Marsh

Healthcare Insurance Market Update 2025

Australian industry insights

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Introduction

Delivering industry-specific insights and trends

Marsh's ***Healthcare Insurance Market Update 2025*** provides an industry-specific, local lens on the latest trends and insights in the Australian insurance market, in the first half of 2025.

This report is an addendum to the ***Australian Mid-Year Insurance Market Update 2025***, which covers broader market-wide trends in key insurance lines including property, liability, financial and professional lines, cyber, environmental impairment liability, private health, accident and health, group life and workers' compensation.

To read the full report, click on the link below.

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Healthcare insurance

Market overview

The first half of 2025 saw a range of activities and regulatory intervention in the Australian healthcare industry, with many under the public spotlight, such as the recent collapse of one of Australia's largest hospital groups and the highly anticipated aged care legislation reform (Aged Care Act 2024) being deferred from 1 July 2025 to 1 November 2025.

A $56 million settlement in August 2024 was one of the largest medical negligence class action settlements in Australia and has kept both the IVF industry and the need for transparency and regulation in this space under the spotlight. All of this is happening against the backdrop of an aging population, healthcare workforce challenges, and the increasing adoption of healthtech, exacerbating operational and clinical risks for healthcare providers.

Insurers have been monitoring high-risk sectors such as obstetrics, youth/disability care, IVF, virtual, and single condition care, and have been cautious in their underwriting approach, resulting in more restrictive cover and less available capacity in the market. Outside of these challenging sectors, the broader healthcare industry has generally seen increased insurer competition in the first half of 2025, with lower premiums and broader coverage generally being achievable by most insureds at renewal.

Resurgence of insurer appetite

After significant shrinking of the number of healthcare liability insurers in Australia during the pandemic and more challenging market conditions, we have seen a resurgence of appetite from both local and international insurers in 2025. With the profitability of US medical malpractice insurance declining considerably, international insurers are seeking to deploy capacity in less volatile jurisdictions.

The first half of 2025 has seen both new local underwriting agencies and established Australian insurers actively competing for both renewal and new business in the Australian healthcare sector. Healthcare providers that can demonstrate robust risk and clinical governance frameworks have benefited the most from the increased insurer competition.

For larger, more complex risks, the London insurance market has supplied ample capacity, competition and depth of insurers for insureds considered well-managed. Policy excess levels from the London market have generally been higher than local insurer offerings; however, this has proven suitable for some larger insureds capable of effectively managing under-excess claims, while minimally problematic for others.

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Key insurance class trends

Medical malpractice insurance

For most healthcare providers, 2025 has seen the Australian medical malpractice insurance market provide favourable conditions for insurance buyers. Those in lower risk sub-sectors such as general medical, allied health, non-cosmetic day hospitals, and aged care typically have seen insurance rates decrease as a result of heightened competition. Areas of care that insurers continued to scrutinise include:

- The provision of **virtual care**, particularly for single issue and online clinics that prescribe scheduled medicines, asynchronous models of care, and those where dispensing of medicines is not independent of the treatment being provided,
- Sub-sectors where there are heightened risk of **catastrophic injury** resulting in lifetime care costs (for example, obstetrics, IVF, acute surgical care),
- Providers that treat and support **youth or vulnerable individuals** in relation to abuse matters,
- **New healthtech providers**, such as digital care and AI-enabled health, where insurers require detailed explanation on how the new technology compares to traditional models of care.

In the first half of 2025, Australian medical malpractice insurance premium movements ranged from 10% reductions to 10% increases, compared to the prior year. Premiums varied across the four main risk categories:

- **Aged care providers:** Competitive premium rates have been driven by increased capacity from both London and local insurers competing for market share. In the first half of 2025, aged care providers saw 10% reductions to 5% increases in their premiums.
- **NDIS providers:** Premium rates in this space have been less competitive due to less available capacity. Risks with an adverse claims history, youth exposure, and high abuse exposure have seen rate increases upwards of 10%, while lower risk insureds have seen rate reductions of 5%.
- **Hospitals and general medical:** The registered health professional sector saw flat to 10% reductions in their premiums, driven largely by increased insurer competition.
- **Allied health and community care:** Premium reductions have continued, but at a slower pace compared to 2024, with some insureds experiencing increases in the first half of 2025. Premium rate changes ranged from 5% reductions to 10% increases, depending on the insured's unique risk exposures and claims experience. Similar to what we have observed in the NDIS providers space, allied health and community care providers with higher youth exposure have experienced more challenging market conditions both in pricing and the availability of cover, in particular abuse cover.

-10% to +10%
change in medical malpractice insurance premiums

-10% to +5%
Aged care providers

-5% to +10%
NDIS providers

0% to -10%
Hospitals and general medical

-5% to +10%
Allied health and community care

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Directors and officers (D&O) liability insurance

Regulatory oversight has been a key focus in the D&O space, with multiple sector-specific inquiries being called for or undertaken. Insurers with exposures in aged care, private hospitals, NDIS, and IVF sectors have been weary of potential regulatory action against providers. While regulatory inquiry cost coverage has typically been sub-limited, we have seen insurers reducing limits and cover for areas they deem to be exposed to regulatory risk. Consequently, insureds have also been reviewing their exposure to civil liability claims due to systematic exposures, where there has been increased industry-wide regulatory scrutiny on business models that may be delivering subpar care, hence increasing the exposure to potential class actions.

