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LIPC Risk Margin Taskforce 2024 Survey

Colette Reid and Shweta Krishna

Important notice for all participants

This meeting is being conducted in accordance with Institute's Code of Conduct and attended by members in their professional capacity.

It is acknowledged that professional members in their employed capacity, may be active market participants in their respective industries who may compete with each other as defined by competition law.

Participants are, therefore, reminded that in accordance with their competition law compliance obligations they should not:

- discuss any matter that may be perceived as being cooperation by competitors in a market to influence that market;
- discuss any matters that could be regarded as fixing, maintaining or controlling prices, allocation of customers or territories, coordinating bids and/or restricting output or acquisitions in any circumstances;
- share commercially sensitive information relating to their employer; or
- share information for an anti-competitive purpose.

Agenda

Introduction

Survey Participants

Stress Margin Questionnaire, Summarised Answers and Detailed Results

Target Surplus Questionnaire and Summarised Answers

AASB 17 Risk Adjustment Questionnaire and Summarised Answers

Introduction and Purpose

- This presentation summarises the results of the 2024 survey of life insurance companies covering stress margins used to determine regulatory capital requirements, Target Surplus calibration and the AASB 17 risk adjustment.
- The survey is undertaken on behalf of the Actuaries Institute to assist Appointed Actuaries in undertaking their professional responsibilities relating to the development of these key assumptions which support the financial strength and resilience of life insurance companies; in turn providing protection to customers.
- The survey questions are limited to historical considerations in setting assumptions and no requests have been made for information relating to companies' intentions or future behaviour.
- Results are presented on an aggregated and anonymised basis. We have not provided reasons or sought to understand why insurance stress margins differ between companies.
- The survey is independently compiled by Institute volunteers from KPMG and EY, and individual information on company responses is not made available to market participants.
- Enquiries can be directed to the following LIPC Risk Margins Taskforce members:
  - Colette Reid (creid10@kpmg.com.au)
  - Shweta Krishna (shweta.krishna@au.ey.com)

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Survey Participants

AIA	HCF Life	Resolution Life Australia
Allianz	MetLife	RGA
Challenger	MLC	SCOR
ClearView	Munich Re	St. Andrews
Gen Re	NobleOak	Swiss Re
Hallmark	Pacific Life Re	TAL (including Westpac Life)
Hannover Re	Australian Retirement Trust	Zurich

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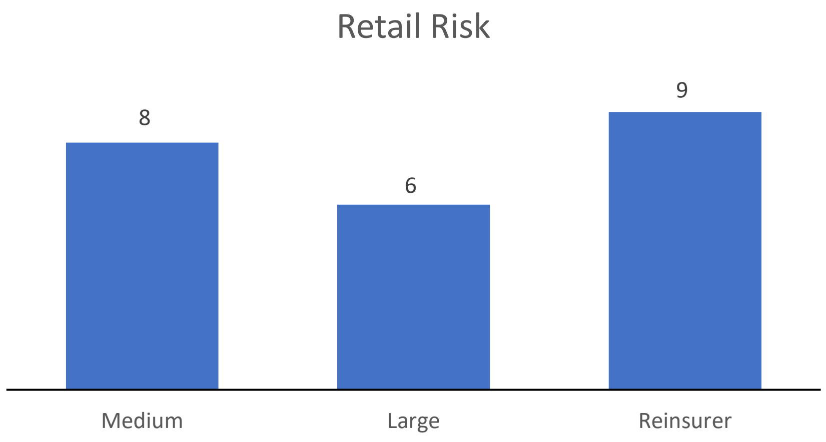
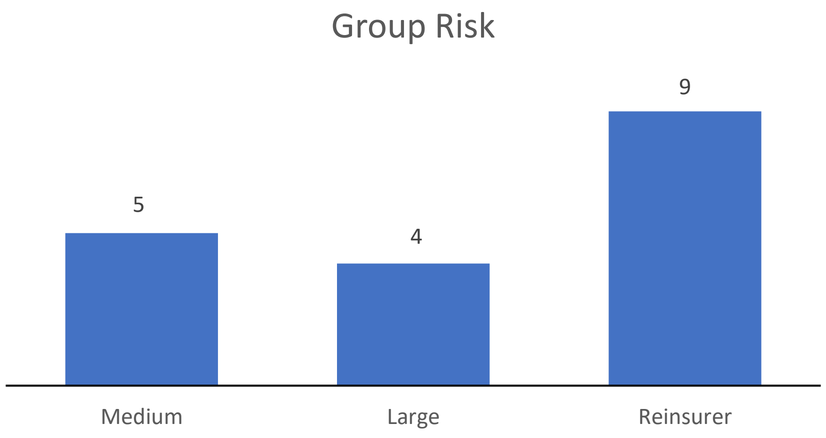
Survey Participation

- Results are presented for medium and large direct insurers and reinsurers.
- Large direct insurers are defined as
  - Retail Risk: $500m gross annual premium or more in-force as at 31 December 2023
  - Group Risk: $500m gross annual premium or more in-force as at December 2023





Stress Margin Questionnaire and Summarised Answers

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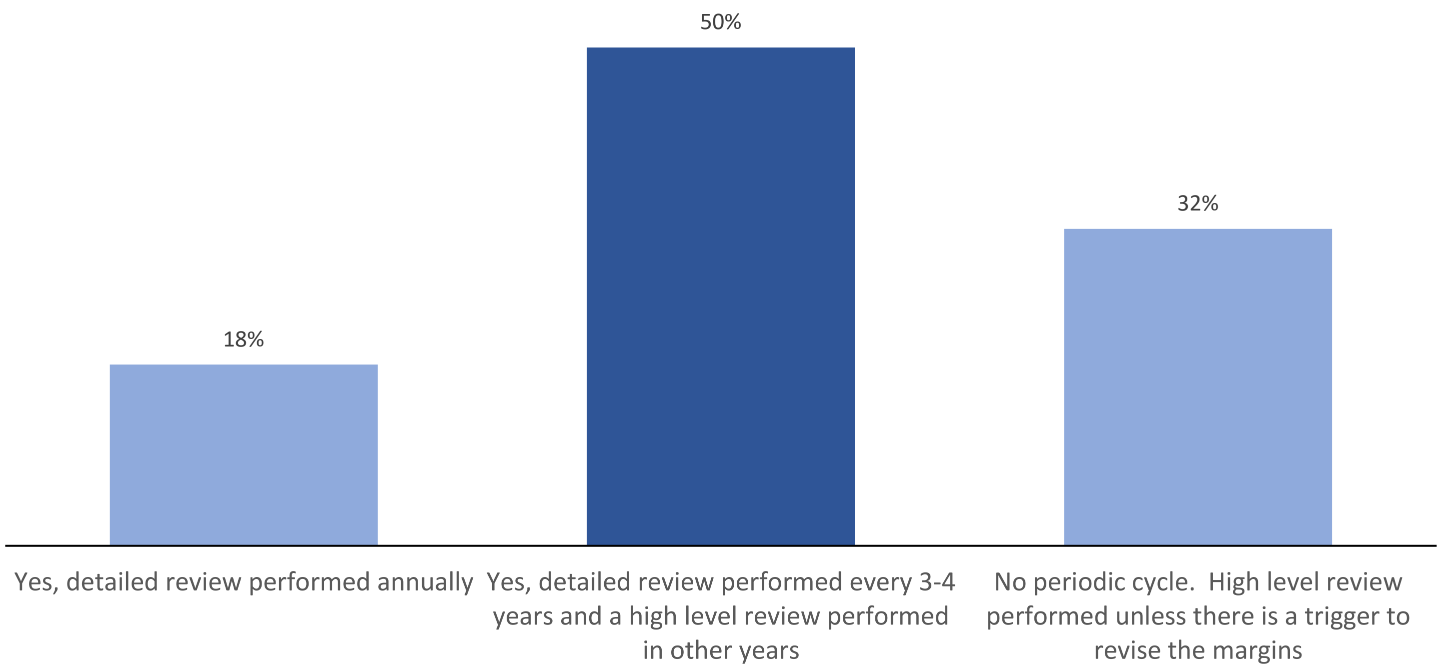
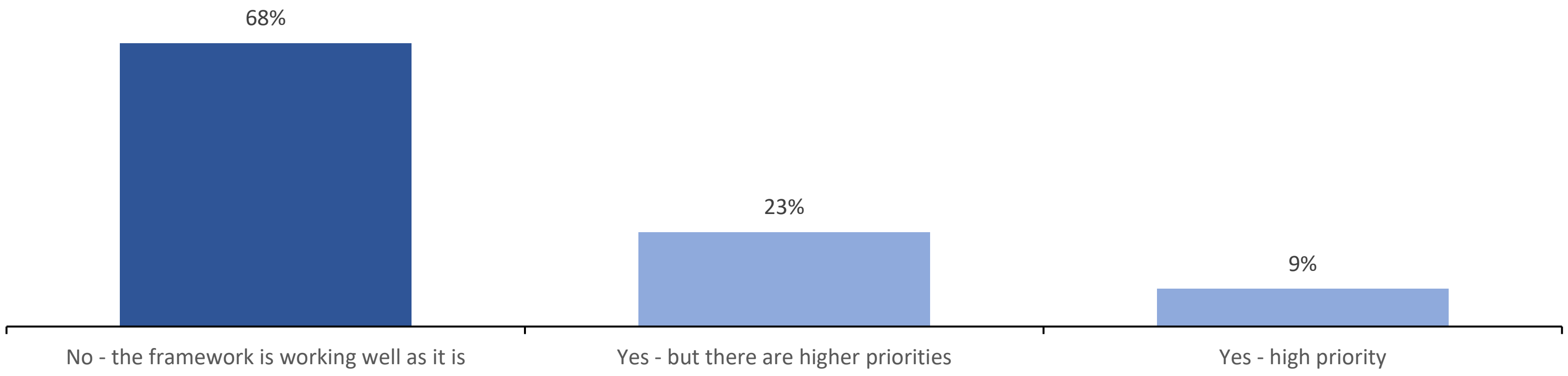
Q2 Recent Changes to Insurance Risk Margins

Q2 A (i) Is there a periodic cycle agreed with respect to review of future risk margins?



Q2 Recent Changes to Insurance Risk Margins

Q2 A (ii) It's been 11 years since LAGIC was introduced and 8 years since the Institute issued the LIWMPC Technical Paper. Should it be a priority to revisit the industry's approach to setting risk margins?



- More nuanced, detailed and practical guidance to aid companies in meeting regulatory requirements and manage risk more effectively
- How Target Surplus stress margins interact with PCA margins
- Detailed guidance on risk margin approaches for IBNR, RBNA, Lapses and allowance for diversification
- The consideration of longer-term risks
- Approaches for stochastic modelling

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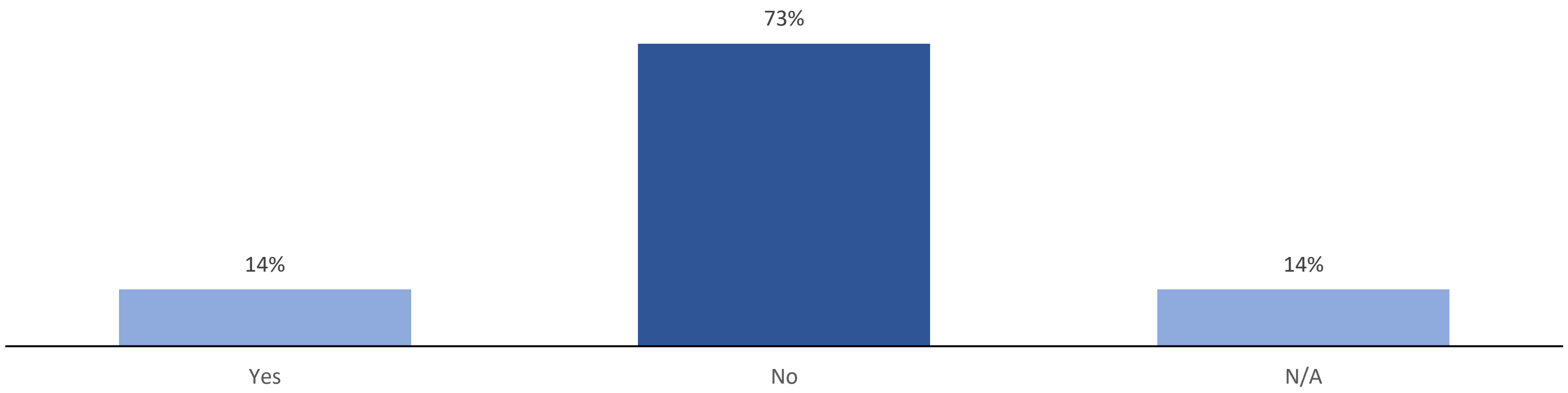
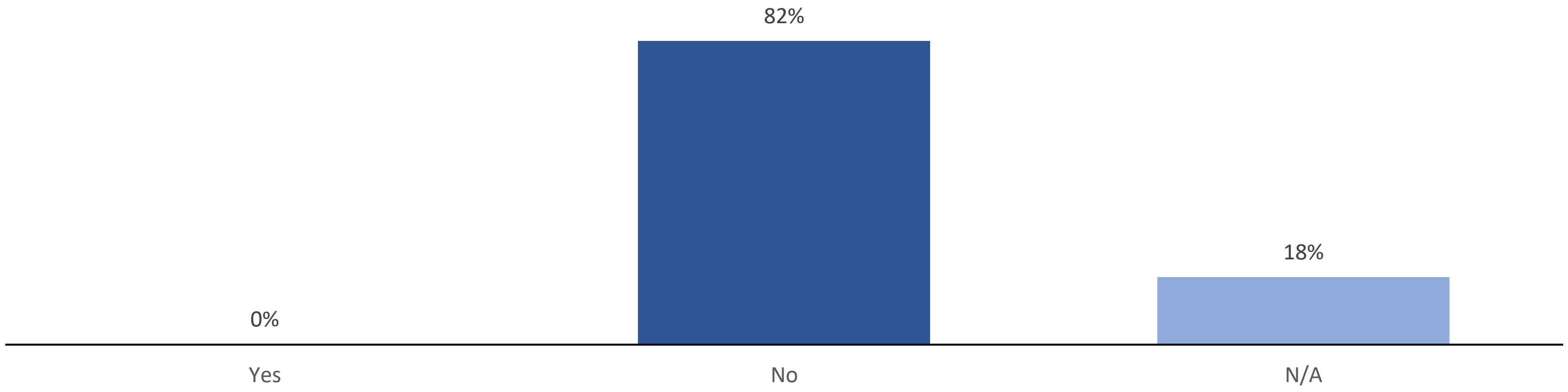
Q2 Recent Changes to Insurance Risk Margins

