



Institute of Actuaries of Australia

EXPLANATORY MEMORANDUM TO PROFESSIONAL STANDARD 200: ACTUARIAL ADVICE TO A LIFE INSURANCE COMPANY OR FRIENDLY SOCIETY

December 2010

About this Explanatory Memorandum

This Explanatory Memorandum has been prepared by the Life Insurance and Wealth Management Practice Committee ("LIWMPC") to assist Members in understanding changes to Professional Standard 200 ("PS 200").

Introduction

An Exposure Draft of an amended PS 200 was released for Member comment in October 2010. Three responses were received and duly considered. The LIWMPC thanks Members for their comments.

Changes from the Exposure Draft

The main changes from the Exposure Draft are:

- ▶ including a reference to APRA Prudential Standard LPS 220 Risk Management in the statutory requirements (clause 1.6.2);
- ▶ adding APRA Prudential Standard LPS 320 Actuarial and Related Matters ("LPS 320") to the definitions (section 3); and
- ▶ additional wording on Materiality (section 4) to cover the situation where a matter is relevant but not Material.

Changes from the previous Professional Standard

The main changes from the previous Professional Standard are:

- ▶ inclusion of a Professional responsibilities section (1.7), reminding Members of their professional responsibilities in relation to "whistleblowing";



- ▶ inclusion of a Materiality section (4), including requirements related to prescribed matters that are not Material and/or relevant in the circumstances;
- ▶ inclusion of an Information and data section (8.12) requiring Members to summarise and comment on the information and data that has been relied upon in preparing the FCR;
- ▶ inclusion of a Material risks section (8.13), requiring Members to comment in the FCR on any Material risks associated with the actuarial assumptions and the ongoing management of the business;
- ▶ inclusion of a Recommendations section (8.14), requiring Members to comment in the FCR on the extent to which any previous recommendations have been addressed by the Entity; and
- ▶ changes to reflect the introduction of LPS 320.

The LIWMPC is also developing an Information Note discussing the requirements of LPS 320 in more detail.

Commencement date

The amended Professional Standard applies to any relevant advice or Report given to an Entity on or after 1 January 2011.

END OF EXPLANATORY MEMORANDUM