

INSTITUTE OF ACTUARIES OF AUSTRALIA

# ANNUAL REPORT 2002



Institute of Actuaries of Australia

The Institute of Actuaries of Australia (IAAust) represents the actuarial profession by creating, expanding and maintaining an environment where the skills of **actuaries are widely used and valued**. The IAAust ● establishes and maintains **professional standards** for the protection of the public ● provides pre-qualification and continuing professional education ● creates forums for discussion about **contemporary and relevant issues** ● promotes research and the development of actuarial science; and ● contributes to and informs the **debate on public policy**.



The vision of the IAAust is to position the profession so that wherever there is uncertainty of future financial outcomes, actuaries are sought after for their **valued advice and authoritative comment**.

# President's Report

The past year will be remembered for many different things, however most of us will probably associate it with crisis and uncertainty – both in Australia and internationally. Corporate collapses, terrorism and war, natural disasters, and insurance crises – their impact and implications – have been a major focus of media and community concern. They have also shaped a number of the IAAust's activities over the past year. In reviewing what we have undertaken and achieved, it was pleasing to see how wide ranging our efforts and involvement have been.

It has clearly been a period of substantial progress by the Australian actuarial profession and the IAAust towards fulfilment of our vision and in doing that we are also making significant contributions for the benefit of the Australian public.

The priorities for the IAAust this year covered three broad areas - public policy, member services and education. Summaries of key activities in all of these areas are set out later in this report. However I would like to highlight what I believe are some of the major achievements of the IAAust and its members in each of these areas over the last year.

## Contribution to the public interest

The past year has been one of significant public policy activity by the IAAust and its members. The recognition by Government ministers, advisers, representatives and departments, and many other stakeholders, of the value of input from actuaries and the actuarial profession – on an extraordinarily wide range of issues – is extremely pleasing.

The current areas of public policy focus (such as the ageing of Australia's population and the recent insurance crises) are areas of strength for the actuarial profession. Consideration of the issues associated with, and development of solutions to address, these areas require the ability to undertake complex long-term modelling of financial outcomes that appropriately reflect future uncertainties and the interaction of key assumptions, and strategic knowledge of the financial services sector.

Just some of the IAAust's major public policy activities and contributions this year include:

- Continuation of the Ageing Australia Taskforce, which developed a submission on the adequacy of retirement incomes, a response to the Government's Intergenerational Report, and is working on further submissions and research on a range of related issues;
- Establishment of a Corporate Governance Taskforce and a Health Financing Taskforce to pursue research and develop policy responses in these areas;
- Substantial effort by the Medical Indemnity Taskforce, and members of the General Insurance Practice Committee and its sub-committees in drafting submissions, and liaising with Government and other stakeholders, in relation to medical indemnity and public liability insurance;
- Significant work in relation to the implementation of the substantial reforms in the general insurance industry over the year and submissions to, and meetings with, the HIH Royal Commission on future policy directions;
- Activity by the Health Practice Committee in extending actuarial involvement in health and health financing, including support for actuaries undertaking their new legislated role in health pricing, and developing solutions to, and coordinating research into, aged and long-term care issues;
- Many submissions in the Superannuation area, including significant input to the Government's Safety of Superannuation Working Group that was undertaking a major review of the governance and prudential regulation of superannuation; and
- Submissions and representation on issues raised by the Financial Services Reform legislation.

The appointment this year of Buchan Communications, and the management of our public policy involvement through the CEO, Catherine Beall and the Public Policy Council Committee, chaired by Graham Rogers, has enabled more targeted and effective public policy involvement by the IAAust and its members.

We have held a series of lunches, dinners and meetings with key Government ministers, advisers and heads of departments over the year which have given us a better understanding of the Government's policy priorities, and provided opportunities to promote the skills and value of the profession. Dinners and lunches have also been held with CEOs of major industry bodies, employers and other key stakeholders in 2002.

## Commitment to Member Services

The services and events that the IAAust provides for its members are critical to the continued success and relevance of the profession.

The Member Survey that was undertaken in late 2001 provided a platform for the President's lunches that commenced in 2002. These informal lunch meetings with members have allowed the IAAust to further explore the response by different segments of the membership to the Survey and provided opportunities for members to raise issues and find out more about the IAAust's activities and initiatives.

In 2002 the monthly Sessional Meetings have been re-branded as the Horizons Series and made less formal and more interactive. The IAAust has also organised a range of topical briefings and meetings for members on issues such as financial services reform, general insurance reform, credibility theory and funding issues for superannuation funds.

Reflecting the convergence in the financial services sector, the IAAust held a Financial Services Forum, combining the previously separate Life Forum and Superannuation Forum and structuring the program

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## President's Report

**We have enhanced the vibrancy of the profession through the support of members for the education, CPD and other services and activities of the IAAust**

to encourage actuaries from other areas to also attend, particularly investment and funds management. The event provided opportunity for vigorous debate and discussion on a range of technical and policy issues of relevance to the financial services sector.

Based on feedback from members, the IAAust also introduced in the fourth quarter of 2002 a new series of quarterly discussion sessions for members to provide opportunities for in-depth discussions on topical and/or technical issues in each practice area.

Another highlight included the Melville Lecture, with Max Walsh providing a provocative speech on "Central Banking: the Maestro Myth". This biennial event is organised as a tribute to Sir Leslie Melville and sponsored by Tig Melville. It was particularly poignant this year as it was held only a few months after Sir Leslie passed away, and not long after the IAAust and the UK Institute and Faculty had acknowledged Sir Leslie's achieving the great milestone of 100 years with a formal presentation in Canberra.

The annual round of Presidential Dinners is another feature of the IAAust's calendar. This year Presidential Dinners were held throughout Australia and for the first time in Singapore and Hong Kong – reflecting the growing internationalisation of the IAAust's membership and activities.

The Canberra Presidential Dinner provided the ideal setting for the announcement and presentation of the Actuary of the Year Award to Richard Madden, Executive Director of the Australian Institute of Health and Welfare. Another milestone event this year was the retirement of Professor John Pollard as Head of Actuarial Studies at Macquarie University. John's contribution to the actuarial profession was recognised by the Institute with a presentation at the July Horizons meeting in Sydney.

The IAAust's web-site, membership database and electronic communication facilities continue to be enhanced and upgraded to enable better and more functional service to members. Through the web-site members can search the database for contact details of IAAust members, "e-mail the President", participate in discussion forums on topical issues such as FSR licensing, find copies of IAAust submissions and policies, see what the Practice committees are working on and obtain information about the IAAust's CPD events and education.

Our publications have also been enhanced, with Actuary Australia now being issued ten times a year and the Australian Actuarial Journal providing a regular volume of high quality articles and papers on relevant actuarial issues.

All of the above initiatives have one focus – providing high quality services that are of relevance to, and valued by, the IAAust's members. I believe the IAAust has more than achieved this objective in 2002, and will continue to seek to enhance its services to members into the future.

### Leading actuarial education initiatives

Education is the third key area of IAAust activity. Australian actuarial education is regarded as leading edge in many respects by the various international actuarial bodies and it is important that we continue to enhance our education system to ensure we maintain that position. In that context, in addition to the ongoing and regular activities associated with maintenance, enhancement and delivery of actuarial education by the IAAust, a number of additional education initiatives were undertaken this year.

These included:

- Finalisation of the Part II review and liaison with the accredited universities regarding implementation;
- Substantial progress towards the publication of the Actuarial Control Cycle text book;
- Commencement of a review of the purpose, structure, content and delivery of Part III;
- Preliminary work by the Council Education Committee on the development of an overall Education Strategy for the IAAust; and
- A range of international education initiatives, including the establishment of local member taskforces in Hong Kong and Singapore and initial discussions with universities in Hong Kong and Singapore regarding accreditation of actuarial programs by the IAAust.

The high quality and standing (internationally) of Australian actuarial education is critical to achievement of our vision for the Australian actuarial profession. We have taken some significant steps in 2002 to ensure that quality and standing is maintained and enhanced and will continue to build on these steps in 2003 and beyond.

### Vision and Achievement

The past year has been an extremely successful year for the IAAust and the Australian actuarial profession. We have made major contributions in a number of significant public policy areas that will benefit current and future generations of Australians. We have enhanced the vibrancy of the profession through the support of members for the education, CPD and other services and activities of the IAAust. And we have stepped closer to the achievement of our vision for the future.

So let me thank each and every one of you for your commitment, dedication and support throughout 2002. It is only through your efforts, and those of the fantastically enthusiastic and extremely capable team in the IAAust Secretariat, that we achieve as much as we do.



Helen Martin  
IAAust President



Helen Martin

# Chief Executive's Report

One of the major themes emerging during the year has been the need for actuaries to maintain a broad perspective in the application of their professional skills in a range of business, government and community contexts. There has been increasing awareness of the importance of statutory roles for actuaries in insurance regulation and a growth of actuarial input in asset consulting and investment management. Increasingly the actuarial profession is gaining recognition for the value actuaries can bring to a range of situations where there is uncertainty of financial outcomes. It is this flexibility and ability to adapt to changing environments and demands that will ensure the continued strength of the actuarial profession.

Building on the review of our Part II education program last year, which endorsed the importance of the generalist approach to the teaching of the Actuarial Control Cycle, the IAAust this year has undertaken a review of its Part III syllabus. In addition to identifying a specialism within an area of actuarial practice, this stage of the education program is expected in the future, to include communication and business application subjects.

The current environment is marked by heightened risk-aversion due to the impact of acts of terrorism and a period of low returns from equity markets. Interestingly, within this context, both the business and general community has responded positively to the Federal Government's release of its Intergenerational Report (IGR) which addresses the impact of changing demographics over a forty year horizon. During 2002, the IAAust has responded to a range of government policies and initiatives, including the development of a response to the IGR, and has taken its own initiatives in promoting the value of actuaries in government and as part of the strategic development of public policy.

Corporate Governance has also been on the agenda as the hearings of the HIH Royal Commission have exposed significant issues in relation to financial reporting, ethics and corporate responsibility. We were pleased to be invited to join the Corporate Governance Council of the Australian Stock Exchange with other leading professional and industry organisations. The IAAust also conducted important discussion meetings with members, and has established a taskforce, to develop recommendations on the role of actuaries in corporate governance. In response to the need for improved financial reporting, the IAAust has promoted the development of methodologies for the valuation of financial entities, executive options and employee entitlement liabilities.

Some seventy committees and taskforces operate within the IAAust structure, which represents an extraordinary level of voluntary activity by members. At any time there are numerous public policy matters on the IAAust's agenda. This year public policy projects have included corporate governance, ageing populations, health financing, medical indemnity, public liability insurance, protection of genetic information, improved financial reporting, executive options, economic valuations, employee entitlements, climate change, socially responsible investments,

international accounting standards, environmental finance initiatives and various proposals on legislative change and industry regulation.

An active program of government representation has been developed, involving a number of meetings with senior advisors, ministers and heads of departments to promote open dialogue on key issues. The IAAust has taken the opportunity with Council meetings in Melbourne, Canberra and Sydney to host dinners for key industry representatives to build on strategic alliances with organisations such as the BCA, IFSA, CEDA, ICAA, and ICA.

Policy activities and the work of the practice committees have underpinned the programs of the various forums organised by the IAAust to support members with their continuing professional development and professional interaction. The move two years ago to create an events department within the Secretariat has been most successful with the management of the convention in 2001 and planning well underway for the 2003 convention. The General Insurance Seminar and the newly formed Financial Services Forum conducted during this year were well attended and well received. The IAAust has also managed seminars such as the day-long event on Ageing Australia conducted in October 2001 and the Melville Lecture in August 2002.

With the engagement of new staff within the education section of the Secretariat there has been continuous improvement in the provision of services to students. We have experienced a 10% increase in Part III student numbers and an extension from 28 to 36 examination centres around the world including new centres in Korea, Japan and India. There is a tremendous contribution from members to the IAAust educational program. Without the extraordinary hours given generously by members as tutors, markers, examiners and course writers the education program would not be viable. The reviews of Part II and Part III syllabi and program delivery provide an opportunity for Council to reflect on the best means of retaining the value the membership brings to the education program and ensuring we have the resources for its continued development.

Reaching an increasingly wide-spread membership brings its own challenges. The website has proved to be popular, with a high level of usage. Based on members' feedback we have plans to improve its efficiency and extend the scope of research and professional information available through the website. Each of the practice areas is being encouraged to establish its own home page to enable a regular flow of information between the IAAust and the profession.

There has been on-going debate about how the IAAust can best service its members outside of Sydney and Melbourne where most CPD events are held. The improved Actuary Australia, better utilisation of the website, videotaping of seminars and selected student tutorials, together with the establishment of local member groups, have all assisted this process. Meeting the needs of all members, irrespective of



Catherine Beall

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## Chief Executive's Report

geography, remains one of the challenges for the IAAust in the year ahead.

The IAAust has established itself strongly in the international arena with its participation in the activities of the International Actuarial Association, the attendance by the President at key international meetings and the considerable input of Australian actuaries to developments in international accounting standards, international regulatory frameworks and a host of other policy and professional initiatives.

The future success of the IAAust depends on its ability to be flexible and responsive in its application of resources, particularly the time and energy of its members. It is also essential to look beyond the current issues to the opportunities that lie ahead. The IAAust is making strategic moves in public policy including corporate governance and financial reporting, and on the longer term social policy issues of ageing populations and health financing.

Actuaries are continuing to extend themselves into new areas where they can strategically look at outcomes by applying their skills and techniques in a practical framework that benefits business and government.

The IAAust is a powerful vehicle for the profession as it engenders leadership and the highest standards of practice for the benefit of actuaries and the broader community.

In setting our priorities in forthcoming years we need to:

- protect and build on the profession's strong reputation,
- equip our members with relevant and challenging CPD,
- develop our education business, and
- embrace a broad definition of what actuaries do.

Finally, I'd like to acknowledge and express my appreciation to the many, many members who contribute to the IAAust with their ingenuity and wit. My special thanks also to the hard working and devoted staff of the Secretariat who are the engine room that enables the association to tick over so effectively and efficiently.

Catherine Beall  
Chief Executive

**The IAAust is a powerful vehicle for the profession as it engenders leadership and the highest standards of practice for the benefit of actuaries and the broader community**

## IAAust Council



Andrew Brown



John De Ravin



Craig Thorburn

### Institute of Actuaries of Australia Council Members 2002

Council meeting, Park Hyatt Canberra, 19 August 2002

Back Row (left to right) David Service, Michael Playford, Martin Stevenson, Clive Amery  
Middle Row (left to right) Andy Yang, Peter Worcester, Alan Doble, Fred Rowley, Andrew Gale  
Front Row (left to right) Steve Somogyi, Chris Lewis (Senior Vice President), Helen Martin (President), Graham Rogers (Vice President), Donna Walker

# Practice and Policy Development

## FINANCIAL SERVICES REFORM

The Financial Services Reform (FSR) regime came into operation on 11 March 2002, with a transition period of two years until March 2004. Some IAAust members are affected by the new requirements, particularly those providing financial product advice to retail clients.

Throughout 2002 the IAAust provided a program of support for members affected by the new FSR regime, including seminars in Melbourne and Sydney, regular commentary in Actuary Australia, regular bulletins, a question-and-answer email service, and a tailored pre-licensing business checklist. To assist small actuarial enterprises in making applications for AFS licenses, the IAAust has initiated a program to provide professional advice and a collective approach for a group of individuals and small firms leading to lodgement of applications to Australian Securities and Investment Commission (ASIC) in 2003.

Early in 2002 the IAAust was pleased to announce to members that the Part III courses post-1995 and the specialist courses pre-1995 had been assessed by ASIC as meeting the education standards and specific competencies, as set out in ASIC's PS 146, required to provide financial product advice to retail clients. These courses have been included on the ASIC Training Register.

The IAAust, represented by Michael Rice, continues to contribute to the consultative process set up by ASIC to establish policy and guidance in relation to disclosure of fees and charges under the FSR Act.

