

THE CARRIER PERSPECTIVE:

2025 CLAIMS INSIGHTS





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Finding Opportunities Within a Shifting Insurance Market

The global insurance sector is currently experiencing diverse and complex market pressures, with conditions varying significantly by region. We are observing a complicated market tightened by competitive dynamics and economic factors worldwide. Over two-thirds of global respondents to our survey reported that these challenges are driving higher claims costs, ultimately leading to increased premiums.

However, rising claims costs are only part of a larger puzzle. Additional drivers, such as the increased cost of reinsurance, social inflation, regulatory shifts, climate change, and the frequency of natural disasters, have also contributed to higher claims costs worldwide. While the driving factors are similar, regional nuances have shaped different outcomes across the globe. For instance, in the Australian insurance market, over half of survey respondents identified climate change-related risks as the most significant driver of premium increases.

Globally, certain business lines, such as motor insurance, are facing additional factors that are leading to increased premiums. Contributing factors include increased vehicle repair costs, increased replacement part expenses, and other financial pressures that continue to impact insurers' loss ratios.

To navigate these pressures, insurers are implementing strategies to manage costs and maintain profitability. These include premium adjustments, stricter underwriting guidelines, enhanced claims management processes, alternative risk transfer solutions, and strategic investments in technology. Many Australian insurers are also closely monitoring credit rating agencies for potential downgrades or negative outlooks, which could influence market strategies and competitive positioning. With global credit reporting agencies anticipating that these challenges will persist in the reinsurance market, insurers may benefit from paying close attention to the effects on the entire supply chain.

While most survey participants foresee a moderate to significant hardening of the market, there continue to be opportunities for insurers looking to differentiate themselves. Looking ahead, advancements in data analytics, cyber security, and artificial intelligence will enable insurers to mark themselves out in a competitive market. However, capitalising on these would require significant investment. To optimise the return on investment, insurers may want to look for guidance from a trusted advisor with a deep understanding of the evolving nature of global challenges and technological innovations.

Here is where partnering with Gallagher Bassett (GB) can help insurers navigate these shifts and unlock value. At GB, the methodology underlying our Carrier Practice model stands apart from traditional approaches. We work in close partnership with insurers, offering a cross-functional team focused entirely on achieving specific targets and goals, supporting managing general agents, program administrators, captives, and alternative risk managers.

Additionally, our expanding utilisation of AI and machine learning enables us — and our partners — to harness the latest advancements in generative AI and other transformative technologies. As the industry evolves, GB is well-positioned to help insurers navigate emerging challenges and seize new opportunities with agility and confidence.

Our experienced professionals take a proactive approach to managing risks, focusing on resiliency and efficiency, ensuring insurers stay ahead of the competition now and in the years ahead.

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Charting new horizons — trends shaping insurers and the insurance marketplace

Economic volatility, climate change, technological advancements, and evolving customer expectations are transforming the insurance industry. Current market conditions have found insurers facing a wide range of challenges, from managing the financial impact of rising claims costs to navigating new regulatory requirements. These pressures are reshaping the operational landscape, influencing everything from strategic decision-making to resource allocation.

In this dynamic environment, staying informed is essential for insurers striving to remain competitive. To this end, we conducted a comprehensive survey to gather valuable insights from 200 respondents across Australia, and New Zealand, North America, and the United Kingdom. In addition to typical insurance carriers, our survey participants included managing general agents (MGAs, 14%), and underwriting agencies (12%). This diverse representation offers a well-rounded view of the current landscape, as well as providing insights into the challenges and opportunities shaping the global insurance industry.

KEY FINDINGS

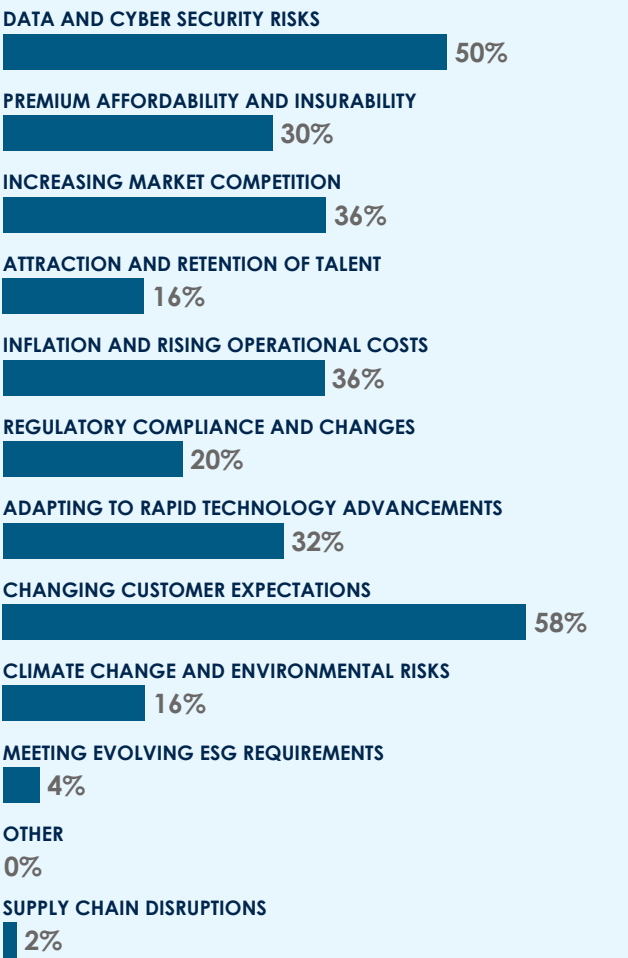
- Changing customer expectations is the most cited business challenge by 58% of Australian insurers.
- Data and cyber security risks are a significant business challenge, reported by 44% of global and 50% of Australian insurers.
- 64% of global and a significant 86% of Australian insurers anticipate that the market will harden within the next 12 months.
- According to 77% of global and 80% of Australian insurers, the accuracy of claim processing is the key quality metric to evaluate performance in claims management.
- 80% of Australian insurers view reduced operational costs as the greatest value-add of generative AI adoption.

Key market challenges

Our research uncovered the primary challenges facing the insurance industry today. Globally, three core challenges stood out in our survey responses: data and cyber security risks, premium affordability and insurability, and increasing market competition. In Australia, these concerns are coupled with changing customer expectations, reflecting the region's evolving market dynamics.

ORGANISATION'S TOP THREE RANKED CURRENT CHALLENGES FACING THEIR BUSINESS

% of business challenges selection over all three ranks





These issues highlight a business environment where financial pressures, digital vulnerabilities, and competitive dynamics are shaping industry priorities.

With the growing number of cyber incidents and their resulting impact on both operations and client trust, it is understandable why 50% of Australian and 44% of global respondents regard data and cybersecurity as such a significant risk.

Premium increases and changing risk appetite

Increasing premium rates is the primary approach respondents have adopted globally (57%) and regionally (54%) to manage evolving market dynamics. Additionally, 47% of global and 44% of Australian insurers are focusing on strengthening their claims management processes to better handle the complexities of the market. The market conditions have led insurers to be more selective over their underwriting decisions, scrutinising applicants’ risk profiles more rigorously and often setting stricter terms and higher premiums.

Globally, nearly two-thirds of survey participants identify rising claims costs as the primary driver of premium increases. In Australia, however, the leading factor is climate change-related risks. This highlights the critical need for effective claims management and proactive strategic planning to navigate the complexities of an evolving market and address the growing challenges posed by extreme weather events.

