

MEDIA RELEASE

15 August 2012

CEPAR RESEARCHERS WIN PRESTIGIOUS AWARD

Two CEPAR researchers have won the prestigious [Melville Financial Services Prize](#) from the Institute of Actuaries of Australia for their research into how regulators and regulatory requirements impact prices for longevity insurance products in the form of life annuities.

Professor Michael Sherris, Dr Katja Hanewald along with Maathumai Nirmalendran, a recent UNSW Honours graduate now with Finity Consulting, won the award for their paper [A Comparison and Economic Analysis of International Solvency Regimes for Annuity Markets](#).

Sherris, Hanewald and Nirmalendran received the award for their presentation and paper at the Actuaries Institute [Financial Services Forum](#) held in Melbourne from 30 April - 2 May. The President of the Institute of Actuaries of Australia, David Goodsall, presented the award at a gala dinner in Sydney last night.

The trio said they were honoured to receive the accolade. "This was an unexpected surprise. There were many high quality papers and we are delighted to have won. This award is a great recognition for the research that we are conducting at CEPAR and, in particular, it is recognition by the Actuaries Institute. We would like to thank the Institute for its ongoing support of academic research that contributes to current issues," Professor Sherris said.

"It is important to take up issues of interest to industry while at the same time produce high quality research that will contribute to the academic literature and our understanding of critical issues," Dr Hanewald said.

CEPAR works in collaboration with industry and government. We aim to address areas that are relevant to policymakers and regulators concerned with longevity risk markets and consumer interests as well as decision makers in the insurance industry.

The paper brings together two important areas: life annuities (longevity insurance) and solvency capital requirements. It considers how regulators and regulatory requirements impact prices for longevity insurance products in the form of life annuities. In particular, how a life insurer offering these products can profitably meet its obligations and at the same time maintain solvency.

“A critical requirement for individuals to purchase these long-term products is a high level of confidence in the life insurer meeting its obligations. This study analyses the impact of solvency capital requirements on product pricing and capitalization strategies of life annuity providers,” Professor Sherris said.

“APRA is reviewing prudential capital requirements for life insurers so we undertook this research to contribute to the debate on solvency requirements and to the reform process ongoing in many countries, including Australia and the European Union,” Dr Hanewald said.

Ms. Nirmalendran was an actuarial Honours student at UNSW in 2011 with a scholarship from an ARC Linkage grant with PwC, APRA and World Bank. Finity Consulting has generously supported Ms. Nirmalendran and encouraged her to complete an Honours year. She completed this paper after commencing with Finity. This award demonstrates the benefits of an Honours research program and working with industry partners.