



STATISTICS

General insurance claims development statistics - highlights

December 2020 (released 21 July 2021)

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CTP motor vehicle

In the 2020 financial year, significant reserve releases occurred consistently across all prior accident years, albeit at lower levels than in recent financial years. These were mainly concentrated within the accident years up to 5 years prior. The estimated ultimate loss ratio for the 2020 accident year (84.1 per cent) is in line with 2019 and 2018 accident years but lower than prior accident years at the same stage of development. This could be explained by recent CTP scheme reforms.

Chart 1: Claims development ¹

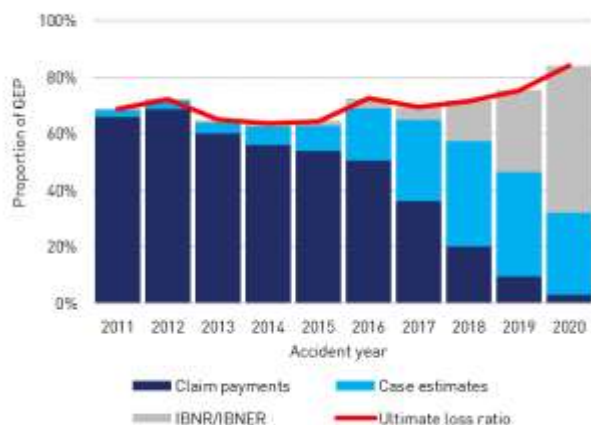
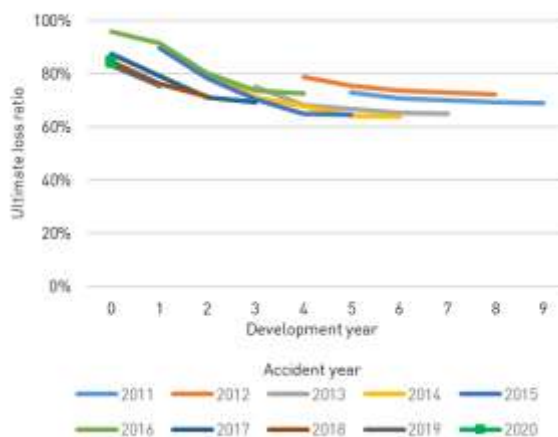


Chart 2: Ultimate loss ratio development



Public and product liability

In the 2020 financial year, there was some reserve strengthening across recent accident years. Reserve strengthening is noted for 2020 and 2019 financial years and is in contrast to reserve releases across prior financial years. The estimated ultimate loss ratio for the 2020 accident year (55.9 per cent) is in line with recent accident years at the same stage of development.

Chart 3: Claims development

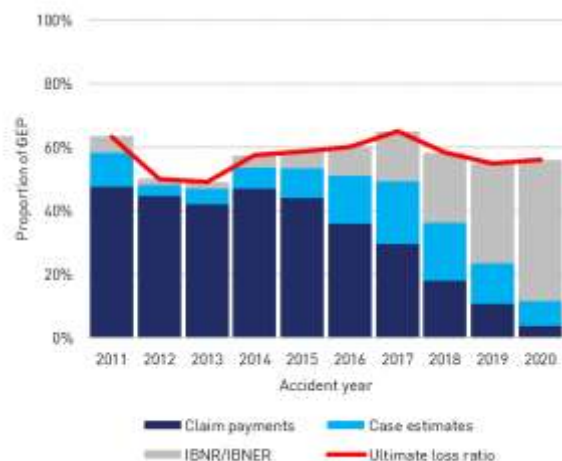
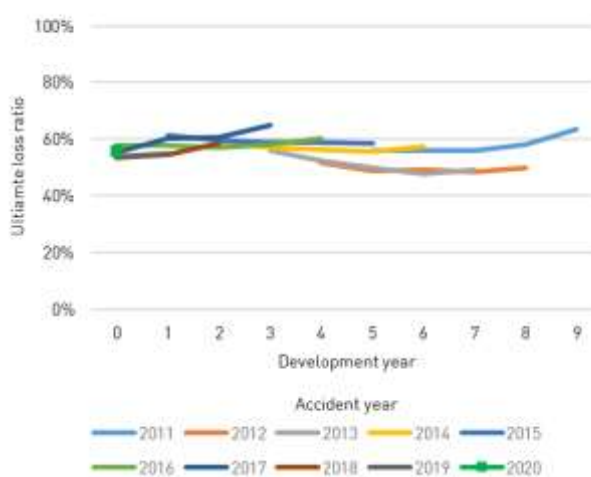


