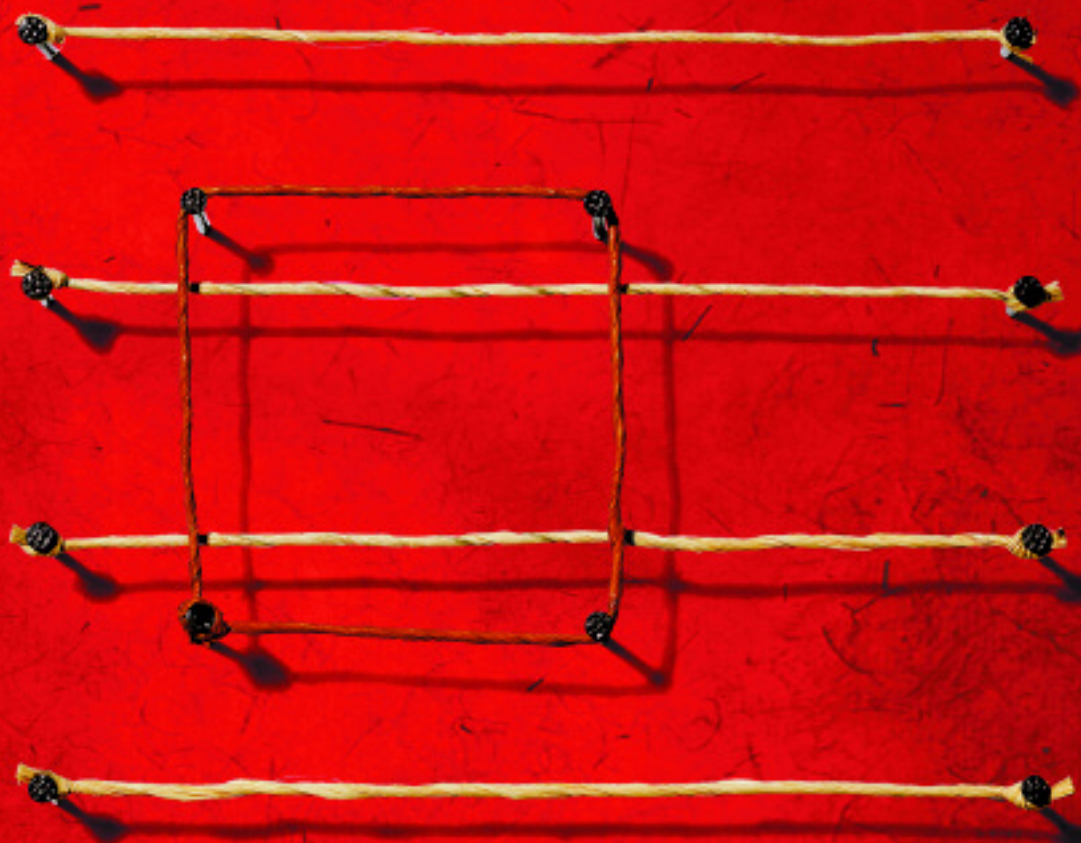




Statistics

Quarterly General Insurance Performance

September 2007 (issued 20 December 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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Important notice

Changes made to the General Insurance Reporting Framework in January 2007 have impacted figures from March 2007. These changes have arisen as a result of:

- *the introduction of IFRS;*
- *GI Stage II reforms; and*
- *feedback from industry as a result of using these forms since their introduction in 2002.*

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 310 - Audit and Actuarial Reporting and Valuation*.

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 generally 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 310* 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 310 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

Main features

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).

