

Life Insurance Risk Profitability Update

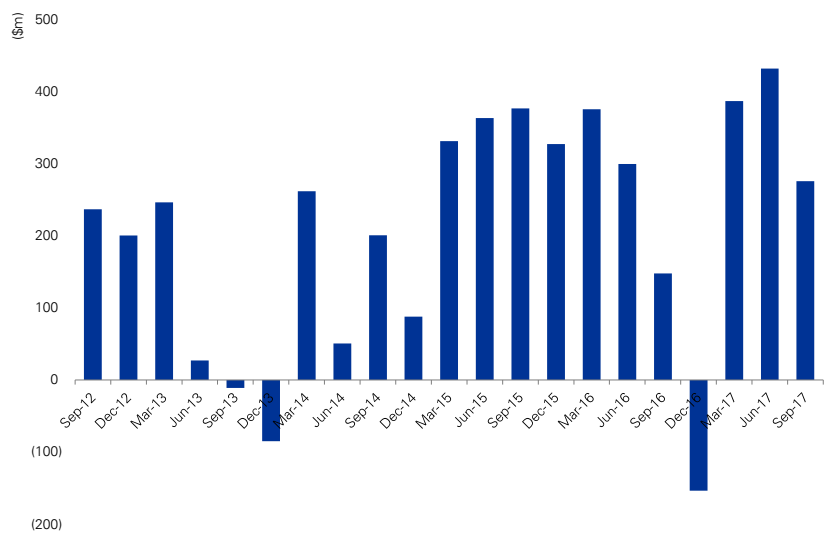
September Quarter 2017

The life insurance industry reported profits of \$276m for risk products in the September 2017 quarter, down from \$432m* in the previous quarter.

Profitability by product

The reduction in profits in the September 2017 quarter was driven predominantly by a reduction in retail lump sum profit. Retail disability income reported a profit after six consecutive loss making quarters. Group life and disability income reported lower profits in the September 2017 quarter.

Figure 1: Risk products net profit after tax by quarter over the last five years

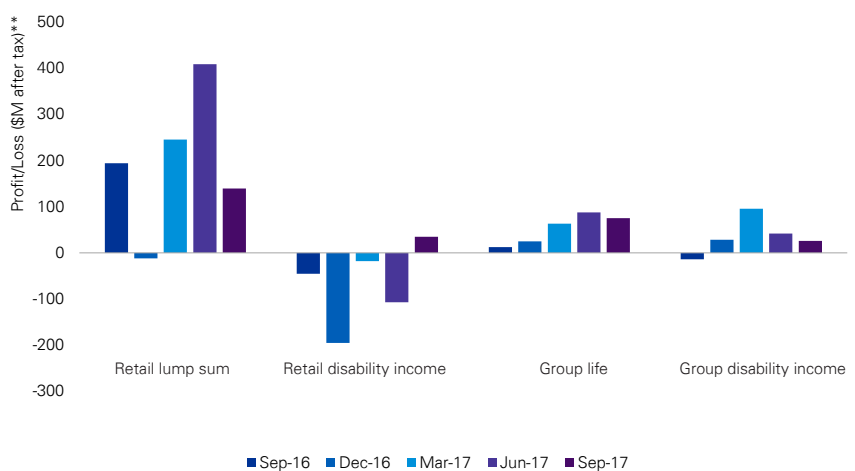


Source: APRA Quarterly Life Insurance Performance Statistics September 2017

Profits were small but positive across all products for the September 2017 quarter.

- Retail lump sum reported profit dropped to \$140m from \$409m profit in the previous quarter, driven by reserve strengthening.
- Retail disability income reported profit of \$35m, first profitable quarter since the December 2015 quarter, driven largely by a favorable movement in reserves.
- Group life reported a profit of \$75m, compared to \$88m profit in the previous quarter.
- Group disability income reported a small profit of \$26m.

Figure 2: Net profit after tax by quarter



Source: APRA Quarterly Life Insurance Performance Statistics September 2017

* \$432m was revised from \$285m that APRA reported in the June 2017 Quarter, which was driven by a resubmission of Retail Lump sum policy liability data.

