SUPERANNUATION PRACTICE COMMITTEE

Discussion Note: Self-insurance Arrangements and Superannuation Prudential Standard 160

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A. Purpose and status of Discussion Note

1. Superannuation Prudential Standard SPS 160 Defined Benefit Matters (final version dated July 2013) ("SPS 160") – and the related Prudential Practice Guide SPG 160 Defined Benefit Matters (November 2013) ("SPG 160") – deal with a range of matters affecting defined benefit funds, including self-insurance arrangements. It is expected that any actuary providing advice in respect to a defined benefit fund, or sub-fund, will have detailed knowledge of SPS 160 and SPG 160.

2. In addition, as part of the Stronger Super reforms, superannuation legislation was amended to place new restrictions on self-insurance and the types of insurance provided by superannuation funds.

3. This Discussion Note was prepared by the Superannuation Practice Committee ("SPC") of the Actuaries Institute ("Institute") and is intended to stimulate discussion and assist actuaries in understanding the new requirements and in providing advice to an RSE licensee ("trustee" in this Discussion Note) in relation to self-insurance arrangements, particularly the requirements of SPS 160. Note that other material prepared by the SPC relating to SPS 160 includes:

   ▶ Information Note: Shortfall Limit in Superannuation Prudential Standard 160 (June 2013) – regarding advice to trustees on determining an appropriate shortfall limit; and

   ▶ Discussion Note: Actuarial Requirements of Superannuation Prudential Standard 160 (date TBC) regarding the requirements of SPS 160 other than in relation to self-insurance arrangements.

4. It is noted that Practice Guideline PG 499.01 (Self-insurance for Superannuation Funds) (June 2008) ("PG 499.01") provides guidance relevant to actuarial advice on self-insurance and that Professional Standard PS 400 (Investigations of the Financial Condition of Defined Benefit Superannuation Funds) (August 2010) ("PS 400") also has specific requirements for actuarial investigations of funds with self-insured benefits. However, at the date of issue of this Discussion Note, some amendments will be required to both PG 499.01 and PS 400 to reflect the new legislative requirements.

5. This Discussion Note does not represent a Professional Standard or Practice Guideline of the Institute.

6. Feedback from Institute Members is encouraged and should be forwarded to Paul Shallue of the SPC (paul.shallue@mercer.com).
7. This is the first version of this Discussion Note.

B. Introduction

8. As part of the Stronger Super reforms, the Superannuation Industry (Supervision) Act 1993 (Cth) ("SIS Act") and the Superannuation Industry (Supervision) Regulations 1994 (Cth) ("SIS Regulations") were amended to place new restrictions on self-insurance and the types of insurance provided by superannuation funds.

9. In addition, APRA has set out new requirements for funds that self-insure in Prudential Standard SPS 160 Defined Benefit Matters (July 2013) ("SPS 160").

10. It is noted that funds which self-insure must also meet the requirements of Prudential Standard SPS 250 Insurance in Superannuation (November 2012) in regard to their insured (including self-insured) arrangements. However, these additional requirements are not dealt with in this Discussion Note.

11. Section C of this Discussion Note provides information on the new restrictions in the SIS Regulations on self-insurance and on the permitted types of insured benefits, along with comments on implications and the treatment of matters such as funding shortfalls.

12. Section D provides information on the new SPS 160 requirements for funds that self-insure, along with comments on implications and matters such as the treatment of claims provisions and insurance reserves for the calculation of funding status measures and the frequency of detailed reviews of self-insurance arrangements.

13. APRA may also impose additional restrictions on a fund’s ability to provide self-insurance as part of the trustee’s licence conditions. Any such restrictions are not considered in this Discussion Note.

C. New SIS Regulations requirements

C.1 Definition of “insured benefit”

14. To facilitate the new restrictions, a definition of insured benefit has been inserted via SIS Regulation 4.07C:

"insured benefit, for a member, means a right, other than an anti-detriment payment, for the member’s benefits to be increased on the realisation of a risk."

15. A fund can provide an insured benefit via external insurance or (where permitted) via self-insurance.

16. There is no definition of ‘risk’. Clearly this is intended to cover death and disability risks. The SPC’s understanding is that it would also cover ill-health risks (that is, additional benefits on ill-health would be considered “insured benefits”), but that it is not intended to apply to retrenchment/redundancy risk (that is, additional benefits on retrenchment/redundancy would not be considered “insured benefits”).