Q2 A (iv) Have you recently changed your Risk Margins due to

(a) Changes in TPD experience



(b) APRA’s IDII supervisory reforms



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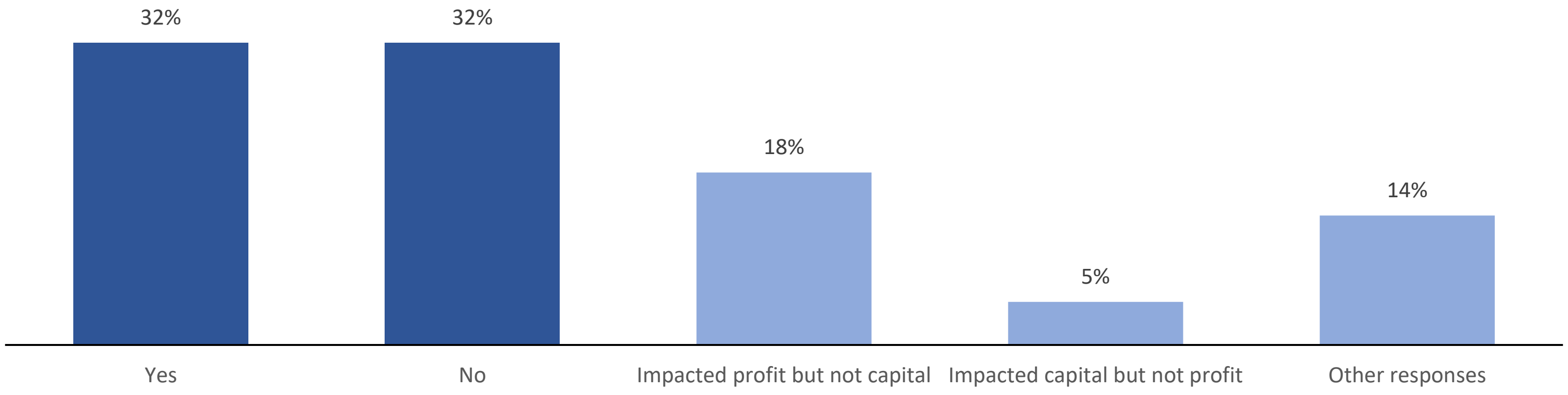
Q2 Recent Changes to Insurance Risk Margins

Q2 A (v) Do you expect IFRS 17 to impact the volatility of your profit/capital results?



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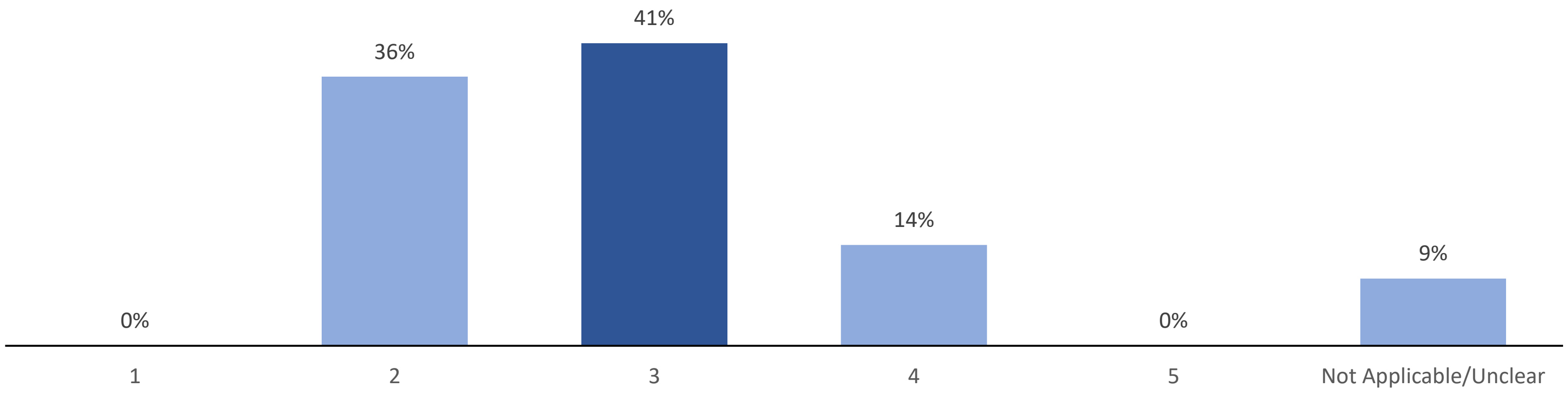
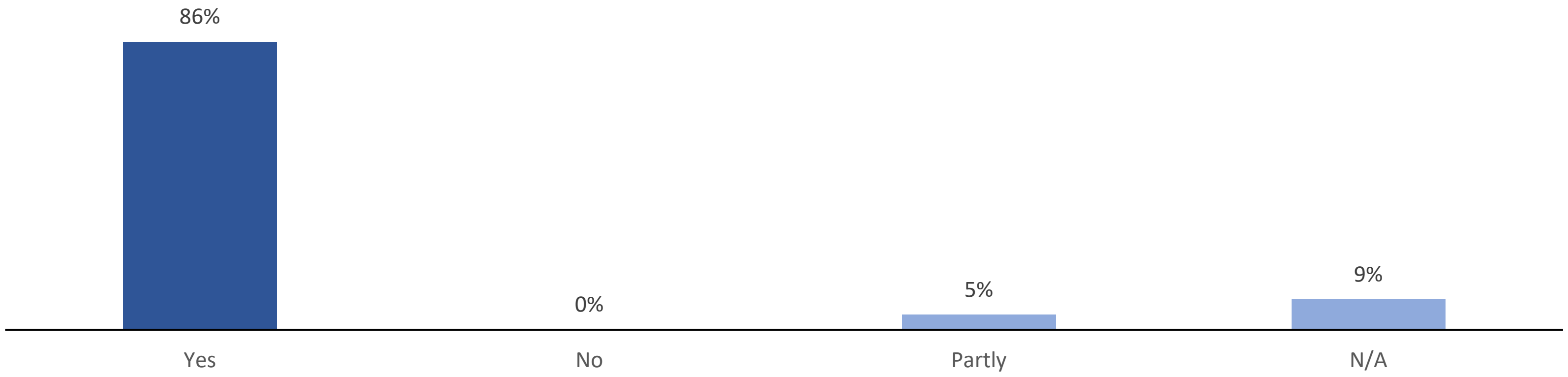
Q3 Risk Margins - Methodology & Assumptions

Q3 A (i) How many years do you assume before you reprice retail business?



Q3 A (ii) Do you assume the business is repriced to fully cover the impacts of the stresses?



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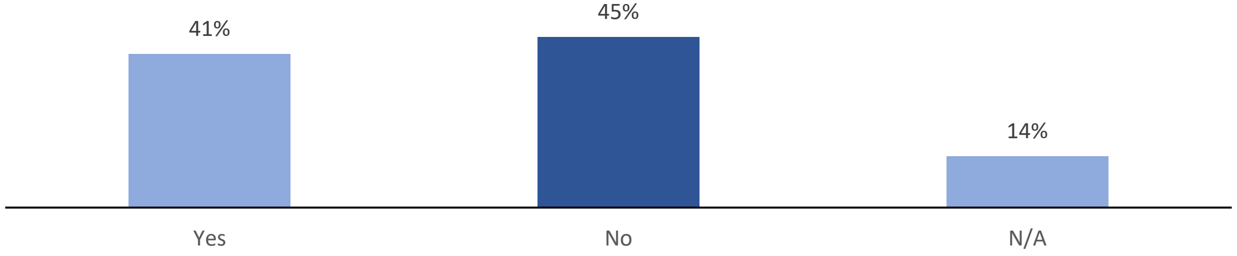
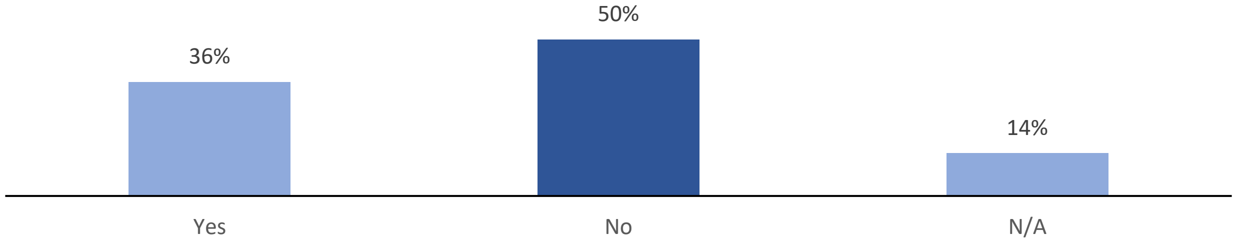
Q3 Risk Margins - Methodology & Assumptions

Q3 A (iii) In reviewing repricing assumptions have investigations been conducted into the past:

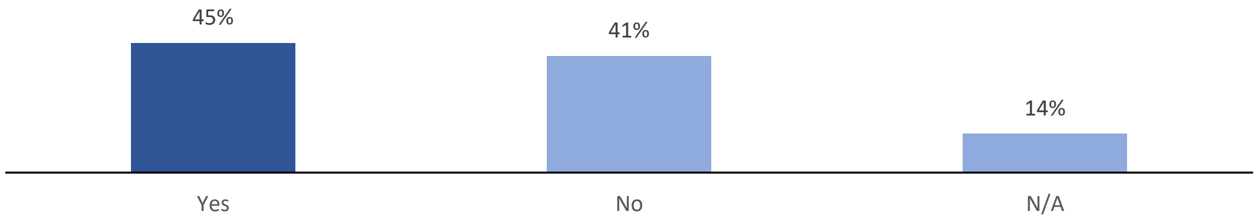
(a) delays in implementing price changes in response to experience?



(b) the effectiveness of the price increases in addressing the changed experience?



Q3 A (iv) Are the price changes already incorporated in best estimate assumptions considered when further repricing activity is considered as a management action?



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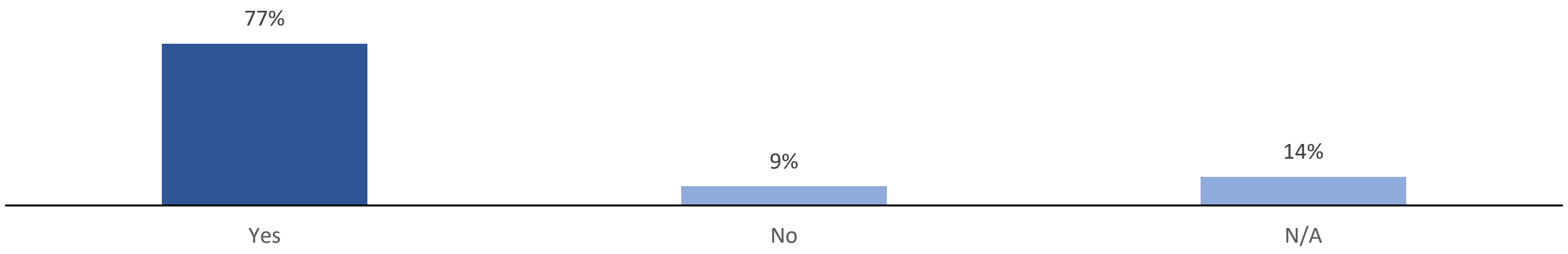
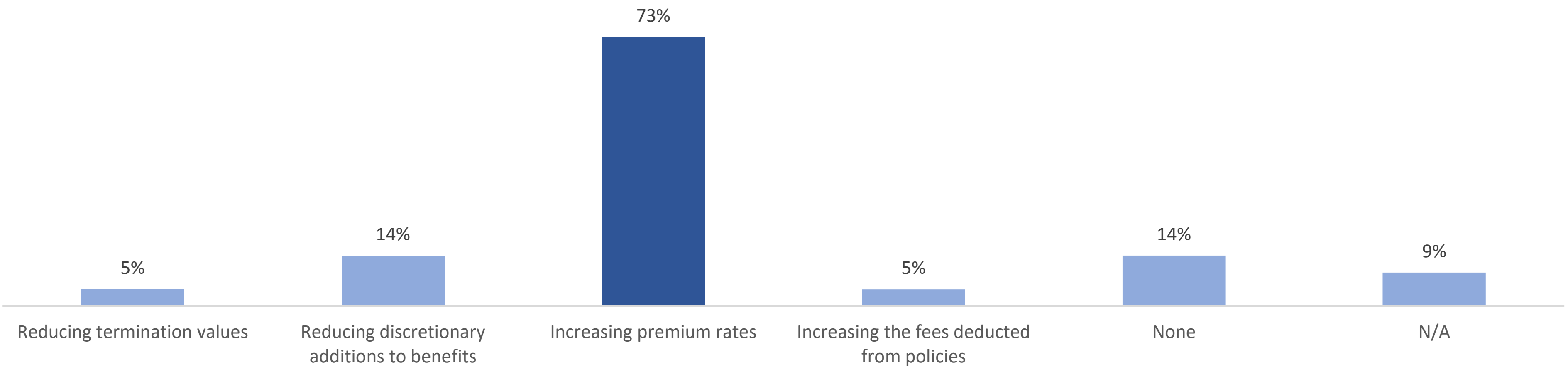
Q3 Risk Margins - Methodology & Assumptions

Q3 A (v) When setting risk margins, to what extent is uncertainty considered within best estimate assumptions?



Q3 A (vi) What management actions are considered in setting insurance stress margins?



