STATISTICS

National Claims Policy Database

Overview

For the period 1 January 2003 to 31 December 2017 (issued 26 September 2018)

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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 2017, and claims not settled at 1 January 2003, or opened, reopened or finalised between 1 January 2003 and 31 December 2017.

The reports comprise the following documents:

- this Overview of Professional Indemnity and Public and Product Liability 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	Dev year (latest)[1]	Cause of revision	Entity (where applicable)	Previous value ($m)	Revised value ($m)
PI for Lloyds by underwriting year – Gross written premium – Underwriting year 2016	N/A	Resubmitted data	Lloyd's Australia Limited	113	162
PL for Lloyds by underwriting year – Gross written premium – Underwriting year 2016	N/A	Resubmitted data	Lloyd's Australia Limited	55	72

[1] Development year listed refers to development years since the latest underwriting or accident year noted.

Highlights

Australian APRA-regulated general insurers

Policies and risks written

Non-facility business

During the 2017 underwriting year, APRA-regulated general insurers wrote $3,341 million of gross premium for the professional indemnity (PI) and public and product liability (PL) classes of business, up 0.4 per cent from the 2016 underwriting year ($3,329 million).

For professional indemnity, APRA-regulated general insurers wrote $1,523 million of gross premium during the 2017 underwriting year, up 6.1 per cent from the previous year ($1,436 million). This premium related to about 763,035 PI risks written in the 2017 underwriting year, up 3.7 per cent from the previous year (about 735,591). The average written premium for PI risks written in the 2017 underwriting year was $1,996, up 2.3 per cent from the previous year ($1,952).

For public and product liability, APRA-regulated general insurers wrote $1,818 million of gross premium during the 2017 underwriting year, down 4.0 per cent from the previous year ($1,893 million). This premium related to about 2,900,839 PL risks written in the 2017 underwriting year, down 5.0 per cent from the previous year (about 3,053,455).

Facility business

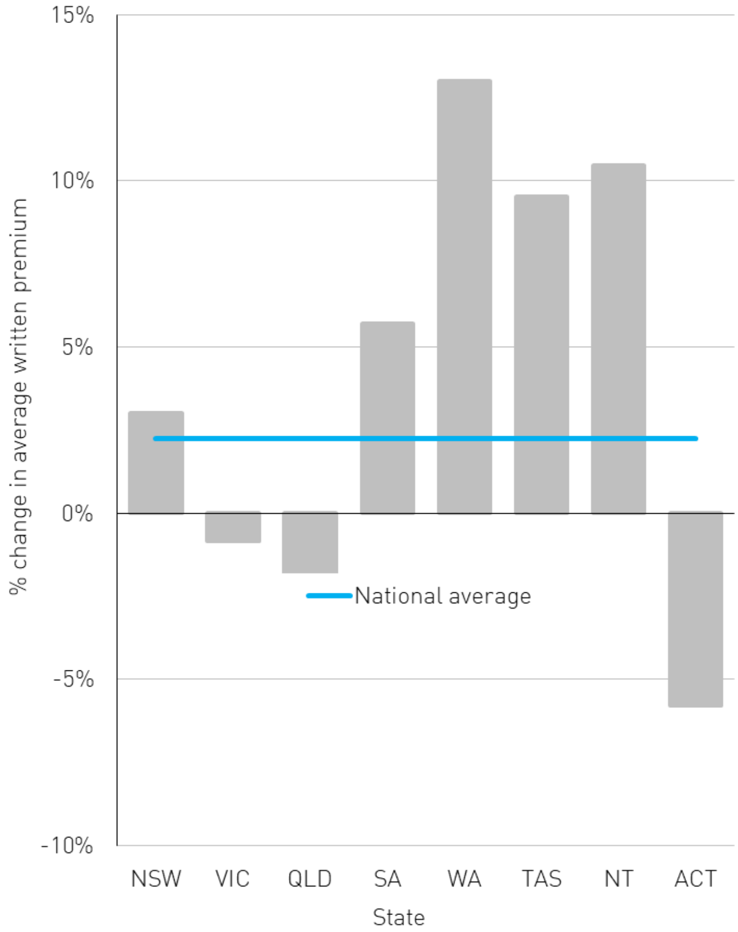
For facility business[2] during the 2017 underwriting year, APRA-regulated general insurers wrote $88 million of gross premium, up 24.3 per cent from the 2016 underwriting year ($71 million). The proportion of total business written as facility business was 2.6 per cent, up from 2.1 per cent in the previous year.

