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THE INSTITUTE OF ACTUARIES OF AUSTRALIA 1998 ANNUAL REPORT

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Melbourne - J Frazer

Perth - D Balson
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Wellington - F Jenkins
Auckland - M A Hilder
Hong Kong - R J Eagleton

AMBASSADORS:

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(Japan), S C Foong (Malaysia), R T-W
Chan (Singapore), T J Matthews (Canada),

REPRESENTATION:

Australian Accounting Standards Board - G W Slater

Australian Council of Professions - Australia - R S Mitchell

Australian Universities Actuarial Foundation

R J Atfield, R W Champion, S P Miles, T J O'Donnell, C M Prime

Collective Investments - P F Scully

Financial Services Education Forum - J W Smit

International Actuarial Association

W K Roberts, R J Atfield

International AA Bulletin, IFAA Contact & Congress Correspondent

J Rankin

Macquarie University Actuarial Foundation

R J Atfield, R G Glading, C M Prime, B C A Welland

Securities Industry Liaison Committee - ASC Victoria – J Rankin

**THE INSTITUTE OF ACTUARIES OF AUSTRALIA
A.C.N.000 423 656**

MISSION STATEMENT

The Institute represents the actuarial profession in Australia. It is committed to promoting the profession and creating, expanding and maintaining an environment where the skills of actuaries are widely used and valued.

The profession has expertise in life, general and health insurance, superannuation, investment and finance.

In these, and increasingly in other fields, actuaries produce practical solutions to problems involving the impact of uncertain events, often in the distant future, on assets, liabilities or revenue flows.

Actuaries' uniqueness lies in their use of judgement and a combination of mathematical, statistical, demographic, economic, financial, analytical and modelling skills.

The Institute:

- provides education, encourages continuing professional development, promotes research and fosters the advancement of actuarial science;
- sets and enforces professional standards and a code of conduct which embody integrity, expertise and relevance;
- provides professional accreditation for the protection of the public; and
- provides advice on the development and implementation of public policy.

THE INSTITUTE OF ACTUARIES OF AUSTRALIA

REPORT BY THE COUNCIL TO THE MEMBERS

FOR THE YEAR ENDED 30 SEPTEMBER 1998

TO BE PRESENTED AT THE ANNUAL GENERAL MEETING

ON MONDAY 7TH DECEMBER 1998

PRESIDENT'S REPORT

1998 was the first year of our second century and was marked by a number of important events and achievements, both locally and internationally.

The year itself has seen several external events which have influenced the work of the Institute. Creation of the new Australian Prudential Regulation Authority (APRA) and the Australian Securities and Investment Commission (ASIC) are relevant. The international economic turmoil, especially in Asia, is also relevant and is yet to play itself out. We have witnessed the completion of the de-mutualisation of the larger Australian life insurers and further consolidation of the financial sector through numerous mergers and acquisitions. We have witnessed the Federal election of a government which is committed to tax reform. None of these events is within the control of the Institute but they have all added some excitement and challenges for us.

We have also seen our members issue the first full round of superannuation surcharge certificates. The surcharge has led to quite some anguish within the profession for professional reasons, as well as considerable difficulties for many trustees and corporate sponsors of superannuation funds.

It is useful to review the year's activities by reference to the Institute's strategy and to the goals and objectives of the Council and the President.

The overall aims of the Institute, locally and internationally, are essentially to build the strength of the profession and to build its recognition.

These aims are appropriate for as long as we work towards them in the public interest. In working towards these aims, Council has endorsed the six sets of objectives set out in the *IAA Strategic Plan* presented at the Centenary Convention last year. These objectives, as summarised in my Presidential

Address, are –

1. Customer focus of the profession and the Institute:
 - the profession to build an outward focus and work on external perceptions
 - the Institute to concentrate on being relevant and valuable to all members
2. Market penetration (in existing avenues of employment):
 - members to promote their utility in traditional fields beyond narrow professional roles
3. Market development (for non-traditional employment):
 - numerous members to gain employment outside traditional areas
 - more members to be employed overseas
4. "Product" development (a broadening of the education and skills of actuaries)
 - the Institute to work on matching training and development to needs of target employers
 - all actuaries to become competent and effective in communication and in business generally
5. Role of the Institute:
 - to assess its internal operations and structure itself to be able to respond to its major objectives;
 - to increase the involvement of members, especially younger actuaries and "lost members"; and
 - to encourage efforts to raise the self-image of the profession.
6. Extending the profession's influence:
 - the Institute to influence actively the policies of governments, regulators, industry bodies and other professional bodies.

I believe we can record progress against these objectives as follows –

1. Customer Focus

There have been numerous initiatives for the profession and its members to be heard externally, contributing to an outward focus and external perceptions. Examples include press releases, dialogue with governments and industry bodies, the Melville lecture.