## GENERAL INSURANCE

In response to the Government's general insurance reforms, the IAAust established a Taskforce, chaired by Bob Glading, to develop professional standards and guidance for actuaries taking on the new role of Approved Actuary. In partnership, the IAAust and Australian Prudential Regulation Authority (APRA) appointed a consultant to undertake analysis of industry data supplied by APRA and major insurers to provide a better base of knowledge for actuaries in determining appropriate risk margins across the general insurance industry. A paper from this research, together with a Technical Guidance Note from the Taskforce, was discussed at the General Insurance Seminar in November 2001.

A sub-committee of the Taskforce chaired by Chris Latham was charged with the development of a new IAAust Professional Standard on Liability Valuation for General Insurance to apply to actuarial valuations under the Insurance Act 1973, as amended by the General Insurance Reform Act 2001, consistent with and appropriate for incorporation by reference in legislation. The new IAAust Professional Standard on Liability Valuation for General Insurance (PS300) was issued in April 2002. Development of a new Technical Guidance Note to support PS300 was managed by a sub-committee chaired by Peter McCarthy. The new IAAust Guidance Note (GN353) is due for release in late 2002, and will replace APRA's Guidance Note 210.1.

The general insurance reforms came into effect on 1 July 2002 and required that general insurers appoint an Approved Actuary as part of their re-licensing application to the APRA. The role of the Approved Actuary is to value the insurer's outstanding claims and premium liabilities and report the recommendations to the insurer's board, and to provide information to the APRA if required and in certain circumstances that warrant 'whistle-blowing'. During 2002 the IAAust has organised a series of meetings between Approved Actuaries and APRA to encourage practical discussion in relation to these changes.



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## GENERAL INSURANCE PRACTICE COMMITTEE

- Submission to the Federal Government Public Liability Forum in March.
- Submissions on self-insurance guidance notes being developed separately by Comcare and the Victorian WorkCover Authority.
- Appearance at hearings of the Senate Economics Reference Committee in August.
- Submission to the HIH Royal Commission in July
- Organisation of the General Insurance Seminar in November 2001
- Revision of the General Insurance Part II subject to incorporate legislative changes.
- Development of Professional Standard (PS300) and a new Guidance Note (GN353)

## Practice and Policy Development

### PUBLIC LIABILITY INSURANCE

Actuaries played a key role in the Public Liability Forum conducted in March 2002 by the Federal Government involving state and territory ministers responsible for insurance. In the wake of the collapse of the major insurer HIH, there has been significant public concern about rising premium rates and availability of coverage particularly in public liability and professional indemnity. The IAAust contributed to the public debate by making a submission to the Public Liability Forum outlining the need for: harmonisation between states and between different schemes and coverage to ensure consistency across Australia; tort law reform and alternative approaches particularly for extreme sports and voluntary community activities; improved provision and quality of long term care; community education and development of risk management strategies; establishing a central data system so that insurers can reduce their financial risk with better pricing and reserving. Michael Playford and Bob Buchanan appeared before the Senate Economics Reference Committee Inquiry into Public Liability in August.

### HIH ROYAL COMMISSION

Considerable public and media attention focussed on the proceedings of the HIH Royal Commission during 2002. A Taskforce was established by the IAAust and chaired by Tony Coleman to monitor proceedings, and in particular the appearances by a number of actuaries who were called as witnesses by the Royal Commission. The IAAust was invited to make a submission to the Royal Commission addressing general insurance policy issues, including financial reinsurance and accounting for insurance & reinsurance contracts. The IAAust's submission outlined inadequacies in current accounting standards and recommended that, consistent with the new APRA prudential standards, a 'net present value' approach be incorporated into the Australian general insurance accounting standards (AAS1023) and taxation law.

### MEDICAL INDEMNITY INSURANCE

The IAAust has been instrumental in bringing this issue to the attention of the Government and has played an active role in informing a wide range of parties on the issues and options.

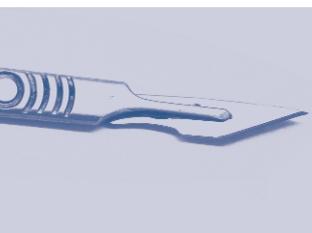
The IAAust's Medical Indemnity Taskforce made a scene-setting presentation at the Medical Indemnity Forum organised by the Federal Government in April. In July the Taskforce produced a 'roadmap' as a means for promoting discussion amongst stakeholders. The 'roadmap' steps through the range of factors that need to be addressed to properly resolve the crisis in medical indemnity insurance arising from the financial difficulties of Australia's largest medical defence organisation, UMP. Geoff Atkins and other members of the IAAust Taskforce have made numerous presentations of the roadmap to government advisors, senior public servants, medical and insurance groups over recent months. The Taskforce is also involved in the consultative committee of the Australian Health Ministers' Advisory Council. As the prudential regulation of Medical Defence Organisations by the APRA progresses there is an increasing need for actuarial advice.

A key to reform in the medical indemnity sector is adequate provision of quality long term care for injured patients. In response to this need the IAAust has established a Long Term Care Taskforce chaired by John Walsh which will, in the first instance, present its proposals for discussion at the Accident Compensation Seminar being conducted by the IAAust in October 2002.

### HEALTH PRACTICE COMMITTEE

- Developed a draft Guidance Note (GN660) on Financial Projections for Health Insurers, which was discussed at the April 2002 Horizon meetings and will be issued in early 2003.
- Contributed through the Health Financing Education Committee, to the establishment and delivery of the inaugural Health Financing in Australia Course held in Canberra in September.
- Guidance and assistance was provided to actuaries who were required by the Commonwealth Department of Health and Ageing to perform services in relation to premium increases by Private Health Insurers for the first time in 2002.
- Responded to questions from the Regulator on the potential role which actuaries can play in private health insurance.
- Publication of a regular newsletter to IAAust members and others interested in private health insurance.
- Provided input to IAAust taskforces on Ageing Australia and Genetics.
- Contributed to the Health Financing Taskforce.

**The IAAust has been instrumental in bringing the medical indemnity issue to the attention of the Government and has played an active role in informing a wide range of parties on the issues and options**



## Practice and Policy Development

### LIFE INSURANCE PRACTICE COMMITTEE

- Monitored and influenced international developments (eg International Accounting Standards) through LIPC members who serve on relevant committees.
- Liaised with NZSA through NZ member of LIPC.
- Initiated regular meetings with LIASB to improve IAAust/LIASB communication.
- Produced submissions on LIASB standards, Life Act Reform and the operation of Division 320 of the Income Tax Assessment Act 1997.
- Developed guidance notes for use with new LIASB standards.
- Continued the review of GN252 (Appraisal Values) in conjunction with a task force to develop professional guidance on Economic Valuations.
- Shared in the organisation and implementation of the Financial Services Forum.
- Led the development of a Horizons meeting on Life Insurance accounting practices.
- Re-formed the Life Insurance course preparation sub-committee, to reinvigorate improvement of Life Insurance Part III subject material.
- Produced a submission on the IAAust's Part III Review.

**Shifts in population demographics create needs for actuarial contributions over a range of issues that are at the core of professional practice**

### EXPERIENCE STUDIES

During the year a taskforce co-chaired by Chris Lewis and Alan Doble was commissioned to review the IAAust's experience studies activities and in particular the mortality and disability investigations. A survey of Life Insurance companies, who are the main users of the investigations, revealed significant support for the IAAust's ownership of these projects. In particular, the high regard of the IAAust in carrying out this work suggested that both the mortality and disability investigations might be more adequately supported in future. The review has enabled new arrangements to be put in place for the outsourcing of the data collection and analysis to universities, whilst maintaining the intellectual oversight of the results and reporting by an expert committee of actuaries. Other areas where data collection and analysis are being considered include public liability insurance and health insurance. The IAAust continues to provide services for the Investment and Financial Services Association (IFSA) database project on genetic testing.



### SUPERANNUATION & EMPLOYEE BENEFITS PRACTICE COMMITTEE

- Significant progress through the year in developing a new and broader Part III course that includes a substantial financial planning component. The subcommittee has worked tirelessly in advancing this initiative.
- Revisions are currently being made to both PS 400 and GN 456.
- Response to the government's superannuation proposals 'A Better Superannuation System' which have proceeded through to the Parliament.
- Analysis for IFSA in relation to its study on the potential for extending co-contributions and presentation of results at the IFSA annual conference.
- Participation in the Superannuation Working Group deliberations on 'Safety In Superannuation'.
- Contribution to the accounting profession in the review of AAS25.
- Sub-committee researching and developing a discussion paper and draft Guidance Note on Employee Entitlements
- Presentation of the paper on Valuing Executive Options to external parties and development of a best practice note.
- Contribution of papers and sessions at the IAAust Financial Services Forum in June 2002

# Practice and Policy Development

## SUPERANNUATION

Following the Federal Government election in late 2001 there was every indication that superannuation was on the political agenda. Certainly there has been considerable debate about retirement incomes and the adequacy of superannuation. The government has also issued legislative changes on a range of superannuation matters including arrangements on divorce, overseas transfers, taxation, co-contributions, surcharge and so on. As appropriate the IAAust has responded to these issues, although the main focus has been on the broader policy approaches rather than the administrative aspects.

The IAAust, represented by Helen Martin and Michael Rice, has contributed to the government's Superannuation Working Group in its deliberations on 'Safety of Superannuation'. The IAAust has been consulted in the development by the APRA of guidance for superannuation funds in circumstances of 'unsatisfactory financial position'.

A subcommittee was established to investigate current practice in relation to the security attached to employee entitlements, especially in circumstances surrounding the wind up of an employer. A discussion paper on Employee Entitlements was presented at the IAAust's Financial Services Forum in June. The subcommittee's work continues with the aim of ensuring that the profession contributes meaningfully in future debate, and that the role of actuaries in this area is appreciated and understood.

Work has continued in the area of Executive Options, extending from the paper by Paul Carrett and Bernard Wong on Valuing Executive Options. Actuaries have the skills to assist both corporations and the government in this important and often controversial area. The IAAust has established a link with the Australian Accounting Standards Board, which has released a draft standard on Executive Remuneration, and groups such as the Australian Shareholders Association who have an interest in this issue. The IAAust sub-committee is in the process of developing a best practice note on Valuing Executive Options.

The IAAust was commissioned to contribute analysis to a research project by IFSA into the potential for extending the government's co-contributions scheme in superannuation.

**Actuaries have the skills to assist both corporations and the government in the important and often controversial area of Executive Options**

## INVESTMENT & FUNDS MANAGEMENT PRACTICE COMMITTEE

- Part III Subject 1 – Investment Management – has been a major focus, especially in the recruitment of members as tutors and markers.
- Improved standards of delivery of Part III tutorials which were videotaped for distance students.
- Specific contributions to sessions conducted at the IAAust Financial Services Forum.
- Series of interviews with leaders in funds management undertaken for Actuary Australia magazine.
- Development of a home page on the IAAust website for the Investment and Funds Management information and activities.
- Resourcing the Committee's activities continues to be a challenge.

## BANKING AND FINANCE PRACTICE COMMITTEE

- Resourcing the tutorials, assignment marking and examinations was a priority for 2002.
- Undertaking a substantial review of Part III Subject 5 – Finance – ensuring the material is more relevant for actuaries working in this area and ensuring integration of the Finance course with the Subject 1 – Investment Management course.
- Development of linkages with other associations such as the Australian Bankers Association, the Securities Institute of Australia and the Investment & Financial Services Association.
- Career development seminars for actuaries moving into banking and finance.

# Public Affairs

## AGEING AUSTRALIA

Shifts in population demographics create the need for actuarial contributions over a range of issues that are at the core of professional practice such as: the impact of demographic change and ageing populations; the impact of economic and taxation policies; equity between and within generations; and long-term retirement incomes and health care policies.

There were three key government initiatives during the year that the IAAust responded to with submissions. The Senate Select Committee on Superannuation sought contributions to their 'Inquiry into Superannuation and Standards of Living in Retirement'. The IAAust made a substantial submission to the Inquiry and was represented at hearings by Helen Martin and Michael Rice. The Senate Select Committee on Superannuation approached the IAAust to review disparate results produced by the Treasury and the Association of Superannuation Funds of Australia on the adequacy of retirement incomes, and to recommend assumptions that might be appropriate to assess the adequacy of future retirement incomes.

In May 2002 the Federal Treasury issued its Intergenerational Report (IGR) providing an analysis of demographic and fiscal projections for Australia to 2042. The advent of the IGR has prompted considerable public debate and has certainly increased awareness and sensitivity more generally to longer term issues and the impact of current policies on future outcomes. Quintessentially an area of tremendous interest to the actuarial profession, the IAAust initiated a response to the IGR which it sent to the Treasurer to open discussion about how the workings of the IGR could be extended and tested using various scenarios across a wide range of long term policy areas.

The Federal Government also announced a House of Representatives Committee Inquiry into issues for an ageing population over a forty year time horizon for which the Ageing Australia Taskforce chaired by Michael Rice is preparing a submission outlining social and economic policy issues in relation to retirement incomes and aged care.

## HEALTH FINANCING

Actuaries' rapidly developing role in health insurance was accelerated in late 2001 by the requirement of private health funds to obtain actuarial advice in relation to applications to the Commonwealth Department of Health & Ageing for premium rate increases. With the dynamics of ageing populations, changing health management practices and advances in science and technology there is an increasing need to focus on longer-term strategies for health financing. In response to this need the IAAust during 2002 established a Health Financing Taskforce to consider a range of policy issues and areas in which the actuarial profession can contribute to public debate.

A major initiative for the IAAust in 2002 has been the inaugural Health Financing in Australia course conducted in conjunction with the Health Leaders Network. The Committee governing the course, chaired by Peter Carroll, has brought together leading experts in a range of health and finance related areas to form the faculty of a six-day intensive study program conducted in Canberra during September 2002. Graham Rogers and Richard Madden were the facilitators for the Course. Capitalising on the expertise of the faculty and the professional experience of the fifty actuaries and health professionals attending the course, a growing body of knowledge about the health system and its funding requirements has been compiled. Beginning with a discussion paper presented by the Health Practice Committee at the IAAust Convention in 1999, the Health Financing in Australia course reflects the IAAust's premier role in the provision of leading-edge professional education.

## FINANCIAL REPORTING

There is continued convergence of institutions in the financial services sector, in particular banking and funds management. The actuarial profession is capable of contributing thought-leadership in many areas of banking, including balance sheet management, risk provisioning, and pricing for risk. Increasingly actuaries are being employed in investment banking, asset consulting and funds management, applying their highly developed analytical ability to make judgements in areas of considerable financial uncertainty.

In an environment of corporate collapses, as seen during the past twelve months, there are opportunities for actuaries to contribute to significant improvements in financial reporting across a wide range of entities. The IAAust has established a process of consultation and discussion amongst its members on the extended role for actuaries in financial reporting and proposes to undertake research to support these developments.

Through various committees and taskforces the IAAust has initiated research into the valuation of executive options, the economic valuation of entities and the valuation of employee entitlements. The IAAust has also been active in its contribution towards harmonisation of International Accounting Standards expected to be in force by 2005. Specifically, there is interest internationally in the approach to insurance accounting as demonstrated in the new APRA general insurance regulations.



**With the dynamics of ageing populations, changing health management practices and advances in science and technology there is an increasing need to focus on longer-term strategies for health financing**

## Public Affairs

### CORPORATE GOVERNANCE

There has been considerable public debate about the need for improvements in corporate governance in the wake of failures such as HIH, Ansett, Enron and Worldcom. In Australia there is an increased awareness of the role of actuaries and a growing demand for the actuarial profession to take statutory roles within the regulatory framework. These external pressures have generated an intensive debate within the profession about the role of actuaries in corporate governance. To support this process the IAAust has established a Corporate Governance Taskforce chaired by Chris White. Issues to be addressed by the Taskforce include independence of actuaries and auditors, peer review, whistle-blowing and mentoring and support. The IAAust, represented by Tony Coleman and Catherine Beall, was invited to join the Corporate Governance Council established by the Australian Stock Exchange which has a charter to develop best practice guidelines across a range of corporate governance issues.

