

Mr Pat Brennan
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21 September 2016

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Dear Mr Brennan,

ROLE OF THE APPOINTED ACTUARY AND ACTUARIAL ADVICE

We appreciate the opportunity to provide comment on the Australian Prudential Regulation Authority's (APRA) discussion paper "The role of the Appointed Actuary and actuarial advice within insurers".

We believe that the paper includes a number of proposals that will assist in providing greater clarity on the role and have provided some commentary on various aspects below.

Purpose Statement

We welcome the Purpose Statement and believe it will provide a degree of clarity for the role. We particularly agree with the positioning of the Appointed Actuary role as providing strategic advice to the board and senior management.

Actuarial Advice Framework

We believe this framework to be a useful tool in clarifying when we will seek the advice of an actuary as well as providing a materiality and delegation framework to identify where formal actuarial advice is required and when that advice must come from the Appointed Actuary. The framework as proposed should allow sufficient flexibility and is expected to be helpful for both the life and general insurance businesses.

Insurance Liability Valuation Reports

We welcome the removal of the requirement for the board to receive the general insurance ILVR. This document, by nature of APRA's and the actuarial professional requirements, is a technical document. It plays an important part in documenting the valuation process and enabling review if required. However it is not necessarily the most suitable format for informing the Board in its current form. Enabling the Board to determine the level of detail they need to review will enable more time to focus on the key topics.

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Introducing the requirement for a life insurance ILVR appears at odds with APRA's desire to reduce the compliance burden on the Appointed Actuary to enable them to provide more strategic advice. This document is not currently prepared and while the underlying information exists in various documents (including a summary of key points within the FCR), it will take a considerable amount of time to prepare each year adding an additional burden to the life Appointed Actuary.

Advice on the ICAAP and Risk Management Framework (RMF)

The requirement for prospective advice on changes to the RMF and ICAAP appear sensible as they are important controls for managing the financial condition of a company. In reality, for material changes, the Appointed Actuary is already consulted, so this represents formalising the involvement. However the need to prepare formal advice will necessarily add to Appointed Actuaries work load.

Appointed Actuary Workload

We note, and agree with, APRA's goal to improve the functioning of the Appointed Actuary role and to allow them to focus on providing strategic advice to the board and senior management. However we also note that a number of the proposals are expected to lead to an increase in the work load (e.g. the establishment and ongoing commentary of the Advice Framework, requirement for the ILVR for life actuaries, prospective advice on changes to ICAAP and RMF).

In order for APRA's goal to be achieved we note, and support, that this will necessarily require more of the Appointed Actuary's work to be delegated. That said, we see the formalisation of the advice framework as an important and effective control in managing the risks which will arise as a result of the additional delegation.

Yours faithfully,


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