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SYNOPSIS

TRANSFORMING THE LIFE INSURANCE INDUSTRY - LIFESTYLE BASED ANALYTICS

John King, Kim Cohen

Key words: life insurance, underwriting, lifestyle based analytics, lifestyle application triage, innovation, product development

Purpose of your paper:
To explore innovative and proven ways to make the process of risk selection simpler in life insurance, to improve the customer experience, and in the process add to shareholder value.

Synopsis:
The life insurance industry has historically not been particularly innovative when it comes to the use of data as a management tool. Other industries have been able to harness the power of their customer's information to create shareholder value, and to create a much better customer experience.

To date, innovation around any sort of analytics within life insurers has been difficult due to a combination of lack of local experience in implementing these techniques for life insurers, as well as the cultural nimbleness that is required for innovation.

To really tackle the issue of underinsurance in life insurance, a fundamental change to the way life insurers interacts with potential customers is needed.

In the last 4-5 years, a number of large US life insurers have implemented lifestyle based analytics to their application processes to enable the risk selection process to be simpler – using past application data supplemented with rich marketing datasets and financial data (such as credit and banking transactions). This has shown to be a win-win situation for the life insurer (volume growth without taking on untenable risks), for their relationships with their advisers and their customers.

These models have been used in not only application triage, but also a wide variety of business applications such as enhancing underwriting behaviours, risk based marketing, retention, customer lifetime value and even in agent recruiting and retention.

In this presentation we will explore

- The concept of lifestyle based analytics
- Life insurance case studies from the US using lifestyle based analytics, as well as the beginnings of such development in the UK, including the sort of data they leveraged, the challenges the insurers faced, the improvement metrics they are seeing, and the foreseeable next steps for the US life insurance industry
- How Australian insurers could use these techniques, the sort of data they should consider exploring, and how they might start.

The presenters in combination specialize in life insurance in both Australian consulting and corporate environments and have hands on experience in applying lifestyle application triage in the US for life insurers.

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SYNOPSIS

PANDEMIC RISK – "*LIFE INSURER'S BLACK SWAN*"
Yan Sun

Key words:
Pandemic, Scenario, Emerging, Risk, Reinsurance, Protection, Market Contagion,

Purpose of your paper:
"Emerging risks" such as Pandemics, given its nature, cannot be easily quantified nor controlled. However, as actuaries at the coal-face of risk management, we must try. The purpose of this is to raise awareness and explore risk management solutions.

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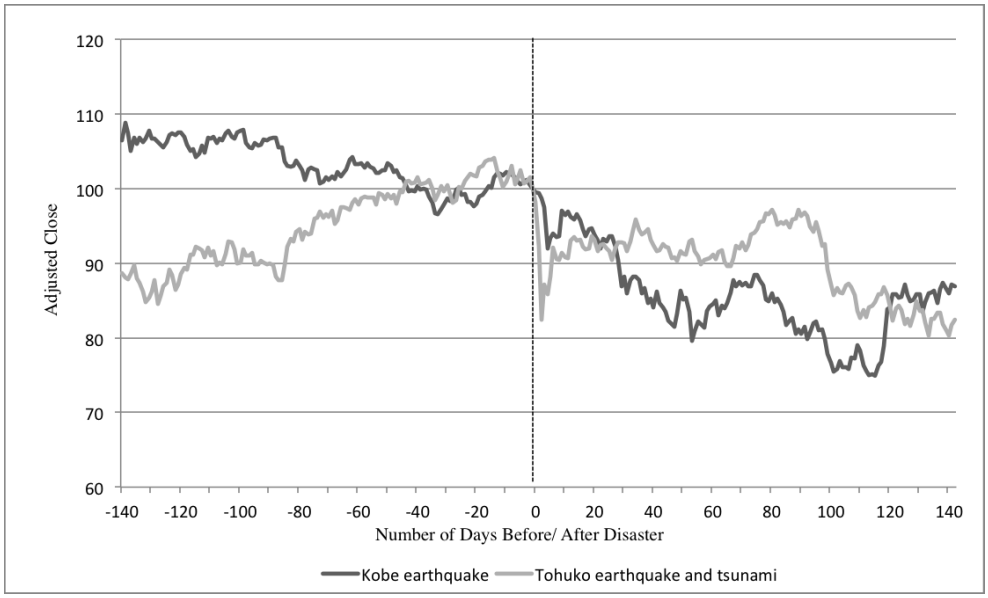
"Emerging risks" such as Pandemics, given its nature, cannot be easily quantified nor controlled. However, as actuaries at the coal-face of risk management, we must try. The purpose of this is to raise awareness and explore risk management solutions.

