

# **Half Yearly Life Insurance Financial Bulletin**

## **Year Ending December 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 December 2000 contains selected financial and market statistics of the life insurance companies, presented primarily at aggregate level for all companies balancing between 1 January 2000 to 31 December 2000. The *Bulletin* also includes company level abstracts on profit and loss, balance sheet, solvency, sources of profit and assets. Note that where a company has changed its balance date, the financial statistics for that company included in the *Bulletin* may not cover a twelve month period. See the *List of Life Insurance Companies included in the Bulletin*, found after the tables, for a list of any companies that may fall into this category.

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 35 (Financial Statements)*.

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 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 January 2000 and 31 December 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 35. 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 December 1999 Bulletin.

- Total life insurance statutory fund assets for companies balancing during the year ending 31 December 2000 were \$189.7 billion (\$179.9 billion). These assets were backing \$168.0 billion of Australian and overseas policy liabilities and policy owner retained profits (\$157.2 billion of Australian and overseas policy liabilities, bonuses and policy owner retained profits).
- The industry aggregate solvency reserve percentage was 4.99% (5.98%). The corresponding solvency coverage ratio for companies balancing during the year ending 31 December 2000 was 1.85 (1.77).
- Life insurance premiums totalled \$45.1 billion (\$40.2 billion) for companies balancing during the year ending 31 December 2000. Investment linked business accounted for \$31.3 billion (\$26.6 billion), the remaining \$13.8 (\$13.6 billion) was non-investment linked business.
- Total life insurance policy payments were \$43.7 billion (\$31.7 billion) for companies balancing during the year

ending 31 December 2000. Surrenders and terminations accounted for \$19.2 billion (\$20.6 billion) of all policy payments.

- Aggregate industry profits were \$3.9 billion (\$3.6 billion), of which \$1.6 billion (\$1.7 billion) was allocated to policy owners and \$2.3 billion (\$1.9 billion) to shareholders.
- Equities amounted to the major component of investment assets, at 32%, closely followed by unit trusts, at 30%, and interest bearing securities at 25%.

## 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.

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<sup>1</sup> Where a company has changed its balance date during this period, the financial statistics for that company included in the *Bulletin* may not cover a twelve month period. See the *List of Life Insurance Companies included in the Bulletin*, found after the tables, for a list of any companies that may fall into this category.

The industry aggregate solvency reserve percentage for the period was 4.99%.

For investment linked business, where the liabilities are linked to the value of the assets supporting them, the percentage was 0.56%. For non-investment linked business the solvency reserve percentage was 13.83%.

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 1.85. For investment linked business, the ratio was 2.60, while for non-investment linked business the solvency coverage ratio was 1.79.

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

### **Industry Structure**

Australian business accounted for more than 97% (\$163.5 billion) of the total policy liabilities and policy owner retained profits in the life insurance industry. The remaining 3% (\$4.5 billion) of policy liabilities and policy owner retained profits related to overseas business.

Superannuation business represented around 85% (\$138.4 billion) of Australian policy liabilities and policy owner retained profits. Superannuation participating policies represented only 13% (\$18.0 billion), with non-participating policies representing 87% (\$120.4 billion), of the Superannuation total.

Ordinary business represented the remaining 15% (\$25.1 billion) of Australian policy liabilities and policy owner retained profits. Around 50% (\$12.5 billion) of the ordinary total represented participating policies with 50% (\$12.6 billion) representing non-participating policies.

The proportion of superannuation business has increased by 8% (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 \$3.3 billion of this, while the profit relating to investment linked business was around \$0.6 billion.

The profit allocated to policy owners accounted for 41% (\$1.6 billion) of the total profit. The remaining 59% (\$2.3 billion) was allocated to shareholders.

Total industry profit can be divided into its different sources. Planned profits contributed 67% (\$2.6 billion) of total profits, while there was a 1.4% (\$54 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 32% (\$1.3 billion) of the total profit figure. This proportion can be expected to vary from year to year with changes in performance of investment markets.

The vast majority (at 85%) of the profits from the life insurance industry continue to arise 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.

However, the continued dominance of investment linked business over non-investment linked business has led to non-investment linked business currently accounting for less than one third of total premium revenues (see Premiums below).

### **Premiums**

Total life insurance premiums received for companies balancing during the year ending 31 December 2000 were \$45.1 billion.

Investment linked business accounted for 69% (\$31.3 billion) of these premiums,

with the remaining 31% (\$13.8 billion) relating to non-investment linked business.

Over the period 1 July 2000 to 31 December 2000, \$17.4 billion in new single premium business was written, compared with \$15.7 billion during the corresponding period in 1999. Superannuation accounted for \$16.4 billion, or 94% of these new single premiums, with ordinary business accounting for around \$1 billion. Also during the period 1 July 2000 to 31 December 2000, \$776 million in new contractual regular premium business was written, compared to \$842 million written during the corresponding period in 1999. Superannuation accounted for \$538 million, or 69% of this total. In part due to this result, there was a rise of around 2.5%, from \$6.7 billion to \$6.9 billion, in contractual regular premium business in force at the end of December 2000 compared to the beginning of July 2000. Voluntary discontinuances accounted for \$488 million of the reduced premiums in force, while Other movements accounted for a further reduction of \$14 million.

### **Policy Payments**

Total industry policy payments for companies balancing during the year ending 31 December 2000 were \$43.7 billion.

Payments for surrenders and terminations accounted for 44% (\$19.2 billion) of the total policy payments. Policy maturities represented a further 8% (\$3.4 billion).

Annuity payments and death and disability claims accounted for 8% (\$1.7 billion and \$1.9 billion respectively) of policy payments. A further 6% (\$2.7 billion) resulted from policy conversions.

Policy payments recognised as a change in policy liability accounted for around 24% (\$10.7 billion) of all policy payments.

Total premiums received during the period exceeded total policy payments by \$1.4 billion.

### **Asset Allocation**

The proportion of life insurance investment assets held in growth assets (ie

equities, unit trusts and property) continued an upward trend to 67% of total investment assets, compared to 63% for the previous year and 58% two years ago. In comparison, the proportion of investments in more defensive assets (ie interest bearing securities, loans and convertible notes) continued to fall, now accounting for 30% of total investment assets, down from 35% the previous year and 40% two years ago.

## Key Statistics

(\$ billion)

1 January 2000 to 31 December 2000

	Year Ending		Change	
	31 December 2000	31 December 1999	Amount	%
<b>Assets</b>				
Total statutory fund	189.7	179.9	9.8	5.4%
Backing Australian liabilities	184.4	174.3	10.1	5.8%
<b>Liabilities</b>				
Total statutory fund	178.8	169.1	9.7	5.7%
Australian liabilities	173.9	164.1	9.8	6.0%
<b>Premiums</b>				
Total statutory fund	45.1	40.2	4.9	12.1%
<b>Policy payments</b>				
Total statutory fund	43.7	31.7	12.0	37.9%
<b>Operating expenses</b>				
Total statutory fund	4.5	3.7	0.8	20.8%
<b>Operating profit after income tax</b>				
Total statutory fund	3.9	3.6	0.3	9.3%
Solvency reserve %	4.99	5.98	-0.99	-16.6%
Solvency coverage ratio	1.85	1.77	0.08	4.4%