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

[2] 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 1 - Change in average written premium from the 2016 to 2017 underwriting year

Professional indemnity

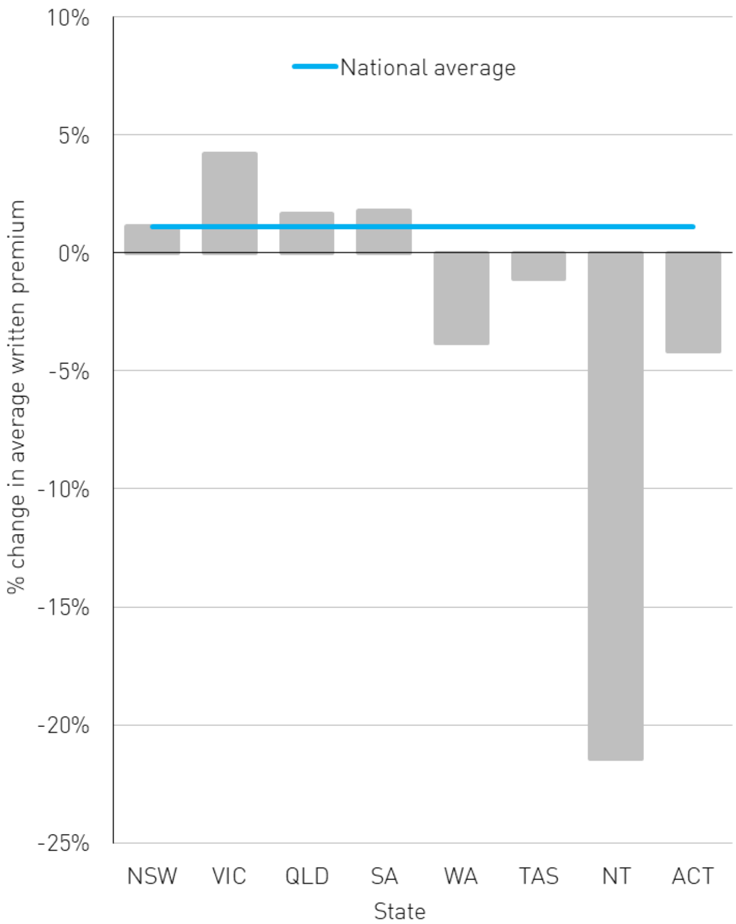


The national average written premium for professional indemnity risks increased by 2.3 per cent in 2017 compared to the 2016 underwriting year (Figure 1).

Average written premium for professional indemnity risks increased in most states and territories from 2016 to 2017. The only states or territories reporting a decrease in average written premium were Victoria, Queensland and the Australian Capital Territory, with decreases of 0.8 per cent, 2.2 per cent and 5.8 per cent respectively.

Figure 2 - Change in average written premium from the 2016 to 2017 underwriting year

Public and product liability

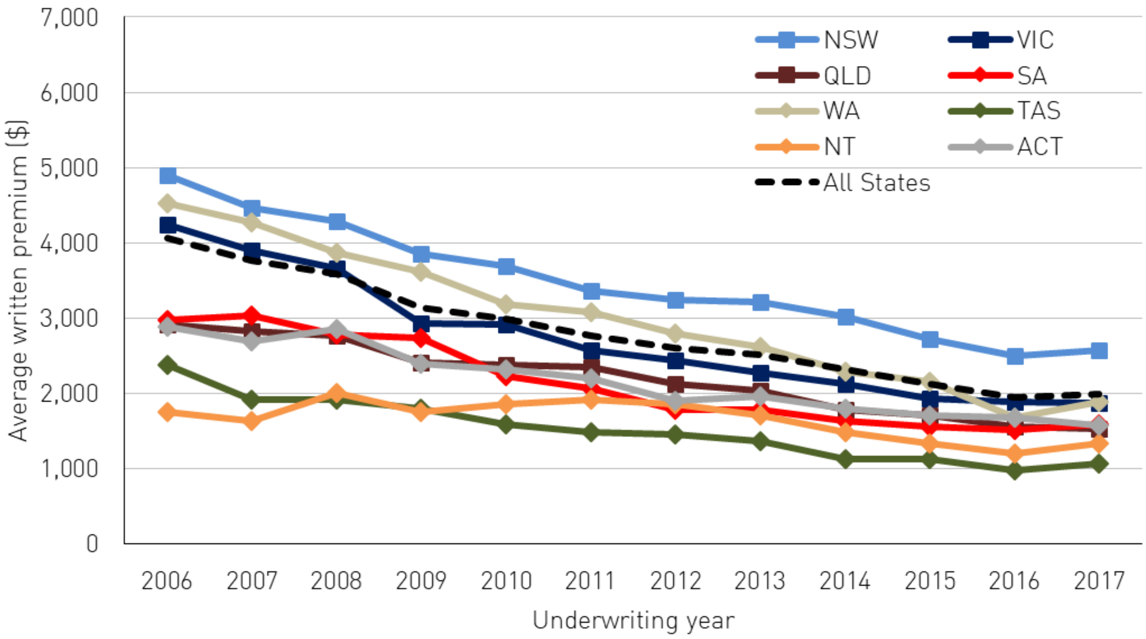


The national average written premium for public and product liability risks rose by 1.1 per cent in 2017 compared to the 2016 underwriting year (Figure 2).

