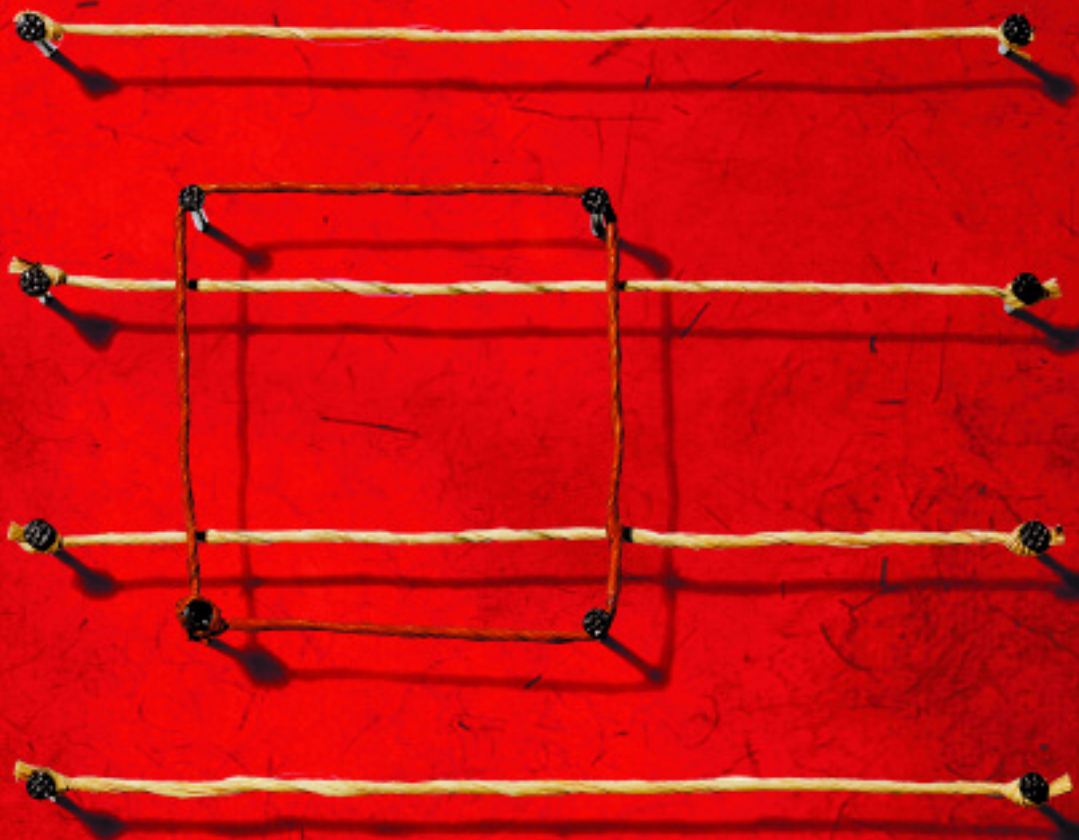




Statistics

Quarterly General Insurance Performance

September 2008 (issued 15 January 2009)



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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.

Enquiries

For more information about the statistics in this publication:

e-mail statistics@apra.gov.au

or write to Manager, Insurance Statistics
Australian Prudential Regulation Authority
GPO Box 9836
Sydney NSW 2001

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Important notice

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

- *the introduction of IFRS;*
- *GI Stage II reforms; and*
- *suggestions from industry.*

APRA reporting requirements are different on 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. These items 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

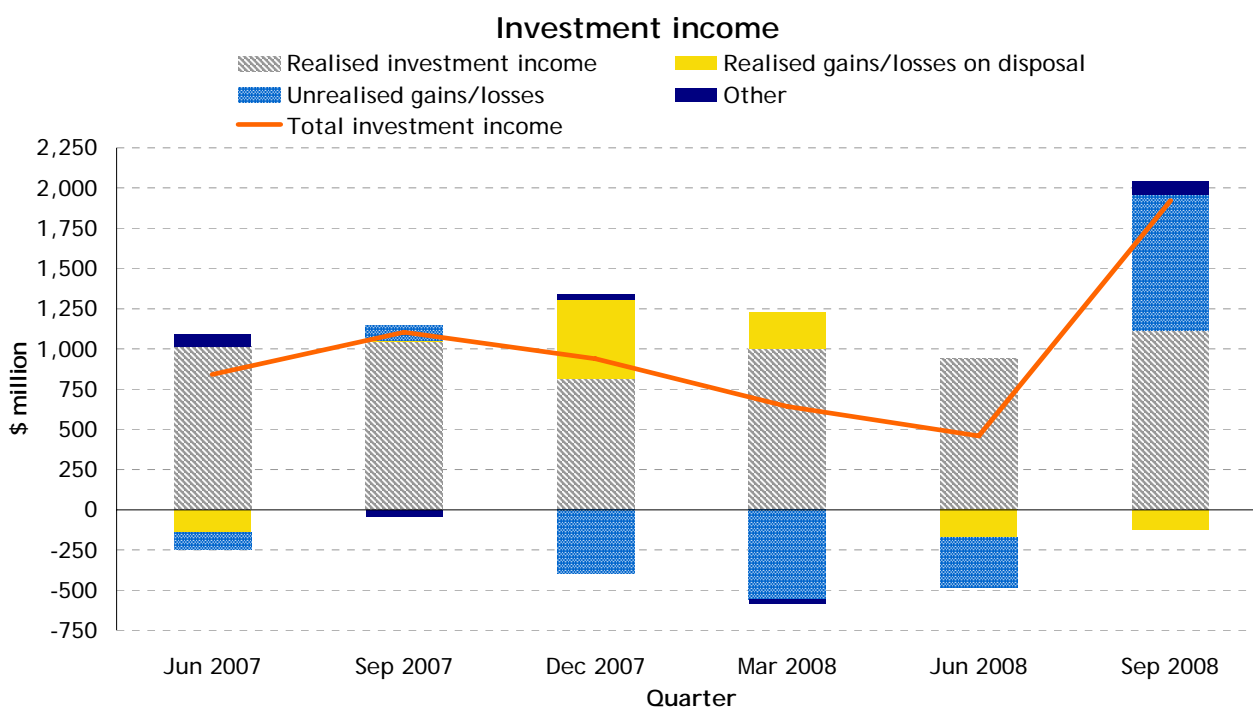
Users should be aware that the following points are based on APRA returns and will not necessarily correspond with aggregated data from insurers' published accounts (see 'Important notice' for more information).