STRATEGIES TO OVERCOME CHALLENGES OF THE HARD MARKET

% of employment of strategies in response to the hard market



Adapting cost strategies to manage social inflation and legacy claims

KEY FINDINGS

- Globally, there is a 14-percentage-point increase in insurers identifying legacy claims as a challenge to profitability and efficiency.
- 44% of Australian insurers are enhancing risk assessments and modifying coverage limits as part of their current pricing and underwriting strategies in response to the impact of social inflation on coverage levels.
- 62% of Australian insurers are increasingly employing alternative dispute resolution methods as part of their claims settlement strategies.

An uptick in the impact of legacy claims

Longtail exposures can have a substantial impact on an insurer's financial reserves, and in today's increasingly challenging market, this impact appears to be compounded.¹ This year, 76% of insurers globally identified legacy claims as a barrier to organisational profitability and efficiency, marking a 14-percentage-point increase from our 2024 report. Interestingly, Australian insurers feel the weight of this issue even more acutely, with 90% reporting that legacy claims remain a key challenge.

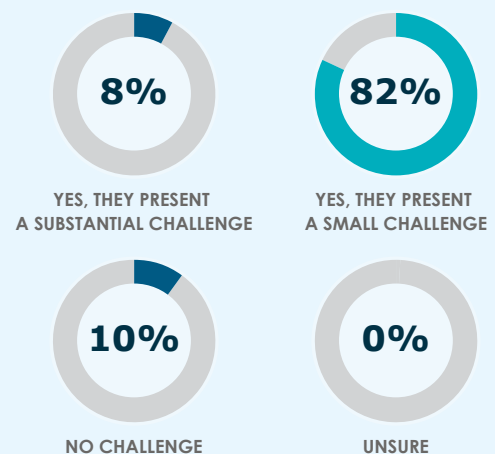
These concerns have made legacy claims a primary focus for insurers regionally and worldwide, many of whom are assessing the effectiveness of their current support and long-term strategies to manage legacy claims. The focus also extends to systems and processes that no longer align with modern technology and ways of working, which is a cost-intensive issue to address. Over time, the resources dedicated to handling these systems diminish, causing additional strain on business resources.

For organisations that are familiar with these challenges, working with a strategic partner is a cost-effective way to open the door to greater efficiency and enhanced technology. As legacy portfolios begin to close out, leveraging the value of a strategic partner and award-winning technologies becomes even more important to identify and unlock growth opportunities.

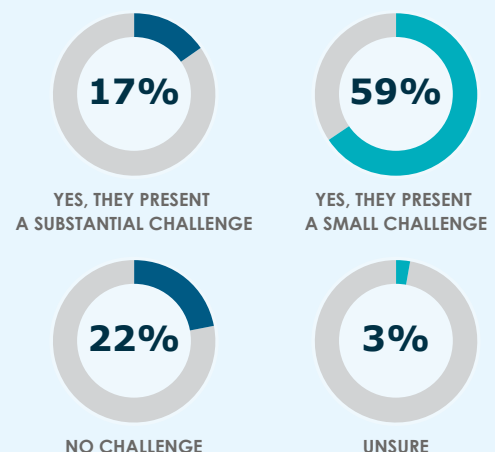
IMPACT OF LEGACY CLAIMS ON PROFITABILITY AND OPERATIONAL EFFICIENCY

% impact of legacy claims on organisations

AUSTRALIA



GLOBAL



Optimising legacy claims with strategic partnerships

To manage the growing challenges of legacy claims alongside in-house teams, Australian insurers are leveraging partnerships with third-party administrators. These partnerships enable insurers to enhance their legacy claims management, improve data management efficiency, and integrate systems more effectively.

As technology rapidly advances, many insurers find themselves constrained by outdated claims systems. These legacy systems pose significant integration challenges, compliance risks, and inefficiencies in claims management. By leveraging advanced data analytics, insurers can gain actionable, data-driven insights into legacy claims, uncovering hidden patterns and emerging risks. This allows for informed decision-making, optimised workflows, and proactive management of challenges unique to legacy claims.

Additionally, access to performance benchmarking metrics helps insurers set realistic goals, track progress, and align strategies with industry best practices. This approach fosters a culture of continuous improvement and enhances the overall efficiency and effectiveness of legacy claim portfolio management.

Streamlining claims settlement

In direct response to the impact of social inflation on the cost and complexity of claims, nearly half of insurers in Australia are allocating resources towards litigation management. The most prevalent response, for 51% of global and 62% of Australian insurers, is opting for alternative dispute resolution methods as part of claims settlement strategies.

By adopting alternative dispute resolution methods, insurers can streamline the claims settlement process, reduce litigation costs, and achieve more efficient and equitable outcomes. This approach helps manage the financial pressures associated with social inflation and enhances the overall claims experience for policyholders by providing faster and potentially less adversarial resolutions.

Social inflation driving premiums up

In times of economic volatility, social inflation poses a growing challenge for insurers across all markets. This global trend, fuelled by rising litigation costs, inflation and the evolving regulatory landscape, is driving insurance losses upward.²

While controlling social inflation remains challenging, insurers are opting for various strategies to help navigate its effects. Across Australia, 34% of insurers are increasing premium rates as part of their strategy to manage pricing and underwriting in response to the impact of social inflation on coverage levels. However, this represents a 17-percentage-point decrease from our 2024 survey results, with insurers now shifting to other means to address concerns, including risk assessment enhancements (44%), coverage limit modifications (44%), and updating pricing for litigation costs (40%).

These adjustments further reflect a broader industry effort to balance the financial sustainability of insurance offerings with the evolving landscape of risk and coverage demands. As social inflation continues to influence the cost of claims and coverage, insurers are proactively adapting their approaches to ensure they can continue to provide comprehensive and effective insurance solutions.

Fostering strong relationships with legal experts and investing in comprehensive training for claims adjusters can help organisations effectively navigate the complexities of modern litigation. By building these relationships, companies can also gain access to valuable insights, expertise and guidance that help in addressing nuanced legal challenges.

¹Smith, Ian, and Kenza Bryan. "The Uninsurable World: How the Insurance Industry Fell Behind on Climate Change." *Financial Times*, 02 Jun 2024.

²<https://insurers.gallagherbassett.com/insights/six-strategies-for-managing-social-inflation/>

From data breaches to business continuity: evolving cyber security for insurers

KEY FINDINGS

- The vast majority of Australian (78%) and global (84%) insurers have implemented enhanced cyber security measures to combat the increasing severity of cyber events.
- Nearly half of Australian and global insurers identify data and cyber security risks as the most common challenge faced by businesses in the insurance landscape, making it the top-mentioned overall concern.
- 80% of Australian insurers have implemented enhanced vendor management processes to prevent improper data loss.

Cyber security in business resilience

Global business operations rely heavily on digital technologies and interconnected systems, making robust cybersecurity measures essential to business continuity. As the volume of data stored in cloud environments continues to grow, many insurers are navigating how to harness these technologies effectively while ensuring sensitive information remains secure.

In the last 12 months, cyber security risks have become one of the most significant challenges facing businesses. Nearly half of global and Australian insurers identified data and cybersecurity risks as their primary overall concern in our 2025 survey. This highlights the increasing urgency to address vulnerabilities that could result in operational disruptions, reputational damage, or financial losses.