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

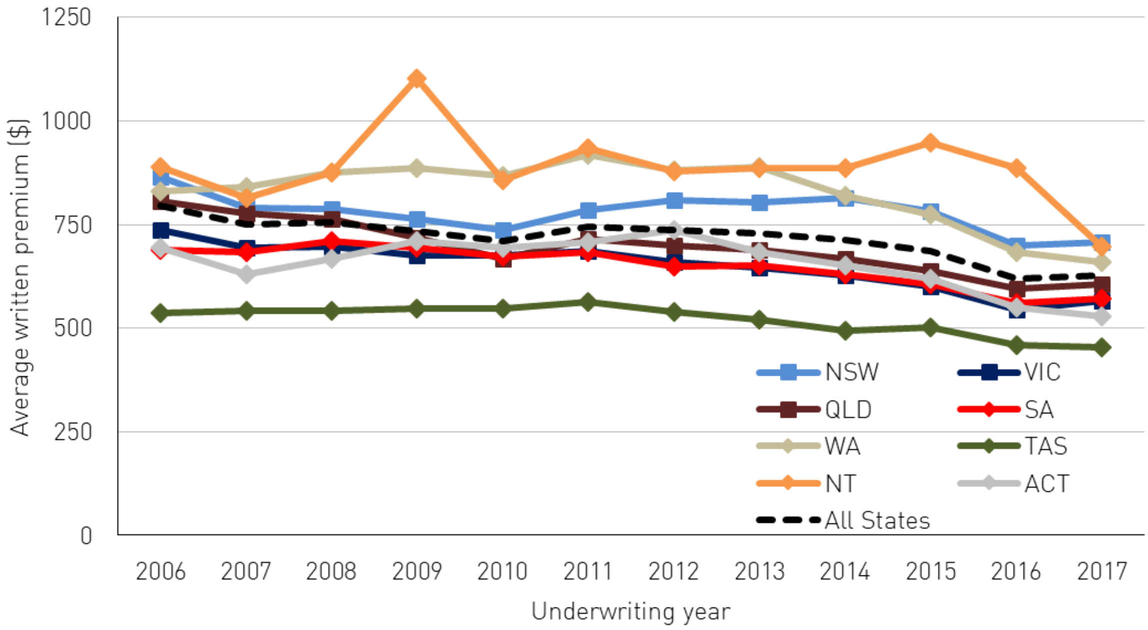


The national average written premium for PI risks written in the 2017 underwriting year was $1,996, up from $1,952 for the 2016 underwriting year (Figure 3).

The 2.3 per cent increase in average written premium between the 2016 and 2017 underwriting years 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 51.9 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 2017 underwriting year was $627, up from $620 for the 2016 underwriting year (Figure 4).

The increase in national average written premium for PL risks was 1.1 per cent between the 2016 and 2017 underwriting years, in 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 22.0 per cent.

Claims

Total payments

During 2017, APRA-regulated general insurers paid claims totalling $2,080 million for the professional indemnity (PI) and public and product liability (PL) classes of business, up 23.6 per cent from the previous year ($1,683 million).

Non-facility business

APRA-regulated insurers paid non-facility PI claims of $1,034 million in 2017, up 31.3 per cent from the previous year ($787 million). APRA-regulated insurers paid non-facility PL claims of $1,003 million in 2017, up 14.9 per cent from the previous year ($873 million). Payments made in 2017 on non-facility PI and PL claims were in respect of 106,368 claims reported to the NCPD that were open at any time during the 12 months ended 31 December 2017. The number of claims for PI and PL combined was up 8.4 per cent from the number of claims open at any time during the 12 months ended 31 December 2016 (98,151).

As at 31 December 2017, for PI and PL combined, APRA-regulated insurers reported $3,778 million as case estimates for non-facility business for further payments to be made on open claims at that date, up 8.7 per cent from the previous year ($3,476 million). This consisted of:

- PI claims accounted for $1,846 million of claim estimates, up 10.2 per cent from the previous year ($1,675 million).
- PL claims accounted for $1,932 million of claim estimates, up 7.3 per cent from the previous year ($1,801 million).