- Net premium revenue for the industry in the year ended 30 September 2008 was \$23.1 billion, up 3.9 per cent from the previous year. Of this, direct insurers wrote \$21.8 billion (94.5 per cent). The remaining \$1.3 billion (5.5 per cent) was written by reinsurers.
- Net incurred claims for the industry in the year ended 30 September 2008 were \$16.3 billion, up 29.2 per cent from the previous year. This figure was comprised of direct insurer claims of \$15.4 billion and reinsurer claims of \$0.9 billion. The increase from the previous year was primarily due to the weather event-related claims in December 2007, and January 2008.
- The net loss ratio for the industry in the year ended 30 September 2008 was 70.6 per cent, up from 56.7 per cent in the previous year. The net loss ratio for reinsurers was 64.3 per cent, up from 28.5 per cent in the previous year. The increase from the previous year was due to the higher claims costs noted above.
- The industry underwriting expense ratio in the year ended 30 September 2008 was 27.3 per cent, down from 27.8 per cent in the previous year. Total industry underwriting expenses increased to \$6.3 billion in the year ended 30 September 2008, an increase of 2.2 per cent over the previous year.
- The industry underwriting result in the year ended 30 September 2008 was a surplus of \$0.5 billion, a decrease of 85.7 per cent from the previous year figure of \$3.4 billion. The increase in claims expense in the year ended 30 September 2008 as noted above was a major reason for the decrease.
- The industry investment income in the year ended 30 September 2008 was \$4.0 billion, down from \$4.2 billion in the previous year. Return on total investments was 6.8% in the year ended 30 September 2008, down from 7.4% the previous year.
- Total industry net profit after tax in the year ended 30 September 2008 was \$2.6 billion, down from \$5.2 billion in the previous year. Return on net assets was 9.9 per cent in the year ended 30 September 2008, down from 20.4 per cent in the previous year. Direct insurers accounted for \$2.2 billion (84.6 per cent) of the industry profit.
- Total assets for the industry were \$91.0 billion as at 30 September 2008, an increase of \$1.0 billion (1.2 per cent) from the previous year. Direct insurers accounted for \$82.2 billion (90.3 per cent) of this figure. Industry assets were offset by liabilities of \$65.4 billion, an increase of \$1.9 billion (3 per cent) from the previous year. Insurance industry net assets were \$25.7 billion at 30 September 2008, a decrease of 3.2 per cent from the previous year.

Investment Income

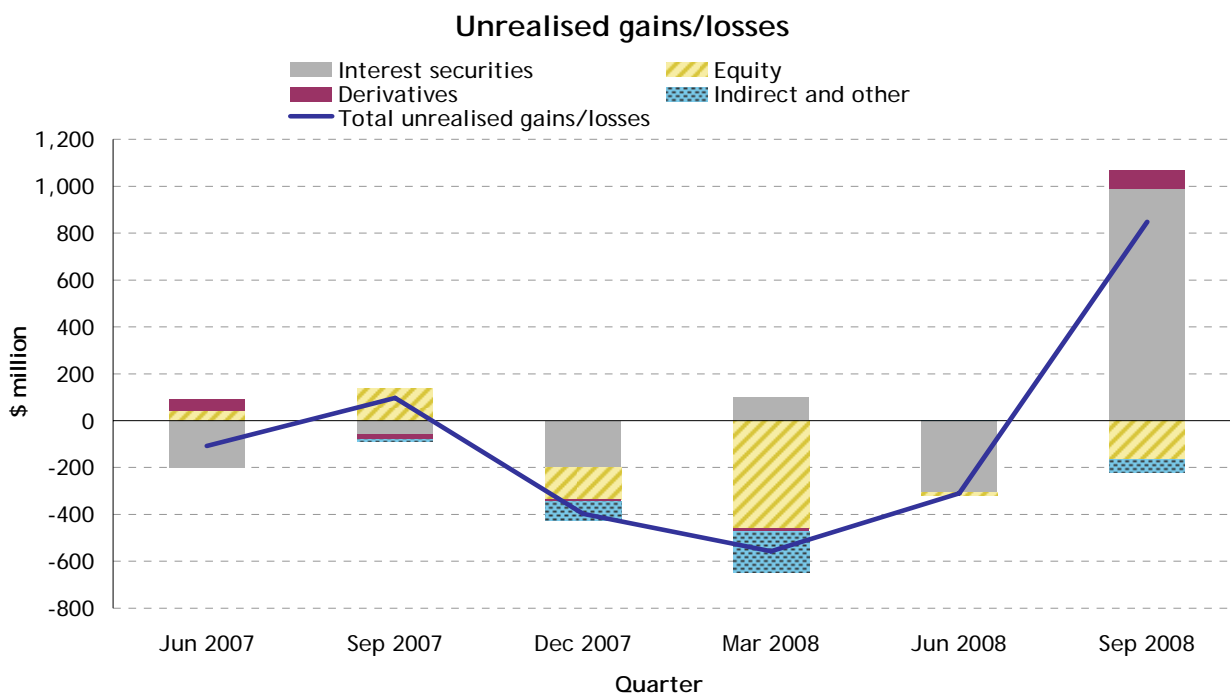
The general insurance industry reported \$1.9 billion in investment income in the September 2008 quarter, up 332 per cent from \$0.5 billion in the June 2008 quarter. The primary driver of the increase was a \$0.8 billion unrealised gain on investments, up \$1.2 billion from the previous quarter's loss of \$0.3 billion. Realised investment income (excluding gains/losses on disposal) was \$1.1 billion in the September 2008 quarter.

