



Ensuring insurance statistics meet the needs of users for monitoring and transparency

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Overview



- Purposes of data collection and data users
- Monitoring - Recent updates to frameworks and data collections
 - Changes to improve risk-sensitivity
 - Expanded requirements for insurance concentration
 - Additional reinsurance data to be collected
- Transparency
 - A framework for disclosure
 - Current consultation
 - Publication of statistics

Purposes of data collection



- Collection of data powers
- Four purposes of collection
- Regulation and monitoring, publication, assisting another agency, advice to Minister

Users of insurance data



- Supervisors
- Publication users
Quarterly publication, institution-level publication, intermediated
- Regulators
Australian Bureau of Statistics, Reserve Bank of Australia
- Insurers
Benchmarking

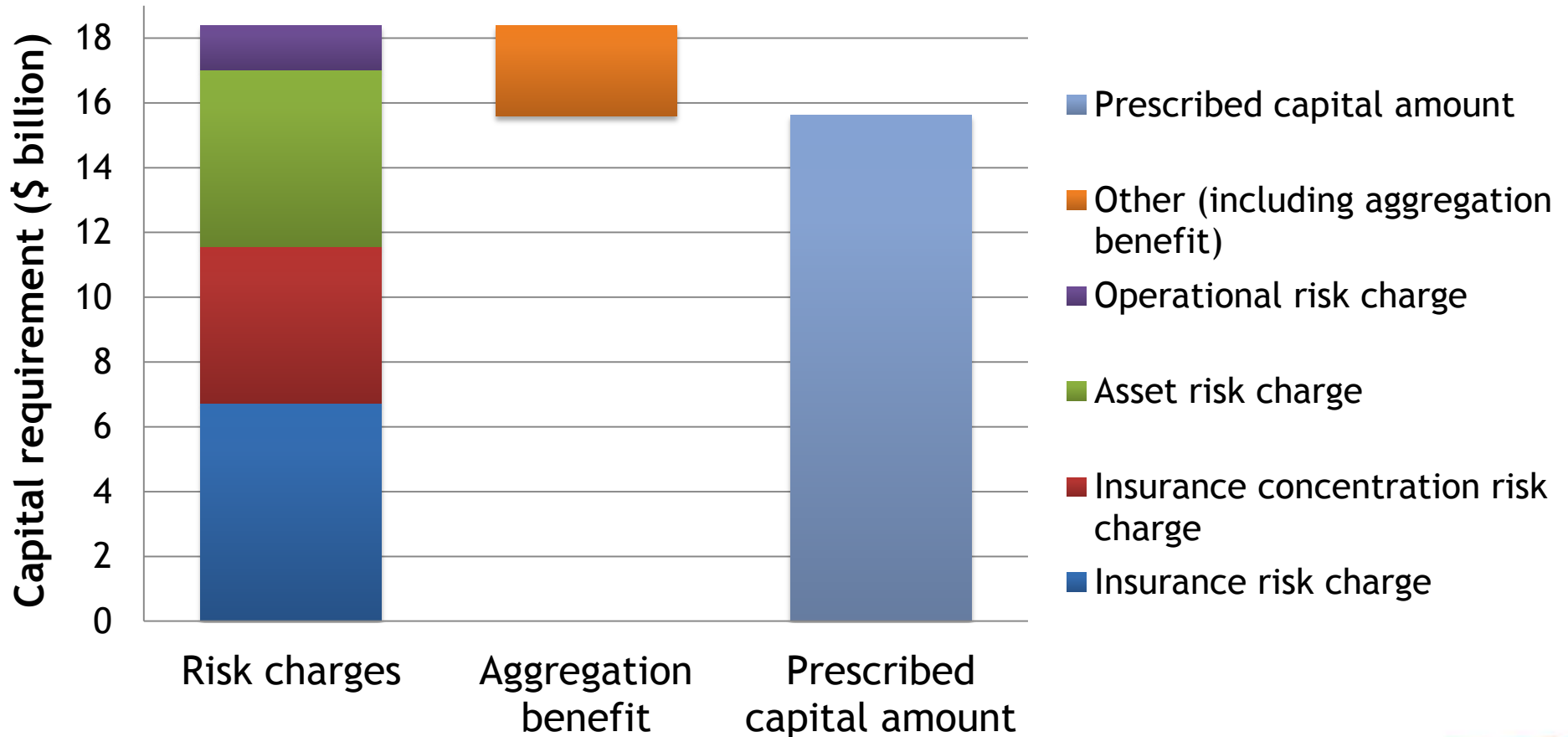


- Capital framework and supervisor needs largely drive collection
- Recent update to capital framework from 1 January
 - Three pillars
 - Alignment of capital
 - Changes to improve risk-sensitivity
 - Expanded requirements for insurance concentration
- Other information and data gaps
 - Additional reinsurance data collection
 - Other minor amendments, including for publication