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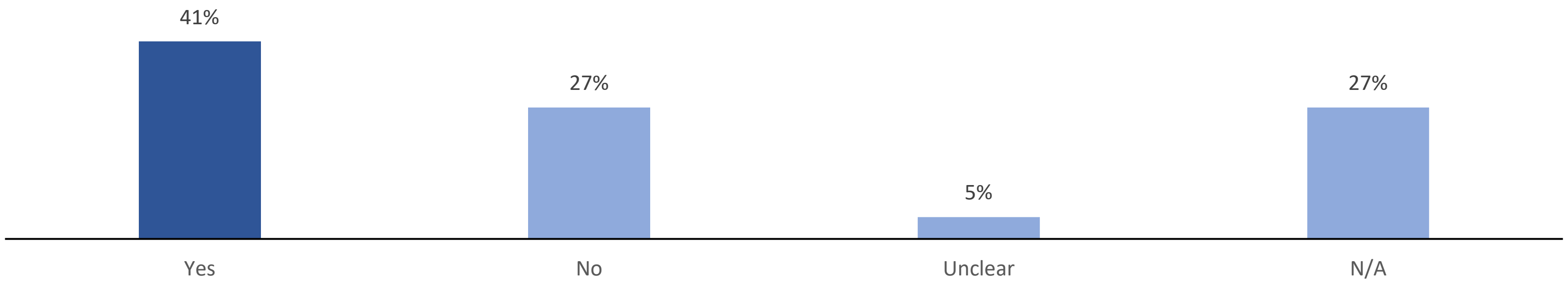
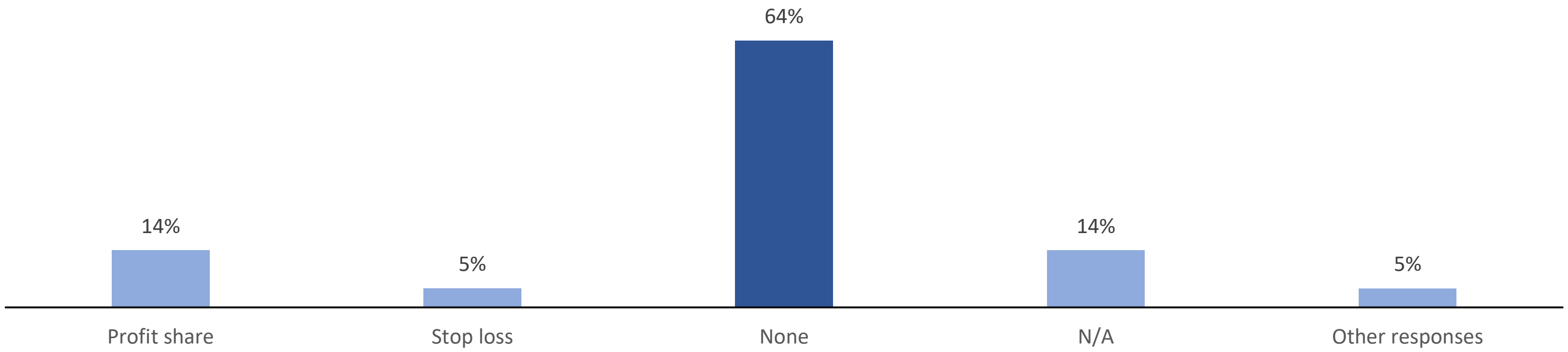
Q3 Risk Margins - Methodology & Assumptions

Q3 B (i) For group business is there any assumption of automatic rollover at the current price? (ii) if so describe.



Q3 C (i) What consideration is given to asymmetric risk outcomes when setting risk margins?



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Q3 Risk Margins - Methodology & Assumptions

Q3 D (i) Has the methodology for setting Risk Margins been reviewed since 2022?

- Alignment with current data
- Reflect recent claims volatility
- Adopt updated industry guidance
- Move towards stochastic modelling
- No material changes with minor adjustments or changes in weightings

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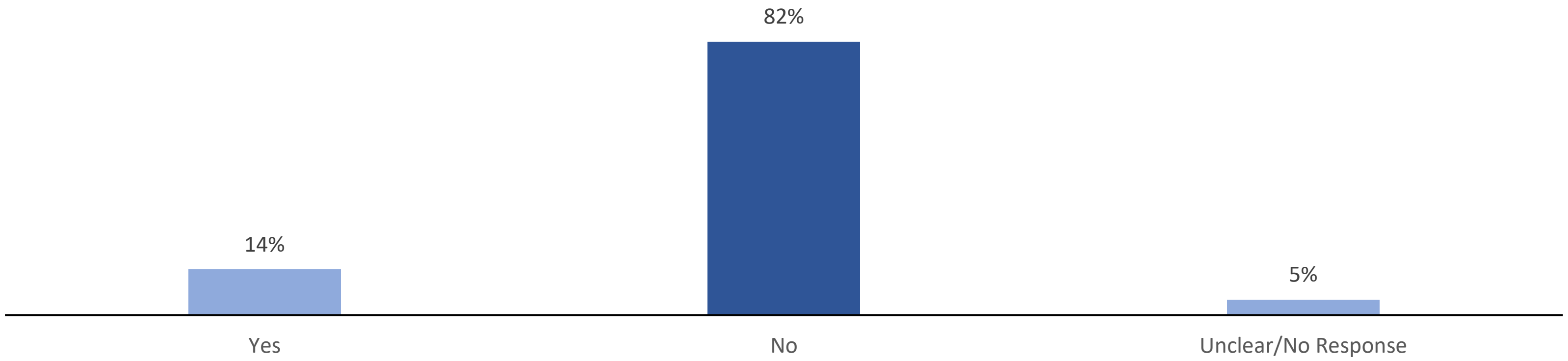
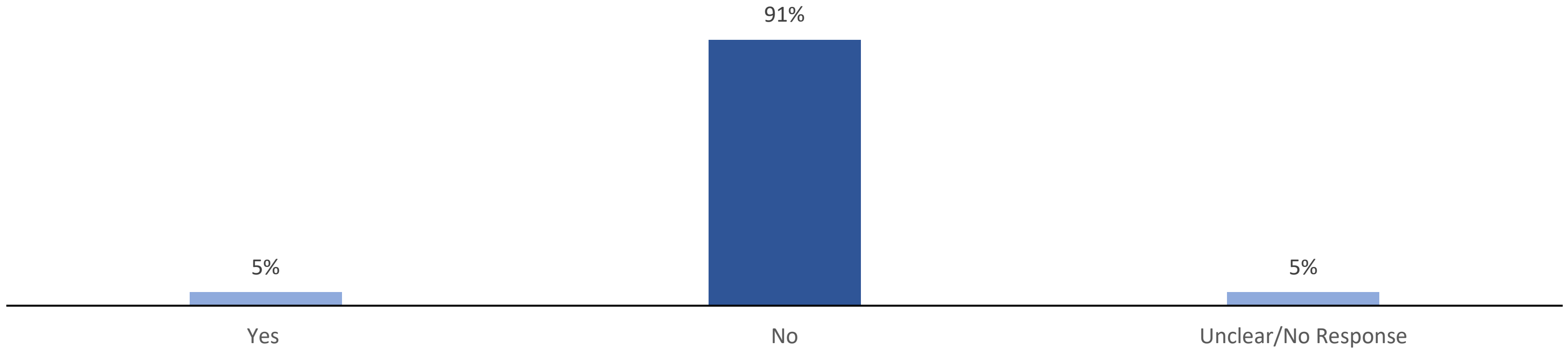
Q7 Additional stresses

A (i) Do you perform any other Event stress beyond the APRA required Pandemic scenario? If so please describe.



* Results are rounded

A (ii) Do you perform any other Insurance Risk Charge stresses in addition to those listed in paragraph 27 of LPS 115 to calculate the PCA? If so, please describe.



* Results are rounded

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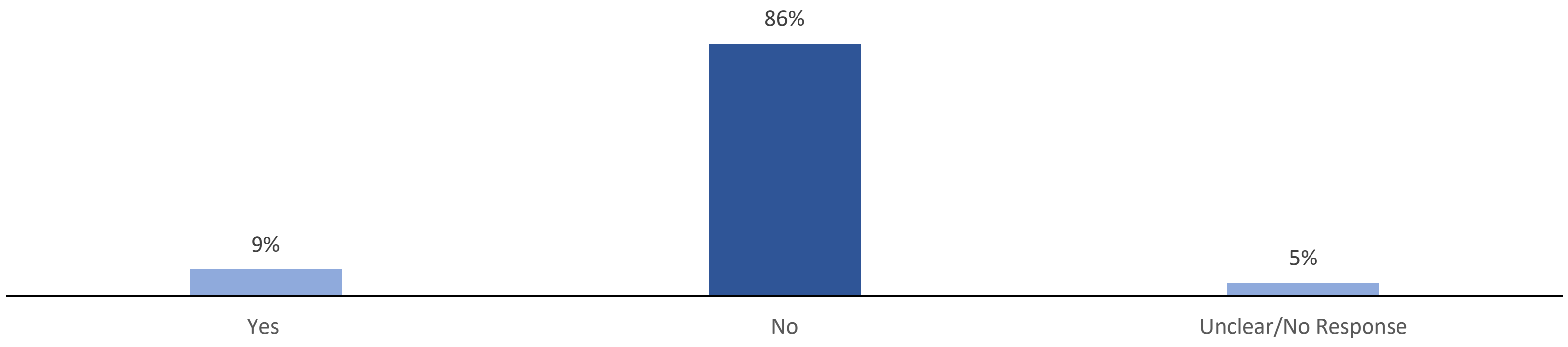
Q7 Additional stresses

A (iii) Is there any specific allowance for COVID-19 related considerations within your regulatory capital calculations? If yes, please explain how this is factored in.



A (iv) For income-style annuity products (e.g., retirement income products) with a deferral period and a surrender value: a) Should there be a capital stress? b) Do you think this stress should be prescribed?

The majority of companies had a ‘not applicable’ response to this question. All companies that did respond agreed there should be a capital stress and most respondents indicated that the stress should be prescribed.

Stress Margin Detailed Results

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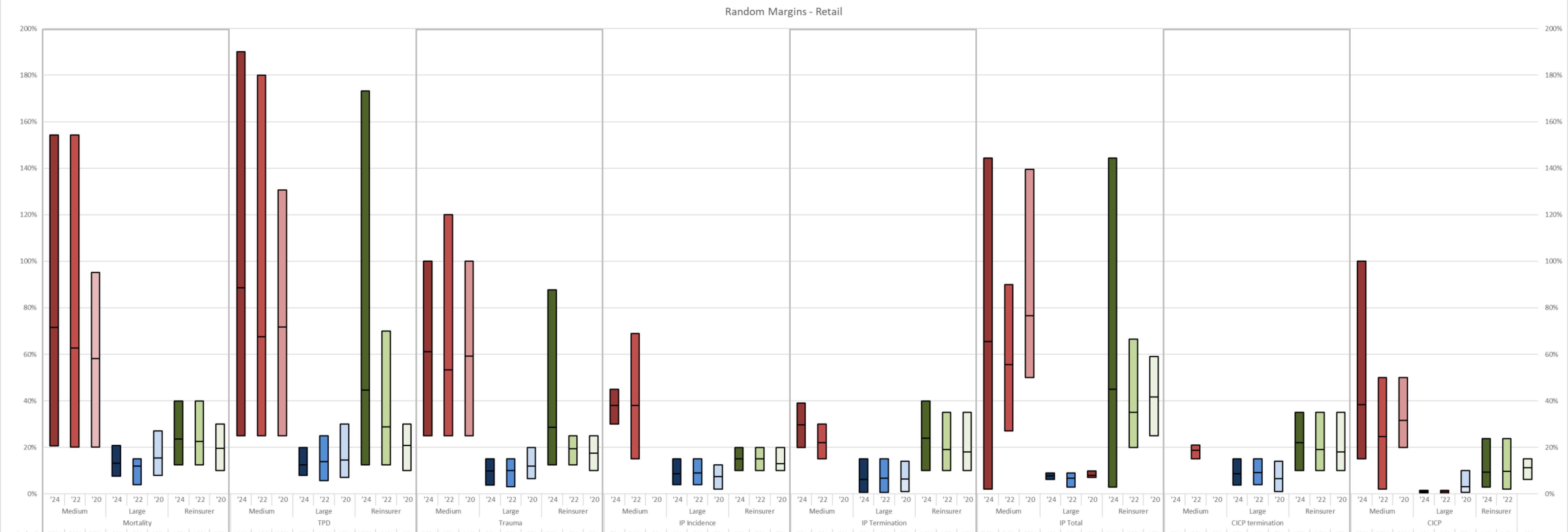
Random Stress Margins - Retail



Mortality	Medium '24	Medium '22	Medium '20	Large '24	Large '22	Large '20	Reinsurer '24	Reinsurer '22	Reinsurer '20
Max	154%	154%	95%	21%	15%	27%	40%	40%	30%
Average	72%	63%	58%	13%	12%	15%	24%	23%	20%
Min	21%	20%	20%	8%	4%	8%	13%	13%	10%

TPD	Medium '24	Medium '22	Medium '20	Large '24	Large '22	Large '20	Reinsurer '24	Reinsurer '22	Reinsurer '20
Max	190%	180%	131%	20%	25%	30%	173%	70%	30%
Average	89%	68%	72%	12%	14%	15%	45%	29%	21%
Min	25%	25%	25%	8%	6%	7%	13%	13%	10%

Trauma	Medium '24	Medium '22	Medium '20	Large '24	Large '22	Large '20	Reinsurer '24	Reinsurer '22	Reinsurer '20
Max	100%	120%	100%	15%	15%	20%	88%	25%	25%
Average	61%	53%	59%	10%	10%	12%	29%	19%	18%
Min	25%	25%	25%	4%	3%	7%	13%	13%	10%

IP Incidence	Medium '24	Medium '22	Medium '20	Large '24	Large '22	Large '20	Reinsurer '24	Reinsurer '22	Reinsurer '20
Max	45%	69%	0%	15%	15%	13%	20%	20%	20%
Average	38%	38%	0%	9%	9%	7%	15%	15%	13%
Min	30%	15%	0%	4%	4%	2%	10%	10%	10%

IP Termination	Medium '24	Medium '22	Medium '20	Large '24	Large '22	Large '20	Reinsurer '24	Reinsurer '22	Reinsurer '20
Max	39%	30%	0%	15%	15%	14%	40%	35%	35%
Average	30%	22%	0%	6%	7%	6%	24%	19%	18%
Min	20%	15%	0%	1%	1%	1%	10%	10%	10%

IP Total	Medium '24	Medium '22	Medium '20	Large '24	Large '22	Large '20	Reinsurer '24	Reinsurer '22	Reinsurer '20
Max	144%	90%	139%	9%	9%	10%	144%	67%	59%
Average	65%	56%	77%	8%	7%	8%	45%	35%	42%
Min	2%	27%	50%	6%	3%	7%	3%	20%	25%

CICP termination	Medium '24	Medium '22	Medium '20	Large '24	Large '22	Large '20	Reinsurer '24	Reinsurer '22	Reinsurer '20
Max	0%	21%	0%	15%	15%	14%	35%	35%	35%
Average	0%	19%	0%	9%	9%	7%	22%	19%	18%
Min	0%	15%	0%	4%	4%	1%	10%	10%	10%

CICP	Medium '24	Medium '22	Medium '20	Large '24	Large '22	Large '20	Reinsurer '24	Reinsurer '22	
Max	100%	50%	50%	2%	2%	10%	24%	24%	15%
Average	38%	25%	32%	1%	1%	3%	9%	10%	11%
Min	15%	2%	20%	0%	0%	1%	3%	2%	6%

