



STATISTICS

National Claims and Policies Database Overview

For the period 1 January 2003 to 31 December 2019 (issued 25 September 2020)

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Important notice

Introduction

The National Claims and Policies Database (NCPD) is a comprehensive database of policy and claim information on professional indemnity (PI) and public and product liability (PL) insurance.

More information on the background of the NCPD is available in the *Explanatory Notes* document.

These NCPD reports include information on policies written or renewed between 1 January 2003 and 31 December 2019, and claims not settled at 1 January 2003, or opened, reopened or finalised between 1 January 2003 and 31 December 2019.

The reports comprise the following documents:

- this Overview of PI and PL Insurance;
- the Explanatory Notes;
- tables of policy and claim information, the level 1 reports; and
- more detailed tables of policy, claim and facility information, the level 2 reports.

Most information presented in this overview is available in the level 1 reports.

The policy and claim information in the NCPD reports must be read in conjunction with the *Explanatory Notes* that describe limitations of the data and the basis of preparation of the information in the reports. The *Explanatory Notes* also contain a glossary of terms used in the reports.

The reports include information provided by APRA-regulated general insurers and Lloyd's Australia Ltd.

Revisions

This edition of the *National Claims and Policies Database* publication contains revisions to previously published data due to resubmissions from entities or compilation errors. Significant revisions are identified and quantified in the table below. The following data items were revised by at least 10 per cent and \$10 million.

Table and item	State	Cause of revision	Entity (where applicable)	Previous value (\$m)	Revised value (\$m)
PL by underwriting year – Gross written premium – Underwriting year 2018	NSW	Resubmitted data	Various	734	897
	VIC			486	574
	QLD			381	447
	SA			129	145
	WA			204	228
	All States			2012	2381
PI by underwriting year – Gross written premium – Underwriting year 2018	NSW	Resubmitted data	Various	757	851
	VIC			381	429
	QLD			254	293
	WA			165	197
	All States			1705	1931
PL by underwriting year – Number of risks written – Underwriting year 2018	NSW	Resubmitted data	Various	985	1156
	VIC			804	947
	QLD			586	711
	SA			217	245
	WA			296	337
	TAS			67	78
	All States			3020	3552
PL for Lloyds by underwriting year – Gross written premium – Underwriting year 2018	N/A	Resubmitted data	Lloyd's Australia Limited	61	83
PI for Lloyds by underwriting year – Gross written premium – Underwriting year 2018				196	299

There are significant revisions to published data for the 2018 underwriting year which are mainly as a result of resubmissions by AAI Limited. These resubmissions have been attributed by AAI Limited to timing in relation to the processing of intermediated business.

This timing difference, along with the long-tail nature of the relevant claims data, has resulted in the following analysis focusing on the 2018 underwriting/accident year rather than the 2019 underwriting/accident year as the basis for statements made about trends in the industry data.

Highlights

Australian APRA-regulated general insurers

Policies and risks written

Non-facility business

During the 2018 underwriting year, APRA-regulated general insurers wrote \$4,312 million of gross premium for the professional indemnity (PI) and public and product liability (PL) classes of business, up 8 per cent from the 2017 underwriting year (\$3,988 million).

For professional indemnity, APRA-regulated general insurers wrote \$1,931 million of gross premium during the 2018 underwriting year, up 9.6 per cent from the previous year (\$1,762 million). This premium related to about 870,186 PI risks written in the 2018 underwriting year, up 9.1 per cent from the previous year (about 797,667).

For public and product liability, APRA-regulated general insurers wrote \$2,381 million of gross premium during the 2018 underwriting year, up 7 per cent from the previous year (\$2,226 million). This premium related to about 3,552,110 PL risks written in the 2018 underwriting year, up 7.6 per cent from the previous year (about 3,300,930).

