

Glossary

Definitions

AASB 1023 General Insurance Contracts (referred to as AASB 1023) is the principal accounting standard for the accounting treatment of general insurance contracts. Refer also to AIFRS.

Accident year refers to the financial year for each insurer in which the loss/event causing the claim occurs. A particular date may fall in consecutive accident years for different insurers.

AIFRS refers to Australian equivalents to International Financial Reporting Standards (AIFRS) issued by the Australian Accounting Standards Board (AASB). A number of Australian-specific standards and Interpretations have also been issued, including AASB 1023.

Change in gross ultimate cost (inflated and undiscounted) is the difference in Gross ultimate cost (inflated and undiscounted) compared to the previous financial year.

Change in net ultimate cost (inflated and undiscounted) is the difference in Net ultimate cost (inflated and undiscounted) compared to the previous financial year.

Development year is the amount of time taken for the claim to develop from its reference year. The reference year depends on the specific metric - either Accident year or Underwriting year.

Gross case estimates are reserves to cover the amount that remains to be paid on reported claims, excluding IBNER reserves. For the purposes of this item case estimates must be reported net of non-reinsurance recoveries, claims handling expenses and risk margins.

Gross claim payments are the value of insurance claims payments up to the relevant date. This item is to be reported gross of any associated reinsurance recoveries, but net of any associated non-reinsurance recoveries.

Gross earned premium is the earned premium revenue relating to direct business and inwards reinsurance plus fire service levy and measured on an AASB 1023 basis.

Gross IBNR/IBNER is the sum of 'incurred but not reported' (IBNR), being reserves to cover incidents occurring during the reporting period but which were not notified or reported to the insurer until a later time, and 'incurred but not enough reported' (IBNER) being reserves held for the difference between the ultimate costs of reported claims at the time of settlement and the estimate made by the insurer at the end of the reporting period. For the purposes of this item the IBNR/IBNER must be reported net of non-reinsurance recoveries, claims handling expenses and risk margins.

Gross ultimate cost (inflated and undiscounted) is the sum of Gross claim payments, Gross case estimates and Gross IBNR/IBNER as at the relevant date.

Gross written premium is the premium required by the insurer to cover the risk for the full term of a policy and is recognised fully when the business is written. This is measured in accordance with AASB 1023.

Long-tail classes of business have claim payments made typically more than 12 months after the incident generating the claim, which includes CTP motor vehicle, employers' liability, professional indemnity and public and product liability.

Net case estimates are the value of Gross case estimates net of reinsurance recoveries.

Net claim payments are the value of Gross claims payments net of any associated reinsurance recoveries. This includes reinsurance recoveries that have been received or are expected to be received only in relation to claims already paid.

Net earned premium comprises Gross earned premium less outwards reinsurance expense.

Net IBNR/INBER is the value of Gross IBNR/IBNER net of reinsurance recoveries.

Net ultimate cost (inflated and undiscounted) is the sum of Net claim payments, Net case estimates and Net IBNR/IBNER as at the relevant date.

Net written premium comprises Gross written premium less the cost of outwards reinsurance expense incepting in the period.

Number of claims outstanding is the number of claims both reported and IBNR which have not yet been finalised.

Number of claims reported is the accumulated number of insurance claims reported to the insurer, as at the relevant date.

Number of risks in force is the average of the number in risks written for the current and previous accident years.

Number of risks written is the number of risks written during the relevant period for direct business only. Where a policy covers multiple APRA classes of business and the premium is apportioned between these classes, one risk is reported in each APRA class of business to which premium was allocated. For example, a home and contents policy with a domestic liability component has premium allocated to both the householders class of business, and the public liability class of business. For this policy, one risk will be reported for the householders class of business, and one risk will be reported for the public liability class of business.

Outwards reinsurance expense is the total outwards reinsurance expense relating to current and prior years cover. Outwards reinsurance expense is recognised in accordance with the pattern of reinsurance service received as required by AASB 1023.

Prior financial year total reserves are the total of case estimates and IBNR/IBNER as at the end of the previous financial year.

Reserve release/strengthening is the change (decrease/increase respectively) in the Net ultimate cost of claims on an inflated and undiscounted basis.

Short-tail property classes of business have claim payments made typically less than 12 months after the incident generating the claim, which includes homeowners/ householders, domestic motor vehicle, fire and industrial special risks, and commercial motor vehicle.

Ultimate loss ratio (inflated and undiscounted) is Gross ultimate cost of claims (inflated and undiscounted) divided by Gross earned premium.

Ultimate net loss ratio (inflated and undiscounted) is Net ultimate cost of claims (inflated and undiscounted) divided by Net earned premium.

Underwriting year refers to the financial year of the insurer in which the policy incepts, regardless of when the premiums and claims are actually reported, booked or paid.