FINANCIAL SERVICES COUNCIL OF NZ INC

FSC QUARTERLY STATISTICS

GUIDELINE FOR COMPLETING RETURNS

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Guidelines for Completing Returns

1. Introduction

The Financial Services Council (previously the Investment Savings and Insurance Association) has been collecting and reporting industry statistics since the December quarter of 1987. There have been several format changes over that period and a schedule of those changes is attached as Appendix Two.

Whereas previously we reported both risk and savings business, the Quarterly Statistics are now focussed solely on risk business.

2. Use of the Statistics

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 Financial Services Council ("FSC") as a basis for occasional 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 FSC 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 publish comparisons of their share against the aggregate.

3. Scope

In order for the statistics to have any value it is essential for them to provide a comprehensive picture of the life insurance industry, which means including all of the life insurance business of the group where the FSC member is part of a corporate group.

4. Corrections and Consistency

Both timeliness and data integrity are essential for maintaining the value of the FSC Quarterly Statistics to the industry.

It is important that statistics are available as soon as possible after the end of a quarter and that they are accurate. On occasions an error may be noticed after the reports have been issued. In such cases the correction should be advised to the company processing the data (currently Melville Jessup Weaver) and the correction should be shown in the appropriate column of the return in the following quarter.

Errors

Every effort is made to ensure the reports are correct before they are released. We recognise that it is inconvenient for participants to have revised reports issued when errors are picked up and reports will be re-run and recirculated only in extreme circumstances.

Otherwise, in the event that a participant advises the processing company of an error of significant magnitude after the reports have been released, a notification will be sent to other participants to allow them to take account of the error and a revision will be made in the following quarter.

Systems constraints to be notified
Where companies are unable (for example because of systems constraints) to comply with the reporting method set out in these guidelines they should advise the FSC and/or the processing company of the difference in reporting so that it can be disclosed on the 'Notes' page for the information of other users of the reports.

5. Product Definitions

Whole of Life & Endowment Traditional 'bundled' life insurance policies with combined savings and risk cover and benefits payable on death or (for endowment) on a specified date.

The total premium should be reported for these products.

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. All risk benefits associated with unbundled savings products should be reported here.

Term means life insurance without a savings component. It includes mortgage repayment insurance but excludes consumer credit insurance (see Credit Insurance below).

Where a term policy has separately identifiable components (eg death and disablement) death should be reported as term and disablement should be reported as income replacement and/or lump sum disablement, as applicable.

Where the benefits are not separately identifiable consideration should be given to splitting the premium into the component parts using internal information, for example pricing or valuation assumptions. Where this cannot be done the full premium should be reported in the Term category.

Guaranteed acceptance is a similar benefit type to Term but is reported separately. It refers to 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. Funeral plans are a common Guaranteed Acceptance product.

Trauma benefits provide for a one-off cash sum to be paid upon diagnosis of certain specified illnesses or medical events such as heart attack, cancer and stroke. These benefits may be rider benefits to the main policy or benefits that are sold on a stand-alone basis.

Replacement Income means a regular income benefit paid on disablement, as opposed to a lump sum benefit.

Lump Sum Disablement includes both Permanent and Temporary Total Disablement.

Accidental Death refers to either stand-alone or rider benefits where a separate premium can be identified.

Credit Insurance includes covers from credit card balances, personal loans and similar insurances but excludes mortgage-related and similar covers which are reported in the Term category.

Group means schemes with multiple memberships that are sold as one policy. This does not include voluntary groups where members have individual policies.

Annuities The report shows 'Annuities Per Annum' rather than 'Annual Premiums'. In columns (a) to (g) enter the amount of the annual annuity payments. In columns (k) and (l) include details of premium amount and benefit count for new contracts.

6. Data Definitions (Column Headings)

In force at start must equal in force at end of previous quarter.

Contractual Premium Changes: This column is for increases or decreases that are specifically allowed for in the contract, for example: CPI, age or duration generated changes.

Revisions: This column is to be used only for correction of errors in data previously reported. Any major corrections should be notified to the processing company as soon as they are discovered so that notification can be sent to other recipients of the reports. The corrections should then be reported in this column in the next quarter.

New business means increases not provided for in the contract, ie not covered under contractual increases in column (b). Policies cancelled within the free-look period should be netted off against new business in that reporting period.

Transfers of existing business from one product type to another should not be reported as new business but any **increase** in premium as a result of the transfer should be recorded as new business.

In order to avoid any double counting as a result of central sourcing, new business should be reported by the company that issues the policy rather than the company that sells it.

In order to avoid double counting through reinsurance, new business that is reinsured should be reported (gross) by the company that issues the policy. New business should be gross of reinsurance out and net of reinsurance in.

Transfers – This column was originally used to record large amounts of business being transferred between reporting categories as a result of company campaigns.

