Marsh

Australian Mid-Year Insurance Market Update 2025

A business of Marsh McLennan

Great Ocean Road (Victoria)

1 Executive summary

In positive news for insurance buyers, the improved market conditions experienced in 2024 have continued into the first half of 2025, creating insurer choice for clients. Across all general insurance classes, improving loss ratios and higher investment returns have led to significant improvement in insurers' financial positions. This has driven aggressive growth targets and intensified market competition from both existing insurers and new entrants.

In property insurance, local premium decreases have outpaced any other region globally. Australia has experienced a relatively benign period of Nat Cat losses, with a downward trend in recent years. Globally, Nat Cat insured losses reached an estimated US$80 billion in the first half of 2025, driven largely by severe storms and wildfires in the United States.

In the Australian liability market, insurers have generally displayed broad appetite and a willingness to compete for new business, with the exception of risks with US exposure. Per- and polyfluoroalkyl substances (PFAS) exposure continued to attract insurer scrutiny; however, underwriting approaches have been varied this year.

The financial and professional lines insurance market remained generally stable, with pricing continuing to soften. Despite increasing claims, particularly in the healthcare sector, the cyber insurance market has remained competitive.

Marsh's *Fast Track* placement facility has increased its quota share capacity to 10% (previously 7.5%), providing our clients with exclusive access to additional capacity across most insurance classes, at a 2.5% discount. The facility has created increased market competition and more consistent pricing and coverage for complex placements.

Barring catastrophic losses from the North American hurricane season or other unforeseen events, continued improvement in the purchasing environment is likely to persist in the Australian insurance market.

Notwithstanding the overall market's softening trend, renewal results can still vary, and some insurance lines, such as the health and benefits classes, are still experiencing upward pressures in pricing.

To help our clients navigate the evolving market and shape insurance and risk management strategies, this report provides an extensive overview of local market movements and trends in the first half of 2025. Additionally, our main report will be supported by a series of industry-specific market updates with a more focused lens on sector-specific insurance and risk trends.

SCOTT ECCLESTON
Head of Global Placement, Pacific
scott.eccleston@marsh.com

Australian insurance market premium rate changes, H1 2025

Source: Marsh Pty Ltd data

Insurance class	Rate change
Property	-5% to -15%
Liability	-2% to -5%
Directors and officers liability (D&O)	-10% to -20%
Professional indemnity	0% to -15%
Crime	0% to -10%
Medical malpractice	-10% to +10%
Cyber	-5% to -15%
Environmental liability	-5% to -10%
Construction	-5% to -15%
Private health	+0.3% to +5.8%
Accident and health	+5% to +15%
Group life (Death)	0% to +5%
Group life (Lump sum disability)	0% to +5%
Group life (Long-term salary continuance)	+15% to +25%
Group life (Short-term salary continuance)	0% to +5%
Workers' compensation	-2% to +2%

Click on a section:
1 Executive summary | 2 Property | 3 Liability | 4 Financial & professional lines | 5 Cyber | 6 Environmental liability | 7 Private health | 8 Accident & health | 9 Group life | 10 Workers compensation | 11 Industry specific insights

2 Property insurance

Market overview

Following a transitioning market in 2024, the first half of 2025 saw a significant surge in competition in the Australian property insurance market. The combination of insurers looking to grow, greater insurer appetite, new entrants, and international markets seeking to increase participation on Australian risks has created a highly competitive market and favourable environment for insurance buyers, where strategic placement outcomes can be achieved.

Insurer profitability has grown steadily as a result of the sustained period of year-on-year premium growth prior to the more recent softening market, as well as a reduction in the number of large natural catastrophe (Nat Cat) events locally over the past two years.

Consequently, this increased profitability has been a key driver behind insurers focus on growth through aggressive competition for new business, as well as retaining existing insureds through competitive renewal terms and premium reductions. In the first half of 2025, insurer capacity exceeded demand and was typically well in excess of limits required by insureds, increasing downward pressure on premiums.

Premium rate trends

In the first half of 2025, Australian property insurance rates decreased 5% to 15%, on average, compared to the previous year. Many clients achieved large premium reductions, with roll-over or increases generally only experienced by insureds that had changes to their portfolios or large and/or increasing loss trends.

In the Pacific region, property insurance rates have followed a steady downward trend since the second quarter of 2024, when pricing first began to fall. The first quarter of 2025 saw an average year-on-year rate reduction of 9% in the Pacific region, followed by a 13% reduction in the second quarter.

5%-15% decrease
in property insurance premiums

Section continues

Click on a section:
1 Executive summary
2 Property
3 Liability
4 Financial & professional lines
5 Cyber
6 Environmental liability
7 Private health
8 Accident & health
9 Group life
10 Workers compensation
11 Industry specific insights

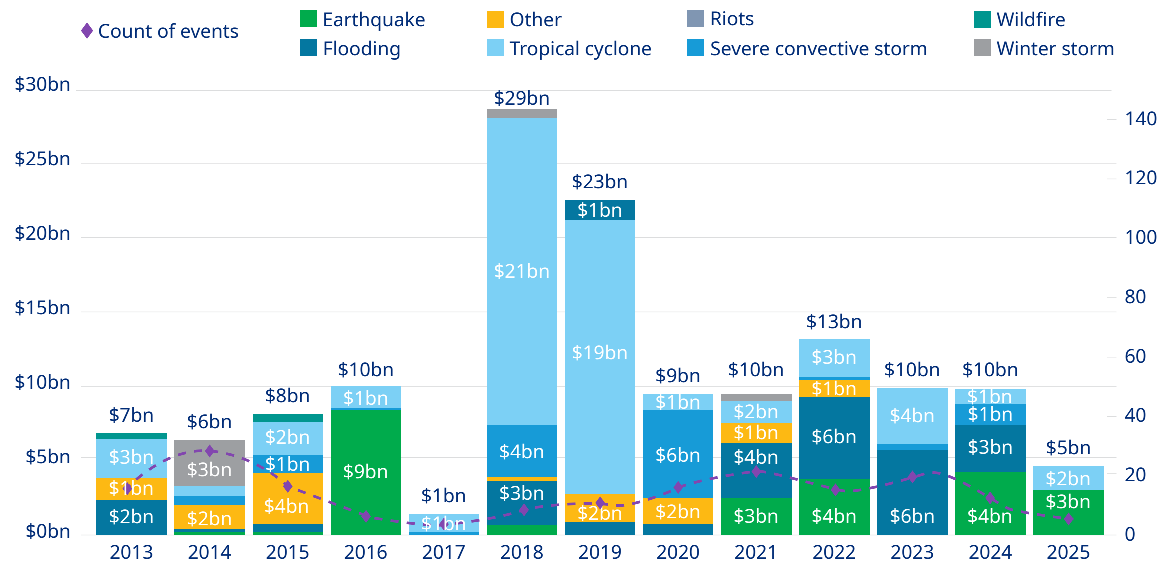
Pacific region premium decreases have outpaced all other regions globally. For comparison, global property insurance rates decreased by 7% in the second quarter of 2025, compared to Pacific's 13% decline. This has been due largely to the downward trend in local Nat Cat losses (see *Figure 01*) compared to the more stable global trend.

Key drivers of local pricing movements in the first half of 2025 included:

- Relatively benign period of Nat Cat losses in Australia
- Premium pools built up from compounded rate growth during the more challenging market period
- Insurers' ability to attract more favourable reinsurance terms and conditions as a result of low Nat Cat losses and a softening reinsurance market generating more capacity
- Increased capacity from:
  - Insurers' focus on growth
  - Broadening of insurer appetite
  - International insurers continuing to target Australian property risks
  - Marsh's exclusive *Fast Track* facility providing additional capacity, which helped to drive market competition and lower pricing

01 APAC catastrophe losses and changes over time

Source: Guy Carpenter

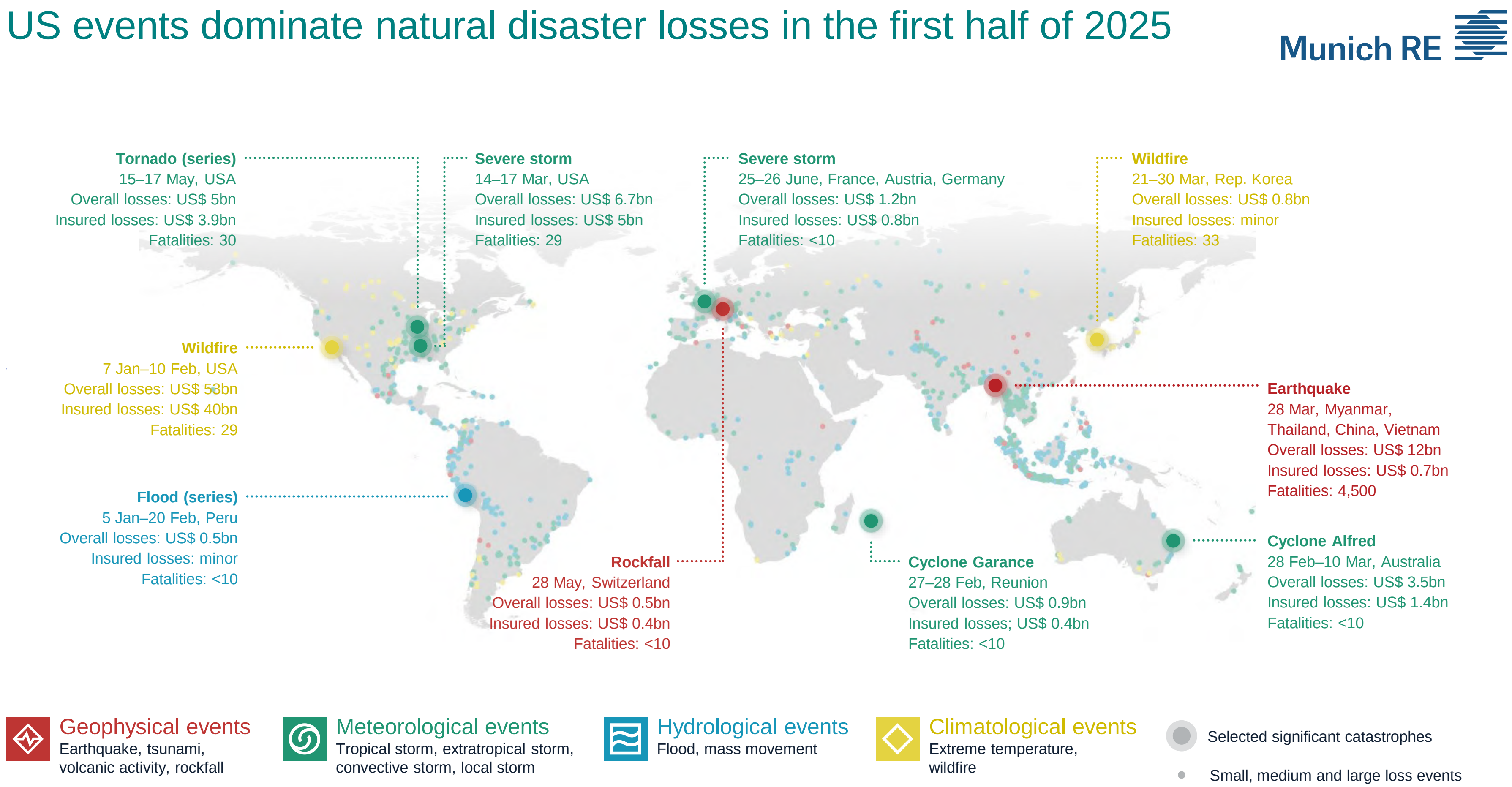


Section continues

Click on a section:
1 Executive summary
2 Property
3 Liability
4 Financial & professional lines
5 Cyber
6 Environmental liability
7 Private health
8 Accident & health
9 Group life
10 Workers compensation
11 Industry specific insights

02 Major Nat Cat loss events globally January-June 2025

Source: Munich Re



Section continues ▶

Key coverage and underwriting trends

Broader and more consistent coverage across placements

Increased market competition and insurer appetite have been key drivers of insurers' willingness to compete on coverage. Concurrency of wording has returned to the market, and co-insurers are no longer able to apply additional policy endorsements to alter coverage. This has led to more consistent coverage and terms across placements; it also has been a key requirement from insureds in order for incumbent insurers to remain on existing programs at renewal. Refusal to follow the lead policy wording has led to some insurers being replaced on programs.

