



Liability Insurance in Focus

Insights shaping the sector

October 2026

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Foreword

**Conditions are changing. Claims are evolving.
The next phase of liability insurance is taking shape.**

Australia's liability insurance market is entering a new phase. Following several years of premium strengthening and improving underwriting outcomes, pricing momentum is beginning to moderate across parts of the market. At the same time, evolving claims experience, competitive pressures and emerging risks continue to reshape the landscape for insurers, brokers and policyholders.

In this *Liability Insurance in Focus* report, KPMG analyses the latest APRA National Claims and Policies Database (NCPD) to explore the trends shaping Professional Indemnity and Public Liability insurance across the Australian market. Drawing on two decades of policy and claims experience, our analysis considers pricing, exposure growth, market composition, loss ratios, claims frequency, severity and finalisation patterns across a range of portfolio dimensions.

From this broader analysis, we highlight selected areas where experience differs across products, portfolio characteristics and jurisdictions. These include persistently higher loss ratios at the lowest excess band, comparatively higher loss ratios in Victoria across certain segments, and differing dynamics across Management Liability and D&O. We also consider the evolution of the Cyber insurance market and emerging risks including per- and polyfluoroalkyl substances (PFAS), silent cyber and silent AI.

Together, these insights point to a market where headline experience can mask important differences in underlying portfolio and claims dynamics, reinforcing the importance of looking beyond broad market averages as conditions evolve.

While the latest available NCPD data covers experience to December 2024, we have also considered more recent developments observed across the industry to provide current market context. APRA is expected to release the next NCPD update, covering data to December 2025, over the coming months.

This report will be updated as the new data becomes available, providing an opportunity to assess these more recent developments against the emerging evidence and revisit the trends highlighted in this edition.

We hope this report provides useful insights for industry participants navigating the next phase of the liability insurance market.



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Methodology and limitations

Data source

Analysis is based primarily on the latest available APRA National Claims and Policies Database (NCPD), covering policy and claims experience across Australian Professional Indemnity (PI) and Public Liability (PL) insurance classes.

Data coverage

The NCPD captures experience across a range of underlying liability segments. Within PI, Professional Indemnity Other accounts for approximately half of GWP, followed by Medical Malpractice at around one-quarter and Directors and Officers (D&O) at around one-fifth. Within PL, Public Liability (PUB) and Public Liability Other (PLO) collectively account for approximately 80% of GWP, with Product Liability, Construction and Cyber comprising the remainder. This segmentation provides the basis for exploring differences in experience across products, portfolio characteristics and jurisdictions.

Important considerations

- **Lloyd's data:** Except where explicitly shown in the market overview, detailed analysis is presented on an ex-Lloyd's basis, reflecting limitations in the Lloyd's data available within the NCPD.
- **Recent-year maturity:** Recent years remain immature, particularly for long-tail classes such as PI and PL. Ultimate loss ratios, claim frequencies and average claim sizes should therefore be interpreted with caution.
- **Indicative projections:** Ultimate loss ratios and claim metrics are indicative and based on high-level projections, including allowances for IBNR and IBNER.
- **Cyber classification:** Cyber is grouped with PI for claims experience analysis due to its predominantly claims-made coverage structure. PI and Cyber are analysed on a claims reporting-year basis, while PL (excluding Cyber) is analysed on an accident-year basis. Reporting-year analysis primarily requires an allowance for IBNR, while accident-year analysis also includes IBNER.
- **Industry-level analysis:** Results reflect aggregated industry experience and may not represent individual insurer portfolios, underwriting strategies or claims-management practices.
- **Newer NCPD reporting segments:** Cyber and Management Liability have relatively short standalone reporting histories within the NCPD, limiting visibility of longer-term claims trends.

Metric definitions

- **Ultimate loss ratio:** Estimated ultimate claims cost as a percentage of earned premium.
- **Ultimate claim frequency:** Estimated ultimate number of claims relative to the weighted risk in-force.
- **Ultimate average claim size:** Estimated ultimate claims cost divided by the estimated ultimate number of claims.
- **Finalisation rate:** Cumulative number of finalised claims as a percentage of the estimated ultimate number of claims.

