



# Discussion Paper

## Publication of general insurance statistics

June 2016

## **Disclaimer and Copyright**

While APRA endeavours to ensure the quality of this publication, it does not accept any responsibility for the accuracy, completeness or currency of the material included in this publication and will not be liable for any loss or damage arising out of any use of, or reliance on, this publication.

© Australian Prudential Regulation Authority (APRA)

This work is licensed under the Creative Commons Attribution 3.0 Australia Licence (CCBY 3.0). This licence allows you to copy distribute and adapt this work, provided you attribute the work and do not suggest that APRA endorses you or your work. To view a full copy of the terms of this licence, visit [www.creativecommons.org/licenses/by/3.0/au/](http://www.creativecommons.org/licenses/by/3.0/au/).

## Preamble

The Australian Prudential Regulation Authority (APRA) is the prudential regulator of, and also a national statistical agency for, the Australian financial services industry. APRA collects a broad range of financial and risk data from regulated institutions as inputs to its supervisory assessments. APRA publishes as much of the data collected as is considered useful, subject to APRA's confidentiality obligations with respect to individual institutions' data.

On 23 June 2015, APRA determined certain data submitted by general insurers to be non-confidential and therefore publicly accessible. This determination has provided an opportunity for APRA to publish more general insurance statistics to better meet stakeholders' needs. This paper outlines proposed changes to the content and format of the general insurance statistics.

APRA seeks feedback from users on the value of the proposed changes to the publication of general insurance statistics. In addition, APRA welcomes further suggestions on potential ways to enhance or expand the statistics that APRA publishes. All comments should be sent, preferably in email, to

Manager, General Insurance Statistics  
Australian Prudential Regulation Authority  
GPO Box 9836  
Sydney NSW 2001  
Email: <mailto:statistics@apra.gov.au>

## Important

All information in submissions will be made available to the public on the APRA website unless a respondent expressly requests that all or part of the submission is to remain in confidence. Automatically generated confidentiality statements in emails do not suffice for this purpose. Respondents who would like part of their submission to remain in confidence should provide this information marked as confidential in a separate attachment.

Submissions may be the subject of a request for access made under the *Freedom of Information Act 1982* (FOIA). APRA will determine such requests, if any, in accordance with the provisions of the FOIA. Information in the submission about any APRA regulated entity that is not in the public domain and that is identified as confidential will be protected by section 56 of the *Australian Prudential Regulation Authority Act 1998* and will therefore be exempt from production under the FOIA.

## Glossary

Term	Definition
<b>Commercial lines</b>	Insurance products sold primarily to commercial customers. Typically includes the commercial motor vehicle, fire and industrial special risks, professional indemnity, public and product liability, employers' liability and aviation classes of business.
<b>GIILS</b>	APRA's <i>General Insurance Institution-level Statistics</i>
<b>Industry-level quarterly statistics</b>	APRA's <i>Quarterly General Insurance Performance Statistics</i>
<b>Level 1 insurer</b>	An insurer as defined under the <i>Insurance Act 1973</i>
<b>Level 2 insurance group</b>	The consolidation of one or multiple commonly-owned level 1 insurers, overseas-based insurers or insurance-related entities under a single insurer or holding company
<b>Long-tail classes of business</b>	Classes of business where claims are typically not finalised within one year of the event occurring. Is defined to include the APRA classes of compulsory third party (CTP) motor vehicle, professional indemnity, public and product liability and employers' liability.
<b>Personal lines</b>	Insurance products sold primarily to private individuals. Typically includes the homeowners/ householders, domestic motor vehicle, CTP motor vehicle, travel and consumer credit classes of business.
<b>QGIILS</b>	APRA's proposed <i>Quarterly General Insurance Institution-level Statistics</i>
<b>Short-tail property classes of business</b>	Classes of business where claims are typically finalised within one year of the event occurring. Is defined to include the APRA property classes of homeowners/ householders, fire and industrial special risks, domestic motor vehicle and commercial motor vehicle.

# Proposed changes to the publication of general insurance statistics

Publication of industry-level statistics enhances understanding of the industries regulated by APRA, aids public discussion on policy issues, and supports well-informed decision-making by regulated institutions, policy-makers, market analysts and researchers. Publication of institution-level data, where possible, enhances transparency and is also consistent with promoting the understanding of the financial soundness of regulated institutions. It is also consistent with APRA's expectation that insurers will publically disclose relevant prudential information under pillar III of APRA's prudential framework<sup>1</sup>.

APRA proposes to publish more general insurance statistics, including data recently determined non-confidential. In doing so, APRA intends to improve the relevance of APRA's statistics to users, and address feedback in stakeholder surveys and other formal and informal consultations.