Capital requirements



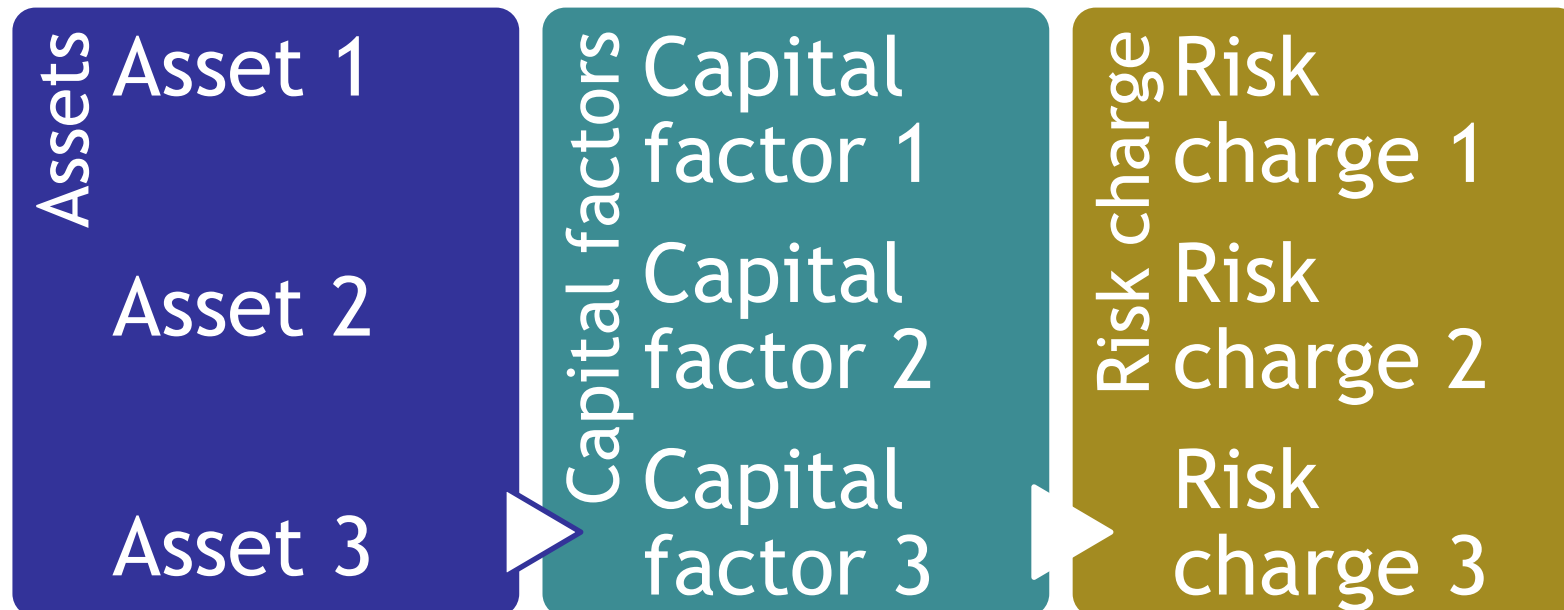
Prescribed capital amount as at June 2013



