



Institute of Actuaries of Australia

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VISION AND MISSION

Our Vision

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.

Our Mission

To support the professional and career aspirations of its members:

- To provide or arrange effective pre-qualification education and valued and inclusive continuing professional development programs and forums.
- To promote research and the development of actuarial science and support the expansion of the profession into new areas of endeavour.
- To provide practice guidance to help actuaries provide professional services of high quality and to maintain and enforce sound professional standards to protect the public and the reputation of the profession.
- To represent the profession in Australia, and develop and promote the actuarial profession's value, including contributing to and informing debate on public policy and business issues.
- To meet member service needs and expectations, including efficient Secretariat operation and financing, and provide valued member communications.

Our Goals

- The actuarial profession is growing and diversifying with increasing influence.
- Actuaries have a high reputation for ethics and sound advice.
- The profession and the Institute are broadly recognised and actuaries have a reputation for highly skilled advice.
- The Institute is valued and highly regarded by its members, with high member capture and retention rates.
- The actuarial profession is enjoying global and regional success.

HIGHLIGHTS

Member Services and Professional Development

- New CPD programs developed and launched including an online Private Health Insurance Course, a five day Enterprise Risk Management Course and a Business Luncheon Program
- Record attendance at the 2007 Biennial Convention and a new Learning Journal introduced
- Website upgraded to provide improved search and functionality and audio files of major seminars made available to members via the website
- 2008 2010 Strategic Plan successfully developed
- IT strategic plan developed to enhance the information technology platform

Professional Education

- Provisional accreditation awarded to Curtin University for its Part I program
- Continued implementation and enhancement of the Baker Review recommendations, including the re-launch of the Part III Investments Course 1 during first semester
- Staged implementation of e-learning for Part III subjects
- Board of Examiners processes streamlined to further improve efficiency
- Increasing numbers of students entering the Part III education program and a gradual increase in pass rates

Public Affairs

- Submissions made to the Government and regulators on a wide range of issues including:
 - product rationalisation
 - life insurance and friendly society data collection and returns
 - private health insurance rules
 - the prudential supervision of life insurers
 - draft regulations on pensions and annuities
 - emissions trading
 - financial services advice provisions
 - changes to the general insurance prudential framework
 - streamlining prudential regulation for the financial services industry
- Significant media coverage on the key issues pursued including the economics of climate change and the need for better regulation of debenture holders
- Media roundtable discussion held to brief journalists on the failure of property based debenture schemes and the profession's ability to provide useful and practical insights into the financial risk management and prudent operation of such schemes

Governance & Regulation

- Release of new Professional Standard PS 300 Valuations of General Insurance Claims
- Induction process for new Councillors developed and implemented
- Nominations Council Committee formed to encourage interest from members in joining Council and ensure a sufficient number and variety of candidates for Council elections
- New guide produced for those thinking about joining Council and development of a Director's Compendium as a tool for increasing Councillor effectiveness
- Exposure draft of Constitutional changes released for member comment
- Production of a CD-rom of Professional Standards and Guidance Notes

International

- Institute of Actuaries of Australia invited to join the East Asian Actuarial Congress
- Strengthened relationships with the International Actuarial Association and intensified involvement in the Asian region
- Relationships built with a range of international actuarial bodies essential to underpin collaborative efforts on education. CPD, research and other activities
- Signed a Statement of Intent with a selection of more developed actuarial professional bodies to establish a globally-recognised qualification in ERM

PRESIDENT'S REPORT



Fred Rowley, President



Presidential Address attendees



Overview

For the Australian actuarial profession, and for the Institute, the past year has featured a number of notable achievements, some transitions and some very significant new beginnings.

In my Presidential Address, I expressed the earnest hope that it would be possible to redeploy a component of our resources to some major projects outside the governance field, following the completion of several major projects last year. I am pleased to say that this has proved to be true, and we have therefore made a great deal of concrete progress on a number of important fronts.

Enterprise Risk Management

We are making rapid strides on building the profession's capabilities in the growing field of Enterprise Risk Management. Many believe that the response of the actuarial profession to the challenges posed by the 'ERM phenomenon' will be critical to the future prosperity of the profession and should therefore be a major factor in the evolution of our capabilities. It is my personal view that this evolution will quickly move the profession towards a much broader view of what constitutes 'actuarial' risk – empowering our members to practise effectively across the whole spectrum of quantifiable and/or controllable risks with uniform fluency and capability.

To achieve this empowerment, we need to be realistic about the current level of our achievement in the field, and work hard to bring the unique actuarial way of thinking into play where it can add most value. On this basis, the Australian profession may be ahead of many others overseas, but even so there is still much work to do. Nevertheless, the first steps have gone well.



Our first CPD course covering the basics of ERM commenced in October. This module is aimed mainly (but not exclusively) at Approved and Appointed Actuaries in the insurance practice domains. Delivery has been outsourced to the Macquarie University Applied Finance Centre, whose comprehensive skills and geographical coverage make them an impressive partner in this major strategic initiative.

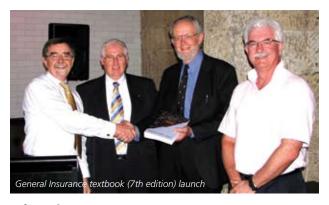
The Risk Management Practice Committee, under lan Laughlin's leadership, is well positioned to work on the next steps most likely in collaboration with their counterparts overseas. One option being evaluated is a Part III course in ERM. It is notable that the Society of Actuaries (USA) has started to confer the designation of CERA ('Chartered Enterprise Risk Analyst') on those of its Fellows and Associates who wish to specialise in this field.

I believe the signing of a Statement of Intent by a selection of the more developed actuarial professional bodies at the Dublin International Actuarial Association (IAA) meetings may mark the start of real progress towards a global designation for actuaries in ERM.





Biennial Convention 2007



Education

This year the Institute has been able to initiate some steps that should soon make a substantial difference to our education delivery – particularly to Part III. These steps include redesigning the Board of Examiners' processes to make the processes more efficient, as well as substantive progress towards outsourcing of the more generic parts of our education and examination processes. Other forms of outsourcing and/or collaborations are also being investigated, and computer-based examinations will be trialled later this year. It is intended that these steps will enhance the effectiveness of these parts of our activities, assisting the profession to maintain its standards while at the same time relieving some of the obvious strains on our volunteer members.

In considering all these actions, your Council has been continuously mindful of the overriding importance of the quality of the professional people produced through our education processes. It is to be expected that the maintenance of the actuarial 'brand' will continue to be a very powerful factor in any decisions in this important area.

Research

I am pleased to report that the Actuarial Research Centre of Australia (ARCA) is in contractual negotiations for funding agreed by the Heads of Workers Compensation Authorities in Australia and New Zealand for a major research project in the field of accident compensation. In addition, Council continues to emphasise the need for focussed research to target the needs of the profession specifically. A Taskforce has therefore been convened, under the leadership of Trevor Thompson, to undertake a more comprehensive review of all the Institute's research needs and activities, including ARCA itself.

International

On the international front, we have re-focused our support and contribution to the IAA in order to maximise the value of our representation in areas where we have a definite goal to pursue. At the same time we have shifted resources to intensify our activities in the Asian region, with a focus on 'actuarially developing countries'.

The Institute's support for the IAA Fund Meeting in Bangkok, and our recently-acquired membership of the East Asian Actuarial Congress, are indicative of this new focus and can be expected to form a recurring part of our international agenda in years to come. Our relationships with the professions in Singapore, Hong Kong and elsewhere in China continue to be excellent, and we remain alert to opportunities to support our members there.

Ultimately, all these activities are designed to support the development of a globalised profession while positioning the Australian profession and the Institute to compete overseas in the future. The redeployment of resources to provide more assistance directly is a key step to delivering greater value from

our finite contribution. At the same time we are selectively building stronger relationships in the region, based on better mutual understanding.

Public Affairs

The Institute has continued to make a material contribution in the public policy arena, based largely on the efforts of our Practice Committees. In 2007, the most notable contributions have been in the areas of climate economics, regulation of debentures, simplification of superannuation, and (most recently) rationalisation of 'legacy' financial products.

Each of these contributions has allowed us to extend and consolidate our relationships with key areas of the government, regulators and/or academia, as well as building broader public awareness of the profession's capabilities.

Although strictly an education matter, the very favourable publicity generated by the launch of our new online Private Health Insurance CPD course by the Health Minister, The Hon Tony Abbott MP, was an undoubted bonus in the field of public relations and is a credit to all concerned.

Institute's Strategic Plan

The successful production of the Strategic Plan for 2008-10 was particularly important to the Institute and to the profession going forward. The Plan takes a ground-up approach to defining what we aim to achieve in a measurable way and is intended to be a living document – used frequently as a basis for strategic decisions and updated as circumstances change. It was produced by a team composed largely of Councillors and led by Senior Vice-President Greg Martin, after widespread consultation and debate with members. I am confident that it will stand the test of time very well indeed.

PRESIDENT'S REPORT (CONTINUED)





Governance

Council has completed final consultations on the proposed changes to the Institute's Constitution which will be the subject of an Extraordinary General Meeting early in 2008. The basic purpose of these changes is to move Council to a more streamlined structure with improved continuity. This follows the recommendations of the Internal Governance Taskforce. The main changes relate to a reduction in the number of Councillors and an increase in their period of service to four years. Further details of the proposed changes can be found in the Governance section of this Report.

The Professional Standards Committee successfully issued the revised PS300, which will be a prototype for further new standards in the future.

The Designations Taskforce released a Discussion Paper on the possible re-positioning of the Associateship designation and consultations are still in progress at the time of writing.

Youth

One of the many pleasures of my presidential year has been the opportunities it gave me to visit five universities, to speak directly to students and to hear their views on the most important issues affecting them. For recent graduates, the Young Actuaries' Program seems to have been a popular innovation, and receives praise for both the quality of the material and the value of the networking opportunities it provides. Many of the Communications Taskforce recommendations have been put into practice, and the Leadership Taskforce has now entered its implementation phase. The importance of these investments in the young people entering our profession cannot be overstated: all of what we do is ultimately intended for their benefit. We need to stay in

touch with their aspirations because as a group they form one of our key markets. In view of this, we should expect more activity to develop over the next year or two, aimed at young people, careers advisers and employers.

Operational and Financial

The majority of our operational matters are contained in the CEO's Report and I will not replicate them here.