Improved capacity in challenging sectors

Overall, insurer appetite for all property risks has increased. Some segments with high hazard and loss severity/frequency still experienced restrictive appetite and capacity, including:

- **Rail**
- **Recycling/ waste**
- **Paper/ wood**
- **Thermal coal**
- **Unprotected expanded polystyrene (EPS)**

On a positive note, broadening underwriting appetite has seen some capacity return to these more challenging industries, both in local and international markets. This has put downward pressure on pricing and opened up placement options for these clients.

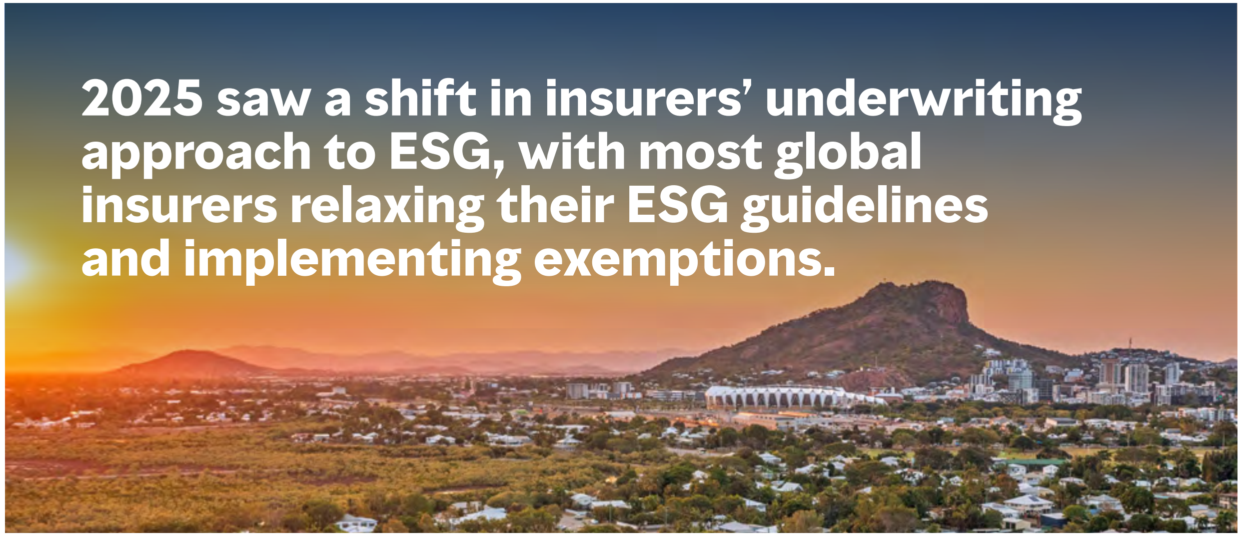
Softening of ESG underwriting restrictions

Environmental, social, and governance (ESG) scrutiny and underwriting guidelines have precluded insurers from underwriting certain property risks and sectors in recent years, particularly for clients with carbon intensive industries and thermal coal-related occupations. 2025 has seen a shift in insurers' underwriting approach to ESG, where most global insurers have relaxed their ESG guidelines and implemented exemptions, allowing them to underwrite clients who can demonstrate robust transition plans. This has led to a return of capacity for previously ESG-impacted clients and overall better placement outcomes.

Large limits impacted in real estate placements

While the real estate sector generally has experienced rate reductions, those with significant policy limits (typically greater than $2 billion) have attracted less insurer competition due to the size of the insurance program compared to the limited number of insurers that can provide the required capacity on lead terms.

It's important to understand that clients with significant policy limits typically had sound risk management practices and were therefore considered by some insurers to be more attractive risks, which protected them from significant premium increases and, to some extent, were less impacted during more challenging market conditions. Consequently, this has meant less room for pricing reductions for these risks during the current softening market.



Section continues

Property insurance renewal results varied significantly in the first half of 2025. A holistic and long-term renewal strategy is essential in ensuring sustainable outcomes.

Insured purchasing patterns

Current market conditions have provided a favourable environment and timing for insureds to 'reset' programs, focusing on placement outcomes. The first half of 2025 experienced an increasing number of clients reviewing their program structures, limits/retentions, coverage requirements, and insurer participation.

With a surplus of capacity and placement choices, insureds have been selective in the insurer(s) participating on their programs. Key factors influencing their choice and decision-making process included:

- Insurer's claims management approach and past performance (for example, positive and efficient resolutions versus delays in settlement or disputes on coverage and indemnity)
- Insurer's consistency of underwriting approach to price and capacity during more challenging market conditions

For high hazard risks mentioned earlier, we have seen a mix of renewal approaches from clients. Some moved to new capacity/insurers to take advantage of more competitive terms, while others remained with incumbent insurers to retain a relationship with those who supported their programs during more challenging market conditions.

Claims trends

A benign period of local Nat Cat events has contributed to a decrease in overall claims activity across the Australian property insurance market. Notably, attritional losses also have reduced as a result of increased retentions and improved risk management.

Favourable environment and timing for insureds to 'reset' programs

Decrease in property claims due to benign local Nat Cat events

Looking ahead

Significant market competition will likely continue for the remainder of 2025 and into 2026, barring unforeseen changes in market conditions, such as catastrophic losses from the North American hurricane season or other unforeseen events.

Renewal results varied significantly in the first half of 2025. Although remarketing and competition were key drivers for positive pricing outcomes, these levers cannot be engaged at every renewal. Therefore, long-term strategies, insurer relationships, claims and coverage requirements need to be considered as part of a holistic and sustainable renewal strategy.

Engaging insurers early with a comprehensive submission — including detailed information on relevant risk improvements and loss analyses — are critical to a successful renewal outcome.

3 Liability insurance

Market overview

Casualty/liability insurance market conditions for Australian insurance buyers have continued to improve in the first half of 2025. The growth in market capacity over recent years combined with stabilisation of insurers' appetite has resulted in a strong focus from insurers to grow their portfolios through competition.

This has created a positive environment for insureds and opportunities to review existing relationships and coverages. Greater insurer choice and competition have resulted in improved renewal results overall.

Premium rate trends

In the first half of 2025, we have seen insurers generally seeking to maintain roll-over premium rates on renewals, however, small decreases typically have been achievable on most accounts, depending on changes in risk exposure and claims performance. Insureds with poor claims history may still experience rate increases, despite the overall softening market.

Following a sustained period of premium increases, year-on-year average rate changes finally turned the tide in the fourth quarter of 2024, when local liability premiums saw their first decrease in over 8 years. This trend continued into 2025, with average premium rates in the Pacific region decreasing by 2% in the first quarter, followed by 5% in the second quarter.

2%-5% decrease
in liability insurance premiums

Competition for larger premium pools such as primary layer and low-excess accounts has seen some insureds achieve larger rate decreases through remarketing strategies.

Key coverage and underwriting trends

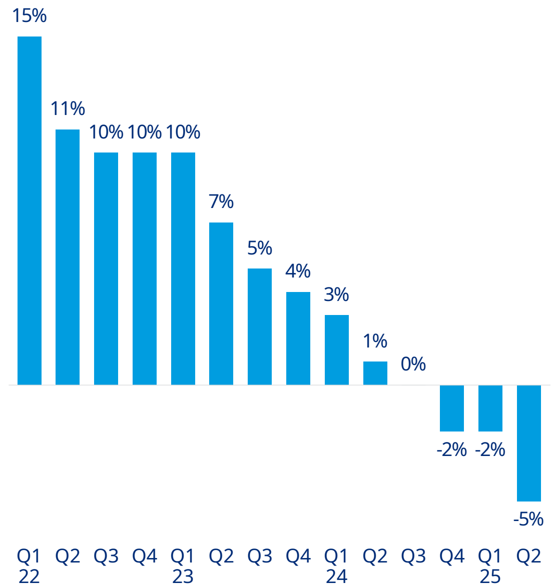
Capacity begins to return for high hazard risks

We have seen liability insurers in both Australian and London markets offer slightly larger capacities in 2025 compared to the previous year on certain placements. Insurers remained disciplined on capacity for high hazard industries or risks with significant exposure, such as:

- Bushfire
- Rail
- Mining
- Agricultural chemicals
- Pharmaceutical
- Sports, faith and community

03 Pacific commercial insurance pricing change: Liability

Source: Marsh Global Insurance Market Index, Q2 2025



Section continues

Mixed underwriting approach on PFAS coverage

In the first half of 2025, market sentiment towards PFAS exposure has settled to some extent compared to last year. We have seen a mix of underwriting approaches among insurers, ranging from mandatory exclusions to insurers underwriting the risk on its merits. Industries such as water treatment, utilities, and chemicals are still in focus and attract higher scrutiny from insurers, with coverage limitations still at play.

Insurers are closely monitoring the claims environment in the US market, which has seen more PFAS-related claims in recent years, for any potential future impact on the Australian market. Locally, the first consumer-led PFAS class action was made against an Australian entity at the end of 2024. Insurers are keeping a close eye on the case as it develops.

Market appetite improves for high frequency risks in SME space

In the small to medium (SME) and mid-sized businesses space, it has been positive to see some market appetite return for risks with high claims frequency, which had been extremely limited over the past 12 to 24 months. For policies with insurer-imposed higher retentions during the hard market, insurers have since started to ease retention down to more reasonable levels.

"Nuclear verdicts" impacting insureds with US exposure

Globally, the US casualty insurance market is still experiencing challenging conditions, with rates generally increasing due to continuing plaintiff-friendly trends in awards, often reaching so-called "nuclear verdicts" in the tens of millions of dollars, particularly in automobile liability risks. This has continued to impact Australian insureds with US exposures, and the need for umbrella programs to drop down over local US liability and automobile liability policies.