Improved sensitivity - asset risk charges



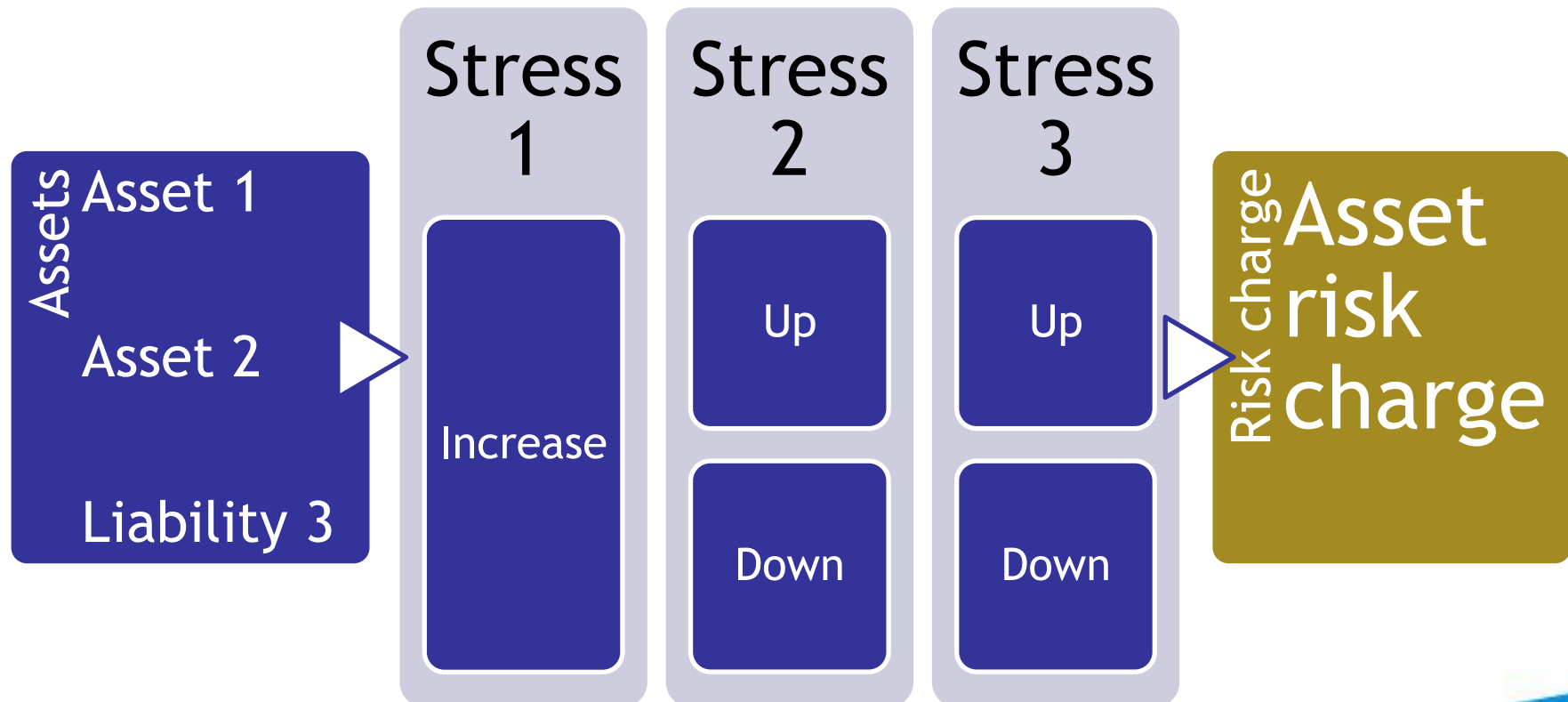
- Previous individual investment risk charges



Improved sensitivity - asset risk charges



- Previous individual investment risk charges replaced with stresses to the balance sheet



Asset risk charges - stress collection form



	Adjusted pre-stress value - Total amount (1)	Impact on capital base					Default (12)
		Real interest rates		Expected inflation		...	
		RIR Upwards (3)	RIR Downwards (4)	INF Upwards (5)	INF Downwards (6)	...	
1. Items subject to stress							
1.1. Cash and liquid assets.....							
1.2. Non-reinsurance receivables.....							
1.2.1. Non-reinsurance recoveries.....							
1.2.2. Net premiums receivable.....							
1.2.3. Current tax assets.....							
1.2.4. Other receivables.....							
1.3. Investments.....							
1.3.1. Interest rate investments.....							
1.3.2. Equities.....							
1.3.3. Property.....							
1.3.4. Loans and advances.....							
1.3.5. Indirect investments.....							
1.4. Deferred tax assets.....							
...
1.14. Off-balance sheet exposures.....							
2. Impact on capital base.....							

