



STATISTICS


Annual Friendly Society Bulletin

June 2018 (released 18 December 2018)

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Forthcoming issues

This Publication will be released according to the timetable published on the APRA website.

Notation

Except where indicated, amounts are expressed in thousands of Australian dollars.

Items that are blank indicate that nothing was reported for the relevant period or that the item is not applicable.

Rounding

Details on tables may not add up to totals due to rounding of figures.

Explanatory notes

A set of explanatory notes is provided on the APRA website to assist the reader in understanding the source and definitions of the data.

Enquiries

For more information about the statistics in this Publication:

email DataAnalytics@apra.gov.au

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

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Highlights

Summary

Total entity net profit after tax was \$21.3 million for the 12 months to June 2018, of which: total benefit funds contributed \$1.2 million and total management funds contributed \$20.1 million.

Return on net assets for the 12 months to June 2018 was 7.6 per cent, down from 11.5 per cent for the preceding year. This was driven by an increase in tax outlays from \$68.2 million in the year to 30 June 2017 to \$80.4 million in the year to 30 June 2018. The increase in tax payments was largely reflective of improved performance by some benefit funds during this period.

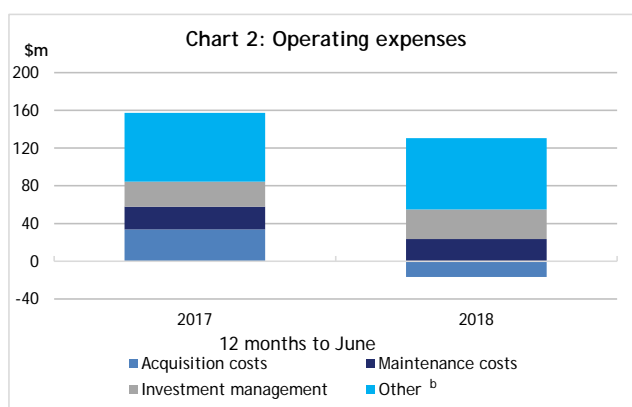
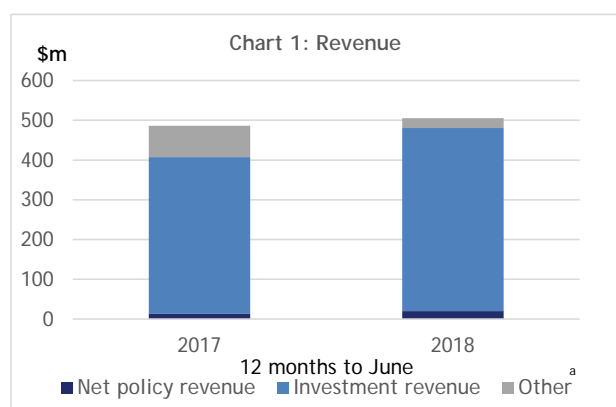
Financial performance

For the 12 months to 30 June 2018, friendly societies' total revenue was \$505.3 million, which was 3.9 per cent higher than in the previous 12 months (Chart 1). This outcome was driven by an increase in net policy revenue from \$13.1 million to \$19.8 million, and an increase in investment revenue from \$394.2 million to \$460.6 million over the same period. These increases were partially off-set by a decrease in other revenue^a from \$79.1 million to \$24.9 million for the 12 months to 30 June 2018.

For the 12 months to 30 June 2018, total benefit fund net contributions were \$63.6 million, which was 29.5 per cent lower than the previous 12 months. Net policy revenue recognised as a deposit was \$1.0 billion in the 2018 year (\$1.1 billion in 2017 year), compared with \$973.5 million of net policy expenses recognised as a withdrawal in the 2018 year (\$1.0 billion in 2017 year).

For the 12 months to 30 June 2018, total expenses were \$403.6 million, an increase from \$387.6 million in the previous 12 months. Total expenses in the 12 months to June 2018 mainly comprised an effective movement in net policy liabilities of \$269.6 million, net policy expenses of \$11.9 million and operating expenses of \$114.0 million.