- Net premium revenue for the total industry for the year ended 30 September 2007 was \$22.3 billion, up 3.9 per cent on the twelve months to September 2006. Of this, direct insurers wrote \$21.0 billion (94.0 per cent). The remaining \$1.3 billion (6.0 per cent) was written by reinsurers.
- Net incurred claims for the industry for the year ended 30 September 2007 were \$12.7 billion, down 0.2 per cent on the previous year. This figure comprised of direct insurer claims of \$12.3 billion and reinsurer claims of \$0.4 billion.
- The net loss ratio for the industry for the year ended 30 September 2007 was 56.9 per cent, down from 59.2 per cent for the year ended 30 September 2006.
- The industry underwriting expense ratio for the year ended 30 September 2007 was 27.8%, up from 26.6% in the year ended 30 September 2006. Total industry underwriting expenses increased to \$6.2 billion in the twelve months to 30 September 2007, an increase of 8.8 per cent over the previous year (September 2006 - \$5.7 billion).
- The industry underwriting result for the year ended 30 September 2007 was a surplus of \$3.4 billion, an increase of 12.0 per cent on the previous year.
- Total industry net profit after tax for the year ended 30 September 2007 was \$5.2 billion (September 2006 - \$5.1 billion). Return on total net assets was 20.3 per cent for the year, down from 20.7 per cent for the September 2006 year. Direct insurers accounted for \$4.7 billion (89.4 per cent) of the industry profit.
- Total assets for the industry were \$90.1 billion as at 30 September 2007, an increase of \$6.2 billion (7.4 per cent) on the previous year. The direct insurance sector accounts for \$80.9 billion (89.8 per cent) of this figure. Industry assets at 30 September 2007 were offset by liabilities of \$63.6 billion, an increase of \$4.7 billion (7.9 per cent) from September 2006.
- The shareholders' equity figure of \$26.5 billion as at 30 September 2007 represents an increase of 5.9 per cent from September 2006 and an increase of 7.4 per cent over the two years from September 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
 - Volatility between quarterly figures has risen for some items following exits and entries in the industry and severe NSW storms in June 2007.
 - Changes made to the General Insurance Reporting Framework in January 2007 have redefined the composition of some figures in the periods from March 2007 onwards.

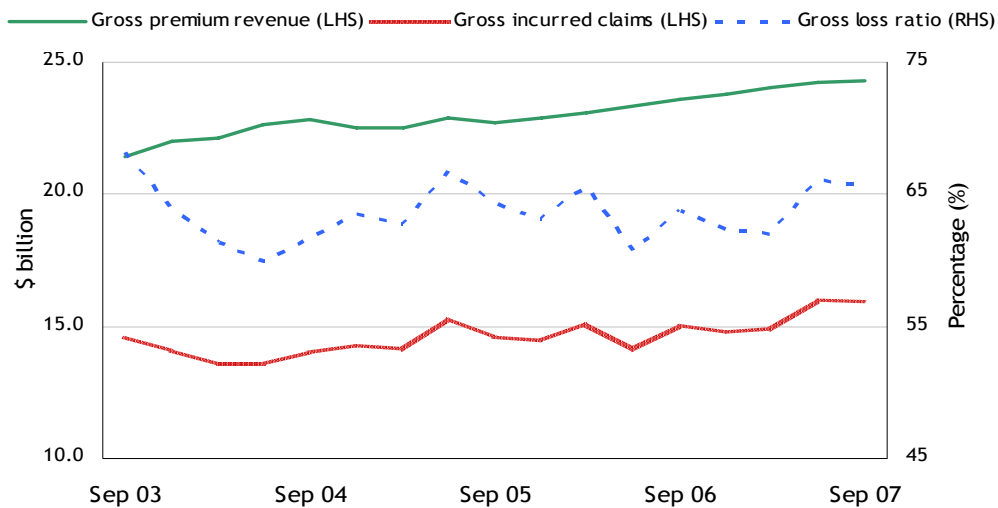
General insurers' gross premiums and claims

Direct business accounted for \$24.3 billion (81 per cent) of the \$30.0 billion in gross premium revenue reported over the twelve months ending 30 September 2007. The remaining \$5.8 billion (19 per cent) related to inwards reinsurance.

General insurers reported gross claims expenses of \$20.6 billion over the twelve months ending 30 September 2007, of which \$15.9 billion (77 per cent) related to direct business, and \$4.7 billion (23 per cent) related to inwards reinsurance.

