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Media Release

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Australia releases new standard table for retail disability income business ADI 2007-2011

Forty-five year old females are 94 percent more likely to make a disability insurance claim than their male counterparts but are 22 percent less likely to make a claim due to an accident than their male white-collar counterparts, according to a new Disability Income table released today by the Financial Services Council (FSC) in conjunction with KPMG Australia.

The table, *ADI 2007-2011*, which was last updated 20 years ago, is the actuarial basis on which life companies write their policies. It comprises extensive data collection and analysis based on more than 30,000 claims made between 2007 and 2011, making it the most up to date Disability Income table in the world. For comparison, the US Society of Actuaries 2012 IDEC table is based on 1990-2007 experience.

KPMG Actuarial Partner, Briallen Cummings said: "This new report includes data and analytics insights that were unimaginable 20 year ago, and which life companies will benefit hugely from. Using old data impacted their ability to fully comprehend the real drivers of claims. We believe this table will enable the industry to make much better allowance of these factors for pricing and reserving, which should in turn improve consumer experience."

The new table has been developed using insights from a Generalised Linear Model and has a modern structure with separate factors for deriving incidence and termination rates. It confirms the importance of existing rating factors such as age, gender and occupation. For the first time, the impact of policy duration, benefit period, and cause of claims (such as mental illness, nervous disorder and musculoskeletal) are quantified and tabled in an easy to use format.

Key facts from the report:

- Male white collar smokers are 50 percent more likely to make a claim due to sickness than male white collar non-smokers
- Smokers are 12 percent less likely to return to work than non-smokers
- 45 year old females are 94 percent more likely to make a claim due to sickness than their male counterparts, but 22 percent less likely to make a claim due to an accident than their male white collar counterparts
- A person who has held a policy for 10 years or more is 50 percent more likely to make a claim than a person who has held a policy for less than 1 year.
- Compared to the overall level of recovery from sickness claims, a person with cancer is 20 percent less likely to return to work in the first 12 months, but is 50 percent more likely to return to work in the second year and 70 percent more likely to return to work in the third and subsequent years.



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FSC CEO Sally Loane said: “The table will give life companies a deeper understanding of a range of the key issues and provide richer evidence for writing policies.”

“The new table will also help consumers to make informed decisions about their insurance needs. For example, women over 45 are nearly twice as likely to be disabled from sickness as men,” Ms Loane said.

The table is based on 2,176,782 policy years, 31,256 new claims collected from ten insurers over five years, representing 12,041,516 claims days, and over 27,000 claims recoveries. It is available to participants in the study and can be purchased from the FSC.

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About the Financial Services Council

The Financial Services Council represents Australia's retail and wholesale funds management businesses, superannuation funds, life insurers, financial advisory networks, trustee companies and Public Trustees. The Council has over 130 members who are responsible for investing more than \$2.5 trillion on behalf of 11 million Australians. The pool of funds under management is larger than Australia's GDP and the capitalisation of the Australian Securities Exchange and is the fourth largest pool of managed funds in the world. The Financial Services Council promotes best practice for the financial services industry by setting mandatory Standards for its members and providing Guidance Notes to assist in operational efficiency.

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