Following are the key sections of the presentation:

1) Raise risk awareness: Pandemic risk is as real as the "black swan"
    - Introduce the major pandemics in history (i.e. 1918, 1957, 1968)
    - Demonstrate the "real" risk beyond capital requirements
    - Capital markets reaction? (i.e. correlation between major catastrophic disasters and the capital markets, thus Pandemics can shock not only liability, but assets as well)



Source: Yahoo! Finance/http://www.rieti.go.jp/jp/publications/pdp/12p003.pdf

2) Regulatory Considerations
   - APRA is proposing that Appointed Actuaries determine separate margins in respect of mortality and morbidity risks for a 'future stress', a 'random stress' and an '**event stress'**.
   - The margin for '**event stress'** would apply only in the short term and would allow for sudden impact risks. The 'event stress' mortality margin would be subject to a minimum of the APRA-specified mortality pandemic scenario (Mortality and Morbidity Event Stress – LPS 115)
   - Under LAGIC, it is true that not all APRA licensed re/insurers will face a major capital impact, given nature of business mix, but ultimately APRA's goal is **beyond capital quantification, it is about raising risk awareness**

3) Modelling Techniques and Considerations
   - Every Pandemic event can look different and the impact can vary according to the Attack Rate, Case Fatality Rate, Duration and Concentration of the business mix
   - Introduce the various modeling solutions/stress testing options

4) Implications for your business
   - Capital requirements under LAGIC
   - ALM (i.e. often, liabilities as an input into ALM does not allow major deviations from best estimate, thus ALM framework is set based on this, but with a Pandemic, ALM needs to react in order to meet claims)
   - Liquidity constraints (i.e. during Pandemics, normally the panic may spread to the capital markets, causing the need to realise losses in order to meet claims)
   - Earnings/Share Price volatility?

5) Find optimal risk management solutions:
   - Reinsurance vs.
   - Capital markets solutions (i.e. pandemic bond) vs.
   - Inaction?

6) Role of the government
   - Our boarder security
   - The concept of a government established pandemic pool?

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SYNOPSIS

THE WINNER'S CURSE IN A GROUP LIFE SETTING

Colin Yellowlees

Key words:
Winner's Curse, Group Life Pricing, IBNR, claims data

Purpose of your paper:
To assist actuaries involved in Group Life pricing to understand how different practices in estimating future claims costs impacts on the outcome of tenders for Group Life schemes.

Synopsis:
The Winner's Curse is a concept studied in economics (and in particular auction theory) where in various situations the winner is likely to have paid more than the true value of the item that is being auctioned. The term Winner's Curse was first used in 1971 in relation to the auctioning off of oil drilling rights. The Winner's Curse has also been studied in other settings for example: IPOs, book publishing rights, corporate takeovers and spectrum licenses. This paper discusses whether the Winner's curse is likely to exist in tendering for Group Life schemes in Australia, if it exists what the likely cause is and how insurance companies should respond to it.

The most significant input into pricing a Group Life scheme is estimating what the future claims costs may be. As the future claims cost is difficult to uncertain and estimate the values arrived at by actuaries can vary substantially. As price is generally the most significant factor in winning a tender often the lowest price will win. Unless this is specifically accounted for the winning tender may end up making losses (or being cursed) upon winning the scheme.

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SYNOPSIS

THE EMERGENCE OF SELECTIVE LAPSATION EFFECTS IN AUSTRALASIAN YRT BUSINESS

Martyn Gilling, Mark Stewart, Hoa Bui, Micheline Dionne

Key words:
Select lapsation; mortality deterioration; pricing; underwriting; YRT; In force blocks; new business

Purpose of your paper:
The purpose of this paper is to consider if there is emerging evidence of selective lapsation effects in Australasian YRT business, potential implications and possible pricing responses.