17. Nor is it considered to apply to other employer defined benefit (“DB”) funding risks, such as the risk of a member attaining the eligibility age for an early retirement benefit or the risk that the member exercises a more costly pension rather than a lump sum option.

C.2 New restrictions on types of insured benefits from 1 July 2014

18. Under new SIS Regulation 4.07D, from 1 July 2014 a fund can only begin providing an insured benefit to a member (for example, a new member or an existing member who does not already have that insured benefit) if the insured benefit relates to:

- death; and/or
- permanent incapacity; and/or
- terminal medical condition; and/or
- temporary incapacity

AND, in respect of the latter three types of benefit, the circumstances in which a member becomes entitled to each of these benefits would meet the corresponding SIS Act condition of release.

Note: An exception applies to benefits approved under section 62(1)(b)(v) of the SIS Act where the approval was granted before 1 July 2014 – refer SIS Regulation 4.07D(3)(b).

19. Other types of insured benefits can be maintained for a particular member after 1 July 2014 where that benefit was being provided for that member on 1 July 2014. The restrictions on the provision of insured benefits include self-insured arrangements.
C.3 New restrictions on self-insurance from 1 July 2013

C.3.1 SIS Regulations requirements

20. New SIS Regulation 4.07E places the following restrictions on self-insurance:

(a) from 1 July 2013, funds which are not self-insuring a particular risk(s) on that date cannot provide insured benefits for that particular risk(s) through self-insurance, unless under a permitted successor fund arrangement (refer paragraph 23 of this Discussion Note);

(b) from 1 July 2016, no fund can provide insured benefits for accumulation members through self-insurance (except in limited circumstances where the Commonwealth or a State government provides or guarantees the insured benefits); and

(c) from 1 July 2016, defined benefit funds can provide insured benefits for defined benefit members (including new defined benefit members) through self-insurance only if the fund self-insured such benefits on 1 July 2013 (and so long as APRA did not prohibit self-insurance for that fund as a condition of its licence).

C.3.2 Widening of a fund’s self-insurance arrangements not permitted

21. Note that the ability to continue self-insuring after 1 July 2013 only relates to the particular types of risks which were self-insured as at 1 July 2013 ("permitted self-insured benefits" for ease of reference). It does not extend to new types of self-insured risks. For example, a fund which is self-insuring death and permanent incapacity (but not terminal medical condition) risks as at 1 July 2013 would not be able to introduce benefits on terminal medical condition or temporary disability unless these new benefits were fully insured by an insurance policy issued by an insurer. This applies to both defined benefit and accumulation members.

22. However, the trustee would be able to amend the formula for calculating the amount of the permitted self-insured benefits after 1 July 2013 (subject to paragraphs 36 and 37 of SPS 160, in particular paragraph 36(b) thereof – refer Section D.1 below).

C.3.3 Successor fund transfers

23. SIS Regulation 4.07E also includes provisions to enable self-insurance to be continued in the event of a successor fund transfer ("SFT"). However, these carry over provisions only appear to apply up to 1 July 2016.
24. There appears to be no provision to allow a successor DB fund to self-insure after 1 July 2016 unless it was self-insuring other defined benefit members (that is, other than those involved in the SFT) prior to the SFT and on 1 July 2013. At the time of drafting this Discussion Note, APRA was considering addressing this issue via a Modification Declaration (a consultation draft of which was issued in February 2014).

C.3.4 Self-insurance for accumulation members

25. Accumulation funds which are currently permitted to self-insure must cease the self-insurance arrangements by 30 June 2016.

26. Although SPS 160 specifically relates to defined benefit funds, it is the SPC’s understanding that APRA will apply the same requirements to self-insurance in accumulation funds in the transition period up to 1 July 2016. It is noted that PG 499.01 applies to actuarial advice on self-insurance in both accumulation funds and defined benefit funds and that actuaries preparing an assessment of the adequacy of the self-insurance reserves or arrangements in an accumulation fund would be expected to have regard to the provisions of PG 499.01. As noted in paragraph 4 above, some amendments will be required to PG 499.01 to reflect the new legislative requirements.

27. It is also important to note that defined benefit funds that currently have self-insured benefits for accumulation members must cease these self-insurance arrangements by 30 June 2016, whether or not self-insured benefits for defined benefit members are to continue after that date.