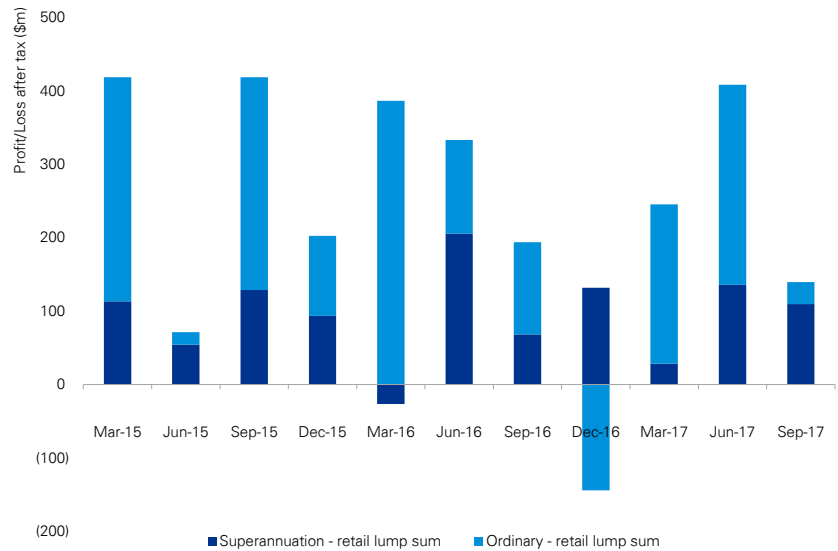
** All profit figures are after tax and after reinsurance. It includes both insurers and reinsurers' results but excludes business retroceded overseas.

Retail risk products report significantly lower profits in the September 2017 quarter.

Retail lump sum reported significantly lower profits in the September 2017 quarter.

- Ordinary retail lump sum reported profits of \$30m, down from \$273m in the June quarter, driven predominantly by reserve strengthening.
- Superannuation retail lump sum reported slightly lower profits of \$110m compared to \$136m in the June quarter.

