

# **12th Accident Compensation Seminar 2009** Rising to the Challenge

**Melbourne 22nd – 24th November 2009**



Institute of Actuaries of Australia



## **Forging Financially Sustainable Schemes**

**Bruce Harris**

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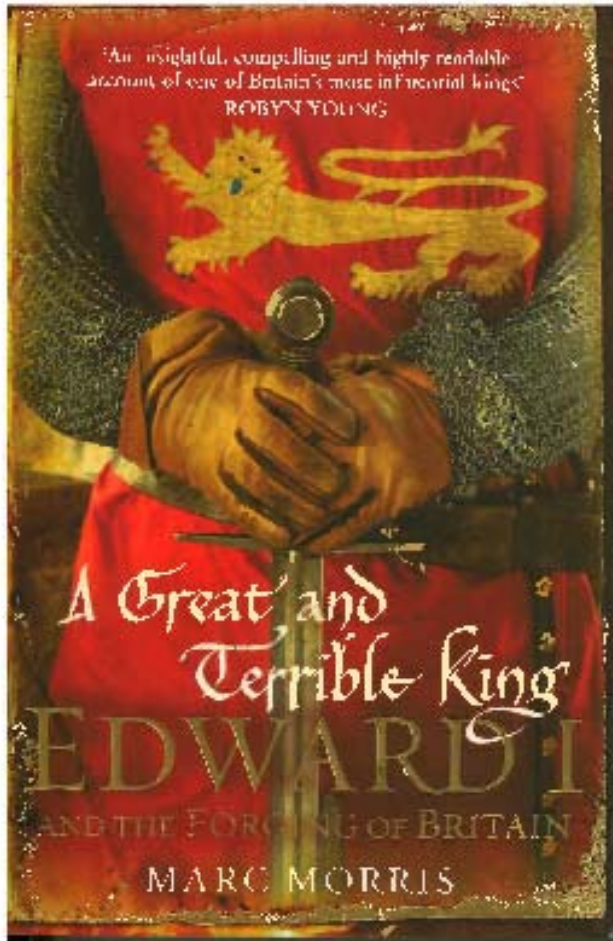
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## Introduction





## Agenda

- Actuarial Leverage
- Actuarial Release
- Internal Actuarial Units

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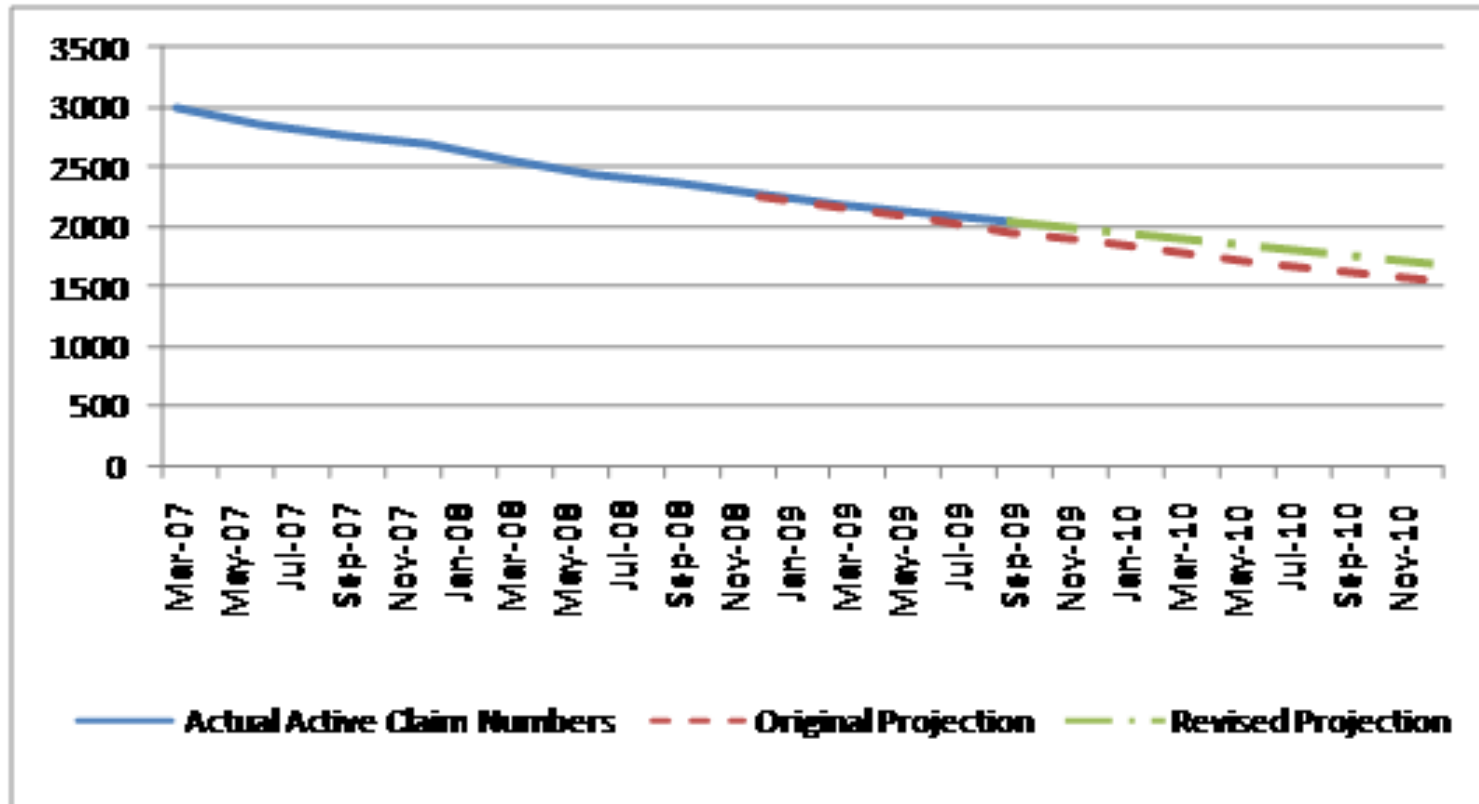
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## Actuarial Leverage





