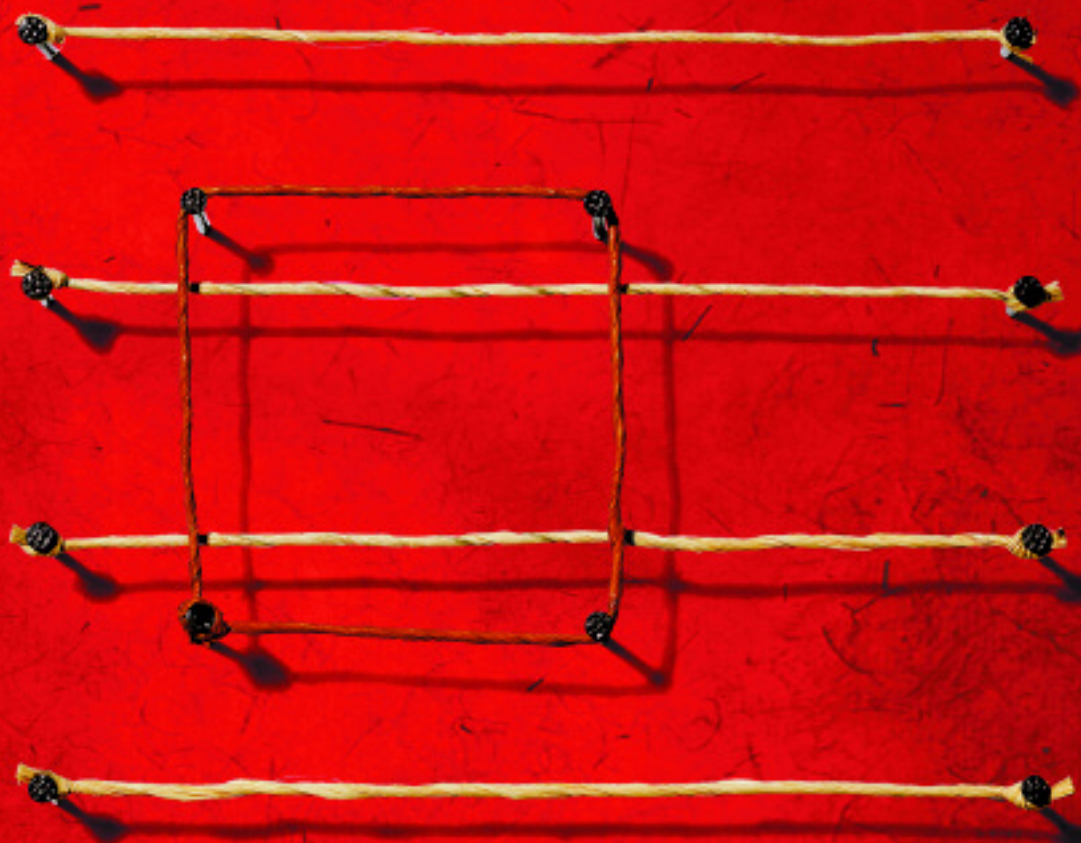




Statistics

Quarterly General Insurance Performance

March 2007 (issued 21 June 2007)



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Forthcoming issues

This publication will be released according to the timetable published on the APRA website.

Revisions

This publication includes updated results for the preceding quarter based on insurer re-submissions and audited annual submissions received after the previous quarter publishing date.

Glossary and explanatory notes

A set of explanatory notes is provided at the end of the publication to assist the reader in understanding the source and definitions of the data. In particular, these notes help explain differences between the data presented and information publicly released by insurers in their financial statements. The notice following the contents page also provides details in relation to the change in the general insurance reporting framework that took effect on 1 July 2002.

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Contents

Important notice	Notice	4
Highlights	Highlights	5
Key statistics	Key Statistics	8
Industry statistics		
Financial performance	Table 1	9
Financial position	Table 2	10
Key performance ratios	Table 3	11
Direct insurer statistics		
Financial performance	Table 4	12
Financial position	Table 5	13
Key performance ratios	Table 6	14
Reinsurer statistics		
Financial performance	Table 7	15
Financial position	Table 8	16
Key performance ratios	Table 9	17
Explanatory notes	Explanatory notes	18
Glossary	Glossary	19

Important notice

From March 2007, changes have affected both the content and the layout of this publication:

1) Time-series data are displayed in chronological order with the most recent data to the right. Data released prior to March 2007 were in the reverse order.

2) Changes to the General Insurance Reporting Framework in January 2007 have altered the composition of some aggregate items. For details please see the "Summary of Changes" document on APRA's website at:

<http://www.apra.gov.au/Statistics/Reporting-forms-and-instructions-for-General-Insurance-Jan-07.cfm>

APRA reporting requirements are different in the basis of accounting recognition and measurement to those required by *AASB 1023 General Insurance Contracts*. The differences primarily stem from the prospective liability valuation requirements prescribed by APRA in Prudential Standard *GPS 210 - Liability Valuation for General Insurers*.

