
EXPLANATORY MEMORANDUM TO

PROFESSIONAL STANDARD 300 (VALUATIONS OF GENERAL INSURANCE CLAIMS) AND

PROFESSIONAL STANDARD 305 (FINANCIAL CONDITION REPORTS AND REVIEW OF RUN-OFF PLANS FOR GENERAL INSURANCE)

March 2013

A. About this Explanatory Memorandum

This Explanatory Memorandum has been prepared to assist Members in understanding the latest versions of Professional Standard 300 (Valuations of General Insurance Claims) ("PS 300") and Professional Standard 305 (Financial Condition Reports for General Insurance) ("PS 305").

B. Background to review of PS 300 and PS 305

The main impetus for the review of both Professional Standards was APRA's review of capital standards for general and life insurers ("LAGIC Review").

In the case of PS 305, the review also had the objectives of ensuring that the standard:

- ▶ took into account recent developments with respect to providing commentary on an Entity's Risk Management Framework;
- ▶ dealt with reviews of run-off plans for run-off insurers, which had previously been addressed via the Notice to Members entitled "Review of Company Run-off Plans" issued in May 2009;
- ▶ was updated for compliance with the Institute's Policy for Drafting Professional Standards (the "Policy") which is designed to ensure that all Professional Standards use consistent and objective terminology such that mandatory duties and requirements for members are clearly defined and understood; and
- ▶ was consistent with the revised Code of Professional Conduct adopted in November 2009.

PS 300, by contrast, had already been updated to reflect the Policy and Code changes.

Explanatory Memorandum to
Professional Standard 300 (Valuations of General Insurance Claims) and
Professional Standard 305 (Financial Condition Reports and Review of Run-Off
Plans for General Insurance)
March 2013

A small Drafting Group was formed comprising:

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Further background on the review and the changes originally proposed may be found in the Explanatory Memorandum that was released with the Exposure Drafts of both standards (as discussed in Section C below). A copy of the Explanatory Memorandum is available by contacting the Institute.

C. Exposure Drafts of PS 300 and PS 305

An Exposure Draft of proposed changes to PS 300 and PS 305 was released in October 2012. Three submissions were received in response and the Institute thanks submitters for their interest.

The Working Group considered the submissions received and made a number of minor amendments to the Exposure Drafts as a result of those submissions, which are reflected in the final standards. Most changes were clarifications of existing wording within the standards, changes to allow for consistency of wording between PS 300 and PS 305 or clarification of Appointed Actuary responsibilities in respect to new APRA Financial Condition Reporting requirements.

For Members' convenience, a marked up version of both standards is also being released with the clean final versions so that Members can easily see the changes made since the Exposure Drafts were released.

D. Withdrawal of Notice to Members re Company Run-off Plans

As PS 305 now deals with an Entity's run-off plan (refer section 7), the Notice to Members entitled "Review of Company Run-Off Plans" dated May 2009 is now withdrawn.

E. Commencement dates

PS 300 applies to valuations where the balance date is on or after 31 March 2013.

PS 305 takes effect for a Financial Condition Report applicable to an Effective Date on or after 31 March 2013.

END OF EXPLANATORY MEMORANDUM