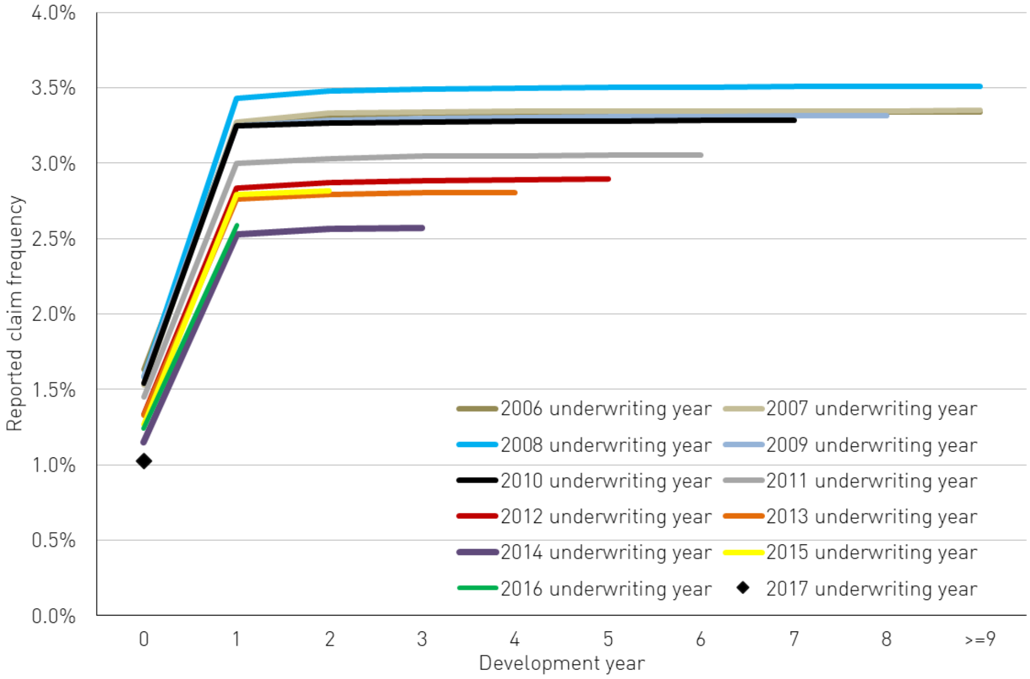
Facility business

APRA-regulated insurers made claim payments on facility business[3] of $43 million in 2017, up 88.5 per cent from 2016 ($23 million). Claim payments on facility business by APRA-regulated insurers accounted for 2.1 per cent of total claim payments made in 2017, up from 1.4 per cent in the previous year.

[3] 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



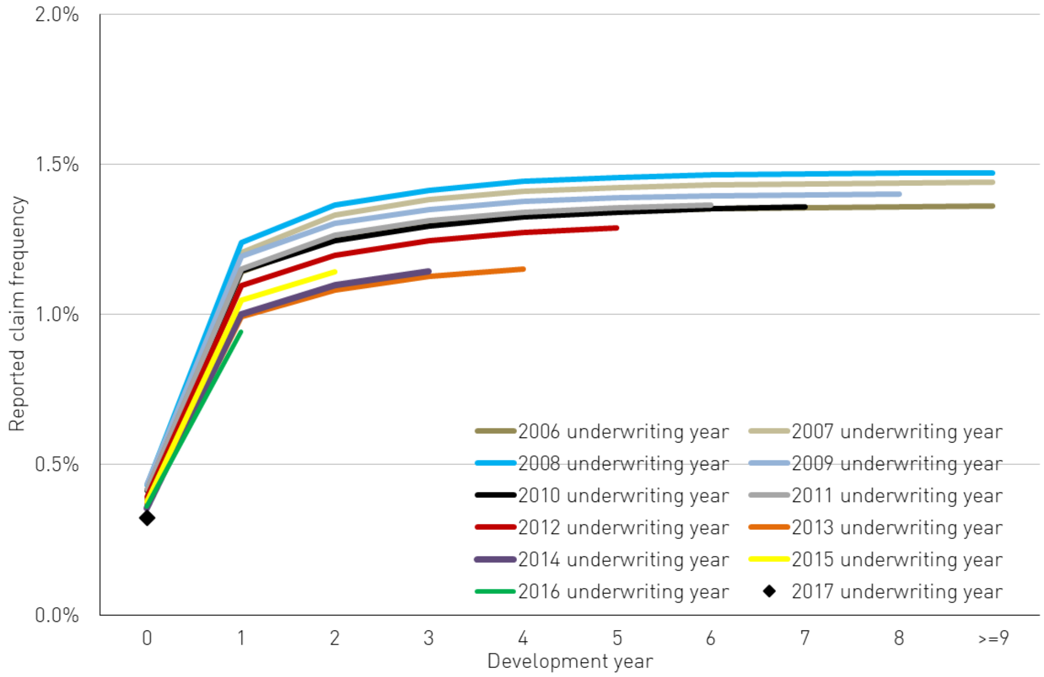
For all stages of development, claim frequencies for PI have been falling since the 2008 underwriting year (Figure 5).

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 2.6 per cent for the 2016 underwriting year.

The number of claims reported at the end of development year one increased by 58.3 per cent from the 2008 underwriting year (12,037) to the 2016 underwriting year (19,058). The increase in the number of claims is likely a result of the number of risks being written by APRA-regulated insurers increasing by 109.7 per cent from the 2008 to 2016 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).

