



Ensuring insurance statistics contribute to a more prudent, competitive and efficient insurance sector

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- **APRA's mission**

As well as being Australia's integrated prudential supervisor, APRA has an ancillary mission to act as the national statistical agency for the Australian financial sector.

APRA collects an array of data from insurers for both purposes. APRA's insurance statistics are used by APRA, other regulators, policymakers, industry and the public to contribute to a more prudent, competitive and efficient insurance sector.



- **APRA's insurance reporting - an overview**

APRA has developed its insurance data collection over the past decade to ensure that it remains relevant and useful.

It has also sought to make the statistics available to decision-makers in and around the insurance sector to lead to an improved industry.

And it has a rigorous consultation process to ensure that reporting requirements on insurers are necessary and balanced against the burden they impose.



- Before and after the collapse of HIH insurance
Diverging from accounting standards.
- Adjustments and minor alignment
Minor changes, alignments and improvements
- Re-alignment to accounting standards
A return to accounting standards within a prudential framework

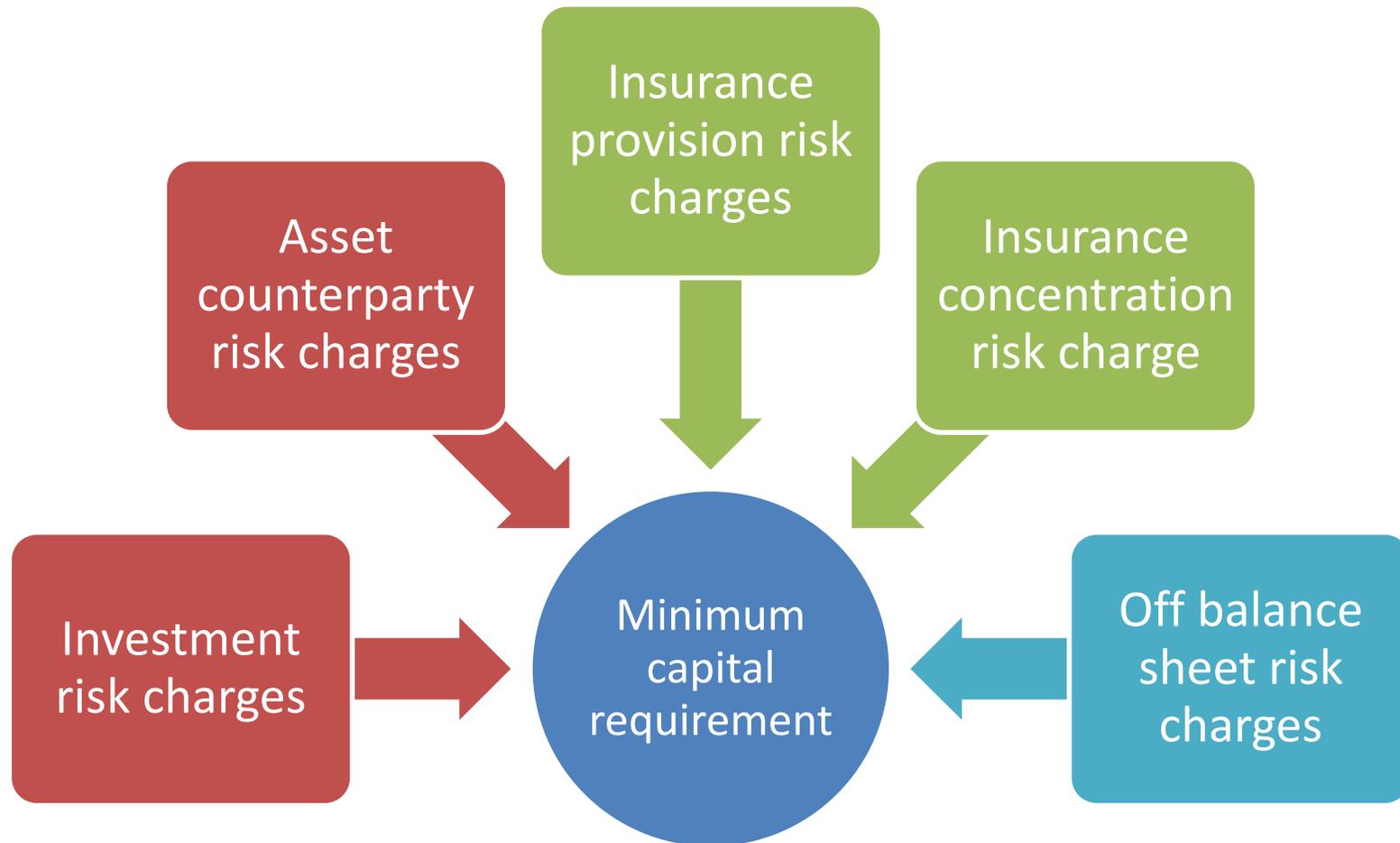


- **Traditional accounting framework**
Consistent with the Australian accounting standards
- **Deferral and accrual**
Backwards looking, premium recognised once earned
- **Simple capital framework**
Capital requirements based largely on volume of business written



- Risk based capital framework
Capital charges applied based on individual risks of insurers
- A forward looking approach
'Prospective accounting'
- Assessment of future liabilities
Premium liabilities calculation

Reporting framework designed to capture necessary information



- **Assessment of future liabilities**
Actuarial valuation, feeds into insurance risk charges
- **Forward looking**
Component of claims expense - immediately recognised in profit and loss

	Claim payments made in the current year	OCP at beginning of financial year	OCP at end of period	Premium Liabilities at beginning of financial year	Premium Liabilities at end of period	Total gross claims expense
Total direct business.....	50,000	250,000	275,000	25,000	100,000	150,000

- **IFRS changes**
Alignment of framework to IFRS requirements
- **Changes to risk charges**
Realignment of investment risk charges and reinsurance assets
- **Claims development data**
Improved data collection
- **Liability crisis**
Additional data collection and monitoring