# Gearing Impact of the Tail

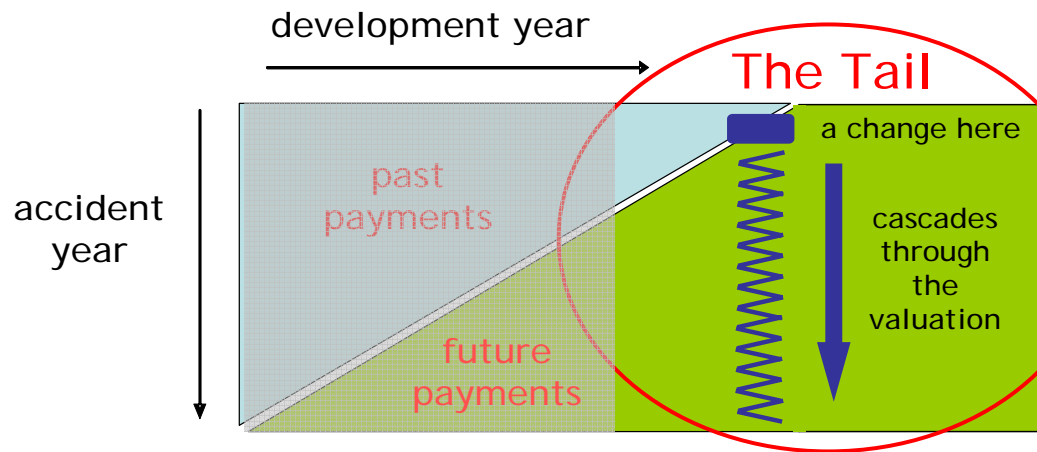


Personal Injury  
Education Foundation



## The Tail

- Changes in the tail can have a snowball effect





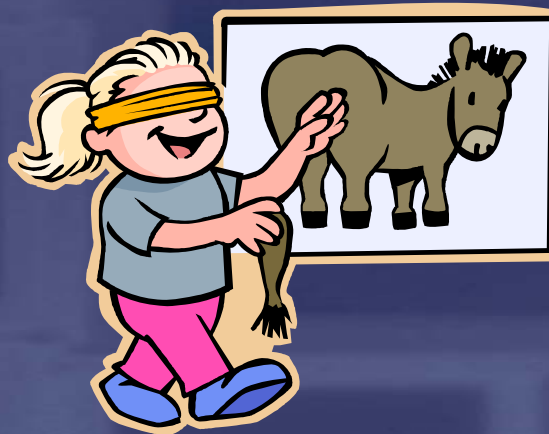
# Many schemes are not fully mature



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## Selecting the tail



A quick exercise or two .....



