Insurance, Life Insurance and Health Insurance (prudential standard) determination No. 1 of 2026

Prudential Standard CPS 320 Actuarial and Related Matters

Insurance Act 1973
Life Insurance Act 1995
Private Health Insurance (Prudential Supervision) Act 2015

I, Peter Kohlhagen, a delegate of APRA:

(a) under subsections 32(4) of the *Insurance Act 1973*, 230A(5) of the *Life Insurance Act 1995* and 92(5) of the *Private Health Insurance (Prudential Supervision) Act 2015* REVOKE *Insurance, Life Insurance and Health Insurance (prudential standard) determination No. 1 of 2023*, including *Prudential Standard CPS 320 Actuarial and Related Matters,* made under that determination;

(b) under subsection 32(1) of the *Insurance Act 1973* DETERMINE the prudential standard, which applies to all general insurers, authorised NOHCs, and subsidiaries of general insurers or authorised NOHCs where those subsidiaries are parent entities of Level 2 insurance groups;

(c) under subsection 230A(1) of the *Life Insurance Act 1995* DETERMINE the prudential standard, which applies to all life companies, including friendly societies; and

(d) under subsection 92(1) of the *Private Health Insurance (Prudential Supervision) Act 2015* DETERMINE the prudential standard, which applies to all private health insurers.

This instrument commences on 1 July 2026.

Dated: 29 April 2026

Peter Kohlhagen
Executive Director
Policy and Advice Division

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Interpretation

In this instrument:

APRA means the Australian Prudential Regulation Authority.

authorised NOHC has the meaning given in section 3(1) of the *Insurance Act 1973*.

friendly society has the meaning given in section 16C of the *Life Insurance Act 1995*.

general insurer has the meaning given in section 11 of the *Insurance Act 1973*.

Level 2 insurance group has the meaning given in *Prudential Standard CPS 001 Defined terms*.

life company has the meaning given in the Schedule - Dictionary to the *Life Insurance Act 1995*.

parent entity has the meaning given in *Prudential Standard CPS 001 Defined terms*.

private health insurer has the meaning given in section 4 of the *Private Health Insurance (Prudential Supervision) Act 2015*.

subsidiary has the meaning given in the *Corporations Act 2001*.

the prudential standard means *Prudential Standard CPS 320 Actuarial and Related Matters* in the form set out in the Schedule.

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Schedule – the prudential standard

Prudential Standard CPS 320 Actuarial and Related Matters comprises the document commencing on the following page.

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Prudential Standard CPS 320

Actuarial and Related Matters

Objectives and key requirements of this Prudential Standard

This Prudential Standard aims to ensure that a general insurer, life company or private health insurer has access to appropriate actuarial advice to assist in the sound and prudent operation of its business. It sets out the requirements for insurers to appoint an Appointed Actuary and to establish a framework for the provision of actuarial advice. It also sets out the functions of the Appointed Actuary role.

The purpose of the Appointed Actuary role is to ensure that the board and senior management have unfettered access to expert and impartial actuarial advice and review. The role is intended to assist with the sound and prudent management of an insurer and ensure that the insurer gives appropriate consideration to the protection of policyholder interests.

The Appointed Actuary must have the necessary authority, seniority and support to contribute to the debate of strategic issues at a senior management level and provide advice that is considered by the board. The Appointed Actuary plays a key role in, and provides effective challenge to, the activities and decisions that may materially affect the insurer's financial condition, as well as policyholder interests.

Some of the key requirements of this Prudential Standard are:

- an insurer must establish an actuarial advice framework;
- an insurer must provide the Appointed Actuary with sufficient information, and access to the board and senior management, to allow the Appointed Actuary to fulfil specified roles and functions;
- an Appointed Actuary must provide advice to the insurer on the valuation of the insurance liabilities, the insurer's financial condition, and matters specified under the insurer's actuarial advice framework, consistent with the insurer's materiality policy;

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- the Appointed Actuary must assess the insurer's financial condition and annually prepare a Financial Condition Report;
- an insurer must submit a copy of the Financial Condition Report to APRA;
- the Appointed Actuary must provide advice on the valuation of insurance liabilities, and Appointed Actuaries of general insurers and life companies must annually prepare an Actuarial Valuation Report; and
- a general insurer or life company must submit a copy of the Actuarial Valuation Report to APRA.