The accounting differences are summarised below:

Insurance Revenue: For regulatory reporting, premium income is recognised fully from the date of acceptance of risk, reinsurance premiums are recognised as a fully paid reinsurance expense and deferred acquisition costs are recognised fully as an acquisition cost. They are not deferred and amortised in accordance with *AASB 1023* and consequently there is no unearned premium, deferred reinsurance expense or deferred acquisition cost provisions. APRA reporting differs in the recognition and not the measurement of these revenue and expense items.

Outstanding Claims Provision (OCP): This has the same basis for recognition, but must be measured in accordance with *GPS 210* rather than in accordance with *AASB 1023*.

Premium Liabilities: The concept of Premium Liabilities is not recognised by *AASB 1023* and represents a forward-looking provision for claims yet to be incurred on the current written premiums.

GPS 210 requires a prospective basis for the recognition and measurement of insurance liability likely to arise from business written. *AASB 1023* does not have a similar requirement. A result of this is that expected future profit or loss on this written business is recognised earlier than would be the case under *AASB 1023*.

For APRA reporting, Premium Liabilities are recognised as a liability in *GRF 300.0 Statement of Financial Position* (Balance Sheet) and the movement in Premium Liabilities is recognised as a component of claims expense in *GRF 310.0 Statement of Financial Performance* (Profit and Loss). Under this approach, claims expense has two separately identifiable components. The first relates to the OCP (i.e. current year and prior year claims) and the other relates to the Premium Liabilities (i.e. future years claims).

Highlights

Users should be aware that the following points are based on APRA returns and will not necessarily correspond with insurers' published accounts (see 'Important notice' for more information).

Main features

- Net premium revenue for the total industry for the year ended 31 March 2007 was \$21.5 billion, up 2.2 per cent on the twelve months to March 2006. Of this, direct insurers wrote \$20.5 billion (95.3 per cent), up 3.6 per cent on the previous twelve month figure. The remaining \$1.0 billion (4.7 per cent) was written by reinsurers, down 20.3 per cent on the previous twelve months.
- Net incurred claims for the industry for the year ended 31 March 2007 was \$11.8 billion, down \$1.3 billion on the previous year. This figure comprised of direct insurer claims of \$11.5 billion (down \$1 billion on the previous year) and reinsurer claims of \$0.3 billion (down \$0.3 billion on the previous year).
- The net loss ratio for the industry in the year ended 31 March 2007 was 55 per cent, down from 62 per cent in the year ended 31 March 2006.
- The industry underwriting expense ratio for the year ended 31 March 2007 remained steady at 27 per cent from the year ended 31 March 2006. Total industry underwriting expenses increased \$0.1 billion to \$5.7 billion in the twelve months to 31 March 2007.
- The industry underwriting result for the twelve months to 31 March 2007 was a \$4.0 billion surplus, an increase of \$1.7 billion on the previous year.
- Total industry net profit after tax for the year ended 31 March 2007 was \$5.6 billion (March 2006 - \$5.2 billion). Return on net assets was 22.1 per cent for the year, up from 21.4 per cent for the March 2006 year. Direct insurers accounted for \$5.1 billion (92 per cent) of the industry profit.
- Total assets for the insurance industry were \$86.6 billion as at 31 March 2007, an increase of \$3.2 billion on the previous year. The direct insurance sector accounts for \$77.6 billion (89.6 per cent) of this figure. Industry assets at 31 March 2007 were offset by liabilities of \$61.4 billion, an increase of \$3.0 billion.
- The net assets figure of \$25.3 billion as at 31 March 2007 represents an increase of \$0.2 billion from March 2006 and an increase of \$1.9 billion over the two years from March 2005.
- APRA has not commented on the figures relating to the individual quarters reported in this publication. This is due to a number of factors including:
 - General insurance financial data are often seasonal and figures from quarter to quarter are not necessarily representative of trends in the industry
 - The realignment of industry reporting to APRA's required prospective basis in December 2005 has caused a shift in the quarter in which some transactions are now reported when compared to previous quarters of the same year and equivalent quarters of previous years.

Insurers by class of business

As at 31 March 2007 there were 131 licensed insurers operating in Australia - 110 insurers writing predominantly direct business, and 21 insurers predominantly writing reinsurance business.

At a class of business level the number of licensed insurers writing new business has remained stable from March 2005 to March 2007. Thirty per cent of insurers wrote marine and aviation business for the quarter ending 31 March 2007, the highest of any class of business. A high proportion of insurers also wrote homeowners/householders and public and product liability classes of business.

