



**RESERVE  
BANK**

O F N E W Z E A L A N D  
T E P Ū T E A M A T U A

## **Update on Insurance statistics**

6 December 2017

*In September, the Reserve Bank [invited feedback on our plans to commence regular publication of insurance statistics](#) sourced from licensed insurers' reported financial data. The Reserve Bank particularly encouraged licensed insurers to provide feedback.*

*We were interested in receiving comments 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*

Thank you for your feedback. We appreciate your time and effort.

We primarily received comments from licensed insurers. We have collated all the feedback and identified key themes. Please see responses to your feedback structured by the focus of our request and the key themes.

The Reserve Bank is committed to provide regular statistics on various aspects of the financial sector. Insurance statistics are currently a gap in New Zealand's financial sector statistics, which we aim to fill. In order to provide the Reserve Bank with sufficient time to address some of the issues raised from industry feedback we now propose to publish data in February 2018.

We are working towards making sure that these statistics meet best practice with regards to statistical compilation methods and quality standards, such as comparability, accessibility, interpretability and relevance. We expect that these statistics will be used by financial analysts, businesses and policy makers. The data will also be reported to international agencies, including the International Monetary Fund (IMF) and the Organisation for Economic Co-operation and Development (OECD).

## Publishing statistics from the Quarterly Insurer Survey (QIS) – Your feedback

### A Phased approach for financial insurance statistics

#### 1. Do you have any feedback/comments on the content of the proposed tables (see Appendix for Table 1 and Table 2)?

| Theme                          | Feedback   | RBNZ Response  |
|--------------------------------|--|--|
| Data Quality                   | <ul style="list-style-type: none"> <li>We note that the Reserve Bank is proposing to release a time series that commenced with the June 2016. Is the Reserve Bank confident that data quality is sufficient given recent concerns about the quality of some data reported?</li> </ul>  | <p>The Reserve Bank aims to publish high quality statistics. We are confident in the data we have selected to publish in aggregated form. However, there is still work to do with insurers to improve reporting so data is publishable at a more granular level. We expect insurers to provide accurate data and re-submit data returns for substantial reporting changes in previous periods.</p> <p>The Reserve Bank would strongly encourage any individual insurer that has concerns about the quality of the data they have provided via the QIS to discuss these issues with the Bank.</p> |
| Duplication of effort          | <p>Some providers of general insurance noted that their data needs are met by their respective industry association (Insurance Council of New Zealand).</p> <p>The Financial Services Council (representing life insurers) provides a different set of data to the proposed statistics by the Reserve Bank so there is limited duplication in scope for life insurers.</p> | <p>The Reserve Bank is committed to publishing relevant and comparable financial sector statistics for all users. Our current focus is to capture the regulated insurance industry as a whole and to enhance standardisation across life, general and health businesses. We are also planning to provide insights into life and non-life insurance business. Please see Table 1.1 and 2.1 for more detail.</p>   |
| Double counting of reinsurance | <p>If reinsurance information is included with direct insurer's information gross of any reinsurance this would result in double counting and, therefore, an inflated view of the industry. It would be preferable to show reinsurance data separately from direct insurance.</p>  | <p>The QIS excludes reinsurers with no New Zealand primary insurance. However, the QIS does allow us to determine if there is reinsurance occurring between respondents and in our processing of the data we will remove any double counting.</p>  |