Consistency in coverage across market

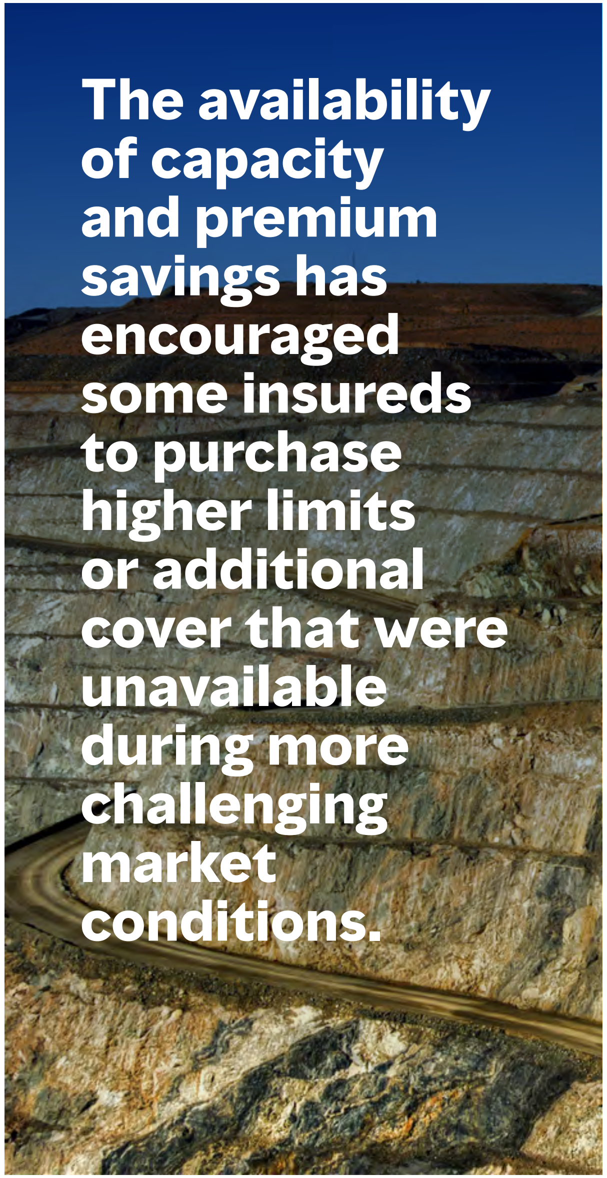
Increased market competition and capacity has also seen the phasing out of non-concurrent wordings and terms on insurance programs, such as additional exclusions required by certain insurers. This has led to more consistent coverage on placements across the liability market.

PFAS risk
saw mixed underwriting approaches as market sentiment settles

SME appetite
returns in market for risks with high claims frequency

Nuclear verdicts
driving up premiums in US & impacting Australian market

Section continues



Insured purchasing patterns

The availability of capacity and premium savings in the first half of 2025 has encouraged some insureds to purchase higher limits and/or additional cover (for example, abuse cover) that had not been available during more challenging market conditions in recent years. However, this was not seen across the board as purchasing patterns largely depended on insureds' individual goals and strategies. Some insureds with lower budgets have welcomed the cost savings while maintaining the same level of cover.

Due to the continued challenges in the US casualty market, there has been an increasing trend for clients with US exposure to explore insurance solutions to infill the gap between the smaller local US policies and higher attachment points of respective umbrella policies.

The return of long-term agreements (LTAs) has continued in 2025, particularly on primary layers. LTAs can provide stability to insureds, although the timing of effecting such agreements should be carefully considered to balance current placement benefits versus potential further easing of market conditions.

Claims trends

In the Australian claims landscape, there has been an emergence of mental anguish claims. These claims have typically been brought as part of liability claims by a broader group of plaintiffs, who claim to be affected by the injury or death of another person, such as a relative, co-worker or bystander. Insurers are keeping a close watch on this space as these claims develop.

Insurers are also closely monitoring the overall cost of claims. With claims generally taking longer to settle and consequently increasing claim settlement costs, insurers have reported average claims awards and

30%-50% increase over 5 years in liability claims awards and plaintiff costs

plaintiff costs increasing approximately 30% to 50% over the last 5 years in Australia.

Additionally, for risks with US exposure, insurers remain cautious given the potential for significant losses and nuclear verdicts and their impact on the Australian insurance market.

Looking ahead

Availability of capacity and insurer options will likely continue to be abundant throughout the rest of 2025. We expect market competition driving the current downward pricing trend to also persist, barring unforeseen changes in conditions.

Early and ongoing engagement with insurers, a detailed submission that specifically addresses insurers' focus and interest points, and the ability to demonstrate strong risk management continue to be essential in achieving optimal placement results in the second half of 2025. Establishing key priorities for renewal strategy with your broker is also critical.

While continuity of long-term relationships with key insurers has typically benefited insureds, it may be an opportune time to explore your renewal options, given the current availability of choice in the market. Challenging existing program structure and exploring alternative layering options can potentially deliver improved renewal outcomes as insurers seek to differentiate their terms.

4 Financial and professional lines

Market overview

Conditions in the Australian financial and professional lines insurance market remained favourable for most insurance buyers, despite many companies facing geopolitical and economic challenges.

During the first half of 2025, softening of rates, decreasing deductibles, and expanded coverage were observed across most financial and professional line products. Although there were no major new entrants into the market during this period, incumbent insurers defended their existing portfolio while also competing for new business and pursuing growth. Additionally, many insurers expanded their appetite and capacity to underwrite risks they had previously declined during the height of the pandemic from 2020 to 2022, when market conditions were more challenging.

Claims activity was generally subdued across the financial lines market, as evidenced by steady insurer profitability. Further, recent court decisions, including on shareholder class actions, have reflected a mix of outcomes favouring both insureds and insurers. Despite this, insurers are closely monitoring the claims landscape, particularly given that the shrinking of their financial lines premium pools could mean that a slight uptick in claims activity may notably impact profitability.

Softening market

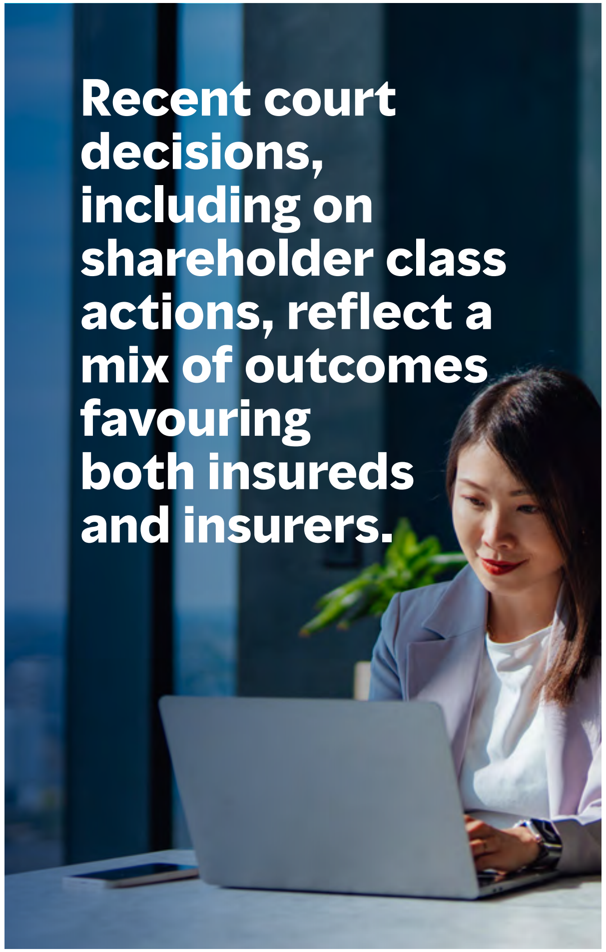
Decreasing deductibles, expanded coverage and premium reductions

Directors and officers liability insurance

Supply outpacing demand, price reductions, and a general improvement in market conditions have persisted within the Australian D&O insurance market in the first half of 2025.

Despite the lack of new major entrants this year, competition remained intense among existing insurers, driven by a combination of:

- Incumbent insurers defending their portfolios,
- Revitalised insurers seeking growth following the uncertainties of COVID-19,
- New market entrants from recent years, both domestically and through Lloyd's of London, that have been seeking to further strengthen and expand their presence in the Australian D&O market.



Section continues

10%-20% decrease
in D&O insurance premiums

Premium rate trends

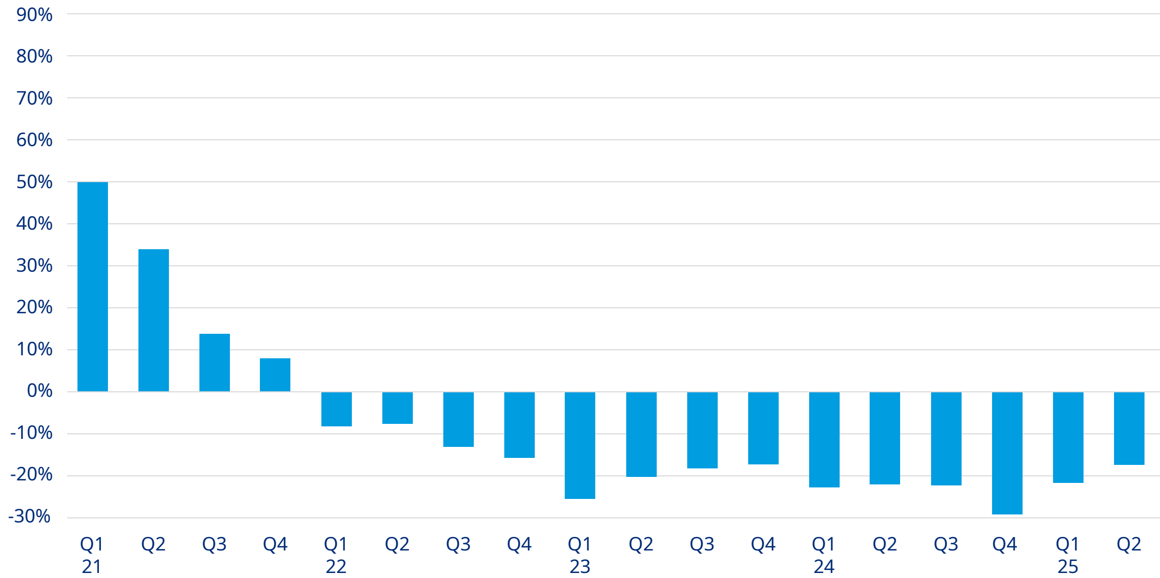
Continuing a three-year trend of pricing reductions for large D&O programs of publicly listed companies, premium rates in the Australian D&O market declined further in the first half of 2025. This was largely due to the combination of robust competition, expanded capacity and a relatively benign claims environment with the absence of any large claim settlements materialising in recent years. On average, premium rates for ASX 300 listed companies decreased by approximately 20% in the first half of 2025, compared to the previous year.

Smaller publicly listed companies and private companies also experienced premium reductions, but to a lesser extent, with rates at renewal averaging flat to 10% declines. It is important to note that these insureds generally did not face the significant pricing increases that larger public companies did, and to some extent, were less impacted during more challenging market conditions. As such, this has meant that there is generally less room for premium savings for these insureds in the current softening market.

Overall, Australian D&O premium reductions typically ranged from 10% to 20% in the first half of 2025. The pace of premium reductions eased towards the end of June 2025.

04 ASX 300 D&O average premium rate change

Source: Marsh Pty Ltd data



Section continues

Key coverage and underwriting trends

Macroeconomic impacts not influencing underwriting approach

Although many clients are facing challenging operating conditions due to macroeconomic factors such as inflation, rising interest rates, and global economic and geopolitical uncertainty, these factors have not noticeably impacted underwriting of D&O risks in Australia.

Insurers have instead focused on internal governance and risk management aspects of the insured. Additionally, the adoption and implementation of artificial intelligence (AI), including both the threats and opportunities it brings, continued to be an area of interest for insurers.

