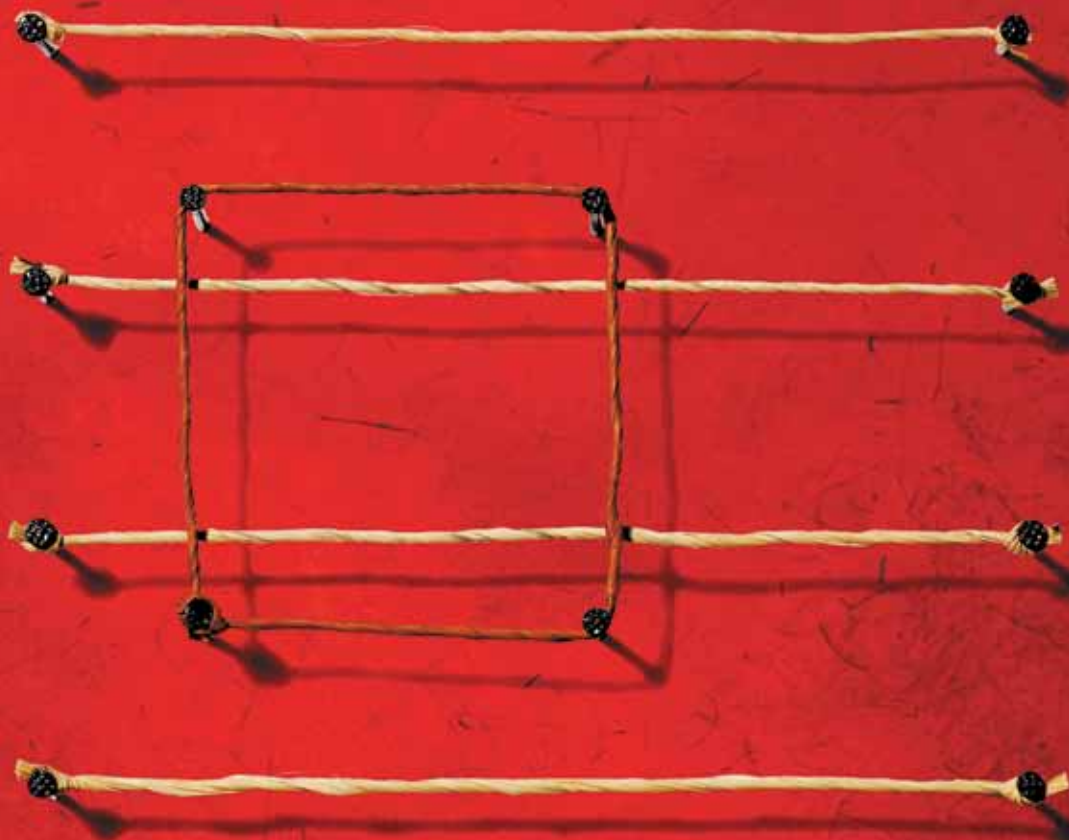




Statistics

Quarterly General Insurance Performance

March 2009 (issued 18 June 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.

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Important notice

Changes made to the General Insurance Reporting Framework in July 2008 have impacted figures from September 2008. These reporting changes have arisen as a result of:

- *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 31 March 2009 was \$23.8 billion, up 5.7 per cent compared to the year ended 31 March 2008. Of this, direct insurers wrote \$22.3 billion (94 per cent). The remaining \$1.4 billion (6 per cent) was written by reinsurers.
- Net incurred claims for the industry in the year ended 31 March 2009 were \$18.3 billion, up 26.5 per cent from the previous year. This figure comprised direct insurer claims of \$17.1 billion and reinsurer claims of \$1.1 billion.
- The net loss ratio for the industry in the year ended 31 March 2009 was 77 per cent, up from 64 per cent in the previous year. The net loss ratio for reinsurers was 80 per cent, up from 49 per cent in the previous year.
- The industry underwriting expense ratio in the year ended 31 March 2009 was 27 per cent, the same as the previous year. Total industry underwriting expenses increased to \$6.3 billion in the year ended 31 March 2009, an increase of 3 per cent over the previous year.
- The industry underwriting result in the year ended 31 March 2009 was a loss of \$0.9 billion, compared to an underwriting profit of \$1.9 billion for the previous year. The increase in claims expense in the year ended 31 March 2009 was the major reason for the decrease.
- Total industry net profit after tax in the year ended 31 March 2009 was \$2.2 billion, down from \$3.6 billion in the previous year. Return on net assets was 8.1 per cent in the year, down from 14 per cent in the previous year. Direct insurers accounted for \$1.7 billion (79.7 per cent) of the industry profit.
- Total assets for the industry were \$93.8 billion as at 31 March 2009, an increase of \$3.2 billion (3.5 per cent) from the previous year. Direct insurers accounted for \$84.1 billion (89.7 per cent) of this figure. Industry assets were offset by liabilities of \$65.8 billion, an increase of \$0.6 billion (0.9 per cent) from the previous year. Industry net assets were \$28 billion at 31 March 2009, an increase of 10 per cent from the previous year.