Initiatives designed to make the Institute more relevant to its members have begun. Important stepping stones are the new Australian Actuarial Journal established this year, the new membership software installed this year and the collection of improved membership data which will occur when a revised questionnaire is sent to members with their next subscription notices.

2. Market Penetration

Some wider activity in traditional areas is evidenced by the widening scope of advice on superannuation and employee benefits as accumulation schemes become more prevalent. In life insurance we have probably made little progress although, with diversification in the financial services industry, there have been some appointments of experienced actuaries into management roles. In general insurance, there is a “maturing” of the contribution of employed actuaries with increased management responsibility evident in some companies.

3. Market Development

Demand overall remains strong, with unemployment in the profession being negligible. Useful data on the extent of employment outside traditional areas must await the new member data base. Anecdotal information, however, shows extension of consulting work into the electricity and gas industries as well as into banking. One actuary has also been appointed to a senior management role in a telecommunications company.

There have also been a number of Fellows work offshore or move offshore this year, in consulting and as employed actuaries, in Asian countries and elsewhere.

The major international event of the year was the transformation of the International Actuarial Association into an association of associations. This occurred at the International Congress in Birmingham in June, a really excellent congress.

One consequence of the new IAA is some important steps towards Fellowship recognition for our members who choose to work in North America and in Singapore. The FIAA already has excellent recognition in the UK and in most of Asia.

4. Product Development

The Institute's programme of seminars, conferences and discussion groups, sometimes including non-members, has been more extensive this year than ever before. This programme has contributed to the professional training and development of actuaries.

There have not yet been, however, any explicit initiatives taken by the Institute to assist members in building more effective communication skills.

5. Role of the Institute

Since the appointment of Jock Rankin as Executive Director and our emphasis on external affairs, the workload of the Institute office as a whole has risen very noticeably. As a result, the capabilities and performance of the Institute office have been undergoing review. Among other things, Council has decided to create a new position of Administration Manager in order to improve member services and internal operations.

The Institute has continued to involve a high proportion of its members, perhaps 30%, in committee work and other activities. Younger members are being encouraged to participate and are well represented on some committees, for example Technology and Promotions.

The self-image of the profession should have benefited from several factors in 1998: the initiative of the University of New South Wales to build its actuarial course, the Melville lecture (given by James Wolfensohn, President of the World Bank), recognition by governments (e.g. the appointments of David Knox to the Board of APRA and myself to the Financial Sector Advisory Council) and publicity through press releases and press articles.

All of these circumstances demonstrate interest and confidence by various parts of the community in the profession and its members.

6. Extending the Profession's Influence

Initiatives during the year beyond press and other publicity include government submissions and dialogue. It has been a busy year with submissions on tax reform, prudential regulation, CLERP No. 6 (financial intermediaries and other ASIC matters), superannuation surcharge, simplification of superannuation, financing the ageing, the position of the Australian Government Actuary post APRA and CTP insurance in NSW.

Our ultimate influence in these matters is unclear as yet because all of them are still in progress. Nevertheless the Institute can be well pleased with its involvement to date.

It is evident that the Institute has come a very long way in two years in its ability and preparedness to influence matters of public interest which fall within the domain of the profession.

Most of the above statements of progress could actually be quantified in some

way if we had the full membership database built and we chose to monitor the progress in more detail. Perhaps that is a future initiative of the Council.

In closing this outline of the Institute's year, may I thank all those members who have contributed to the Institute's activities and progress this year, especially Institute staff, Councillors and the many Committee members who have given so freely and so valuably of their time to support the profession and the Institute.

I would also like to thank my own colleagues, who have shown great forbearance in allowing me the time to fulfil the role of President, and also my hard-working secretary, Terese McKinnon, who carried on regardless and valiantly on discovering that supporting the President was almost another whole job.

The Institute has been self-funding again for the year (i.e. we have run at a small surplus of approximately \$32,000 being the difference between the operating surplus of \$232,000 and an amount of around \$200,000 in respect of the previous year.

I believe that 1998 has been a very positive and progressive year. Furthermore, the groundwork has been done for a number of projects which will yield further progress over the next year.

BRIEF HISTORY

The origins of the actuarial profession in Australia can be traced back to the middle of the nineteenth century, with the foundation of the first life insurance companies in the colonies. By the 1890s the profession was firmly established. The examinations of the Institute of Actuaries, of London, were extended to Australia from 1892. For many years the London Institute, along with the Faculty of Actuaries in Scotland, provided the formal training of Australian actuaries.

On 19 October 1897, the forerunner of the present Institute, the Actuarial Society of New South Wales, was founded in Sydney with seventeen members. As actuaries in other states and in New Zealand joined, the Society's name was changed in 1918 to the Actuarial Society of Australasia. The name was changed again in 1960 to the Actuarial Society of Australia and New Zealand, and then in 1963 the organisation was incorporated as The Institute of Actuaries of Australia and New Zealand. By 1977 it was clear that a specifically national organisation was required, and the Institute was renamed The Institute of Actuaries of Australia.