National Claims
and Policies
Database

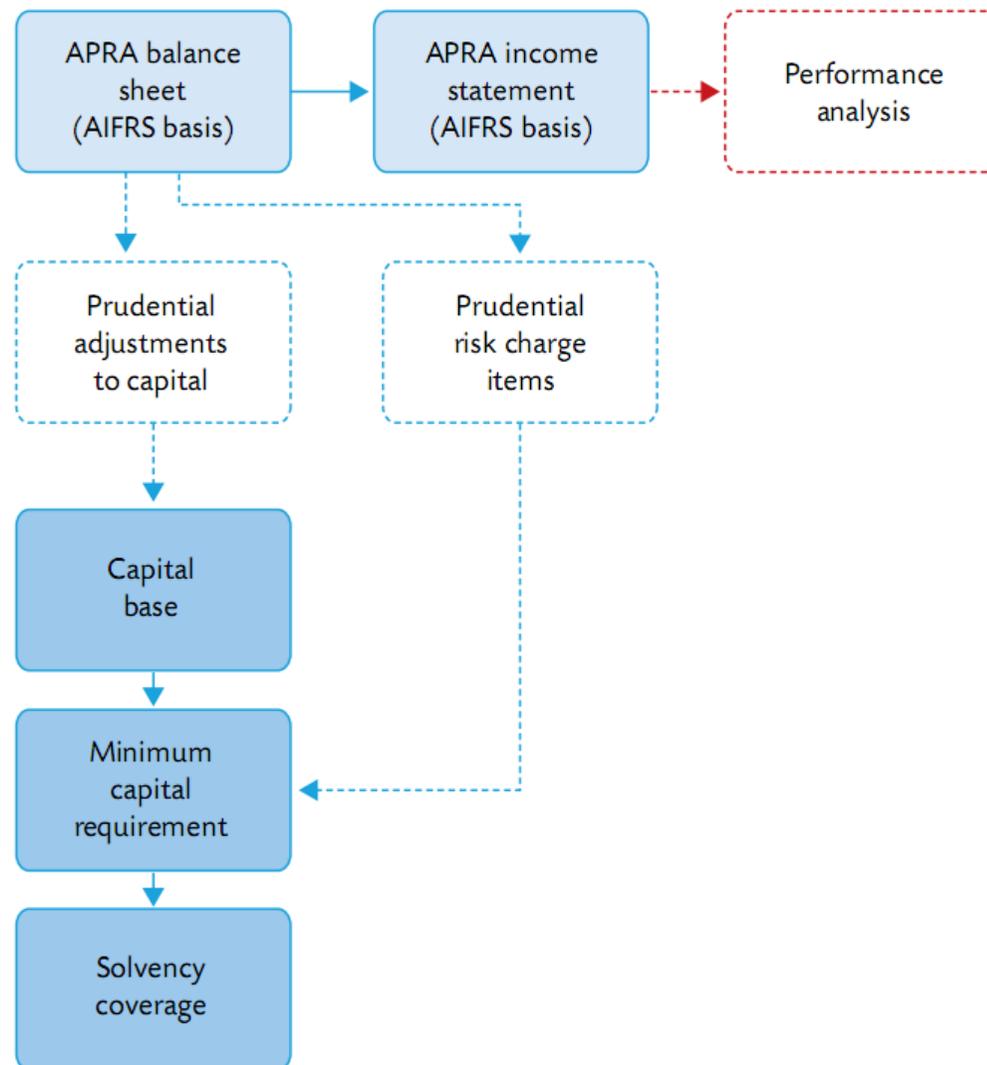


- **Evolution of accounting standards**
A shift to a more forward looking approach
- **Test of liability adequacy**
Assessment of premium provisions against expected costs
- **Industry reporting and prospective accounting**
Inconsistent approaches a barrier to increased use
- **Realignment to accounting fundamentals**
Prospective data still collected, but separately. Elements removed