Coverage enhancements versus pricing trade-off

As noted above, insurers have been willing to trade-off coverage enhancements, lower deductible levels, and offer LTAs in order to maintain or minimise loss of premium. Examples include:

- Lowering deductibles for company reimbursement (Side B) and securities entity cover (Side C)
- Removing legacy coverage restrictions and policy exclusions
- Increasing sub-limits on certain coverages
- Expanding capacity/participation on an insurance program

Profitability and growth drive insurer appetite

We have seen many D&O insurers broaden their appetite to consider risks that they had previously declined, including but not limited to risks with lower financial quality. This has been largely driven by insurers' focus on profitability and growth targets.

Capacity remains stable

D&O insurers continued to deploy $10 million limits in a single layer, and often $15 million to $20 million with ventilation. Capacity remained plentiful through local and international markets in 2025.

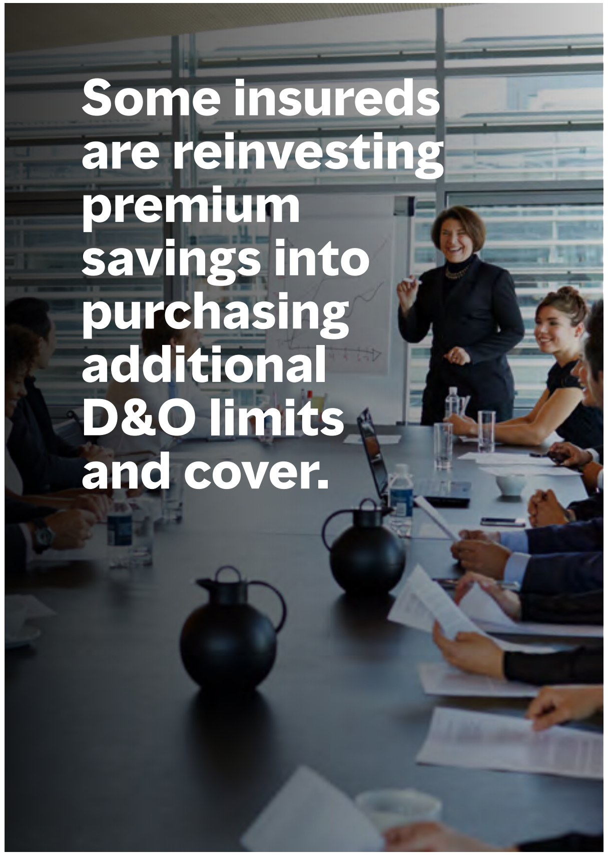
Insured purchasing patterns

In the first half of 2025, limits purchased were slightly higher compared to last year. As the cost of D&O insurance continued to ease, insureds have been reinvesting some premium savings into purchasing additional limits and enhancing cover. This trend has been particularly evident in ASX-listed insureds investing into Side C and Side A 'difference in condition' coverage.

Clients have been increasingly using digital analytical tools, such as Marsh's Blue(i), to help determine limit adequacy and to make informed decisions around the structure of their D&O programs.

Looking ahead

As rates continued to fall in 2025, there has been little evidence of increased underwriting discipline. Insurers appear to have further relaxed/broadened their underwriting guidelines and appetite. In the short to medium term, barring any unforeseen macroeconomic challenges or events, we expect this trend to continue and buyer-friendly market conditions to persist through the remainder of 2025.



The current D&O market environment presents a strategic opportunity for insureds to review their coverage and maximise their position by considering options like increasing limits, removing restrictive terms, adjusting retention levels and exploring LTA opportunities.

A comprehensive submission, long-term focused renewal strategy and early engagement of the market can help insureds achieve optimal insurance outcomes.

Section continues ▶

Professional indemnity insurance

Premium rate trends

The Australian professional indemnity (PI) insurance market continued to soften in the first half of 2025 with premiums ranging from flat to 15% decreases compared to the prior year.

The increased capacity available in the market has been a result of insurers competing for market share. Premium reductions have been increasingly prevalent in industries with complex or high-risk profiles, such as actuaries, corporate risk advisors, mortgage/finance aggregators, property developers/owners, and high-risk engineers (for example, geotechnical engineers and design manufacturing risks).

Key underwriting trends and insured purchasing patterns

In addition to premium decreases, Australian PI insurers have been offering broader coverage via removal of restrictive endorsements and/or exclusions as well as difference in conditions cover on certain PI risks.

Last year's trend of program restructures among mid-sized clients has continued into 2025. Clients are exploring ways to optimise the capacity available in the market to maximise premium savings. This has resulted in an increased number of insurers participating on a single PI placement.

0%-15% decrease
in professional indemnity premiums

Insurers continued to focus on the risk maturity profile of insureds, including risk management processes against the regulatory environment for which the business operates within. For example, does the client have updated processes and manuals to address amendments to the *Privacy Act 1988*, Corporations Act 2001, Fair Work Act 2009, Work Health and Safety Act 2011 and other similar legislation?

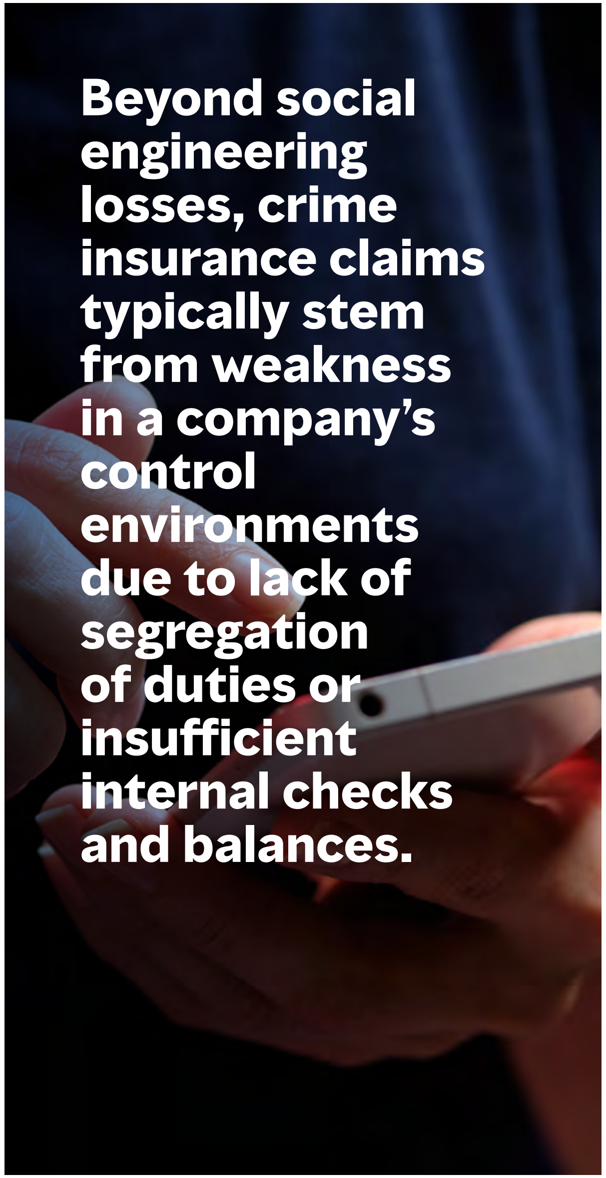
Professions that use AI to assist in providing their services have been under heightened scrutiny during underwriting. Insurers' key focus has been on the type of AI tools used, the insured's AI risk management controls and output verification process to address any biased, false or other misinformation generated by AI tools that may be subsequently used by professional services firms.

Professions involved in manufacturing or high-risk engineering have also been under scrutiny, particularly in the context of silent cyber exposures, where insurers often require evidence of existing cyber and public and products liability insurances.

Looking ahead

Barring unforeseen changes or catastrophic losses, competitive market conditions are expected to continue into the year for all professions in Australia, with stabilisation of rates likely to start taking effect in 12 to 18 months.

Section continues



Crime insurance

Premium rate trends

Consistent with most other segments within the financial and professional lines market, the Australian crime insurance market experienced increased insurer competition during the first half of 2025. Buyer friendly market conditions have enabled most insureds to achieve premiums ranging from flat to 10% decreases, which is a welcoming change compared to the previous year when crime insurance rates were increasing. Notwithstanding this, those who presented a material increase in their level of risk typically experienced pricing increases.

Financial lines insurers commonly offered crime coverage packaged under other products, such as D&O or PI, to help diversify the impact of premium reductions. However, this strategy has intensified market competition and further lowered premiums for crime insurance.

Claims trends

Social engineering fraud has continued to be a primary source of claims under crime insurance policies. Fortunately, fraud prevention standards and risk management protocols have generally improved across most companies in recent years. However, with advancement in technology and the increasing power of generative AI tools, insurers are keeping a close watch in this space as threat actors evolve and adopt increasingly sophisticated tactics.

0%-10% decrease
in crime insurance premiums

Beyond social engineering losses, crime insurance claims continued to affect companies across various sizes, industries, and regions. These losses typically stemmed from weakness in the company's control environments, often due to poor risk management practices, a lack of segregation of duties, or insufficient internal checks and balances to prevent potential losses.

Looking ahead

Barring unforeseen changes in the market, we expect favourable buying conditions to persist for crime insurance buyers in Australia, particularly those who can package their crime cover within their D&O and/or PI policies to leverage premium efficiencies.

Medical malpractice insurance

Note: This year, medical malpractice insurance market commentary will be covered under the industry-specific ***Australian Healthcare Insurance Market Update 2025***

5 Cyber insurance

Market overview

Australian cyber insurance market conditions have further improved since last year, providing a buyer-friendly environment where supply persistently outpaced demand in the first half of 2025. Capacity was plentiful both from Australian and international markets, which has supported continued competitive premium rates and ongoing expansion of coverage options.

Large lines, particularly via insurer consortiums or excess facilities, have become more accessible for insureds over the past 12 months, enabling the development of significantly larger cyber insurance programs to meet the needs of organisations.

Despite favourable market conditions, the cyber claims landscape remained under scrutiny by insurers.

Premium rate trends

In the first half of 2025, premium rates continued to trend downward and saw larger decreases compared to the same period last year. On average, most insureds in Australia achieved rate reductions ranging from 5% to 15% at renewal, however, premium outcomes continued to be materially impacted by individual cyber risk profiles.

5%-15% decrease
in cyber insurance premiums

Key coverage and underwriting trends

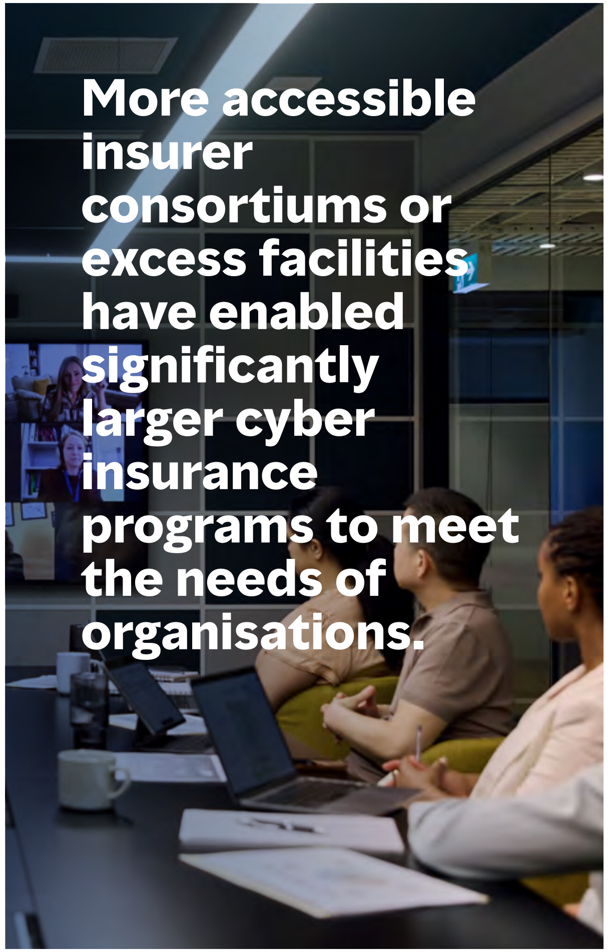
Broader coverage value-add services

Cyber insurers have sought innovative ways to differentiate their offerings, beyond pricing. As such, coverage options have become extensive across the market, and the introduction of risk management incentives or pre-defined cyber value-add services are becoming increasingly prevalent.

