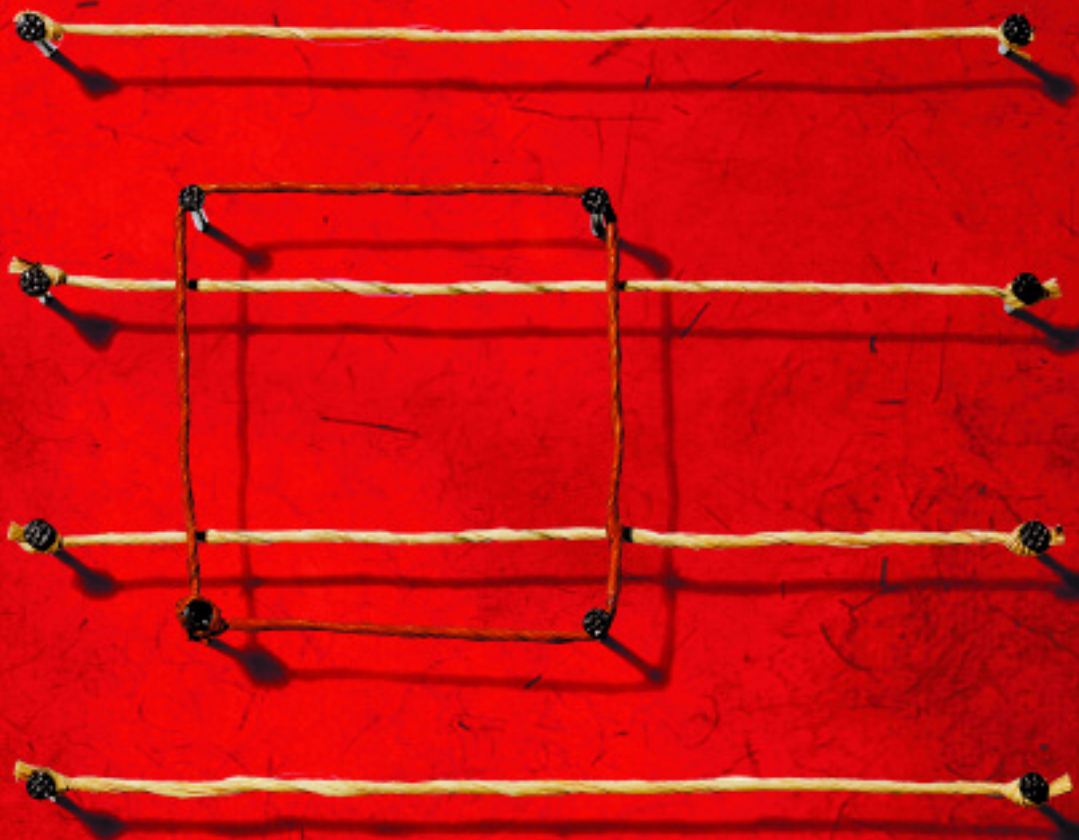




# Statistics

## Quarterly General Insurance Performance

December 2006 (issued 5 April 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

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 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

- Net premium revenue for the total industry for the year ended 31 December 2006 was \$21.5 billion, up 1.3 per cent on the twelve months to December 2005. Of this, direct insurers wrote \$20.3 billion (94.4 per cent), up 3.5 per cent on the previous twelve month figure.
- Net incurred claims for the industry for the year ended 31 December 2006 was \$12.1 billion, down 5.1 per cent on the previous year. Direct insurer claims made up \$11.5 billion of this figure (down 3.5 per cent on the previous year).
- The net loss ratio for the industry in the year ended 31 December 2006 was 56 per cent, down 4 per cent from the twelve months ended 31 December 2005. This was consistent across both sectors with direct insurers also reporting a loss ratio of 57 per cent (December 2005 - 61 per cent) and reinsurers 50 per cent (December 2005 - 51 per cent).
- The industry underwriting expense ratio for the year ended 31 December 2006 increased slightly to 27 per cent from 26 per cent for the year ended 31 December 2005. Total industry underwriting expenses increased to \$5.7 billion in the twelve months to 31 December 2006, an increase of 3.6 per cent over the previous year (December 2005 - \$5.5 billion).
- The industry underwriting result for the twelve months to 31 December 2006 was \$3.6 billion surplus, an increase of 25.1 per cent on the previous year.
- Total industry investment income for the year ended 31 December 2006 was \$3.8 billion, a decrease of 17.4 per cent over the previous year (December 2005 - \$4.6 billion)
- Total industry net profit after tax for the year ended 31 December 2006 was \$5.0 billion (December 2005 - \$5.3 billion). Direct insurers accounted for \$4.6 billion (92 per cent) of the industry profit. Return on net assets was 19.4 per cent for the year, down from 21.4 per cent for the December 2005 year.
- Total assets for the insurance industry were \$85.1 billion as at 31 December 2006, an increase of \$2.8 billion (3.5 per cent) on the previous year. The direct insurance sector accounts for \$75.8 billion (89.1 per cent) of this figure. Industry assets at 31 December 2006 were offset by liabilities of \$59.0 billion, an increase of \$2.0 billion (3.5 per cent).
- The net assets figure of \$26.2 billion as at 31 December 2006 represents an increase of 3.2 per cent from the one year to December and an increase of 10.5 per cent over the two years from December 2004.

