



# STATISTICS

## Quarterly Life Insurance Performance Statistics

September 2018 (released 22 November 2018)

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## Forthcoming issues

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

## Revisions

This edition of the publication contains revisions to previously published statistics. Significant revisions, if any, are identified and quantified in the 'Important notice'.

This publication will include revisions to previously published statistics if better source data becomes available or if compilation errors are uncovered.

APRA regularly analyses past revisions to identify potential improvements to the source data and statistical compilation techniques, in order to minimise the frequency and scale of any future revisions.

## Notation

Amounts are expressed in Australian dollars.

The symbol ' \* ' indicates that the data have been masked to maintain confidentiality.

## Rounding

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

## Glossary and explanatory notes

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

## Enquiries

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## Important notice

This publication is available in three versions: Adobe PDF for printing, Microsoft Excel (containing a complete time series since June 2008), and a database version (in a Microsoft Excel file) that contains additional statistics and can be used for further analysis.

The PDF version of the Quarterly Life Insurance Performance publication contains a streamlined PDF of the publication, which contains the following sections:

- Important notice;
- Highlights; and
- Key statistics.

## Revisions

This edition of the Quarterly Life Insurance Performance Statistics publication includes revisions to previously published data due to resubmissions from entities. Revisions to data items by more than 10 per cent and more than \$40 million are presented below:

Table	Item	Period(s) impacted	Cause of revision	Previous figure (\$ million)	Revised figure (\$ million)
Table 1f	Profit / loss before tax - Total statutory funds - Superannuation Business	Jun-18	Resubmitted data	1,088	977
Table 1f	Profit / loss before tax - Total statutory funds - Ordinary Business	Jun-18	Resubmitted data	202	312
Table 1f	Net profit / loss after tax - Total statutory funds - Superannuation Business	Jun-18	Resubmitted data	600	480
Table 1f	Net profit / loss after tax - Total statutory funds - Ordinary Business	Jun-18	Resubmitted data	-63	56
Table 3a	Effective movement in net policy liabilities - Total statutory funds - Individual Lump Sum Risk	Jun-18	Resubmitted data	1,276	1,134
Table 3a	Profit / loss before tax - Total statutory funds - Individual Lump Sum Risk	Jun-18	Resubmitted data	54	201
Table 3a	Net profit / loss after tax - Total statutory funds - Individual Lump Sum Risk	Jun-18	Resubmitted data	-29	133
Table 3c	Effective movement in net policy liabilities - Total statutory funds - Ordinary Business - Individual Lump Sum Risk	Jun-18	Resubmitted data	1,114	973
Table 3c	Profit / loss before tax - Total statutory funds - Ordinary Business - Individual Lump Sum Risk	Jun-18	Resubmitted data	-38	110
Table 3c	Profit / loss before tax - Total statutory funds - Ordinary Business - Other	Jun-18	Resubmitted data	134	89

Table	Item	Period(s) impacted	Cause of revision	Previous figure (\$ million)	Revised figure (\$ million)
Table 3c	Net profit / loss after tax - Total statutory funds - Ordinary Business - Individual Lump Sum Risk	Jun-18	Resubmitted data	-102	60
Table 3c	Net profit / loss after tax - Total statutory funds - Ordinary Business - Other	Jun-18	Resubmitted data	47	-3
Table 1a	Other revenue - Entity Total	Mar-17	Compilation error	-41	202
Table 1a	Profit / loss before tax - Entity Total	Mar-17	Compilation error	1,026	1,281
Table 1a	Tax - Entity Total	Mar-17	Compilation error	424	501
Table 1a	Net profit / loss after tax - Entity Total	Mar-17	Compilation error	602	780
Table 1b	Other revenue - Total statutory funds	Mar-17	Compilation error	-82	162
Table 1b	Profit / loss before tax - Total statutory funds	Mar-17	Compilation error	976	1,231
Table 1b	Tax - Total statutory funds	Mar-17	Compilation error	421	498
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Table 1e	Other revenue - Non investment linked	Mar-17	Compilation error	-90	154
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Table 1f	Profit / loss before tax - Total statutory funds - Superannuation Business	Mar-17	Compilation error	387	640
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Table 1f	Net profit / loss after tax - Total statutory funds - Superannuation Business	Mar-17	Compilation error	195	373
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Table	Item	Period(s) impacted	Cause of revision	Previous figure (\$ million)	Revised figure (\$ million)
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Table 3b	Other revenue - Total statutory funds - Superannuation Business - Other	Mar-17	Compilation error	-241	2
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Table 3c	Tax - Total statutory funds - Superannuation Business - Other	Mar-17	Compilation error	-70	4

