



Institute of Actuaries of Australia

5th Financial Services Forum

Renovating the Financial System

2010

13 and 14 May 2010 – SYDNEY

IFSA-KPMG Lump Sum Risk Experience Investigation

2004-2006

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Embargoed until 2013

Methodology

IBNR calculated at industry level - but not added to actual claims

	Death	Trauma	TPD
2004-06	0.15%	0.70%	1.90%

RBNA – pending claims are reduced for expected decline rates at company level

Industry average	Death	Trauma	TPD
2004-06	11%	39%	38%

Expected Tables

Death Only or Death with Riders: IA 95-97 M & F Ultimate

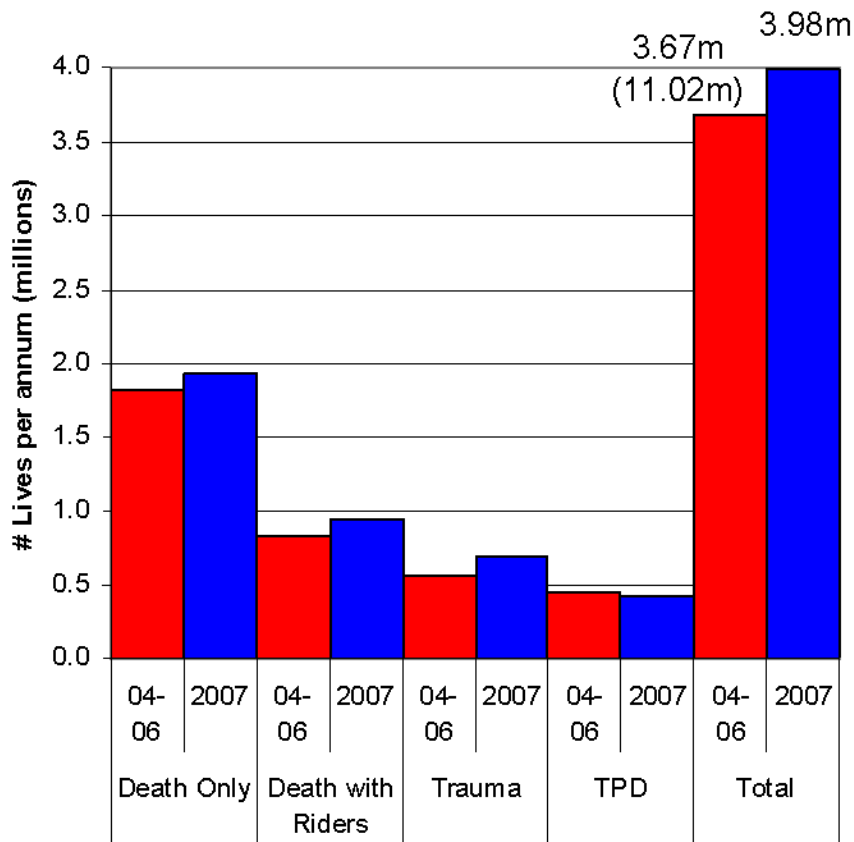
Trauma: Fabrizio and Gratton (1994) population (Appendix Z)

TPD: Martin (1995)

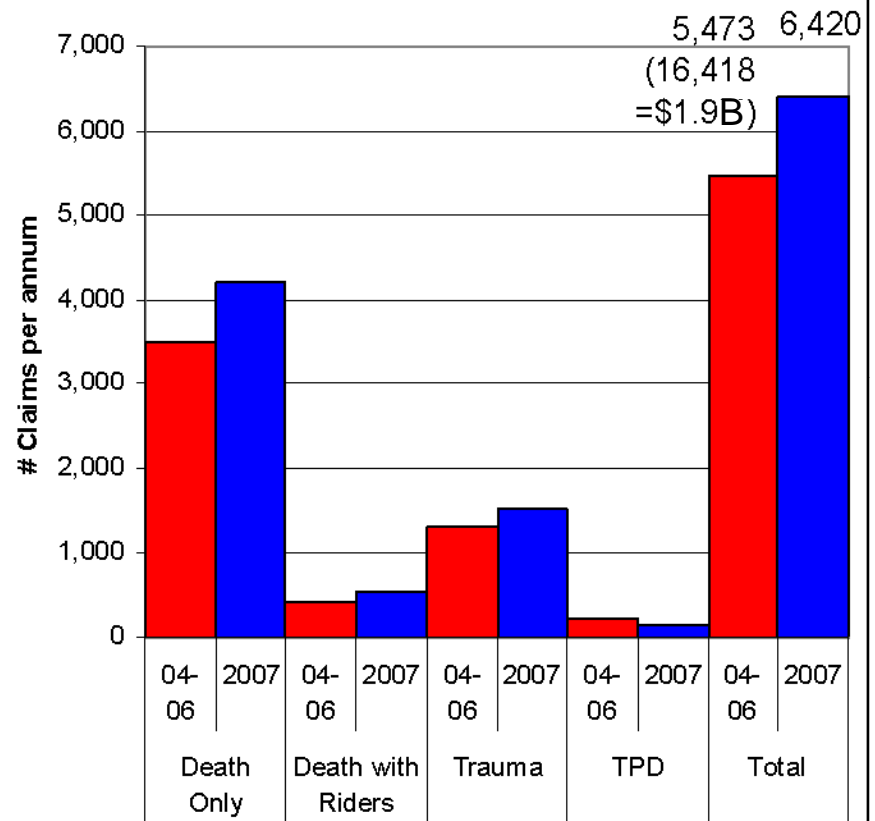


Annualised data volumes (2004-06 and 2007)

Exposure

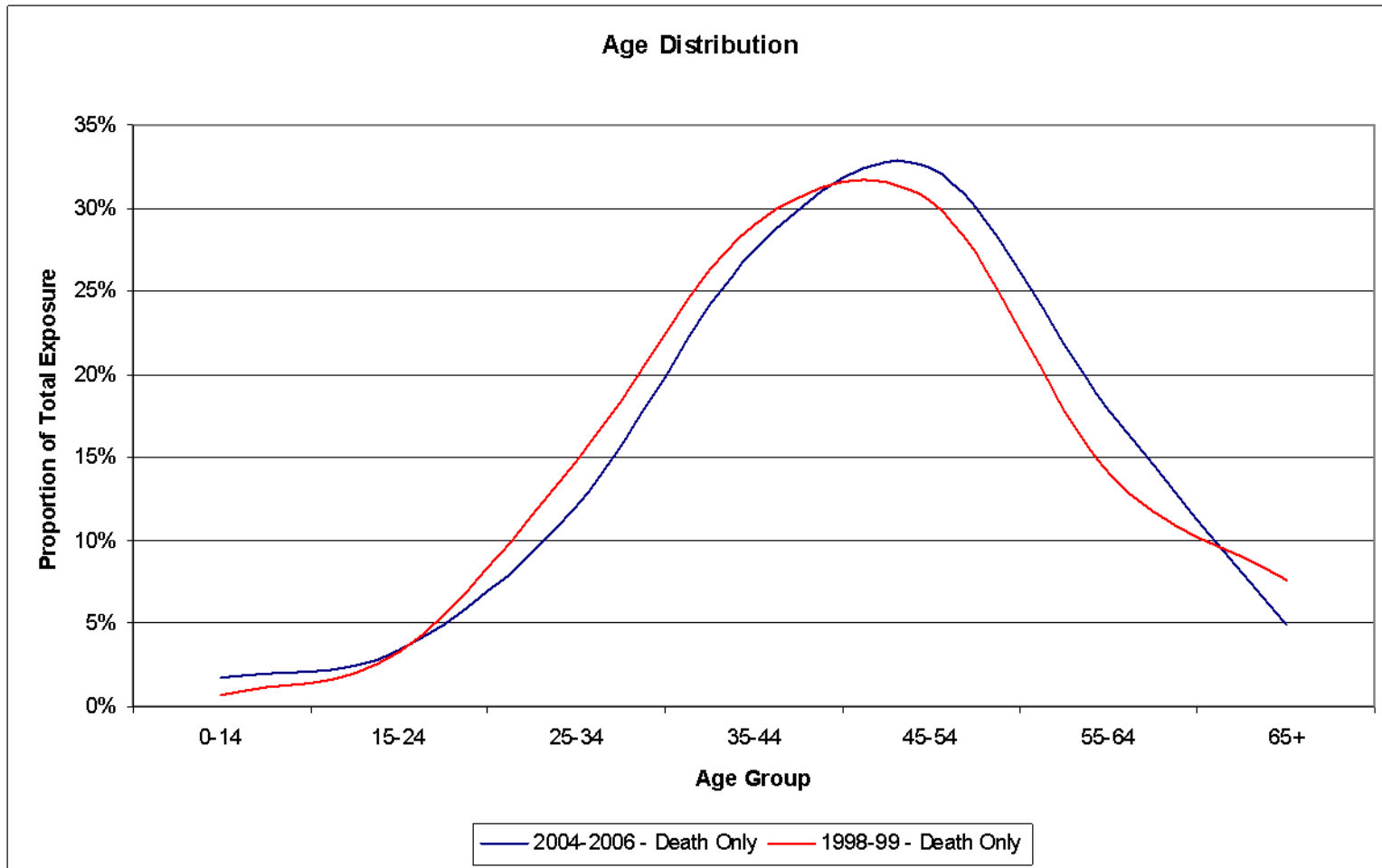


Claims





Maturing of portfolio



Causes of trauma

MALES

Malignant Cancer (753 - 33%)
 Benign brain tumour (460 - 20%)
 Heart attack (341 - 15%)
 CABG (119 - 5%)
 Stroke (90 - 4%)

Angioplasty* (37 - 2%)
 Heart valve surgery (23 - 1%)
 Cardiomyopathy (21 - 1%)
 Peripheral neuropathy (14 - 1%)
 Ischemic heart disease (12 - 1%)

77%

5%

FEMALES

Malignant Cancer (843 - 52%)
 Benign brain tumour (481 - 30%)
 Stroke (48 - 3%)
 Heart attack (37 - 2%)
 Multiple sclerosis (21 - 1%)

CABG (20 - 1%)
 Peripheral neuropathy (7 - 0%)
 Heart Valve Surgery (6 - 0%)
 Major head trauma (6 - 0%)
 Cardiomyopathy (4 - 0%)