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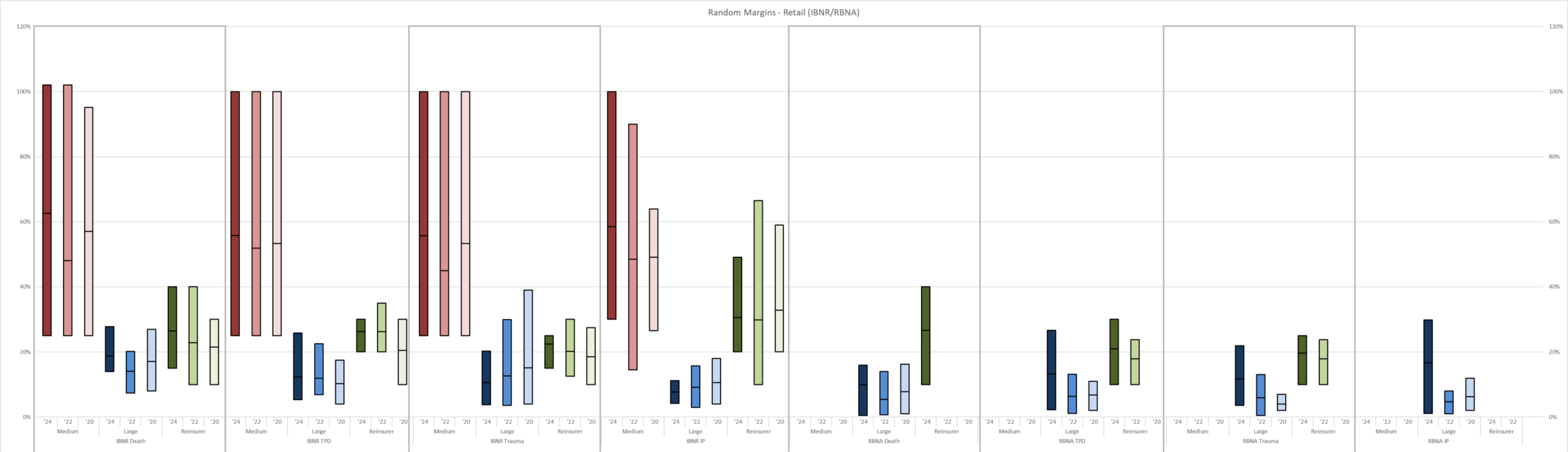
Random Stress Margins – Retail IBNR & RBNA



IBNR Death

	Medium			Large			Reinsurer		
	'24	'22	'20	'24	'22	'20	'24	'22	'20
Max	102%	102%	95%	28%	20%	27%	40%	40%	30%
Average	63%	48%	57%	19%	14%	17%	26%	23%	22%
Min	25%	25%	25%	14%	7%	8%	15%	10%	10%

IBNR TPD

	Medium			Large			Reinsurer		
	'24	'22	'20	'24	'22	'20	'24	'22	'20
Max	100%	100%	100%	26%	23%	18%	30%	35%	30%
Average	56%	52%	53%	12%	12%	10%	26%	26%	21%
Min	25%	25%	25%	5%	7%	4%	20%	20%	10%

IBNR Trauma

	Medium			Large			Reinsurer		
	'24	'22	'20	'24	'22	'20	'24	'22	'20
Max	100%	100%	100%	20%	30%	39%	25%	30%	28%
Average	56%	45%	53%	11%	13%	15%	22%	20%	19%
Min	25%	25%	25%	4%	4%	4%	15%	13%	10%

IBNR IP

	Medium			Large			Reinsurer		
	'24	'22	'20	'24	'22	'20	'24	'22	'20
Max	100%	90%	64%	11%	16%	18%	49%	67%	59%
Average	59%	49%	49%	8%	9%	11%	31%	30%	33%
Min	30%	15%	27%	4%	3%	4%	20%	10%	20%

RBNA Death

	Medium			Large			Reinsurer		
	'24	'22	'20	'24	'22	'20	'24	'22	'20
Max	0%	0%	0%	16%	14%	16%	40%	0%	0%
Average	0%	0%	0%	10%	5%	8%	27%	0%	0%
Min	0%	0%	0%	0%	1%	1%	10%	0%	0%

RBNA TPD

	Medium			Large			Reinsurer		
	'24	'22	'20	'24	'22	'20	'24	'22	'20
Max	0%	0%	0%	27%	13%	11%	30%	24%	0%
Average	0%	0%	0%	13%	6%	7%	21%	18%	0%
Min	0%	0%	0%	2%	1%	2%	10%	10%	0%

RBNA Trauma

	Medium			Large			Reinsurer		
	'24	'22	'20	'24	'22	'20	'24	'22	'20
Max	0%	0%	0%	22%	13%	7%	25%	24%	0%
Average	0%	0%	0%	12%	6%	4%	20%	18%	0%
Min	0%	0%	0%	4%	0%	2%	10%	10%	0%

RBNA IP

	Medium			Large			Reinsurer		
	'24	'22	'20	'24	'22	'20	'24	'22	
Max	0%	0%	0%	30%	8%	12%	0%	0%	0%
Average	0%	0%	0%	17%	5%	6%	0%	0%	0%
Min	0%	0%	0%	1%	1%	2%	0%	0%	0%

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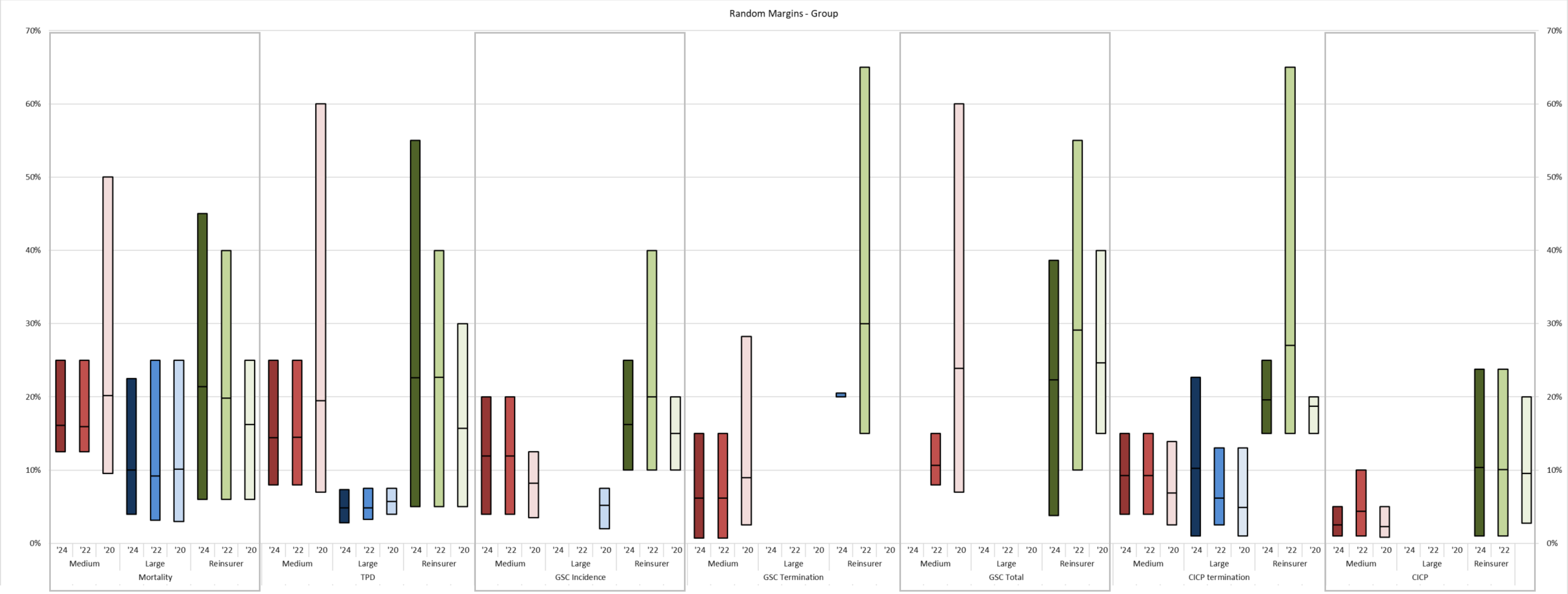
Random Stress Margins - Group



Max	25%	25%	50%	23%	25%	25%	45%	40%	25%
Average	16%	16%	20%	10%	9%	10%	21%	20%	16%
Min	13%	13%	10%	4%	3%	3%	6%	6%	6%

Max	25%	25%	60%	7%	8%	8%	55%	40%	30%
Average	14%	15%	19%	5%	5%	6%	23%	23%	16%
Min	8%	8%	7%	3%	3%	4%	5%	5%	5%

Max	20%	20%	13%	0%	0%	8%	25%	40%	20%
Average	12%	12%	8%	0%	0%	5%	16%	20%	15%
Min	4%	4%	4%	0%	0%	2%	10%	10%	10%

Max	15%	15%	28%	0%	0%	0%	21%	65%	20%
Average	6%	6%	9%	0%	0%	0%	21%	30%	20%
Min	1%	1%	3%	0%	0%	0%	20%	15%	20%

Max	0%	15%	60%	0%	0%	0%	39%	55%	40%
Average	0%	11%	24%	0%	0%	0%	22%	29%	25%
Min	0%	8%	7%	0%	0%	0%	4%	10%	15%

Max	15%	15%	14%	23%	13%	13%	25%	65%	20%
Average	9%	9%	7%	10%	6%	5%	20%	27%	19%
Min	4%	4%	3%	1%	3%	1%	15%	15%	15%

Max	5%	10%	5%	0%	0%	0%	24%	24%	20%
Average	2%	4%	2%	0%	0%	0%	10%	10%	10%
Min	1%	1%	1%	0%	0%	0%	1%	1%	3%

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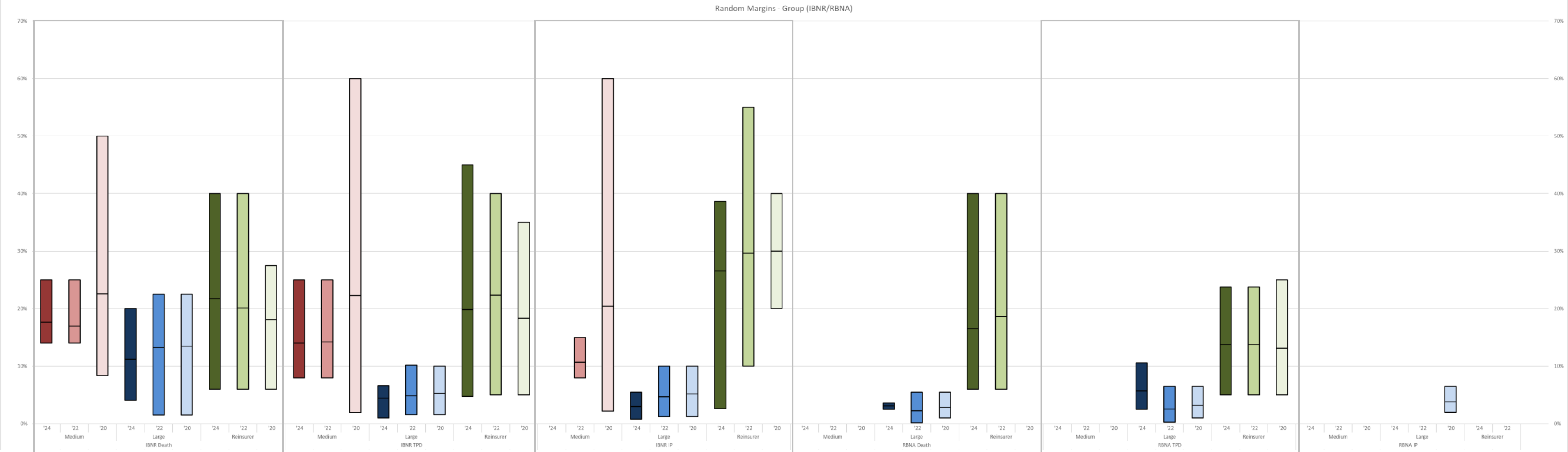
Random Stress Margins – Group IBNR & RBNA



IBNR Death	Medium '24	Medium '22	Medium '20	Large '24	Large '22	Large '20	Reinsurer '24	Reinsurer '22	Reinsurer '20
Max	25%	25%	50%	20%	23%	23%	40%	40%	28%
Average	18%	17%	23%	11%	13%	14%	22%	20%	18%
Min	14%	14%	8%	4%	2%	2%	6%	6%	6%

IBNR TPD	Medium '24	Medium '22	Medium '20	Large '24	Large '22	Large '20	Reinsurer '24	Reinsurer '22	Reinsurer '20
Max	25%	25%	60%	7%	10%	10%	45%	40%	35%
Average	14%	14%	22%	4%	5%	5%	20%	22%	18%
Min	8%	8%	2%	1%	2%	2%	5%	5%	5%

IBNR IP	Medium '24	Medium '22	Medium '20	Large '24	Large '22	Large '20	Reinsurer '24	Reinsurer '22	Reinsurer '20
Max	0%	15%	60%	6%	10%	10%	39%	55%	40%
Average	0%	11%	20%	3%	5%	5%	27%	30%	30%
Min	0%	8%	2%	1%	1%	1%	3%	10%	20%

RBNA Death	Medium '24	Medium '22	Medium '20	Large '24	Large '22	Large '20	Reinsurer '24	Reinsurer '22	Reinsurer '20
Max	0%	0%	0%	4%	6%	6%	40%	40%	0%
Average	0%	0%	0%	3%	2%	3%	17%	19%	0%
Min	0%	0%	0%	3%	0%	1%	6%	6%	0%

RBNA TPD	Medium '24	Medium '22	Medium '20	Large '24	Large '22	Large '20	Reinsurer '24	Reinsurer '22	Reinsurer '20
Max	0%	0%	0%	11%	7%	7%	24%	24%	25%
Average	0%	0%	0%	6%	3%	3%	14%	14%	13%
Min	0%	0%	0%	3%	0%	1%	5%	5%	5%

RBNA IP	Medium '24	Medium '22	Medium '20	Large '24	Large '22	Large '20	Reinsurer '24	Reinsurer '22	
Max	0%	0%	0%	0%	0%	7%	0%	0%	0%
Average	0%	0%	0%	0%	0%	4%	0%	0%	0%
Min	0%	0%	0%	0%	0%	2%	0%	0%	0%