In the same year of 1977, the Institute's membership voted to introduce an Australian actuarial qualification, and examinations for the Fellowship of the Institute of Actuaries of Australia were held from 1980. The FIAA is now the legally recognised qualification for all actuaries wishing to practise in Australia. The Institute does not hold examinations for the first stages of the education process, relying instead on recognised actuarial degree programs provided by certain Australian universities. The first such program commenced at Macquarie University in Sydney in 1968, and has been followed by others at the University of Melbourne and at the Australian National University in Canberra. In 1997 the University of New South Wales also announced plans for an actuarial program. The examinations and correspondence tuition of the UK Institute and Faculty of Actuaries remain as an alternative for the first part of actuarial education.

The Institute appointed a paid secretariat in 1976, and moved to its present location in Challis House in 1994. The Institute celebrated its centenary in 1997, and in the following year achieved two further milestones: one thousand Fellows, and two thousand members. The Australian actuarial profession has diversified from its origins in life insurance to all areas of financial risk management, but remains united in membership of the Institute.

To mark its centenary, the Institute commissioned a history of the Australian actuarial profession. Copies of this book, "The Future-Managers: Actuaries in Australia 1853-1997", can be purchased from the Institute office.

MEMBERSHIP

The increase in membership during the year was as follows:

Class	Number at 1.10.97	Number at 30.9.98
Fellow	991	1048
Accredited	34	34
Associate	370	412
Student	426	545
Lay	7	6
	1828	2045

Council reports with regret the death of Fellows J H E Hancock, W B Borthwick and Lay Member C A Blazey, OBE.

The following Members passed the Fellowship examinations of the Institute, the results of which were announced during the year, and after attendance at the Professionalism Course have been transferred to the Class of Fellow of the Institute:

M R Arena	P A Driessen	G J Humphrys
A P Allott	A J Driussi	S M Huppert
S M Batliwalla	P D Drysdale	K E Johnson
L C Beale	P D Eben	D A Jones
A Bhalerao	A J Effick	D C-P Lau
A R Burge	N E Eckersall	N R Lawrence
P A Carrett	M T Finney	J P Marler
P A Cassidy	T Flaracos	R P W Mayo
T M Chua	A R Francis	C D Murphy
M J Clacher	T A Furlan	T J Nelson
E Collins	R J Gay	E Peh
E J Conway	D G Gifford	G A Peters
J Corrigan	D Giuliano	B Riley
S F Cox	C Glasby	P A Stevenson
M Dermody	M W Griffiths	D C Stewart
M S De Ruyter	J C Holbrook	R A Trotter
P Do	D A Hole	D S-Y Tsui
S M Dowie	M Howes	W N K Wong
	Y H Hui	A Yip
		J Yuen
		J Zavone

Council congratulates these Members and all other Members who passed one or more of the examinations of their examining body. Other information concerning the membership is set out in Appendix A.

MEETINGS

Sessional Meetings of the Institute are normally held in Sydney and in Melbourne on a regular basis between April and December. Conventions are held every two years. These meetings are usually occupied with the discussion of papers on aspects of actuarial science and kindred matters. Members of other actuarial societies are welcome at Sessional Meetings. Visitors may also be introduced by members of the Institute.

SESSIONAL MEETINGS

The Presidential Address by John Trowbridge "Pathways to the Future" was delivered at the December meetings in Sydney and Melbourne.

Topics covered by the meetings for this report included:

Asset Liability Modelling for Life and General insurance companies.	J Lang
Tax Reform Workshop	Tax Reform Taskforce
Profitability and price/values ratios	R FitzHerbert
The age pension our unstable pillar	M Rice

As with previous years, there has been little difficulty in encouraging members to prepare papers and many contributions have been forthcoming.

COUNCIL MEETINGS

Nine meetings of the Institute Council were held since the last Annual Report. Councillors' biographies and attendance records can be found on page 69 of this report.

EXAMINATIONS

The eighteenth examinations of the Institute were conducted in October 1997 with the following results (1996 results are shown for comparison):

Subject	Sat 1997		Passed 1997		Sat 1996		Passed 1996	
	Ord	Spec	Ord	Spec	Ord	Spec	Ord	Spec
Investment Mgmt	11	77	8	27	17	58	7	30
Life Insurance	4	52	2	22	11	58	7	25
General Insurance	10	49	7	15	22	51	9	18
Superannuation	9	23	7	10	28	34	15	15
Finance		31		14		27		13
	34	232	24	88	78	228	38	101

The ordinary subjects were held for the last time in 1997 and have been replaced by Actuarial Control Cycle.

PRIZES

A M PARKER PRIZE FUND

The A M Parker Fund was established in 1963 with a donation from Mr A M Parker, FIA, FSS.