However, it would be remiss of me not to mention and applaud the outstanding success of the Biennial Convention in Christchurch, New Zealand. The entire Organising Committee and the Institute staff team deserve our sincerest thanks for producing a terrific event which went off faultlessly even with the record attendance. Particular credit goes to Barry Rafe for his masterful leadership and to the program committee for giving us such a feast of technical and professional papers. All those attending were impressed by the broad coverage of our 'Adventures in Risk'.

As the 2006-7 reporting year comes to a close, it is difficult to believe that John Maroney's full-time involvement with the Institute started only a little over a year ago. Since then he has dealt impressively with the huge range of issues and tasks necessary to make the Institute work effectively. I am confident that the skills, energy and creativity of John and his team will bring enormous benefits to the organisation going forward.

Council Matters

As the year has progressed, Council has moved to spending a great deal more of its meeting time on the strategic agenda, with a greater range of activities now carried out under stronger delegations by the CEO, Institute staff, or by Council Committees.

Two casual vacancies on Council were filled by Bozenna Hinton and Susan Antcliff and it was my pleasure both to welcome these two very capable new members to the Council and to thank departing Councillors for their contributions.

The Nominations Council Committee that was introduced earlier in the year succeeded admirably in relation to the election of five new Councillors.

My special thanks go to the two Vice-Presidents, Greg Martin and Trevor Thompson, and to all our other Councillors for their pro-active contribution and support during the year. It has been a pleasure to work with all of them and it is satisfying to know that the Institute will be in such safe and thoughtful hands going forward.

Conclusion

The progress outlined above represents the continuation of our profession's long history of innovation in response to our customers' needs and in parallel with the development of our professional skills.

It is my hope that recent developments will lead to a much more inclusive approach to membership of this profession – based around a widely-applicable and comprehensive approach to prospective financial problems, rather than based exclusively around reserved roles in specific industries.

However the future turns out, the Institute will clearly need to continue to evolve rapidly to meet the challenges it brings. I am confident the Australian profession will remain well positioned, both to develop in its own right, and to make a leading contribution to the globalisation of the profession.

■ Fred Rowley President

COUNCIL

Fred Rowley MA, FIA, FIAI, FIAA – President, Council Member, Member of Executive Council Committee, Convenor of Designations Taskforce, Secretary of the IAA 'Actuaries without Frontiers Section', Member of the IAA China Sub-Committee and of the IAA Professionalism Committee. Elected to Council in 2003.



Anthony Cook BSc, FIA, FIAA – Council Member, Member of Audit Council Committee, Member of Strategic Planning Taskforce, Member of Leadership Committee. Elected to Council in 2004.



Nathan Rivett BSc, FIA, FIAA – Council Member, Member of General Insurance Practice Committee, Member of Designations Taskforce. Elected to Council in 2004.



Greg Martin BA, FFin, FIA – Senior Vice President, Council Member, Member of Executive Council Committee, Member of International Council Committee, Chair of Nominations Council Committee, Convenor of Strategic Planning Taskforce, Member of 2008 Financial Services Forum Organising Committee. Elected to Council in 2003.



Edward Fabrizio BEC, MBA, FIAA, FNZSA, FAICD – Council Member, Member of Education Council Committee, Member of Strategic Planning Taskforce. Elected to Council in 2006.



Steve Schubert BSc, FIAA – Council Member, Convenor of Superannuation & Employee Benefits Practice Committee. Appointed to Council in 2005.



Bozenna Hinton BEc, FIAA – Council Member, force, Member of Member of Part III Review Taskforce. Appointed to council in 2007.



Mark Turner BA (Hons), FIA, FIAA, FIAI – Council Member, Member of International Council Committee, Member of Designations Taskforce. Appointed to Council in 2006.



Trevor Thompson BA (Econ), FIAA – Vice President, Council Member, Member of Executive Council Committee, Interim Chair of Education Council Committee, Chief Examiner for Part III CAP Course Semester 1 2007, Convenor of Part III Outsourcing Sub-Committee, Convenor of the Prizes and Awards Panel, Chair of the A H Pollard Scholarship Review Committee, Elected to Council in 2003.



Rodney Hoskinson BAppSc, FIAA – Council Member, Member of Education Council Committee, Member of General Insurance Practice Committee. Elected to Council in 2004.



Rowan Ward BSc, FIAA – Council Member, Member of Nominations Council Committee, Member of Designations Taskforce. Elected to Council in 2004.



Jennifer Lang BEC, FIA, FIAA – Council Member, Member of Audit Council Committee, Member of Life Insurance and Wealth Management Practice Committee. Elected to Council in 2005.



Bruce Watson BSc (Hons), FNZSA, FIAA – Council Member, Member of Accountants and Actuaries Liaison Committee, Member of Strategic Planning Taskforce, Member of Audit Council Committee. Elected to Council in 2005.



Susan Antcliff BSc (Hons), FIAA –
Council Member, Member of Education Council
Committee, Member of Part II External Examiners
Committee. Appointed to Council in 2007.



lan Laughlin BSc, Adv Dip FS (FP), FIA, FIAA, FAIDC – Council Member, Convenor of Risk Management Practice Committee, Member of 2008 Financial Services Forum Organising Committee. Elected to Council in 2006.



CHIEF EXECUTIVE'S REPORT





Introduction

I have enjoyed my first full year as CEO of our Institute as it's a very interesting and challenging role. All professions evolve to survive and our profession is facing an unprecedented degree of evolution over the next decade. The entire actuarial profession can be traced back to the career of a single actuary, William Morgan, who helped transform a clerical role into a professional role at the turn of the 18th century. The world has changed enormously over the last two centuries and so has our profession.

For much of this decade, we've been exploring how the Institute can help steer the next stages of evolution. The planning is now reasonably complete and we can move further on to execution stages. As the President has explained in his report, the growing field of Enterprise Risk Management (ERM) and its potential to redefine future roles for many actuaries is of crucial importance.

Of course, planning and execution are just two components of a strategic and management cycle that require constant review. This report is primarily part of the review process but will touch on future plans where relevant.

Education

Professional education is a key activity of the Institute. From when students leave school or university and choose to commence actuarial studies until they qualify, the Institute oversees or delivers their education. Most students in Australia choose one of our accredited actuarial programs, to study Parts I and II of our syllabus. Curtin University became the fifth university accredited by the Institute this year, drawing most of its actuarial students from overseas, including from Asia and Africa. The overall quality of the actuaries we produce is

highly regarded and the university system is viewed as a key contributor to the quality.

The Institute directly delivers the Part III courses in investments and specialist areas of practice, using a large team of volunteers and contractors. The President has mentioned some of the changes to improve the delivery of these courses (such as planned outsourcing of the investment and finance subjects to Macquarie University from 2009) and more detail is provided later in this report, especially in relation to the Baker review which provided a framework for improving the quality of our Part III education system.

From a resource management viewpoint, direct delivery of customised education courses and examinations is very intensive and we will continue to look for ways to improve the efficiency of delivery through the use of modern learning management systems. We will also seek alternative delivery mechanisms through outsourcing, partnerships and collaboration with other actuarial bodies and educational institutions.

A key opportunity cost of devoting so much volunteer and profession resources to basic education is often overlooked. It is very difficult to attract and devote resources to other important Institute goals including professional development and research activities.

On an international level, education was recently rated as the highest priority in a survey of all actuarial associations. The global actuarial profession is small compared to other professions; hence our fragmented approach to actuarial education is disproportionately costly. We are currently in active discussion with several associations to improve the degree of collaboration and reduce the amount of duplicated effort that is invested in the more generic components of actuarial education

Professional Development

I want to add my congratulations to all those involved with the Christchurch Biennial Convention. There was a record attendance, the subject material was very informative across a wide range of topics and we showcased our profession strongly to the visiting Presidents and Vice Presidents from New Zealand, Japan, South Africa, US and UK. Other major successes during the year were the Accident Compensation Seminar held in Melbourne, The New Super Landscape Seminar and a strong program of Insights and Horizons sessions.

There is strong demand for high quality CPD from all practice areas and the program of seminars, CPD courses and other opportunities is regularly expanded to meet this demand. We have increased the resources in this area during 2007 and plan further increases during 2008 to help meet the increasing demand.

One of the projects commenced this year was to develop a framework to more closely link the basic educational material in Part III courses with the evolving CPD delivery mechanisms. Further effort will be applied to this project during 2008, in conjunction with the proposed development of a capabilities framework for all members from students, to new Fellows and to those in the later stages of their careers.

Governance & Professional Standards

The Professional Standards Committee oversaw the development of the first new professional standard under the new process, PS300, governing valuations of general insurance claims. As with all new processes, some teething problems became evident and the processes are being refined to reduce any future problems. Other professional standards are in the pipeline and we expect PS200, governing actuarial reports







for life insurers and friendly societies, to be finalised in 2008 followed by PS400, governing superannuation reporting.

Development and maintenance of professional standards and guidance notes is an important prerequisite to ensure that the quality of actuarial advice remains high and is perceived so by external audiences. A major volunteer effort is required to complete the first iteration under the new process and the investment will produce a significant improvement in the risk management framework that the Institute provides for its members. This framework will be examined closely, if and when we apply to be covered by the Professional Standards Scheme legislation. Following discussion by the Executive Council Committee and a survey of members, the proposed application was deferred for at least 12 months and until the process of mutual recognition between different State schemes has been resolved.

We also conducted the first review of compliance with PS1, the standard covering CPD requirements, and will conduct audits from 2008.

Public Affairs

Relevance and timing are two of the key drivers that help produce the media coverage we seek to support our goals of enhancing the reputation of the profession and recognition of the actuarial brand. We achieved significant coverage on the key issues we pursued: the economics of climate change and the need for better regulation of debenture providers. We also received some coverage on the emerging roles for actuaries as risk managers and expect this coverage to grow as we demonstrate our relevance and capabilities.

We regularly responded to official requests for submissions and continued to develop our relationships with Ministers,

Shadow Ministers, regulators, officials and others involved in the policy development and implementation process. We also collaborated closely with other associations in the financial sector and more broadly, to leverage our input on issues requiring a broad based response and to help build awareness of the value that actuaries can add to problem solving outside traditional actuarial areas.