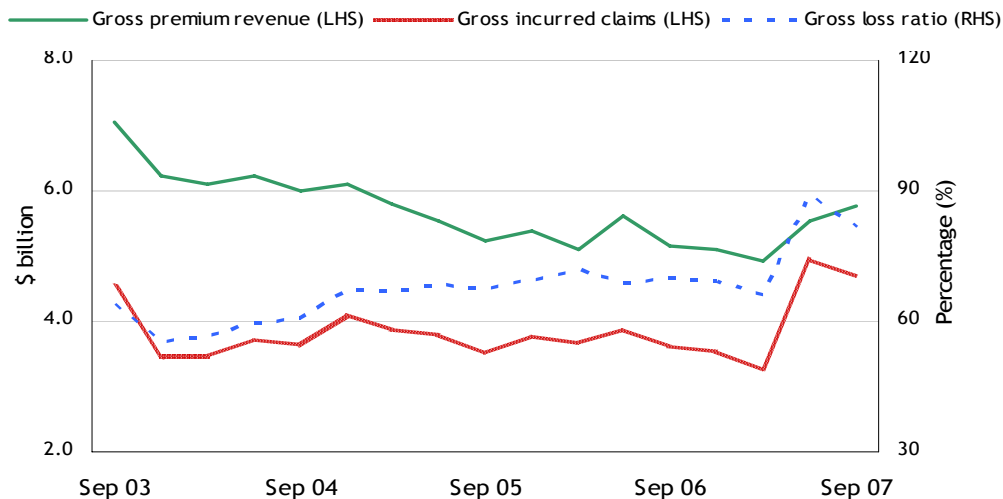
The industry gross loss ratios from direct business and inwards reinsurance were 66 per cent and 81 per cent respectively for the twelve months ending 30 September 2007. The gross loss ratio for inwards reinsurance spiked in 2007 (figure 2) due to an increase in gross claims expense of \$1.74 billion over the June 2007 quarter. This is more than three times the claims expense in the preceding quarter. Much of this was due to the Hunter Valley storms, which the Insurance Council of Australia estimated in September at \$1.47 billion.

Figure 1
Direct business premiums and claims*



*Gross premiums and claims are calculated on a 12 month rolling basis

Figure 2
Inwards reinsurance premiums and claims*



*Gross premiums and claims are calculated on a 12 month rolling basis

Key statistics

	Quarter end					Year end Sep 2006	Year end Sep 2007
	Sep 2006	Dec 2006	Mar 2007	Jun 2007	Sep 2007		
Total industry							
Net premium revenue (\$m)	5,355	5,167	4,758	6,833	5,572	21,490	22,330
Net incurred claims (\$m)	3,387	2,381	2,908	3,973	3,437	12,728	12,699
Underwriting result (\$m)	597	1,259	468	1,162	530	3,053	3,419
Investment income (\$m)	1,050	891	1,399	842	1,101	4,295	4,232
Net profit / loss (\$m)	1,121	1,455	1,273	1,349	1,134	5,130	5,211
Net loss ratio	63%	46%	61%	58%	62%	59%	57%
Total assets (\$m)	83,908	84,603	86,633	90,539	90,077	83,908	90,077
Net assets (\$m)	24,979	25,525	25,245	26,087	26,464	24,979	26,464
Return on total assets ^a	5.4%	6.9%	5.9%	6.1%	5.0%	6.2%	6.0%
Return on net assets ^a	17.9%	23.0%	20.1%	21.0%	17.3%	20.8%	20.3%
Direct insurers							
Net premium revenue (\$m)	5,158	4,802	4,797	6,168	5,219	20,221	20,986
Net incurred claims (\$m)	3,344	2,360	3,003	3,552	3,354	12,043	12,269
Underwriting result (\$m)	495	1,031	446	1,050	371	2,832	2,897
Investment income (\$m)	914	853	1,285	791	1,007	3,855	3,935
Net profit / loss (\$m)	972	1,293	1,193	1,236	939	4,719	4,662
Net loss ratio	65%	49%	63%	58%	64%	60%	58%
Total assets (\$m)	74,480	75,371	77,576	81,387	80,868	74,480	80,868
Net assets (\$m)	21,882	22,497	22,143	23,162	23,411	21,882	23,411
Return on total assets ^a	5.3%	6.9%	6.2%	6.2%	4.6%	6.5%	6.0%
Return on net assets ^a	17.8%	23.3%	21.4%	21.8%	16.1%	21.9%	20.6%
Reinsurers							
Net premium revenue (\$m)	198	366	-39	665	353	1,271	1,344
Net incurred claims (\$m)	43	21	-95	421	83	685	431
Underwriting result (\$m)	102	228	22	113	160	223	522
Investment income (\$m)	136	38	114	51	94	439	297
Net profit / loss (\$m)	149	162	80	113	194	410	549
Net loss ratio	22%	6%	246%	63%	24%	54%	32%
Total assets (\$m)	9,428	9,232	9,057	9,152	9,210	9,428	9,210
Net assets (\$m)	3,097	3,028	3,102	2,925	3,053	3,097	3,053
Return on total assets ^a	6.2%	6.9%	3.5%	5.0%	8.5%	4.2%	5.9%
Return on net assets ^a	19.1%	21.2%	10.4%	15.0%	26.0%	13.2%	17.9%