Synopsis:
For many years the effects of selective lapsation on level term business in North America have been well know and documented. In Australasia, with YRT products, we typically have adopted pricing bases that allow for very short select periods and no anti-selective lapsation – Is this the right approach?

This paper and presentation will explore the known experience in North America and contrast with emerging experience in Australasia. We will consider evidence that selective lapsation may exist, pros and cons of a selective lapse basis in pricing, and the possible consequences of the higher lapse rates that the industry is currently experiencing.

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SYNOPSIS

ICAAP: Current State and Future Challenges

Bozenna Hinton, Kent Wong

Key words: ICAAP, Industry view, Summary Statement, Risk dashboard

Purpose of your paper: Industry response to ICAAP

Synopsis:

APRA's new capital standards from 1 January 2013 require insurers to have in place an Internal Capital Adequacy Assessment Process (ICAAP). The ICAAP requirements apply to life insurers, general insurers and banks. As companies begin their first year under an ICAAP regime, this presentation will examine the range of approaches being adopted, and look at how best to extract value from the process.

1. What ICAAP progress has there been to date? What can we learn from early ICAAP summary statements and ICAAP reports?
2. How are businesses planning to use the ICAAP in practice? Who has ownership and responsibility for the process?
3. What business outcome is being sought from the ICAAP - compliance, or added value to the business?
4. What does a successful ICAAP look like and how can it be achieved?
5. How have companies integrated their approach to risk management and capital management and target capital?
6. What would an external reviewer expect to see in an ICAAP?

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SYNOPSIS

Living LAGIC

Brendan Counsell, Rob Desoisa

Key words: LAGIC, Benchmarking, Key issues

Purpose of your paper: Challenges and capital dynamics under LAGIC; Industry benchmarking

Synopsis:

APRA's new capital standards came into force on 1 January 2013. Life Insurers have each faced the challenges of interpreting these standards and in some cases consensus is yet to emerge. Many Life Insurers are still grappling with understanding the key drivers of capital under the new regime and how it may impact on their business.

1. What challenges have life companies faced in interpreting and implementing the new standards?
2. How have interpretations varied across the industry?
3. What analysis has been done to better understand the key drivers of capital? What early observations can we make?
4. What insights do we have that can be used to improve capital management and improve capital efficiency?

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SYNOPSIS

ECONOMIC CAPITAL DISCUSSION PAPER

Anton Kapel, Dan Antioch

Key words:
economic capital, risk-based capital, enterprise risk management, financial model

Purpose of your paper:
Globally, economic capital is increasing in importance within the financial services industry. While practice in some markets is converging due to regulatory requirements (e.g. Solvency II), there are still a range of approaches available for defining and calculating economic capital. For companies wishing to develop an economic capital basis, there is merit in considering all the alternative approaches. The aim of the paper is to act as a reference for discussions on economic capital.

Synopsis:
The approaches underlying economic capital determinations vary considerably across (and in some cases within) geographic markets. While regulatory developments are encouraging convergence of approaches, differences in approaches amongst companies may remain valid due to differences in risk profile and risk appetite.

The paper sets out common approaches to economic capital, and includes a comprehensive analysis of the alternatives available.

We also discuss how economic capital fits within an enterprise risk management framework, and what the key challenges and benefits are from incorporating economic capital as a corner-stone risk metric.

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SYNOPSIS

REPERCUSSIONS: HOW AIG'S INSURANCE SUBSIDIARIES WERE AFFECTED BY THE LOSSES OF AIG'S FINANCIAL PRODUCTS GROUP

Shauna Ferris

Key words:
AIG, Securities Lending, Liquidity, Affiliate Risk, Contagion, Moral Hazard, Bailout

Purpose of your paper:
Several empirical studies have shown that insurers can suffer severe problems as a result of losses in related companies (affiliates). This paper is a case study of affiliate risk. We will look at the impact of the AIG bailout on AIG's insurance subsidiaries.

