



Australian Prudential Regulation Authority

# Half Yearly Life Insurance Financial Bulletin

## Year Ending June 2000

The Australian Prudential Regulation Authority (APRA) collects these statistics from the financial services industry and publishes them to provide general information on industry trends. APRA uses its best endeavours to present the information that it receives accurately.

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## Introduction

The *Half Yearly Life Insurance Financial Bulletin* for June 2000 contains selected financial and market statistics of the life insurance companies, presented primarily at aggregate level for all companies balancing between 1 July 1999 to 30 June 2000. Exceptions to this are MLC Limited and MLC Lifetime Limited. Due to a change in balance date the financial statistics for these companies cover the period from 1 July 1999 to 30 September 2000. The *Bulletin* also includes company level abstracts on profit and loss, balance sheet, solvency, sources of profit and assets.

Data in this *Half Yearly Life Insurance Financial Bulletin* is mainly sourced from the diskette version of the Financial Statements submitted by the life insurance companies in accordance with *Prudential Rules 21 (Financial Statements)* for companies balancing prior to 31 December 1999. For companies balancing on or after this date, the data is mainly sourced from the diskette version of the Financial Statements submitted by the life insurance companies in accordance with *Prudential Rules 35 (Financial Statements)*. While there are some differences in the treatment of various data items between the two Prudential Rules, for example with the treatment of policy owner retained profits, for the purposes of continuity with previous versions of the *Half Yearly Life Insurance Financial Bulletin* every effort has been made to maintain as similar table structures as possible.

Information on assets, on the other hand, is sourced from the quarterly diskette returns submitted by the life companies under *Prudential Rules 26 (Collection of Statistics)*, while information on premium income is sourced from the half yearly market statistical returns, *Prudential Rules 32*.

An electronic version of the annual financial returns submitted on diskette by each of the life insurance companies under *Prudential Rules 21* or *Prudential Rules 35* is available for those parties interested in the unit-level data that produced the *Half Yearly Life Insurance Financial Bulletin*.

In addition, half yearly market statistics returns collected under *Prudential Rules 32 (Variation of Prudential Rules 26)* and selected quarterly asset information collected under *Prudential Rules 26* are also available on diskette. The information collected under *Prudential Rules 32* replaces the information from which the previous *Quarterly Statistical Bulletin* was based.

Both the Financial diskette and the Market Statistics and Assets diskette can be obtained from the Australian Prudential Regulation Authority.

# Life Insurance Highlights

## For companies balancing between 1 July 1999 and 30 June 2000<sup>1</sup>

**Note:** Data in the highlights (and the subsequent tables) are primarily sourced from the diskette version of the Financial Statements submitted by life insurance companies, in accordance with Prudential Rules 21 for companies balancing prior to 31 December 1999 and in accordance with Prudential Rules 35 for companies balancing on or after this date. No adjustment whatsoever has been made to address reporting differences and inconsistencies in the companies' diskette returns. Also, where figures have been rounded, discrepancies may occur between sums of the component items and totals.

### Main Features

Figures (in brackets) under the Main Features heading represent the equivalent values from the June 1999 Bulletin.

- Total life insurance statutory fund assets for companies balancing during the year ending 30 June 2000 were \$182.6 billion (\$166.3 billion). These assets were backing \$159.7 billion of Australian and overseas policy liabilities, bonuses and policy owner retained profits (\$144.7 billion of Australian and overseas policy liabilities and bonuses).
- The industry aggregate solvency reserve percentage was 5.9% (6.1%). The corresponding solvency coverage ratio for companies balancing during the year ending 30 June 2000 was 1.78 (1.74).
- Life insurance premiums totalled \$41.9 billion (\$37.2 billion) for companies balancing during the year ending 30 June 2000. Investment linked business accounted for \$28.2 billion (\$24.5 billion), the remaining \$13.7 (\$12.7 billion) was non-investment linked business.
- Total life insurance policy payments were \$33.4 billion (\$32.5 billion) for companies balancing during the year ending 30 June 2000. Surrenders and terminations accounted for \$16.1

billion (\$20.4 billion) of all policy payments.

- Aggregate industry profits were \$3.9 billion (\$3.0 billion), of which \$1.8 billion (\$1.4 billion) was allocated to policy owners and \$2.1 billion (\$1.6 billion) to shareholders.
- Equities amounted to the major component of investment assets, at 31%, closely followed by unit trusts, at 29%, and interest bearing securities at 28%.

### Solvency

There are two main measures referred to when examining the solvency position of a life insurance company. These measures are the *solvency reserve percentage* and the *solvency coverage ratio*.

The *solvency reserve percentage* measures the reserve required by the company to enable it to meet its obligations, under a prescribed set of adverse conditions, as a percentage of the company's base liabilities. This percentage will vary from company to company depending on the types of business the company writes and the types of assets it holds to back these liabilities.

The industry aggregate solvency reserve percentage for the period was 5.9%.

For investment linked business, where the liabilities are linked to the value of the

<sup>1</sup> Financial statistics for MLC Limited and MLC Lifetime Limited are included in this analysis and in the following tables. However due to a change in balance date, the statistics for these companies cover the period from 1 July 1999 to 30 September 2000.

assets supporting them, the percentage was 1.1%. For non-investment linked business the solvency reserve percentage was 14.3%.

The *solvency coverage ratio* measures the number of times the company's excess assets are able to cover the required solvency reserve.

The industry aggregate solvency coverage ratio was 1.78. For investment linked business, the ratio was 1.85, while for non-investment linked business the solvency coverage ratio was 1.77.

Three quarters of all life companies had a solvency coverage ratio greater than 1.5.

### **Industry Structure**

Australian business accounted for almost 97% (\$155.1 billion) of the total policy liabilities, bonuses and policy owner retained profits in the life insurance industry. The remaining 3% (\$4.7 billion) of liabilities and bonuses related to overseas business.

Superannuation business represented about 84% (\$129.6 billion) of Australian policy liabilities and bonuses. Superannuation participating policies represented 18% (\$22.9 billion) and non-participating policies 82% (\$106.7 billion) of the Superannuation total.

Ordinary business represented the remaining 16% (\$25.0 billion) of Australian policy liabilities and bonuses. About 53% (\$13.3 billion) of the ordinary total represented participating policies and 47% (\$11.7 billion) non-participating policies.

The proportion of superannuation business has increased by 7% (from 77%) since September 1996. This is consistent with the continuing trend within the life insurance industry towards superannuation products.

### **Profitability**

Total profit from the statutory funds, after tax and extraordinary items, was \$3.9 billion. Non-investment linked business accounted for around \$3.4 billion of this, while the profit relating to investment linked business was around \$0.6 billion.

The profit allocated to policy owners accounted for 46% (\$1.8 billion) of the total profit. The remaining 54% (\$2.1 billion) was allocated to shareholders.

Total industry profit can be divided into its different sources. Planned profits contributed 70% (\$2.8 billion) of total profits, while there was a 0.7% (-\$27 million) experience loss. An experience profit/loss results from actual experience and assumed experience differing for the year.

Investment earnings on retained profits and capital contributed 27% (\$1.0 billion) of the total profit figure. This proportion can be expected to vary from year to year with changes in performance of investment markets.

Despite the current dominance of investment linked business over non-investment linked business (see Premiums below), almost all of the profits from the life insurance industry arose from non-investment linked business. This is the result of the different nature of the two types of business.

Investment management charges are the only potential source of profits from investment linked business. Non-investment linked business provides the opportunity for life insurance companies to make profits through the pooling and management of risks.

### **Premiums**

Total life insurance premiums received for companies balancing during the year ending 30 June 2000 were \$41.9 billion.

Investment linked business accounted for 67% (\$28.2 billion) of these premiums, with the remaining 33% (\$13.7 billion) relating to non-investment linked business.

Over the period 1 January 2000 to 30 June 2000, \$15.3 billion (\$14.8 billion) in new single premium business was written. Superannuation accounted for \$13.8 billion, or 91% of these new single premiums, with ordinary business accounting for \$1.4 billion. During the same period \$700 million (\$628 million) in new contractual regular premium business was written. Superannuation

accounted for \$480 million, or 69% of this total. However despite this increase, there was a drop of around 4%, from \$6.8 billion to \$6.5 billion, in contractual regular premium business in force at the end of June 2000 compared to the beginning of January 2000. Voluntary discontinuances accounted for \$491 million of the reduced premiums in force, while Other movements accounted for \$374 million.

### **Policy Payments**

Total industry policy payments for companies balancing during the year ending 30 June 2000 were \$33.4 billion.

Payments for surrenders and terminations accounted for 48% (\$16.1 billion) of the total policy payments. Policy maturities represented a further 11% (\$3.6 billion).

Annuity payments and death and disability claims accounted for 10% (\$1.5 billion and \$1.8 billion respectively) of policy payments. A further 5% (\$1.8 billion) resulted from policy conversions.

Total premiums received during the period exceeded total policy payments by \$8.5 billion.

### **Asset Allocation**

The proportion of life insurance investment assets held in growth assets (ie equities, unit trusts and property) was 64% of total investment assets, compared to 59% for the previous year. While investments in more defensive assets (ie interest bearing securities, loans and cash) accounted for 34% of total investment assets, compared to 39% for the previous year.