Key statistics

	Quarter end					Year end Mar 2008	Year end Mar 2009
	Mar 2008	Jun 2008	Sep 2008	Dec 2008	Mar 2009		
Total industry							
Net premium revenue (\$m)	4,845	7,152	5,734	5,677	5,193	22,485	23,756
Net incurred claims (\$m)	3,674	4,297	4,871	5,365	3,726	14,432	18,259
Underwriting result (\$m)	-262	1,057	-733	-1,152	-22	1,892	-850
Investment income (\$m)	647	458	1,933	2,112	442	3,540	4,945
Net profit / loss (\$m)	232	821	709	492	150	3,557	2,172
Net loss ratio	76%	60%	85%	95%	72%	64%	77%
Total assets (\$m)	90,601	91,248	91,030	93,522	93,765	90,601	93,765
Net assets (\$m)	25,430	25,775	25,656	28,175	27,986	25,430	27,986
Return on total assets ^a	1.0%	3.6%	3.1%	2.1%	0.6%	4.0%	2.3%
Return on net assets ^a	3.6%	12.8%	11.0%	7.3%	2.1%	14.0%	8.1%
Direct insurers							
Net premium revenue (\$m)	4,877	6,468	5,520	5,223	5,113	21,214	22,324
Net incurred claims (\$m)	3,694	3,878	4,632	4,971	3,632	13,811	17,113
Underwriting result (\$m)	-225	909	-665	-1,091	38	1,497	-809
Investment income (\$m)	547	417	1,607	1,677	437	3,252	4,138
Net profit / loss (\$m)	140	722	592	246	172	3,055	1,732
Net loss ratio	76%	60%	84%	95%	71%	65%	77%
Total assets (\$m)	81,701	82,234	82,212	84,113	84,151	81,701	84,151
Net assets (\$m)	22,791	23,035	22,988	25,378	25,199	22,791	25,199
Return on total assets ^a	0.7%	3.5%	2.9%	1.2%	0.8%	3.8%	2.1%
Return on net assets ^a	2.4%	12.6%	10.3%	4.1%	2.7%	13.6%	7.2%
Reinsurers							
Net premium revenue (\$m)	-31	684	215	453	80	1,272	1,432
Net incurred claims (\$m)	-19	419	239	394	94	622	1,146
Underwriting result (\$m)	-38	148	-68	-61	-61	395	-42
Investment income (\$m)	101	41	326	435	5	289	807
Net profit / loss (\$m)	92	99	117	246	-22	502	440
Net loss ratio	62%	61%	111%	87%	118%	49%	80%
Total assets (\$m)	8,899	9,014	8,818	9,409	9,614	8,899	9,614
Net assets (\$m)	2,639	2,739	2,667	2,797	2,788	2,639	2,788
Return on total assets ^a	4.1%	4.4%	5.2%	10.8%	-0.9%	5.6%	4.8%
Return on net assets ^a	13.8%	14.8%	17.3%	36.0%	-3.1%	20.3%	16.2%

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

^b Figures exclude the effect of an intra-group restructure.

^c These figures reflect, to some extent, the affects of transition to the new reporting framework. They should be used with caution.