APRA has not commented on the figures relating to the individual quarters reported in this publication. This is due to a number of factors including:

- General insurance financial data are often seasonal and figures from quarter to quarter are not necessarily representative of trends in the industry
- The realignment of industry reporting to APRA's required prospective basis in December 2005 has caused a shift in the quarter in which some transactions are now reported when compared to previous quarters of the same year and equivalent quarters of previous years.

## Key statistics

|                                     | Quarter end  |              |              |            |              | Year end<br>Dec 2006 | Year end<br>Dec 2005 |
|-------------------------------------|--------------|--------------|--------------|------------|--------------|----------------------|----------------------|
|                                     | Dec 2006     | Sep 2006     | Jun 2006     | Mar 2006   | Dec 2005     |                      |                      |
| <b>Total industry</b>               |              |              |              |            |              |                      |                      |
| Net premium revenue (\$m)           | 5,147        | 5,355        | 6,238        | 4,742      | 5,155        | 21,482               | 21,200               |
| Net incurred claims (\$m)           | 2,376        | 3,387        | 3,095        | 3,275      | 2,971        | 12,133               | 12,779               |
| <b>Underwriting result (\$m)</b>    | <b>1,246</b> | <b>597</b>   | <b>1,680</b> | <b>120</b> | <b>656</b>   | <b>3,643</b>         | <b>2,913</b>         |
| Investment income (\$m)             | 879          | 1,050        | 855          | 1,018      | 1,372        | 3,802                | 4,603                |
| <b>Net profit / loss (\$m)</b>      | <b>1,419</b> | <b>1,121</b> | <b>1,728</b> | <b>737</b> | <b>1,544</b> | <b>5,006</b>         | <b>5,259</b>         |
| <b>Net loss ratio</b>               | <b>46%</b>   | <b>63%</b>   | <b>50%</b>   | <b>69%</b> | <b>58%</b>   | <b>56%</b>           | <b>60%</b>           |
| Total assets (\$m)                  | 85,125       | 83,908       | 83,021       | 83,482     | 82,286       | 85,125               | 81,756               |
| Net assets (\$m)                    | 26,174       | 24,979       | 25,025       | 25,098     | 25,353       | 26,174               | 24,645               |
| Return on total assets <sup>a</sup> | 6.7%         | 5.4%         | 8.3%         | 3.6%       | 7.5%         | 6.0%                 | 6.5%                 |
| Return on net assets <sup>a</sup>   | 22.2%        | 17.9%        | 27.6%        | 11.7%      | 24.7%        | 19.4%                | 21.4%                |
| <b>Direct insurers</b>              |              |              |              |            |              |                      |                      |
| Net premium revenue (\$m)           | 4,756        | 5,158        | 5,762        | 4,597      | 4,704        | 20,272               | 19,596               |
| Net incurred claims (\$m)           | 2,243        | 3,344        | 2,780        | 3,164      | 2,755        | 11,530               | 11,954               |
| <b>Underwriting result (\$m)</b>    | <b>1,063</b> | <b>495</b>   | <b>1,589</b> | <b>159</b> | <b>589</b>   | <b>3,305</b>         | <b>2,509</b>         |
| Investment income (\$m)             | 841          | 914          | 830          | 907        | 1,204        | 3,492                | 4,088                |
| <b>Net profit / loss (\$m)</b>      | <b>1,280</b> | <b>972</b>   | <b>1,672</b> | <b>690</b> | <b>1,385</b> | <b>4,614</b>         | <b>4,640</b>         |
| <b>Net loss ratio</b>               | <b>47%</b>   | <b>65%</b>   | <b>48%</b>   | <b>69%</b> | <b>59%</b>   | <b>56%</b>           | <b>60%</b>           |
| Total assets (\$m)                  | 75,831       | 74,480       | 73,254       | 73,523     | 72,362       | 75,831               | 72,362               |
| Net assets (\$m)                    | 23,169       | 21,882       | 21,864       | 22,001     | 22,301       | 23,169               | 22,301               |
| Return on total assets <sup>a</sup> | 6.8%         | 5.3%         | 9.1%         | 3.8%       | 7.7%         | 6.2%                 | 6.6%                 |
| Return on net assets <sup>a</sup>   | 22.7%        | 17.8%        | 30.5%        | 12.5%      | 25.3%        | 20.3%                | 21.8%                |
| <b>Reinsurers</b>                   |              |              |              |            |              |                      |                      |
| Net premium revenue (\$m)           | 391          | 198          | 476          | 146        | 451          | 1,210                | 1,605                |
| Net incurred claims (\$m)           | 134          | 43           | 315          | 111        | 216          | 603                  | 825                  |
| <b>Underwriting result (\$m)</b>    | <b>182</b>   | <b>102</b>   | <b>92</b>    | <b>-39</b> | <b>68</b>    | <b>337</b>           | <b>404</b>           |
| Investment income (\$m)             | 38           | 136          | 25           | 110        | 168          | 310                  | 515                  |
| <b>Net profit / loss (\$m)</b>      | <b>139</b>   | <b>149</b>   | <b>56</b>    | <b>47</b>  | <b>158</b>   | <b>392</b>           | <b>619</b>           |
| <b>Net loss ratio</b>               | <b>34%</b>   | <b>22%</b>   | <b>66%</b>   | <b>76%</b> | <b>48%</b>   | <b>50%</b>           | <b>51%</b>           |
| Total assets (\$m)                  | 9,294        | 9,428        | 9,767        | 9,958      | 9,924        | 9,294                | 9,924                |
| Net assets (\$m)                    | 3,005        | 3,097        | 3,161        | 3,097      | 3,052        | 3,005                | 3,052                |
| Return on total assets <sup>a</sup> | 6.0%         | 6.2%         | 2.3%         | 1.9%       | 6.4%         | 4.1%                 | 5.9%                 |
| Return on net assets <sup>a</sup>   | 18.3%        | 19.1%        | 7.1%         | 6.2%       | 20.5%        | 12.9%                | 19.1%                |

<sup>a</sup> Quarterly figures expressed as annual percentage rates. See *returns* in the glossary.