Re-alignment to accounting standards



Figure 1

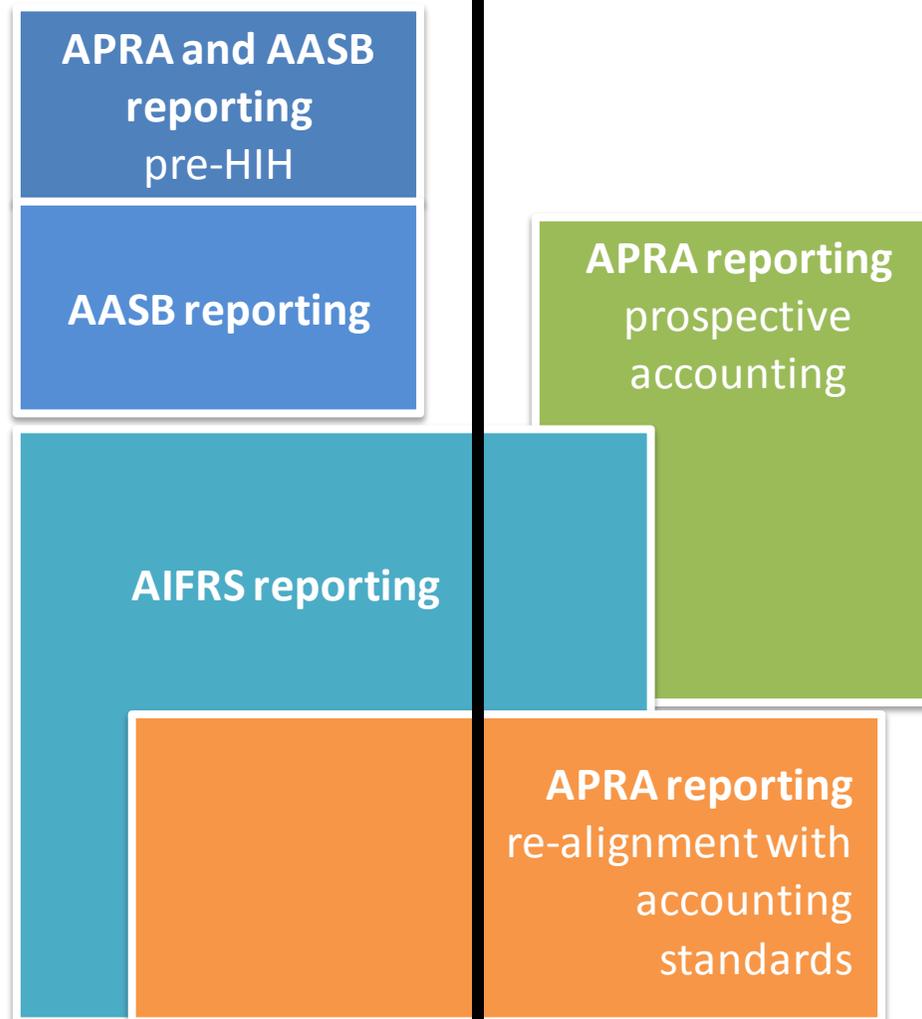


Insurance reporting framework over the decade



Backwards looking

Forward looking





- **Publications**

Quarterly performance publication and half yearly bulletin

- **Supervision**

Data used regularly by APRA to supervise insurers