Chart 4: Ultimate loss ratio development



¹ IBNR/IBNER stands for incurred but not reported / incurred but not enough reported and GEP stands for gross earned premium. Please refer to the *General Insurance Claims Development Statistics Glossary* for definitions related to GEP, IBNR/IBNER and other data items used in the Highlights.

Professional indemnity

In the 2020 financial year reserve strengthening occurred across all recent accident years. This trend aligns with an increase in class action activity. These reserve strengthening were mainly concentrated within the accident years up to 5 years prior. The estimated ultimate loss ratio for the 2020 accident year (67.0 per cent) is slightly above 2019 level at the same stage of development, with premium increases offset by increases in expected future claims.

Chart 5: Claims development

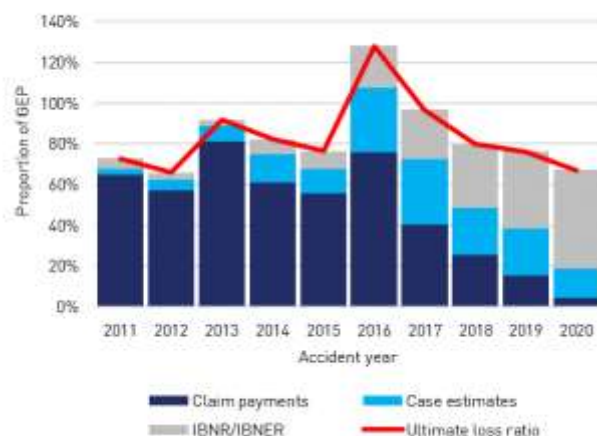
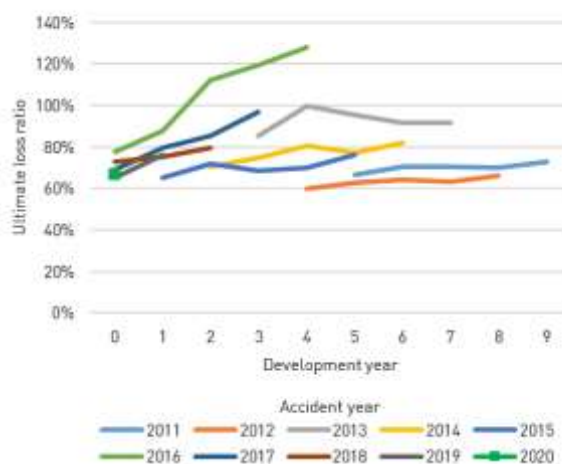


