

# Glossary

## Definitions

**Acquisition expenses** refers to the fixed and variable expenses of the company to the extent they are, either directly or indirectly, referable to those activities of the company related to the acquiring of that new business expected to derive from the expenditure.

**Change in valuation methods and assumptions** refers to one-off changes in the amortisation of deferred fee revenue and deferred acquisition costs.

**Cumulative losses carried forward at the end of the year** refers to the item recorded for keeping track of total amounts of losses recognised and not reversed.

**Debt securities** comprises interest bearing securities and loans.

**Financial instrument profit** refers to the sum of all cash flows relating to the financial instrument element of life investment contracts, including investment earnings on the underlying assets, less the change in the value of the life investment contract liability (i.e. the financial instrument liability).

**Investment earnings on assets in excess of policy liabilities** represents investment earnings on assets in excess of policy liabilities. The number is net of reinsurance.

**Investment profits from change in assumed future net earned rates** refers to profits (or losses) due to asset liability mismatch.

**Investment profits from current year earnings** refers to the reported movement in profit and loss due to changes in assumptions other than earnings on rates on assets backing policy liabilities.

**Loss recognition/ reversal in respect of inforce business** refers to changes in assumptions which eliminate (or reinstate) the value of profit margins in respect of in force business.

**Maintenance expenses** refers to the fixed and variable expenses of the company to the extent they are, either directly or indirectly, referable to those activities of the company related to the administration of (a) policies subsequent to their sale, including policies subject to claim; and (b) the general operations, including maintenance of the overall health of the company.

**Management services profit** refers to the sum of all cash flows relating to the management service element of life investment contracts, plus (less) the change in the value of any asset (liability) arising in respect of the management services element.

**Member count** refers to the member count in a statutory fund at the end of the period. Note that the aggregate total does not represent individual policyholders.

**New business losses recognised** refers to business written at a loss which is not otherwise absorbed in profit margins for existing in force business. Losses should be entered as negative numbers.

**Number of entities** is the number of registered life insurers where data is provided at the investment linked, non investment linked, total statutory funds, total shareholders' funds or total entity level. Where data is provided at the product or class of business level, the number of entities is those life insurers who reported non zero figures for the reference period.

**Number of statutory funds** is the number of registered statutory funds where data is provided at the investment linked, non investment linked or total statutory funds. Where data is provided at the product or class of business level, the number of statutory funds is those funds who reported non zero figures for the reference period.

**Other assets** (table 2) comprises receivables, gross policy liabilities ceded under reinsurance, deferred tax assets and other non-investment assets.

**Other items** include other components of experience profit or loss not specifically categorised above.

**Other liabilities** (table 2) comprises any other liabilities excluding borrowings and tax liabilities.

**Other** product group comprises L.10 Other.

**Profit margins emerging** refers to profit arising in the period from applying the profit margin(s) determined at the beginning of the period to the expected value of the profit carrier(s) on the basis of best estimate assumptions at the beginning of the period.

**Surrender & discontinuances** include profits (or losses) on terminated benefits.

**Tax differences** refers to movement in profit and loss due to changes in assumptions about tax rates on earnings on assets backing policy liabilities.

**Total capitalisation of loss / reversal of capitalised loss** refers to the sum of New business losses recognised and Loss recognition/reversal in respect of in force business.

**Total experience profit or loss** refers to the profit or loss arising in the period from differences between the actual experience during the period and the expected experience on the basis of the Best Estimate Assumptions at the beginning of the period.

**Total Life Insurance Act operating profit after income tax** refers to the *Life Insurance Act 1995*. It is the sum of the profit items listed in table 1.