The industry investment income in the year ended 30 September 2008 was \$3.5 billion, down from \$4.2 billion in the previous year. Return on total investments was 6.8% in the year ended 30 September 2008.



The unrealised gains on investments are largely made up from gains in direct interest investments. Unrealised gains on direct interest investments rose by \$1.3 billion to a gain of \$1.0 billion in September 2008 from a loss of \$0.3 billion in the June 2008 quarter. These gains were offset by unrealised losses in equity and indirect investments (-\$0.2 billion).

Investment Income (continued)



Overseas holdings in direct interest investments contributed to the large unrealised gains in the September 2008 quarter. The Trade Weighted Index (TWI) fell 13.6 per cent, as the AUD fell 16.9 per cent against the United States Dollar (USD) and 8.7 per cent against the Euro (EUR). In addition, significant unrealised gains on direct interest investments occurred in the September 2008 quarter as market prices of these investments reflected a reduction of 0.25 per cent to the domestic cash rate during the quarter, as well as market expectations of subsequent reductions.

Key statistics

| | Quarter end | | | | | Year end Sep 2007 | Year end Sep 2008 |
|-------------------------------------|-------------|----------|----------|----------|----------|----------------------|----------------------|
| | Sep 2007 | Dec 2007 | Mar 2008 | Jun 2008 | Sep 2008 | | |
| Total industry | | | | | | | |
| Net premium revenue (\$m) | 5,460 | 5,347 | 4,845 | 7,152 | 5,734 | 22,218 | 23,078 |
| Net incurred claims (\$m) | 3,342 | 3,443 | 3,674 | 4,297 | 4,872 | 12,604 | 16,286 |
| Underwriting result (\$m) | 560 | 432 | -262 | 1,057 | -733 | 3,449 | 494 |
| Investment income (\$m) | 1,105 | 946 | 647 | 458 | 1,933 | 4,237 | 3,984 |
| Net profit / loss (\$m) | 1,164 | 812 | 232 | 821 | 707 | 5,241 | 2,572 |
| Net loss ratio | 61% | 64% | 76% | 60% | 85% | 57% | 71% |
| Total assets (\$m) | 89,984 | 90,053 | 90,601 | 91,248 | 91,031 | 89,984 | 91,031 |
| Net assets (\$m) | 26,503 | 26,052 | 25,430 | 25,775 | 25,655 | 26,503 | 25,655 |
| Return on total assets ^a | 5.2% | 3.6% | 1.0% | 3.6% | 3.1% | 6.0% | 2.8% |
| Return on net assets ^a | 17.7% | 12.4% | 3.6% | 12.8% | 11.0% | 20.4% | 9.9% |
| Direct insurers | | | | | | | |
| Net premium revenue (\$m) | 5,220 | 4,949 | 4,877 | 6,468 | 5,520 | 20,987 | 21,814 |
| Net incurred claims (\$m) | 3,337 | 3,228 | 3,694 | 3,878 | 4,632 | 12,252 | 15,432 |
| Underwriting result (\$m) | 389 | 283 | -225 | 909 | -665 | 2,916 | 302 |
| Investment income (\$m) | 1,007 | 907 | 547 | 417 | 1,607 | 3,936 | 3,478 |
| Net profit / loss (\$m) | 957 | 722 | 140 | 722 | 591 | 4,679 | 2,175 |
| Net loss ratio | 64% | 65% | 76% | 60% | 84% | 58% | 71% |
| Total assets (\$m) | 80,873 | 81,152 | 81,701 | 82,234 | 82,213 | 80,873 | 82,213 |
| Net assets (\$m) | 23,437 | 23,383 | 22,791 | 23,035 | 22,987 | 23,437 | 22,987 |
| Return on total assets ^a | 4.7% | 3.6% | 0.7% | 3.5% | 2.9% | 6.0% | 2.7% |
| Return on net assets ^a | 16.4% | 12.3% | 2.4% | 12.6% | 10.3% | 20.6% | 9.4% |
| Reinsurers | | | | | | | |
| Net premium revenue (\$m) | 241 | 397 | -31 | 684 | 215 | 1,233 | 1,265 |
| Net incurred claims (\$m) | 5 | 215 | -19 | 419 | 239 | 352 | 854 |
| Underwriting result (\$m) | 171 | 149 | -38 | 148 | -68 | 534 | 191 |
| Investment income (\$m) | 98 | 39 | 101 | 41 | 326 | 301 | 507 |
| Net profit / loss (\$m) | 207 | 90 | 92 | 99 | 117 | 562 | 398 |
| Net loss ratio | 2% | 54% | 62% | 61% | 111% | 29% | 64% |
| Total assets (\$m) | 9,110 | 8,901 | 8,899 | 9,014 | 8,818 | 9,110 | 8,818 |
| Net assets (\$m) | 3,066 | 2,669 | 2,639 | 2,739 | 2,667 | 3,066 | 2,667 |
| Return on total assets ^a | 9.1% | 4.0% | 4.1% | 4.4% | 5.2% | 6.1% | 4.4% |
| Return on net assets ^a | 27.6% | 12.6% | 13.8% | 14.8% | 17.3% | 18.2% | 13.9% |