Asset risk charges - stress results use

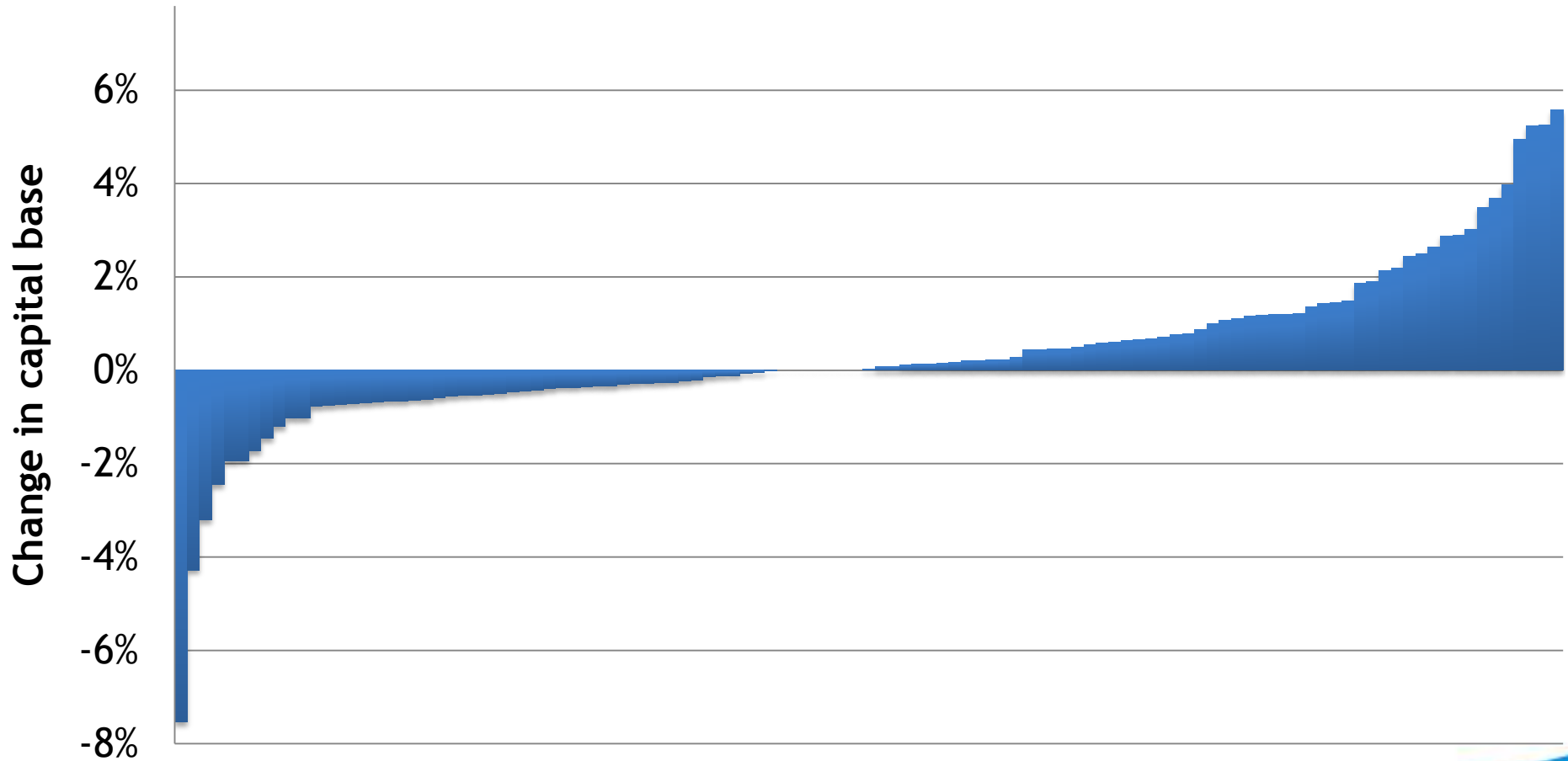


- Directly feeds capital requirements, but also useful information to understand risk exposures
- More tailored stresses by each insurer required under internal capital adequacy assessment processes
- Standard collection of these stresses can also be consolidated to give a macro view of industry outcome of these events