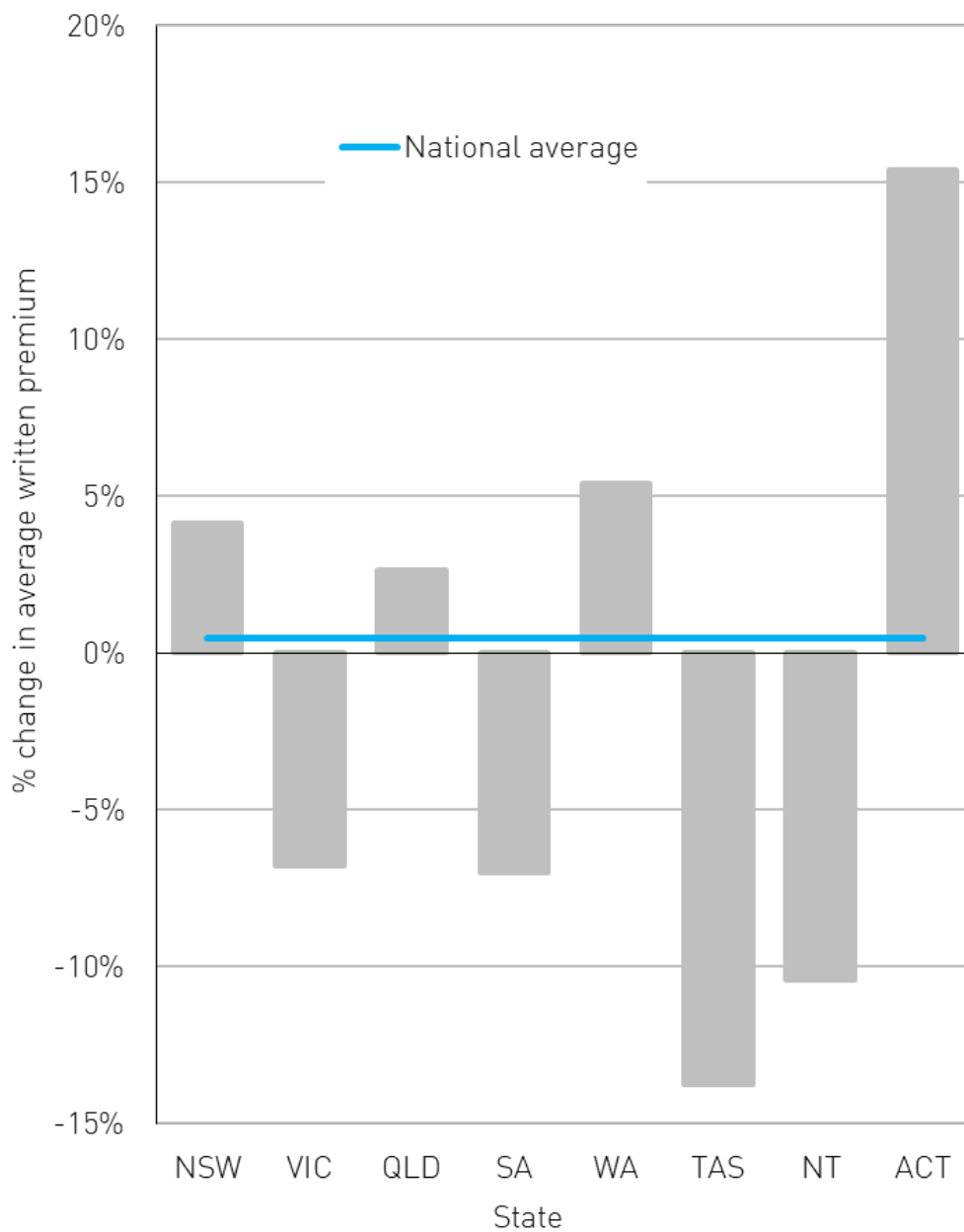
Facility business

For facility business during the 2018 underwriting year, APRA-regulated general insurers wrote \$103 million of gross premium, up 16.8 per cent from the 2017 underwriting year (\$88 million). The proportion of total business written as facility business was 2.3 per cent, up from 2.2 per cent in the previous year.

The remainder of the information in the NCPD reports relates to non-facility business except where specifically indicated.

Figure 1 - Change in average written premium from the 2017 to 2018 underwriting year

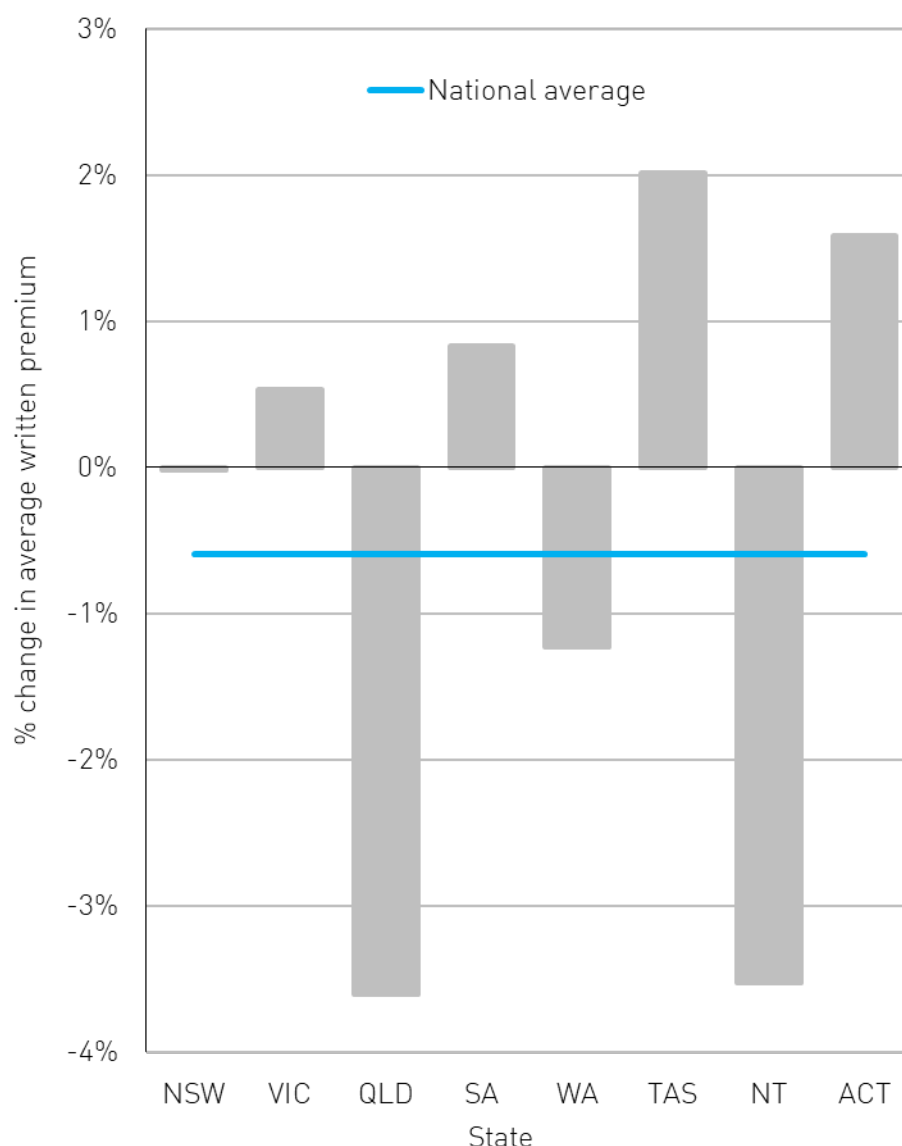
Professional indemnity



The national average written premium for professional indemnity risks increased by 0.4 per cent in 2018 compared to the 2017 underwriting year (Figure 1). Whilst the initial 2019 data is anticipated to change it points toward greater acceleration in average written premiums in the current period (see also Figure 3).

Figure 2 - Change in average written premium from the 2017 to 2018 underwriting year

Public and product liability



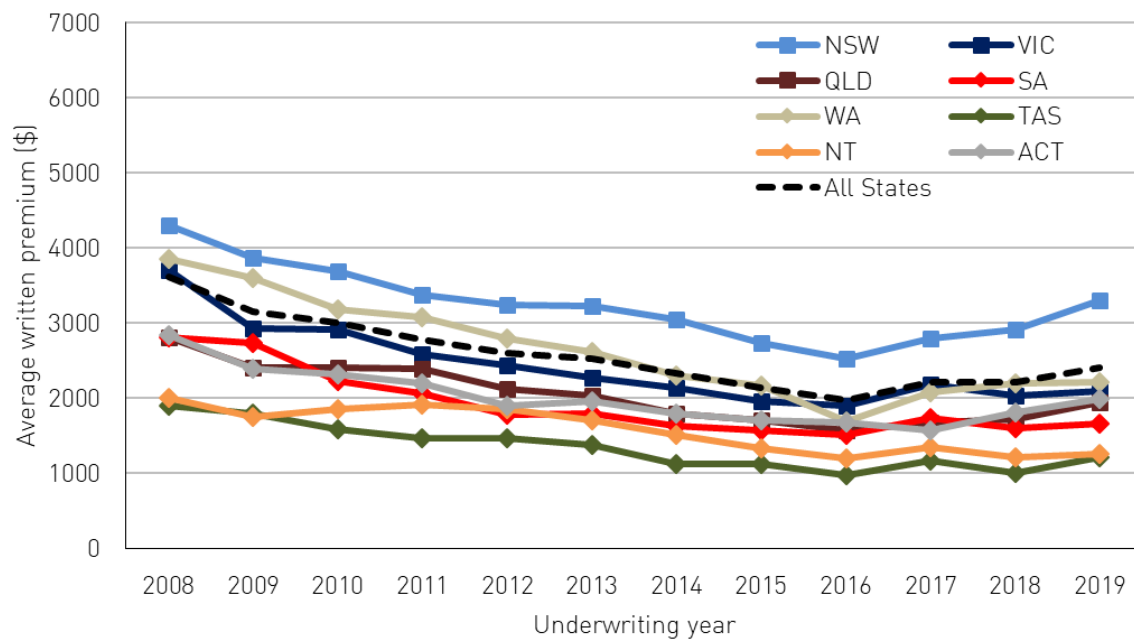
The national average written premium for public and product liability risks decreased by 0.6 per cent in 2018 compared to the 2017 underwriting year (Figure 2).