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

Table 1 Industry financial performance

(\$ million)

| | Quarter end | | | | | Year end Sep 2007 | Year end Sep 2008 |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|----------------------|----------------------|
| | Sep 2007 | Dec 2007 | Mar 2008 | Jun 2008 | Sep 2008 | | |
| Gross premium revenue | 7,227 | 7,588 | 6,711 | 9,718 | 7,701 | 29,927 | 31,718 |
| <i>of which:</i> | | | | | | | |
| Direct business | 5,973 | 5,995 | 5,685 | 7,552 | 6,469 | 24,277 | 25,701 |
| Inwards reinsurance | 1,254 | 1,593 | 1,026 | 2,167 | 1,232 | 5,650 | 6,018 |
| Outwards reinsurance expense | 1,767 | 2,241 | 1,865 | 2,566 | 1,966 | 7,709 | 8,638 |
| Net premium revenue | 5,460 | 5,347 | 4,845 | 7,152 | 5,734 | 22,218 | 23,078 |
| Gross incurred claims | 4,428 | 5,883 | 6,853 | 6,605 | 6,547 | 20,545 | 25,888 |
| <i>of which:</i> | | | | | | | |
| Direct business | 3,956 | 4,408 | 5,829 | 4,984 | 5,771 | 15,929 | 20,992 |
| Inwards reinsurance | 472 | 1,475 | 1,024 | 1,620 | 776 | 4,616 | 4,895 |
| Non-reinsurance recoveries revenue | 436 | 432 | 522 | 532 | 577 | 2,226 | 2,063 |
| Reinsurance recoveries revenue | 650 | 2,008 | 2,657 | 1,776 | 1,098 | 5,715 | 7,539 |
| Net incurred claims | 3,342 | 3,443 | 3,674 | 4,297 | 4,872 | 12,604 | 16,286 |
| Acquisition costs | 951 | 1,161 | 878 | 1,167 | 988 | 3,671 | 4,194 |
| Other underwriting expenses | 468 | 221 | 394 | 581 | 458 | 1,985 | 1,654 |
| Levies and charges | 226 | 196 | 237 | 188 | 250 | 876 | 871 |
| Commission revenue | 86 | 106 | 76 | 138 | 100 | 365 | 420 |
| Total underwriting expenses | 1,559 | 1,472 | 1,434 | 1,799 | 1,596 | 6,166 | 6,301 |
| Underwriting result | 560 | 432 | -262 | 1,057 | -733 | 3,449 | 494 |
| Investment income | 1,105 | 946 | 647 | 458 | 1,933 | 4,237 | 3,984 |
| Other operating expenses | 423 | 621 | 464 | 653 | 555 | 1,971 | 2,293 |
| Other items | -79 | 54 | 311 | -41 | 63 | -474 | 387 |
| Net profit / loss after tax | 1,164 | 812 | 232 | 821 | 707 | 5,241 | 2,572 |
| Number of entities | 131 | 128 | 131 | 130 | 129 | 131 | 129 |

Table 2 Industry financial position

(\$ million)