89%

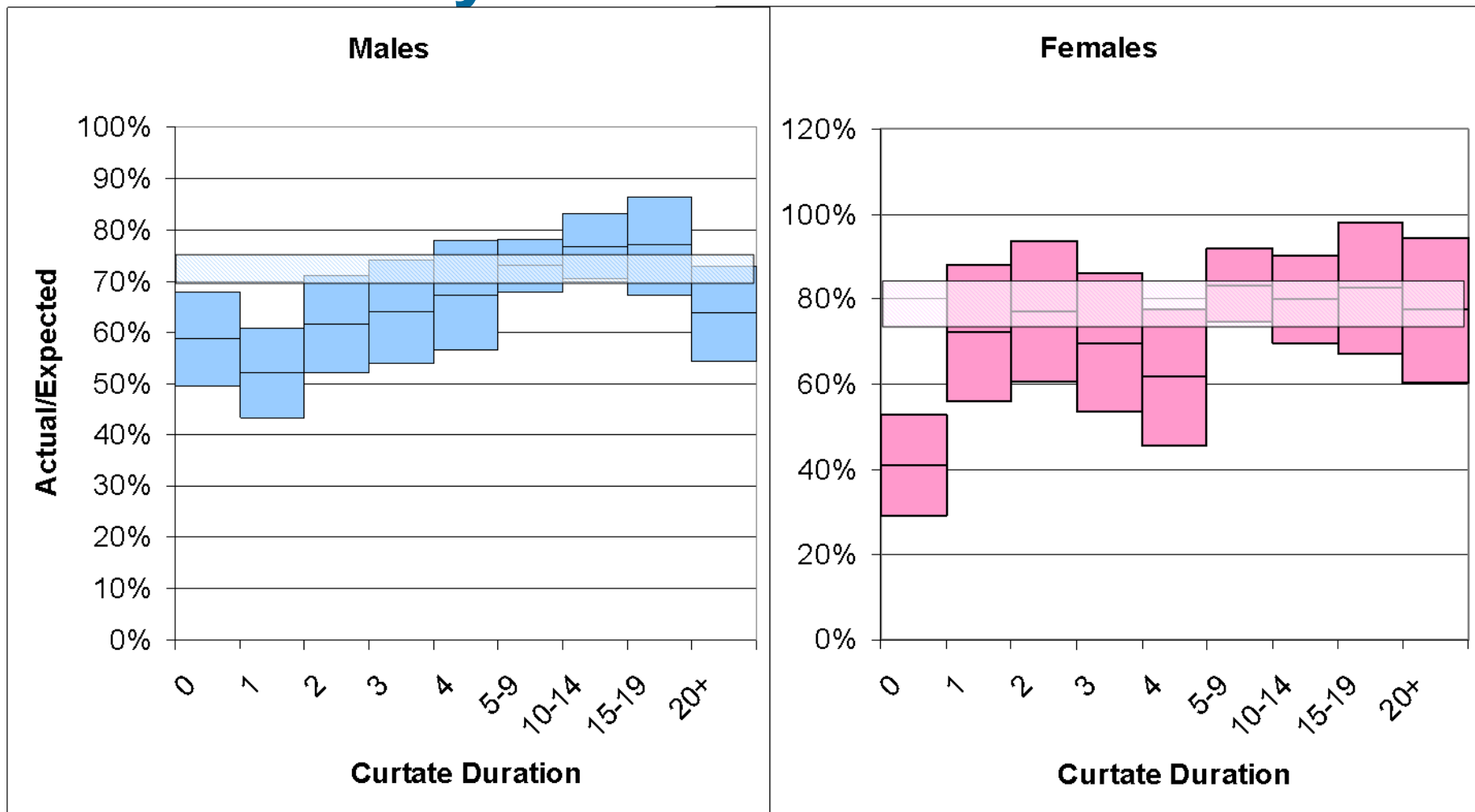
2%



Results: Death

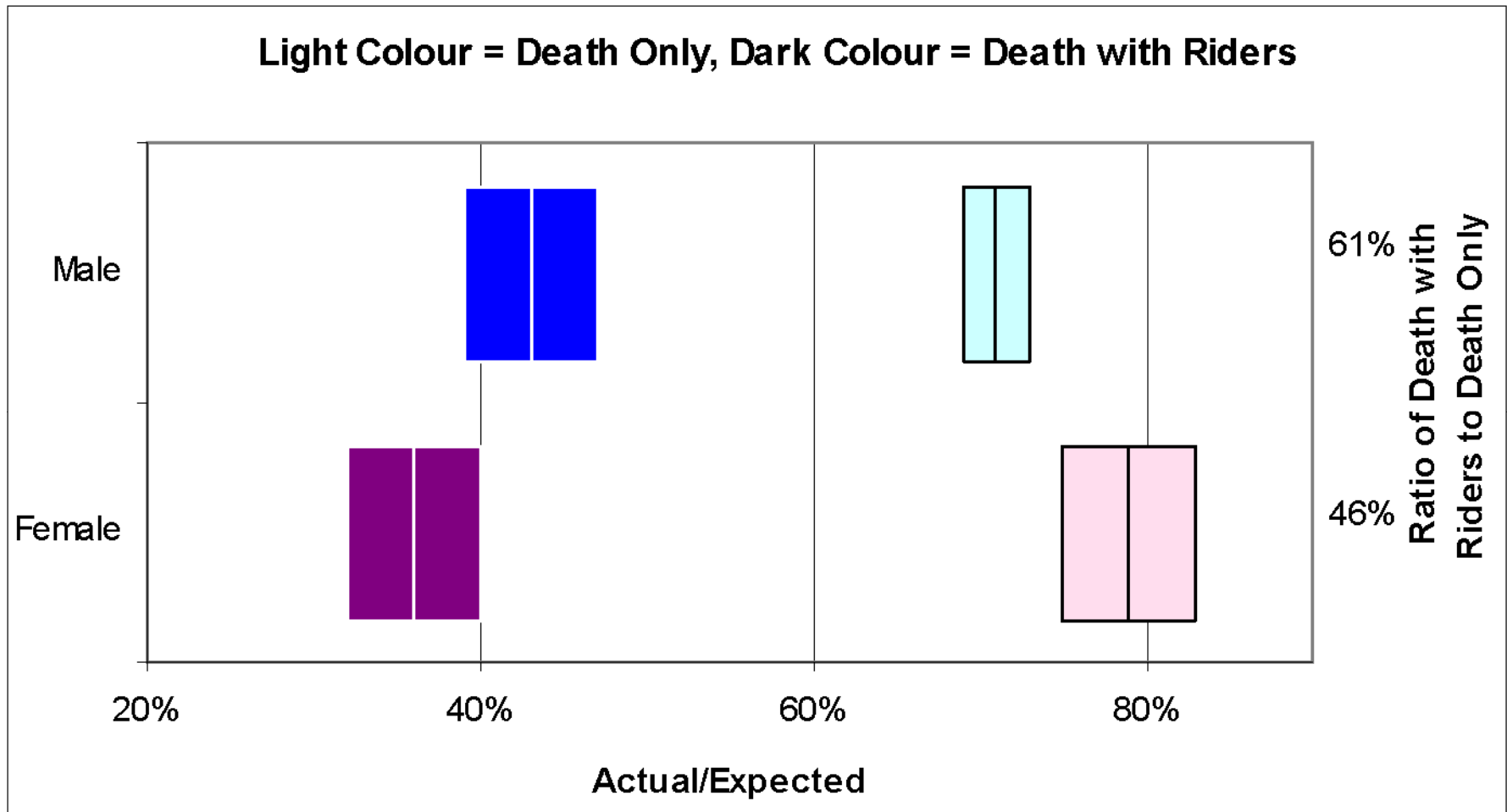


Death Only: Selection Effect – YRT



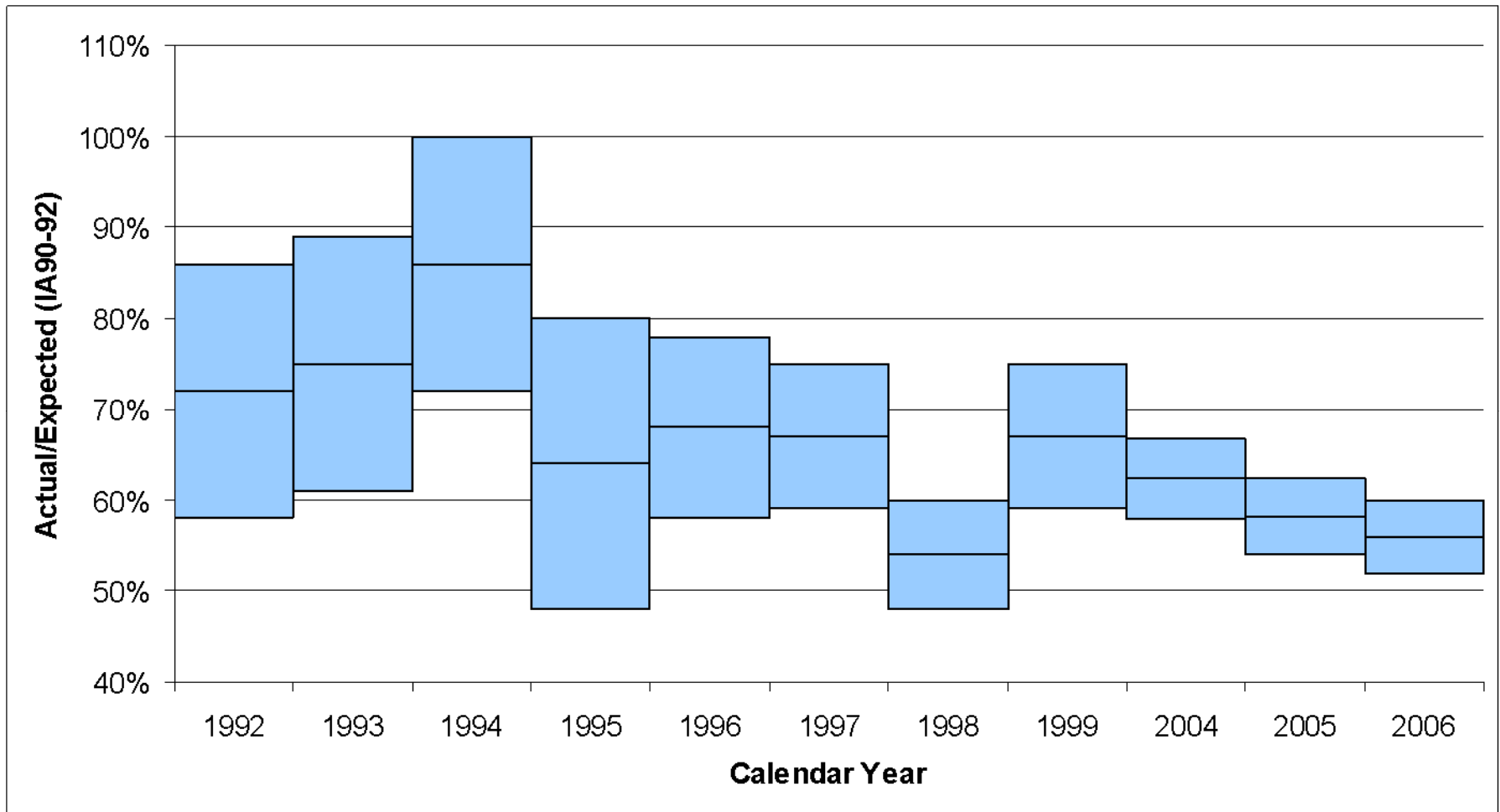


Death Only vs. Death with Rider (2+)