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

Table 1 Industry financial performance

(\$ million)

	Quarter end					Year end Sep 2006	Year end Sep 2007
	Sep 2006	Dec 2006	Mar 2007	Jun 2007	Sep 2007		
Gross premium revenue	7,084	6,995	6,455	9,250	7,339	28,751	30,039
<i>of which:</i>							
Direct business	5,934	5,650	5,489	7,165	5,972	23,588	24,276
Inwards reinsurance	1,150	1,345	966	2,085	1,366	5,163	5,763
Outwards reinsurance expense	1,729	1,828	1,697	2,417	1,767	7,261	7,709
Net premium revenue	5,355	5,167	4,758	6,833	5,572	21,490	22,330
Gross incurred claims	4,837	3,938	4,718	7,461	4,513	18,640	20,630
<i>of which:</i>							
Direct business	4,044	3,049	3,961	4,963	3,963	15,028	15,936
Inwards reinsurance	793	889	757	2,498	550	3,614	4,693
Non-reinsurance recoveries revenue	386	486	748	556	435	1,630	2,228
Reinsurance recoveries revenue	1,063	1,071	1,062	2,932	641	4,280	5,702
Net incurred claims	3,387	2,381	2,908	3,973	3,437	12,728	12,699
Acquisition costs	786	874	832	1,014	997	3,184	3,717
Other underwriting expenses	429	561	413	543	468	2,027	1,985
Levies and charges	242	196	215	239	226	880	876
Commission revenue	85	104	77	98	86	381	366
Total underwriting expenses	1,371	1,527	1,382	1,698	1,604	5,709	6,212
Underwriting result	597	1,259	468	1,162	530	3,053	3,419
Investment income	1,050	891	1,399	842	1,101	4,295	4,232
Other operating expenses	441	518	453	577	425	1,692	1,973
Other items	-85	-177	-141	-77	-73	-527	-468
Net profit / loss after tax	1,121	1,455	1,273	1,349	1,134	5,130	5,211
Number of entities	133	132	131	131	131	133	131

Table 2 Industry financial position

(\$ million)

	Jun 2006	Sep 2006	Dec 2006	Mar 2007	Jun 2007	Sep 2007
Cash and liquid assets	1,657	1,767	1,561	1,704	1,497	2,607
Investments	55,370	56,155	58,232	58,505	58,524	58,465
<i>of which:</i>						
Interest	39,056	39,586	40,607	41,303	41,259	41,172
Equity	5,072	5,055	4,845	4,849	4,839	4,909
Indirect investments	3,137	3,519	4,815	4,182	4,489	4,279
Property	515	516	551	498	500	534
Loans and advances	2,161	2,102	2,078	2,359	1,834	1,936
Other investments	5,429	5,379	5,336	5,314	5,602	5,634
Reinsurance recoverables	9,563	9,627	9,468	9,671	11,861	11,292
Non-reinsurance recoverables	2,248	2,253	2,283	4,135	4,193	4,217
Premium receivables	7,185	6,523	6,241	5,709	7,826	7,201
Intangible assets	1,494	1,500	927	959	945	938
Other assets	5,504	6,083	5,891	5,951	5,692	5,358
Total assets	83,021	83,908	84,603	86,633	90,539	90,077
Outstanding Claims Provision	35,228	35,587	35,101	36,033	37,571	37,050
Premium Liabilities	13,906	13,919	13,664	13,140	15,002	15,009
Tax provisions	1,161	1,505	1,257	1,426	1,307	1,557
Payables on reinsurance contracts	1,456	1,206	1,176	1,039	1,631	1,403
Borrowings and loan capital	2,349	2,320	2,743	2,407	2,708	2,943
Other liabilities	3,897	4,394	5,137	7,344	6,237	5,651
Total liabilities	57,996	58,929	59,078	61,388	64,451	63,613
Share capital	13,673	13,480	13,857	14,179	14,436	14,448
Reserves	1,336	1,352	778	653	687	703
Retained profits	10,016	10,146	10,890	10,413	10,965	11,313
Net assets	25,025	24,979	25,525	25,245	26,087	26,464
Number of entities	133	133	132	131	131	131

