Quarterly Life Insurance Performance Statistics Glossary

Definitions

Acquisition expenses relate to fixed and variable expenses to the extent those expenses are referable to the acquiring of new business.

Additional Tier 1 Capital (table 4) comprises is as defined in *Prudential Standard LPS 112 Capital Adequacy: Measurement of Capital* (LPS 112).

Aggregation benefit makes an explicit allowance for diversification between asset and insurance risks in the calculation of the prescribed capital amount, as defined in *Prudential Standard LPS 110 Capital Adequacy* (LPS 110).

Asset concentration risk charge relates to the risk resulting from concentrations in individual assets or large exposures to individual counterparties or groups of related counterparties. The method for determining the Asset Concentration Risk Charge is set out in *Prudential Standard LPS 117 Capital Adequacy: Asset Concentration Risk Charge*.

Asset risk charge relates to the risk of adverse movements in the value of a fund's on-balance sheet and off-balance sheet exposures. The method for determining the Asset Risk Charge is set out in *Prudential Standard LPS 114 Capital Adequacy: Asset Risk Charge* .

Average total asset and net asset items (if used) are the average of the opening and closing balances of the relevant item over the period.

Capital adequacy reserve coverage is total amount available for the capital adequacy reserve divided by the capital adequacy reserve. This is under the previous capital framework (pre-LAGIC) and as per *LPS 3.04 Capital Adequacy Standard* which was revoked on 31 December 2012.

Capital base is comprised of Tier 1 Capital and Tier 2 Capital as defined in LPS 112.

Capital base (net of Tier 2 Capital) ratio is Capital base net of Tier 2 Capital divided by Prescribed Capital Amount.

Capital in excess of prescribed capital amount is the surplus or deficit of a fund's capital base over its prescribed capital amount.

Combined stress scenario adjustment is the adjustment to the prescribed capital amount in respect of the tax benefits and the management actions that can be recognised in determining the insurance risk charge and the asset risk charge. This item also recognises the second order interactions between the asset and insurance risk stresses. It must be determined in accordance with Attachment B of LPS 110.

Common Equity Tier 1 Capital comprises the highest quality components of capital and consists of the sum of paid-up ordinary shares issued by a life company, retained earnings, undistributed current year earnings, accumulated other comprehensive income and other disclosed reserves, and regulatory adjustments as defined in LPS 112.

Common Equity Tier 1 Capital ratio is Common Equity Tier 1 Capital divided by prescribed capital amount.

Debt securities comprises interest bearing securities and loans.

Effective movement in net policy liabilities is calculated as *movement in net policy liabilities* less deposits received, plus withdrawals of deposits, plus non-premium related fees for management services, plus movements in the liability for deferred fee revenue, less movements in the liability for deferred acquisition costs.

General fund means the shareholders' fund for a life company other than a friendly society as per *LPS 001 Definitions.*

Insurance risk charge relates to the risk of adverse impacts due to movements in future mortality, morbidity, longevity, servicing expenses, lapses and other insurance risks such as option take-up rates. The method for determining the Insurance Risk Charge is set out in *Prudential Standard LPS 115 Capital Adequacy: Insurance Risk Charge* (LPS 115).

Investment income is income from cash holdings, investment property, equity securities (including unit trust distributions), debt securities (consisting of interest bearing securities and loans) and other investment assets (all other securities).

Life insurance direct premiums comprises life insurance direct premiums, policy conversions-inwards and non-life insurance premiums.

Maintenance expenses relate to the fixed and variable expenses of administering policies subsequent to their sale and the general administration costs of the life insurance company.

Movement in net policy liabilities is increase/decrease in net policy liabilities.

Net movement in DAC includes amortiation and impairment of existing deferred acquisition costs (DAC) less additional deferrals of acquisition expenses during the reporting period.

Net policy expenses is policy expenses net of outward reinsurance claims.

Net policy expenses recognised as a withdrawal is the policy expense recognised as a withdrawal of deposit or change in policy liability, net of reinsurance.

Net policy payments is the sum of *net policy expenses* and *net policy expenses recognised as a withdrawal* .

Net policy revenue is policy revenue net of outward reinsurance premiums.

Net policy revenue recognised as a deposit is the policy revenue recognised as a deposit or as a change in policy liability, net of reinsurance.

Net premiums is the sum of *net policy revenue, premium related fees* and *net policy revenue recognised as a deposit* .

Operational risk charge relates to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The method for determining the Operational Risk Charge is set out in *Prudential Standard LPS 118 Capital Adequacy: Operational Risk Charge.*

Other assets comprises receivables, assets held as (owner-occupied) property, plant and equipment, deferred tax assets and other assets.

Other liabilities (table 2a, 2b, 2d, 2e) comprises premiums in advance, subordinated debt and other liabilities.

Other operating expenses comprises total non-life operating expenses, interest expenses and other administration expenses.

Other policy expenses comprises policy conversions-outwards, non-life policy expenses and other claims.

Other products (table 3) includes L12 - Other, L13 - Policy Owners' Retained Profits and L14 - Shareholders' Capital & Retained Profits.

Other risk charges (table 4) are the sum of the aggregate risk charge for variable annuities and adjustments to prescribed capital amount as approved by APRA.

Prescribed capital amount is as defined in LPS 110.

Prescribed capital amount coverage is capital base divided by prescribed capital amount.

Prudential capital coverage is as per revoked *PS 3 Prudential Capital Requirements*. It relates to capital outside of the statutory funds and is amounts available for prudential capital requirement divided by prudential capital requirement.

Prudential Capital Requirement is as per *PS 3 Prudential Capital Requirements* which was revoked on 31 December 2012 and it relates to capital outside of the statutory funds. It is calculated as the greater of the Management capital reserve and the prescribed minimum capital amount.

Regulatory & other adjustments to Additional Tier 1 Capital is the sum of regulatory adjustments as per LPS 112 and other adjustments that are specific to the application of requirements in paragraph 41 of LPS 112 in relation to Additional Tier 1 Capital.

Regulatory & other adjustments to Common Equity Tier 1 Capital is the sum of regulatory adjustments as per LPS 112 and other adjustments that are specific to the application of requirements in paragraph 41 of LPS 112 in relation to Common Equity Tier 1 Capital.

Return on net assets is net profit/loss after tax divided by the average net assets for the period. This is expressed as annual percentage rates. For quarterly returns, this is achieved by multiplying the calculated *return on net assets* by 4. For returns covering the financial/calendar years, this is calculated by using the full year income/profit and average asset figures.

Tier 1 Capital comprises Common Equity Tier 1 Capital and Additional Tier 1 Capital and is as defined in LPS 112. It is net of *Regulatory & other adjustments to Common Equity Tier 1 Capital* and *Regulatory & other adjustments to Additional Tier 1 Capital*.

Tier 1 Capital ratio is Tier 1 Capital divided by prescribed capital amount.

Tier 2 Capital includes other components of capital that, to varying degrees, fall short of the quality of Tier 1 Capital but nonetheless contribute to the overall strength of a life company and its capacity to absorb losses. It is net of regulatory adjustments as defined in LPS 112.

Total capital adequacy requirement is as per revoked *LPS 3.04 Capital Adequacy Standard*.