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Authority

1. This Prudential Standard is made under:

   (a) section 32 of the *Insurance Act 1973* (**Insurance Act**) in relation to **general insurers** and **parent entities** of **Level 2 insurance groups**;[1]

   (b) section 230A of the *Life Insurance Act 1995* (**Life Insurance Act**) in relation to **life companies**, including **friendly societies**; and

   (c) section 92 of the *Private Health Insurance (Prudential Supervision) Act 2015* (**PHIPS Act**) in relation to **private health insurers**.

Application

2. This Prudential Standard applies to:

   (a) all general insurers, including parent entities of Level 2 insurance groups;

   (b) all life companies, including friendly societies and **eligible foreign life insurance companies** (EFLICs); and

   (c) all private health insurers,

   except where otherwise stated.

   These institutions are collectively referred to as 'insurers' in this Prudential Standard.

3. The obligations placed on Appointed Actuaries by this Prudential Standard are functions of an Appointed Actuary for the purposes of section 49K(1)(a) of the Insurance Act, section 97(1) of the Life Insurance Act and section 107(2) of the PHIPS Act.

4. This Prudential Standard commences on 1 July 2026.

Interpretation

5. Where this Prudential Standard imposes requirements or functions on the Appointed Actuary, those requirements or functions must be met by the Appointed Actuary. Otherwise, the insurer may, subject to the requirements of this Prudential Standard, use other actuaries to undertake actuarial functions required under this Prudential Standard.

6. In this Prudential Standard:

   a) Terms that are defined in *Prudential Standard CPS 001 Defined terms* (CPS 001) appear in bold the first time they are used in this Prudential Standard

[1] A reference to a Level 2 insurance group is a general insurance Level 2 insurance group as defined in CPS 001.

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and adopt the same meaning in this Prudential Standard as defined in CPS 001; and

b) unless the contrary intention appears, a reference to an Act, Regulation or Prudential Standard is a reference to the Act, Regulation or Prudential Standard as in force from time to time.

7. Terms used in this Prudential Standard are defined as follows:

(a) 'Acts' refers collectively to the Insurance Act, Life Insurance Act and PHIPS Act;

(b) 'Actuarial Professional Standard' refers to a professional standard of the Institute of Actuaries of Australia as in place from time to time;

(c) 'Appointed Actuary' refers to the person appointed under section 39 of the Insurance Act, section 93 of the Life Insurance Act, or section 106 of the PHIPS Act, and includes a person appointed as a **Group Actuary** under this Prudential Standard unless otherwise stated;

(d) 'Attachment' refers to one or more of the attachments to this Prudential Standard, namely Attachment A (General insurance matters), Attachment B (Life insurance matters) and Attachment C (Private health insurance matters);

(e) '**Board**' refers, in the case of a Category C insurer or an EFLIC, to the senior officer outside of Australia or Compliance Committee (as applicable) as referred to in *Prudential Standard CPS 510 Governance* and otherwise adopts the definition in CPS 001;

(f) 'Fund' refers to a **statutory fund** or a **general fund** of a life company;

(g) 'General insurer' refers to general insurers as defined in section 11 of the Insurance Act, non-operating holding companies authorised under the Insurance Act (authorised insurance NOHCs) and the parent entities of Level 2 insurance groups;

(h) 'Group Actuary' refers to the person appointed under this Prudential Standard as an Appointed Actuary of a Level 2 insurance group;

(i) '**Health benefits fund**' refers to a health benefits fund of a private health insurer;

(j) 'Insurance liabilities' refers to the 'insurance liabilities' of general insurers determined in accordance with *Prudential Standard GPS 340* Insurance *Liability Valuation* (GPS 340), 'policy liabilities' of life companies determined in accordance with *Prudential Standard LPS 340 Valuation of Policy Liabilities* and 'insurance liabilities' of private health insurers determined in accordance with *Prudential Standard HPS 340 Insurance Liability Valuation* (HPS 340);

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(k) 'Life company' refers to a life company as defined in the Schedule to the Life Insurance Act (includes a friendly society and an EFLIC);

(l) 'Private Health Insurer' has the same meaning as in section 4 of the PHIPS Act;

(m) '**Prudential requirement**' refers to the requirements imposed under the Acts, Regulations, prudential standards determined under the Acts, the *Financial Sector (Collection of Data) Act 2001* (FSCODA), reporting standards made under the FSCODA, and conditions, directions, Rules and other requirements imposed by APRA in writing under the Acts; and

(n) 'Regulation' refers to any regulation made under any of the Acts.

