

ISI Quarterly Statistics

Guidelines for Completing Returns

1. Introduction

The series of ISI Quarterly Statistics has been substantially revised from September 2002. The most obvious change is that reporting of risk business has been separated from savings business. In addition, business is now reported on the basis of products rather than movements and benefits rather than policies. There is now one report for each product type, showing all movements for the quarter for that product.

For policies which include both savings and risk benefits, wherever possible the savings and risk components should be reported separately. Initially that will not be possible in all cases but should enable the benefits being sold to be more easily identified as 'modular' products become more common.

Whereas previously the premium for a rider benefit was included under the main product category, now the main product and each rider should be reported as a separate benefit.

Reporting of savings business has been substantially expanded to capture business which was not previously reported. Savings business is now reported as either Funds under Management (funds for which the company receives some form of remuneration for managing the funds) or Funds under Administration (where the company receives some form of remuneration for administering the funds).

2. General

The aim of the quarterly statistics is to provide companies with an industry benchmark against which to compare their figures. In addition the statistics are used by the ISI as a basis for regular releases and public comments as well as for submissions to Parliament and discussions with policy makers. Copies of the aggregate figures may be supplied to external bodies on request.

The ISI quarterly statistics may not be used in advertising material in order to compare the performance or market share of one company against another. However companies may compare their share in aggregate. It is important that statistics are available as soon as possible after the end of a quarter and that they are accurate.

On occasions it may be necessary for companies to adjust figures in later quarters. In such cases the return should be noted to that effect.

3. Scope

In order for the statistics to have any value it is essential for them to provide a comprehensive picture of the industry, which means including the business of subsidiary and nominee companies as well as business written within the life fund.

All the business written within a group which comes into one of the defined categories should be included - not just that written within the life fund. This is particularly important for superannuation, and business written in separate master trusts should also be included.

4. Traditional and Risk business - Definitions

Product headings

Unbundled policies are those in which the savings component is explicitly identified and the return on savings is reported to the policyholder periodically, for example: equity-linked business. Only annual premium for the risk component should be reported on this table.

Term includes lump sum mortgage repayment insurance (but excludes consumer credit insurance).

Guaranteed acceptance means policies with minimal underwriting tests which usually have a return of premiums if death occurs in early years possibly with full benefits payable on death by accident.

Credit Insurance includes covers from credit card balances, personal loans and similar insurances but excludes mortgage-related and similar covers.

Group means schemes with multiple membership sold under one policy. This does not include voluntary groups where members have individual policies.

Annuities For columns (a) to (g) enter amount of annual annuity payments. Columns (h) and (i) include single premium contract.

Column headings

(a) In force at start should equal in force at end of previous quarter.

(b) Contractual increases means CPI, age or duration generated increases. Adjustments allows for any corrections or adjustments to previous totals. Any major adjustments to be commented on.

(c) New business means increases not provided for in the contract, ie not covered under (b) above. New business should be gross of reinsurance out and net of reinsurance in. Policies cancelled with effect from their commencement date should be netted off new business.

- (d) Transfers - Transfers show the cancellation of annual premiums from one product and movement to another. For example when a WOL policy converts to unbundled, the premium will show as a negative transfer for WOL and a positive transfer for unbundled. If a WOL policy converts to a unit trust it will show as a negative transfer of AP for WOL but the new unit trust will record only contributions received in the quarter.
- (e) Claims and expiries includes deaths and maturities.
- (f) Lapses and surrenders includes all discontinuances before the contract has run full term.
- (h) (i) & (k) Benefit count is the number of contracts which include cover for the risk described in the product column. This means that a policy with 2 riders in addition to the main benefit would be counted as 3 benefits. A policy on two lives will have a benefit count of two.

Policy fees

Policy fees may either be included with the main benefit or allocated proportionately to the benefits within a policy. Please advise how policy fees have been treated.

5. Benefits paid

These figures are being assembled for use by the ISI to show the total payments being made to policyholders. Note the definitions at the foot of the return.

6. Savings and Investment Products - Definitions

All products need to be reported, regardless of what entity is used to write the business.

