



Institute of Actuaries of Australia

# Life After 'Life' Insurance

**The actuary in general insurance, health and beyond.**

**Graham Rogers  
President  
Institute of Actuaries of Australia**



# ***The Institute of Actuaries of Australia***

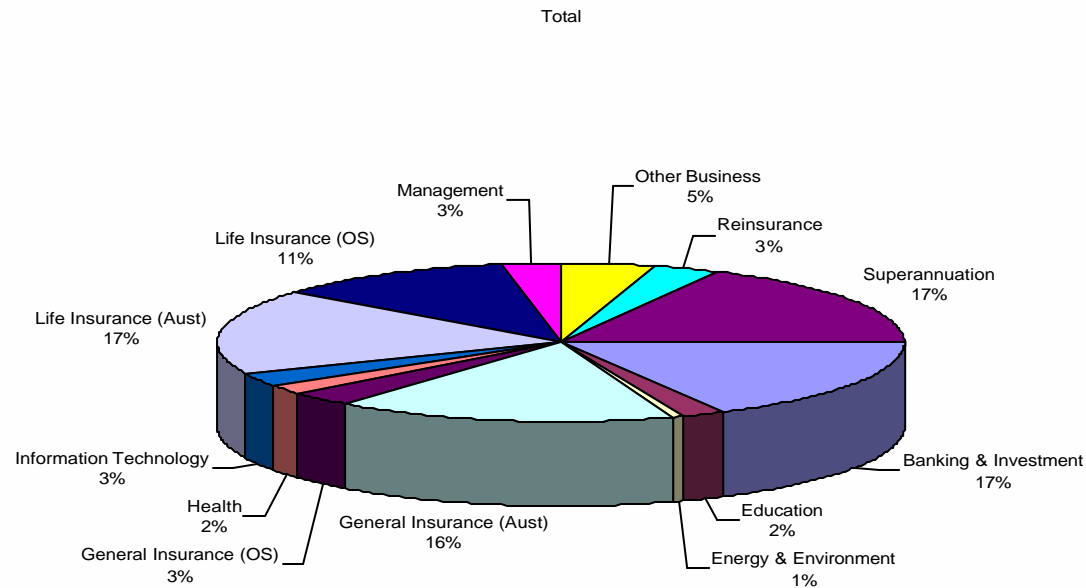
## **The Key Messages!**

- **Diversity enhances the long term future of the profession and the opportunities for individual activities.**
- **The complexity of modern general insurance and health needs significant actuarial input to ensure sustainability and profitability of these industries.**



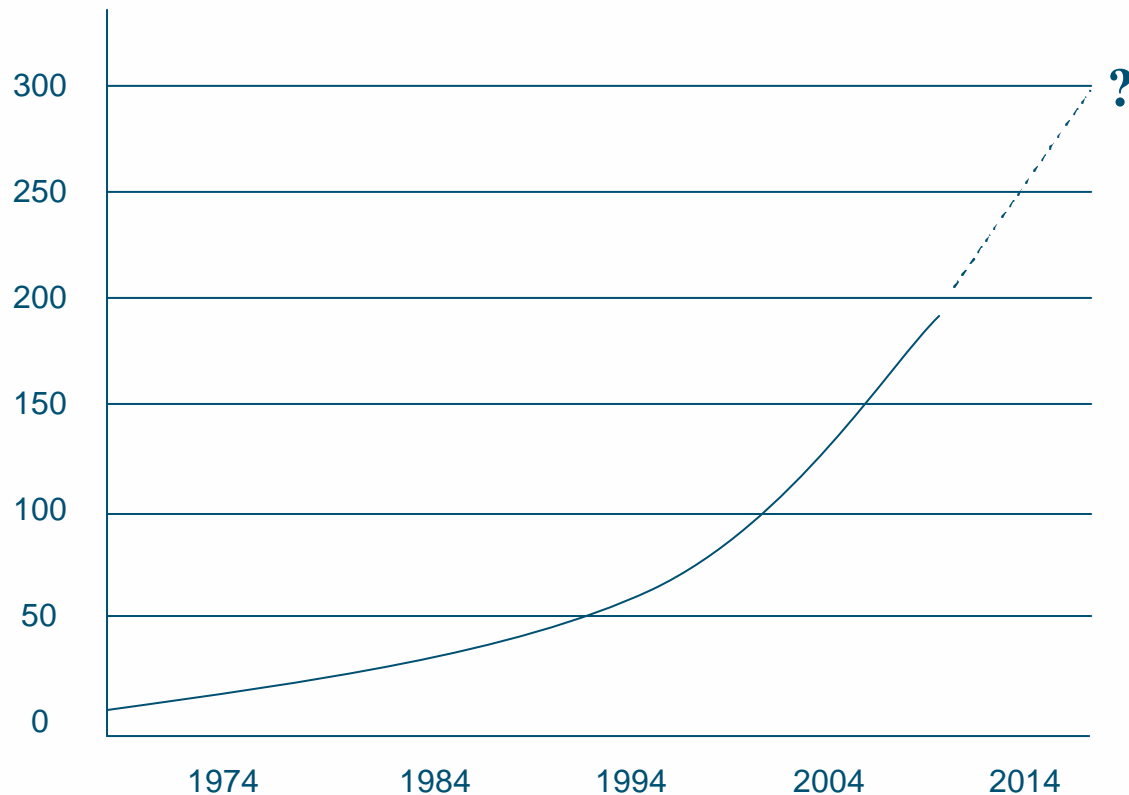
# *The Institute of Actuaries of Australia*