Insurers by class of business^a

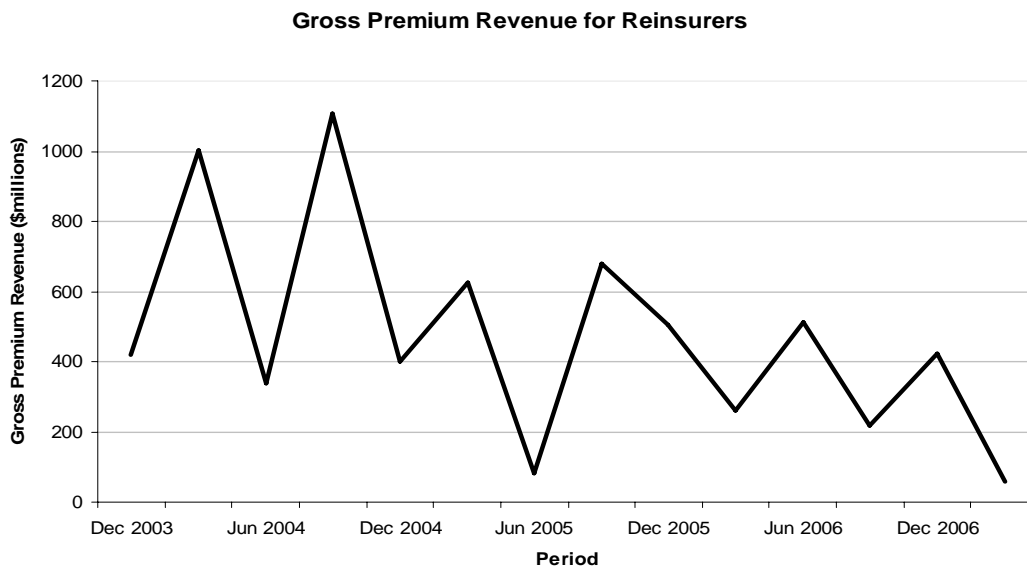
Class of business	Mar 05	Mar 06	Mar 07
Houseowners/householders	37	39	38
Commercial motor vehicle	27	29	26
Domestic motor vehicle	35	35	36
Travel	14	15	15
Fire and ISR	38	37	37
Marine and aviation	37	40	39
Mortgage	10	9	10
Consumer credit	15	14	14
Other accident	35	37	36
Other	38	37	38
CTP motor vehicle	10	10	10
Public and product liability	37	38	38
Professional indemnity	23	20	24
Employers' liability	15	15	16
Inwards reinsurance	34	34	32

^a Only includes active insurers writing positive premiums.

Prospective accounting

Under prospective accounting insurers are required to recognise premium revenue and expenses when contracts are bound. Insurers that did not report on a prospective basis in the December 2005 quarter rectified their reporting methods in March 2006. The data has been influenced by these adjustments.

For reinsurers, the majority of reinsurance contracts are written in the December and June quarters (see figure 1). As these contracts are mainly bound in these quarters and are required to be recognised in these quarters under the prospective accounting framework, the data will reflect the shift in gross written premium from the March and September quarters in previous periods to the December and June quarters.



Key statistics

	Quarter end					Year end Mar 2006	Year end Mar 2007
	Mar 2006	Jun 2006	Sep 2006	Dec 2006	Mar 2007		
Total industry							
Net premium revenue (\$m)	4,742	6,238	5,355	5,167	4,759	21,064	21,519
Net incurred claims (\$m)	3,275	3,095	3,387	2,381	2,914	13,122	11,777
Underwriting result (\$m)	120	1,680	597	1,259	464	2,313	3,999
Investment income (\$m)	1,018	855	1,050	891	1,399	5,148	4,195
Net profit / loss (\$m)	737	1,728	1,121	1,455	1,268	5,195	5,573
Net loss ratio	69%	50%	63%	46%	61%	62%	55%
Total assets (\$m)	83,482	83,021	83,908	84,603	86,629	83,482	84,603
Net assets (\$m)	25,098	25,025	24,979	25,525	25,257	25,098	25,525
Return on total assets ^a	3.6%	8.3%	5.4%	6.9%	5.9%	6.4%	6.6%
Return on net assets ^a	11.7%	27.6%	17.9%	23.0%	20.0%	21.3%	22.1%
Direct insurers							
Net premium revenue (\$m)	4,597	5,762	5,158	4,802	4,798	19,811	20,519
Net incurred claims (\$m)	3,164	2,780	3,344	2,360	3,009	12,484	11,493
Underwriting result (\$m)	159	1,589	495	1,031	442	2,064	3,556
Investment income (\$m)	907	830	914	853	1,285	4,577	3,881
Net profit / loss (\$m)	690	1,672	972	1,293	1,188	4,656	5,126
Net loss ratio	69%	48%	65%	49%	63%	63%	56%
Total assets (\$m)	73,523	73,254	74,480	75,371	77,579	73,523	75,371
Net assets (\$m)	22,001	21,864	21,882	22,497	22,155	22,001	22,497
Return on total assets ^a	3.8%	9.1%	5.3%	6.9%	6.2%	6.6%	6.8%
Return on net assets ^a	12.5%	30.5%	17.8%	23.3%	21.3%	21.9%	23.2%
Reinsurers							
Net premium revenue (\$m)	146	476	198	366	-39	1,254	1,000
Net incurred claims (\$m)	111	315	43	21	-96	639	284
Underwriting result (\$m)	-39	92	102	228	22	250	444
Investment income (\$m)	110	25	136	38	114	570	314
Net profit / loss (\$m)	47	56	149	162	80	539	447
Net loss ratio	76%	66%	22%	6%	244%	51%	28%
Total assets (\$m)	9,958	9,767	9,428	9,232	9,050	9,958	9,232
Net assets (\$m)	3,097	3,161	3,097	3,028	3,102	3,097	3,028
Return on total assets ^a	1.9%	2.3%	6.2%	6.9%	3.5%	5.2%	4.7%
Return on net assets ^a	6.2%	7.1%	19.1%	21.2%	10.4%	17.2%	14.4%

^a Quarterly figures expressed as annual percentage rates. See *returns* in the glossary.