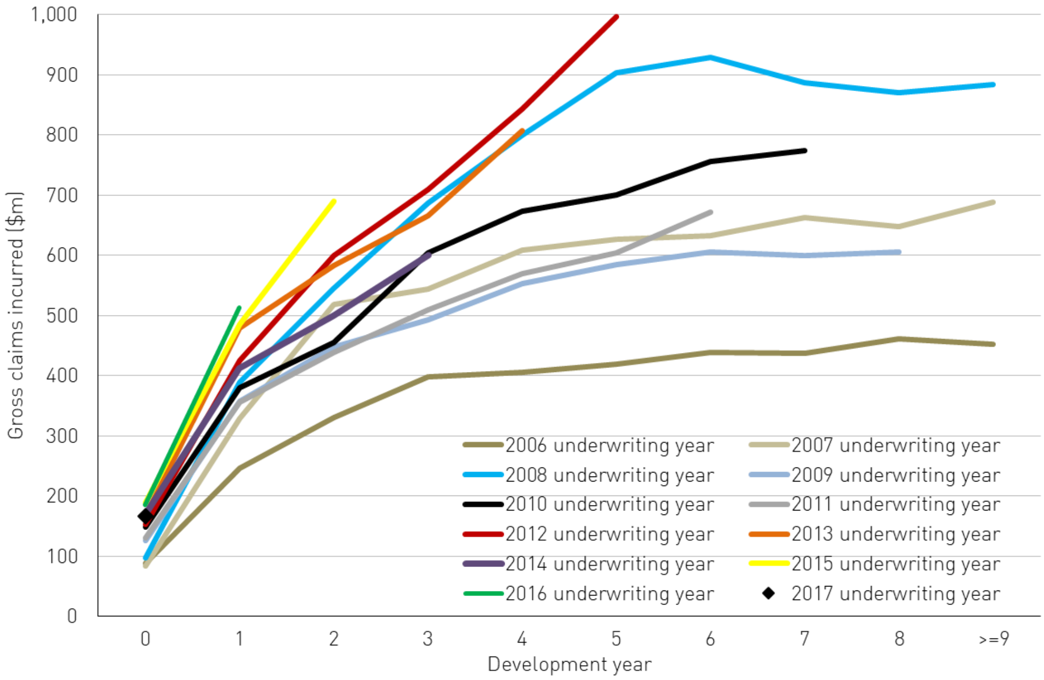
The PL claim frequency at the end of development year one, by which point the majority of PL claims have been reported, fell from 1.2 per cent for the 2008 underwriting year to 0.9 per cent for the 2016 underwriting year.

The number of claims reported at the end of development year one increased by 5.2 per cent from the 2008 underwriting year (27,342) to the 2016 underwriting year (28,751). The increase in the number of claims is likely a result of the number of risks being written by APRA-regulated insurers increasing by 38.5 per cent from the 2008 to 2016 underwriting year (see the level 1 policy reports), partly offset by the declining claim frequency.

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

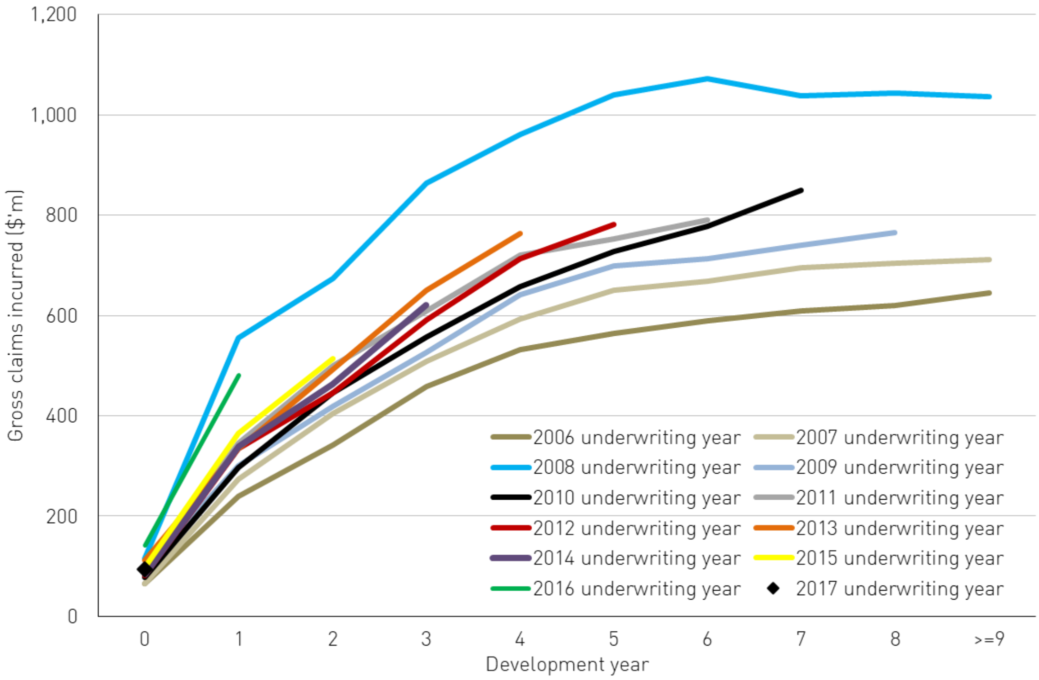


PI gross claims incurred at the end of development year one of the 2016 underwriting year is consistent with the 2015 underwriting year at the same stage of development. Both of these underwriting years are developing higher than previous underwriting years at the same stage of development.