The Council of the Institute may allocate moneys from the income of the Fund

- (a) to providing a prize for the author or authors of a paper presented to the Institute, or
- (b) to paying a sum towards the expenses incurred by a member or members in undertaking original research of an actuarial nature.

The Parker Prize for 1997 was awarded to Leonie Tickle for her paper presented at the Gold Coast Convention, "Sex Discrimination and Underlying Mortality Differentials".

H M JACKSON MEMORIAL PRIZE FUND

This Fund was established in 1968 with a donation from Mrs C E Jackson in memory of her late husband, H M Jackson, FIA.

Prizes may be awarded from the income of the Fund to members of the Institute for any published articles other than papers eligible for an award from the A M Parker Fund.

The Jackson Prize for 1997 was awarded to David Dickson for his paper written jointly with Howard Waters and published in the ASTIN Bulletin, "Relative Reinsurance Retention Levels".

ANDREW PRESCOTT MEMORIAL FUND

Friends of the late Andrew W Prescott, BA, FIA established this Fund in 1980 as a memorial to him. Prizes may be awarded from the income of the Fund to members of the Institute for outstanding performance in the Institute examinations.

Subject prizes may be awarded to the person obtaining the highest marks for a subject. A merit prize may be awarded to a person completing the examinations with outstanding overall results.

Prescott Prize winners for October 1997 examinations were:

Subject 1 Investment Management	No prize awarded
Subject 2 Life Insurance	Godfrey Yee Hung Hui
Subject 3 General Insurance	Adam Driussi
Subject 4 Superannuation	No prize awarded
Subject 5 Finance	Dean Stewart
Merit Prize	Adam Driussi

THE MELVILLE PRIZE FUND

The Melville Prize Fund was established in 1994 by Tig Melville in appreciation for the benefits he has received from the profession and as a tribute to his father. Amounts available have been used to support the Melville Practitioners Award, awarded biennially, and to supplement the existing Prizes awarded by the Institute. A portion of the amount available has been set aside to support a Special Lecture in October 1998.

Council approved supplementation of the 1997 Parker, Jackson and Prescott Prizes.

ACTUARY OF THE YEAR

This award is for a meritorious and original contribution to the profession or to business, government or the community which brought identifiable credit to the profession.

Actuary of the Year for 1998 was Kerry Roberts.

COUNCIL

The Council members for the year ended 30 September 1998 were:

Clare Bellis	David Knox
Peter Carroll	Richard Lyon
James Claridge	Helen Martin
Tony Coleman	Trevor Matthews
Karen Doran	Richard Mitchell
Richard FitzHerbert	Richard Morath
Andrew C Gale	Frank McInerney
Andrew P Gale	Catherine Nance
Adrian Gould	Stephen Partridge
Martin Jilovsky	David Torrance
Chris Lewis	John Trowbridge

COMMITTEES APPOINTED BY THE COUNCIL

Much of the detailed work of the Institute is carried out by committees appointed by Council. All communications to committees should be addressed to the Chairman of the committee. Working Committees report to Council through the appropriate Council Committee. The Chairman's name is listed first and the secretary is marked (S).

COUNCIL COMMITTEES

Council Committees have been set up –

To enable Council to consider more fully major issues and matters of policy.

To speed the Institute's decision-making by facilitating communication between Council and working committees or task forces, particularly in relation to Institute policy.

BUDGET AND ADMINISTRATION

COUNCIL COMMITTEE:

R S Mitchell D M Knox,
M-L Hill, C G Lewis,
D G Waples, J Rankin (S)

Purpose

To be responsible for all matters associated with finance and administration of the Institute, including the preparation of an annual budget, recommendations to Council, annual subscriptions, charges for services and amount of prizes, Institute support for university education, the finance of functions and the investment of Institute funds.

Activities

This Committee continued the Institute's reform process of its administrative and financial procedures. We have had the benefit of the first full year of the Institute's accounting system, which will produce savings in internal staff time, audit and other consultancy fees. The Institute's revised investment policy was also implemented, extending authorised investments to trusts investing in a range of asset sectors. It oversaw the Investment Task Force, the Actuarial Foundations Task Force, and the Membership Task Force. These task forces have all reported to Council. The Committee also oversaw the establishment of the Disciplinary Procedures Task Force. The accounts show a surplus for the year while still holding member subscriptions at current levels.