Table 3 Industry key performance ratios

	Quarter end					Year end Sep 2006	Year end Sep 2007
	Sep 2006	Dec 2006	Mar 2007	Jun 2007	Sep 2007		
Outwards reinsurance expense (\$m)	1,729	1,828	1,697	2,417	1,767	7,261	7,709
Gross premium revenue (\$m)	7,084	6,995	6,455	9,250	7,339	28,751	30,039
Cession ratio	24%	26%	26%	26%	24%	25%	26%
Gross incurred claims (net of non-reinsurance recoveries) (\$m)	4,449	3,449	3,970	6,905	4,078	17,008	18,401
Gross premium revenue (\$m)	7,084	6,995	6,455	9,250	7,339	28,751	30,039
Gross loss ratio	63%	49%	62%	75%	56%	59%	61%
Net incurred claims (\$m)	3,387	2,381	2,908	3,973	3,437	12,728	12,699
Net premium revenue (\$m)	5,355	5,167	4,758	6,833	5,572	21,490	22,330
Net loss ratio	63%	46%	61%	58%	62%	59%	57%
Underwriting expenses (\$m)	1,371	1,527	1,382	1,698	1,604	5,709	6,212
Net premium revenue (\$m)	5,355	5,167	4,758	6,833	5,572	21,490	22,330
U/W expense ratio	26%	30%	29%	25%	29%	27%	28%
Net U/W combined ratio	89%	76%	90%	83%	90%	86%	85%
Investment income (\$m)	1,050	891	1,399	842	1,101	4,295	4,232
Average total investments (\$m)	55,763	57,194	58,368	58,514	58,494	54,950	57,310
Return on total investments ^a	7.5%	6.2%	9.6%	5.8%	7.5%	7.8%	7.4%
Net profit after tax (\$m)	1,121	1,455	1,273	1,349	1,134	5,130	5,211
Average total assets (\$m)	83,465	84,255	85,618	88,586	90,308	82,213	86,993
Return on total assets ^a	5.4%	6.9%	5.9%	6.1%	5.0%	6.2%	6.0%
Net profit after tax (\$m)	1,121	1,455	1,273	1,349	1,134	5,130	5,211
Average net assets (\$m)	25,002	25,252	25,385	25,666	26,276	24,675	25,721
Return on net assets ^a	17.9%	23.0%	20.1%	21.0%	17.3%	20.8%	20.3%
Number of entities	133	132	131	131	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 Sep 2006	Year end Sep 2007
	Sep 2006	Dec 2006	Mar 2007	Jun 2007	Sep 2007		
Gross premium revenue	6,866	6,574	6,394	8,540	6,954	27,253	28,461
Outwards reinsurance expense	1,708	1,772	1,597	2,371	1,734	7,033	7,475
Net premium revenue	5,158	4,802	4,797	6,168	5,219	20,221	20,986
Gross incurred claims	4,803	3,929	4,757	6,945	4,341	17,932	19,971
Non-reinsurance recoveries revenue	388	489	748	556	435	1,632	2,229
Reinsurance recoveries revenue	1,071	1,079	1,006	2,837	551	4,257	5,473
Net incurred claims	3,344	2,360	3,003	3,552	3,354	12,043	12,269
Acquisition costs	733	768	803	898	883	2,909	3,351
Other underwriting expenses	429	550	407	528	471	1,938	1,956
Levies and charges	242	196	215	239	226	879	876
Commission revenue	85	103	77	98	86	380	363
Total underwriting expenses	1,319	1,411	1,348	1,567	1,494	5,347	5,820
Underwriting result	495	1,031	446	1,050	371	2,832	2,897
Investment income	914	853	1,285	791	1,007	3,855	3,935
Other operating expenses	413	498	429	548	403	1,591	1,878
Other items	-24	-93	-109	-56	-35	-375	-293
Net profit / loss after tax	972	1,293	1,193	1,236	939	4,719	4,662
Number of entities	112	111	110	110	110	112	110

Table 5 Direct insurer financial position

(\$ million)