C.3.5 Funding shortfalls not self-insurance

28. Having regard to the new SIS Regulations provisions relating to insured benefits and self-insurance, the SPC intends to update PG 499.01 to clarify that funding shortfalls in a defined benefit fund are not considered to result in new or increased self-insured benefits, provided that there is a reasonable expectation that the sponsoring employer(s) will meet the funding shortfall.

29. Where there is a funding shortfall, it is expected that the employer contribution program will be directed towards eliminating the funding shortfall, usually over a period of time. If extra insurance was also required as a result of the funding shortfall, this would create duplication and unnecessary costs (not only insurance premium costs, but also the administrative costs involved in the insurer and the fund administrator amending the insurance formula, calculating the updated cover for each member and administering any resulting underwriting requirements). There could also be adverse consequences for members – for example, if the insurer declined the
additional insurance amount and this was required to be offset in the event of the member’s death.

30. It would also result in insured benefit amounts that do not meet the SIS Regulations definition of “insured benefit”. Consider the following example:

(a) a fund has insurance risks in respect of lump sum death and disablement benefits;

(b) the fund’s insurance strategy is to fully insure its death and disablement risks;

(c) its funding strategy is to maintain vested benefits coverage of at least 100%;

(d) the fund has external insurance equal to the member’s lump sum death and disablement benefit less their vested benefit;

(e) for members over age 60, the member’s lump sum death and disablement benefit is equal to their vested benefit;

(f) the fund’s vested benefits coverage falls to 98% and hence total death and disablement benefits exceed the sum of fund assets and external insurance cover by 2% of vested benefits;

(g) if the shortfall of 2% of vested benefits was considered to constitute self-insurance, then it would apply equally to members over age 60 as to members under age 60. Yet members over age 60 do not have an “insured benefit” under the SIS Regulations, as they have no right for their benefits to be increased on the realisation of a risk.

31. Hence it seems clear that funding shortfalls below 100% vested benefits coverage are not self-insurance. Further, for the reasons discussed above, the SPC considers that funding shortfalls arising in relation to a target funding level set above 100% of vested benefits should also not be regarded as self-insurance.

32. For example, if the funding target is 100% of accrued retirement benefits and:

(a) the employer contribution program is directed at maintaining at least this level of coverage; and

(b) the fund has external insurance equal to the member’s lump sum death and disablement benefit less their accrued retirement benefit,
then any funding shortfall below 100% of accrued retirement benefits would not generally be regarded as constituting self-insurance.

33. Nevertheless, there may be situations where the actuary considers it appropriate to recommend an increase in the level of insurance coverage in response to a funding shortfall, having regard to all the relevant circumstances including:

   (a) the level of the shortfall;
   
   (b) whether there is a change in the target funding level;
   
   (c) the expected period to restore the target funding level; and
   
   (d) the employer’s willingness and ability to bring forward any additional contributions which may be required to fund the shortfall (if any) relating to exits, including deaths and disablements.

34. Where there is not a reasonable expectation that the sponsoring employer(s) will meet the funding shortfall, a range of broader issues would need to be addressed.

C.3.6 Reasonable insurance benefit approximations do not give rise to self-insurance

35. In many funds which externally insure, the insured amount is equal to the death or disablement benefit less an amount representing the member’s funded interest. The choice of insured benefit formula depends on both the benefit design and the funding target.

36. For example, a fund with a funding target of 100% of vested benefits could reasonably externally insure the total death or disablement benefit less the vested benefit. It may also be reasonable in this case to externally insure the total death or disablement benefit less the accrued retirement benefit, if the accrued retirement benefits are not significantly higher than vested benefits.

37. A consequence of this is that, where a fund has no external insurance for a benefit which falls within the definition of “insured benefit” (such as an ill-health benefit) equal to the accrued retirement benefit, then it does not necessarily constitute self-insurance.

38. Another specific example of insured benefit approximation is where a lump sum amount is insured in relation to pension benefits. This is discussed further in Section C.3.8 below.
39. It is expected that the actuary would consider the appropriateness of the external insurance formula and the materiality of any potential differences between the sums insured arising from the formula adopted and the excess of the death and/or disability benefits over the funding target. Provided the actuary is satisfied that the insurance arrangements are such that adverse death and disablement experience would not be expected to have a material adverse impact on the financial position of the fund, it is appropriate to consider that there is no self-insurance.

C.3.7 Waiving of offset clauses

40. Most funds have offset clauses that enable the fund to reduce a member’s death or disablement benefit where external insurance or self-insured cover is declined or restricted in some manner.