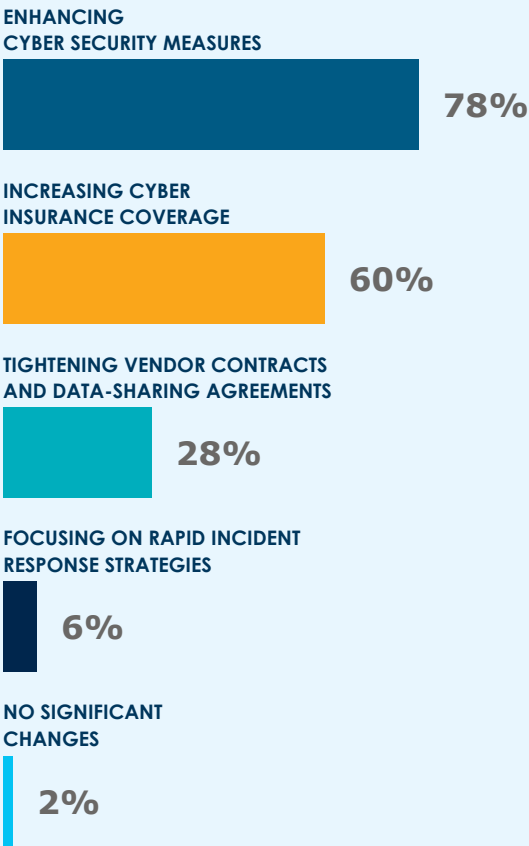
A global IT crisis

In July 2024, a cyber security incident involving a major technology company disrupted industries worldwide. A flawed security software update resulted in a massive IT outage, impacting business operations ranging from airlines to hospitals. Experts considered it ‘the largest IT outage in history,’¹ as businesses faced cascading operational challenges, from cancelled flights and delayed medical services to interrupted supply chains.

The incident underscored the critical importance of robust cyber security measures, and the risks associated with deploying updates in mission-critical environments. For many, it served as a stark reminder of how business interruption caused by cyber events can amplify operational costs, erode customer trust, and create legal liabilities.

ADAPTATIONS MADE TO ACCOUNT FOR INCREASED FREQUENCY AND SEVERITY OF CYBER EVENTS

% adaptations made to account for increased frequency and severity of cyber events



Our survey findings reflect this heightened awareness, with 84% of global and 78% of Australian insurers implementing enhanced cyber security measures to address the rising frequency and severity of cyber events. These proactive steps demonstrate an industry-wide focus on mitigating future risks.

Strategic responses to evolving cyber threats

The implications of cyber security risks extend far beyond data breaches. From legal liabilities to prolonged business interruptions, the fallout of a cyber event can be severe. For insurers, who manage vast amounts of sensitive customer data, the stakes are particularly high. These challenges highlight a broader industry acknowledgment that building resilience against cyber threats demands a multifaceted approach.

Additionally, 62% of Australian insurers have introduced stricter data security and privacy protocols into their risk management strategies, aiming to protect against improper data release. Furthermore, 80% of Australian insurers have implemented stricter data-sharing protocols to their strategies, ensuring that sensitive information is handled securely at every stage.

Managing risks through vendor relationships

Managing vendor relationships is a crucial component of safeguarding data and privacy. Globally, nearly two-thirds of surveyed insurers now focus on regular vendor audits and assessments in response to the prevalence of cyber events, while in Australia, almost half of the respondents have also taken similar steps. This strategic shift signals a growing focus on securing the supply chain as an extension of internal operations.

By strengthening vendor relationships and enforcing higher security standards, insurers are reducing the potential for business disruptions originating from third-party partners. This holistic approach highlights the importance of a secure, well-managed ecosystem in maintaining operational continuity.

¹Thornton, Kathleen. "[CrowdStrike Incident: What Happened and How Can We Learn from It](#)." University of Maryland Global Campus, 19 Aug 2024.





Streamlining claims with generative AI

KEY FINDINGS

- 58% of global and 62% of Australian insurers have leveraged generative AI for fraud detection.
- 88% of Australian insurers use generative AI for claims resolution, marking a 38-percentage point increase from 2024.
- 64% of Australian insurers are using generative AI to enhance data-driven decision-making.

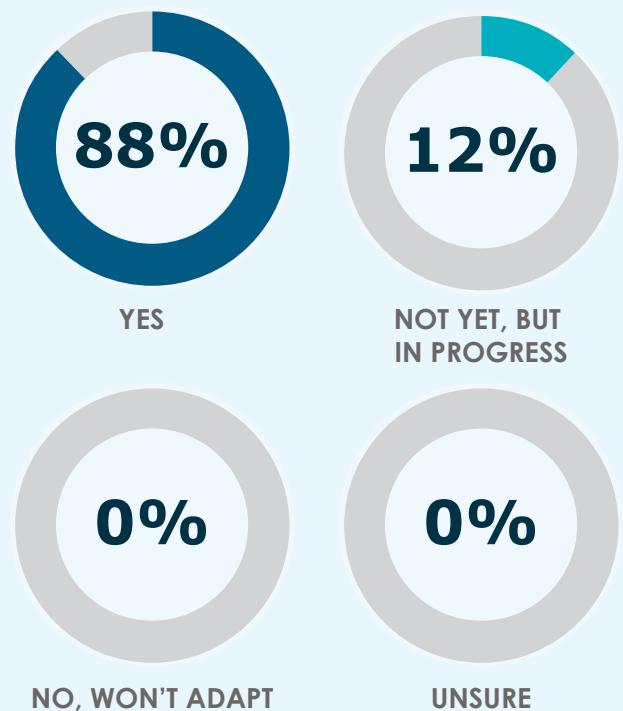
Generative AI: transforming insurance operations

Generative AI is rapidly redefining claims management in the insurance industry, offering transformative applications across the claims lifecycle. From intake and triage to fraud detection and customer communication, insurers are leveraging generative AI to improve accuracy, efficiency, and customer satisfaction.

According to our latest survey, 88% of Australian insurers now use generative AI for claims resolution — a significant rise of 38 percentage points compared to last year. Fraud detection remains a key focus, with 58% of global and 62% of Australian survey respondents utilising generative AI to identify fraudulent activities. Globally, insurers are also emphasising generative AI's role in enhancing customer communication and support, ensuring timely and efficient resolution of claims.

ADOPTION OF GENERATIVE AI FOR CLAIM RESOLUTION

Artificial Intelligence adoption %



Optimising claims and workforce efficiency

Across regions, insurers are increasingly turning to generative AI to streamline operations and address resource challenges. Reducing operational costs is cited as the greatest value-add globally, with 82% highlighting this benefit. Speeding up claims processing ranks second, demonstrating how generative AI is helping insurers achieve greater productivity while maintaining high-quality outcomes.

In Australia, the focus shifts slightly, with 64% of insurers identifying enhanced data-driven decision-making as the most significant application of generative AI. This contrasts with the global emphasis on task automation as the primary benefit.

The integration of generative AI is also reshaping workforce dynamics, enabling employees to focus on complex cases while routine tasks are handled more efficiently.¹ By adopting these technologies, insurers are positioning themselves to meet growing customer demands and maintain a competitive edge in a fast-paced market.

Future opportunities and collaborating for better outcomes

As generative AI continues to transform claims management, many insurers are finding value in partnerships with organisations that offer both innovative technology and a deep understanding of operational challenges. These collaborations can help streamline processes, integrate generative AI effectively, and enhance the overall quality of claims outcomes — all while maintaining the human touch in customer interactions.

The future of claims management is set to be shaped by advancements in artificial intelligence, with generative AI leading the way.² As the technology evolves, its applications are expected to expand into predictive analytics, more sophisticated fraud prevention mechanisms, and highly personalised customer experiences. These advancements may enable insurers to anticipate challenges, optimise decision-making, and proactively adapt to evolving market demands. A forward-looking strategy that embraces innovation can help insurers stay competitive and deliver lasting value in an increasingly dynamic industry.

¹"[How AI is Shaping the Workplace and Workforce Development.](#)" HEC Paris, 15 Nov 2024.

²Costa, Emanuele, and Nadine Moore. "[GenAI Will Write the Future of Insurance Claims.](#)" Boston Consulting Group, 13 Dec 2023.