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|--|--|--|
| Presentation of categories               | Unit Trusts are widely used across the industry. The underlying assets can include fixed interest, equity, property and other assets. The inclusion of 'unit trusts' in the published statistics means that information on the investment assets is withheld.  | The Reserve Bank is committed to enhancing comparability in all financial sector statistics. For example, the quarterly <a href="#">Managed Funds</a> statistics provide data on unit trusts and investment assets, enabling comparison with other industries. The QIS does not ask for a 'look through' of Unit Trusts i.e. the underlying assets. Therefore we cannot publish a more accurate breakdown of Unit Trusts.  |
| Concerns about potential inconsistencies | <ul style="list-style-type: none"> <li>• 'Return on Net Assets' and 'Investment Return' are not defined on a consistent basis.</li> <li>• Different balance dates for insurers.</li> </ul>   | <p>The Reserve Bank is committed to minimising inconsistencies and enhancing comparability in our statistics.</p> <ul style="list-style-type: none"> <li>• Both the 'return on net assets' and 'investment return' will be based on totals for each respective quarter to ensure consistency.</li> <li>• A 12 month running total is produced for the Financial Performance table (see Table 1.1) thereby eliminating differences due to balances dates.</li> </ul>  |
| Definitions                              | Can you clarify or reconsider the definition of 'Gross earned premium' and reporting of the change in the Deferred Tax Liability on Policy Liability.  | The Reserve Bank is committed to minimising inconsistencies and enhancing comparability in our publications. We will consider your feedback and provide more guidance in the new version of the definitions for the Insurance data collections.  |
| Confidentiality                          | <ul style="list-style-type: none"> <li>• Acknowledgement of the need to maintain confidentiality of entity specific data.</li> <li>• There is a risk that disclosing resident/offshore investment assets will undermine the key purpose of section 3 of IPISA (to 'promote public confidence in the insurance sector').</li> </ul> | <ul style="list-style-type: none"> <li>• The Reserve Bank is subject to the confidentiality provisions of IPISA section 135.</li> <li>• The Reserve Bank is committed to provide comparable statistics on the various aspects of the New Zealand financial sector. These statistics have been developed by domestic and international agencies to meet various data needs. For example, the Reserve Bank's <a href="#">Debt Securities statistics</a> provide a breakdown of resident/offshore investment assets.</li> </ul> |

|            |   |   |
|------------|---|---|
| Timeliness | Propose six monthly reporting, as data from the Insurer Return is provided only twice a year. | The QIS is a statistical survey and designed to provide a timely summary of the insurance sector for financial sector monitoring purposes. Quarterly data is required to maintain sufficient quality of summary statistics. |
|------------|---|---|

**2. Do you believe that the initial scope of the proposed tables covers your needs?**

| Feedback  | RBNZ Response  |
|---|--|
| Overall, the initial scope, where relevant, appears to cover the needs of most insurers. However there is a high demand to expand the scope (see feedback to Question 3 below). | The Reserve Bank intends to expand the scope of the insurance statistics in the future to provide more granular statistics. However there is still work to do with insurers to improve the data quality so that this level of data can be published. |

### 3. What do you consider of importance to enhance the proposed tables?

| Theme   | Feedback   | RBNZ Response  |
|---|--|--|
| Separate tables for life, general, and health sectors, and product level data   | Enhances comparability for insurers.   | We intend to expand the scope of the insurance statistics in the future. However there is still work to do with insurers to improve the data quality so that this level of data can be published.  |
| Separate out insurers and re-insurers   | This will allow the tables to be read more easily.   | The QIS excludes reinsurers with no New Zealand primary insurance. Therefore there is no data to publish for re-insurers.  |
| Expense ratio   |  | The Reserve Bank proposes to publish some commonly used key ratios. Additional ratios such as the expense ratio can be derived from the published data.  |
| Net loss ratio  |  | The Reserve Bank proposes to publish some commonly used key ratios. Given the feedback, we will include the net loss ratio too.  |
| Life loss ratio   | Feedback received was mainly supportive of not providing a loss ratio for life insurance business. However, it was also noted that at the aggregate level there may be observable trends in the ratio. | The choice was made to exclude a loss ratio for the life sector due to the challenges around interpretability. Due to the nature of life products and mismatch in timing between premiums and claims, we determined that a life loss ratio was not a helpful metric to provide in the publication. |
| Separate line item for 'Initial commission expenses'  |  | We understand that this will be a useful and relevant measure for the life sector. We will publish 'Initial commission expense' as feedback requested.   |
| Separate line item for 'Commission expense'   |  | We understand that this will be a relevant measure for the life sector. We will publish 'Commission expense' as feedback requested (see table 1.2).  |
| Number of <ul style="list-style-type: none"> <li>• lives insured</li> <li>• new policies</li> <li>• cancelled policies</li> </ul> |  | We understand that this will be a useful measure. However, data quality issues prevent us from publishing this data currently. We will continue to work with insurers to improve the reporting.  |
| Value of claims paid in the quarter   |  | This information is not collected from the QIS and therefore not in scope.   |