| | Jun 2007 | Sep 2007 | Dec 2007 | Mar 2008 | Jun 2008 | Sep 2008 |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Cash and liquid assets | 1,497 | 2,607 | 1,544 | 1,628 | 1,579 | 1,908 |
| Investments | 58,524 | 58,469 | 58,954 | 59,465 | 58,419 | 58,306 |
| <i>of which:</i> | | | | | | |
| Interest | 41,259 | 41,228 | 40,902 | 42,739 | 42,706 | 43,131 |
| Equity | 4,839 | 4,913 | 4,377 | 3,626 | 3,139 | 3,218 |
| Indirect investments | 4,489 | 4,279 | 5,364 | 5,411 | 4,553 | 4,125 |
| Property | 500 | 534 | 578 | 574 | 602 | 597 |
| Loans and advances | 1,834 | 1,881 | 2,240 | 1,680 | 1,992 | 1,911 |
| Other investments | 5,602 | 5,634 | 5,492 | 5,434 | 5,427 | 5,324 |
| Reinsurance recoverables | 11,861 | 11,302 | 11,934 | 13,086 | 13,386 | 13,249 |
| Non-reinsurance recoverables | 4,193 | 4,218 | 4,186 | 4,249 | 4,217 | 4,416 |
| Premium receivables | 7,826 | 7,135 | 7,027 | 6,339 | 8,482 | 8,058 |
| Intangible assets | 945 | 938 | 939 | 943 | 960 | 1,015 |
| Other assets | 5,692 | 5,316 | 5,468 | 4,891 | 4,206 | 4,080 |
| Total assets | 90,539 | 89,984 | 90,053 | 90,601 | 91,248 | 91,031 |
| Outstanding Claims Provision | 37,571 | 37,028 | 37,702 | 40,193 | 38,666 | 39,650 |
| Premium Liabilities | 15,002 | 14,895 | 14,848 | 14,103 | 16,258 | 16,556 |
| Tax provisions | 1,307 | 1,528 | 1,387 | 1,078 | 855 | 924 |
| Payables on reinsurance contracts | 1,631 | 1,403 | 1,591 | 1,314 | 1,708 | 1,668 |
| Borrowings and loan capital | 2,708 | 2,943 | 3,174 | 3,400 | 3,109 | 2,838 |
| Other liabilities | 6,237 | 5,684 | 5,300 | 5,081 | 4,876 | 3,740 |
| Total liabilities | 64,451 | 63,481 | 64,001 | 65,170 | 65,473 | 65,376 |
| Share capital | 14,436 | 14,448 | 14,392 | 14,313 | 14,414 | 14,223 |
| Reserves | 687 | 703 | 671 | 661 | 743 | 813 |
| Retained profits | 10,965 | 11,352 | 10,989 | 10,456 | 10,618 | 10,618 |
| Net assets | 26,087 | 26,503 | 26,052 | 25,430 | 25,775 | 25,655 |
| Number of entities | 131 | 131 | 128 | 131 | 130 | 129 |

Table 3 Industry key performance ratios

| | Quarter end | | | | | Year end Sep 2007 | Year end Sep 2008 |
|----------------------------------------------------------------------------|--------------|--------------|-------------|--------------|--------------|----------------------|----------------------|
| | Sep 2007 | Dec 2007 | Mar 2008 | Jun 2008 | Sep 2008 | | |
| Outwards reinsurance expense (\$m) | 1,767 | 2,241 | 1,865 | 2,566 | 1,966 | 7,709 | 8,638 |
| Gross premium revenue (\$m) | 7,227 | 7,588 | 6,711 | 9,718 | 7,701 | 29,927 | 31,718 |
| Cession ratio | 24% | 30% | 28% | 26% | 26% | 26% | 27% |
| Gross incurred claims (\$m) (net of non-reinsurance recoveries revenue) | 3,992 | 5,451 | 6,332 | 6,072 | 5,969 | 18,316 | 23,824 |
| Gross premium revenue (\$m) | 7,227 | 7,588 | 6,711 | 9,718 | 7,701 | 29,927 | 31,718 |
| Gross loss ratio | 55% | 72% | 94% | 63% | 78% | 61% | 75% |
| Net incurred claims (\$m) | 3,342 | 3,443 | 3,674 | 4,297 | 4,872 | 12,604 | 16,286 |
| Net premium revenue (\$m) | 5,460 | 5,347 | 4,845 | 7,152 | 5,734 | 22,218 | 23,078 |
| Net loss ratio | 61% | 64% | 76% | 60% | 85% | 57% | 71% |
| Underwriting expenses (\$m) | 1,559 | 1,472 | 1,434 | 1,799 | 1,596 | 6,166 | 6,301 |
| Net premium revenue (\$m) | 5,460 | 5,347 | 4,845 | 7,152 | 5,734 | 22,218 | 23,078 |
| U/W expense ratio | 29% | 28% | 30% | 25% | 28% | 28% | 27% |
| Net U/W combined ratio | 90% | 92% | 105% | 85% | 113% | 84% | 98% |
| Investment income (\$m) | 1,105 | 946 | 647 | 458 | 1,933 | 4,237 | 3,984 |
| Average total investments (\$m) | 58,497 | 58,711 | 59,209 | 58,942 | 58,362 | 57,312 | 58,388 |
| Return on total investments^a | 7.6% | 6.5% | 4.4% | 3.1% | 13.3% | 7.4% | 6.8% |
| Net profit after tax (\$m) | 1,164 | 812 | 232 | 821 | 707 | 5,241 | 2,572 |
| Average total assets (\$m) | 90,261 | 90,019 | 90,327 | 90,924 | 91,140 | 86,946 | 90,508 |
| Return on total assets^a | 5.2% | 3.6% | 1.0% | 3.6% | 3.1% | 6.0% | 2.8% |
| Net profit after tax (\$m) | 1,164 | 812 | 232 | 821 | 707 | 5,241 | 2,572 |
| Average net assets (\$m) | 26,295 | 26,278 | 25,741 | 25,602 | 25,715 | 25,741 | 26,079 |
| Return on net assets^a | 17.7% | 12.4% | 3.6% | 12.8% | 11.0% | 20.4% | 9.9% |
| Number of entities | 131 | 128 | 131 | 130 | 129 | 131 | 129 |