## Key Statistics

(\$ billion)

1 July 1999 to 30 June 2000

	Year Ending		Change	
	30 June 2000	30 June 1999	Amount	%
<b>Assets</b>				
Total statutory fund	182.6	166.3	16.3	9.8%
Backing Australian liabilities	177.1	160.3	16.8	10.5%
<b>Liabilities</b>				
Total statutory fund	171.7	154.4	17.3	11.2%
Australian liabilities	166.7	149.2	17.5	11.7%
<b>Premiums</b>				
Total statutory fund	41.9	37.2	4.7	12.6%
<b>Policy payments</b>				
Total statutory fund	33.4	32.5	0.9	2.8%
<b>Operating expenses</b>				
Total statutory fund	3.9	3.6	0.3	8.3%
<b>Operating profit after income tax</b>				
Total statutory fund	3.9	3.0	0.9	30.0%
Solvency reserve %	5.90	6.13	-0.2	-3.8%
Solvency coverage ratio	1.78	1.74	0.04	2.3%



**Table 1. Profit and Loss Statement**  
(\$ million)

1 July 1999 to 30 June 2000

	Statutory Funds						Shareholders' fund
	Australian				Overseas	Total <sup>a</sup>	
	Ordinary		Superannuation				
	Par	Non-Par	Par	Non-Par			
	<b>Total Industry</b>						
Net insurance premiums	490	4,650	3,829	24,481	565	33,634	4
Investment revenue	1,435	1,185	1,855	10,512	616	15,603	662
Other revenues	6	22	4	20	2	53	20
Net income	1,932	5,857	5,688	35,013	1,183	49,290	686
Net claims	1,311	3,286	4,084	18,623	757	27,678	2
Operating expenses	222	1,141	403	2,096	230	4,092	141
Increase / (decrease) in policy liabilities	-177	734	581	12,488	-51	13,574	0
Net expenses	1,428	5,255	5,212	33,348	969	45,829	148
Operating profit before income tax <sup>b</sup>	504	602	476	1,665	213	3,461	539
Income tax	281	173	71	573	107	1,205	15
Operating profit and extraordinary items after income tax	206	509	379	1,224	106	2,424	-262
	<b>Direct Insurers</b>						
Net insurance premiums	490	4,018	3,829	24,354	529	32,838	4
Investment revenue	1,435	1,116	1,855	10,487	610	15,503	660
Other revenues	6	10	4	18	2	40	20
Net income	1,932	5,145	5,688	34,859	1,141	48,381	684
Net claims	1,311	3,110	4,084	18,543	728	27,393	2
Operating expenses	222	1,012	403	2,054	211	3,902	140
Increase / (decrease) in policy liabilities	-177	355	581	12,484	-51	13,192	0
Net expenses	1,428	4,572	5,212	33,221	921	44,972	147
Operating profit before income tax <sup>b</sup>	504	573	476	1,637	220	3,410	539
Income tax	281	186	71	573	109	1,220	15
Operating profit and extraordinary items after income tax	206	467	379	1,196	110	2,358	-263

<sup>a</sup>Differences may occur between Statutory fund total and sum of the details due to the elimination of interfund transactions.

<sup>b</sup>Excludes abnormal items for companies reporting under Prudential Rules 35.

**Table 1. Profit and Loss Statement....cont.**

(\$ million)

1 July 1999 to 30 June 2000

	Statutory Funds						Shareholders' fund
	Australian				Overseas	Total <sup>a</sup>	
	Ordinary		Superannuation				
	Par	Non-Par	Par	Non-Par			
	<b>Reinsurers</b>						
Net insurance premiums	0	632	0	127	37	796	0
Investment revenue	0	69	0	25	5	100	2
Other revenues	0	11	0	2	0	13	0
Net income	0	712	0	154	42	908	1
Net claims	0	176	0	80	29	285	0
Operating expenses	0	129	0	42	19	190	1
Increase / (decrease) in policy liabilities	0	379	0	4	0	382	0
Net expenses	0	683	0	127	48	857	1
Operating profit before income tax <sup>b</sup>	0	30	0	28	-6	51	0
Income tax	0	-13	0	0	-2	-15	0
Operating profit and extraordinary items after income tax	0	42	0	28	-4	66	1

<sup>a</sup>Differences may occur between Statutory fund total and sum of the details due to the elimination of interfund transactions.

<sup>b</sup>Excludes abnormal items for companies reporting under Prudential Rules 35.

**Table 2. Balance Sheet**  
(\$ million)

1 July 1999 to 30 June 2000

	Statutory Funds				Overseas	Total <sup>a</sup>	Shareholders' fund
	Australian		Superannuation				
	Ordinary						
	Par	Non-Par	Par	Non-Par			
	<b>Total Industry</b>						
Investment assets	14,970	15,157	23,973	114,260	4,892	173,253	9,292
Other assets					683	9,385	2,068
Total assets					5,575	182,638	11,360
Net policy liabilities <sup>b</sup>	12,451	11,682	22,210	106,672	4,297	157,311	1
Bonuses / Policy owner retained profits <sup>c</sup>	891	0	649	33	353	2,413	0
Other liabilities					367	11,930	4,818
Total liabilities					5,017	171,673	4,819
Net assets comprised of					559	10,965	6,541
Shareholders retained profits						6,751	1,468
Shareholders capital						4,214	5,073
	<b>Direct Insurers</b>						
Investment assets	14,970	13,902	23,973	114,100	4,753	171,697	4,501
Other assets					664	9,150	1,868
Total assets					5,417	180,848	11,106
Net policy liabilities <sup>b</sup>	12,451	10,917	22,210	106,548	4,217	156,342	1
Bonuses / Policy owner retained profits <sup>c</sup>	891	0	649	33	353	2,413	0
Other liabilities					340	11,562	4,782
Total liabilities					4,910	170,335	4,783
Net assets comprised of					507	10,513	6,324
Shareholders retained profits						6,326	1,450
Shareholders capital						4,186	4,873
	<b>Reinsurers</b>						
Investment assets	0	1,255	0	160	140	1,555	54
Other assets					19	235	200
Total assets					158	1,791	254
Net policy liabilities <sup>b</sup>	0	765	0	124	80	969	0
Bonuses / Policy owner retained profits <sup>c</sup>	0	0	0	0	0	0	0
Other liabilities					27	369	36
Total liabilities					107	1,338	36
Net assets comprised of					52	453	218
Shareholders retained profits						425	17
Shareholders capital						28	200

<sup>a</sup>Differences may occur between Statutory fund total and sum of the details due to the elimination of interfund transactions.

<sup>b</sup>Ceded policy liabilities are deducted from gross policy liabilities in determining net policy liabilities.

<sup>c</sup>Under PR35 Policy owner retained profits are considered to be liabilities. The table reflects this new approach.

**Table 3. Solvency**  
(\$ million)

1 July 1999 to 30 June 2000

	Statutory Fund		Total <sup>b</sup>
	Investment Linked	Non-Investment Linked	
	Total Industry		
Base liabilities	105,496	60,079	165,448
Solvency reserve	1,190	8,564	9,754
Solvency requirement	106,687	68,643	175,202
Total assets <sup>a</sup>	107,509	75,259	182,639
Assets available for solvency reserve	2,204	15,164	17,368
Solvency reserve %	1.13	14.25	5.90
Solvency coverage	1.85	1.77	1.78
<b>Direct Insurers</b>			
Base liabilities	105,496	58,650	164,018
Solvency reserve	1,190	8,397	9,588
Solvency requirement	106,687	67,048	173,606
Total assets <sup>a</sup>	107,509	73,468	180,849
Assets available for solvency reserve	2,204	14,802	17,006
Solvency reserve %	1.13	14.32	5.85
Solvency coverage	1.85	1.76	1.77
<b>Reinsurers</b>			
Base liabilities	0	1,429	1,429
Solvency reserve	0	166	166
Solvency requirement	0	1,596	1,596
Total assets <sup>a</sup>	0	1,791	1,791
Assets available for solvency reserve	0	362	362
Solvency reserve %	-	11.64	11.64
Solvency coverage	-	2.18	2.18

<sup>a</sup>Total assets net of policy liabilities ceded.

<sup>b</sup>Differences may occur between total and sum of the details due to the elimination of interfund transactions.

**Table 4. Sources of Profit**  
(\$ million)

1 July 1999 to 30 June 2000

	Statutory Fund			Shareholders' Fund
	Investment Linked	Non-Investment Linked	Total	
<b>Total Industry</b>				
Investment earnings on retained profits & capital	205	844	1,049	
Emergence of planned profits				
- Policy owner	0	1,579	1,579	
- Shareholder	467	714	1,181	
Experience profit	-88	60	-27	
Operating profit from other sources	-6	175	168	
Operating profit after income tax	578	3,371	3,949	-262
allocated to				
- Policy owner	0	1,817	1,817	0
- Shareholder	578	1,554	2,132	-262
<b>Return on capital (%)<sup>a</sup></b>	<b>11%</b>			
<b>Direct Insurers</b>				
Investment earnings on retained profits & capital	205	792	997	
Emergence of planned profits				
- Policy owner	0	1,579	1,579	
- Shareholder	467	682	1,149	
Experience profit	-88	71	-16	
Operating profit from other sources	-6	181	175	
Operating profit after income tax	578	3,305	3,883	-263
allocated to				
- Policy owner	0	1,817	1,817	0
- Shareholder	578	1,488	2,066	-263
<b>Return on capital (%)<sup>a</sup></b>	<b>11%</b>			
<b>Reinsurers</b>				
Investment earnings on retained profits & capital	0	52	52	
Emergence of planned profits				
Policy owner	0	0	0	
- Shareholder	0	32	32	
Experience profit	0	-11	-11	
Operating profit from other sources	0	-7	-7	
Operating profit after income tax	0	66	66	1
allocated to				
- Policy owner	0	0	0	0
- Shareholder	0	66	66	1
<b>Return on capital (%)<sup>a</sup></b>	<b>10%</b>			

<sup>a</sup>Operating profit after income tax (allocated to shareholders) / shareholders' capital and retained profits.

**Table 5. Premium Revenue**  
(\$ million)

1 July 1999 to 30 June 2000

	Statutory Fund		Total	Shareholders' Fund
	Investment Linked	Non-Investment Linked		
	<b>Total Industry</b>			
Direct insurance premiums	18,000	8,354	26,354	0
Direct consideration for deferred annuities	768	191	958	0
Direct consideration for immediate annuities	980	3,044	4,025	0
Policy conversions	1,473	788	2,262	0
Total direct insurance premiums	21,222	12,377	33,599	0
Inwards reinsurance premiums	133	1,204	1,337	0
Premium recognised as a change in policy liability <sup>a</sup>	6,812	153	6,965	0
Total non-life insurance premiums	0	0	0	5
Insurance premiums	28,167	13,733	41,900	5
	<b>Direct Insurers</b>			
Direct insurance premiums	18,000	8,354	26,354	0
Direct consideration for deferred annuities	768	191	958	0
Direct consideration for immediate annuities	980	3,044	4,025	0
Policy conversions	1,473	788	2,262	0
Total direct insurance premiums	21,222	12,377	33,599	0
Inwards reinsurance premiums	133	180	313	0
Premium recognised as a change in policy liability <sup>a</sup>	6,812	153	6,965	0
Total non-life insurance premiums	0	0	0	5
Insurance premiums	28,167	12,710	40,876	5
	<b>Reinsurers</b>			
Direct insurance premiums	0	0	0	0
Direct consideration for deferred annuities	0	0	0	0
Direct consideration for immediate annuities	0	0	0	0
Policy conversions	0	0	0	0
Direct insurance premiums	0	0	0	0
Inwards reinsurance premiums	0	1,024	1,024	0
Premium recognised as a change in policy liability <sup>a</sup>	0	0	0	0
Total non-life insurance premiums	0	0	0	0
Insurance premiums	0	1,024	1,024	0

<sup>a</sup>Applicable to companies reporting under Prudential Rules 35 only.