Insurers remained willing to consider broadening coverage for existing insureds, which has been important for organisations as cyber threat actors have evolved to targeting wider supply chain networks.

Shift in LTA offerings

Following the return of LTAs and built-in rate reductions in 2024 through to early 2025, we have observed increasing reluctance from cyber insurers recently. This shift in insurer sentiment towards LTAs has been driven largely by uncertainties surrounding the cyber claims landscape.



Section continues ▶

Increased underwriting focus on AI

With the proliferation of AI adoption by businesses across most industries, insurers have been more focused in their underwriting to accurately assess these exposures. Insurers have sought detailed information related to utilisation, types of data input and the potential risks associated with AI-driven systems, such as data privacy, algorithmic bias and operational vulnerabilities.

Cyber self-assessments adding value to underwriting process

Due to greater emphasis placed on organisations' internal controls in underwriting guidelines, clients have continued to use Marsh's cyber self-assessment (CSA) as part of their placement strategy to capture their organisational cyber risk maturity and enhance insurers' underwriting process. In addition to mapping risk profiles, the data from CSAs has provided valuable insights into the likelihood of a company experiencing a cyber event compared to others, as well as the correlation between certain risk controls with preventing cyberattacks.

Legislative landscape: Spotlight on ransomware reporting

Australia's legislative landscape continued to evolve in response to the rising sophistication and frequency of cyber threats, particularly ransomware attacks. The Australian government has strengthened its commitment to cybersecurity through amendments to the *Privacy Act 1988* (Cth), introducing more stringent review of cybersecurity incidents and expanding the scope of personal information protected under the law. Notably, recent legislation has mandated that from 30 May 2025, organisations with an annual turnover of more than $3 million must notify the Australian Cyber Security Centre within 72 hours of making any ransomware or cyber extortion payments.

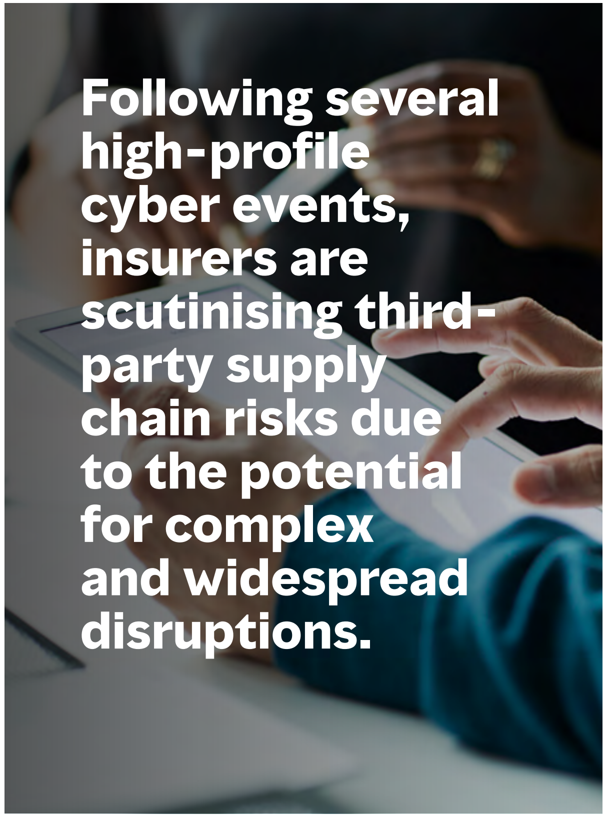
Ransomware payments, where legally permissible, remain reimbursable under cyber insurance policies, however most Australian businesses are reluctant to make extortion payments. The long-term impact of mandatory reporting of ransom payments remains to be seen, particularly around organisations' general sentiment towards extortion payments and any potential cyber claims implications in the future.

Heightened focus on third-party supply chain risk

Over the last 18 months, there were a number of high-profile cyber events that stemmed from breaches of third-party networks. Due to the potential for complex and widespread disruptions, there has been significant underwriting focus on companies' due diligence processes on the cybersecurity of third-party suppliers and their ability to manage this risk exposure. Insureds that can demonstrate proactive efforts in reducing their third-party cyber risk will be better positioned to differentiate their risk profile to insurers.

Cyber physical damage cover

Cyber physical damage insurance has become an increasingly common way for insureds to address coverage gaps under their traditional insurance policies for risks arising from cyber-triggered events — for example, a system failure or security failure — that could potentially trigger physical perils such as fire, explosion, or machinery breakdown resulting in property loss and/or subsequent business interruption.



Abundant capacity for this specific insurance product has yielded competitive pricing in the first half of 2025. Insureds can affect cover through three key options:

1. Buy-backs of cyber property damage exclusions
2. Standalone cover
3. Blended cover, combining cyber physical damage cover with traditional cyber insurance

Section continues ▸

Insured purchasing patterns

Intense market competition has put downward pressure on pricing from incumbent insurers. As such, the first half of 2025 saw many insureds remaining with their incumbent insurers, despite having alternatives. Of Marsh clients, 20% reinvested their premium savings into purchasing additional limits under cyber insurance.[1]

There has also been increasing interest and uptake in cyber property damage cover, particularly in industries that are susceptible to cyberattacks that could lead to potential physical damage with severe and widespread implications, for example, critical infrastructure, manufacturing, and utilities.

Claims trends

Cyber claims frequency in Australia has been climbing steadily over the last 12 years (see *Figure 05*), with the source of claims ranging from sophisticated ransomware to data breaches to social engineering. Notably, third-party supply chain breaches or incidents have continued to cause complex cascading liabilities.

Notifications arising from the CrowdStrike incident represented 15% of all notifications received from Marsh clients in 2024. Ransomware, however, has remained as the top organisational cyber risk in Australia. Claims arising from ransomware included response costs, business interruption loss, data recovery costs and legal liabilities.

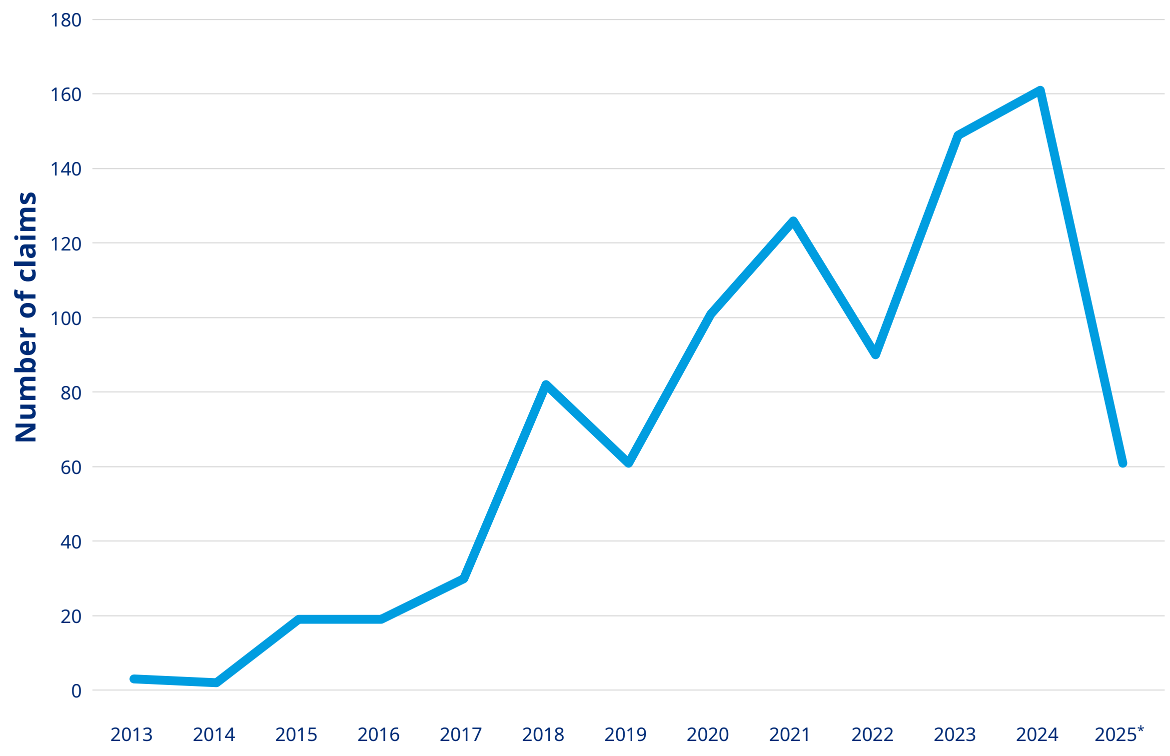
Another emerging trend has been the evolving nature of cyberattack tactics by notorious hacking groups, who are now employing sophisticated social engineering techniques, such as imitating IT helpdesk staff within an organisation to convince employees to reset their accounts.

20%
of Marsh clients reinvested premium savings to purchase additional limits

15%
of cyber claims notifications in 2024 were related to CrowdStrike incident

05 Cyber Claim Notifications 2013-2025

Source: Marsh Pty Ltd



* 2025 represents provisional data as at July 2025.

1. Based on Marsh Q2, 2025 renewal data for Australian clients

Section continues

Globally, the healthcare, media and technology, retail/wholesale, and professional services sectors reported the most cyber claims in 2024, with healthcare consistently ranking in the top position in recent years (see *Figure 06*).

