

Insurance statistics – request for feedback

21 September 2017

The Reserve Bank plans to commence regular publication of insurance statistics sourced from licensed insurers' reported financial data. We are proposing a phased approach, keeping the scope of the initial publication narrow, with a view to extending the range of statistics over time.

We are interested in receiving your feedback on the proposed publication strategy for financial insurance statistics, specifically on the following:

- *Proposed financial aggregates and ratios*
- *Contextual information*
- *Potential future scope of insurance statistics*

Please provide your feedback to stats-info@rbnz.govt.nz by Friday 20 October 2017.

Background

The Reserve Bank of New Zealand (RBNZ) is the prudential regulator and supervisor of all insurers undertaking insurance business in New Zealand (NZ), and is responsible for administering the [Insurance \(Prudential Supervision\) Act 2010](#) (IPSA).

In 2015 the Reserve Bank introduced [regular data collections from New Zealand licensed insurers](#) to support the Reserve Bank's own prudential supervision under IPSA and monitoring of the financial sector as mandated by the [Reserve Bank of New Zealand Act 1989](#).

Table 1: New Zealand insurer data collections (summarised)

Data return	Main purpose	Description	Respondents	Reporting requirements
Insurer Return	Prudential	Financial & exposure data	All NZ licensed insurers	6-monthly / annually Due 4 months after reference period
Quarterly Insurer Survey (QIS)	Statistical	Financial & exposure data as for Insurer Return but generally reduced detail	Insurers exceeding size criteria	Quarterly Due 40 working days after reference period
Solvency	Prudential	Solvency position under NZ requirements	All NZ licensed insurers	6-monthly Due 4 months after reference period

The Reserve Bank proposes to publish aggregated statistics derived from the Quarterly Insurer Survey (QIS). The QIS is a statistical survey that collects quarterly financial and exposure data from the largest insurers in New Zealand. As at June 2017, the QIS collection covers 28 out of 88 insurers and reinsurers which account for around 88% of assets and premiums of the insurance industry as a whole. The QIS was designed to assist with the assessment and monitoring of the industry and to enable the publication of regular insurance industry statistics. There is no intention at this time to publish any data for individual insurers.

We are aiming to publish selected aggregates sourced from the QIS on the RBNZ statistics website late 2017 or early 2018 for the quarters from June 2016 to March 2017. Subject to the finalised schedule, there is potential to include results for the June 2017 quarter. We will commence a regular quarterly publication thereafter.

We propose the initial scope of the publication to include aggregated insurance industry financial performance and position data. The scope will be guided by feedback from stakeholders.

Providing regular comparable financial insurance statistics will address needs from industry and the public for this data. For example, New Zealand currently lacks published insurance industry statistics compiled using the international frameworks for macro-economic and financial statistics as prescribed by the IMF and OECD. The proposed statistics will enable consistent analysis of industry trends over time and across countries.

We appreciate your support and look forward to receiving your feedback on the proposed publication strategy.

Thank you.

Steffi Schuster
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Publishing statistics from the Quarterly Insurer Survey – Your feedback

A Phased approach for financial insurance statistics

In addition to providing infrequent prudential reporting, large insurers are also requested to provide more timely financial and exposure data via the QIS. Quarterly reporting is currently required from insurers exceeding either:

- gross annual premium of \$50+ million in the preceding financial year, or
- total assets of \$500+ million at financial year end

The QIS excludes reinsurers with no New Zealand primary insurance. It also does not cover the Earthquake Commission and the Accident Compensation Corporation, as these organisations have their own enabling legislation and are not supervised by the Reserve Bank.

As at June 2017, the QIS collection covers 28 out of 88 insurers and reinsurers which account for around 88% of assets and premiums of the insurance industry as a whole. The aggregates and ratios derived from the QIS will therefore not include all insurers licensed in New Zealand. Therefore, the Reserve Bank plans to apply statistical techniques that provide estimates of the entire insurance industry for a small range of key aggregates. The data will be sourced from the prudential returns. These are required less frequently and less timely.