Chart 6: Ultimate loss ratio development



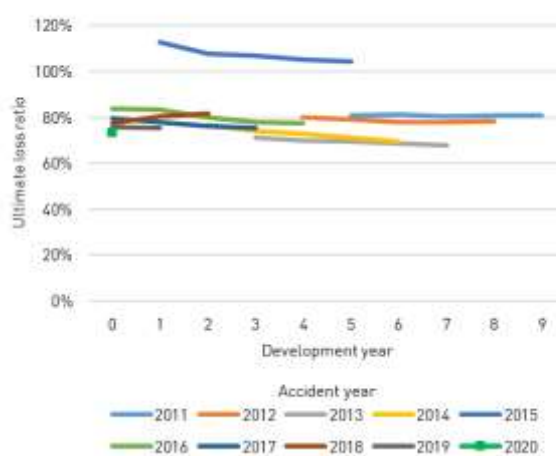
Employers' liability

In the 2020 financial year, reserve releases continued across most recent accident years, however reserve strengthening was seen for the 2018 accident year. The estimated ultimate loss ratio for the 2020 accident year (73.6 per cent) is slightly lower than recent accident years at the same stage of development and driven by premium increases. There is a significant transactional impact on the 2015 accident year data - excluding the impact of this transaction the ultimate loss ratio for the 2015 accident year would be approximately 75 per cent.

Chart 7: Claims development



Chart 8: Ultimate loss ratio development



Houseowners/householders

Given the short tail nature of claims in this class of business, the ultimate claims cost estimate for any particular accident year does not develop much over time. The estimated ultimate loss ratio for the 2020 accident year (81.0 per cent) is higher than the 10 year average of 59.0 per cent, mostly due to the negative impact of natural catastrophe events on insurers' claims costs.

Chart 9: Claims development

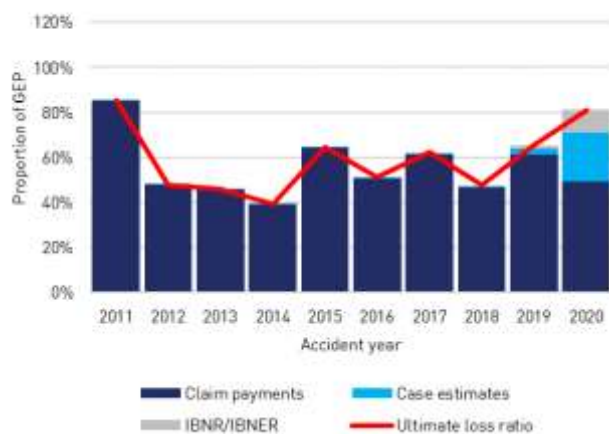
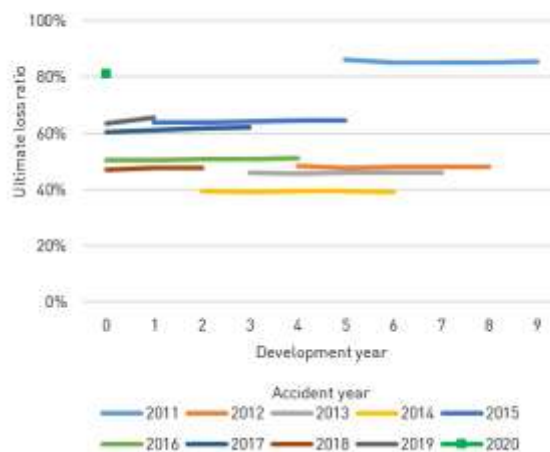


Chart 10: Ultimate loss ratio development



Domestic motor vehicle

Taking into consideration the short tail nature of claims in this class of business, the ultimate claims cost estimate for any particular accident year does not significantly develop over time. The estimated ultimate loss ratio for the 2020 accident year (64.4 per cent) is lower than the 10 year average of 66.9 per cent. This was mostly due to a reduction in claims frequency from the community lockdowns initiated by the Government in response to the COVID-19 pandemic.

