

Actuarial Standards Australia

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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
 - use “must” not “should” or “shall”
 - only use “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
 - generally use “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

<http://www.actuaries.asn.au/professional-development-regulation/professional-standards-and-guidance>