MEMBERSHIP TASK FORCE:

G F Burgess, R H Lyon, A Driussi,
M Ballantyne, J Graham

TERMS OF REFERENCE

To inquire into and make recommendations concerning the following aspects of existing and possible future membership categories of the Institute:

- *methods to enhance the status and practising rights of Associates including revisions to the Codes of Conduct, if necessary;*
- *the criteria for recognising actuaries with overseas Fellowship qualifications;*
- *whether the Institute should issue practising or specialist certificates to members who have passed the appropriate specialist subject and, if so, what additional requirements (if any) should there be and what rights/benefits should such certificates confer;*
- *whether the categories of members eligible to pay reduced subscriptions should be widened; and*
- *the advisability of creating a category of “honorary” actuaries (refer Duncan Ferguson’s Presidential Address).*

The Taskforce met several times during the year to discuss the matters which had been referred to it by Council. An Interim Report covering some of those matters and containing a number of recommendations was discussed by Council at its September meeting. Council accepted the recommendations and referred several of them back to the Taskforce for implementation.

In the forthcoming months, the Taskforce will address the remaining items in its Terms of Reference.

PROFESSIONAL GUIDANCE:

R S Mitchell, T J Matthews,
J R Trowbridge

Purpose

To provide advice to members upon matters relating to professional conduct and ethics.

Activities

Advice was provided to members on matters relating to professional conduct and ethics during the year, as required.

**DISCIPLINARY PROCEDURES
TASK FORCE:**

O Roach, I Robinson,
C Brigstock, P Hodgett

TERMS OF REFERENCE

The Task Force is requested to review the whole of the disciplinary procedures:

- *in the maintenance of high ethical standards;*
- *in the increased codification of standards and their consequences;*
- *in the procedures which must be reliable, timely and fair; and*
- *in the penalties with respect to the extent that they are private or public, related to membership or financial.*

The Task Force is also requested to consider whether the Institute has a role in the resolution of complaints involving a dispute between a member and client/customer, particularly with respect to Securities Legislation. In each case the Task Force may draw on experience in other countries or in Australia for other professions. Where the recommendations embrace change the Task Force should also recommend appropriate changes to the Memorandum and Articles of Association.

Activities

The Task Force is continuing with its investigations and will report to Council next year. The recent paper to the Institute by Ian Robinson on “Ethics, Actuaries (and robots) “ indicates some of the matters being considered.

MEMBER SERVICES COMMITTEE

COUNCIL COMMITTEE:

J B Claridge, B H Ward, G C Martin,
C S Bellis, M D Schneider

Purpose

To oversee the delivery of IAA services to our members, including:

- *Ongoing identification of IAA services which are valuable to our members, which are affordable in the context of IAA membership fees and which are consistent with the stated objectives of IAA.*
- *Efficient and effective delivery of the services so identified.*
- *Acting as a conduit between members, working committees and Council for information and views relating to member services.*

PROGRAMME:

B H Ward, A G Scott, J W Smit,
D S Y Tsui, R A M Lipman, H R Martin,
E L Ranson

Purpose

To consider the programme for Sessional and other Meetings and Conventions, including invitations to authors to write on specific subjects and to organise the review of all papers for these meetings.

To encourage original research by members of the Institute.

To liaise with the Awards/Prizes Committee on items of original actuarial research.

Activities

A full program was assembled for 1998 with four regular sessional meetings and the Presidential Address. Topics covered by the meeting included:

Asset Liability Modelling
Tax Reform
Profitability and Price/Value Ratios
The Age Pension

As with previous years, there has been little difficulty in encouraging members to

prepare papers and many contributions have been forthcoming. This augurs well for 1999 with the program already filling. Being a Convention year, some original and diverse papers consistent with the “Evolving Actuary” theme are also required.

NEW ENTRANTS:

P Meyerratken, J Rankin, L G Tickle (S), M Sherris

Purpose

To promote the value of actuarial qualifications and the broadening range of career paths to school leavers and post graduates to:

- *improve and update the image of the profession; and*
- *increase the demand for actuarial education thereby increasing the calibre and diversity of new entrants.*

Activities

The New Entrants Sub Committee has established close collaboration between the IAA and the universities in order to effectively co-ordinate promotional activities. Current IAA activities have been reviewed, weaknesses and opportunities identified and a broad action plan has been determined. This will focus on:

- radically upgrading the promotional material issued by the IAA particularly with reference to career paths;
- substantially increasing dissemination of this material directly to 4 unit Maths students;
- assisting the universities in the content of their promotional materials (already done for UNSW);
- assessing the value of other promotional techniques, eg. IAA Web Site, video, presentations, maths competition; and
- identifying new points of entry into the profession eg. for those who could benefit from selected elements of actuarial education, eg. Investment professionals.

NEW FRONTIERS:

P Meyerratken, J Rankin, M Hancock,
P Lipman (Secretary)

Purpose

To increase the employment of actuarially trained people in the “wider field” by:

- *educating members about wider field career paths; and*
- *promoting the value of actuarial skills to recruiters from wider field of companies.*

Activities

The New Frontiers Sub Committee will collaborate closely with the Practice Committees who are to varying degrees concerned with the same aims. In particular it will focus on the promotion of relevant and transferable skill sets offered by the actuarial profession, and the identification of very specific roles that actuaries can target and skills required to succeed these jobs. To this end, a number of specialists already practicing in these areas have agreed to offer their expertise. This work will also feed directly into the career path aspects of the New Entrants Sub Committee.

