NEW RESEARCH

GRADUATION OF THE 2004-2008 LUMP SUM INVESTIGATION DATA

The Graduation Taskforce of the Actuaries Institute published a series of new tables in November 2012, based on data provided by the FSC-KPMG Lump Sum Investigation for years 2004 to 2008 (see previous country report).

Product types covered by this report are:

- Death only business
- Death with Rider business
- TPD (standalone and accelerated)
- Trauma (standalone and accelerated)

Coming from:

- Term Insurance with reviewable premiums, and
- Insurance riders to investment platforms (including mastertrus)

Ie excluding Whole of Life and Endowment policies, for the first time.

According to the report, “The graduated tables are not intended to represent “best estimate” assumptions for any particular product in the market. They are based on the experience of a wide range of products issued by several life insurance companies over a specified period of time. Graduated tables therefore represent a benchmark upon which experience can be measured against and therefore should not be used solely as the basis of setting pricing or reserving assumptions without making appropriate adjustments.”

<table>
<thead>
<tr>
<th>Period Covered</th>
<th>2004-2008</th>
</tr>
</thead>
</table>
| Number of Claims | Death Only – 8,907  
Death with Rider – 1,950  
TPD – 1,109  
Trauma – 7,182 |
| Tables Produced | Tables for Death Only, Death with Rider, TPD, Trauma |
| Factors | Gender  
Smoker Status (Smoker, Non Smoker and Aggregate) |
| Duration | Year 0, 1 and 2+ |

In addition to the factors in the Tables themselves Actual to Expected results are presented for additional durations, by rider type (for Death with Rider), by occupational class (for TPD) and split into Accelerated and Stand Alone (for Trauma and TPD).

The population of Australia is estimated by the Australian Bureau of Statistics (ABS) to have reached 23 million in 2013.

Australia as a whole benefits from one of the lowest overall levels of mortality in the world, although a glaring exception to this is the indigenous (Aboriginal) population.

**Basic Information**

<table>
<thead>
<tr>
<th>Current population</th>
<th>22.8 m estimated 30/9/12²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current period life expectancy</td>
<td></td>
</tr>
<tr>
<td>- At birth</td>
<td>79.5 years (male), 84.0 years (female) (2010)³</td>
</tr>
<tr>
<td>- At 60</td>
<td>23 years (male), 26 years (female) (2010)⁴</td>
</tr>
</tbody>
</table>

**Population Pyramid in 2012**

(LHS Males, RHS, Females)

Source: Australian Bureau of Statistics⁵

**POPULATION MORTALITY TABLES**

Life tables at a national and state level can be obtained in the form of MS Excel “data cubes” from the ABS. The most recent available cover 2009-2011 and are available here:

3302.0.55.001 - Life Tables, States, Territories and Australia, 2009-2011

Life tables are also prepared by the Australian Government Actuary (AGA) and can be obtained here:


³ 3302.0 - Deaths, Australia, 2010, ABS
⁴ 3302.0 - Deaths, Australia, 2010, ABS
⁵ 3101.0 – Australian Demographic Statistics, ABS; 3222.0 – Population Projections, Australia, 2006 to 2101, ABS
NEW REGULATORY CAPITAL STANDARDS

New capital standards for life and general insurers came into force on 1 January 2013.

These were the end result of APRA’s Life and General Insurance Capital project, LAGIC.

The new rules are complete overhaul for Life Insurance, with fewer changes for General Insurance. While existing Life Insurance standards were already quite risk sensitive, the project provides greater alignment between Life and General Insurance approaches as well as current global best practice.

There are broad similarities to the Solvency II framework including:

- Intention to provide a 99.5% probability of sufficiency over a one-year period.
- A three pillar approach:
  - Pillar I – quantitative calculations of a Prudential Capital Requirement (PCR) and available Capital Base
  - Pillar II – qualitative assessment including the Internal Capital Adequacy Assessment Process (ICAAP)
  - Pillar III – new reporting and disclosure requirements to APRA, management and the public
- Capital Base includes classification by quality into Tier 1, Additional Tier 1 and Tier 2
- Risk Charges are calculated using scenarios covering Asset Risk, Insurance Risk, Asset Concentration Risk and Operational Risk and making some allowance for diversification. However, there is currently no option for an Internal Model for Life Insurers.
- PCR may include a Supervisory Adjustment from the regulator

For more details see all the Prudential Standards at:


There has been little public discussion about whether the new standards would increase capital requirements, APRA has stated that this was not its intention, at least at an industry level. However the introduction of an explicit allowance for a shock mortality/morbidity event such as a pandemic, may lead to increases for entities with a particular exposure to this risk.
RELEVANT ORGANISATIONS

GOVERNMENT STATISTICS DEPARTMENT
Australian Bureau of Statistics (ABS)

ACTUARIAL SOCIETY
Institute of Actuaries of Australia (known as the Actuaries Institute locally)
http://www.actuaries.asn.au

INSURANCE REGULATOR
Australian Prudential Regulation Authority (APRA)
http://www.apra.gov.au

OTHER
Australian Government Actuary (AGA)
http://www.aga.gov.au