



STATISTICS

Quarterly Life Insurance Performance Statistics

December 2018 (released 28 February 2019)

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Forthcoming issues

This publication will be released according to the timetable published on the APRA website.

Revisions

This edition of the publication contains revisions to previously published statistics. Significant revisions, if any, are identified and quantified in the 'Important notice'.

This publication will include revisions to previously published statistics if better source data becomes available or if compilation errors are uncovered.

APRA regularly analyses past revisions to identify potential improvements to the source data and statistical compilation techniques, in order to minimise the frequency and scale of any future revisions.

Notation

Amounts are expressed in Australian dollars.

The symbol '*' indicates that the data have been masked to maintain confidentiality.

Rounding

Details on tables may not add up to totals due to rounding of figures.

Glossary and explanatory notes

A set of explanatory notes and glossary are provided on the APRA website to assist the reader in understanding the source and definitions of the data.

Enquiries

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Important notice

This publication is available in three versions: Adobe PDF for printing, Microsoft Excel (containing a complete time series since June 2008), and a database version (in a Microsoft Excel file) that contains additional statistics and can be used for further analysis.

The PDF version of the Quarterly Life Insurance Performance publication contains a streamlined PDF of the publication, which contains the following sections:

- Important notice;
- Highlights; and
- Key statistics.

Revisions

This edition of the Quarterly Life Insurance Performance Statistics publication includes revisions to previously published data due to resubmissions from entities. Revisions to data items by more than 10 per cent and more than \$40 million are presented below:

Table	Item	Period(s) impacted	Cause of revision	Previous figure (\$ million)	Revised figure (\$ million)
Table 3A	Effective movement in net policy liabilities - Total Statutory Funds - Individual Lump Sum risk	Sep-18	Resubmitted data	208	143
Table 3B	Effective movement in net policy liabilities - Total Statutory funds - Superannuation Business - Individual Lump Sum Risk	Jun-18	Resubmitted data	161	222
Table 3B	Effective movement in net policy liabilities - Total Statutory funds - Superannuation Business - Individual Lump Sum Risk	Sep-18	Resubmitted data	39	-11

Highlights

Summary

The life insurance industry reported an after-tax loss of \$519 million for the December 2018 quarter, significantly down from a profit of \$189 million for September. The main drivers of this loss were the adverse movements in financial markets during the December quarter (e.g. a 9.0 percent fall in the ASX 200), which negatively impacted life insurers' investment revenue, along with an increase in expenses caused by a discrete write-off of goodwill for one insurer. Next to the write-off, individual risk products comprised the bulk of this loss, continuing the negative trend seen in the preceding four quarters. The largest drop in profits was in Individual Lump Sum (from a profit of \$111 million to a profit of \$10 million), caused by reductions in both net policy revenue and investment revenue, as well as an increase in tax outlays.

Profit for investment-linked business reduced slightly to \$85 million for the December 2018 quarter, from \$87 million for the preceding quarter. During the quarter there was a \$9.8 billion reduction in gross policy liabilities (indicative of assets under management), from \$126.7 billion to \$116.9 billion, which is largely driven by the adverse movements in financial markets.

For the 12 months to December 2018, total industry net profit after tax was \$593 million (\$2.6 billion for the 12 months to December 2017). Risk products contributed a much lower proportion of total profits, just \$92 million (down from \$1.4 billion). All risk products deteriorated, particularly Individual Lump Sum and Individual Disability Income Insurance. This deterioration is mainly driven by an increase in the effective movement in net policy liabilities in individual risk products, resulting from a recognition of capitalised losses caused by persistent adverse claims experience, which exceeded an increase in revenue.

Return on net assets for the 12 months to 31 December 2018 was 2.3 per cent, down from 10.0 per cent in the 12 months to 31 December 2017. For the most recent quarter, the annualised return on net assets was -8.4 per cent, down from 3.0 per cent for the preceding quarter.