Transfers within rather than between reporting categories (such as YRT to level term) should not be shown as a transfer **but any increase in premium should be recorded as new business**. When there is a transfer between categories (such as from WOL to term) it should be shown as a negative transfer from WOL and a positive transfer to Term with any **increase in premium showing as new business**.

Transfers out must be balanced by transfers in. It is **not acceptable** to show annual premium as a transfer out of one product and as new business for another product.

Claims and expiries include only those policies ceasing due to claim payments or their maturity.

Lapses, surrenders and cancellations include all discontinuances before the contract has run full term and all cancellations from inception that have not resulted from a claim payment, other than those within the free look period which can be netted off against new business.

In force at end must equal in force at start, plus or minus all reported movements for the quarter.

Benefit count is the number of benefits provided by the contract for the premium that is reported. 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.

Bundled products that cannot be separated into their components should be treated as one benefit. However, a bundled policy on two lives should be reported as two benefits.

Examples are provided in Appendix One.

7. Tax, Fees etc.

Policy fees: Policy fees may either be included with the main benefit or allocated proportionately to the benefits within a policy.

GST: Premium income for non-life policies should be reported inclusive of GST.

Reinsurance: New business should be reported gross of reinsurance out and net of reinsurance in. Benefits paid should be reported gross.

8. Benefits paid

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

Appendix One

Examples

New Business

1. A new term policy with annual premium of $400 and an optional trauma benefit for an additional $200pa:

   Report as:

Benefit	Product	New Business	Benefit Count
Life insurance	Term	$400	1
Trauma	Trauma	$200	1

2. A new composite policy including $1000 API for replacement income, $500 for term life and $200 for credit card insurance.

   Report as:

Benefit	Product	New Business	Benefit Count
Temporary disability	Replacement income	$1,000	1
Life insurance	Term	$500	1
Credit card repayment	Credit insurance	$200	1

3. A new policy providing mortgage repayment insurance on joint lives with additional disability benefits on one life.

   Report as:

Benefit	Product	New Business	Benefit Count
Mortgage cover	Term	$800	2
Temporary disability	Replacement income	$1,000	1
Permanent disability	Lump Sum Disablement	$250	1

Policy Transfers

4. A level term policy is converted to YRT and API is increased by $500

   Report as:

Benefit	Product	New Business	Benefit Count
Life insurance	Term	$500	0 new, 1 in force

   If systems do not allow reporting as above, the conversion may be reported as a negative transfer against Term for the original API and a positive transfer for the new API.

Discontinuances

5. A new policy with an API of $1,000 commences on 1 December, is cancelled on 1 February of the following year and then reinstated on 1 May.

   Report as:
   December quarter: New Business = 1,000

March quarter:	Cancellation =	1,000
June quarter	New Business = 1,000	

6. A policy with an API of $1,000 has a death claim lodged in March but it is not processed until April.

Report as:

March quarter:	In force =	1,000
	Claims =	0
June quarter	In force =	-1,000
	Claims =	1,000

7. A policyholder who has a life insurance policy and a stand-alone trauma policy (ie 2 benefits) dies.

Report as:

Life insurance benefit	Claim
Trauma benefit	Cancellation

Appendix Two

Schedule of Changes

September 1994

- Stopped reporting Individual Permanent Health and Disability alongside Annuities on Table 4 and started a new
  - Table 1E Individual Income Replacement, Accident and Medical
  - Table 1F Group Income Replacement, Accident, Medical and Group Life & TPD.
- Started separate tables by product type for reporting Lapses and Surrenders
  - Table 2A Conventional
  - Table 2B Unbundled
  - Table 2C Personal Superannuation
  - There was no Table 2D
  - Table 2E Individual Income Replacement, Accident & Medical
  - Table 2F Termination of Group Schemes
- Started reporting
  - Table 5A Funds under Management
  - Table 5B Assets under Management
  - Table 6 Unit Trusts

September 1999

- Stopped reporting Tables 5A, 5B and 6.
- Stopped reporting individual and group medical insurance.

September 2002:

- The format was revised to report risk business separately from savings business and to report business on the basis of products rather than movements and benefits rather than policies. One report for each product type showed all movements for the quarter for that product.

- Whereas previously the premium for a rider benefit was included under the main product category, following the revision the main product and each rider have been reported as a separate benefit.

- Reporting of savings business was substantially expanded and reported as either Funds under Management (funds for which the company received some form of remuneration for managing the funds) or Funds under Administration (where the company received some form of remuneration for administering the funds).

December 2004

- Reporting of savings business was discontinued.

June 2008

- All premiums for non-life business are reported inclusive of GST from this quarter. Reporting up to this point had not been on a consistent basis.

September 2009

- Column (b) was renamed 'Contractual premium changes'
- Column (c) 'Adjustments from previous quarters' was deleted and replaced with 'Revisions'
- Column (e) 'Transfers' should be used only for business transferring between reporting categories and not between products in the same reporting category.
- Increases in premium as a result of the transfer should be recorded as new business.
- An explanatory commentary was added to provide further information on any unusual movements during the quarter.