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

<table>
<thead>
<tr>
<th>Year</th>
<th>Death</th>
<th>Trauma</th>
<th>TPD</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-06</td>
<td>0.15%</td>
<td>0.70%</td>
<td>1.90%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
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<th>Year</th>
<th>Death</th>
<th>Trauma</th>
<th>TPD</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-06</td>
<td>11%</td>
<td>39%</td>
<td>38%</td>
</tr>
</tbody>
</table>

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)
Maturing of portfolio

Age Distribution

Proportion of Total Exposure

0% 5% 10% 15% 20% 25% 30% 35%
0-14 15-24 25-34 35-44 45-54 55-64 65+

Age Group

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%)

**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%)

77% 89%

5% 2%
Results: Death
Death Only: Selection Effect – YRT

Graphs showing actual vs. expected percentages for males and females across different curtate durations.
Death Only vs. Death with Rider (2+)

Light Colour = Death Only, Dark Colour = Death with Riders

- Male: 61% Death with Riders to Death Only
- Female: 46% Death with Riders to Death Only

Actual/Expected
Death Only: Trends - YRT, Males (2+)
(Expected = IA90-92)
Sum Insured vs. Count – YRT (2+)

<table>
<thead>
<tr>
<th>Count</th>
<th>Amount</th>
<th>Count</th>
<th>Amount</th>
<th>Count</th>
<th>Amount</th>
<th>Count</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>Death Only</td>
<td>Female</td>
<td></td>
<td>Male</td>
<td>Death with Rider</td>
<td>Female</td>
<td></td>
</tr>
</tbody>
</table>
Death Only: Females vs. Males – YRT (2+)
Death Only: Smoker vs. Non Smoker – YRT, Males (2+)

![Graph showing the mortality rate comparison between smokers and non-smokers across different age groups (35-39, 40-44, 45-49, 50-54, 55-59, 60-64, 65+) with the data from IFSA 2004-06 and 1995-97 Report.](image)
Death Only: Underwriting Method – YRT Males (2+)
Death Only: Distribution Channel – YRT Males (2+)

![Chart showing actual vs. expected distribution channels for YRT Males (2+) with categories: IFA, Mainly One Provider, Bank, Direct, Other Bank eg tellers, loans etc, Other Intermediaries and Other. The chart demonstrates the distribution of actual versus expected values across these channels.]

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
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)

<table>
<thead>
<tr>
<th>Type of cover</th>
<th>“Benefits” 2004-06</th>
<th># Claims 2004-06</th>
</tr>
</thead>
<tbody>
<tr>
<td>Death only</td>
<td>5,457,018 (1,935,530)</td>
<td>10,527 (4,205)</td>
</tr>
<tr>
<td>Death with riders</td>
<td>2,500,219 (939,697)</td>
<td>1,287 (538)</td>
</tr>
<tr>
<td>Trauma</td>
<td>1,701,070 (685,839)</td>
<td>3,931 (1,519)</td>
</tr>
<tr>
<td>TPD</td>
<td>1,362,058 (418,138)</td>
<td>673 (158)</td>
</tr>
<tr>
<td>Total</td>
<td>11,020,364 (3,979,204)</td>
<td>16,418 (6,420)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Claim Amounts</th>
<th>Total</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$1,949M</td>
<td>$118,691</td>
</tr>
</tbody>
</table>

* Figures in brackets refer to 2007
Distribution method

Exposure by Distribution Method: Males

Death Only

- Intermediaries - open market: 47%
- Intermediaries - Bank: 28%
- Direct - mail, internet, telemarketing etc: 10%
- Other: 5%

Death with Riders

- Intermediaries - tied (no choice): 17%
- Other Bank distribution eg tellers, loans etc: 12%
- Other: 6%
- Intermediaries - open market: 63%
Underwriting status

Exposure by Underwriting Status: Male

Death Only

- No underwriting: 0%
- Short form: 5%
- Standard Personal Statement (GPS): 25%
- Medical evidence - mandatory & discretionary: 5%
- Automatic Cover: 2%
- Teleunderwriting: 18%
- Unknown: 45%

Death with Rider

- No underwriting: 1%
- Short form: 2%
- Standard Personal Statement (GPS): 39%
- Medical evidence - mandatory & discretionary: 2%
- Automatic Cover: 0%
- Teleunderwriting: 0%
- Unknown: 56%
Death Only: Policy Type – Males (2+)

- Loan Protection & Consumer Credit
- Accidental Death or limited life cover products
- Insurance riders to mastertrusts
- Insurance riders to conventional products
- Term insurances with reviewable premiums

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

[Bar chart showing underwriting status and actual/expected values]
Trauma: Distribution Method – All policies, Males (2+)
Trauma: Females vs. males – YRT (2+)