**Table 1. Profit and loss statement**  
(\$ million)

1 January 2000 to 31 December 2000

	Statutory Funds						Shareholders' fund
	Australian				Overseas	Total <sup>a</sup>	
	Ordinary		Superannuation				
	Par	Non-Par	Par	Non-Par			
	<b>Total Industry</b>						
Net premium revenue	471	4,008	3,320	23,737	513	31,848	0
Investment revenue	1,269	1,540	1,814	12,133	282	17,037	765
Other revenues	2	83	-1	218	69	372	13
Net revenue	1,742	5,631	5,133	36,089	865	49,258	777
Net claims expense	1,411	3,639	5,368	21,288	710	32,215	0
Administration expenses	212	1,217	427	2,261	220	4,338	276
Increase in policy liabilities	-221	130	-942	10,600	-155	9,411	0
Increase in policy owner retained profits	-1	-3	-24	3	0	-25	0
Net operating expenses	1,400	5,064	4,830	34,287	775	46,154	281
Operating profit before income tax	342	567	303	1,802	90	3,104	496
Abnormal items	-1	71	0	110	0	180	-58
Income tax	193	221	140	332	-7	878	-63
Extraordinary items after tax	0	0	0	0	0	0	0
Operating profit and extraordinary items after income tax	148	417	163	1,580	97	2,405	501
	<b>Direct Insurers</b>						
Net premium revenue	471	3,644	3,320	23,509	463	31,205	0
Investment revenue	1,269	1,455	1,814	12,105	277	16,920	758
Other revenues	2	64	-1	215	70	349	13
Net revenue	1,742	5,163	5,133	35,829	809	48,473	770
Net claims expense	1,411	3,065	5,368	21,158	677	31,477	0
Administration expenses	212	1,024	427	2,210	201	4,075	274
Increase in policy liabilities	-221	350	-942	10,542	-173	9,555	0
Increase in policy owner retained profits	-1	-3	-24	3	0	-25	0
Net operating expenses	1,400	4,517	4,830	34,049	705	45,299	280
Operating profit before income tax	342	646	303	1,780	104	3,175	491
Abnormal items	-1	71	0	110	0	180	-58
Income tax	193	251	140	322	-1	904	-64
Extraordinary items after tax	0	0	0	0	0	0	0
Operating profit and extraordinary items after income tax	148	466	163	1,568	105	2,450	496

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

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

(\$ million)

1 January 2000 to 31 December 2000

	Statutory Funds						Shareholders' fund
	Australian				Overseas	Total <sup>a</sup>	
	Ordinary		Superannuation				
	Par	Non-Par	Par	Non-Par			
	<b>Reinsurers</b>						
Net premium revenue	0	364	0	228	51	643	0
Investment revenue	0	84	0	28	5	118	7
Other revenues	0	20	0	4	0	23	0
Net revenue	0	468	0	260	56	784	7
Net claims expense	0	574	0	130	33	737	0
Administration expenses	0	193	0	51	19	263	1
Increase in policy liabilities	0	-220	0	58	18	-144	0
Increase in policy owner retained profits	0	0	0	0	0	0	0
Net operating expenses	0	547	0	239	70	856	1
Operating profit before income tax	0	-79	0	22	-14	-71	5
Abnormal items	0	0	0	0	0	0	0
Income tax	0	-30	0	9	-6	-26	1
Extraordinary items after tax	0	0	0	0	0	0	0
Operating profit and extraordinary items after income tax	0	-49	0	12	-8	-45	5

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

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

1 January 2000 to 31 December 2000

	Statutory Funds						Shareholders' fund
	Australian				Overseas	Total <sup>a</sup>	
	Ordinary		Superannuation				
	Par	Non-Par	Par	Non-Par			
	<b>Total Industry</b>						
Investment assets	13,462	16,026	22,796	122,842	4,886	180,009	19,125
Other assets					412	9,693	2,222
Total assets					5,297	189,702	21,346
Net policy liabilities <sup>b</sup>	11,448	12,550	17,426	120,430	4,027	165,880	0
Policy owner retained profits	1,090	1	538	0	468	2,097	0
Other liabilities					347	10,783	8,140
Total liabilities					4,842	178,760	8,140
Net assets					455	10,942	13,206
comprised of							
Shareholders retained profits						6,115	3,465
Shareholders capital						4,827	9,741
	<b>Direct Insurers</b>						
Investment assets	13,462	15,062	22,796	122,656	4,751	178,724	4,501
Other assets					380	9,338	2,061
Total assets					5,131	188,062	21,124
Net policy liabilities <sup>b</sup>	11,448	11,997	17,426	120,255	3,929	165,056	0
Policy owner retained profits	1,090	1	538	0	468	2,097	0
Other liabilities					322	10,409	8,101
Total liabilities					4,719	177,561	8,101
Net assets					412	10,502	13,023
comprised of							
Shareholders retained profits						5,733	3,318
Shareholders capital						4,769	9,705
	<b>Reinsurers</b>						
Investment assets	0	964	0	186	134	1,285	62
Other assets					32	355	160
Total assets					166	1,640	222
Net policy liabilities <sup>b</sup>	0	552	0	175	98	825	0
Policy owner retained profits	0	0	0	0	0	0	0
Other liabilities					25	374	39
Total liabilities					123	1,199	39
Net assets					43	441	183
comprised of							
Shareholders retained profits						383	147
Shareholders capital						58	36

<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.

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

1 January 2000 to 31 December 2000

	Statutory Fund		Total <sup>b</sup>
	Investment Linked	Non-Investment Linked	
	<b>Total Industry</b>		
Base liabilities	115,896	57,985	173,785
Solvency reserve	645	8,020	8,664
Solvency requirement	116,541	66,004	182,449
Total assets <sup>a</sup>	117,428	72,372	189,702
Assets available for solvency reserve	1,677	14,340	16,016
Solvency reserve %	0.56	13.83	4.99
Solvency coverage	2.60	1.79	1.85
	<b>Direct Insurers</b>		
Base liabilities	115,896	56,664	172,465
Solvency reserve	645	7,794	8,438
Solvency requirement	116,541	64,458	180,903
Total assets <sup>a</sup>	117,428	70,732	188,062
Assets available for solvency reserve	1,677	14,020	15,697
Solvency reserve %	0.56	13.75	4.89
Solvency coverage	2.60	1.80	1.86
	<b>Reinsurers</b>		
Base liabilities	0	1,320	1,320
Solvency reserve	0	226	226
Solvency requirement	0	1,546	1,546
Total assets <sup>a</sup>	0	1,640	1,640
Assets available for solvency reserve	0	320	320
Solvency reserve %	-	17.10	17.10
Solvency coverage	-	1.42	1.42

<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 January 2000 to 31 December 2000

	Statutory Fund			Shareholders' Fund
	Investment Linked	Non-Investment Linked	Total	
<b>Total Industry</b>				
Investment earnings on retained profits & capital	181	1,086	1,266	
Emergence of planned profits				
- Policy owner	0	1,385	1,385	
- Shareholder	507	729	1,236	
Experience profit	-63	8	-54	
Operating profit from other sources	-23	125	102	
Operating profit after income tax	602	3,333	3,935	501
allocated to				
- Policy owner	0	1,606	1,606	0
- Shareholder	602	1,727	2,329	501
<b>Return on capital (%)<sup>a</sup> 12%</b>				
<b>Direct Insurers</b>				
Investment earnings on retained profits & capital	181	1,030	1,211	
Emergence of planned profits				
- Policy owner	0	1,385	1,385	
- Shareholder	507	694	1,201	
Experience profit	-63	89	26	
Operating profit from other sources	-23	180	157	
Operating profit after income tax	602	3,378	3,980	496
allocated to				
- Policy owner	0	1,606	1,606	0
- Shareholder	602	1,772	2,374	496
<b>Return on capital (%)<sup>a</sup> 12%</b>				
<b>Reinsurers</b>				
Investment earnings on retained profits & capital	0	56	56	
Emergence of planned profits				
Policy owner	0	0	0	
- Shareholder	0	35	35	
Experience profit	0	-80	-80	
Operating profit from other sources	0	-55	-55	
Operating profit after income tax	0	-45	-45	5
allocated to				
- Policy owner	0	0	0	0
- Shareholder	0	-45	-45	5
<b>Return on capital (%)<sup>a</sup> -6%</b>				