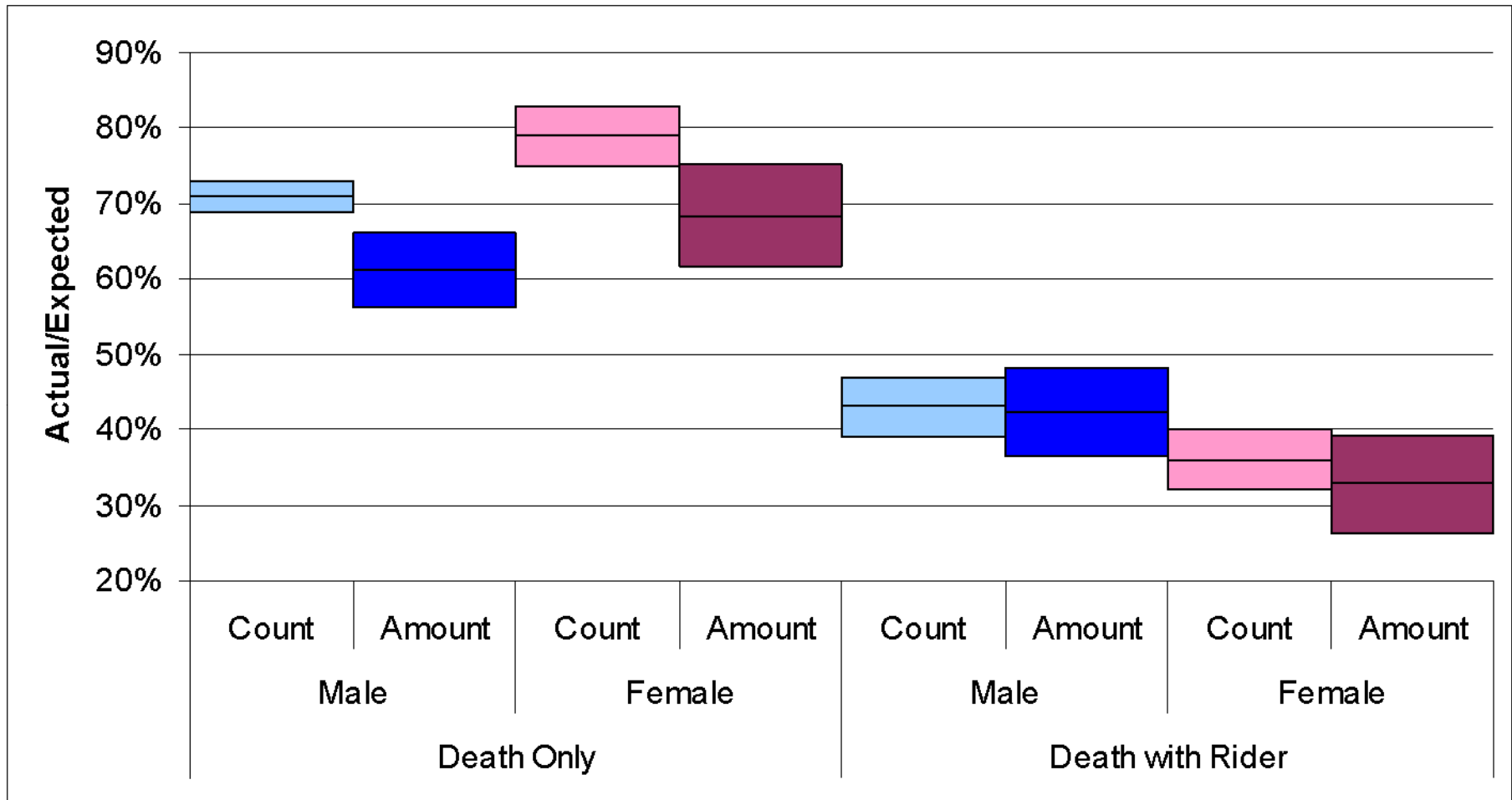




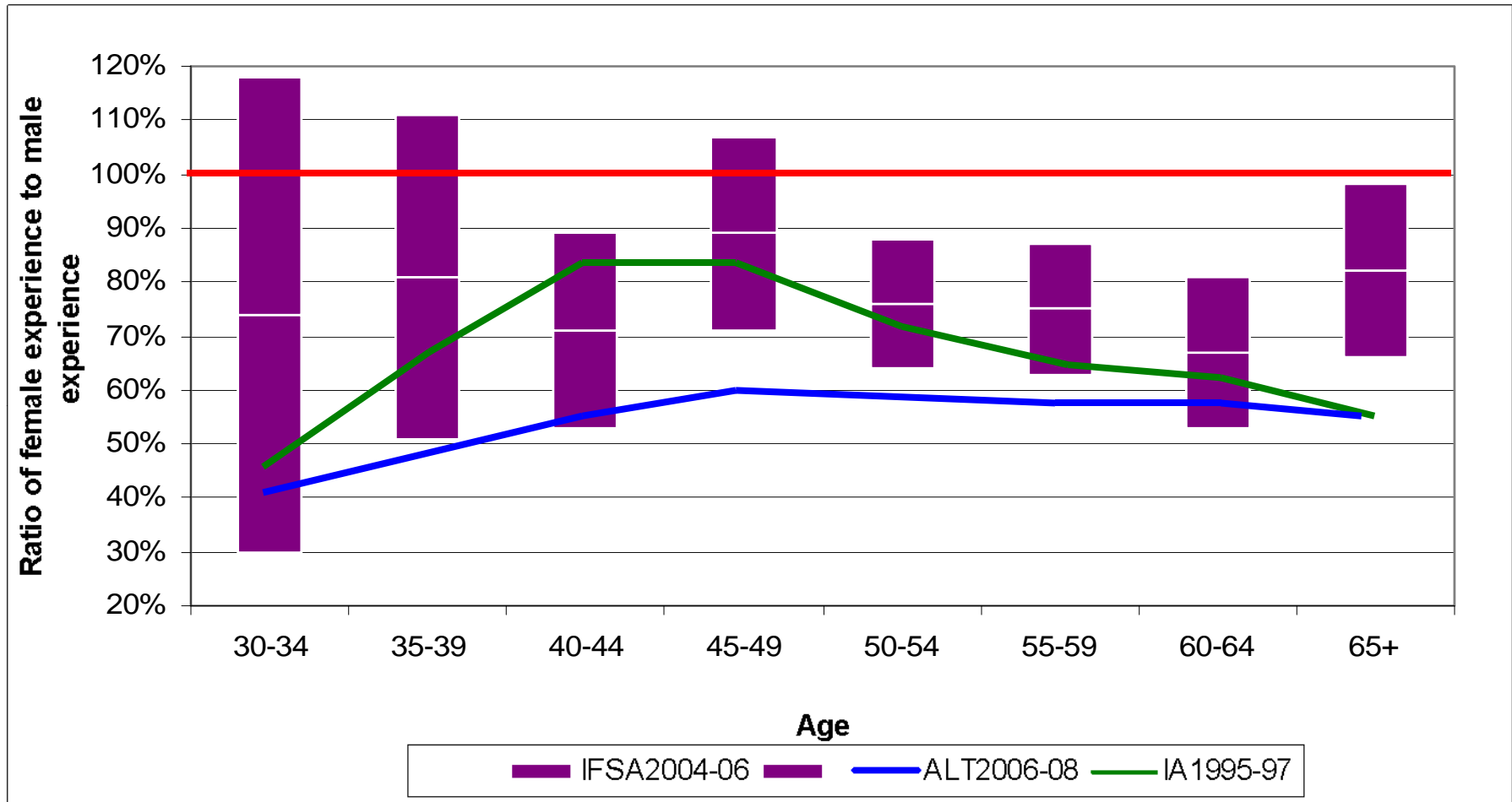
Death Only: Trends - YRT, Males (2+) (Expected = IA90-92)



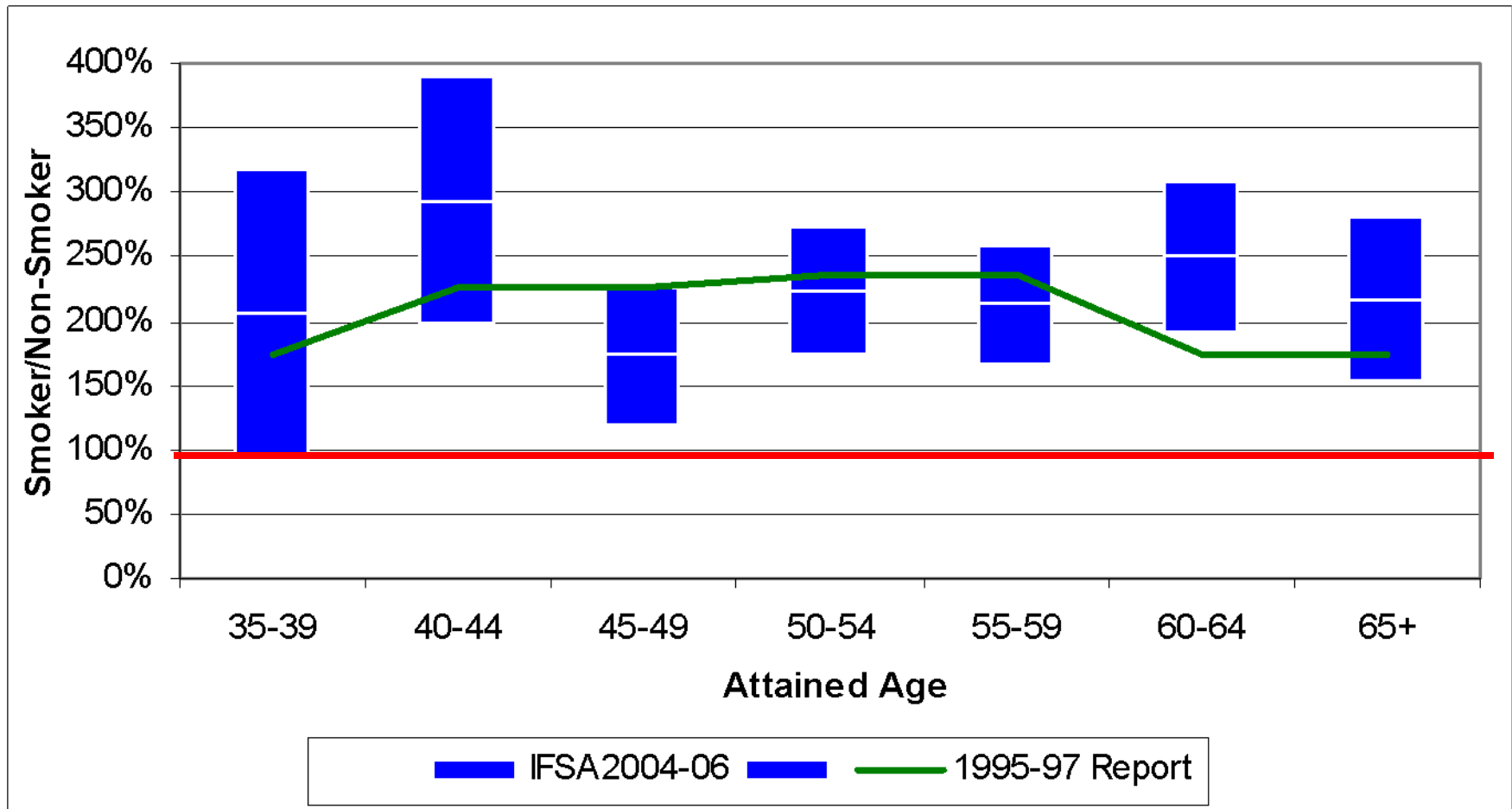
Sum Insured vs. Count – YRT (2+)



