



## GENERAL INSURANCE PRACTICE COMMITTEE

### Notice to Members: Review of company run-off plans

May 2009

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#### 1 Background to Notice

Members will be aware of the requirements for the Appointed Actuary of a run-off insurer to provide an impartial review of the insurer's run-off plan. These requirements are stipulated in paragraphs 32-40 of the Australian Prudential Regulation Authority's Prudential Standard [GPS 310](#) (Audit and Actuarial Reporting and Valuation) issued in July 2008.

This Notice to Members has been issued by the General Insurance Practice Committee pending the development and release of a relevant Institute professional standard.

#### 2 Review of an insurer's run-off plan

The Appointed Actuary of a run-off insurer is required, *inter alia*, to review the company's run-off plan (generally, annually) and provide a report indicating the Appointed Actuary's opinion as to whether the run-off plan and the supporting financial projections are reasonable and adequate having regard to the nature of the insurer, its historical performance and expected future trends in the industry.

The report of the Appointed Actuary's review is required to include the matters listed in the right column of the table at Attachment A to Prudential Standard [GPS 220](#) (Risk Management).

Under paragraph 87 of GPS 310, an insurer may choose to have a report of the review of a run-off plan subjected to peer review if the insurer considers it appropriate to do so.

#### 3 Report on a review of an insurer's run-off plan

Pending the development of a professional standard by the Institute dealing with the preparation of a report on a review of an insurer's run-off plan, both:

- (a) a Member preparing a report on his or her review of an insurer's run-off plan; and
- (b) a Member conducting a peer review of another Member's report on a review of an insurer's run-off plan at the election of the run-off insurer,

should apply, insofar as either relevant or analogous, the Institute's [Professional Standard 305](#) (Financial Condition Reports for General Insurance) to the preparation or



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peer review (as relevant) of that report.

If there is any conflict or inconsistency between the requirements of Professional Standard 305 (insofar as sought to be applied to the report of the review of the company's run-off plans) and the provisions of paragraph 37 of GPS 310, Members are reminded that the requirements of that paragraph take precedence.

#### **4 Questions and comments**

Questions and comments concerning this Notice should be directed to either of the following members of the General Insurance Practice Committee:

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