

House of Representatives Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Inquiry into insurers' responses to 2022 major flood claims

Agency: Australian Prudential Regulation Authority
Question No: APRAQoN1
Topic: Insurer Profitability Data
Reference: Spoken (2/02/2024) Hansard page 21.
Member: Dr Mulino MP

Question:

CHAIR: You mentioned that over one, two and five years the insurance industry has not been profitable in terms of its underwriting of household—home and contents. Is that information—with publicly listed companies, would that be something which is in their annual reports? Is that something that you report in your data? Is that publicly available?

Mr Wood: This information is within our data. What you will find, though, is that, for the publicly listed companies, they probably wouldn't break it down to this level of granularity, because obviously they're looking at their overall insurance portfolio as a whole. We're focused here just on the home and contents segment. CHAIR: Do you report that in your consolidated institutions financial year performance reports?

Mr Wood: Yes. This is from our APRA published data.

CHAIR: Okay. We'll certainly look into that.

Mr Wood: If you want, we can take that on notice and send you where this information comes from.

CHAIR: That's useful. I guess I'm also interested in breaking down those profitability numbers between the volatility that occurs because of the prevalence or occurrence of natural events and investment return volatility. It sounds like your numbers do that.

Answer:

This data is published in APRA's quarterly general insurance performance statistics December 2002 to June 2023:

<https://www.apra.gov.au/sites/default/files/2023-08/Quarterly%20general%20insurance%20performance%20statistics%20December%202002%20to%20June%202023.xlsx>).

Table 1f provides data on the underwriting results for householders insurance (home and contents insurance). Table 1a provides data on the industry underwriting results (for all general insurance products underwritten by the industry including householder insurance) and industry investment income.

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ANSWERS TO QUESTIONS ON NOTICE

Inquiry into insurers' responses to 2022 major flood claims

Agency: Australian Prudential Regulation Authority
Question No: APRAQoN2
Topic: Reinsurance Costs
Reference: Spoken (2/02/2024) Hansard page 22.
Member: Dr Mulino MP

Question:

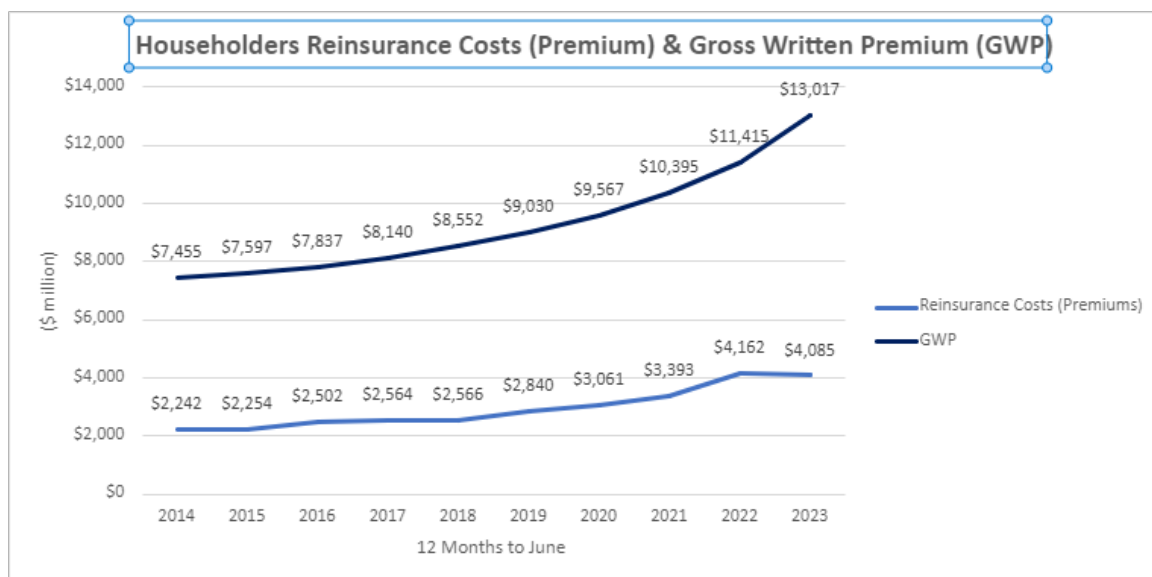
CHAIR: Just at a very high level—and please take this on notice if it's appropriate—to frame this, do you have a broad sense of what proportion of premiums reinsurance costs constitute? I'm just trying to get a sense of it. If there's a certain degree of upward pressure on premiums, how much of it is going to be coming through the broad underwriting process, with companies, in a sense, reassessing risks more generally or at the household level, and how much of it is going to be this global reinsurance trend?

Mr Wood: I think for the actual specifics we'll have to take that on notice.

Answer:

The following chart shows the growth in Gross Written Premium (GWP) and reinsurance costs (premiums) in the householders class of business over a 10 year time horizon. In particular the chart illustrates the sharp increase in both during the last three years as insurers have increased premiums in response to higher natural catastrophe claims costs and reinsurance costs.

The trend of rising reinsurance costs in householders insurance continued during 2023 for the majority of insurers, despite the fall in industry reinsurance costs shown in the chart. The fall at an industry level was largely due to acquisition/merger activity rather than reflecting a substantial change in this underlying trend.



Source: APRA Quarterly general insurance statistics, 24 August 2023