

New insurance statistics

27 February 2018

The insurance sector is an integral component of the financial service industry in New Zealand. Today the Reserve Bank commenced publishing a selection of data from its Quarterly Insurer Survey (QIS). This release includes financial performance and financial position aggregates for the insurance industry.

Background

The Insurance (Prudential Supervision) Act 2010 (IPSA) is administered by the Reserve Bank and applies to all insurers carrying on business in New Zealand. Insurance provided by government entities such as Accident Compensation Corporation (ACC) and Earthquake Commission (EQC) are not subject to IPSA, and so are not included in QIS data.

To support the supervision of the insurance sector the Reserve Bank requires regular data returns from the licensed insurers. As part of the reporting regime large insurers are providing financial and exposure data each quarter. More detailed data reports are required six monthly or annually subject to certain conditions.¹

Quarterly reporting is required for insurers providing primary insurance in New Zealand and meeting at least one of these criteria:

- Gross annual premium \$50+ million at financial year end, or
- Total assets \$500+ million at financial year end

Reinsurers with no NZ primary insurance are excluded from quarterly reporting.

Results

New Zealand's private insurance sector is relatively small by international standards. This reflects a number of factors, including the comparatively large role of government in the provision of social insurance services in New Zealand, and the small extent to which insurance products are part of New Zealand's retirement savings infrastructure.²

Currently the QIS collection covers 28 out of 88 licensed insurers but accounts for just under 90% of assets and premiums of the insurance sector as a whole. For the purpose of data analysis we break down the New Zealand insurance industry into two sectors: non-life (general and health) and life insurance.

¹ For full detail on data reporting requirements see <https://www.rbnz.govt.nz/regulation-and-supervision/insurers/new-zealand-insurer-data-collections>

² See <https://www.rbnz.govt.nz/-/media/ReserveBank/Files/Publications/Bulletins/2014/2014sep77-3.pdf>

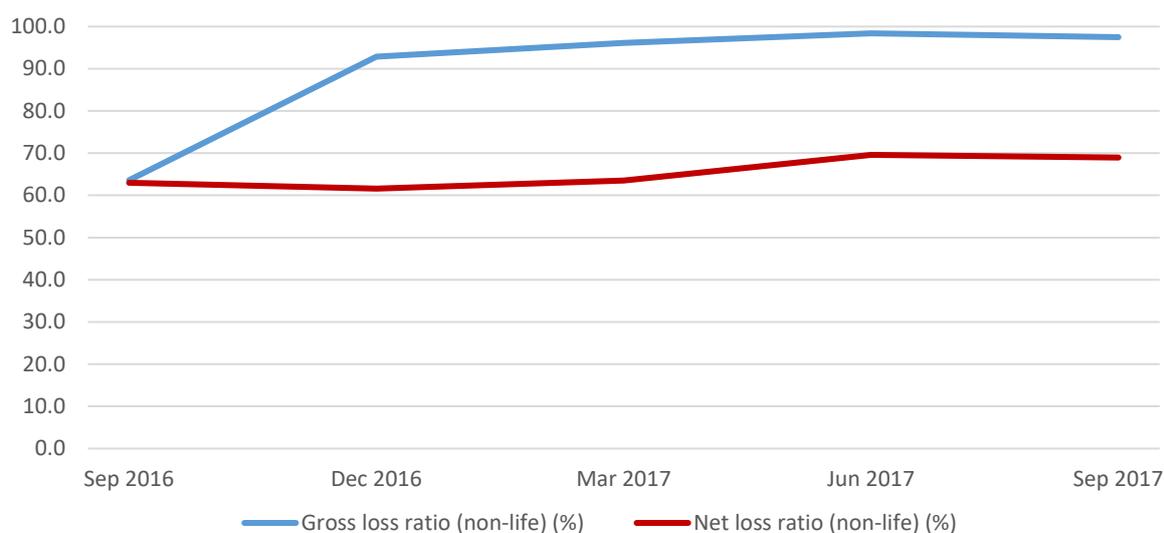
In this document we provide a high level analysis of the New Zealand insurance industry as represented by 28 insurers. In this analysis we have not extrapolated the data to look at the industry in its entirety (i.e. including insurers that do not submit the QIS).³

Financial Performance

In the year to September 2017, the non-life (general and health) insurance sector accounted for 76% of total gross earned premiums and life insurance accounted for 24%, based on data submitted by QIS respondents. Gross earned premiums increased over the year to September 2017 by 7% to \$9.3 billion, whereas gross claims increased by 52% to \$8.2 billion over the same period.

