

The background of the slide features several overlapping, semi-transparent globes in shades of blue and light blue, creating a sense of global connectivity. The globes are positioned behind a central dark blue rectangular area where the text is located.

The Evolving Role of Actuaries in Australian General Insurance

Thursday October 22, 2009

Jefferson Gibbs

Introduction

- **The Evolution of Actuaries in General Insurance in Australia**
 - Pre 1992 & 1992 – 2001
Informal Role
 - 2001 – 2005
Response to Collapse
 - 2006 – Present
Further Regulatory Reform
 - Going Forward
What's Next?
- **The Appointed Actuary in General Insurance – A Stakeholder Assessment of the Regime**

Extract from 2009 Biennial Convention, presented by GIPC (Melissa Yan & Susan Ley)
<http://www.actuaries.asn.au/Events/eventDetails.aspx?eventID=1926>
- **Discussion**

The Evolution of Actuaries in General Insurance in Australia

Pre 1992,
1992 – 2001
Informal Role

2001 – 2005
Response to
the Collapse

2006 – Present
Further
Regulatory
Reform

Going Forward
?

The Evolution of Actuaries in General Insurance in Australia



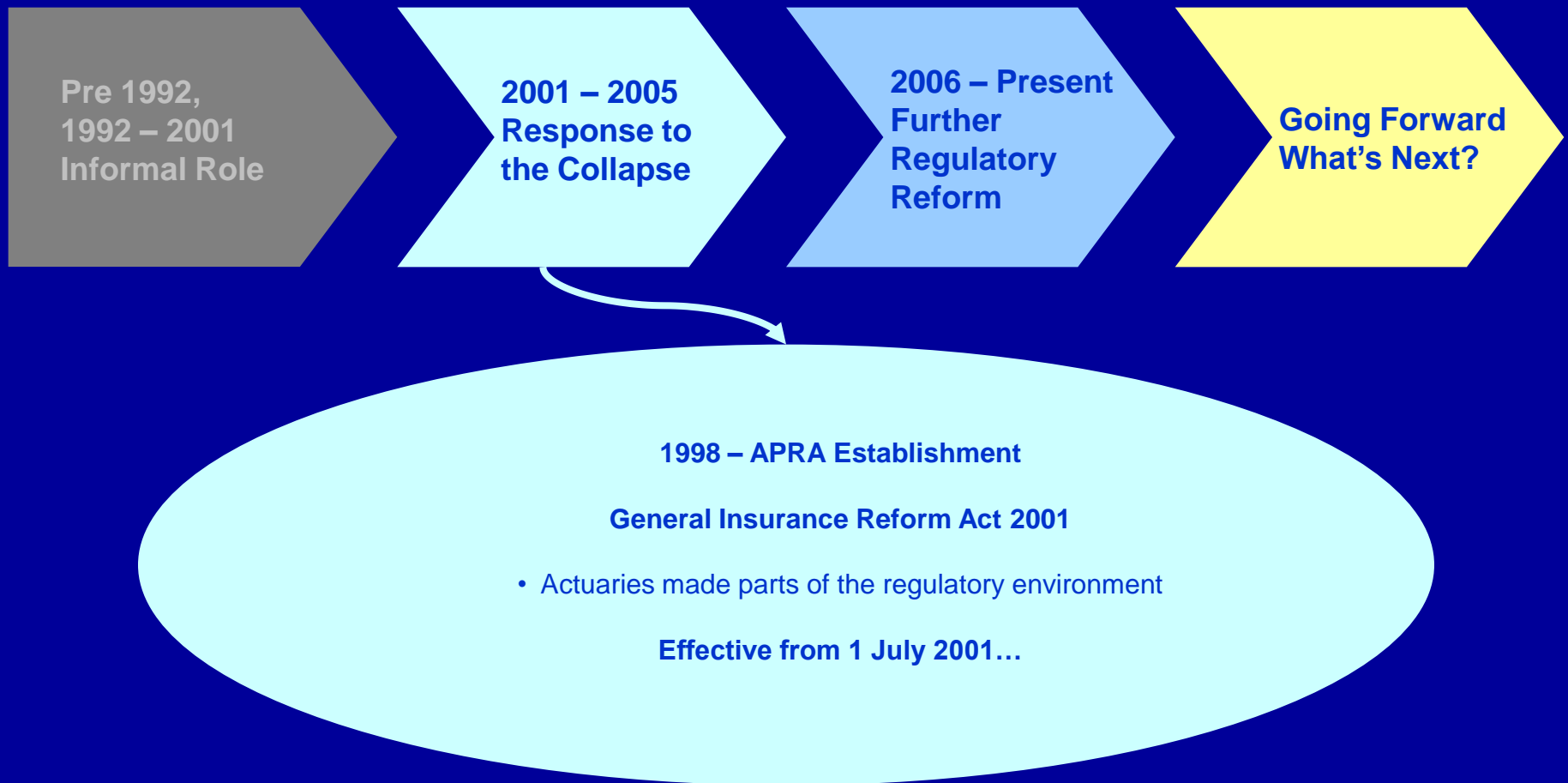
Outstanding Claims

- No formal status on advice
- Long-Tail driven, born out of Workers' Compensation
- Provide alternative to case estimates (if case estimate lose the creditability)
 - Initial entrée

1992 – AASB 1023

- Discounting and risk margins
- Increased need for actuarial advice
- AASB 1023 not prescriptive – different approaches were taken