## Highlights

### Summary

Return on net assets for the 12 months to 30 September 2018 was 7.1 per cent, down from 9.4 per cent in the 12 months to 30 September 2017. For the most recent quarter, annualised return on net assets was 3.0 per cent, down from 8.9 per cent for the preceding quarter.

Total entity net profit after tax was \$1.8 billion for the 12 months to September 2018. Risk products contributed \$653 million, of which: Individual Lump Sum contributed \$749 million, Group Lump Sum \$109 million, Group Disability Income Insurance \$70 million and Individual Disability Income Insurance -\$276 million. Risk product profitability is down \$301 million from the preceding 12 months; this is mainly driven by an increase in the effective movement in net policy liabilities exceeding an offsetting increase in revenues. For the most recent quarter, all four risk products reported a fall in quarterly profits, with the largest drop in Individual Disability Income Insurance (from -\$36 million to -\$173 million, caused by an increase in expenses due to a \$151 million quarterly increase in the effective movement in net policy liabilities).

Profit for investment-linked business was flat, at \$87 million for both September 2018 and the preceding quarter. Compared to June 2018, there was no material movement in gross policy liabilities (indicative of assets under management), which stood at \$126.7 billion at end-September 2018, compared to \$127.2 billion at end-June 2018.

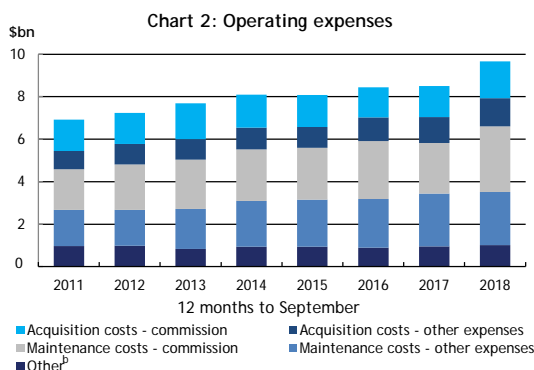
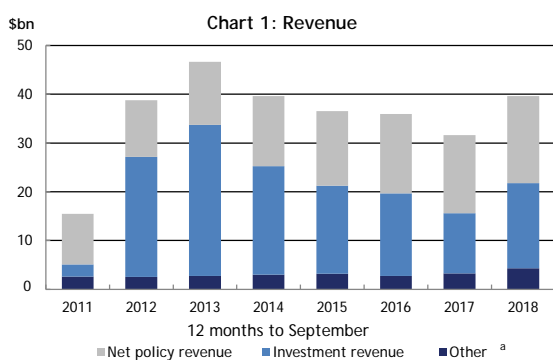
Turning to capital adequacy, the prescribed capital amount coverage ratio stood at 1.77 at end-September 2018, compared to 1.90 one year earlier. This reduction is largely due to an increase in the prescribed capital amount, which increased by \$783 million over the period. While the difference with 12 months prior is material, the most recent coverage ratio remains close to the four-year average of 1.84.

### Financial performance

For the 12 months to 30 September 2018, life insurers' total revenue was \$39.6 billion, which was 25.4 per cent higher than in the previous 12 months (Chart 1). This outcome was driven by an increase in net policy revenue from \$16.0 billion to \$17.9 billion, and an increase in investment revenue from \$12.3 billion to \$17.5 billion over the same period. In addition, other revenue increased from \$1.2 billion to \$2.2 billion for the 12 months to 30 September 2018.