Chart 11: Claims development

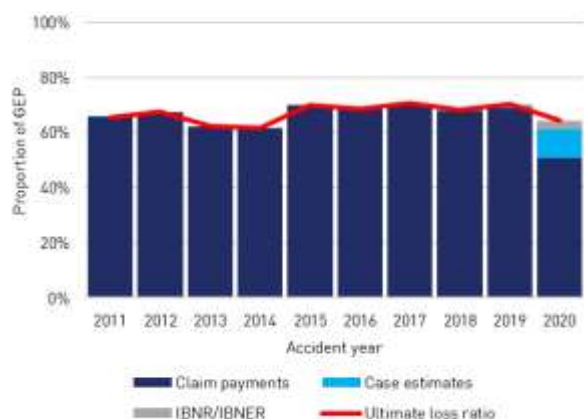
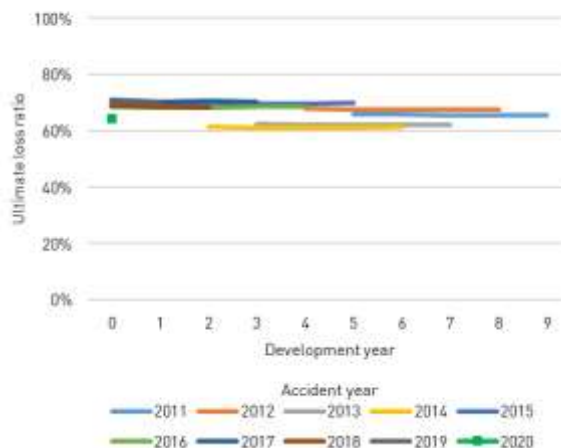


Chart 12: Ultimate loss ratio development



Fire and ISR

Due to the short tail nature of Fire & ISR claims the ultimate claims cost estimate for any particular accident year typically does not develop much over time. The estimated ultimate loss ratio for the 2020 accident year (92.4 per cent) is above the 10 year average of 77.7 per cent and is driven by revised provisions for pandemic-related business interruption (BI) claims at the end of December 2020. This represents the BI provisions reported by insurers with 31 December balance dates only, as claims development data is submitted to APRA annually and following the insurers' balance date.

Chart 13: Claims development

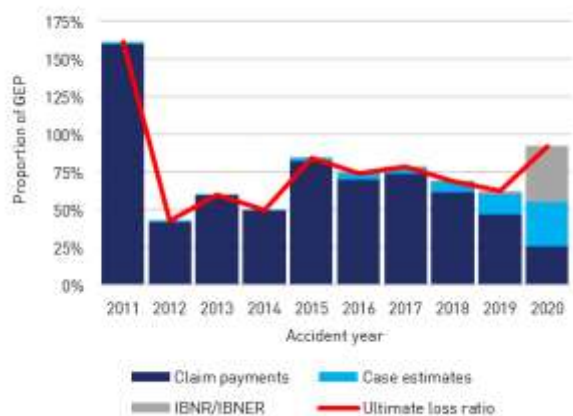
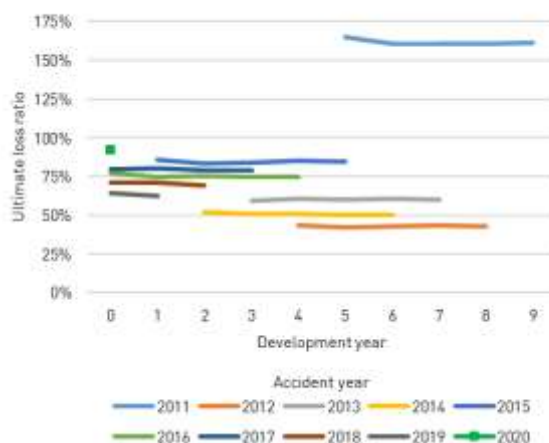


Chart 14: Ultimate loss ratio development



Commercial motor vehicle

Similar to the other short tail classes of business, the ultimate claims cost estimate for any particular accident year does not develop much over time for this class. The estimated ultimate loss ratio for the 2020 accident year (61.0 per cent) is slightly lower than the 10 year average of 68.8 per cent, continuing a recent downward trend due to premium growth and the pandemic-related reduction in claim frequency in 2020.