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

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

1 January 2000 to 31 December 2000

	Statutory Fund			Shareholders' Fund
	Investment Linked	Non-Investment Linked	Total	
<b>Total Industry</b>				
Direct insurance premiums	16,541	8,045	24,586	0
Direct consideration for deferred annuities	426	70	496	0
Direct consideration for immediate annuities	1,081	2,753	3,833	0
Policy conversions	2,177	563	2,740	0
Total direct insurance premiums	20,225	11,430	31,655	0
Inwards reinsurance premiums	140	1,312	1,452	0
Premium recognised as a change in policy liability	10,949	1,028	11,977	0
Total non-life insurance premiums	0	0	0	0
Insurance premiums	31,314	13,770	45,084	0
<b>Direct Insurers</b>				
Direct insurance premiums	16,541	8,045	24,586	0
Direct consideration for deferred annuities	426	70	496	0
Direct consideration for immediate annuities	1,081	2,753	3,833	0
Policy conversions	2,177	563	2,740	0
Total direct insurance premiums	20,225	11,430	31,655	0
Inwards reinsurance premiums	140	489	629	0
Premium recognised as a change in policy liability	10,949	1,028	11,977	0
Total non-life insurance premiums	0	0	0	0
Insurance premiums	31,314	12,947	44,261	0
<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	823	823	0
Premium recognised as a change in policy liability	0	0	0	0
Total non-life insurance premiums	0	0	0	0
Insurance premiums	0	823	823	0

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

1 January 2000 to 31 December 2000

	Statutory Funds			Shareholders' fund
	Investment Linked	Non-Investment Linked	Total	
	<b>Total Industry</b>			
Debt securities	2,504	2,456	4,960	-66
Equity securities	3,297	949	4,246	194
Property	336	319	655	5
Other investment income	360	301	661	-206
Net realised and unrealised gain/loss	5,740	2,014	7,754	1,103
Total investment income	12,236	6,039	18,275	1,030
	<b>Direct Insurers</b>			
Debt securities	2,504	2,404	4,907	-69
Equity securities	3,297	928	4,225	193
Property	336	317	653	5
Other investment income	360	284	644	-207
Net realised and unrealised gain/loss	5,740	1,988	7,728	1,100
Total investment income	12,236	5,921	18,158	1,023
	<b>Reinsurers</b>			
Debt securities	0	53	53	3
Equity securities	0	21	21	1
Property	0	2	2	0
Other investment income	0	17	17	1
Net realised and unrealised gain/loss	0	26	26	2
Total investment income	0	118	118	7
	<b>Investment Return (%)<sup>a</sup></b>			
Debt securities, loans, convertible notes <sup>b</sup>	10.58	8.56	9.47	-2.73
Equities <sup>b</sup>	8.77	5.49	7.73	1.35
Property <sup>b</sup>	7.13	8.75	7.84	0.24
Other investment assets <sup>b</sup>	0.83	1.92	1.12	-80.80
Total investment assets	11.48	9.39	10.70	5.53

<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 January 2000 to 31 December 2000

	Statutory Funds			Shareholders' Fund
	Investment Linked	Non-Investment Linked	Total	
<b>Total Industry</b>				
Death and disability claims	188	1,720	1,908	0
Maturities	821	2,562	3,383	0
Annuities	597	1,080	1,677	0
Surrenders and terminations	12,872	6,374	19,246	0
Policy conversions	1,153	1,557	2,711	0
Other	2,409	573	2,983	0
Direct claims	18,041	13,867	31,908	0
Inwards reinsurance claims	0	1,138	1,138	0
Payments as a change in policy liability	9,420	1,259	10,679	0
Policy payments	27,461	16,264	43,725	0
Bonuses paid included in Policy payments	-54	297	243	0
<b>Direct Insurers</b>				
Death and disability claims	188	1,694	1,883	0
Maturities	821	2,562	3,383	0
Annuities	597	1,080	1,677	0
Surrenders and terminations	12,872	6,374	19,246	0
Policy conversions	1,153	1,557	2,711	0
Other	2,409	573	2,983	0
Direct claims	18,041	13,841	31,883	0
Inwards reinsurance claims	0	306	306	0
Payments as a change in policy liability	9,420	1,259	10,679	0
Policy payments	27,461	15,406	42,868	0
Bonuses paid included in Policy payments	-54	297	243	0
<b>Reinsurers</b>				
Death and disability claims	0	26	26	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	26	26	0
Inwards reinsurance claims	0	832	832	0
Payments as a change in policy liability	0	0	0	0
Policy payments	0	858	858	0
Bonuses paid included in Policy payments	0	0	0	0



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

1 January 2000 to 31 December 2000

	Statutory Funds			Shareholders' Fund
	Investment Linked	Non-Investment Linked	Total	
<b>Total Industry</b>				
General administration expenses				
- Policy acquisition				
* Commission	348	442	789	2
* Other	429	506	936	2
- Policy maintenance				
* Commission	192	368	560	1
* Other	747	952	1,699	66
- Investment management	237	167	404	2
- Other	0	0	0	8
Interest				
- Subordinated debt	8	29	37	7
- Other borrowings	6	38	44	13
Total non-life operating expenses				190
Total operating expenses	1,967	2,503	4,470	291
<b>Direct Insurers</b>				
General administration expenses				
- Policy acquisition				
* Commission	348	333	681	2
* Other	429	494	924	2
- Policy maintenance				
* Commission	192	256	448	1
* Other	747	924	1,672	65
- Investment management	237	165	402	2
- Other	0	0	0	8
Interest				
- Subordinated debt	8	29	37	7
- Other borrowings	6	38	44	13
Total non-life operating expenses				190
Total operating expenses	1,967	2,240	4,207	290
<b>Reinsurers</b>				
General administration expenses				
- Policy acquisition				
* Commission	0	109	109	0
* Other	0	12	12	0
- Policy maintenance				
* Commission	0	112	112	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	263	263	1

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

1 January 2000 to 31 December 2000

	Statutory Funds			Shareholders' Fund
	Investment Linked	Non-Investment Linked	Total	
	<b>Net margins<sup>a</sup></b>			
Direct insurers	9.69	20.16	13.48	-
Reinsurers	-	40.86	40.86	-
Industry total	9.69	21.30	14.03	-
	<b>Gross margins<sup>b</sup></b>			
Direct Insurers	9.67	18.80	13.12	-
Reinsurers	-	31.94	31.94	-
Industry Total	9.67	19.65	13.59	-