#### 4. What contextual information do you expect to be provided along with the statistics?

| Theme                            | Feedback  | RBNZ Response   |
|----------------------------------|---|---|
| Inconsistencies in reporting     | Providing information about any areas where insurers may need to incorporate estimates into the data submitted or variation in industry practice, e.g. deferred & future tax on policy liabilities.   | We will provide series descriptions and background notes with our statistics.   |
| Inconsistencies between insurers | <ul style="list-style-type: none"> <li>Loss of comparability between insurers due to differences in balance dates.</li> <li>Clarification on the treatment of insurers that operate as a branch of an offshore insurer.</li> </ul>  | <ul style="list-style-type: none"> <li>All the relevant time series are 12 months running totals to address the different balance dates issue. The series descriptions will discuss compilation method as relevant.</li> <li>There is no difference in how we collect and report data from the QIS for statistical purposes.</li> </ul> |
| Analysis                         | Highlight key drivers/latest developments e.g. mergers, acquisitions, or portfolio movements in the insurance industry.   | Our current focus is on establishing the regular publication of insurance statistics. Analysis on the financial sector is provided in the <a href="#">Financial Stability Report</a> .  |
| Identify corrections             | How will re-submitted QIS returns impact on the published data?   | We will process all resubmissions and all published data will be updated with the latest figures in line with our release calendar. Significant revisions will be highlighted and an explanation will be provided. Please see an example <a href="#">Special Note</a> for our current process.  |
| Coverage                         | <ul style="list-style-type: none"> <li>Providing details of the number of companies' data included, and estimated percentage of the total industry this represents.</li> <li>Exclusion of the Earthquake Commission (EQC) and Accident Compensation Corporation (ACC).</li> </ul> | As with current publications, background notes will be provided for this data. We will include a description on coverage.   |
| Statistical techniques           | Explain the statistical processes used to extrapolate the data to represent the entire industry.  | Series descriptions will be provided for all the times series published. We will include how relevant time series are derived in the series description.  |

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| Investment benchmarks                                  | These can provide context on the key ratio of "investment return". For example, the 10 year government bond yield and returns on NZ and Australian stock markets are possible benchmarks. | Investment benchmarks are readily available and accessible to the public. We will encourage users to make comparisons with benchmarks that are most relevant for their own analysis. |
| International Financial Reporting Standard 17 (IFRS17) | The implementation of IFRS17 will have a significant impact on the aggregated reporting as different insurers will be adopting IFRS17 at different times.                                 | The Reserve Bank is starting to consider how to approach the upcoming changes in IFRS17. The Reserve Bank will engage with industry in due course.                                   |

## B Potential future scope of insurance statistics

### 5. Do you have any recommendations for future potential statistics to be released from the QIS?

No additional feedback to what was provided to Question 2.

### 6. Do you have any recommendations for other future potential statistics to be released by the Reserve Bank?

| Theme                    | Feedback   | RBNZ Response  |
|--------------------------|--|--|
| Consultation             | Any future statistical reporting should include consultation with industry.  | The Reserve Bank will always endeavour to engage with industry on any future publications. We have several means for two way communication with stakeholders and we welcome feedback anytime.                      |
| International frameworks | Expand the compilation of insurance industry statistics using international frameworks to enable benchmarking across countries or similar markets. | The insurance statistics are compiled using the international frameworks for macro-economic and financial statistics as prescribed by the IMF and OECD. We are aiming to maximise comparability.                   |
| Underinsurance data      |  | This is currently not in scope of the regular insurer data collection.   |
| Sharing Government data  | There may be financial insurance information held by ACC and EQC that could be included in the statistics.   | EQC and the ACC have their own enabling legislation and are not within the initial scope of the proposed insurance statistics. We will investigate the feasibility of republishing ACC and EQC data in the future. |
| Solvency data            |  | The Reserve Bank has a long-term aim to publish regular statistics from the Solvency Return.   |
| Market share data        |  | The Reserve Bank is subject to the confidentiality provisions of IPISA section 135. Currently we do not intend to publish market shares for individual insurers.   |