	Jun 2006	Sep 2006	Dec 2006	Mar 2007	Jun 2007	Sep 2007
Cash and liquid assets	1,484	1,673	1,452	1,604	1,400	2,481
Investments	47,932	48,770	51,013	51,181	51,623	51,601
<i>of which:</i>						
Interest	32,815	33,002	34,186	34,884	35,126	35,208
Equity	4,520	4,765	4,591	4,567	4,567	4,568
Indirect investments	3,021	3,402	4,696	4,040	4,344	4,137
Property, Loans and Advances and Other investments	7,575	7,602	7,540	7,691	7,586	7,688
Reinsurance and other recoverables	11,299	11,396	11,306	13,317	15,499	14,887
Premium receivables	5,997	5,456	5,200	4,933	6,732	6,139
Intangible and other assets	6,541	7,185	6,400	6,542	6,132	5,761
Total assets	73,254	74,480	75,371	77,576	81,387	80,868
Outstanding Claims Provision	30,401	30,798	30,531	31,506	32,981	32,551
Premium Liabilities	12,763	12,930	12,657	12,342	13,974	13,942
Tax provisions	965	1,288	992	1,208	1,049	1,259
Payables on reinsurance contracts	1,220	1,048	1,003	815	1,434	1,270
Borrowings and loan capital and other liabilities	6,040	6,535	7,690	9,561	8,791	8,435
Total liabilities	51,390	52,599	52,874	55,433	58,225	57,457
Share capital	11,531	11,501	11,879	12,201	12,662	12,660
Reserves	1,105	1,120	543	424	457	473
Retained profits	9,229	9,260	10,075	9,518	10,044	10,278
Net assets	21,864	21,882	22,497	22,143	23,162	23,411
Number of entities	112	112	111	110	110	110

Table 6 Direct insurer key performance ratios

	Quarter end					Year end Sep 2006	Year end Sep 2007
	Sep 2006	Dec 2006	Mar 2007	Jun 2007	Sep 2007		
Outwards reinsurance expense (\$m)	1,708	1,772	1,597	2,371	1,734	7,033	7,475
Gross premium revenue (\$m)	6,866	6,574	6,394	8,540	6,954	27,253	28,461
Cession ratio	25%	27%	25%	28%	25%	26%	26%
Gross incurred claims (net of non-reinsurance recoveries) (\$m)	4,415	3,439	4,008	6,389	3,905	16,299	17,742
Gross premium revenue (\$m)	6,866	6,574	6,394	8,540	6,954	27,253	28,461
Gross loss ratio	64%	52%	63%	75%	56%	60%	62%
Net incurred claims (\$m)	3,344	2,360	3,003	3,552	3,354	12,043	12,269
Net premium revenue (\$m)	5,158	4,802	4,797	6,168	5,219	20,221	20,986
Net loss ratio	65%	49%	63%	58%	64%	60%	58%
Underwriting expenses (\$m)	1,319	1,411	1,348	1,567	1,494	5,347	5,820
Net premium revenue (\$m)	5,158	4,802	4,797	6,168	5,219	20,221	20,986
U/W expense ratio	26%	29%	28%	25%	29%	26%	28%
Net U/W combined ratio	90%	79%	91%	83%	93%	86%	86%
Investment income (\$m)	914	853	1,285	791	1,007	3,855	3,935
Average total investments (\$m)	48,351	49,891	51,097	51,402	51,612	47,422	50,186
Return on total investments ^a	7.6%	6.8%	10.1%	6.2%	7.8%	8.1%	7.8%
Net profit after tax (\$m)	972	1,293	1,193	1,236	939	4,719	4,662
Average total assets (\$m)	73,867	74,926	76,474	79,482	81,127	72,509	77,674
Return on total assets ^a	5.3%	6.9%	6.2%	6.2%	4.6%	6.5%	6.0%
Net profit after tax (\$m)	972	1,293	1,193	1,236	939	4,719	4,662
Average Net assets (\$m)	21,873	22,189	22,320	22,653	23,287	21,569	22,646
Return on net assets ^a	17.8%	23.3%	21.4%	21.8%	16.1%	21.9%	20.6%
Number of entities	112	111	110	110	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 Sep 2006	Year end Sep 2007
	Sep 2006	Dec 2006	Mar 2007	Jun 2007	Sep 2007		
Gross premium revenue	218	422	61	710	385	1,498	1,578
Outwards reinsurance expense	20	56	100	46	32	226	234
Net premium revenue	198	366	-39	665	353	1,271	1,344
Gross incurred claims	34	10	-39	516	172	709	659
Non-reinsurance recoveries revenue	0	0	0	0	0	0	0
Reinsurance recoveries revenue	-9	-12	56	95	89	23	229
Net incurred claims	43	21	-95	421	83	685	431
Acquisition costs	53	106	29	116	114	275	365
Other underwriting expenses	0	11	5	15	3	89	28
Levies and charges	0	0	0	0	0	0	0
Commission revenue	1	1	0	1	1	2	2
Total underwriting expenses	52	117	34	131	110	362	392
Underwriting result	102	228	22	113	160	223	522
Investment income	136	38	114	51	94	439	297
Other operating expenses	27	20	24	29	21	98	95
Other items	-62	-84	-32	-22	-38	-153	-175
Net profit / loss after tax	149	162	80	113	194	410	549
Number of entities	21	21	21	21	21	21	21