International

Insurance and banking are recognised as global sectors and many other areas of actuarial involvement are also globalising rapidly. Effective development of a global actuarial profession will take some years, but significant progress was made this year. In conjunction with the President and our representatives to the International Actuarial Association (IAA), we have now strengthened our relationships with both the IAA itself and with those countries regarded as strategically important to the development of the actuarial profession in our region. The recently reformed International Council Committee is the focal point for co-ordinating our efforts internationally. As Europe and other countries move insurance regulation towards Solvency II in 2012 and the international insurance regulatory and accounting standards move towards finalisation, we need to ensure that our views are heard clearly.

In support of these efforts, I attended a number of international meetings over the year, including two ERM Institute International Board meetings (New York & Christchurch), IAA committee and Council meetings (Edinburgh), IAA Fund meeting for South East Asian countries (Bangkok), East Asian Actuarial Conference (Tokyo) and the International Association of Insurance Supervisors Solvency Sub-committee (Sydney). I also met privately with senior staff and officials from the Society of Actuaries, Casualty Actuarial

Society, Conference of Consulting Actuaries, American Academy of Actuaries, IAA, Canadian Institute of Actuaries, Institute of Actuaries, Singapore Society of Actuaries, Thailand Society of Actuaries and the Actuarial Society of South Africa.

All these meetings were helpful in building the relationships essential to underpin significant collaborative efforts on education, professional development, research and other activities. The invitation for Australia to join the East Asian Actuarial Congress (EAAC) is clear evidence that our strategy for regional engagement is progressing well.

Strategic Plan

Leveraging the extensive work of the Vision 2020 Taskforce, the 2008-2010 Strategic Plan was developed by the Strategic Planning Taskforce. The Plan was discussed at members' meetings and written submissions were also invited.

A key aim of the Plan is for the Institute to evolve from an 'Educator and Licensor' to a more 'Member Services and Educator' focus, albeit, not forgetting the 'licensor' need. Other foci of the Plan include'

- ERM as a growth opportunity as well as an imperative to complement our pre-existing risk management skill and our brand
- Research and development to maintain and develop the profession's science and skills
- Pre-qualification education (Parts I, II and III) aligning content, methods, delivery and examination/admittance standards and approaches with the desired skills outcomes

More detailed information about the Strategic Plan is provided in this Annual Review.

CHIEF EXECUTIVE'S REPORT (CONTINUED)



Management & Operations

Management of the operations of the Institute has become a demanding role as the size and complexity of the business has grown and the number of staff has increased commensurately. Staff turnover continued over the last year with two staff moving overseas and one leaving to start a family. Significant resources were invested in training and development activities, including a two day offsite programme to boost morale and to initiate a culture change process aimed at further improving performance and job satisfaction. The entire team responded well to the increased transparency and empowerment of the new management structure. We want to be seen as a strategic, professional, inclusive, high performing team with a strong sense of esprit de corps.

Systems and processes need substantial redevelopment to enable staff to perform to their true potential. Key priority is now being given to IT systems which had been neglected and not well aligned with strategy. While the website was launched immediately before I commenced, it is now apparent that it will have a limited lifespan as the underlying technology has been rapidly superseded and the developer elected not to renew our support contract. Accordingly, the IT strategic plan has been prepared on the assumption that a replacement integrated website and membership administration system will be selected next year and implemented by the end of 2009.

It has also been agreed to appoint a Director of Operations, a role which has been vacant since 2004. This role will take on high level responsibility for IT, administration and finance and most other support activities. It will free up other senior resources to pursue the high priority strategic activities recently identified, particularly those with an external focus.

Financial Management

Overall, 2007 has been a strong year financially for the Institute with a surplus of \$846,000 arising. This is primarily due to strong attendance at major events, increased education enrolments, exemption fee collections and job advertisements. There has also been some cost savings from implementing the new learning management system and deferral of several educational projects. However, the strong result does not imply that all activities ran smoothly. The Institute adopts a conservative, fixed interest based investment profile for the investment of most of our reserves, with a range of credit market strategies adopted to enhance longer term returns. With adverse credit market conditions over the latter part of 2007, some lower results were achieved. In this respect we note we had \$200,000 invested with Basis Capital (representing 4%-5% of our portfolio). Most of the \$94,000 market value fluctuation shown in our accounts relates to a the reduction in the valuation of this investment. Nevertheless. the overall investment strategy performed well and achieved \$200,000 of the \$240,000 budgeted for the year, and we have benefited from our investment strategy with above benchmark returns over the longer term. For members interested in the breakdown in revenue, please refer to the detailed financial statements that are provided in our statutory report which is available on request or on our website. The proposed budget for 2008 incorporates significant capital and strategic expenditure which will underpin the strategic plan recently adopted by Council. Hence, next year's financial results will reflect the planned deployment of some surplus funds to improve education delivery and other member services by developing the required infrastructure.

The accumulated surpluses of recent years position the Institute well to stabilise the existing operational platforms through significant investment in IT and other systems and to invest in

the many strategic initiatives contained in the strategic plan. Significant financial risks loom for the Institute, especially arising from the efforts to improve the quality of education delivery via outsourcing and other initiatives. A major part of Part III revenue will be diverted elsewhere and per capita costs will increase significantly from current plans. However, Council has resolved that it is more appropriate for the quality and effectiveness of our education system to be given higher priority than retention of revenue streams that are largely the outworking of the low pass rates of the current system. As the implications become clearer, the necessary adjustments to management and operational infrastructure will be made taking into account all relevant factors, including expected growth in activity and revenue in other areas.

To assist with the adjustment process and for improved governance, the terms of reference of the Audit Council Committee are being extended to enable it to operate as an Audit and Risk Council Committee and oversee all material risks (both financial and other risks) facing the Institute in the years ahead.

Conclusion

It remains for me to thank all those who have contributed to the successes achieved this year. This includes all the staff in the Secretariat, the very many volunteers (including those who work on contracts with substantial "volunteer" components), their generous employers who support their volunteer efforts and especially all Council members who not only take their governance roles very seriously but also frequently participate in many of the most demanding committees and task forces. I support the President and Vice Presidents in both strategy development and execution, within the policy framework determined by Council on behalf of all members. It is a privilege to be part of such a dedicated team.

SECRETARIAT

Personal Assistant to Chief Executive	Julia Purves
Director, Professional Education	Stephen Wright
Education Manager	Philip Latham
Program Manager	Katrina McFadyen
Education Officer	Carmen Joseph
Education Officer	Lauren O'Donnell
Education Coordinator – Part III	Robyn Bulless
Actuarial Education Consultant	Carol Dolan
Director, Practice Development	Darren Davis
Professional Development Manager	Sarah Hodgkinson
Events Coordinator	Stephanie Brennan
Events Coordinator Events Coordinator	Stephanie Brennan Sheridan Mew
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Events Coordinator	Sheridan Mew
Events Coordinator Membership Coordinator	Sheridan Mew Linh Luong
Events Coordinator Membership Coordinator Director, Governance & Regulation; Company Secretary	Sheridan Mew Linh Luong Anne Peters
Events Coordinator Membership Coordinator Director, Governance & Regulation; Company Secretary Director, Public Affairs	Sheridan Mew Linh Luong Anne Peters Philip French
Events Coordinator Membership Coordinator Director, Governance & Regulation; Company Secretary Director, Public Affairs Finance & Administration Manager	Sheridan Mew Linh Luong Anne Peters Philip French Peter McBride
Events Coordinator Membership Coordinator Director, Governance & Regulation; Company Secretary Director, Public Affairs Finance & Administration Manager Finance & Administration Officer	Sheridan Mew Linh Luong Anne Peters Philip French Peter McBride George Zorbas
Events Coordinator Membership Coordinator Director, Governance & Regulation; Company Secretary Director, Public Affairs Finance & Administration Manager Finance & Administration Officer Information & Technology Manager	Sheridan Mew Linh Luong Anne Peters Philip French Peter McBride George Zorbas Julian Buckell



(Left to right, standing): Stephen Wright, Rebecca Moore, Lauren O'Donnell, Darren Davis, Philip Latham, Julian Buckell, Linh Luong, Peter McBride, Carmen Joseph, Robyn Bulless, Katrina McFadyen, Sheridan Mew, Anne Peters, Sarah Hodgkinson, Stephanie Brennan, Julia Purves (Left to right, foreground): George Zorbas, Wahiba Tegmouss, Philip French



Chief Executive John Maroney



Carol Dolan (absent from group photo)

STRATEGIC RATIONALE

Institute as a Service Provider

If in the longer term, the Institute is to be responsive to an evolving profession and changing world, maintain/grow our position in that global world, and be in a position to attract and retain professionals we think of as actuaries and who do good work in spaces we want to see identified as 'actuarial' (and not a competing profession's space), the Institute needs to evolve from a 'Educator and Licensor' focus to a more 'Member Services and Educator' focus [albeit not forgetting the licensor need].

- Value proposition: Provide membership value across the range of different member segments.
- Education and designations issues are directly inter-related with this (see further below).
- Our CPD model is a key component. Our geographical service delivery is a key component.
- Our 'marketing' objectives, aims and support of members are a key component.
- An efficient and cost effective Secretariat and an adequate, user friendly IT infrastructure is a key component.

Pre-Qualification Education (Parts I,II and III)

A number of inter-linked issues currently impact the Part III program, but also Parts I and II, ranging from student (member) satisfaction, delivery issues, pass rates, outcomes achieved, ability to deal with an expanding remit (Health, GRIS, ERM), R&D leverage, CPD application, how to fit risk management in, and broader international opportunities and needs. While there are short term imperative issues to be addressed in terms of delivery and content (including planned new courses) for Part III, we need to:

- Reassess what it is we wish to achieve with Parts I, II and III, the skills outcome we want (e.g. communication, business acumen, risk management) and their relationship with any changes to designations.
- Align content, methods, delivery and examination/ admittance standards and approaches with the clear outcome wanted.
- Think about our education product, including delivery, content and text books, strategically.

ERM

ERM is a clear growth opportunity as well as an imperative to complement our pre-existing risk management skills and our 'brand'. If we are going to succeed in delivering high value professional ERM skills to the marketplace and not be 'pushed aside' we need to apply serious effort to establish our presence and win a satisfactory place in the marketplace.

Relevance, Growth and Quality Assurance

R&D, professional standards and regional/global support and relevance:

- Without adequate R&D to maintain and develop our science and skills, success will be short lived. R&D is a 'service provider' issue.
- Our reputation for high quality and ethics is an imperative to maintain.
- Involvement, support and co-operation in our region is an imperative to underpin our long term global relevance and future.