## Actuarial Release

- A measure of management's ability to influence liabilities
- Separates out changes which are beyond management's control
  - Economic assumptions
  - Legislative changes
  - Modeling adjustments
- Can be used to drive the business

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## Actuarial Release – An Example

	'Expected' Experience \$m	'Actual' Experience \$m	Difference Between Actual and Expected Experience \$m
Payments in 6 months to Dec 2010	\$500	\$490	-\$10
Liability at 31/12/10	\$2,820	\$2,765	-\$55
Total	\$3,320	\$3,255	-\$65





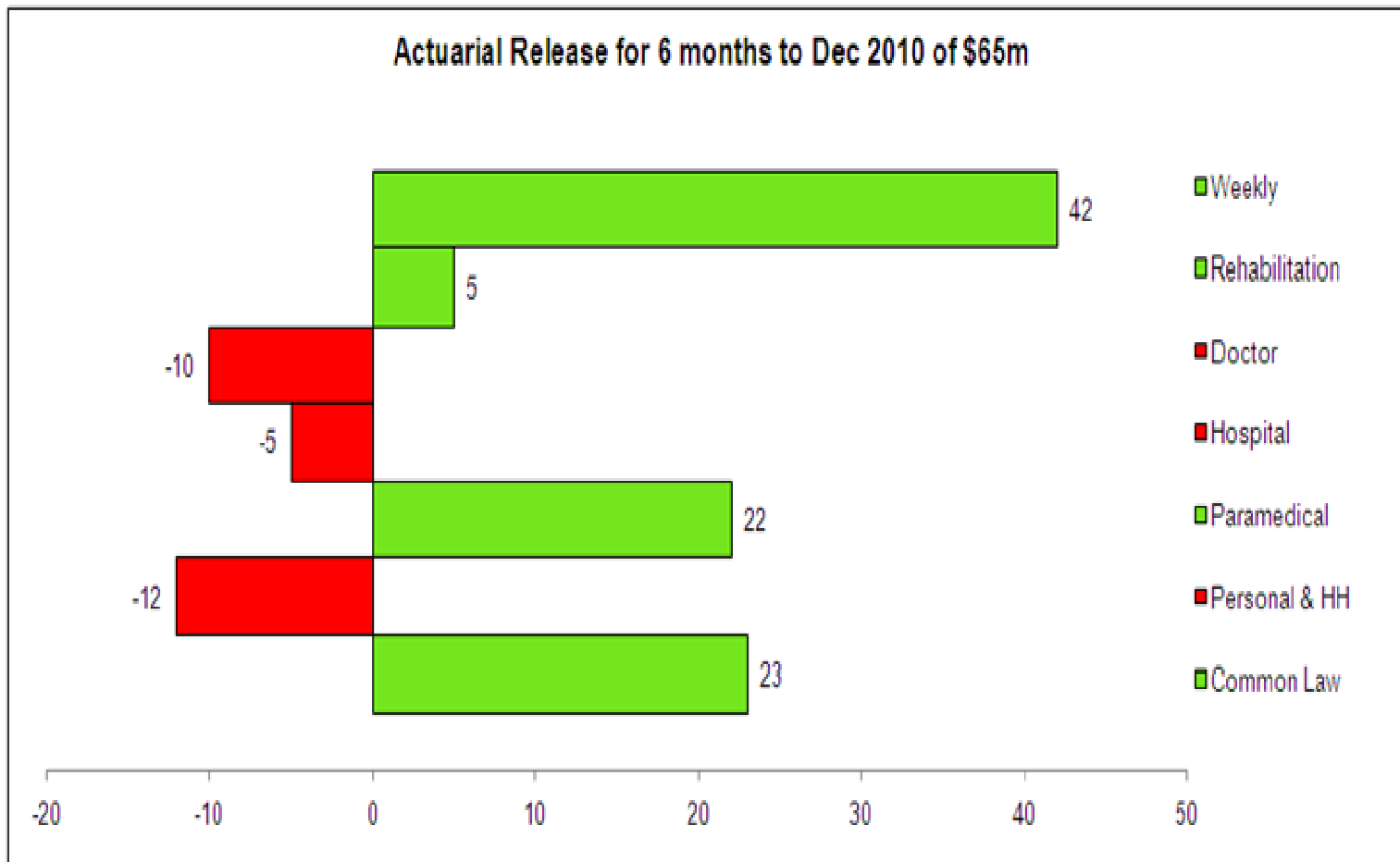
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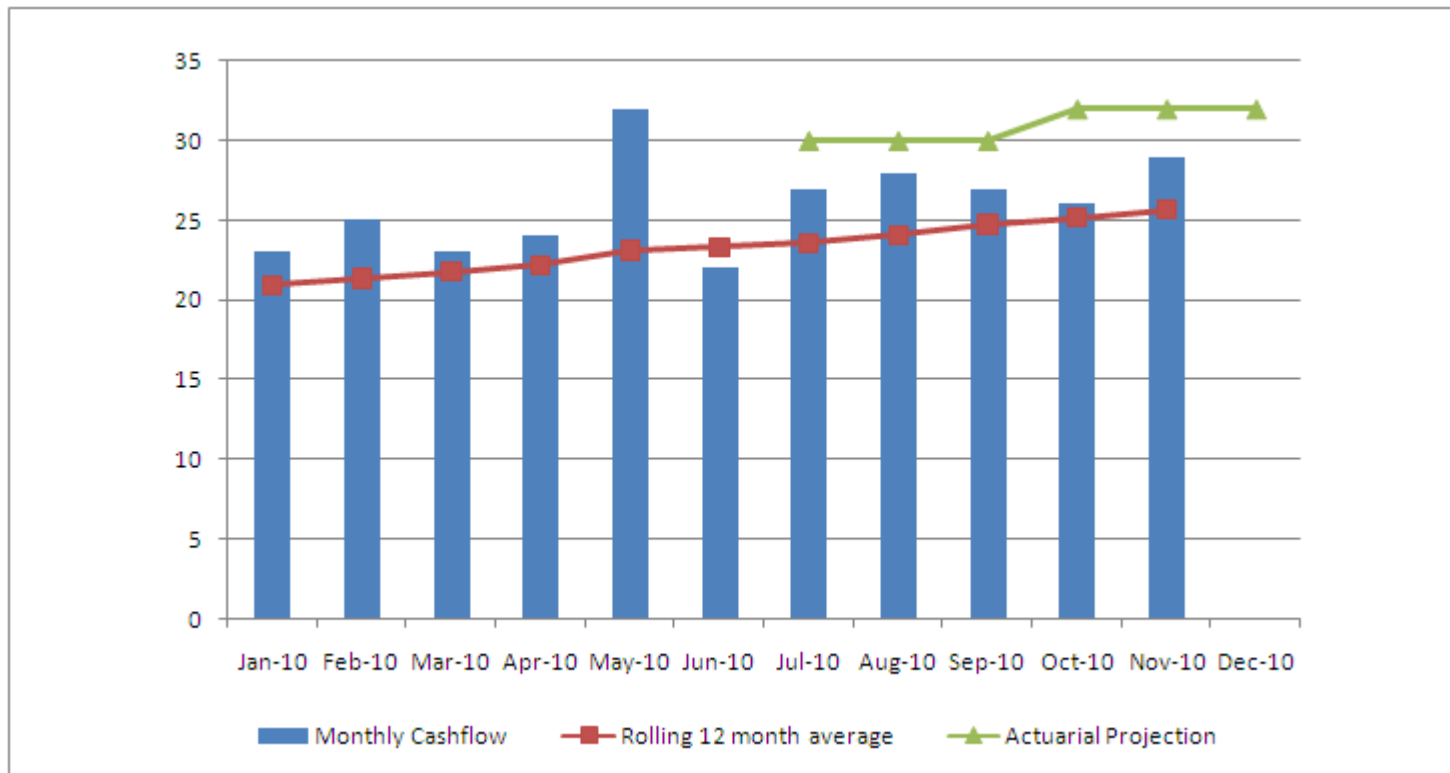
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## Actuarial Release links in to monitoring the scheme