**Appendix****Table 1: Insurance industry financial performance (large insurers only) – original outline**

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

Table 1.1: Insurance industry financial performance – updated (html)

| \$ million                              |          | 30/06/2016 | 30/09/2016 | 31/12/2016 | 31/03/2017 | 30/06/2017 | Questions from QIS  |
|---|----------|------------|------------|------------|------------|------------|---|
| <b>Revenue</b>                          |          |            |            |            |            |            |   |
| Gross earned premium*                   |          |            |            |            |            |            | Gross policy & premium revenue  |
|   | Life     |            |            |            |            |            |   |
|   | Non-life |            |            |            |            |            |   |
| Outwards reinsurance premium            |          |            |            |            |            |            | Outwards reinsurance premium  |
| Net earned premium                      |          |            |            |            |            |            | Net policy & premium revenue  |
|   | Life     |            |            |            |            |            |   |
|   | Non-life |            |            |            |            |            |   |
| Other insurance revenue & commission    |          |            |            |            |            |            | Outwards reinsurance commission<br>Other insurance revenue  |
| Total insurance revenue                 |          |            |            |            |            |            |   |
| Total investment revenue                |          |            |            |            |            |            |   |
| Other revenue & commission              |          |            |            |            |            |            | Fee & commission revenue<br>Other revenue (excl. insurance-related)   |
| Total revenue                           |          |            |            |            |            |            |   |
| <b>Expenses</b>                         |          |            |            |            |            |            |   |
| Gross claims / benefits*                |          |            |            |            |            |            | Gross policy expense<br>Gross claims expense  |
|   | Life     |            |            |            |            |            |   |
|   | Non-life |            |            |            |            |            |   |
| Outwards reinsurance & other recoveries |          |            |            |            |            |            | Outwards reinsurance & other recoveries   |
| Net claims / benefits                   |          |            |            |            |            |            | Policy expense<br>Net claims expense  |
|   | Life     |            |            |            |            |            |   |
|   | Non-life |            |            |            |            |            |   |
| Movement in technical items             |          |            |            |            |            |            | Increase in policy liability, net of RI<br>Increase in deferred & future tax on policy liabilities (Life, Health)<br>Increase in policyholder unvested benefit liability (Life) - minor |
| Other insurance expenses & commission   |          |            |            |            |            |            | Initial commission<br>Other commission expense<br>Other acquisition expense<br>Other insurance expense  |
| Total insurance expense                 |          |            |            |            |            |            |   |
| Total investment expenses               |          |            |            |            |            |            |   |
| Other expenses                          |          |            |            |            |            |            | Other expense   |
| Total expenses                          |          |            |            |            |            |            |   |
| <b>Profit</b>                           |          |            |            |            |            |            |   |
| Before tax                              |          |            |            |            |            |            |   |
| After tax                               |          |            |            |            |            |            |   |
| <b>Key Ratios</b>                       |          |            |            |            |            |            |   |
| Gross loss ratio (%)                    | Non-life |            |            |            |            |            | <u>Gross claims/benefits expense</u><br><u>Gross earned premium</u>   |
| Net loss ratio (%)                      | Non-life |            |            |            |            |            | <u>Net claims/benefits expense</u><br><u>Net earned premium</u>   |
| Combined ratio(%)                       | Non-life |            |            |            |            |            | <u>Total expenses</u><br><u>Gross earned premium</u>  |

\* Indicates series may be grossed up for whole of regulated industry

Table 1.2: Insurance industry financial performance – updated (.xlsx)