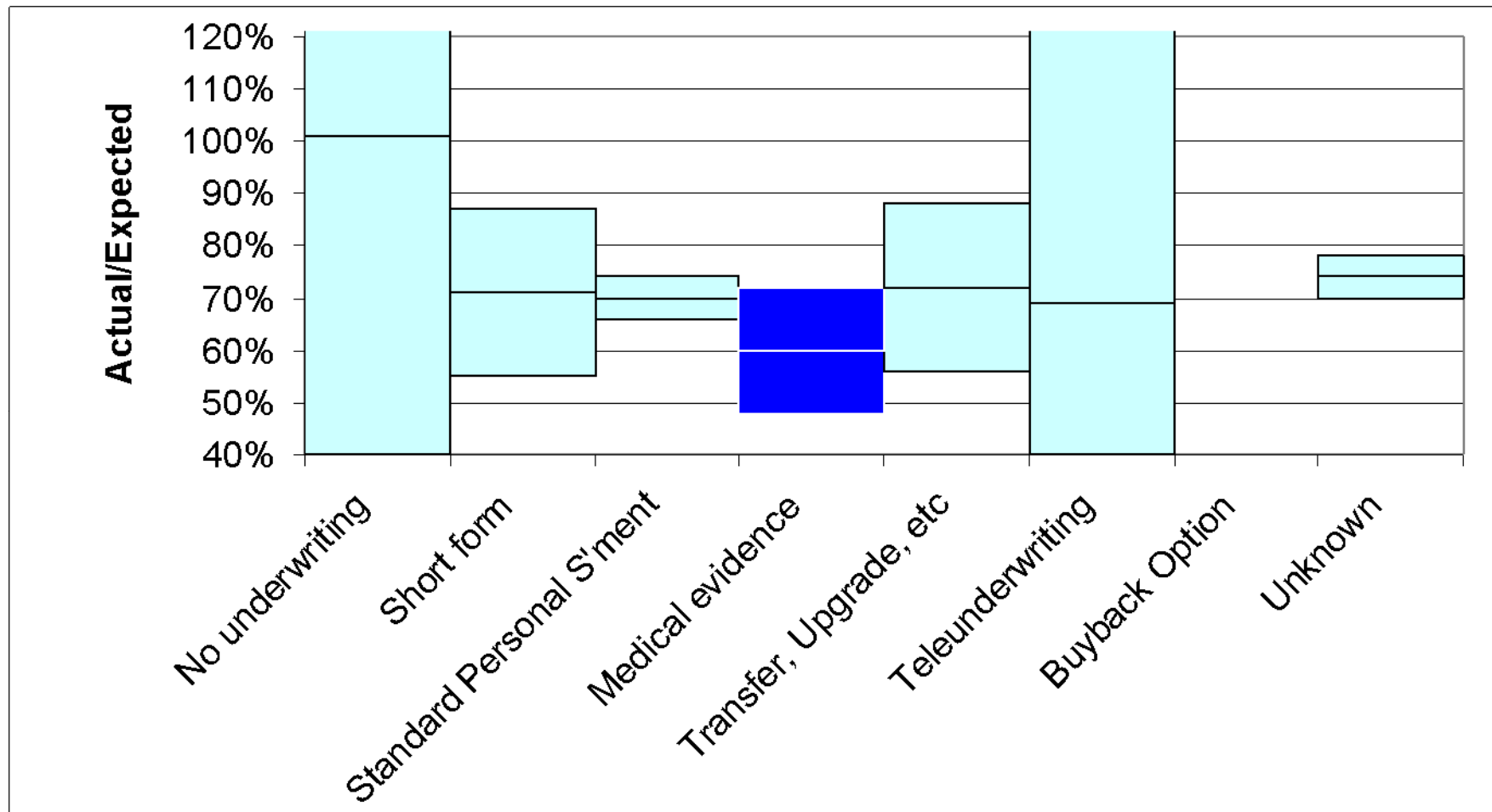
Death Only: Females vs. Males – YRT (2+)



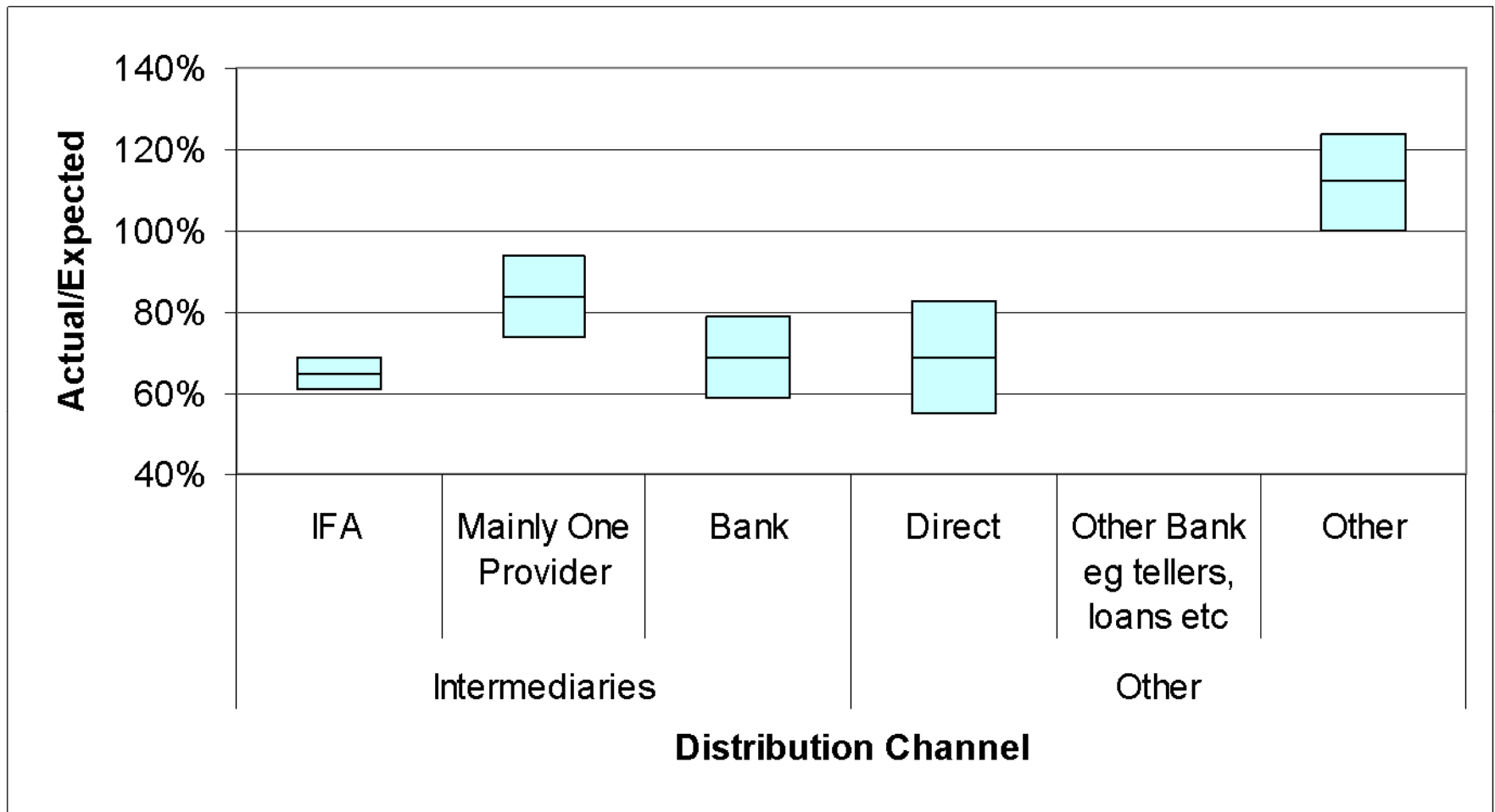
Death Only: Smoker vs. Non Smoker – YRT, Males (2+)



Death Only: Underwriting Method – YRT Males (2+)

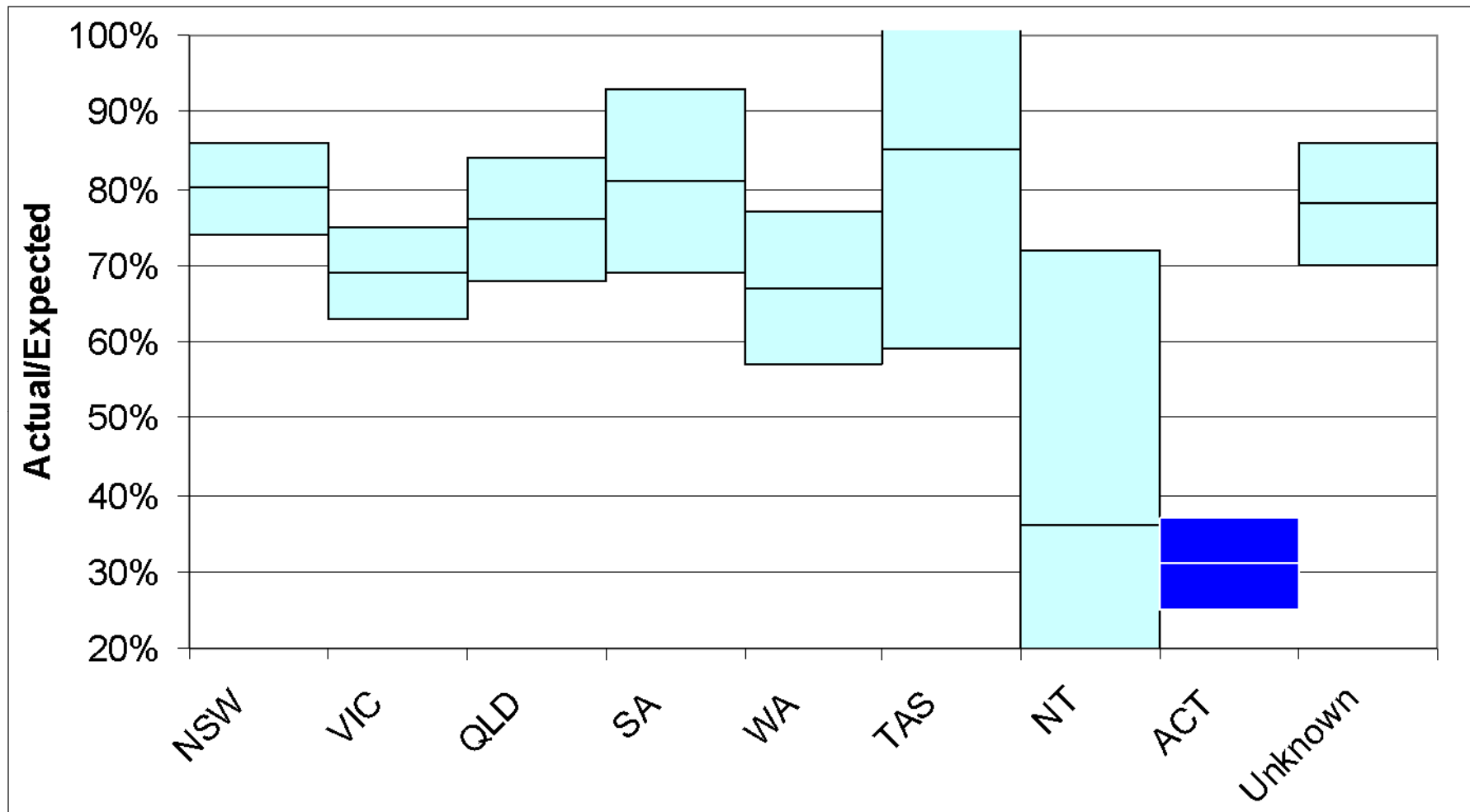


Death Only: Distribution Channel – YRT Males (2+)

