

LWD/APRA general letter

19 September, 2016

Mr Pat Brennan  
General Manager, Policy Development  
Policy, Statistics and International  
Australian Prudential Regulation Authority  
Level 26  
400 George Street  
SYDNEY NSW 2000

To whom it may concern,

**OUR SUBMISSION TO THE ROLE OF APPOINTED ACTUARY**

In response to your discussion paper dated 21 June 2016, outlining APRA's proposal in respect of the above.

We are pleased to submit our submission to the role of Appointed Actuary and we look forward to the outcome of the consultation.

Yours sincerely,



**Ross Littlewood**  
Principal

Encl.

LITTLEWOODS SERVICES



Level 21  
Australia Square  
264 George Street  
GPO Box 3973  
Sydney NSW 2001  
Telephone  
(02) 9274 3000  
Facsimile  
(02) 9274 3033  
Web  
[www.recentre.com.au](http://www.recentre.com.au)

## Submission re Role of the Appointed Actuary

In response to APRA's consultation paper on proposed changes to the role of the Appointed Actuary (AA), we make the following submission as a practitioner assisting a number of general insurers to comply with their prudential obligations.

Although the proposed changes have minimal impact on Category C insurers, the proposals are viewed as a positive step towards greater efficiency and effectiveness.

The specific comments are as follows:-

1. Requirements for the AA Role: APRA may consider providing Category C institutions, who are subject to the new Senior Insurance Managers Regime (SIMR) under Solvency II, the possibility to appoint a Group Actuary as the AA. By virtue of Solvency II and SIMR the Group Actuary already meets the conditions of independency. This would require deleting the requirement for Category C institutions to have an AA who is a member of the Institute of Actuaries of Australia and allow the AA not to be ordinarily resident in Australia in case they proceed with that option.
2. The introduction of purpose statement clarifies how the role is positioned including with respect to the CRO role.
3. The proposed reduction in non-material compliance activities, by delegating certain tasks to other qualified staff, would benefit from a clarification for Category C institutions as to whether these non-material compliance activities can be performed at Group level, if the institution provides a delegations framework identifying qualified occupants in designated positions who can give advice on specific matters.
4. Management of conflicts of interest: It is acknowledged that the role and responsibilities of the AA can cross between all 3 lines of defence and that dual hatting between the roles of AA, CRO and a director of the insurer would give rise to unmanageable conflicts and there are no objections to the introduction of these specific conflict-management requirements.
5. The proposal to provide the Appointed Actuary with greater discretion to focus on the material risks to the insurer's financial condition includes a two-limbed approach to actuarial involvement in the risk-management framework. The Appointed Actuary would formally have a connection with the development and implementation of the framework and additional guidance from APRA would be beneficial as to whether the Appointed Actuary is precluded from completing the comprehensive review of the framework after 3 years.
6. The new proposal to transfer some requirements of the ILVR into the FCR and a two-limbed approach to actuarial involvement in the risk management framework and the ICAAP is a positive move. APRA is encouraged to remove the requirement for an FCR for a Category C insurer where the insurer is subject to normal supervision.
7. The proposed of alignment between GPS 320, LPS 320 and the new GPS 340 Valuation of Insurance Liabilities with the Actuaries Institute's Professional Standard 300 Valuations of General Insurance Claims is a positive move.
8. Cost-benefit analysis information: It is not anticipated that any cost increases or decreases in relation to the proposed changes will materialise. However cost benefits would be expected to be achieved if it was easier to appoint a Group AA and also if the FCR requirement was removed.