**Table 6. Investment Revenue**  
(\$ million)

1 July 1999 to 30 June 2000

	Statutory Funds		Total	Shareholders' fund
	Investment Linked	Non-Investment Linked		
<b>Total Industry</b>				
Debt securities	2,021	2,274	4,296	48
Equity securities	3,173	977	4,150	350
Property	174	309	482	5
Other investment income	176	385	561	4
Net realised and unrealised gain/loss	5,490	1,172	6,662	-981
Total investment income	11,034	5,117	16,151	-575
<b>Direct Insurers</b>				
Debt securities	2,021	2,227	4,248	44
Equity securities	3,173	963	4,136	350
Property	174	304	478	5
Other investment income	176	348	524	3
Net realised and unrealised gain/loss	5,490	1,174	6,664	-979
Total investment income	11,034	5,018	16,051	-577
<b>Reinsurers</b>				
Debt securities	0	47	47	4
Equity securities	0	14	14	0
Property	0	4	4	0
Other investment income	0	37	37	0
Net realised and unrealised gain/loss	0	-3	-3	-3
Total investment income	0	100	100	1
<b>Investment Return (%)<sup>a</sup></b>				
Debt securities, loans, convertible notes <sup>b</sup>	7.68	7.38	7.52	2.36
Equities <sup>b</sup>	9.35	5.59	8.07	7.35
Property <sup>b</sup>	4.31	8.55	6.31	0.23
Other investment assets <sup>b</sup>	0.48	2.41	1.07	1.60
Total investment assets	11.27	7.61	9.78	-6.01

<sup>a</sup>Calculated as investment revenue / [investment asset - (investment revenue / 2)].

<sup>b</sup>Returns for these investment classes do not include returns due to realised and unrealised gains/losses.

**Table 7. Policy Payments**  
(\$ million)

1 July 1999 to 30 June 2000

	Statutory Funds			Shareholders' Fund
	Investment Linked	Non-Investment Linked	Total	
<b>Total Industry</b>				
Death and disability claims	160	1,621	1,781	3
Maturities	695	2,905	3,600	0
Annuities	463	989	1,452	0
Surrenders and terminations	10,878	5,206	16,084	0
Policy conversions	793	972	1,766	0
Other	1,161	367	1,528	0
Direct claims	14,151	12,061	26,212	3
Inwards reinsurance claims	0	719	719	0
Bonuses paid (from current year profit) <sup>a</sup>	0	-50	-50	0
Payments as a change in policy liability <sup>b</sup>	6,229	286	6,515	0
Policy payments	20,380	13,016	33,396	3
Bonuses paid included in Policy payments <sup>c</sup>	0	208	208	0
<b>Direct Insurers</b>				
Death and disability claims	160	1,601	1,761	3
Maturities	695	2,905	3,600	0
Annuities	463	989	1,452	0
Surrenders and terminations	10,878	5,206	16,084	0
Policy conversions	793	972	1,766	0
Other	1,161	367	1,528	0
Direct claims	14,151	12,041	26,192	3
Inwards reinsurance claims	0	322	322	0
Bonuses paid (from current year profit) <sup>a</sup>	0	-50	-50	0
Payments as a change in policy liability <sup>b</sup>	6,229	286	6,515	0
Policy payments	20,380	12,600	32,979	3
Bonuses paid included in Policy payments <sup>c</sup>	0	208	208	0

<sup>a</sup>Applicable only to those companies reporting under Prudential Rules 21.

<sup>b</sup>Applicable only to those companies reporting under Prudential Rules 35.

<sup>c</sup>Reflects companies reporting under both Prudential Rules 21 and Prudential Rules 35.



**Table 7. Policy Payments....cont.**  
(\$ million)

1 July 1999 to 30 June 2000

	Statutory Funds			Shareholders' Fund
	Investment Linked	Non-Investment Linked	Total	
	Reinsurers			
Death and disability claims	0	20	20	0
Maturities	0	0	0	0
Annuities	0	0	0	0
Surrenders and terminations	0	0	0	0
Policy conversions	0	0	0	0
Other	0	0	0	0
Direct claims	0	20	20	0
Inwards reinsurance claims	0	397	397	0
Bonuses paid (from current year profit) <sup>a</sup>	0	0	0	0
Payments as a change in policy liability <sup>b</sup>	0	0	0	0
Policy payments	0	416	416	0
Bonuses paid included in Policy payments <sup>c</sup>	0	0	0	0

<sup>a</sup>Applicable only to those companies reporting under Prudential Rules 21.

<sup>b</sup>Applicable only to those companies reporting under Prudential Rules 35.

<sup>c</sup>Reflects companies reporting under both Prudential Rules 21 and Prudential Rules 35.

**Table 8. Operating Expenses**  
(\$ million)

1 July 1999 to 30 June 2000

	Statutory Funds			Shareholders' Fund
	Investment Linked	Non-Investment Linked	Total	
<b>Total Industry</b>				
General administration expenses				
- Policy acquisition				
* Commission	286	403	689	3
* Other	378	436	815	5
- Policy maintenance				
* Commission	168	333	501	0
* Other	578	809	1,387	23
- Investment management	218	178	396	7
- Other	0	0	0	6
Interest				
- Subordinated debt	8	28	36	7
- Other borrowings	9	41	50	15
Total non-life operating expenses				74
Total operating expenses	1,646	2,229	3,875	141
<b>Direct Insurers</b>				
General administration expenses				
- Policy acquisition				
* Commission	286	350	636	3
* Other	378	425	803	5
- Policy maintenance				
* Commission	168	238	406	0
* Other	578	781	1,359	22
- Investment management	218	177	395	7
- Other	0	0	0	6
Interest				
- Subordinated debt	8	28	36	7
- Other borrowings	9	40	49	15
Total non-life operating expenses				74
Total operating expenses	1,646	2,039	3,685	139
<b>Reinsurers</b>				
General administration expenses				
- Policy acquisition				
* Commission	0	53	53	0
* Other	0	12	12	0
- Policy maintenance				
* Commission	0	95	95	0
* Other	0	28	28	1
- Investment management	0	1	1	0
- Other	0	0	0	0
Interest				
- Subordinated debt	0	1	1	0
- Other borrowings	0	0	0	0
Total non-life operating expenses				0
Total operating expenses	0	190	190	1

**Table 8. Operating Expenses....cont.****(%)**

1 July 1999 to 30 June 2000

	Statutory Funds			Shareholders' Fund
	Investment Linked	Non-Investment Linked	Total	
	<b>Net margins<sup>a</sup></b>			
Direct insurers	7.80	16.80	11.22	3336.85
Reinsurers	-	23.91	23.91	-
Industry total	7.80	17.24	11.52	3369.17
	<b>Gross margins<sup>b</sup></b>			
Direct Insurers	7.77	16.00	10.99	2779.52
Reinsurers	-	18.58	18.58	-
Industry Total	7.77	16.19	11.21	2806.43

<sup>a</sup>Calculated as operating expenses / net premiums<sup>b</sup>Calculated as operating expenses / gross premiums

**Table 9. Investment Assets**  
(\$ million)

1 July 1999 to 30 June 2000

	Statutory Funds		Total	Shareholders' Fund
	Investment Linked	Non-Investment Linked		
	<b>Total Industry</b>			
Property	4,116	3,767	7,883	2,092
Equities	35,510	17,971	53,481	4,936
National government interest bearing securities	6,722	6,283	13,005	69
Other public sector interest bearing securities	4,920	7,006	11,927	32
Private sector interest bearing securities	14,102	9,814	23,916	175
Loans	1,506	8,621	10,126	1,763
Convertible notes	72	218	290	0
Other direct investments	907	1,714	2,621	24
Unit trusts	35,307	14,214	49,521	200
Partnerships and joint ventures	60	230	290	0
Other indirect investments	193	1	194	0
Total investment assets	103,415	69,839	173,254	9,292
	<b>Direct Insurers</b>			
Property	4,116	3,729	7,845	2,088
Equities	35,510	17,682	53,192	4,929
National government interest bearing securities	6,722	6,006	12,728	55
Other public sector interest bearing securities	4,920	6,811	11,731	20
Private sector interest bearing securities	14,102	9,104	23,207	160
Loans	1,506	8,605	10,111	1,763
Convertible notes	72	218	290	0
Other direct investments	907	1,712	2,619	24
Unit trusts	35,307	14,185	49,492	200
Partnerships and joint ventures	60	230	290	0
Other indirect investments	193	1	194	0
Total investment assets	103,415	68,283	171,698	9,238
	<b>Reinsurers</b>			
Property	0	38	38	4
Equities	0	289	289	7
National government interest bearing securities	0	277	277	14
Other public sector interest bearing securities	0	196	196	12
Private sector interest bearing securities	0	709	709	15
Loans	0	15	15	1
Convertible notes	0	0	0	0
Other direct investments	0	2	2	1
Unit trusts	0	29	29	0
Partnerships and joint ventures	0	0	0	0
Other indirect investments	0	0	0	0
Total investment assets	0	1,555	1,555	54

