

## Actuaries back APRA's capital initiatives to unlock annuity market potential

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The Actuaries Institute welcomes the consultation initiative by Australian Prudential Regulation Authority (APRA) to improve the capital framework for annuity products.

The Institute believes many Australian retirees could enjoy higher standards of living if lifetime income products such as annuities played a larger role in the retirement system. When considered among the mix of product solutions for funding retirement, annuities distinctly deliver a guaranteed income stream. They are therefore an effective option for retirees wanting to increase confidence and manage the risk of exhausting their own financial resources during retirement (longevity risk).

Danny Bechara, Chair of the Institute's Annuity Capital Settings Working Group and Member of the Institute's Life Insurance Practice Committee, said: "APRA has set a sound pathway for how guaranteed income streams could help more Australians optimise their retirement income while maintaining strong capital settings to protect policyholders' interests."

"While current capital settings for annuities are not considered the primary reason for Australia's annuity market currently being small relative to the size of Australia's broader retirement income system, greater alignment with comparable regimes and capital standards internationally would support the sector's capacity to scale with Australia's ageing population demands," Mr Bechara said.

In its submission, the Institute recommends:

- moving more towards a principles-based approach by permitting the Appointed Actuary of the insurer to better tailor the approach to the specific annuity portfolio; and
- rewarding insurers that demonstrate sound risk management practices and higher risk controls with commensurate reductions in capital requirements.

A copy of the Actuaries Institute's submission to APRA can be found [here](#).

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### About the Actuaries Institute and the Profession

As the peak professional body for actuaries in Australia, the Actuaries Institute represents the profession to government, business and the community. Our members work in a wide range of fields including insurance, superannuation and retirement incomes, enterprise risk management, data analytics and AI, climate change and sustainability, and government services.

Actuaries use data for good by harnessing the evidence to navigate into the future and make a positive impact. They think deeply about the issue at hand, whether it's advising on commercial strategy, influencing policy, or designing new products. Actuaries are adept at balancing interests of stakeholders, clients and communities. They're called upon to give insight on complex problems and they'll look at the full picture. Actuaries analyse the data and model scenarios to form robust and outcome-centred advice.

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