8. Where this Prudential Standard provides:

(a) for APRA to exercise a power or discretion, the power or discretion is to be exercised in writing; or

(b) that an insurer must provide APRA with notice, that notice must be given in writing.

Appointment

9. Under the Acts, an insurer must appoint an Appointed Actuary.[2]

10. An insurer must ensure that its Appointed Actuary:

(a) satisfies the eligibility criteria; and

(b) is a fit and proper person,

in accordance with *Prudential Standard CPS 520 Fit and Proper* (CPS 520), as applicable, and the insurer's fit and proper policy.

Group Actuaries

11. A Level 2 insurance group must appoint a Group Actuary.

12. A Level 2 insurer must ensure that its Group Actuary satisfies the requirements of paragraph 10 of this Prudential Standard and, in addition, the provisions of Attachment A that relate to the appointment of a Group Actuary.

13. The terms of this Prudential Standard that apply to an Appointed Actuary include a Group Actuary, unless otherwise stated.

[2] A general insurer may make an application to be exempt from this requirement under the provisions of Attachment A.

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14. Any obligation this Prudential Standard places on a Group Actuary requires the parent entity of a Level 2 insurance Group to ensure that the Group Actuary complies with the obligation.[3]

15. A Level 2 insurance group must comply with this Prudential Standard in its capacity as an APRA-regulated institution and on a group basis, unless otherwise stated.

Obligations of the Appointed Actuary and other actuaries subject to prudential requirements

16. The Appointed Actuary of an insurer has specific obligations set out in the prudential requirements. Notwithstanding any provision of this Prudential Standard, those obligations must continue to be met by the Appointed Actuary.

17. An Appointed Actuary and any other actuary subject to prudential requirements must perform the functions:

    (a) impartially; and

    (b) expertly, having regard to relevant Actuarial Professional Standards to the extent that they are not inconsistent with the requirements of this Prudential Standard.[4]

Insurers' obligations with respect to actuaries

18. An insurer must do all things necessary to enable the Appointed Actuary or any other actuary performing functions under the prudential requirements, including this Prudential Standard, to comply with those requirements, including:

    (a) ensuring the actuary is fully informed of the prudential requirements that apply to the insurer;

    (b) providing to the actuary information that the actuary reasonably believes is necessary to fulfil their role and functions; and

    (c) providing to the actuary any information that APRA has given to the insurer that may assist the actuary to fulfil his or her role and functions.

19. An insurer must provide the Appointed Actuary with access to the insurer's committees, internal auditors, external auditors, senior management and others as requested.[5]

20. An insurer must ensure that any actuary performing functions under the prudential requirements is assessed as fit and proper in accordance with CPS 520

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3 Attachment A contains obligations specific to Group Actuaries and requirements specific to the parent entities of Level 2 insurance groups.

4 The provisions of this Prudential Standard prevail to the extent of any inconsistency with the Actuarial Professional Standards.

5 This includes providing access to the board and board committees of any entity within a Level 2 insurance group, where relevant.

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(as applicable) and must be a Fellow or Accredited Member of the Actuaries Institute.[6]

21. An insurer must take all reasonable steps to ensure that all working papers and other documentation of:

    (a) an Appointed Actuary in relation to the prudential requirements; or

    (b) an actuary appointed under paragraph 36 in relation to an actuarial review conducted under paragraph 35,

    are retained for a period of seven years. An insurer must also ensure that the person or entity who holds such working papers and documentation provides those papers and documents to APRA when requested to do so in writing.

Actuarial advice framework

22. An insurer must have a board-approved framework for the provision of actuarial advice (actuarial advice framework) that enables the Appointed Actuary to perform the functions of the role and that complies with the applicable prudential requirements. Before approving the actuarial advice framework, the board must consider advice provided by the Appointed Actuary in relation to the actuarial advice framework.