Asset risk charges - industry view



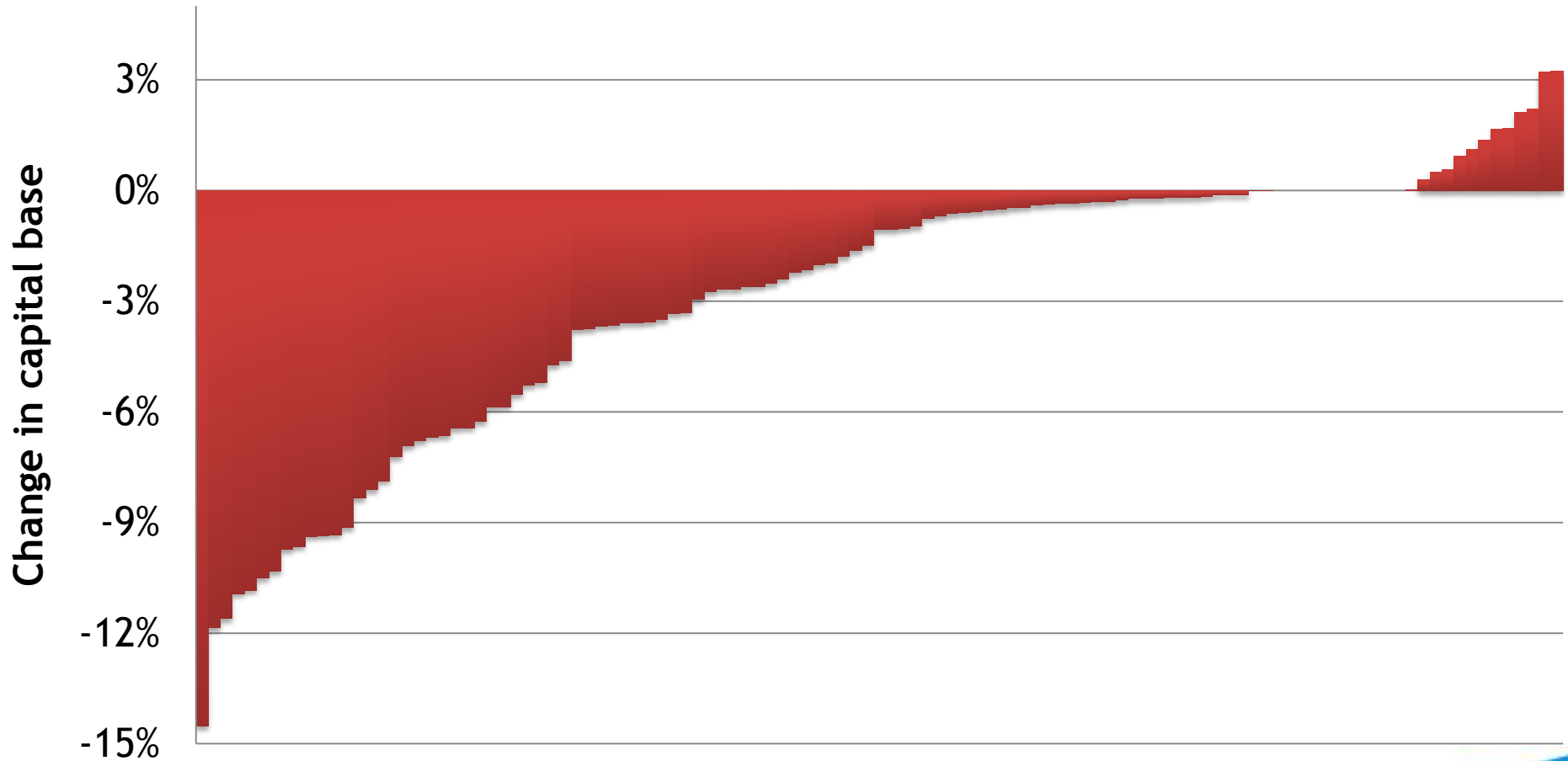
■ Impact on capital base - real interest rates downwards stress