Figure 3: Retail lump sum experience by quarter

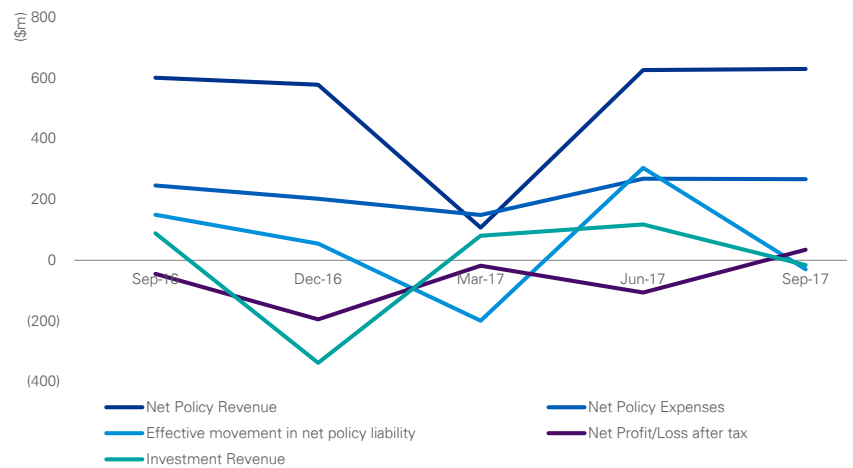


Source: APRA Quarterly Life Insurance Performance Statistics September 2017

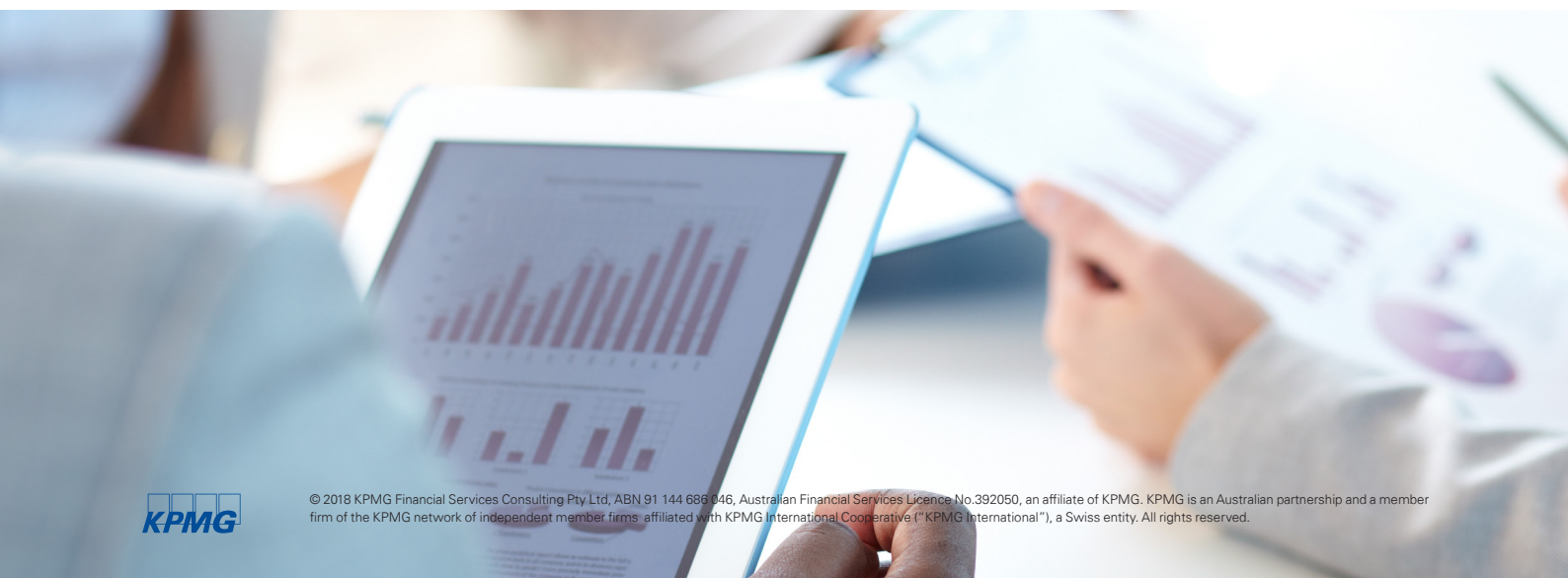
Retail disability income reported profits for the first time after six consecutive loss making quarters.

- Profit of \$35m in the September 2017 quarter, is a improvement on the \$107m losses in the June 2017 quarter.
- Figure 4 shows a favorable movement in reserves in the September 2017 quarter.

Figure 4: Components of retail disability income profits by quarter



Source: APRA Quarterly Life Insurance Performance Statistics September 2017

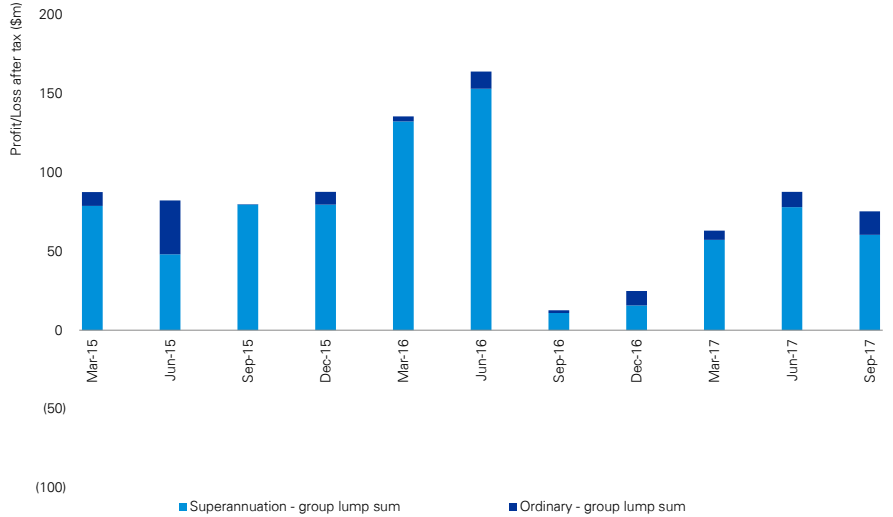


Group risk products posted a profit of \$101m in the September 2017 quarter, down from \$130m in the June 2017 quarter.

Group life produced profit of \$75m (or 6 percent of net policy revenue), compared to \$88m (or 9 percent of net policy revenue) in the June 2017 quarter.