Table 1 Industry financial performance

(\$ million)

	Quarter end					Year end Mar 2006	Year end Mar 2007
	Mar 2006	Jun 2006	Sep 2006	Dec 2006	Mar 2007		
Gross premium revenue	6,361	8,429	7,084	6,995	6,455	28,155	28,964
<i>of which:</i>							
Direct business	5,220	6,958	5,934	5,650	5,493	23,066	24,035
Inwards reinsurance	1,141	1,471	1,150	1,345	962	5,090	4,929
Outwards reinsurance expense	1,619	2,191	1,729	1,828	1,696	7,092	7,444
Net premium revenue	4,742	6,238	5,355	5,167	4,759	21,064	21,519
Gross incurred claims	4,916	4,658	4,837	3,938	4,721	18,787	18,154
<i>of which:</i>							
Direct business	3,892	3,830	4,044	3,049	3,973	15,122	14,896
Inwards reinsurance	1,025	829	793	889	748	3,666	3,259
Non-reinsurance recoveries revenue	463	355	386	486	748	1,800	1,977
Reinsurance recoveries revenue	1,178	1,208	1,063	1,071	1,059	3,864	4,401
Net incurred claims	3,275	3,095	3,387	2,381	2,914	13,122	11,777
Acquisition costs	756	796	786	874	831	3,120	3,287
Other underwriting expenses	481	551	429	561	413	2,075	1,953
Levies and charges	201	220	242	196	215	820	874
Commission revenue	90	104	85	104	77	386	371
Total underwriting expenses	1,348	1,463	1,371	1,527	1,382	5,628	5,743
Underwriting result	120	1,680	597	1,259	464	2,313	3,999
Investment income	1,018	855	1,050	891	1,399	5,148	4,195
Other operating expenses	394	512	441	518	455	1,587	1,925
Other items ^a	-7	-295	-85	-177	-139	-680	-697
Net profit / loss after tax	737	1,728	1,121	1,455	1,268	5,195	5,573
Number of entities	133	133	133	132	131	133	131

^a The composition of this item has changed from March 2007 onwards. See the glossary for details.

Table 2 Industry financial position

(\$ million)

	Dec 2005	Mar 2006	Jun 2006	Sep 2006	Dec 2006	Mar 2007
Cash and liquid assets	1,817	1,428	1,657	1,767	1,561	1,704
Investments	55,677	57,503	55,370	56,155	58,232	58,505
<i>of which:</i>						
Interest	39,269	40,507	39,056	39,586	40,607	41,303
Equity	4,837	5,168	5,072	5,055	4,845	4,849
Indirect investments	3,241	3,396	3,137	3,519	4,815	4,182
Property	484	484	515	516	551	498
Loans and advances	2,416	2,574	2,161	2,102	2,078	2,359
Other investments	5,430	5,374	5,429	5,379	5,336	5,314
Reinsurance recoverables	8,989	9,315	9,563	9,627	9,468	9,668
Non-reinsurance recoverables ^a	2,397	2,309	2,248	2,253	2,283	4,135
Premium receivables	6,071	5,594	7,185	6,523	6,241	5,710
Intangible assets	1,483	1,490	1,494	1,500	927	959
Other assets ^a	5,851	5,842	5,504	6,083	5,891	5,950
Total assets	82,286	83,482	83,021	83,908	84,603	86,629
Outstanding Claims Provision	35,137	36,420	35,228	35,587	35,101	36,046
Premium Liabilities	13,346	12,827	13,906	13,919	13,664	13,130
Tax provisions	1,824	1,684	1,161	1,505	1,257	1,424
Payables on reinsurance contracts	1,171	1,102	1,456	1,206	1,176	1,038
Borrowings and loan capital	2,127	2,356	2,349	2,320	2,743	2,390
Other liabilities ^a	3,328	3,995	3,897	4,394	5,137	7,344
Total liabilities	56,933	58,383	57,996	58,929	59,078	61,372
Share capital	13,793	13,803	13,673	13,480	13,857	14,196
Reserves	1,253	1,255	1,336	1,352	778	653
Retained profits	10,307	10,040	10,016	10,146	10,890	10,408
Net assets	25,353	25,098	25,025	24,979	25,525	25,257
Number of entities	133	133	133	133	132	131

^a The composition of this item has changed from March 2007 onwards. See the glossary for details.