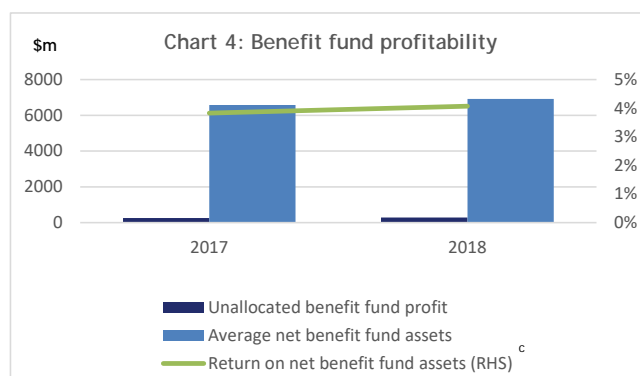
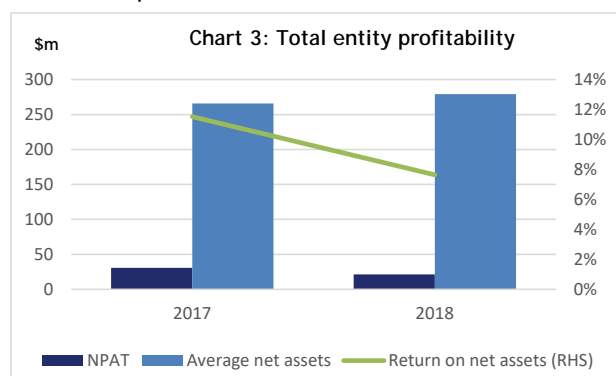
Operating expenses were \$114.0 million in the 12 months to 30 June 2018, which was 27.5 per cent lower compared with the previous 12 months. Acquisition costs accounted for -14.6 per cent (this negative value is due to a reversal of reinsurance commissions for new business cancelled within the clawback period), and maintenance costs accounted for 20.7 per cent of the total operating expenses (Chart 2).



Total entity net profit after tax was \$21.3 million in the June 2018 year, compared with \$30.6 million in the June 2017 year, with total benefit funds contributing \$1.2 million and total management funds contributing \$20.1 million in the 12 months to June 2018.

In the 12 months to 30 June 2018 return on net assets was 7.6 per cent, compared with 11.5 percent in the previous 12 months (Chart 3).

Benefit fund performance



^a 'Other revenue' includes management service fees.

^b 'Other' comprises net movement in deferred acquisition costs, interest expenses and other operating expenses.

^c See 'Return on net benefit assets' in the glossary.

Total friendly society unallocated benefit fund profit was \$281.6 million for the 12 months to 30 June 2018, compared with \$252.0 million in the previous year (an increase of 11.7 per cent), of which defined contribution funds contributed \$280.4 million and defined benefit funds contributed \$1.2 million.

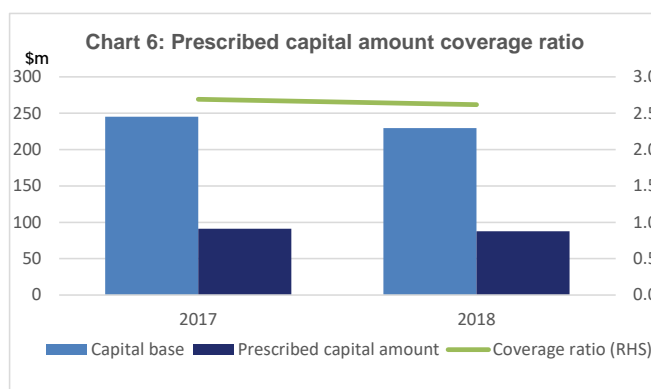
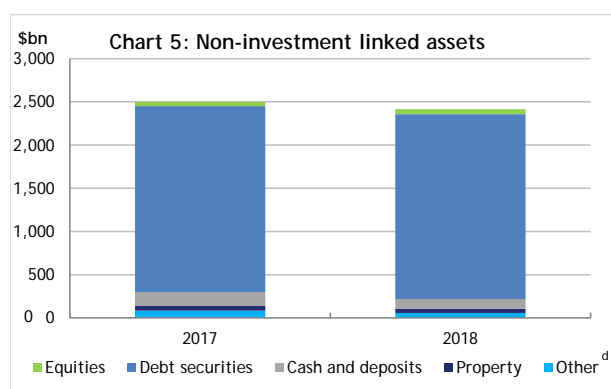
In the 12 months 30 June 2018 net benefit fund return on net benefit fund assets was 4.1 per cent, remaining steady compared with the previous year (chart 4).