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

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

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

1 January 2000 to 31 December 2000

	Statutory Funds			Shareholders' Fund
	Investment Linked	Non-Investment Linked	Total	
	<b>Total Industry</b>			
Property	4,877	3,807	8,684	2,087
Equities	39,260	17,754	57,015	14,510
National government interest bearing securities	6,662	5,995	12,656	25
Other public sector interest bearing securities	4,882	6,587	11,470	19
Private sector interest bearing securities	11,634	9,022	20,656	115
Loans	1,686	8,214	9,897	2,216
Convertible notes	58	116	174	0
Other direct investments	2,617	1,659	4,275	28
Unit trusts	40,970	13,737	54,707	124
Partnerships and joint ventures	32	123	155	0
Other indirect investments	0	320	320	0
<b>Total investment assets</b>	<b>112,677</b>	<b>67,334</b>	<b>180,009</b>	<b>19,125</b>
	<b>Direct Insurers</b>			
Property	4,877	3,807	8,684	2,083
Equities	39,260	17,476	56,737	14,499
National government interest bearing securities	6,662	5,693	12,354	15
Other public sector interest bearing securities	4,882	6,343	11,225	16
Private sector interest bearing securities	11,634	8,620	20,254	100
Loans	1,686	8,200	9,883	2,210
Convertible notes	58	116	174	0
Other direct investments	2,617	1,639	4,256	16
Unit trusts	40,970	13,712	54,681	124
Partnerships and joint ventures	32	123	155	0
Other indirect investments	0	320	320	0
<b>Total investment assets</b>	<b>112,677</b>	<b>66,050</b>	<b>178,724</b>	<b>19,063</b>
	<b>Reinsurers</b>			
Property	0	0	0	4
Equities	0	278	278	11
National government interest bearing securities	0	302	302	10
Other public sector interest bearing securities	0	244	244	3
Private sector interest bearing securities	0	402	402	15
Loans	0	14	14	6
Convertible notes	0	0	0	0
Other direct investments	0	19	19	12
Unit trusts	0	25	25	0
Partnerships and joint ventures	0	0	0	0
Other indirect investments	0	0	0	0
<b>Total investment assets</b>	<b>0</b>	<b>1,285</b>	<b>1,285</b>	<b>62</b>

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

1 July 2000 to 31 December 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	620,351	11,025	1,088	7,685	23,858	544	-5,248	592,953	374
Investment account	569,778	12,665	522	3,849	40,657	6,188	-5,754	525,474	905,359
Investment linked	1,645,501	114,301	984	6,560	99,145	20,312	-4,622	1,628,180	7,378,147
Allocated annuity - Non-Inv linked	0	0	0	0	0	0	0	0	183,899
Allocated annuity - Inv linked	0	0	0	0	0	0	0	0	2,226,121
Other annuity - Lifetime	0	0	0	0	0	0	0	0	87,973
Other annuity - Term	0	0	0	0	0	0	0	0	1,370,397
Risk - Lump sum	1,331,380	154,505	1,316	425	82,773	-3,727	8,007	1,413,105	20,665
Risk - Income	661,114	78,439	126	27	54,473	-4,786	9,193	698,907	0
Group business									
Investment account	297,327	59,169	178	1,471	34,571	9,757	-1,971	308,549	911,504
Investment linked	995,521	235,424	209	513	91,474	45,686	-15,205	1,077,857	4,170,897
Allocated annuity - Non-Inv linked	0	0	0	0	0	0	0	0	136
Allocated annuity - Inv linked	0	0	0	0	0	0	0	0	68,606
Other annuity	0	0	0	0	0	0	0	0	0
Risk	626,114	110,775	1,720	111	60,640	4,789	1,113	670,742	78,798
<b>Total for class</b>	<b>6,747,086</b>	<b>776,304</b>	<b>6,143</b>	<b>20,639</b>	<b>487,592</b>	<b>78,762</b>	<b>-14,488</b>	<b>6,915,767</b>	<b>17,402,876</b>

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

(\$ thousands)

1 July 2000 to 31 December 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	428,580	10,538	933	5,437	15,956	363	-4,611	411,819	367
Investment account	62,501	1,647	42	577	6,505	214	84	56,894	23,341
Investment linked	238,595	4,708	193	1,741	18,370	1,669	-2,297	219,033	250,443
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	3,603
Other annuity - Term	0	0	0	0	0	0	0	0	648,604
Risk - Lump sum	1,014,281	117,800	1,019	240	66,992	-3,325	7,545	1,074,700	20,665
Risk - Income	657,271	78,340	123	15	54,396	-4,823	9,311	695,212	0
Group business									0
Investment account	302	0	0	0	0	0	146	448	88
Investment linked	91	0	0	0	0	0	0	91	0
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	166,925	24,882	14	0	14,100	3,921	-1,915	171,857	15,855
<b>Total for class</b>	<b>2,568,546</b>	<b>237,915</b>	<b>2,323</b>	<b>8,009</b>	<b>176,319</b>	<b>-1,982</b>	<b>8,263</b>	<b>2,630,054</b>	<b>962,965</b>

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

(\$ thousands)

1 July 2000 to 31 December 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	191,771	487	155	2,248	7,903	181	-637	181,135	7
Investment account	507,277	11,018	480	3,272	34,152	5,974	-5,838	468,580	882,019
Investment linked	1,406,905	109,593	792	4,818	80,775	18,642	-2,325	1,409,146	7,127,704
Allocated annuity - Non-Inv linked	0	0	0	0	0	0	0	0	183,899
Allocated annuity - Inv linked	0	0	0	0	0	0	0	0	2,226,121
Other annuity - Lifetime	0	0	0	0	0	0	0	0	84,370
Other annuity - Term	0	0	0	0	0	0	0	0	721,794
Risk - Lump sum	317,099	36,706	297	185	15,781	-402	462	338,404	0
Risk - Income	3,843	99	3	12	78	37	-118	3,695	0
Group business									
Investment account	297,025	59,169	178	1,471	34,571	9,757	-2,118	308,100	911,416
Investment linked	995,430	235,424	209	513	91,474	45,686	-15,205	1,077,766	4,170,897
Allocated annuity - Non-Inv linked	0	0	0	0	0	0	0	0	136
Allocated annuity - Inv linked	0	0	0	0	0	0	0	0	68,606
Other annuity	0	0	0	0	0	0	0	0	0
Risk	459,189	85,893	1,706	111	46,540	868	3,028	498,886	62,943
<b>Total for class</b>	<b>4,178,540</b>	<b>538,390</b>	<b>3,820</b>	<b>12,630</b>	<b>311,273</b>	<b>80,744</b>	<b>-22,751</b>	<b>4,285,712</b>	<b>16,439,911</b>