This discussion paper explains APRA's proposals, focusing on the changes to the existing statistics, and poses questions for consideration by insurers and other interested parties. APRA proposes to:

- publish more industry-level statistics each quarter;
- modernise the segmentation of industry-level statistics;
- publish more institution-level statistics each quarter and annually; and
- publish new claims development statistics.

For more details on the proposed changes, please refer to the draft statistics on APRA's website [here](#)<sup>2</sup>. For more information on APRA's existing statistics, refer to the general insurance statistics page of APRA's website [here](#)<sup>3</sup>.

All the proposals are based on data already reported to APRA by general insurers.

## 1. Quarterly General Insurance Performance Statistics

### 1.1 New investment statistics

APRA proposes to publish additional investment performance and position statistics in the industry-level quarterly statistics (table 1d of the proposed *Quarterly General Insurance Performance Statistics*). The new statistics include components of performance and position: investment income from trusts, a breakdown of investments held with policyholders' and shareholders' funds, and a breakdown of interest bearing, equity and indirect investments by underlying exposures.

### 1.2 More detailed capital adequacy statistics

APRA proposes to publish additional capital adequacy statistics (table 1e of the proposed publication). The statistics include the insurance risk charge broken down by class of business, the insurance concentration risk charge broken down by component, and the asset risk charge broken down by stressed asset class, as well as a more detailed breakdown of capital base.

### 1.3 New underwriting performance statistics

APRA proposes to publish additional underwriting performance statistics in the PDF publication and Excel report versions of the industry-level quarterly statistics (tables 1f-1q). APRA proposes to publish performance items such as recoveries, net incurred claims, and underwriting expenses broken down by class of business, including reinsurance split into proportional and non-

<sup>1</sup> This expectation was communicated to industry in June 2015 in the following letter:

<http://www.apra.gov.au/CrossIndustry/Documents/150622-LTI-Public-disclosure-for-prudential-purposes-for-insurers-June-2015.pdf>

<sup>2</sup> <http://www.apra.gov.au/GI/Publications/Pages/publication-of-GI-statistics-2016.aspx>

<sup>3</sup> <http://www.apra.gov.au/GI/Publications/Pages/general-insurers-statistics.aspx>

proportional for the first time. These statistics were previously only available in the industry-level quarterly statistics Excel database.

### 1.4 Confidentiality

APRA will continue to apply its confidentiality protection measures to data that have not been determined non-confidential, including class of business-level data<sup>4</sup>. APRA will ensure that information relating to an individual institution cannot be derived where the data are not otherwise publicly available.

#### Points for consideration

- Will the new statistics help users understand key drivers of profits and capital requirements?
- What other information would improve the relevance of the industry-level quarterly statistics?
- Any other comments on the industry-level quarterly statistics.

## 1A. Segmentation of industry-level quarterly statistics

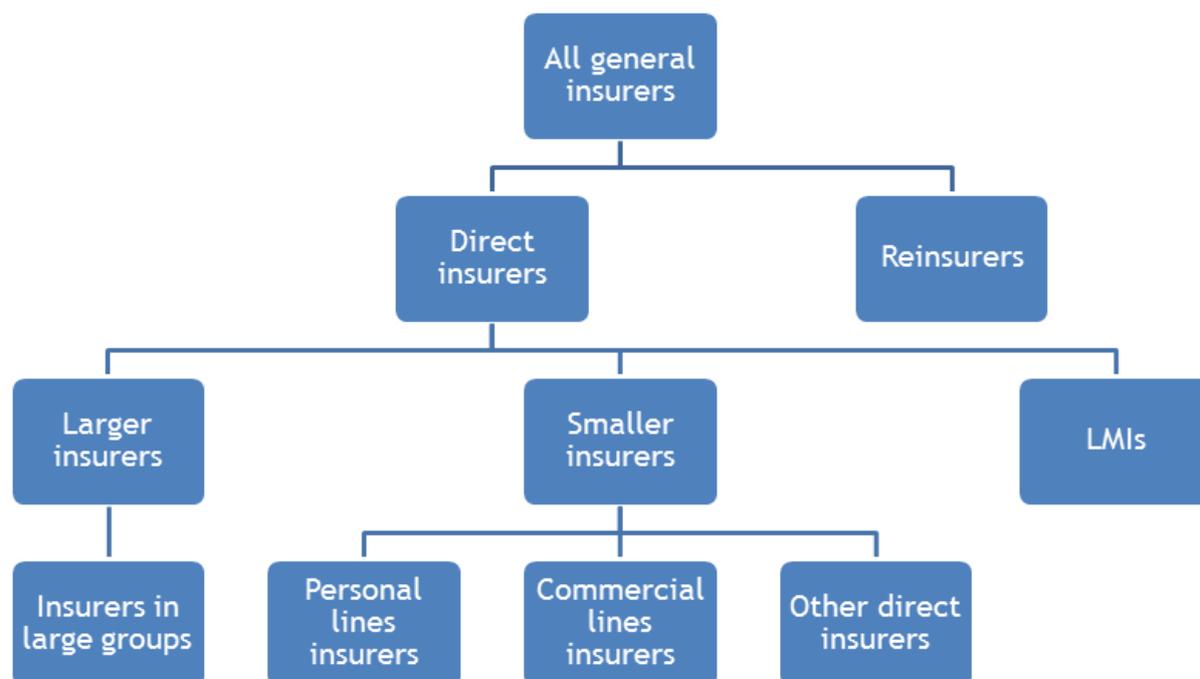
APRA has published industry-level statistics for the whole industry, as well as a split of direct insurers and reinsurers, for many years.