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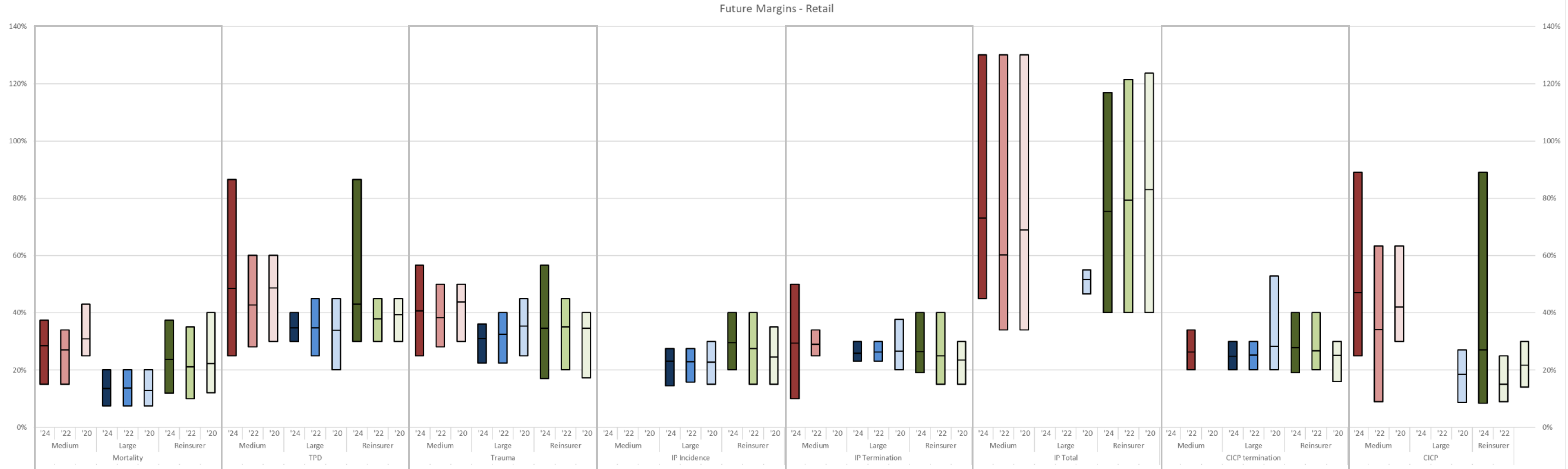
Future Stress Margins - Retail



	Mortality Medium '24	Mortality Medium '22	Mortality Medium '20	Mortality Large '24	Mortality Large '22	Mortality Large '20	Mortality Reinsurer '24	Mortality Reinsurer '22	Mortality Reinsurer '20	TPD Medium '24	TPD Medium '22	TPD Medium '20	TPD Large '24	TPD Large '22	TPD Large '20	TPD Reinsurer '24	TPD Reinsurer '22	TPD Reinsurer '20
Max	37%	34%	43%	20%	20%	20%	37%	35%	40%	87%	60%	60%	40%	45%	45%	87%	45%	45%
Average	29%	27%	31%	14%	14%	13%	24%	21%	22%	49%	43%	49%	35%	35%	34%	43%	38%	39%
Min	15%	15%	25%	8%	8%	8%	12%	10%	12%	25%	28%	30%	30%	25%	20%	30%	30%	30%

	Trauma Medium '24	Trauma Medium '22	Trauma Medium '20	Trauma Large '24	Trauma Large '22	Trauma Large '20	Trauma Reinsurer '24	Trauma Reinsurer '22	Trauma Reinsurer '20	IP Incidence Medium '24	IP Incidence Medium '22	IP Incidence Medium '20	IP Incidence Large '24	IP Incidence Large '22	IP Incidence Large '20	IP Incidence Reinsurer '24	IP Incidence Reinsurer '22	IP Incidence Reinsurer '20
Max	57%	50%	50%	36%	40%	45%	57%	45%	40%	0%	0%	0%	28%	28%	30%	40%	40%	35%
Average	41%	38%	44%	31%	33%	35%	35%	35%	35%	0%	0%	0%	23%	23%	23%	30%	28%	24%
Min	25%	28%	30%	23%	23%	25%	17%	20%	17%	0%	0%	0%	14%	16%	15%	20%	15%	15%

	IP Termination Medium '24	IP Termination Medium '22	IP Termination Medium '20	IP Termination Large '24	IP Termination Large '22	IP Termination Large '20	IP Termination Reinsurer '24	IP Termination Reinsurer '22	IP Termination Reinsurer '20	IP Total Medium '24	IP Total Medium '22	IP Total Medium '20	IP Total Large '24	IP Total Large '22	IP Total Large '20	IP Total Reinsurer '24	IP Total Reinsurer '22	IP Total Reinsurer '20
Max	50%	34%	0%	30%	30%	38%	40%	40%	30%	130%	130%	130%	0%	0%	55%	117%	121%	124%
Average	29%	29%	0%	26%	26%	27%	27%	25%	24%	73%	60%	69%	0%	0%	52%	75%	79%	83%
Min	10%	25%	0%	23%	23%	20%	19%	15%	15%	45%	34%	34%	0%	0%	47%	40%	40%	40%

	CICP termination Medium '24	CICP termination Medium '22	CICP termination Medium '20	CICP termination Large '24	CICP termination Large '22	CICP termination Large '20	CICP termination Reinsurer '24	CICP termination Reinsurer '22	CICP termination Reinsurer '20	CICP Medium '24	CICP Medium '22	CICP Medium '20	CICP Large '24	CICP Large '22	CICP Large '20	CICP Reinsurer '24	CICP Reinsurer '22	
Max	0%	34%	0%	30%	30%	53%	40%	40%	30%	89%	63%	63%	0%	0%	27%	89%	25%	30%
Average	0%	26%	0%	25%	25%	28%	28%	27%	25%	47%	34%	42%	0%	0%	18%	27%	15%	22%
Min	0%	20%	0%	20%	20%	20%	19%	20%	16%	25%	9%	30%	0%	0%	9%	8%	9%	14%

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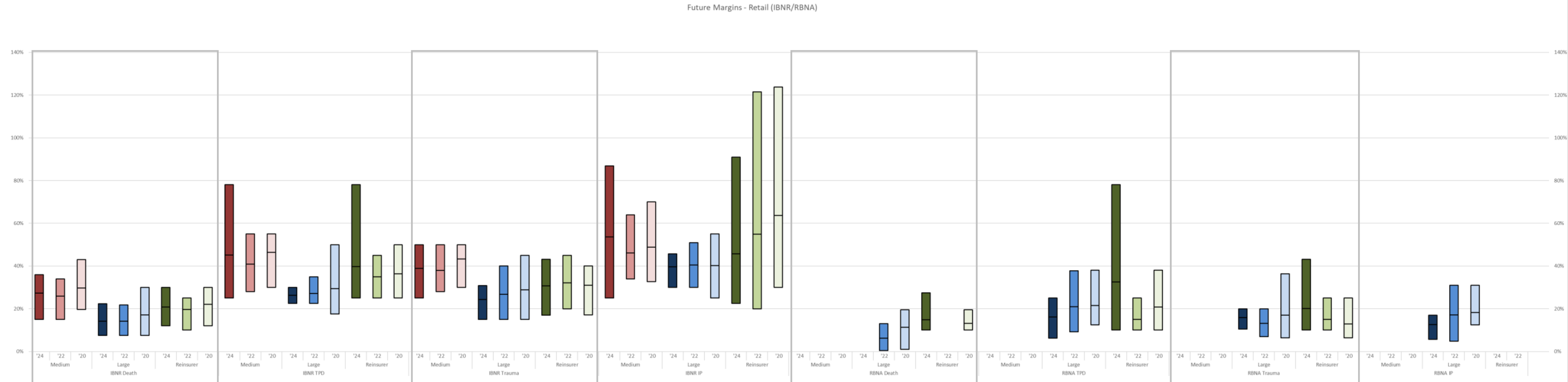
Future Stress Margins – Retail IBNR & RBNA



IBNR Death

	Medium '24	Medium '22	Medium '20	Large '24	Large '22	Large '20	Reinsurer '24	Reinsurer '22	Reinsurer '20
Max	36%	34%	43%	22%	22%	30%	30%	25%	30%
Average	27%	26%	30%	14%	14%	17%	21%	20%	22%
Min	15%	15%	20%	8%	8%	8%	12%	10%	12%

IBNR TPD

	Medium '24	Medium '22	Medium '20	Large '24	Large '22	Large '20	Reinsurer '24	Reinsurer '22	Reinsurer '20
Max	78%	55%	55%	30%	35%	50%	78%	45%	50%
Average	45%	41%	46%	26%	27%	29%	40%	35%	36%
Min	25%	28%	30%	23%	23%	18%	25%	25%	25%

IBNR Trauma

	Medium '24	Medium '22	Medium '20	Large '24	Large '22	Large '20	Reinsurer '24	Reinsurer '22	Reinsurer '20
Max	50%	50%	50%	31%	40%	45%	43%	45%	40%
Average	39%	38%	43%	24%	27%	29%	31%	32%	31%
Min	25%	28%	30%	15%	15%	15%	17%	20%	17%

IBNR IP

	Medium '24	Medium '22	Medium '20	Large '24	Large '22	Large '20	Reinsurer '24	Reinsurer '22	Reinsurer '20
Max	87%	64%	70%	46%	51%	55%	91%	121%	124%
Average	54%	46%	49%	40%	40%	40%	46%	55%	64%
Min	25%	34%	33%	30%	30%	25%	23%	20%	30%

RBNA Death

	Medium '24	Medium '22	Medium '20	Large '24	Large '22	Large '20	Reinsurer '24	Reinsurer '22	Reinsurer '20
Max	0%	0%	0%	0%	13%	20%	27%	0%	20%
Average	0%	0%	0%	0%	6%	11%	15%	0%	13%
Min	0%	0%	0%	0%	0%	1%	10%	0%	10%

RBNA TPD

	Medium '24	Medium '22	Medium '20	Large '24	Large '22	Large '20	Reinsurer '24	Reinsurer '22	Reinsurer '20
Max	0%	0%	0%	25%	38%	38%	78%	25%	38%
Average	0%	0%	0%	16%	21%	22%	33%	15%	21%
Min	0%	0%	0%	6%	9%	13%	10%	10%	10%

RBNA Trauma

	Medium '24	Medium '22	Medium '20	Large '24	Large '22	Large '20	Reinsurer '24	Reinsurer '22	Reinsurer '20
Max	0%	0%	0%	20%	20%	36%	43%	25%	25%
Average	0%	0%	0%	16%	13%	17%	20%	15%	13%
Min	0%	0%	0%	10%	7%	6%	10%	10%	6%

RBNA IP

	Medium '24	Medium '22	Medium '20	Large '24	Large '22	Large '20	Reinsurer '24	Reinsurer '22	Reinsurer
Max	0%	0%	0%	17%	31%	31%	0%	0%	0%
Average	0%	0%	0%	13%	17%	18%	0%	0%	0%
Min	0%	0%	0%	6%	5%	13%	0%	0%	0%

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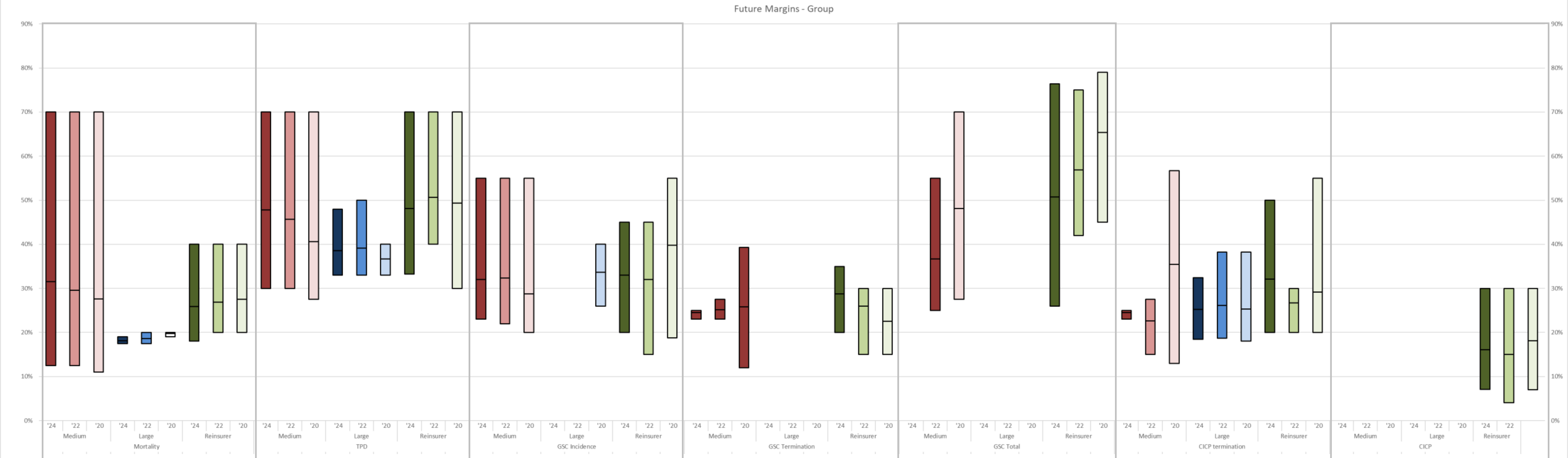
Future Stress Margins - Group



Mortality

	Medium '24	Medium '22	Medium '20	Large '24	Large '22	Large '20	Reinsurer '24	Reinsurer '22	Reinsurer '20
Max	70%	70%	70%	19%	20%	20%	40%	40%	40%
Average	32%	30%	28%	18%	19%	20%	26%	27%	28%
Min	13%	13%	11%	18%	18%	19%	18%	20%	20%

TPD

	Medium '24	Medium '22	Medium '20	Large '24	Large '22	Large '20	Reinsurer '24	Reinsurer '22	Reinsurer '20
Max	70%	70%	70%	48%	50%	40%	70%	70%	70%
Average	48%	46%	41%	39%	39%	37%	48%	51%	49%
Min	30%	30%	28%	33%	33%	33%	33%	40%	30%

GSC Incidence

	Medium '24	Medium '22	Medium '20	Large '24	Large '22	Large '20	Reinsurer '24	Reinsurer '22	Reinsurer '20
Max	55%	55%	55%	0%	0%	40%	45%	45%	55%
Average	32%	32%	29%	0%	0%	34%	33%	32%	40%
Min	23%	22%	20%	0%	0%	26%	20%	15%	19%

