

Mr Peter Kohlhagen
Senior Manager, Insurance Policy
Policy and Advice Division
Australian Prudential Regulation Authority
Level 12, 1 Martin Place
SYDNEY NSW 2000

Email: insurance.policy@apra.gov.au

13 December 2017

Dear Mr Kohlhagen

ROLE OF THE APPOINTED ACTUARY AND ACTUARIAL ADVICE

The Insurance Council of Australia¹ (Insurance Council) appreciates the opportunity to comment on the Australian Prudential Regulation Authority's (APRA) paper, '*Response to Submissions: Review of the role of the Appointed Actuary and actuarial advice within insurers*', which sets out APRA's response to stakeholder submissions to its June 2016 Discussion Paper² on proposed changes to the current Appointed Actuary framework.

As you are aware, the Insurance Council provided a submission³ to APRA's initial Discussion Paper last year, which set out our members' feedback on APRA's proposals regarding the purpose statement, advice framework, managing conflicts of interest and actuarial reports. We are grateful that APRA has taken our members' views into consideration.

The Insurance Council is pleased that APRA recognises the important role of the Appointed Actuary in safeguarding the financial soundness of insurers and the interests of their policyholders, and that APRA, as the prudential regulator, values the role and relies on the skill, expertise and judgment of appointed actuaries⁴.

We also appreciate the approach that APRA has taken to consult on these proposals, particularly in terms of how APRA has provided sufficient time to carefully consider the commercial impact of the proposals and respond with meaningful feedback.

¹ The Insurance Council of Australia is the representative body of the general insurance industry in Australia. Our members represent more than 90 percent of total premium income written by private sector general insurers. Insurance Council members, both insurers and reinsurers, are a significant part of the financial services system. September 2017 Australian Prudential Regulation Authority statistics show that the private sector insurance industry generates gross written premium of \$45.07 billion per annum and has total assets of \$118.1 billion. The industry employs approximately 60,000 people and on average pays out about \$132.8 million in claims each working day.

Insurance Council members provide insurance products ranging from those usually purchased by individuals (such as home and contents insurance, travel insurance, motor vehicle insurance) to those purchased by small businesses and larger organisations (such as product and public liability insurance, professional indemnity insurance, commercial property, and directors and officers insurance).

² APRA [Discussion Paper](#) of June 2016, '*The role of the Appointed Actuary and actuarial advice within insurers*'.

³ The Insurance Council of Australia's [submission](#) to APRA of 21 September 2016.

⁴ [Speech](#) by APRA's Mr Peter Kohlhagen of 18 October 2017, '*APRA's review of the role of the Appointed Actuary: Where to from here?*', refers.

The Insurance Council is broadly supportive of the proposals contained within APRA's consultation package, which includes the detailed drafts of the proposed new prudential standards – '*CPS 320 Actuarial and Related Matters*' and '*GPS 340 Valuation of Policy Liabilities*' – and prudential practice guide, '*CPG 320 Actuarial and Related Matters*'.

We would like to provide the following general feedback for APRA's consideration, noting that some of our members may lodge their own submissions with APRA to comment on specific aspects of the proposals that relate to their individual commercial circumstances.

The Insurance Council notes that one of the key drivers of APRA's work on these reforms has been to support enhanced efficiency in the prudential framework for actuarial advice, in terms of streamlining and simplifying requirements, removing unnecessary compliance obligations, properly recognising materiality and allowing increased flexibility⁵.

While the Insurance Council supports the simplification of prudential standards where required, we consider that it is important for APRA to ensure that an appropriate level of detail is retained in the new standards and guidance to avoid compromising clarity and creating regulatory uncertainty. We believe that the proposed new standards and guidance would achieve an appropriate balance of detail in this regard.

With respect to APRA's question on an appropriate transition period, we note that APRA proposes to set the implementation date "*at least six months after the release of the final prudential standards and prudential practice guide*"⁶ (to be released in early 2018).

The Insurance Council respectfully asks APRA to continue to be mindful of our diverse industry membership, which includes insurers that may be able to absorb these changes over a relatively short period of time and other insurers that presently have very limited capacity to absorb further government regulatory changes. On this basis, we emphasise that there are a number of insurers that may require further transition time.

If you have any questions or comments in relation to our submission, please contact John Anning, the Insurance Council's General Manager Policy, Regulation Directorate, on (02) 9253 5121 or janning@insurancecouncil.com.au.

Yours sincerely



Robert Whelan
Executive Director & CEO

⁵ Ibid.

⁶ APRA Response to Submissions [Paper](#) of September 2017, '*Response to Submissions: Review of the role of the Appointed Actuary and actuarial advice within insurers*'.