Average written premium for public and product liability risks increased in most states and territories from 2017 to 2018. In line with professional indemnity, initial 2019 data points toward greater acceleration in average written premiums in the current period (see also Figure 4).

Changes in underlying premium rates are likely to be the primary reason for changes in the average written premium. Average written premium may also be influenced by other factors. For example, changes in the level of insurance cover, the mix of business, choice of excess and limit of indemnity will also impact average written premium.

Figure 3 - Average written premium by underwriting year

Professional indemnity

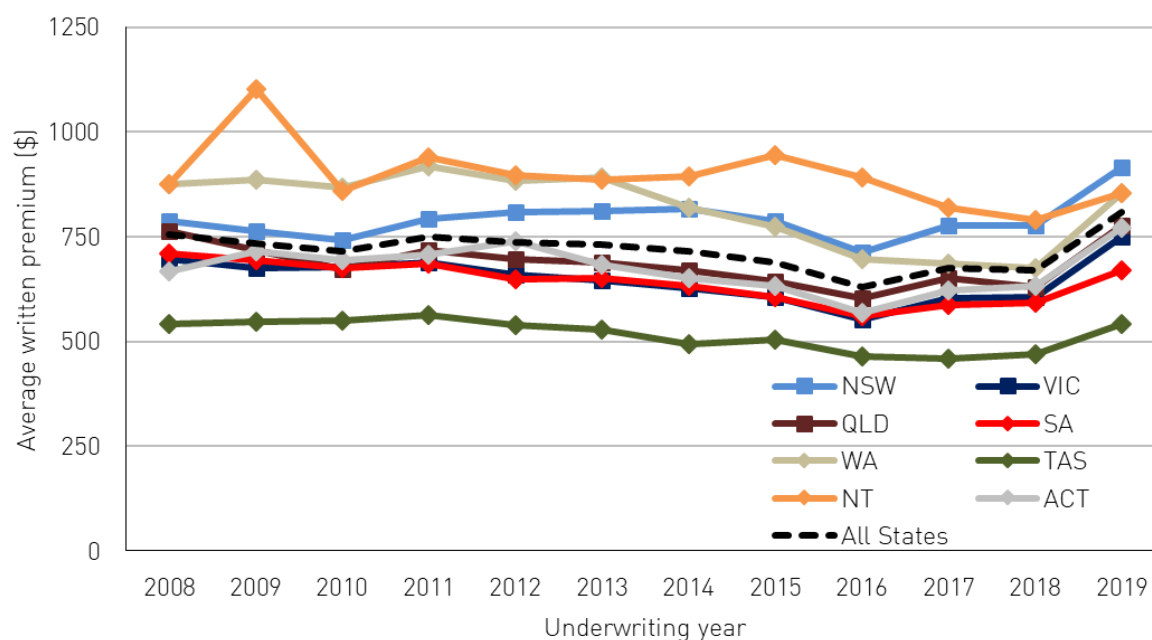


The national average written premium for PI risks written in the 2018 underwriting year was \$2,219, up from \$2,209 for the 2017 underwriting year (Figure 3).

The increase in average written premium for PI risks from the 2017 underwriting year onward represents a contrast with the long-term trend of decreases in average written premium for PI risks. Over the ten underwriting years from 2006 to 2016, the national average written premium for PI risks decreased 51.7 per cent.

Figure 4 - Average written premium by underwriting year

Public and product liability



The national average written premium for PL risks written in the 2018 underwriting year was \$670, down from \$674 for the 2017 underwriting year (Figure 4).

The increase in average written premium for PL risks from the 2017 underwriting year onward represents a contrast with the long-term trend of decreases in average written premium for PL risks.. Between 2006 and 2016, the national average written premium for PL risks decreased 20.8 per cent.

Claims

Total payments

During 2018, APRA-regulated general insurers paid claims totalling \$1,925 million for the professional indemnity (PI) and public and product liability (PL) classes of business, down 5.6 per cent from the previous year (\$2,039 million).

Non-facility business

APRA-regulated insurers paid non-facility PI claims of \$1,005 million in 2018 down 2.9 per cent from the previous year (\$1,034 million). APRA-regulated insurers paid non-facility PL claims of \$952 million in 2018, down 13.3 per cent from the previous year (\$1,099 million).

As at 31 December 2018, for PI and PL combined, APRA-regulated insurers reported \$7,606 million as case estimates for non-facility business for further payments to be made on open claims at that date, down 2.4 per cent from the previous year (\$7,794 million). This consisted of:

- PI claims accounted for \$3,842 million of claim estimates, up 7.7 per cent from the previous year (\$3,566 million).
- PL claims accounted for \$3,764 million of claim estimates, down 11 per cent from the previous year (\$4,228 million).

Payments made in 2018 on non-facility PI and PL claims were in respect of 147,968 claims reported to the NCPD that were open at any time during the 12 months ended 31 December 2018. The number of claims for PI and PL combined was down 1.7 per cent from the number of claims open at any time during the 12 months ended 31 December 2017 (150,542).