It is proposed to publish aggregates sourced from the QIS from June 2016 onwards although the Reserve Bank has operated the survey since June 2015. As the Reserve Bank has previously communicated some of the data collected over the first year of operation of the survey was difficult to interpret and of varying quality. The Reserve Bank has been working with insurers to address data quality concerns and process improvements.

We propose to initially publish aggregated profit and loss statements, balance sheet (assets and liabilities), and key ratios (see Tables 2 and 3).

Table 2: Insurance industry financial performance (large insurers only)

	Category	Dimensions
Revenue	Gross earned premium	Life/General/Health
	Outwards reinsurance premium	
	Net earned premium	
	Other insurance revenue & commission	
	Total insurance revenue	
	Total investment revenue	
	Other revenue & commission	
	Total revenue	
Expenses	Gross claims / benefits expense	Life/General/Health
	Outwards reinsurance & other recoveries	
	Net claims / benefits expense	
	Movement in technical assets and liabilities	Life/General/Health
	Initial expenses	Life/General/Health
	Maintenance expenses	Life/General/Health
	Investment expenses	Life/General/Health
	Total expenses	
Profit	Profit before tax	
	Profit after tax	
Key ratios	Gross loss ratio (%)	General/Health
	Combined ratio (%)	General/Health

Table 3: Insurance industry financial position (large insurers only)

	Assets	Liabilities
Instruments	Outwards reinsurance & other recovery assets	Life outstanding claims liability
	Deferred acquisition cost assets	Life policyholder unvested benefit liability
	Other insurance assets	General gross outstanding claims liability
	Deferred & future tax on policy liabilities	General gross unearned premium liability
	Total insurance assets	General unexpired risk liability
	Cash and deposits	Outwards reinsurance liabilities
	Short-term debt	Other insurance related liabilities
	Long-term debt	Total insurance liabilities
	Equities	Other liabilities
	Unit trusts	Total liabilities
	Property	
	Other investment assets	
	Total investment assets	
	Goodwill and other intangible assets	
	Other assets	
Total assets		
Net assets	Net assets	
	Net capital additions (year to date)	
Key ratios	Return on net assets	
	Investment return	
Resident/ offshore assets	Resident investment assets	
	Offshore investment assets	

The statistics will be published in the [Statistics section of the Reserve Bank's website](#), presented in web tables and available for download (excel file). The tables will include basic background information and series description.

1. Do you have any feedback/comments on the content of the proposed tables?
2. Do you believe that the initial scope of the proposed tables covers your needs?
3. What do you consider of importance to enhance the proposed tables?
4. What contextual information do you expect to be provided along with the statistics?

B Potential future scope of insurance statistics

More detail is collected in the QIS than what we propose to publish initially. This consideration reflects data quality and potential commercial sensitivity concerns. We will discuss these issues with insurers and plan to expand the range of published statistics over time.

Potential future releases from the QIS could be a breakdown of financial performance and position by business e.g. life and non-life, broken down to product class level.

We are currently only considering publishing statistics from the QIS, that is, we are not looking to publish statistics from the Insurer Return or Solvency Return at this stage. However, we are looking to utilise the prudential returns to supplement the coverage of the QIS and for data quality assurance (data confrontation).

5. Do you have any recommendations for future potential statistics to be released from the Quarterly Insurer Survey?
6. Do you have any recommendations for other future potential statistics to be released by the Reserve Bank?

Please provide your feedback to stats-info@rbnz.govt.nz by Friday 20 October 2017.

Appendix: Glossary

These definitions have been drawn from the definitions used in the QIS and Insurer Return.

Revenue

Gross is gross of reinsurance unless otherwise stated.

Gross earned premium is the earned policy or premium revenue from insurance business, gross of **outwards reinsurance premium**. Includes policy or administration fees. Excludes non-insurance (such as commissions for distributing another insurer's products).