The Evolution of Actuaries in General Insurance in Australia



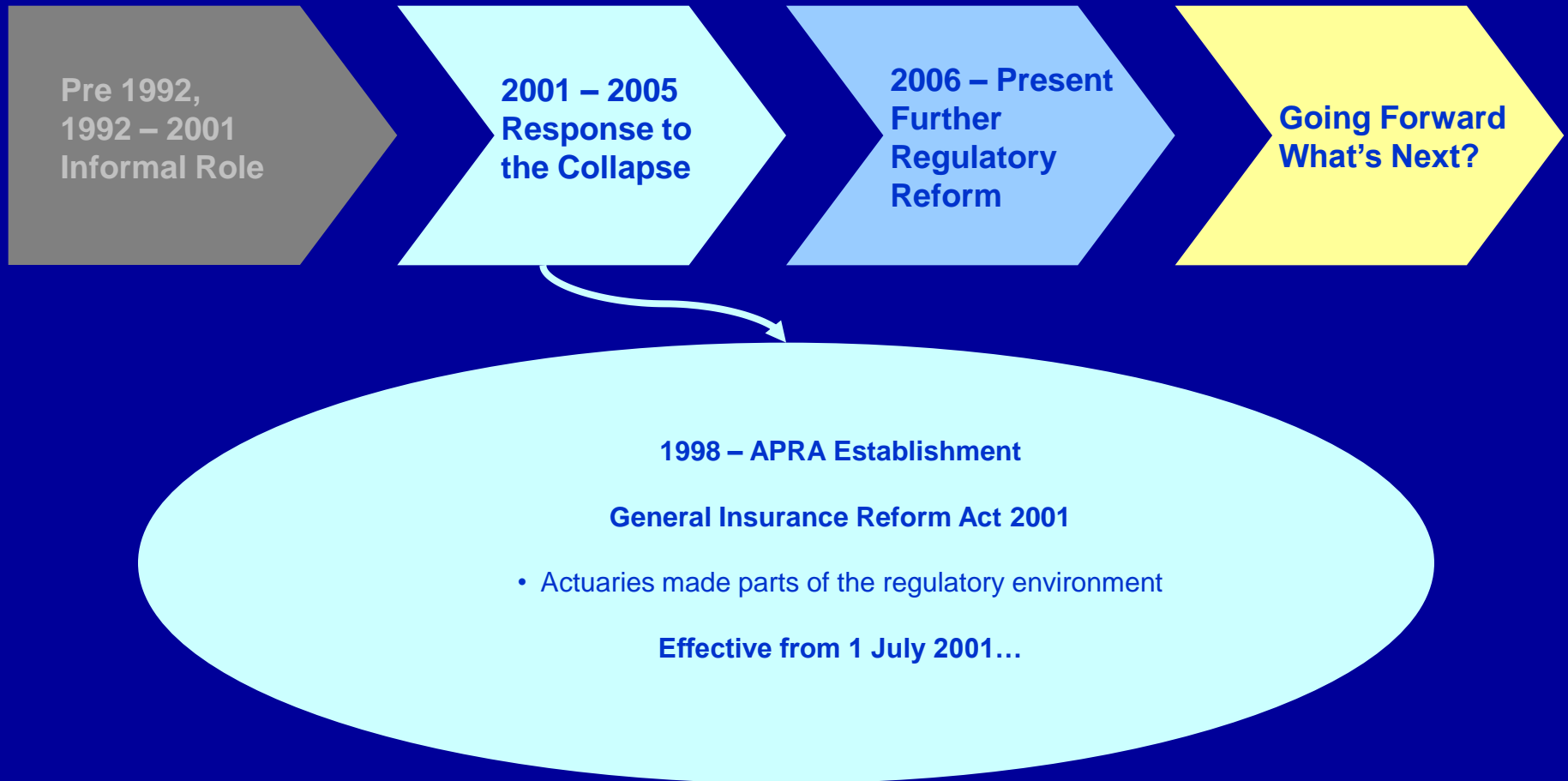
2001 – 2006

Response to the Collapse – Regulatory Reform : General Insurance Reform Act 2001

List of APRA General Insurance Prudential Standards and Guidance Notes

- GPS110 Capital Adequacy for General Insurers
- GPS120 Assets in Australia for General Insurers
- GPS210 Liability Valuation for General Insurers
- GGN210.1 Actuarial Opinions and Reports on General Insurance Liabilities
- GPS220 Risk Management for General Insurers
- GPS222 Business Continuity Management
- GPS230 Reinsurance Arrangements for General Insurers
- GPS310 Audit and Actuarial Valuation
- GPS510 Governance
- GPS520 Fit and Proper
- GPG240 Insurance Risk
- GPG510 Governance
- GPG520 Fit and Proper

The Evolution of Actuaries in General Insurance in Australia



The Evolution of Actuaries in General Insurance in Australia

Pre 1992,
1992 – 2001
Informal Role

2001 – 2005
Response to
the Collapse

2006 – Present
Further
Regulatory
Reform

Going Forward
What's Next?

February 2006 –
Revision of the Audit and Actuarial Reporting and Valuation Standard
(GPS310)

Introduction of:

- Financial Condition Report (FCR)
- External Peer Review (EPR)

And Further Reforms...

2006 – Present

Further Regulatory Reform Financial Condition Report (FCR)

Purpose:

The FCR is intended to provide an impartial assessment of an Entity's financial condition and, for a general insurer authorised by APRA, in the context of its current APRA authorisation.

Provide the Appointed Actuary's objective assessment of the overall financial condition of the insurer

Scope:

FCR must cover:

- Business overview
- Recent experience
- Insurance Liability Valuation
- Adequacy of past estimates for insurance liabilities
- Profitability, including premium adequacy
- Asset and liability management
- Capital management and capital adequacy
- Reinsurance arrangements
- Risk management, and
- Additional issue(s) identified by the AA as material

2006 – Present

Further Regulatory Reform External Peer Review (EPR)

Purpose:

To review and provide a conclusion on the reasonableness of the Primary Actuary's Actuarial Advice. There must be consideration of the investigations undertaken, as well as Specified Valuation results obtained, by the Primary Actuary. Additionally, the Reviewing Actuary must consider whether key risks and uncertainties have been identified by the Primary Actuary