Table 3 Industry key performance ratios

	Quarter end					Year end Mar 2006	Year end Mar 2007
	Mar 2006	Jun 2006	Sep 2006	Dec 2006	Mar 2007		
Outwards reinsurance expense (\$m)	1,619	2,191	1,729	1,828	1,696	7,092	7,444
Gross premium revenue (\$m)	6,361	8,429	7,084	6,995	6,455	28,155	28,964
Cession ratio	25%	26%	24%	26%	26%	25%	26%
Gross incurred claims (net of non-reinsurance recoveries) (\$m)	4,453	4,303	4,449	3,449	3,973	16,987	16,178
Gross premium revenue (\$m)	6,361	8,429	7,084	6,995	6,455	28,155	28,964
Gross loss ratio	70%	51%	63%	49%	62%	60%	56%
Net incurred claims (\$m)	3,275	3,095	3,387	2,381	2,914	13,122	11,777
Net premium revenue (\$m)	4,742	6,238	5,355	5,167	4,759	21,064	21,519
Net loss ratio	69%	50%	63%	46%	61%	62%	55%
Underwriting expenses (\$m)	1,348	1,463	1,371	1,527	1,382	5,628	5,743
Net premium revenue (\$m)	4,742	6,238	5,355	5,167	4,759	21,064	21,519
U/W expense ratio	28%	23%	26%	30%	29%	27%	27%
Net U/W combined ratio	97%	73%	89%	76%	90%	89%	81%
Investment income (\$m)	1,018	855	1,050	891	1,399	5,148	4,195
Average total investments (\$m)	56,590	56,437	55,763	57,194	58,368	54,751	58,004
Return on total investments^a	7.2%	6.1%	7.5%	6.2%	9.6%	9.4%	7.2%
Net profit after tax (\$m)	737	1,728	1,121	1,455	1,268	5,195	5,573
Average total assets (\$m)	82,884	83,251	83,465	84,255	85,616	80,652	85,055
Return on total assets^a	3.6%	8.3%	5.4%	6.9%	5.9%	6.4%	6.6%
Net profit after tax (\$m)	737	1,728	1,121	1,455	1,268	5,195	5,573
Average net assets (\$m)	25,226	25,062	25,002	25,252	25,391	24,381	25,178
Return on net assets^a	11.7%	27.6%	17.9%	23.0%	20.0%	21.3%	22.1%
Number of entities	133	133	133	132	131	133	131

^a Quarterly figures expressed as annual percentage rates. See *returns* in the glossary.

Table 4 Direct insurer financial performance

(\$ million)

	Quarter end					Year end Mar 2006	Year end Mar 2007
	Mar 2006	Jun 2006	Sep 2006	Dec 2006	Mar 2007		
Gross premium revenue	6,099	7,917	6,866	6,574	6,395	26,629	27,751
Outwards reinsurance expense	1,502	2,155	1,708	1,772	1,596	6,819	7,232
Net premium revenue	4,597	5,762	5,158	4,802	4,798	19,811	20,519
Gross incurred claims	4,706	4,395	4,803	3,929	4,767	18,019	17,893
Non-reinsurance recoveries revenue	463	355	388	489	748	1,800	1,980
Reinsurance recoveries revenue	1,079	1,260	1,071	1,079	1,010	3,735	4,421
Net incurred claims	3,164	2,780	3,344	2,360	3,009	12,484	11,493
Acquisition costs	691	736	733	768	802	2,845	3,039
Other underwriting expenses	472	541	429	550	407	1,984	1,927
Levies and charges	201	220	242	196	215	819	873
Commission revenue	90	104	85	103	77	385	368
Total underwriting expenses	1,274	1,394	1,319	1,411	1,347	5,263	5,471
Underwriting result	159	1,589	495	1,031	442	2,064	3,556
Investment income	907	830	914	853	1,285	4,577	3,881
Other operating expenses	365	482	413	498	431	1,488	1,824
Other items ^a	-11	-263	-24	-93	-107	-499	-487
Net profit / loss after tax	690	1,672	972	1,293	1,188	4,656	5,126
Number of entities	112	112	112	111	110	112	110

^a The composition of this item has changed from March 2007 onwards. See the glossary for details.

Table 5 Direct insurer financial position

(\$ million)