Outwards reinsurance premium is the premium for outwards reinsurance that corresponds to gross earned premium. Excludes commissions.

Net earned premium is the gross earned premium revenue from insurance business, net of **outwards reinsurance premium**.

Other insurance revenue & commission comprises other insurance revenue and outwards reinsurance commission. Other insurance revenue is revenue arising from insurance business (such as management fee income on insurance investments) that is not included elsewhere. The outwards reinsurance commission is commission earned on outwards reinsurance, whether this is fixed rate or amount, or a variable rate or amount that is dependent on experience on the outwards reinsurance policy(s).

Total investment revenue comprises interest, dividends & rent, together with realised & unrealised gains & losses.

Other revenue & commission comprises other revenue and commission revenue. Other revenue is revenue not included elsewhere, such as increase in currency translation reserves (if movement is a decrease record as a negative figure) and gains or losses on sale of a business (if loss record as a negative figure). Excludes revenue from insurance business. Commission revenue is from insurance-related activity (such as distribution or administration of another insurer's products), as well as activities not related to insurance. Excludes fee & commission revenue from insurance business.

Expenses

Gross claims / benefits expense is the cost of insurance benefit & claim payments, gross of **outwards reinsurance & other recoveries**, under life insurance methods. Under general insurance methods, it is the cost of claims, gross of **outwards reinsurance & other recoveries**.

Outwards reinsurance & other recoveries is the portion of gross policy expense that is net from outwards reinsurance or payments by third parties, under life insurance methods. Under general insurance methods, the portion of **gross claims expense** that is net from outwards reinsurance or payments by third parties (i.e. excluding outwards reinsurance).

Net claims / benefits expense is the cost of policy related expenses, net of **outwards reinsurance & other recoveries**, under life insurance methods. Under general insurance methods, it is the cost of claims, net of **outwards reinsurance & other recoveries**.

Movement in technical assets and liabilities comprise increases in policy liability and policyholder unvested benefit liability net of tax. Increase in policy liability is the increase since the start of the financial year in policy liabilities, net of **outwards reinsurance & other recovery assets**. May be gross or net of tax, consistent with the insurer's financial statements or alternative financial information. Include deposits component of premiums and withdrawals component of benefits. Increase in policyholder unvested benefit liability is the increase since the start of the financial year in policyholder unvested benefit liability. May be gross or net of tax, consistent with the insurer's financial statements or alternative financial information.

Initial expenses comprises initial commission and other acquisition expenses. Initial commission expenses are the cost of commissions in respect of the first year of cover for life insurance and health insurance. Other acquisition expenses are associated with sales of insurance business, but excluding commissions. For example marketing costs and salaries of employed sales staff.

Maintenance expenses comprises other commission expense, other insurance expense and other expenses. Other commission expense is the cost of commissions, excluding initial commission. This includes all commission in respect of general insurance. Other insurance expense comprises administration and management expenses associated with insurance business that is not included elsewhere. Other expenses comprises all expenses that are not included elsewhere but excluding expenses associated with insurance business.

Investment expenses are associated with management of investment assets (regardless of whether investments are managed internally or externally).

Total expenses includes **gross claims/benefit expense**, advisor commissions and general management expenses but excludes investment management expenses.

Profit

Profit before tax is revenue less expenses, gross of tax expense.

Profit after tax is revenue less expenses, net of tax expense.

Key ratios

Gross loss ratio is the **gross claims expense** (net of non-reinsurance recoveries) divided by **gross earned premium**.

Combined ratio is **total expenses** divided by **gross earned premium**.

Assets

Outwards reinsurance & other recovery assets is the reinsurance assets in respect of insurance liabilities plus other claim recoveries.

Deferred acquisition cost assets are assets for capitalised (deferred) acquisition costs (unless this is included within gross policy liabilities), grossed up for any write-down associated with unexpired risk liability. Exclude any outwards reinsurance commission.