41. Some funds which are generally fully insured may have decided, by agreement between the sponsoring employer and the trustee either in particular cases or in all cases, to waive the offset clause and provide the full benefit, even though a member’s insurance cover is restricted in some way and the insurance claim will be restricted in some circumstances.

42. Such arrangements would be considered to result in self-insurance.

43. It is expected that it will be permissible to continue self-insuring such uninsured risks for defined benefit members, subject to the regular actuarial control and other requirements of SPS 160 (including the members’ best interests test) in the following cases:

   (a) where the member concerned was similarly self-insured at 1 July 2013; or

   (b) where the member was not self-insured but the fund self-insured the relevant risk for some defined benefit members at 1 July 2013 and it was the trustee’s policy at 1 July 2013 to provide the full benefit in such circumstances.

44. Where such self-insurance is either not permitted or no longer considered appropriate by the trustee, a possible means of continuing to provide full benefits to members who have restricted external insurance cover without considering the benefit to be self-insured, would be as follows:

   (a) the employer commits to a benefit augmentation where necessary which would be funded by additional employer contributions; and
45. Note that such additional employer contributions (or allocations from a reserve) may be treated as concessional contributions which could have adverse tax implications for the member or their beneficiaries.

C.3.8 Self-insurance and defined benefit pensions

46. Where the relevant benefit being insured is a defined benefit pension, such as a lifetime pension, it will generally only be possible to externally insure a lump sum amount. In such cases, the trustee and employer sponsor are accepting the investment risk and longevity risk in respect of the pension.

47. The trustee may also be accepting contingent risks that should be reflected in the lump sum insured amount – for example, where members/beneficiaries have various benefit options or the actuarial value depends on further contingencies (for example, a lump sum may be payable on the death of a disablement pensioner prior to age 65 or the value of a spouse pension may depend on how many dependent children the member had at death). In such cases, it is necessary to make assumptions in order to determine an amount to insure. It is expected that any assumptions made for this purpose would be considered reasonable and appropriate having regard to the circumstances. For example, it may be appropriate to assume:

(a) a proportion of pensioners will have a spouse at death without determining how many members are currently married; and/or

(b) an average number and age of children at death without determining how many children each member currently has.

48. It is expected that the appropriateness of the assumptions would be considered having regard to the number of members entitled to the relevant benefits (and hence the likelihood of actual experience being in line with the assumptions), as well as the consequences for the fund’s financial position of actual experience varying from the assumptions. Thus, for smaller funds, it might be assumed that all members will have an eligible spouse at death and the spouse will opt for the most valuable benefit, which may differ from the funding assumptions.

49. Provided these options/contingencies are taken into account in determining the insured amount, and the actuary is satisfied that the insurance arrangements are such that adverse death and disablement experience would not be expected to have a

(b) the full benefit would not be payable if the employer did not fund any shortfall in the member’s benefit at the time the insured event arose.
material adverse impact on the financial position of the fund, it is appropriate to consider that there is no self-insurance.

D. SPS 160 requirements

D.1 Self-insurance provisions of SPS 160

Paragraphs 36 and 37 of SPS 160 set out APRA’s requirements in relation to self-insurance in defined benefit funds.

Paragraph 36 of SPS 160 requires trustees with self-insured arrangements to:

(a) maintain reserves or have other arrangements approved by APRA in place to fund current and future self-insurance liabilities;

(b) attest annually that, in formulating and maintaining its policy in relation to self-insurance, the trustee continues to act in the best interests of beneficiaries; and

(c) develop a contingency plan for an orderly transfer of insurance assets and obligations, for activation in the event that the Board has decided that, by self-insuring benefits, the trustee is no longer acting in the best interest of beneficiaries as a whole.

Paragraph 37 of SPS 160 states:

“An RSE Licensee that self-insures benefits must ensure the ongoing actuarial oversight of the reserves and self-insurance arrangements via, at a minimum, the regular investigation required under paragraph 14. Regular actuarial reviews must provide sufficient information about the maintenance of adequate insurance reserves or other arrangements for funding of self-insured benefits. The actuarial review must also provide sufficient information on the self-insurance arrangements to demonstrate the extent and adequacy of the actuarial oversight undertaken on these arrangements.”