Generally underwriting years from 2012 onward are developing higher than previous underwriting years.

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

Public and product liability



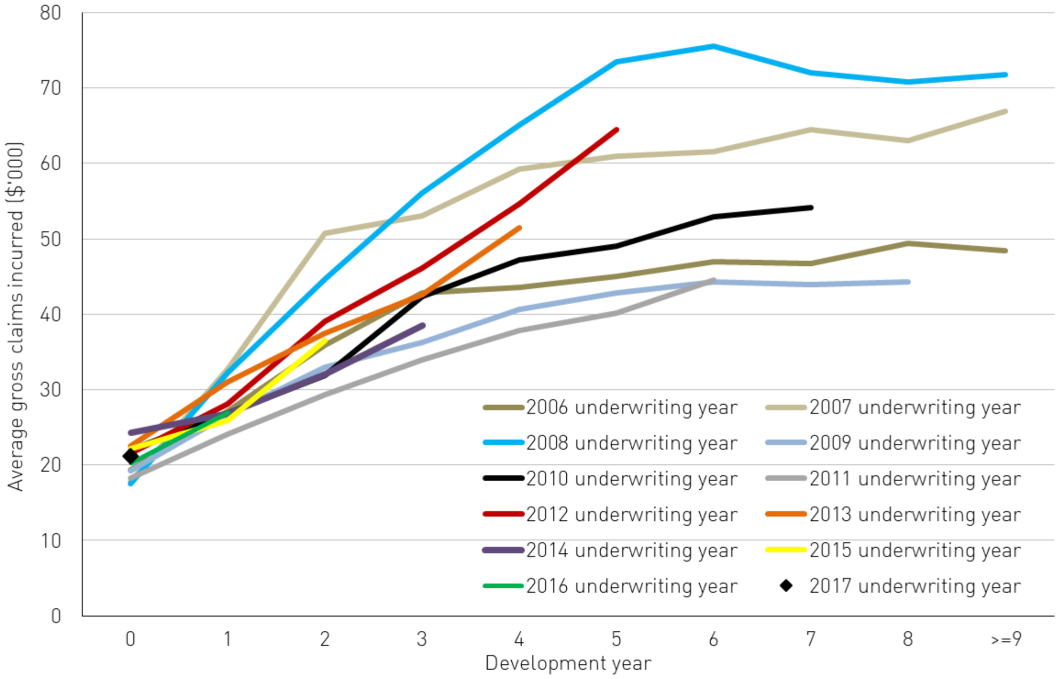
PL gross claims incurred for underwriting years 2003 to 2015, except underwriting year 2008, follow the same development pattern with gradual growth from one underwriting year to the next (Figure 8). Underwriting year 2016 at the end of development year one is higher than recent underwriting years, in 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 claims[4].

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.

[4] Based on analysis of unpublished NCPD data.