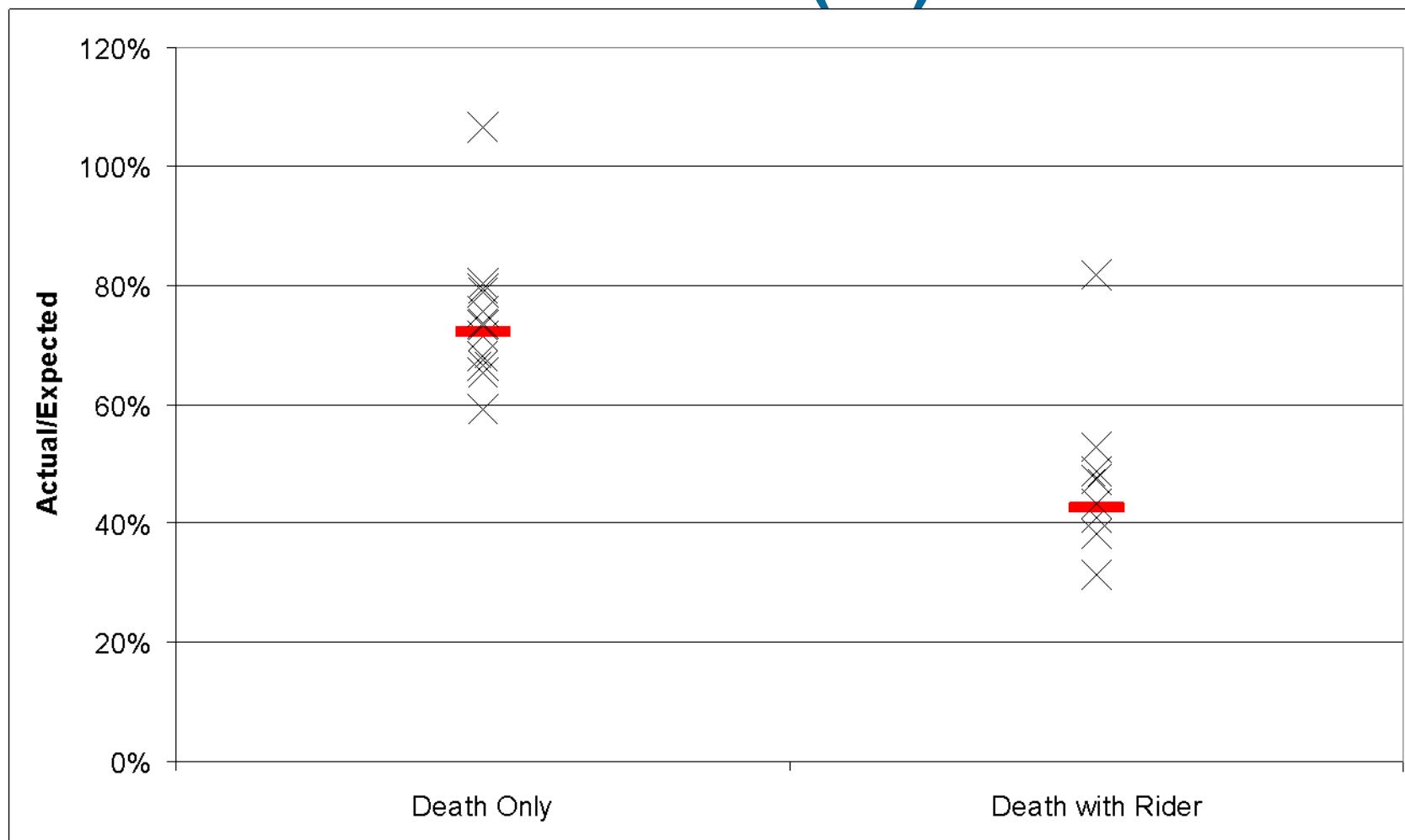




Death Only: Location – YRT Males (2+)



Death: Results by Company – YRT Males (2+)

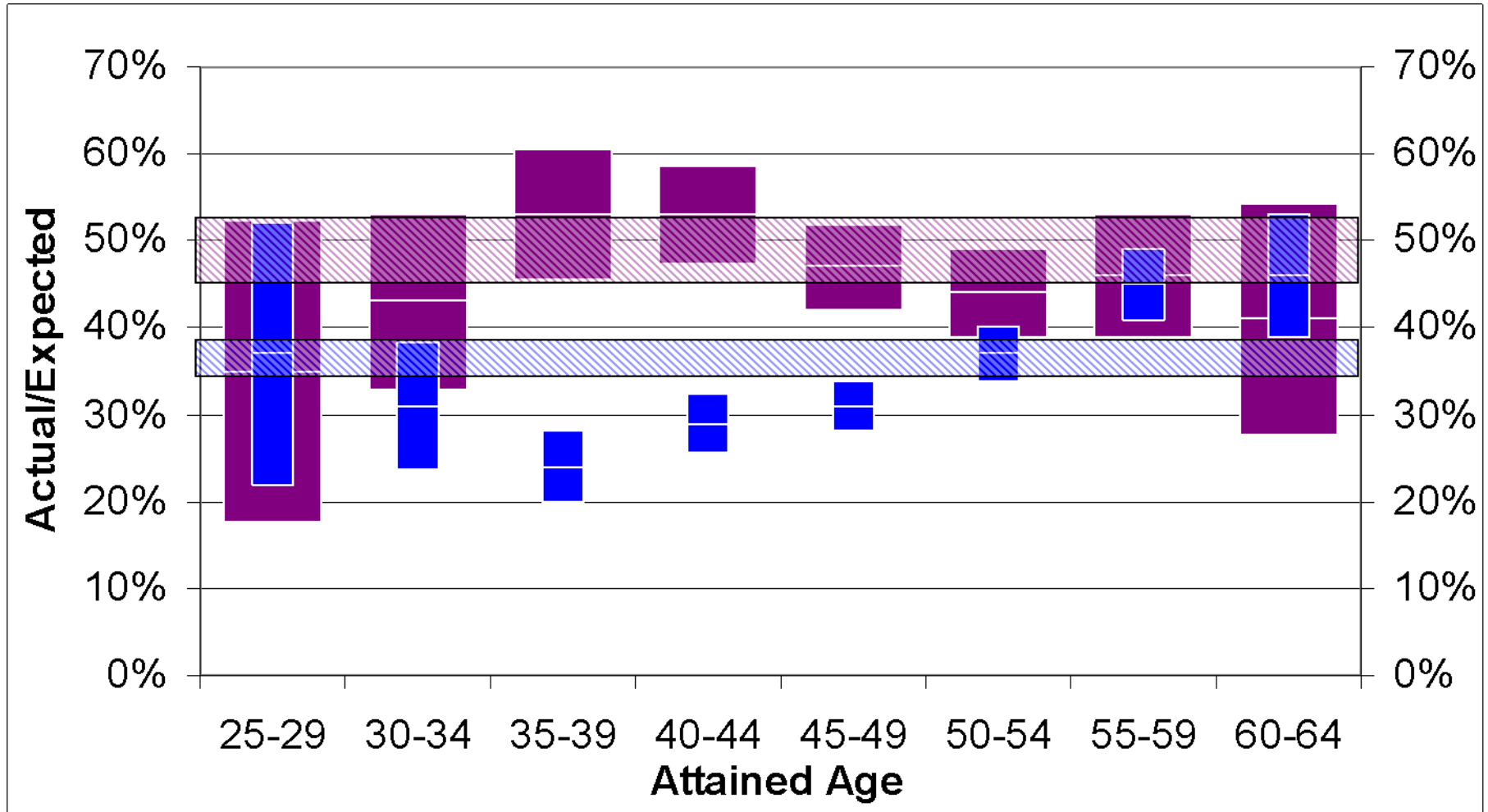




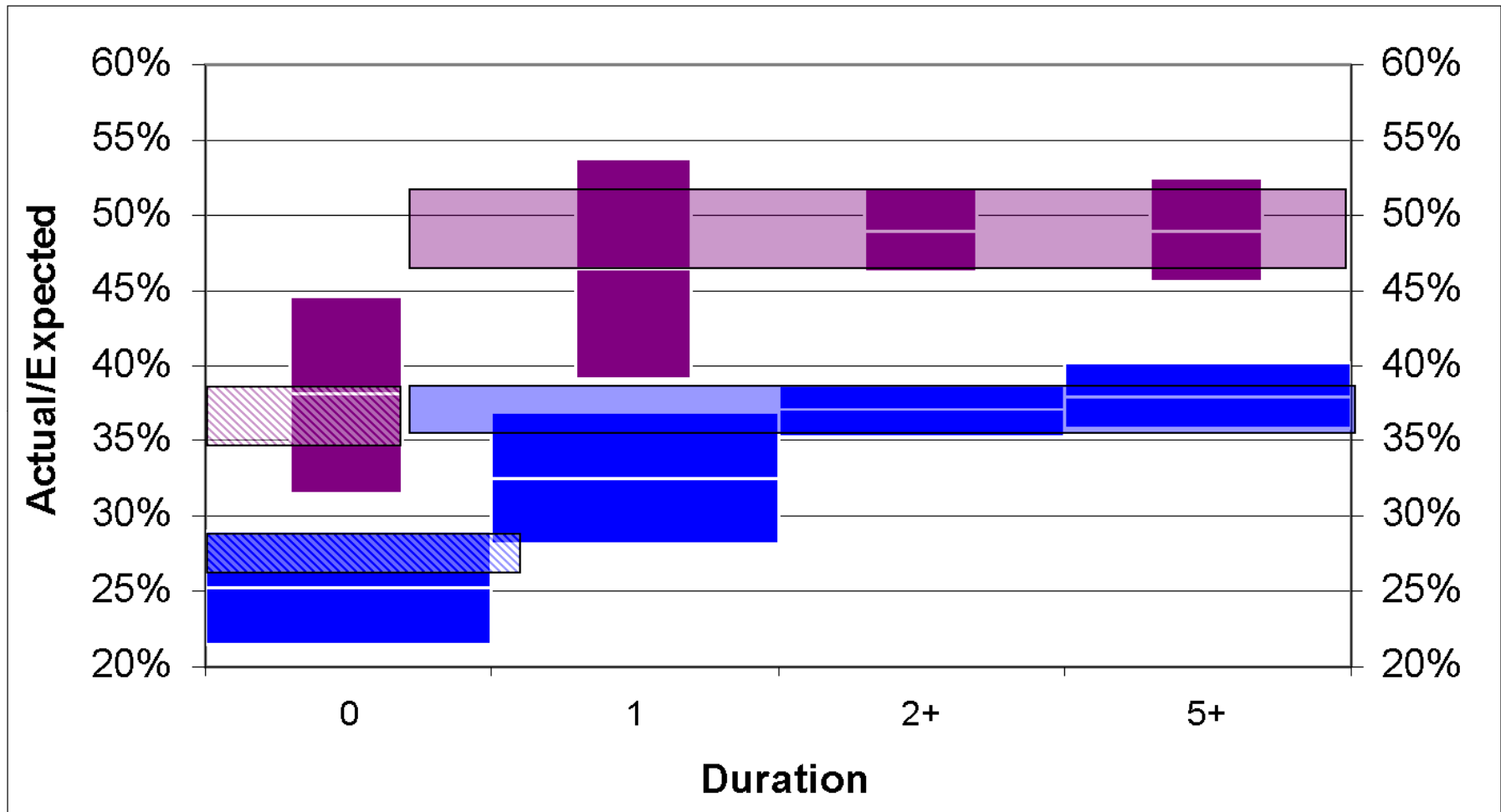
Results: Trauma



Trauma: Age – YRT (2+)