23. The actuarial advice framework must be appropriately documented and:

    (a) include a materiality policy;

    (b) identify areas where the advice of an actuary is required, having regard to the materiality policy and the minimum matters to be included in the actuarial advice framework for each type of insurer as set out in the Attachments, as applicable;

    (c) specify when advice must specifically be given by the Appointed Actuary rather than another actuary, having regard to the materiality of the matter;

    (d) specify by whom actuarial advice must be considered (in particular, the circumstances in which it must be considered by the board), having regard to the materiality policy;

    (e) set out the insurer's approach to managing potential conflicts of interest or duty in the Appointed Actuary role and in the operation of the actuarial advice framework; and

    (f) set out the insurer's approach to seeking actuarial advice on reviews of the:

        (i) risk management framework[7]; and

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6 Note that CPS 520 sets additional criteria for fitness and propriety that apply to Appointed Actuaries. This Prudential Standard does not require that actuaries other than the Appointed Actuary meet those requirements.

7 Refer to *Prudential Standard CPS 220 Risk Management*.

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(ii) Internal Capital Adequacy Assessment Process (ICAAP) of a general insurer, life company or private health insurer.

Financial Condition Report

24. An insurer[8] must arrange for its Appointed Actuary to:

(a) assess the financial condition of the insurer including the financial condition of each of the funds of a life company and each of the health benefits funds of a private health insurer; and

(b) report on that assessment in a written **Financial Condition Report** (FCR). [9]

25. Subject to paragraph 26, an Appointed Actuary must include the following information in the FCR:

(a) a business overview including the background, structure, strategy and operations of the insurer;

(b) a summary of:

(i) for a life company or general insurer, the key results of the **Actuarial Valuation Report** (AVR) required under paragraph 30 of this Prudential Standard;

(ii) for a private health insurer, the insurance liability valuation;

(c) an assessment of pricing, including the adequacy of premiums;

(d) an assessment of the suitability and adequacy of the insurer's reinsurance strategy;

(e) an assessment of the appropriateness of the investment strategy, having regard to the nature of the insurance liabilities;

(f) for life companies that elect to use the **Advanced Illiquidity Premium**, an **Advanced Illiquidity Premium Declaration** as prescribed in Attachment B of this Prudential Standard;

(g) an assessment of the actual experience and performance compared to the expected experience and performance of the insurer;

(h) general observations on the overall risk management framework, with a focus on financial risks, and how these risks are managed by the insurer;

(i) general observations on the insurer's approach to capital management;

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8 Paragraphs 6 to 8 of Attachment A to this Prudential Standard outline the requirements for producing FCRs for Level 2 groups.

9 Paragraphs 14 to 17 of Attachment A to this Prudential Standard exempt certain general insurers from paragraphs 24 to 29 of this Prudential Standard and create different obligations in their place.

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(j) an assessment of the insurer's current and future profitability and capital adequacy:

(i) for general insurers, this includes an assessment of the adequacy of the calculation of the **insurance concentration risk charge**;[10]

(ii) for life companies, this includes a summary of the Appointed Actuary's advice on the calculation of the value of the **capital base** and **prescribed capital amount** for each of the funds of the life company; and

(iii) for private health insurers, this includes an assessment of the calculation of the Future Exposure Risk Charge (FER)[11];

(k) the equitable treatment of life insurance participating policyholders;

(l) for life companies, any material guarantees in investment-linked statutory funds;

(m) comment on the concerns, if any, that an Appointed Actuary has in relation to the operation and effectiveness of the actuarial advice framework, whether the materiality policy has worked effectively or how the insurer has used actuaries other than the Appointed Actuary; and

(n) any other matters considered relevant and material to the insurer's current and future financial condition.

26. The Appointed Actuary must exercise judgement about the matters which are relevant and material to include in the FCR. If, having considered a matter prescribed in paragraph 25 the Appointed Actuary concludes that that matter is not sufficiently relevant and/or material to include in the FCR, the Appointed Actuary must state briefly in the FCR why that matter is not sufficiently relevant and/or material to include in the FCR.