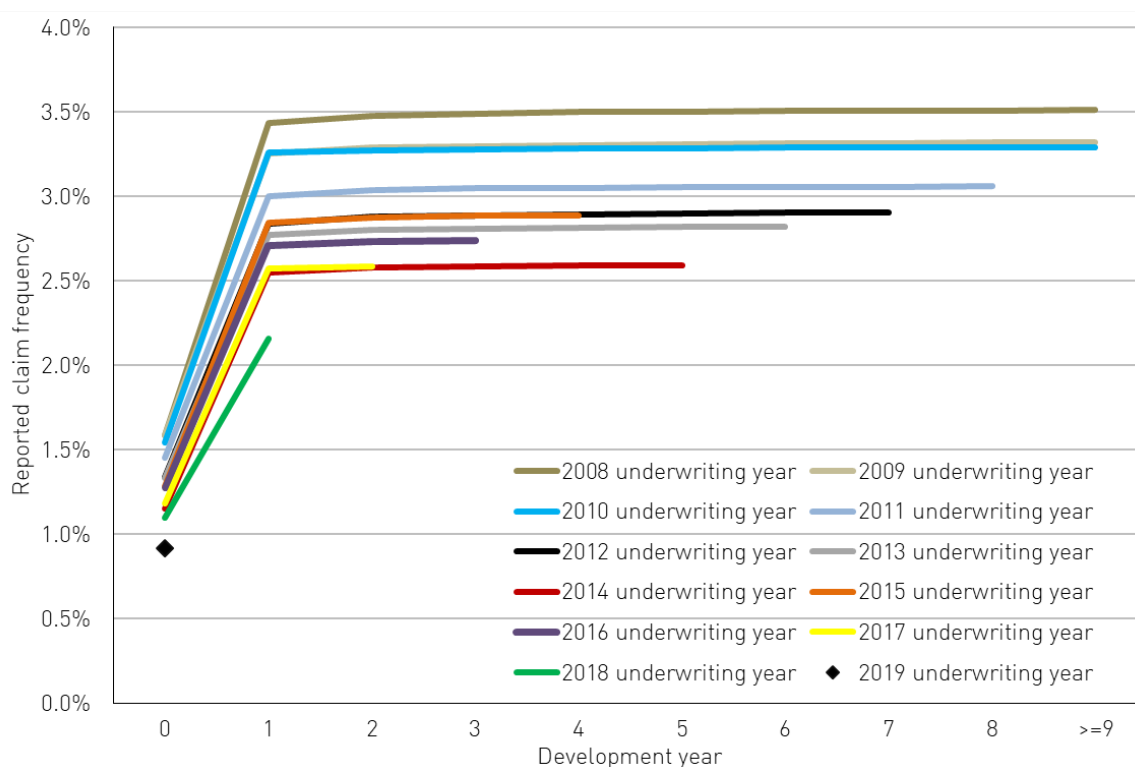
Facility business

APRA-regulated insurers made claim payments on facility business¹ of \$26.2 million in 2018, down 39.7 per cent from 2017 (\$43.5 million). Claim payments on facility business by APRA-regulated insurers accounted for 1.3 per cent of total claim payments made in 2018, down from 2.1 per cent in the previous year.

¹ Facility business may be closed by 'bordereau' and the insurer does not always receive individual policy and/or claims information for this business. Facilities may include underwriting pools, joint ventures, and arrangements with brokers and insurers.

Figure 5 - Reported claim frequency by development year and underwriting year

Professional indemnity



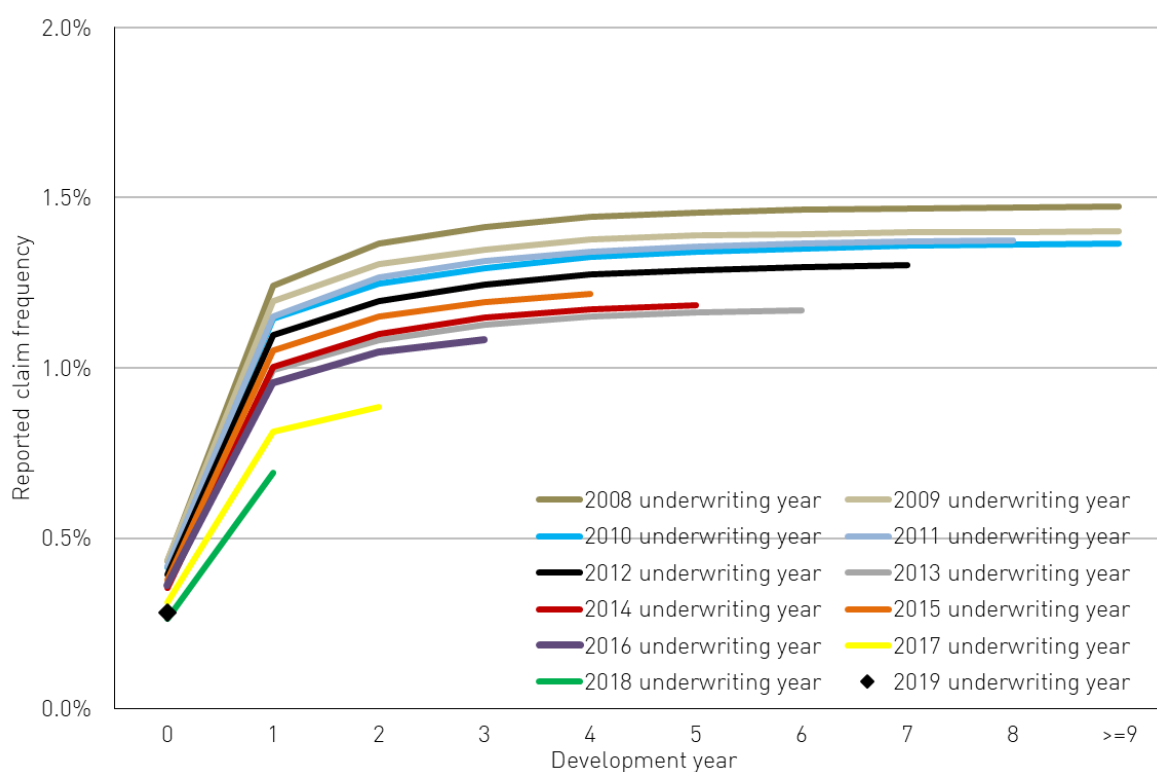
For all stages of development, claim frequencies for PI have been falling since the 2008 underwriting year (Figure 5).

The PI claim frequency at the end of development year one, by which point the majority of PI claims have been reported, fell from 3.4 per cent for the 2008 underwriting year to 2.2 per cent for the 2018 underwriting year.

The number of claims reported at the end of development year one increased by 57.4 per cent from the 2008 underwriting year (12,038) to the 2018 underwriting year (18,950). The increase in the number of claims is likely a result of the number of risks being written by APRA-regulated insurers increasing by 148 per cent from the 2008 to 2018 underwriting year (see the level 1 policy reports), partly offset by the declining claim frequency.

Figure 6 - Reported claim frequency by development year and underwriting year

Public and product liability



For all stages of development after development year 1, claims frequencies for PL have been falling since the 2008 underwriting year (Figure 6).