### GENETICS

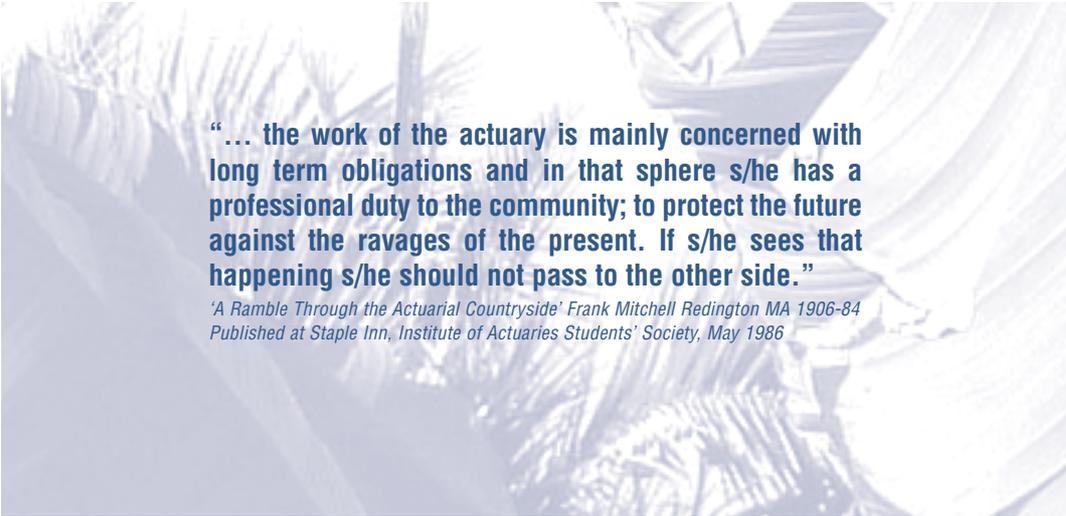
Copies of the IAAust's publication 'Genetics in Society 2001' were made available to all of the 1,200 delegates at the International Actuarial Congress held in Cancun in 2002. Alan Doble, Chair of the IAAust Genetics Workgroup also gave a keynote presentation on genetics at this Congress.

Representatives of the Genetics Workgroup have contributed as members of the panel of experts to the on-going deliberations of the Australian Law Reform Commission and Australian Health Ethics Commission joint research into 'the complex and significant human rights, privacy and discrimination issues posed by advances in gene technology'. The IAAust made a submission prepared by the Genetic Workgroup to the first Issues Paper released by the Inquiry entitled 'Protection of Genetic Information' in April 2002.

Under contract to the Investment and Financial Services Association (IFSA), the IAAust successfully managed the second year of collection and analysis of data from life companies with the issue of two reports as part of the IFSA genetic testing database.

### SUSTAINABILITY AND THE ENVIRONMENT

Environmental considerations are progressively being incorporated into financial market mechanisms. Through its Futurism and Energy & Environment Committees the IAAust is playing a leading role in a number of exciting policy initiatives. The IAAust is contributing to a project commissioned by Environment Australia concerning the materiality of corporate environment risk and performance to Australia's banking and finance sector. Karen Cutter and now Jill Green have represented the IAAust on the United Nations Environment Program Finance Initiative, which is investigating environmental risk management and reviewing the role of the insurance industry in Australia. Actuaries have also been active contributors in forums on environmental credit risk, socially responsible investments, the Business Council of Australia's Coalition on Greenhouse, and at the Enviro 2002 industry leaders forum.



**“... the work of the actuary is mainly concerned with long term obligations and in that sphere s/he has a professional duty to the community; to protect the future against the ravages of the present. If s/he sees that happening s/he should not pass to the other side.”**

*'A Ramble Through the Actuarial Countryside' Frank Mitchell Redington MA 1906-84  
Published at Staple Inn, Institute of Actuaries Students' Society, May 1986*

# International Program

## INTERNATIONAL ACTUARIAL ASSOCIATION

The IAAust and its members continue to play a significant role in international actuarial activities. The International Actuarial Association (IAA) has continued to develop and extend its influence during the year. A number of Australian actuaries are active on the various committees of the IAA and make a significant contribution to the IAA's work.

A major focus of the IAA during the year has been providing informed comment on the various discussion papers that have been released as part of the IASB project to develop International Insurance Accounting Standards. Progress has also been made towards developing the international actuarial standards that will be required to support the implementation of any International Accounting Standard for Insurance, and members of the IAAust have been actively involved in this IAA initiative.

Reviews of actuarial education have also continued as the international actuarial profession moves towards establishing a global actuarial education program (broadly at the Associate level) for introduction in 2005. IAAust members have participated in the committees undertaking the review of actuarial education by both the UK Institute/Faculty and the US Society of Actuaries.

A highlight of the year was the very successful IAA Congress held at Cancun in Mexico. More than 20 members of IAAust attended this congress and keynote presentations to plenary sessions of the Congress were made by Alan Doble and Tony Coleman. Other IAAust members presenting papers at the Congress included Helen Martin, Clare Bellis, Tom Karp, Brent Walker and Mike Sherris.

The program of IAA/IPEF meetings for actuarial leaders and educators in Asia is also continuing with the third planned for October/November 2003 in Manila, the Philippines. The IAAust will host the IAA meetings and the President's Forum in Sydney in May 2003. Catherine Prime is involved in organising this IAA/IPEF meeting.

Continuing the program of increased liaison with supranational organisations, further joint IAA/World Bank seminars are planned, as is a joint IAA/Asian Development Bank seminar. A number of Australians are closely involved with the organisation of these seminars.

As an initiative of the IAA China Committee, a seminar on the development of the actuarial profession in China was held in Xiamen, China in April 2002. The seminar was organised by the IAA, in conjunction with the Society of Actuaries of China (SAC) and the Chinese Insurance Regulation Commission (CIRC). The IAAust was represented by Helen Martin and Graham Rogers, and Fred Rowley and John Shepherd also attended. While at the Forum, the SAC presented the IAAust with a letter formally confirming partial recognition of the Australian actuarial examinations/qualification by the SAC. The IAAust is continuing to liaise with the SAC and CIRC to achieve full recognition of the FIAA qualification in China.

## INTERNATIONAL REPRESENTATION

Building relationships with the actuarial professions in various Asian countries has continued to be a focus during the year, with the extension of the activities of the Asian Education Strategy Taskforce and establishment of local member committees in Hong Kong and Singapore. These local committees are working hard to provide tutorial support and CPD activities for IAAust members in Hong Kong and Singapore.

For the first time, Helen Martin held Presidential Dinners for IAAust members in Singapore and Hong Kong in May 2002 and also gave presentations to the local actuarial societies while there. As the number of IAAust members in Asia grows, and with the increasing involvement of Asian students in Australian actuarial education programs, opportunities to extend the recognition of the FIAA and the influence of the IAAust through the region continue to emerge.

The East Asian Actuarial Conference is a major regional actuarial meeting in the Asia/Pacific. This took place in Hong Kong in October 2001 in conjunction with the IAA meetings and many Australians were present and included in the program.

The IAAust has continued to extend and consolidate its network of international ambassadors and representatives. This year the IAAust has changed its ambassadors in some countries, and also appointed new ambassadors in other locations. For example, Chris Johns has been appointed as ambassador for Mexico and South America (excluding Brazil), and Guy Horton as ambassador for Brazil. The ambassadors have a designated role to provide reports on local actuarial activities and developments of interest as well as providing a point of contact for the IAAust and its members in their respective countries. A full list of ambassadors is set out later in the annual report.

Other international representation by IAAust during the year included Graham Rogers representing the IAAust at the Global Actuarial Conference in India in February 2002 and Helen Martin representing the IAAust at meetings of international actuarial presidents in Hong Kong in October 2001 and in Dublin in May 2002. A series of other international events were also held in Dublin and London in May 2002, which Helen also attended on behalf of the IAAust.

**There is an increased awareness of the role of actuaries and a growing demand for the actuarial profession to take statutory roles within the regulatory framework**

# Communications

Communication with members was enhanced with the constant improvement of the IAAust website and through increased use of email to deliver regular updates to members of news and activities information. The Actuary Australia magazine made the transition to a monthly publication under the editorship of Melinda Howes, with assistance from Rowan Cook as sub-editor. The shorter, sharper magazine remains an excellent reference for the exciting and interesting work of actuaries and the IAAust, for both internal and external audiences. With the reduction in size of the magazine, the website and Actuary Australia are now complementing each other in the provision of information to members in a far more integrated manner.

The website has been streamlined, with less duplication of material on both the public and members-only sites. A number of on-line discussion forums have been set up and usage has grown. A new 'email the President' function has proved very popular. An on-line survey of members was carried out at the end of 2001, with nearly 20% of members responding. In 2002, the Australian Actuarial Journal was published quarterly as a reference for research and innovation in actuarial science.

A new initiative in 2002 has been the regular President's lunches in Sydney and Melbourne. These practice area focus groups have provided a useful and popular opportunity for feedback from members on a range of issues.

Towards the end of 2001, IAAust conducted an on-line members' survey to obtain feedback on the performance of the IAAust and the services it provides. Key information sought included:

- The level of Member engagement/involvement
- The level of support Members receive from their employers
- Member's views on the role, benefits and services of the IAAust – looking at both the importance to Members and the performance of the Institute
- How much Members were making use of IAAust publications and the IAAust website
- Member perception of the profession and also how they felt the profession was perceived by those outside the profession

Two hundred and ninety responses were received representing a broad cross-section of the IAAust Membership

*Respondents to the survey rated the following areas to be highly or very highly important:*

- *Providing professional qualification – 76.3%*
- *Promoting standards of professional practice – 69.7%*
- *Keeping up to date – 68.3%*

*Other benefits and services seen as reasonably important were:*

- *CPD & actuarial education – 55.5%*
- *Promoting profession – 51.4%*
- *Contributing to policy & legislation – 47.9%*
- *Networking /kudos as member of profession – 47.9%/49.9%*
- *Research & development of actuarial science – 41.7%*
- *Supporting career & employment opportunities – 42.4%*
- *Publications – 40.7%*

*Those benefits and services seen as least important were:*

- *International representation – 33.7%*
- *Involvement in political process for public benefit - 30.3%*
- *Liaison with other industry groups – 30.1%*

Interestingly, the ratings for importance and performance in each area were comparable across the board. However, there were three areas where the importance and performance results diverged noticeably.

In the area of 'promotion of profession to government, industry and the public' 51% of people who answered the survey felt that this was a matter of high or very high importance for the Institute. However, only 28% rated the performance of the Institute on this area as high. Since the survey was undertaken, expanded resources have been made available to support public affairs activities during 2002.

For those focussing on 'professional kudos/pride at being a member of a profession' the performance of the Institute was not seen to measure up to the importance placed on the issue. 47% felt this to be of high importance while only 31% rated the Institute's performance in the same way.

The Institute's efforts in providing promotion and support for career and employment opportunities also came under scrutiny. 41% rated it as highly important but the performance rating slipped to 20%.

78% of respondents suggested that they generally always reveal they are an actuary. 90% feel that being an actuary has furthered their career.

**The IAAust's website, membership database and electronic communication facilities continue to be enhanced and upgraded to enable better and more functional service to members**



# Submissions

## **September 2002**

Response to request from Senate Select Committee on Superannuation to REVIEW MODELLING ASSUMPTIONS used in ASFA and Treasury submission to the Inquiry into Superannuation and Standards of Living in Retirement

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## **August 2002**

Response to the INTERGENERATIONAL REPORT 2002-2003

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## **23 July 2002**

Submission to the IASB on the Insurance Project – DRAFT STATEMENT OF PRINCIPLES (DSOP)

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## **July 2002**

Submission to the HIH ROYAL COMMISSION

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## **17 June 2002**

Submission to the Senate Select Committee on Superannuation & Financial Services – SUPERANNUATION AND STANDARDS OF LIVING IN RETIREMENT

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## **6 May 2002**

Submission to the Senate Select Committee on Superannuation & Financial Services – TAXATION OF TRANSFERS FROM OVERSEAS FUNDS

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## **24 April 2002**

Submission to Treasury – CONTRIBUTION AND COMPULSORY CASHING STANDARDS

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## **22 April 2002**

Submission to Treasury – FAMILY LAW LEGISLATION AMENDMENT (SUPERANNUATION) ACT AND REGULATIONS 2001 AND DRAFT AMENDMENT REGULATIONS 2002

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## **10 April 2002**

Submission to Comcare – REVIEW OF PRUDENTIAL CONDITIONS OF LICENCE FOR SELF-INSURERS UNDER THE SAFETY, REHABILITATION AND COMPENSATION ACT 1988

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## **18 March 2002**

Submission - PUBLIC LIABILITY FORUM

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## **7 March 2002**

Submission to alrc/AHEC Issues Paper 26 – PROTECTION OF HUMAN GENETIC INFORMATION

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## **4 February 2002**

Submission to Treasury's Superannuation Working Group – OPTIONS FOR IMPROVING THE SAFETY OF SUPER

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## **11 December 2001**

Submission to the Life Insurance Actuarial Standards Board (LIASB) re HARMONISATION PROJECT

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## **2 November 2001**

Submission to the APRA re LIFE INSURANCE REFORM

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## **19 October 2001**

Submission to Productivity Commission – REVIEW OF THE SIS ACT AND OTHER SUPER LEGISLATION

**Actuaries are continuing to extend themselves into new areas where they can strategically look at outcomes for the benefit of business and government**

# Education & Professional Development

## ACTUARIAL EDUCATION PROGRAMS

The IAAust has a rigorous process of accrediting universities to teach Part I and Part II of the actuarial education program, leading to the professional qualification of Associate of the Institute of Actuaries of Australia. The IAAust itself develops, delivers and manages the final stages of the actuarial education program (Part III and the Professionalism Course), leading to the professional qualification of Fellow of the Institute of Actuaries of Australia.

This year over 250 members voluntarily gave their time to support the education programs – as examiners, markers, scrutineers, tutors, course writers and reviewers. Numbers of student enrolments in Part III courses increased by 10% to 365 this year, from the previous years' 331. A workshop was held in early 2002 to assist Chief Examiners with Part III examination paper development.

For the first time, tutorials were held for Part III subjects in Hong Kong and Singapore, as well as in Melbourne and Sydney. As a trial, Investment Management tutorials were videoed and made available to students internationally. A new initiative this year was the establishment of web-based discussion forums for students, managed by Chief Tutors. Major reviews of the Part III General Insurance, Life Insurance and Superannuation & Other Employee Benefits courses were undertaken during the year for introduction in 2003. The writing of the Actuarial Control Cycle textbook, to support the new Part II syllabus, is underway, with the textbook launch planned for the 2003 academic year.

### EXAMINATIONS

The Part III examinations of the IAAust were conducted in October 2001 with the following results (2000 results are shown for comparison):

Subject	Sat '01	Pass '01	%	Sat '00	Pass '00	%
Investment Management	92	30	33	102	28	27
Life Insurance	79	30	38	82	37	45
General Insurance	59	20	34	55	17	31
Superannuation	23	8	35	25	11	44
Finance	47	18	38	45	14	31
<b>Total</b>	<b>300</b>	<b>106</b>	<b>35</b>	<b>309</b>	<b>107</b>	<b>35</b>

**The Part III education review recommends structures that will support the application of core actuarial skills to other fields of work and places a greater emphasis on communication and business application skills**

## PART III EDUCATION REVIEW

An extensive review of the Part III education program was undertaken this year, with recommendations on a revised structure and approaches produced and discussed with members. While maintaining the high educational standards in knowledge, skills and judgement required for practising in traditional areas, the review also recommends structures that will support the application of core actuarial skills to other fields of work and places a greater emphasis on communication and business application skills. Further assessment and consultation is underway and it is currently planned to introduce changes to the Part III program in stages during 2004/5.

## EDUCATION STRATEGY

Following the initiative outlined in the 2002 Presidential Address of 2002, the IAAust has developed an overall Education Strategy. The Strategy defines the direction for Australian actuarial education, both in Australia and globally, and provides a blueprint for maintaining quality intake and exit standards, educational processes, and consistency with other IAAust strategies.

Several education policy reviews were undertaken this year, including a review of exemption requirements and the production of a new University Accreditation Policy which clarifies the standards and responsibilities of accredited universities and the requirements of those universities wishing to be considered for accreditation through the IAAust.