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

1 January 2000 to 31 December 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' funds</b>									
AMP	10,073.0	3,831.0	11.0	10,145.0	1,158.0	1,799.0	816.0	0.0	816.0
CIHL	0.3	191.1	0.0	0.2	0.4	0.3	726.5	0.2	726.3
MLC	266.0	3,237.0	1.0	146.0	514.0	2,459.0	516.0	142.0	374.0
WEST	102.3	1,046.5	185.7	913.2	86.3	17.8	317.1	100.4	216.7
NAFM	213.0	823.0	1.0	88.0	134.0	418.0	337.0	130.0	207.0
MML	3,071.0	1,644.0	1.0	3,282.0	423.0	693.0	322.0	148.0	174.0
CLL	178.5	979.6	0.1	33.1	97.0	864.8	163.3	46.6	116.7
CHLL	158.2	122.7	1.7	268.5	9.8	-101.4	105.6	10.6	95.0
CORP	857.9	184.2	40.6	1,036.2	48.5	-105.3	103.2	24.6	78.6
ZURI	904.9	515.8	0.0	1,162.6	114.7	45.5	94.3	19.6	74.7
NMLA	3,436.0	1,722.0	32.0	2,957.0	567.0	1,657.0	-49.0	-120.0	71.0
MLCL	179.5	495.8	9.7	318.5	92.5	-102.9	93.1	24.8	68.3
CL2	308.0	64.0	0.1	64.0	1.4	256.0	50.9	0.1	50.8
TOW	468.0	239.2	0.2	456.2	104.1	71.6	79.2	29.4	49.8
GIO	396.9	301.0	0.0	685.2	72.4	-127.6	48.8	0.0	48.8
ANZ	1,861.9	362.9	0.0	1,422.5	75.4	618.1	108.8	60.6	48.2
CFCL	530.2	213.5	2.2	415.2	81.0	195.7	52.6	14.5	38.2
AC&L	53.4	42.2	11.4	75.7	70.5	-69.0	37.4	0.0	37.4
GQLD	529.2	307.8	10.1	474.1	68.1	227.7	74.0	44.3	29.7
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
HALL	29.5	11.4	0.0	12.7	3.8	4.7	19.8	3.8	15.9
RSAF	156.5	83.2	17.6	82.9	107.7	2.9	59.3	43.8	15.5
HLRA	194.2	42.8	-0.1	464.6	68.3	-311.9	15.9	2.2	13.7
SGL	8.4	9.7	0.6	1.3	2.2	3.0	12.2	2.9	9.3
BTLL	1,179.9	85.1	1.3	604.7	49.6	590.6	21.4	13.4	7.9
AIAA	89.4	13.1	1.6	16.5	29.6	55.2	5.8	-0.9	6.7
LLL	36.7	9.2	0.2	17.1	34.6	-15.1	9.5	4.4	5.0
FORT	4.2	2.5	0.2	0.8	0.8	-1.1	6.3	1.3	5.0
RGA	42.6	2.7	21.8	19.0	68.9	-25.2	4.4	0.0	4.4
AML	727.5	257.8	1.4	598.2	4.6	373.7	10.2	6.3	3.9
CLRE	62.7	5.6	0.0	57.1	3.4	1.2	6.7	3.4	3.3
MNRE	40.3	13.9	0.0	29.1	36.1	-18.0	7.0	3.7	3.3
NULA	1,009.5	349.9	20.0	1,077.0	154.6	124.5	23.5	21.0	2.4
CUNA	9.6	2.6	0.0	7.7	2.9	-0.3	2.1	0.4	1.7
HCFL	12.5	6.6	0.0	16.6	5.3	-5.7	3.0	1.3	1.7
COMB	1.7	3.9	0.0	1.7	0.5	0.9	2.2	1.4	0.8
RACV	87.0	19.5	0.2	54.6	10.9	42.6	-1.4	0.6	-2.0
GERL	98.0	6.7	0.7	28.0	9.4	84.8	-16.8	-4.9	-11.9
SUN	49.9	18.7	4.7	28.8	32.3	32.3	-20.0	0.1	-20.2
SRLH	205.6	52.9	1.0	139.5	78.1	124.7	-82.9	-29.5	-53.4
CML	2,229.0	1,018.0	7.0	2,662.0	284.0	13.0	-243.0	116.0	-359.0
<b>Total</b>	<b>32,061.0</b>	<b>18,626.4</b>	<b>386.0</b>	<b>32,302.5</b>	<b>4,761.2</b>	<b>9,828.5</b>	<b>3,894.1</b>	<b>879.3</b>	<b>3,014.8</b>

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

<sup>b</sup>Before extraordinaries.

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

1 January 2000 to 31 December 2000

Company	Investment Assets	Other Assets	Total Assets	Gross Policy Liabilities	Other Liabilities	Total Liabilities <sup>a</sup>	Net Assets	
							Shareholders' Profits	Shareholders' Capital
<b>Combined statutory funds and shareholders' fund</b>								
AMP	52,123.0	1,673.0	53,796.0	43,746.0	5,721.0	49,467.0	3,402.0	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	20,596.0	513.0	21,109.0	14,721.0	4,405.0	19,126.0	635.0	1,348.0
CML	16,141.0	1,019.0	17,160.0	12,543.0	2,316.0	14,859.0	151.0	2,150.0
MML	14,056.0	327.0	14,383.0	12,857.0	613.0	13,470.0	441.0	472.0
NAFM	10,802.0	525.0	11,327.0	5,476.0	1,158.0	6,634.0	422.0	4,271.0
CLL	10,266.3	491.9	10,758.2	9,977.4	435.7	10,413.1	310.2	34.9
WEST	7,971.0	771.0	8,742.0	7,829.1	157.0	7,986.1	734.5	21.4
ZURI	4,428.2	984.3	5,412.5	4,617.7	220.7	4,838.4	564.1	10.0
ANZ	4,332.7	432.4	4,765.1	4,356.7	91.7	4,448.4	306.6	10.0
GIO	3,636.4	702.5	4,338.9	3,811.3	212.8	4,024.1	304.8	10.0
MLCL	3,957.5	291.3	4,248.8	3,294.3	668.0	3,962.3	47.3	239.2
NULA	3,782.6	407.7	4,190.2	3,504.3	274.1	3,778.4	328.4	83.4
BTLL	2,685.9	527.2	3,213.1	3,122.7	50.2	3,172.9	30.2	10.0
TOW	2,929.7	247.9	3,177.6	2,573.8	219.4	2,793.1	152.9	231.5
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
RSAF	1,801.2	322.0	2,123.2	1,688.8	123.6	1,812.5	118.5	192.3
CIHL	2,054.8	42.9	2,097.7	30.7	42.7	73.4	686.3	1,338.0
CORP	1,801.3	192.5	1,993.8	1,625.2	42.5	1,667.7	325.0	1.2
NRMA	1,436.2	46.2	1,482.4	841.7	510.3	1,352.1	66.8	63.4
SUN	927.8	49.2	977.0	84.8	190.4	275.3	33.0	668.7
SRLH	694.5	215.7	910.2	462.8	147.2	610.0	145.2	155.0
CL2	609.4	126.7	736.1	520.4	48.0	568.4	50.8	116.9
CHLL	437.4	273.5	710.9	292.8	36.3	329.0	120.9	261.0
CFCL	83.5	478.1	561.5	0.0	119.7	119.7	312.8	129.0
AC&L	183.8	281.1	464.9	143.7	226.6	370.3	35.6	59.0
HLRA	327.7	90.6	418.3	194.5	74.8	269.3	139.0	10.0
MNRE	165.7	118.3	284.0	112.1	100.1	212.2	71.8	0.0
RACV	191.9	54.7	246.5	200.4	16.3	216.7	-0.2	30.0
GERL	73.5	91.1	164.6	118.6	30.3	149.0	-7.3	23.0
LLL	101.9	62.3	164.2	98.0	24.5	122.5	20.5	21.1
AIAA	132.5	26.9	159.4	98.4	12.7	111.1	23.0	25.3
CLRE	64.9	54.5	119.4	57.5	26.8	84.3	18.2	17.0
HALL	84.1	34.1	118.3	30.9	11.8	42.6	65.5	10.1
RGA	31.9	74.1	106.0	7.3	33.8	41.1	11.7	53.3
HCFL	86.8	16.4	103.2	76.7	4.5	81.1	12.0	10.0
SGL	62.8	8.7	71.5	18.1	26.0	44.1	12.3	15.0
COMB	45.0	3.0	48.0	25.0	7.0	31.9	-1.9	18.0
CUNA	29.5	5.0	34.5	10.1	6.3	16.4	18.0	0.1
FORT	15.0	12.8	27.8	5.9	2.8	8.8	9.0	10.0
<b>Total</b>	<b>199,153.9</b>	<b>12,500.6</b>	<b>211,654.5</b>	<b>166,899.0</b>	<b>20,587.6</b>	<b>187,486.6</b>	<b>10,750.9</b>	<b>13,417.1</b>