APRA proposes to modernise the statistics for groups of institutions (or ‘segments’) to better reflect the industry and how it has changed since the current segments were developed in the 1980s.

Figure 1 presents APRA’s proposal to segment industry-level statistics based on the type of insurance offered, with some consideration of the size of the insurer.

Each segment is as homogenous as possible, and as distinct as possible from one another. The grouping is easily understood and is expected to be relatively stable over time.

Figure 1: Proposed segmentation in industry-level quarterly statistics



<sup>4</sup> Details about data determined non-confidential available at <http://www.apra.gov.au/GI/Publications/Documents/150623-GI-confidentiality-of-data-Letter-to-industry.pdf>

Under this proposal, each general insurer would be assigned to one of six distinct insurer types:

- **Insurers in large groups:** insurers that are a subsidiary of a large diversified group. APRA proposes to include all level 1 insurers that are part of a level 2 group (excluding LMIs) where the insurers in the group collectively make up at least ten per cent of industry gross earned premium.
- **Lenders' mortgage insurers (LMIs):** all insurers authorised to sell mortgage insurance.
- **Reinsurers:** insurers that primarily write reinsurance business.

APRA proposes that the remaining direct insurers that are not LMIs or a part of a large group will be split into one of three segments:

- **Personal lines insurers:** insurers that primarily sell personal lines (see glossary).
- **Commercial lines insurers:** insurers that primarily sell commercial lines (see glossary).
- **Other direct insurers:** insurers that do not primarily offer personal or commercial lines (due to writing both types of business or a large amount of business that cannot be easily classified into either line).

APRA proposes to publish the segments in the industry-level quarterly statistics. Users will still be able to construct their own segments using institution-level statistics (see section 2).

Prior to publication of the new segments, APRA will inform insurers about how the segmentation applies to them.

### Points for consideration

- Are segmented statistics relevant to your analysis of the industry?
- Will the proposed segments help improve understanding of the industry, identification of industry trends and emerging issues?
- Any other comments on the proposed segmentation.

## 2. Institution-level statistics

### 2.1 Publish institution-level statistics every quarter

To promote transparency and aid analysis of the industry, APRA proposes to publish non-confidential quarterly institution-level data for all level 1 insurers in a new Excel report: the *Quarterly General Insurance Institution-level Statistics (QGILS)*. This report will include most statistics in the industry-level quarterly statistics broken down at an institution-level. Class of business data will not be published as these data are not non-confidential.

APRA proposes to release these statistics in late February, May, August and November of each year, for the reference period ending two months prior. This will be around the same time as the industry-level quarterly statistics are released.

APRA also proposes to publish semi-annual statistics for level 2 insurance groups. These statistics would be published in the existing *General Insurance Institution-level Statistics (GIILS)* Excel report.

### 2.2 Publish annual statistics on a consolidated basis

APRA proposes to use both level 1 insurer and level 2 insurance group data as the basis of a consolidated set of accounts in the GIILS Excel report. The GIILS report would include level 2 data for all level 2 groups and level 1 data for level 1 insurers that are not part of a level 2 group.

Publication of these data seeks to provide users with a useful comparison to annual statements released by insurers, with data for insurers within a group presented under a single consolidated level 2 group, rather than across a number of different level 1 insurer licences.

### Points for consideration

- Are there any other statistics that should be included in the QGIILS and GIILS Excel reports?
- Are there any data items in the reports that require additional explanation to ensure they are not misinterpreted?
- Are the proposed consolidated statistics relevant and useful?
- Any other comments on the publication of institution-level statistics.