Scope:

Requires consideration of:

- Scope, Limitations, Restrictions & Reliances
- Data: appropriateness, sufficiency, checking, reconciliations & reliability
- Valuation methods: appropriateness, support for selection & application
- Assumptions: process, monitoring of experience, reasonableness & application
- Assumptions: Impact of catastrophe, risk margins, sensitivity of results
- Controls: adequacy of internal control process
- Specified results
- Compliance with standards, Legislation and Regulations

Financial Condition Report (FCR)



The Appointed Actuary's objective assessment of the overall financial condition of the insurer



The Evolution of Actuaries in General Insurance in Australia



Going Forward

What's Next?

Need any things else?

Challenges Ahead???

- FCRs / New involvements
 - Need to understand different aspects of the insurance business other than just insurance liabilities
 - Need to improve communication skills
 - The difficulty of relying upon other professionals
 - Extension of scope of FCRs
- Danger of becoming too enmeshed in compliance
- Risk Margin – Quantitative measurement of systemic risk and diversification benefit
- Superimposed Inflation
- GFC

Biennial Convention 2009

Go for Gold

19-22 April 2009 • Sydney



Institute of Actuaries of Australia



The Appointed Actuary Working Group

**A stakeholders assessment of our
regulatory regime so far**



Survey

- 21 insurers agreed to participate

| Respondent | Number of responses |
|-------------------|----------------------------|
| Companies | 21 |
| Appointed Actuary | 19 |
| Reviewing Actuary | 14 |
| Appointed Auditor | 11 |
| Board | 11 |
| Management | 14 |



Key observations – views of stakeholders

- Actuaries
 - are coping OK with the requirements even with the FCR
 - would like some help from APRA and IA
 - some doubts about adding value with EPR
- Users
 - generally find all reports useful/helpful, could be made better
 - some differing views on FCR
- Would comments be different under adverse economic conditions ?



Discussion

- **What lies ahead for the NZ profession?**
- **Resources and experience?**
- **Development outside regulatory reporting**
- **Maintaining Support**