Paragraphs 38 to 42 of SPG 160 provide guidance on the above requirements.
D.2 Requirement for reserves or other arrangements

54. Paragraph 36 of SPS 160 requires that reserves must be established and maintained or alternative arrangements must be approved by APRA.

55. A reserve approach generally applies for self-insurance arrangements relating to accumulation benefit members, but historically rarely in relation to defined benefit members (exceptions include cases such as where defined benefit members may elect to have voluntary additional cover).

56. The usual approach for self-insurance arrangements relating to defined benefit members has been that:

(a) provisions relating to incurred claims, including pending and Incurred But Not Reported (“IBNR”) claims where the amount is material, are either included in the value of liabilities for funding calculations (including funding status measures such as vested benefits) or deducted from the available asset value; and

(b) allowance for the expected cost of future self-insured claims is included in the future benefit projections and the recommended employer contribution program.

57. Where reasonably expected fluctuations in self-insured claims may have a significant impact on the fund’s financial position, it would be expected that the actuary would comment on this in the triennial actuarial investigations as required by PS 400.

58. As previously noted, PG 499.01 sets out detailed guidance for actuaries in regard to advice on the financial management of self-insurance arrangements. PS 400 also has specific requirements in respect of actuarial investigations.

D.3 Frequency of review of self-insured arrangements

59. It is noted that the reference in paragraph 37 of SPS 160 to regular investigations would include both triennial and annual investigations (as required under SPS 160 for the particular fund) and hence any annual investigation report would need to include a review of the self-insurance arrangements.

60. For many funds, only triennial actuarial investigations are required under SPS 160 and the SPC considers that a detailed review of the self-insured arrangements will also usually only be necessary once in every three year period. This may be via (A) the triennial actuarial investigation under PS 400 or (B) a separately undertaken review relating specifically to the self-insurance arrangements.
61. Where funds are required under SPS 160 to undertake actuarial investigations more frequently than triennially for example, annually, it would generally be considered sufficient for the non-triennial actuarial investigation reports to meet the requirements of paragraph 37 of SPS 160 by a combination of the information provided directly in the annual investigation report and by reference to the more detailed information in the previous triennial actuarial investigation report. Similarly, in case (B), it would generally be considered sufficient for the regular investigation reports to meet the requirements of paragraph 37 of SPS 160 by a combination of the information provided directly in the report and by reference to the more detailed information in the report on the previous review of the self-insurance arrangements.

62. In particular, it would often not be necessary to review experience and undertake a detailed IBNR calculation more often than every three years.

63. Nonetheless, where significant funding issues are being addressed and monitored as part of an annual actuarial investigation regime, more detailed analysis of the self-insurance arrangements may also be appropriate on a more frequent basis.

D.4 Self-insurance reserves/other arrangements and funding calculations

64. As indicated in Section D.2 of this Discussion Note, in the case of a defined benefit fund that does not maintain self-insurance reserves, and for which APRA has approved an “other arrangement”, usual practice is for provisions relating to incurred (including IBNR) claims to either be included in the value of liabilities or deducted from the available asset value. This applies both to funding calculations for the purpose of determining future contributions and to the calculation of funding status measures such as vested benefits coverage (including for the purpose of determining if a fund is in an unsatisfactory financial position).

65. The determination of appropriate provisions for incurred (including IBNR) claims may have regard to the variability of the amounts and their materiality for the plan’s financial position. A more detailed assessment will usually apply at the triennial reviews of the self-insured arrangements, with a short-hand approach (based on the results of the previous detailed assessment) applying between triennial reviews.

66. Where a fund utilises self-insurance reserves, these reserves can usually be divided into at least two components:

(a) an incurred claims (including pending and IBNR) component, which relates to events which have occurred; and
67. Pricing and premium reserves, as set out in PG 499.01, will generally not be relevant to DB arrangements.

68. In a large defined benefit fund, claim fluctuations (excluding a catastrophe) may be very small relative to the reserve required for pending and IBNR claims and/or to total accrued liabilities. This amount may also be very small relative to contribution requirements, with contribution requirements regularly needing adjustment to fund for any variation in financial and other demographic experience. In such circumstances, it may reasonably be determined that it is not necessary to hold specific reserves for the second component.

69. In calculating funding indices (including in determining if a fund is in an unsatisfactory financial position), or recommending company contribution rates, it is appropriate to exclude the incurred claims reserve (that is, component (a) in paragraph 66 above) from the available assets.

