Overview

- Insurance & Superannuation Legislation & Regulation
- Actuaries Institute Arrangements
- Professional Practice
- Professional Practice Documents
- Approach to ISAPs
Ins & Super Legislation & Regulation

• **Main Legislation**
  - Life Insurance Act
  - Insurance Act
  - Private Health Insurance (Prudential Supervision) Act
  - Superannuation Industry (Supervision) Act

• **Regulator is APRA**
  - Licensing
  - Prudential Standards - some refer to Professional Stds
  - Supervision
  - Enforcement
Life Insurance – Actuarial Requirements

- Appointed Actuary
- Written Actuarial Advice to Insurer
  - Annual Financial Condition Report
  - Prescribed Capital Amount & Capital Base
  - Assessment of ICAP Process
  - Assessment & Adequacy of Risk Management Process
  - Policy Liabilities
  - Policy Terms & Conditions
  - Reinsurance Arrangements
  - Surrender Values
  - Certain Investment Performance Guarantees
- Whistleblow to Regulator if
  - Contraventions of Law
  - Interest of Policyowners Significantly Prejudiced
General Insurance – Actuarial Requirements

• Appointed Actuary
• Written Actuarial Advice to Insurer
  • Annual Financial Condition Report
  • Elements of Prescribed Capital Amount & Capital Base
  • Assessment of ICAP Process
  • Assessment & Adequacy of Risk Management Process
  • Policy Liabilities (central estimate & risk margins)
  • Assess Reinsurance Arrangements & Recoveries from non-APRA authorised Insurers
• Whistleblow to Regulator if
  • Contraventions of Law
  • Interest of Policyowners Significantly Prejudiced
Private Health Insurance – Actuarial Requirements

• Appointed Actuary
• Written Actuarial Advice to Insurer
  • Annual Financial Condition Report
  • Elements of Prescribed Capital Amount & Capital Base
  • Policy Liabilities (central estimate & risk margins)
• Whistleblow to Regulator if
  • Contraventions of Law
  • Interest of Policyowners Significantly Prejudiced
Superannuation – Actuarial Requirements

- Defined Benefit Funds
  - Actuary Investigation of Fund’s Financial Position at least every 3 yrs if no pension in payment, otherwise between 1 & 3 yrs
  - Fund Assets adequate to meet Accrued Benefits Liabilities
  - Recommend Employer Contribution Rates
  - Recommend Actions to address any Unsatisfactory Financial Position
  - Interim Actuarial Investigation if Fund Financial Position below set Shortfall Limit (extent to which fund can be unsatisfactory financial position temporarily)
  - Actuary Annually Attest if self-insurance in best interests of beneficiaries
  - Certificates for Tax purposes
Actuaries Institute Professional Arrangements

- Professional Stds Committee develops Professional Standards for Council approval
- Practice Committees develop Professional Guidelines (for Council approval), Information Notes & Discussion Notes
- Disciplinary Scheme
  - Complaint
  - Professional Conduct Committee establishes Sub-Committee to investigate & report
  - Tribunal receives report, conducts hearings & decides
  - Appeal Board
Professional Practice

• Code of Professional Conduct
  • Minimum Stds of Professional Conduct
    • Integrity, Honesty, Due Care & Uphold Profession’s Reputation
    • Not knowingly False, Misleading or Deceptive
  • Maintain Professional Knowledge & Skill
  • Have Appropriate Professional Knowledge & Skill to provide Competent Professional Services
  • Exercise Independent Professional Judgement & be Impartial when giving Prescribed Actuarial Advice
  • Manage Conflicts of Interest or Decline
  • Proactive re Potential Misuse of Professional Services
  • Reporting is Appropriate (audience, purpose, significance, uncertainty)
Professional Practice

• Professional Service
  • Service provided by a Member in a professional capacity
    • Includes on a pro bono basis
    • Includes Prescribed Actuarial Advice

• Prescribed Actuarial Advice
  • Conclusion, result, opinion or recommendation required to be performed, under Legislation, by either an actuary or a person with actuarial qualifications and experience
  • Anything deemed to be Prescribed Actuarial Advice by being
    • Specified as such in a Professional Std; or
    • Declared to be such by the Institute’s Council
Professional Practice Documents

• Professional Standard
  • Set out Practice *Requirements*
  • Compliance is Mandatory
    • *must* not *should* or *shall*
    • *may* where Member has choice about an activity

• Practice Guideline
  • Constitute generally accepted Actuarial Practice
  • Not Mandatory BUT need to explain & document any significant departure
    • *should*, cannot use *must* or *shall*
  • Cannot be used to interpret a Professional Std

• Information Note
  • Not Mandatory
  • Information on a particular issue

• Discussion Note
  • Not Mandatory
  • Encourage discussion on a particular issue
Professional Standards

• PS 1 - Continuing Professional Development (11p)
• PS 101 - Investment Performance Measurement & Presentation (12p)
• PS 200 - Actuarial Advice to Life Insurers or Friendly Societies (24p)
• PS 300 - Valuations of General Insurance Claims (22p)
• PS 305 - Financial Condition Reports & Run-offs - General Ins (15p)
• PS 310 - Certification of Premium Rates - NSW Motor Accidents (15p)
• PS 315 - External Peer Review of Gen Ins Liability Valuations (10p)
• PS 600 - Financial Condition Reports for Private Health Insurers (13p)
• PS 400 - Financial Condition Investigations - Defined Ben Funds (30p)
• PS 402 - Accrued Benefit Determination - Defined Ben Funds (14p)
• PS 403 - Preparation of Benefit Certificates (30p)
• PS 404 - Valuation of Superannuation Fund Assets (8p)
• PS 405 - Cost of Death & Disability Benefits - Super Funds (8p)
• PS 407 - Solvency Management of Defined Benefit Super Funds (9p)
• PS 408 - Payments from Super Funds to Employers - (14p)
Professional Guidelines

- PG 199.01 - Prescribed Actuarial Advice Reporting (7p)
- PG 199.02 - Relationship with Auditor - Actuarial Work used in an Audit (8p)
- PG 199.03 - Economic Valuations (27p)
- PG 499.04 - Accounting for Superannuation & Long Service Leave Obligations (26p) - being updated
Approach to ISAPs

- Actuaries Institute prefer strong/medium convergence with ISAPs where appropriate
- ISAP 1 does not fit into Institute’s structure of Professional Stds
  - PS’s mostly practice area based
  - PS’s mandatory & only use “must”
- Now intended to create a PG that substantially follows ISAP 1 language and content
  - ISAP 1 uses “should”
  - ISAP 1 content considered relevant to Australian actuarial practice
- New PG will apply where Members perform Applicable Professional Services
  - Prescribed Actuarial Advice or Professional Services designated as Applicable Professional Services
  - Will not include work performed by Members in non-traditional fields
- PG 199.01 will be withdrawn
- Will allow for other ISAPs to be considered & incorporated into Institute’s Practice Documents
For more detailed information see