Table 1 Industry financial performance

(\$ million)

	Quarter end					Year end Mar 2008	Year end Mar 2009
	Mar 2008	Jun 2008	Sep 2008	Dec 2008	Mar 2009		
Gross premium revenue	6,711	9,718	7,701	7,636	6,672	30,776	31,727
<i>of which:</i>							
Direct business	5,685	7,552	6,469	6,371	6,318	24,818	26,710
Inwards reinsurance	1,026	2,167	1,232	1,265	354	5,958	5,018
Outwards reinsurance expense	1,865	2,566	1,966	1,960	1,479	8,290	7,971
Net premium revenue	4,845	7,152	5,734	5,677	5,193	22,485	23,756
Gross incurred claims	6,853	6,605	6,545	7,879	5,940	24,625	26,969
<i>of which:</i>							
Direct business	5,829	4,984	5,769	6,774	5,123	19,156	22,650
Inwards reinsurance	1,024	1,620	776	1,105	816	5,469	4,317
Non-reinsurance recoveries revenue	522	532	578	639	646	1,946	2,395
Reinsurance recoveries revenue	2,657	1,776	1,096	1,876	1,568	8,247	6,316
Net incurred claims	3,674	4,297	4,871	5,365	3,726	14,432	18,259
Acquisition costs	878	1,167	988	814	834	4,004	3,803
Other underwriting expenses ^a	394	581	458	411	663	1,626	2,113
Levies and charges ^a	237	188	250	344	59	898	841
Commission revenue	76	138	100	105	66	366	409
Total underwriting expenses	1,434	1,799	1,596	1,464	1,489	6,163	6,348
Underwriting result	-262	1,057	-733	-1,152	-22	1,892	-850
Investment income	647	458	1,933	2,112	442	3,540	4,945
Other operating expenses	464	653	555	597	526	2,085	2,331
Other items	311	-41	63	128	257	209	407
Net profit / loss after tax	232	821	709	492	150	3,557	2,172
Number of entities	131	130	129	131	134	131	134

^a Movement in March quarter resulted from a group reorganisation and reclassification of previous intra-group transactions.

Table 2 Industry financial position

(\$ million)

	Dec 2007	Mar 2008	Jun 2008	Sep 2008	Dec 2008	Mar 2009
Cash and liquid assets	1,544	1,628	1,579	1,908	1,876	2,108
Investments	58,954	59,465	58,419	58,306	62,522	61,851
<i>of which:</i>						
Interest	40,902	42,739	42,706	43,131	45,793	40,457
Equity	4,377	3,626	3,139	3,218	2,698	2,496
Indirect investments	5,364	5,411	4,553	4,125	3,426	9,065
Property	578	574	602	597	472	469
Loans and advances	2,240	1,680	1,992	1,911	2,492	1,779
Other investments	5,492	5,434	5,427	5,324	7,641	7,586
Reinsurance recoverables	11,934	13,086	13,386	13,247	11,162	11,974
Non-reinsurance recoverables	4,186	4,249	4,217	4,416	4,542	4,672
Premium receivables	7,027	6,339	8,482	8,058	7,669	7,127
Intangible assets	939	943	960	1,015	1,016	1,025
Other assets	5,468	4,891	4,206	4,081	4,735	5,007
Total assets	90,053	90,601	91,248	91,030	93,522	93,765
Outstanding Claims Provision	37,702	40,193	38,666	39,653	40,107	42,059
Premium Liabilities	14,848	14,103	16,258	16,552	15,915	15,172
Tax provisions	1,387	1,078	855	959	1,213	1,026
Payables on reinsurance contracts	1,591	1,314	1,708	1,668	1,695	1,558
Borrowings and loan capital	3,174	3,400	3,109	2,838	3,102	2,999
Other liabilities	5,300	5,081	4,876	3,705	3,316	2,965
Total liabilities	64,001	65,170	65,473	65,375	65,347	65,779
Share capital	14,392	14,313	14,414	14,223	17,213	17,246
Reserves	671	661	743	813	888	912
Retained profits	10,989	10,456	10,618	10,619	10,074	9,829
Net assets	26,052	25,430	25,775	25,656	28,175	27,986
Number of entities	128	131	130	129	131	134