GSC Termination

	Medium '24	Medium '22	Medium '20	Large '24	Large '22	Large '20	Reinsurer '24	Reinsurer '22	Reinsurer '20
Max	25%	28%	39%	0%	0%	0%	35%	30%	30%
Average	25%	25%	26%	0%	0%	0%	29%	26%	23%
Min	23%	23%	12%	0%	0%	0%	20%	15%	15%

GSC Total

	Medium '24	Medium '22	Medium '20	Large '24	Large '22	Large '20	Reinsurer '24	Reinsurer '22	Reinsurer '20
Max	0%	55%	70%	0%	0%	0%	76%	75%	79%
Average	0%	37%	48%	0%	0%	0%	51%	57%	65%
Min	0%	25%	28%	0%	0%	0%	26%	42%	45%

CICP termination

	Medium '24	Medium '22	Medium '20	Large '24	Large '22	Large '20	Reinsurer '24	Reinsurer '22	Reinsurer '20
Max	25%	28%	57%	32%	38%	38%	50%	30%	55%
Average	25%	23%	35%	25%	26%	25%	32%	27%	29%
Min	23%	15%	13%	18%	19%	18%	20%	20%	20%

CICP

	Medium '24	Medium '22	Medium '20	Large '24	Large '22	Large '20	Reinsurer '24	Reinsurer '22	
Max	0%	0%	0%	0%	0%	0%	30%	30%	30%
Average	0%	0%	0%	0%	0%	0%	16%	15%	18%
Min	0%	0%	0%	0%	0%	0%	7%	4%	7%

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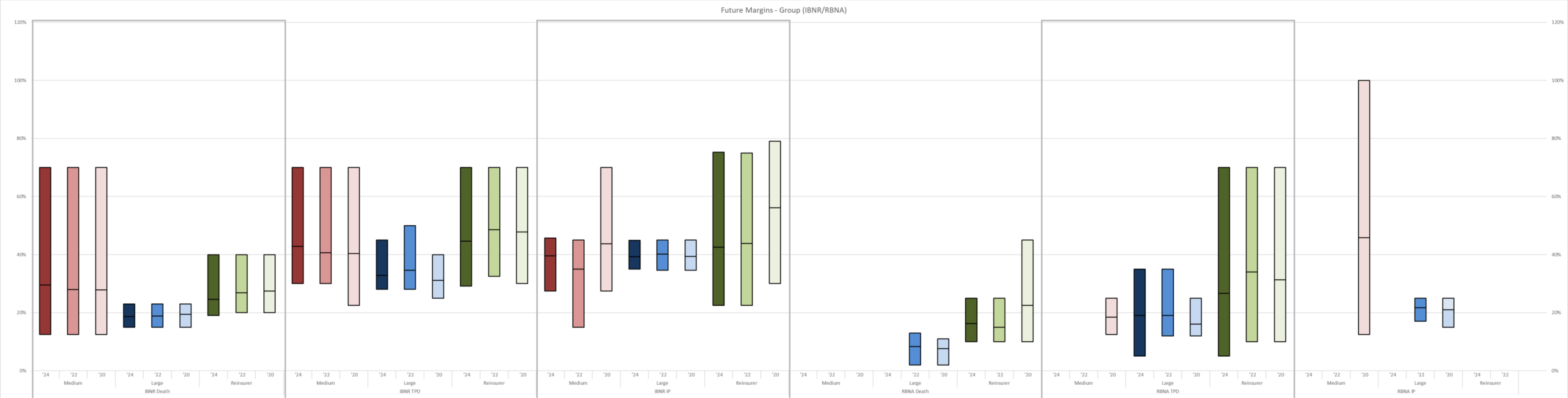
Future Stress Margins – Group IBNR & RBNA



IBNR Death

	Medium '24	Medium '22	Medium '20	Large '24	Large '22	Large '20	Reinsurer '24	Reinsurer '22	Reinsurer '20
Max	70%	70%	70%	23%	23%	23%	40%	40%	40%
Average	30%	28%	28%	19%	19%	19%	25%	27%	28%
Min	13%	13%	13%	15%	15%	15%	19%	20%	20%

IBNR TPD

	Medium '24	Medium '22	Medium '20	Large '24	Large '22	Large '20	Reinsurer '24	Reinsurer '22	Reinsurer '20
Max	70%	70%	70%	45%	50%	40%	70%	70%	70%
Average	43%	41%	40%	33%	35%	31%	45%	49%	48%
Min	30%	30%	23%	28%	28%	25%	29%	33%	30%

IBNR IP

	Medium '24	Medium '22	Medium '20	Large '24	Large '22	Large '20	Reinsurer '24	Reinsurer '22	Reinsurer '20
Max	46%	45%	70%	45%	45%	45%	75%	75%	79%
Average	40%	35%	44%	39%	40%	39%	43%	44%	56%
Min	28%	15%	28%	35%	35%	35%	23%	23%	30%

RBNA Death

	Medium '24	Medium '22	Medium '20	Large '24	Large '22	Large '20	Reinsurer '24	Reinsurer '22	Reinsurer '20
Max	0%	0%	0%	0%	13%	11%	25%	25%	45%
Average	0%	0%	0%	0%	8%	8%	16%	15%	23%
Min	0%	0%	0%	0%	2%	2%	10%	10%	10%

RBNA TPD

	Medium '24	Medium '22	Medium '20	Large '24	Large '22	Large '20	Reinsurer '24	Reinsurer '22	Reinsurer '20
Max	0%	0%	25%	35%	35%	25%	70%	70%	70%
Average	0%	0%	18%	19%	19%	16%	27%	34%	31%
Min	0%	0%	13%	5%	12%	12%	5%	10%	10%

RBNA IP

	Medium '24	Medium '22	Medium '20	Large '24	Large '22	Large '20	Reinsurer '24	Reinsurer '22	
Max	0%	0%	100%	0%	25%	25%	0%	0%	0%
Average	0%	0%	46%	0%	22%	21%	0%	0%	0%
Min	0%	0%	13%	0%	17%	15%	0%	0%	0%

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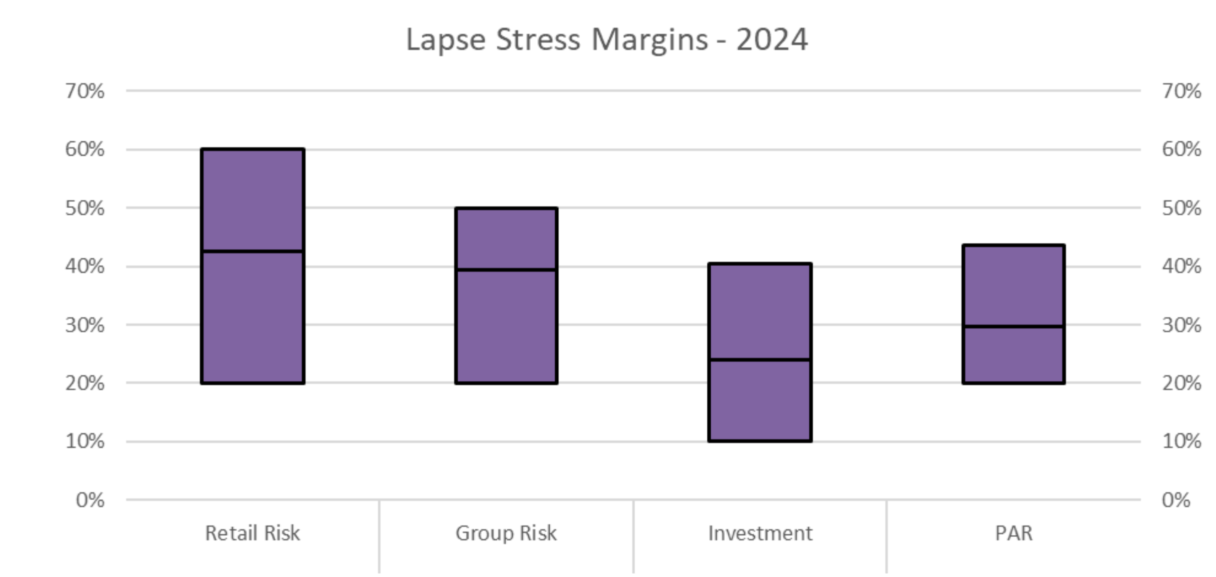
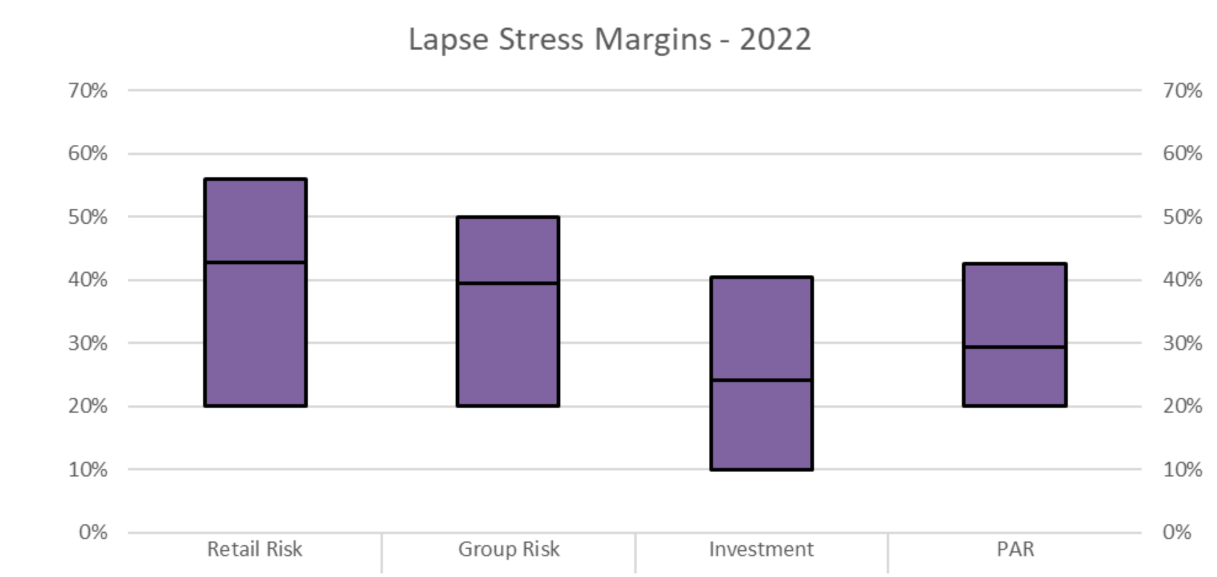
Lapse Stress Margins



	Retail Risk	Group Risk	Investment	PAR
Max	60%	50%	40%	44%
Average	42%	39%	24%	30%
Min	20%	20%	10%	20%



	Retail Risk	Group Risk	Investment	PAR
Max	56%	50%	40%	43%
Average	43%	39%	24%	29%
Min	20%	20%	10%	20%

The margins shown here include:

- Companies that model random and future lapse stress margins together.
- The future lapse stress margins of companies that model random and future lapse stresses separately.

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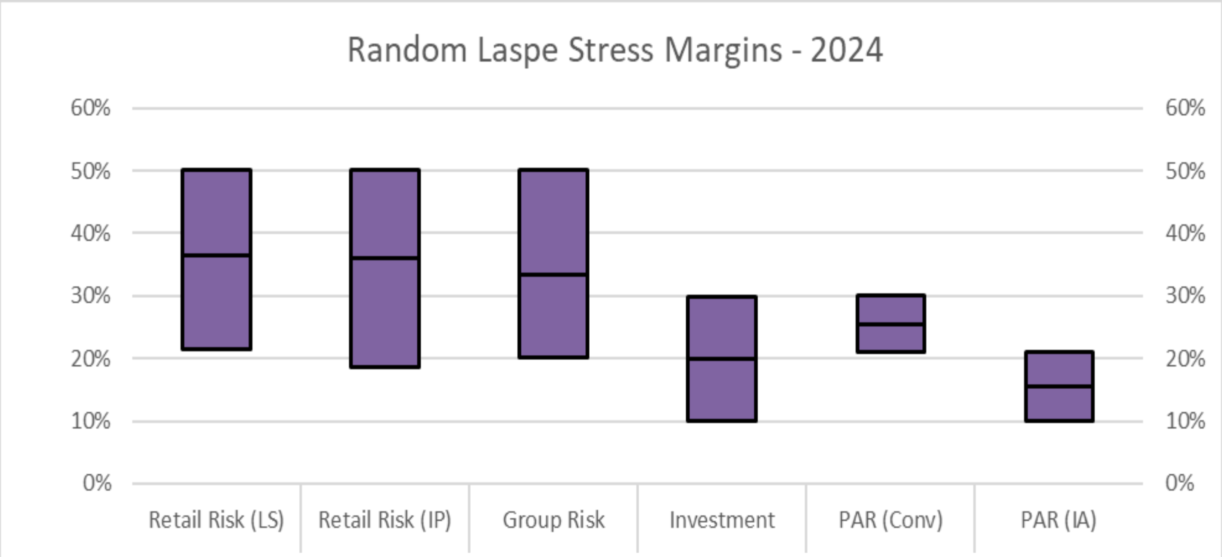
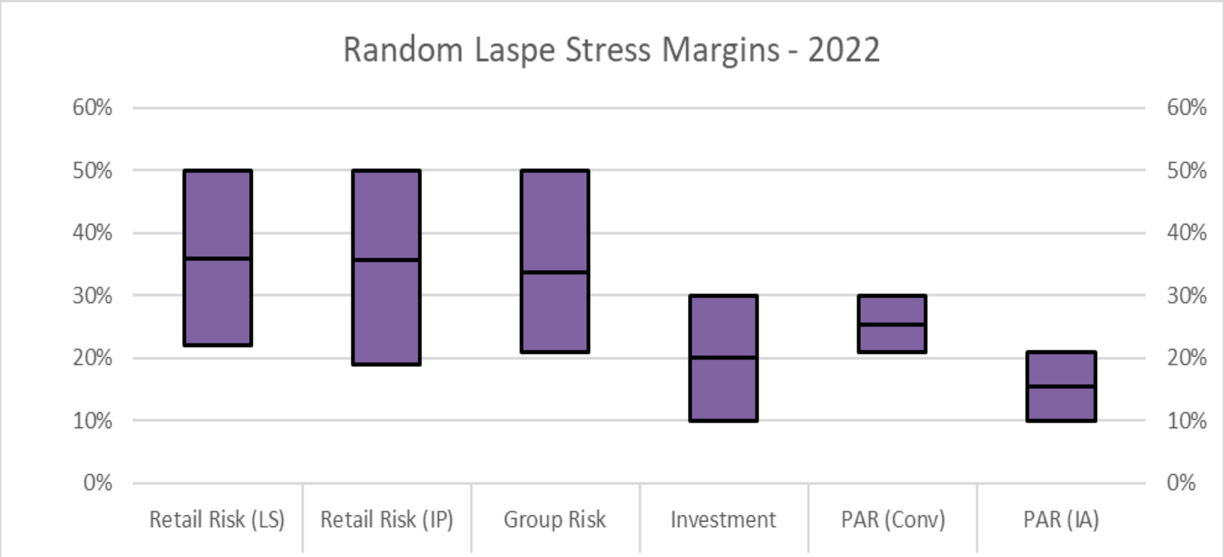
Random Lapse Stress Margins



	Retail Risk (LS)	Retail Risk (IP)	Group Risk	Investment	PAR (Conv)	PAR (IA)
Max	50%	50%	50%	30%	30%	21%
Average	36%	36%	33%	20%	25%	16%
Min	22%	19%	20%	10%	21%	10%



	Retail Risk (LS)	Retail Risk (IP)	Group Risk	Investment	PAR (Conv)	PAR (IA)
Max	50%	50%	50%	30%	30%	21%
Average	36%	36%	34%	20%	25%	16%
Min	22%	19%	21%	10%	21%	10%

Random lapse stress margins are largely unchanged from 2022, and the averages remain generally lower than future lapse stress margins.