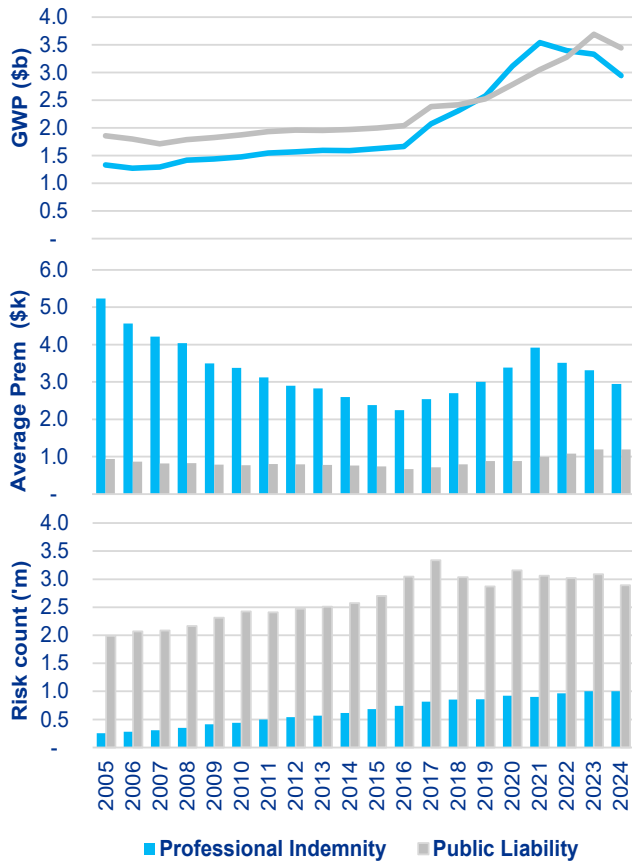
Key abbreviations

GWP Gross written premium | **GEP** Gross earned premium | **Inc** Incurred to date | **Ult** Ultimate | **LR** Loss ratio | **Freq** Frequency | **ACS** Average claim size | **IBNR** Incurred but not reported | **IBNER** Incurred but not enough reported |

Interpretation

Historical experience provides useful context but should not be viewed as predictive. Emerging risks and evolving market conditions may result in future experience differing from historical trends.

Liability market enters a new phase



Strong gross written premium (GWP) growth since 2016 has reflected both average premium and exposure growth, although these tailwinds are now moderating.

Professional Indemnity (PI)

Average premiums strengthened materially to 2021 before moderating, while risk counts continued to increase. The combination supported strong GWP growth, although recent experience points to softer pricing momentum.

Public Liability (PL)

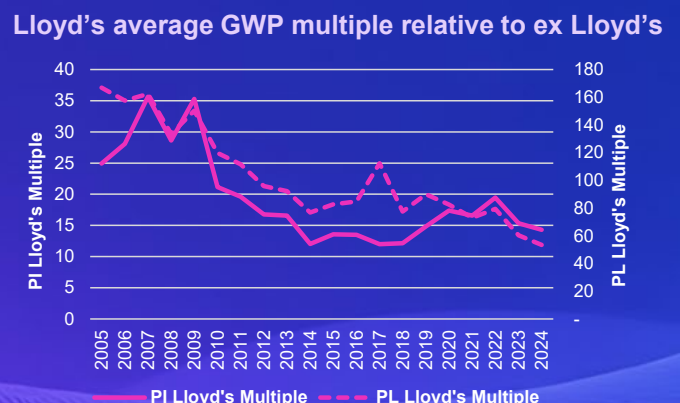
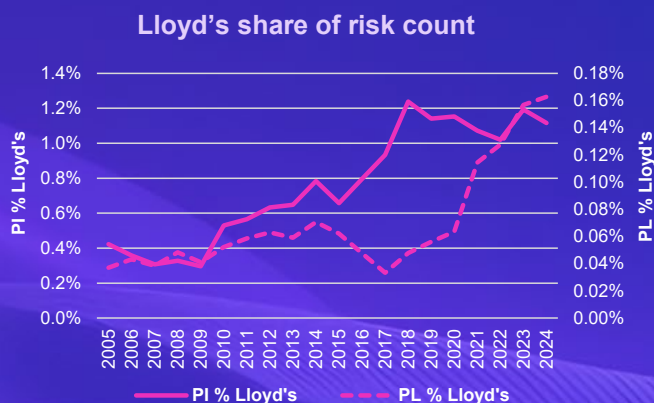
Average premiums increased more gradually, alongside a comparatively stable risk-count base in recent years. Average premiums and GWP both moderated in 2024.