**Table 10. Premium Income**  
(\$ thousands)

1 January 2000 to 30 June 2000

Product Type	Contractual Regular Premium Business							Other Business	
	In force at beginning of period	Increases in the period	Decreases in the Period				Other movements	In force at end of period	New single premium
			Claim	Maturity	Voluntary Discontinuance	Other			
<b>Total Industry</b>									
Individual business									
Conventional	647,391	8,889	1,216	7,141	25,588	1,618	-5,250	615,467	850
Investment account	614,669	13,864	990	4,648	53,079	4,341	-5,748	559,726	830,620
Investment linked	1,732,566	85,710	1,321	7,622	113,048	11,917	-169,913	1,514,456	5,357,859
Allocated annuity - Non-Inv linked	0	0	0	0	0	0	0	0	149,571
Allocated annuity - Inv linked	0	0	0	0	0	0	0	0	1,776,868
Other annuity - Lifetime	0	0	0	0	0	0	0	0	105,834
Other annuity - Term	0	0	0	0	0	0	0	0	1,802,473
Risk - Lump sum	1,258,194	141,435	1,531	447	81,986	-2,769	-59,260	1,259,174	16,928
Risk - Income	629,653	73,151	195	20	49,916	-1,696	-24,499	629,869	58
Group business									
Investment account	302,618	34,923	91	2,342	32,788	-573	-5,567	297,327	1,024,972
Investment linked	1,012,406	267,157	212	783	105,827	77,274	-99,945	995,522	4,048,405
linked	0	0	0	0	0	0	0	0	54,817
Allocated annuity - Inv linked	0	0	0	0	0	0	0	0	21,850
Other annuity	0	0	0	0	0	0	0	0	733
Risk	571,418	74,928	10,562	76	29,252	-3,551	-4,173	605,835	78,683
<b>Total for class</b>	<b>6,768,916</b>	<b>700,057</b>	<b>16,119</b>	<b>23,079</b>	<b>491,483</b>	<b>86,561</b>	<b>-374,355</b>	<b>6,477,376</b>	<b>15,270,522</b>

**Table 10. Premium Income....cont.**  
(\$ thousands)

1 January 2000 to 30 June 2000

Product Type	Contractual Regular Premium Business							Other Business	
	In force at beginning of period	Increases in the period	Decreases in the Period				Other movements	In force at end of period	New single premium
			Claim	Maturity	Voluntary Discontinuance	Other			
	<b>Ordinary</b>								
Individual business									
Conventional	441,332	7,964	1,028	5,026	16,706	989	-6,548	418,997	850
Investment account	70,437	1,369	79	721	7,860	48	-3,193	59,905	40,555
Investment linked	272,835	6,134	111	2,042	23,856	2,342	-16,396	234,222	205,522
Allocated annuity - Non-Inv linked	0	0	0	0	0	0	0	0	0
Allocated annuity - Inv linked	0	0	0	0	0	0	0	0	0
Other annuity - Lifetime	0	0	0	0	0	0	0	0	11,017
Other annuity - Term	0	0	0	0	0	0	0	0	1,137,529
Risk - Lump sum	915,596	109,322	1,146	321	62,060	-4,622	-47,766	918,248	16,928
Risk - Income	587,670	69,385	155	11	45,781	-1,771	-27,147	585,733	58
Group business									0
Investment account	460	0	0	0	0	0	-157	303	107
Investment linked	120	0	0	0	0	0	0	120	12,898
Allocated Annuity - Non-Inv Linked	0	0	0	0	0	0	0	0	0
Allocated annuity - Inv linked	0	0	0	0	0	0	0	0	0
Other annuity	0	0	0	0	0	0	0	0	0
Risk	150,002	25,634	975	0	12,057	804	-4,468	157,333	15,064
<b>Total for class</b>	<b>2,438,452</b>	<b>219,809</b>	<b>3,494</b>	<b>8,121</b>	<b>168,319</b>	<b>-2,210</b>	<b>-105,675</b>	<b>2,374,861</b>	<b>1,440,528</b>

**Table 10. Premium Income....cont.**

(\$ thousands)

1 January 2000 to 30 June 2000

Product Type	Contractual Regular Premium Business							Other Business	
	In force at beginning of period	Increases in the period	Decreases in the Period				Other movements	In force at end of period	New single premium
			Claim	Maturity	Voluntary Discontinuance	Other			
<b>Superannuation</b>									
Individual business									
Conventional	206,059	926	188	2,114	8,882	629	1,298	196,470	0
Investment account	544,232	12,494	911	3,927	45,219	4,293	-2,555	499,820	790,066
Investment linked	1,459,732	79,577	1,210	5,580	89,192	9,575	-153,518	1,280,235	5,152,338
Allocated annuity - Non-Inv linked	0	0	0	0	0	0	0	0	149,571
Allocated annuity - Inv linked	0	0	0	0	0	0	0	0	1,776,868
Other annuity - Lifetime	0	0	0	0	0	0	0	0	94,817
Other annuity - Term	0	0	0	0	0	0	0	0	664,944
Risk - Lump sum	342,599	32,112	385	127	19,926	1,853	-11,494	340,926	0
Risk - Income	41,982	3,765	40	9	4,136	76	2,648	44,136	0
Group business									
Investment account	302,158	34,923	91	2,342	32,788	-573	-5,409	297,024	1,024,865
Investment linked	1,012,286	267,157	212	783	105,827	77,274	-99,945	995,402	4,035,507
linked	0	0	0	0	0	0	0	0	54,817
Allocated annuity - Inv linked	0	0	0	0	0	0	0	0	21,850
Other annuity	0	0	0	0	0	0	0	0	733
Risk	421,416	49,294	9,587	76	17,196	-4,355	296	448,503	63,619
<b>Total for class</b>	<b>4,330,464</b>	<b>480,249</b>	<b>12,625</b>	<b>14,958</b>	<b>323,164</b>	<b>88,771</b>	<b>-268,679</b>	<b>4,102,515</b>	<b>13,829,994</b>

**Table 11. Profit and Loss Statement**  
(\$ million)

1 July 1999 to 30 June 2000

Company	Net Insurance Premiums	Investment Revenue	Other Revenues	Net Claims	Operating Expenses	Increase / Decrease in Liabilities	Operating Profit Before Income Tax <sup>a</sup>	Income Tax	Operating Profit After Income Tax <sup>b</sup>
<b>Combined statutory funds and shareholders' fund</b>									
CIHL	0.3	191.1	0.0	0.2	0.4	0.3	726.5	0.2	726.3
NMLA	2,193.0	1,258.0	20.0	2,334.0	484.0	0.0	499.0	110.0	389.0
MLC	266.0	3,237.0	1.0	146.0	514.0	2,459.0	516.0	142.0	374.0
CML	1,076.0	723.0	8.5	1,152.3	127.2	202.7	282.2	76.9	205.2
MML	4,159.4	912.7	0.0	1,619.3	283.9	0.0	253.0	117.4	135.6
CLL	178.5	979.6	0.1	33.1	97.0	864.8	163.3	46.6	116.7
WEST	2,704.4	529.7	4.4	1,778.0	118.2	0.0	143.6	35.6	108.0
CHLL	158.2	122.7	1.7	268.5	9.8	-101.4	105.6	10.6	95.0
MLCL	179.5	495.8	9.7	318.5	92.5	-102.9	93.1	24.8	68.3
NULA	871.1	282.8	19.4	856.8	125.5	109.1	82.1	19.3	62.8
ANZ	1,391.0	220.0	0.0	1,030.0	61.6	0.0	103.0	40.6	62.4
CPSL	787.9	253.0	5.4	1,288.9	109.7	-494.3	101.8	47.6	54.2
ZURI	1,100.6	431.1	0.0	909.0	102.1	438.2	87.6	35.7	51.9
NAFM	1,730.3	345.5	2.5	891.5	101.1	974.7	110.9	60.2	50.7
SRLH	180.6	55.6	0.1	122.6	72.8	10.1	30.8	-17.0	47.7
CORP	769.1	135.8	0.0	1,023.5	51.6	-226.2	55.9	8.6	47.3
TOW	455.4	136.4	0.4	269.8	96.6	0.0	62.2	15.0	47.3
TLI	110.5	99.7	10.5	63.2	81.9	23.3	53.8	9.9	43.9
CFCL	841.2	274.2	0.5	829.6	147.0	44.9	92.9	50.6	42.3
GQLD	529.2	307.8	10.1	474.1	68.1	227.7	74.0	44.3	29.7
GIO	252.0	245.4	0.0	270.4	41.1	126.6	59.6	33.2	26.3
MLL	1,919.8	176.2	0.0	2,239.5	29.5	-197.1	20.7	0.0	20.7
NRMA	278.3	111.1	0.0	199.8	26.0	131.7	31.8	13.1	18.7
BTLL	616.7	290.0	0.9	531.9	30.0	291.1	54.7	37.8	16.9
HALL	26.2	6.7	0.0	12.6	3.7	4.4	12.2	0.3	11.9
HLRA	533.7	35.2	-0.3	102.5	69.1	385.7	11.3	0.0	11.3
AC&L	155.1	26.4	0.7	100.0	59.7	0.0	5.3	0.1	5.2
LLL	36.7	9.2	0.2	17.1	34.6	-15.1	9.5	4.4	5.0
AML	727.5	257.8	1.4	598.2	4.6	373.7	10.2	6.3	3.9
DLL	155.6	7.3	0.1	72.5	2.8	84.4	3.3	0.0	3.3
MNRE	28.2	7.2	0.1	21.6	13.1	-3.3	4.0	0.9	3.2
FORT	5.0	0.9	0.5	-0.4	1.9	1.7	3.3	0.3	3.0
RGA	28.8	0.6	13.3	13.1	24.7	2.6	2.3	0.0	2.3
SGL	10.0	1.6	0.0	0.4	1.0	0.0	2.6	0.4	2.2
HCFL	12.5	6.6	0.0	16.6	5.3	-5.7	3.0	1.3	1.7
CLRE	16.7	2.2	0.1	16.0	3.1	-3.8	3.7	2.1	1.6
COMB	1.4	1.9	0.0	1.5	0.5	0.3	1.2	0.5	0.7
CUNA	11.1	0.5	0.0	5.7	3.1	2.1	0.5	0.0	0.5
GERL	7.6	0.3	0.0	9.1	8.7	-9.1	0.5	0.0	0.5
RACV	87.0	19.5	0.2	54.6	10.9	42.6	-1.4	0.6	-2.0
AIAA	40.1	2.1	0.0	11.5	24.6	6.3	-2.7	0.1	-2.8
SUN	87.1	38.8	1.3	36.7	67.7	41.3	-18.5	-7.3	-11.2
AMP	8,916.0	2,701.0	1.0	7,941.0	1,007.0	3,018.0	-753.0	0.0	-753.0
<b>Total</b>	<b>33,635.2</b>	<b>14,939.9</b>	<b>113.5</b>	<b>27,681.0</b>	<b>4,217.7</b>	<b>8,708.2</b>	<b>3,101.1</b>	<b>972.9</b>	<b>2,128.2</b>

<sup>a</sup>Includes abnormal items.