Workforce shift: Tackling skill gaps, boosting retention, and prioritising safety

KEY FINDINGS

- 92% of Australian insurers report a moderate to significant impact on their ability to grow and manage claims efficiently due to labour market issues.
- 74% of Australian insurers identify enhanced employee benefits as a top strategy for managing turnover.
- Compared with last year, there has been a 20-percentage point decrease in Australian insurers and a 23-percentage point decline globally in signalling an intention to invest in training and development as a retention strategy.

Skill gaps and labour shortages: a pressing concern

Though maintaining a low unemployment rate of 4.1% as of October 2024, the Australian labour market remains challenged by geographical, industry, and skill disparities. While worker participation has increased to 67.2%, skill-matching inefficiencies persist, leaving many sectors grappling with workforce constraints.¹ These dynamics are particularly acute in healthcare, where the demand for registered nurses and aged care workers continues to outstrip supply, exacerbating existing workforce challenges.

Broader implications ripple through other sectors as well, with skill shortages, particularly in roles requiring technical expertise, making it increasingly challenging for businesses to find suitable candidates. Among Australian insurers, 92% report that labour market constraints are affecting their organisational ability to grow and manage claims efficiently, outpacing the global average of 72%. This underscores a unique intensity of workforce challenges in the region.

TOP STRATEGIES FOR RETAINING EMPLOYEES

% employment of strategies for retaining employees

ENHANCED EMPLOYEE BENEFITS



INVESTMENT IN TRAINING AND DEVELOPMENT



IMPLEMENTING FLEXIBLE WORK ARRANGEMENTS



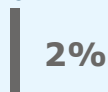
COMPETITIVE SALARIES



RECRUITMENT INITIATIVES



OUTSOURCING CERTAIN FUNCTIONS





The shift towards stability and holistic benefits

Ensuring the retention of engaged and motivated employees is crucial for an organisation's long-term viability, particularly for those facing challenges in filling key roles. Today, employees focus more on constancy and see stability as a top driver of attraction.² In response, Australian insurers have revamped their retention strategies by offering enhanced benefits packages to boost satisfaction and loyalty, signalling that traditional approaches like higher compensation are no longer sufficient to meet the needs of the current workforce. Notably, there has been a 54-percentage point decrease in offering competitive salaries as a retention tool compared to last year. Instead, 74% of Australian respondents highlight enhanced benefits packages — such as wellbeing programs and flexible work arrangements — as their top strategy for managing turnover.

Globally, 60% of insurers also cite enhanced benefits as their primary approach, while 58% emphasise flexible work arrangements. In Australia, training and development remain a focus but have seen a decline, with 48% of insurers investing in this strategy — a 20-percentage point decrease from the previous year. This shift reflects a broader trend toward creating holistic workplaces that prioritise employee satisfaction and long-term engagement.

Building resilience through collaboration

Navigating workforce challenges requires coordinated efforts across industries, policymakers, and insurers to mitigate risks. Strategies such as workplace modifications, targeted policy enhancements, and employee wellness programs can play a pivotal role in safeguarding employee health while improving operational efficiency. By leveraging actionable insights and embracing data-driven approaches, insurers can build resilient workforces capable of meeting the demands of an evolving market.

Collaboration with experienced partners who understand the complexities of workforce risks and claims management can provide valuable support. The right partnerships can present the opportunity to address these challenges effectively by implementing effective solutions that prioritise safety, enhance employee retention, and streamline claims processes — fostering long-term sustainability in an increasingly competitive landscape.

Combating workplace violence and psychosocial hazards

Workplace violence is an escalating concern and pressing issue with often overlooked impacts on productivity. In Australia, serious workers' compensation claims for assault and aggression have risen by 56% over the last six years.³ This growing issue not only impacts employee safety but also creates psychosocial hazards that undermine morale, trust and productivity across industries.

Psychosocial hazards arise from how jobs are designed, organised and managed and are influenced by social factors such as workplace relationships and interactions. To address these concerns, the 2024 Commonwealth Code of Practice for Managing Psychosocial Hazards at Work was introduced under the Work Health and Safety Act 2011 (WHS Act). This has been brought in to ensure the proactive identification and management of psychosocial risks, particularly for vulnerable groups such as those new to the task or the culturally diverse. Employers are also required to uphold workplace behavioural standards in the workplace and establish fair and transparent processes to address misconduct and ensure psychological safety.⁴

This new regulatory framework calls on organisations to implement robust workplace safety policies and proactive strategies to mitigate these risks. Beyond compliance, fostering a positive workplace culture that prioritises employee welfare and psychological safety can help organisations improve workforce resilience and meet both regulatory and employee expectations.

Empowering people, enhancing performance

Tackling skill gaps, enhancing employee retention strategies, and addressing workplace hazards are pivotal steps in creating a thriving workforce. By focusing on holistic employee wellbeing, operational efficiency, and proactive risk management, Australian insurers can not only navigate current challenges but also position themselves for long-term success in an increasingly competitive and dynamic industry.

¹[Labour Force Survey, Australia, October 2024.](#) Australian Bureau of Statistics, 14 Nov 2024.

²[Gartner HR Survey Finds Australian Employees Are Looking for Career and Organizational Stability in 2024.](#) Gartner, Newsroom Press Release, 14 Feb 2024.

³[Workplace and work-related violence and aggression in Australia report.](#) Safe Work Australia, Data Website, 04 Sep 2024.

⁴[Work Health and Safety \(Managing Psychosocial Hazards at Work\) Code of Practice 2024.](#) Federal Register of Legislation, Oct 2024.



Climate-driven transformation: Scaling resources and reassessing risks

KEY FINDINGS

- 96% of Australian insurers are adjusting resource strategies to manage frequent catastrophic (CAT) weather events, compared to 81% of insurers globally.
- 66% of global insurers see investment in technology as key to improving operational efficiency and managing downtimes between CAT events.
- 70% of Australian insurers emphasise maintaining a scalable pool of contract adjusters to manage claims influx post-CAT events.
- 62% of Australian insurers expect clients to invest in health and safety training programs, and 58% foresee adjustments to insurance coverage and risk assessments due to climate change.
- A majority of Australian insurers (92%) report a rise in demand for climate-specific insurance products — a 34-percentage point increase from 2024.

Shifting resource strategies amid escalating CAT risks

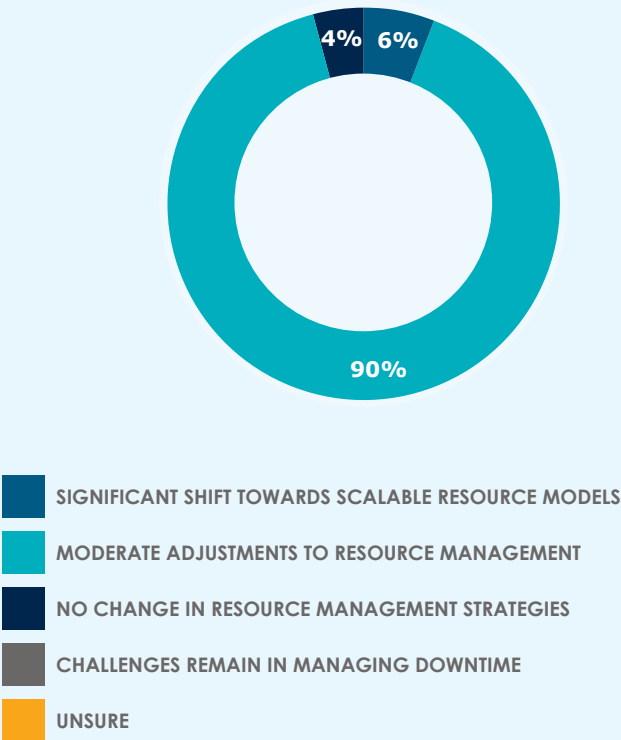
The alarming surge in CAT events continues to pose significant challenges for Australia's insurance industry. Climate change has amplified the severity of tropical cyclones, heatwaves, bushfires, floods, and storms, shifting their frequency and intensity in unprecedented ways. In 2023, global insured natural catastrophe losses exceeded AUD100 billion for the fourth consecutive year, with Australian insurers facing notable impacts from events like the Newcastle hailstorm, flooding in north Queensland, and Christmas storms in eastern Australia.¹

This challenging environment is driving insurers to reassess their resource strategies. Nearly all Australian insurers surveyed (96%) are adjusting resource management strategies to address the growing demands during these events. By contrast, only 81% of global insurers surveyed report similar adjustments, highlighting a stronger regional focus on proactive measures.