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Target Surplus Questionnaire and Summarised Answers

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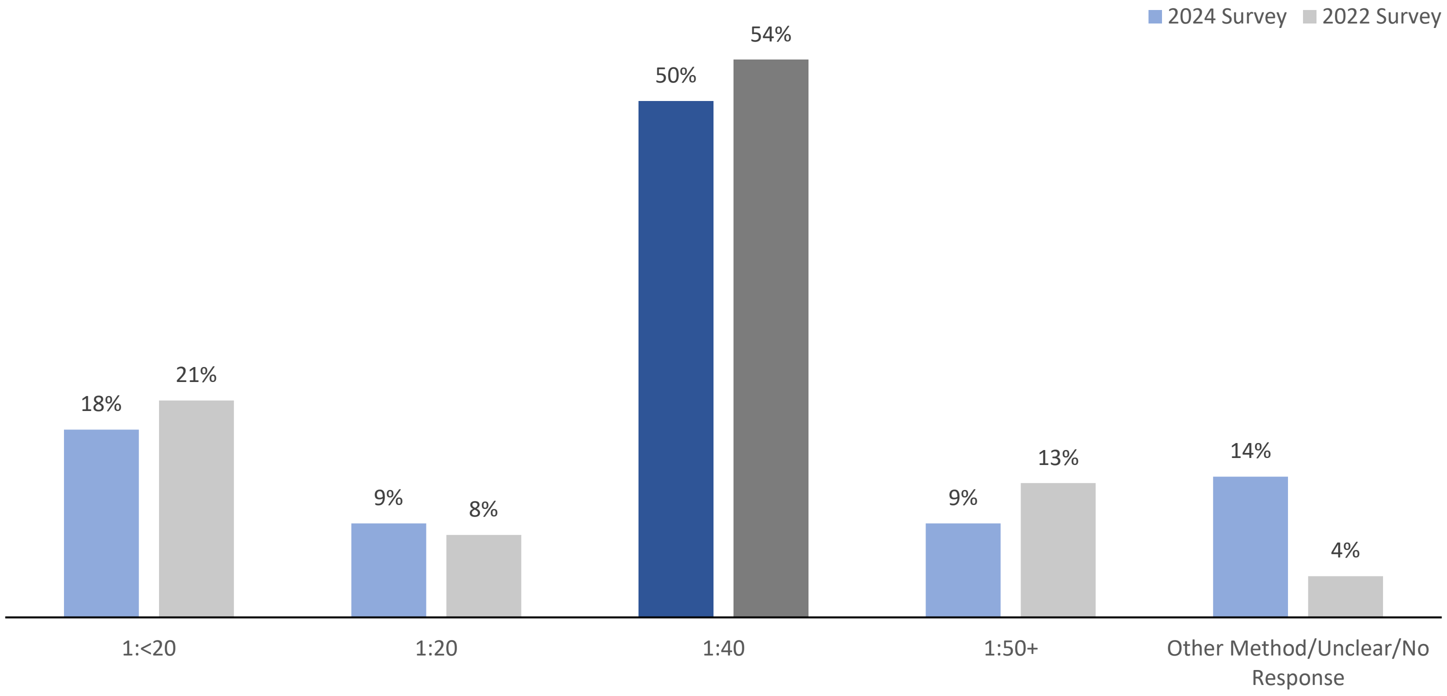
Q4 Target Surplus Approach

Q4 A (i) At what level is Target Surplus set?



- Calibrating target surplus to a 1 in 40 year regulatory capital breach over the next 12 month period remains the most common approach

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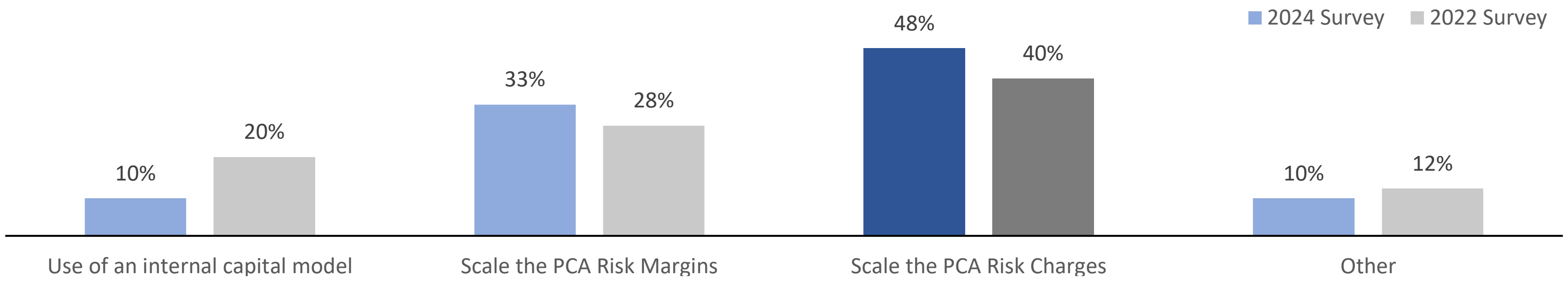
Q4 Target Surplus Approach

Q4 A (ii) Which option best describes the Target Surplus methodology?



Q4 A (iii) If the PCA Risk Margins or PCA Risk Charges are scaled to determine Target Surplus, what statistical distribution is used?

Q4 A (iv) If not scaling Risk Margins or Risk Charges what approach is taken?

- Most common approach uses the 'standard normal distribution'
- Some don't allow for expense and lapse risk
- 'Other approaches' to using a statistical distribution included allowing for operational risk
- Common alternative methods to scaling were stress and scenario testing and internal capital models

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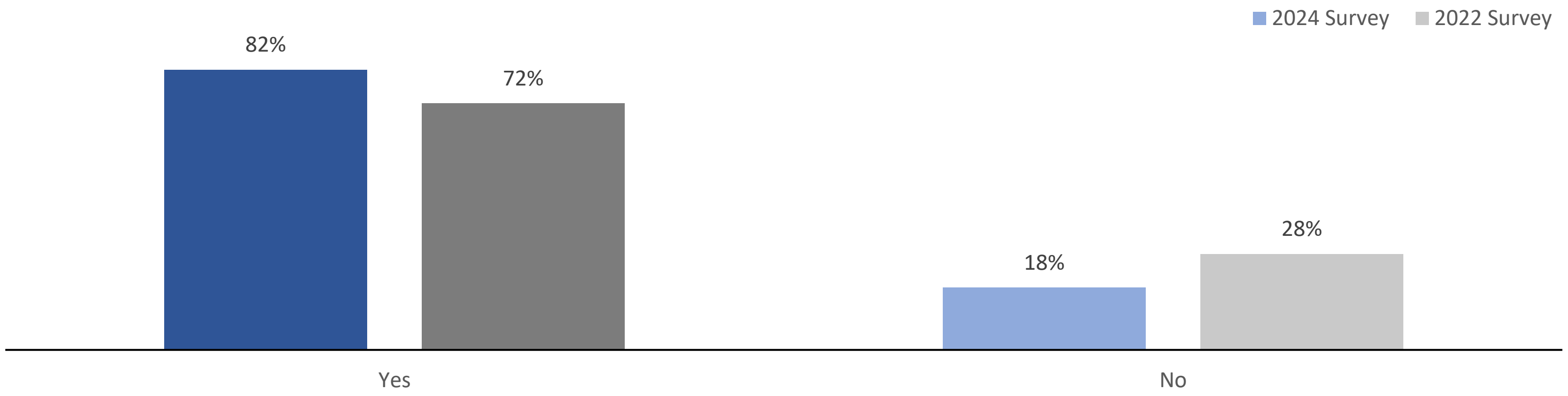
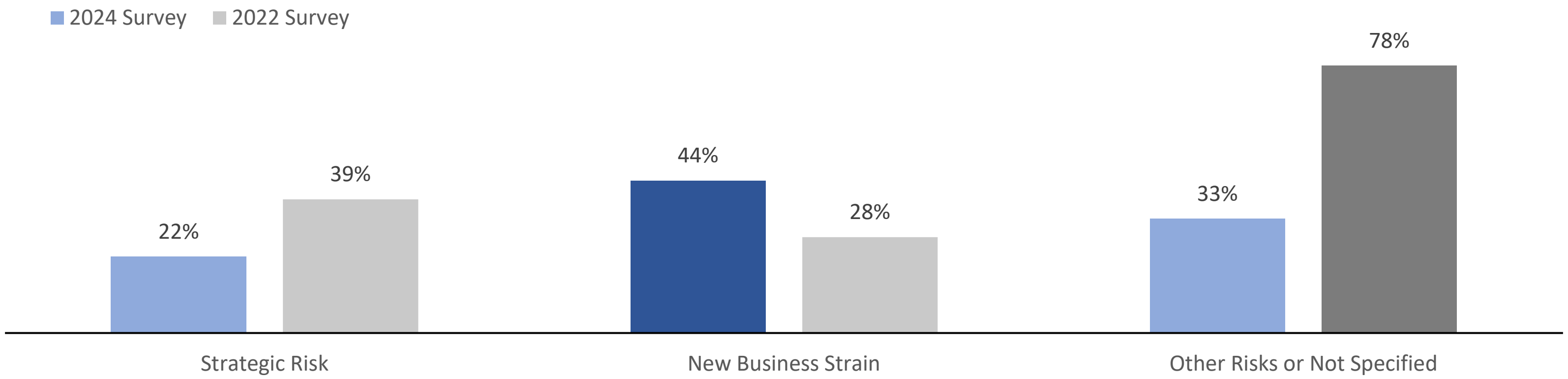
Q4 Target Surplus Approach

Q4 A (v) When setting Target Surplus are any additional risks allowed for that are not considered in the PCA, and if so, what are they?



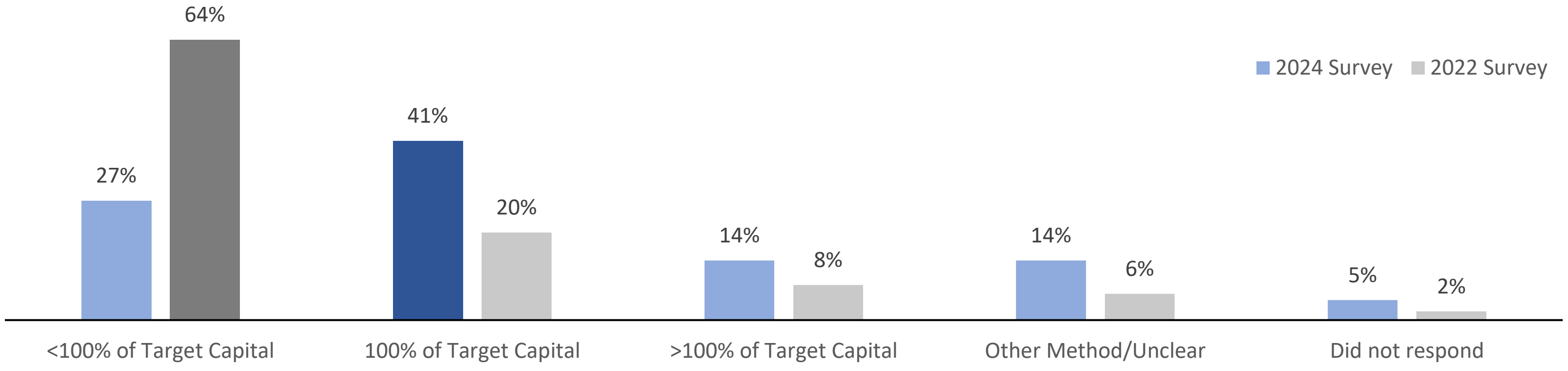


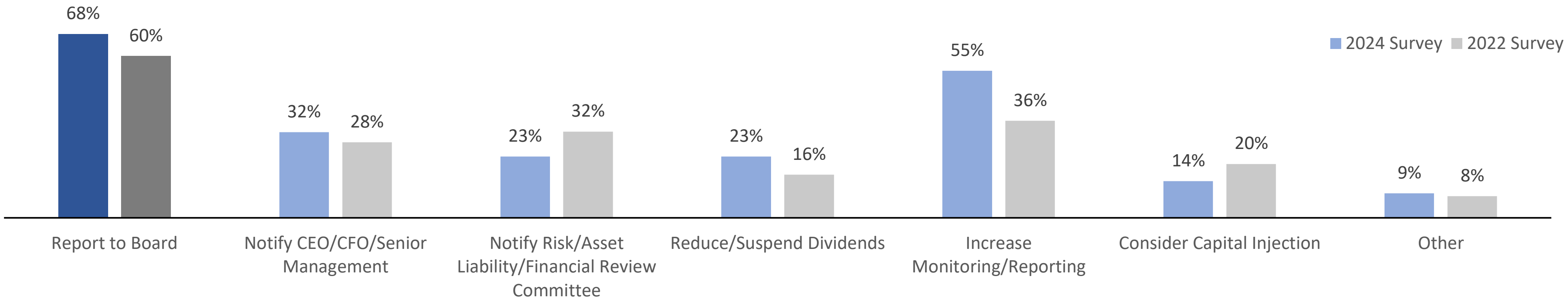
Other risks include:

- Regulatory
- Project expense overruns
- Data
- Reinsurance repricing
- Liquidity
- Climate

Q4 Target Surplus Approach

Q4 B (i) At what level of Target Surplus is the first action under ICAAP and (ii) what is that first action?