## The Actuarial Profession in Australia Today



# *The Institute of Actuaries of Australia*

## The Growth of Actuarial Involvement in General Insurance



# ***The Institute of Actuaries of Australia***

## **What is different about General Insurance?**

- **Much wider spectrum of risks to understand and model**
  - Life insurance has morality and investment
  - Each general insurance product has a different risk mode.
- **Absence of large industry wide data sets**
- **Uncertainty is a much bigger issue**
- **More work driven by business performance than by compliance**

**Michael Playford**  
**Convenor, General Insurance Practice Committee**



# ***The Institute of Actuaries of Australia***

## **The Impact of HIH & UMP**

- Why**
- underpricing & under reserving over many years
  - charismatic leadership, weak board, dependence of advisors.

### **Systemic implications of failure of a market leader**

- home builders
- small business
- charities

### **Consequences for the actuarial profession**



# ***The Institute of Actuaries of Australia***

## **The Current Landscape**

- **Significantly increased role for actuaries with statutory backing**
- **Personal injury compensation – tort law reform**
- **International accounting standards**



# ***The Institute of Actuaries of Australia***

## **The Current & Developing Actuarial Role**

- **Approved Actuary**
- **Certifying outstanding claims liabilities**
- **Second round reforms – data certification**
- **Financial condition reports**
- **Independent peer review of all statutory work.**





# *The Institute of Actuaries of Australia*

## **Health – The New Growth Area?**

- Health Insurance** - Rapidly growing demand fuelled by regulatory demands for improved governance.
- Health Financing** - A largely untapped market with major opportunities for actuaries.



# ***The Institute of Actuaries of Australia***

## **Actuaries in Health Insurance**

- **Increased involvement driven by regulatory framework and increasing complexity.**
- **Started with pricing.**
- **Major components of capital adequacy and solvency require actuarial sign off.**
- **Moving to FCR and Appointed Actuary Role**



# ***The Institute of Actuaries of Australia***

## **Why Actuaries in Health Insurance?**

- **Product profitability not well understood – one actuarial team discovered that product profitability viewed from -45% to +35%.**
- **Community rating used an ‘excuse’ for not bothering.**
- **No differentiation between acquisition/ maintenance expenses.**
- **Age gender analysis showed that differences were not driven by age but fundamental mispricing of info?**

**Ian Burningham  
Convenor, Health Practice Committee**



# ***The Institute of Actuaries of Australia***

## **Health Financing**

- **Financing public health in area of major concern as population's age, health costs rise, infrastructure ages.**
- **Areas of current focus**
  - **Work force modelling**
  - **State/ Federal issues**
  - **Capital investment**