## Education & Professional Development

### INTERNATIONAL EDUCATION DEVELOPMENTS

The Australian actuarial education system is very highly regarded internationally, and its profile has continued to grow throughout the year. The IAAust was represented on several international education committees, including the Institute, and Faculty of Actuaries (UK) and Society of Actuaries (USA) education working parties. The IAAust is also participating in the IAA Joint International Education taskforce and contributing to the development of internationally compatible syllabi. In particular, the degree of positive endorsement of the Australian actuarial education system has increased with, for example, the Part II (Actuarial Control Cycle) syllabus directly influencing the education revisions of other international bodies. Throughout the year, members and staff were invited to give presentations on the Australian education system at conferences in China, Hong Kong, UK, Canada, and Mexico.

### ASIAN EDUCATION STRATEGY

The IAAust has developed a strategy to promote and expand actuarial education and CPD in the Asian Region, and increase the recognition of the FIAA throughout Asia. Education committees are now active in Hong Kong and Singapore, with tutorials and student support readily available. CPD events and Presidential Dinners have also been held in these locations. Discussions with China concerning the formal recognition of the FIAA and expansion of educational opportunities are well developed.

### UNIVERSITY RELATIONSHIPS

Four Australian universities currently have full accreditation from the IAAust to teach Part I and Part II of the actuarial education program: Australian National University, Macquarie University, University of Melbourne and University of New South Wales. They are reviewed on a four-year cycle, with a mid-term review conducted every two years. During the year, a major review was conducted of University of Melbourne, which was granted continuing accreditation for Parts I and II for a further four years. Currently there are three IAAust Centres of Excellence - Macquarie University, University of Melbourne and University of New South Wales – which are overseen by IAAust/University Foundations.

The IAAust's University Financing Taskforce undertook a review of the IAAust funding arrangements to accredited universities, and a new funding formula based on both achievement of Centre of Excellence criteria and on student numbers will be instituted from 2004. For the first time, the IAAust coordinated a series of joint meetings with accredited universities. Three meetings have been held to date, with issues of mutual interest such as the Asian Education Strategy, accreditation, policy reviews and the Actuarial Control Cycle textbook, being discussed.

### PROFESSIONALISM COURSE

The Professionalism Course, the final step in the pathway to becoming an FIAA, was successfully completed by 54 members in February this year. The course comprised an integrated mix of presentations, workshops and syndicate sessions which addressed the major themes of integrity and ethics in the business environment, professional standards, communication skills and legal responsibilities. The finale of the three-day residential course was the Presidents Dinner in Sydney on 20 February, where participants were awarded their Fellowship Certificates.

### CONTINUING PROFESSIONAL DEVELOPMENT

The 2002 CPD program provided members with a range of events covering a variety of content areas, locations and formats to support their CPD requirements under the new Professional Standard 500. Horizons meetings, replacing the traditional Sessional meetings and the Educational and Topical Discussion Groups, were held each month in Sydney and in Melbourne, attracting an increasing number of members with their more varied content and interactive format. The Sydney Horizons meetings were videoed, making them accessible to members unable to attend the live events. The IAAust launched several other CPD initiatives in 2002 including the Financial Services Forum and the Health Financing in Australia course.

The new Financial Services Forum held in Melbourne, replacing the previously separate Life Insurance and Superannuation Fora, attracted over 200 delegates who responded positively to the combined financial services theme. A major initiative was the new Health Financing in Australia course, a Canberra based residential program which provided actuaries and other senior health professionals with access to the expertise of leaders within the health system and the growing body of knowledge in health financing. Hot Topics sessions on FSRA and General Insurance Reform were held in both Melbourne and Sydney during the year, and the XIIIth General Insurance Seminar attracted over 180 delegates to the Gold Coast in November. The successful Melville Lecture was also held in August this year, with special guest Max Walsh speaking on 'Central Banking: the Maestro Myth'.

**The degree of positive endorsement of the Australian actuarial education system has increased with the Part II (Actuarial Control Cycle) syllabus directly influencing the education revisions of other international bodies**



## Education & Professional Development

**A major initiative was the new Health Financing in Australia course, a Canberra based residential program which provided actuaries and other senior health professionals with access to the expertise of leaders within the health system and the growing body of knowledge in health financing**

HORIZON SERIES			
DATE		TOPIC	AUTHORS/PRESENTERS
15 October 2001	(Syd)	Volatility, Beta & Return – Was there ever a meaningful relationship?	Richard Fitzherbert
22 October 2001	(Melb)		
14 November 2001	(Syd)	Environmental Opportunities for Finance Sector Professionals	Terry A'Hearn
21 November 2001	(Melb)		
03 December 2001	(Melb)	Presidential Address 2002: Actuaries, Wozzles and Heffalumps – Perspectives from the Hundred Acre Wood	Helen Martin
10 December 2001	(Syd)		
25 February 2002	(Melb)	Executive Options: Valuation & Projections Methodologies	Paul Carrett Bernard Wong
27 February 2002	(Syd)		
25 March 2002	(Melb)	Structured Settlements in Australia	IAAust Structured Settlements Taskforce
27 March 2002	(Syd)		
22 April 2002	(Melb)	Financial Projections for Health Insurers	IAAust Health Practice Committee
24 April 2002	(Syd)		
27 May 2002	(Melb)	Proposed Guidance for Actuaries Providing Economic Valuation	IAAust Economic Valuations Taskforce
29 May 2002	(Syd)		
24 June 2002	(Melb)	A Proposed Strategy for Future Part III Education	IAAust Part III Review Taskforce
26 June 2002	(Syd)		
22 July 2002	(Melb)	Disability Claims – Does Anyone Recover?	David Service David Pitt
24 July 2002	(Syd)		
26 August 2002	(Melb)	Challenges for Actuaries in Corporate Governance – Independence, Peer Review, Whistle-Blowing, Support of Mentoring	Graham Rogers, Tim Jenkins, Mark Turner, Tom Karp, Blair Nicholls
28 August 2002	(Syd)		
23 September 2002	(Melb)	Life Accounts – No Longer Standard	Martin Hickling Richard Lyon
25 September 2002	(Syd)		

FORUMS, SEMINARS & DISCUSSIONS			
03 October 2001	(Syd)	Ageing Australia Seminar	
04 October 2001	(Syd)	Developments in China – Special Meeting	
06 November 2001	(Syd)	Solvency Regulation for Insurance Companies	
25 – 28 November 2001	(Qld)	XIIIth General Insurance Seminar	
06 December 2001	(Melb)	General Insurance Reform Special Briefing	
13 December 2001	(Syd)		
10 December 2001	(Syd)	Financial Services Reform Special Briefing	
14 December 2001	(Melb)		
29 January 2002	(Syd)	Approved Actuaries and the APRA General Insurance Reforms	
11 March 2002	(Syd)		
18 March 2002	(Melb)		
22 May 2002	(Syd)	Pricing General Insurance Products Using Credibility Theory Seminar	
20 – 21 June 2002	(Melb)	Financial Services Forum – Four Weddings & A Funeral	
19 August 2002	(Syd)	Melville Lecture: Central Banking – The Maestro Myth (Max Walsh)	
12 September 2002	(Melb)	General Insurance Reform/Post Reauthorisation Feedback	
13 September 2002	(Syd)		
14 – 19 September	(Canb)	Health Financing in Australia Course	
30 September 2002	(Syd)	Discussion Series: Unsatisfactory Financial Position – Superannuation & Employee Benefits Practice Committee	

# Prizes & Awards

## A M PARKER PRIZE

The AM Parker Prize is awarded to the author or authors of a paper presented to the Institute of Actuaries of Australia. The supplementation from the Melville Prize Fund for this prize is \$1,600. For 2001, the AM Parker Prize of \$2,400 was awarded to **Tim C Jenkins** for his paper titled '*Operational Risk and Control*'.

## H M JACKSON MEMORIAL PRIZE

The H M Jackson Memorial Prize is awarded for any published articles other than papers eligible for an award from the H M Jackson Fund. The supplementation from the Melville Prize Fund for this prize is \$1,600. For 2001, the H M Jackson Prize of \$1,800 was awarded to **Michael Sherris** for a paper he co-authored with Tomasz R Bielecki and Stanley R Pliska. The paper is titled '*Risk Sensitive Asset Allocation*'.

## ANDREW PRESCOTT MEMORIAL PRIZE

The Andrew Prescott Memorial Prize may be awarded to the person/s obtaining the highest marks for Part III subjects. A merit prize may be awarded to a person completing the examinations with outstanding overall results.

Prescott Prizes for October 2001 examinations were awarded to:

- **Alissa Merlo** \$800 for Subject 2, Life Insurance.
- **Vanessa Ho** \$800 for Subject 4, Superannuation and Other Employees Benefits.
- **Jeffrey Chee** \$800 for Subject 5, Finance.
- **Peter McCourt** \$800 for the Merit Prize.

There were no prizes awarded for Subject 1 Investment Management.

The supplementation from the Melville Prize Fund for the Prescott Prizes totals \$2,800.

## KATHERINE ROBERTSON PRIZE

The Katherine Robertson Prize is awarded to the person obtaining the highest marks in the General Insurance Part III subject.

The Katherine Robertson Prize for October 2001 examination was awarded to:

- **Peter McCourt** – \$800 for Subject 3, General Insurance.

### LIFE MEMBERS

<b>Warwick John Easton</b>	1993
FIA, ANZIFF (Fellow), FIAA	
<b>Galfrid Leslie Melville (Tig)</b>	1990
BA, FIA, ASA, FIAA	
<b>Leslie George Oxby</b>	1987
FIA, ASA, FIAA	
<b>Owen Francis Roach</b>	1984
MA, FIA, ASA, FIAA	
<b>Colin James Steven</b>	1984
FIA, ASA, FIAA	
<b>Lawrence Julius Cohn</b>	1984
FFA, ASA, ANZIFF (Fellow), FIAA	

### SILVER MEDAL WINNERS

<b>John Hurlstone Pollard</b>	2001
BSc, PhD, FSS, FIA, FASSA, FIAA	
<b>Garth Cowan Ward</b>	1987
MSc, FIA, ASA, FIAA	
<b>Peter Charles Wickens</b>	1987
OBE, MA, LL.M, FIA, FIAA	

### GOLD MEDAL WINNER

<b>Greg Clive Taylor</b>	1997
BA, PHD, FIA, FIMA, MACS	

**Richard Madden has consistently demonstrated and promoted the value that the actuarial profession can bring to wider areas, particularly in health and welfare**

## ACTUARY OF THE YEAR

**Dr Richard Madden** BSc PhD FIA FIAA

At the Canberra Presidential Dinner in August, the President, Helen Martin presented the Actuary of the Year Award for 2002 to Dr Richard Madden. The award was made in recognition of Richard's outstanding contribution to the profession, business, government and community. Richard has been involved in many senior public sector positions throughout his career, and has a high profile outside the areas regarded as traditional actuarial practice areas. He has also consistently demonstrated and promoted the value that the actuarial profession can bring to these wider

areas, particularly in health and welfare. Richard's career has spanned areas as diverse as treasury management, accident compensation, disability, government statistician, and most recently the oversight of Australia's production of health and welfare information, through his role as Director of the Australian Institute of Health and Welfare (AIHW). It was particularly appropriate that Richard was chosen for the award this year, due to his extensive involvement in supporting the IAAust's new Health Financing in Australia Course.

Richard Madden



# Tributes

## Welcome

### NEW FELLOWS

**Congratulations to the following members who, having passed or been exempted from Parts I, II, III of the IAAust education program, satisfied the Practical Experience Requirement and attended the Professionalism Course, became Fellows of the Institute of Actuaries of Australia (FIAA) in 2002.**

Andrew Robert Allan  
Christopher Michael Atkinson  
Azaad Aumeerally  
Uma Baska  
Raymond William Bennett  
Robert Bo Chen  
Ching Man Aimee Cheung  
Kathryn Marie Daniels  
Martin John Edwards  
Hamish Dean Barry Farrar  
Alexandra Flynn  
Andrea Margaret Gluyas  
Vanessa Siew Huen Ho  
Belinda Jane Isaacs  
Stephen Matthew Jeffery

David Stephen Jenkins  
Margaret Ann Kearney  
Wayne Andrew Kenafacke  
Gregory James Kiddle  
Angela Ruth Kirk  
Raymond Lei  
Tony Lei  
Dorothy Ruth Lisha  
Louis Chi Wah Mak  
Peter James McCourt  
Robert Alan Milohanic  
Loan-Anh Nguyen  
Siddharth Parameswaran  
Philip Pepe  
Scott Andrew Reeves

Jason Brett Sommer  
Timothy Spicer  
Kaise Stephan  
Kevin Thadanabath  
Hean Peng Thniah  
Pei-Chun Tsai  
Jeremy Peter Wall  
Daniel Chun Kuen Wong  
Derek Keen-Loong Wong  
Yee Lin Yang  
Eng Hun Yeoh  
Guy Wai-Kai Yeung  
Vicki Younis

## Farewell

### PROFESSOR JOHN POLLARD BSc, PhD FSS, FIA, FASSA, FIAA

After 25 years as Professor of Actuarial Studies at Macquarie University, John Pollard retired in July 2002. His accomplishments both within the academic world and the actuarial profession are considerable and have earned him a justifiable international reputation. The Macquarie University actuarial department has grown under his leadership and the success of the program has engendered the development of other actuarial programs now

operating within Australian universities and around the world. John's commitment to the actuarial profession has been outstanding. In 2001 he was awarded the Silver Medal of the IAAust which is a rare distinction. He was President of the IAAust in 1987, has served on numerous committees and has contributed to actuarial research with more than 80 papers in refereed journals. We wish him well in his retirement.



## Obituaries

### SIR LESLIE MELVILLE (1902-2002) KBE, LLD, BEc, FIAA, FIA

Well known economist and actuary, Sir Leslie Melville turned 100 this year just before he passed away unexpectedly in April. Sir Leslie has been widely honoured and recognised as one of the most distinguished Australians of the past century. On March 22nd 2002 he was the subject of the inaugural Sir Leslie Melville Lecture at the Australian National University delivered by Ian McFarlane, Governor of the Reserve Bank. According to McFarlane, Sir Leslie's career at the Commonwealth Bank, starting when he was 29 years old, was synonymous with the creation and development of central banking in Australia. Sir Leslie was a contemporary of economist John Maynard Keynes and dealt with him in his role leading the Australian delegation involved in the Bretton Woods conference which set up the IMF and the World Bank. The 2002 IAAust Melville Lecture was presented in August by renowned political commentator, Max Walsh whose speech was entitled 'Central Banking: The Maestro Myth'.

### JOCK RANKIN (1950 – 2002)

Sadly, in January 2002, Jock Rankin former Executive Director of the IAAust passed away after a long battle with cancer. Jock worked with the IAAust between 1997 and 1999, and left an indelible mark. His efforts in raising the profile of actuaries and in supporting their contribution to public policy were considerable. Coming as he did from a background in public relations and media, Jock provided leadership on the development of public policy and government representation. Many public tributes were made to Jock Rankin and the IAAust published a double page tribute in the March issue of Actuary Australia magazine.