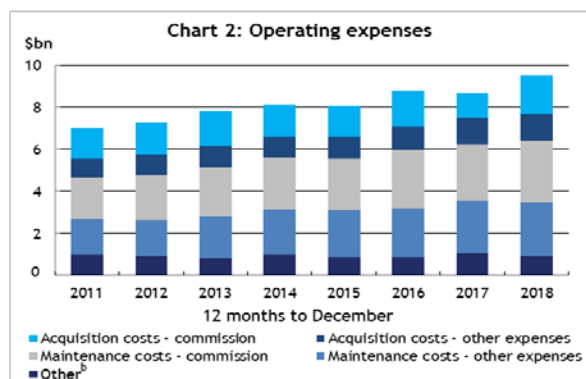
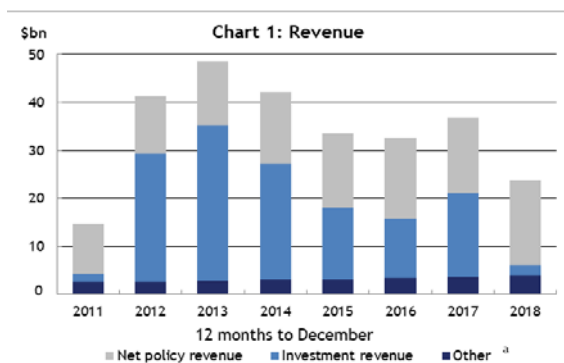
The prescribed capital amount coverage ratio stood at 1.79 at end-December 2018, compared to 2.07 one year earlier. This reduction is caused by both a reduction in the capital base and an increase in the prescribed capital amount. While the difference with 12 months prior is material, the most recent coverage ratio remains in line with the four-year average of 1.84.

Financial performance

For the 12 months to 30 December 2018, life insurers' total revenue was \$23.7 billion, which was 35.7 per cent lower than in the previous 12 months (Chart 1). This outcome was primarily driven by a reduction in investment revenue from \$17.6 billion to \$2.1 billion, which significantly exceeded the \$637 million increase in gross policy revenue.

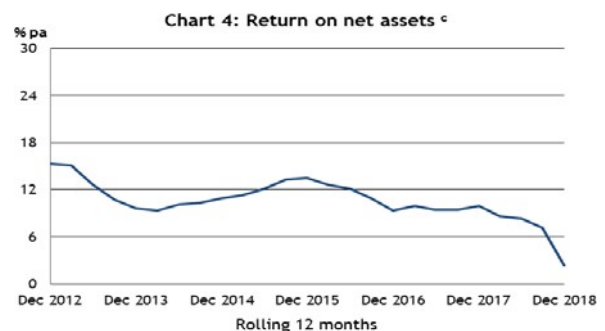
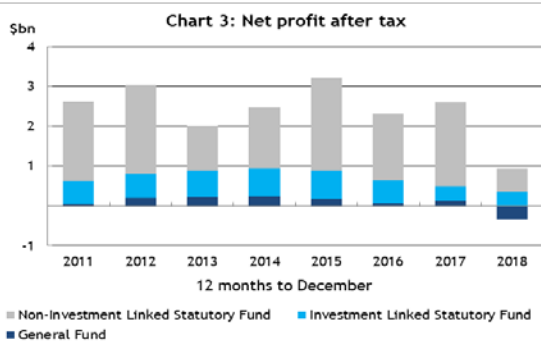
For the 12 months to 30 December 2018, total expenses were \$23.3 billion, which was 27.9 per cent lower than in the previous 12 months. Total expenses in the 12 months to December 2018 mainly comprised an effective movement in net policy liabilities of \$3.1 billion, net policy expenses of \$10.1 billion and operating expenses of \$9.5 billion.

Operating expenses were \$9.5 billion in the 12 months to 30 December 2018, which was 9.4 per cent higher compared with the previous 12 months. Acquisition costs accounted for 32.6 per cent and maintenance costs accounted for 57.7 per cent of the total operating expenses (Chart 2).



Total entity net profit after tax was a loss of \$519 million in the December quarter of 2018, compared with \$189 million in the September 2018 quarter. In the 12 months to 31 December 2018, net profit after tax was \$593 million, with non-investment-linked businesses contributing a profit of \$585 million, investment-linked businesses contributing a profit of \$356 million and general fund contributing a loss of \$347 million (Chart 3).

In the 12 months to 31 December 2018 return on net assets was 2.3 per cent, compared with 10.0 percent in the previous 12 months (Chart 4).



^a Other comprises management service fees and other revenue

^b Other comprises investment management, net movement in deferred acquisition costs and other operating expenses.