## Table 1 Industry financial performance

(\$ million)

|                                    | Quarter end  |              |              |              |              | Year end<br>Dec 2006 | Year end<br>Dec 2005 |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|----------------------|----------------------|
|                                    | Dec 2006     | Sep 2006     | Jun 2006     | Mar 2006     | Dec 2005     |                      |                      |
| Gross premium revenue              | 6,957        | 7,084        | 8,429        | 6,361        | 6,877        | 28,832               | 28,257               |
| <i>of which:</i>                   |              |              |              |              |              |                      |                      |
| Direct business                    | 5,578        | 5,934        | 6,958        | 5,220        | 5,476        | 23,690               | 22,865               |
| Inwards reinsurance                | 1,379        | 1,150        | 1,471        | 1,141        | 1,401        | 5,141                | 5,392                |
| Outwards reinsurance expense       | 1,811        | 1,729        | 2,191        | 1,619        | 1,722        | 7,349                | 7,057                |
| <b>Net premium revenue</b>         | <b>5,147</b> | <b>5,355</b> | <b>6,238</b> | <b>4,742</b> | <b>5,155</b> | <b>21,482</b>        | <b>21,200</b>        |
| Gross incurred claims              | 3,637        | 4,837        | 4,658        | 4,916        | 4,229        | 18,049               | 18,209               |
| <i>of which:</i>                   |              |              |              |              |              |                      |                      |
| Direct business                    | 2,790        | 4,044        | 3,830        | 3,892        | 3,262        | 14,556               | 14,450               |
| Inwards reinsurance                | 847          | 793          | 829          | 1,025        | 967          | 3,493                | 3,758                |
| Non-reinsurance recoveries revenue | 368          | 386          | 355          | 463          | 426          | 1,577                | 1,783                |
| Reinsurance recoveries revenue     | 893          | 1,063        | 1,208        | 1,178        | 831          | 4,339                | 3,646                |
| <b>Net incurred claims</b>         | <b>2,376</b> | <b>3,387</b> | <b>3,095</b> | <b>3,275</b> | <b>2,971</b> | <b>12,133</b>        | <b>12,779</b>        |
| Acquisition costs                  | 827          | 786          | 796          | 756          | 846          | 3,164                | 3,072                |
| Other underwriting expenses        | 598          | 429          | 551          | 481          | 566          | 2,059                | 2,043                |
| Levies and charges                 | 197          | 242          | 220          | 201          | 217          | 860                  | 769                  |
| Commission revenue                 | 97           | 85           | 104          | 90           | 102          | 377                  | 374                  |
| <b>Total underwriting expenses</b> | <b>1,525</b> | <b>1,371</b> | <b>1,463</b> | <b>1,348</b> | <b>1,527</b> | <b>5,707</b>         | <b>5,508</b>         |
| <b>Underwriting result</b>         | <b>1,246</b> | <b>597</b>   | <b>1,680</b> | <b>120</b>   | <b>656</b>   | <b>3,643</b>         | <b>2,913</b>         |
| Investment income                  | 879          | 1,050        | 855          | 1,018        | 1,372        | 3,802                | 4,603                |
| Other operating expenses           | 523          | 441          | 512          | 394          | 345          | 1,869                | 1,512                |
| Other items                        | -182         | -85          | -295         | -7           | -140         | -570                 | -745                 |
| <b>Net profit / loss after tax</b> | <b>1,419</b> | <b>1,121</b> | <b>1,728</b> | <b>737</b>   | <b>1,544</b> | <b>5,006</b>         | <b>5,259</b>         |
| Number of entities                 | 132          | 133          | 133          | 133          | 133          | 132                  | 133                  |

**Table 2 Industry financial position**

(\$ million)

