



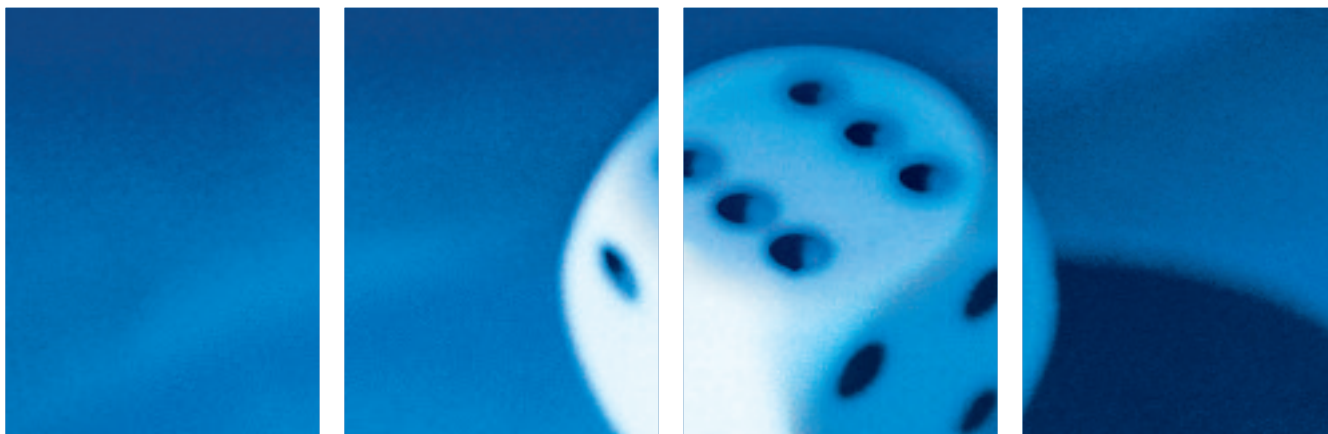
ACTUARIES

## Providing clarity in financial management

Supporting the future of  
your business in an ever-  
changing and increasingly  
complex world.

ADVISORY

# Contents



Improving business decision-making	2
How we can help	3
Why select us	7
Contact us	8

# Improving business decision-making

Actuaries use powerful mathematical, statistical and economic tools to analyse uncertain future outcomes and understand and manage risk.



Many organisations are increasingly discovering how actuarial skills can be deployed to improve business decision-making in a range of situations. Our actuarial functions include, but are not limited to:

- capital and risk management
- planning and strategy
- operations improvement
- self insurance and risk management
- litigation and arbitration support

- internal control reviews
- financial reporting
- reserve review and analysis
- pricing and product development
- merger and acquisition support.

In Australia, KPMG is leading the way in using actuarial techniques to help solve difficult business problems. Increasingly, our actuarial skills are called on to form part of a multi-disciplinary approach to important business issues.

Our professionals work in four main fields:

- general insurance
- wealth management and life insurance
- health financing
- financial and statistical modelling.

Our clients come from an expanding range of industries and business types.

# How we can help

Change has swept through the general insurance industry in Australia.

## General insurance

The demise of HIH, the repricing of many classes of business, the increasing volume of asbestos claims and significant regulatory and legislative reform are just a few of the issues with which the industry has had to come to terms.

Our general insurance practice is at the forefront of many of these issues. We have a proven track record of advising general insurance companies, reinsurers, insurers and reinsurers in run-off, self-insurance entities, accident compensation schemes and corporations with insurance-related liabilities. We also have a focus on litigation support.

## Valuations

Outstanding claims and premium liabilities including Approved Actuary work, reserving for insurance, company liabilities for regulatory or internal governance purposes, self-insurance reviews and valuations for government entities.

## Peer review and formal external peer review.

Ad hoc and regular peer review of internal or consulting advice - whether as a reasonableness check, watershed review or in response to the regulatory requirements of GPS 310.

## Financial condition reports

Introduced as a requirement in 2006. We assist in preparation and review of these complex documents.

## Self-insurance

Developing viability modelling and assessing the financial and non-financial benefits of self-insuring. Assisting with self-insurance licensing. Determining initial funding requirements, ongoing self-insurance advice and financial management (including outstanding claims valuation, premium rating, reinsurance retention and funding requirements). Setting up and managing captive insurers.

## Financial and capital management

Asset/liability modelling. Advising on reinsurance strategy, risk margins and diversification benefits. Valuing insurance companies and their

liabilities for purchase or sale. Premium rating and product pricing advice.