In 2008 AIG suffered a liquidity crisis and required emergency support from the US government. The problems arose as a result of the activities of AIG's Financial Products Group. Initially, regulators claimed that AIG's insurance subsidiaries were financially sound. However, later revelations raised some doubts about these claims – as evidenced by the fact that a significant component of the bailout money was used to support the insurers. The insurance subsidiaries faced the risk of losing billions of dollars as a result of their involvement in a Securities Lending program. During the crisis, the parent company sought to borrow $20 billion in liquid assets from their subsidiaries. The post-bailout performance of the insurance subsidiaries has also come under scrutiny: did they lower their underwriting standards and cut premiums in order to retain market share?

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SYNOPSIS

TRAUMA INSURANCE – WANT TO PLAY THE LOTTERY?

André Dreyer, Kate Gillmore, Michael Richardson

Key words:
Trauma insurance, product design, innovation, risk, mis-selling, medical advances, needs-based

Purpose of your paper:
Product development in Australia, as has been the case around the world, has become driven by non-risk and commercial factors. This paper examines the unintended consequences of such practices and reviews alternatives for our market. Readers of the paper will better understand the risks inherent in current practices and have an opportunity to consider the alternatives that exist, both locally and internationally.

Synopsis:

The vast majority of claims under a trauma risk protection policy satisfies the relevant definition and are paid without any element of doubt or uncertainty. There are some instances, however, where a degree of uncertainty exists and where unexpected outcomes are achieved.

In addition, continued advances in clinical medicine have resulted in some definitions not keeping pace with the latest diagnostic techniques and clinical definitions. These changes not only affect policy definitions, they also affect assumptions of expected claims and hence pricing.

Overlay now the fact that the market continues to be driven by the ratings assigned to products by research houses and the associated need to imitate or better a competitor's offering and you will find that true innovation based on developments in medicine and product design are rarely the primary catalysts for change.

The combined effect of these is that it can sometimes feel like playing the lottery when a trauma insurance policy is bought; in fact, some advisors are believed to market it as a "retirement" plan in the event of contracting a seemingly benign traumatic condition! Has trauma insurance kept pace with innovation in medicine, technology and the needs of the policyholder? Is it at risk of being mis-sold and potentially jeopardise the financial stability of those insurers selling it?

This presentation will highlight recent research into the possible effects of the rapid expansion of trauma definitions, consider alternative product designs, international trends in trauma product development and what the "ideal" trauma product design could look like, through the eyes of a policyholder, advisor and insurer respectively.

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SYNOPSIS

LEADERSHIP AND LIFE INSURANCE FAILURES – WHAT CAN WE LEARN ABOUT FINANCIAL LEADERSHIP?

Bimal Balasingham, Andrew Brown

Key words:
Leadership, life insurance, cause of failures, learnings, financial professionals

Purpose of your paper

1. Understand the effect of leadership on the impairment and failure of life insurers
2. Identify the key learnings for financial professionals, in particular for actuaries
3. Identify what kind of finanical leadership needs to occur to adapt to an every eveolving marketplace and allow companies to thrive in the face of challenges and risk

Synopsis:
Over the past 200 years, there have been many life insurance failures and many more impairments. Much research has been done on their causes. Most of this analysis focuses on external factors (like wars or financial crashes) or internal issues (such as fraud, internal audit and compliance) or technical issues (e.g. mutual structure or negative spread). Some have also identified managerial deficiencies as the root causes. Yet little, if any, of the research discusses the leadership dilemmas that are faced by executives and managers and which led to the decisions that caused the impairments or failures.

We consider the effect of leadership on the impairment and failure of life insurers, referring to leadership lessons from Jim Collins, Peter Drucker,Warren Buffett, , Jack Welch et al.

We provie an overview of the history of life insurance failures and impairments over the past 200 years and review what caused them. The role of senior leaders and in particular senior finance leaders in these failures and impairments will be explored.

We explores the aftermath of life insurance failures and discusses the playbook for an orderly closure or transfer of assets.

we analyse leadership behavior in today's environment where life insurers face increasingly volatile and complex situations; and identify potential future impairments and failures. What makes the job of a leader difficult?