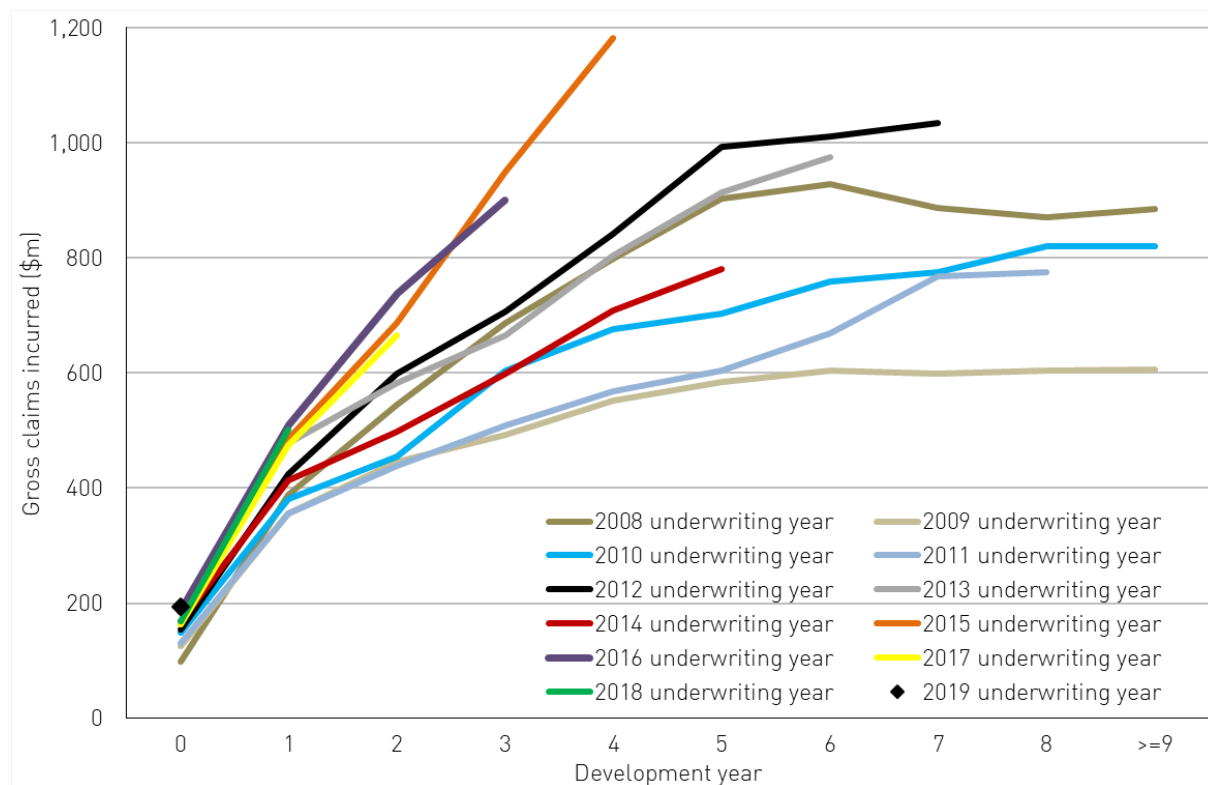
The PL claim frequency at the end of development year one, by which point the majority of PL claims have been reported, fell from 1.2 per cent for the 2008 underwriting year to 0.7 per cent for the 2018 underwriting year.

The number of claims reported at the end of development year one decreased by 7.8 per cent from the 2008 underwriting year (27,345) to the 2018 underwriting year (25,215).

The reported claim frequency for both PI and PL has been calculated as the number of claims reported as a proportion of the number of risks written and does not include IBNR claims (see the level 1 reports).

Figure 7 - Gross claims incurred by underwriting year and development year

Professional indemnity

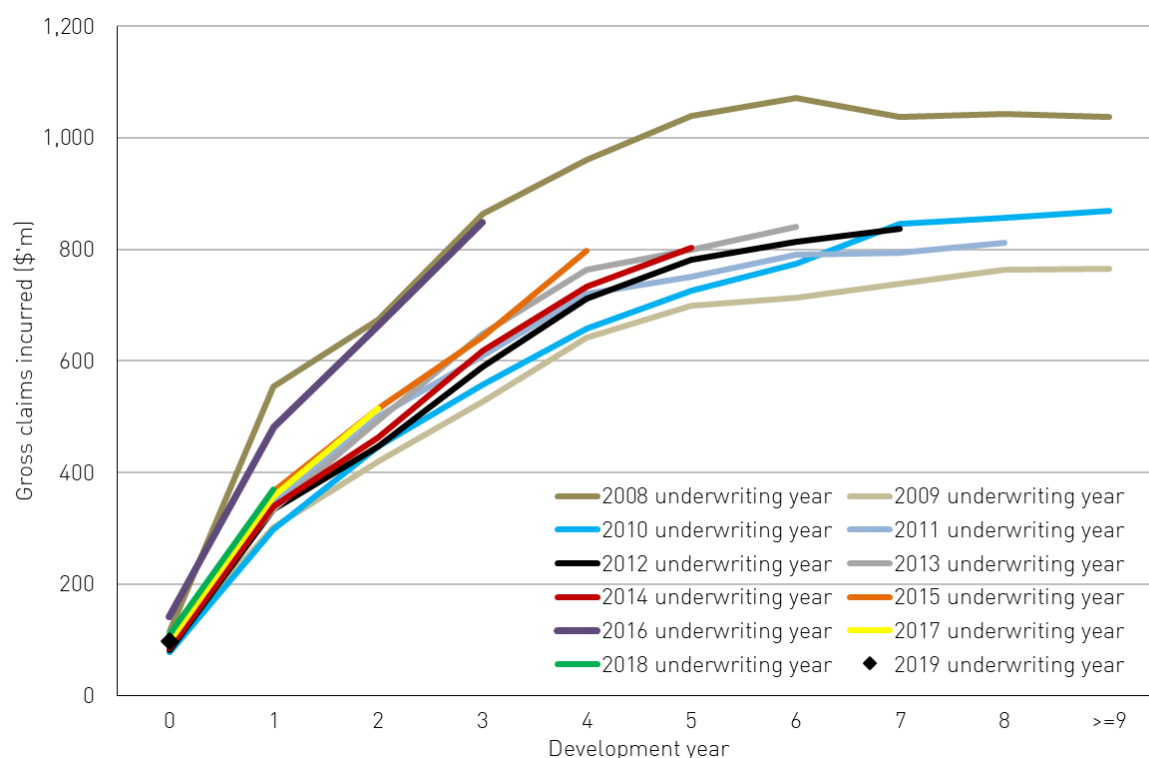


PI gross claims incurred at the end of development year one of the 2018 underwriting year is consistent with the 2016 and 2017 underwriting years at the same stage of development. All of these underwriting years are developing higher than previous underwriting years at the same stage of development, with the 2015 and 2016 underwriting years representing the highest gross claims incurred across all underwriting years as at their current respective stages of development.