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

Professional indemnity

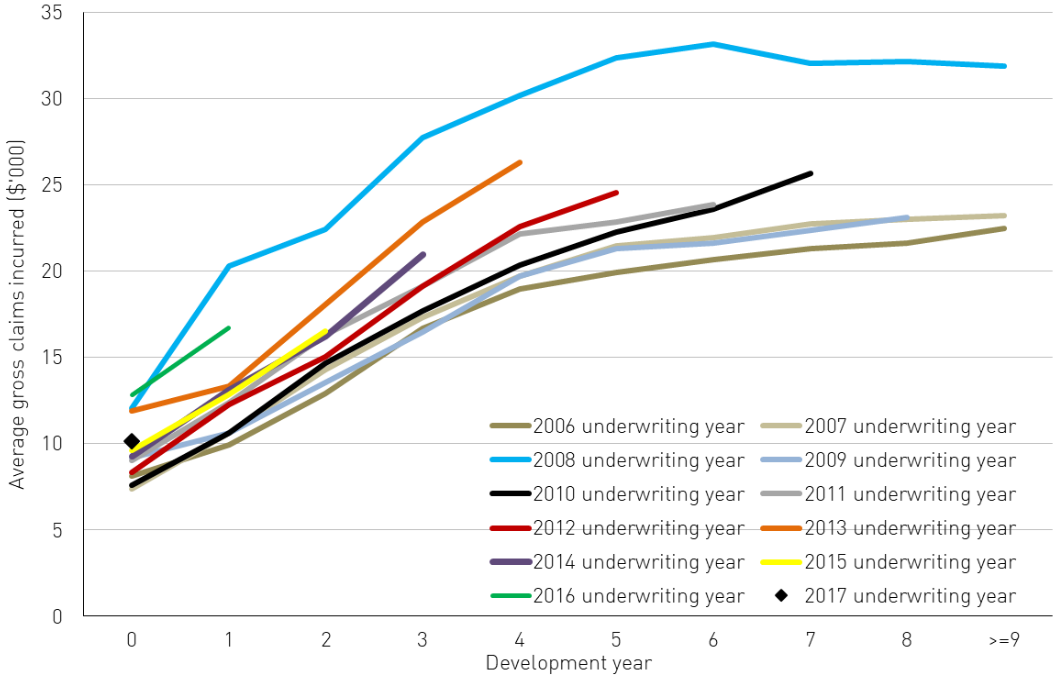


The 2016 underwriting year appears to be developing in line with long term averages.

The 2012 underwriting year continues to develop 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

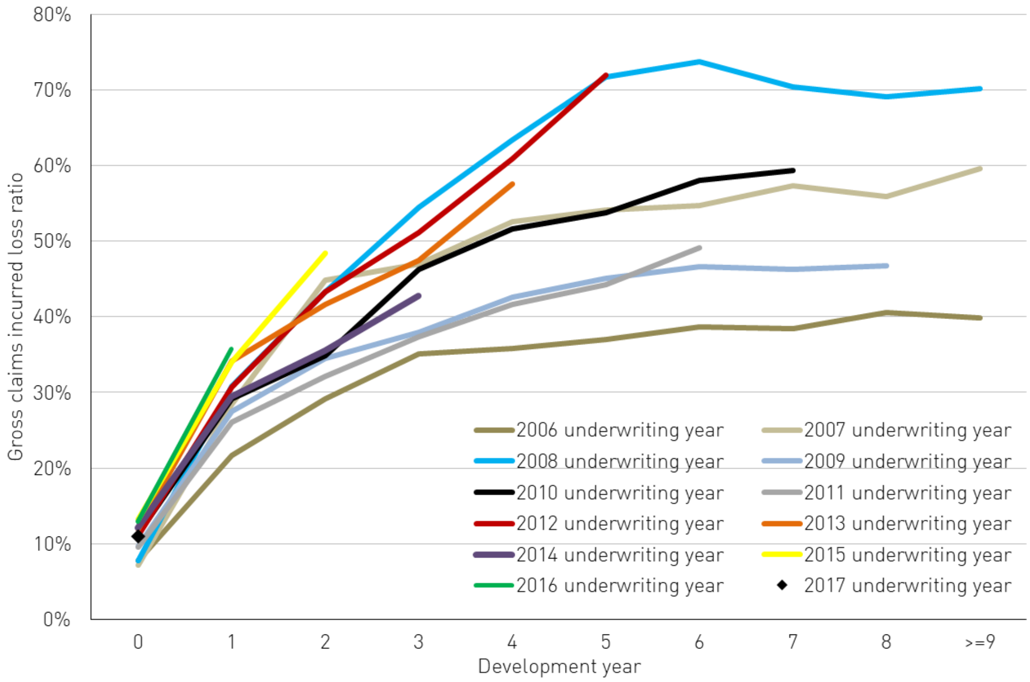
Public and product liability



The average gross claims incurred for the 2016 underwriting year is 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