<sup>b</sup>Before extraordinary items.



**Table 12. Balance Sheet**  
(\$ million)

1 July 1999 to 30 June 2000

Company	Investment Assets	Other Assets	Total Assets	Net Policy Liabilities	Other Liabilities	Total Liabilities <sup>a</sup>	Net Assets	
							Shareholders' Profits	Shareholders' Capital
<b>Combined statutory funds and shareholders' fund</b>								
AMP	49,852.0	2,090.0	51,942.0	41,934.0	6,418.0	48,352.0	2,663.0	927.0
MLC	21,399.0	637.0	22,036.0	19,640.0	1,579.0	21,219.0	505.0	312.0
NMLA	15,554.0	1,167.0	16,721.0	13,281.0	2,668.0	15,949.0	572.0	200.0
CML	12,952.3	946.2	13,898.5	9,356.2	1,883.9	11,240.2	508.3	2,150.0
MML	13,153.6	318.0	13,471.6	12,164.1	569.5	12,733.7	266.2	471.7
CLL	10,266.3	491.9	10,758.2	9,977.4	435.7	10,413.1	310.2	34.9
WEST	7,319.7	361.4	7,681.2	7,141.6	84.7	7,226.8	282.9	171.5
ZURI	4,306.1	932.8	5,238.9	4,576.5	163.0	4,739.4	489.5	10.0
NAFM	4,431.0	279.5	4,710.5	4,241.8	152.3	4,394.1	299.4	17.0
GIO	4,074.9	460.8	4,535.7	3,939.1	330.6	4,269.7	256.0	10.0
MLCL	3,957.5	291.3	4,248.8	3,294.3	668.0	3,962.3	47.3	239.2
ANZ	3,690.1	509.0	4,199.1	3,744.2	186.5	3,930.7	258.5	10.0
NULA	3,909.6	179.4	4,089.0	3,382.8	269.8	3,652.6	352.9	83.4
CFCL	3,663.8	361.1	4,024.9	2,947.7	673.6	3,621.3	274.6	129.0
AML	2,968.8	15.1	2,984.0	2,924.0	36.6	2,960.7	13.3	10.0
GQLD	2,876.9	79.7	2,956.6	2,363.2	468.1	2,831.3	86.3	39.0
MLL	2,758.0	175.2	2,933.2	2,797.1	96.3	2,893.4	29.6	10.2
BTLL	2,191.0	430.3	2,621.4	2,532.1	44.0	2,576.1	35.3	10.0
TOW	1,949.8	189.6	2,139.4	1,774.7	190.4	1,965.2	130.2	44.1
CIHL	2,054.8	42.9	2,097.7	30.7	42.7	73.4	686.3	1,338.0
CORP	1,878.3	178.7	2,057.0	1,665.9	13.5	1,679.4	376.4	1.2
SUN	1,485.2	140.8	1,626.0	679.5	224.6	904.1	53.2	668.7
NRMA	1,436.2	46.2	1,482.4	841.7	510.3	1,352.1	66.8	63.4
TLI	1,012.5	216.6	1,229.1	964.4	83.1	1,047.5	103.0	78.6
SRLH	678.1	237.4	915.4	338.5	184.3	522.9	237.6	155.0
HLRA	612.2	110.9	723.0	527.0	55.7	582.7	130.3	10.0
CHLL	437.4	273.5	710.9	292.8	36.3	329.0	120.9	261.0
CPSL	95.5	437.4	532.9	0.0	277.5	277.5	150.8	104.7
AC&L	322.8	156.3	479.0	137.8	170.3	308.2	111.8	59.0
DLL	273.1	27.0	300.0	264.4	6.9	271.3	3.7	25.0
MNRE	182.3	87.8	270.1	137.2	88.4	225.6	44.5	0.0
RACV	191.9	54.7	246.5	200.4	16.3	216.7	-0.2	30.0
LLL	101.9	62.3	164.2	98.0	24.5	122.5	20.5	21.1
CLRE	59.7	60.5	120.2	56.3	29.1	85.4	17.8	17.0
GERL	51.3	61.9	113.2	57.3	28.3	85.6	4.6	23.0
HCFL	86.8	16.4	103.2	76.7	4.5	81.1	12.0	10.0
HALL	79.2	17.5	96.7	26.1	10.9	37.0	49.6	10.1
AIAA	72.8	23.3	96.2	42.8	17.2	60.1	8.5	27.6
RGA	25.9	28.9	54.8	5.3	19.0	24.2	7.3	23.3
SGL	44.0	7.9	51.9	12.6	21.2	33.8	3.1	15.0
COMB	44.1	1.9	46.0	24.1	6.7	30.7	-2.7	18.0
CUNA	30.7	2.3	33.0	10.5	5.9	16.4	16.4	0.1
FORT	12.7	16.5	29.2	7.4	6.8	14.2	5.0	10.0
<b>Total</b>	<b>182,543.5</b>	<b>12,224.9</b>	<b>194,768.4</b>	<b>158,509.3</b>	<b>18,802.3</b>	<b>177,312.0</b>	<b>9,607.6</b>	<b>7,848.8</b>

<sup>a</sup>Includes bonuses and policy owner retained profits.

**Table 13. Solvency by Solvency Coverage**

1 July 1999 to 30 June 2000

Company	(\$ million)				(%)		
	Base Liabilities	Solvency Reserve	Solvency Requirement	Total Assets <sup>a</sup>	Assets Available for Solvency	Solvency Reserve	Solvency Coverage
<b>Statutory funds</b>							
SGL	8.3	0.4	8.8	15.1	6.8	5.31	15.35
CUNA	14.3	0.4	14.7	19.5	5.2	2.59	14.04
HCFL	83.9	0.7	84.6	91.5	8.3	0.83	11.93
HALL	33.6	1.7	35.3	51.4	17.8	5.09	10.40
WEST	7,331.8	35.1	7,366.9	7,663.3	331.4	0.48	9.44
RACV	220.7	0.9	221.6	226.9	6.2	0.41	6.81
CLRE	101.7	1.1	102.8	106.9	5.3	1.08	4.78
CLL	10,535.6	36.6	10,572.2	10,702.7	170.4	0.35	4.66
CORP	1,661.3	93.5	1,754.8	2,028.3	367.0	5.63	3.93
NAFM	4,358.0	32.4	4,390.5	4,476.9	118.9	0.74	3.67
BTLL	2,573.3	10.6	2,583.9	2,610.2	36.9	0.41	3.47
ZURI	4,675.7	125.6	4,801.3	5,100.6	424.9	2.69	3.38
HLRA	566.4	21.8	588.3	637.0	70.6	3.86	3.23
CIHL	32.1	1.9	34.0	38.1	5.9	5.92	3.11
NULA	3,749.2	110.7	3,859.9	4,057.2	308.0	2.95	2.78
NRMA	941.5	12.8	954.3	977.6	34.9	1.36	2.72
NMLA	14,263.0	695.0	14,958.0	16,119.0	1,856.0	4.87	2.67
COMB	21.1	4.4	25.4	31.3	10.2	20.68	2.35
SRLH	516.1	90.0	606.0	720.7	204.6	17.43	2.27
GERL	52.8	8.1	60.9	70.0	17.2	15.34	2.12
RGA	35.5	2.8	38.3	41.4	5.9	7.83	2.11
ANZ	3,949.6	117.0	4,066.6	4,183.8	234.2	2.96	2.00
MLL	2,927.3	10.3	2,937.5	2,920.2	19.8	0.35	1.93
CFCL	3,587.9	117.8	3,705.7	3,807.2	219.3	3.28	1.86
GIO	4,292.4	70.8	4,363.2	4,420.1	127.7	1.65	1.80
GQLD	2,203.2	405.3	2,608.5	2,921.5	718.3	18.40	1.77
MML	12,421.7	572.6	12,994.3	13,404.7	982.9	4.61	1.72
TOW	1,789.5	146.1	1,935.6	2,029.2	239.7	8.16	1.64
AMP	42,108.0	4,690.0	46,798.0	49,569.0	7,444.0	11.14	1.59
CML	9,993.6	621.0	10,614.7	10,976.5	987.9	6.21	1.59
MLC	21,373.0	107.0	21,480.0	21,541.0	168.0	0.50	1.57
CHLL	88.0	11.1	99.1	106.6	17.0	12.66	1.53
LLL	118.1	4.7	122.8	125.4	7.1	3.96	1.53
AC&L	351.4	30.4	381.8	395.8	44.4	8.66	1.46
MLCL	3,083.0	810.9	3,893.9	4,239.3	1,156.3	26.30	1.43
MNRE	156.6	42.6	199.2	214.5	58.6	27.20	1.38
AIAA	44.6	26.2	70.8	80.2	35.6	58.81	1.36
AML	2,957.5	8.7	2,966.2	2,970.6	11.5	0.29	1.32
SUN	938.9	590.0	1,528.9	1,548.8	775.9	62.83	1.32
DLL	261.9	17.1	279.0	287.8	22.3	6.52	1.31
FORT	11.4	0.4	11.7	12.9	0.5	3.12	1.29
TLI	1,014.1	67.5	1,081.6	1,098.6	84.5	6.66	1.25
CPSL	0.0	0.0	0.0	0.0	0.0	0.00	0.00
<b>Total</b>	<b>165,447.6</b>	<b>9,754.1</b>	<b>175,201.7</b>	<b>182,639.2</b>	<b>17,367.9</b>	<b>5.90</b>	<b>1.78</b>

<sup>a</sup>Total assets net of policy liabilities ceded under reinsurance.