There are many insurers who, facing these conditions, are likely to have significant challenges to maintain the solvency and sustainability of their businesses and prevent impairment or failure. Within the context of the leadership model, we highlight the day to day issues that managers have to meet to avoid replicating their peers in the companies that failed.

Finally, we outline a number of lessons for regulators, for boards and for leaders of life insurers in order to adapt and thrive in an increasingly complex world.

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SYNOPSIS

WEALTH MANAGEMENT 2018 – FIVE YEARS OF FOFA AND STRONGER SUPER

Hoa Bui, Ronna Ludgate, Alex Stitt

Key words:
Wealth Management, Regulatory Change, Strategy, Products, Superannuation, Distribution, Channels, Advice

Purpose of your paper:
Survey the dramatic forces changing the Wealth Management industry in 2013 and explore the potential landscape in 2018. Help companies and industry professionals understand and prepare for the future of the Industry.

Synopsis:
FOFA (Future of Financial Advice) and Stronger Super legislation changes introduced in 2012 and fully effective 1 July 2013 are "changing the game" in Wealth Management, affecting both retail and corporate products, distribution and advice.

- Many product suites are directly affected and almost all superannuation, investment and insurance products are indirectly affected.
- The MySuper offer re-casts large sections of the superannuation landscape
- Stable business models from the last decade are disrupted and in some cases no longer viable.
- Long-practiced ways of reaching and retaining customers must change and in some cases are proscribed.
- The long standing relationships between product manufacturers or platform providers and intermediaries have all been given a shake.
- Businesses already under significant cost pressure face diminishing revenue streams.

Companies have scrambled to get ready for the legislation taking effect and there is still plenty to do. Many have been forced to focus on the here-and-now of day-one compliance. Less has been done in getting the business ready to win over the long term. And the future is uncertain.

Mergers and acquisitions activity is likely as businesses build scale, vertically integrate or abandon no longer attractive business segments.

And to spice up the mix, technological maturation and generational change in many customer segments is also forcing change independent of regulatory imperatives.

<u>This presentation will:</u>

Summarise the key "mechanical" elements of the legislation changes – FOFA and Stronger Super.

Explore some implications of those changes – what is having to change and why.

Survey the UK landscape where similar, but not identical Retail Distribution Review, changes have come into full effect 1 January 2013. What does the slightly advanced UK timetable suggest for Australia?

Outline some of the many challenges for Broadly integrated institutions, Specialised institutions, Employed advisers, Independent advisers, Other advisers, Dealerships, Industry super funds, SMSFs and Consumers (at their various life stages and wealth cycle positions).

It will then place the crystal ball on the rostrum and explore what the Wealth Management landscape might look like in 2018, after five years of FOFA and Stronger Super:

- Products:
    - Basic regulated retirement savings
    - Other retirement savings
    - Other financial investments
    - "Protection" products
- Providers:
    - Integrated houses – the big banks
    - Specialised institutions – The other "life insurers"
    - Industry superannuation funds
    - Other players and new entrants
    - Pure platforms
- Dealerships
- Advisers
- Channels
- Consumer preferences

And lastly it will bring all the forces together in a check list of things to consider for how to help your business prepare for 2018.

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SYNOPSIS

THE APPOINTED ACTUARY AND THE ICAAP
Jennifer Lang

Key words:
Appointed Actuary, ICAAP, Insurance, APRA, Risk Management, Regulators

Purpose of your paper:
Consideration of the future role that Appointed Actuaries will play and the influence of the Appointed Actuary as a key part of the management team.

Synopsis:
Are Appointed Actuaries moving into a compliance role, partly driven by the new ICAAP requirements from APRA for insurance companies?

At an Actuaries Institute meeting in 2012, three possibilities for the future of the profession going forward:

Should the profession:

- Be content with the framework [of risk management and actuarial roles] as it is evolving and focus on our traditional competencies, and/or
- Position the profession as one of a number of professions capable of delivering ICAAP and broader risk management and capital advice, and/or
- Work further with regulators to look to integrate the role of the CRO and Appointed Actuary, similarly integrating the FCR and ICAAP, as an alternative option.