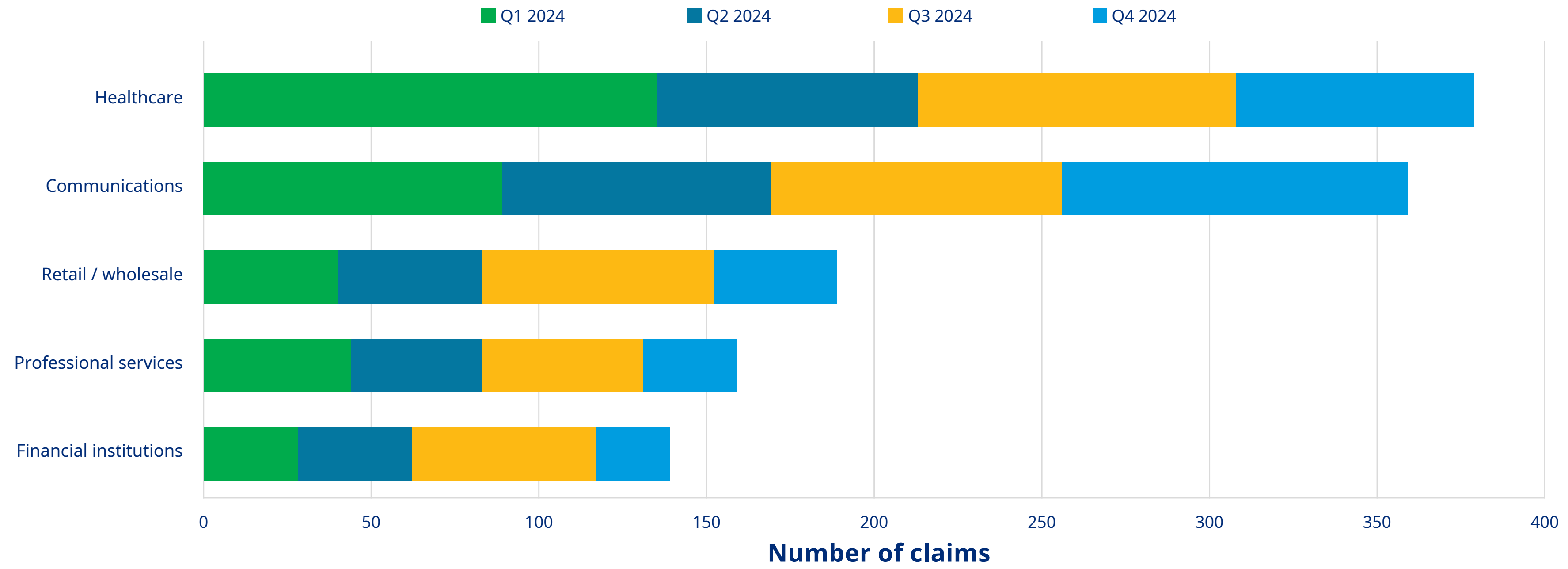
Looking ahead

While favourable market conditions for cyber insurance buyers are expected to continue for the rest of 2025 barring unforeseen changes in conditions, the persistently high severity and frequency in cyber claims have the potential to influence future underwriting and pricing strategies from insurers. Therefore, long-term insurance strategies and program structures that can withstand and adapt to future market volatility are important when planning for 2026 and beyond.

Starting the renewal strategy early and demonstrating strong cyber resilience and proactive risk management, particularly in the third-party vendor cyber risk space, are key to maximising renewal outcomes within the current market environment.

06 Reported claims by industry 2024 – Top 5 industries

Source: Marsh global cyber claims data



6 Environmental liability insurance

Market overview

Conditions in the Australian environmental impairment liability insurance market have eased considerably over the last 12 months. The introduction of new insurers in the London market with capacity and appetite to underwrite Australian environmental liability risks has led to downward pressure on pricing. Additionally, pricing impact has been compounded by more intensified market competition due to insurers' aggressive growth targets while new business opportunities have been limited.

In a market where supply is outweighing demand, 2025 has provided insureds with opportunities to explore alternative insurer options on their programs from both pricing and coverage perspectives.

Premium rate trends

In the first half of 2025, year-on-year premium rate decreases of 5% to 10%, on average, were seen in the Australian environmental liability insurance market. Pricing movements differed notably from the same period in 2024, when rate changes of flat to 5% increases were observed.

5%-10% decrease
in environmental liability premiums

Key coverage and underwriting trends

Evolving underwriting approach to PFAS pollution

Coverage for pollution from PFAS and related compounds remained challenging. Historically, PFAS chemicals have been manufactured and used extensively in commercial and industrial applications. It is pervasive in the environment due to its extensive application and deemed a 'forever chemical' due to the extensive time it takes to break down.

In recent years, the environmental and health impacts of PFAS have gained significant attention worldwide. Australian regulations and standards are rapidly evolving, incorporating stricter recommended guidelines for acceptable PFAS levels in drinking water and soil. Insurers are strongly focused on potential future litigation related to cleanup expenses, third-party bodily injury, and property damage claims.

In the first half of 2025, insurers continued to assess the risk of PFAS pollution at sites insured under pollution legal liability policies. Whether a PFAS exclusion or modified exclusion would apply under the policy depended on various factors including:

- Whether the site, historically or currently, uses, stores or manufactures PFAS products, materials or fire suppressants including aqueous film forming foam (AFFF);

Section continues

- Knowledge of any historical fires where PFAS foam or AFFF may have been applied;
- Copies of preliminary or detailed site investigations that assess the risk of PFAS contamination being present;
- Correspondence with environmental regulators on PFAS related matters.

Despite insurers' focus on PFAS exposures, the application of PFAS exclusions has not been uniform across the market. We have seen varied approaches from insurers such as:

- Applying blanket PFAS exclusions
- Providing sub-limited PFAS coverage
- Providing coverage for the storage and maintenance of fire suppressant systems containing PFAS or use of PFAS foam in a hostile fire
- Providing coverage for sudden and accidental PFAS pollution only (excluding gradual pollution cover)

This has provided insureds with options to explore alternative markets to seek for their optimal coverage position.

Contractors pollution liability insurance

It is not common to see a PFAS exclusion under contractors pollution liability insurance policies, which are intended to cover pollution spills and incidents caused by 'covered operations,' or defined physical works under the policy. The cover is not designed to respond to legacy PFAS contamination, unless it has been directly aggravated by the 'covered operations.' In most cases, the market has been comfortable providing coverage without imposing PFAS exclusions. However, exclusions have been seen on policies covering water or wastewater treatment operations.

Coal or thermal coal exposed risks

Similar to last year, there has been limited insurer appetite for clients in the coal or thermal coal industries, where their coal or thermal coal derived revenue breached the insurer's thresholds. Underwriting guidelines and ESG requirements varied among insurers, with their internal sustainability teams often being consulted during the underwriting process.

The first half of 2025 has seen some flexibility as insurers eased their guidelines for insureds that presented a comprehensive transition plan aimed at reducing revenue derived from coal or thermal coal.

Insured purchasing patterns

Purchasing patterns have varied depending on insureds' needs and the industry in which they operate. 2025 saw some insureds change insurers due to premium cost considerations or PFAS coverage availability. In an effort to remove uncertainty, some insureds entered into LTAs to secure desirable coverage and terms.

Claims trends

Over the last 12 months, claims activity in the Australian environmental liability space has been gradually increasing. The source of claims varied, and included pollution from asbestos, property fires and construction sites.

In the PFAS space, the Blue Mountains drinking water contamination incident in 2024 is now part of a parliamentary inquiry. It remains to be seen whether this will become a class action and any potential implications of PFAS guidelines or regulations on the outcome.

Despite a number of class actions and settlements related to PFAS contamination in recent years, there has not been a noticeable increase in PFAS-related environmental liability claims activity over the last 12 months in Australia. As the PFAS situation evolves in various jurisdictions, insurers are closely monitoring local and global claims activities and outcomes.

Looking ahead

Barring unforeseen changes in conditions, we expect to see a continued downward trend in environmental liability insurance pricing for the rest of 2025, which will provide insureds with additional insurer options.

A demonstratable sound environmental risk identification and management approach, legislative compliance, and good claims experience will help attract strong insurer competition and optimal renewal results. A comprehensive and quality submission with detailed information on PFAS identification and PFAS transition/risk management will assist in achieving the broadest PFAS coverage possible.

7 Private health insurance

Market overview and premium rate trends

The private health insurance industry continued to experience moderate annual premium increases, with an industry average increase of 3.7% with effect from 1 April 2025. In the corporate health insurance market, profit instability has led to premium increases as insurers sought pricing corrections.

From a Consumer Price Index (CPI) perspective, the health group rose by 4.1% in the second quarter of 2025 compared to the same period in 2024, with medical and hospital services (+5.1%) being the main contributor.

The Australian Government rebate on private health insurance was indexed on 1 April 2025 resulting in a slight decrease across all age groups, while income thresholds used to calculate the Medicare levy surcharge and private health insurance rebate have increased from 1 July 2025.

Service accessibility challenges and out-of-pocket costs on the rise

Against a backdrop of rising cost of living, access to and affordability of care have become challenging for many Australians, particularly for services traditionally not covered by domestic health insurance such as outpatient medical care.

Those covered by private health insurance continued to experience not only increases in premiums, but also a rise in co-payments and out-of-pocket expenses.

An average out-of-pocket (gap) payment for a hospital episode was $470.80 in the first quarter of 2025, representing a 10.4% increase compared to the same period last year.

Average medical services out-of-pocket gap payments also increased year-on-year, by 6.6%. The top four specialty areas seeing the most gap payments were in plastic/reconstructive, ear-nose-throat, urology, and orthopaedic services.

Insured purchasing patterns

The first half of 2025 has seen private health insurance coverage across the country remain relatively stable, with 45.3% of the population covered for private hospital treatment, which represents a 1.1% increase from 2024.

There has been a growing need for improved access to care as well as affordability of health insurance. The Mercer Marsh Benefits *2025 Health on Demand* survey showed that 32% of Australian employees delayed seeking healthcare due to financial reasons, and 24% were not confident they could afford the healthcare needed by them/their families.

Australians have traditionally viewed healthcare as a government responsibility. However, as the general population face increasing access and affordability challenges, there is a growing need for employers to help close the widening healthcare gap. Currently, the prevalence of employers providing physical health and wellbeing benefits to employees is relatively low.

3.7% average increase in private health premiums

32% Australian employees delayed seeking healthcare due to financial reasons

24% not confident they could afford required healthcare for them/their families

Section continues

Out of those surveyed, less than 19% of employers provided at least one benefit and 36% provided none (see *Figure 07*).

Looking ahead

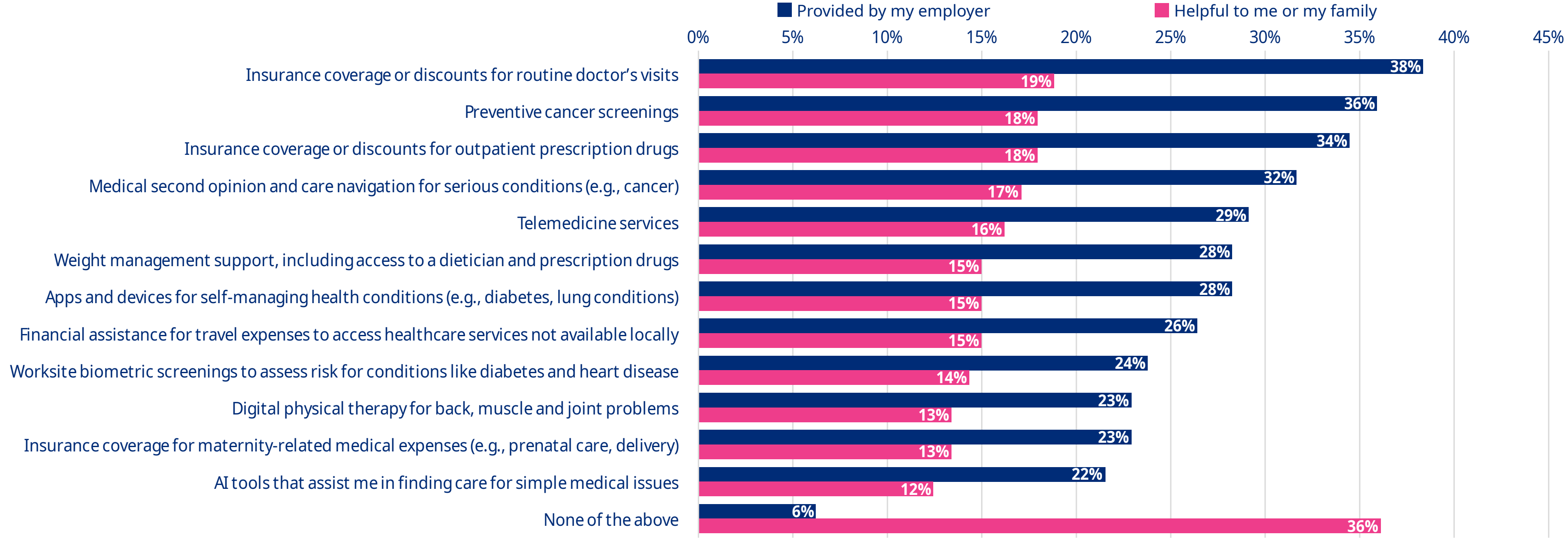
We expect the Australian health insurance market conditions to remain relatively stable and follow similar trends for the remainder of 2025.