## 2A. Accessibility of non-confidential data

APRA proposes to make all non-confidential institution-level data available through a new online data dissemination tool. APRA currently publishes about two per cent of non-confidential data in GIILS and proposes to increase this to about 15 per cent in the new QGIILS report. The tool will facilitate the publication of the remaining 85 per cent.

### 2A.1 New data dissemination tool

The data dissemination tool will allow more data to be released, more reliably, than is currently possible using Excel. Many other official statistics agencies around the world disseminate data using similar systems.

The data dissemination tool will provide enhanced access to data in a manner that facilitates easy access, manipulation and analysis of the data. It will provide some functionality to display the data and enable the creation of custom reports, which will help users explore and understand the data and aid in communicating that understanding to others. It will also provide the facility to easily export data into various tools to allow users to

conduct more in-depth analysis with their own statistical tools or applications.

## 3. General Insurance Claims Development Statistics

APRA proposes to publish industry-level claims development statistics by class of business in a new PDF publication and Excel report: *General Insurance Claims Development Statistics* (GICDS). APRA intends to promote a better understanding of the developing performance of each class of business as well as the relative change in claims valuations over time and any trends therein. The most relevant statistics will cover long-tail classes of business, which by definition comprise claims that take more than one year to be finalised<sup>5</sup>.

The proposed statistics would be sourced from annual reporting form *GRF 440.0 Claims Development Table* and would be published subject to APRA's confidentiality measures. APRA proposes to publish the claims development statistics in the June quarter each year for the 12 month reference period ending the December prior.

APRA has released a selected feature, *Claims development in CTP motor vehicle insurance*, to highlight emerging trends in CTP insurance and demonstrate how some of the key statistics in the proposed publication can be used. The selected feature can be accessed from APRA's website [here](#).<sup>6</sup>

### 3.1 Publication formats

The claims development statistics will be published in three formats: PDF publication, Excel report and database. Drafts of all three versions are available on APRA's website.

#### 3.1.1 PDF publication

The PDF publication will enable users to readily access the most important aspects of general insurers' claims development in a self-contained,

<sup>5</sup> This is demonstrated by APRA data that show that more than 90 per cent of short-tail business claims were paid in less than 12 months. In contrast the long-tail classes show that it may take up to nine development years for the proportion of gross ultimate cost paid to reach 90 per cent. Source: unpublished APRA data.

<sup>6</sup> <http://www.apra.gov.au/GI/Publications/Pages/publication-of-GI-statistics-2016.aspx>

printable format. Accordingly, the PDF publication will contain summary statistics based on the detailed data that will be released in the Excel report and database. APRA intends that the PDF publication will promote understanding of claims development without users requiring an in-depth knowledge of claim development years and claim triangles.

### **3.1.2 Excel report**

The Excel report will enable users to access and analyse full claims development tables across each class of business. Statistics in the draft report include paid claims; case estimates; IBNR/IBNER; number of claims reported; number of outstanding claims and ultimate loss ratio. These will be presented both gross and net of reinsurance.

### **3.1.3 Database**

The database will provide the same data as the Excel report but in a format for users to import into analysis tools and create their own custom reports.

#### **Points for consideration**

- Would the proposed claims development statistics be useful?
- Which classes of business are most relevant?
- Are the proposed summary statistics and graphs contained in the draft PDF publication easy to interpret correctly?
- Any other comments on the proposed claims development statistics.

## **6. Proposed timetable and next steps**

APRA considers that the proposed changes to the publication of general insurance statistics will improve the usefulness of the data for general insurance industry analysis and promote a better understanding of the general insurance industry.

Subject to feedback received in response to the discussion paper, APRA will issue a response paper and first editions of the new statistics in the first half of 2017. The first editions will include data for the reference period to December 2016, except for the quarterly institution-level statistics which will cover March 2017.

In the meantime, APRA will seek the assistance of general insurers to improve the quality of data submitted to ensure that the statistics APRA publishes are accurate and reliable.

## Appendix A - Published and proposed statistics in APRA's general insurance publications

Refer to APRA's website at:

<http://www.apra.gov.au/GI/Publications/Pages/publication-of-GI-statistics-2016.aspx>

## Appendix B - Selected feature - *Claims development in CTP motor vehicle insurance*

Refer to APRA's website at:

<http://www.apra.gov.au/GI/Publications/Pages/publication-of-GI-statistics-2016.aspx>



Telephone  
1300 55 88 49

Email  
[info@apra.gov.au](mailto:info@apra.gov.au)

Website  
[www.apra.gov.au](http://www.apra.gov.au)

Mail  
GPO Box 9836  
in all capital cities  
(except Hobart and Darwin)