|                                   | Dec 2006      | Sep 2006      | Jun 2006      | Mar 2006      | Dec 2005      | Sep 2005      |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Cash and liquid assets            | 1,550         | 1,767         | 1,657         | 1,428         | 1,817         | 1,967         |
| Investments                       | 58,233        | 56,155        | 55,370        | 57,503        | 55,677        | 54,601        |
| <i>of which:</i>                  |               |               |               |               |               |               |
| Interest                          | 40,599        | 39,586        | 39,056        | 40,507        | 39,269        | 38,107        |
| Equity                            | 4,845         | 5,055         | 5,072         | 5,168         | 4,837         | 5,330         |
| Indirect investments              | 4,833         | 3,519         | 3,137         | 3,396         | 3,241         | 3,215         |
| Property                          | 541           | 516           | 515           | 484           | 484           | 442           |
| Loans and advances                | 2,078         | 2,102         | 2,161         | 2,574         | 2,416         | 2,138         |
| Other investments                 | 5,336         | 5,379         | 5,429         | 5,374         | 5,430         | 5,368         |
| Reinsurance recoverables          | 9,398         | 9,627         | 9,563         | 9,315         | 8,989         | 9,234         |
| Non-reinsurance recoverables      | 2,282         | 2,253         | 2,248         | 2,309         | 2,397         | 2,337         |
| Premium receivables               | 6,243         | 6,523         | 7,185         | 5,594         | 6,071         | 6,235         |
| Intangible assets                 | 1,532         | 1,500         | 1,494         | 1,490         | 1,483         | 1,418         |
| Other assets                      | 5,888         | 6,083         | 5,504         | 5,842         | 5,851         | 5,966         |
| <b>Total assets</b>               | <b>85,125</b> | <b>83,908</b> | <b>83,021</b> | <b>83,482</b> | <b>82,286</b> | <b>81,756</b> |
| Outstanding Claims Provision      | 35,009        | 35,587        | 35,228        | 36,420        | 35,137        | 35,327        |
| Premium Liabilities               | 13,657        | 13,919        | 13,906        | 12,827        | 13,346        | 13,346        |
| Tax provisions                    | 1,272         | 1,505         | 1,161         | 1,684         | 1,824         | 1,572         |
| Payables on reinsurance contracts | 1,164         | 1,206         | 1,456         | 1,102         | 1,171         | 1,295         |
| Borrowings and loan capital       | 2,743         | 2,320         | 2,349         | 2,356         | 2,127         | 1,873         |
| Other liabilities                 | 5,106         | 4,394         | 3,897         | 3,995         | 3,328         | 3,699         |
| <b>Total liabilities</b>          | <b>58,951</b> | <b>58,929</b> | <b>57,996</b> | <b>58,383</b> | <b>56,933</b> | <b>57,111</b> |
| Share capital                     | 13,857        | 13,480        | 13,673        | 13,803        | 13,793        | 13,662        |
| Reserves                          | 1,365         | 1,352         | 1,336         | 1,255         | 1,253         | 1,362         |
| Retained profits                  | 10,952        | 10,146        | 10,016        | 10,040        | 10,307        | 9,622         |
| <b>Net assets</b>                 | <b>26,174</b> | <b>24,979</b> | <b>25,025</b> | <b>25,098</b> | <b>25,353</b> | <b>24,645</b> |
| Number of entities                | 132           | 133           | 133           | 133           | 133           | 133           |

**Table 3 Industry key performance ratio**

|  | Quarter end  |              |              |              |              | Year end<br>Dec 2006 | Year end<br>Dec 2005 |
|--|--------------|--------------|--------------|--------------|--------------|----------------------|----------------------|
|  | Dec 2006     | Sep 2006     | Jun 2006     | Mar 2006     | Dec 2005     |                      |                      |
| Outwards reinsurance expense (\$m)                                 | 1,811        | 1,729        | 2,191        | 1,619        | 1,722        | 7,349                | 7,057                |
| Gross premium revenue (\$m)  | 6,957        | 7,084        | 8,429        | 6,361        | 6,877        | 28,832               | 28,257               |
| <b>Cession ratio</b>   | <b>26%</b>   | <b>24%</b>   | <b>26%</b>   | <b>25%</b>   | <b>25%</b>   | <b>25%</b>           | <b>25%</b>           |
| Gross incurred claims<br>(net of non-reinsurance recoveries) (\$m) | 3,267        | 4,449        | 4,303        | 4,453        | 3,803        | 16,472               | 16,425               |
| Gross premium revenue (\$m)  | 6,957        | 7,084        | 8,429        | 6,361        | 6,877        | 28,832               | 28,257               |
| <b>Gross loss ratio</b>  | <b>47%</b>   | <b>63%</b>   | <b>51%</b>   | <b>70%</b>   | <b>55%</b>   | <b>57%</b>           | <b>58%</b>           |
| Net incurred claims (\$m)  | 2,376        | 3,387        | 3,095        | 3,275        | 2,971        | 12,133               | 12,779               |
| Net premium revenue (\$m)  | 5,147        | 5,355        | 6,238        | 4,742        | 5,155        | 21,482               | 21,200               |
| <b>Net loss ratio</b>  | <b>46%</b>   | <b>63%</b>   | <b>50%</b>   | <b>69%</b>   | <b>58%</b>   | <b>56%</b>           | <b>60%</b>           |
| Underwriting expenses (\$m)  | 1,525        | 1,371        | 1,463        | 1,348        | 1,527        | 5,707                | 5,508                |
| Net premium revenue (\$m)  | 5,147        | 5,355        | 6,238        | 4,742        | 5,155        | 21,482               | 21,200               |
| <b>U/W expense ratio</b>   | <b>30%</b>   | <b>26%</b>   | <b>23%</b>   | <b>28%</b>   | <b>30%</b>   | <b>27%</b>           | <b>26%</b>           |
| <b>Net U/W combined ratio</b>                                      | <b>76%</b>   | <b>89%</b>   | <b>73%</b>   | <b>97%</b>   | <b>87%</b>   | <b>83%</b>           | <b>86%</b>           |
| Investment income (\$m)  | 879          | 1,050        | 855          | 1,018        | 1,372        | 3,802                | 4,603                |
| Average total investments (\$m)                                    | 57,194       | 55,763       | 56,437       | 56,590       | 55,139       | 56,955               | 54,305               |
| <b>Return on total investments<sup>a</sup></b>                     | <b>6.1%</b>  | <b>7.5%</b>  | <b>6.1%</b>  | <b>7.2%</b>  | <b>10.0%</b> | <b>6.7%</b>          | <b>8.5%</b>          |
| Net profit after tax (\$m)   | 1,419        | 1,121        | 1,728        | 737          | 1,544        | 5,006                | 5,259                |
| Average total assets (\$m)   | 84,517       | 83,465       | 83,251       | 82,884       | 82,021       | 83,706               | 80,353               |
| <b>Return on total assets<sup>a</sup></b>                          | <b>6.7%</b>  | <b>5.4%</b>  | <b>8.3%</b>  | <b>3.6%</b>  | <b>7.5%</b>  | <b>6.0%</b>          | <b>6.5%</b>          |
| Net profit after tax (\$m)   | 1,419        | 1,121        | 1,728        | 737          | 1,544        | 5,006                | 5,259                |
| Average net assets (\$m)   | 25,576       | 25,002       | 25,062       | 25,226       | 24,999       | 25,764               | 24,525               |
| <b>Return on net assets<sup>a</sup></b>                            | <b>22.2%</b> | <b>17.9%</b> | <b>27.6%</b> | <b>11.7%</b> | <b>24.7%</b> | <b>19.4%</b>         | <b>21.4%</b>         |
| Number of entities   | 132          | 133          | 133          | 133          | 133          | 132                  | 133                  |