^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 2007 | Year end Sep 2008 |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|----------------------|----------------------|
| | Sep 2007 | Dec 2007 | Mar 2008 | Jun 2008 | Sep 2008 | | |
| Gross premium revenue | 6,954 | 7,115 | 6,619 | 8,932 | 7,451 | 28,462 | 30,117 |
| Outwards reinsurance expense | 1,734 | 2,165 | 1,742 | 2,464 | 1,931 | 7,474 | 8,302 |
| Net premium revenue | 5,220 | 4,949 | 4,877 | 6,468 | 5,520 | 20,987 | 21,814 |
| Gross incurred claims | 4,334 | 5,658 | 6,606 | 6,204 | 6,487 | 19,965 | 24,955 |
| Non-reinsurance recoveries revenue | 436 | 432 | 522 | 532 | 577 | 2,229 | 2,063 |
| Reinsurance recoveries revenue | 561 | 1,998 | 2,391 | 1,794 | 1,277 | 5,483 | 7,460 |
| Net incurred claims | 3,337 | 3,228 | 3,694 | 3,878 | 4,632 | 12,252 | 15,432 |
| Acquisition costs | 883 | 1,127 | 860 | 1,066 | 937 | 3,352 | 3,990 |
| Other underwriting expenses | 471 | 220 | 387 | 564 | 464 | 1,956 | 1,635 |
| Levies and charges | 226 | 196 | 237 | 188 | 249 | 876 | 870 |
| Commission revenue | 86 | 105 | 76 | 137 | 98 | 364 | 416 |
| Total underwriting expenses | 1,494 | 1,438 | 1,408 | 1,681 | 1,553 | 5,820 | 6,080 |
| Underwriting result | 389 | 283 | -225 | 909 | -665 | 2,916 | 302 |
| Investment income | 1,007 | 907 | 547 | 417 | 1,607 | 3,936 | 3,478 |
| Other operating expenses | 402 | 589 | 442 | 628 | 526 | 1,877 | 2,185 |
| Other items | -37 | 121 | 260 | 24 | 175 | -295 | 580 |
| Net profit / loss after tax | 957 | 722 | 140 | 722 | 591 | 4,679 | 2,175 |
| Number of entities | 110 | 110 | 113 | 112 | 111 | 110 | 111 |

Table 5 Direct insurer financial position

(\$ million)

| | Jun 2007 | Sep 2007 | Dec 2007 | Mar 2008 | Jun 2008 | Sep 2008 |
|-------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Cash and liquid assets | 1,400 | 2,481 | 1,307 | 1,387 | 1,419 | 1,645 |
| Investments | 51,623 | 51,601 | 52,502 | 52,872 | 51,887 | 51,712 |
| <i>of which:</i> | | | | | | |
| Interest | 35,126 | 35,263 | 35,479 | 36,755 | 36,753 | 36,799 |
| Equity | 4,567 | 4,568 | 4,123 | 3,378 | 2,925 | 3,095 |
| Indirect investments | 4,344 | 4,137 | 5,031 | 5,051 | 4,188 | 3,986 |
| Property, Loans and Advances and Other investments | 7,586 | 7,633 | 7,868 | 7,688 | 8,021 | 7,833 |
| Reinsurance and other recoverables | 15,499 | 14,897 | 15,491 | 16,645 | 16,957 | 17,199 |
| Premium receivables | 6,732 | 6,139 | 5,909 | 5,428 | 7,291 | 6,929 |
| Intangible and other assets | 6,132 | 5,756 | 5,943 | 5,370 | 4,680 | 4,727 |
| Total assets | 81,387 | 80,873 | 81,152 | 81,701 | 82,234 | 82,213 |
| Outstanding Claims Provision | 32,981 | 32,529 | 33,350 | 35,562 | 34,159 | 35,163 |
| Premium Liabilities | 13,974 | 13,906 | 13,728 | 13,251 | 15,079 | 15,509 |
| Tax provisions | 1,049 | 1,263 | 1,095 | 820 | 586 | 645 |
| Payables on reinsurance contracts | 1,434 | 1,270 | 1,414 | 1,090 | 1,565 | 1,524 |
| Borrowings and loan capital and other liabilities | 8,791 | 8,468 | 8,182 | 8,187 | 7,808 | 6,385 |
| Total liabilities | 58,225 | 57,436 | 57,769 | 58,910 | 59,199 | 59,226 |
| Share capital | 12,662 | 12,660 | 12,720 | 12,757 | 12,859 | 12,667 |
| Reserves | 457 | 473 | 479 | 475 | 555 | 605 |
| Retained profits | 10,044 | 10,305 | 10,184 | 9,559 | 9,622 | 9,715 |
| Net assets | 23,162 | 23,437 | 23,383 | 22,791 | 23,035 | 22,987 |
| Number of entities | 110 | 110 | 110 | 113 | 112 | 111 |