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



**Table 13. Solvency by Solvency Coverage**

1 January 2000 to 31 December 2000

Company	(\$ millions)				(%)		
	Base Liabilities	Solvency Reserve	Solvency Requirement	Total Assets <sup>a</sup>	Assets Available for Solvency	Solvency Reserve	Solvency Coverage
<b>Statutory funds</b>							
SGL	13.4	0.2	13.6	21.3	7.9	1.53	38.47
HCFL	83.9	0.7	84.6	91.5	8.3	0.83	11.93
WEST	8,089.5	35.5	8,125.0	8,476.2	386.7	0.44	10.88
HALL	37.5	3.0	40.5	66.2	28.7	7.99	9.59
RGA	57.8	0.8	58.6	64.8	7.0	1.38	8.75
CUNA	11.9	0.7	12.6	17.4	5.5	5.82	7.90
RACV	220.7	0.9	221.6	226.9	6.2	0.41	6.81
CLL	10,535.6	36.6	10,572.2	10,702.7	170.4	0.35	4.66
CORP	1,584.9	82.1	1,667.0	1,899.9	314.9	5.18	3.84
NULA	3,910.4	70.4	3,980.8	4,172.7	264.6	1.80	3.76
ZURI	4,758.6	126.4	4,885.0	5,157.8	399.2	2.66	3.16
CIHL	32.1	1.9	34.0	38.1	5.9	5.92	3.11
AC&L	253.3	12.5	265.8	289.3	36.0	4.94	2.87
NRMA	941.5	12.8	954.3	977.6	34.9	1.36	2.72
NMLA	15,738.0	700.0	16,438.0	17,592.0	1,855.0	4.45	2.65
GIO	4,060.0	64.2	4,124.2	4,091.0	167.6	1.58	2.61
ANZ	4,483.5	104.3	4,587.8	4,751.3	267.8	2.33	2.57
NAFM	5,668.0	40.0	5,708.0	5,846.0	99.0	0.71	2.48
MML	13,463.0	350.0	13,813.0	14,308.0	846.0	2.60	2.42
COMB	21.4	4.9	26.3	32.5	11.1	22.98	2.26
GERL	139.6	2.5	142.0	145.0	5.5	1.77	2.21
CLRE	106.1	1.3	107.4	108.7	2.6	1.24	1.97
BTLL	3,170.7	15.7	3,186.5	3,201.4	30.7	0.50	1.95
MLL	2,927.3	10.3	2,937.5	2,920.2	19.8	0.35	1.93
CML	13,531.5	636.8	14,168.3	14,711.0	1,186.7	4.71	1.86
GQLD	2,203.2	405.3	2,608.5	2,921.5	718.3	18.40	1.77
HLRA	275.5	44.8	320.3	347.3	71.8	16.27	1.60
AMP	43,881.0	4,220.0	48,101.0	50,585.0	6,704.0	9.62	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
CL2	541.5	122.1	663.6	724.3	182.7	22.55	1.50
MLCL	3,083.0	810.9	3,893.9	4,239.3	1,156.3	26.30	1.43
TOW	2,735.0	256.9	2,991.9	3,102.2	367.1	9.39	1.43
SRLH	574.1	123.1	697.2	738.5	164.5	21.44	1.34
AML	2,957.5	8.7	2,966.2	2,970.6	11.5	0.29	1.32
MNRE	167.3	53.3	220.6	235.6	68.3	31.87	1.28
RSAF	1,781.5	90.8	1,872.2	1,890.3	108.8	5.09	1.20
FORT	10.6	0.2	10.8	11.2	0.3	2.06	1.17
AIAA	92.9	50.0	142.9	145.8	56.9	53.76	1.14
SUN	62.6	40.8	103.4	108.4	45.8	65.16	1.12
CFCL	0.0	0.0	0.0	0.0	0.0	0.00	0.00
<b>Total</b>	<b>173,784.8</b>	<b>8,664.2</b>	<b>182,449.0</b>	<b>189,702.3</b>	<b>16,016.4</b>	<b>4.99</b>	<b>1.85</b>

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

**Table 14. Solvency by Reserve %**

1 January 2000 to 31 December 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	62.6	40.8	103.4	108.4	45.8	65.16	1.12
AIAA	92.9	50.0	142.9	145.8	56.9	53.76	1.14
MNRE	167.3	53.3	220.6	235.6	68.3	31.87	1.28
MLCL	3,083.0	810.9	3,893.9	4,239.3	1,156.3	26.30	1.43
COMB	21.4	4.9	26.3	32.5	11.1	22.98	2.26
CL2	541.5	122.1	663.6	724.3	182.7	22.55	1.50
SRLH	574.1	123.1	697.2	738.5	164.5	21.44	1.34
GQLD	2,203.2	405.3	2,608.5	2,921.5	718.3	18.40	1.77
HLRA	275.5	44.8	320.3	347.3	71.8	16.27	1.60
CHLL	88.0	11.1	99.1	106.6	17.0	12.66	1.53
AMP	43,881.0	4,220.0	48,101.0	50,585.0	6,704.0	9.62	1.59
TOW	2,735.0	256.9	2,991.9	3,102.2	367.1	9.39	1.43
HALL	37.5	3.0	40.5	66.2	28.7	7.99	9.59
CIHL	32.1	1.9	34.0	38.1	5.9	5.92	3.11
CUNA	11.9	0.7	12.6	17.4	5.5	5.82	7.90
CORP	1,584.9	82.1	1,667.0	1,899.9	314.9	5.18	3.84
RSAF	1,781.5	90.8	1,872.2	1,890.3	108.8	5.09	1.20
AC&L	253.3	12.5	265.8	289.3	36.0	4.94	2.87
CML	13,531.5	636.8	14,168.3	14,711.0	1,186.7	4.71	1.86
NMLA	15,738.0	700.0	16,438.0	17,592.0	1,855.0	4.45	2.65
LLL	118.1	4.7	122.8	125.4	7.1	3.96	1.53
ZURI	4,758.6	126.4	4,885.0	5,157.8	399.2	2.66	3.16
MML	13,463.0	350.0	13,813.0	14,308.0	846.0	2.60	2.42
ANZ	4,483.5	104.3	4,587.8	4,751.3	267.8	2.33	2.57
FORT	10.6	0.2	10.8	11.2	0.3	2.06	1.17
NULA	3,910.4	70.4	3,980.8	4,172.7	264.6	1.80	3.76
GERL	139.6	2.5	142.0	145.0	5.5	1.77	2.21
GIO	4,060.0	64.2	4,124.2	4,091.0	167.6	1.58	2.61
SGL	13.4	0.2	13.6	21.3	7.9	1.53	38.47
RGA	57.8	0.8	58.6	64.8	7.0	1.38	8.75
NRMA	941.5	12.8	954.3	977.6	34.9	1.36	2.72
CLRE	106.1	1.3	107.4	108.7	2.6	1.24	1.97
HCFL	83.9	0.7	84.6	91.5	8.3	0.83	11.93
NAFM	5,668.0	40.0	5,708.0	5,846.0	99.0	0.71	2.48
BTLL	3,170.7	15.7	3,186.5	3,201.4	30.7	0.50	1.95
MLC	21,373.0	107.0	21,480.0	21,541.0	168.0	0.50	1.57
WEST	8,089.5	35.5	8,125.0	8,476.2	386.7	0.44	10.88
RACV	220.7	0.9	221.6	226.9	6.2	0.41	6.81
CLL	10,535.6	36.6	10,572.2	10,702.7	170.4	0.35	4.66
MLL	2,927.3	10.3	2,937.5	2,920.2	19.8	0.35	1.93
AML	2,957.5	8.7	2,966.2	2,970.6	11.5	0.29	1.32
CFCL	0.0	0.0	0.0	0.0	0.0	0.00	0.00
<b>Total</b>	<b>173,784.8</b>	<b>8,664.2</b>	<b>182,449.0</b>	<b>189,702.3</b>	<b>16,016.4</b>	<b>4.99</b>	<b>1.85</b>