<sup>a</sup> Quarterly figures expressed as annual percentage rates. See *returns* in the glossary.

**Table 4 Direct insurer financial performance**

(\$ million)

|                                    | Quarter end  |              |              |              |              | Year end<br>Dec 2006 | Year end<br>Dec 2005 |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|----------------------|----------------------|
|                                    | Dec 2006     | Sep 2006     | Jun 2006     | Mar 2006     | Dec 2005     |                      |                      |
| Gross premium revenue              | 6,509        | 6,866        | 7,917        | 6,099        | 6,371        | 27,391               | 26,367               |
| Outwards reinsurance expense       | 1,753        | 1,708        | 2,155        | 1,502        | 1,668        | 7,119                | 6,771                |
| <b>Net premium revenue</b>         | <b>4,756</b> | <b>5,158</b> | <b>5,762</b> | <b>4,597</b> | <b>4,704</b> | <b>20,272</b>        | <b>19,596</b>        |
| Gross incurred claims              | 3,511        | 4,803        | 4,395        | 4,706        | 4,028        | 17,415               | 17,295               |
| Non-reinsurance recoveries revenue | 370          | 388          | 355          | 463          | 426          | 1,577                | 1,783                |
| Reinsurance recoveries revenue     | 898          | 1,071        | 1,260        | 1,079        | 847          | 4,308                | 3,558                |
| <b>Net incurred claims</b>         | <b>2,243</b> | <b>3,344</b> | <b>2,780</b> | <b>3,164</b> | <b>2,755</b> | <b>11,530</b>        | <b>11,954</b>        |
| Acquisition costs                  | 762          | 733          | 736          | 691          | 749          | 2,922                | 2,778                |
| Other underwriting expenses        | 587          | 429          | 541          | 472          | 496          | 2,029                | 1,959                |
| Levies and charges                 | 197          | 242          | 220          | 201          | 216          | 860                  | 768                  |
| Commission revenue                 | 97           | 85           | 104          | 90           | 101          | 375                  | 371                  |
| <b>Total underwriting expenses</b> | <b>1,450</b> | <b>1,319</b> | <b>1,394</b> | <b>1,274</b> | <b>1,360</b> | <b>5,437</b>         | <b>5,133</b>         |
| <b>Underwriting result</b>         | <b>1,063</b> | <b>495</b>   | <b>1,589</b> | <b>159</b>   | <b>589</b>   | <b>3,305</b>         | <b>2,509</b>         |
| Investment income                  | 841          | 914          | 830          | 907          | 1,204        | 3,492                | 4,088                |
| Other operating expenses           | 502          | 413          | 482          | 365          | 331          | 1,763                | 1,416                |
| Other items                        | -122         | -24          | -263         | -11          | -77          | -420                 | -541                 |
| <b>Net profit / loss after tax</b> | <b>1,280</b> | <b>972</b>   | <b>1,672</b> | <b>690</b>   | <b>1,385</b> | <b>4,614</b>         | <b>4,640</b>         |
| Number of entities                 | 111          | 112          | 112          | 112          | 112          | 111                  | 112                  |

**Table 5 Direct insurer financial position**

(\$ million)

