

*"ALL ENTITIES IN THE PUBLIC OR PRIVATE SECTOR FACE RISKS. THE INSURANCE INDUSTRY FOCUSES ON THE MEASUREMENT AND MANAGEMENT OF RISK."*

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HARVEY DUCKERS

INSURANCE

## INSURANCE ADVICE IN THE PUBLIC SECTOR— GAD'S GROWING INSURANCE TEAM

GAD provides actuarial advice to the public sector anywhere in the world. In recent years more and more of this advice has related to Insurance.

Actuaries can play a key role in helping insurance companies run efficiently and effectively. They can also help insurance regulators and others in the public sector understand the work of insurance companies.

GAD's Insurance team is made up of 8 experienced actuaries, supported by 3 part-qualified actuaries and we have recently contracted a further 3 actuaries to support the increased demand for our services.

All of GAD's team have worked extensively in the private sector, in insurance companies, reinsurance companies, brokers and consultancies.

*"THE GOVERNMENT ACTUARY,  
NOT JUST THE GOVERNMENT  
PENSIONS ACTUARY."*

### INSURANCE FUNDAMENTALS

All entities in the public or private sector face risks. The insurance industry focuses on the measurement and management of risk.

Some fundamental features of insurance are:

- > The four broad objectives that insurance contracts can serve:
  - > transferring a financial risk from one entity to another, e.g. motor insurance.
  - > obtaining a service in particular circumstances, e.g. private health insurance or roadside assistance.
  - > long-term saving and investment, e.g. life insurance and pensions contracts.
  - > providing specific financial benefits in the event of unfortunate events, e.g. accident and disability cover.
- > Insurance companies buy their own insurance in order to spread the risks they accept. They generally do this by arranging reinsurance contracts with specialist reinsurance companies.
- > Managing insurance company assets can be tricky. The manner in which this is done generally reflects the term and amount of the liabilities underlying the insurance company's book of business.
- > In much of the world, insurance companies are split into short-term General Insurance companies and long-term Life Insurance companies.
- > Most jurisdictions regulate their insurance industry. The increasing sophistication of the insurance and finance industries are in turn requiring increased technical support to be provided to the regulatory process.

All of these features mean there are sound reasons why the public sector in many jurisdictions want insurance advice.

## SO, WHAT SORT OF PUBLIC SECTOR BODIES MIGHT SEEK OUR ADVICE, AND WHY?

### STOCK MARKETS

Many insurance companies are listed on stock markets. Listing requirements mean that the stock market authority needs to analyse the numerous documents submitted.

In carrying out this task, stock market authorities generally seek advice from the regulator. But they may want their own advice, independent from any perceived vested interests of the regulator. They can turn to GAD for an expert opinion.

### INSURANCE COMPANIES LINKED TO THE PUBLIC SECTOR

There are often several insurance companies connected with the Public Sector, such as specialist insurers for public servants, or Mutual companies covering general insurance risks for Local Authorities.

GAD is well equipped to provide full actuarial advice to such companies.

### PUBLIC SECTOR TECHNICAL PROVISIONS

Public sector bodies are exposed to insurance claims as a result of their activities. They may choose to self-insure these risks, especially if the risks are large or unusual, for instance those associated with nuclear power stations. But unlike insurance companies, the public sector is not required to set aside funds to meet these risks.

However, there is an ongoing effort to align Public Sector accounting standards with International Accounting Standards (IAS). IAS standards require liabilities to be determined on a fair value basis. GAD's actuaries currently help a number of clients determine appropriate provisions for such self-insured risks.

### TAX AUTHORITIES

Insurance company finances are specialised and may be highly complex. GAD actuaries can help to explain many aspects, and analyse their impact.

### SOCIAL DEVELOPMENT—MICRO-INSURANCE

There are initiatives in many parts of the world to establish insurance schemes to help individuals, or groups, who are not normally insured.

### REGULATOR ASSISTANCE

GAD's Insurance team has a wealth of experience developing regulatory frameworks in a range of different countries to help ensure new markets run as smoothly and efficiently as possible.

**"...HELP ENSURE NEW  
MARKETS RUN SMOOTHLY  
AND EFFICIENTLY"**

As the above shows, there is a wide range of different areas that require actuarial advice that GAD already operates in – it's not just pensions. As Trevor Llanwarne says, "I'm the Government Actuary, not just the Government Pensions Actuary."