	Dec 2005	Mar 2006	Jun 2006	Sep 2006	Dec 2006	Mar 2007
Cash and liquid assets	1,689	1,331	1,484	1,673	1,452	1,604
Investments	47,921	49,640	47,932	48,770	51,013	51,181
<i>of which:</i>						
Interest	32,718	33,931	32,815	33,002	34,186	34,884
Equity	4,209	4,488	4,520	4,765	4,591	4,567
Indirect investments	3,118	3,292	3,021	3,402	4,696	4,040
Property, Loans and Advances and Other investments	7,876	7,929	7,575	7,602	7,540	7,691
Reinsurance and other recoverables ^a	10,890	11,047	11,299	11,396	11,306	13,320
Premium receivables	4,950	4,577	5,997	5,456	5,200	4,934
Intangible and other assets ^a	6,912	6,928	6,541	7,185	6,400	6,541
Total assets	72,362	73,523	73,254	74,480	75,371	77,579
Outstanding Claims Provision	30,289	31,460	30,401	30,798	30,531	31,518
Premium Liabilities	12,292	11,857	12,763	12,930	12,657	12,341
Tax provisions	1,528	1,426	965	1,288	992	1,207
Payables on reinsurance contracts	919	818	1,220	1,048	1,003	815
Borrowings and loan capital and other liabilities ^a	5,032	5,962	6,040	6,535	7,690	9,544
Total liabilities	50,061	51,523	51,390	52,599	52,874	55,424
Share capital	11,650	11,661	11,531	11,501	11,879	12,218
Reserves	1,026	1,030	1,105	1,120	543	424
Retained profits	9,625	9,310	9,229	9,260	10,075	9,513
Net assets	22,301	22,001	21,864	21,882	22,497	22,155
Number of entities	112	112	112	112	111	110

^a The composition of this item has changed from March 2007 onwards. See the glossary for details.

Table 6 Direct insurer key performance ratios

	Quarter end					Year end Mar 2006	Year end Mar 2007
	Mar 2006	Jun 2006	Sep 2006	Dec 2006	Mar 2007		
Outwards reinsurance expense (\$m)	1,502	2,155	1,708	1,772	1,596	6,819	7,232
Gross premium revenue (\$m)	6,099	7,917	6,866	6,574	6,395	26,629	27,751
Cession ratio	25%	27%	25%	27%	25%	26%	26%
Gross incurred claims (net of non-reinsurance recoveries) (\$m)	4,242	4,040	4,415	3,439	4,019	16,217	15,913
Gross premium revenue (\$m)	6,099	7,917	6,866	6,574	6,395	26,629	27,751
Gross loss ratio	70%	51%	64%	52%	63%	61%	57%
Net incurred claims (\$m)	3,164	2,780	3,344	2,360	3,009	12,484	11,493
Net premium revenue (\$m)	4,597	5,762	5,158	4,802	4,798	19,811	20,519
Net loss ratio	69%	48%	65%	49%	63%	63%	56%
Underwriting expenses (\$m)	1,274	1,394	1,319	1,411	1,347	5,263	5,471
Net premium revenue (\$m)	4,597	5,762	5,158	4,802	4,798	19,811	20,519
U/W expense ratio	28%	24%	26%	29%	28%	27%	27%
Net U/W combined ratio	97%	72%	90%	79%	91%	90%	83%
Investment income (\$m)	907	830	914	853	1,285	4,577	3,881
Average total investments (\$m)	48,781	48,786	48,351	49,891	51,097	46,955	50,411
Return on total investments^a	7.4%	6.8%	7.6%	6.8%	10.1%	9.7%	7.7%
Net profit after tax (\$m)	690	1,672	972	1,293	1,188	4,656	5,126
Average total assets (\$m)	72,943	73,389	73,867	74,926	76,475	70,383	75,551
Return on total assets^a	3.8%	9.1%	5.3%	6.9%	6.2%	6.6%	6.8%
Net profit after tax (\$m)	690	1,672	972	1,293	1,188	4,656	5,126
Average Net assets (\$m)	22,151	21,932	21,873	22,189	22,326	21,246	22,078
Return on net assets^a	12.5%	30.5%	17.8%	23.3%	21.3%	21.9%	23.2%
Number of entities	112	112	112	111	110	112	110

^a Quarterly figures expressed as annual percentage rates. See *returns* in the glossary.

Table 7 Reinsurer financial performance

(\$ million)

	Quarter end					Year end Mar 2006	Year end Mar 2007
	Mar 2006	Jun 2006	Sep 2006	Dec 2006	Mar 2007		
Gross premium revenue	262	513	218	422	61	1,526	1,213
Outwards reinsurance expense	116	36	20	56	100	271	213
Net premium revenue	146	476	198	366	-39	1,254	1,000
Gross incurred claims	211	263	34	10	-46	769	261
Non-reinsurance recoveries revenue	0	0	0	0	0	0	0
Reinsurance recoveries revenue	100	-52	-9	-12	50	130	-23
Net incurred claims	111	315	43	21	96	639	284
Acquisition costs	65	60	53	106	29	275	248
Other underwriting expenses	9	10	0	11	5	91	26
Levies and charges	0	0	0	0	0	0	1
Commission revenue	0	0	1	1	0	3	2
Total underwriting expenses	74	69	52	117	34	365	272
Underwriting result	-39	92	102	228	22	250	444
Investment income	110	25	136	38	114	570	314
Other operating expenses	28	29	27	20	24	98	101
Other items ^a	4	-32	-62	-84	-32	-182	-209
Net profit / loss after tax	47	56	149	162	80	539	447
Number of entities	21	21	21	21	21	21	21

^a The composition of this item has changed from March 2007 onwards. See the glossary for details.