|   | Dec 2006      | Sep 2006      | Jun 2006      | Mar 2006      | Dec 2005      | Sep 2005      |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| Cash and liquid assets                                | 1,442         | 1,673         | 1,484         | 1,331         | 1,689         | 1,830         |
| Investments   | 51,013        | 48,770        | 47,932        | 49,640        | 47,921        | 46,923        |
| <i>of which:</i>                                      |               |               |               |               |               |               |
| Interest  | 34,195        | 33,002        | 32,815        | 33,931        | 32,718        | 31,539        |
| Equity  | 4,591         | 4,765         | 4,520         | 4,488         | 4,209         | 4,783         |
| Indirect investments                                  | 4,697         | 3,402         | 3,021         | 3,292         | 3,118         | 3,107         |
| Property, Loans and Advances<br>and Other investments | 7,530         | 7,602         | 7,575         | 7,929         | 7,876         | 7,494         |
| Reinsurance and other recoverables                    | 11,232        | 11,396        | 11,299        | 11,047        | 10,890        | 10,969        |
| Premium receivables                                   | 5,141         | 5,456         | 5,997         | 4,577         | 4,950         | 5,122         |
| Intangible and other assets                           | 7,004         | 7,185         | 6,541         | 6,928         | 6,912         | 6,940         |
| <b>Total assets</b>                                   | <b>75,831</b> | <b>74,480</b> | <b>73,254</b> | <b>73,523</b> | <b>72,362</b> | <b>71,783</b> |
| Outstanding Claims Provision                          | 30,402        | 30,798        | 30,401        | 31,460        | 30,289        | 30,167        |
| Premium Liabilities                                   | 12,607        | 12,930        | 12,763        | 11,857        | 12,292        | 12,380        |
| Tax provisions  | 1,035         | 1,288         | 965           | 1,426         | 1,528         | 1,316         |
| Payables on reinsurance contracts                     | 991           | 1,048         | 1,220         | 818           | 919           | 1,020         |
| Borrowings and loan capital<br>and other liabilities  | 7,628         | 6,535         | 6,040         | 5,962         | 5,032         | 5,386         |
| <b>Total liabilities</b>                              | <b>52,663</b> | <b>52,599</b> | <b>51,390</b> | <b>51,523</b> | <b>50,061</b> | <b>50,269</b> |
| Share capital   | 11,879        | 11,501        | 11,531        | 11,661        | 11,650        | 11,519        |
| Reserves  | 1,130         | 1,120         | 1,105         | 1,030         | 1,026         | 1,136         |
| Retained profits                                      | 10,160        | 9,260         | 9,229         | 9,310         | 9,625         | 8,860         |
| <b>Net assets</b>                                     | <b>23,169</b> | <b>21,882</b> | <b>21,864</b> | <b>22,001</b> | <b>22,301</b> | <b>21,514</b> |
| Number of entities                                    | 111           | 112           | 112           | 112           | 112           | 112           |

**Table 6 Direct insurer key performance ratio**

|  | Quarter end  |              |              |              |              | Year end<br>Dec 2006 | Year end<br>Dec 2005 |
|--|--------------|--------------|--------------|--------------|--------------|----------------------|----------------------|
|  | Dec 2006     | Sep 2006     | Jun 2006     | Mar 2006     | Dec 2005     |                      |                      |
| Outwards reinsurance expense (\$m)                                 | 1,753        | 1,708        | 2,155        | 1,502        | 1,668        | 7,119                | 6,771                |
| Gross premium revenue (\$m)  | 6,509        | 6,866        | 7,917        | 6,099        | 6,371        | 27,391               | 26,367               |
| <b>Cession ratio</b>   | <b>27%</b>   | <b>25%</b>   | <b>27%</b>   | <b>25%</b>   | <b>26%</b>   | <b>26%</b>           | <b>26%</b>           |
| Gross incurred claims<br>(net of non-reinsurance recoveries) (\$m) | 3,141        | 4,415        | 4,040        | 4,242        | 3,602        | 15,838               | 15,512               |
| Gross premium revenue (\$m)  | 6,509        | 6,866        | 7,917        | 6,099        | 6,371        | 27,391               | 26,367               |
| <b>Gross loss ratio</b>  | <b>48%</b>   | <b>64%</b>   | <b>51%</b>   | <b>70%</b>   | <b>57%</b>   | <b>58%</b>           | <b>59%</b>           |
| Net incurred claims (\$m)  | 2,243        | 3,344        | 2,780        | 3,164        | 2,755        | 11,530               | 11,954               |
| Net premium revenue (\$m)  | 4,756        | 5,158        | 5,762        | 4,597        | 4,704        | 20,272               | 19,596               |
| <b>Net loss ratio</b>  | <b>47%</b>   | <b>65%</b>   | <b>48%</b>   | <b>69%</b>   | <b>59%</b>   | <b>57%</b>           | <b>61%</b>           |
| Underwriting expenses (\$m)  | 1,450        | 1,319        | 1,394        | 1,274        | 1,360        | 5,437                | 5,133                |
| Net premium revenue (\$m)  | 4,756        | 5,158        | 5,762        | 4,597        | 4,704        | 20,272               | 19,596               |
| <b>U/W expense ratio</b>   | <b>30%</b>   | <b>26%</b>   | <b>24%</b>   | <b>28%</b>   | <b>29%</b>   | <b>27%</b>           | <b>26%</b>           |
| <b>Net U/W combined ratio</b>                                      | <b>78%</b>   | <b>90%</b>   | <b>72%</b>   | <b>97%</b>   | <b>87%</b>   | <b>84%</b>           | <b>87%</b>           |
| Investment income (\$m)  | 841          | 914          | 830          | 907          | 1,204        | 3,492                | 4,088                |
| Average total investments (\$m)                                    | 49,892       | 48,351       | 48,786       | 48,781       | 47,422       | 49,467               | 46,381               |
| <b>Return on total investments<sup>a</sup></b>                     | <b>6.7%</b>  | <b>7.6%</b>  | <b>6.8%</b>  | <b>7.4%</b>  | <b>10.2%</b> | <b>7.1%</b>          | <b>8.8%</b>          |
| Net profit after tax (\$m)   | 1,280        | 972          | 1,672        | 690          | 1,385        | 4,614                | 4,640                |
| Average total assets (\$m)   | 75,156       | 73,867       | 73,389       | 72,943       | 72,073       | 74,097               | 69,887               |
| <b>Return on total assets<sup>a</sup></b>                          | <b>6.8%</b>  | <b>5.3%</b>  | <b>9.1%</b>  | <b>3.8%</b>  | <b>7.7%</b>  | <b>6.2%</b>          | <b>6.6%</b>          |
| Net profit after tax (\$m)   | 1,280        | 972          | 1,672        | 690          | 1,385        | 4,614                | 4,640                |
| Average Net assets (\$m)   | 22,525       | 21,873       | 21,932       | 22,151       | 21,908       | 22,735               | 21,287               |
| <b>Return on net assets<sup>a</sup></b>                            | <b>22.7%</b> | <b>17.8%</b> | <b>30.5%</b> | <b>12.5%</b> | <b>25.3%</b> | <b>20.3%</b>         | <b>21.8%</b>         |
| Number of entities   | 111          | 112          | 112          | 112          | 112          | 111                  | 112                  |