Despite these efforts, only 6% of Australian insurers report significant shifts toward flexible, scalable resource models, compared to 13% globally. This gap underscores the need for greater exploration of scalable solutions, which allow insurers to efficiently manage unpredictable demand during CAT events while avoiding overextension during quieter periods.

RESOURCE MANAGEMENT STRATEGIES TO HANDLE THE INCREASED FREQUENCY OF CAT EVENTS

% adaptation in resource management for increased frequency of CAT events

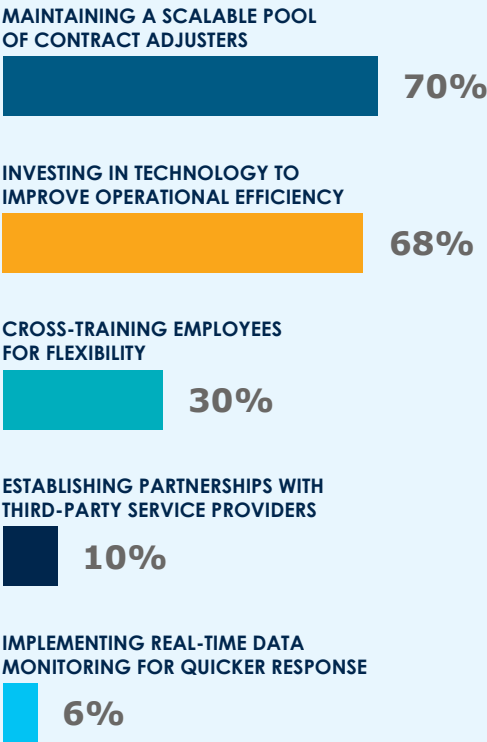


Investing in technology and talent: Key downtime strategies

Globally, 66% of insurers are increasingly leveraging technology to improve operational efficiency, enabling them to manage downtimes between CAT events. These investments are critical for managing the volatility of CAT events and fostering customer trust.

BEST PRACTICES USED TO MANAGE DOWNTIMES BETWEEN CAT EVENTS

Best practice % utilisation for downtimes between CAT events



In Australia, 70% of insurers are prioritising scalable pools of contract adjusters to manage claims surges post-CAT events. By building a reliable network of experienced adjusters, insurers can handle surges in claims while maintaining service quality. This approach also helps mitigate burnout among full-time employees and ensures resilience during periods of high demand.

Heatwaves and climate risks drive strategic shifts

Globally, 47% of insurers have noticed a moderate to significant increase in the frequency of claims related to prolonged exposure to intense heat. In Australia, this figure rises to 66%. This trend correlates with Australia's rapidly warming climate, where the average temperature has already risen by $1.51 \pm 0.23^{\circ}\text{C}$ since 1910, with the most warming occurring since 1950.²

These extreme heat events have impacted the severity of workers' compensation claims, prompting insurers to reassess risk management priorities.

In response:

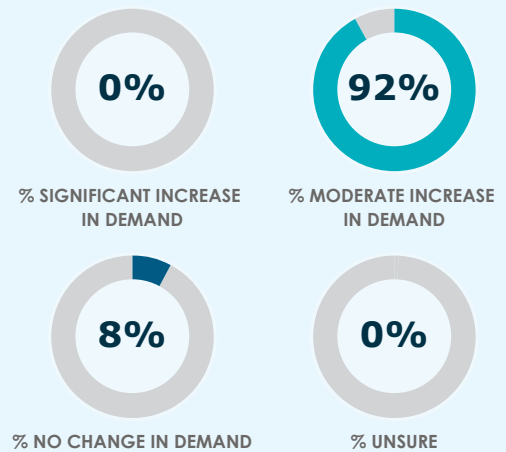
- 62% of Australian insurers expect climate trends will lead clients to invest in health and safety training programs.
- 58% anticipate adjustments to insurance coverage and risk assessments.

Globally, insurers share similar concerns, with adjustments to insurance coverage (57%) and health and safety training investments (45%) identified as key areas of impact.

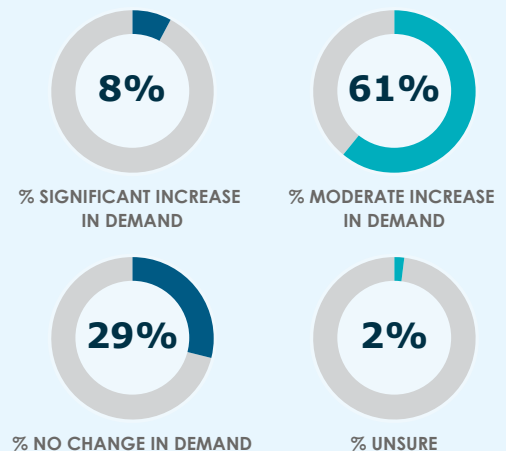
TRENDS IN DEMAND FOR CLIMATE-SPECIFIC INSURANCE PRODUCTS OR COVERAGE OPTIONS

% demand for climate-specific insurance products

AUSTRALIA



GLOBAL





Pivoting to meet climate-specific demands

The demand for specialised coverage tailored to climate-related risks is rising as environmental risks intensify. Globally, over two-thirds of surveyed insurers report increased requests from policyholders for climate-specific insurance products and coverage, with Australian insurers seeing even higher demand — 92% report increased requests, reflecting a 34-percentage point increase in the trend compared to last year.

This trend is reshaping risk evaluation and underwriting processes, as insurers adapt to the dynamic nature of climate impacts. Providing bespoke coverage to address these risks is becoming a priority. For instance, tailored policies for flood-prone regions or bushfire-affected areas may address specific client needs while mitigating broader risks.

Building resilience in a changing climate

The increasing frequency and severity of climate-driven CAT events have fundamentally reshaped the risk landscape, compelling insurers to rethink traditional approaches to resource management, underwriting, and claims processes. As demand for climate-specific insurance products continues to grow, insurers that proactively adapt their strategies — through investments in scalable resource models, advanced technology, and bespoke coverage solutions — will be better positioned to navigate this evolving landscape.

Looking forward, collaboration across the industry, including with data providers, policymakers, and operational partners, will be critical in addressing these challenges. Combining data-driven insights with strategic planning fosters resilience and sustainability in a rapidly changing environment, ensuring the ability to deliver value to policyholders amidst increasingly unpredictable climate risks.

^{1st} [2024 Climate and Catastrophe Insight](#),” AON, 2024.

^{2nd} [Australia’s Changing Climate](#),” CSIRO, 29 Oct 2024.

Sustainability and security: Top priorities for Australian insurers

KEY FINDINGS

- 66% of Australian insurers anticipate environmental factors will significantly impact their ESG strategies over the next three to five years, higher than in any other region surveyed.
- 58% of insurers in Australia are incorporating ESG criteria into investment and underwriting decisions, while 50% are also prioritising environmental and sustainability initiatives.
- Over three-quarters (76%) of Australian insurers anticipate data privacy and security compliance to be the top regulatory challenge in 2025, compared to 70% globally.