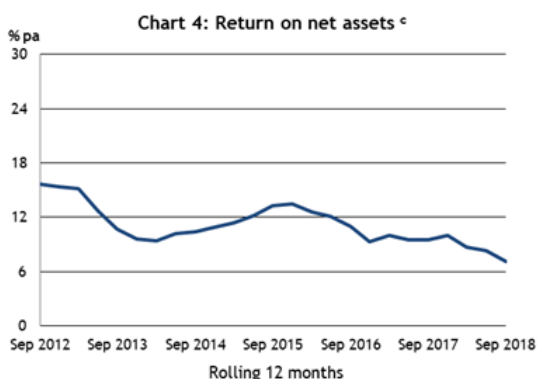
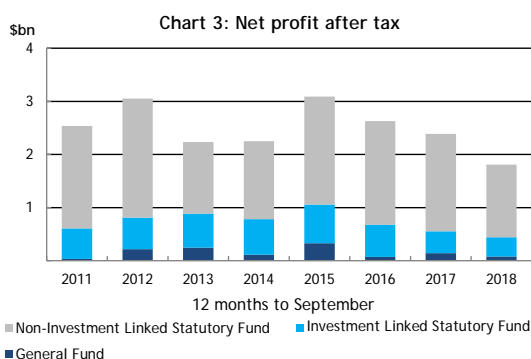
For the 12 months to 30 September 2018, total expenses were \$36.2 billion, an increase from \$28.0 billion in the previous 12 months. Total expenses in the 12 months to September 2018 mainly comprised an effective movement in net policy liabilities of \$16.3 billion, net policy expenses of \$10.0 billion and operating expenses of \$9.7 billion.

Operating expenses were \$9.7 billion in the 12 months to 30 September 2018, which was 13.7 per cent higher compared with the previous 12 months. Acquisition costs accounted for 31.7 per cent and maintenance costs accounted for 57.8 per cent of the total operating expenses (Chart 2).



Total entity net profit after tax was \$189 million in the September quarter of 2018, compared with \$564 million in the June 2018 quarter. In the 12 months to 30 September 2018, net profit after tax was \$1.8 billion, with non-investment-linked businesses contributing \$1.4 billion and investment-linked businesses contributing \$361 million (Chart 3).

In the 12 months to 30 September 2018 return on net assets was 7.1 per cent, compared with 9.4 per cent in the previous 12 months (Chart 4).



<sup>a</sup> Other comprises management service fees and other revenue

<sup>b</sup> Other comprises investment management, net movement in deferred acquisition costs and other operating expenses.

<sup>c</sup> See Return on net assets in the glossary.

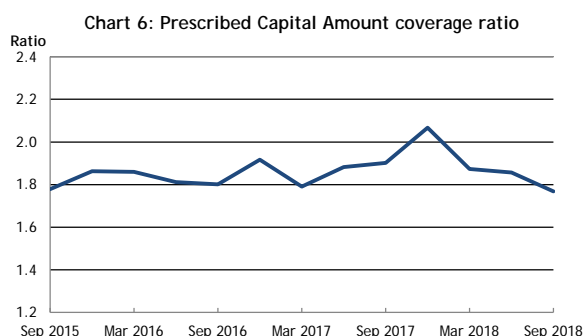
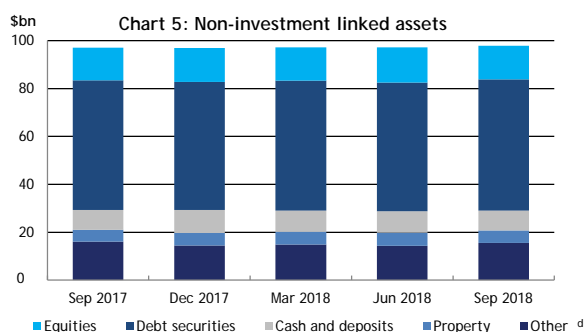


## Financial position

Life insurers' total non-investment-linked assets were \$97.9 billion as at 30 September 2018, which has remained steady compared with 30 September 2017. Of total non-investment-linked assets, \$54.8 billion (56.0 per cent) were invested in debt securities, \$14.0 billion (14.3 per cent) in equities, \$5.3 billion (5.4 per cent) in investment properties and \$8.3 billion (8.4 per cent) in cash and deposits (Chart 5).