Cyber insurance

Against the backdrop of an evolving cyber risk landscape where community and regulatory expectations around data privacy are rapidly changing, healthcare providers have been increasingly targeted by cyber criminals. The healthcare sector has come on top with the highest number of data breach notifications reported in Australia, as at June 2024 (see ***Figure 01***). This is not surprising given the industry's vast quantities of sensitive data and personal information, which serve as attractive assets for cyber criminals.

In the first half of 2025, Australian healthcare providers that can demonstrate robust cyber risk management and maturity generally experienced premium savings in the range of 5% to 15%. With the cyber insurance market conditions much improved compared to last year, some insureds took the opportunity to qualify their exposures and purchase higher limits and coverage as cyber insurers compete for high quality and well managed risks.

5% to 15% increase
in cyber insurance premiums

Workers' compensation insurance

The healthcare workers compensation insurance market continued to experience the impact of inflationary and economic pressures, claims frequency deterioration and prolonged claims duration resulting from severe injuries causing significant delays in employees' return-to-work.

These trends underpinned recommendations from state schemes' actuaries for upward industry rate movement and drove insurers' outlook for a 5% to 10% rate increase across their portfolios. Positively, actual outcomes varied and were dependent on individual insurer's scheme position and capacity for growth. Musculoskeletal injuries were again the predominant claim type, while psychological injuries emanating from harassment (from patients, patients' relatives, or co-workers), bullying, violence, and/or work pressure continued to rise.

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Key industry risk trends

AI adoption

With technology use and AI adoption increasing across the healthcare sector, providers need to consider the long-term implications of these exposures. The potential for significant upside to effective and efficient patient care also comes with associated risks. Cyber, technological liability, and malpractice exposures all need to be considered as insurers continue to provide fragmented insurance solutions in the current market. Insurers are expecting insureds to have a sound understanding of and appropriately articulate how they are actively managing these risks.

Workers risk

Employees versus contractors liability has been a key focus in the Australian healthcare insurance market. Policies differ widely in relation to cover for contractors. Both general liability and professional liability policies have varying definitions of the 'insured,' which may limit cover for contractors.

Given the prevalent use of contractors and labour hires across the healthcare industry, it is paramount to have a clear understanding of where the liability of these individuals lies to ensure appropriate cover is in place and that the healthcare provider's policies are not unnecessarily exposed to other parties' liability.

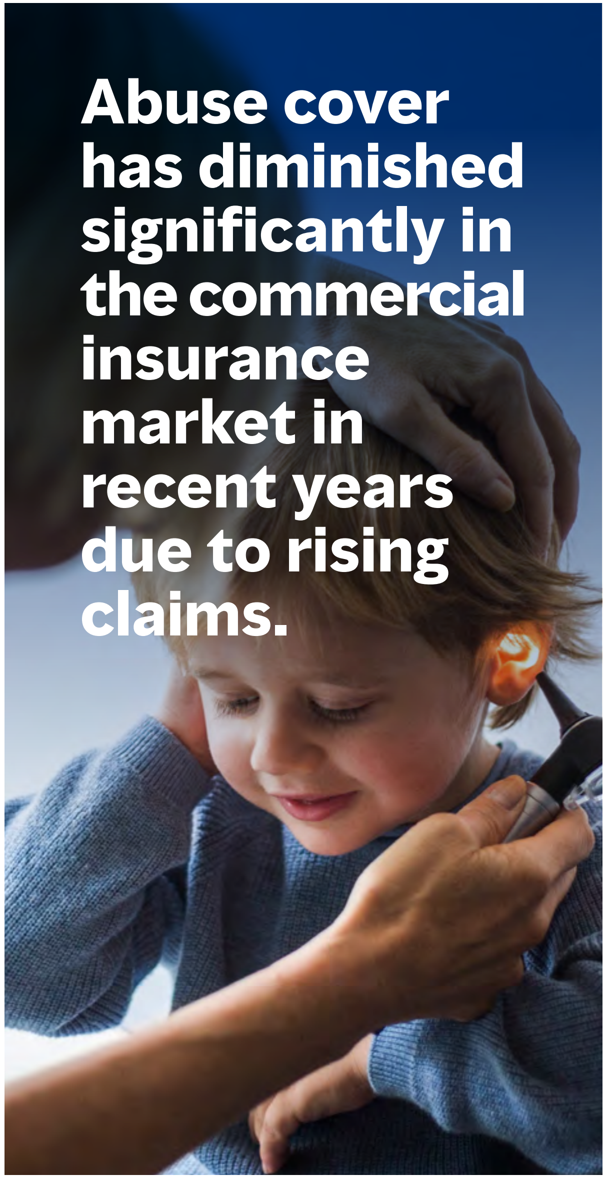
In particular, there has been a trend from workers' compensation insurers seeking to recover claim costs from the provider's general liability policy on the basis that the workers were considered as third-party contractors, despite them being employed by a related entity.