- **Regulators**

Data is shared with the Australian Bureau of Statistics, the Reserve Bank of Australia and Australian Competition and Consumer Commission

- **Benchmarking**

Use of APRA data by insurers to benchmark set to increase with alignment

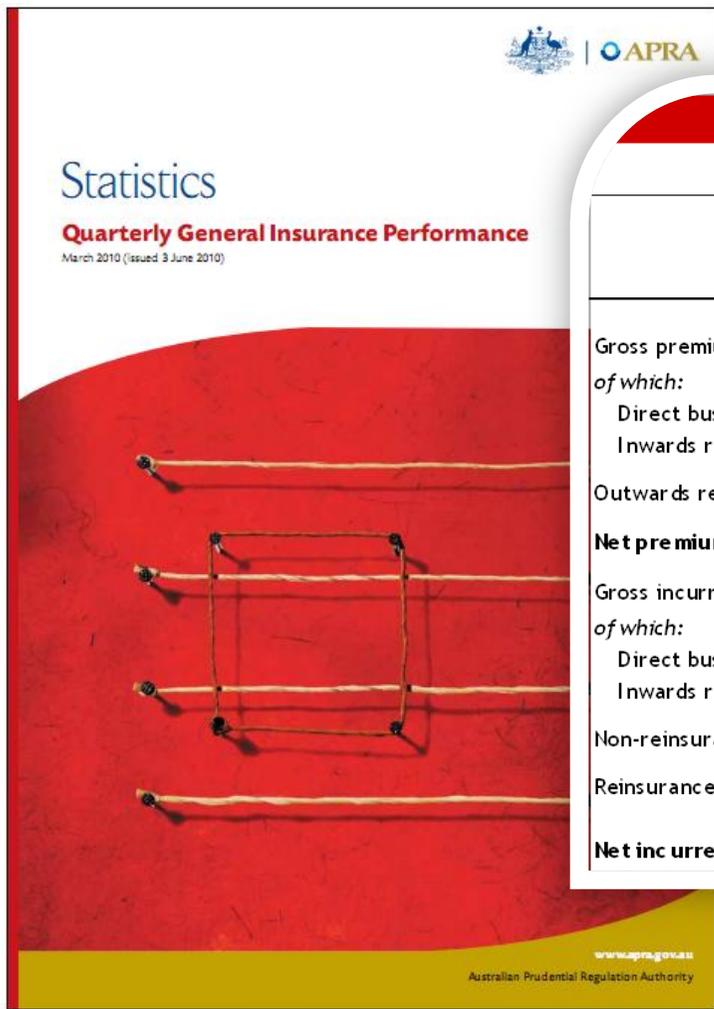


Table 1 Industry financial performance

(\$ million)