70. However, in the case where the fund also maintains a reserve for component (b) in paragraph 66 above (that is, for future claim fluctuations), this reserve does not need to be excluded from the available assets for the purpose of calculating past service funding indices, because it does not relate to past service liabilities and is not needed if the fund were to be terminated. This is consistent with Section 7.5.3 of PG 499.01.

71. It is sufficient for the actuary to calculate the first component in triennial reviews and assume it remains unchanged in between reviews, unless this is unreasonable in the circumstances. It would not be unreasonable to expect that the amount of the IBNR would not materially increase over the intervaluation period – unless significant membership changes or other events occur.

D.5 Prudential Practice Guide SPG 160

72. Paragraph 40 of SPG 160 indicates that “SPS 160 requires that an RSE licensee ensure that all self-insurance arrangements have actuarial oversight. In assessing the recommended level of self-insurance reserves to be held, or the adequacy of other arrangements, APRA expects an RSE actuary would consider, amongst other matters, the level of insurance cover, the risk profile of the insured group (based on, for example, age, gender, type of employment etc), possible catastrophe scenarios and past claims experience.”
73. It is noted that PG 499.01 discusses how the issues raised in the abovementioned paragraph can be dealt with.

74. In regard to the abovementioned reference to catastrophes in SPG 160, in many cases it is highly unlikely to be feasible for a fund to hold reserves sufficient to provide meaningful protection against a major catastrophe. However, the actuary would be expected to consider and assess the risk of various types of catastrophe scenarios (taking into account the specific circumstances such as the concentration of self-insured risks at particular locations and any special risks associated with the locations and/or the type of work undertaken at those locations) and include the results of this assessment in advice regarding the adequacy of the self-insurance reserves or arrangements.

75. In some cases, actuaries may consider recommending the trustee investigates the availability and cost of catastrophe insurance.

76. It is expected that the results of this assessment, and the employer sponsor’s views about the risk and impact of a catastrophe on its funding obligations, would be taken into account by the trustee in its annual determination of whether or not continuation of the self-insurance arrangements is in members’ best interests.

77. Paragraph 41 of SPG 160 provides an indication of the information that APRA considers might demonstrate adequate actuarial oversight:

"APRA expects the minimum level of actuarial oversight of self-insurance arrangements to be via the periodical (normally triennial) actuarial investigations. The range of factors that might demonstrate the adequacy of reserves or other arrangements would usually include information on the self-insured risks, as well as an explanation of the method for determining the risk reserve or provisions for self-insured claims (including incurred but not reported claims) and how potential variability in claims experience is catered for. The report would also be expected to include consideration of catastrophe risk, e.g. the extent to which geographical spread of members mitigates such risk, or whether catastrophe insurance should be taken out."
D.6 Trigger events for interim review

78. Paragraph 42 of SPG 160 states:

“While the triennial review may provide the context and occasion for the minimum level of oversight, APRA also expects that an RSE licensee and an RSE actuary would identify events or conditions that would trigger an interim review of self-insurance arrangements, e.g. a large adverse movement in asset values leading to a sudden deterioration in the financial position of the fund, or a significant adverse claims event or experience.”

79. In any assessment of self-insurance, it is considered good practice for the actuary to consider specifying events which should trigger an interim review of the self-experience arrangements in advance of the next regular actuarial investigation or separate three yearly review of self-insurance arrangements (where applicable). Such events could include:

(a) the self-insurance reserve falls below a certain amount (or a certain percentage of premium) or certain % of recommended reserve;

(b) a material change to the total amount of insured benefits or the formula to calculate those benefits;

(c) a material increase in claim amounts or the occurrence of a major claims event; and

(d) a material change in the membership.

80. The SPG 160 examples of trigger events include a large adverse movement in asset values. This will generally be more relevant to the overall funding position than to the adequacy of the self-insurance arrangements, but may be relevant to the latter for some funds.

81. There may also be circumstances, such as where self-insurance is immaterial, where specifying trigger events may not be necessary. In determining any triggers, it may be appropriate to consider whether annual or triennial reviews take place.

82. Where triggers are specified, it is important that monitoring for those triggers occurs.
D.7 Tax considerations

83. The issues around self-insurance reserves and concessional contributions for accumulation members are unclear and, although the Institute has raised those issues with Treasury, at the date of issuing this Discussion Note, Treasury had not yet responded. In any case, self-insurance for accumulation members is required to cease by 1 July 2016.

END OF DISCUSSION NOTE