Table 6 Direct insurer key performance ratios

| | Quarter end | | | | | Year end Sep 2007 | Year end Sep 2008 |
|----------------------------------------------------------------------------|-------------|----------|----------|----------|----------|----------------------|----------------------|
| | Sep 2007 | Dec 2007 | Mar 2008 | Jun 2008 | Sep 2008 | | |
| Outwards reinsurance expense (\$m) | 1,734 | 2,165 | 1,742 | 2,464 | 1,931 | 7,474 | 8,302 |
| Gross premium revenue (\$m) | 6,954 | 7,115 | 6,619 | 8,932 | 7,451 | 28,462 | 30,117 |
| Cession ratio | 25% | 30% | 26% | 28% | 26% | 26% | 28% |
| Gross incurred claims (\$m) (net of non-reinsurance recoveries revenue) | 3,898 | 5,226 | 6,084 | 5,672 | 5,910 | 17,734 | 22,892 |
| Gross premium revenue (\$m) | 6,954 | 7,115 | 6,619 | 8,932 | 7,451 | 28,462 | 30,117 |
| Gross loss ratio | 56% | 74% | 92% | 64% | 79% | 62% | 76% |
| Net incurred claims (\$m) | 3,337 | 3,228 | 3,694 | 3,878 | 4,632 | 12,252 | 15,432 |
| Net premium revenue (\$m) | 5,220 | 4,949 | 4,877 | 6,468 | 5,520 | 20,987 | 21,814 |
| Net loss ratio | 64% | 65% | 76% | 60% | 84% | 58% | 71% |
| Underwriting expenses (\$m) | 1,494 | 1,438 | 1,408 | 1,681 | 1,553 | 5,820 | 6,080 |
| Net premium revenue (\$m) | 5,220 | 4,949 | 4,877 | 6,468 | 5,520 | 20,987 | 21,814 |
| U/W expense ratio | 29% | 29% | 29% | 26% | 28% | 28% | 28% |
| Net U/W combined ratio | 93% | 94% | 105% | 86% | 112% | 86% | 99% |
| Investment income (\$m) | 1,007 | 907 | 547 | 417 | 1,607 | 3,936 | 3,478 |
| Average total investments (\$m) | 51,612 | 52,051 | 52,687 | 52,379 | 51,800 | 50,186 | 51,657 |
| Return on total investments ^a | 7.8% | 7.0% | 4.2% | 3.2% | 12.4% | 7.8% | 6.7% |
| Net profit after tax (\$m) | 957 | 722 | 140 | 722 | 591 | 4,679 | 2,175 |
| Average total assets (\$m) | 81,130 | 81,013 | 81,427 | 81,968 | 82,224 | 77,677 | 81,543 |
| Return on total assets ^a | 4.7% | 3.6% | 0.7% | 3.5% | 2.9% | 6.0% | 2.7% |
| Net profit after tax (\$m) | 957 | 722 | 140 | 722 | 591 | 4,679 | 2,175 |
| Average net assets (\$m) | 23,300 | 23,410 | 23,087 | 22,913 | 23,011 | 22,660 | 23,212 |
| Return on net assets ^a | 16.4% | 12.3% | 2.4% | 12.6% | 10.3% | 20.6% | 9.4% |
| Number of entities | 110 | 110 | 113 | 112 | 111 | 110 | 111 |

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

Table 7 Reinsurer financial performance

(\$ million)

| | Quarter end | | | | | Year end Sep 2007 | Year end Sep 2008 |
|------------------------------------|-------------|------------|------------|------------|------------|----------------------|----------------------|
| | Sep 2007 | Dec 2007 | Mar 2008 | Jun 2008 | Sep 2008 | | |
| Gross premium revenue | 273 | 473 | 92 | 787 | 250 | 1,466 | 1,602 |
| Outwards reinsurance expense | 32 | 76 | 123 | 102 | 35 | 234 | 336 |
| Net premium revenue | 241 | 397 | -31 | 684 | 215 | 1,233 | 1,265 |
| Gross incurred claims | 94 | 224 | 247 | 400 | 60 | 581 | 931 |
| Non-reinsurance recoveries revenue | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Reinsurance recoveries revenue | 89 | 10 | 266 | -18 | -179 | 228 | 79 |
| Net incurred claims | 5 | 215 | -19 | 419 | 239 | 352 | 854 |
| Acquisition costs | 68 | 33 | 19 | 101 | 51 | 319 | 204 |
| Other underwriting expenses | -3 | 1 | 7 | 17 | -6 | 28 | 19 |
| Levies and charges | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Commission revenue | 1 | 1 | 0 | 1 | 2 | 3 | 4 |
| Total underwriting expenses | 65 | 34 | 26 | 117 | 43 | 347 | 220 |
| Underwriting result | 171 | 149 | -38 | 148 | -68 | 534 | 191 |
| Investment income | 98 | 39 | 101 | 41 | 326 | 301 | 507 |
| Other operating expenses | 21 | 32 | 22 | 25 | 29 | 94 | 108 |
| Other items | -42 | -66 | 51 | -65 | -112 | -180 | -192 |
| Net profit / loss after tax | 207 | 90 | 92 | 99 | 117 | 562 | 398 |
| Number of entities | 21 | 18 | 18 | 18 | 18 | 21 | 18 |