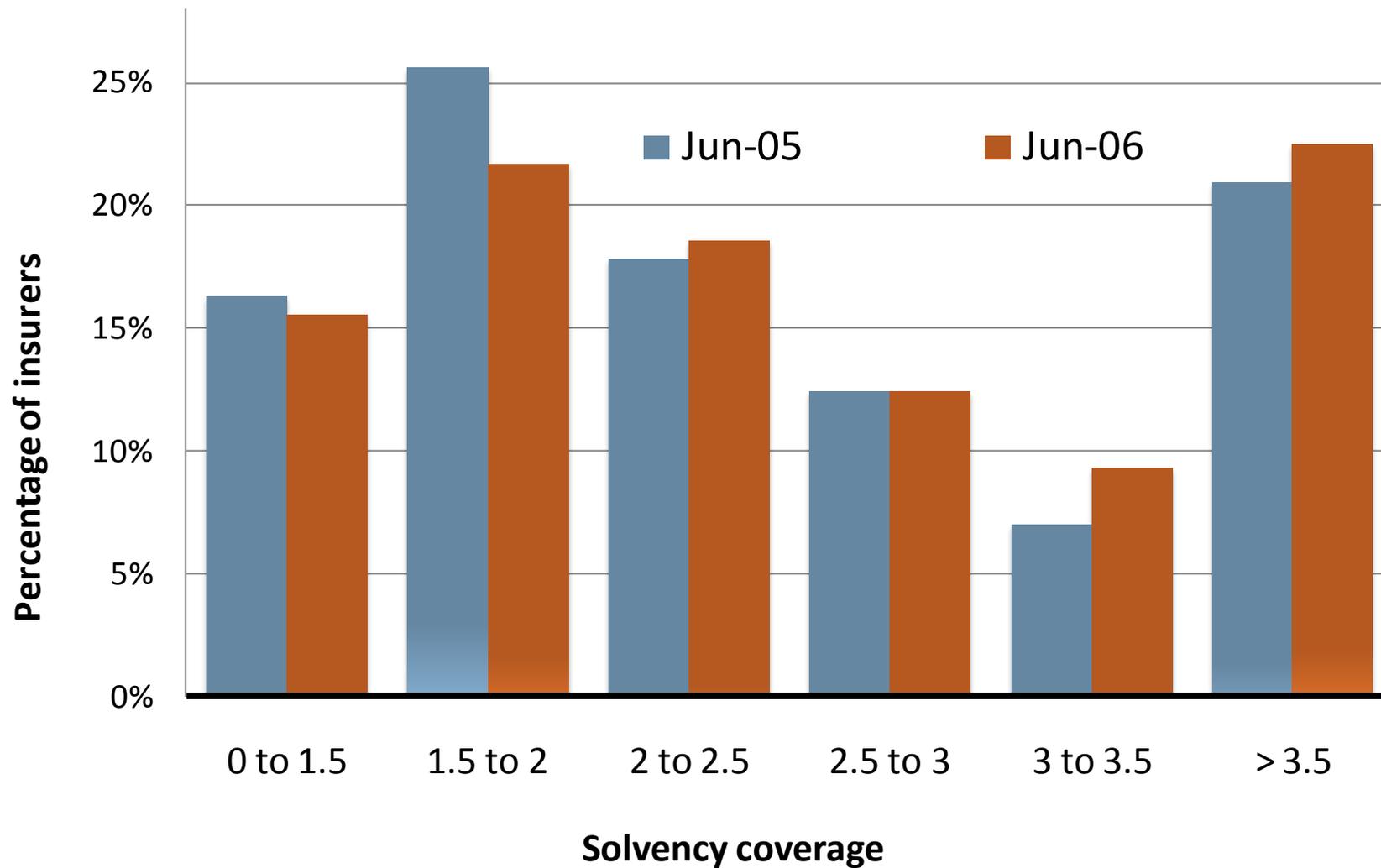
	Quarter end					Year end	Year end ^b
	Mar 2009	Jun 2009	Sep 2009	Dec 2009	Mar 2010	Mar 2009	Mar 2010
Gross premium revenue	6,668	9,818	7,891	8,235	7,003	31,723	32,947
<i>of which:</i>							
Direct business	6,318	7,857	7,010	6,850	6,390	26,710	28,107
Inwards reinsurance	350	1,961	881	1,386	613	5,014	4,841
Outwards reinsurance expense	1,479	2,146	1,718	2,082	1,472	7,971	7,418
Net premium revenue	5,189	7,672	6,173	6,153	5,531	23,752	25,529
Gross incurred claims	5,941	5,016	4,665	4,522	7,699	26,970	21,902
<i>of which:</i>							
Direct business	5,123	3,909	4,598	4,355	6,651	22,650	19,513
Inwards reinsurance	818	1,107	66	167	1,048	4,319	2,388
Non-reinsurance recoveries revenue	647	119	517	622	691	2,396	1,949
Reinsurance recoveries revenue	1,565	1,096	404	505	2,725	6,313	4,730
Net incurred claims	3,729	3,801	3,744	3,395	4,284	18,262	15,200