Chart 15: Claims development

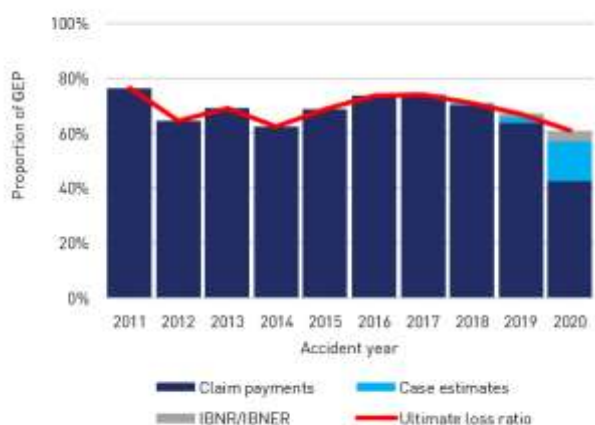
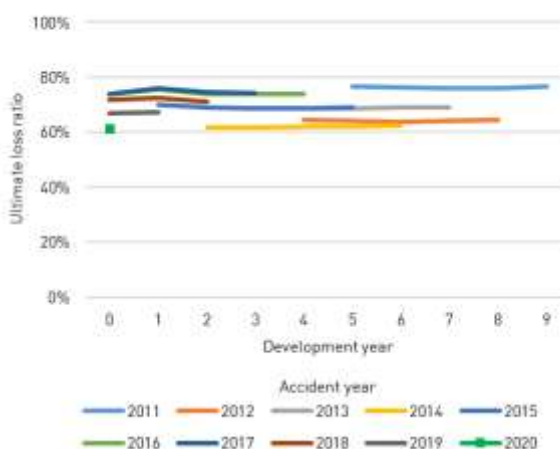


Chart 16: Ultimate loss ratio development



Reinsurance

In the 2017 financial year, reserve movements were impacted by one insurer consolidating its APRA licences and therefore should be viewed with caution. The estimated ultimate loss ratio for the 2020 underwriting year (71 per cent) is higher than recent underwriting years at the same stage of development, with the impact of natural catastrophe events (including bushfires) contributing to the increase.

Chart 17: Claims development

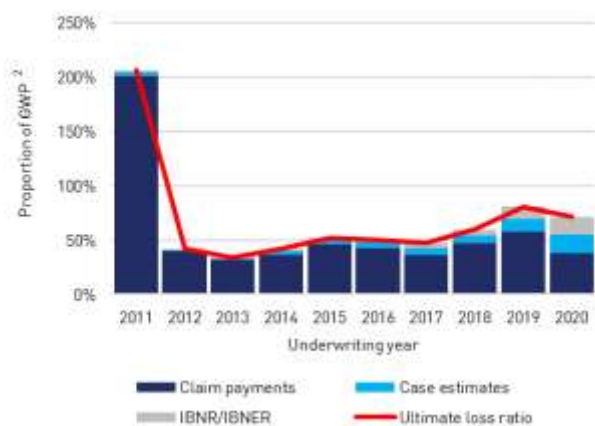
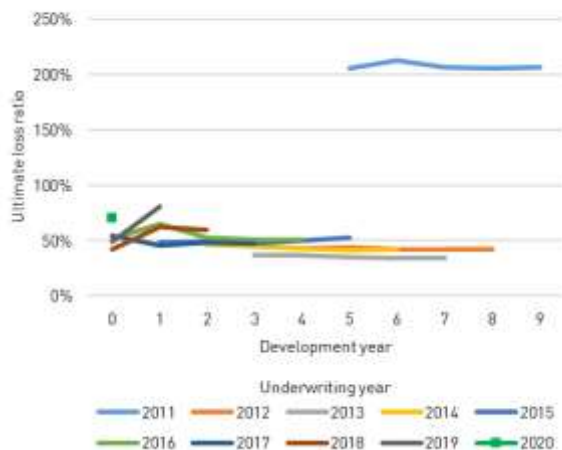


Chart 18: Ultimate loss ratio development



² GWP stands for gross written premium



APRA