# Membership

MEMBERSHIP FIGURES FOR THE LAST 10 YEARS						
	Fellows	Accredited	Associates	Students	Affiliate	Total
1993	759	30	331	436	9	1565
1994	810	38	345	433	8	1634
1995	865	40	363	422	7	1697
1996	921	37	362	423	7	1750
1997	991	34	370	426	7	1828
1998	1048	34	412	545	6	2045
1999	1093	29	482	629	6	2239
2000	1158	19	517	657	5	2356
2001	1212	15	533	770	5	2535
<b>2002</b>	<b>1237</b>	<b>21</b>	<b>565</b>	<b>822</b>	<b>9</b>	<b>2654</b>

CLASSIFICATION BY RESIDENCE												
	Fellows		Accredited		Associates		Students		Affiliates		Total	
	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002
ACT	16	14	0	0	1	3	28	35	0	1	45	53
NSW	637	655	9	11	256	271	450	484	5	6	1357	1427
NT	0	0	0	0	1	1	0	0	0	0	1	1
QLD	27	26	0	0	14	13	20	28	0	0	61	67
SA	16	15	0	0	2	3	7	10	0	0	25	28
TAS	2	3	0	0	1	2	3	2	0	0	6	7
VIC	235	237	2	4	123	122	170	148	0	1	530	512
WA	14	16	0	1	3	3	8	10	0	0	25	30
<b>Total Australia</b>	<b>947</b>	<b>966</b>	<b>11</b>	<b>16</b>	<b>401</b>	<b>418</b>	<b>686</b>	<b>717</b>	<b>5</b>	<b>8</b>	<b>2050</b>	<b>2125</b>
<b>New Zealand</b>	<b>40</b>	<b>42</b>	<b>0</b>	<b>0</b>	<b>31</b>	<b>27</b>	<b>5</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>76</b>	<b>74</b>
<b>Total Oz &amp; NZ</b>	<b>987</b>	<b>1008</b>	<b>11</b>	<b>16</b>	<b>432</b>	<b>445</b>	<b>691</b>	<b>722</b>	<b>5</b>	<b>8</b>	<b>2126</b>	<b>2199</b>
<b>Other O'seas</b>	<b>225</b>	<b>229</b>	<b>4</b>	<b>5</b>	<b>101</b>	<b>120</b>	<b>79</b>	<b>100</b>	<b>0</b>	<b>1</b>	<b>409</b>	<b>455</b>
<b>Total</b>	<b>1212</b>	<b>1237</b>	<b>15</b>	<b>21</b>	<b>533</b>	<b>565</b>	<b>770</b>	<b>822</b>	<b>5</b>	<b>9</b>	<b>2535</b>	<b>2654</b>

OVERSEAS IAAUST MEMBERS BY COUNTRY													
Country	Fellows	Accred.	Assoc.	Stud.	Affil.	Total	Country	Fellows	Accred.	Assoc.	Stud.	Affil.	Total
Belgium	1			1		2	Mauritius	1		1			2
Bermuda	2					2	Mexico	1					1
Brazil	1					1	New Zealand	42		27	5		74
Canada	7	1	1	2		11	Norway			1			1
China	4					4	Pakistan			1			1
Fiji Islands	1					1	Philippines	1			1		2
France	4					4	Poland	1					1
Germany	2		2	1		5	Singapore	20	2	10	10		42
Hong Kong	40		39	41	1	121	South Africa	2		5			7
India	1		2			3	South Korea	2		1	1		4
Indonesia	2			2		4	Spain	1		1			2
Ireland	1		1	1		3	Sri Lanka				1		1
Israel	1					1	Switzerland	4		2	2		8
Italy	1	1				2	Taiwan	2			1		3
Japan	12		1	3		16	Thailand	4					4
Korea			1			1	The Netherlands	2		2	2		6
Macau				3		3	UK	79	1	32	12		124
Malaysia	5		6	10		21	USA	24		11	6		41
<b>TOTAL</b>								<b>271</b>	<b>5</b>	<b>147</b>	<b>105</b>	<b>1</b>	<b>529</b>

IAAUST MEMBERSHIP INCREASES			
The increase in membership during the year was as follows:			
Class	Number at 30.09.00	Number at 30.09.01	Number at 30.09.02
Fellow	1158	1212	1237
Accredited	19	15	21
Associate	517	533	565
Student	657	770	822
Affiliate	5	5	9
<b>Total</b>	<b>2356</b>	<b>2535</b>	<b>2654</b>

The IAAust has developed a strategy to promote and expand actuarial education and CPD in the Asian Region, and increase the recognition of the FIAA throughout Asia

# Education Program

The IAAust has a continuing commitment to providing quality in tuition and examination support for the education program, and is indebted to the members listed below who have contributed their time and energy, on a voluntary basis, to ensuring the success of the education program throughout the year.

## **Chief Examiners, Assistant Examiners, Markers, Scrutineers for 2001 exams**

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Marcus Arena  
Puvan Arulampalam  
James Atkinson  
George Attard  
Rashi Bansal  
Mark Barda  
Andrew Barker  
Mike Barker  
Peter Barnes  
Sarosh Batliwalla  
Caroline Bennet  
Michael Blayney  
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Simon Eagleton  
Peter Eben  
Natalie Eckersall  
Phillip Everett  
Emma Farrier  
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Nelson Henwood  
Richard Hitchens  
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Mark Hurst  
Karen Johnston  
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Henry Josling  
Tony Kench  
Jason Kim  
Robin Knight  
Laurel Kong  
Tim Kyng  
Mike Lau  
Ray Loudon  
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Karl Marshall  
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Stephen Milburn-Pyle  
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Mark Nelson  
Terry Nelson  
Mark O'Brien  
Christian Olsen  
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Ian Patrick  
Paul Pesavento  
Grant Peters  
Ian Petersen  
Darion Pohl  
Tracy Polldore  
Michael Price  
Nicole Raffin  
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Zac Roberts  
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John Carroll  
Paul Cassidy  
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William Cheong  
Aimee Cheung  
Peter Chun  
Robert Clark  
Tim Clark  
Andrew M Cohen

**This year over  
250 members  
voluntarily gave  
their time to  
support the  
education programs  
– as examiners,  
markers, tutors,  
scrutineers,  
course writers  
and reviewers**

## Education Program

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Stephen Woods  
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Melissa Yan  
Andy Yang  
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**Building relationships with the actuarial professions in various Asian countries has continued to be a focus during the year**



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Some seventy committees and taskforces operate within the IAAust structure, which represents an extraordinary level of voluntary activity by members

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 Peter Williamson

**GENERAL INSURANCE PRACTICE COMMITTEE**

Michael Playford (con)  
 Robyn Bateup  
 Rodney Hoskinson  
 Andrew Huszczo  
 Loan Anh Nguyen (sec)  
 John De Ravin  
 Daniel Tess

**The IAAust has made major contributions in a number of significant public policy areas that will benefit current and future generations of Australians**

# Committee Members

**GENERAL INSURANCE PRACTICE COMMITTEE (cont'd)**  
Bruce Watson  
Stephen Wilson

**ACCIDENT COMPENSATION SUBCOMMITTEE**  
Daniel Tess (con)  
Clive Amery  
Bob Buchanan  
Philip Chappell  
Paul Driessen  
Julie Evans  
Craig Price

**ACCIDENT COMPENSATION SEMINAR ORGANISATION SUBCOMMITTEE**  
Daniel Tess (con)  
Colleen Clifton (sec)  
Karen Cutter  
Paul Driessen  
Chris Hundleby  
Hanna Kam

**GENERAL INSURANCE SEMINAR ORGANISING COMMITTEE**  
Noeline Woof (con)  
Catherine Beall  
Chris Hundleby (sec)  
Andrew Huszco  
Mark Hurst

**HEALTH PRACTICE COMMITTEE**  
Rob Paton (con & sec)  
Peter Carroll  
Andrew Gale  
Tory Gervasi  
Steve Somogyi  
Dan Tess  
David Torrance  
Brent Walker  
David Watson

**ACTIVITIES SUBCOMMITTEE**  
David Torrance (con)  
Chris Hundleby  
David Watson

**EDUCATION SUBCOMMITTEE**  
Peter Carroll (con)

**PROFESSIONAL STANDARDS & LEGISLATION SUBCOMMITTEE**  
Andrew Gale (con)  
Raewyn Davies  
Bronwyn Hardy  
David Lempert  
Barry Leung  
David Torrance  
Brent Walker  
David Watson

**EXPERIENCE STUDIES TASKFORCE**  
Tory Gervasi (con)  
Clive Amery

Alan Brown  
Andrew Gale  
Greg Moran

**INVESTMENT & FUNDS MANAGEMENT PRACTICE COMMITTEE**  
Paul Carrett (con)  
Anne Cheng  
Peter Chun  
Steve Holstein  
David McNeil  
John Pascoe  
Jonathon Shead  
Peter Worcester

**SUPERANNUATION & EMPLOYEE BENEFITS PRACTICE COMMITTEE**  
Wayne Walker (con)  
Dermot Balson  
John Burnett  
Nick Callil  
Melinda Howes  
Jeff Humphreys  
Glenn Langton  
Fred Neville  
Paul Shallue  
Martin Stevenson  
Jenifer Walton (sec)

**EDUCATION SUBCOMMITTEE**  
Jeff Humphreys (con)  
Shauna Ferris  
Graeme Humphrys  
Saffron Sweeney

**REGULATION SUBCOMMITTEE**  
Paul Shallue (con)  
Warren King  
Andrew Leung  
David McNeice  
Christine Moran  
Mike Murphy  
John Ward  
David Watson

**FINANCIAL PLANNING SUBCOMMITTEE**  
Fred Neville (con)  
Mark Berry  
David Edwards  
Paul Guthrie

**EXECUTIVE OPTIONS TASKFORCE**  
Nick Callil (con)  
Paul Carrett  
Esther Conway  
Peter Grigaliunas  
Glenn Langton  
Christian Olsen

**EMPLOYEE ENTITLEMENTS**  
Glenn Langton (con)

**LIFE INSURANCE PRACTICE COMMITTEE**  
Richard Lyon (con)  
Clive Aaron  
Pauline Blight  
Christine Bowfield  
Greg Einfeld (sec)  
Greg Martin  
Ian Perera  
Fred Rowley  
David Rush  
Bernard Smith  
Allen Truslove

**EDUCATION SUBCOMMITTEE**  
Sue Howes (con)  
Michelle Aspery  
Briallen Cummings  
John Dodsworth  
James Hickey  
Suzanne Szoldra

**FINANCIAL REPORTING SUBCOMMITTEE**  
Bernard Smith (con)  
Caroline Bennet  
Michael Dermody (sec)  
David Rush  
Mark Stewart  
Mike Thornton  
Bruce Vincent

**TAX & LEGISLATION SUBCOMMITTEE**  
Nathan Rivett (con)  
Richard Cornwall  
Richard Land  
Barry Robertson  
Rodney Scott  
Warwick Young

**GN252 WORKING GROUP**  
Pauline Blight (con)  
Tony Cook  
James Hickey  
Grant Peters (sec)  
Grant Robinson  
Bruce Vincent

**FRIENDLY SOCIETIES SUBCOMMITTEE**  
Allen Truslove (con)  
John Day  
Carl Stevenson

**PROFESSIONAL CONDUCT COMMITTEE**  
Howard Carter (con)  
Geoff Burgess  
Timothy C Jenkins  
Kenneth McLeod  
Kerry Roberts  
Fiona Ross  
Greg Taylor  
Tim (GBK) Trahair

**PROFESSIONAL GUIDANCE COMMITTEE**  
Tony Coleman (con)  
Helen Martin  
Chris Lewis

**FINANCIAL SERVICES FORUM ORGANISING COMMITTEE**  
Andrew Gale (con)  
Caroline Bennett  
Colleen Clifton  
Chris Hundleby (sec)  
Ian Laughlin  
Stuart Turner  
Darren Wickham

**PROFESSIONAL STANDARD ON LIABILITY VALUATION FOR GENERAL INSURANCE TASKFORCE**  
Bob Glading (con)  
Bob Buchanan  
John De Ravin  
David Gifford  
David Hart  
Andrew Huszco  
Chris Latham  
Carolyn MacLulich (sec)  
Peter McCarthy  
Estelle Pearson  
Greg Taylor  
Robert Thomson  
Brett Ward

## Secretariat

**Chief Executive**  
Catherine Beall

**Director Professional Development**  
Carolyn MacLulich

**Manager, Communications**  
Chris Hundleby

**Student Services Coordinator**  
Michelle Aspery

**Events Coordinator**  
Colleen Clifton

**Finance Manager**  
Marianne Bryant

**Executive Assistant**  
Katrina McFadyen  
(from 05/02)

**Office Manager**  
Samantha Bonthorne  
(on leave from 06/02)

**Membership Officer**  
Julian Buckell

**Education Assistant**  
Jan Heath (to 07/02)  
Linh Luu (from 04/02)

**Receptionist**  
Dina Nigro

**Events Assistant**  
Clare Zuber

The future success of the IAAust depends on its ability to be flexible and responsive in its application of resources, particularly the time and energy of its members

# Financial Reports

## THE INSTITUTE OF ACTUARIES OF AUSTRALIA REPORT OF COUNCIL FOR THE YEAR ENDED 30 SEPTEMBER 2002

Council submits herewith their report on the Institute for the year ended 30 September 2002. In order to comply with the provisions of the Corporations Act 2001, the Council reports as follows:

The Institute is a company limited by guarantee and is licensed under Section 150 of the Corporations Act 2001 to be incorporated without the word 'Limited' in its name.

Council fulfils the role of the Board of Directors.

The members of Council in office at the date of this report are as follows:

**H R MARTIN BA, FIAA** – *President, Council Member, Member of Council International Committee, Council Communications Committee and Asian Education Strategy Taskforce. Convenor of Editorial Committee for the Actuarial Control Cycle Textbook. Born 30/11/61. Elected to Council in 1997.*

Helen is currently General Manager, Technical Advice and Support at APRA and prior to that was a Principal at Towers Perrin. Helen has served on many IAAust Committees including Council Finance & Administration (2000-01), Public Policy Council Committee (1999-2001), Superannuation Practice Committee (1991-99), Programme Committee (1996-99), University Finance Taskforce (1999-2001), Chief Tutor for Superannuation (1989-91), tutor and marker for Superannuation (1992-95), and the Superannuation Course Coordinator (1991-92).

**C G LEWIS BSc (Hons), FIA, FIAA** – *Senior Vice President, Council Member, Chairman of the Council Finance and Administration Committee, Member of the Public Policy Council Committee, Chairman of the Experience Studies Task Force. Born 30/3/51. Elected to Council in 1997.*

Chris is employed as Senior Actuary, Corporate Tax at AMP Limited, and is also their Senior Actuary. He is Chairman of the University of NSW Actuarial Foundation, and has served on the Institute's Tax Reform Taskforce.

**G E N ROGERS FIA, FIAA** – *Vice President, Council Member, Chair of Public Policy Council Committee. Born 5/10/40. Elected to Council in 2000.*

Graham is an independent company director and chairman. His current board responsibilities include Chairman of SMF Funds Management Ltd, Director of RACV Financial Services and Director of PHIAC. In the not for profit sector he is Chairman of the University of Melbourne Actuarial Foundation, a Board Member and Chairman of the Finance Committee of the St Vincent's Institute of Medical Research. Prior to this he has held a number of chief executive positions in the financial service industry including Equitable Life and General, Jacques Martin Group and Colonial Investment Management.

**C E AMERY BSc (Hons), FIAA** – *Council Member, Member of Medical Indemnity Task Force, Long Term Care Subcommittee and Health Insurance Subcommittee. Born 15/11/57. Elected to Council in 2001.*

Clive was a member of the Wider Fields Subcommittee in 2001 and was a Tutor in General Insurance from 1991-95. He is currently working with Taylor Fry Consulting Actuaries. Prior to this Clive held positions with Trowbridge Consulting, PricewaterhouseCoopers and National Mutual.

**A J G BROWN BSc, DipEd, ASIA, FIAA** – *Council Member. Born 9/8/65. Elected to Council in 2000.*

Andrew is Chief Financial Officer for Phillippines AXA Life. He has served on the Futurism Committee and the Public Awareness Committee. He was tutor for Life Insurance (2000) and was an examination marker for Life Insurance (1999 & 2000). Andrew was co-author for the 'Valuation of Natural Resources' (Futurism Committee, 1999), Submission to Australian Greenhouse Office on Carbon Emissions & Trading System (Futurism Committee, 1999) & Business Planning for Startup Operations (Feb 2000) presented at 2nd Global Conference of Actuaries, New Delhi.

**J W De RAVIN BSc, MBA, FIA, FNZSA, CPA, FIAA** – *Council Member, Convenor of the Research and Prizes Committee, Member of the Special Awards, Professional Affairs and General Insurance Practice Committees, Member of the Liability Valuation Task Force. Born 18/5/56. Elected to Council in 1999.*

John is Company Actuary to Munich Reinsurance of Australasia. Before his election to Council he was Assistant Tutor or Assistant Examiner in Life Insurance, General Insurance & Investment during 1986-99. He is co-author of 'Standard Methods of Estimating Outstanding Claims' 1984, 'Long Term Care, Disability and Ageing' 1995; and author of 'The Management of Disability Income Claims' 1998.