Table 8 Reinsurer financial position

(\$ million)

| | Jun 2007 | Sep 2007 | Dec 2007 | Mar 2008 | Jun 2008 | Sep 2008 |
|-------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Cash and liquid assets | 98 | 126 | 237 | 241 | 159 | 263 |
| Investments | 6,901 | 6,868 | 6,452 | 6,593 | 6,532 | 6,593 |
| <i>of which:</i> | | | | | | |
| Interest | 6,133 | 5,964 | 5,423 | 5,984 | 5,953 | 6,332 |
| Equity | 272 | 345 | 254 | 248 | 214 | 123 |
| Indirect investments | 145 | 142 | 333 | 360 | 365 | 138 |
| Property, Loans and Advances and Other investments | 350 | 416 | 442 | 0 | 0 | 0 |
| Reinsurance and other recoverables | 554 | 622 | 630 | 691 | 646 | 465 |
| Premium receivables | 1,094 | 996 | 1,118 | 911 | 1,191 | 1,128 |
| Intangible and other assets | 505 | 497 | 465 | 463 | 486 | 368 |
| Total assets | 9,152 | 9,110 | 8,901 | 8,899 | 9,014 | 8,818 |
| Outstanding Claims Provision | 4,590 | 4,499 | 4,352 | 4,631 | 4,507 | 4,487 |
| Premium Liabilities | 1,027 | 989 | 1,120 | 853 | 1,179 | 1,048 |
| Tax provisions | 259 | 264 | 292 | 259 | 269 | 278 |
| Payables on reinsurance contracts | 197 | 133 | 177 | 224 | 142 | 144 |
| Borrowings and loan capital and other liabilities | 154 | 159 | 291 | 295 | 178 | 194 |
| Total liabilities | 6,227 | 6,045 | 6,232 | 6,260 | 6,275 | 6,151 |
| Share capital | 1,774 | 1,788 | 1,672 | 1,555 | 1,555 | 1,555 |
| Reserves | 230 | 230 | 192 | 187 | 188 | 209 |
| Retained profits | 921 | 1,048 | 805 | 897 | 996 | 903 |
| Net assets | 2,925 | 3,066 | 2,669 | 2,639 | 2,739 | 2,667 |
| Number of entities | 21 | 21 | 18 | 18 | 18 | 18 |

Table 9 Reinsurer key performance ratios

| | Quarter end | | | | | Year end Sep 2007 | Year end Sep 2008 |
|----------------------------------------------------------------------------|-------------|----------|----------|----------|----------|----------------------|----------------------|
| | Sep 2007 | Dec 2007 | Mar 2008 | Jun 2008 | Sep 2008 | | |
| Outwards reinsurance expense (\$m) | 32 | 76 | 123 | 102 | 35 | 234 | 336 |
| Gross premium revenue (\$m) | 273 | 473 | 92 | 787 | 250 | 1,466 | 1,603 |
| Cession ratio | 12% | 16% | 134% | 13% | 14% | 16% | 21% |
| Gross incurred claims (\$m) (net of non-reinsurance recoveries revenue) | 94 | 225 | 247 | 400 | 60 | 581 | 932 |
| Gross premium revenue (\$m) | 273 | 473 | 92 | 787 | 250 | 1,466 | 1,603 |
| Gross loss ratio | 35% | 47% | 269% | 51% | 24% | 40% | 58% |
| Net incurred claims (\$m) | 5 | 215 | -19 | 419 | 239 | 352 | 854 |
| Net premium revenue (\$m) | 241 | 397 | -31 | 684 | 215 | 1,233 | 1,329 |
| Net loss ratio | 2% | 54% | 62% | 61% | 111% | 29% | 64% |
| Underwriting expenses (\$m) | 65 | 34 | 26 | 117 | 43 | 347 | 220 |
| Net premium revenue (\$m) | 241 | 397 | -31 | 684 | 215 | 1,233 | 1,267 |
| U/W expense ratio | 27% | 9% | -83% | 17% | 20% | 28% | 17% |
| Net U/W combined ratio | 29% | 63% | -21% | 78% | 132% | 57% | 85% |
| Investment income (\$m) | 98 | 39 | 101 | 41 | 326 | 301 | 507 |
| Average total investments (\$m) | 6,885 | 6,660 | 6,522 | 6,563 | 6,563 | 7,127 | 6,731 |
| Return on total investments ^a | 5.7% | 2.3% | 6.2% | 2.5% | 19.8% | 4.2% | 7.5% |
| Net profit after tax (\$m) | 207 | 90 | 92 | 99 | 117 | 562 | 398 |
| Average total assets (\$m) | 9,131 | 9,006 | 8,900 | 8,957 | 8,916 | 9,269 | 8,964 |
| Return on total assets ^a | 9.1% | 4.0% | 4.1% | 4.4% | 5.2% | 6.1% | 4.4% |
| Net profit after tax (\$m) | 207 | 90 | 92 | 99 | 117 | 562 | 398 |
| Average net assets (\$m) | 2,995 | 2,867 | 2,654 | 2,689 | 2,703 | 3,082 | 2,867 |
| Return on net assets ^a | 27.6% | 12.6% | 13.8% | 14.8% | 17.3% | 18.2% | 13.9% |
| Number of entities | 21 | 18 | 18 | 18 | 18 | 21 | 18 |

^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 this 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 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 not 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*.



Telephone
1300 13 10 60

Email
contactapra@apra.gov.au

Website
www.apra.gov.au

Mail
GPO Box 9836
in all capital cities
(except Hobart and Darwin)