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

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

1 January 2000 to 31 December 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	525.0	751.0	268.0	95.0	1,636.0
MLC	50.0	0.0	131.0	-33.0	358.0
NMLA	131.0	225.0	70.0	-36.0	323.0
MLCL	32.1	190.9	66.7	16.0	305.8
MML	65.0	15.0	125.0	-17.0	193.0
CML	58.0	79.0	58.0	-7.0	188.0
WEST	35.6	0.0	80.5	19.8	135.9
GQLD	34.3	80.9	21.6	0.1	130.6
CLL	7.9	0.0	109.2	-1.5	116.2
ZURI	29.2	3.5	14.6	34.7	79.4
CORP	21.3	0.0	22.5	6.0	78.1
TOW	14.5	19.1	24.1	3.5	72.5
GIO	12.9	6.0	26.0	12.9	57.9
CL2	48.8	0.0	0.8	1.1	50.7
ANZ	16.3	1.0	38.2	-6.4	49.1
CFCL	20.7	3.7	12.0	9.3	39.4
AC&L	23.3	0.0	16.0	-12.6	37.4
RSAF	9.4	4.3	22.2	-16.1	25.5
CHLL	27.5	0.0	2.1	-5.1	24.4
MLL	5.1	0.0	15.3	0.0	20.4
HLRA	7.9	0.0	9.1	-4.3	12.7
NRMA	1.8	0.0	9.1	-0.2	10.1
HALL	0.8	0.0	6.7	2.1	9.6
BTLL	2.0	0.0	22.8	-16.9	7.9
NULA	28.8	1.1	18.9	-16.6	5.8
LLL	1.1	1.2	2.6	0.3	5.7
FORT	0.0	0.0	1.4	2.4	3.8
AML	0.7	0.0	3.3	-0.2	3.8
AIAA	1.9	1.6	2.3	-2.2	3.7
SUN	2.7	0.0	5.3	-4.5	3.6
RGA	1.7	0.0	2.2	-0.5	3.4
MNRE	5.6	0.0	2.2	-5.0	3.3
SGL	0.4	0.0	1.8	0.7	2.9
CLRE	3.5	0.0	1.3	-2.6	2.2
COMB	0.3	0.6	0.2	0.3	1.3
CUNA	0.2	0.9	0.7	-0.5	1.3
HCFL	0.5	0.0	1.4	-0.6	1.3
NAFM	0.0	0.0	0.1	0.0	0.1
CIHL	0.1	0.0	0.0	-0.1	0.0
RACV	1.5	0.0	0.5	-1.7	-2.4
GERL	0.2	0.0	4.7	-17.0	-12.1
SRLH	36.7	0.0	15.5	-51.0	-54.6
<b>Total</b>	<b>1,266.5</b>	<b>1,384.9</b>	<b>1,235.8</b>	<b>-54.2</b>	<b>3,934.7</b>

<sup>a</sup>Includes extraordinaries.

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

As at 31 December 2000

Company	Property	Equities	Interest Bearing Securities	Loans	Cash	Other	All Assets
<b>Statutory funds</b>							
AMP	8,817.3	22,288.4	12,044.2	3,906.1	205.3	751.9	48,013.2
MLC	1,356.9	13,262.0	5,857.4	6.4	578.8	491.0	21,552.6
NMLA	1,318.0	5,758.0	5,829.0	1,960.0	250.0	304.0	15,419.0
CML	1,558.0	6,406.0	4,348.0	93.0	1,445.0	538.0	14,388.0
MML	1,025.8	5,931.2	6,584.2	195.6	270.4	301.0	14,308.1
CLL	619.1	4,176.7	5,922.0	0.8	184.1	43.2	10,946.0
WEST	503.3	3,041.0	3,294.3	896.4	548.8	88.5	8,372.3
NAFM	645.8	2,820.8	2,062.4	0.0	366.5	55.9	5,951.3
ZURI	320.4	2,650.6	1,386.2	56.8	660.9	82.9	5,157.8
ANZ	190.0	1,382.3	2,401.5	148.9	527.7	57.1	4,707.5
MLCL	406.4	1,524.6	1,820.7	40.9	253.2	227.5	4,273.4
GIO	641.7	1,941.9	927.7	203.9	490.7	21.9	4,227.6
NULA	368.3	1,682.5	1,586.3	140.9	315.2	81.8	4,175.0
BTLL	220.4	1,496.2	1,242.7	0.0	153.2	81.9	3,194.3
TOW	192.2	1,354.8	1,345.8	4.8	96.1	30.0	3,023.7
GQLD	662.9	908.4	1,106.9	11.0	83.4	95.9	2,868.6
MLL	132.2	747.7	1,471.5	0.0	276.5	47.5	2,675.4
CORP	0.0	0.0	0.0	1,738.2	59.6	108.2	1,906.1
RSAF	137.9	1,012.7	599.2	2.4	94.8	43.3	1,890.3
NRMA	62.5	417.6	473.5	0.0	9.3	20.5	983.4
CL2	511.4	4.7	318.7	13.2	40.4	44.9	933.3
SRLH	6.9	206.1	357.4	2.5	8.1	46.9	627.9
CHLL	34.4	24.4	35.1	0.0	13.7	309.1	416.8
HLRA	0.0	10.3	281.1	0.0	8.7	69.8	370.1
AC&L	39.2	52.8	55.2	0.0	141.1	26.9	315.1
MNRE	0.0	42.9	140.6	0.0	0.3	70.7	254.5
RACV	9.9	77.7	72.8	0.0	55.7	11.3	227.4
AIAA	0.6	14.1	105.1	0.5	4.1	21.5	145.8
LLL	0.0	8.5	73.5	2.3	23.8	37.0	145.2
GERL	0.0	4.2	41.9	0.0	12.3	74.4	132.8
CIHL	0.0	0.0	94.8	0.0	26.4	0.6	121.8
CLRE	0.0	0.0	55.7	0.0	1.8	51.1	108.7
SUN	0.0	19.9	75.3	0.0	13.1	0.1	108.4
RGA	0.0	0.0	20.3	0.0	4.1	69.3	93.6
HCFL	0.0	14.0	57.8	0.0	13.3	3.9	89.0
HALL	0.3	0.0	35.3	0.0	19.7	3.3	58.6
COMB	0.0	0.0	21.3	2.0	8.7	0.4	32.5
SGL	0.0	0.0	3.0	0.0	18.3	9.0	30.2
CUNA	0.0	1.8	12.4	0.0	1.3	1.9	17.4
FORT	0.0	0.0	6.3	0.0	1.8	1.5	9.6
AML	0.0	0.0	0.0	0.0	0.9	2.9	3.8
PSL	0.0	0.0	0.0	0.0	3.2	0.3	3.5
<b>Total</b>	<b>19,781.8</b>	<b>79,284.6</b>	<b>62,167.0</b>	<b>9,426.6</b>	<b>7,290.6</b>	<b>4,328.9</b>	<b>182,279.6</b>