Financial position

Total friendly society assets were \$7.5 billion as at 30 June 2018 compared with \$7.2 billion as at 30 June 2017. Friendly societies' non-investment-linked assets were \$2.4 billion as at 30 June 2018, which has remained steady compared with 30 June 2017. Of total non-investment-linked assets, \$2.1 billion (88.5 per cent) were invested in debt securities, \$58.7 million (2.4 per cent) in equities, \$47.7 million (2.0 per cent) in investment properties and \$113.3 million (4.7 per cent) in cash and deposits (Chart 5).

Capital adequacy

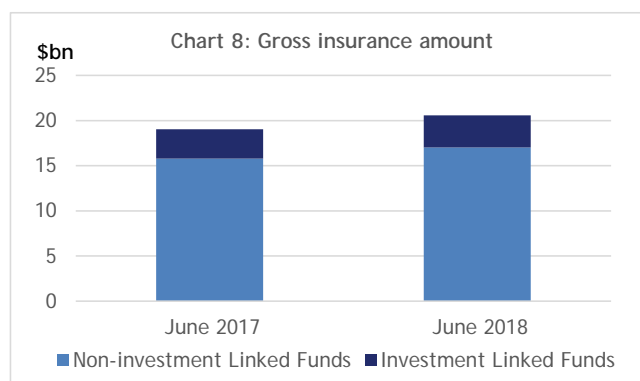
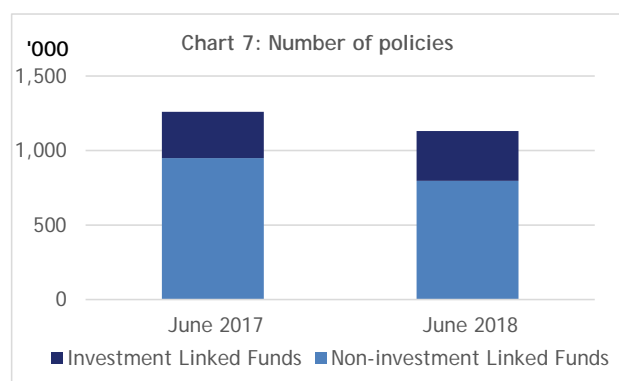
The prescribed capital amount coverage ratio for the industry stood at 2.62 at 30 June 2018, compared with 2.69 at 30 June 2017 (Chart 6).



Policy liabilities

Total number of policies were 1.1 million as at 30 June 2018, a reduction of 10.2 per cent from the previous year, with non-investment linked funds contributing 797.0 thousand (70.5 per cent) and investment linked funds contributing 333.4 thousand (29.5 per cent) as at 30 June 2018 (Chart 7).

Total benefit funds' gross insurance amount was \$20.6 billion, compared with \$19.0 billion (an increase of 8.1 per cent from the previous year), with non-investment linked funds contributing 82.8 per cent and investment linked funds contributing 17.2 per cent (Chart 8).



^d 'Other' comprises other investments and other assets.

Key statistics

Year end 30 June 2018

(\$ thousand)

	Total benefit funds	Total management funds	Total entity
Net premiums	1,062,495		1,062,495
Net policy payments	985,458		985,458
Total revenue	450,823	120,887	505,311
Total expenses	359,624	110,358	403,582
Net profit / loss after tax	1,235	20,109	21,344
Cost of declared bonus excl terminal, interim	1,425		1,425

	Investment linked	Non investment linked
Net premiums	900,142	162,352
Net policy payments	743,209	242,249
Total revenue	380,777	70,046
Total expenses	301,099	58,525
Unallocated benefit fund profit/loss after tax	253,416	28,189
Total assets	4,841,465	2,415,248
Net benefit fund assets	4,718,546	2,372,551
Return on net benefit fund assets	5.62%	1.17%
Cost of declared bonus excl terminal, interim	0	1,425

	Defined contribution	Defined benefit
Net premiums	1,042,651	19,843
Net policy payments	973,524	11,934
Total revenue	452,502	-1,679
Total expenses	364,072	-4,448
Unallocated benefit fund profit/loss after tax	280,369	1,235
Total assets	7,058,152	198,561
Net benefit fund assets	6,906,752	184,345
Return on net benefit fund assets	4.16%	0.66%
Cost of declared bonus excl terminal, interim	1,265	160



 **APRA**