**A W DOBLE BSc, FIA, FIAA** – *Council Member, Member of the Council Finance and Administration Committee, Member of the Corporate Governance Taskforce, Chair of Professional Affairs Council Committee and Convenor of the Genetics Working Party. Born 29/9/50. Appointed to Council in 2001.*

Alan is Head of Actuarial Operations for Life Division, Munich Reinsurance Company of Australasia Limited. He was a tutor for Mortality (1978-80) and Superannuation (1981-84), a marker in Superannuation (1982-85) and the Assistant Examiner for Superannuation (1985). He was author of 'Extra premiums on Life Policies – Non medical risks' (1981) and editor and co-author of 'Genetics in Society 2001,' presented at the Biennial Convention (2001).

**A C GALE BA, FIA, MBA, FIAA** – *Council Member, Chair of Communications Committee, Member of Public Policy Council Committee and 2003 Convention Planning Committee. Born 16/10/56. Elected to Council in 2000.*

Andrew is Head of the Australian Financial Services practice for Trowbridge Deloitte. He was Convenor of the Marketing, Strategy and Planning Committee (1995-97) and the Futurism Committee (2000-02). Andrew was also a member of the International and Public Relations Committees (1995-97) and a member of Council in 1998. He was co-author with the Marketing & Strategy Committee of 'A Marketing Audit of the Profession' (1995 Convention), 'The Future of the Profession' (1996 Sessional) and 'Shaping the Next Century – IAA Strategic Plan' (1997 Centenary Convention).

**M J PLAYFORD MEd FIAA** – Council Member, Chairman of the General Insurance Practice Committee, Member of Medical Indemnity Taskforce, Structured Settlement Taskforce and Continuing Professional Development Committee. Born 14/7/70. Elected to Council 2002.

Michael is a Director of PricewaterhouseCoopers Actuarial where he has been employed since 1997. Michael has ten years experience working in General Insurance and is the author of several papers on general insurance topics. His particular area of interest is accident compensation, in particular workers' compensation and long term care. Michael was a member of the Accident Compensation Subcommittee (1999-2001) and was Deputy Chair of the IAAust Board of Examiners for Part III Exams (1998-2001).

**F ROWLEY MA, FIA, FIAA, FASI** – Council Member, Chairman, Life Insurance Practice Committee, 2000-2002, Chairman, Prudential Regulation Taskforce 1998-2002; Member, Public Policy Council Committee 2001-2002. Born 18/2/50. Elected to Council 1999.

Fred is Chief Actuary in the Corporate Office of AMP Ltd. He was co-author of the IAAust submission to the Basel Committee on Banking Supervision 1998, and IAAust submission to APRA on Prudential Regulation 1999. He represents IAAust on the China subcommittee of the IAA Advice & Assistance Committee and is a member of the IAAust Asian Education Strategy working group.

**M A STEVENSON BSc, FIA, FIAA** – Council Member, Member of Council Education Committee, Member of Superannuation and Employee Benefits Practice Committee. Born 3/3/47. Elected to Council 2001.

Martin is a Principal and Executive Director of Mercer Human Resource Pty Ltd and was formerly the Managing Partner of E S Knight & Co. An actuary specialising in superannuation for over twenty-five years, he is now Mercer's Senior Actuary. Martin was Chief Examiner, Superannuation for three years up to 1992 and was Chairman of the Board of Examiners in 1995 and 1996. He has co-authored two papers to the Institute of Actuaries of Australia: "Some current aspects of Superannuation funding" and "The Statex – Actuaries Accumulation Index".

**C W THORBURN BEc, ASA, FIAA** – Council Member, Chairman Council Education Committee 2000, Chairman IAAust International Committee 2001. Born 23/1/64. Elected to Council 1999.

Craig is currently a Senior Financial Sector Specialist with The World Bank having previously worked with the Australian Prudential Regulation Authority (APRA), the Insurance and Superannuation Commission and been Australian Government Actuary. He is author of 'Birth, Death, Passports & Pensions' Sessional Paper 1999; 'The Relative Capital Requirements Imposed for Providers of Capital Guaranteed Retirement Savings Accounts' 1997. He acts as representative on the IAA's Social Security Subcommittee and Actuaries without Borders. Craig also acts as the IAAust Ambassador in the United States and is an Adjunct Fellow in Actuarial Studies at the Australian National University.

**D J WALKER FIAA** – Council Member, Member of Council Education Committee. Born 26/5/64. Elected to Council 1999.

Donna is currently working for CGU Insurance Ltd where she has been part of their actuarial and statistics team since 1999. Prior to this she worked at the University of Melbourne and in the superannuation industry. Donna was a member of the Part III Education Review Team that presented their findings throughout 2002 and has also been involved in a number of other education projects including the Part II Syllabus Review and the establishment of the CPD course 'Actuarial Practice in Health Insurance' in 1998. She has served on a number of committees

including the Health Practice Committee and is currently a member of the Council Education Committee.

**P A WORCESTER BA, BSc, AIA, FIAA** – Council Member. Born 7/4/54. Elected to Council in 2001. Chairman of the Banking & Finance Practice Committee. Council Liaison for Investment & Funds Management Practice Committee.

Peter is a Principal of Peter Worcester Consulting, and consults to the funds management industry. Peter has previously worked for National Mutual (AXA Asia Pacific), W M Mercer, and Commonwealth Investment Management. He is Joint Chief Examiner for Finance. He has been a Tutor for Institutional Investment, and has been the Institute's representative on the Securities Institute Education taskforce.

**C W YANG BEc (Hons), SIA (Aff), FIAA** – Council Member, Member Investment & Funds Management Practice Committee. Born 26/2/65. Elected to Council 1999.

Andy is currently Regional Project Manager – North Asia with ING Investment Management. Prior to this, he was a Portfolio Manager with County Investment Management's (now INVESCO) Structured Investment Group. He was previously Vice President with Bankers Trust in Asia and Australia. Andy has been an examiner Investment Management 1995-96; Tutor Investment 1993-94; and helped write the latest Investment Management course. He has published 'Fair Exchange – Getting the Bet Out of Transition Management 2000; 'Calculated Risks for Satisfying Returns' 1997; 'Overlays – Choosing the Benchmark' 1997; 'A Theoretical Basis for Measuring Overlays' 1996; 'Valuing an Annuity Quotation Guarantee' 1993; 'Using the Black-Scholes Option Pricing Formula to Value the 14 day Fee Lock Period' 1992; 'The Delta of the Merton Proportional Dividend European Call Option Pricing Formula' 1992; 'A Note on the Normal Distribution and Mean-Variance Space' 1989. Andy is also an affiliate of AIMR, a member of the Q-Group and has participated in the P-Group's after-tax performance subcommittee.

All Members of Council are Fellows of the Institute of Actuaries of Australia.

Six meetings of the 2001/2002 Council were held since the last Annual General Meeting. The following is a record of attendance (Meetings attended: No. of Meetings).

Clive Amery	6:6
Andrew Brown	1:6
Anthony Coleman (Past President)	3:6
John De Ravin	4:6
Alan Doble	6:6
Andrew Gale	5:6
Christopher Lewis	6:6
Helen Martin	6:6
Michael Playford	6:6
Graham Rogers	5:6
Fred Rowley	5:6
David Service	4:6
Steve Somogyi	5:6
Martin Stevenson	5:6
Craig Thorburn	5:6
Donna Walker	5:6
Peter Worcester	6:6
Andy Yang	5:6

The principal activities of the Institute in the course of the financial year comprised encouraging the study of actuarial science, statistics and other subjects and conducting examinations in relation thereto. The Institute also undertook promotional and administrative activities in relation to the

actuarial profession, including the preparation of professional standards. During the year there was no significant change in the nature of those activities.

Operating surplus for the year amounts to \$214,575.

No significant change in the state of affairs of the Institute occurred during the financial year not otherwise outlined in the accounts or notes thereto. The operations of the Institute for the year, were similar to that of the previous year.

No matter or circumstance has arisen since the end of the financial year that has significantly affected or may significantly affect the operations of the Institute, the results of those operations or the state of affairs of the Institute in the financial year subsequent to 30 September 2002.

The Members of Council believe that there are no likely developments in the operations of the Institute and the expected results of those operations in the financial years subsequent to 30 September 2002 which need to be brought to your attention.

Council members receive no remuneration or other benefits. No Member of Council, since the end of the previous financial year, has received or become entitled to receive a benefit by reason of a contract made by the Institute with a Member of Council or with a firm of which s/he is a member or with a company in which s/he has a substantial financial interest for services rendered in connection with the activities of the Institute, except as disclosed in Note 13 to the Financial Statements.

During the financial year, the Institute paid a premium in respect of a contract insuring the Council Members (as named above), and all Executive Officers of the Institute against a liability incurred as such Council Members or Executive Officers to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Institute has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Institute against a liability incurred as such an officer or auditor.

Signed in accordance with a resolution of Council.

On behalf of the Council.



**H.R. MARTIN**  
President



**C.G. LEWIS**  
Senior Vice President  
Sydney, 6 November 2002.

## INDEPENDENT AUDIT REPORT TO THE MEMBERS OF THE INSTITUTE OF ACTUARIES OF AUSTRALIA

### Scope

We have audited the financial report of the Institute of Actuaries of Australia for the year ended 30 September 2002, as set out on pages 28 to 33. The Council Members are responsible for the preparation and presentation of the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Institute.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and statutory requirements so as to present a view which is consistent with our understanding of the Institute's financial position and performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

### Audit Opinion

In our opinion, the financial report of the Institute of Actuaries of Australia is in accordance with:

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Institute's financial position as at 30 September 2002 and of its performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements.



**HAINES NORTON**  
Chartered Accountants



**F. GIANNUZZI**  
Partner  
Sydney, 6 November 2002

**THE INSTITUTE OF ACTUARIES OF AUSTRALIA  
DECLARATION BY MEMBERS OF COUNCIL FOR  
THE YEAR ENDED 30 SEPTEMBER 2002**

The members of Council of the Institute declare that:

1. the financial statements and notes thereto, are in accordance with the Corporations Act 2001:
  - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the financial position as at 30 September 2002 and of the performance for the year then ended on that date of the Institute.
2. in the Council's opinion, there are reasonable grounds to believe that the Institute will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of Council and is signed for and on behalf of the members of Council by:



**H.R. MARTIN**  
President



**C.G. LEWIS**  
Senior Vice President  
Sydney, 6 November 2002

**THE INSTITUTE OF ACTUARIES OF AUSTRALIA  
STATEMENT OF FINANCIAL PERFORMANCE FOR  
THE YEAR ENDED 30 SEPTEMBER 2002**

	Note	2002	2001
		\$	\$
Administration Revenues		1,424,392	1,372,761
Professional Development Revenues		580,137	782,201
Education Revenues		1,142,635	994,878
Member Services Revenues		283,959	305,701
<b>Total Revenue</b>		<b>3,431,123</b>	<b>3,455,541</b>
Administration Costs		(480,511)	(528,340)
Employment Costs		(1,018,261)	(1,115,811)
Professional Development Costs		(373,489)	(647,571)
Foundation Grants		(375,000)	(365,200)
Education Costs		(279,722)	(329,652)
Member Services Costs		(506,596)	(520,316)
Public Affairs Costs		(182,969)	(53,920)
<b>Total Expenditure</b>		<b>(3,216,548)</b>	<b>(3,560,810)</b>
<b>Surplus (deficit) from ordinary activities attributable to members of the Institute</b>		<b>214,575</b>	<b>(105,269)</b>
Income tax expense	1(c)	-	-
<b>Surplus (deficit) from ordinary activities after income tax expense attributable to members of the Institute</b>	<b>2</b>	<b>214,575</b>	<b>(105,269)</b>
<b>Total revenues, expenses and adjustments attributable to members of the Institute recognised directly in equity</b>	<b>2(c)</b>	<b>214,575</b>	<b>(105,269)</b>

**THE INSTITUTE OF ACTUARIES OF AUSTRALIA  
STATEMENT OF FINANCIAL POSITION AS AT  
30 SEPTEMBER 2002**

	Note	2002	2001
		\$	\$
<b>CURRENT ASSETS</b>			
Cash	4	299,501	159,617
Receivables	5	103,882	136,955
Investments	6	2,364,748	1,795,571
<b>Total current assets</b>		<b>2,768,131</b>	<b>2,092,143</b>
<b>NON CURRENT ASSETS</b>			
Investments	7	50,000	350,295
Plant and equipment	8	119,269	113,023
<b>Total non current assets</b>		<b>169,269</b>	<b>463,318</b>
<b>TOTAL ASSETS</b>		<b>2,937,400</b>	<b>2,555,461</b>
<b>CURRENT LIABILITIES</b>			
Accounts payable	9	566,190	380,563
Provisions	10	42,470	34,297
<b>Total current liabilities</b>		<b>608,660</b>	<b>414,860</b>
<b>NON CURRENT LIABILITIES</b>			
Provisions	11	-	26,436
<b>Total non-current liabilities</b>		<b>-</b>	<b>26,436</b>
<b>TOTAL LIABILITIES</b>		<b>608,660</b>	<b>441,296</b>
<b>NET ASSETS</b>		<b>2,328,740</b>	<b>2,114,165</b>
<b>MEMBERS FUNDS</b>			
Accumulated funds	3	2,328,740	2,114,165
<b>TOTAL MEMBERS FUNDS</b>		<b>2,328,740</b>	<b>2,114,165</b>

**THE INSTITUTE OF ACTUARIES OF AUSTRALIA  
STATEMENT OF CASH FLOWS FOR THE  
FINANCIAL YEAR ENDED 30 SEPTEMBER 2002**

	Note	2002	2001
		\$	\$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Receipts from members and others		3,671,790	3,571,045
Interest received		119,776	136,530
Trust distributions		17,825	15,164
Payments to suppliers and employees		(3,372,597)	(3,886,927)
<b>Net cash provided by (used in) operating activities</b>	<b>14</b>	<b>436,794</b>	<b>(164,188)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Proceeds from disposal of investments		1,375,668	1,587,020
Payments for investments		(1,617,941)	(1,369,910)
Proceeds from disposal of property, plant & equipment		1,818	-
Purchase of property, plant and equipment		(56,455)	(29,761)
<b>Net cash (used in) provided by investing activities</b>		<b>(296,910)</b>	<b>187,349</b>
<b>Net increase in cash held</b>		<b>139,884</b>	<b>23,161</b>
Cash at the beginning of year		159,617	136,456
<b>Cash at the end of year</b>	<b>14</b>	<b>299,501</b>	<b>159,617</b>

The accompanying notes form part of these financial statements.

**THE INSTITUTE OF ACTUARIES OF AUSTRALIA  
NOTES TO THE FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 30 SEPTEMBER 2002**

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

**a. General Statement of Accounting Policies Underlying the Financial Statements**

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board, and the Corporations Act 2001. The financial report has been prepared on an accruals basis and is based on historic costs and does not take into account changing money values. Cost is based on the fair values of the consideration given in exchange for assets.

**b. Plant and Equipment**

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation.

The carrying amount of plant and equipment is reviewed annually by Council to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

The depreciable amount of all fixed assets is depreciated on a straight line basis over the useful lives to the Institute commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Office Equipment	30%
Furniture & Fittings	20%
Leasehold Improvements	43%

**c. Income Tax**

The Institute has been granted an exemption from paying income tax under the Income Tax Assessment Act and accordingly does not provide for income tax.

**d. Leased Assets**

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

**e. Investments**

Investments in unit trusts and listed securities are valued at market value at balance date. The gains or losses, whether realised or unrealised, are included in the operating results. All other investments are shown at cost.

**f. Other receivables**

Other receivables are recorded at amounts due less any provision for doubtful debts.

**g. Accounts Payable**

Trade payables and other accounts payable are recognised when the Institute becomes obliged to make future payments resulting from the purchase of goods and services.

**h. Employee Entitlements**

Provision is made for the Institute's liability for employee entitlements arising from services rendered by employees to balance date. Annual leave is treated as a current liability, and long service leave is treated as a non-current liability.

Contributions are made by the Institute to employee superannuation funds and are charged as expenses when incurred.

**i. Goods and Services Tax ('GST')**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

**j. Revenue**

Revenue from the rendering of services is recognised upon delivery of the service to the customer. Subscription income is brought to account upon receipt.

