



# STATISTICS

## National Claims and Policies Database Explanatory Notes

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**The National Claims and Policies Database (NCPD) provides insurers, the community and government detailed comparative data to promote a better understanding of professional indemnity and public and product liability insurance.**

**These Explanatory Notes highlight the information that is in the NCPD reports, including:**

- **the coverage and data limitations of the NCPD; and**
- **a guide to interpreting the contents of the NCPD reports.**

**A glossary of key terms is also included.**

## **About the NCPD**

The NCPD is a comprehensive database of policy and claim information on professional indemnity (PI) and public and product liability (PL) insurance. It contains data on every open, reopened or finalised claim and policy underwritten since 2003 by Australian APRA-regulated general insurers.

The NCPD was created by APRA at the request of the Federal Government and was launched in January 2005.

The NCPD provides insurers, the community and governments with better information on PI and PL insurance than previously available. It provides insurers with detailed information to assess risks and price premiums, and develop or enhance PI and PL products for policyholders. It also assists insurers, the community and governments to monitor the number and cost of PI and PL claims.

All Australian APRA-regulated general insurers that provide PI and PL insurance must contribute claims and policies data to the NCPD.

Separate reports for Lloyd's Australia Ltd have been released.

The NCPD reports are presented on an aggregated basis and known as level 1 reports. More detailed reports known as level 2 reports containing, for example, further breakdowns by occupation and industry classification, are available by free subscription. Further information about the reports is available on the NCPD website at [www.ncpd.apra.gov.au](http://www.ncpd.apra.gov.au).

## Contents of the NCPD

The NCPD provides insurers, the community and governments with better information on PI and PL insurance than previously available. It provides insurers with detailed information to assess risks and price premiums, and develop or enhance PI and PL products for policyholders. It also assists insurers, the community and governments to monitor the number and cost of PI and PL claims.

The NCPD includes claims and policies data for:

### Professional Indemnity (PI) insurance policies providing cover for

- legal actions taken against a person for advice or services supplied as part of their professional practice, including related legal expenses;
- Directors' and Officers' Liability insurance and legal expense insurance; and
- Medical Indemnity insurance.

### Public and Product Liability (PL) insurance policies providing cover for

- legal liability to the public for injury or property damage from the operation of the insured's business;
- compensation for loss and/or injury caused by, or as a result of, the use of goods; and
- environmental clean-up costs caused by pollution spills if not covered by Fire and Industrial Special Risk policies.

## Data collection

Data for the NCPD must be provided to APRA twice a year, within four months of the end of the reporting period. The reporting periods cover six calendar months, ending on 30 June and 31 December every year.

The data required to be submitted relate to policies written or renewed after 1 January 2003 and all claims that were either unsettled on 1 January 2003 or reported or reopened after that date.

The first data collection occurred in early 2005 and included claims and policies data for the 24 months from 1 January 2003 to 31 December 2004.

The reporting standards, including data specifications and data validations applied are available at [www.apra.gov.au](http://www.apra.gov.au). Australian state and territory insurers are not required to comply with Reporting Standard GRS 800.2. However, state and territory insurers provide information in accordance with this data specification where possible.

## Data confidentiality

The level 2 claims reports are published free of masking. APRA determined through public consultation that the NCPD reports are not confidential. APRA has also assessed the privacy risk of claims reports and found it to be very low and manageable through measures other than masking the reports.

## Data limitations

The NCPD reports currently only include information provided by Australian APRA-regulated general insurers. PI and PL insurance are 'long tail' classes of business, with many claims reported several years after the insurance policy period.

Policy data in the NCPD relates only to policies written or renewed on or after 1 January 2003. Information on policies written prior to 1 January 2003 has not been collected, even if they were still in force at that date. This significantly impacts the reported amount of earned premium for the 2003 calendar year. Information on earned premium for 2003 in any of the current NCPD reports must be used with particular caution.

The data collected for the NCPD is not intended and cannot be used to assess the profit generated by insurers. The NCPD does not include all relevant information for this purpose. For example, information on the expenses associated with 'writing' insurance policies and dealing with claims is not collected for the NCPD. These expenses include the general expenses incurred in claim administration, commissions, reinsurance, and other underwriting expenses such as advertising and policy administration.

Claims incurred but not reported (IBNR claims) and claims 'incurred but not enough reported' (IBNER claims) are not recorded in the NCPD. Not all information on policies may be available to the insurer at the time data must be submitted to the NCPD.

## Guide to interpreting NCPD reports

It is important to understand how information has been presented when using data in the NCPD reports.