More generally, underwriting years from 2012 onwards are developing higher than previous underwriting years.

Figure 8 - Gross claims incurred by underwriting year and development year

Public and product liability



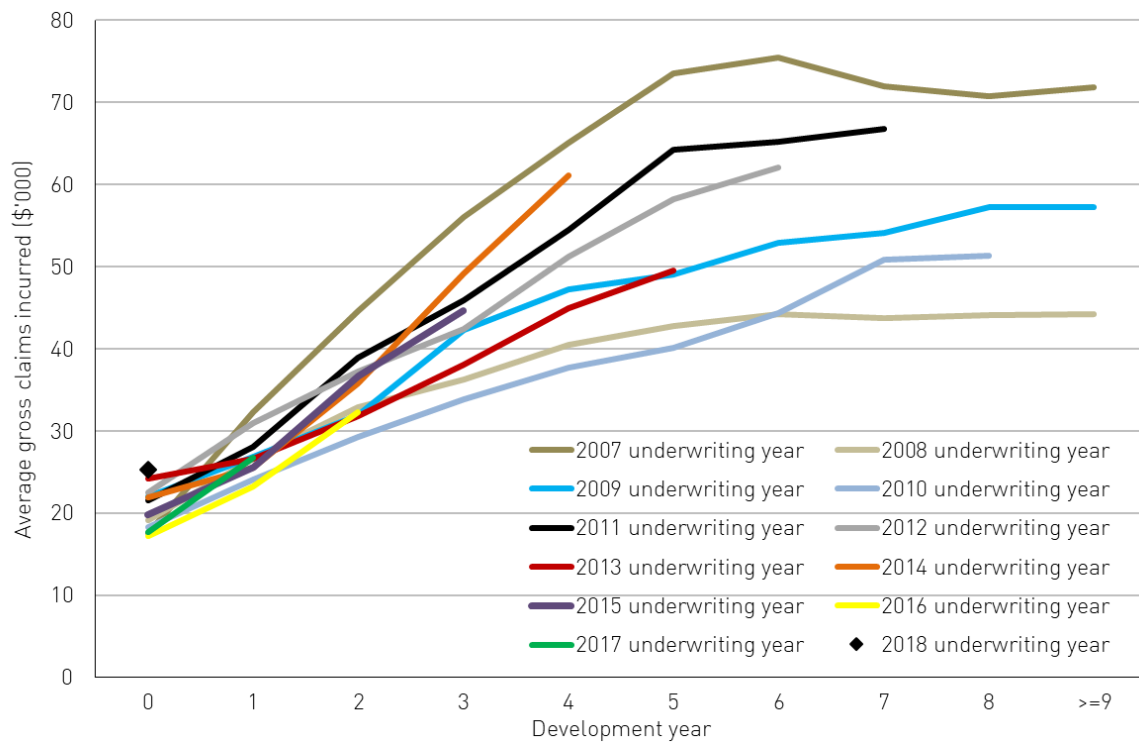
PL gross claims incurred for underwriting years 2003 to 2015, except underwriting year 2008, corresponding to the global financial crisis, follow the same development pattern with gradual growth from one underwriting year to the next (Figure 8). Underwriting year 2016 at the end of development year three is higher than recent underwriting years, in line with the 2008 underwriting year at the same stage of development. The large increase in gross claims incurred reported for the 2008 and 2016 underwriting years was mainly due to a small number of large claims².

Gross claims incurred include both amounts paid by insurers and estimates of remaining payments to be made on reported claims (case estimates). In data submitted to the NCPD gross claims incurred does not include a provision for IBNR or IBNER claims.

² Based on analysis of unpublished NCPD data.

Figure 9 - Average gross claims incurred by underwriting year and development year

Professional indemnity

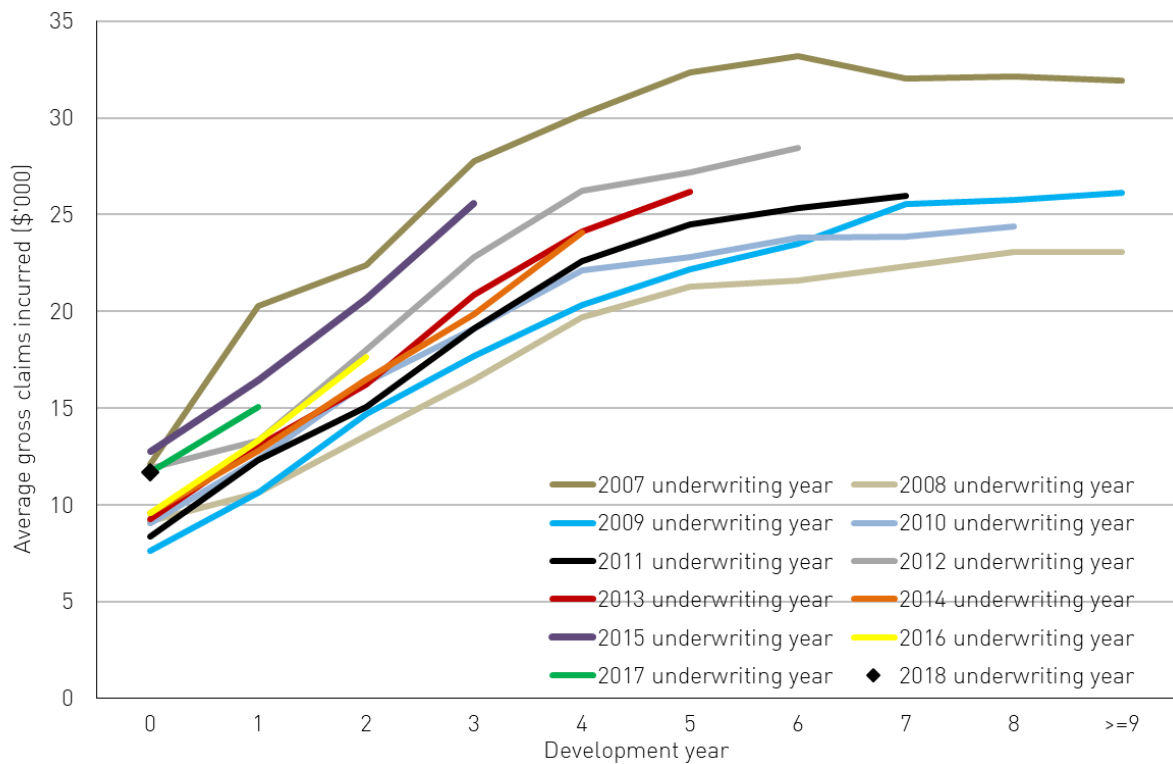


The 2018 underwriting year appears to be developing in line with long term averages.