27. The Appointed Actuary must consider the future outlook and implications for each matter listed in paragraph 25. Where these implications are adverse, the Appointed Actuary must propose recommendations designed to address the issues.

28. Where relevant, the Appointed Actuary must prepare the FCR in respect of the:

(a) Australian branch operation for Category C general insurers, but with consideration given to the financial position of the head office; or

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10 Including an assessment of the impact of multiple events in a year for a general insurer as well as exposures to other accumulations as defined in *Prudential Standard GPS 116 Capital Adequacy: Insurance Concentration Risk Charge*.

11 Calculated in accordance with *Prudential Standard HPS 115 Capital Adequacy: Insurance Risk Charge.*

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(b) life insurance business carried on inside Australia by an EFLIC, but with consideration given to the financial condition of the life insurance business carried on outside Australia by the company.

29. The Appointed Actuary must prepare the FCR annually and provide it to the insurer within such time as to give the board a reasonable opportunity to consider and use the information to prepare the insurer's annual regulatory financial statements. The insurer must provide the FCR to APRA within three months of the end of the period to which the report relates.

Actuarial Valuation Report

30. A general insurer or life company must arrange for its Appointed Actuary to:

(a) calculate the value of the insurance liabilities and, if the insurer is a life company, the value of the insurance liabilities of each of the funds of the life company;

(b) for a life company, calculate the value of the capital base and prescribed capital amount for each of the funds of the life company; and

(c) prepare a written AVR including the matters set out in paragraphs 31, subject to paragraph 32.

31. The Appointed Actuary must include the following information in the AVR:

(a) the values listed in 30(a) and (b);

(b) a statement on the completeness and accuracy of data and information relied on to derive the required values;

(c) the methodologies and assumptions used to determine those values, including the key risks or limitations of the methodologies and assumptions used;

(d) significant aspects of recent experience and the affect it has on the valuation of insurance liabilities; and

(e) any other matters that a prudential standard requires to be included in the insurer's AVR.

32. The Appointed Actuary must exercise judgement about the matters which are relevant and material to include in the AVR.

33. The Appointed Actuary of a general insurer or life company must prepare the AVR annually as at the company balance date. The insurer must provide the AVR to APRA within three months of the end of the period to which the report relates.

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Departures from actuarial advice

34. If the Appointed Actuary advises:

    (a) an insurer on a value for insurance liabilities;[12]

    (b) a general insurer on the adequacy of the calculation of the insurance concentration risk charge;

    (c) a life company on the calculation of the capital base or prescribed capital amount; or

    (d) a private health insurer on the calculation of the FER;

    and the insurer does not accept the advice of the Appointed Actuary in a material respect, then the insurer must notify APRA of the non-acceptance on or before the day that the insurer's annual regulatory financial statements are required to be submitted to APRA. In the case of advice provided on insurance liabilities outside of the FCR or AVR, the insurer must notify APRA within ten business days.

Actuarial reviews required by APRA

35. If requested by APRA, an insurer must arrange for:

    (a) an actuarial review of any matters specified by APRA; and

    (b) the preparation of a report in respect of that review containing all matters specified by APRA.

36. An actuarial review under paragraph 35 must be undertaken by:

    (a) the insurer's Appointed Actuary; or

    (b) another actuary,

    as specified by APRA.

37. An actuary other than the Appointed Actuary appointed to undertake a review under paragraph 35 must meet the criteria applicable to Appointed Actuaries in paragraph 10 and meet the requirements of paragraph 17. The insurer must also comply with the requirements of paragraphs 18 to 21 in respect of an actuary undertaking a review.

38. An insurer must ensure that a copy of the report:

    (a) is submitted to APRA and the insurer simultaneously within three months of being commissioned, unless specified otherwise by APRA; and

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[12] Note that for a general insurer, 'insurance liabilities' refers to the valuation undertaken in accordance with GPS 340. For private health insurers, 'insurance liabilities' refers to the valuation undertaken in accordance with HPS 340.

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(b) is provided to the Appointed Actuary (if the Appointed Actuary did not prepare the report), the external auditor, the board, and the senior management of the insurer, unless specified otherwise by APRA.

39. The cost of a review under paragraph 35 is to be borne by the insurer.

40. An insurer must ensure that any actuary other than the Appointed Actuary who is undertaking an actuarial review under paragraph 35, is given full access to the insurer's Appointed Actuary and any actuarial advice or report which is to be reviewed.