**2. OPERATING SURPLUS (DEFICIT)**

The operating surplus (deficit) has been determined after:

	2002	2001
	\$	\$
<b>(a) Crediting as Income</b>		
Operating Activities		
Interest received	113,424	147,116
Trust distributions received	17,825	15,164
Market value fluctuations of investments	26,609	(27,481)
Income from sale of other goods and services	3,273,265	3,320,742
	<u>3,431,123</u>	<u>3,455,541</u>
<b>(b) Charging as Expense</b>		
Amortisation and Depreciation of assets		
Leasehold improvements	17,153	14,446
Office equipment	13,287	21,160
Furniture and fittings	4,019	4,399
Loss on Disposal of Depreciable Assets	5,132	-
	<u>39,591</u>	<u>40,005</u>
Movements in provisions		
Leave entitlements (see notes 10 & 11)	(18,263)	(10,347)
Rental expenses on operating leases	94,809	78,027
Remuneration of the auditors		
Auditing the accounts	12,000	12,000
Other services	14,645	14,545
	<u>26,645</u>	<u>26,545</u>
<b>(c) Significant Revenue Item</b>		
The following revenue item is relevant in explaining the financial performance:		
Donation received to establish the Katherine Robertson Prize Fund:	20,000	-

**THE INSTITUTE OF ACTUARIES OF AUSTRALIA  
NOTES TO THE FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 30 SEPTEMBER 2002 (cont'd)**

	2002	2001
	\$	\$
<b>3. ACCUMULATED FUNDS</b>		
Accumulated funds at the beginning of the financial year	2,114,165	2,219,434
Net surplus/(deficit)	214,575	(105,269)
Accumulated funds at the end of the financial year	<u>2,328,740</u>	<u>2,114,165</u>
<b>4. CASH</b>		
Cash at bank	299,101	158,717
Cash on Hand	400	900
	<u>299,501</u>	<u>159,617</u>
<b>5. RECEIVABLES</b>		
Interest receivable	2,677	9,029
Income receivable	20,327	81,688
Deferred expenses	68,325	25,396
GST receivable	12,553	20,842
	<u>103,882</u>	<u>136,955</u>
<b>6. CURRENT INVESTMENTS</b>		
Listed securities at market value	705,190	626,545
Unit trusts at market value	770,578	360,028
Cash on deposit	821,104	762,428
	<u>2,296,872</u>	<u>1,749,001</u>
Prize fund balances		
H M Jackson prize fund	6,324	6,329
A M Parker prize fund	11,439	11,865
Andrew Prescott Memorial Prize fund	9,441	9,526
The Melville prize fund	20,913	18,850
Katherine Robertson Prize Fund	19,759	-
	<u>67,876</u>	<u>46,570</u>
	<u>2,364,748</u>	<u>1,795,571</u>
<b>7. NON CURRENT INVESTMENTS</b>		
Mortgage securities at cost	-	248,295
Listed securities at market value	-	52,000
Bank bonds at cost (a)	50,000	50,000
	<u>50,000</u>	<u>350,295</u>
(a) The bank bonds have been offered as security in place of a rental bond.		
<b>8. PROPERTY, PLANT AND EQUIPMENT</b>		
Leasehold improvements, at cost	66,063	60,750
Less: accumulated amortisation	40,543	23,390
	<u>25,520</u>	<u>37,360</u>
Computer equipment, at cost	125,460	92,331
Less: accumulated depreciation	49,280	35,993
	<u>76,180</u>	<u>56,338</u>
Furniture and fittings, at cost	30,631	28,368
Less: accumulated depreciation	13,062	9,043
	<u>17,569</u>	<u>19,325</u>
	<u>119,269</u>	<u>113,023</u>

**9. ACCOUNTS PAYABLE**

**Unsecured:**

Sundry creditors and accruals	348,954	285,077
Registration fees for conferences and seminars received in advance	217,236	95,486
	<u>566,190</u>	<u>380,563</u>

**10. CURRENT PROVISIONS**

Employee entitlements - annual leave	42,470	34,297
	<u>42,470</u>	<u>34,297</u>

**11. NON CURRENT PROVISIONS**

Employee entitlements - long service leave	-	26,436
	<u>-</u>	<u>26,436</u>

(a) Aggregate employee entitlement liability	42,470	60,733
(b) Number of employees at year end	12	13

**12. OPERATING LEASE COMMITMENTS**

Lease rental expense and commitments: Rentals charged to income & expenditure account	94,809	78,027
---	--------	--------

Lease commitments:

Not later than one year	133,333	77,550
Later than one year and not later than two years	91,667	77,550
Later than two years and not later than five years	-	51,700
Total operating lease commitments	<u>225,000</u>	<u>206,800</u>

**13. RELATED PARTY TRANSACTIONS**

(a) The Council Members received no remuneration or other benefits.

The names of the Council Members who held office during the financial year are:

C E Amery	From 10/12/01	M Playford	From 10/12/01
C M Brennan	To 10/12/01	M J Rice	To 10/12/01
A J Brown		G E N Rogers	
A M Coleman	To 10/12/01	F Rowley	
J W De Ravin		D A Service	From 10/12/01
A W Doble		S Somogyi	From 10/12/01
A C Gale		M A Stevenson	From 10/12/01
D G Hart	To 10/12/01	C W Thorburn	
M S Howes	To 10/12/01	D J Walker	
C G Lewis		P A Worcester	From 10/12/01
H R Martin		C W Yang	
J M Newman	To 10/12/01		

(b) Donations were made during the year to the University of Melbourne Actuarial Foundation for \$125,000, the Macquarie University Actuarial Foundation for \$125,000, and the University of NSW Actuarial Foundation for \$125,000.

(c) During the year the Institute had contracts with Tillinghast Towers Perrin and Trowbridge Consulting. These entities had officers who were Council Members of the Institute during the year.

(d) There were no other transactions with related parties during the year.

**THE INSTITUTE OF ACTUARIES OF AUSTRALIA  
NOTES TO THE FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 30 SEPTEMBER 2002 (cont'd)**

**14. FINANCIAL INSTRUMENTS**

**(a) Significant Accounting Policies**

Details of the significant accounting policies and methods adopted in respect of each class of financial asset and financial liability are disclosed in note 1 to the financial statements.

**(b) Interest Rate Risk**

The Institute's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates, and the effective weighted average interest rates on those financial assets and financial liabilities is set out in the following table:

**Weighted Average Effective Interest Rate:**

Financial Assets	2002	2001
	%	%
Cash at Banks	3.18	3.08
Listed Securities	6.47	6.42
Cash on Deposit	4.76	5.42
Mortgage Funds	-	5.47
Unit Trusts	3.44	13.21

**Floating Interest Rate:**

Financial Assets	2002	2001
	\$	\$
Cash at Banks	347,618	206,187
Listed Securities	601,690	574,545
Cash on Deposit	-	-
Mortgage Funds	-	248,295
Unit Trusts	790,337	360,028
<b>Total Financial Assets</b>	<b>1,739,325</b>	<b>1,389,055</b>

**Fixed Interest Rate Maturing Within 1 Year:**

Financial Assets	2002	2001
	Cash at Banks	-
Listed Securities	103,500	52,000
Cash on Deposit	821,104	762,428
Mortgage Funds	-	-
Unit Trusts	-	-
<b>Total Financial Assets</b>	<b>924,604</b>	<b>1,346,996</b>

**Fixed Interest Rate Maturing Within 1-5 Years:**

Financial Assets	2002	2001
	Cash at Banks	-
Listed Securities	-	52,000
Cash on Deposit	50,000	50,000
Mortgage Funds	-	-
Unit Trusts	-	-
<b>Total Financial Assets</b>	<b>50,000</b>	<b>102,000</b>

**Financial Liabilities**

The Institute has no interest bearing liabilities

**(c) Credit Risk**

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Institute. The Institute has adopted a policy of only dealing with credit worthy counter parties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Institute measures credit risk on a fair value basis.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts, as disclosed in the statement of financial position and notes to the financial statements.

**(d) Net Fair Values**

The net fair value of listed investments have been taken at market value at balance date. For other assets and liabilities, the net fair value approximates their carrying value.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to the financial statements.

**15. CASH FLOW INFORMATION**

**(a) Reconciliation of Cash**

For the purposes of the statement of cash flows, cash includes cash on hand and in banks. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	2002	2001
	\$	\$
Cash	299,501	159,617

**(b) Reconciliation of Cash Flow from Operations to Operating Surplus/(Deficit)**

Operating surplus/(deficit)	214,575	(105,269)
Non-Cash Flows in Operating Profit		
Depreciation and amortisation	43,259	40,005
Loss on disposal of assets	5,132	-
Changes in Assets and Liabilities		
Decrease/(increase) in interest receivable	6,352	11,666
Decrease/(increase) in income receivable	61,361	(31,281)
Decrease/(increase) in prepayments	(42,929)	37,267
Decrease/(increase) in GST receivable	8,289	(25,551)
Increase/(decrease) in sundry creditors	63,877	(12,640)
Increase/(decrease) in income in advance	121,750	(95,519)
Decrease/(increase) in market value of investments	(26,609)	27,481
Increase/(decrease) in provisions		
Annual leave	8,173	(8,350)
Long service leave	(26,436)	(1,997)
<b>Net cash provided by (used in) operating activities</b>	<b>436,794</b>	<b>(164,188)</b>

**16. MEMBERS' GUARANTEE**

The Institute is a company limited by guarantee and holds a licence under the Corporations Act 2001 which allows it to exclude the word "Limited" from its name.

Each member of the Institute guarantees its liabilities to the extent of \$20. The number of members at year end was 2,654 (2001: 2,535).

**17. SEGMENT INFORMATION**

The Institute operates in Australia to provide members of the actuarial profession with education, continuing professional development, public representation and other services.

**THE INSTITUTE OF ACTUARIES OF AUSTRALIA  
NOTES TO THE FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 30 SEPTEMBER 2002 (cont'd)**

**DISCLAIMER**

The additional financial data presented on page 32 to page 33 is in accordance with the books and records of the Institute which have been subjected to the auditing procedures applied in our statutory audit of the Institute of Actuaries of Australia for the year ended 30 September 2002

It will be appreciated that our audit did not cover all details of the additional financial data. Accordingly, we do not express an opinion on such financial data and no warranty of accuracy or reliability is given.

In accordance with our Firm policy, we advise that neither the Firm nor any members or employee of the Firm undertakes responsibility in any way whatsoever to any person (other than the Institute of Actuaries of Australia) in respect of such data, including any errors or omissions therein, arising through negligence or otherwise however caused.



HAINES NORTON  
Chartered Accountants



F. GIANNUZZI  
Partner  
Sydney 6 November 2002

**THE INSTITUTE OF ACTUARIES OF AUSTRALIA  
PRIVATE INFORMATION FOR THE MEMBERS  
PROFIT AND LOSS ACCOUNT FOR THE YEAR  
ENDED 30 SEPTEMBER 2002**

	2002	2001
	\$	\$
<b>INCOME</b>		
<b>Administration</b>		
Interest and Investment Earnings	111,505	145,343
Trust Distributions	17,825	15,164
Market Value Fluctuations on Investments	26,609	(27,481)
Members' Subscriptions	1,236,238	1,208,049
Entrance Fees	32,215	31,686
	<u>1,424,392</u>	<u>1,372,761</u>
<b>Professional Development</b>		
Seminar & Program Income	580,137	339,753
Convention Registrations	-	364,998
Convention Sponsorship Income	-	77,450
	<u>580,137</u>	<u>782,201</u>
<b>Education</b>		
ActEd Royalties	17,230	23,856
Tuition Service (UK) (a)	17,705	22,187
Professionalism Course	70,445	66,800
Sale of Course Material	50,530	44,237
Tuition Fees (Australia)	625,353	578,688
Exemption Fees	361,372	259,110
	<u>1,142,635</u>	<u>994,878</u>
<b>(a) Tuition Service (UK) represents reimbursement of costs incurred in administering exams.</b>		
<b>In previous years this income item was shown as gross with an accompanying expense item.</b>		
<b>Member Services</b>		
Actuary Australia Advertising	16,970	11,130
Job Advertisements	63,875	110,785
Sales of Publications	4,591	7,929
Melville Lecture Income	2,545	-
Functions & Meetings	32,965	26,016
Prize Funds Income	1,919	1,773
Prize Funds Donations	34,194	7,750
Research & Reports	113,400	127,318
PI Insurance Scheme	6,000	9,000
Other Income	7,500	4,000
	<u>283,959</u>	<u>305,701</u>
<b>TOTAL INCOME</b>	<u>3,431,123</u>	<u>3,455,541</u>
<b>LESS EXPENDITURE</b>		
<b>Administration</b>		
Auditors Remuneration	26,645	26,545
Legal Fees	19,756	72,103
General Expenses	6,058	8,460
Staff Amenities & Travel	45,071	40,547
Insurances	14,449	11,261
Merchant Expenses & Bank Charges	57,651	53,791
Premises Expenses	108,286	86,215
Depreciation & Amortisation Expense	43,259	40,005
Loss on Disposal of Depreciable Assets	5,132	-
Computer/Telecommunications	59,438	84,004
Stationery, Subs & Couriers	47,018	45,124
Printing & Distribution	42,901	59,452
Council Expenses	4,847	833
	<u>480,511</u>	<u>528,340</u>

**Employment**

Salaries & Superannuation	964,971	1,039,400
On Costs	40,277	42,083
Fringe Benefits Tax	3,214	3,345
Recruitment expenses	9,799	30,983
	<u>1,018,261</u>	<u>1,115,811</u>

**Professional Development**

Seminar & Program Expenses	373,489	301,892
Conventions	-	345,679
	<u>373,489</u>	<u>647,571</u>

**Foundation Grants**

University of Melbourne Actuarial Foundation	125,000	115,000
Macquarie University Actuarial Foundation	125,000	150,000
University of NSW Actuarial Foundation	125,000	100,200
	<u>375,000</u>	<u>365,200</u>

**Education**

Course Expenses	22,994	47,856
Course Materials	106,742	112,695
Australian Exams Expenses	85,346	106,219
Professionalism Course	61,867	61,882
University Prizes & Scholarships	2,773	1,000
	<u>279,722</u>	<u>329,652</u>

**Member Services**

Functions & Meetings	93,966	89,148
Melville Lecture Expenses	6,704	-
Actuary Australia, AAJ & Other		
Publications	158,322	152,394
Circulars to Members	69,588	91,214
Prizes Paid	8,203	10,121
Contribution to Melville Practitioners Award	-	1,000
Research & Reports	61,923	76,119
PI Insurance Scheme	-	11,185
International Actuarial Associations (incl HK office)	27,490	34,198
Committees & International Representation	80,400	54,937
	<u>506,596</u>	<u>520,316</u>

**Public Affairs**

Functions	10,076	7,210
Consultants' Fees	134,006	3,750
Promotional Materials	-	7,504
Training	-	4,800
Other Expenses	-	1,518
Subscriptions	17,012	10,829
Travel	9,635	12,221
Representation	12,240	6,088
	<u>182,969</u>	<u>53,920</u>
<b>TOTAL EXPENSES</b>	<b>3,216,548</b>	<b>3,560,810</b>

**SURPLUS (DEFICIT) REPORTED**                      **214,575**    **(105,269)**

**THE INSTITUTE OF ACTUARIES OF AUSTRALIA  
PRIVATE INFORMATION FOR THE MEMBERS  
PRIZE FUND MOVEMENTS FOR THE YEAR  
ENDED 30 SEPTEMBER 2002**

Receipts into and payments from the prize funds has been reflected in the Institutes financial performance as follows:

	2002	2001
	\$	\$
Interest Received	1,919	1,773
Supplementations & Donations Received	34,194	7,750
Melville Lecture Expenses	(6,704)	-
Bank Charges & Prizes Paid	(8,203)	(10,121)
	<u>21,206</u>	<u>(598)</u>

The detailed movements in each account are as follows:-

**H M Jackson Prize Fund**

Balance at beginning of year	6,329	6,293
Supplementation from Melville Prize Fund	1,600	1,600
Interest received	195	238
Bank charges	-	(2)
Prize paid	(1,800)	(1,800)
Balance at end of year	<u>6,324</u>	<u>6,329</u>

**A M Parker Prize Fund**

Balance at beginning of year	11,865	12,163
Supplementation from Melville Prize Fund	1,600	1,600
Interest received	374	505
Bank charges	-	(3)
Prize paid	(2,400)	(2,400)
Balance at end of year	<u>11,439</u>	<u>11,865</u>

**Andrew Prescott Memorial Prize Fund**

Balance at beginning of year	9,526	9,502
Supplementation from Melville Prize Fund	2,800	3,500
Interest received	315	431
Bank charges	-	(7)
Prizes paid	(3,200)	(3,900)
Balance at end of year	<u>9,441</u>	<u>9,526</u>

**The Melville Prize Fund**

Balance at Beginning of Year	18,850	19,210
Donations received	14,194	6,750
IAAust contribution to Melville Practitioners Award	-	1,000
Interest received	576	599
Bank charges	(3)	(9)
Lecture Costs	(6,704)	-
Supplementation to other prize funds	(6,000)	(6,700)
Melville Practitioners Award paid	-	(2,000)
Balance at end of year	<u>20,913</u>	<u>18,850</u>

**Katherine Robertson Prize Fund**

Balance at Beginning of Year	-	-
Donations received	20,000	-
Increase in Market Value	420	-
Interest received	139	-
Prize Paid	(800)	-
Balance at end of year	<u>19,759</u>	<u>-</u>



## UNIVERSITY OF NEW SOUTH WALES ACTUARIAL FOUNDATION STATEMENT BY THE TRUSTEES

The Trustees declare that:

- (a) the financial statements and notes thereto present fairly the Foundation's financial position as at 30 September 2002 and its performance for year ended on that date in accordance with Australian Accounting Standards and other mandatory professional reporting requirements;
- (b) in the Trustees' opinion there are reasonable grounds to believe that the Foundation will be able to pay its debts as and when they fall due.