## Capital adequacy

The prescribed capital amount coverage ratio for the industry stood at 1.77 at 30 September 2018, compared with 1.90 at 30 September 2017 (Chart 6).



## Product group performance

### Risk products<sup>e</sup>

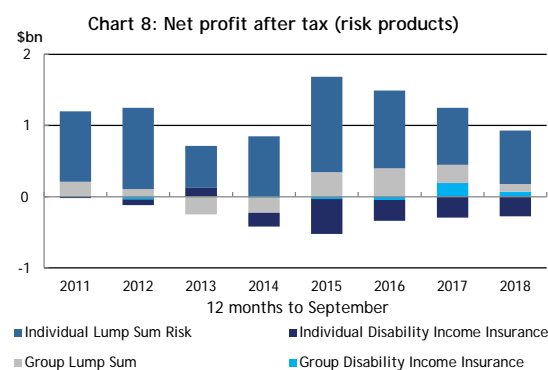
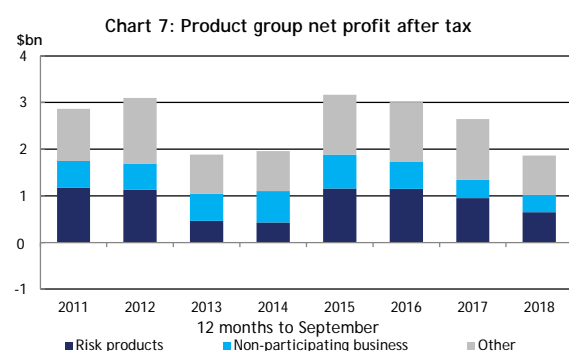
Net profit after tax was -\$70 million in the September quarter of 2018, with Individual Lump Sum risk products contributing \$88 million, Group Lump Sum \$7 million, Group Disability Income Insurance \$7 million and Individual Disability Income Insurance -\$173 million. In the 12 months to 30 September 2018, net profit after tax was \$653 million, with Individual Lump Sum Risk products contributing \$749 million, Group Lump Sum Risk products \$109 million, Group Disability Income Insurance \$70million and Individual Disability Income Insurance -\$276 million (Charts 7 and 8).

### Non-participating business<sup>f</sup>

Net profit after tax was \$102 million in the September quarter of 2018. In the 12 months to 30 September 2018, net profit after tax was \$367 million, compared with \$388 million in the previous 12 months (Chart 7).

### Other<sup>g</sup>

Net profit after tax was \$144 million in the September quarter of 2018. In the 12 months to 30 September 2018, net profit after tax was \$845 million, compared with \$1 billion in the previous 12 months (Chart 7).



<sup>d</sup> Other comprises other investments, other assets and reinsurance policy liabilities.

<sup>e</sup> Risk products comprise individual lump sum risk, individual disability income insurance, group lump sum risk and group disability income insurance policies.

<sup>f</sup> Non-participating business comprises Non-par Investment-linked Policy and Non-par Non-Investment-linked Policy.

<sup>g</sup> Other comprises Conventional Participating, Participating Investment Account, Annuity with Longevity Risk, Annuity without Longevity Risk and Other policies.