Adjustments and exclusions

41. APRA may adjust or exclude a specific requirement in this Prudential Standard in relation to a particular insurer, group of insurers, Appointed Actuary or other actuary subject to this Prudential Standard.

Determinations made under previous prudential standards

42. An exercise of APRA's discretion made under a previous Appointed Actuary Prudential Standard (*Prudential Standard GPS 320 Actuarial and Related Matters*, *Prudential Standard LPS 320 Actuarial and Related Matters*, *Prudential Standard HPS 320 Actuarial and Related Matters*, or a previous version of this Prudential Standard) continues to have effect as though exercised pursuant to a corresponding power (if any) exercisable by APRA under this Prudential Standard.

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Attachment A – General insurance matters

Actuarial advice framework of general insurers

1. The actuarial advice framework of a general insurer must, for the purposes of paragraph 23 of this Prudential Standard include the following matters:

   (a) the central estimate of insurance liabilities and the value of liabilities that provides a 75 per cent probability of sufficiency, both overall and in respect of each class of business underwritten by the insurer;

   (b) for the purposes of *Prudential Standard GPS 115 Capital Adequacy: Insurance Risk Charge*, the most appropriate category or categories in which to assign 'other' insurance business that does not fit within the definition of the classes of business in CPS 001;

   (c) for the purposes of *Prudential Standard GPS 116 Capital Adequacy: Insurance Concentration Risk Charge* (GPS 116), the portion of the net premiums liability provision which relates to catastrophic losses (PL offset) using the method prescribed in GPS 116 and relevant for the period following the FCR;

   (d) where the insurer is required to determine the other accumulations vertical requirement under GPS 116, the amount of losses within the other accumulations scenario that has already been allowed for in the insurer's net premiums liabilities;

   (e) for a lenders mortgage insurer that is required to determine the Lenders Mortgage Insurance Concentration Risk Charge under GPS 116, the amount of net premiums liabilities that relates to an economic downturn;

   (f) planned capital reductions, in the case of **run-off insurers**; and

   (g) any other matter required under the prudential standards and the Insurance Act.

Exemptions from appointing an Appointed Actuary

2. An insurer is not required to appoint an Appointed Actuary if:

   (a) the insurer seeks a determination of exemption from APRA; and[13]

   (b) the insurer is a **small insurer** or a general insurer to which exceptional circumstances apply; and

   (c) APRA determines that the insurer is exempt.

3. An application for an exemption made under paragraph 2 of this Attachment by a small insurer must include documentary evidence that the criteria to be a small

[13] The determination of exemption is a determination under section 7(1) of the Insurance Act.

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insurer under CPS 001 have been met, and an attestation from the chief executive officer[14] (CEO) that it will meet those same criteria for the next 12 months.

4. A small insurer that has been granted an exemption by APRA must annually submit an attestation to APRA in writing from the CEO of the small insurer that the insurer has met the criteria to be a small insurer under CPS 001 for the previous 12 months and expects to meet those same criteria for the following 12 months to maintain the exemption.

Appointment of a Group Actuary

5. An actuary is not eligible to be appointed as a Group Actuary if the actuary is:

   (a) the Group Auditor;

   (b) the auditor of an entity within the Level 2 insurance group carrying on insurance business;

   (c) an employee or director of an entity of which a person referred to in Attachment A subparagraph 5(a) or (b) is an employee or director;

   (d) a partner of a person referred to in Attachment A subparagraph 5(a) or (b);

   (e) the CEO or director of any entity within the Level 2 insurance group or its wider group (where applicable).

FCRs for Level 2 insurance groups

6. An FCR must be completed in respect of each insurer within a Level 2 group unless paragraph 7 of this Attachment applies.

7. An insurer may submit to APRA a single FCR in respect of a Level 2 insurance group where:

   (a) the Appointed Actuary completing the FCR is the Appointed Actuary for each insurer included in the insurance group FCR; or

   (b) it is practical to produce a single FCR for the insurance group.

