



**PLAN FOR LIFE**  
ACTUARIES & RESEARCHERS

# **INVESTMENT GROWTH BOND BENCHMARKING REPORT**

**JUNE 2016**

**Includes information available at 30 June 2016**

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## Executive Summary

This report has been prepared as a Benchmark Report for Investment Growth Bonds as at 30 June 2016. The report covers the 6 groups of managers who are responsible for 90% of annual inflows up to 31 March 2016 and who are actively promoting and selling bonds. Lifeplan and Australian Unity are treated as one entity.

### 1. Introduction

This report provides analyses of company and product performance in the Insurance and Friendly Society Investment Growth Bond markets.

In developing the benchmarking we have considered the following factors, each of which carries a base score out of 20:

- Financial Strength
- Funds under Management and Inflows
- Product Package

Financial Strength is defined as the ability to sustain products, meet the costs of administration and marketing, and absorb unexpected contingencies. It is however an extremely difficult parameter to benchmark, due to its complexity, so consequently only a limited facet has been incorporated into this Report. Using the Capital Amount Coverage Ratio and Capital Base published regularly by APRA, and given current data available, it is possible to apply a Financial Strength measure to Life Companies and Friendly Societies.

Funds under Management (Market Share and 1 Year Growth Rate), together with Inflows (Market Share), form a factor which reflects each organisation's ability to market and sell its products, retain business and grow the funds, over the most recent 12 month period.

Product Score is based on a combination of the Product Package, Accessibility of Information on the Product and any Extra Guarantee Features which are above the norm

The overall result is the sum of these three factors.

While the Investment Growth Bond Market is relatively small, it still remains a viable area of investment. The number of organisations that compete seriously is however, extremely limited.

Acknowledgement is given to APRA for reference to Capital Amount Coverage Ratios – Half Yearly Life Insurance Bulletin, June 2015, Table 3b (Total Statutory Funds) and Annual Friendly Society Bulletin, June 2015, Table 8a (Total Entity) respectively.

## 2. Company Financial Strengths

Companies' Financial Strengths were benchmarked on their last available APRA-reported Data.

**As at December 2015 (based on APRA published data for Life Companies and Friendly Societies as at June 2015), Capital Adequacy parameters, namely Capital Base and Capital Amount Coverage Ratios for Total Funds, were examined.**

Companies	Coverage Ratio	Capital Base \$m	Financial Strength Score
Base Score			<b>20</b>
AMP Financial Services	1.95	1799	19.8
Austock	1.59	2.6	17.5
Centuria	6.04	8.5	18.0
CommInsure	2.10	649	20.0
IOOF	1.94	26	17.8
Australian Unity	2.65	32.2	18.0
<b>Industry Average</b>	NA	NA	

Scores are based on the Capital Amount Coverage Ratio and Capital Base, and are rounded to nearest decimal:

Ratio -	Score out of 10	Capital Base	Score out of 10
1.00-1.249	8.75	1-99	8.00
1.25-1.499	9.00	100-150	9.00
1.50-1.749	9.50	151-250	9.50
1.75-1.999	9.75	>250	10.00
>2.00	10.00		

### 3. Funds and Inflows

The data used is that collected by Plan for Life each quarter, directly from the various organisations:-

Company	Funds at 31/3/16 \$m	Funds at 31/3/15	Market Share Funds 31/3/16	Inflows 12 months to 31/3/16 \$m	Market Share Inflows	Growth Rate Fund (if positive)	Score Scaled out of 20
AMP	525	555	7.5%	33	5.3%	NA	16.0
Austock	602	550	8.6%	142	22.7%	9.5%	19.0
Centuria	712	696	10.2%	78	12.5%	2.3%	21.0
CommInsure	790	843	11.3%	57	9.1%	NA	18.0
IOOF	847	863	12.2%	86	13.7%	NA	20.0
Australian Unity	1774	1792	25.5%	168	26.8%	NA	20.0
Others	1717	1891	24.6%	62	10.0%	NA	
<b>Total Industry</b>	<b>6967</b>	<b>7190</b>	<b>100.0%</b>	<b>626</b>	<b>100.0</b>	<b>NA</b>	

**Market Share Funds and Inflows:**

Market Share >10% : 5  
 5%-9.99% : 4  
 1% -4.99% : 3

**Bonus Point Growth Rate Funds:**

>5% :1.00  
 3%-4.9% :0.75  
 2.3%-2.9% :0.50  
 0.1%-2.25% :0.25

## 4. Product Score

Companies	Product Package	Accessibility	Extra Guarantee Features	Product Score
<b>Base Score</b>	16	3	1	<b>20</b>
AMP Financial Services	15	3	1	<b>19</b>
Austock	16	3		<b>19</b>
Centuria	16	3		<b>19</b>
CommInsure	16	3	3	<b>22</b>
IOOF	16	3		<b>19</b>
Australian Unity	16	3	1	<b>20</b>

After examining the available material, 15 points were awarded if the product package provided a flexible set of investment options and was available for standard uses, such as an investment or funeral purposes. Where the organisation showed more initiative in creating additional means of attracting funds, an additional point was scored e.g. Imputation Bond, Estate Planning.

Accessibility scored 3 points provided that PDFs were easily accessible, especially via the Internet. Extra Guarantee Features scored a point if a unique and valuable feature was offered: this applied to CommInsure which continues to provide a guaranteed death benefit as opposed to just paying the investment account. In addition, where Capital Guarantees were offered on particular investment options, 1 extra point was scored (1 option) and 2 (two or more options). In this case, CommInsure offers 4 such investment options. AMP and Australian Unity each scored 1 point for guaranteeing one investment option.

## 5. Overall Results

Combining the results of each section has produced the following overall results.

Companies	Financial Strength Score	Funds and Inflow Score	Product Score	Investment Bond Points	Investment Bond Ranks
<b>Maximum Score</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>60</b>	<b>20</b>
AMP	19.8	16.0	19.0	54.8	<b>6</b>
Austock	17.5	19.0	19.0	55.5	<b>5</b>
Centuria	18.0	21.0	19.0	58.0	<b>2</b>
CommInsure	20.0	18.0	22.0	60.0	<b>1</b>
IOOF	17.8	20.0	19.0	56.8	<b>4</b>
Australian Unity	18.0	20.0	20.0	58.0	<b>2</b>

## **6. Date of the Report**

The report was finalised on 4<sup>th</sup> July 2016

Simon Solomon  
Actuary