STRATEGIC PLAN

Whenever there is uncertainty as to future financial outcomes, actuaries will be sought for their valued advice and authoritative comment.

Goals	What Success Looks Like	Risks	Key Strategies	Key Actions
The Actuarial Profession is Growing and Diversifying with Increasing Influence.	 The number of actuaries is sound and growing, including in new areas. Sound remuneration. Senior role numbers increasing. 	Failure to move into new areas:Actuaries not valued.Oversupply.	 Change Institute focus to 'Member Services and Educator' (from 'Licensor'). Members join for value proposition. 	 Implement Designations Taskforce outcomes. Articulate the value of actuaries. Proud to be an actuary program. Assess and change Institute services, fees etc philosophy and structure.
 Actuaries have a High Reputation for Ethics and Sound Advice. 	Good flow of quality and diverse new entrants, associates and fellows.	Not attractive to new entrants.Poor salaries.	Revise Institute operational model.Enable support of initiatives.Volunteer management	 Business and operational plans linked to strategy. IT resources, staffing. Volunteer 'list' and employer support.
■ The Profession and	 Limited negative press. Actuaries recognised by business and public sector for ethics and reliability. 	Professional failures or poor performance: — Reputation.	Pre-qualification education review.Align needs and outcomes.Skills, communication, ethics	 Stabilise current Part III delivery, resources. Text books as products. Full competency review. Designations, aims, content, universities, delivery, exams.
the Institute are Broadly Recognised and Actuaries have a Reputation for Highly	Actuaries valued for their contribution to business.Institute sought for	 Regulatory model changes. Failure to maintain skill base, relevance. 	Comprehensively implement the ERM domain initiative.RM review of Institute.	 CPD, Part III, Practice ERM Seminar, marketing, international. Institute risk management review. Part I, II.
Skilled Advice.	contribution to public debate. Sound flow of R&D. Members value Institute	Lack of leaders in the profession.Profession	Implement 'life-long education' CPD model.All members, networking.	Leadership, communications, professionalism.Part III leverage.Full program width.Finalise Health, record keeping.
The Institute is valued and highly regarded by its members, with	services and education. High membership take-up. Low lapses.	marginalised to back room / compliance.	Marketing initiatives to support strategy.	Investment Seminar series.ASIC.Employer marketing / liaison.Enlist University support (students)
high member capture and retention rates.	 Volunteer numbers are maintained. Volunteers are effective and feel valued. 	 Institute fails broad membership service / value demand. Insufficient volunteers. 	Broad based R&D.Academic (fundamental), applied, industry.	 PhD's and Part III. Prizes and funding. ARCA. University accreditation, Academic Papers. Practitioner Papers.
■ The Actuarial Profession is Enjoying	Regional societies meeting the demand for actuaries.	Failure of regional engagement.	Regional engagement. Strategic IAA engagement.	 Regional co-operation and leverage. Education, IAA involvement, governance.
Global and Regional Success.	Institute contributing to and shares in regional success.Good global progress by the profession.	International Actuarial Association (IAA) progress failure.	Maintain professional standards and guidance.Disaster Recovery Plan.	 Finalise current Professional Standards. Re-establish full PGL set (via PC's). Review cycle. Standing review of Code, PSC, governance.
	procession.		Strategic management focus.Improved data availability.	Strategic Plan reviews and monitoring.Council, Executive, PC, Council Committee interaction.



PRACTICE COMMITTEE REPORTS

General Insurance Practice Committee

- The main areas of focus in 2007 were the development of standards and guidance for members; risk margins (involvement in international developments and guidance to members); and profile/liaison (especially with members, APRA and Insurance Council)
- Distributed a regular General Insurance Newsletter to members
- Conducted interviews with numerous general insurance actuaries to obtain feedback on key issues for members practising in general insurance
- Contributed papers and speakers to the Institute's Reserving Seminar held in September 2006 and the Accident Compensation Seminar held in April 2007
- Following the Reserving Seminar, issued a paper presenting the results of a Reserving Survey
- Finalised Professional Standard 300 regarding the valuation of general insurance claims
- Commenced regular meetings with APRA and an APRA employee joined the GIPC to further strengthen liaison
- Established a team to explore the feasibility of establishing a premium movement index to assist with managing pressures in reserving
- Convened a meeting of Approved Actuaries and Reviewing Actuaries to discuss the effectiveness of the new External Peer Review role

Health Practice Committee

- Developed course material and successfully launched the new online Private Health Insurance actuarial CPD course. The course is the first training course that reflects the new Private Health Insurance Act 2007 and the first actuarial course to be offered online by the Institute. It is offered not only to actuaries but also to financially focussed professionals including Board members and senior executives of health insurers
- Consulted with the Department of Health and Ageing over the introduction of the new Private Health Insurance Act, including in areas such as the operation of the new Health Benefits Fund, transfers of business, key practical issues, and the introduction of a legislative basis for the role of the Appointed Actuary. In a number of places the HPC's comments have influenced the new Act
- Continued to monitor the outworkings of the IFRS accounting requirements for health insurers
- Organised regular meetings of health insurance Appointed Actuaries to discuss topical issues affecting the work of Appointed Actuaries.
- Produced a regular Private Health Insurance newsletter which is distributed to over 700 recipients
- Contributed papers and speakers to the 2007 Biennial Convention
- Commenced a review of Guidance Notes to meet Institute's new drafting requirements

Life Insurance & Wealth Management Practice Committee

- Established the Risk Business Capital and Resilience Reserve Taskforces to facilitate the Institute's support for the LIASB to further develop regulatory capital standards for life insurers. Both Taskforces issued a Discussion Paper and held meetings with members to obtain feedback
- Made a submission to Treasury on how a product rationalisation model could work for the financial services industry
- Monitored developments concerning International Financial Reporting Standards and provided input on the potential impacts for the life insurance industry
- Prepared a submission to APRA on risk management standards and liaised extensively with senior representatives
- Prepared a submission to Treasury and attended related roundtable discussions on proposed changes to the Life Insurance Act
- Published an Information Note for members on Target Surplus
- Published a Report on the Disability Income Experience Investigation covering the period 1998 to 2001 and commenced a project, in conjunction with IFSA, on future experience studies
- Revised PS200 relating to the provision of actuarial advice in the life insurance industry



Risk Management Practice Committee

- Prepared and presented a paper to Council on opportunities in Enterprise Risk Management (ERM) for the actuarial profession and the need for an associated educational course
- Gained approval from Council to develop a face to face CPD Course on ERM
- The Committee then developed the high level course content and invited various education providers to express their interest in developing and delivering the ERM course. Macquarie University Applied Finance Centre (MUAFC) was chosen as the provider
- The Committee then worked with MUAFC on the proposed five day CPD course day course which commenced in late October 2007
- Developed a webpage dedicated to developments in ERM
- The RMPC established three Sub-Committees to:
 - consider changes to the Part III education syllabus to incorporate ERM
 - to monitor development around the world in ERM
 - to work on promotional activities

Superannuation & Employee Benefits Practice Committee

- Contributed to Part III and Part IV education courses, in particular, the new Part III Subject 6
- Continued to review all relevant Professional Standards and Guidance Notes to ensure that they remain up to date and in line with new drafting requirements
- Made numerous submissions to Treasury and the ATO on various aspects of the Government's 'Better Super' reforms and attended several meetings with Treasury and the ATO
- Conducted meetings with members in Sydney and Melbourne to discuss the certification of Notional Taxed Contributions
- Provided input to submissions prepared by the Benefit Projections Working Group including the response to the draft IFSA Guidance Note.
- Liaised with Treasury regarding the change in salary definition for Superannuation Guarantee purposes
- Prepared an article for Actuary Australia on the role of, and the opportunities for, actuaries in super
- Contributed speakers to the Institute's one day seminar
 The New Super Landscape What Lies Ahead for Wealth
 Managers





PROFESSIONAL EDUCATION

Actuarial Education Programs

The Institute continues to monitor accredited universities which teach Part I and Part II (Actuarial Control Cycle) of the qualifying actuarial education program, leading to the professional qualification of Associate of the Institute of Actuaries of Australia (AIAA). The Institute develops, delivers and manages the final stages of the actuarial education Program (Part III specialist subjects and Part IV Professionalism Course), leading to the professional qualification of Fellow of the Institute of Actuaries of Australia (FIAA).

Part III Education Programs

Although the Part I and Part II programs did not undergo change this financial year, some minor changes were made to the Institute's Part III actuarial education program. All Part III courses are being re-written in accordance with recommendations made by Professor Tony Baker in his 2005 review of the Institute's Part III education program.

The revised curriculum for Investments Course One was implemented in Semester One 2007. Like the other curriculum re-writes, the main changes were the inclusion of explicit performance objectives for each section of the course, as well as the reduction in the volume of content in the course from 8 to 2 units. Case studies were written at the end of each section to increase the opportunity for students to engage with the material as part of their learning strategy. While the pass rate for Investments only increased marginally, most students' surveyed saw these changes as a step forward. The curriculum review will be complete for the remaining Part III subjects by the end of 2007, ready for implementation in Semester One 2008.

With Part III subjects being offered twice each year the demand on members has increased. This year over 300

members voluntarily gave their time to support the education programs for modest financial returns – as examiners, markers, scrutineers, tutors, course writers and course reviewers.

Given this large number of volunteers required to run the Part III education program, much thought has been given to ways to streamline the volunteer processes while maintaining and even improving services to students and maintaining the current high standards within the education system. Key initiatives include improving the Secretariat support for volunteers, re-engineering processes, and re-launching the Board of Examiners. The BoE was re-launched in August 2007.

Tutorials were held for Part III subjects in Sydney and, where numbers and staffing permitted, in Melbourne and Singapore. The Sydney tutorials were audio recorded and made available on the website for all students to access. The web-based discussion forums, managed by the course leaders, were widely used in most subjects and proved to be an effective way for students to raise questions, work collaboratively on problems and exercises as well as share their knowledge and experiences. Plans are underway to provide additional support to students in the form of e-learning exercises and self assessment mechanisms, as well as webcasting of tutorials and workshops.

The Institute conducted Part III examinations in October/ November for semester two 2006 and in May for semester one 2007. The table on the following page displays the student results for these two semesters. Planning is underway for all Part III exams to be computerised commencing in 2008.