Asset risk charges - industry view



■ Impact on capital base - expected inflation upwards stress



Insurance concentration



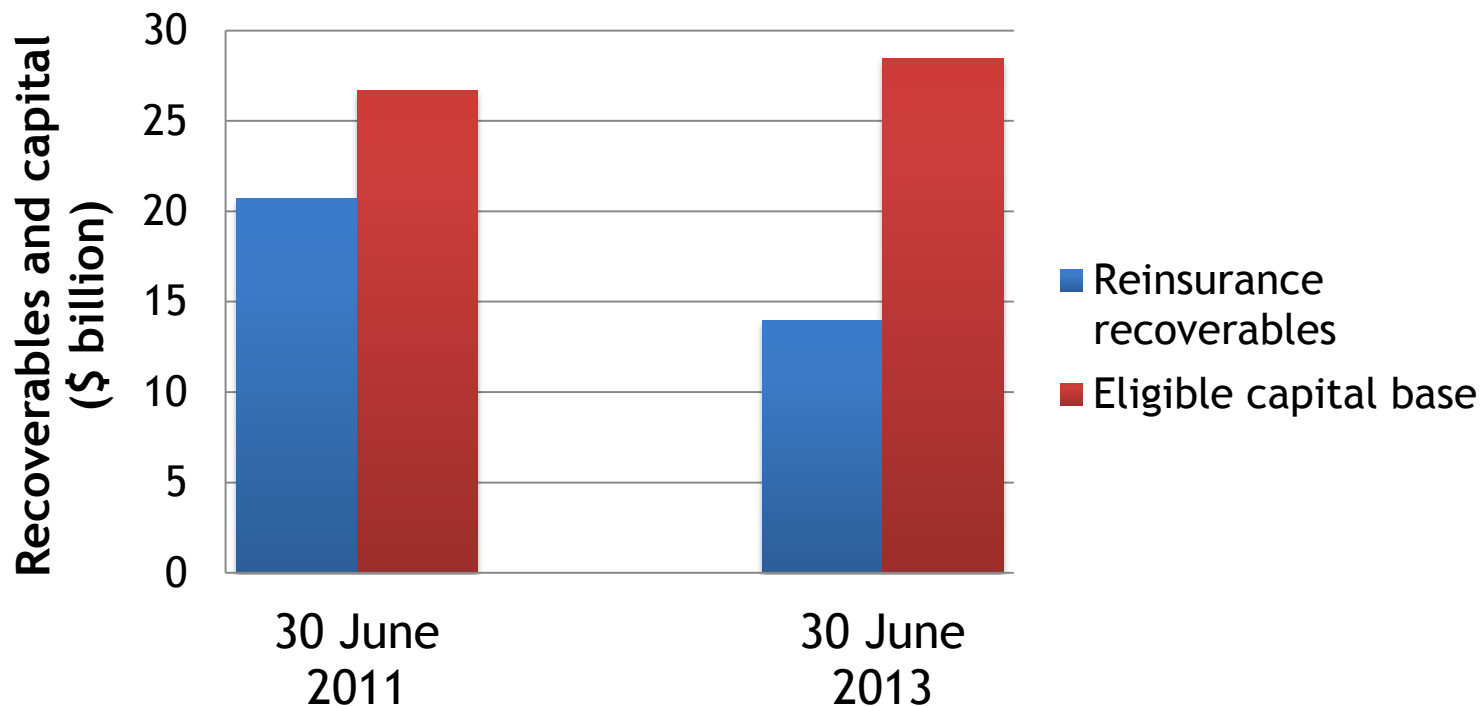
- Vertical cover for largest loss
- Late 2010 and 2011 - series of severe losses with lower return periods. Lack of ready information on impact.
- Introduction of horizontal requirements, H3 and H4; 1 Jan 2014
- Other accumulations and LMI
- Capital charge is largest of these five requirements

Reinsurance exposure



- Material source of counterparty risk
- Heightened after domestic or global catastrophes

Eligible capital and reinsurance recoverables



Reinsurance exposure



- One-off collection on reinsurer counterparties
- Regular data collection proposed - allow supervisors and others to monitor impacts of reinsurer failure or downgrade
- All exposures to material reinsurers collected individually
- Impact on capital requirements of downgrade of a reinsurer - monitor concentrations of insurer or market
- Stress test of impacts on capital and requirements of significant reinsurer failure