Now that the new capital standards are in force, what are Appointed Actuaries finding has changed? What does this mean for Appointed Actuaries?

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SYNOPSIS

FUNERAL COVER – IS THERE ANOTHER WAY?
Robert Sorbello

Key words:
Life Insurance, Retirees, Product Development

Purpose of your paper:
Investigation of product ideas & structures for funeral insurance

Synopsis:
Funeral insurance products typically provide small amounts of cover (eg $20k) in exchange for regular premiums, often increasing with age. It is usually aimed at over 50's that do not have sufficient retirement savings.

Some concerns have been raised in recent times that the products are too costly and not satisfying customer needs sufficiently. No surrender value is generally paid if premiums are stopped, and once a certain age is reached, it is possible that more can be paid for the cover than actually received as a benefit.

This presentation will look at options to alleviate some of these issues and potentially provide better outcomes for consumers. This includes consideration of the current product designs, alternative products/designs, as well as the distribution channels involved.

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SYNOPSIS

Trends in the Life and Wealth Industry with a Focus on Product Development
Clive Levinthal

Key words:
Life Insurance, Wealth Management, Superannuation, Product Trends, Product Development, Wellness Programs, Aged Care, Post Retirement

Purpose of your paper :
To provide a broad overview of the life insurance and wealth management(mainly superannuation) industry trends in Australia and emerging product and distribution trends, with a focus on Wellness Programs, Aged Care and Post Retirement products.

Synopsis:
Life Insurance

Industry Overview

- The Australian life insurance industry has grown from about $4bn to $11bn of in-force premiums over the 10 years to 2012. The industry is growing at over 10% per annum and this is expected to continue because of high underinsurance levels, investment in the sector, population growth and growth funded from rising superannuation savings.

- The retail life insurance segment makes up about 65% of the life insurance market. Within that segment, IFAs make up about 60% of its size and direct business makes up roughly 10% of its size. Group, bank and direct channels appear to be growing faster than IFA channels. Whilst group risk growth has been the highest for several years, this may slow as Trustees have introduced stepped changes in products and coverage levels (eg the introduction of IP cover). However, price rises are forecast in group insurance and this may continue its high growth trend.

- 11 active insurers are competing across 4 dominant channels being IFA's, bank distribution, group insurance and, more recently, direct distribution (mainly DRTV). 4 larger reinsurers are operating actively to support these insurers. One of these reinsurers is participating directly in both the group insurance and direct insurance channels.

- Despite the high growth in premiums, profits are not strong, with only retail life cover enjoying healthy margins. Retail IP and group insurance profits are very weak and lapse rates are generally high across all retail lines. Compounding this is the run off of large profitable legacy life company portfolios (both wealth and life) that enjoy relatively higher profit margins than newer business. The high premium growth and low profits are likely to clash soon, with price increases the likely consequence.

- Australian consumers remain largely apathetic towards buying life insurance but this is common across the world. The understanding of how life products work is also low. Unless cover is automatically granted via arrangements like employer superannuation funds,

consumers often need to be "sold" insurance via channels including advisers, persistent TV adverts and telemarketers.

- The type of product sold is often channel specific. For example, IP and trauma sales are dominated by advisers and TPD sales are dominated by group insurers. Product competitiveness plays a very small role in channels where sales are sold directly to retail customers. The type of direct distribution channel that is adopted is the largest influence on success. The internet remains an unattractive channel for consumers to buy life insurance, because consumers often do not "seek" insurance and because of the low levels of understanding, and this has also limited the amount of competition in the direct channel. The retail advice channel is competitive and reasonably efficient.

- Superannuation continues to emerge as a dominant funder of life insurance premiums and this is expected to continue.

Demographic and product trends

- The demographic profile of Australia is changing materially and product and distribution strategies need to change accordingly. The health of the country is also changing. There are positive changes, such as a decline in cardiovascular deaths, but also negative changes, such as rising numbers of people with diabetes.

- One noticeable trend is an emerging awareness of the need to introduce preventative measures to improve the health of Australians. The Government is playing its part with programs like the National Bowel Screening Program.