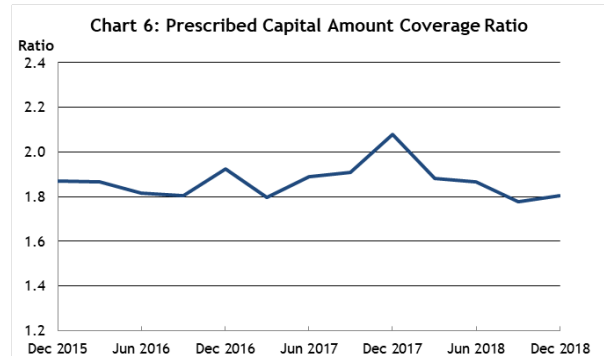
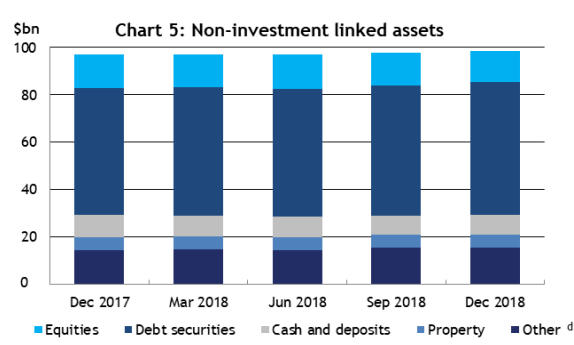
^c See Return on net assets in the glossary.

Financial position

Life insurers' total non-investment-linked assets were \$98.5 billion as at 31 December 2018, which has increased slightly compared with the \$97.0 billion at 31 December 2017. Of total non-investment-linked assets, \$55.9 billion (56.8 per cent) were invested in debt securities, \$13.3 billion (13.5 per cent) in equities, \$5.6 billion (5.7 per cent) in investment properties and \$8.3 billion (8.5 per cent) in cash and deposits (Chart 5).

Capital adequacy

The prescribed capital amount coverage ratio for the industry stood at 1.79 at 31 December 2018, compared with 2.07 at 31 December 2017 (Chart 6).



Product group performance

Risk products^e

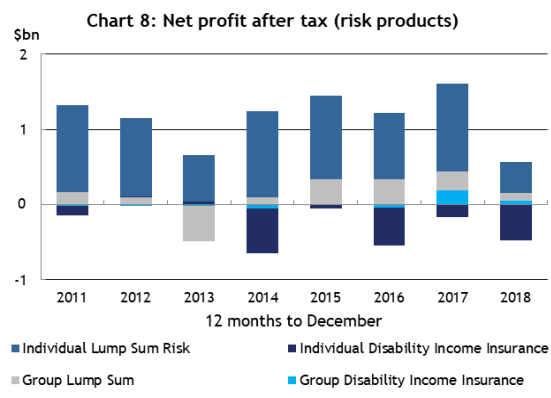
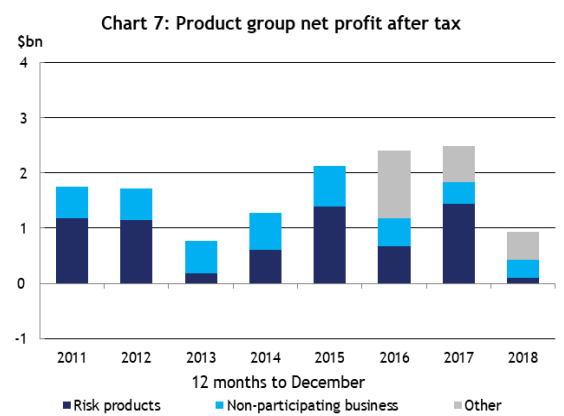
Total entity net profit after tax was a loss of \$519 million in the December quarter of 2018, with Individual Lump Sum risk products contributing a profit of \$10 million, Group Lump Sum contributing a profit of \$19 million, Group Disability Income Insurance contributing a profit of \$9 million and Individual Disability Income Insurance contributing a loss of \$260 million. In the 12 months to 31 December 2018, net profit after tax was \$593 million, with Individual Lump Sum Risk products contributing a profit of \$408 million, Group Lump Sum Risk products contributing a profit of \$101 million, Group Disability Income Insurance contributing a profit of \$57 million and Individual Disability Income Insurance contributing a loss of \$474 million (Charts 7 and 8).

Non-participating business^f

Net profit after tax was \$76 million in the December quarter of 2018. In the 12 months to 31 December 2018, net profit after tax was \$342 million, compared with \$390 million in the previous 12 months (Chart 7).

Other^g

Net profit after tax was \$17 million in the December quarter of 2018. In the 12 months to 31 December 2018, net profit after tax was \$507 million, compared with \$659 million in the previous 12 months (Chart 7).



^d Other comprises other investments, other assets and reinsurance policy liabilities.

^e Risk products comprise individual lump sum risk, individual disability income insurance, group lump sum risk and group disability income insurance policies.

^f Risk products comprise individual lump sum risk, individual disability income insurance, group lump sum risk and group disability income insurance policies.

^f Non-participating business comprises Non-par Investment-linked Policy and Non-par Non-Investment-linked Policy.

^g Other comprises Conventional Participating, Participating Investment Account, Annuity with Longevity Risk, Annuity without Longevity Risk and Other policies.