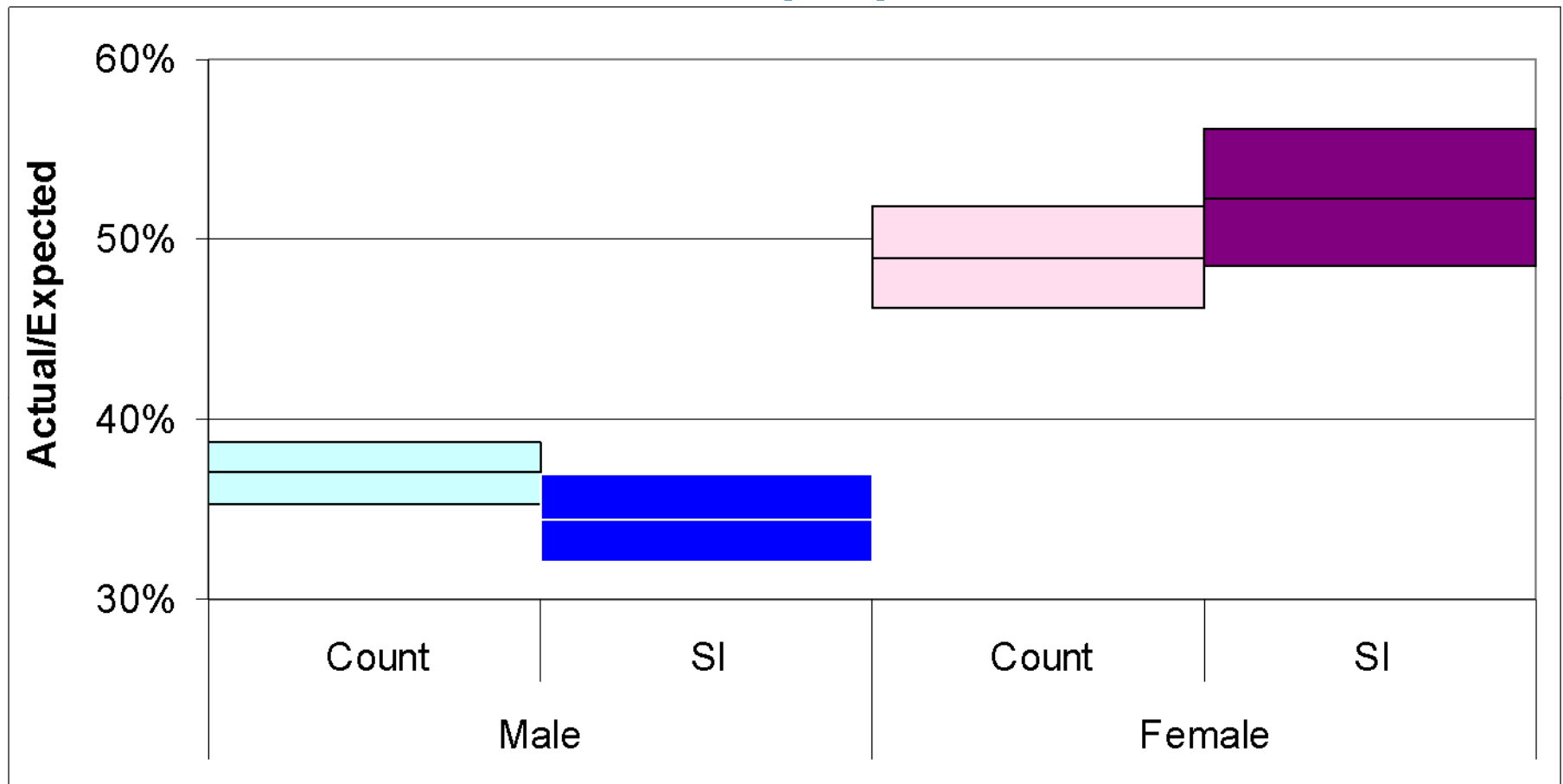


Trauma: Selection effect – YRT

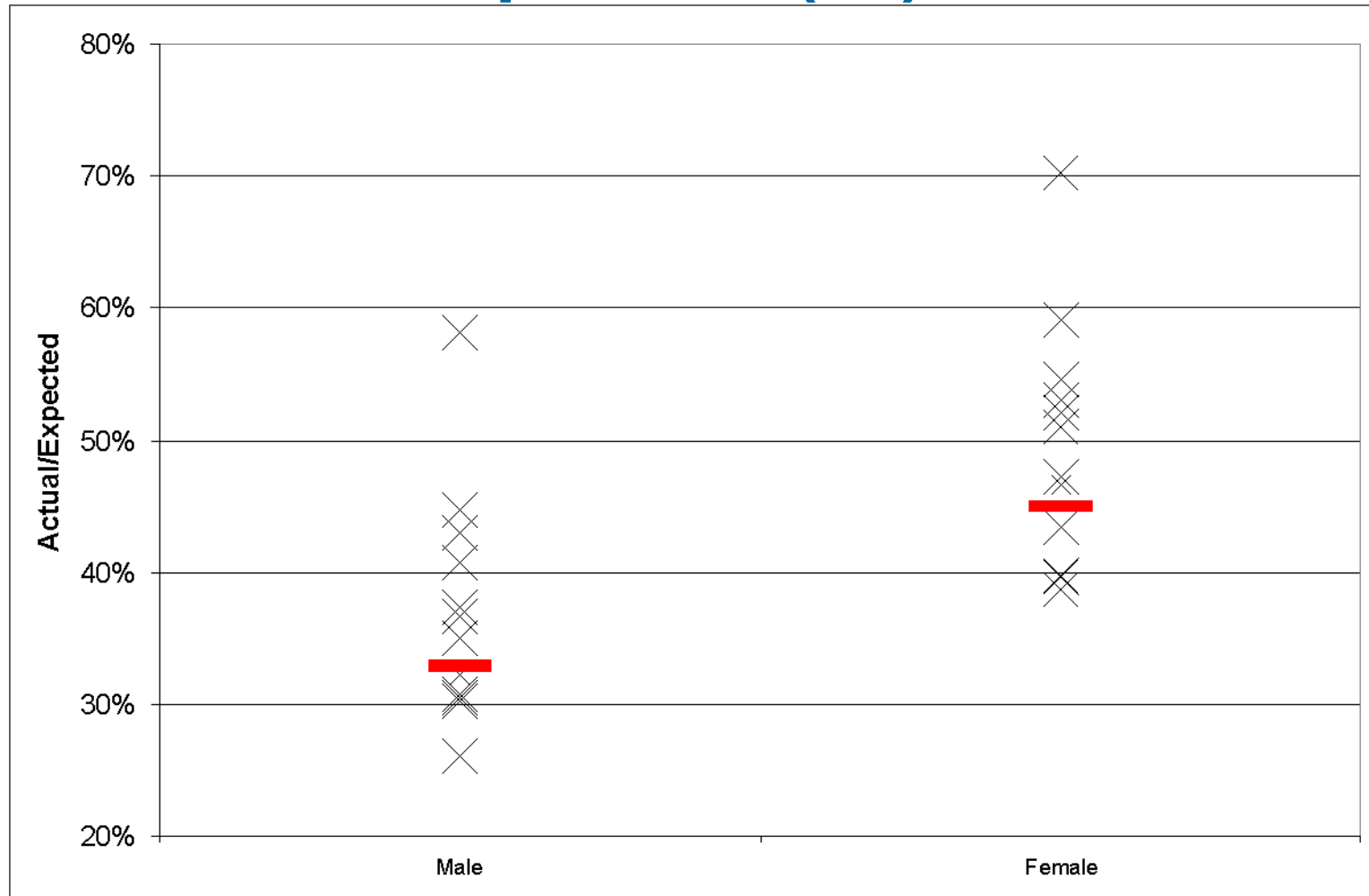




Trauma: Sum Insured vs. Count – YRT (2+)



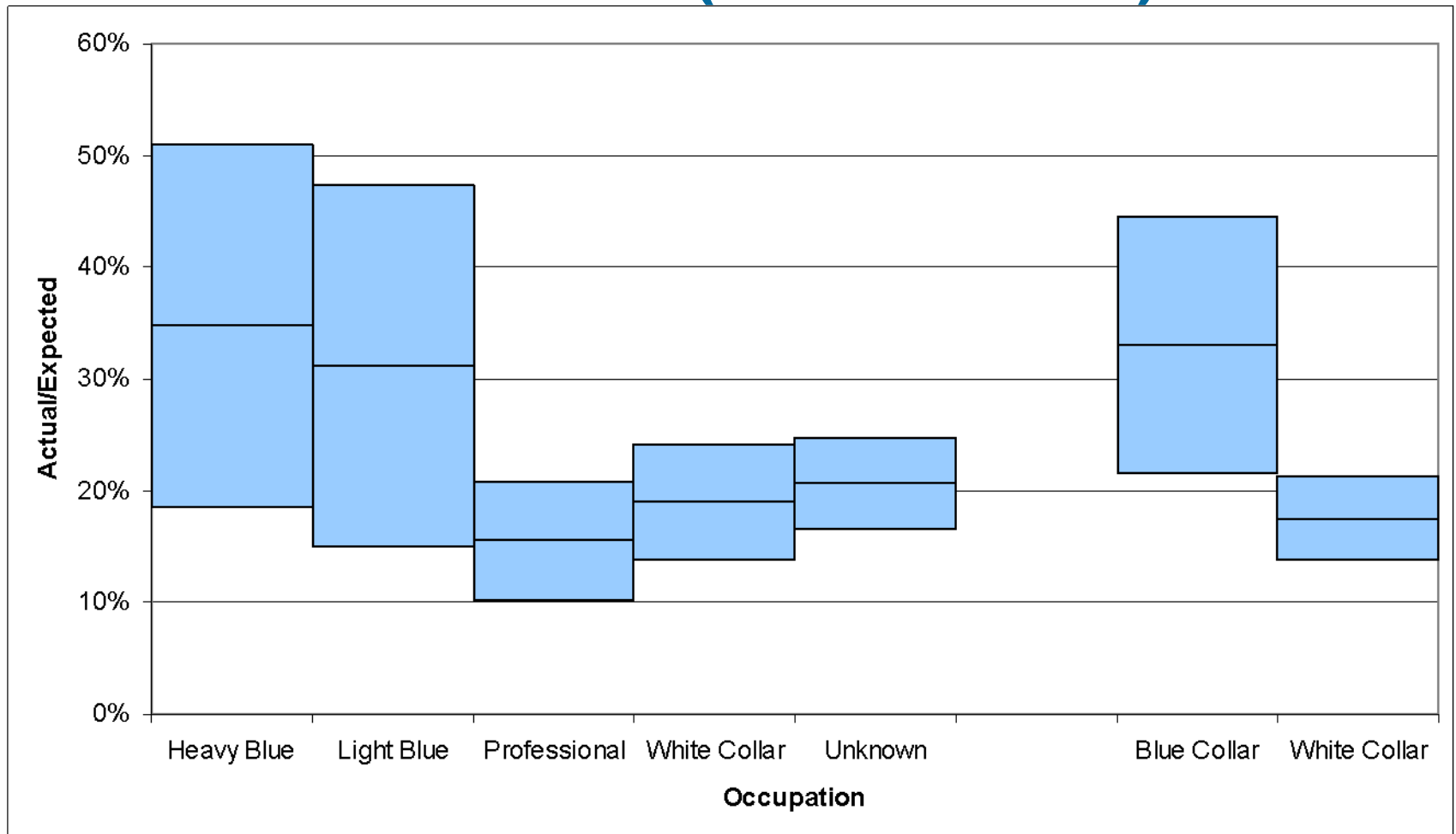
Trauma: Experience by Company – All policies (2+)