University Relationships

Four Australian universities currently have full accreditation from the Institute for Part I and Part II of the actuarial education program: Australian National University, Macquarie University,



University of Melbourne and University of New South Wales. Curtin University was granted Provisional Accreditation for Part I of the actuarial studies program. They are reviewed on a four-year cycle, with a mid-term review conducted every two years. During the year, full reviews were conducted of the actuarial education program at Curtin University, and a part review was conducted at the Australian National University.

Under the current University Financing Policy, the Institute provided financial support for Macquarie University, University of Melbourne and University of New South Wales, which met the criteria to be considered Centres of Excellence in actuarial education. The Institute also provided financial support for the above three universities as well as Australian National University in recognition of the quality of their research output over the last year. In addition, the Institute made financial contributions to Actuarial Students' Societies' information days at Melbourne and Macquarie universities, was the major sponsor of the Joint Actuarial Students' Society's Ball in Sydney and sponsored actuarial subject prizes at University of Melbourne and University of New South Wales in 2007.



International Education Developments

The adoption by the Society of Actuaries of the 'Understanding Actuarial Management: the Actuarial Control Cycle' textbook as its central syllabus and main prescribed reading for its Foundations of Actuarial Practice course continued to make a significant contribution to the Institute's revenue in 2007 and has reinforced the contribution the Australian actuarial profession makes to the education of actuaries worldwide. The Institute was represented on the International Actuarial Association's Education Committee, as well as the IAA's Education Assessment Working Group and continues to contribute to the planning and feasibility assessment of the development of an International Actuarial Education Program. During 2007 the Institute forged cooperative arrangements with other actuarial education providers including the Society of Actuaries and the UK Institute of Actuaries, which included sharing benchmarking information.

Professionalism Course

The Professionalism Course is held bi-annually in February/ March and August/September and is the final component of the pathway to Fellowship with the Institute of Actuaries of Australia.

Other participants may attend the course either as a member of a recognised overseas actuarial professional body seeking to become an accredited member of the Institute or to fulfill the requirements of an overseas actuarial professional body which regards the Institute's Professionalism Course as equivalent to its own.

34 participants successfully completed the first course held on 26 & 27 February with 29 attaining the status of FIAA. The second course was held on 27 & 28 August. 32 participants successfully completed this course with 27 attaining the status of FIAA.

The course provides participants with an opportunity to reflect on what it means to be a professional and to facilitate knowledge of the obligations, risks and legal responsibilities of being a member of the actuarial profession. The course focuses on the Institute's Code of Professional Conduct and its practical applications, the ethical

requirements of being an actuary and the dilemmas likely to be faced in practice, as well as strengthening the professional network of those attending. Following the completion of the course, participants attended Presidential Dinners in Sydney or Melbourne where the new Fellows were awarded their Fellowship Certificates by the President of the Institute.

Innovations for 2008

Future innovations in professional education planned for 2008 (with substantial work completed in 2007) include:

- All Part III courses to be offered in e-learning mode
- Computerised exams for all Part III courses
- Implementation of a late withdrawal scheme for Part III students
- Replacement of the Part III Superannuation and Planned Savings course with Global Retirement Incomes Systems (GRIS) in semester one 2008
- More focus on the teaching component in Part III courses
- Production of an updated textbook for the Actuarial Control Cycle for 2009

Part III Student Results for Semester 2, 2006 and Semester 1 2007						
Subject	Sat Nov '06	Pass Nov '06	%	Sat May '07	Pass May '07	%
Investments	150	46	31%	171	56	33%
Life Insurance 2A	51	14	27%	53	18	34%
Life Insurance 2B	32	13	41%	37	8	22%
General Insurance 3A	65	25	38%	64	24	38%
General Insurance 3B	41	16	39%	48	23	48%
Superannuation & Planned Savings 4A	8	3	38%	15	7	47%
Superannuation & Planned Savings 4B	7	4	57%	n/a		n/a
Investment Management & Finance 5A	18	8	44%	17	6	35%
Investment Management & Finance 5B	15	4	27%	n/a		n/a
Commercial Actuarial Practice	47	30	64%	61	35	57%
Total	434	163	37.6%	466	177	38.0%



PROFESSIONAL DEVELOPMENT

The Continuing Professional Development (CPD) program provided members with a range of seminars and education offerings covering the main practice areas of actuaries. Events were also held in various locations and in a variety of formats including one, two and three day seminars and one hour seminars followed by an opportunity for networking. 75 events for members were held during the year.



Accident Compensation Seminar

The XIth Accident Compensation Seminar was held in Melbourne in April and was attended by 300 delegates, a 36% increase in delegates on the Seminar held two years prior. The Seminar's success was largely due to two main factors: the very wide range of topics covered and the attendance of high profile plenary speakers.

Plenary speakers included The Hon Tim Holding, MP, John Trowbridge from APRA, Barrister Andrew Stone, John Walker, Managing Director of IMF Australia, John Hunter from Faraday Insurance, Ellen Edmunds-Wilson, CEO of MIIAA and Dr Sam Bruschi from Flinders Consulting.

A wide range of topics and issues were discussed at the Seminar including nanotechnology, litigation funding, Financial Condition Reports, pricing and funding issues, medical indemnity, claims management, impacts of legislative change, technical analysis of schemes and scheme comparisons. Six plenary and 29 concurrent sessions made up the program and a total of 17 papers were published on the website.

Biennial Convention

With the theme of 'Adventures in Risk', the 2007 Biennial Convention held in New Zealand attracted a record attendance of over 400 delegates. The large number of delegates combined with a strong program of speakers ensured the event was an outstanding success. Delegates enjoyed a choice of some 42 concurrent sessions and four plenary sessions featuring Australian and international speakers.



Plenary session themes included global forces, risk management, global securities regulation, and a new initiative 'Ahead of the Game' which focussed on the Institute's strategy and communication skills. Concurrent sessions covered all the main practice areas and wider fields.

A new initiative for this Convention was a Learning Journal which enabled delegates to record how a particular topic related to their job, how developing competency in an area could assist them reach their goals and who could help them develop competency in the topic area. The overall aim of the Journal was to assist delegates to integrate personal development and improved work practices.



Adventures in Risk





The New Super Landscape – What Lies Ahead for Wealth Managers

110 actuaries and superannuation practitioners attended The New Super Landscape Seminar in November in Sydney. The program focussed on the then recently announced changes to superannuation by the Government as part of the 'Better Super' package of reforms.

Leading actuaries including David Knox, Michael Rice and Catherine Nance discussed the implications of the proposed changes and further measures the Government should take to reform the superannuation system. Some of the issues covered included population ageing, pensions and affordability, meeting the needs of Australia's retirees, risk management, investment market impacts, and the effect of tax rules on financial planning.

The two panel sessions provided a forum for discussion and debate on the superannuation reforms and featured commentary from Barry Dunston from the Australian Financial Review and Jo-Anne Bloch from the Financial Planning Association.



Online Private Health Insurance Course

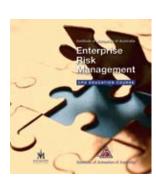
With the support of the Private Health Insurance Administration Council, the Institute successfully developed and launched a new online Private Health Insurance CPD Education Course. The

Course equips actuaries and their technical staff with the necessary knowledge and skills to understand the specific conduct and operations of private health insurance in Australia. The course has been written in such a way to make it valuable for other health insurance practitioners including financial staff, general management and Board members. The new Course utilises the Institute's learning management system providing self-paced learning with online assessment.



Enterprise Risk Management Course

The Institute launched a new ERM CPD Course for actuaries wishing to take advantage of the burgeoning opportunities in



risk management. The inaugural course was held in late October and covered a diverse range of issues from corporate culture to modelling losses and risk factors. The five day course, which will also be offered in 2008, is being conducted by the Macquarie University Applied Finance Centre and features case studies and guest presenters.

Horizons

Horizons meetings held in Melbourne and Sydney featured a wide range of regulatory, practice development and professional issues. Topics included behavioural finance, key issues for the actuarial profession, pandemics, new directions in solvency, capital and risk management, and presentations by the Strategic Planning, Resilience Reserve and Designations Taskforces.

Insights

Insights proved extremely popular with members with strong attendances at the seminars held in Sydney and Melbourne. Most Insights featured encore sessions of well attended presentations delivered at the major seminars.



Biennial Convention plenary speakers and facilitator

Young Actuaries' Program

The Young Actuaries' Program continued to be well attended throughout the year and featured a range of speakers addressing issues such as leadership, career development and networking. The Program is now firmly established and provides an excellent forum for aspiring members of the profession.

Business Luncheon

The inaugural business luncheon featuring guest speaker John Trowbridge from APRA was held in Sydney. The luncheon was well attended and provided an opportunity to hear directly from the prudential regulator about current and future initiatives



The New Super Landscape Seminar – Discussion Panel

MEMBERSHIP SERVICES

Melbourne Pr<mark>esidential Dinne</mark>

ACTUARY

ACTUARY



Member Survey

A members' survey was conducted in late 2006 in conjunction with Beaton Consulting as part of its Annual Professions Study. The Professions Study benchmarks the performance of a range of industry associations.

The Institute was found to have a number of strengths including:

- Promoting high professional and ethical standards in professional practice
- Keeping members up to date with developments or issues impacting the profession
- Representation and involvement in the contribution to reform and development of legislation and government policy
- Allowing members to meet the expectations of their employers

Areas where members thought improvements could be made included:

- Providing valuable information to members on the website
- Providing access to information that will assist members to perform their role
- Supporting the development of knowledge and skills

One particular area where a significant improvement was recorded over the previous survey was "facilitating networking with peers". This reflected the introduction of new CPD programs such as Insights, Young Actuaries' Program, Senior Actuaries' Forum and one day seminars on topical issues attracting actuaries and other financial services professionals. Such programs not only delivered relevant CPD to particular cohorts of members, but also provided networking with peers.

Publications

Actuary Australia, the Institute's monthly full colour magazine, continued to be an important source of information for members. Articles published in the magazine during the year covered all the main areas of actuarial practice including general insurance, life insurance, risk management, banking and finance, superannuation and health insurance.

Some of the articles stemmed from topical papers presented at the Accident

Compensation Seminar and The New Super Landscape Seminar. Other articles covered issues such as target capital in general insurance, superannuation benefit projections, unit pricing, the Stern Review on the economics of climate change, quantitative risk and equity based guarantees.

The Editor, Jenny Lyon, conducted interviews during the year on a range of interesting topics such as actuaries and risk management and the President's vision for the profession.