- Profits are slightly lower than historical levels (\$84m average over 2015 to 2016 calendar years)
- As indicated by the graph to the right, superannuation business drives the group life profit.

Figure 5: Quarterly group lump sum

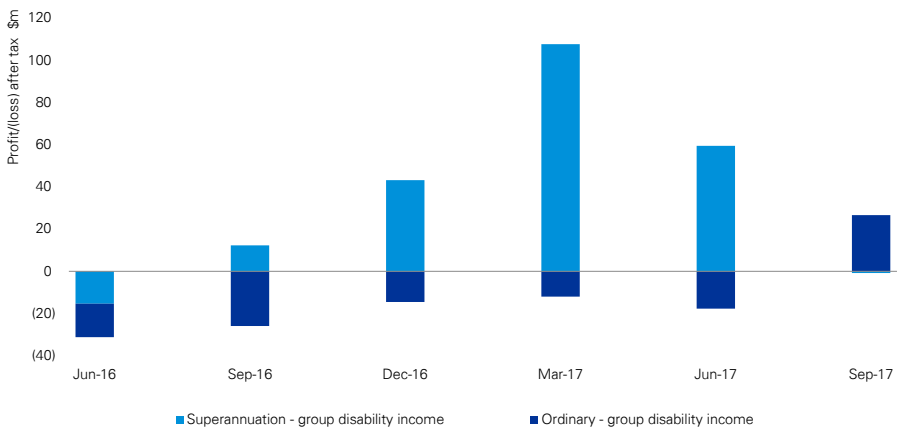


Source: APRA Quarterly Life Insurance Performance Statistics September 2017

Group disability income profits reduced in the September quarter.

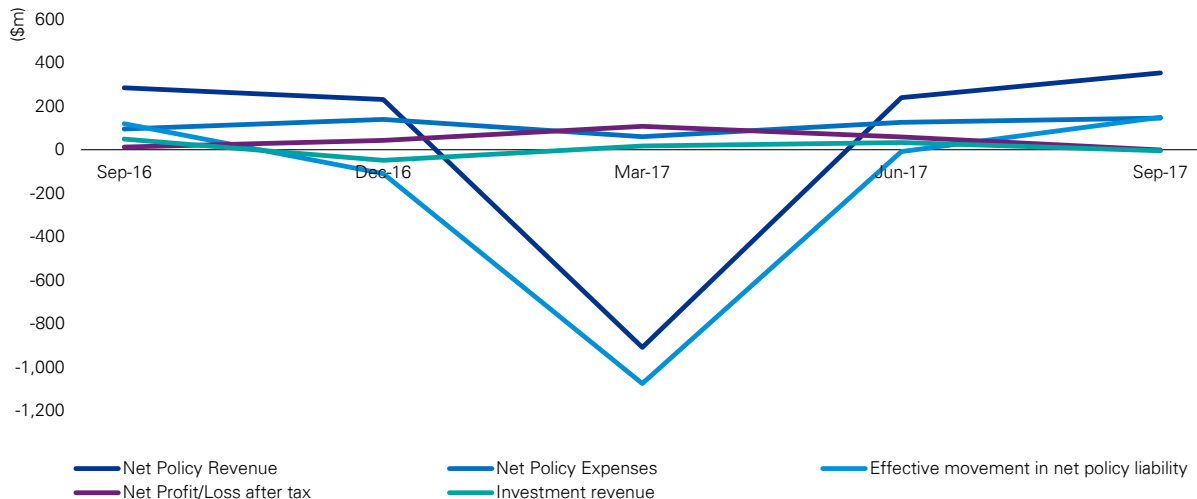
- Superannuation group disability income reported a loss (-\$1m) for the first time following four consecutive quarters of profitability. The profit is predominately due to favorable movement in reserves.
- In contrast, ordinary group disability has reported a profit (\$27m) after five consecutive loss making quarters. As shown in Figure 6, the profit is driven by increase in net policy revenue and favourable movement in reserves.

Figure 6: Quarterly group disability income



Source: APRA Quarterly Life Insurance Performance Statistics September 2017

Figure 7: Components of group disability income profits by quarter



Source: APRA Quarterly Life Insurance Performance Statistics September 2017

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