8. The insurance group FCR must adequately consider and address the operations of each insurer in that insurance group.

9. APRA may require the Appointed Actuary to prepare and submit to APRA:

   (a) a separate FCR for one or more insurers within the insurance group; and/or

   (b) an FCR for a different insurance group within the corporate group,

   by a time specified by APRA.

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[14] By whatever name called, or for a Category C insurer, the local equivalent.

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AVRs for Level 2 insurance groups

10. A Level 2 insurance group must ensure its Group Actuary, on an annual basis, undertakes an investigation to enable the preparation of an AVR.

11. A Level 2 insurance group must seek the advice of its Group Actuary for an actuarial assessment of the group's insurance liabilities for each half-yearly report submitted to APRA.

12. The AVR for a Level 2 insurance group must contain the information required by paragraphs 30 and 31 of this Prudential Standard and must also:

    (a) comment on the suitability of accounting figures for overseas business relative to the requirements of this Prudential Standard; and

    (b) contain any other matters that a prudential standard requires to be included in the Level 2 insurance group AVR.

13. Where this Prudential Standard requires a Level 2 insurance group to ensure that its Group Actuary performs a particular task or service or complies with a requirement, the parent entity of a Level 2 insurance group must ensure the contract engaging the Group Actuary (if external to the Level 2 insurance group) includes a term requiring the Group Actuary to perform the task or service or comply with the requirement.

Run-off insurers

14. If the insurer is a run-off insurer, the primary role of the Appointed Actuary is to:

    (a) advise on the valuation of the insurer's insurance liabilities;

    (b) demonstrate that the tangible assets of the insurer, after any proposed capital reduction, are sufficient to cover its insurance liabilities to a 99.5 per cent level of sufficiency; and

    (c) review the insurer's run-off plan.

15. The obligation for the Appointed Actuary to review a run-off insurer's run-off plan replaces the requirement for the Appointed Actuary to prepare a FCR under the Prudential Standards, provided that:

    (a) the run-off insurer prepares a run-off plan; and

    (b) the Appointed Actuary prepares a report of the review of the run-off plan.

16. If an insurer is a run-off insurer, paragraphs 24 to 29 of this Prudential Standard should be read as if the term 'Review of Run-off plan' replaces 'FCR'. Where APRA is of the view that a run-off plan is not adequate in a particular case, APRA may require that the Appointed Actuary prepare an FCR with respect to the run-off insurer.

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17. A review of a run-off insurer's run-off plan must include the Appointed Actuary's opinion on whether the run-off plan and supporting financial projections are reasonable and adequate, and, if not, recommendations to address the issues.

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Attachment B – Life insurance matters

Actuarial advice framework of life companies

1. The actuarial advice framework of a life company must, for the purposes of paragraph 23 of this Prudential Standard include the following matters:

   (a) the methodology and assumptions for determining the capital base, prescribed capital amount and policy liabilities, including details of the stress margins applied in determining the insurance risk charge, and where relevant, the assumptions used to calculate the Advanced Illiquidity Premium as well as the criteria for determining the group or groups of policies for which the insurer has decided to add an **illiquidity premium** to the **risk-free discount rate**;

   (b) changes to the investment strategy, including asset-liability management in respect of participating business and business with discretionary participation features;

   (c) pricing for new products and changes in products, including:

      (i) the proposed terms and conditions on which a policy is to be issued or modified;

      (ii) the proposed basis on which the surrender value is to be determined;

      (iii) if the policy provides for benefits to be calculated by reference to units, the proposed means by which the unit values are to be determined;

      (iv) if the life company is a friendly society, the proposed **approved benefit fund** rules or modification of the benefit fund rules, and whether the benefit fund rules will result in unfairness to any prospective or existing members of the benefit fund; and

      (v) if the life company is a friendly society, any change to the investment management or strategy of an approved benefit fund beyond that disclosed in the approved benefit fund rules;

   (d) changes to the reinsurance strategy, new reinsurance arrangements, or changes to existing reinsurance contracts, specifically advising on the likely consequences of taking such action; and

   (e) any other matter required under the prudential standards and Life Insurance Act.[15]

[15] Note that this includes obligations under *Prudential Standard LPS 230 Reinsurance Management*, *Prudential Standard LPS 600 Statutory Funds* and *Prudential Standard LPS 700 Friendly Society Benefit Funds*, as well as the Life Insurance Act and the *Life Insurance Regulations 2024*.