The Australian Actuarial Journal continued to be an important reference source for actuarial research and recent developments in actuarial science. The Journal is published quarterly and is edited by Andrew Leung and a strong editorial team of members.



The Institute's website was upgraded during the year to enhance the design and functionality. A new search engine was installed enabling searches across the entire site. A new website index was also created to view all website content and navigate to items of interest. The website



houses a large variety of intellectual property published by the Institute, including papers and presentations delivered at seminars and the associated audio files.

The Institute's Information Bulletin emailed weekly to all members provided timely and valuable information on a range of matters including submissions made to Government and regulators, new Professional Standards, forthcoming seminars and job advertisements.

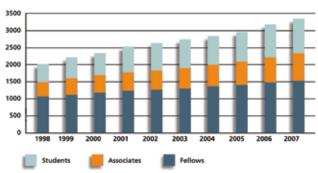
New members received a CD-rom housing all Professional Standards and Guidance Notes. This replaced the folder previously issued to members upon joining.

Briefing sessions were conducted by the various Practice Committees during the year as a means of updating members on current topical issues being addressed by the Committees and engaging more closely with members.

Presidential Dinners were also convened in six Australian and four overseas locations in the Asian Pacific region.

MEMBERSHIP STATISTICS

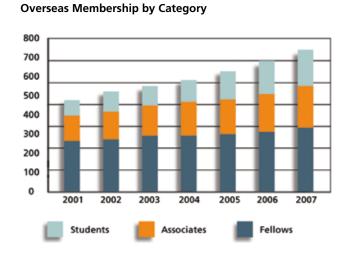
Membership by Category

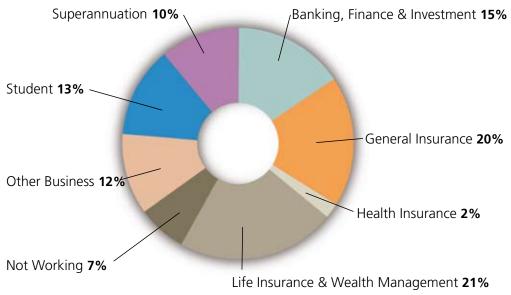


Membership Numbers							
	2001	2002	2003	2004	2005	2006	2007
Australia	2050	2125	2209	2293	2353	2517	2643
Overseas	485	529	562	592	635	697	757
Total	2535	2654	2771	2885	2988	3214	3400

Fellows

Members by Practice Area





PRIZES AND AWARDS

















Andrew Jackson

Prof David Dickson

Anthony Asher

Anna Mo

Ben Facer

Daniel Murphy

Daniel Butt

Richard Bruynel

Ehristopher Beveridge

2006 H M Jackson Memorial Prize

The H M Jackson Memorial Prize is awarded for published articles presented to or published by a body other than the Institute of Actuaries of Australia. The supplementation from the Melville Prize Fund for this prize is \$2,804. For 2006, the H M Jackson Prize of \$3,150 was awarded to each of the following Members.

Andrew Jackson for his paper 'Trade Generation, Reputation and Sell-Side Analysts', *The Journal of Finance*, Volume LX, Number 2, April 2005.

Professor David Dickson for his text book *Insurance Risk and Ruin* Cambridge University Press 2005.

2006 A M Parker Memorial Prize

The A M 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 \$2,804. For 2006 the A M Parker Prize of \$3200 was awarded to **Anthony Asher** for his paper 'The Major Actuarial Challenges: A partly idiosyncratic view' presented at the Institute of Actuaries of Australia 2005 Biennial Convention.

2006 Andrew Prescott Memorial Prizes

The Andrew Prescott Memorial Prize may be awarded to the person(s) obtaining the highest marks for Part III subjects, provided that a certain minimum standard is attained. A merit prize may be awarded to a person completing the examinations with outstanding overall results. The Andrew Prescott Memorial Prizes for the 2006 examinations were awarded to:

Anna Mo – \$950 for meritorious performance in the Investments Examination

Ben Facer – \$950 for meritorious performance in the Commercial Actuarial Practice Examination

Daniel Murphy – \$950 for Outstanding Performance in the Fellowship Examinations

The supplementation from the Melville Prize Fund for the Prescott Prizes totals \$2,775.

2006 Katherine Robertson Prize

The Katherine Robertson Prize is awarded to the person obtaining the highest marks in the General Insurance Part III subject, provided that a certain minimum standard is attained. The 2006 Katherine Robertson Prize of \$950 was awarded to **Daniel Butt**.

2006 Melville Prize for Practitioners

The Melville Prize for Practitioners was established in 1997 with funds from the Melville Prize Fund. The prize is awarded to actuarial practitioners in recognition of considerable research undertaken by members of the Institute in non–academic work, and it encourages the publication of research undertaken in pursuing normal professional practice that has practical application. The 2006 Melville Prize for Practitioners of \$2,500 was awarded to **Richard Bruynel** for his paper 'Optimal Investment Strategies' *AAJ*, Volume 11, Issue 3, 2005.

A H Pollard Scholarship 2007

The Council of the Institute of Actuaries of Australia founded the scholarship in 2002 in honour of the late Professor Alfred Hurlstone Pollard, who is widely acknowledged as one of Australia's most outstanding actuaries, having made particularly important contributions in the field of actuarial education. Recognising the financial hardship that Professor Pollard had to endure in order to gain his own PhD, the Scholarship is intended to provide assistance to a member of the Institute who is studying for a PhD degree at a recognized university, in an actuarial or related field. The monetary value of the scholarship is \$8,000. The 2007 A H Pollard Scholarship was awarded to **Christopher Beveridge** for his PhD project 'The study of long-dated hybrid exotic interest rate derivative contracts', through the University of Melbourne.

NEW FELLOWS

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Professor Michael Sherris

Actuary of the Year

Professor Michael Sherris was awarded Actuary of the Year for 2007. This award was made in recognition of Mike's outstanding contribution to the actuarial profession, business and community over many years and particularly:

- for his contribution to research for the profession in Australia and internationally, and
- the development of a successful actuarial program at UNSW.

Mike's contribution to research for the actuarial profession has been outstanding. This is recognised by the range of papers published and the prizes he has been awarded in recognition of his research.

Mike has consistently demonstrated and promoted the value that the actuarial profession can bring to wider areas, particularly his contribution to research and education and training. His success in these roles demonstrates the versatility of actuaries and brings significant credit to the Australian profession. This award recognises Mike's achievements and acknowledges his role as a leading Australian actuary.

Congratulations to the following members who, having passed or been exempted from Parts I, II and III of the Institute's education program, satisfied the Professional Experience Requirement and attended a Professionalism Course, became Fellows of the Institute of Actuaries of Australia in 2007.

stair Barker	Ken Cheung	Dale Jackson
ck Barrett	Bevan Damm	Jack Jiang
rah Billimoria	Christopher Davis	Sarah Johnson
ger Bohlsen	Natasha de Souza	Stephen Jones
ne Boulton	Nicole Edwards	Adrian Korbel
drew Bow	Sarah Elsey	Anthony Lam
non Brailey	Kerryn Ferris	Dimitri Lampit
niel Butt	Saul Field	Alex Lee
ırl Campbell	Samantha Fuller	Wallace Lee
nald Campbell	Alexander Gale	Rodney Leung
lam Casey	Anuj Goel	Jamie Levitt
n Cheng	Andrew Higgins	Heng Lim
Irian Cheung	Sasa Hu	Adam Lin

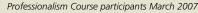
Ren Lin
Andrew Loh
Myooran Mahaling
Nikki Mahemoff
James Makin
Adrian McCarthy
Andrew McInerney
Ramona Meyricke
Yew Ming
Faro Mok
Mimi Moujoodh
Daniel Murphy
Mehmet Ogut

Michael O'Neill
Jakub Ronowicz
gam Aravind Srinivas
Felix Sun
Lori Tan
Andrew Tang
Jananie Thivianathan
Dimitry Wall
Jeremy Weight
Teresa Yam
Gloria Yu

Congratulations to the following members who, having been accredited members and completed the residential and experience requirements and having attended a recognised Professionalism Course, became Fellows of the Institute of Actuaries in 2007.

Caroline Bayliss Lorna Johns
Jennifer Baxter Jonathan Perkins
Timothy Cobb Adam Searle

Matthew Hodson Diarmuid Joseph Walsh





PUBLIC AFFAIRS

As in previous years, the Institute has been very active in public affairs throughout 2006-7 actively maintaining contact with government instrumentalities and regulators and issuing a steady stream of submissions and letters across a wide range of issues. In submissions and representations over the past 12 months, the Institute has made its views known and provided input to policy makers on a wide range of subjects, including:

- Product Rationalisation The Product Rationalisation
 Taskforce (reporting through the Life Insurance and Wealth
 Management Practice Committee (LIWMPC)) prepared a
 response to the issues paper released by the Department of
 the Treasury as the basis for consulting stakeholders about
 a product rationalisation mechanism in the managed funds,
 superannuation and life insurance sectors. The Institute
 supports development of a mechanism for rationalising
 legacy financial products that includes adequate protection
 for consumers.
- Life Insurance and Friendly Society Data Collection and Returns The LIWMPC prepared the Institute's response to the issues raised in the APRA Discussion Paper, 'Life Insurance and Friendly Societies Data Collection and Returns', welcoming the initiative to update the content of APRA returns and the process for the collection of data.
- Private Health Insurance (Insurer Obligation) Rules
 The Health Practice Committee provided comments on the draft Private Health Insurance Rules circulated by PHIAC.
- Prudential Supervision of Life Companies The LIWMPC prepared comments on the draft Prudential Standards and Prudential Practice Guides in APRA's discussion paper on the prudential supervision of life companies, as released in October 2006.