Monitoring recap



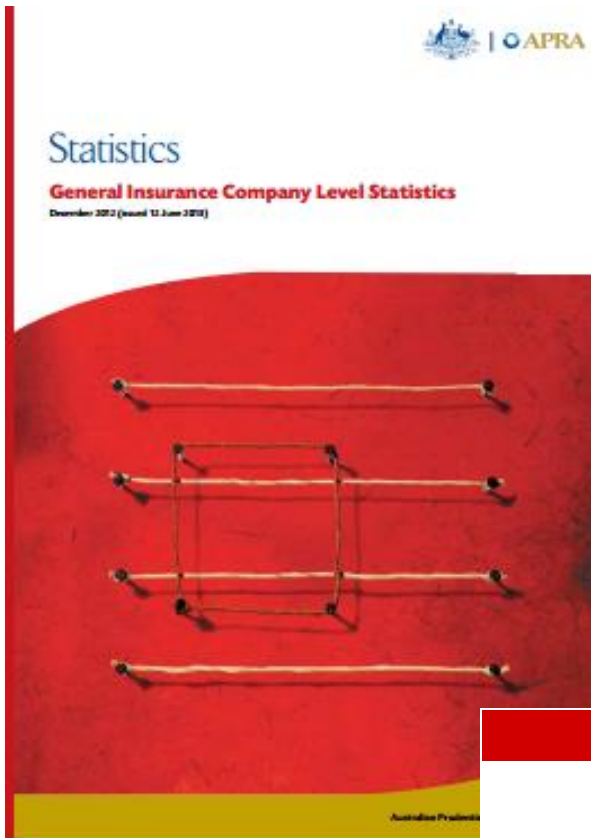
- Capital framework and supervisor needs largely drive collection
- Recent changes align with revised capital framework; not only to calculate the capital framework but to provide useful data to enable supervisors to monitor insurers and understand risks
- Major data gaps filled or in process of being addressed

Transparency



- Publication of institution-level statistics; promotes transparency and accountability and supports supervision
- Legislative process for determining confidentiality of data
- Current consultation on revised data
- Publication of aggregate statistics; promote understanding and assist research and public discussion on policy-issues, and well-informed decision-making

Institution-level publications



- Twice per year, 22 statistics
- Proposed for expansion - additional statistics, increased detail, insurance groups
- Dependent on what data are non-confidential

Table 3 Company level capital adequacy

Financial years ended in the 12 months to December 2012
(\$ thousand)

Company short name	Balance date	Minimum capital requirement	Capital base ^d	Capital surplus	Solvency coverage
AAIL	31 Dec	1,032,398	1,453,363	420,965	1.41
AAMI	30 Jun	421,856	516,278	94,422	1.22
ACE	31 Dec	103,573	280,830	177,257	2.71
AIOL _d	31 Mar	17,789	30,037	12,248	1.69

Data confidentiality



- Initially, collected data are considered confidential by default
- Data can be determined non-confidential, following consultation with industry
- May be determined non-confidential where APRA considers that the benefit to the public from the disclosure outweighs any detriment to commercial interests that the disclosure may cause
- A key benefit is enhanced transparency and market discipline

Current consultation



- Changes to capital standards had a significant impact on reporting requirements
- As a result, APRA needed to consider the data it would determine non-confidential and make accessible
- Proposed to determine all data to be non-confidential
- APRA is currently considering submissions and benefits of disclosure
- Also investigating system enhancements for dissemination of entity level data