As premiums and the cost of living continue to rise, employees are increasingly looking to their employers to ease cost pressures and support their health and wellbeing. Emerging challenges related to healthcare access and alignment with global benefits expectations will likely continue to demand Australian employers' attention. Employers who want to remain competitive in an increasingly global talent landscape have a real opportunity to address access gaps, prioritise health outcomes, and improve health literacy of their employees.

With voluntary health plans and employee wellbeing programs continuing to be attractive employee benefits, and given the community rated nature of private health insurance in the Australian market, employers with subsidised health plans will likely continue to explore cost sharing measures and/or plan designs.

07 Physical health benefits in Australia: Employee needs vs employer availability

Source: Health on Demand 2025, Mercer Marsh Benefits



8 Accident and health insurance

International health (Expatriate insurance)

Expatriate medical insurance provides medical and related insurance covers and emergency assistance services to employees working overseas on assignment. The international health insurance market has been relatively stable over the last 12 months. Despite easing of the global inflation rate, premiums continued to rise at a similar pace to last year.

Premium rate trends

In the first half of 2025, international health insurance premium rates increased by 10% to 15% on average, compared to the previous year. A key contributing factor has been the notable increase in the number of insured persons as companies return to pre-pandemic levels of expatriate employee placements. The halt in expatriate activity during the pandemic had a significant impact on the insurance market — the substantial drop in insured persons led to a smaller premium pool for insurers, and the delay in seeking medical assistance led to a steady rise in global medical inflation in recent years.

10%-15% increase in international health insurance premiums

Key coverage and underwriting trends

Cover remains typically available for both outbound (expatriates) and inbound (non-resident) employees. Insurers have shown increased scrutiny on new policies, with an emphasis on understanding pre-existing medical conditions of employees or their families in order to accurately price the policies at inception.

Insured purchasing patterns

Despite the continued rise in costs, the demand for international health insurance has been driven by the duty of care employers have to their expatriated employees and accompanying spouses and dependents. Although not a mandatory insurance in Australia, many of our clients have provided this as an employee benefit to attract and retain talent, particularly for expatriate roles.

Looking ahead

Ongoing global medical inflation is expected to continue to have an impact on expatriate insurance premiums, which will likely follow a similar trend into the second half of 2025. Well-performing policies will likely also be impacted by premium increases. There are, however, opportunities for cost control through employer initiatives such as customised plans, wellness programs and digital health solutions.

08 Global medical inflation 2019-2025

Source: *Health Trends 2025*, Mercer Marsh Benefits

	2019	2020	2021	2022	2023	2024	2025
Global	**9.7%**	**5.7%**	**10.1%**	**10.1%**	**12.0%**	**11.4%**	**10.9%**
Canada	6.9%	3.9%	7.1%	7.0%	9.0%	9.0%	10.0%
Asia	10.2%	3.5%	8.9%	10.7%	12.7%	13.0%	13.0%
Europe	8.0%	3.5%	10.9%	11.4%	13.0%	11.7%	10.4%
Latin America and Caribbean	13.4%	8.0%	11.1%	10.0%	10.0%	10.6%	10.4%
Middle East and Africa	11.1%	9.6%	10.2%	9.3%	12.4%	10.6%	10.7%
Pacific	4.6%	5.2%	5.0%	2.9%	9.0%	11.5%	9.3%

Section continues

Corporate travel insurance

The Australian corporate travel insurance market has been influenced by several key trends that reflect shifts in business practices, technology and traveller preferences. Notable market trends and influences from the first half of 2025 include:

- **Hybrid work models:** As companies continue to implement hybrid work arrangements, corporate travel has become more strategic. Businesses are prioritising essential meetings and events, while seeking the right balance between maximising the value of in-person interactions and remote work options.
- **Sustainability initiatives:** There has been an increasing emphasis on sustainability in corporate travel, with companies seeking to reduce their carbon footprint and aligning travel practices with corporate social responsibility goals. This has led to a rise in eco-friendly travel options such as carbon offset programs, sustainable accommodations and increased use of public transportation.
- **Technological integration:** Advancement in technology continued to transform corporate travel management in 2025. Tools such as AI-driven travel platforms, mobile apps for real-time updates, and data analytics for optimising travel budgets have enhanced the traveller experience while streamlining booking and expense management processes for businesses.
- **Health and safety:** With the health and safety of employees remaining a key priority, companies implemented stricter health protocols for corporate travel including vaccination requirements, employees' fit for travel, travel insurance for health-related incidents and flexible cancellation policies.

10%-15% increase
in corporate travel insurance premiums

Premium rate trends

Corporate travel insurance premiums in the Australian market increased on average 10% to 15% in the first half of 2025, compared to last year. Key drivers were rising global medical inflation, increasing airline costs as well as an increase in the number of large group events.

Claims trends

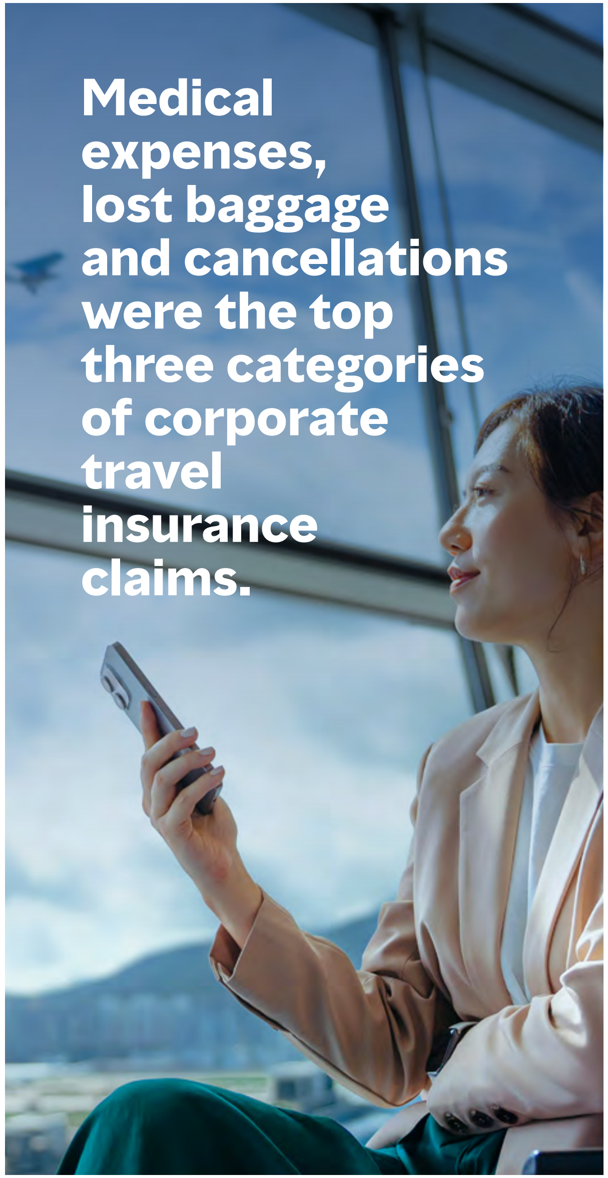
According to Marsh's global claims data, the top three highest paid insurance claims in the first half of 2025 were medical expenses, lost baggage, and cancellations. Additionally, increase in airline costs has also contributed to an increase in claims.

Medical expenses incurred in the USA, Hong Kong, and Singapore have been at an all-time high due to global medical inflation. Uncertainty in some travel locations — seen, for example, in "Do not travel" warnings — has increased cancellations; conference cancellations due to weather events were also prevalent in the first half of 2025.

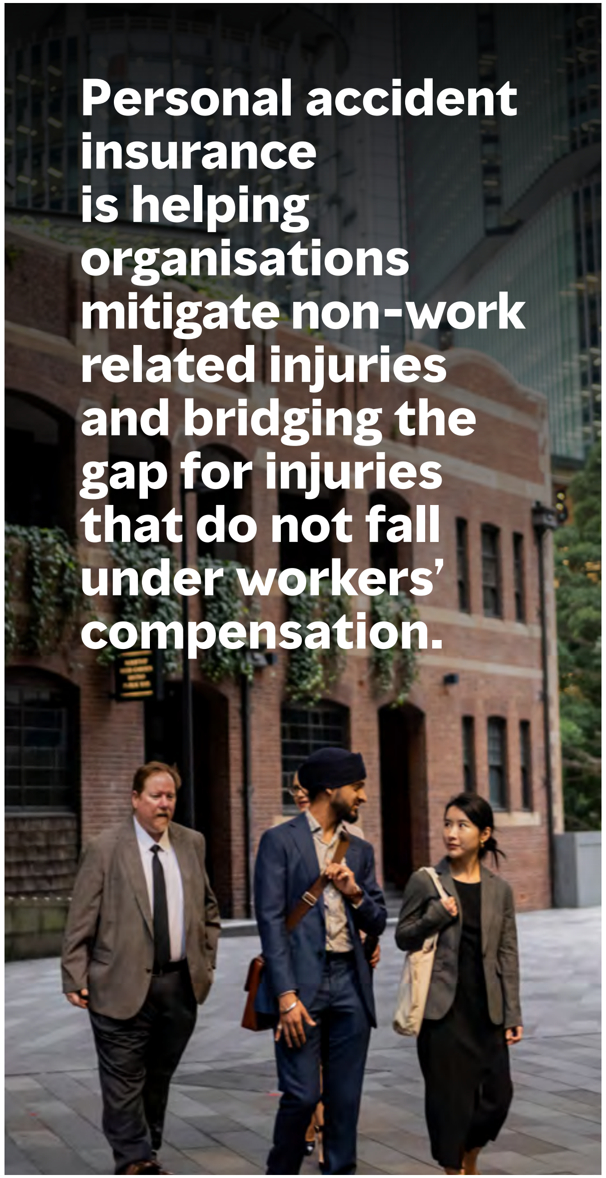
Insurers have been closely scrutinising trip declarations both at renewal and at the time of a claim.

Looking ahead

Corporate travel insurance premiums are expected to follow a similar trend in the remainder of 2025 as premiums continue to rise. Despite this, organisations can explore opportunities for cost control through accurate declarations during renewal and reviewing the need for travel.