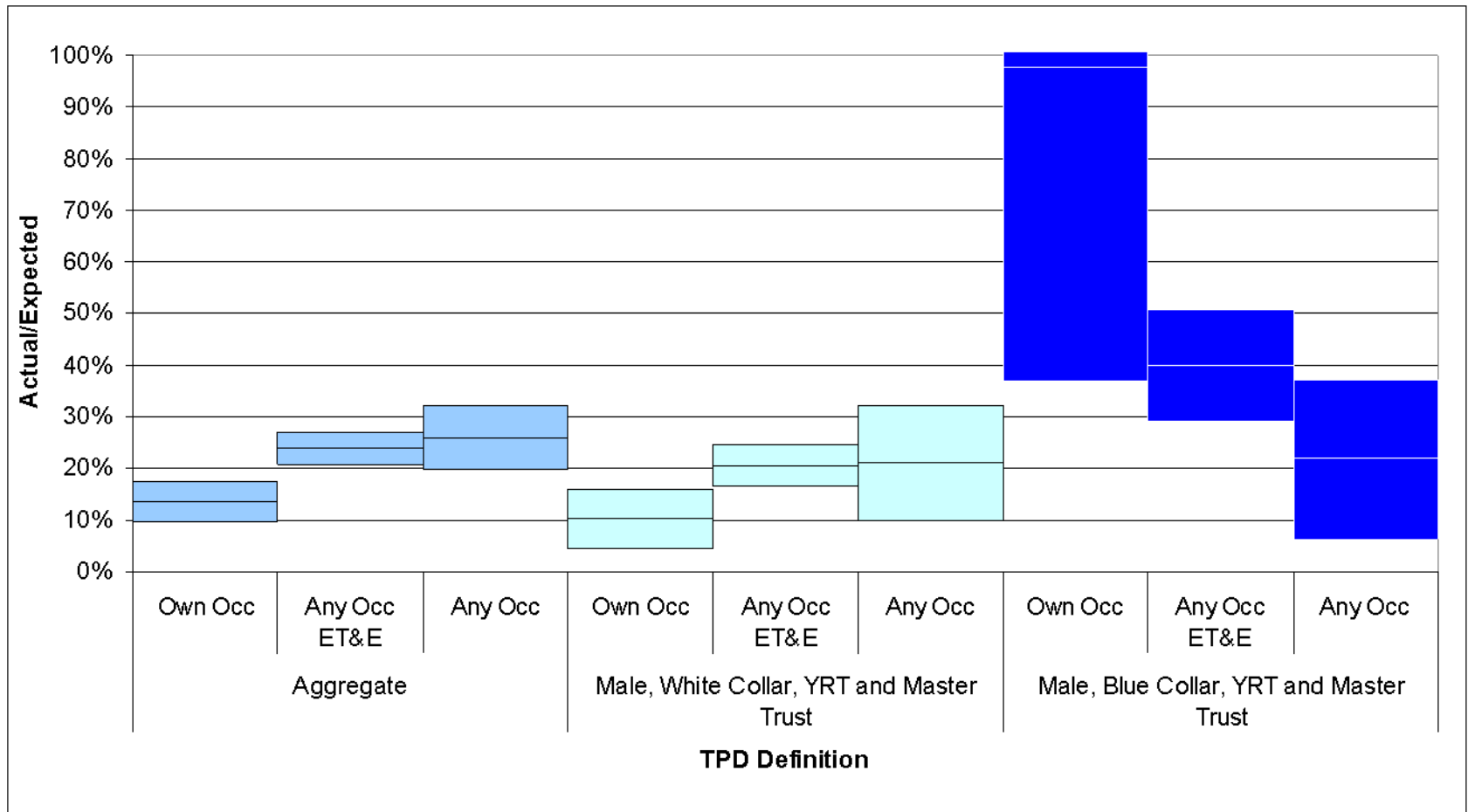
Results: TPD

TPD: Occupation Class – YRT, Males, Non-Smokers (all durations)





TPD: Definition – Males, Non-Smokers (all durations)





Take out for the industry

- Confirms a number of long standing rating factors
- New results: causes of claims, sum insured effect, selection for trauma
- New analyses: underwriting, distribution channel, location, TPD definition

Next Steps

- IFSA-KPMG 2006-2008 Lump Sum Experience Investigation expected to be released to participants July 2010
- Institute Graduation Taskforce will create new standard tables based on 2004-2008 data
- IFSA-KPMG 2009 Disability Income Experience Investigation has just commenced
 - If data finalised by September 2010, report will be issued in early 2011

Participants





Limitations and Reliances

- Wide variation of results between companies.
- 2004-06 Results, so results are 3 years old and reflect different economic conditions.
- Results are only as good as the data: primary responsibility for data quality is with each contributing company.
- Neither KPMG nor IFSA accept any responsibility for the use or misuse of any information in this presentation.

Data volume (industry with comparison to 2007)

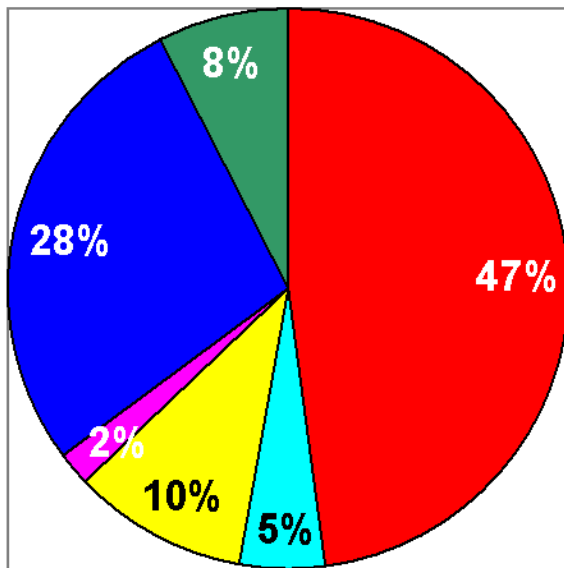
Type of cover	“Benefits” 2004-06 (1,935,530)	# Claims 2004-06 (4,205)	Claim Amounts	
Death only	5,457,018 (1,935,530)	10,527 (4,205)		
Death with riders	2,500,219 (939,697)	1,287 (538)		
Trauma	1,701,070 (685,839)	3,931 (1,519)		
TPD	1,362,058 (418,138)	673 (158)	Total	Average
Total	11,020,364 (3,979,204)	16,418 (6,420)	\$1,949M	\$118,691

* Figures in brackets refer to 2007

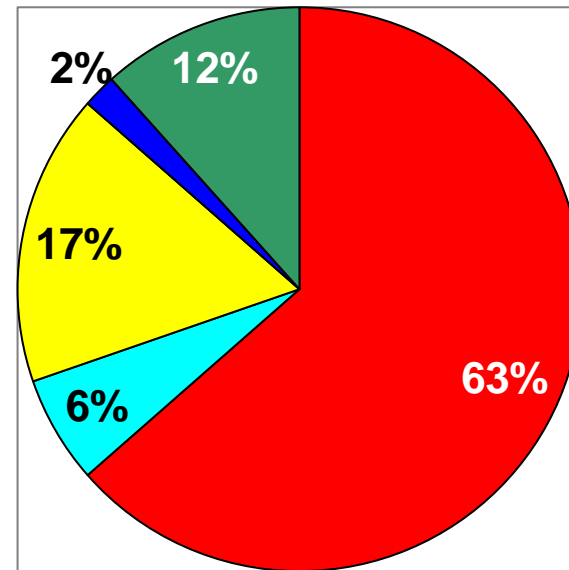
Distribution method

Exposure by Distribution Method: Males

Death Only



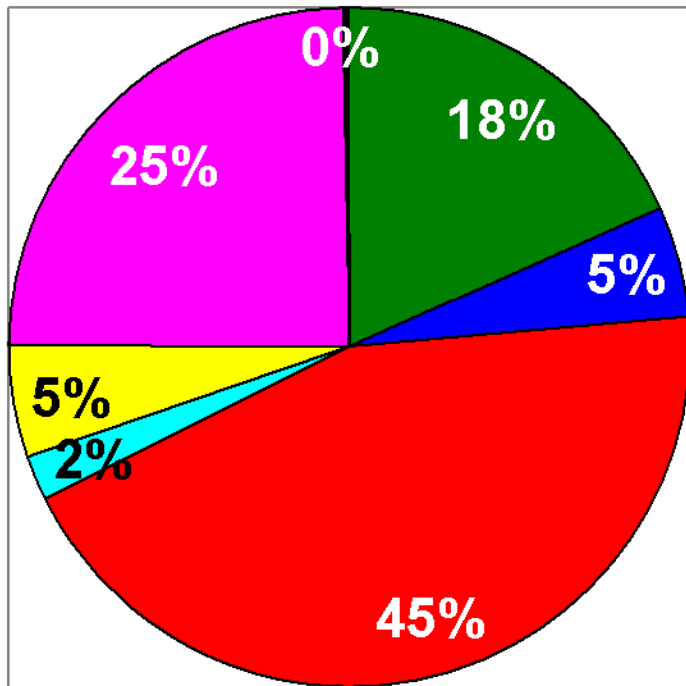
Death with Riders



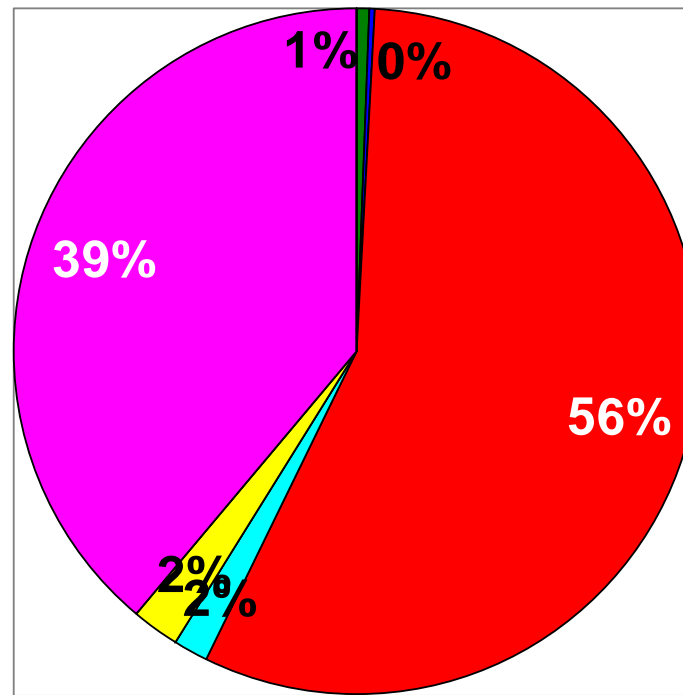
- | | |
|--|---|
|  Intermediaries - open market |  Intermediaries - tied (no choice) |
|  Intermediaries - Bank |  Other Bank distribution eg tellers, loans etc |
|  Direct - mail, internet, telemarketing etc |  Other |