1. Information on the state or territory to which the risk relates is not provided for some policy records. These risks are included in the 'all states' category and are not attributed to a particular state. This means that the sum of the data items for the states and territories is not always the same as the 'all states' total.
2. Similarly, not all claims are attributed to a particular state in the data provided to the NCPD. The jurisdiction of a claim is an optional field when the claim is not yet finalised. The 'all states' total in the national claims reports exceeds the sum of the information in the claims reports for

each state or territory. When a claim is finalised a jurisdiction is assigned to the claim and prior periods are revised accordingly.

3. Policy reports are prepared on the basis of individual risks, not individual policies. A policy may have more than one associated risk; for example, a head office in Sydney and a branch in Adelaide. In this example, one risk is recorded for New South Wales and one for South Australia. Averages included in the NCPD reports are determined on a per risk basis.
4. An endorsement represents any change to the original risk or conditions of the insurance policy. Endorsements to the original risk are submitted to the NCPD as separate records and have been aggregated into the original risk record prior to preparation of the NCPD reports. A risk with, for example, three endorsements is recorded as only one written risk when determining the number of risks reported or when calculating averages. Endorsements may alter the gross written premium for a risk, or change attributes such as state or territory, excess/deductible allowance or limit of indemnity. Such alterations most commonly affect the prior year only, and are incorporated in NCPD reports as revisions.
5. To calculate claims development tables for an underwriting year each claim is matched to the policy against which the claim is made. Only information on policies written or renewed since 1 January 2003 is collected. However, information is collected on claims that were not settled at 1 January 2003 but which relate to policies written prior to this date. These claims cannot be matched to a policy and do not have an underwriting year assigned. Such claims appear in the claim reports by accident year and by calendar year, but do not appear in the claim reports by underwriting year.
6. Claims development reports are prepared on a cumulative basis. The value in development year one, for example, represents the cumulative total from the first development year (year zero) plus the experience over the last year. The last figure on any row of these reports represents the total for each accident year or underwriting year to its most recent development. Claims development reports show data from 2003 onwards. Showing partial claims development from previous years would be misleading. For an accurate analysis the full claim development over time for a particular year is necessary.

## Claims development example

The table below shows non-specific claims development table after a full ten years of development.

Accident year	Development year									
	0	1	2	3	4	5	6	7	8	9
2003	600	1,100	1,800	3,100	6,000	6,900	7,700	8,000	8,100	8,500
2004	500	1,200	1,750	3,500	6,050	7,300	7,650	7,700	7,900	
2005	800	1,250	2,110	3,050	5,105	7,100	8,300	9,100		
2006	1,050	1,700	2,720	3,750	4,300	4,900	5,850			
2007	900	1,500	2,600	4,242	7,200	8,100				
2008	980	1,300	2,800	3,700	5,500					
2009	1,200	1,750	3,200	4,200						
2010	1,350	1,800	3,010							
2011	1,000	2,150								
2012	1,045									

**Notes:** Example data only

**Claims reported** - a claim reported in 2008 for an accident occurring in 2006 would appear in accident year 2006, development year two (2,720).

**Claims finalised** - a claim finalised in 2011 for an accident occurring in 2008 would appear in accident year 2008, development year three (3,700).

**Claims incurred** - a change in a case estimate made during 2012 for an accident occurring in 2007 would appear in accident year 2007, development year five (8,100).

**Claim payments** - a payment on a claim during 2007 for an accident occurring in 2003 would appear in accident year 2003, development year four (6,000).

## Guide to NCPD report content

### Policy measures

'Number of risks written' - shows the number of risks (not policies) written in an underwriting year. Risks may be combined or split from one year to the next and different risk recording approaches are used by individual insurers. This affects the number of risks reported to the NCPD for a particular year and so it should be noted that the NCPD reports do not show changes in the total number of PI and PL policies written in Australia.

'Gross written premium' - shows the total amount of premium written by insurers in a particular underwriting year. Premium written through endorsements on a policy are included in the original underwriting year of the policy.

'Average written premium' - represents the average premium written per risk, not per policy. The average is calculated on a weighted basis and so premium rate changes on policies with more than one risk have a more significant effect on the average. The reported average is calculated as the total premium written in the reference period, divided by the number of risks written during the same period. It does not include risks that were in force but written in prior periods.

'Earned premium' - represents the total premium earned by the insurer on all policies in force during a calendar year. Information was not collected for policies in force at 1 January 2003 but written prior to that date. As a result, earned premium in the NCPD for 2003 is significantly lower than the actual total earned premium for that year. Refer to the 'Data limitations' section on page 6 for more information.

'Average earned premium' - represents an alternate measure of the average premium per risk (see 'average written premium'). Average earned premium is based on the risks that are in force during a calendar year. The average is calculated on a weighted basis, and the weighting is by the proportion of the year for which the risk is in force. The average earned premium for a year includes risks in force during the year but which are written in prior years. Average earned premium differs from average written premium primarily due to timing differences and the treatment of premium for risks which cover a period greater than twelve months.