As pricing tailwinds unwind, how will softer pricing reshape market growth and loss ratio experience?

In focus: Lloyd's

Lloyd's has expanded its presence across both PI and PL, supported by growth in risks written. Average premiums remain materially above the ex-Lloyd's market, although the differential has narrowed substantially over time.

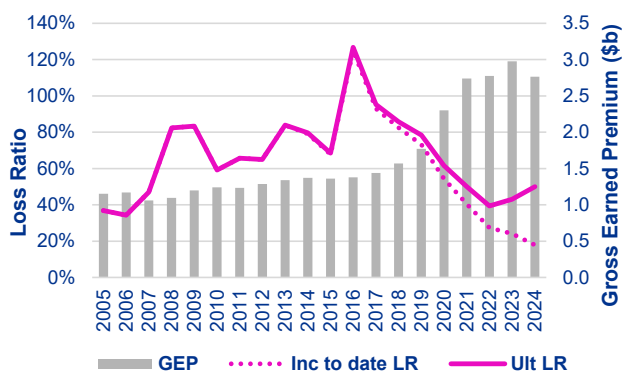
These trends may indicate greater underwriting capacity and appetite for growth within the Lloyd's market, contributing to a more competitive pricing environment.



Have liability loss ratios reached a new inflection point?

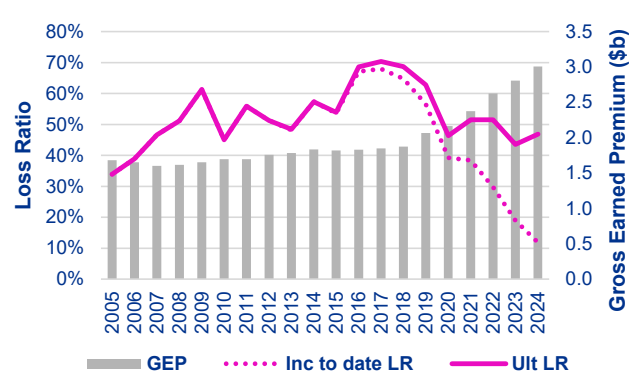
Premium strengthening since 2016, together with improvements in claims experience, has supported more favourable loss ratios across PI and PL. More recently, pricing momentum has moderated, while underlying claims dynamics continue to evolve.

Professional Indemnity (plus Cyber)



Loss ratios increased through the earlier part of the period before improving materially from 2016, alongside premium strengthening and declining claim frequency.

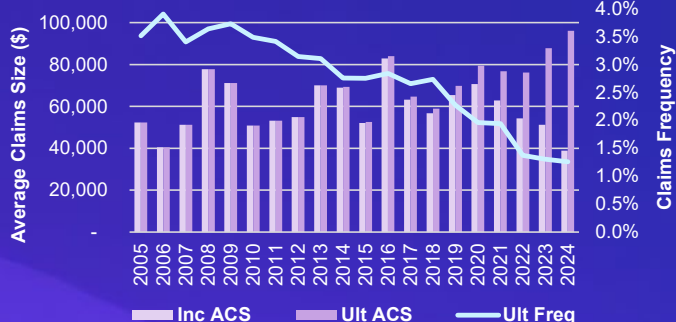
Public Liability (ex Cyber)



Loss ratios increased through the middle of the period before improving in more recent years, with premium growth playing a more prominent role in offsetting increasing claim severity.