## Actuarial Release

- Can be used to drive the business
- Is a Top/Down approach
- Requires an open/transparent valuation approach
- Not trying to cease people's legitimate entitlements
- A very simple concept



## Internal Actuarial Unit

- Assisting set Claims Strategy
- Feedback on Claims performance
- Costings
- Monitoring the scheme including operationally
- Managing the Valuation Process
- Building stronger links between actuarial and claims

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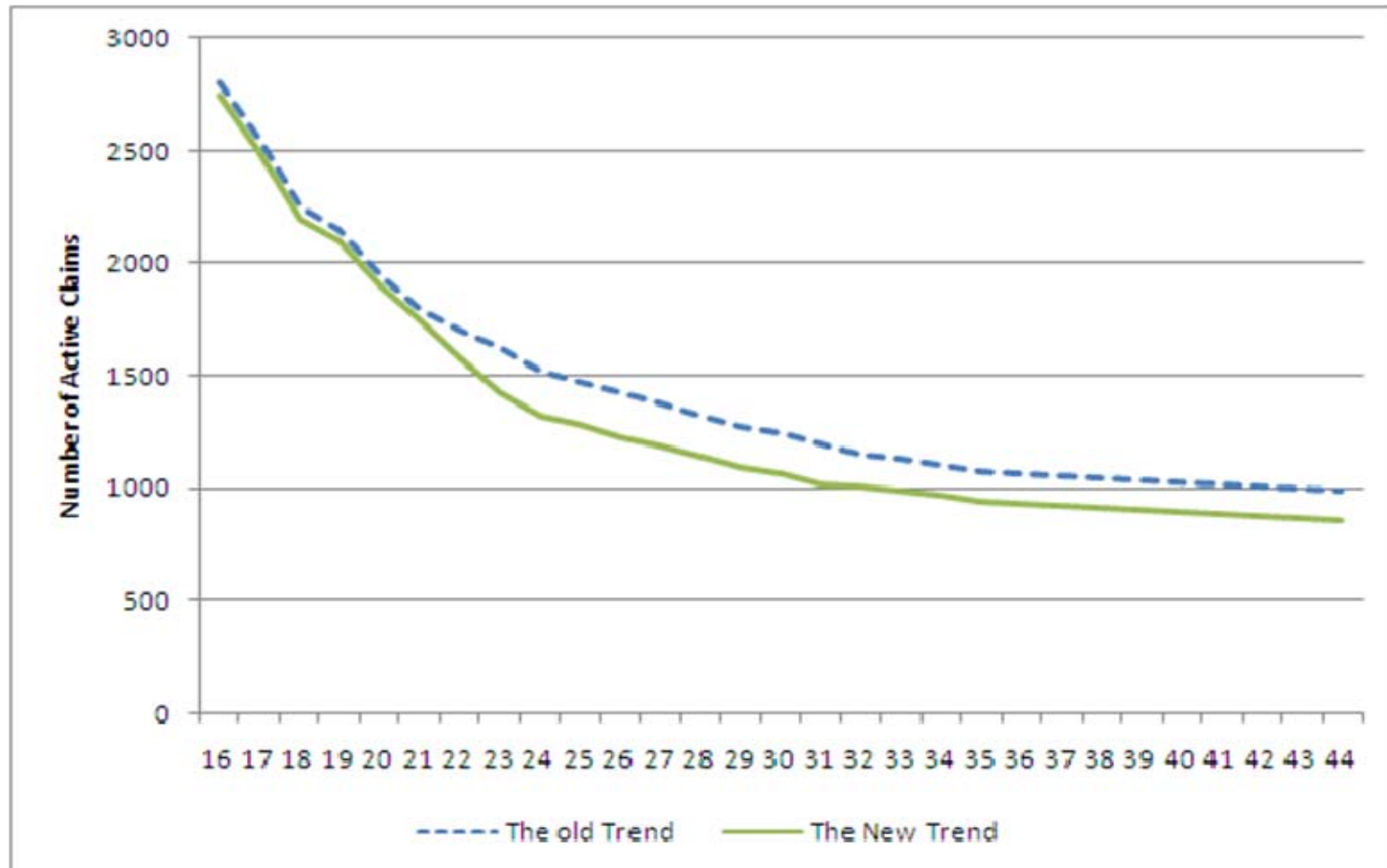
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## Breaking the Actuarial Model