Section continues



Group personal accident insurance

Key trends and influences on the Australian personal accident insurance market in the first half of 2025 include:

- **Increased awareness and demand:** Prioritisation of employee wellbeing and safety has led to a growing awareness of the importance of personal accident insurance, which can help organisations mitigate non-work related injuries and bridge the gap for injuries that do not fall under workers' compensation. Consequently, there has been an increased demand for corporate group policies as employers seek to provide comprehensive coverage for their employees.
- **Technological advancement:** The integration of technology in insurance processes, such as the use of telematics and data analytics, has enhanced risk assessment and premium pricing models for insurers. This has led to more tailored insurance policies and improved claims processing.
- **Regulatory changes:** Evolving regulations and compliance requirements have meant that insurers need to stay up-to-date and be ready to adapt to new legal frameworks and standards. Consequently, coverage offerings and pricing structures have also been impacted.
- **Focus on mental health and wellbeing:** The growing emphasis on mental health and overall employee wellbeing have driven insurers to broaden their coverage offerings under group personal accident insurance, such as cover for psychological support and rehabilitation services, making these policies more comprehensive and appealing to employers.

5%-10% increase
in group personal accident insurance premiums

Premium rate trends

Group personal accident insurance premiums in the first half of 2025 increased by 5% to 10% and were dependent on claims history and wage declarations. This represented a lower increase compared to 12 months ago. Poor return to work processes and lack of collaboration during claims management have largely contributed to the continued increase in costs and rise in premiums.

Key underwriting trends

Insurer appetite has been strong for insureds with positive return to work outcomes. Insurers have been keen to support insureds to ensure their workers have a successful return to work experience, while minimising costs are achieving sustainable premiums.

Looking ahead

The outlook for this insurance market appears positive for the rest of 2025, with insurers being engaged and keen to assist in successful return to work outcomes. We expect demand for employee benefits such as group personal accident insurance to continue to rise in line with the increasing awareness and emphasis on risk management. Regular claims meetings with all parties and successful return to work for injured employees are critical steps organisations can take to help achieve cost reductions and improve renewal outcomes.

9 Group life insurance

Market overview

Profitability within the life insurance industry has continued to present challenges for insurers in recent years. Over the past decade, persistent declines in insurer profit have been driven by several key factors:

- Evolving business conditions in a post-pandemic environment;
- Elevated inflation rates, which influence consumer considerations regarding the affordability of life insurance products;
- Increased regulatory oversight, including the *Treasury Laws Amendment (Putting Members' Interests First) Act 2019* and the implementation of more stringent financial advisor licensing requirements, leading to higher policy cancellations and lapses, which has been a rising trend in the first half of 2025;
- A focus on tightening total and permanent disablement (TPD) insurance products, driven by significant claims expenditure, which has prompted insurers to tighten claim criteria and adjust pricing strategies to offset losses.

Insurer profitability
persistent decline over the past decade

Insurer movements and ongoing industry reform developments

In the first half of 2025, the Australian life insurance market has seen the return of a key player in the corporate space outside of superannuation. This additional market capacity is welcomed, particularly following the recent closure of another major life insurer, which had reduced the available insurer options for clients.

Regulatory reforms introduced by APRA in December 2019 continued to be implemented across the market as several changes have been adopted across the industry recently. These include reducing excessive income replacement ratios, tightening TPD definitions — shifting from 'own occupation' during the benefit period to 'any occupation' — and removing features that allow insured individuals to earn income through continued work. In 2025, one insurer has also restricted the rate guarantee period to two years due to significant losses in their group insurance portfolio.

By adopting any number of these strategies, organisations can typically achieve cost savings of approximately 5% to 20% while maintaining the long-term integrity of their policies.

Section continues

Key coverage and underwriting trends

2025 has seen insurers adopt a more restrictive underwriting approach regarding providing coverage for certain high-risk industries. For example, a major life insurer exited the market for sectors such as law firms and insurance companies, due to poor claims experience within these sectors.

Insured purchasing patterns

Given ongoing affordability challenges and corporate budgetary constraints, we have observed some organisations seeking to reduce cover in their employee benefit program designs (which includes group life insurance) as a strategy to reduce costs and lower premium spend. As a result, this reduces the level of cover for the individual employee and could potentially leave some individuals underinsured. Although not ideal, this purchasing trend will likely continue in light of rising premiums and cost pressures.

Claims trends

The primary claim causes remained consistent, and trends were stable compared to last year. Cancer continued to be the leading cause of life insurance claims and mental illness a leading cause for income protection claims. Mental health claims have been an ongoing and significant concern for insurers, particularly due to the extended duration observed for such claims. Mental illness claims can take substantially longer to resolve compared to other claim types and has consequently contributed to a significant rise in claims costs for life insurers.

15%-25% increase
in life insurance premiums

Premium rate trends

Due to the continuing rise in mental health claims and associated claim costs, Australian life insurance policies with long-term benefit periods (including five years benefit period) have seen, on average, 15% to 25% rate increases in the first half of 2025, compared to last year. Those with adverse claims experience generally saw higher increases. Short-term (two years) rates remained relatively stable. Death and lump sum total and permanent disability premium rates were also stable.

Looking ahead

We anticipate that the trends observed in the first half of 2025 will persist throughout the rest of the year. As life insurance market conditions continue to be restrictive, strategising and working with your employee benefits broker early to explore alternative benefit designs can be crucial to ensuring the optimal balance of cover versus cost. Additionally, partnering with insurers on health and wellbeing initiatives can assist in reducing your claims exposure.

10 Workers' compensation insurance

Market overview

The Australian workers' compensation market continued to experience the impact of inflationary and economic pressures, claims frequency deterioration and prolonged claims duration. These trends underpinned recommendations from state schemes' actuaries for upward industry rate movement and drove insurers outlook for a 5% to 10% increase across their portfolios. Positively, actual outcomes varied and were dependent on individual insurer's scheme position and capacity for growth.

Marsh's portfolio outperformed industry averages and experienced relatively flat rate movements in the first half of 2025. Insureds in the SME space maintained flat rates while larger insureds achieved higher rate reductions as a result of market competition, particularly for those with good claims experience. In some cases, poorer performing programs saw rate increases, but to a lesser extent.

For those states underwritten by scheme regulators (Queensland, New South Wales, Victoria, South Australia), average industry/scheme rates remained flat with the exception of New South Wales, which saw an 8% increase. Privately underwritten states and territories (Australian Capital Territory, Northern Territory, Tasmania, Western Australia) saw average industry rate increases of 2% to 9%.

Underwritten states and territories (ACT, NT, Tas, WA)

09 Recommended industry/scheme rates for underwritten states and territories

State	2024-2025	2025-2026	% Change
WA	1.73%	1.82%	+ 5%
TAS	1.89%	2.06%	+ 9%
ACT	2.00%	2.04%	+ 2%

Australian Capital Territory

The ACT scheme continued to be affected by common law and long-tail liabilities. Combined with rising insurer levies, this has exerted upward pressure on portfolio pricing. While we saw improved market appetite and competition with most insurers targeting growth in the ACT, insurers still sought rate increases of up to 4% in the first half of 2025, albeit less than in previous years.

-2% to +2%
premium changes in Marsh's workers' compensation portfolio

Section continues

Northern Territory

The NT remained a challenging jurisdiction for insurers to manage and price. Although the local economy is improving with wage growth, insurers continued to experience rising claim costs. Due to the nature of the risks and remote locations of large employers in the NT, all insurers sought small increases on expiring policies in 2025, regardless of performance.

Tasmania

Insurers in Tasmania reported an increase in mental health claims, which has been affecting the profitability of the scheme and slowing targeted portfolio growth. Despite some scheme challenges, insurers were competitive for well-managed risks and applied rate increases only to those with high-risk severity and high claims frequency.

Western Australia

WA's legislation modernisation introduced in the previous financial year has helped to simplify the Act, but it also led to increased claim costs, which has put pressure on insurers' pricing and risk appetite. This was reflected through the 5% rate increase recommended by the scheme actuary to counteract rising claim costs.

WA was a highly contested state in the first half of 2025. Insurers took a more commercial approach to underwriting well-performing or large risks. As a result, the market has maintained competitive tension where rates reflect the individual risk profiles rather than scheme-wide pressures.

Excess of loss (Self-insurance)

The excess of loss (XOL) market has experienced sustained declinature in claims performance over recent years, which has ultimately led to shrinking of the market, leaving only two Australian insurers in the market.

10%-15% increase
in excess of loss insurance premiums

Historical liabilities continue to affect the profitability of the XOL market, with liabilities exceeding the premium pool built during the same period. Given the long-tail nature of workers' compensation claims, it can take many years for costs to be fully realised. It is critical for self-insured employers to strategically manage claims and collaborate with XOL insurers early on notifiable matters.

Despite a limited market and runoff liabilities continuing to deteriorate, coverage changes such as increased retention levels and premium corrections have shaped insurers' view that this class of insurance will likely revert to a catastrophic loss insurance and reduce XOL insurers' exposures to a level it was originally designed for.

Rate increases in the first half of 2025 were in the range of 10% to 15%. Self-insurers demonstrating greater risk controls, high performing claims capability and adherence to policy conditions have seen more favourable terms.

Managed fund jurisdictions (NSW, Qld, SA, Vic)

While privately underwritten jurisdictions saw average industry rates increase in 2025, managed fund states all experienced a rollover in the overall scheme industry rate. While the scheme rate did not change, individual categories did experience movement.

NSW published an 8% recommended industry increase, in line with the State Government's statutory direction which capped the average rate of increase to 8% per annum over three consecutive years (2023 to 2026).

10 Recommended industry/ scheme rates for managed fund jurisdictions

State	2024-2025	2025-2026	% Change
NSW	1.73%	1.87%	8%
VIC	1.80%	1.80%	0%
QLD	1.34%	1.34%	0%
SA	1.85%	1.85%	0%

Looking ahead

The reforms outlined in the *Workers Compensation Legislation Amendment Bill 2025* will likely have an impact on the NSW scheme. The changes are expected to address scheme sustainability against the backdrop of poor scheme funding ratios and underwriting performance. The reforms will also seek to modernise the approach to psychological injuries.

More broadly, to enable optimal renewal outcomes in the workers compensation space, employers should:

1. Leverage the current competitive landscape by remarketing workers' compensation insurances,
2. Use risk advisory services as part of the renewal strategy and market engagement,
3. Establish clear and long-term strategic plans that continue to optimise performance, enhance risk profiles and are robust enough to address emerging risks.

11 Industry-specific insights

Our ***Australian Mid-Year Insurance Market Update 2025*** report is supported by a series of industry-specific market updates with a more focused lens on sector-specific insurance and risk trends. The industry-specific reports take a deep dive into the state of market throughout the first half of 2025, including local market insights and outlook, coverage trends, insurer appetite, market influences, as well as tips on how to maximise renewal outcomes.

To learn more about the latest industry-specific insurance market insights and risk trends, click on the link below.

Download now

Marsh

For further information, please contact your local Marsh office or visit our website at marsh.com/au

About Marsh

Marsh is the world's leading insurance broker and risk advisor. With over 45,000 colleagues operating in 130 countries, Marsh serves commercial and individual clients with data-driven risk solutions and advisory services. Marsh McLennan (NYSE: MMC) is a global leader in risk, strategy and people, advising clients in 130 countries across four businesses: Marsh, Guy Carpenter, Mercer and Oliver Wyman. With annual revenue of over $24 billion and more than 90,000 colleagues, Marsh McLennan helps build the confidence to thrive through the power of perspective. For more information, visit marsh.com, or follow on LinkedIn and X.

It is important to note that reported pricing changes are averages and that the data used to estimate the changes cover a wide range of clients in terms of size, industry, location, claims history and other parameters. Many clients received pricing changes that deviated from the average, some higher and some lower.