Signed on behalf of the Trustees:



C.G. LEWIS



J.M. NEWMAN

Sydney, 6 November 2002

## INDEPENDENT AUDIT REPORT TO THE TRUSTEES OF THE UNIVERSITY OF NEW SOUTH WALES ACTUARIAL FOUNDATION

### Scope

We have audited the financial report of the University of New South Wales Actuarial Foundation for the year ended 30 September 2002, as set out on pages 34 to 35. The Trustees are responsible for the preparation and presentation of the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the trustees.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and statutory requirements so as to present a view which is consistent with our understanding of the Foundation's financial position and performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

### Audit Opinion

In our opinion, the financial report presents fairly in accordance with Australian Accounting Standards and other professional reporting requirements the financial position of the Foundation as at 30 September 2002, and the results of its operations and its cash flows for the year then ended.



HAINES NORTON  
Chartered Accountants



F. GIANNUZZI  
Partner  
Sydney, 6 November 2002

## UNIVERSITY OF NEW SOUTH WALES ACTUARIAL FOUNDATION STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 SEPTEMBER 2002

	2002	2001
	\$	\$
<b>INCOME</b>		
Donations	125,000	100,200
	<u>125,000</u>	<u>100,200</u>
<b>LESS EXPENDITURE</b>		
Bank Charges	88	142
	<u>88</u>	<u>142</u>
Operating surplus	124,912	100,058

## UNIVERSITY OF NEW SOUTH WALES ACTUARIAL FOUNDATION STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2002

	2002	2001
	\$	\$
<b>TRUST FUNDS</b>		
Balance at beginning of the year	1,107	49
Surplus	124,912	100,058
Less:		
Distributions	(125,000)	(99,000)
	<u>1,019</u>	<u>1,107</u>
<b>REPRESENTED BY:</b>		
Cash at Bank/(Overdraft)	(271)	593
GST Refundable	1,290	514
<b>NET ASSETS</b>	<u>1,019</u>	<u>1,107</u>

**UNIVERSITY OF NEW SOUTH WALES ACTUARIAL  
FOUNDATION STATEMENT OF CASH FLOWS FOR  
THE YEAR ENDED 30 SEPTEMBER 2002**

	2002	2001
	\$	\$
Cash Flows from Operating Activities		
Donations	125,000	100,200
Net GST Paid	(776)	(514)
Payments to suppliers	(88)	(142)
<b>Net cash from operating activities (a)</b>	<b>124,136</b>	<b>99,544</b>
Cash Flows from Investing Activities		
Proceeds from disposal of investments	-	-
Purchase of investments	-	-
<b>Net cash inflows from investing activities</b>	<b>-</b>	<b>-</b>
Cash Flows from Financing Activities		
Payments to beneficiaries	(125,000)	(99,000)
<b>Net cash outflows from financing activities (125,000)</b>	<b>(99,000)</b>	
Net Change in Cash	(864)	544
Opening balance	593	49
<b>Net closing balance (b)</b>	<b>(271)</b>	<b>593</b>

**a. Reconciliation of net cash provided by operating activities to operating surplus**

Operating surplus	124,912	100,058
Increase/(decrease) in GST liability	(776)	(514)
<b>Cash Flows from Operations</b>	<b>124,136</b>	<b>99,544</b>

**b. Reconciliation of cash**

For the purpose of the statement of cash flows, cash includes cash on hand and in banks and net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

National Australia Bank	(271)	593
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**UNIVERSITY OF NEW SOUTH WALES ACTUARIAL  
FOUNDATION NOTES TO AND FORMING PART OF  
THE FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 30 SEPTEMBER 2002**

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

- (b) The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial report has been prepared on an accruals basis and is based on historic costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. The accounting policies have been consistently applied, unless otherwise stated.
- (b) The Foundation has been granted an exemption from paying income tax under the Income Tax Assessment Act and accordingly does not provide for income tax.

**2. FINANCIAL INSTRUMENTS**

**(a) Interest Rate Risk**

The Foundation's exposure to interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates. The Foundation had no interest bearing assets or liabilities at balance date.

**(b) Credit Risk**

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts, as disclosed in the balance sheet and notes to the financial statements. The Foundation does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the economic entity.

**(c) Net Fair Values**

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the Foundation approximate their carrying value.

**3. RELATED PARTIES**

- (a) \$125,000 (2001 \$100,200) was received in donations from the Institute. The Institute acts as nominee holder of Foundation investments.
- (b) Trustees of the Foundation at the date of the report are:
- |                   |                               |
|-------------------|-------------------------------|
| C G Lewis         | BSc(Hons) FIA FIAA (Chairman) |
| M D Barker        | MA FIA FIAA                   |
| C R Latham        | BSc(Hons) FIA FIAA            |
| J M Newman        | BBusSc(Hons) FIAA             |
| Prof G P Whittred | BCom(Hons) MEC PhD            |



## UNIVERSITY OF MELBOURNE ACTUARIAL FOUNDATION STATEMENT BY THE TRUSTEES

The Trustees declare that:

- (a) the financial statements and notes thereto present fairly the Foundation's financial position as at 30 September 2002 and its performance for year ended on that date in accordance with Australian Accounting Standards and other mandatory professional reporting requirements;
- (b) in the Trustees' opinion there are reasonable grounds to believe that the Foundation will be able to pay its debts as and when they fall due.

Signed on behalf of the Trustees:



G.E. ROGERS



W.E. WALKER

Melbourne, 6 November 2002

## INDEPENDENT AUDIT REPORT TO THE TRUSTEES OF THE UNIVERSITY OF MELBOURNE ACTUARIAL FOUNDATION

### Scope

We have audited the financial report of the University of Melbourne Actuarial Foundation for the year ended 30 September 2002, as set out on pages 36 to 37. The Trustees are responsible for the preparation and presentation of the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the trustees.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and statutory requirements so as to present a view which is consistent with our understanding of the Foundation's financial position and performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

### Audit Opinion

In our opinion, the financial report presents fairly in accordance with Australian Accounting Standards and other professional reporting requirements the financial position of the Foundation as at 30 September 2002, and the results of its operations and its cash flows for the year then ended.



HAINES NORTON  
Chartered Accountants



F. GIANNUZZI  
Partner  
Sydney, 6 November 2002

## UNIVERSITY OF MELBOURNE ACTUARIAL FOUNDATION STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 SEPTEMBER 2002

	2002	2001
	\$	\$
<b>INCOME</b>		
Donations	125,000	115,000
Interest	410	941
	<u>125,410</u>	<u>115,941</u>
<b>LESS EXPENDITURE</b>		
Bank Charges	4	93
	<u>4</u>	<u>93</u>
<b>Operating surplus</b>	<u>125,406</u>	<u>115,848</u>

## UNIVERSITY OF MELBOURNE ACTUARIAL FOUNDATION STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2002

	2002	2001
	\$	\$
<b>TRUST FUNDS</b>		
Balance at beginning of the year	25,720	24,872
Surplus	125,406	115,848
Less:		
Distributions	(125,000)	(115,000)
	<u>26,126</u>	<u>25,720</u>
<b>REPRESENTED BY:</b>		
Cash at Bank	26,126	25,720
GST Payable	-	-
<b>NET ASSETS</b>	<u>26,126</u>	<u>25,720</u>

**UNIVERSITY OF MELBOURNE ACTUARIAL  
FOUNDATION STATEMENT OF CASH FLOWS FOR  
THE YEAR ENDED 30 SEPTEMBER 2002**

	2002	2001
	\$	\$
Cash Flows from Operating Activities		
Donations	125,000	115,000
Interest received	410	941
GST Collected	12,500	11,500
GST Paid	(12,500)	(11,500)
Payments to suppliers	(4)	(93)
<b>Net cash from operating activities (a)</b>	<b>125,406</b>	<b>115,848</b>
Cash Flows from Investing Activities		
Proceeds from disposal of investments	-	-
Purchase of investments	-	-
<b>Net cash inflows from investing activities</b>	<b>-</b>	<b>-</b>
Cash Flows from Financing Activities		
Payments to beneficiaries	(125,000)	(115,000)
<b>Net cash outflows from financing activities</b>	<b>(125,000)</b>	<b>(115,000)</b>
Net Change in Cash	406	848
Opening balance	25,720	24,872
<b>Net closing balance (b)</b>	<b>26,126</b>	<b>25,720</b>

a. Reconciliation of net cash provided by operating activities to operating surplus

Operating surplus	125,406	115,848
Increase/(decrease) in GST liability	-	-
<b>Cash Flows from Operation</b>	<b>125,406</b>	<b>115,848</b>

b. Reconciliation of cash

For the purpose of the statement of cash flows, cash includes cash on hand and in banks and net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

National Australia Bank	26,126	25,720
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**UNIVERSITY OF MELBOURNE ACTUARIAL  
FOUNDATION NOTES TO AND FORMING PART OF  
THE FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 30 SEPTEMBER 2002**

**1. STATEMENT OF ACCOUNTING POLICIES**

(a) The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board, and the Corporations Law 2001. The financial report has been prepared on an accruals basis and is based on historic costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. The accounting policies have been consistently applied, unless otherwise stated.

(b) The Foundation has been granted an exemption from paying income tax under the Income Tax Assessment Act and accordingly does not provide for income tax.

**2. FINANCIAL INSTRUMENTS**

(a) **Interest Rate Risk**

The Foundation's exposure to interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates. The Foundation had no interest bearing assets or liabilities at balance date.

(b) **Credit Risk**

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts, as disclosed in the balance sheet and notes to the financial statements.

The foundation does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the economic entity.

(c) **Net Fair Values**

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the Foundation approximate their carrying value.

**3. RELATED PARTIES**

(a) \$125,000 (2001 \$115,000) was received in donations from the Institute. The Institute acts as nominee holder of Foundation investments.

(b) Trustees of the Foundation at the date of this report are:

G E N Rogers	FIA FIAA (Chairman)
M H Fry	BSc(Hons) FIA FIAA
R S Mitchell	ASA FIA FIAA
W E Walker	BSc(Hons) MBA AIA FIAA
R A Williams	Bcom MSc PhDs Bcom MSc PhD



**MACQUARIE UNIVERSITY ACTUARIAL FOUNDATION  
FIFTEENTH ANNUAL REPORT FOR THE YEAR ENDED  
31 DECEMBER 2001**

**Board**

The members of the Board of the Foundation during 2001 were as follows:

Appointed by The Institute of Actuaries of Australia

Mr R J Atfield	FIA, FIAA (Chair)
Mr R G Glading	BSc, FIA, FIAA
Mrs C M Prime	BSc, DipLaw, FIA, FIAA, ASA
Mr B C A Welland	FIA, FIAA

Appointed by the University Council

Dr M G Irving AM	BCom, HonDLitt, FAICD, FCPA, FSIA
Professor J H Pollard	BSc, PhD, FIA, FIAA, FSS, FASSA
Mr M J Webster	M Com, FCPA

Four Board Meetings were held during the year (27 February 2001, 23 April 2001, 23 August 2001, 22 November 2001).

**Income and expenditure**

An income and expenditure statement for the year and a comparison with the previous year is set out in the statement of Profit and Loss. The Foundation gratefully acknowledges contributions totalling \$150,000 (plus GST) from The Institute of Actuaries of Australia. There were also contributions of \$11,350 from certain scholarship donors. The relatively small interest income (\$942) reflects both the comparatively small balance held in the Foundation account and the low interest rates prevailing during the year. Comments on the main expenditure items are given below.

**Members**

There were no additions to the list of Members, and the number of companies, firms and individuals who have qualified for Membership of the Foundation remains at 126.

**Activities**

The major expenditure commitment of the Foundation was in respect of market related salary loadings paid to actuarial staff members and payments to certain scholarship holders.

The Foundation Board performed an important role in providing advice to Professor Pollard and the Actuarial Studies Department. A meeting with the actuarial staff took place in conjunction with the Board Meeting on 27 February 2001.

**Developments during 2001**

Three AMP-Macquarie University China Fellows visited the Department of Actuarial Studies during 2001: Associate Professor Wu Lan (Peking University), Associate Professor Wang Rongming (East China Normal University) and Dr Chen Tao (SWUFE). Each of the visitors gave seminars at Macquarie University and also to the Institute of Actuaries of Australia. Opportunities for ongoing collaboration are being fostered.

The Department again provided web-based teaching of the 'Control Cycle' around Australia and overseas as well as local Sydney students. With support from the Institute of Actuaries of Australia Professor Pollard and Mr Shepherd presented concentrated sample week-long offerings of the 'Control Cycle' in Chengdu and Shanghai in April 2001 and in Beijing in November. There is a lot of interest

in China, and Macquarie University is widely recognised in that country as the premier actuarial studies university.

Ms Clare Bellis and Mr John Shepherd were appointed Editors of the Institute of Actuaries of Australia textbook in this area, and will be selecting authors of chapters and referees for those chapters world-wide.

Professor Pollard was awarded the Silver Medal of The Institute of Actuaries of Australia for his teaching, research and service to the profession. He is only the third person to receive this award in the century-long history of the Institute.

**Acknowledgments**

The Board wishes to acknowledge its sincere appreciation of the work of Professor Pollard who acted as Executive Officer of the Foundation, Mr Gary Grocott (Manager of the Division of Economic and Financial Studies) and the related University administrative staff who contributed to a most successful year of operation for the Foundation.

**R J Atfield**  
Chair

**MACQUARIE UNIVERSITY ACTUARIAL  
FOUNDATION STATEMENT OF PROFIT AND LOSS  
1 JANUARY 2001 TO 31 DECEMBER 2001**

	2001	2000
	\$	\$
<b>BALANCE BROUGHT FORWARD</b>	37,790	-
<b>INCOME RECEIVED</b>		
Institute of Actuaries of Australia	150,000	245,000
Scholarship Donations	11,350	40,750
Interest	943	2,392
25% ASFA Fees 2000	-	23,415
ASFA (Actuarial Studies Department)	-	42,965
(additional contribution to cover shortfall)		
	200,083	354,522
<b>EXPENDITURE</b>		
Personnel		
Academic Salaries	138,665	287,698
Salary on Costs	11,093	24,455
Scholarship Payments	37,402	2,960
Non Salary Expenses	80	1,619
	187,240	316,732
<b>BALANCE CARRIED FORWARD</b>	12,843	37,790

I certify that the expenditure itemised above has been incurred solely for the purposes of this project.

I also certify that salary rates paid to persons employed on this project accord with the rates applicable to persons of similar status and responsibility employed by the University.



Denise Osmand FCPA  
Chief Finance Officer and Deputy Director  
4 February 2002

■ END







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