Abuse cover

With abuse claims continuing to rise, this cover has diminished significantly in the commercial insurance market in recent years. Demonstrating high risk management and safeguarding practices can allow insureds to differentiate their risk profile from industry peers and access the limited insurance capacity currently available in the market.

This cover can be included under the insured's general liability, medical malpractice, or professional indemnity insurance policies. Alternatively, abuse cover has also become available as a standalone policy in recent years.

Given the current constraints in cover, there has been a trend for insureds to procure limits across various policies to ensure the broadest level of cover. When adopting this approach, it is important to ensure cover needs to work seamlessly across the policies, given the varying terms and conditions under each policy.



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Insured purchasing patterns

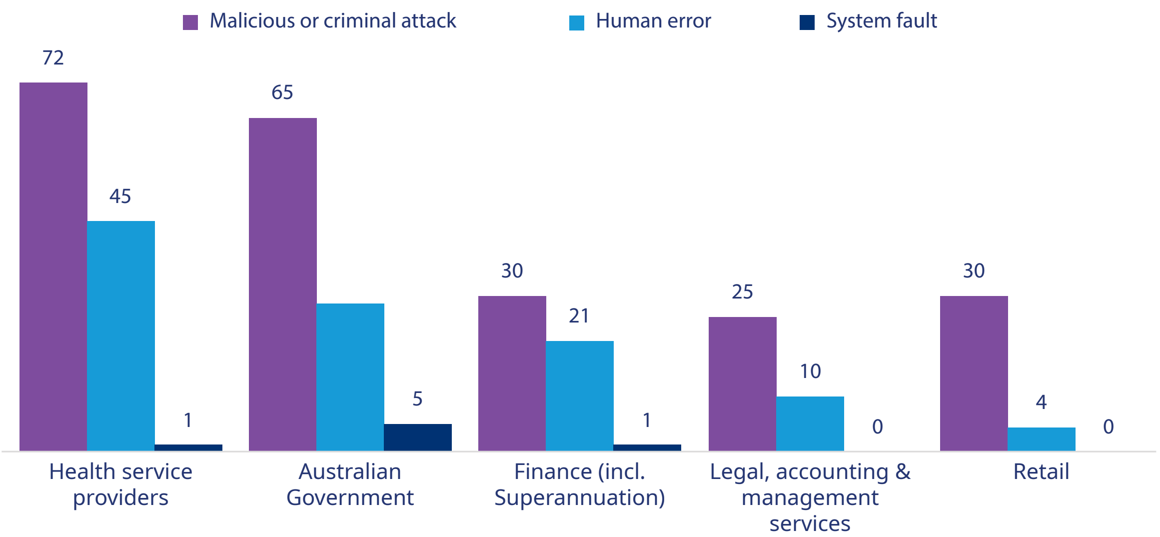
As the healthcare insurance market has evolved, there has been increased specialisation from insurers through the development of industry-specific package policies, for example, aged care, e-health, and combined liability coverage packages.

Healthcare providers have been increasingly adopting these package policies over the traditional approach of purchasing separate standalone policies to leverage pricing efficiencies, streamline cover and minimise claims falling between policies. By adopting a healthcare-specific package policy, our clients were able to achieve premium savings of up to 25% in the first half of 2025.

Up to 25%
premium savings from healthcare package policies

01 Source of data breach notifications – Top 5 sectors in Australia (H2, 2024)

Source: OAIC © Commonwealth of Australia)



Claims trends

2025 has seen an increase in severity in negligence claims in the medical malpractice insurance market. A key driver of increasing claims costs has been healthcare inflation (4.1%) outpacing general inflation of the Australian economy (2.1%). The impact of inflation has been particularly notable in severe claims where medical costs and future lifetime care form some of the major components of damages.

Additionally, an uptick in regulatory intervention has seen healthcare providers being called into regulatory actions and inquiries more frequently. Consequently, legal costs of defending such actions have escalated. Sub-limited cover for legal costs under D&O and medical malpractice insurances are becoming increasingly inadequate.

In the cyber claims landscape, the healthcare sector experienced the highest number of data breach notifications reported in Australia, as at June 2024, which has also been consistent with global claim trends in recent years (see *Figure 01*). Whilst cyber insurance market conditions have generally improved, including for the healthcare sector, insurers still remain cautious around the industry's claims exposure.

Negligence claims
increasing in severity

Legal costs
to defend regulatory actions on the rise

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Looking ahead

For insureds in preferred sub-sectors (for example, non-maternity and day hospitals, general practice groups and aged care providers, and those with minimal claims activity), the current competitive market will likely continue to provide opportunities to drive premium savings while increasing coverage. Enhanced underwriting appetite from Australian insurers can help drive better renewal outcomes, particularly for those insureds who sought cover from the London market during more challenging market conditions when local capacity was limited.

For insureds in higher risk sub-sectors (for example, maternity hospitals, IVF providers, youth and disability care, and those with high frequency/severity claims) strategising with a specialist healthcare broker and early engagement of potential markets are key to differentiating your risk profile from your peers and driving the best renewal outcome.

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

About Marsh

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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.