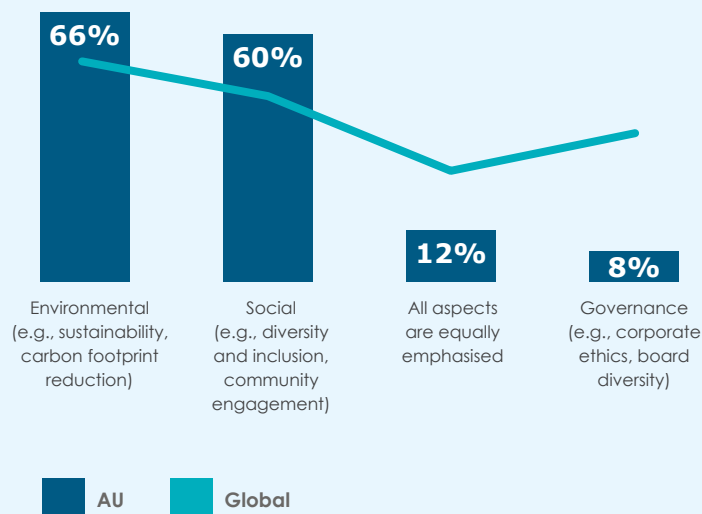
Environmental and social factors in the strategic spotlight

ESG is increasingly central to the corporate landscape in Australia, reflecting the global trend towards sustainable and responsible business operations. Regulatory measures such as the Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024 have mandated large entities and financial institutions to disclose climate-related information from 1 January 2025. This has intensified investor pressure on businesses to address their environmental responsibilities and align with evolving sustainability expectations. Almost all ASX 200 companies now disclose to investors how they manage ESG risks to some degree, with nearly three-quarters reporting at a comprehensive or detailed level.¹

Regulatory pressures and growing stakeholder expectations have insurers deeply embedding ESG metrics into their risk assessment frameworks, enabling them to strategically align their investment decision-making with sustainability goals and evolving market demands. Environmental aspects are taking centre stage, backed by the Climate-Related Financial Disclosure (CRFD) Act, which took effect in September 2024. The CRFD Act mandates climate-related disclosures for Australia's largest businesses, starting January 2025, with phased implementation for small and medium-sized enterprises by 2027.²

ESG'S IMPACT ON ORGANISATIONAL STRATEGY OVER THE NEXT THREE TO FIVE YEARS

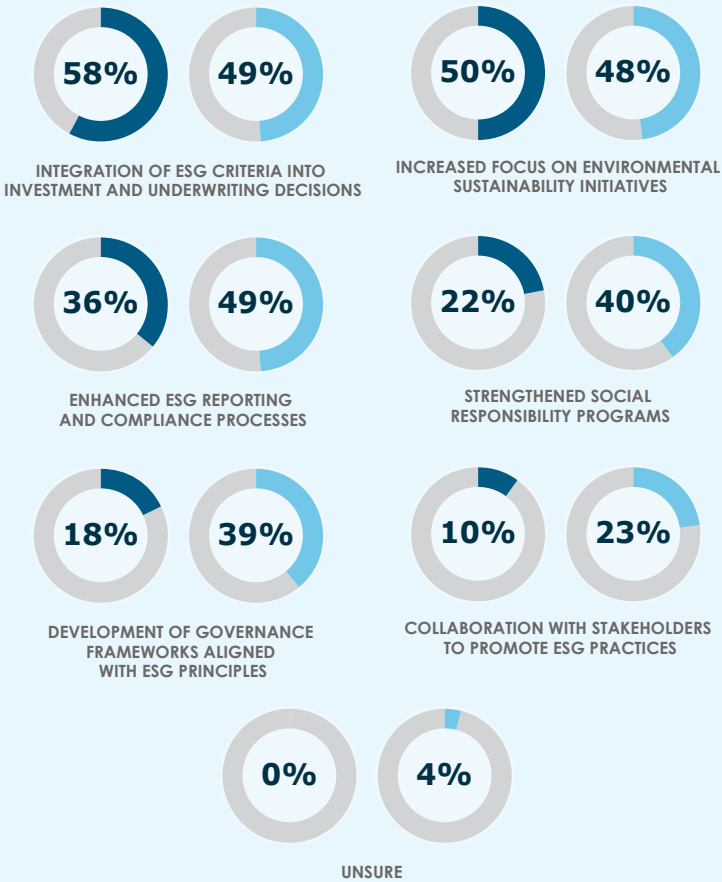
ESG's % areas of impact on organisational strategy





ADAPTATION IN ORGANISATIONAL STRATEGY FROM ESG'S INCREASED IMPORTANCE

ESG's % adaptation in organisational strategy



Unsurprisingly, two-thirds of Australian insurers expect environmental factors to have the most significant impact on their ESG organisational strategies over the next three to five years, compared to social and governance considerations. Only 53% of respondents globally echo a similar sentiment. Australia's greater emphasis on environmental factors is potentially indicative of the country's acknowledgement of the need to manage the rising number of climate change events.

Following the environmental aspect, 60% of insurers in Australia view the social aspect as having the next biggest impact on organisational strategies compared to their global counterparts (44%). This highlights the emphasis placed by Australian insurers on addressing social factors such as diversity, community engagement, and employee welfare in strategic planning.

Data privacy, security and compliance requirements: Top priorities for insurers

Insurers in Australia have adapted to the growing importance of ESG by embedding sustainability and social responsibility into their corporate strategies. Over half of Australian insurers (58%) are incorporating ESG criteria into their investment and underwriting decisions, with 50% prioritising environmental and sustainability initiatives to align with evolving market expectations. Globally, the numbers trail slightly, with just less than half (49%) of insurers implementing reporting and compliance processes and using ESG for underwriting decisions in their organisational strategies.

“Globally and regionally, data privacy and security compliance have become the top regulatory challenges. According to the Office of the Australian Information Commissioner (OAIC), there were 527 data breaches reported from January to June of 2024, the highest since late 2020. While most of these breaches affected 100 or fewer people, one incident impacted over 10 million Australians — the largest since the NDB scheme came into effect.³

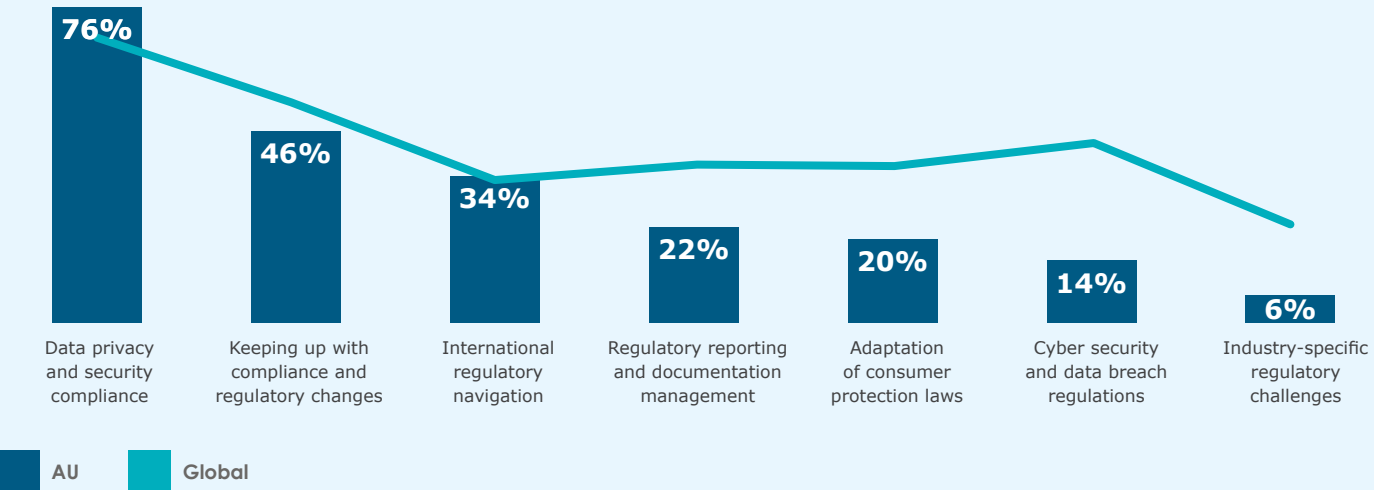
Consequently, in Australia, 76% of insurers anticipate these challenges, primarily due to the increasing focus on the Privacy Act 1988, which outlines strict guidelines on how organisations must collect, store, and manage personal information. As technology advances and insurers increasingly adopt digital tools, organisations may face growing risks of cyber attacks that can compromise sensitive customer and financial data. This places greater accountability on insurers to implement robust cyber security frameworks and demonstrate compliance.”