Research on the activities of other actuarial bodies has commenced.

The assessment of alternative promotional techniques is underway. These include presentations, brochures, seminars, Web Site, CPD.

TECHNOLOGY:

M D Schneider, M N M Batliwalla,
F P K Chan, J A Farmer, K B Griffin,
M-L Hill, A C Liu, M A Robinson,
S G Turner

Purpose

To review and make recommendations to the Council Budget & Administration Committee on technology and related matters affecting the operations of the Institute and its relationship with its members.

Activities

The Technology Committee continued to develop and enhance the web site of the IAA. Attempts were made over the last year to pass much of this function on to IAA staff but this was delayed by the departure of Tim Duller who was to have filled this role. There is now a renewed drive to bring much of this work back into the Institute.

This will enable the web site to contain both additional information as well as more up-to-date information. Together with the IAA staff, the Committee also aims to implement the ability for members to receive communications from the Institute in electronic format and provide other on line services to IAA members.

Over the year, the committee has provided advice to the IAA on the choice of a new membership administration system (IMIS). This implementation was also delayed by the departure of some of the staff involved but has now been running in parallel with the older system for some time. The Committee provided advice on the selection of updated hardware and software for the IAA. This has significantly improved the reliability and security of the IAA systems.

PUBLICATIONS:

G C Martin, C S Bellis, J D Hardy,
J H Lang, M Sherris, J E Walsh,
D A Zaman (S), D Isaac

Purpose

To oversee the preparation and issue of the major transaction and journal publications of the IAA. This now centres on the AAJ publication.

To provide support to, and a line of reporting for, the Actuary Australia editorial committee which has responsibility for all matters relating to the content and publication of the IAA "Actuary Australia" newsletter.

To oversee the preparation and issue of other permanent publications of the IAA as appropriate.

Activities

Prior to 31 December 1997, the transaction and journal publications comprised the "Transactions" and "Quarterly Journal" of the IAA. With the issue of the 1996 and 1997 Transactions and the December 1997 Quarterly Journal in 1998, these successful publications have now been discontinued. A new periodic journal, the Australian Actuarial Journal, has taken their place from 1998. It is intended to publish two volumes of the AAJ in 1998, and for the AAJ to operate essentially on a quarterly basis thereafter.

Actuary Australia was again successfully published 6 times over the year as per timetable. The major enhancement in presentation implemented last year continues to be refined and built upon, and the publication continues to be well supported by members and others.

The change over to the AAJ and the ongoing success and relevance of these publications depends on the efforts and consideration of a large number of people. Thank you to the members of the Publications Committee, the Actuary Australia Editorial Committee and Institute staff for your considerable efforts and invaluable assistance. Thank you to all the IAA members who continue to support these publications with relevant and interesting papers, notes, articles, reports, letters, puzzles and photos.

ACTUARY AUSTRALIA:

J H Lang, M J Dwyer, C C Ringstad,
B G Thomson, F Varnier

Purpose

Actuary Australia is published six times a year, with the committee above responsible for its publication. Advision is employed to do the layout and liaise with printers. The magazine publishes Institute news, comments on actuarial matters and general information about the profession.

AWARDS/PRIZES:

C S Bellis, J M Atkinson, P E Durant,
G R Harris, A P Leung, F M McInerney,
C W Thorburn, B H Ward

Purpose

To call for nominations for "Actuary of the Year", Life Membership and Gold and Silver Medals, A M Parker and H M Jackson awards, to review nominations received and to make recommendations to Council.

To oversee the process of presentation of Institute prizes and awards.

To oversee the Melville Prize Fund and the Melville Lecture.

To review from time to time the general system of prizes and awards granted by the Institute, to consider any proposals for new prizes and awards, and to make recommendations to Council.

Activities

The committee recommended that Kerry Roberts should be "Actuary of the Year" for 1998, and for the A M Parker and H M Jackson prizes for 1997 to be awarded respectively to Leonie Tickle for her paper presented at the Gold Coast Convention, *Sex Discrimination and Underlying Mortality Differentials* and to David Dickson for his paper written jointly with Howard Waters and published in the ASTIN Bulletin, *Relative Reinsurance Retention Levels*. These awards will be presented after 30 September 1998.

The 1997 Parker, Jackson and Prescott prizes were presented at sessional meetings during the year ending 30 September 1998. These prizes received generous supplementation from the Melville Prize Fund.

For the Melville Lecture, arrangements were made for a video-recorded speech by James Wolfensohn, President of the World Bank which was shown at lunchtime events on October 19 1998 in Sydney, Melbourne and Canberra.

ACTIVITIES (ADELAIDE): P I Crump

A successful Presidential visit and Dinner was held where members had an opportunity to meet with the President, John Trowbridge.