<sup>a</sup> Quarterly figures expressed as annual percentage rates. See *returns* in the glossary.

**Table 7 Reinsurer financial performance**

(\$ million)

|                                    | Quarter end |            |            |            |            | Year end<br>Dec 2006 | Year end<br>Dec 2005 |
|------------------------------------|-------------|------------|------------|------------|------------|----------------------|----------------------|
|                                    | Dec 2006    | Sep 2006   | Jun 2006   | Mar 2006   | Dec 2005   |                      |                      |
| Gross premium revenue              | 448         | 218        | 513        | 262        | 505        | 1,441                | 1,891                |
| Outwards reinsurance expense       | 57          | 20         | 36         | 116        | 54         | 231                  | 286                  |
| <b>Net premium revenue</b>         | <b>391</b>  | <b>198</b> | <b>476</b> | <b>146</b> | <b>451</b> | <b>1,210</b>         | <b>1,605</b>         |
| Gross incurred claims              | 126         | 34         | 263        | 211        | 201        | 634                  | 914                  |
| Non-reinsurance recoveries revenue | 0           | 0          | 0          | 0          | 0          | 0                    | 0                    |
| Reinsurance recoveries revenue     | -8          | -9         | -52        | 100        | -16        | 31                   | 88                   |
| <b>Net incurred claims</b>         | <b>134</b>  | <b>43</b>  | <b>315</b> | <b>111</b> | <b>216</b> | <b>603</b>           | <b>825</b>           |
| Acquisition costs                  | 64          | 53         | 60         | 65         | 97         | 242                  | 294                  |
| Other underwriting expenses        | 11          | 0          | 10         | 9          | 70         | 30                   | 84                   |
| Levies and charges                 | 0           | 0          | 0          | 0          | 0          | 1                    | 1                    |
| Commission revenue                 | 1           | 1          | 0          | 0          | 1          | 2                    | 4                    |
| <b>Total underwriting expenses</b> | <b>75</b>   | <b>52</b>  | <b>69</b>  | <b>74</b>  | <b>167</b> | <b>270</b>           | <b>375</b>           |
| <b>Underwriting result</b>         | <b>182</b>  | <b>102</b> | <b>92</b>  | <b>-39</b> | <b>68</b>  | <b>337</b>           | <b>404</b>           |
| Investment income                  | 38          | 136        | 25         | 110        | 168        | 310                  | 515                  |
| Other operating expenses           | 21          | 27         | 29         | 28         | 14         | 106                  | 96                   |
| Other items                        | -61         | -62        | -32        | 4          | -63        | -150                 | -205                 |
| <b>Net profit / loss after tax</b> | <b>139</b>  | <b>149</b> | <b>56</b>  | <b>47</b>  | <b>158</b> | <b>392</b>           | <b>619</b>           |
| Number of entities                 | 21          | 21         | 21         | 21         | 21         | 21                   | 21                   |

**Table 8 Reinsurer financial position**

(\$ million)

|   | Dec 2006     | Sep 2006     | Jun 2006     | Mar 2006     | Dec 2005     | Sep 2005     |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| Cash and liquid assets                                | 109          | 94           | 173          | 97           | 128          | 136          |
| Investments   | 7,219        | 7,385        | 7,438        | 7,863        | 7,756        | 7,678        |
| <i>of which:</i>                                      |              |              |              |              |              |              |
| Interest  | 6,404        | 6,584        | 6,241        | 6,576        | 6,551        | 6,568        |
| Equity  | 254          | 290          | 552          | 680          | 628          | 547          |
| Indirect investments                                  | 136          | 117          | 116          | 105          | 123          | 109          |
| Property, Loans and Advances<br>and Other investments | 426          | 394          | 529          | 502          | 454          | 454          |
| Reinsurance and other recoverables                    | 448          | 484          | 512          | 577          | 496          | 602          |
| Premium receivables                                   | 1,102        | 1,067        | 1,188        | 1,017        | 1,121        | 1,113        |
| Intangible and other assets                           | 416          | 398          | 457          | 404          | 422          | 443          |
| <b>Total assets</b>                                   | <b>9,294</b> | <b>9,428</b> | <b>9,767</b> | <b>9,958</b> | <b>9,924</b> | <b>9,973</b> |
| Outstanding Claims Provision                          | 4,607        | 4,788        | 4,827        | 4,960        | 4,849        | 5,160        |
| Premium Liabilities                                   | 1,050        | 988          | 1,143        | 970          | 1,053        | 966          |
| Tax provisions  | 237          | 217          | 195          | 258          | 296          | 256          |
| Payables on reinsurance contracts                     | 173          | 158          | 235          | 284          | 252          | 274          |
| Borrowings and loan capital<br>and other liabilities  | 221          | 179          | 207          | 389          | 422          | 187          |
| <b>Total liabilities</b>                              | <b>6,288</b> | <b>6,331</b> | <b>6,606</b> | <b>6,861</b> | <b>6,872</b> | <b>6,842</b> |
| Share capital   | 1,979        | 1,979        | 2,143        | 2,143        | 2,143        | 2,143        |
| Reserves  | 235          | 232          | 231          | 225          | 227          | 226          |
| Retained profits                                      | 792          | 886          | 788          | 730          | 682          | 762          |
| <b>Net assets</b>                                     | <b>3,005</b> | <b>3,097</b> | <b>3,161</b> | <b>3,097</b> | <b>3,052</b> | <b>3,131</b> |
| Number of entities                                    | 21           | 21           | 21           | 21           | 21           | 21           |