| \$ million                                   |                 | 30/06/2016 | 30/09/2016 | 31/12/2016 | 31/03/2017 | 30/06/2017 | Questions from QJS  |
|--|-----------------|------------|------------|------------|------------|------------|---|
| <b>Revenue</b>                               |                 |            |            |            |            |            |   |
| <b>Gross earned premium*</b>                 |                 |            |            |            |            |            | Gross policy & premium revenue  |
|  | <i>Life</i>     |            |            |            |            |            |   |
|  | <i>Non-life</i> |            |            |            |            |            |   |
| Outwards reinsurance premium                 |                 |            |            |            |            |            | Outwards reinsurance premium  |
| <b>Net earned premium</b>                    |                 |            |            |            |            |            | Net policy & premium revenue  |
|  | <i>Life</i>     |            |            |            |            |            |   |
|  | <i>Non-life</i> |            |            |            |            |            |   |
| Other insurance revenue & commission         |                 |            |            |            |            |            | Outwards reinsurance commission<br>Other insurance revenue  |
| <b>Total insurance revenue</b>               |                 |            |            |            |            |            |   |
| Interest, dividends and rent                 |                 |            |            |            |            |            | Interest, dividends & rent  |
| Realised and unrealised gains and losses     |                 |            |            |            |            |            | Realised gains & losses<br>Unrealised gains & losses  |
| <b>Total investment revenue</b>              |                 |            |            |            |            |            |   |
| Other revenue & commission                   |                 |            |            |            |            |            | Fee & commission revenue<br>Other revenue (excl. insurance-related)   |
| <b>Total revenue</b>                         |                 |            |            |            |            |            |   |
| <b>Expenses</b>                              |                 |            |            |            |            |            |   |
| <b>Gross claims / benefits*</b>              |                 |            |            |            |            |            | Gross policy expense<br>Gross claims expense  |
|  | <i>Life</i>     |            |            |            |            |            |   |
|  | <i>Non-life</i> |            |            |            |            |            |   |
| Outwards reinsurance & other recoveries      |                 |            |            |            |            |            | Outwards reinsurance & other recoveries   |
| <b>Net claims / benefits</b>                 |                 |            |            |            |            |            | Policy expense<br>Net claims expense  |
|  | <i>Life</i>     |            |            |            |            |            |   |
|  | <i>Non-life</i> |            |            |            |            |            |   |
| Movement in technical assets and liabilities | <i>Life</i>     |            |            |            |            |            | Increase in policy liability, net of RI<br>Increase in deferred & future tax on policy liabilities (Life, Health)<br>Increase in policyholder unvested benefit liability (Life) - minor |
|  | <i>Non-life</i> |            |            |            |            |            | Increase in unexpired risk liability (General) - minor<br>Decrease in deferred acquisition cost   |
| Initial commission                           | <i>Life</i>     |            |            |            |            |            | Initial commission  |
|  | <i>Non-life</i> |            |            |            |            |            |   |
| Other commission expenses                    | <i>Life</i>     |            |            |            |            |            | Other commission expense  |
|  | <i>Non-life</i> |            |            |            |            |            |   |
| Other acquisition expenses                   | <i>Life</i>     |            |            |            |            |            | Other acquisition expense   |
|  | <i>Non-life</i> |            |            |            |            |            |   |
| Other insurance expense                      |                 |            |            |            |            |            |   |
| <b>Total insurance expense</b>               |                 |            |            |            |            |            |   |
|  | <i>Life</i>     |            |            |            |            |            |   |
|  | <i>Non-life</i> |            |            |            |            |            |   |
| Investment expenses                          |                 |            |            |            |            |            | Investment management expense   |
| Other expenses                               |                 |            |            |            |            |            | Other expense   |
| <b>Total expenses</b>                        |                 |            |            |            |            |            |   |
| <b>Profit</b>                                |                 |            |            |            |            |            |   |
| <b>Before tax</b>                            |                 |            |            |            |            |            |   |
| <b>After tax</b>                             |                 |            |            |            |            |            |   |
| <b>Key Ratios</b>                            |                 |            |            |            |            |            |   |
| <b>Gross loss ratio (%)</b>                  | <i>Non-life</i> |            |            |            |            |            | <u>Gross claims/benefits expense</u><br>Gross earned premium  |
| <b>Net loss ratio (%)</b>                    | <i>Non-life</i> |            |            |            |            |            | <u>Net claims/benefits expense</u><br>Net earned premium  |
| <b>Combined ratio(%)</b>                     | <i>Non-life</i> |            |            |            |            |            | <u>Total expenses</u><br>Gross earned premium   |

\* Indicates series may be grossed up for whole of regulated industry

**Table 2: Insurance industry financial position (large insurers only) – original outline**

|                                 | <b>Assets</b>                                | <b>Liabilities</b>                           |
|---------------------------------|--|--|
| <b>Instruments</b>              | 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     |
|                                 | <b>Total insurance assets</b>                | General unexpired risk liability             |
|                                 | Cash and deposits                            | Outwards reinsurance liabilities             |
|                                 | Short-term debt                              | Other insurance related liabilities          |
|                                 | Long-term debt                               | <b>Total insurance liabilities</b>           |
|                                 | Equities                                     | Other liabilities                            |
|                                 | Unit trusts                                  | <b>Total liabilities</b>                     |
|                                 | Property                                     |  |
|                                 | Other investment assets                      |  |
|                                 | <b>Total investment assets</b>               |  |
|                                 | Goodwill and other intangible assets         |  |
|                                 | Other assets                                 |  |
| <b>Total assets</b>             |  |  |
|                                 |  |  |
| <b>Net assets</b>               | <b>Net assets</b>                            |  |
|                                 | <b>Net capital additions (year to date)</b>  |  |
| <b>Key ratios</b>               | <b>Return on net assets</b>                  |  |
|                                 | <b>Investment return</b>                     |  |
|                                 |  |  |
| <b>Resident/offshore assets</b> | Resident investment assets                   |  |
|                                 | Offshore investment assets                   |  |