Aggregate publications



- Recently expanded, new series and greater detail aids understanding

Table 10 Key performance ratios by class of business

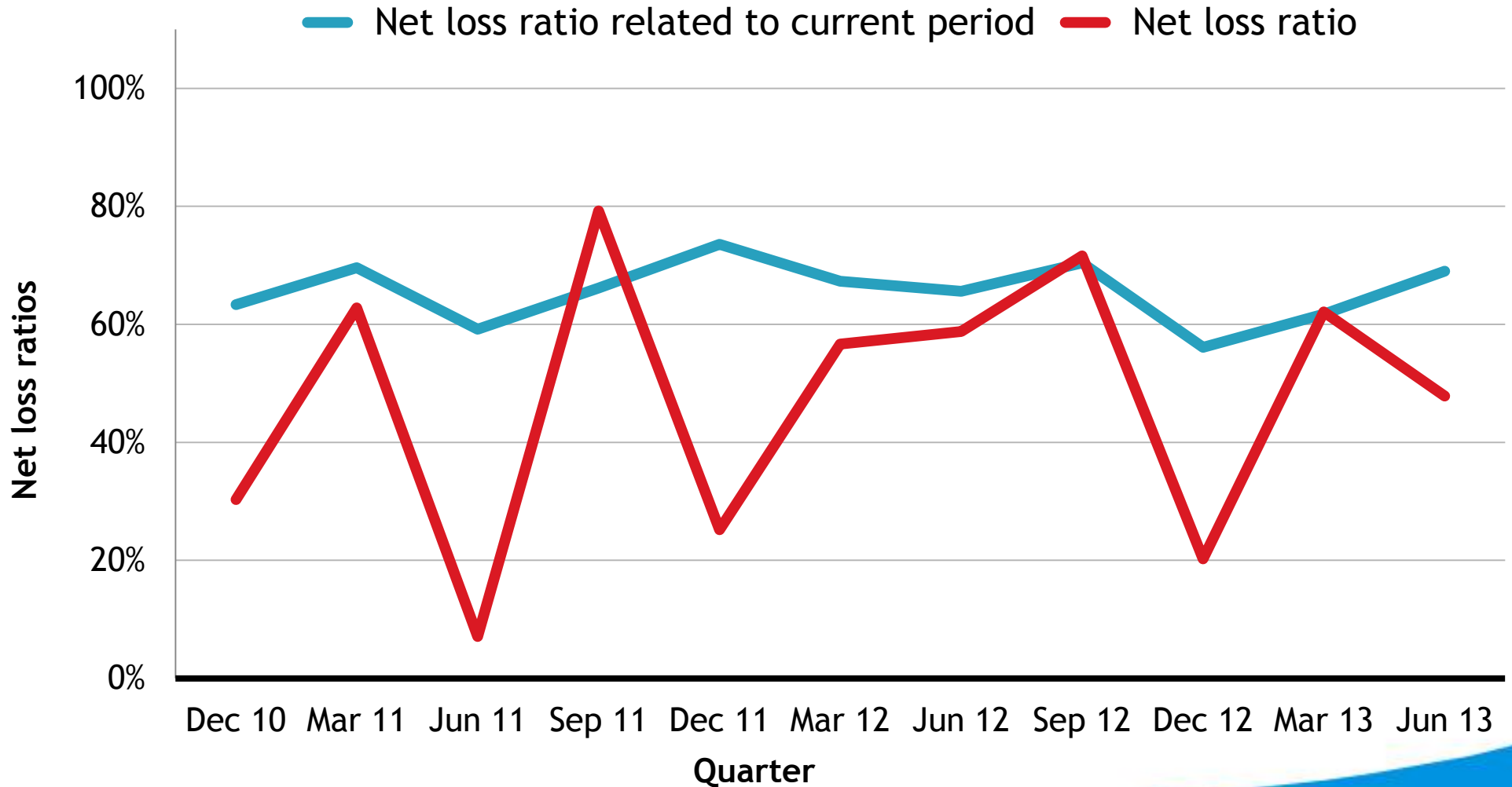
	Quarter end				Year end	Year end
	Sep 2012	Dec 2012	Mar 2013	Jun 2013	Jun 2012	Jun 2013
Houseowners/householders						
Gross written premium (\$m)	1,687	1,781	1,714	1,850	6,154	7,032
Number of risks ('000)			2,819	2,987		
Average premium per risk (\$)			608	619		
Outwards reinsurance expense (\$m)	617	569	569	593	1,949	2,348
Gross earned premium (\$m)	1,739	1,830	1,828	1,913	6,277	7,311
Cession ratio	35%	31%	31%	31%	31%	32%
Gross incurred claims (current and prior years) (\$m) (net of non-reinsurance recoveries revenue)	615	658	1,513	615	3,764	3,402
Gross earned premium (\$m)	1,739	1,830	1,828	1,913	6,277	7,311
Gross loss ratio	35%	36%	83%	32%	60%	47%
Net incurred claims (current and prior years) (\$m)	518	598	994	496	2,800	2,606
Net earned premium (\$m)	1,122	1,261	1,259	1,321	4,328	4,963
Net loss ratio	46%	47%	79%	38%	65%	53%

- New format of publication aids analysis and accessibility
- Publication completeness aided by data being made non-confidential

Addition of more comparable data



Net loss ratios - professional indemnity



Wrap up



- Understand user needs and engage them in data collection
- Improvements to data collection in line with capital framework, providing enhanced data for supervisors to monitor insurers
- Benefits of institution level data releases to improve transparency
- Publication user needs are also aligned; more complete, comparable and frequent statistics

Questions



- Questions can be emailed to statistics@apra.gov.au

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