Key statistics

	Quarter end						Year End Dec 2017	Year End Dec 2018
	Sep 2017	Dec 2017	Mar 2018	Jun 2018	Sep 2018	Dec 2018		
Total entity ^a								
Net premiums ^b (\$m)	11,032	10,130	9,128	11,990	9,917	9,296	42,027	40,331
Net policy payments ^c (\$m)	10,415	11,044	8,544	11,276	10,879	10,397	42,298	41,095
Total revenue (\$m)	7,449	13,825	3,946	12,374	9,500	-2,142	36,849	23,677
Total expenses (\$m)	6,769	12,307	3,724	11,045	9,125	-613	32,315	23,281
Net profit / loss after tax (\$m)	489	698	359	564	189	-519	2,599	593
Total assets (\$m)	229,564	232,362	230,132	232,485	232,719	222,280	232,362	222,280
Net assets (\$m)	25,851	26,581	25,440	25,100	24,889	24,509	26,581	24,509
Return on net assets ^d (%)	7.6%	10.7%	5.5%	8.9%	3.0%	-8.4%	10.0%	2.3%
Prescribed capital amount coverage ratio	1.90	2.07	1.87	1.86	1.77	1.79	2.07	1.79
Total statutory funds								
Net premiums (\$m)	11,032	10,130	9,128	11,990	9,917	9,296	42,027	40,331
Net policy payments (\$m)	10,415	11,044	8,544	11,276	10,879	10,397	42,298	41,095
Total revenue (\$m)	7,384	13,730	3,902	12,287	9,406	-2,136	36,514	23,459
Total expenses (\$m)	6,735	12,237	3,692	10,997	9,062	-1,028	32,125	22,723
Net profit / loss after tax (\$m)	465	681	352	536	162	-109	2,476	941
Total assets (\$m)	224,781	227,901	225,173	227,832	227,932	217,846	227,901	217,846
Net assets (\$m)	23,362	23,360	23,290	22,705	22,419	22,356	23,360	22,356
Return on net assets (%)	8.0%	11.7%	6.0%	9.3%	2.9%	-1.9%	10.7%	4.1%
Prescribed capital amount coverage ratio	1.82	1.89	1.85	1.87	1.76	1.78	1.89	1.78
Investment linked ^e								
Net premiums (\$m)	5,199	4,655	4,101	5,779	4,159	4,054	21,513	18,094
Net policy payments (\$m)	6,169	6,859	5,002	7,246	6,667	6,269	25,819	25,185
Total revenue (\$m)	2,214	6,533	-933	5,632	3,282	-7,375	14,471	605
Total expenses (\$m)	2,078	5,951	-787	5,064	3,017	-6,608	13,239	686
Net profit / loss after tax (\$m)	99	90	97	87	87	85	375	356
Total assets (\$m)	127,852	131,074	128,074	130,679	130,141	119,435	131,074	119,435
Net assets (\$m)	661	653	702	672	624	697	653	697
Return on net assets (%)	56.4%	54.7%	57.5%	50.5%	53.6%	51.3%	55.8%	52.7%
Prescribed capital amount coverage ratio	1.89	1.85	2.10	2.05	1.89	2.23	1.85	2.23
Non investment linked ^e								
Net premiums (\$m)	5,838	5,523	5,032	6,218	5,761	5,240	20,608	22,252
Net policy payments (\$m)	4,251	4,233	3,547	4,037	4,216	4,126	16,572	15,925
Total revenue (\$m)	5,170	7,197	4,836	6,655	6,124	5,239	22,044	22,854
Total expenses (\$m)	4,657	6,286	4,478	5,934	6,046	5,580	18,886	22,038
Net profit / loss after tax (\$m)	366	591	255	450	75	-194	2,101	585
Total assets (\$m)	97,029	96,994	97,194	97,201	97,881	98,480	96,994	98,480
Net assets (\$m)	22,702	22,707	22,588	22,033	21,795	21,659	22,707	21,659
Return on net assets (%)	6.5%	10.4%	4.5%	8.1%	1.4%	-3.6%	9.4%	2.6%
Prescribed capital amount coverage ratio	1.82	1.89	1.84	1.86	1.75	1.76	1.89	1.76

^a Total entity comprises total statutory funds and general funds.

^b Net premiums is the sum of net policy revenue, premium related fees and net policy revenue recognised as a deposit.

^c Net policy payments is the sum of net policy expenses and net policy expenses recognised as a withdrawal.

^d Quarterly figures expressed as annual percentage rates. See Return on net assets in the glossary.

^e Investment linked and non investment linked figures may not add up to the total statutory funds figures due to eliminations between statutory funds.



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