Closely following data privacy and security compliance is the challenge of keeping pace with evolving compliance requirements. Over half of global respondents (53%) express concerns about the fast-changing regulatory landscape. In Australia, 46% of insurers express the same sentiment. The challenge is amplified by differing

compliance requirements across regions, creating difficulties in keeping pace with changing regulations. To address this, insurers are investing in approaches that combine the need to be agile in the face of a rapidly changing compliance landscape with the need to be comprehensive and cross-functional in implementing solutions.

ANTICIPATED COMPLIANCE AND REGULATORY CHALLENGES IN 2025

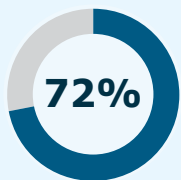
% anticipated compliance and regulatory challenges



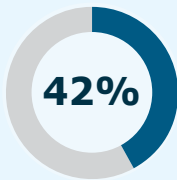


EXTERNAL EXPERTISE ENGAGEMENT TO STAY COMPLIANT WITH CHANGING CUSTOMER- FOCUSED REGULATIONS

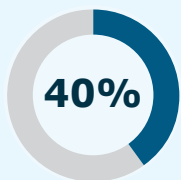
% anticipated compliance and regulatory challenges



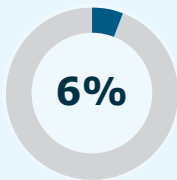
COLLABORATE WITH LAW FIRMS
OR LEGAL ADVISORS



HIRE COMPLIANCE
CONSULTANTS OR EXPERTS



CONSIDER PARTNERSHIPS WITH
CLAIMS MGMT. PARTNERS



MAINTAIN
INTERNAL COMPLIANCE

Streamlining compliance by embracing partnerships

Australian insurers are actively leveraging external expertise to ensure compliance with evolving customer-focused regulations driven by increasing complexities and resource constraints. Nearly three-quarters of Australian insurers (72%) and well over half of global insurers (58%) plan to collaborate with law firms or legal advisors to ensure adherence to evolving customer-focused regulations. This approach facilitates adherence to changing regulations, as well as enhancing operational efficiency and service quality.

Compared to last year, the number of insurers planning to work with trusted claims management partners has increased by 13 percentage points globally. This trend reflects the growing reliance on external expertise while freeing internal resources for strategic initiatives. Additionally, a claims management partner can help insurers streamline operations, mitigate risks, and prioritise strategic initiatives such as customer care and innovation.

¹"[ESG reporting trends 2022 Report](#)." Australian Council of Superannuation Investors (ACSI), Jun 2022.

²"[Climate-related financial disclosure: exposure draft legislation](#)." The Treasury, Feb 2024.

³"[Notifiable data breaches report](#)." The Office of the Australian Information Commissioner (OAIC), Sep 2024.

Meeting modern customer demands: Communication, speed, and accuracy

KEY FINDINGS

- 78% of Australian insurers rate clarity of communication as the highest service quality practice for customer satisfaction, followed by speed of service (50%).
- Claim processing accuracy is identified by 80% of Australian insurers as the most vital metric of claim management performance.
- To deliver superior service quality, 70% of Australian insurers are improving communication and responsiveness with clients and 58% are investing in advanced technology to streamline processes.
- Globally, 55% of insurers emphasise training and development for staff as key to achieving customer service excellence.

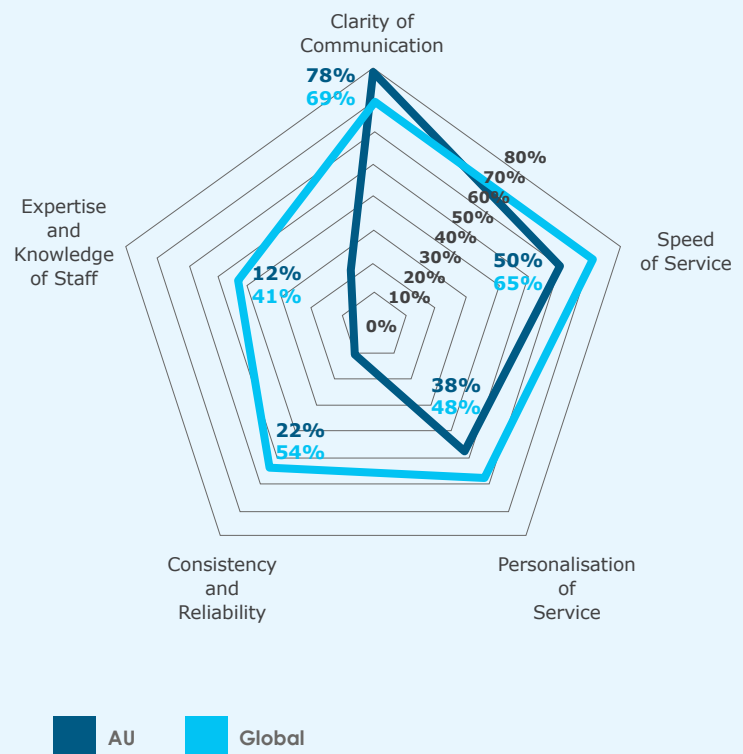
Clarity, speed and convenience matter most to meet modern demands

The role of insurance is evolving beyond traditional risk coverage and claim reimbursement. Customers now expect insurers to actively help reduce and prevent risks, offer convenient solutions, and deliver personalised experiences. A 2023 survey of over 28,000 consumers across 14 countries highlighted this rising expectation for insurers to excel beyond functional basics, emphasising the importance of ethics, providing access and reducing anxiety.¹ This shift in expectations is driven by recent challenges of weather extremities, the pandemic, ageing populations, and technological disruptions, reshaping the insurers' approach towards service quality and improving customer satisfaction.

In Australia, insurers are facing the pressure to redefine their role in addressing customer needs. The focus is gradually moving from merely compensating losses to proactively meeting customer demands for convenience at any time and place. More than three-quarters of Australian insurers (78%) believe clarity of communication is the highest-rated service quality practice leading to customer satisfaction, followed by speed of service (50%). Global insurers report a similar sentiment with clarity of communication (69%) and speed of service (65%), followed closely by the need for consistency and reliability (54%), reflecting the industry's potential to champion long-term solutions of changing customer attitudes.