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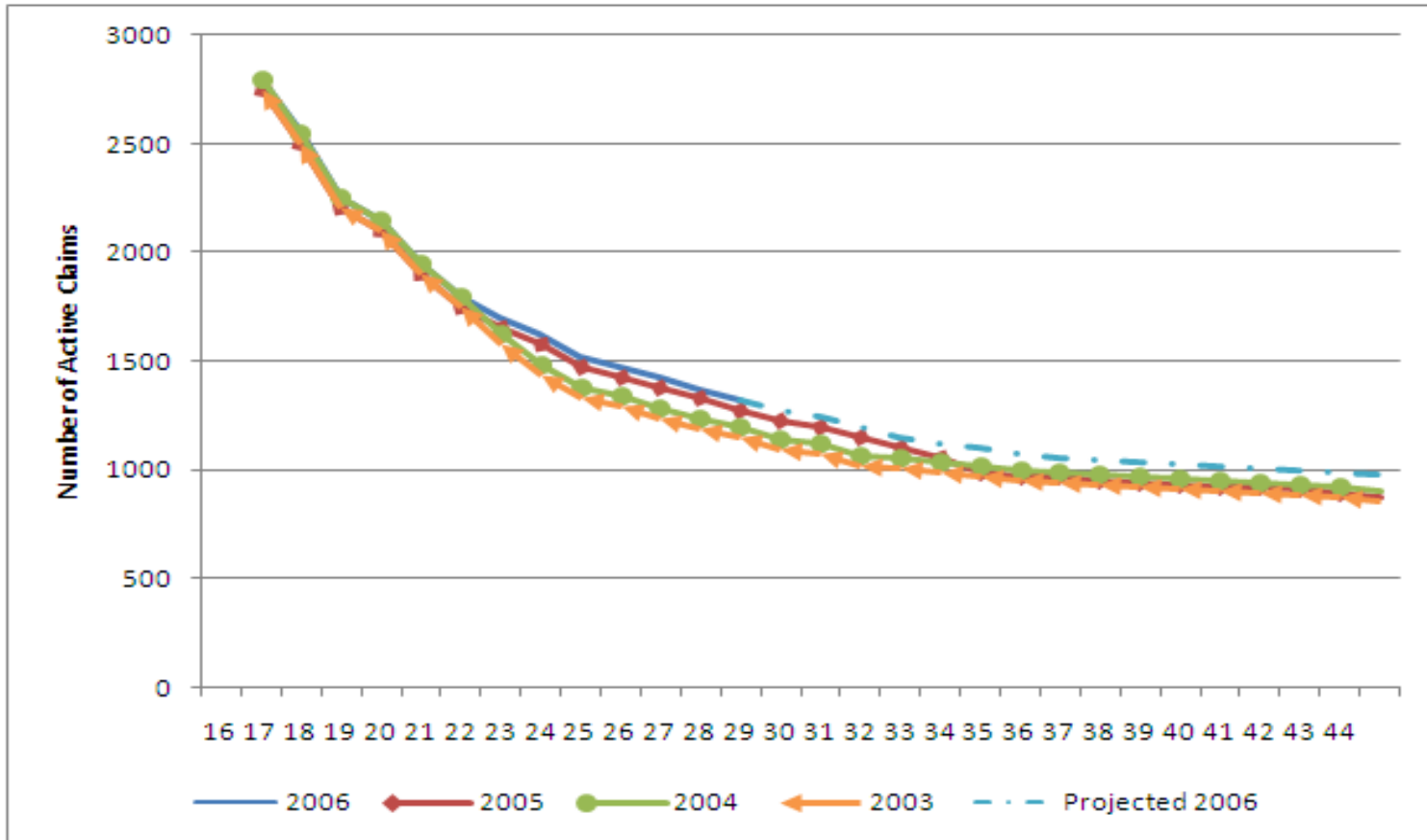
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## Operational Monitoring





## Challenges

- Position in the scheme
- Clear understanding of their role
- Business focussed
- Strong Communication Skills





## Summary

- Actuarial Leverage
- Actuarial Release
- Internal Actuarial Units

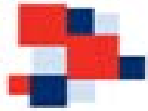
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## The Tail