- Simpler Superannuation Exposure Draft Regulations
 - The Superannuation and Employee Benefits Practice Committee (SEBPC) provided comments to Treasury on draft regulations on pensions and annuities released in December 2006, supporting the distinction between 'account-based' pensions and 'other' pensions. Through the SEBPC, the Institute has also been liaising with The Treasury and ATO in relation to a large number of policy and implementation problems arising out of various draft Income Tax Assessment Regulations. The Institute aims to resolve a number of serious and difficult implementation issues for actuaries operating in the defined benefit environment.
- Benefit Projection Working Group The Working Group wrote to ASIC seeking clarification of the FSR advice provisions as they apply to the provision of certain information to superannuation scheme members and is currently working on a benefit projections discussion paper.
- Australian Reserving Practices Analysis Members of the General Insurance Practice Committee (GIPC) prepared a paper for the Institute which analysed the results of the inaugural Australian General Insurance Claims Reserving and Risk Margins Survey.
- Refinements to the General Insurance Prudential
 Framework Response to APRA Discussion Paper
 - The Institute responded to APRA's discussion paper. The GIPC provided input on a wide range of issues, including investment risk charges on reinsurance recoverables, capital recognition of reinsurance, recoverables older than 12 months, FCR for run-off insurers, reporting requirements for smaller insurers and recognition of foreign actuaries for foreign insurance groups.

Streamlining Prudential Regulation: Response to 'Rethinking Regulation' – The LIWMPC also prepared the Institute's comments on proposed changes to prudential regulation for the financial services industry in Australia, supporting the Government's initiatives to streamline regulation and remove overlaps and unnecessary or outdated requirements. The submission pointed out that a number of key areas of regulation and safeguards were to be removed from the Life Act and replaced by APRA rules or standards, warranting close and early stakeholder consultation by APRA.

Liaison with Government and Regulators

The CEO, President and Vice Presidents have made a number of visits to Canberra on specific issues over the past year and the CEO, in particular, has kept in touch with a number of Federal Ministers and Shadow Ministers, attending the annual conferences of both major political parties.

The Institute maintains a broad based, close and constructive relationship with APRA through day to day Practice Committee liaison, formal submissions and high level consultations between the APRA and Institute Executives. The President, Vice Presidents and CEO met with the three APRA members for a high level discussion about the regulatory landscape in September 2007.

The Institute's relationship with ASIC is a growing one as actuarial skills are increasingly utilised by financial sector organisations beyond the traditional fields of practice. Contact this year has centred on regulation of debenture issuers.

Climate Change and Emissions Trading

During 2007, the Institute (particularly the President and members of the Energy and Environment Committee), has been busy in this increasingly important policy space. The Committee provided the Government with input on the matters raised in the Issues Paper prepared by the Prime Minister's Task Group on Emissions Trading. The Institute followed up in May 2007 with letters to both the Leader of the Opposition and the Prime Minister, expressing the Institute's concerns about increases in concentrations of greenhouse gases arising from human activity and their potential to change climate and cause significant environmental, social and economic damage. These representations pointed out the fact that actuaries are well placed to contribute to a practical understanding of the financial issues arising out of long term changes such as those foreshadowed by climate change and its many potential consequences. The principles underlying actuarial practice can usefully be applied to the design and trading of carbon emission permits.

The Institute also wrote to the Prime Minister welcoming his response to the Report of the Task Group on Emissions Trading and his announcement on 6 June 2007 that Australia would, through APEC, actively pursue regional consensus on achieving a global framework for tackling climate change. The letter expressed support for the decision to take a wider regional leadership position on this issue within APEC and pointed out that as APEC countries represent enormous populations and the fastest growing economies in the world, it is imperative that we do all we can, as a matter of urgency, to understand the economic implications of climate change.

Regulation of Debenture Issuers – Media Roundtable and ASIC Liaison

The Institute held a media 'roundtable' on failures of property based debenture schemes some of which, such as Westpoint, Australian Capital Reserve, Fincorp and Bridgecorp, have cost small investors dearly. The Institute has expressed the view that these failures can also undermine public confidence in the property investment sector generally and have the potential to impact investor confidence more widely. The aim of the roundtable was to highlight the profession's ability to provide useful and practical insights into the financial risk management and prudent operation of such schemes and to discuss the Institute's recommendations to ASIC on how to improve regulation of this sector.

This roundtable, held in early September 2007 for finance journalists, was hosted by John Maroney, Greg Martin and lan Laughlin and the discussion was 'fast and furious', with journalists keenly interested in hearing the views of actuaries as risk management professionals. The high level of interest was reflected in the large number of articles appearing in finance journals and mainstream newspapers over the ensuing days.

The Institute also wrote to the Chairman of ASIC in July 2007, raising the issue of improved regulation of property based debenture schemes of the type discussed at the roundtable. This correspondence was followed up with a discussion with senior ASIC officials, at which the CEO and Senior Vice President made a number of suggestions for enhancing the present regulatory regime. A further more detailed submission has since been provided to ASIC in response to the regulator's call for submissions on a range of specific issues.

Actuarial Headlines...

- Australian Financial Review, 10 August 2007"Actuaries to talk climate"
- The Australian, 4 September 2007 –
 "Actuarial body calls for tighter scrutiny of investment schemes"
- Australian Financial Review, 4 September 2006
 "Actuaries in Scrutiny Call"
- Australian Financial Review, 4 December 2006
 "Super funds warned to gear up for risks"
- Money Management, 23 February 2007
 "Actuaries president has global perspective"
- Risk Management, March 2007 "Actuaries urged to increase ERM, climate role"
- AAP Newswire, 3 June 2007 "Fed: Actuaries want Aust leadership on climate change at APEC"
- Ethical Investor, July 2007 "Actuaries clap government trading emissions report but want more"
- BRW, 5 July 2007 "Actuaries for health"

GOVERNANCE AND REGULATION

Key Corporate Governance Outcomes

- induction process for new Councillors developed and implemented
- Nominations Council Committee formed to encourage interest from members in joining Council and ensure a sufficient number and variety of candidates for Council elections
- a new guide produced for those thinking about joining Council
- changes made to increase the strategic content of the Board agenda
- review of Council policies (ongoing)
- development of a Director's Compendium as a tool for increasing Councillor effectiveness
- exposure draft of Constitutional changes released for member comment

Reflecting the increasing focus on improving corporate governance standards within the Australian business community, the Institute has made major strides in improving its internal corporate governance and process to ensure that it maintains an efficient and effective structure. At the same time, the Institute continues its commitment to maintaining the actuarial profession's well-deserved reputation for adhering to the highest standards of professionalism.

Corporate Governance

A major focus for the year was on increasing the efficiency of Council and maximising the effectiveness of Councillors. Following a survey of Councillors on their experience in joining Council, a full day workshop was held looking at issues such as:

- enhancing Councillors' effectiveness as Board members and their understanding of directors' duties;
- the role of the Board, group dynamics and collective decision making; and
- the future shape and direction of the Board including strategic focus, policy development, process improvement and delegations.

A number of initiatives were designed and implemented as a result:

- a new process for inducting Councillors to the Board;
- development of a Director's Compendium which provides a learning and reference tool to assist Councillors in fulfilling their duties as officers of the Institute;
- changes to the Board's agenda to maximise Council's ability to focus on strategic issues;
- production of a new guide for members thinking about joining Council;

- updating of a number of Council policies, with an ongoing program for continuous improvement. One major change in this area resulted in New Zealand residency qualifying for recognition as an FIAA or Accredited Member; and
- the establishment of a governance library to provide access to current analysis of best practice corporate governance and provide reference tools for Councillors.

Nominations Council Committee

In February 2007, Council established the Nominations Council Committee comprising:

Greg Martin

Rowan Ward

Barry Rafe

John Maroney (ex officio)

The role of the Committee is to encourage interest from members in joining Council and ensure that there is a sufficient number and variety of candidates for Council elections. The Committee plays a very important role in ensuring the ongoing vitality and diversity of Council.

Constitutional changes

Following on from the recommendations of the Internal Governance Review Task Force, a number of amendments to the Constitution were drafted – including reducing the size of Council and increasing the term of membership of Council – and exposed for member comment. These and other changes are consistent with modern corporate governance practice and are part of a vital path towards a more modern and efficient approach to the governance of the Institute and leadership of the actuarial profession as a whole. An Extraordinary General Meeting will be held in 2008 to consider the proposed amendments.

Professional Standards and Conduct

Professional Standards

Developments in relation to professional standards included:

- release of the new Professional Standard 300 Valuations of General Insurance Claims: and
- at the time of writing, Professional Standard 200 Actuarial Reports and Advice to a Life Insurance Company was in the last stage of peer review and expected to be released in the near future. Professional Standard 400 – Investigations of Defined Benefit Superannuation Funds was being reviewed.

The review and amendment of professional standards entails considerable volunteer effort. There is now a large body of experience with the Due Process for the Development and Amendment of Professional Standards introduced in June 2006 which will inform decisions as to how to progress such work in the future.

Other initiatives in the area of professional standards implemented during the year were:

- production of a CD rom of the current Professional Standards and Guidance Notes. The CD rom is automatically distributed to new members and is available to existing members by contacting the Institute;
- the inclusion of archive materials (professional standards, guidance notes, information notes etc) on the Institute's website for members' reference; and
- a draft Guidance for Peer Review of professional standards was produced.

Continuing Professional Development

During the year, a survey was conducted of members' compliance with Professional Standard 1 – Continuing Professional Development. With a response rate of 76%, much valuable material was obtained which will assist the Institute in its endeavours to improve members' awareness of the CPD requirements and ensure full compliance.

In the interim, the survey led to some policy changes by Council with respect to compliance with the CPD requirements by retired and student members.

A fuller report of the outcomes of the survey was published in the July 2007 issue of Actuary Australia. As reported there, an audit of members' compliance will be conducted in 2008.

Code of Professional Conduct

In February 2007, a minor amendment to the Code of Professional Conduct was introduced with respect to draft reports. In 2008, a review of the Code will be conducted.

Professionalism Course

The teaching of the legal liability component of the Professionalism Course has now been brought in house and is taught by the Institute's Director – Governance and Regulation. This provides greater opportunities to craft the course content more closely around issues currently affecting the actuarial profession. The design of aspects of the course will be revisited in 2008 with a view to providing a focus on additional areas, such as continuing professional development.

Key Professional Standards and Conduct Outcomes

- new Professional Standard 300 Valuations of General Insurance Claims released
- survey conducted of members' compliance with Professional Standard 1 – Continuing Professional Development (CPD)
- policy changes to reduce the costs of compliance with CPD requirements for retired and student members
- amendment to the Code of Professional Conduct
- production of a CD-rom of professional standards and guidance notes
- updates to the Institute's website to include archival professional standards, guidance notes etc

Other Activities

Professional Standards Scheme

A particular focus this year was on whether the Institute should continue its efforts to have its professional standards arrangements approved by the Professional Standards Council as a scheme under the relevant legislation. Such approval would allow for a cap to be placed on the level of professional indemnity liability.