The 2015 underwriting year is developing with a higher average gross claims incurred than earlier underwriting years, except for the 2008 underwriting year.

Figure 10 - Average gross claims incurred by underwriting year and development year

Public and product liability

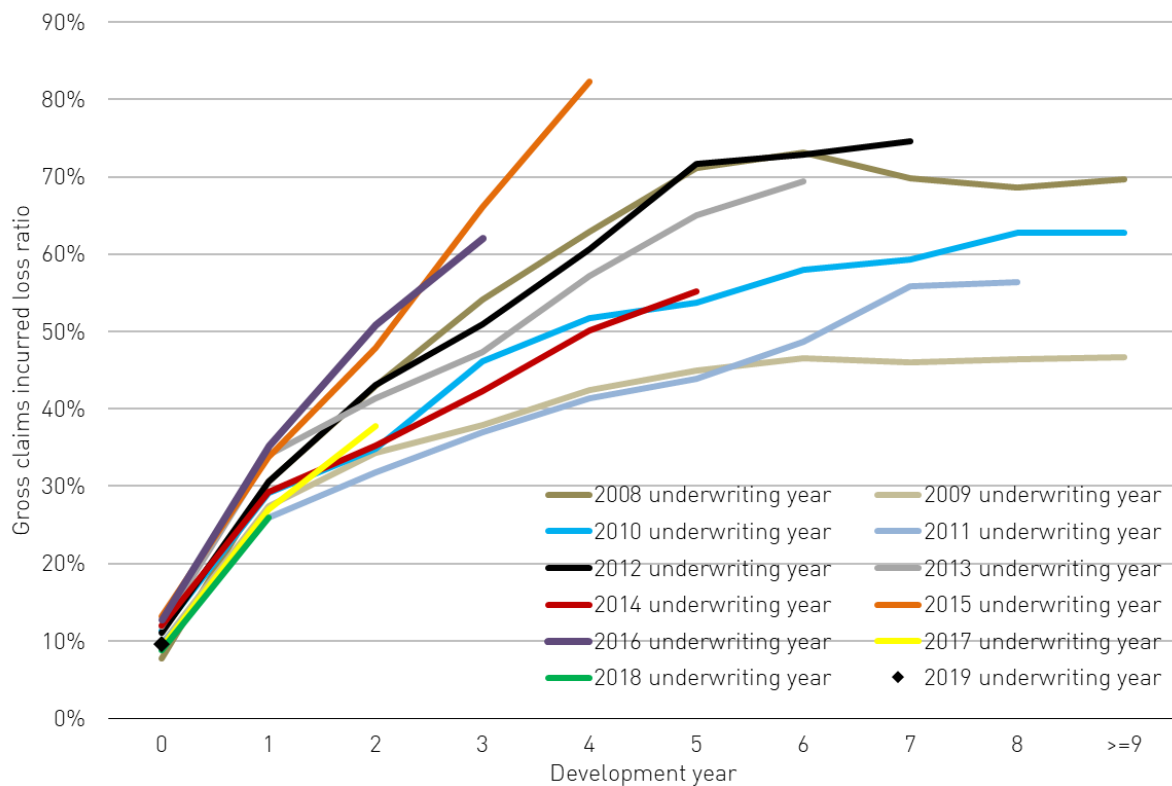


The 2018 underwriting year appears to be developing in line, if not slightly above, with long term averages.

The average gross claims incurred for the 2016 underwriting year is developing higher than all earlier underwriting years at the same stage of development, except for the 2008 underwriting year.

Figure 11 - Gross claims incurred loss ratio by underwriting year and development year

Professional indemnity

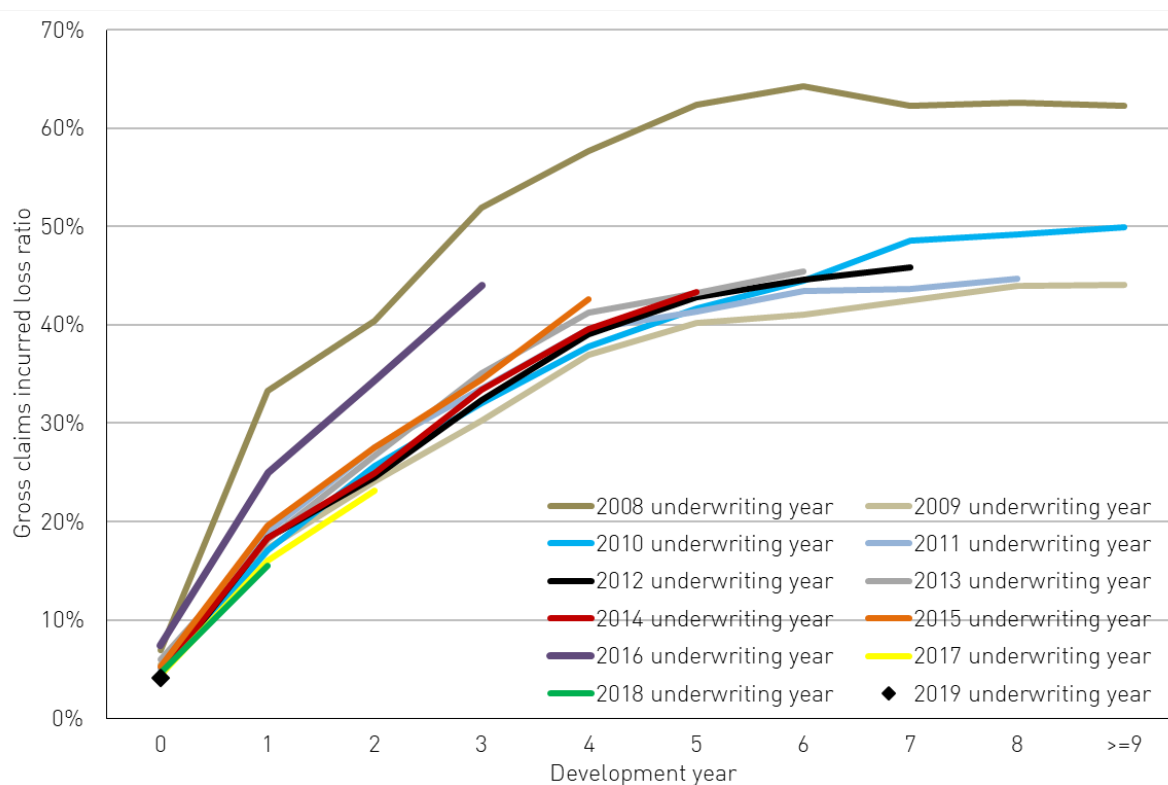


The PI gross claims incurred loss ratio for the 2018 underwriting year at the end of development year one is at 25.9 per cent, slightly lower than the previous two years at the same stage of development.