As a result, the gross loss ratio for the non-life sector – defined as gross claims incurred divided by gross earned premium – increased sharply over the year from 64% to 98%. This reflected higher claims in the general insurance sector. However, after taking into account reinsurance premiums and claims, the non-life sector's net loss ratio increased by less, from 63% to 69%.

Figure 1: Loss ratios (12 months to September 2017)

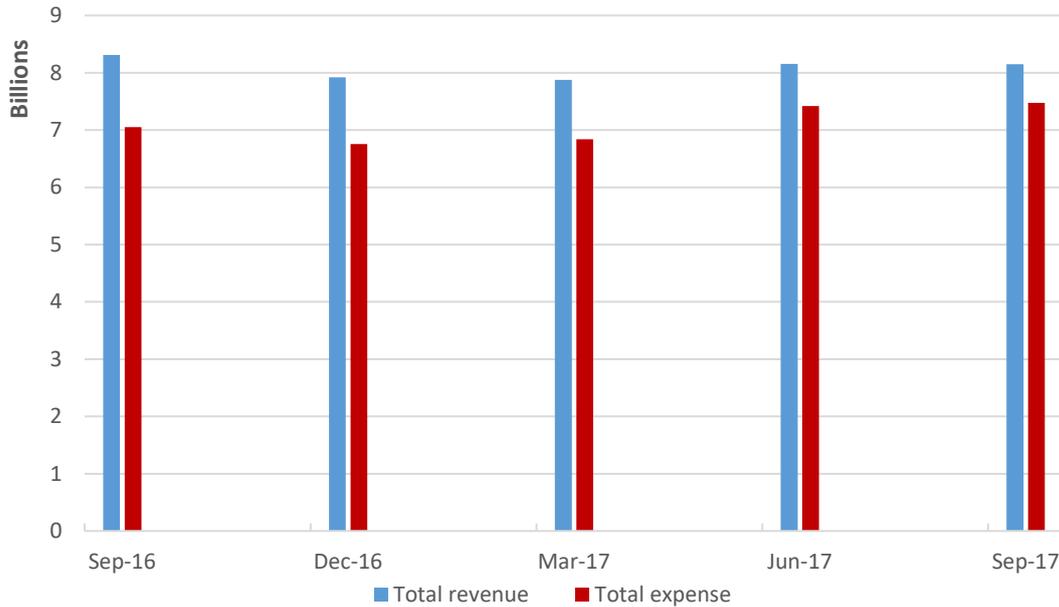


Total revenue (including investment income) decreased slightly by 2% to \$8.2 billion during the period September 2016 to September 2017 while total expenses (including claims) increased 6% to \$7.5 billion. Total profit after tax for the year ended September 2017 decreased by 41% to \$532 million.

Increases in claims expenses associated with the Kaikoura earthquake (November 2016) and a number of significant weather-related events in 2017 have reduced the profit margins of some general insurers.

³ Lloyds of London completes a quarterly report but are not included in these statistics.

Figure 2: Revenue and expenses reported by QIS respondents (12 months to September 2017)



Financial Position

Total assets across all sectors were steady at around \$21.0 billion in the year to September 2017. However, total liabilities increased 7% during the same period totalling to \$13.6 billion. Industry net assets were \$7.3 billion as at September 2017. The return on net assets – defined as profit/loss after tax divided by the estimated net assets at the start of the period – for the industry was just below 8% for September 2017.

