

General Insurance Practice Committee



L to R: Andy White, Daniel Smith, Kaise Stephan, David Koob, Tim Clark, John DeRavin, Peter Hardy, Jacqueline Reid, Peter McCarthy and Barry Rafe – GIPC Meeting (Sydney) April 2012

The last 18 months has been a busy and dynamic period in the general insurance space. From floods to disability, the General Insurance Practice Committee (GIPC) has been involved in the Institute's responses to various government inquiries and industry submissions. This article aims to give readers a taste of recent goings-on within the GIPC.

SO, WHO ARE WE? SOME FACTS AND FIGURES...

For those who aren't familiar with us:

- The GIPC aims to assist the Institute in increasing its profile in the general insurance space and advancing services to our members.
- We have 13 members, all practising in general insurance.
- Members come from four consultancies, seven insurers/industry bodies and one broker.
- There are 13 areas of responsibility taken by GIPC members, including accident compensation, professional standards, industry liaison and education.
- A number of working parties report to the GIPC, working on a range of research or industry matters ranging from LAGIC to CTP review, plus an Accident Compensation sub-committee.
- The GIPC has reviewed/was involved in more than five Institute submissions during 2011.

The following table lists some of the items on our radar over the last 12-14 months.

GIPC Committee Members

Peter McCarthy (convenor)	
Andrew Smith	Kaise Stephan
Andy White	Peter Hardy
Daniel Smith	Robert Thomson
David Koob	Scott Collings
David Gifford	Tim Clark
Jacqueline Reid	Barry Rafe (Liaison Actuary)
John DeRavin	Mary Poon (Secretary)

RECENT ACTIVITIES (LAST 12-24 MONTHS):

APRA AND LAGIC

- Submissions to APRA's response papers on LAGIC.
- Organising meetings between APRA and Appointed Actuaries.
- Insurance Capital Review seminar.

FLOODS AND DISASTERS

- Submissions to:
 - > Queensland flood inquiry;
 - > Natural Disasters Insurance Review (NDIR); and
 - > Natural Disasters Relief and Recovery Arrangements.
- Government responses to NDIR recommendations (e.g. standardised flood definitions).
- Flood seminars.
- Representing the Institute at various public inquiries and government consultations on disasters.

CLIMATE CHANGE

- Submission to Garnaut review update.
- Representing the Institute at the Productivity Commission's consultation in respect of their Inquiry into Regulatory and Policy Barriers to Effective Climate Change Adaptation.

NATIONAL DISABILITY

Productivity Commission report into National Disability Insurance Scheme (NDIS) and National Insurance Injury Scheme (NIIS).

COMMUNICATION

- Launch of regular monthly bulletins and quarterly newsletters.

PROFESSIONAL STANDARDS

- Completion of new PS315.
- Review of PS305.



Investment Return Principles Information Note

UPCOMING ACTIVITIES

Reviews of accident compensation schemes

Our Accident Compensation sub-committee is keeping watch on the developments in various workers' compensation and CTP schemes. As the NIIS (or other factors) continue to trigger scheme reviews by various governments, we hope to be able to make a meaningful contribution to the scheme design decisions. A working party has already started working on the NSW CTP scheme review. Other recent developments that we've been monitoring include the SA CTP green paper and reviews into workers' compensation in NSW and Queensland. In 2012 at least four reviews / inquiries of accident compensation schemes in Australia have been launched.

Research parties

With the 2012 General Insurance Seminar (GIS) just around the corner, several working parties have been set up to conduct research and prepare papers and presentations. Topics range from management accounts to reinsurance optimisation. Cross-disciplinary working groups have also been set up in the ERM and risk appetite space.

National Injury Insurance Scheme

With the rollout of the NIIS, it is anticipated that there will be a number of areas where our knowledge of insurance schemes and skills can be of value.

APRA and LAGIC

As the new prudential standards come into effect on 1 January next year, continued effort will go into the preparation of new professional standards and CPD for members to assist them in meeting the new requirements. LAGIC working parties are already looking into areas where actuaries may require additional guidance, such as property catastrophes and non-property probable maximum losses (PMLs). PS305 is in the process of being refreshed, to incorporate additional aspects actuaries should look at when writing Financial Condition Reports.

Thanks to all of the many Institute members (a list too long to publish here) who have contributed their time and effort to activities overseen by the GIPC. Thanks also to our various sub-committees and the members of GIPC in their service of the Institute and its membership. **A**

Over the last 30 years, superannuation has changed from an employer provided benefit, dominated by defined benefits, to a legislated right, dominated by defined contribution funds. A major feature of this change is that members now take on the investment risks associated with their superannuation.

At the same time, superannuation fund members have also been given the ability to choose which superannuation fund is to receive their superannuation contributions.

These changes have meant that there is significant competition between superannuation funds for members and that the past investment performance of superannuation funds has become a major factor in a member's selection of their superannuation fund.

It is therefore imperative that the investment returns that are provided to the public by superannuation funds allow a fair basis for comparing the past investment performance of each superannuation fund.

The Cooper review and Stronger Super legislation include proposals relating to the disclosure of the investment returns achieved, and expected to be achieved, by superannuation funds.

There has also been significant public debate on this issue. Importantly, some of this debate has focussed on whether administration fees should be deducted when determining the net investment return and what taxes should be allowed for when determining after tax investment returns.

Further, it is expected that APRA will prepare some form of Investment 'League' table for superannuation funds which will set out past investment returns.

Given the importance of past superannuation fund investment returns it is vital that the Actuaries Institute has a clear statement of how these returns should be calculated when they are to be used to compare the past investment performance of superannuation funds. The Superannuation Projections and Disclosure Sub-Committee (previously the Benefit Projections Working Group) has developed an Information Note, 'Investment Return Calculation Principles', which puts forward the approach proposed by that Sub-Committee. This Information Note has been circulated to members of the Institute who have indicated an interest in this area. A copy of the Note can be found on the Institute's web site at:

http://www.actuaries.asn.au/Library/Standards/SuperannuationEmployeeBenefits/2012/SPC_EarningRatesCalculationPrinciples042012.pdf

After being modified to take into account feedback from members, the Institute plans to use the Information Note as the basis for discussions with the government and the regulators in this area. The Note will also form the basis for any comment that the Institute will make when this issue is discussed in the public arena. It is therefore important that any actuaries who have an interest in this matter review the Note and provide feedback. **A**

Superannuation Projections and Disclosure Sub-Committee

Bill Buttler, Convenor

Jackie Downham

Colin Grenfell

Glenn Langton

Richard Starkey

Ray Stevens