**Table 14. Solvency by Reserve %**

1 July 1999 to 30 June 2000

Company	(\$ million)				(%)		
	Base Liabilities	Solvency Reserve	Solvency Requirement	Total Assets <sup>a</sup>	Assets Available for Solvency	Solvency Reserve	Solvency Coverage
<b>Statutory funds</b>							
SUN	938.9	590.0	1,528.9	1,548.8	775.9	62.83	1.32
AIAA	44.6	26.2	70.8	80.2	35.6	58.81	1.36
MNRE	156.6	42.6	199.2	214.5	58.6	27.20	1.38
MLCL	3,083.0	810.9	3,893.9	4,239.3	1,156.3	26.30	1.43
COMB	21.1	4.4	25.4	31.3	10.2	20.68	2.35
GQLD	2,203.2	405.3	2,608.5	2,921.5	718.3	18.40	1.77
SRLH	516.1	90.0	606.0	720.7	204.6	17.43	2.27
GERL	52.8	8.1	60.9	70.0	17.2	15.34	2.12
CHLL	88.0	11.1	99.1	106.6	17.0	12.66	1.53
AMP	42,108.0	4,690.0	46,798.0	49,569.0	7,444.0	11.14	1.59
AC&L	351.4	30.4	381.8	395.8	44.4	8.66	1.46
TOW	1,789.5	146.1	1,935.6	2,029.2	239.7	8.16	1.64
RGA	35.5	2.8	38.3	41.4	5.9	7.83	2.11
TLI	1,014.1	67.5	1,081.6	1,098.6	84.5	6.66	1.25
DLL	261.9	17.1	279.0	287.8	22.3	6.52	1.31
CML	9,993.6	621.0	10,614.7	10,976.5	987.9	6.21	1.59
CIHL	32.1	1.9	34.0	38.1	5.9	5.92	3.11
CORP	1,661.3	93.5	1,754.8	2,028.3	367.0	5.63	3.93
SGL	8.3	0.4	8.8	15.1	6.8	5.31	15.35
HALL	33.6	1.7	35.3	51.4	17.8	5.09	10.40
NMLA	14,263.0	695.0	14,958.0	16,119.0	1,856.0	4.87	2.67
MML	12,421.7	572.6	12,994.3	13,404.7	982.9	4.61	1.72
LLL	118.1	4.7	122.8	125.4	7.1	3.96	1.53
HLRA	566.4	21.8	588.3	637.0	70.6	3.86	3.23
CFCL	3,587.9	117.8	3,705.7	3,807.2	219.3	3.28	1.86
FORT	11.4	0.4	11.7	12.9	0.5	3.12	1.29
ANZ	3,949.6	117.0	4,066.6	4,183.8	234.2	2.96	2.00
NULA	3,749.2	110.7	3,859.9	4,057.2	308.0	2.95	2.78
ZURI	4,675.7	125.6	4,801.3	5,100.6	424.9	2.69	3.38
CUNA	14.3	0.4	14.7	19.5	5.2	2.59	14.04
GIO	4,292.4	70.8	4,363.2	4,420.1	127.7	1.65	1.80
NRMA	941.5	12.8	954.3	977.6	34.9	1.36	2.72
CLRE	101.7	1.1	102.8	106.9	5.3	1.08	4.78
HCFL	83.9	0.7	84.6	91.5	8.3	0.83	11.93
NAFM	4,358.0	32.4	4,390.5	4,476.9	118.9	0.74	3.67
MLC	21,373.0	107.0	21,480.0	21,541.0	168.0	0.50	1.57
WEST	7,331.8	35.1	7,366.9	7,663.3	331.4	0.48	9.44
RACV	220.7	0.9	221.6	226.9	6.2	0.41	6.81
BTLL	2,573.3	10.6	2,583.9	2,610.2	36.9	0.41	3.47
MLL	2,927.3	10.3	2,937.5	2,920.2	19.8	0.35	1.93
CLL	10,535.6	36.6	10,572.2	10,702.7	170.4	0.35	4.66
AML	2,957.5	8.7	2,966.2	2,970.6	11.5	0.29	1.32
CPSL	0.0	0.0	0.0	0.0	0.0	0.00	0.00
<b>Total</b>	<b>165,447.6</b>	<b>9,754.1</b>	<b>175,201.7</b>	<b>182,639.2</b>	<b>17,367.9</b>	<b>5.90</b>	<b>1.78</b>

<sup>a</sup>Total assets net of policy liabilities ceded under reinsurance.

**Table 15. Sources of Profit**  
(\$ million)

1 July 1999 to 30 June 2000

Company	Investment Earnings on Retained Profits and Capital	Emergence of Planned Profits		Experience Profit	Operating Profit after Income Tax <sup>a</sup>
		Policy Owner	Shareholder		
<b>Statutory funds</b>					
AMP	377.0	964.0	269.0	16.0	1,612.0
NMLA	141.0	206.0	62.0	-45.0	364.0
MLC	50.0	0.0	131.0	-33.0	358.0
MLCL	32.1	190.9	66.7	16.0	305.8
CML	89.7	44.0	18.4	-11.0	166.0
MML	30.6	13.0	75.2	15.8	134.7
GQLD	34.3	80.9	21.6	0.1	130.6
CPSL	15.7	44.5	16.6	41.9	118.7
CLL	7.9	0.0	109.2	-1.5	116.2
WEST	19.6	0.0	79.4	6.6	105.6
ANZ	16.8	0.9	39.9	4.4	62.0
NULA	22.7	0.1	13.8	33.3	55.3
NAFM	12.6	0.0	41.0	-0.8	52.9
SRLH	44.1	0.0	16.7	-11.0	47.8
TOW	10.1	17.6	17.8	2.2	47.6
ZURI	24.1	3.4	14.6	6.7	47.0
CORP	25.7	0.0	21.3	-0.1	46.9
CFCL	23.2	3.1	26.1	-20.7	31.7
GIO	5.7	0.6	13.7	5.2	25.3
CHLL	27.5	0.0	2.1	-5.1	24.4
MLL	5.1	0.0	15.3	0.0	20.4
BTLL	2.6	0.0	22.5	-8.4	16.6
HLRA	4.6	0.0	7.3	-0.3	11.5
TLI	5.9	3.4	21.1	-19.2	10.6
NRMA	1.8	0.0	9.1	-0.2	10.1
HALL	0.5	0.0	6.8	0.0	7.3
LLL	1.1	1.2	2.6	0.3	5.7
FORT	0.0	2.1	2.1	0.6	4.9
AML	0.7	0.0	3.3	-0.2	3.8
MNRE	1.4	0.0	2.7	3.7	3.2
DLL	0.8	0.0	0.8	1.4	2.9
AIAA	0.4	1.0	0.7	0.5	2.5
RGA	0.4	0.0	1.5	0.2	2.0
AC&L	7.9	0.0	12.7	-14.9	1.9
SGL	0.2	0.0	1.1	0.6	1.9
CLRE	1.6	0.0	1.1	-1.3	1.4
HCFL	0.5	0.0	1.4	-0.6	1.3
CUNA	0.1	0.8	0.5	-0.1	1.3
COMB	0.2	0.6	0.2	-0.2	0.7
GERL	0.1	0.0	2.5	-2.5	0.1
CIHL	0.1	0.0	0.0	-0.1	0.0
RACV	1.5	0.0	0.5	-1.7	-2.4
SUN	1.1	0.4	8.8	-5.0	-11.1
<b>Total</b>	<b>1,049.1</b>	<b>1,578.6</b>	<b>1,180.6</b>	<b>-27.5</b>	<b>3,949.1</b>

<sup>a</sup>Includes extraordinaries.

**Table 16. Australian Business: All Assets**  
(\$ million)

As at 30 June 2000

Company	Property	Equities	Interest Bearing Securities	Loans	Cash	Other	All Assets
<b>Statutory funds</b>							
AMP	8,121.1	22,357.6	12,534.9	4,104.0	244.4	1,030.5	48,392.5
MLC	1,428.0	12,057.1	6,220.0	385.3	602.6	442.5	21,135.5
NMLA	1,337.0	5,697.0	5,693.0	1,805.0	582.0	195.0	15,309.0
MML	917.1	5,380.3	7,388.6	216.7	222.7	309.4	14,434.8
CML	1,165.5	6,465.7	4,850.0	451.3	816.6	629.3	14,378.5
CLL	641.2	3,622.8	5,923.6	3.1	408.2	88.0	10,686.9
WEST	451.6	2,781.0	3,479.2	1,018.1	473.0	233.3	8,436.1
NAFM	841.3	2,427.3	1,720.5	0.0	477.8	25.5	5,492.4
ZURI	326.8	2,597.9	1,462.3	54.9	679.1	137.4	5,258.4
ANZ	159.2	1,033.9	2,540.9	124.2	426.2	242.1	4,526.6
GIO	606.6	1,986.5	1,459.0	173.8	231.3	34.9	4,492.1
NULA	413.5	1,591.5	1,636.8	236.1	99.2	272.3	4,249.4
MLCL	420.1	1,500.3	1,738.3	43.5	157.7	226.4	4,086.3
TOW	181.5	1,277.1	1,269.8	3.2	373.4	261.2	3,366.3
GQLD	667.3	878.2	1,153.2	10.8	140.9	83.4	2,933.7
MLL	132.2	741.1	1,794.7	0.0	178.8	55.2	2,901.9
BTLL	183.9	1,433.3	1,015.6	0.0	131.2	41.6	2,805.6
AML	19.8	1,269.7	834.0	0.0	44.3	637.4	2,805.1
CORP	0.0	0.0	0.0	1,918.2	55.3	20.9	1,994.4
TLI	36.7	666.1	340.3	8.6	100.2	46.2	1,198.1
NRMA	43.7	442.6	429.3	0.0	19.6	42.4	977.6
SUN	86.4	327.4	353.9	0.8	51.9	6.5	826.9
DLL	352.9	0.6	239.4	16.5	98.0	16.8	724.3
HLRA	0.0	5.3	612.9	0.0	0.6	60.2	678.9
SRLH	13.7	231.6	294.6	2.8	19.9	62.4	624.9
RACV	17.9	141.3	178.0	0.0	98.8	12.8	448.9
AC&L	67.4	117.1	156.0	0.0	61.4	25.4	427.3
CHLL	32.7	25.9	34.5	0.0	10.8	211.6	315.5
MNRE	0.0	42.9	101.2	1.3	3.5	50.5	199.3
LLL	0.1	12.1	81.0	2.3	16.6	39.0	151.1
AIAA	0.0	9.3	79.3	0.4	10.4	18.5	117.8
GERL	0.0	0.0	30.2	0.0	28.5	53.7	112.3
CLRE	0.0	0.0	50.3	0.0	4.5	52.0	106.8
HCFL	0.0	16.0	60.9	0.0	12.9	2.5	92.2
RGA	0.0	0.0	15.2	0.0	7.1	39.8	62.2
HALL	0.3	0.0	35.5	0.0	12.9	2.7	51.5
CIHL	0.0	0.0	35.3	0.0	2.5	0.4	38.1
COMB	0.0	0.0	23.0	1.5	6.5	0.5	31.4
SGL	0.0	0.0	0.0	0.0	20.3	7.6	27.8
CUNA	0.0	1.7	13.4	0.0	0.3	0.8	16.2
FORT	0.0	0.0	4.1	0.0	3.8	1.7	9.6
CFCL	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CPSL	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>18,665.2</b>	<b>77,138.2</b>	<b>65,882.6</b>	<b>10,582.5</b>	<b>6,936.0</b>	<b>5,720.1</b>	<b>184,924.6</b>