Table 8 Reinsurer financial position

(\$ million)

	Jun 2006	Sep 2006	Dec 2006	Mar 2007	Jun 2007	Sep 2007
Cash and liquid assets	173	94	109	100	98	126
Investments	7,438	7,385	7,219	7,324	6,901	6,864
<i>of which:</i>						
Interest	6,241	6,584	6,422	6,419	6,133	5,964
Equity	552	290	254	283	272	341
Indirect investments	116	117	118	142	145	142
Property, Loans and Advances and Other investments	529	394	426	480	350	416
Reinsurance and other recoverables	512	484	445	490	554	622
Premium receivables	1,188	1,067	1,041	776	1,094	1,063
Intangible and other assets	457	398	417	367	505	534
Total assets	9,767	9,428	9,232	9,057	9,152	9,210
Outstanding Claims Provision	4,827	4,788	4,569	4,527	4,590	4,499
Premium Liabilities	1,143	988	1,007	798	1,027	1,067
Tax provisions	195	217	265	217	259	298
Payables on reinsurance contracts	235	158	173	223	197	133
Borrowings and loan capital and other liabilities	207	179	190	190	154	159
Total liabilities	6,606	6,331	6,204	5,955	6,227	6,156
Share capital	2,143	1,979	1,979	1,979	1,774	1,788
Reserves	231	232	235	228	230	230
Retained profits	788	886	815	895	921	1,035
Net assets	3,161	3,097	3,028	3,102	2,925	3,053
Number of entities	21	21	21	21	21	21

Table 9 Reinsurer key performance ratios

	Quarter end					Year end Sep 2006	Year end Sep 2007
	Sep 2006	Dec 2006	Mar 2007	Jun 2007	Sep 2007		
Outwards reinsurance expense (\$m)	20	56	100	46	32	226	234
Gross premium revenue (\$m)	218	422	61	710	385	1,498	1,578
Cession ratio	9%	13%	163%	6%	8%	15%	15%
Gross incurred claims (net of non-reinsurance recoveries) (\$m)	34	13	-39	516	172	709	659
Gross premium revenue (\$m)	218	422	61	710	385	1,498	1,578
Gross loss ratio	16%	3%	63%	73%	45%	47%	42%
Net incurred claims (\$m)	43	21	-95	421	83	685	431
Net premium revenue (\$m)	198	366	-39	665	353	1,271	1,344
Net loss ratio	22%	6%	246%	63%	24%	54%	32%
Underwriting expenses (\$m)	52	117	34	131	110	362	392
Net premium revenue (\$m)	198	366	-39	665	353	1,271	1,344
U/W expense ratio	26%	32%	89%	20%	31%	28%	29%
Net U/W combined ratio	48%	38%	157%	83%	55%	82%	61%
Investment income (\$m)	136	38	114	51	94	439	297
Average total investments (\$m)	7,411	7,302	7,272	7,112	6,883	7,527	7,124
Return on total investments ^a	7.3%	2.1%	6.3%	2.9%	5.5%	5.8%	4.2%
Net profit after tax (\$m)	149	162	80	113	194	410	549
Average total assets (\$m)	9,598	9,330	9,144	9,104	9,181	9,705	9,319
Return on total assets ^a	6.2%	6.9%	3.5%	5.0%	8.5%	4.2%	5.9%
Net profit after tax (\$m)	149	162	80	113	194	410	549
Average Net assets (\$m)	3,129	3,062	3,065	3,013	2,989	3,106	3,075
Return on net assets ^a	19.1%	21.2%	10.4%	15.0%	26.0%	13.2%	17.9%
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 incurred claims 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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