### Claim measures

'Claims reported' - shows the number of claims reported to the insurer in a reference year. Claim development is calculated based on the date that the claim was reported to the insurer relative to the accident year or underwriting year. 'Claims made' policies generally record a date of loss that is actually the date notified to the insurer. These claims fall into development year zero of each accident year.

This is particularly relevant for reports showing PI business as the majority of PI policies are written on a 'claims made' basis.

'Claims finalised' - shows the number of claims finalised in relation to each reference year. Claim development is calculated based on the date that the claim was finalised by the insurer relative to the accident year or underwriting year.

'Gross claims incurred' - shows the cost to the insurers of their active claims over the reference period. This includes both claim payments (see 'Gross claim payments') and changes in estimates of further payments (case estimates). Claim development is based on the reporting period of the incurred claim relative to the table reference point - which is either the accident year or underwriting year.

'Gross claim payments' - records the payments made to claimants in the reference year. Claim development is based on the reporting period of the claim payments relative to the table reference point, which is either the accident year or underwriting year, and shows the pattern of these payments over time.

### Additional reports

Additional (level 2) reports are available by free subscription. These reports include the information contained in the publicly available (level 1) NCPD reports as well as more detailed analysis by:

- product type;
- industry for PL products, and for directors' and officers' (D&O) and employment practices (EPL) risks (two character ANZSIC code);
- occupation for PI products except D&O and EPL (one character occupation code);
- limits of indemnity; and
- excess or deductible.

Further information on these additional reports is available from the NCPD web site at [www.ncpd.apra.gov.au](http://www.ncpd.apra.gov.au).



## NCPD glossary

### Accident year

For a 'loss incurred policy', this is the calendar year in which the event giving rise to a claim occurred, regardless of when this was reported to the insurer. For a 'claims made policy' the date of loss is sometimes recorded as the date that the claim is notified to the insurer, and in those cases the accident year is the year of notification.

### Attachment point

See Excess/deductible.

### Calendar year

The period between 1 January and 31 December of the same year.

### Case estimate

A case estimate relates to a particular claim. In data submitted to the NCPD a case estimate is the amount that the insurer believes remains to be paid on that particular claim.

### Claim cost

The claim cost is the total of payments made on the claim and any specific internal costs of the insurer which relate to the claim. This term is used to refer to claims which have been finalised, as the total cost for these claims is known.

### Claim frequency

The claim frequency is the number of claims reported as a proportion of the number of risks written and does not include IBNR claims.

### Claims made policy

Policies where a claim is made against the policy that is currently in force. Usually the event giving rise to the loss must have occurred during the policy coverage period. However, retrospective cover may be offered, particularly where there has been continuous policy renewal.

### Claims occurring policy

Policies where a claim is made against the policy that was in force at the time of the event giving rise to the claim, regardless of when the claim is reported and whether the policy has lapsed. Also referred to as loss incurred policy.

### Development year

This is the amount of time taken for the claim to develop from its reference year. The reference year depends on the specific report and metric - either accident year or underwriting year. See the 'Report content' section for more detail on individual development years.

### Excess/deductible

The excess or deductible is the amount that the insured must bear in the event of a claim before the insurer becomes liable. For policy records, where different deductibles apply depending on the cause of the claim, either the most commonly applied excess or the minimum excess is reported. On claim records, the excess or deductible that was actually applied is reported. For excess liability policies, the attachment point (the point at which the excess liability protection comes into effect) is reported.

### Facility

Facility business is closed by 'bordereau' and the insurer does not always receive individual policy and/or claims information for this business. Facilities may include underwriting pools, joint ventures, and arrangements with brokers and insurers.

### Finalised claim

A claim is finalised when a settlement is reached with the claimant and all payments have been made.

### Gross claims incurred

This is a measure of the total cost to the insurer of a particular claim over the period. For each claim it is the sum of any payments made on the claim, and any change in the estimate of remaining payments to be made for that claim. For example, if an insurer is notified of a new claim which it initially estimates will cost \$50,000 to settle, the insurer will report an incurred claims cost of \$50,000 even though it has yet to make a claim payment. In data submitted to the NCPD, gross claims incurred does not include any allowance for IBNR or IBNER claims costs.

### Gross reported claims loss ratio

This is the ratio of the gross reported claims incurred to gross written premium. The loss ratio is applicable to a particular underwriting year and does not include any allowance for IBNR or IBNER claims costs.

### Gross claim payments

The amount of claim payments made during the reference period.

### **Gross earned premium**

This is the amount of premium earned during the calendar year period. While policies are written at a single point, the insurer 'earns' this premium as the risk expires over the life of the policy.