ASPECTS OF SERVICE QUALITY WITH GREATEST IMPACT ON CUSTOMER SATISFACTION

% impact of service quality practices



Claims accuracy and resolution speed drive loyalty and success

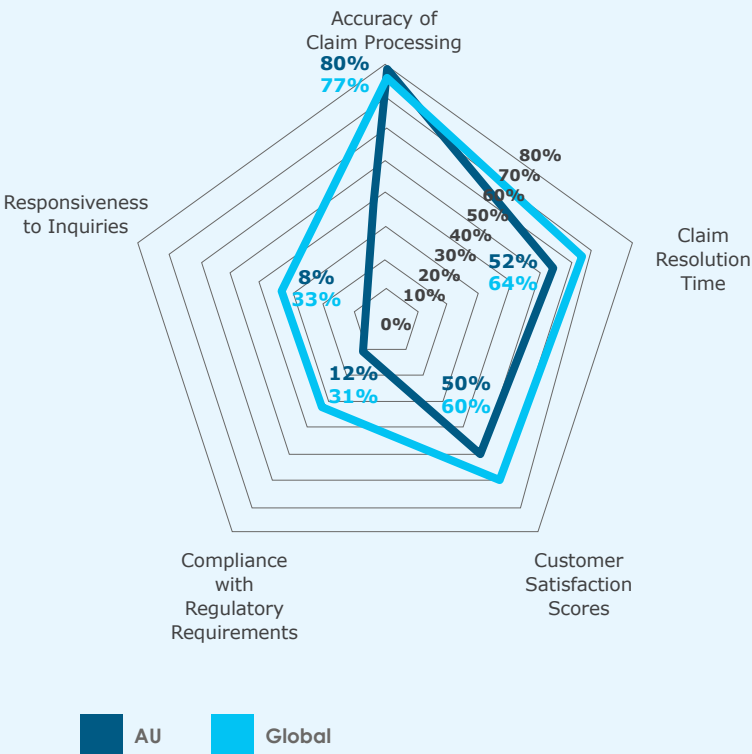
Australian insurers are grappling with the challenges posed by increasingly prolonged and frequent CAT events. At the same time, they are navigating financial pressures stemming from constrained capital resources due to high interest rates. Insurers are also required to respond to rising regulations on claims handling while meeting community expectations, as mentioned in the recent ASIC report on claims handling of home insurance.² This underscores the effectiveness of claims management serving as a critical measure for insurers to fulfil customer expectations, strengthen trust and foster loyalty.

Our survey results reveal that 80% of Australian insurers identify claims processing accuracy as the most vital performance metric, surpassing the global average of 77%. Claim resolution speed emerges as the second key metric, valued by 64% of global respondents and 52% in Australia.

“Placing priorities on claims processing accuracy and speed plays a pivotal role in shaping customer experience, driving satisfaction, and securing long-term engagement. As the industry faces mounting pressures from climate events, economic factors and heightened scrutiny, robust claims management processes will remain a cornerstone for long-term resilience and competitive advantage. Embracing technology and fostering a customer-centric approach will be key to meeting these demands and securing future growth.”

QUALITY METRICS PRIORITISED TO EVALUATE PERFORMANCE IN CLAIM MANAGEMENT

% prioritisation of quality metrics



Prioritising communication and technology for better service

Effective communication and the integration of advanced technologies are emerging as pivotal strategies to enhance service quality and meet evolving customer expectations. Across the industry, insurers are dedicating resources to improving client responsiveness and streamlining processes. In Australia, 70% of insurers highlight communication and responsiveness as key focus areas, while 58% are adopting advanced technologies to optimise operations.

Globally, these priorities align, with 65% of insurers identifying technology investments as critical to delivering superior service quality. Innovative tools such as AI-driven chatbots, real-time response systems, and tailored communication strategies are being adopted to ensure clarity, reliability, and accessibility. These advancements not only address operational challenges but also enable insurers to provide personalised, proactive service experiences that cater to diverse customer needs. In addition to leveraging technology, 55% of global insurers are also placing a focus on staff training and development (55%).

Partnering for service excellence

In today's customer-centric market, meeting rising expectations requires insurers to address service gaps, improve claims accuracy, and enhance operational efficiency. This environment calls for a collaborative approach, where insurers can rely on trusted partners to navigate challenges and drive improvements in service delivery.

A partner with deep expertise in claims management and a commitment to continuous improvement can play a pivotal role in refining processes, leveraging advanced technology, and fostering better outcomes for customers. By focusing on clarity, speed, and reliability, such partnerships can help insurers build trust, enhance customer satisfaction, and maintain a competitive edge in a rapidly evolving landscape.

¹Henrik Naujoks, et al. "[Customer Behavior and Loyalty in Insurance: Global Edition 2023](#)." *Bain & Company Report*, 16 Feb 2023.

²"[ASIC review finds insurers can and should improve claims handling](#)." *Australian Securities & Investments Commission (ASIC)*, Media Release, 16 Aug 2023.

The team behind the report



John White

Head of Sales and Client Services — General Insurance

John White has an impressive 30-year career in the insurance sector. Before Gallagher Bassett, he held senior positions at Great Southern Bank, Allianz Partners, and RACQ. John's leadership style is characterised by energy and persuasion, bringing out the best in his teams. His passion lies in identifying and developing talent, managing large teams, and driving operational and sales excellence. With a track record of implementing innovative approaches to meet growth and sales targets, John has proven expertise in cost control and sales pipeline development. John holds a Bachelor of Business Management.



Jodie Reinhold

Senior Client Services Manager — General Insurance

Jodie Reinhold joined Gallagher Bassett in 2024 as a senior client services manager, bringing over 23 years of experience in insurance and loss adjusting. She specialises in client relationship management, operational excellence, and client onboarding, focusing on building strong partnerships and driving continuous improvement. Jodie began her career at RJ Wallace (now QBE 386), managing complex liability claims for a decade before transitioning into loss adjusting. Over the following 13 years, she gained expertise in operations management, business development, and client services. Her specialities include public and products liability, financial lines, construction, power and energy, marine, motor, government, large and complex property, and catastrophic personal injury. Jodie holds an Advanced Diploma in general insurance, a Diploma in risk management, and a Diploma in loss adjusting from the Australian and New Zealand Institute of Insurance and Finance.



Ben Middleton

Head of Client Insights

Ben Middleton joined Gallagher Bassett in 2023. He brings over a decade of experience gained within a global, multi-line-of-business organisation, where he specialised in strategic planning, people management, data visualisation, and insight execution. With a wealth of experience across diverse product verticals and industries such as travel insurance, international health insurance, international medical assistance, roadside assistance, and home and lifecare services, Ben has honed his ability to turn complex data into compelling value propositions. His passion for leveraging data to deliver measurable outcomes and his continuous focus on driving growth and retention position him as a key leader in client-facing insight strategy, empowering Gallagher Bassett Australia's continued success. Ben holds a Master of Business Administration from Queensland University of Technology.



Daniel Link, CPCU

Senior Vice President — Consultative Analytics

Dan Link joined Gallagher Bassett in 2016. He leads the Sales and Marketing Analytics team for risk management and carrier segments. With over 20 years of experience, his role includes business development, broker relations, client stewardship, managed care analytics, and internal management reporting. Before Gallagher Bassett, Dan worked at CNA Financial Insurance as a consulting director for underwriting strategy from 2015 to 2016 and at Zurich Financial Services as the director of manufacturing and practice leader for the US from 2014 to 2015. He holds a master's degree from Loyola Quinlan School of Business and a CPCU designation from Michigan State University.



Emily Day

Consultant, Consultative Analytics

Emily Day joined Gallagher Bassett in 2017. In her role as a consultant in Consultative Analytics, Emily oversees analytics for Gallagher Bassett's largest carrier partnership, driving program stewardship to deliver exceptional results for both clients and the firm. Emily has been instrumental in launching Stewardship 4.0 for US clients and facilitating the transition of our largest carrier partnership into the Gallagher Bassett analytic system. Emily started her career at Gallagher Bassett as an intern in Analytics and has held various roles, including in analytic strategy and client-focused analytics, especially within managed care analytics and client stewardship. She holds a Bachelor of Science in business analytics and politics from Loras College.

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