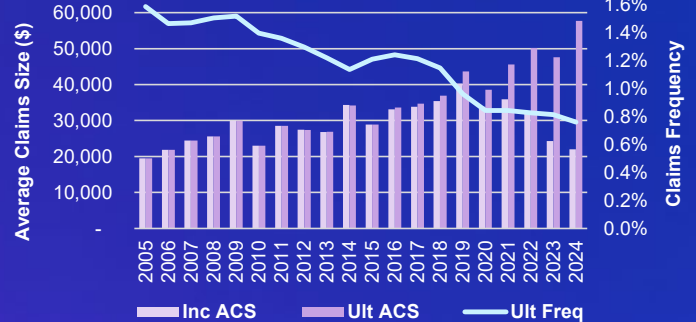
In focus: Underlying claims dynamics

Professional Indemnity (plus Cyber)



Claim frequency declined materially over the longer term, although improvements appear to have moderated more recently. Average claim sizes have remained variable.

Public Liability (ex Cyber)

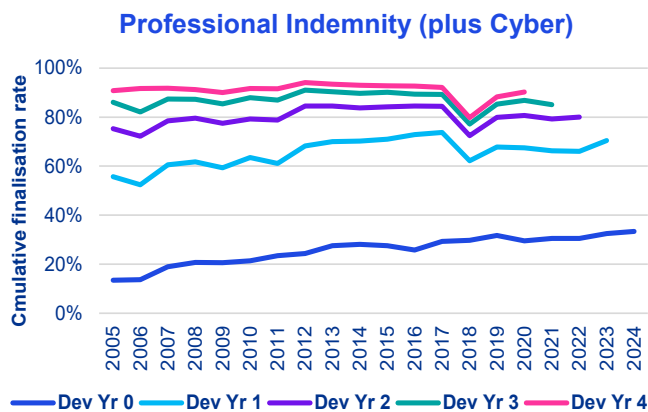


Frequency improvement has been more modest, while average claim sizes have continued to increase, leaving PL more reliant on pricing to offset increasing claims severity.

As pricing momentum moderates and claims dynamics evolve, can recent favourable loss ratio experience be sustained?

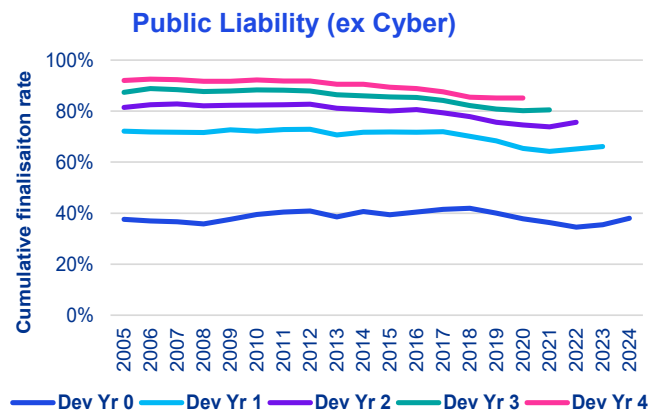
Finalisation trends are diverging between PI and PL

PI shows evidence of faster early claim closure, while PL claims appear to remain open for longer, highlighting diverging claims finalisation experience between the two classes.



Note: The temporary dip may reflect COVID-19 related disruptions.

Early-development finalisation rates have increased over time, while later-development rates remain broadly consistent with historical experience.



Finalisation rates have gradually declined across most development periods, with a greater proportion of claims appearing to remain open for longer.

In focus: Implications for claims emergence and reserving

Diverging finalisation patterns may change how claims emerge over time, with implications for reserving uncertainty in both PI and PL.

Professional Indemnity (plus Cyber)

Faster early closure may reflect changes in claims handling or settlement practices rather than a material reduction in underlying claim complexity. It may also change the mix of claims remaining open at later development periods.