**Table 2.1: Insurance industry financial position (large insurers only) – updated (html)**

| \$ million  |                 | 30/06/2016 | 30/09/2016 | 31/12/2016 | 31/03/2017 | 30/06/2017 | Questions from QIS   |
|---|-----------------|------------|------------|------------|------------|------------|--|
| <b>Assets</b>                                       |                 |            |            |            |            |            |  |
| Outwards reinsurance & other recovery assets        |                 |            |            |            |            |            | Outwards reinsurance & other recovery assets   |
| Deferred acquisition cost assets                    |                 |            |            |            |            |            | Deferred acquisition cost assets   |
| Other insurance assets (incl policyholder debt)     |                 |            |            |            |            |            | Other insurance assets (excl -ve liabilities)<br>Policyholder debt                                 |
| Deferred & future tax on policy liabilities         |                 |            |            |            |            |            | Deferred & future tax on policy liabilities  |
| <b>Total insurance assets</b>                       |                 |            |            |            |            |            |  |
| Cash and deposits                                   |                 |            |            |            |            |            | Cash and deposits  |
| Short-term debt                                     |                 |            |            |            |            |            | Short-term debt issued by:   |
| Long-term debt                                      |                 |            |            |            |            |            | Long-term debt issued by:  |
| Equities  |                 |            |            |            |            |            | Shares listed on NZ stock exchange issued by:<br>Shares not listed on NZ stock exchange issued by: |
| Unit trust  |                 |            |            |            |            |            | Units in trusts  |
| Other investment assets                             |                 |            |            |            |            |            | Derivatives for investment<br>Other financial assets<br>Other non-financial assets<br>Property     |
| <b>Total investment assets</b>                      |                 |            |            |            |            |            |  |
| Other assets  |                 |            |            |            |            |            | Goodwill and other intangible assets<br>Other assets (n.e.c)                                       |
| <b>Total assets</b>                                 |                 |            |            |            |            |            |  |
| <b>Liabilities</b>                                  |                 |            |            |            |            |            |  |
| Policy liabilities                                  | <i>Life</i>     |            |            |            |            |            | Gross policy liabilities - insurance contracts<br>Gross policy liabilities - investment contracts  |
| Policy unvested benefit liability                   | <i>Life</i>     |            |            |            |            |            | Policyholder unvested benefit liability  |
| Gross outstanding claims liability                  | <i>Non-life</i> |            |            |            |            |            | Gross outstanding claims liability   |
| Gross unearned premium and unexpired risk liability | <i>Non-life</i> |            |            |            |            |            | Gross unearned premium liability<br>Unexpired risk liability                                       |
| Outwards reinsurance liabilities                    |                 |            |            |            |            |            | Outwards reinsurance liabilities (excl -ve assets)   |
| Other insurance-related liabilities                 |                 |            |            |            |            |            | Other insurance-related liabilities (excl -ve assets)  |
| <b>Total insurance liabilities</b>                  |                 |            |            |            |            |            |  |
| Other liabilities                                   |                 |            |            |            |            |            | Related party liabilities (excl insurance-related)<br>Tax liabilities<br>Other liability (n.e.c)   |
| <b>Total liabilities</b>                            |                 |            |            |            |            |            |  |
| <b>Net Assets</b>                                   |                 |            |            |            |            |            |  |
| Net assets *  |                 |            |            |            |            |            | Net assets   |
| <b>Key Ratios</b>                                   |                 |            |            |            |            |            |  |
| Return on net assets                                |                 |            |            |            |            |            | <u>Profit after tax</u><br>Net assets  |
| Investment return                                   |                 |            |            |            |            |            | <u>Total investment revenue</u><br>Total investment assets   |
| <b>Residency Investment Assets</b>                  |                 |            |            |            |            |            |  |
| Resident investment assets                          |                 |            |            |            |            |            |  |
| Offshore investment assets                          |                 |            |            |            |            |            |  |