Figure 3: Total assets and liabilities reported by QIS respondents (12 months to September 2017)

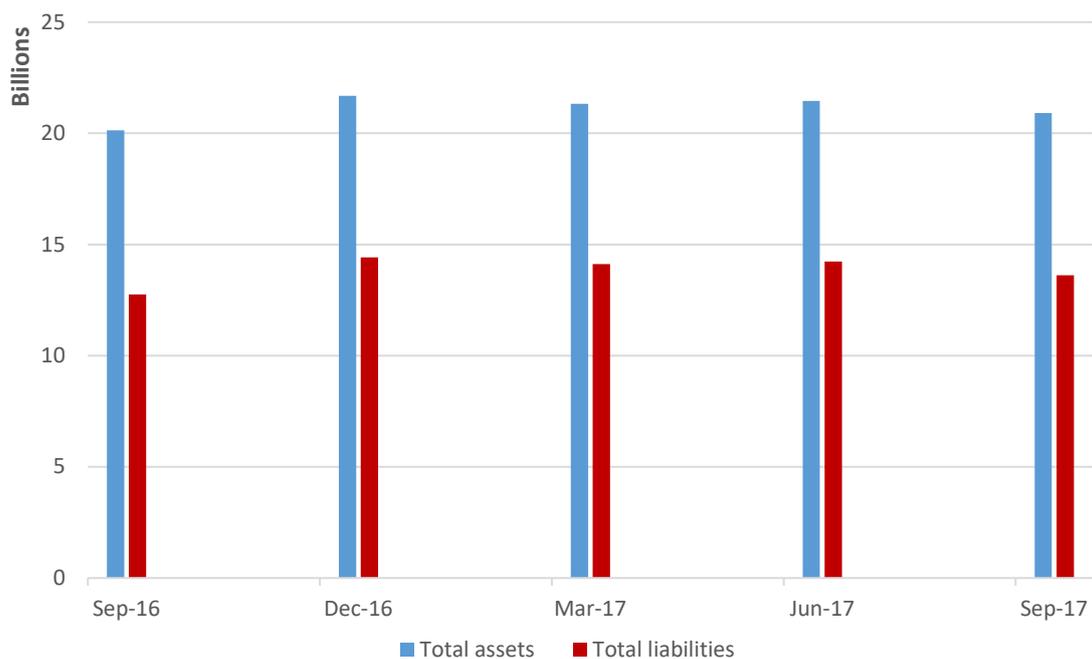
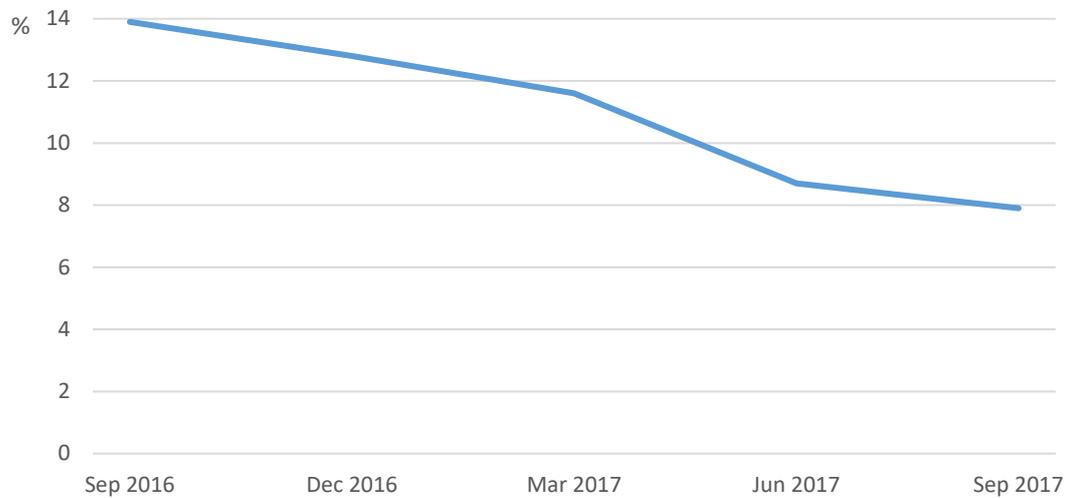


Figure 4: Return on net assets (over the 12 months to the end of the quarter)



Future developments

Today's release is part of a multi-year initiative towards providing comprehensive data on the New Zealand insurance sector. The Reserve Bank will look into expanding the range of available statistics over time. For example, statistics reflecting all insurers not just QIS respondents, and solvency statistics.

We plan to publish the next release on 28 June 2018 which will include December 2017 data and any revisions that arise in this period to improve data quality.

We welcome your feedback. Please email your comments to stats-info@rbnz.govt.nz.