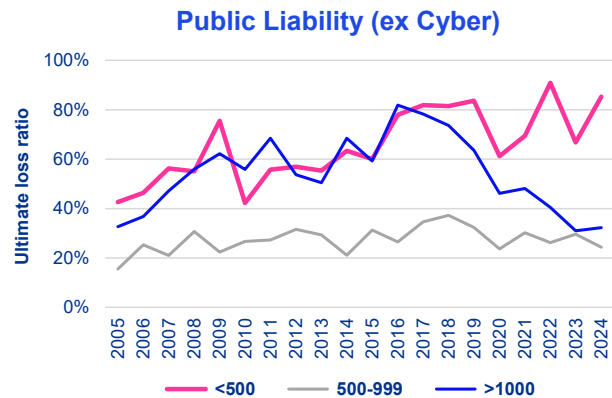
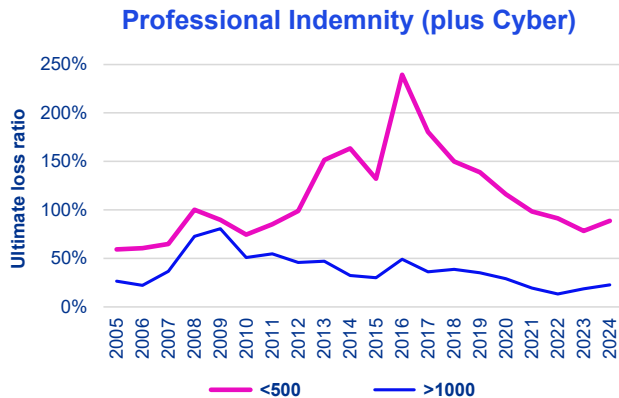
Public Liability (ex Cyber)

Claims remaining open for longer may reflect increasing complexity or broader changes in claims-resolution dynamics, potentially changing the timing of claims emergence and increasing uncertainty around ultimate outcomes.

What is driving the divergence in PI and PL finalisation, and what might this mean for future claim costs and reserving uncertainty?

Portfolio segmentation reveals different loss ratio experience

Excess band | Lowest excess band records the highest loss ratios

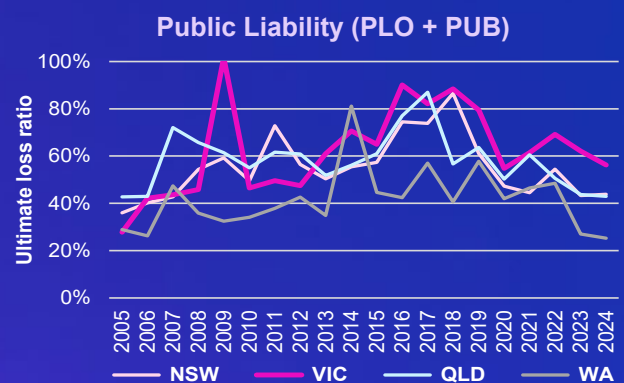
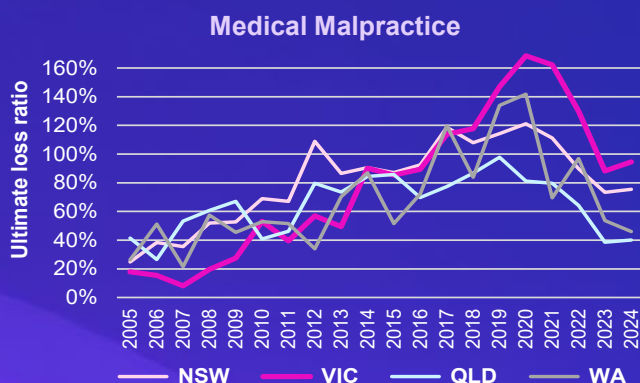


Note: The \$500–999 excess band is not shown for PI due to insufficient experience to support a meaningful comparison.

The <\$500 excess band records the highest loss ratios across both PI and PL. In PI, stronger average premium growth has coincided with improving, but still comparatively high, loss ratios in the <\$500 band. In PL, a shift towards higher excess bands has occurred alongside improving loss ratio experience in the >\$1,000 band and deteriorating experience in the <\$500 band.

Could affordability and risk selection be contributing to higher loss ratios at the lowest excess band?

Jurisdiction | Victoria stands out across multiple liability segments



Victoria has recorded comparatively higher loss ratios in Medical Malpractice since 2018, with a similar but less pronounced pattern evident in Public Liability. Broadly similar average premium growth across major states suggests factors beyond pricing may be contributing to the difference in loss ratio experience.

What is driving Victoria's persistently higher loss ratio experience?