Table 3 Industry key performance ratios

	Quarter end					Year end Mar 2008	Year end Mar 2009
	Mar 2008	Jun 2008	Sep 2008	Dec 2008	Mar 2009		
Outwards reinsurance expense (\$m)	1,865	2,566	1,966	1,960	1,479	8,290	7,971
Gross premium revenue (\$m)	6,711	9,718	7,701	7,636	6,672	30,776	31,727
Cession ratio	28%	26%	26%	26%	22%	27%	25%
Gross incurred claims (\$m) (net of non-reinsurance recoveries revenue)	6,332	6,072	5,967	7,241	5,294	22,680	24,574
Gross premium revenue (\$m)	6,711	9,718	7,701	7,636	6,672	30,776	31,727
Gross loss ratio	94%	63%	78%	95%	79%	74%	77%
Net incurred claims (\$m)	3,674	4,297	4,871	5,365	3,726	14,432	18,259
Net premium revenue (\$m)	4,845	7,152	5,734	5,677	5,193	22,485	23,756
Net loss ratio	76%	60%	85%	95%	72%	64%	77%
Underwriting expenses (\$m)	1,434	1,799	1,596	1,464	1,489	6,163	6,348
Net premium revenue (\$m)	4,845	7,152	5,734	5,677	5,193	22,485	23,756
U/W expense ratio	30%	25%	28%	26%	29%	27%	27%
Net U/W combined ratio	105%	85%	113%	120%	100%	92%	104%
Investment income (\$m)	647	458	1,933	2,112	442	3,540	4,945
Average total investments (\$m)	59,209	58,942	58,362	60,414	62,187	58,985	60,658
Return on total investments^a	4.4%	3.1%	13.3%	14.0%	2.8%	6.0%	8.2%
Net profit after tax (\$m)	232	821	709	492	150	3,557	2,172
Average total assets (\$m)	90,327	90,924	91,139	92,276	93,643	88,617	93,765
Return on total assets^a	1.0%	3.6%	3.1%	2.1%	0.6%	4.0%	2.3%
Net profit after tax (\$m)	232	821	709	492	150	3,557	2,172
Average net assets (\$m)	25,741	25,602	25,715	26,915	28,081	25,338	26,708
Return on net assets^a	3.6%	12.8%	11.0%	7.3%	2.1%	14.0%	8.1%
Number of entities	131	130	129	131	134	131	134

^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 2008	Year end Mar 2009
	Mar 2008	Jun 2008	Sep 2008	Dec 2008	Mar 2009		
Gross premium revenue	6,619	8,932	7,451	6,962	6,566	29,228	29,911
Outwards reinsurance expense	1,742	2,464	1,931	1,739	1,452	8,012	7,586
Net premium revenue	4,877	6,468	5,520	5,223	5,113	21,214	22,324
Gross incurred claims	6,606	6,204	6,485	7,303	5,572	23,543	25,564
Non-reinsurance recoveries revenue	522	532	578	639	646	1,946	2,395
Reinsurance recoveries revenue	2,391	1,794	1,275	1,693	1,294	7,787	6,056
Net incurred claims	3,694	3,878	4,632	4,971	3,632	13,811	17,113
Acquisition costs	860	1,066	937	707	795	3,768	3,505
Other underwriting expenses ^a	387	564	464	397	654	1,606	2,079
Levies and charges ^a	237	188	249	344	59	898	840
Commission revenue	76	137	98	104	65	365	404
Total underwriting expenses	1,408	1,681	1,553	1,344	1,443	5,907	6,021
Underwriting result	-225	909	-665	-1,091	38	1,497	-809
Investment income	547	417	1,607	1,677	437	3,252	4,138
Other operating expenses	442	628	526	573	499	1,981	2,226
Other items	260	24	175	233	197	288	629
Net profit / loss after tax	140	722	592	246	172	3,055	1,732
Number of entities	113	112	111	114	117	113	117

^a Movement in March quarter resulted from a group reorganisation and reclassification of previous intra-group transactions.

Table 5 Direct insurer financial position

(\$ million)