The 2015 and 2016 underwriting years represent the highest gross claims incurred loss ratios across all underwriting years as at their current respective stages of development.

Figure 12 - Gross claims incurred loss ratio by underwriting year and development year

Public and product liability



The PL gross claims incurred loss ratio appears to follow a similar path of development across most underwriting years (Figure 12) except for 2008 which corresponds to the global financial crisis, and more recently 2016. The PL gross incurred loss ratio for underwriting year 2008 is, at all stages of its development, significantly higher than the loss ratio for any other underwriting year.

The PL gross claims incurred loss ratio for the 2018 underwriting year at the end of development year one is at 15.5 per cent, slightly lower than recent years at the same stage of development.

The PL gross claims incurred loss ratio for underwriting year 2016 for development year three is 45.1 per cent, higher than all prior development years at the same stage of development, except for the 2008 underwriting year.

The gross claims incurred loss ratio is calculated as the gross claims incurred as a proportion of the gross written premium (see the level 1 reports). It does not include a provision for IBNR or IBNER claims.

Highlights

Lloyd's Australia

Policies and risks written

During the 2018 underwriting year³, Lloyd's Australia wrote \$1,073 million of gross premium for the professional indemnity (PI) and public and product liability (PL) classes of business for both non-facility and facility business⁴. This consisted of;

- \$300 million of gross written premium for professional indemnity policies covering 10,626 risks (excluding facility business);
- \$83 million in gross written premium for public and product liability policies, covering 1,464 risks (excluding facility business); and
- \$690 million in gross premium as facility business.

It is difficult to compare Lloyd's Australia with other APRA-regulated insurers. The specialist nature of the Lloyd's Australia market means that alongside more standard business, Lloyd's also writes larger and more complex risks which attract higher premiums, which is evident in comparing the average written premium for Lloyd's with the average written premium for the rest of the industry.

³ Note figures are subject to revision upon full data becoming available, refer also to the Revisions section on page 5 for detail on prior year revisions.

⁴ Facility business may be closed by 'bordereau' and the insurer does not always receive individual policy and/or claims information for this business. Facilities may include underwriting pools, joint ventures, and arrangements with brokers and insurers

Figure 13 - Average written premium by underwriting year

Professional indemnity & Public and product liability

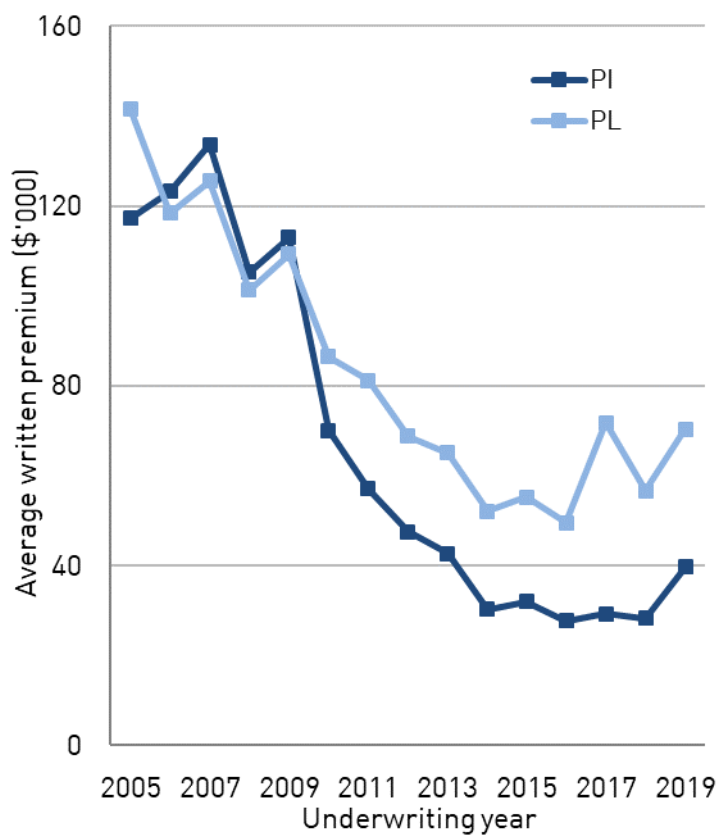


Figure 13 shows that the average written premium for non-facility PI risks written in the 2018 underwriting year was about \$28,207, down by 3.5 per cent from the 2017 underwriting year (about \$29,245).

In the 2018 underwriting year, the average written premium for non-facility PL risks was about \$56,624, down by 21.1 per cent from the 2017 underwriting year (about \$71,700).

Whilst the initial 2019 data is anticipated to change it points toward acceleration in average written premiums in the current period for both PI and PL.

Claims

Total payments

During 2018, for both non-facility and facility business, Lloyd's Australia paid claims totalling \$560 million on professional indemnity (PI) and public and product liability (PL) business, down 1.3 per cent from the previous year (\$567 million).

Non-facility business

During 2018, Lloyd's Australia paid \$182 million on non-facility claims for PI and PL combined. These payments were made in respect of 2,692 total non-facility claims reported to the NCPD that were open at any time during the 12 months ending 31 December 2018. This consisted of:

- \$137 million on non-facility PI claims, down 23.9 per cent from the previous year (\$180 million).
- \$45 million on non-facility PL claims, down 23.1 per cent from the previous year (\$59 million).

As at 31 December 2018, Lloyd's Australia reported \$473 million as case estimates for further payments to be made on open claims, up 60 per cent from the previous year (\$295.6 million). Of these case estimates:

- PI claims accounted for \$230.1 million, up 34.9 per cent from the previous year (\$171.3 million).
- PL claims accounted for \$242.8 million of outstanding case estimates, up 95.4 per cent from the previous year (\$124.3 million).

Facility business

Lloyd's Australia made claim payments on facility business⁵ of \$378 million in 2018, up 15 per cent from 2017 (\$328 million). Claim payments on facility business by Lloyd's Australia accounted for 64.3 per cent of total claim payments made in 2018, up from 57.9 per cent in the previous year.

⁵ Facility business may be closed by 'bordereau' and the insurer does not always receive individual policy and/or claims information for this business. Facilities may include underwriting pools, joint ventures, and arrangements with brokers and insurers.

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