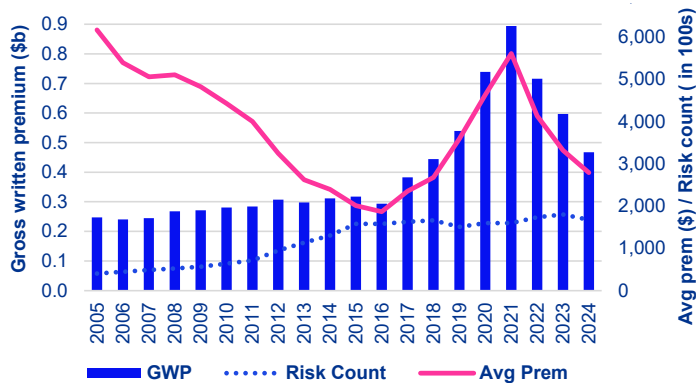
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Management Liability and D&O show different growth dynamics

D&O appears more influenced by insurance-cycle dynamics, while Management Liability growth has been supported by broader market participation.

D&O: Growth between 2018 and 2021 was largely pricing-driven, with GWP increasing materially despite relatively stable risk counts. GWP has since declined as average premiums moderated.



Management liability: Growth was supported by increasing risk counts to 2023, with risk counts and average premiums subsequently remaining broadly stable.



Different market profiles: While both products address management and governance related exposures, Management Liability typically provides packaged cover for SMEs, while standalone D&O is more focused on larger corporates and institutions.

In focus: D&O pricing and claims dynamics



D&O claim frequency declined materially over the longer term and has more recently stabilised at lower levels. Together with premium strengthening between 2016 and 2021, this has contributed to more favourable loss ratio experience in recent years.

Average premiums have since moderated, while average claim sizes remain variable, which may place renewed pressure on loss ratio performance.

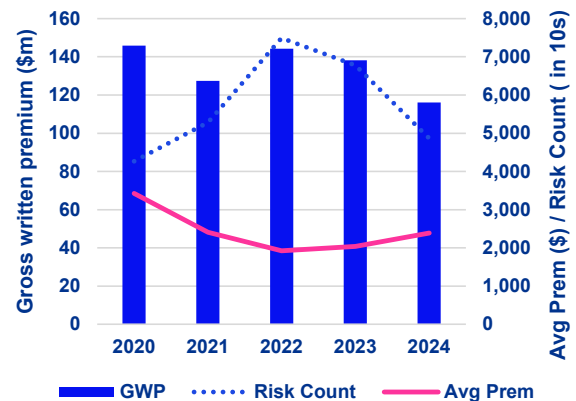
Broader market commentary points to a changing litigation environment, where lower claim or litigation volumes may coexist with significant settlements and evolving shareholder, regulatory and governance exposures.

Cyber and emerging risks challenge traditional product boundaries

Cyber market slows as the threat landscape continues to evolve

Cyber insurance growth has moderated from its 2022 peak, with risk counts declining and average premiums remaining below 2020 levels despite a modest recovery in 2024. The relatively short reporting history limits visibility of underlying loss trends.

The pricing-risk tension may be widening, with more recent market developments pointing to increasing competitive pressures in 2025-26 while ransomware, AI-enabled attacks, cloud concentration risk and third-party dependencies remain prominent.



As competition intensifies and the threat landscape evolves, do current premiums adequately reflect systemic and accumulation exposures?

In focus: Emerging risks beyond dedicated cover

Cyber demonstrates how an evolving risk can develop into a dedicated insurance market. However, emerging exposures may not sit neatly within established product boundaries.

01|PFAS

Potential long-tail liability exposure: Uncertain claims emergence, evolving regulation and expanding claimant groups may create exposure across multiple insurance classes.

Potentially impacted classes: Public Liability, Product Liability, Professional Indemnity, D&O, Business Interruption

02|Silent Cyber

Exposure beyond dedicated Cyber cover: Cyber-related losses may emerge through traditional policies not originally intended or priced to cover cyber exposures, creating coverage and aggregation uncertainty.

Potentially impacted classes: Professional Indemnity, D&O, Property, Crime, Business Interruption

03|Silent AI

An emerging cross-class exposure: AI-related liabilities may emerge before dedicated insurance solutions and policy wordings mature, creating uncertainty around liability allocation and policy response.

Potentially impacted classes: Professional Indemnity, D&O, Product Liability, General Liability, Cyber

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