**Table 17. Australian Business: Investment Linked Assets**  
(\$ million)

As at 30 June 2000

Company	Property	Equities	Interest Bearing Securities	Loans	Cash	Other	All Assets
<b>Statutory funds</b>							
AMP	3,023.6	11,004.6	4,671.4	1,373.9	169.0	129.3	20,371.7
MLC	1,428.0	12,057.0	5,749.8	0.0	585.2	437.6	20,257.6
CLL	641.2	3,622.8	5,564.8	0.0	407.1	84.9	10,320.8
MML	631.1	4,629.0	4,507.9	15.6	182.7	131.5	10,097.8
CML	722.0	4,680.0	1,976.5	72.8	423.1	335.4	8,209.8
WEST	451.6	2,776.2	2,826.9	0.0	126.6	207.0	6,388.2
NMLA	552.0	2,916.0	2,245.0	233.0	334.0	0.0	6,280.0
NAFM	836.6	2,408.4	1,485.1	0.0	461.0	2.5	5,193.7
GIO	606.6	1,986.5	1,303.5	172.5	181.5	21.5	4,272.1
ZURI	266.1	2,410.0	953.7	0.0	574.4	59.1	4,263.2
MLL	132.2	741.1	1,794.7	0.0	177.6	54.8	2,900.3
BTLL	183.9	1,433.3	1,015.6	0.0	131.2	41.6	2,805.6
AML	19.8	1,269.7	833.5	0.0	44.2	633.8	2,801.0
NULA	147.2	1,209.9	822.4	18.8	79.6	63.5	2,341.4
ANZ	155.5	1,004.4	858.4	0.0	65.6	197.3	2,281.3
TOW	121.6	1,031.4	717.2	0.2	296.4	81.9	2,248.7
NRMA	43.7	438.6	326.2	0.0	10.1	37.6	856.1
TLI	20.9	531.4	181.9	2.1	51.5	18.9	806.6
GQLD	190.3	267.8	238.9	0.0	37.0	29.3	763.2
SUN	78.0	243.7	215.6	0.0	27.5	-1.2	563.6
RACV	17.9	141.3	177.6	0.0	93.2	12.6	442.6
LLL	0.0	8.0	26.4	0.0	1.1	0.5	35.8
HCFL	0.0	14.0	13.1	0.0	5.5	0.8	33.3
CHLL	2.0	18.3	6.6	0.0	2.6	0.1	29.6
AIAA	0.0	3.0	12.3	0.0	-1.2	-0.1	14.1
<b>Total</b>	<b>10,271.6</b>	<b>56,846.2</b>	<b>38,524.9</b>	<b>1,888.8</b>	<b>4,466.3</b>	<b>2,580.3</b>	<b>114,578.0</b>

**Table 18. Australian Business: Non-Investment Linked Assets**  
(\$ million)

As at 30 June 2000

Company	Property	Equities	Interest Bearing Securities	Loans	Cash	Other	All Assets
<b>Statutory funds</b>							
AMP	5,097.5	11,353.0	7,863.6	2,730.1	75.4	901.3	28,020.8
NMLA	785.0	2,781.0	3,448.0	1,572.0	248.0	195.0	9,029.0
CML	443.6	1,785.8	2,873.5	378.6	393.5	293.9	6,168.7
MML	286.0	751.3	2,880.7	201.1	40.0	177.9	4,337.0
MLCL	420.1	1,500.3	1,738.3	43.5	157.7	226.4	4,086.3
ANZ	3.7	29.5	1,682.5	124.2	360.5	44.8	2,245.3
GQLD	477.0	610.4	914.3	10.8	103.9	54.1	2,170.5
WEST	0.0	4.8	652.4	1,018.1	346.4	26.3	2,047.9
CORP	0.0	0.0	0.0	1,918.2	55.3	20.9	1,994.4
NULA	266.3	381.6	814.4	217.4	19.7	208.8	1,908.1
TOW	59.9	245.7	552.6	3.1	77.1	179.3	1,117.6
ZURI	60.7	187.9	508.6	54.9	104.8	78.3	995.2
MLC	0.0	0.1	470.2	385.3	17.4	4.9	878.0
DLL	352.9	0.6	239.4	16.5	98.0	16.8	724.3
HLRA	0.0	5.3	612.9	0.0	0.6	60.2	678.9
SRLH	13.7	231.6	294.6	2.8	19.9	62.4	624.9
AC&L	67.4	117.1	156.0	0.0	61.4	25.4	427.3
TLI	15.8	134.7	158.4	6.5	48.8	27.3	391.5
CLL	0.0	0.0	358.8	3.1	1.1	3.0	366.1
NAFM	4.6	18.9	235.4	0.0	16.8	22.9	298.7
CHLL	30.7	7.6	27.9	0.0	8.2	211.5	285.9
SUN	8.4	83.8	138.3	0.8	24.4	7.7	263.4
GIO	0.0	0.0	155.5	1.2	49.8	13.4	220.0
MNRE	0.0	42.9	101.2	1.3	3.5	50.5	199.3
NRMA	0.0	4.0	103.1	0.0	9.5	4.9	121.5
LLL	0.1	4.2	54.6	2.3	15.6	38.5	115.3
GERL	0.0	0.0	30.2	0.0	28.5	53.7	112.3
CLRE	0.0	0.0	50.3	0.0	4.5	52.0	106.8
AIAA	0.0	6.3	66.9	0.4	11.6	18.6	103.7
RGA	0.0	0.0	15.2	0.0	7.1	39.8	62.2
HCFL	0.0	2.0	47.7	0.0	7.4	1.7	58.9
HALL	0.3	0.0	35.5	0.0	12.9	2.7	51.5
CIHL	0.0	0.0	35.3	0.0	2.5	0.4	38.1
COMB	0.0	0.0	23.0	1.5	6.5	0.5	31.4
SGL	0.0	0.0	0.0	0.0	20.3	7.6	27.8
CUNA	0.0	1.7	13.4	0.0	0.3	0.8	16.2
FORT	0.0	0.0	4.1	0.0	3.8	1.7	9.6
RACV	0.0	0.0	0.4	0.0	5.7	0.2	6.2
AML	0.0	0.0	0.5	0.0	0.0	3.6	4.1
MLL	0.0	0.0	0.0	0.0	1.2	0.4	1.6
<b>Total</b>	<b>8,393.6</b>	<b>20,291.9</b>	<b>27,357.8</b>	<b>8,693.8</b>	<b>2,469.7</b>	<b>3,139.8</b>	<b>70,346.6</b>

## List of Companies included in the Bulletin

Full Name	Short Name	Balance Date
Australian Casualty and Life Limited	AC&L	30 September
American International Assurance Company (Australia) Limited	AIAA	30 November
AM Life Limited	AML	30 June
AMP Life Limited	AMP	31 December
ANZ Life Assurance Company Limited	ANZ	30 September
BT Life Limited (previously Bankers Trust Life Limited) <sup>1</sup>	BTLL	31 December
Colonial Financial Corporation Limited <sup>2</sup>	CFCL	31 December
Challenger Life Limited	CHLL	30 June
Commonwealth Insurance Holdings Limited	CIHL	30 June
Commonwealth Life Limited	CLL	30 June
Cologne Life Reinsurance Company of Australia Limited	CLRE	31 December
The Colonial Mutual Life Assurance Society Limited	CML	31 December
Combined Life Insurance Company of Australia Limited	COMB	31 December
Citicorp Life Insurance Limited	CORP	31 December
Colonial Portfolio Services Limited <sup>3</sup>	CPSL	31 December
Cuna Mutual Insurance Society	CUNA	31 December
Deutsche Life Limited	DLL	31 December
Fortis Life Assurance Company Limited	FORT	31 December
Gerling Global Life Reinsurance Company of Australia Pty Limited	GERL	31 December
GIO Personal Investment Services Limited	GIO	31 December
Suncorp Life & Superannuation Limited	GQLD	30 June
Hallmark Life Insurance Company Limited	HALL	31 December
HCF Life Insurance Company Pty Limited	HCFL	30 June
Hannover Life Re of Australasia Limited	HLRA	31 December
Lumley Life Limited	LLL	30 June
MLC Limited <sup>4</sup>	MLC	30 September
MLC Lifetime Company Limited <sup>4</sup>	MLCL	30 September
Macquarie Life Limited	MLL	31 March
Mercantile Mutual Life Insurance Company Limited	MML	30 September
Munich Reinsurance Company of Australasia Limited	MNRE	31 December
National Australia Financial Management Limited	NAFM	30 September
The National Mutual Life Association of Australasia Limited	NMLA	30 September
NRMA Life Limited	NRMA	30 June
Norwich Union Life Australia Limited	NULA	31 December
RACV Financial Services Limited <sup>5</sup>	RACV	30 June
RGA Reinsurance Company of Australia Limited	RGA	31 December
St George Life Limited	SGL	30 September
Swiss Re Life & Health Australia Limited	SRLH	31 December
Royal & Sun Alliance Life Assurance Australia Limited	SUN	31 December
Tyndall Life Insurance Company Limited	TLI	31 December
Tower Life Australia Limited <sup>6</sup>	TOW	30 September
Westpac Life Insurance Services Limited	WEST	30 September
Zurich Australia Limited	ZURI	31 December
<b>Total</b>	<b>43 insurers</b>	



## List of Companies included in the Bulletin....cont.

### Notes:

1. Bankers Trust Life Limited changed its name to BT Life Limited in May 2000.
2. Colonial Financial Corporation Limited transferred its business to the Colonial Mutual Life Assurance Society Limited on 30 June 2000.
3. Colonial Portfolio Services Limited transferred its business to the Colonial Mutual Life Assurance Society Limited on 31 October 1999 and was deregistered on 29 February 2000.
4. MLC Limited and MLC Lifetime Company Limited changed their balance dates to 30 September (from 30 June). Due to this change in balance date financial statistics included in this Bulletin for these companies cover the period from 1 July 1999 to 30 September 2000.
5. RACV Financial Services Limited changed its balance date to 30 June (from 28 February).
6. Tower Life Australia Limited received the business of the former FAI Life Insurance Society Limited in June 2000.