- Funds relating to conventional products are to be excluded.
- Funds relating to risk products with no savings element are to be excluded.

Funds Under Management

These are funds for which the company receives some form of remuneration for managing the funds.

There should be no double counting in the final results by company. The total Funds Under Management for a company should represent their total Funds Under Management.

Funds Under Administration

These are funds for which the company receives some form of remuneration for administering the funds.

There may be double counting within a company's results if there are multiple charges for administration made on the same funds.

Product headings

- Wholesale - funds managed on behalf of another legal entity, where the manager cannot offer the product for sale directly. For example employee schemes.
- Retail – products sold directly to the public. Includes Insurance Bonds, Equity Linked Business, Capital Guaranteed Funds.
- Super – Any policies relating to schemes registered under the Superannuation Schemes Act 1989.
- Non-Super – policies which do not belong to registered superannuation schemes
- Unit Trusts – as defined in the Unit Trusts Act 1960. Not listed.
- Master Trusts - have their own investment statement, with various trusts hanging off it.
- OEIC's – these are Open Ended Investment Companies.
- Term Deposit Bonds – relatively short term single premium products with a fixed interest return
- GIF's – Group Investment Funds
- Australian Vehicles – these are Australian domiciled trusts.
- Listed Unit Trust – Unit Trusts listed on the stock exchange.
- Wrap Accounts - these are products which do not have their own investment statement, rather they are a vehicle for investing in other products. Funds under management for wrap accounts would already be counted under Unit Trusts in the funds under management section. An example of how figures for a Wrap account are expected to be dealt with is set out in Section 7.

Column headings

- Funds at start should be last quarters funds at end.
- Treatment of Risk charges – these are charges for any risk benefits attached to a savings policy. It excludes any charges for policy fees. If these charges are deducted from the premium before it is applied to the policy then no adjustment is necessary. If the risk charges are explicitly charged by cashing in units for example, then this reduction in funds under management needs to be accounted for separately.
- Note: Funds at start, *plus* cash flows received, *less* withdrawals, *less* risk charges, *plus/less* adjustments *equal* funds at end.

7. Wrap Account example

Client invests \$10,000 during the quarter into company A's wrap account. The client selects the following funds to invest in via the wrap account:

- Unit Trust (40%) managed by Company A
- Wholesale Managed Fund (10%) managed by Company A
- Wholesale Managed Fund (30%) managed by Company B
- Unit Trust (20%) managed by Company C – this is an offshore company

Company A charges a 3% contribution charge on all funds invested through the wrap account. The following contributions are therefore invested in each of the products:

- Company A Unit Trust \$3880
- Company A Wholesale Managed Fund \$970
- Company B Wholesale Managed Fund \$2910
- Company C Unit Trust \$1940

Assuming for ease of presentation that each fund makes a charge of 1% and has no investment earnings :-

Company A's return to the ISI would take account of this investment as follows:

1.1 Savings and Investment Products – Funds Under Management

Product	FUM @ start	Cash flows received in quarter	Withdrawals paid in quarter	Risk Charges in quarter	Adjustments (investment return, charges etc)	FUM @ end
Wholesale – non-super	0	970	0	0	10	960
Unit Trusts	0	3880	0	0	39	3841

1.2 Savings and Investment Products – Funds Under Administration

Product	FUA @ start	Cash flows received in quarter	Withdrawals paid in quarter	Risk Charges in quarter	Adjustments (investment return, charges etc)	FUA @ end
Unit Trusts	0	3880	0	0	39	3841
Wrap accounts	0	10000	0	0	300	9700

Company B's return to the ISI would take account of this investment as follows:

1.3 Savings and Investment Products – Funds Under Management

Product	FUM @ start	Cash flows received in quarter	Withdrawals paid in quarter	Risk Charges in quarter	Adjustments (investment return, charges etc)	FUM @ end
Wholesale – non-super	0	2910	0	0	29	2881

Company C does not report under the ISI.

There is double counting in the Funds Under Administration table across companies as both company A and B charge for administering the funds, and within companies as company A charges administration fees for

the wrap accounts and the funds that they are invested in. There is no double counting under the Funds Under Management table.

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