- **HIH Royal Commission**
Recommendation for increased disclosure of insurer information
- **Confidentiality of collected data**
Initially confidential when collected
- **Disclosure of entity level capital and solvency**
Increased solvency coverage

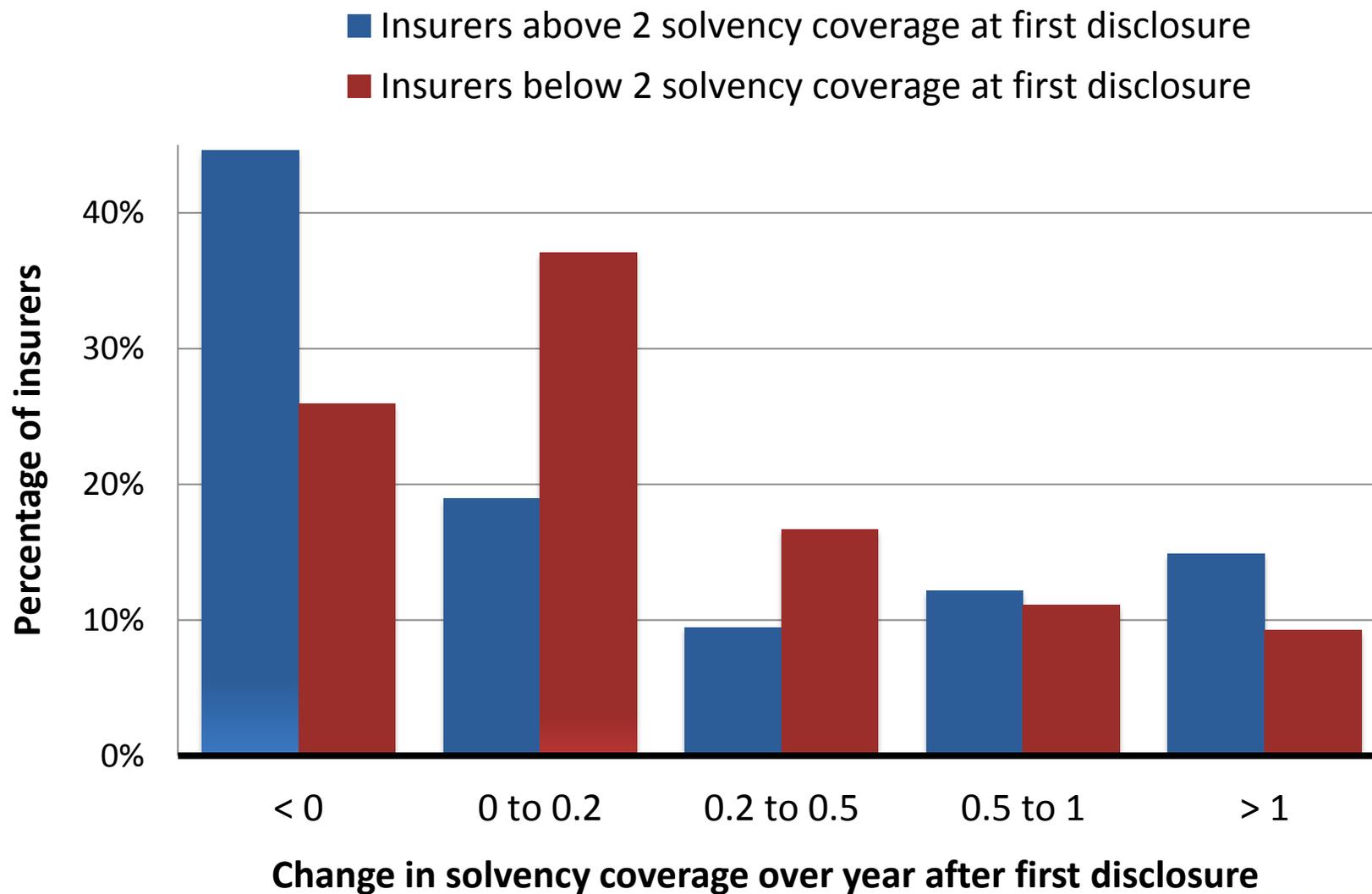
Recommendation 34

I recommend that authorised insurers be required to make greater disclosure of information about their financial position. In particular, all financial and statistical information general insurers currently provide to the Australian Prudential Regulation Authority in their regular returns should be made public.

Impact of solvency disclosure



Impact of solvency disclosure



Changes to the reporting framework



- **Financial Sector Collection of Data Act**
Data collection powers separated from regulation powers
- **Changes to reporting standards**
Extensive consultation, informally and formally
- **Modern data collection system**
Modern XBRL based collection system used by all industries



General Insurance Quarterly Return (Licensed Insurer) v1

File Tools Validation Return Package Help

Budget Return

General Insurance Quarterly Return (Licensed Insurer)

Period ending 30-Jun-2010

- GRF_310_1_L: Premium Revenue and Reinsurance
- GRF_310_2_L: Claims Expense and Reinsurance
- GRF_310_3_L: Investment and Operating Expenses
- GRF_310_0_L: Statement of Financial Performance (L)**
- GRF_140_0_L: Investments - Direct Interests
- GRF_140_1_L: Investments - Direct Equity
- GRF_140_2_L: Investments - Direct Property
- GRF_140_3_L: Investments - Loans and Advances
- GRF_140_4_L: Investments - Indirectly Held
- GRF_210_0_L: Outstanding Claims Provisions