**Table 9 Reinsurer key performance ratio**

|  | Quarter end  |              |             |             |              | Year end<br>Dec 2006 | Year end<br>Dec 2005 |
|--|--------------|--------------|-------------|-------------|--------------|----------------------|----------------------|
|  | Dec 2006     | Sep 2006     | Jun 2006    | Mar 2006    | Dec 2005     |                      |                      |
| Outwards reinsurance expense (\$m)                                 | 57           | 20           | 36          | 116         | 54           | 231                  | 286                  |
| Gross premium revenue (\$m)  | 448          | 218          | 513         | 262         | 505          | 1,441                | 1,891                |
| <b>Cession ratio</b>   | <b>13%</b>   | <b>9%</b>    | <b>7%</b>   | <b>44%</b>  | <b>11%</b>   | <b>16%</b>           | <b>15%</b>           |
| Gross incurred claims<br>(net of non-reinsurance recoveries) (\$m) | 126          | 34           | 263         | 211         | 201          | 634                  | 914                  |
| Gross premium revenue (\$m)  | 448          | 218          | 513         | 262         | 505          | 1,441                | 1,891                |
| <b>Gross loss ratio</b>  | <b>28%</b>   | <b>16%</b>   | <b>51%</b>  | <b>80%</b>  | <b>40%</b>   | <b>44%</b>           | <b>48%</b>           |
| Net incurred claims (\$m)  | 134          | 43           | 315         | 111         | 216          | 603                  | 825                  |
| Net premium revenue (\$m)  | 391          | 198          | 476         | 146         | 451          | 1,210                | 1,605                |
| <b>Net loss ratio</b>  | <b>34%</b>   | <b>22%</b>   | <b>66%</b>  | <b>76%</b>  | <b>48%</b>   | <b>50%</b>           | <b>51%</b>           |
| Underwriting expenses (\$m)  | 75           | 52           | 69          | 74          | 167          | 270                  | 375                  |
| Net premium revenue (\$m)  | 391          | 198          | 476         | 146         | 451          | 1,210                | 1,605                |
| <b>U/W expense ratio</b>   | <b>19%</b>   | <b>26%</b>   | <b>15%</b>  | <b>51%</b>  | <b>37%</b>   | <b>22%</b>           | <b>23%</b>           |
| <b>Net U/W combined ratio</b>                                      | <b>53%</b>   | <b>48%</b>   | <b>81%</b>  | <b>127%</b> | <b>85%</b>   | <b>72%</b>           | <b>75%</b>           |
| Investment income (\$m)  | 38           | 136          | 25          | 110         | 168          | 310                  | 515                  |
| Average total investments (\$m)                                    | 7,302        | 7,411        | 7,650       | 7,810       | 7,717        | 7,488                | 7,924                |
| <b>Return on total investments<sup>a</sup></b>                     | <b>2.1%</b>  | <b>7.3%</b>  | <b>1.3%</b> | <b>5.6%</b> | <b>8.7%</b>  | <b>4.1%</b>          | <b>6.5%</b>          |
| Net profit after tax (\$m)   | 139          | 149          | 56          | 47          | 158          | 392                  | 619                  |
| Average total assets (\$m)   | 9,361        | 9,598        | 9,863       | 9,941       | 9,949        | 9,609                | 10,466               |
| <b>Return on total assets<sup>a</sup></b>                          | <b>6.0%</b>  | <b>6.2%</b>  | <b>2.3%</b> | <b>1.9%</b> | <b>6.4%</b>  | <b>4.1%</b>          | <b>5.9%</b>          |
| Net profit after tax (\$m)   | 139          | 149          | 56          | 47          | 158          | 392                  | 619                  |
| Average Net assets (\$m)   | 3,051        | 3,129        | 3,129       | 3,075       | 3,091        | 3,029                | 3,237                |
| <b>Return on net assets<sup>a</sup></b>                            | <b>18.3%</b> | <b>19.1%</b> | <b>7.1%</b> | <b>6.2%</b> | <b>20.5%</b> | <b>12.9%</b>         | <b>19.1%</b>         |
| Number of entities   | 21           | 21           | 21          | 21          | 21           | 21                   | 21                   |

<sup>a</sup> 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 claims expense* less *non-reinsurance recoveries revenue* divided by *gross premium revenue*.

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

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

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

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

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

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

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

*Non-reinsurance recoverables* comprise recoverables from subrogation, salvage, sharing arrangements etc, net of provision for doubtful debts.

*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) 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, goodwill amortisation and income tax expense or benefit.

*Other liabilities* comprises creditors and accruals, other provisions 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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