on internal forecasts and views of Finity

Audience Poll Results

What do you see as the biggest issue for the commercial lines industry over the coming 12 months?

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growth**

2

Profitability

3

**Capital
strength**

4

**Regulatory
challenges**

5

**Operational
challenges**

Thank you



Contact



Estelle Pearson

Phone: +61 2 8252 3331
Email: estelle.pearson@finitly.com.au



Susie Amos

Phone: +61 2 8252 3359
Email: susie.amos@finitly.com.au



Pravesh Ponna

Phone: +61 2 8252 3303
Email: pravesh.ponna@finitly.com.au



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