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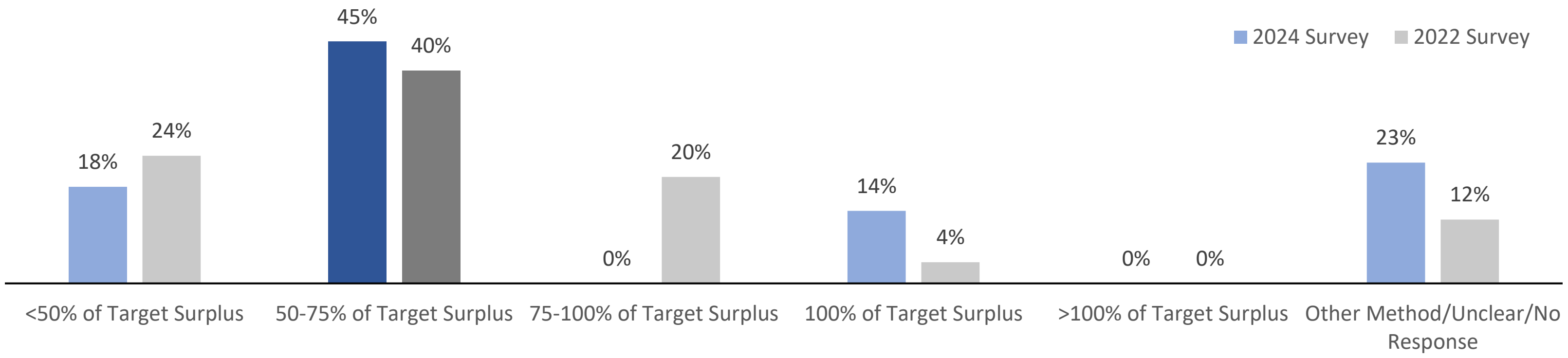
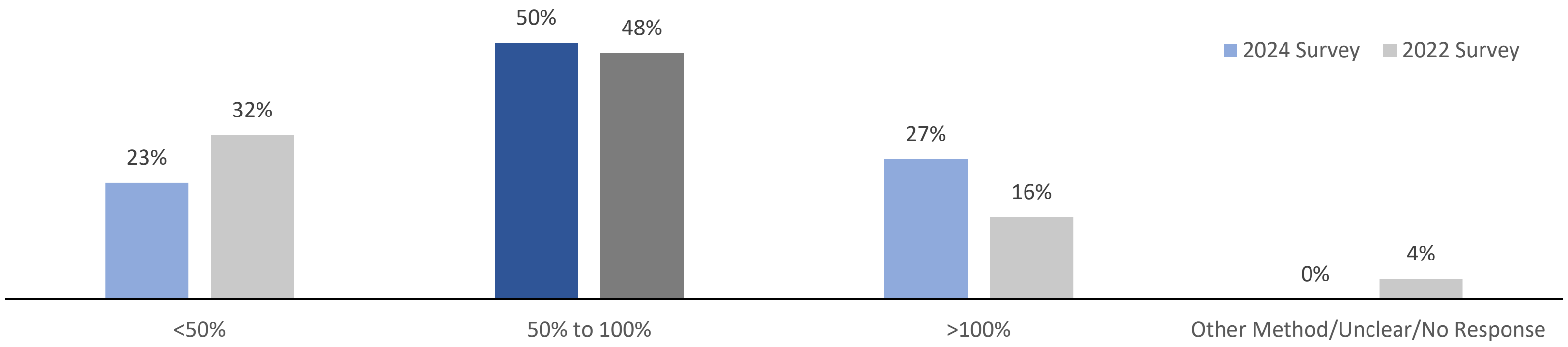
Q4 Target Surplus Approach

Q4 B (iii) At what level of Target Surplus is APRA informed?



Q4 C (i) What is Target Surplus as a proportion of PCA?



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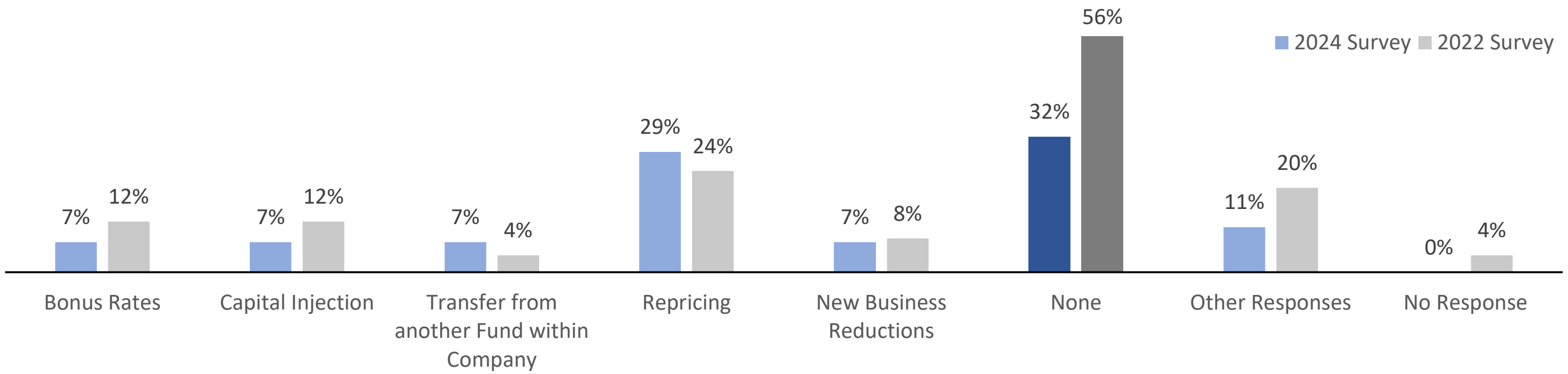
Q4 Target Surplus Approach

Q4 D (i) What management actions are allowed for when setting Target Surplus?



Q4 D (ii) What delay is factored in when allowing for management actions?

- The most common action is repricing and delays of 2 – 3 years are allowed for the observation of adverse experience, decision-making and implementation processes
- No ‘one-size fits all’
- Some use conservative assumptions and no reliance on post-stress management actions
- Some plan for delays that are aligned with strategic and operational practices
- Common to align with PCA frameworks and consider time required to implement repricing as a response to adverse conditions

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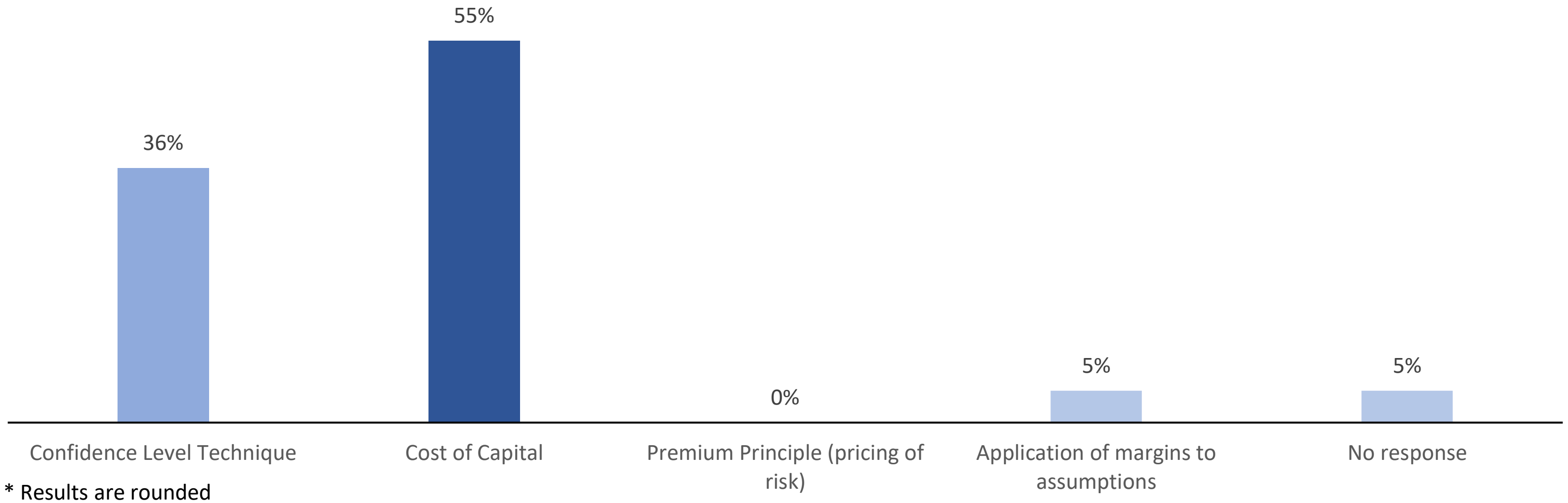
AASB 17 Questionnaire and Summarised Answers

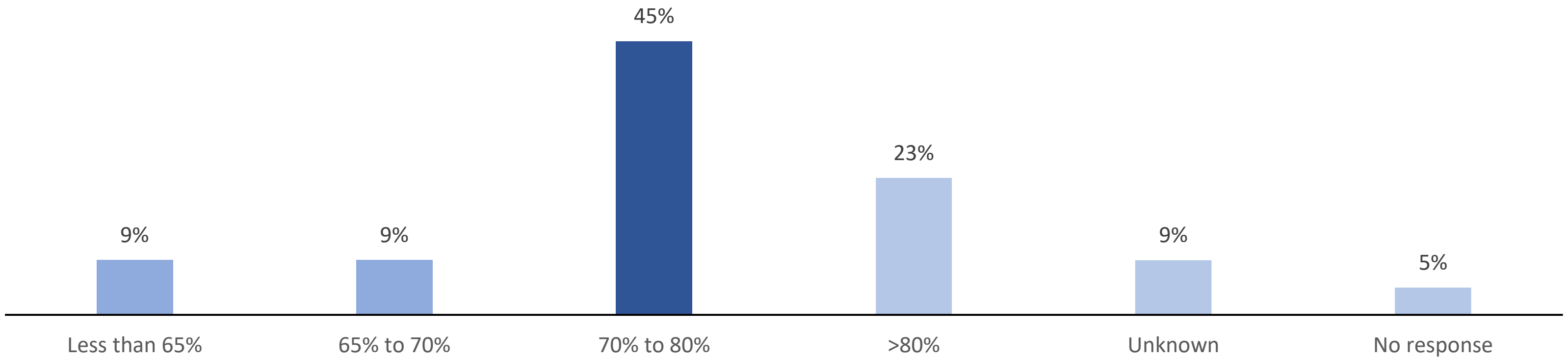
Q8 AASB 17 Risk Adjustment

A (i) What methodology are you intending to use to calculate the Risk Adjustment for non-financial risk?



* Results are rounded

A (ii) What is the implied confidence level for your Risk Adjustment?



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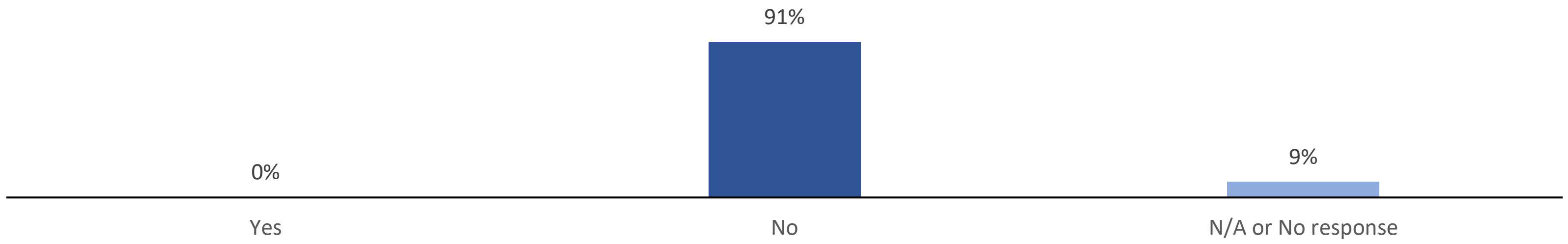
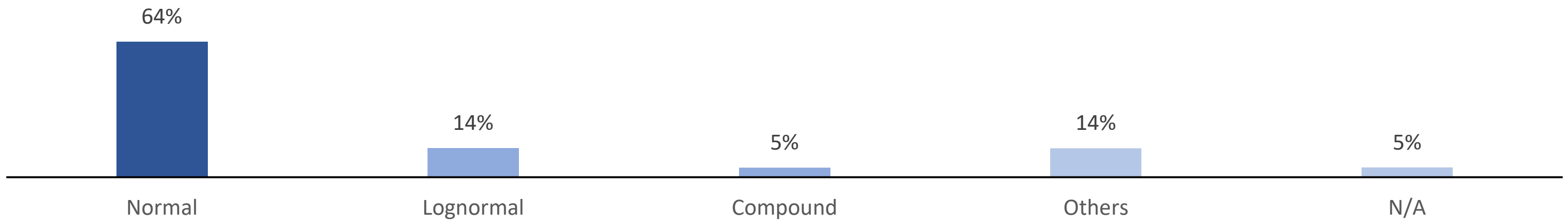
Q8 AASB 17 Risk Adjustment

A (iii) Have you allowed for any non-financial risks other than insurance risk, lapse risk and expense risk when determining the Risk Adjustment?

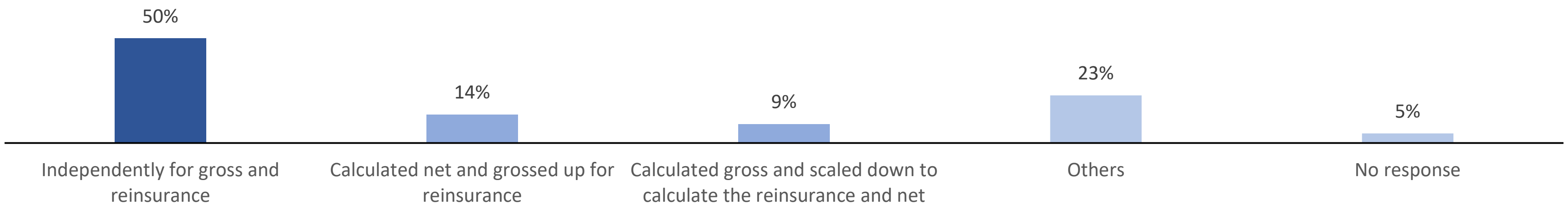


A (iv) In calculating the Risk adjustment (or the implied confidence level), what statistical distribution have you assumed?



* Results are rounded

A (v) How has the gross and reinsurance risk adjustment been calculated:



* Results are rounded

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Thank you

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