

Why risk quality matters more than ever

Two businesses operating in the same industry can receive very different insurance outcomes. One may benefit from strong insurer competition, favourable terms and a straightforward renewal process. The other may face increased scrutiny, reduced capacity and more challenging negotiations.

Increasingly, the difference comes down to risk quality.

While insurance market conditions remain relatively competitive, insurers are becoming more selective about the risks they choose to support. As weather-related losses, claims inflation and operational complexity continue to influence the market, organisations that can demonstrate resilience, preparedness and strong risk management are often viewed more favourably.

What is risk quality?

Risk quality is the way insurers assess an organisation's ability to identify, manage and recover from potential risks.

Historically, insurance decisions were often influenced by factors such as industry sector, claims history and asset values. Those factors remain important, but today insurers are taking a much broader view.

Increasingly, they're looking at:

- Operational resilience
- Business continuity planning
- Cyber security controls
- Governance and risk oversight
- Natural hazard exposure
- Supply chain dependencies
- Maintenance and asset management
- Health and safety performance

In short, insurers want to understand not only the likelihood of a loss occurring, but also how well an organisation is prepared to respond if one does.

Why insurers are asking more questions

Many businesses have noticed that insurance renewals now involve more detailed information requests than they did in the past.

That's because insurers are placing greater emphasis on understanding a business's risk profile before committing capacity.

For some organisations, this may involve questions about:

- Flood and natural hazard exposure
- Cyber security controls
- Property maintenance programmes
- Business continuity plans
- Critical suppliers and operational dependencies
- Governance and risk management frameworks

Insurers are increasingly using data, hazard mapping and risk assessment tools to build a more detailed picture of individual risks. As a result, organisations that can clearly demonstrate good risk management practices are often better positioned during renewal discussions.



Location matters more than ever

One area receiving increased attention is natural hazard exposure.

Insurers are making greater use of property-specific information, including flood mapping, weather modelling and historical loss data, to better understand potential exposures. This means two businesses with similar operations can achieve very different insurance outcomes depending on where they operate and the steps they have taken to improve resilience.

For organisations operating in areas exposed to flooding, coastal hazards or seismic activity, risk mitigation measures are becoming an increasingly important part of the insurance conversation.

Investments in resilience may not eliminate risk altogether, but they can help demonstrate a proactive approach to managing it.

Risk quality is about recovery too

Good risk management isn't only about preventing losses.

Insurers are also interested in how well an organisation could recover from a disruption.

Questions increasingly being asked include:

- Are critical suppliers identified and understood?
- Can key operations continue during a disruption?
- Are continuity plans documented and regularly reviewed?
- How dependent is the business on specific sites, systems or people?
- How quickly could normal operations resume following a major event?

These questions reflect a broader shift across the market towards operational resilience. Organisations that understand their dependencies and have thought through recovery scenarios are often better prepared to withstand disruption and return to normal operations more quickly.

Governance is becoming a competitive advantage

For medium and larger organisations, risk quality is increasingly linked to governance.

Strong governance provides confidence that risk management is embedded within decision-making rather than treated as an annual insurance exercise.

Boards and leadership teams are expected to have visibility of key organisational risks, understand emerging exposures and ensure appropriate controls are in place. This includes oversight of areas such as cyber security, business continuity, supply chain resilience and natural hazard risk.

As businesses face a more complex operating environment, governance maturity is becoming an increasingly important indicator of risk quality.

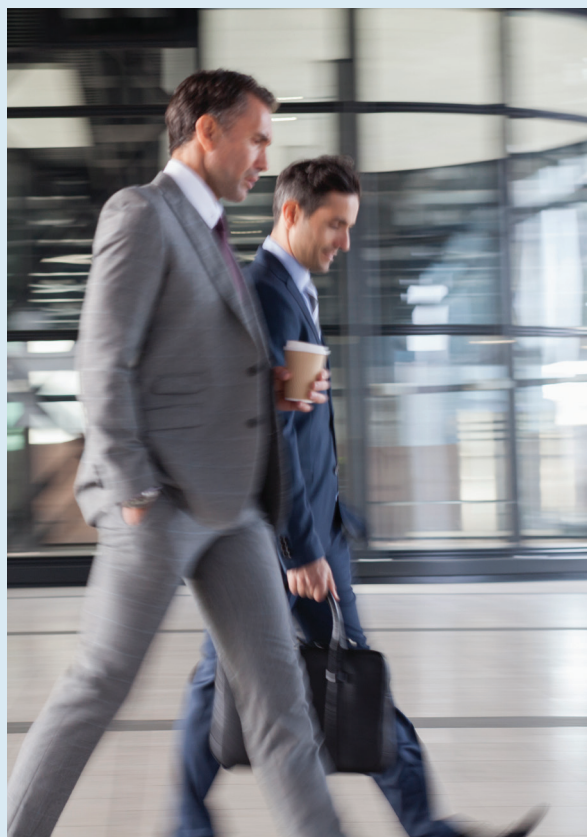
A shift in the insurance conversation

Insurance conversations are no longer focused solely on premiums and policy terms.

Today, insurers are looking more closely at how organisations identify, manage and respond to risk. Businesses that can demonstrate resilience, preparedness and strong governance are often better positioned to secure favourable outcomes and maintain access to insurer support as market conditions evolve.

For many organisations, risk quality is becoming a competitive advantage, both operationally and in the insurance market.

How Rothbury can help



Understanding how insurers view your organisation is becoming just as important as understanding the policy itself.

Rothbury can help you assess your current risk profile, identify areas of strength and improvement, and position your organisation effectively in the insurance market. If you'd like to review whether your insurance programme remains aligned with your organisation's risk profile and future objectives, talk to your Rothbury broker.