Table 8 Reinsurer financial position

(\$ million)

	Dec 2005	Mar 2006	Jun 2006	Sep 2006	Dec 2006	Mar 2007
Cash and liquid assets	128	97	173	94	109	100
Investments	7,756	7,863	7,438	7,385	7,219	7,324
<i>of which:</i>						
Interest	6,551	6,576	6,241	6,584	6,422	6,419
Equity	628	680	552	290	254	283
Indirect investments	123	105	116	117	118	142
Property, Loans and Advances and Other investments	454	502	529	394	426	480
Reinsurance and other recoverables ^a	496	577	512	484	445	483
Premium receivables	1,121	1,017	1,188	1,067	1,041	776
Intangible and other assets ^a	422	404	457	398	417	368
Total assets	9,924	9,958	9,767	9,428	9,232	9,050
Outstanding Claims Provision	4,849	4,960	4,827	4,788	4,569	4,528
Premium Liabilities	1,053	970	1,143	988	1,007	789
Tax provisions	296	258	195	217	265	217
Payables on reinsurance contracts	252	284	235	158	173	223
Borrowings and loan capital and other liabilities ^a	422	389	207	179	190	190
Total liabilities	6,872	6,861	6,606	6,331	6,204	5,948
Share capital	2,143	2,143	2,143	1,979	1,979	1,979
Reserves	227	225	231	232	235	228
Retained profits	682	730	788	886	815	895
Net assets	3,052	3,097	3,161	3,097	3,028	3,102
Number of entities	21	21	21	21	21	21

^a The composition of this item has changed from March 2007 onwards. See the glossary for details.

Table 9 Reinsurer key performance ratios

	Quarter end					Year end Mar 2006	Year end Mar 2007
	Mar 2006	Jun 2006	Sep 2006	Dec 2006	Mar 2007		
Outwards reinsurance expense (\$m)	116	36	20	56	100	271	213
Gross premium revenue (\$m)	262	513	218	422	61	1,526	1,213
Cession ratio	44%	7%	9%	13%	165%	18%	18%
Gross incurred claims (net of non-reinsurance recoveries) (\$m)	211	263	34	13	-46	769	264
Gross premium revenue (\$m)	262	513	218	422	61	1,526	1,213
Gross loss ratio	80%	51%	16%	3%	-76%	50%	22%
Net incurred claims (\$m)	111	315	43	21	-96	639	284
Net premium revenue (\$m)	146	476	198	366	-39	1,254	1,000
Net loss ratio	76%	66%	22%	6%	244%	51%	28%
Underwriting expenses (\$m)	74	69	52	117	34	365	272
Net premium revenue (\$m)	146	476	198	366	-39	1,254	1,000
U/W expense ratio	51%	15%	26%	32%	-88%	29%	27%
Net U/W combined ratio	127%	81%	48%	38%	156%	80%	56%
Investment income (\$m)	110	25	136	38	114	570	314
Average total investments (\$m)	7,810	7,650	7,411	7,302	7,272	7,796	7,593
Return on total investments^a	5.6%	1.3%	7.3%	2.1%	6.3%	7.3%	4.1%
Net profit after tax (\$m)	47	56	149	162	80	539	447
Average total assets (\$m)	9,941	9,863	9,598	9,330	9,141	10,269	9,504
Return on total assets^a	1.9%	2.3%	6.2%	6.9%	3.5%	5.2%	4.7%
Net profit after tax (\$m)	47	56	149	162	80	539	447
Average Net assets (\$m)	3,075	3,129	3,129	3,062	3,065	3,135	3,100
Return on net assets^a	6.2%	7.1%	19.1%	21.2%	10.4%	17.2%	14.4%
Number of entities	21	21	21	21	21	21	21

^a Quarterly figures expressed as annual percentage rates. See *returns* in the glossary.

Explanatory notes

Introduction

The information contained in this publication is not directly comparable to APRA's previous publication *General Insurance Trends* (Trends) due to:

- the change in prudential reporting framework that took effect on 1 July 2002, described in the Important notice; and
- changes that have been made in the definition of some ratios to better align with industry standards. For more detail on the specific ratios see the glossary at the end of the publication.

The direct insurer and reinsurer tables in this publication do not correspond exactly to tables at industry level. Some items have been collapsed so as to maintain the confidentiality of individual insurers.

Source of data

Data in this publication are sourced from regulatory returns submitted to APRA under the *Financial Sector (Collection of Data) Act 2001* by authorised General Insurance companies. Statistics on Lloyd's Australian operations are not included in this publication.

Blank copies of the returns and associated instructions are available on the APRA website.

Basis of preparation

Data based on APRA reporting requirements differ from *AASB 1023 General Insurance Contracts*, and figures are not directly comparable to accounts prepared on this basis. These differences have been summarised at the beginning of this publication and more detailed information is available on the APRA website.

Figures in this publication are prepared from the individual authorised insurer accounts, not consolidated insurance group accounts. Transactions between related entities within the same insurance group have not been eliminated. Examples of such transactions include intra-group reinsurance arrangements (premiums, claims, reinsurance recoveries, provisions) and loans between parents and subsidiaries.