ACTIVITIES (BRISBANE): N G Spencer

Over the last year, there have been several meetings of the Brisbane Activities Group to discuss various papers and draft guidelines. These have been fairly well attended by both Fellows and Students.

On 16 April, Brisbane actuaries joined with our guest from the Institute, John Trowbridge – President, for the Institute Dinner. Special thanks to Margaret O'Halloran for organising this wonderful night for us.

ACTIVITIES (CANBERRA): P C Martin

Once again the number of social gatherings was substantially higher than the number of professional gatherings. This seemed to satisfy the requirements of the Canberra Actuarial Community. The highlight of the year was the President's Dinner where local actuarial singing quartet "The Supremiums", made its debut. More seriously, a number of public servants and politicians met with Institute members and productive relationships were developed.

ACTIVITIES (MELBOURNE): G C R Harrex

Sessional meetings were held during the year at the Melbourne Town Hall followed by Dinner at various locations.

The President's Dinner, was held at the Promenade Room at the Point Restaurant on Albert Park Lake with 100 members and their partners attending. New Fellows were presented with their certificates.

ACTIVITIES (PERTH):

C A Nance

The President's Dinner was held in May and for the Perth Institute members and partners, it was a great time to catch up with the President, John Trowbridge.

ACTIVITIES (SYDNEY):

M Stollwitzer

Sessional Meetings were run throughout the year at the State Library and followed by dinner at a number of restaurants.

The President's dinner was held on 13 August at Star City Casino. The 125 members and guests in attendance all had a fun time – despite the karaoke coming from next door during the speeches! Thanks to Elaine Collins in particular for making it such a successful night.

The 1997 Christmas Dinner was held at the Hotel Inter-Continental on 1 December. 131 people were entertained by the magical Santa, a puzzling Christmas Quiz and dancing into the night. Michele Stevens and her team of helpers can feel proud of the excellent job they did.

At the time of writing this, the Imax Theatre on Darling Harbour had just been confirmed as the venue for the 1998 Christmas Dinner on 14 December.

The Activities Committee also had a large part to play in organising the video presentation by James Wolfensohn at the Hilton Hotel on 19 October. James Wolfensohn is President of the World Bank and his thought provoking presentation to 200 people in Sydney came at a very interesting time in the world economy. Clare Bellis put in many hours arranging this international event and should be very happy with such an outstanding result.

CONVENTIONS:

B E Rafe, R S Mitchell, B R Vincent,
J A Lyon, N Cox, J Mulready, D Isaac,
J Rankin

1999 Actuarial Convention, Darwin

Purpose

*To be responsible for organising the 1999 Actuarial Convention in Darwin.
The committee is responsible for all aspects of the convention with the exception of
the professional program.*

The committee will work with the Program Committee to ensure that the professional program fits within the theme of the conference.

EDUCATION

COUNCIL COMMITTEE:

R H S Lyon, A M Gould, J W Smit (S),
D M Torrance, R G Glading, H Martin

EDUCATION MANAGEMENT:

R G Glading, D I C Kerr,
S J Wood, S Carroll, D J Walker,
J A Shepherd, S P Miles, P D Caputo,
J W Smit (S)

Purpose

To manage the overall Australian actuarial education process.

*To examine the relevance of all or any part of the examination syllabus; to liaise
with the relevant technical committees on the content of the examination syllabus;
to recommend new subjects or new topics for current subjects.*

*To consider the relevance of particular topics or subjects, having regard to the fields
in which students might expect ultimately to be employed as Fellows.*

To liaise with universities offering actuarial courses.

*To consider the possibility of using other courses and tuition facilities, e.g.
universities, or of joint activities with any such body.*

To review the requirements for Continuing Professional Development.

To liaise with the Research Committee, Practice Committees and Programme Committee regarding the provision of education supporting Continuing Professional Development.

To consider the need for an experience qualification.

To seek evidence and opinions as widely as possible and co-opt appropriate persons to its deliberations.

Structure

A new structure of education committees was established in 1998, with the objective to separate Institute's policy and strategic issues from general management and administrative issues.

The structure will enable Council Education Committee to concentrate on its function as a Council Committee.

Under the new structure, EMC will co-ordinate both input to CEC and implementation of Council and CEC decisions. It co-ordinates the general administration roles of the various management functions undertaken by several committees, task forces and working groups involved in the education area of the Institute's activities on behalf of its members. The EMC seeks integration of these activities to maximise efficiency and minimise omission and duplication. As well, the EMC is expected to review future development requirements and promote appropriate research and discussion in education matters.

Activities

The second Education Summit was successfully conducted in February 1998 and brought together tutors, markers, course writers and examiners.

The summit reviewed:

- the proposed changes to the 1999 Part III syllabuses;
- the content of the specialist subjects for 1998; and
- the implementation of the open book specialist examinations.