\* Indicates series may be grossed up for whole of regulated industry

**Table 2.2: Insurance industry financial performance (large insurers only) – updated (xlsx)**

| \$ million  |                 | 30/06/2016 | 30/09/2016 | 31/12/2016 | 31/03/2017 | 30/06/2017 | Questions from QIS   |
|---|-----------------|------------|------------|------------|------------|------------|--|
| <b>Assets</b>                                       |                 |            |            |            |            |            |  |
| Outwards reinsurance & other recovery assets        |                 |            |            |            |            |            | Outwards reinsurance & other recovery assets   |
| Deferred acquisition cost assets                    |                 |            |            |            |            |            | Deferred acquisition cost assets   |
| Other insurance assets (incl policyholder debt)     |                 |            |            |            |            |            | Other insurance assets (excl -ve liabilities)<br>Policyholder debt                                 |
| Deferred & future tax on policy liabilities         |                 |            |            |            |            |            | Deferred & future tax on policy liabilities  |
| <b>Total insurance assets</b>                       |                 |            |            |            |            |            |  |
| Cash and deposits                                   |                 |            |            |            |            |            | Cash and deposits  |
| Short-term debt                                     |                 |            |            |            |            |            | Short-term debt issued by:   |
| Long-term debt                                      |                 |            |            |            |            |            | Long-term debt issued by:  |
| Equities  |                 |            |            |            |            |            | Shares listed on NZ stock exchange issued by:<br>Shares not listed on NZ stock exchange issued by: |
| Unit trust  |                 |            |            |            |            |            | Units in trusts  |
| Property  |                 |            |            |            |            |            | Property   |
| Other investment assets                             |                 |            |            |            |            |            | Derivatives for investment<br>Other financial assets<br>Other non-financial assets                 |
| <b>Total investment assets</b>                      |                 |            |            |            |            |            |  |
| Goodwill and other intangible assets                |                 |            |            |            |            |            | Goodwill and other intangible assets   |
| Other assets  |                 |            |            |            |            |            | Other assets (n.e.c)   |
| <b>Total assets</b>                                 |                 |            |            |            |            |            |  |
| <b>Liabilities</b>                                  |                 |            |            |            |            |            |  |
| Policy liabilities                                  | <i>Life</i>     |            |            |            |            |            | Gross policy liabilities - insurance contracts<br>Gross policy liabilities - investment contracts  |
| Policy unvested benefit liability                   | <i>Life</i>     |            |            |            |            |            | Policyholder unvested benefit liability  |
| Gross outstanding claims liability                  | <i>Non-life</i> |            |            |            |            |            | Gross outstanding claims liability   |
| Gross unearned premium and unexpired risk liability | <i>Non-life</i> |            |            |            |            |            | Gross unearned premium liability<br>Unexpired risk liability                                       |
| Outwards reinsurance liabilities                    |                 |            |            |            |            |            | Outwards reinsurance liabilities (excl -ve assets)   |
| Other insurance-related liabilities                 |                 |            |            |            |            |            | Other insurance-related liabilities (excl -ve assets)  |
| <b>Total insurance liabilities</b>                  |                 |            |            |            |            |            |  |
| Other liabilities                                   |                 |            |            |            |            |            | Related party liabilities (excl insurance-related)<br>Tax liabilities<br>Other liability (n.e.c)   |
| <b>Total liabilities</b>                            |                 |            |            |            |            |            |  |
| <b>Net Assets</b>                                   |                 |            |            |            |            |            |  |
| Net assets *  |                 |            |            |            |            |            | Net assets   |
| Net capital additions (year to date)                |                 |            |            |            |            |            | Capital additions  |
| <b>Key Ratios</b>                                   |                 |            |            |            |            |            |  |
| Return on net assets                                |                 |            |            |            |            |            | Profit after tax<br>Net assets   |
| Investment return                                   |                 |            |            |            |            |            | Total investment revenue<br>Total investment assets  |
| <b>Residency Investment Assets</b>                  |                 |            |            |            |            |            |  |
| Resident investment assets                          |                 |            |            |            |            |            |  |
| Offshore investment assets                          |                 |            |            |            |            |            |  |

\* Indicates series may be grossed up for whole of regulated industry

## Glossary

These definitions have been drawn from the definitions used in the QIS and Insurer Return. We will review these definitions and we expect to provide an update in 2018.

### 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 total **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.