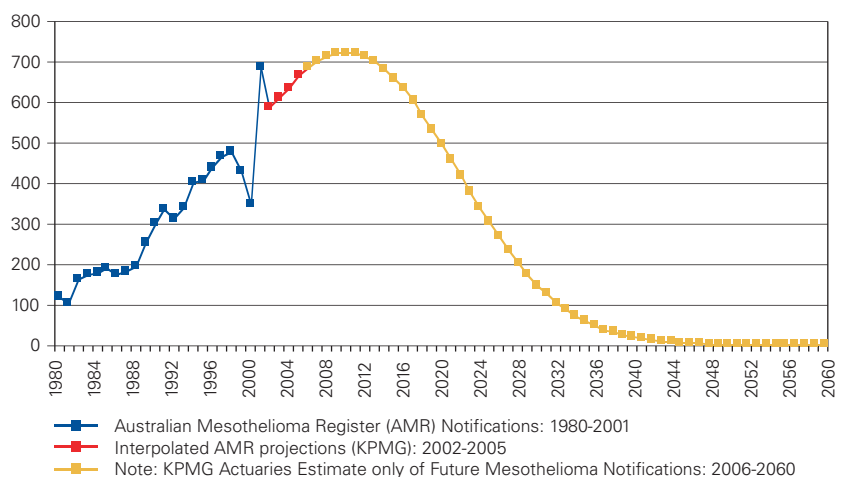
## Run-off business

Advising on asset realisation, including commutation assessments and negotiating and prioritising commutation strategy. Regulatory valuations for capital release plans and liability valuations for schemes of arrangement. Scheme actuary work. Valuing and developing funding solutions for long term liabilities, including asbestos, pollution and health hazard (APH) liability modelling.

## Financial modelling

Projected revenue cash flows, business planning, stochastic modelling and extreme value modelling of short and long tail distributions.

KPMG Actuaries' projections of future numbers of deaths from mesothelioma in Australia



## Wealth management and life insurance

The wealth management industry is experiencing rationalisation and faces an increased regulatory focus, stiffer reporting requirements and changed prudential capital requirements.

We work with wealth management and life insurance businesses, friendly societies, banks and other authorised deposit taking institutions.

### Product development/rationalisation

Product pricing, design and market analyses and research. Product rationalisation, including project plan coordination, restructuring reinsurance arrangements and Part 9 transfers. Strategy, data mining and target marketing for direct-marketed products. Constructing and evaluating alternative investment strategies.

### Unit pricing

Method, process and control review and advice. Sample calculation testing and walkthroughs. Reviewing compensation programs, including technical review of unit prices and implementation and sign-off to ASIC and APRA. Process review and mapping. Attribution of income and unit price performance, including design of fees-less-expenses analysis and reconciliation to manager profit.

### Company/portfolio valuations

Appraisal valuations, mergers and acquisitions (M&A) due diligence, start-ups and IPOs, business planning and modelling. Business valuations for sale. Tax and management reporting, new company registrations and sales/transfers of existing businesses. Distribution channel valuations. Judicial management and wind-ups. Operational risk management.

### Financial reporting

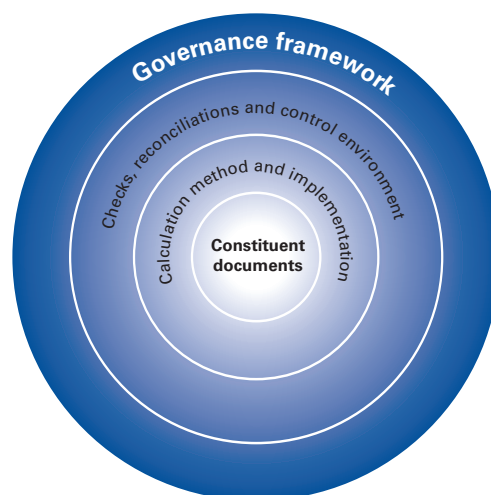
Efficient and effective MIS reporting. Process re-engineering (including integration of tax), actuarial and accounting models. Redesigning and simplifying analysis and reporting. IFRS implementation. US GAAP and EEV. Embedded derivative and financial instrument analysis.

### Capital/risk management

Credit risk analysis and reserving, assessing and allocating capital requirements. Target surplus and policy owner profits treatment, Asset/liability management and DFA. Advising on efficient capital management and reserving, including reinsurance, alternative risk transfer and risk optimisation.

### Other actuarial support

Appointed Actuary work, including preparing financial condition report. Independent or external peer reviews of insurance company liabilities. Evaluating alternative commission structures. Customer value analysis.



Unit pricing control framework

## Health funding

Health expenditure continues to grow. It now exceeds nine per cent of Australia's GDP. Competing priorities create unique problems for industry players. Workforce shortages and ageing population are other issues.

Our professionals have extensive experience in health financing, particularly health insurance. We provide Appointed Actuary services to health insurance funds. We work with governments, government agencies and aged care providers.

### Appointed Actuary role

Providing Appointed Actuary services to health insurance funds. Advising on product design and pricing (including rate certification), liability valuations, capital management, risk management, financial projection systems and board and management reporting.

### M&A due diligence

At least nine funds have disappeared since 2000. We have advised on many of these transactions, including actuarial and financial advice to a Private Health Insurance Administration Council (PHIAC) appointed administrator, due diligence for potential merger partners and assisting with the execution of successful mergers.