	Dec 2007	Mar 2008	Jun 2008	Sep 2008	Dec 2008	Mar 2009
Cash and liquid assets	1,307	1,387	1,419	1,645	1,637	1,775
Investments	52,502	52,872	51,887	51,713	55,576	54,957
<i>of which:</i>						
Interest	35,479	36,755	36,753	36,799	39,068	33,737
Equity	4,123	3,378	2,925	3,095	2,645	2,463
Indirect investments	5,031	5,051	4,188	3,986	3,344	9,009
Property, Loans and Advances and Other investments	7,868	7,688	8,021	7,833	10,519	9,748
Reinsurance and other recoverables	15,491	16,645	16,957	17,198	15,070	15,746
Premium receivables	5,909	5,428	7,291	6,929	6,487	6,060
Intangible and other assets	5,943	5,370	4,680	4,727	5,342	5,615
Total assets	81,152	81,701	82,234	82,212	84,113	84,151
Outstanding Claims Provision	33,350	35,562	34,159	35,166	35,533	37,067
Premium Liabilities	13,728	13,251	15,079	15,504	14,634	14,115
Tax provisions	1,095	820	586	681	828	743
Payables on reinsurance contracts	1,414	1,090	1,565	1,524	1,451	1,204
Borrowings and loan capital and other liabilities	8,182	8,187	7,808	6,350	6,290	5,823
Total liabilities	57,769	58,910	59,199	59,224	58,735	58,953
Share capital	12,720	12,757	12,859	12,667	15,657	15,691
Reserves	479	475	555	605	682	694
Retained profits	10,184	9,559	9,622	9,716	9,039	8,814
Net assets	23,383	22,791	23,035	22,988	25,378	25,199
Number of entities	110	113	112	111	114	117

Table 6 Direct insurer key performance ratios

	Quarter end					Year end Mar 2008	Year end Mar 2009
	Mar 2008	Jun 2008	Sep 2008	Dec 2008	Mar 2009		
Outwards reinsurance expense (\$m)	1,742	2,464	1,931	1,739	1,452	8,012	7,586
Gross premium revenue (\$m)	6,619	8,932	7,451	6,962	6,566	29,228	29,911
Cession ratio	26%	28%	26%	25%	22%	27%	25%
Gross incurred claims (\$m) (net of non-reinsurance recoveries revenue)	6,084	5,672	5,907	6,664	4,926	21,597	23,169
Gross premium revenue (\$m)	6,619	8,932	7,451	6,962	6,566	29,228	29,911
Gross loss ratio	92%	64%	79%	96%	75%	74%	77%
Net incurred claims (\$m)	3,694	3,878	4,632	4,971	3,632	13,811	17,113
Net premium revenue (\$m)	4,877	6,468	5,520	5,223	5,113	21,214	22,324
Net loss ratio	76%	60%	84%	95%	71%	65%	77%
Underwriting expenses (\$m)	1,408	1,681	1,553	1,344	1,443	5,907	6,021
Net premium revenue (\$m)	4,877	6,468	5,520	5,223	5,113	21,214	22,324
U/W expense ratio	29%	26%	28%	26%	28%	28%	27%
Net U/W combined ratio	105%	86%	112%	121%	99%	93%	104%
Investment income (\$m)	547	417	1,607	1,677	437	3,252	4,138
Average total investments (\$m)	52,687	52,379	51,800	53,644	55,266	52,027	53,915
Return on total investments ^a	4.2%	3.2%	12.4%	12.5%	3.2%	6.3%	7.7%
Net profit after tax (\$m)	140	722	592	246	172	3,055	1,732
Average total assets (\$m)	81,427	81,968	82,223	83,163	84,132	79,639	82,926
Return on total assets ^a	0.7%	3.5%	2.9%	1.2%	0.8%	3.8%	2.1%
Net profit after tax (\$m)	140	722	592	246	172	3,055	1,732
Average net assets (\$m)	23,087	22,913	23,012	24,183	25,288	22,467	23,995
Return on net assets ^a	2.4%	12.6%	10.3%	4.1%	2.7%	13.6%	7.2%
Number of entities	113	112	111	114	117	113	117

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

Table 7 Reinsurer financial performance

(\$ million)

	Quarter end					Year end Mar 2008	Year end Mar 2009
	Mar 2008	Jun 2008	Sep 2008	Dec 2008	Mar 2009		
Gross premium revenue	92	787	250	674	106	1,548	1,817
Outwards reinsurance expense	123	102	35	221	27	277	385
Net premium revenue	-31	684	215	453	80	1,272	1,432
Gross incurred claims	247	400	60	576	368	1,081	1,404
Non-reinsurance recoveries revenue	0	0	0	0	0	0	0
Reinsurance recoveries revenue	266	-18	-179	182	273	460	258
Net incurred claims	-19	419	239	394	94	622	1,146
Acquisition costs	19	101	51	107	39	236	298
Other underwriting expenses	7	17	-6	14	9	20	34
Levies and charges	0	0	0	0	0	0	0
Commission revenue	0	1	2	2	1	3	6
Total underwriting expenses	26	117	43	120	46	256	326
Underwriting result	-38	148	-68	-61	-61	395	-42
Investment income	101	41	326	435	5	289	807
Other operating expenses	22	25	29	24	27	104	105
Other items	51	-65	-112	-105	61	-79	-221
Net profit / loss after tax	92	99	117	246	-22	502	440
Number of entities	18	18	18	17	17	18	17

