



The role of Statutory Actuaries in Australian Life Insurance

Bozenna Hinton

Vice President, Institute of Actuaries of Australia

The Business of Change: 2010 and Beyond



Introduction

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6. Whistle Blowing and Qualified Privilege

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Framework

- Australian legislation requires Appointed Actuaries (S93)
- Appointed Actuaries must
 - be an FIAA, live in Australia,
 - have > five years' life insurance experience,
 - meet the company's fit and proper person requirements,
 - not be the CEO or a director of the company, and
 - not be employed by the company's auditor.
- AA's responsibilities are defined in Prudential Standards
- Life insurance business is to be held in Statutory Funds

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Pricing and Reinsurance

Responsibilities

- Provide written advice on
 - New products - terms and conditions, including surrender values and unit pricing
 - Reinsurance arrangement consequences (LPS 310)

Issues

- Range of practice in relation to tailored (Corporate) business
- Who should receive the advice? (Board, CEO, Product Manager?)
- The IAAust has appointed a Task Force

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Financial Statements

Responsibilities

- Provide written advice on the appropriateness of the apportionment of income and expenses between statutory funds (S80)

Issues

- This can be a complex responsibility - especially if management expenses need to be apportioned across Life and Non-Life companies

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Financial Condition Reports

Responsibilities

- Provide annual written advice covering:
 - Valuation of policy liabilities
 - Solvency
 - Capital Adequacy
 - Risk Management Framework

Issues

- A range of possible approaches can be adopted in relation to the level of detail
- FCRs can be very substantial documents!

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Profit Distribution

Responsibilities

- Provide written advice on the consequences of the proposed profit distribution
- Also hold back a bit extra, as reserves (S62)

Issues

- Avoid breaching Capital Adequacy requirements, by not paying out all profits

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Whistle Blowing and Qualified Privilege

Responsibilities

- Advise the company of anything that may be detrimental to policy owners
- If the Appointed Actuary makes any statements relating to his role as AA, then he is protected (and must not lose his job)
(S98, S99, S156B)

Issues

- Whistle blowing is a very broad responsibility
- The Actuary may not know...
- It is not clear how often this has actually occurred
- Qualified Privilege protection has not yet been tested by the Courts.

Conclusion

**Statutory Life Insurance actuaries
have wide ranging
responsibilities in Australia.**

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