## Key statistics

	Quarter end						Year End	Year End
	Jun 2017	Sep 2017	Dec 2017	Mar 2018	Jun 2018	Sep 2018	Sep 2017	Sep 2018
Total entity <sup>a</sup>								
Net premiums <sup>b</sup> (\$m)	12,761	11,032	10,130	9,128	11,990	9,917	45,695	41,165
Net policy payments <sup>c</sup> (\$m)	11,370	10,415	11,044	8,544	11,276	10,879	44,087	41,742
Total revenue (\$m)	7,880	7,449	13,825	3,946	12,374	9,500	31,617	39,644
Total expenses (\$m)	6,825	6,769	12,307	3,724	11,045	9,125	28,045	36,201
Net profit / loss after tax (\$m)	632	489	698	359	564	189	2,386	1,810
Total assets (\$m)	229,543	229,564	232,362	230,132	232,485	232,716	229,564	232,716
Net assets (\$m)	25,731	25,851	26,581	25,440	25,100	24,889	25,851	24,889
Return on net assets <sup>a</sup> (%)	10.0%	7.6%	10.7%	5.5%	8.9%	3.0%	9.4%	7.1%
Prescribed capital amount coverage ratio	1.88	1.90	2.07	1.87	1.86	1.77	1.90	1.77
Total statutory funds								
Net premiums (\$m)	12,761	11,032	10,130	9,128	11,990	9,917	45,695	41,165
Net policy payments (\$m)	11,370	10,415	11,044	8,544	11,276	10,879	44,087	41,742
Total revenue (\$m)	7,801	7,384	13,730	3,902	12,287	9,406	31,341	39,325
Total expenses (\$m)	6,785	6,735	12,237	3,692	10,997	9,062	27,939	35,989
Net profit / loss after tax (\$m)	597	465	681	352	536	162	2,244	1,731
Total assets (\$m)	225,146	224,781	227,901	225,173	227,832	227,929	224,781	227,929
Net assets (\$m)	23,343	23,362	23,360	23,290	22,705	22,419	23,362	22,419
Return on net assets (%)	10.3%	8.0%	11.7%	6.0%	9.3%	2.9%	9.8%	7.6%
Prescribed capital amount coverage ratio	1.81	1.82	1.89	1.85	1.87	1.76	1.82	1.76
Investment linked <sup>e</sup>								
Net premiums (\$m)	7,031	5,199	4,655	4,101	5,779	4,159	25,480	18,695
Net policy payments (\$m)	6,798	6,169	6,859	5,002	7,246	6,667	28,146	25,775
Total revenue (\$m)	2,257	2,214	6,533	-933	5,632	3,282	11,813	14,514
Total expenses (\$m)	2,019	2,078	5,951	-787	5,064	3,017	10,804	13,245
Net profit / loss after tax (\$m)	95	99	90	97	87	87	412	361
Total assets (\$m)	128,252	127,852	131,074	128,074	130,679	130,141	127,852	130,141
Net assets (\$m)	744	661	653	702	672	624	661	624
Return on net assets (%)	52.3%	56.4%	54.7%	57.5%	50.5%	53.6%	56.4%	56.2%
Prescribed capital amount coverage ratio	2.07	1.89	1.85	2.10	2.05	1.89	1.89	1.89
Non investment linked <sup>e</sup>								
Net premiums (\$m)	5,749	5,838	5,523	5,032	6,218	5,761	20,956	22,534
Net policy payments (\$m)	4,590	4,251	4,233	3,547	4,037	4,216	16,682	16,032
Total revenue (\$m)	5,544	5,170	7,197	4,836	6,655	6,124	19,528	24,812
Total expenses (\$m)	4,766	4,657	6,286	4,478	5,934	6,046	17,135	22,744
Net profit / loss after tax (\$m)	502	366	591	255	450	75	1,832	1,370
Total assets (\$m)	96,938	97,029	96,994	97,194	97,201	97,878	97,029	97,878
Net assets (\$m)	22,599	22,702	22,707	22,588	22,033	21,795	22,702	21,795
Return on net assets (%)	9.0%	6.5%	10.4%	4.5%	8.1%	1.4%	8.3%	6.2%
Prescribed capital amount coverage ratio	1.79	1.82	1.89	1.84	1.86	1.75	1.82	1.75

<sup>a</sup> Total entity comprises total statutory funds and general funds.

<sup>b</sup> Net premiums is the sum of net policy revenue, premium related fees and net policy revenue recognised as a deposit.

<sup>c</sup> Net policy payments is the sum of net policy expenses and net policy expenses recognised as a withdrawal.

<sup>d</sup> Quarterly figures expressed as annual percentage rates. See Return on net assets in the glossary.

<sup>e</sup> Investment linked and non investment linked figures may not add up to the total statutory funds figures due to eliminations between statutory funds.



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