Table 8 Reinsurer financial position

(\$ million)

	Dec 2007	Mar 2008	Jun 2008	Sep 2008	Dec 2008	Mar 2009
Cash and liquid assets	237	241	159	263	239	333
Investments	6,452	6,593	6,532	6,593	6,946	6,895
<i>of which:</i>						
Interest	5,423	5,984	5,953	6,332	6,725	6,720
Equity	254	248	214	123	53	33
Indirect investments	333	360	365	138	82	55
Property, Loans and Advances and Other investments	442	0	0	0	86	86
Reinsurance and other recoverables	630	691	646	465	634	901
Premium receivables	1,118	911	1,191	1,128	1,182	1,068
Intangible and other assets	465	463	486	368	408	417
Total assets	8,901	8,899	9,014	8,818	9,409	9,614
Outstanding Claims Provision	4,352	4,631	4,507	4,487	4,575	4,991
Premium Liabilities	1,120	853	1,179	1,048	1,281	1,057
Tax provisions	292	259	269	278	385	283
Payables on reinsurance contracts	177	224	142	144	243	354
Borrowings and loan capital and other liabilities	291	295	178	194	128	140
Total liabilities	6,232	6,260	6,275	6,151	6,612	6,826
Share capital	1,672	1,555	1,555	1,555	1,555	1,555
Reserves	192	187	188	209	206	218
Retained profits	805	897	996	903	1,036	1,015
Net assets	2,669	2,639	2,739	2,667	2,797	2,788
Number of entities	18	18	18	18	17	17

Table 9 Reinsurer key performance ratios

	Quarter end					Year end Mar 2008	Year end Mar 2009
	Mar 2008	Jun 2008	Sep 2008	Dec 2008	Mar 2009		
Outwards reinsurance expense (\$m)	123	102	35	221	27	277	385
Gross premium revenue (\$m)	92	787	250	674	106	1,548	1,817
Cession ratio	134%	13%	14%	33%	25%	18%	21%
Gross incurred claims (\$m) (net of non-reinsurance recoveries revenue)	247	400	60	576	368	1,082	1,404
Gross premium revenue (\$m)	92	787	250	674	106	1,548	1,817
Gross loss ratio	269%	51%	24%	86%	346%	70%	77%
Net incurred claims (\$m)	-19	419	239	394	94	622	1,146
Net premium revenue (\$m)	-31	684	215	453	80	1,272	1,432
Net loss ratio	62%	61%	111%	87%	118%	49%	80%
Underwriting expenses (\$m)	26	117	43	120	46	256	326
Net premium revenue (\$m)	-31	684	215	453	80	1,272	1,432
U/W expense ratio	-83%	17%	20%	27%	58%	20%	23%
Net U/W combined ratio	-21%	78%	132%	114%	176%	69%	103%
Investment income (\$m)	101	41	326	435	5	289	807
Average total investments (\$m)	6,522	6,563	6,563	6,770	6,920	6,959	6,744
Return on total investments ^a	6.2%	2.5%	19.8%	25.7%	0.3%	4.2%	12.0%
Net profit after tax (\$m)	92	99	117	246	-22	502	440
Average total assets (\$m)	8,900	8,957	8,916	9,114	9,511	8,978	9,257
Return on total assets ^a	4.1%	4.4%	5.2%	10.8%	-0.9%	5.6%	4.8%
Net profit after tax (\$m)	92	99	117	246	-22	582	440
Average net assets (\$m)	2,654	2,689	2,703	2,732	2,792	2,871	2,714
Return on net assets ^a	13.8%	14.8%	17.3%	36.0%	-3.1%	20.3%	16.2%
Number of entities	18	18	18	17	17	18	17

^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*.



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