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

As at 31 December 2000

Company	Property	Equities	Interest Bearing Securities	Loans	Cash	Other	All Assets
<b>Statutory funds</b>							
AMP	3,482.9	12,131.6	4,187.4	1,467.7	75.3	242.5	21,587.3
MLC	1,356.9	12,837.1	5,604.8	0.0	578.8	487.3	20,865.1
CLL	619.1	4,176.7	5,594.2	0.0	184.1	34.3	10,608.4
MML	762.4	5,263.5	3,845.2	3.3	204.6	84.1	10,163.2
CML	990.0	4,784.0	1,830.0	0.0	664.0	141.0	8,409.0
WEST	503.3	3,036.3	2,719.8	0.0	224.1	67.6	6,551.1
NMLA	564.0	3,031.0	2,169.0	192.0	189.0	2.0	6,147.0
NAFM	641.1	2,820.8	1,881.9	0.0	353.3	1.8	5,698.9
ZURI	271.5	2,478.5	947.8	0.0	557.9	28.2	4,283.8
GIO	641.7	1,941.9	820.0	178.5	448.6	-4.3	4,026.5
BTLL	220.4	1,496.2	1,242.7	0.0	153.2	81.9	3,194.3
ANZ	186.0	1,354.4	992.0	0.0	186.3	21.9	2,740.7
MLL	132.2	747.7	1,471.5	0.0	275.4	46.9	2,673.7
NULA	145.3	1,297.8	859.6	19.5	79.4	50.5	2,452.1
TOW	137.9	1,104.6	769.8	0.0	62.9	1.4	2,076.6
RSAF	101.8	812.2	377.3	0.0	45.7	7.2	1,344.2
NRMA	62.5	414.0	369.1	0.0	5.0	17.1	867.6
GQLD	171.6	280.1	271.9	0.0	26.8	44.0	794.3
RACV	9.9	77.7	72.8	0.0	51.0	11.2	222.6
LLL	0.0	8.5	22.9	0.0	3.4	0.0	34.8
HCFL	0.0	12.5	13.0	0.0	7.5	0.3	33.3
CHLL	2.2	17.1	6.8	0.0	4.3	0.2	30.5
AIAA	0.0	2.5	11.3	0.0	0.0	-1.8	12.0
<b>Total</b>	<b>11,002.5</b>	<b>60,126.7</b>	<b>36,080.7</b>	<b>1,861.1</b>	<b>4,380.6</b>	<b>1,365.3</b>	<b>114,816.7</b>

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

As at 31 December 2000

Company	Property	Equities	Interest Bearing Securities	Loans	Cash	Other	All Assets
<b>Statutory funds</b>							
AMP	5,334.4	10,156.8	7,856.9	2,438.5	130.1	509.4	26,426.0
NMLA	754.0	2,727.0	3,660.0	1,768.0	61.0	302.0	9,272.0
CML	568.0	1,622.0	2,518.0	93.0	781.0	397.0	5,979.0
MLCL	406.4	1,524.6	1,820.7	40.9	253.2	227.5	4,273.4
MML	263.3	667.6	2,739.0	192.3	65.8	216.8	4,145.0
GQLD	491.4	628.3	834.9	11.0	56.6	51.9	2,074.2
ANZ	4.0	27.8	1,409.5	148.9	341.4	35.2	1,966.8
CORP	0.0	0.0	0.0	1,738.2	59.6	108.2	1,906.1
WEST	0.0	4.7	574.5	896.4	324.7	20.9	1,821.2
NULA	223.1	384.7	726.7	121.3	235.8	31.4	1,722.9
TOW	54.3	250.2	576.1	4.7	33.2	28.6	947.1
CL2	511.4	4.7	318.7	13.2	40.4	44.9	933.3
ZURI	48.9	172.1	438.5	56.8	103.0	54.7	873.9
MLC	0.0	424.9	252.5	6.4	0.0	3.7	687.5
SRLH	6.9	206.1	357.4	2.5	8.1	46.9	627.9
RSAF	36.1	200.5	222.0	2.4	49.1	36.2	546.2
CHLL	32.2	7.3	28.4	0.0	9.4	308.9	386.3
HLRA	0.0	10.3	281.1	0.0	8.7	69.8	370.1
CLL	0.0	0.0	327.9	0.8	0.0	8.9	337.6
AC&L	39.2	52.8	55.2	0.0	141.1	26.9	315.1
MNRE	0.0	42.9	140.6	0.0	0.3	70.7	254.5
NAFM	4.7	0.0	180.4	0.0	13.2	54.2	252.5
GIO	0.0	0.0	107.6	25.3	42.1	26.1	201.2
AIAA	0.6	11.6	93.8	0.5	4.1	23.3	133.8
GERL	0.0	4.2	41.9	0.0	12.3	74.4	132.8
CIHL	0.0	0.0	94.8	0.0	26.4	0.6	121.8
NRMA	0.0	3.7	104.4	0.0	4.3	3.4	115.8
LLL	0.0	0.0	50.6	2.3	20.5	37.0	110.4
CLRE	0.0	0.0	55.7	0.0	1.8	51.1	108.7
SUN	0.0	19.9	75.3	0.0	13.1	0.1	108.4
RGA	0.0	0.0	20.3	0.0	4.1	69.3	93.6
HALL	0.3	0.0	35.3	0.0	19.7	3.3	58.6
HCFL	0.0	1.5	44.8	0.0	5.8	3.7	55.7
COMB	0.0	0.0	21.3	2.0	8.7	0.4	32.5
SGL	0.0	0.0	3.0	0.0	18.3	9.0	30.2
CUNA	0.0	1.8	12.4	0.0	1.3	1.9	17.4
FORT	0.0	0.0	6.3	0.0	1.8	1.5	9.6
RACV	0.0	0.0	0.0	0.0	4.7	0.2	4.9
AML	0.0	0.0	0.0	0.0	0.9	2.9	3.8
PSL	0.0	0.0	0.0	0.0	3.2	0.3	3.5
MLL	0.0	0.0	0.0	0.0	1.1	0.6	1.7
<b>Total</b>	<b>8,779.3</b>	<b>19,158.0</b>	<b>26,086.4</b>	<b>7,565.6</b>	<b>2,910.0</b>	<b>2,963.7</b>	<b>67,462.9</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	BTLL	31 December
Colonial Financial Corporation Limited <sup>1</sup>	CFCL	31 December
Challenger Life Limited	CHLL	30 June
Commonwealth Insurance Holdings Limited	CIHL	30 June
Challenger Life No. 2 Limited (previously Deutsche Life Limited) <sup>2</sup>	CL2	30 June
Commonwealth Life Limited	CLL	30 June
General & Cologne Life Re Australasia 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
Cuna Mutual Insurance Society	CUNA	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>3</sup>	MLC	30 September
MLC Lifetime Company Limited <sup>3</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	RACV	30 June
RGA Reinsurance Company of Australia Limited	RGA	31 December
Royal & Sun Alliance Financial Services Limited (previously Tyndall Life Insurance Co. Ltd) <sup>4</sup>	RSAF	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
Tower Life Australia Limited	TOW	30 September
Westpac Life Insurance Services Limited	WEST	30 September
Zurich Australia Limited	ZURI	31 December
Total	42 insurers	

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

### Notes:

1. Colonial Financial Corporation Limited transferred its business to the Colonial Mutual Life Assurance Society Limited on 30 June 2000.
2. Deutsche Life Limited changed its name to Challenger Life No. 2 Limited in August 2000. Challenger Life No. 2 has subsequently changed its balance date to 30 June (from 31 December). Due to this change in balance date the financial statistics included in this Bulletin for this company cover the period from 1 January 2000 to 30 June 2000.
3. 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 to 30 September 2000.
4. Tyndall Life insurance Company Limited changed its name to Royal & Sun Alliance Financial Services Limited in July 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 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.