- The Private Sector is also stepping up with the emergence of wellness initiatives now being offered via employers and Health Insurers. The Life Insurance industry may be able to play a role in providing meaningful wellness programs embedded within their products and this has been seen in other countries. The presentation will explore Wellness features for life insurance products further.

Consumer attitudes and awareness

- Despite strong recent growth in the industry, Australia continues to face high relative levels of underinsurance. Consumers remain naive and apathetic towards life insurance and similar attitudes are shown in numerous countries like the USA and Australia. A recent LIMRA/LIFE study in the USA found that consumers overestimate the cost of life insurance by as much as three-fold. A survey by an Australian Broker showed that 71% of people falsely believe the government is required by law to provide financial support to families in the event of the death of a family member. And 70% falsely believe the government is required by law to pay a replacement income to workers if they stop work due to illness or injury not caused by work. The presentation will draw on this further.

- The presentation will also discuss ways that underinsurance and low consumer awareness can be tackled.

Wealth products (with a focus mainly on Superannuation and Aged Care)

- The superannuation industry is projected to grow from $1.4tr to $3tr by 2027. As at 30 June 2012, SMSFs held the largest proportion of superannuation assets, accounting for 31.5% of total assets. Retail funds held 26.5% of total assets, industry funds held 19.1%, public sector funds held 15.9% and corporate funds held 4% of total assets. Industry funds' assets increased by 6.6% during the year to June 2012. Public sector funds' assets increased by 5.7%. SMSF's assets, increased by 3.7%, retail funds' assets increased by 0.9% and corporate funds' assets decreased by 4.1%.

- Whilst SMSF growth has been explosive, and now forms the largest segment, the growth may slow because of contribution caps, people opting out at retirement phase and equivalent features being available in retail products

- One notable industry researcher predicts that retail funds and industry funds will be the relative winners and that corporate funds (incl employer super) will be losers in terms of future growth. Retail funds may gain some ground on the typical industry fund territory with MySuper products but the key to success with this is their ability to penetrate the award agreements.

- The superannuation segment of the wealth sector is expected to dominate the non superannuation segment in terms of size.

- The age pension represents – at most –roughly 38% of the average Australian wage. As more money emerges from the accumulation stage of superannuation, the age pension will become less relevant. There is already as much being paid from super pensions as being paid by the government for aged pensions. Post retirement assets will increase as a percentage of all super assets (to approx 30% within 10 years). Despite this, there is an uncertain outlook regarding product development with no sign of any trend towards longevity or aged care solutions.

- The home remains the main source of wealth for retirees. Most retirees do and will continue to own their home outright on retirement. Retirees will also enjoy a rapid rise in relative wealth compared to non retirees over time.

- Associated with the rise in the number of retirees will be a rise in the need for aged care services. The majority of care currently takes place in the home and this trend will continue. However, there will still be a high amount of usage of residential aged care services. These are expected to take place later in life and will have relatively short durations (commonly acute care and commonly for less than one year, and at a very high cost). Aged Care Legislation is changing more towards a user pays system which means higher costs for some, but also choices in how to pay for care (no longer forced to pay upfront bonds).

- Whilst superannuation balances and using home equity (via sale or reverse mortgage) will help fund aged care costs, there may be an opportunity for an insurance product to fund costs for self funded retirees when the costs peak at a time of severe frailty. However, it should be noted that these have not been successful overseas.

The presentation will expand on the status of the superannuation segment and also focus in more detail on the post retirement trends including changes and needs in Aged Care services.

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SYNOPSIS

LIFE INSURANCE AND RISK MARGINS

Briallen Cummings, Martin Paino

Key words: life insurance, risk margins

Purpose of your paper: To benchmark life insurance risk margin practices.

Synopsis:
Following the introduction of LAGIC, life insurers have had to improve the sophistication of their methods of setting risk margins. In contrast, general insurers have been deriving a setting margins for several years. This paper sets out
- a survey of life insurers and reinsurers showing the level of risk margins adopted and the methods used to derive the margins.
- the common methods used by general insurers to derive margins.