Due to the nature of the insurance and reinsurance industry, double counting of claims and premiums will occur in gross measures. Inwards reinsurance essentially reflects a restatement of premium that has already been included in the direct business figures (where the business is ceded by Australian authorised insurers).

Figures represent the total operations of Australian authorised insurers, not only business undertaken within Australia.

Glossary

Definitions

Average total asset and net asset items are the average of the opening and closing balances of the relevant item over the period.

Cession ratio is *outwards reinsurance expense* divided by *gross premium revenue*.

Gross loss ratio is *gross incurred claims less non-reinsurance recoveries revenue* divided by *gross premium revenue*.

Gross incurred claims comprises claims paid during the period, movements in the *outstanding claims provision* and movements in *premium liabilities*.

Gross premium revenue is recognised fully when the business is written. The accounting concepts of earned and unearned premium are no longer recognised under the APRA prudential framework, hence this item is not consistent with *AASB 1023* requirements. Instead, the potential claims liabilities arising from the uncovered term of written insurance business are recognised through the creation of *premium liabilities*.

Net U/W combined ratio is the sum of the *net loss ratio* and the *u/w expense ratio* (i.e. *net incurred claims plus underwriting expenses* divided by *net premium revenue*).

Net loss ratio is *gross claims expense less reinsurance and other recoveries revenue* divided by *net premium revenue*.

Net incurred claims is *gross incurred claims* net of *reinsurance and non-reinsurance recoveries revenue*.

Net premium revenue is *gross premium revenue* net of *outwards reinsurance expense*.

Net profit/loss refers to profit or loss from ordinary activities after income tax, before extraordinary items.

Non-reinsurance recoverables comprise recoverables from subrogation, salvage, sharing arrangements etc, net of provision for doubtful debts and input tax credits (from March 2007 onwards due to revised general insurance reporting forms).

Non-reinsurance recoveries revenue comprises amounts the insurer has recovered or is entitled to recover from subrogation, salvage and other non-reinsurance recoveries.

Other assets comprises investment income receivable, other reinsurance assets receivable from reinsurers (i.e. other than reinsurance recoveries), GST receivable, other receivables, tax assets, plant and equipment (net of depreciation), derivative assets held at fair value (from March 2007 onwards due to AIFRS) and other assets.

Other investments are strategic investments/acquisitions and other investments that do not constitute investments integral to insurance operations.

Other items comprises other operating income and income tax expense or benefit (and goodwill amortisation in periods *prior* to March 2007).

Other liabilities comprises creditors and accruals, other provisions, derivative liabilities held at fair value (from March 2007 onwards due to AIFRS) and other liabilities.

Other operating expenses are all operating expenses not related to underwriting.

Outstanding claims provision is the insurer's liability for outstanding claims. It recognises the potential cost to the insurer of settling claims which it has incurred at the reporting date (including estimates of claims that have not yet been notified to the insurer), but which have not been paid. The amount reported is after taking account of inflation and discounting, without deducting *reinsurance and non-reinsurance recoveries*.

Outwards reinsurance expense is premium ceded to reinsurers, recognised as an expense fully when incurred or contracted.

Payables on reinsurance contracts comprise amounts payable to reinsurers. This includes premiums payable but not yet due for payment, deposits withheld from reinsurers, commissions due to reinsurers and the reinsurers' portion of recoveries and salvage.

Premium liabilities relate to the future claims arising from future events insured under existing policies. This fully prospective determination is a more effective means of recognising potential risk than the accounting concept of unearned premium. The amount reported is after taking account of inflation and discounting, without deducting *reinsurance and non-reinsurance recoveries*.

Premium receivables are premiums due, net of provision for doubtful debts, including unclosed business written close to the reporting date.

Reinsurance recoverables comprise amounts recoverable under reinsurance contracts.

Reinsurance and other recoverables is the aggregate of *reinsurance recoverables* and *non-reinsurance recoverables*.

Reinsurance recoveries revenue comprises amounts the insurer has recovered or is entitled to recover from reinsurers on incurred claims during the reporting period.

Reinsurers are those insurers who, excluding intra-group arrangements, predominantly undertake liability by way of reinsurance business.

Return on total assets is *net profit/loss* divided by the average on-balance sheet total assets for the period. See *returns* (below).

Return on net assets is net profit/loss divided by the average net assets for the period. See *returns* (below).

Return on total investments is investment income divided by the average total investments for the period. See *returns* (below).

Returns are expressed as annual percentage rates. For quarterly returns this is achieved by multiplying the rate, calculated using the formulae above, by 4. For returns relating to financial/calendar years, this is achieved by using the full year income/profit and average asset/equity figures to calculate the rate.

U/W expense ratio is *underwriting expenses* divided by *net premium revenue*.

Underwriting expenses are expenses incurred as a result of underwriting activities: i.e. acquisition costs plus levies and charges plus other underwriting expenses not including *outwards reinsurance expense* less commission revenue.

Underwriting result is *net premium revenue* less *net incurred claims* and *underwriting expenses*.



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