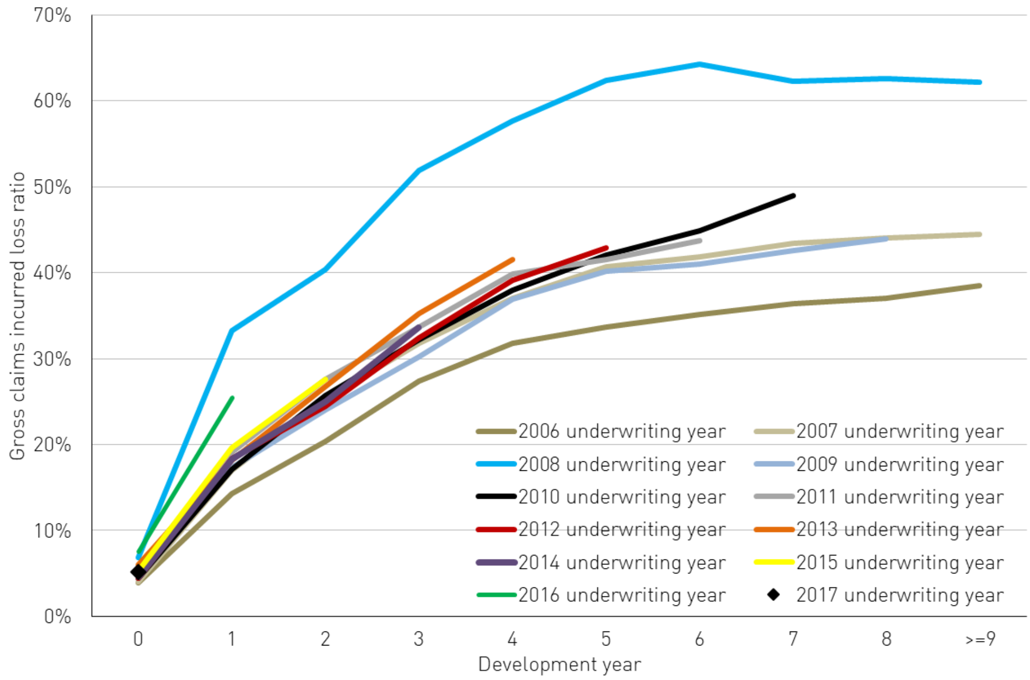
Professional indemnity



The PI gross claims incurred loss ratio for the 2016 underwriting year at the end of development year one is at 35.7 per cent, higher than all prior development years at the same stage 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 from 2007 onwards (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 underwriting year 2016 for development year one is 25.4 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 2017 underwriting year[5], Lloyd's Australia wrote $796 million of gross premium for the professional indemnity (PI) and public and product liability (PL) classes of business for both non-facility and facility business[6]. This consisted of;

- $144 million of gross written premium for professional indemnity policies covering 4,442 risks (excluding facility business);
- $55 million in gross written premium for public and product liability policies, covering 714 risks (excluding facility business); and
- $596 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.

[5] 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.

[6] 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

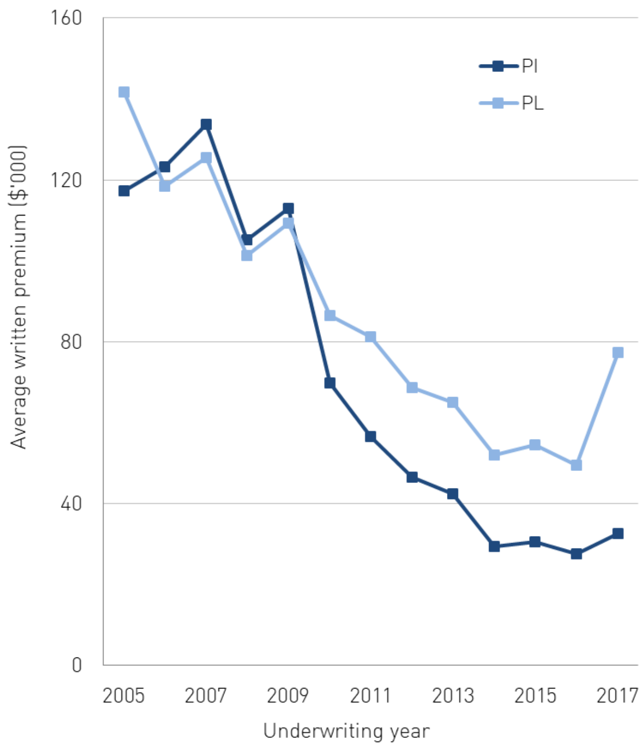


Figure 13 shows that the average written premium for non-facility PI risks written in the 2017 underwriting year was about $32,500, up 18.4 per cent from the 2016 underwriting year (about $27,500).

In the 2017 underwriting year, the average written premium for non-facility PL risks was about $77,300, up by 56.2 per cent from the 2016 underwriting year (about $49,500).

Claims

Total payments

During 2017, for both non-facility and facility business, Lloyd's Australia paid claims totalling $567 million on professional indemnity and public and product liability business, up 38.8 per cent from the previous year ($409 million).

Non-facility business

During 2017, Lloyd's Australia paid $239 million on non-facility claims for PI and PL combined. These payments were made in respect of 1,474 total non-facility claims reported to the NCPD that were open at any time during the 12 months ending 31 December 2017. This consisted of:

- $180 million on non-facility PI claims, up 106 per cent from the previous year ($87 million).
- $59 million on non-facility PL claims, down 27.3 per cent from the previous year ($81 million).

As at 31 December 2017, Lloyd's Australia reported $292 million as case estimates for further payments to be made on open claims, down 4.6 per cent from the previous year ($307 million). Of these case estimates:

- PI claims accounted for $175 million, down 5.2 per cent from the previous year ($184 million).
- PL claims accounted for $118 million of outstanding case estimates, down 3.8 per cent from the previous year ($122 million).

Facility business

Lloyd's Australia made claim payments on facility business[7] of $328 million in 2017, up 36.7 per cent from 2016 ($240 million). Claim payments on facility business by Lloyd's Australia accounted for 57.9 per cent of total claim payments made in 2017, down from 58.8 per cent in the previous year.

[7] 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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