Other insurance assets are any other assets associated with insurance business that is not included elsewhere, and excluding negative liabilities. Include policyholder debt. Exclude investment assets and assets that are not directly insurance-related.

Deferred & future tax on policy liabilities are assets for deferred and future tax associated with gross policy liabilities and policyholder unvested benefit liability, less outwards reinsurance of gross policy liabilities. This may be negative in some circumstances. Applicable only if life insurance methods are used and tax components of policy liabilities are separately recorded in financial statements or alternative financial information.

Cash & deposits comprises cash at bank, transferable deposits directly useable for making payments, and fixed term deposits. Amounts are redeemable or withdrawable (with or without penalty) and are usually held with registered banks or other deposit taking institutions. Excludes loans and advances, debt securities and securities purchased under agreement to resell.

Short-term debt comprises negotiable instruments serving as evidence of debt with a residual term to maturity of 1 year or less. Excludes loans and advances, securities purchased under agreements to resell and derivatives.

Long-term debt comprises negotiable instruments serving as evidence of debt with a residual term to maturity of greater than 1 year. Excludes loans and advances, securities purchased under agreements to resell, and derivatives.

Equities comprises equity investments that are and are not listed on an official stock exchange (such as NZX or ASX). Excludes investments in subsidiaries and associates.

Unit trusts comprises investment in pooled investment vehicles that are and are not listed on an official stock exchange (such as NZX or ASX).

Property comprises land and buildings for the purpose of investment as well as owner-occupied property.

Other investment assets are any other assets, not included in the categories above, that are expected to generate investment revenue.

Goodwill and other intangible assets is the value of businesses previously purchased (goodwill) and any other intangible assets.

Other assets are any other asset not elsewhere classified. Excludes assets in relation to insurance business and investment assets.

Net assets are total assets less total liabilities.

Net capital additions (year to date) is the new capital that has been raised during the financial year, other than through profit after tax or movement in reserves. This includes issue of new share equity, transfer from head office for an overseas insurer and contributions to members' funds for a mutual insurer.

Return on net assets is the net profit/loss after tax divided by the average **net assets** for the period. This is expressed as annual percentage rates.

Investment return is the total investment revenue divided by total investment assets.

Resident investment assets are assets that have been issued by a person, company or other entity that ordinarily domiciled or has a principal centre of economic interest in New Zealand.

Offshore investment assets are assets that have been issued by a person, company, or other entity that is ordinarily domiciled or has a principal centre of economic interest in a country other than New Zealand.

Liabilities

Life outstanding claims liability is the liability for claims under events that have occurred but which are unpaid, gross of outwards reinsurance.

Life policyholder unvested benefit liability is the liability for undistributed past profits that are expected to be paid to policyholders through future bonuses.

General gross outstanding claims liability is the liability for claims that have occurred but are unpaid, gross of outwards reinsurance, under general insurance methods. Includes reported unpaid claims, incurred but not reported claims, incurred but not enough reported claims and reopened claims. Inclusive of claims handling expenses and risk margins.

General gross unearned premium liability is the liability for the portion of premiums that relates to the period of cover that is in the future, gross of outwards reinsurance, under general insurance methods.

General unexpired risk liability is the liability for the failure of the liability adequacy test that is additional to gross unearned premiums liability i.e. the expected deficiency of premiums to meet claims and relevant expenses in respect of the period of cover that is the future.

Outwards reinsurance liabilities are the portions of gross policy liabilities and policy holder unvested benefit liability that is met from outwards reinsurance. This may be negative in some circumstances. Applicable only if life insurance methods are used for the corresponding liabilities.

Other insurance-related liabilities are the liabilities associated with insurance business that is not included elsewhere (such as premium refunds payable). Excludes liabilities that are not directly insurance-related and negative assets.

Other liabilities comprises any liability not elsewhere classified. Excludes liabilities in relation to insurance business.