### **Gross written premium**

Written premium is the amount of premium received by the insurer when a policy is taken out. The written premium is applicable to a particular underwriting year.

### **IBNR**

Claims incurred but not reported (IBNR claims) are claims arising from incidents occurring during the reporting period but which were not notified or reported to the insurer until a later time.

### **IBNER**

Claims 'incurred but not enough reported' (IBNER claims) is the difference between the ultimate costs of claims at the time of settlement and the estimate made by the insurer at the end of the reporting period. Generally, the estimates are below the ultimate costs.

### **Jurisdiction**

This is the state where the claim has been decided by a court judgement. If the claim was settled out of court, the jurisdiction is recorded as the state where the claim was settled.

### **Limit of indemnity**

This is the insurer's maximum liability on a policy for any one event, or series of events, during the policy term.

### **Level 1 Reports**

The level 1 reports provide claims and policy information on a class of business, state and accident or underwriting year basis only. Access to these reports is free of charge. There are two sets of level 1 reports available, one for Australian APRA-regulated general insurers and another for Lloyd's Australia.

### **Level 2 Reports**

The level 2 reports provide information on a number of policy and claim measures such as written premium and claims incurred. The information is still aggregated, but provides information across fields such as state, product, industry/occupation code, limit of indemnity and excess/deductible. These reports are available by free subscription. These reports include the information contained in the publicly available (level 1) NCPD reports for Australian APRA-regulated general insurers.

### **Loss incurred policy**

Policies where a claim is made against the policy that was in force at the time of the event giving rise to the claim, regardless of when the claim is reported and whether the policy has lapsed. A loss incurred policy is also referred to as claims occurring policy.

### **Nature of insured organisation**

This records information on the industry of the insured risk. Standard ANZSIC industry codes are provided for PL business, and for PI business covering directors' and officers' or employment practices risks. Data in the level 2 reports provide information at a summary level of ANZSIC classification.

### **Occupation code**

This records information on the nature of occupation of the insured risk. Occupation codes are recorded for PI business except directors' and officers' and employment practices risks. Data in the level 2 reports provide information at a summary level of occupation code.

### **Private Insurer**

APRA defines Private Insurers as Australian APRA regulated insurers.

### **Product Type**

Each of the PI and PL classes of business are split into more specific product types. The product type categories in the NCPD may still contain a number of different types of insurance products. A list of the NCPD product types is available in the *Data Specifications* at [www.apra.gov.au](http://www.apra.gov.au)

### **Professional Indemnity (PI)**

All policies that provide cover for a professional for actions taken against that person in tort and/or statute law for advice or services provided as part of their professional practice, including related legal expenses. This includes directors' and officers' liability and legal expense insurance, and medical indemnity insurance.

### **Public and Product Liability (PL)**

Public liability covers legal liability to the public for bodily injury or property damage arising out of the operation of the insured's business. Product liability includes policies that provide for compensation for loss and or injury caused by, or as a result of, the use of goods.

### **Public Insurer**

APRA defines Public Insurers as Australian state and territory general insurers.

**Reference year**

The reference year may be the accident year or the underwriting year.

**Runoff indicator**

An insurer is in runoff when it ceases writing new policies. It may still contain claims that continue to be paid.

**State**

In relation to policy information, the state is the location of the risk being insured. For some multi-state covers, this is the state where the majority of the work is done, or where the head office of the insured is located.

**Unclosed business**

Unclosed business refers to policies that have been written, and which the insurer is liable for, but that have not yet been reported to the insurer. Generally, this is due to the delay between a broker or agent writing or renewing a policy and the notification and transfer of the premium to the insurer.

**Underwriting year**

This applies to both policy and claim reports. For policies, the underwriting year of a policy is defined as the calendar year in which the policy commences (begins covering the insured risk). For claims, this is the underwriting year of the policy that the claim is being made against. This may be the policy that was in force at the time of the event (loss incurred policy) or the policy in force when the claim is reported to the insurer (claims made policy).

## About APRA

The Australian Prudential Regulation Authority (APRA) is the prudential regulator of the Australian financial services industry. It oversees banks, credit unions, building societies, general insurance and reinsurance companies, life insurance, friendly societies, and most members of the superannuation industry. APRA is funded largely by the industries that it supervises. It was established on 1 July 1998. APRA currently supervises institutions holding \$4 trillion in assets for almost 23 million Australian depositors, policyholders and superannuation fund members.

## For more information

Please visit the NCPD website at [www.ncpd.apra.gov.au](http://www.ncpd.apra.gov.au) or email [ncpd@apra.gov.au](mailto:ncpd@apra.gov.au) for further information on the NCPD and NCPD reports.

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