In the absence of a mutual recognition scheme in place across Australia at this stage, the benefits of pursuing such approval were not considered to outweigh the costs. As such, a decision was made to defer further consideration of such an application until such time as a mutual recognition scheme is in place. A survey of senior actuaries and other relevant members of the profession supported this decision, revealing a narrow actual demand, alternative priorities for the Institute and lack of agreement on sharing the current high costs of such an application and scheme.



Governance and regulation comings and goings

During the reporting year, the following Councillors, to whom the Institute extends its appreciative thanks for their service, retired or resigned from Council:

Martin Stevenson

Tim Spicer

Caroline Bennet

Ian Burningham

Henry Onions

Two new Councillors, profiled in the July 2007 issue of Actuary Australia, were welcomed through the year:

Susan Antcliff

Bozenna Hinton

On the Professional Standards Committee, members Chris Latham and Anne Riches (independent member) resigned during the year and Christopher Balmford joined the Committee as an independent member.

Website changes

In addition to the changes to include archival professional standards and guidance notes (as discussed above), the new Council page was launched providing details of all members of Council. In addition, a significant amount of historical material has now been included, such as: Past Presidents, Life Members, Medallists, winners of Actuary of the Year and of the Practitioner's Award. These changes provide continued recognition of the substantial contribution to the profession made by the individuals named.



Martin Stevenson



Tim Spicer



Caroline Bennet



Ian Burningham



Henry Onions



Susan Antcliff



Bozenna Hinton

DISCIPLINARY SCHEME

Disciplinary Scheme in force to 28 February 2006

Under the Disciplinary Scheme in force up to and including 28 February 2006, Council reports annually to members such information in relation to the activities of the Professional Conduct Committee and any proceedings before any Tribunal or Board during the year, as it deems appropriate.

The Scheme remains active with the only outstanding Complaint arising out of the NSW Special Commission of Inquiry into the Medical and Research Compensation Foundation. This Complaint is subject to investigation by an Investigating Sub-Committee.

Members have previously been informed of the resolution, in late 2006, of the Complaint made against David Julian Minty. The Professional Conduct Tribunal reached a decision in relation to the latter Complaint on 2 November 2006 and the decision became final on 18 December of that year. The Tribunal determined that David Minty had committed two breaches of the Institute's Code of Conduct and that he be reprimanded for his Actionable Conduct, in relation to those two breaches.

In accordance with the discretion vested in it under the above Scheme, Council ordered that details of the Complaint and the decision be published in the Australian Financial Review, on Monday 29 January 2007.

Disciplinary Scheme in force from 1 March 2006

Under the Disciplinary Scheme that has been in force since 1 March 2006 ("the Scheme"), Council retains responsibility for publication to Members, government agencies or other parties, of any information about disciplinary action. Council is required to report annually to Members.

The Rules of the Scheme provide that there shall be no publicity in respect of Complaints that do not proceed to a Tribunal hearing. The Rules also provide that publicity shall occur at the stage at which an Investigating Sub-Committee prepares a report for the Tribunal, pursuant to a determination that there is a prima facie case of Actionable Conduct having been committed by a Respondent. Publicity also occurs at the stage at which the Tribunal has made a determination. The Rules of the Scheme provide for the form of publicity to be recommended to Council by the Tribunal or the Appeal Board, while prescribing certain minimum disclosures.

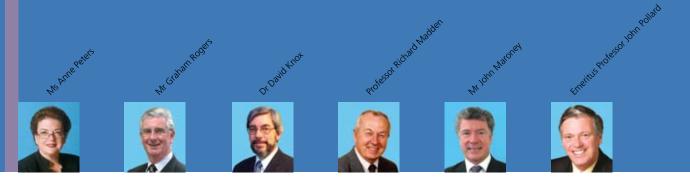
During the course of 2007, three Complaints have been referred to the Scheme.

The first of these Complaints has been dismissed, following a finding by the Investigating Sub-Committee that there was no prima facie case of Actionable Conduct having been committed by the Respondent.

A second Complaint has been referred by the Convenor of the Professional Conduct Committee to the Convenor of the Tribunal Panel, following a determination by the Investigating Sub-Committee that there is a prima facie case of Actionable Conduct. In accordance with the disclosure requirements referred to above Council will, on receipt of a recommendation from the Convenor of the Tribunal Panel, consider what form disclosures about this matter should take before reporting to members.

A third Complaint remains subject to investigation.

ARCA





The Actuarial Research Centre of Australia (ARCA) aims to bring actuarial skills to bear in a research environment to address major long term policy questions of relevance to governments, corporations and the community.

Leveraging its strengths in forging influential connections between industry, academia and policy-makers (both domestic and international), ARCA facilitates the undertaking and public dissemination of research on actuarial-related issues which is:

- of the highest quality;
- independent; and
- relevant to contemporary policy and business issues.

ARCA is an independent not-for-profit trust operating with the support of the Institute.



This year has seen significant progress towards positioning ARCA to achieve its strategic objectives. Some of the key highlights are described below.

Governance

In October, Anne Peters was appointed as ARCA's new Executive Director, replacing Evan Predavec. Anne is also the Institute's Company Secretary and Director – Governance and Regulation.

A new trustee entity was formed and a Board appointed comprising:

Mr Graham Rogers Dr David Knox Professor Richard Madden Mr John Maroney Emeritus Professor John Pollard

Following the establishment of the new Board, the ARCA Steering Committee was formally disbanded in December 2006. A cocktail party was held to thank the following members of the ARCA Steering Committee for their tireless efforts and contributions to the establishment of ARCA:

John Trowbridge Mark Gallagher Elayne Grace Warwick Hearne Tim Jenkins David Knox Richard Madden Graham Rogers

The ARCA Research Committee continues in place and is chaired by Emeritus Professor John Pollard. The other members of the ARCA Research Committee are: Dr David Knox, Professor Richard Madden, Professor John Piggott and Professor Just Stoelwinder.

Charitable status

During the year, the Department of Education, Science and Training approved ARCA as an Approved Research Institute under the relevant legislation. Following this, the Australian Taxation Office endorsed ARCA as a Deductible Gift Recipient, Income Tax Exempt Charity and Income Tax Exempt Fund. This endorsement provides significant funding advantages for ARCA going forward as donations to it are now tax-deductible.

ARCA's value propositions

During November and December, one-on-one interviews were held with members of the ARCA Steering Committee with a view to clarifying and articulating ARCA's value proposition for researchers, government and the business community. Subsequently, the Board endorsed a series of value propositions which have since informed the development of ARCA's strategy formulation and marketing.

Marketing

In January 2007, ARCA launched a new website at www.arca.org.au. In addition, a brochure about ARCA was developed to assist with marketing efforts, as well as other marketing materials.



Through its cross-party approach in connecting industry, actuaries and researchers in order to identify commonalities of research interest, ARCA:

- remains focused on the development of actuarial research which advances contemporary commercial and policy issues;
- creates opportunities for long-term policy and strategic thinking to develop against a sound and relevant theoretical framework;
- achieves efficiencies and strategic gains in the establishment and conduct of research relationships between commercial interests and researchers; and
- facilitates the development of research questions which might not otherwise reach the public and corporate agenda.

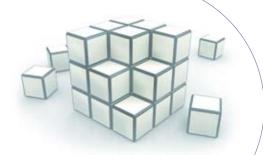
Through its emphasis on achieving the core values of quality, independence and relevance in the research facilitated by it, ARCA ensures that its research portfolio is contemporary, practical, influential and rigorous.

Personnel

ARCA will be engaging an actuary to assist in the identification, undertaking and management of research projects. A call for volunteer researchers led to the formulation of a volunteer database as well as one of potential international research collaborators.

Saving the best for last!

At the time of writing, ARCA is in contractual negotiations for funding agreed by the Heads of the Workers Compensation Authorities in Australia and New Zealand (HWCA) for a research project in collaboration with Macquarie University to develop measures of success of workers compensation schemes in actually returning injured workers to work, enabling more objective measurement of success rates. This represents the culmination of a significant body of effort by a number of people and an exciting phase in ARCA's development. Having established the connection between Macquarie University and HWCA, ARCA's ongoing role will be to provide project management expertise to ensure its successful conclusion, as well as peer review and provide an independent and trusted branding for the project's outputs.



FINANCIAL SUMMARY

The Institute of Actuaries of Australia Income Statement for the Year Ended 30 September 2007

	2007 \$	2006 \$
Administration Revenues	2,357,568	2,203,198
Professional Development Revenues	1,277,970	745,388
Education Revenues	2,832,658	2,265,144
Knowledge Revenues	442,648	493,286
Total Revenue	6,910,844	5,707,016
Administration Costs	(964,309)	(766,870)
Employment Costs	(2,181,971)	(1,827,061)
Professional Development Costs	(808,097)	(490,421)
University Foundation Grants	(325,000)	(325,000)
Education Costs	(1,039,429)	(841,878)
Knowledge Costs	(394,649)	(657,096)
Governance Costs	(235,538)	(296,771)
Public Affairs Costs	(115,998)	(105,546)
Total Expenses	(6,064,990)	(5,310,643)
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Surplus before income tax expense	845,854	396,373
Income tax expense	-	-
Surplus attributable to members	845,854	396,373

The Institute of Actuaries of Australia Balance Sheet for the Year Ended 30 September 2007

	2007 \$	2006 \$
CURRENT ASSETS		
Cash and cash equivalents	538,866	171,924
Trade and other receivables	200,026	184,137
Other current assets	4,634,465	3,402,247
Total current assets	5,373,357	3,758,308
NON CURRENT ASSETS		
Other non current assets	77,894	77,894
Property, plant and equipment	685,274	737,154
Total non current assets	763,168	815,048
TOTAL ASSETS	6,136,525	4,573,356
CURRENT LIABILITIES		
Trade and other payables	1,410,542	706,439
Provisions	126,141	112,929
Total current liabilities	1,536,683	819,368
TOTAL LIABILITIES	1,536,683	819,368
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NET ASSETS	4,599,842	3,753,988
MEMBERS' FUNDS		
Retained earnings	4,599,842	3,753,988
TOTAL MEMBERS' FUNDS	4,599,842	3,753,988

The full Institute of Actuaries of Australia financial statements for the period ending 30 September 2007 including notes accompanying and forming part of these financial statements, are available via the Institute website: **www.actuaries.asn.au**