### Prudential capital standards

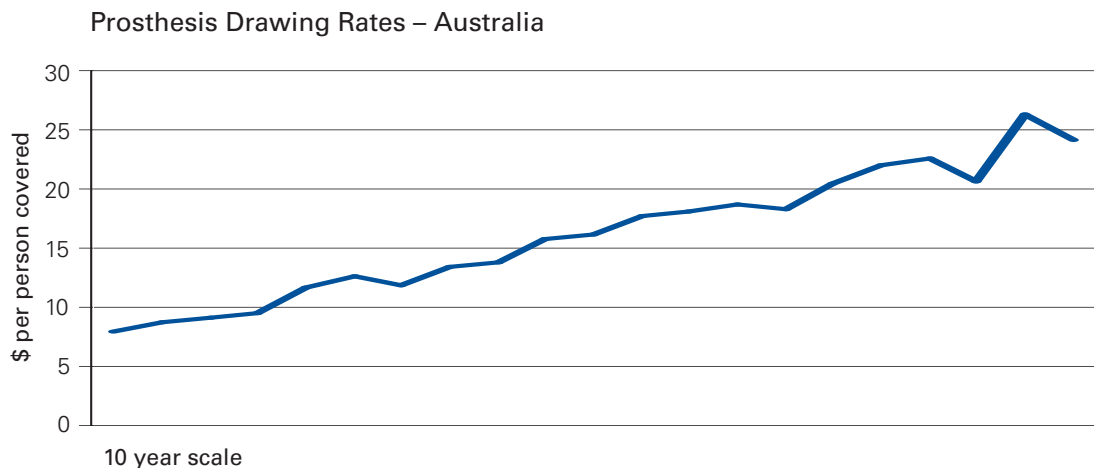
Advised PHIAC on the design, structure and implementation of the prudential capital requirements introduced in 2001.

### Reinsurance (Risk Equalisation)

Advising on existing and alternative reinsurance arrangements.

### Capital management

In an industry dominated by mutuals and with significant sovereign risk, the determination and management of an appropriate level of capital is a complex problem. We can provide advice on capital management.



*Note: This graph is for illustrative purposes only.*



## Financial and statistical analysis

Our services cover a range of activities.

- Modelling financial arrangements, including complex cash flows, business planning, structured finance, securitisation and swaps.
- Analysing derivative risks, exposures and management.
- Statistical testing of survey results and compliance monitoring.
- Discounted cash flow valuations, data mining, scenario analysis, stochastic analysis and Monte Carlo simulations.
- Quantitative analysis and risk assessment and management.
- Valuing employee benefits, including employee share plan valuations, executive option plan valuations and long service and sick leave valuations.
- Testing for Consumer Credit Code compliance.
- Banking and finance work, including:
  - project and structured finance (model building and certification)
  - Basel II measurement and risk management
  - credit risk management
  - operational risk management
  - treasury (performance and benchmarking measurement)
  - unit pricing and unit holder compensation
  - Uniform Consumer Credit Code advice.

# Why select us

With more than 40 professionals, we offer a wide range of services that can be tailored to meet the specific needs of our clients.



In every engagement we seek to be:

- responsive to client needs
- proactive in identifying important business issues
- committed to quality, cost-effective personal service
- clear and concise in our advice.

As part of KPMG's global network, we can draw on the resources of over 400 professional actuarial staff worldwide. This can be a vital capability when clients are involved in cross-border business arrangements and transactions.

We work closely with other professional practitioners in KPMG to provide a seamless, multi-disciplinary and industry focused approach to major business issues.

Clients can take comfort from KPMG's reputation for independence, integrity and professionalism in everything we do.

# Contact us

## General insurance



**Richard Wilkinson**  
+61 2 9335 8627  
rcwilkinson@kpmg.com.au



**Brett Gould**  
+61 2 9335 8684  
bgould@kpmg.com.au



**Jefferson Gibbs**  
+61 2 9455 9084  
jgibbs1@kpmg.com.au



**Natasha de Souza**  
+61 2 9335 8924  
ndesouza@kpmg.com.au



**Neil Donlevy**  
+61 2 9335 8838  
ndonlevy@kpmg.com.au



**Laurel Kong**  
+61 2 9335 7051  
laurelkong@kpmg.com.au

## Wealth management and life insurance



**Michael Dermody**  
+61 2 9335 8141  
mdermody@kpmg.com.au



**Hoa Bui**  
+61 2 9335 8938  
hbui@kpmg.com.au



**Greg Martin**  
+61 2 9335 8936  
gregmartin@kpmg.com.au

## Health financing



**David Torrance**  
+61 2 9335 8931  
dtorrance@kpmg.com.au



**Ben Ooi**  
+61 2 9335 8741  
booi@kpmg.com.au



**James Collier**  
+61 2 9335 8933  
jamescollier@kpmg.com.au

## Financial and statistical analysis

## General inquiries

+61 2 9335 8900  
actuaries@kpmg.com.au

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2006 KPMG, an Australian partnership, is part of the KPMG International network. KPMG International is a Swiss cooperative. All rights reserved. Printed in Australia. The KPMG logo and name are trademarks of KPMG. August 2006. VIC10269AAA.

Liability limited by a scheme approved under Professional Standards Legislation.