- GRF_210_1_L: Premiums Liabilities - Insurance
- GRF_300_0_L: Statement of Financial Position
- GRF_301_0_L: Reinsurance Assets and Risks
- GRF_120_0_L: Determination of Capital Base
- GRF_150_0_L: Asset Exposure Concentration
- GRF_160_0_1L: Derivatives Activity and Risks
- GRF_160_0_2L: Derivatives Activity and Risks
- GRF_160_0_3L: Derivatives Activity and Risks
- GRF_160_0_4L: Derivatives Activity and Risks
- GRF_160_0_5L: Derivatives Activity and Risks
- GRF_130_0_L: Off Balance Sheet Business
- GRF_130_1_L: Off Balance Sheet Business
- GRF_130_2_L: Off Balance Sheet Business
- GRF_130_3_L: Off Balance Sheet Business
- GRF_170_0_L: Concentration Risk Charge
- GRF_110_0_L: Minimum Capital Requirement

GRF_310_0_L: Statement of Financial Performance (L)

Australian Business Number	Institution Name

Reporting Period	Scale Factor	Reporting Consolidation
30-Jun-2010	Thousands	Licensed Insurer

Premium revenue:

Direct business.....	999,999
Inwards reinsurance.....	0
Total Premium Revenue.....	999,999

Outwards reinsurance expense:

Relating to future years cover.....	0
Relating to current and prior years cover.....	333,333
Net Premium Revenue.....	666,666

Claims expense:

Associated with Direct business:

Relating to future years.....	200,000
Relating to current and prior years.....	700,000

Associated with Inwards reinsurance:

Relating to future years.....	0
Relating to current and prior years.....	0
Gross Claims Expense.....	900,000



APRA has developed its insurance data collection over the past decade through four key phases to keep it relevant and useful.

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