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Advanced Illiquidity Premium Declaration

2. For life companies that elect to use the Advanced Illiquidity Premium, the Appointed Actuary must provide APRA with an Advanced Illiquidity Premium Declaration in the FCR. At a minimum, the declaration must state that to the best of the Appointed Actuary's knowledge, the following have been met over the annual period in all material respects for any groups of policies where the Advanced Illiquidity Premium is applied:

   (a) the Advanced Illiquidity Premium has been determined in accordance with *Prudential Standard LPS 112 Capital Adequacy: Measurement of Capital* (LPS 112) and has been determined on a reasonable and supportable basis;

   (b) the life company's governance processes are compatible with the adoption of the Advanced Illiquidity Premium;

   (c) a cashflow matching test has been performed as prescribed in LPS 112 and the life company can demonstrate that its **illiquid liabilities** are cashflow matched by the cashflows of the **assets backing illiquid liabilities** from the reporting date to the cut-off point as determined by the Appointed Actuary in accordance with LPS 112;

   (d) based on the assets backing illiquid liabilities, the life company is able to earn a spread above the risk-free discount rate at least equal to the Advanced Illiquidity Premium until the expiry of the illiquid liabilities;

   (e) the life company's investment philosophy is aligned to a hold-to-maturity bias in managing the assets backing illiquid liabilities with assets being rebalanced or replaced only in circumstances which are well defined by the life company in its risk management framework;

   (f) the life company is expected to be able to meet benefit payments as they fall due without resorting to selling illiquid assets backing illiquid liabilities in a market downturn;

   (g) in relation to the assets backing illiquid liabilities, the life company has placed primary reliance on fixed interest and debt instruments with cashflows that are highly predictable in both the amount and the timing of payments;

   (h) assets held against **adjusted policy liabilities** and **Prudential Capital Requirement** (PCR) in respect of policies that are subject to the Advanced Illiquidity Premium are separately identifiable; and

   (i) stress test and scenario analysis, including back-testing, have been undertaken as part of the ICAAP of the life company and considered all key risks relating to assets and illiquid liabilities. For assets held against the adjusted policy liabilities and PCR in respect of policies that are subject to the Advanced Illiquidity Premium, the stress test and scenario analysis must at a minimum verify that:

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(i) the assets are separately identifiable and sufficient to meet the illiquid liabilities until those liabilities expire;

(ii) the life company is able to earn a spread above the risk-free discount rate at least equal to the Advanced Illiquidity Premium under severe but plausible scenarios until the expiry of the illiquid liabilities; and

(iii) the life company has assessed the impact of a stress scenario where it reinvests any surplus or shortfall of cashflows and proceeds from maturities into the reference portfolios. For a foreign reference portfolio, the life company must also assess how it would implement strategies to manage currency risk in order to ensure that illiquid liabilities denominated in Australian currency can be met.

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Attachment C – Private health insurance matters

Actuarial advice framework of private health insurers

1. The actuarial advice framework of a private health insurer must, for the purposes of paragraph 23 of this Prudential Standard include the following matters:

   (a) the insurance liability valuation methodology;

   (b) the valuation of insurance liabilities of each health benefits fund;

   (c) the calculation of the FER;

   (d) the determination of risk margins for annual financial statements;

   (e) proposed changes to rates of premiums charged under a product of a health benefits fund conducted by the private health insurer;

   (f) proposed changes to the benefits provided under a product of a health benefits fund conducted by the private health insurer;

   (g) redevelopment or revision of the strategic or business plans of the private health insurer;

   (h) redevelopment or revision of the strategic or business plans of a health benefits fund conducted by the private health insurer;

   (i) development of new products of health benefits fund run by the private health insurer;

   (j) revision of an existing product of a health benefits fund conducted by the insurer;

   (k) changes to the investment policies of the private health insurer;

   (l) redetermination of the risk profile of the private health insurer;

   (m) any other event that the private health insurer reasonably expects to have a significant impact on the conduct of the business of a health benefits fund of the insurer;

   (n) business diversification activity; and

   (o) any other matter required under the prudential standards and PHIPS Act.

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