Underwriting status

Exposure by Underwriting Status: Male
Death Only



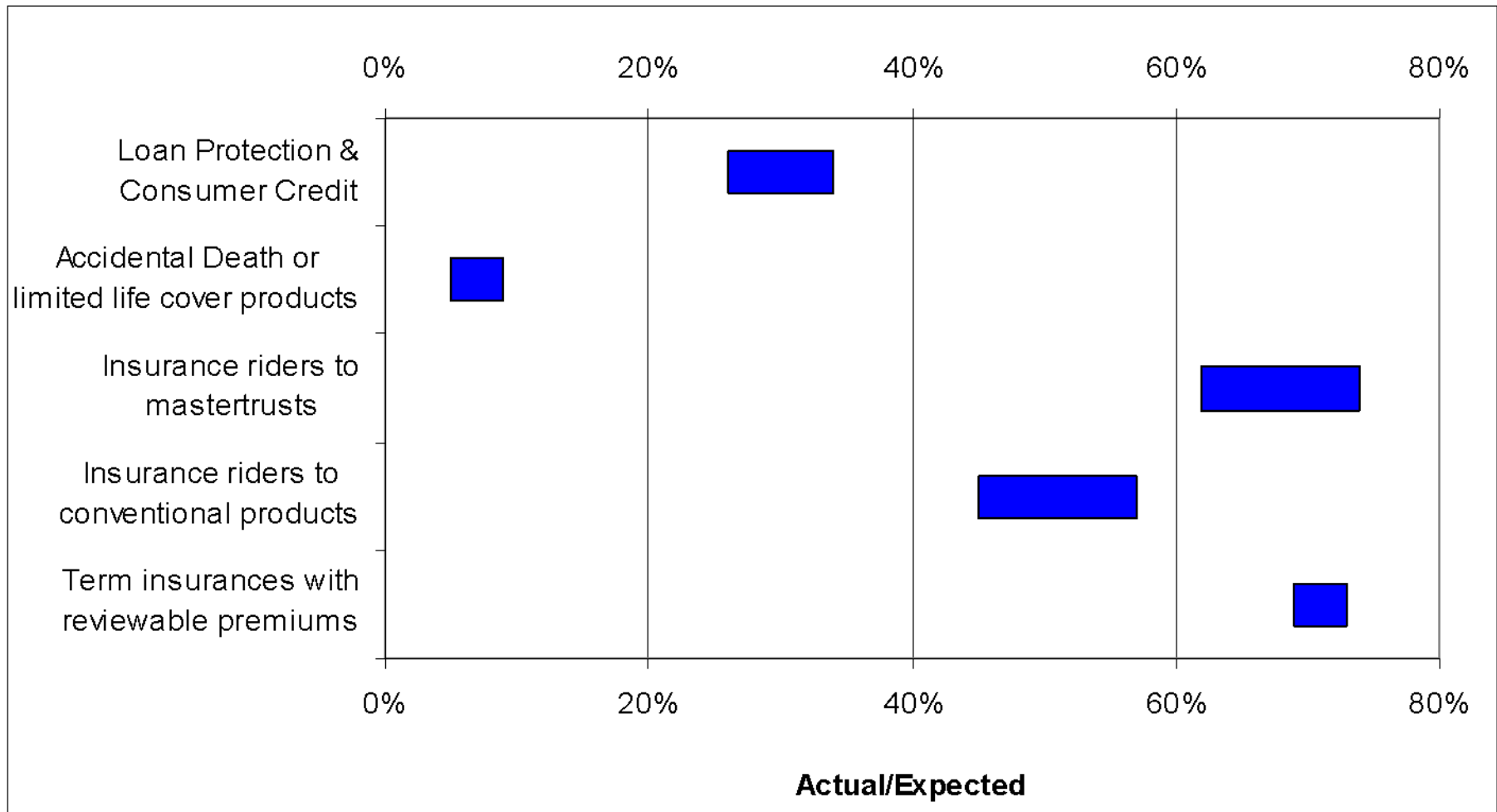
Death with Rider



-  No underwriting
-  Short form
-  Standard Personal Statement (GPS)
-  Medical evidence - mandatory & discretionary
-  Automatic Cover
-  Unknown
-  Teleunderwriting

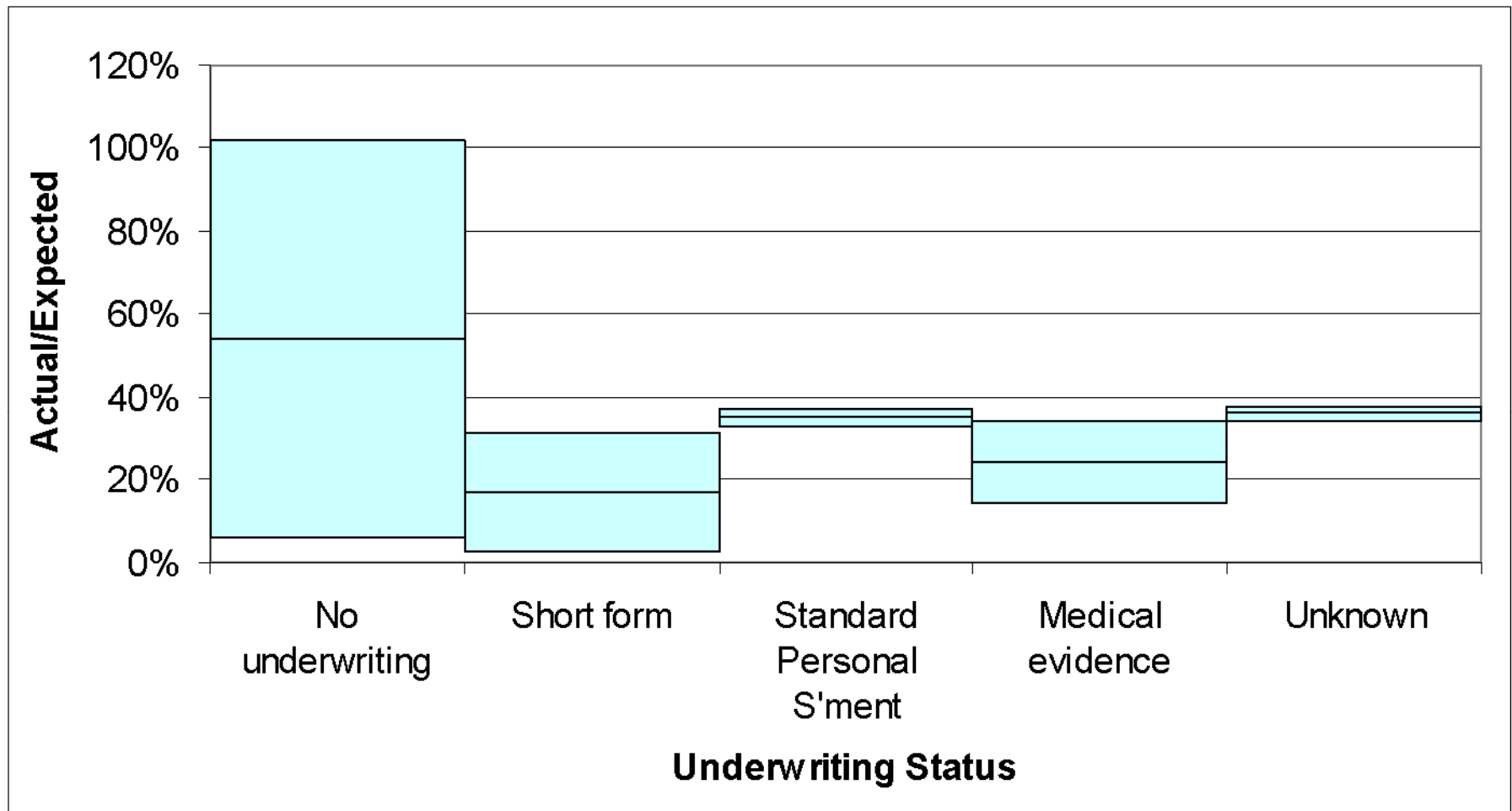


Death Only: Policy Type – Males (2+)



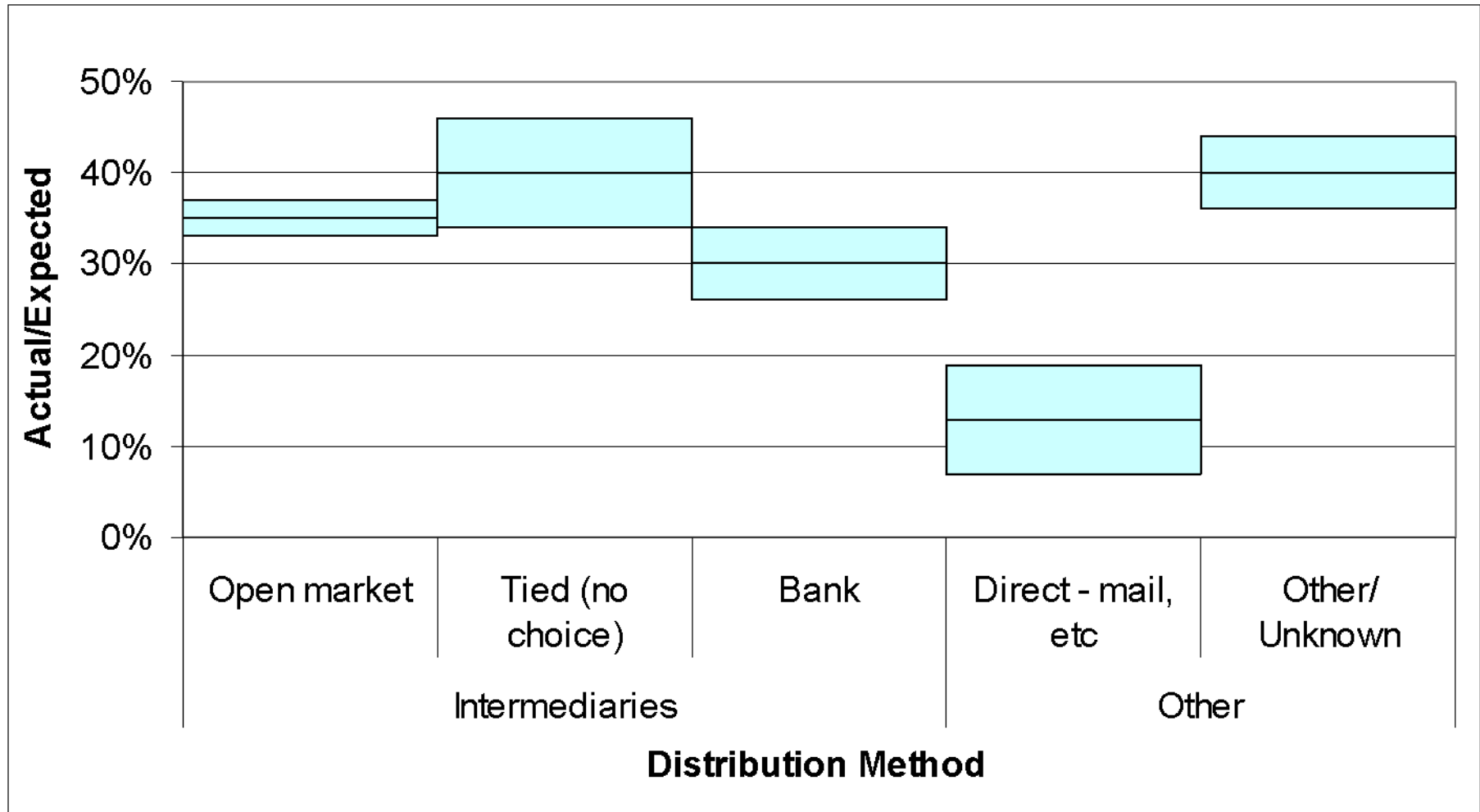


Trauma: Underwriting method – All policies, Males (2+)





Trauma: Distribution Method – All policies, Males (2+)



Trauma: Females vs. males – YRT (2+)

