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Dear Pat,

### **Role of the Appointed Actuary and Actuarial Advice**

We appreciate the opportunity to provide comment on the Australian Prudential Regulation Authority's (APRA) draft Prudential Standards and Practice Guide relating to the review of the Role of the Appointed Actuary and Actuarial Advice within Insurers.

We are broadly in favour of the proposed changes, and see aspects such as the purpose statement and greater clarity for when actuarial advice is required as very positive steps. We feel, however, that it remains unclear how effective the changes will be in achieving the stated objective of freeing up time to focus on strategic issues.

Regardless, there are two specific areas where we feel the draft standards would benefit from additional changes, which we have outlined below.

### **Commenting on the Equitable Treatment of Policy Holders**

Section 25(j) of the draft CPS320 currently requires Appointed Actuaries to comment on the "equitable treatment of participating policy holders" in the FCR.

We recommend that Appointed Actuaries be required to comment on the equitable treatment of all policy holders, not just participating policy holders.

Making this change would align the requirement under the draft CPS320 with the draft Purpose Statement where the Appointed Actuary is expected to give "appropriate consideration to the protection of policy holder interests", as well as provide consistency with the objective of the Life Insurance Act "to protect the interests of the owners and prospective owners of Life Insurance Policies".

We see one of the benefits of making the above recommended change being a more explicit discussion around an acceptable level of cross subsidiary between product groupings, ultimately leading to a more sustainable product pricing.

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**Clarification of “Changes to Policy Terms & Conditions”**

Attachment B to the draft CPS320 refers to the Actuarial Advice Framework needing to cover changes to policy terms and conditions. Whilst one interpretation is this includes changes to company policies and procedures, such as underwriting policies (e.g. increases in the sum insured limit for which bloods are required) as well as changes to the terms and conditions of the life policy itself, the current wording is not clear.

We therefore recommend that the Actuarial Advice Framework also explicitly cover changes to a Company’s Policies and Procedures which can reasonably be expected to have an impact on the profit signature or risk profile of the portfolio.

As changes to these internal policies can have a material impact on the risk profile of a portfolio, it is entirely appropriate for the Appointed Actuary to be required to provide advice on these changes.

Should you wish to discuss this in further detail, please don’t hesitate to contact me.

Yours faithfully,



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cc: **Munich Re**  
Jan Willing  
Andrew Linfoot