## Glossary of Terms

The following definitions and explanations are prepared for the information of those who are not familiar with certain terms and expressions used in life insurance.

**Actuarial Standards:** Legislative requirements made under the *Life Insurance Act 1995* which prescribe the actuarial principles and methodologies for particular actuarial calculations required to be made by the legislation.

**Allocated Annuity:** An annuity which operates similarly to an allocated pension except that it is not paid from superannuation monies.

**Allocated Pension:** A pension where a member has his or her own account against which variable pension payments are debited and to which any investment earnings are credited. The pension continues until the death of the pensioner or until the account is exhausted. Upon death, any balance remaining in the account will be paid to a designated beneficiary as a lump sum or further pension payments.

**Annual Premium:** The amount of premium which must be paid annually to meet the contractual requirements of a policy and keep it fully in force.

**Annuity:** A contract that provides for an income for a term dependent upon human life.

**Assets Available for Solvency:** Assets available to meet the Solvency Reserve. This equals Total Assets less Gross Policy Liabilities Ceded under Reinsurance less Base Liabilities.

**Base Liabilities:** Liabilities figure used for calculating the Solvency Reserve Percentage and Solvency Coverage Ratio. This equals Minimum Termination Value plus Other Liabilities excluding Subordinated Debt.

**Bonus:** Registered life insurance companies in Australia issue policies which are either participating or non-participating. The form of participation usually adopted is the grant of a reversionary bonus, ie a guaranteed addition to the sum insured which is payable when the sum insured is payable.

**Claim:** Notification to an insurance company that payment of an amount is due under the terms of the policy.

**Classes of Life Insurance Business:** The *Life Insurance Act 1995* provides for the following classes of life insurance business:

- *Superannuation Business* - life insurance business that consists of:
  - (a) the issuing of superannuation policies or the undertaking of liability under superannuation policies; or
  - (b) any business that relates to business referred to in paragraph (a);
- *Ordinary Business* - life insurance business other than superannuation business.

**Prudential Rules:** Section 252 of the *Life Insurance Act 1995* provides that APRA (previously, the Insurance and Superannuation Commissioner) may make rules (previously called Commissioner's rules) for the prudent management of life companies and for their supervision by APRA (previously the Insurance and Superannuation Commissioner)

- *Prudential Rules 21* - incorporate the broad principles, concepts and structure for financial reporting for life insurance companies – replaced from 31 December 1999 by *Prudential Rules 35*;
- *Prudential Rules 26* - relate to the collection of quarterly, half yearly and annual statistics and prescribe the forms and schedules required;
- *Prudential Rules 32* - variation of *Prudential Rules 26*, specifically relating to the collection of half yearly market statistics;
- *Prudential Rules 35* - incorporate the broad principles, concepts and structure for financial reporting for life insurance companies – replaced *Prudential Rules 21* from 31 December 1999.

**Conversion:** Change from one type of policy to another.

**Deferred Annuity:** An annuity under which periodic payments do not commence until a future date or event (eg retirement age).

**Endowment Insurance:** A contract made by a life insurance company to pay the insured a sum of money at the end of a fixed period or death, whichever is earlier.

**Experience Profit:** The profit arising from the difference between actual experience and expected experience.

**Forfeiture:** The termination of a policy due to non-payment of premiums before the policy has acquired a surrender value.

**Group Life:** Insurance which provides death and disability cover for a group of persons.

**Investment Account:** A contract providing a death benefit plus some type of identifiable savings account or investment account, the balance of which usually becomes the benefit payable in certain circumstances, most commonly after a number of years when a balance has accumulated in the account.

**Investment Linked:** A contract providing a death benefit and an investment account the value of which is directly linked to the performance of a specific investment portfolio. The value of the policyholder's interest will rise and fall with the movements in the value of the portfolio.

**Investment Management Administration Expenses:** The fixed and variable costs of managing the investment portfolio.

**Life Insurance Actuarial Standards Board:** The Board responsible for developing actuarial standards required for the *Life Insurance Act 1995*.

**Loan on Policy:** A loan made by an insurance company to a policyholder on the security of the surrender value of the policy.

**Minimum Termination Value:** The base figure upon which reserves against liability and asset risks are layered in determining the solvency requirement. This value is determined in accordance with the Solvency Standard.

**Non-participating Benefit:** Benefit that does not include any entitlement to share in any distribution by the life company of profits and surplus and the amount of which is specified in the policy document or is calculated according to a formula that is set in the policy document and does not include any element that is in any way dependent on, or to be ascertained according to, a decision of the life company concerned.

**Ordinary Policy:** A policy other than a superannuation policy.

**Paid-up Policy:** A life insurance policy on which no further premiums are due. The term is frequently used when the sum insured under a policy has been reduced so that future premiums can be waived, but also includes a policy issued on payment of a single premium.

**Participating Benefit:** Any benefit other than a non-participating benefit.

**Policy:** A contractual document issued by an insurance company stating the terms and conditions of its contract with the policyholder.

**Policy Acquisition Administration Expenses:** The fixed and variable costs of acquiring new business.

**Policy Liabilities:** Amounts required to be held now which, together with future premiums and interest earnings, will enable the company to pay all future claims.

**Policy Maintenance Administration Expenses:** The fixed and variable costs of administering policies subsequent to their sale and administering the general operations of the life company. These include all normal operating costs and expenses other than acquisition and investment management expenses.

**Premium:** The amount paid by a policyholder for an insurance policy either as a single payment or a stream of regular payments.

**Regular Premium:** The premium is paid on a regular basis such as monthly, quarterly or annually, until the policy is paid out or matures.

**Reinsurance:** An agreement made by one insurance company (the ceding company) with another company (the reinsurance company) under which the reinsurance company will accept part of the liability to pay benefits under certain policies issued by the ceding company. The type of reinsurance may be:

- (a) coinsurance or proportional reinsurance, in which case the reinsurance company and the ceding company share premium and benefit payments on a fixed proportion; or
- (b) risk premium or non-proportional reinsurance, in which the ceding company pays a premium to the reinsurance company to cover a specified part of the amount payable only on death or disability under the policy.

**Reinsurer:** Any company providing reinsurance cover, whether a parent life company, direct writing company or reinsurance company.

**Risk Business:** Life business which does not include any investment component.

**Single Premium:** The first and only premium required to provide the insurance benefits in a policy.

**Solvency:** The ability of the life company to meet its liabilities as they fall due. Life companies must meet minimum solvency standards set out in prudential legislation which aim to ensure that policy liabilities will be met.

**Solvency Coverage Ratio:** Measures the number of times the life company's excess assets are able to cover the required solvency reserve. Calculated as Assets available for Solvency Reserve divided by Solvency Reserve.

**Solvency Requirement:** The capital requirement calculated in accordance with the Solvency Standard, as prescribed by the Life Insurance Actuarial Standards Board.

**Solvency Reserve:** Calculated as Solvency Requirement less the sum of Minimum Termination Value and Other Liabilities excluding Approved Subordinated Debt.

**Solvency Reserve Percentage:** Measures the reserve required by the life company to enable it to meet its obligations, under a prescribed set of adverse conditions, as a percentage of the company's base liabilities.

**Solvency Standard:** An actuarial standard for the solvency of a statutory fund as prescribed by the Life Insurance Actuarial Standards Board.

**Statutory Fund:** A fund that is established in the records of a life company and relates solely to the life insurance business of the company or a particular part of that business.

Under the *Life Insurance Act 1995*, the principal requirements in relation to statutory funds are as follows:

- (a) all amounts received by a life company in respect of the business of a fund must be credited to the fund;
- (b) all assets and investments related to the business of a fund must be included in the fund;
- (c) all liabilities (including policy liabilities) of the company arising out of the conduct of the business of a fund must be treated as liabilities of the fund;
- (d) the assets of a fund are only available for expenditure related to the conduct of the business of the fund.

**Subordinated Debt:** Unsecured bonds which are long term in nature that rank behind other debt, but ahead of shareholders, in the event of liquidation. In life insurance context, this basically means that policy owner interests would need to be satisfied before the subordinated debt could be repaid to the lender.

**Sum Insured:** The total amount payable on death or disablement.

**Superannuation Policy:** A life policy that is maintained for the purposes of a superannuation or retirement scheme and is owned by the trustee under the scheme; or a life policy included in a class of policies declared by the regulations to be superannuation policies.

**Surrender:** Returning a life insurance policy to the issuing life office for cancellation prior to its maturity date or the death of the life insured in return for the payment of its surrender value.

**Surrender Value:** The amount of cash which may be realised by an insured or annuitant, holding a life insurance policy or annuity contract with a life insurance company if it is voluntarily surrendered prior to its maturity or the death of the insured.

**Term Insurance:** Insurance payable on death within a specified period.

**Unit Trust:** A form of collective investment that is usually a trust fund divided into a large number of equal parts called “units”. The price of these units is dependent on the total assets of the trust fund.

**Whole of Life Insurance:** Insurance payable on death whenever this may occur.