EDUCATIONAL & TOPICAL DISCUSSION GROUP

G A Dunsford, M Mahalingham,
P Sanchez, C A Reid, J W Smit

Purpose

The ET Discussion Group is a forum for actuaries and students to meet, explore and discuss Educational and Topical issues. At each meeting, the selected subject or issue is discussed or debated by practitioners and others, with a view to improving the abilities of actuaries to carry out their duties and students to become more fully aware of real life situations.

The ET Discussion Group meetings are conducted in a less formal manner and atmosphere than sessional meetings. While all members are welcome, the target audience is younger members and students.

Activities

Five discussion group meetings were held this year. They were:

“Current Issues in Critical Illness Insurance” – held in Melbourne on Thursday 26th March 1998, and Sydney Thursday 2nd April 1998. Guest speakers included Cherry Brennan, Karen Boss and Mike Swerdlin.

“Holistic Risk Management” – held in Sydney on 29 April 1998, and in Melbourne 7 May 1998. Guest speaker was James Claridge.

“MoS Profits” – Company Comparisons” – held in Sydney on Wednesday 24th June 1998, and Melbourne on Thursday 25th June 1998. Guest speakers included chief actuaries of 8 Life Offices’.

“Quantitative Investment Techniques” – held in Sydney on Wednesday 26th August 1998, and Melbourne on Thursday 27th August 1998. Guest speakers included Richard Germain in Sydney and Richard Hitchens in Melbourne.

“Actuaries in the Energy Markets” – held in Melbourne on Thursday 1 October 1998, and Sydney on Wednesday 14th October 1998. Guest speakers included Martin Fry in Melbourne and Bozenna Hinton in Sydney.

Attendances in Sydney averaged 80 and in Melbourne 30. At each meeting, practitioners/experts provided presentations which stimulated wide ranging discussions, with many in the audience participating.

After each meeting a number of those present met to drink and eat, and in some cases, continue the discussion.

Our thanks is extended to the practitioners/experts who gave their time to provide useful and educational input to the meetings.

EDUCATION STANDARDS:

S Carroll, M C Evers, D G Hart,
J Moss, F P Funder

Purpose

To oversee functions relating to the Admissions & Exemptions Committee, the Syllabus Committee, and the Control Cycle Accreditation process, so that the key functions relating to education standards can be administered on a consistent basis.

To ensure that appropriate standards of education are properly established, communicated and monitored.

Activities

The Education Standards Committee was newly formed in 1998, with three functions, namely Admissions & Exemptions, Syllabus and Accreditation reporting to it. The majority of the committee's work this year has been to consider the process of accreditation as it applies to the Control Cycle and more widely, as well as issues relating to the new syllabus for UK examinations which has a consequential effect for our Part I syllabus. The committee has also been occupied with determining the approach to be taken with respect to new courses intended to cover the IAA syllabus and the institutions providing those courses. The proposal from the University of New South Wales to offer courses leading to exemption from parts of the IAA syllabus has formed a particular and real example of the relevance of this work.

CONTINUING PROFESSIONAL DEVELOPMENT:

D I C Kerr, J W Smit, M A Barda,
M H Baxter, S D Ferris, C C J Luk,
P Meyerratken, C W Thorburn

Purpose

To enhance the competencies of members of the Institute and to improve the quality of actuarial services delivered to the community and to thereby elevate the status of the profession.

To facilitate and coordinate CPD activities initiated by Practice and other committees for further professional development of the members of the Institute.

To facilitate seminars run by the Institute that will increase understanding of actuarial issues in the wider financial community.

To monitor CPD programs in other actuarial bodies and other Australian professional bodies.

To liaise with the Research Committee in the development of appropriate areas of research incidental to the CPD program.

To provide suitable CPD activities for members outside the Sydney and Melbourne CBD areas.

To facilitate the development of graduate conversion programs.

To provide these programs without any net cost to the Institute.

Activities

The committee successfully trialed a new format Breakfast Seminar that raised issues surrounding the new Life Office Tax arrangements.

Various seminars and courses have been structured for delivery in 1999.

The committee monitored a large number of CPD activities carried out by the various practice committees.

RESEARCH:

D I C Kerr, D C M Dickson, R S Fisher,
R A M Lipman, S M Partridge, M Sherris,
M D Schneider (S)

Purpose

To encourage original research of both a theoretical (pure) and practical (applied) nature by members of the Institute.

To identify specific areas of research and to promote, co-ordinate and monitor research in these areas.

To recommend to Council an annual amount of funding for competitive research grants, to assess applications for such grants (including any initiated by the Committee) against guidelines established by the Committee and to review and manage research grants approved by Council on the recommendation of the Committee.

To co-ordinate and monitor research activities initiated by Practice Committees.

To disseminate the results of research and to co-ordinate and arrange this through the Programme Committee and the Activities Committee.

To keep informed of research activities in actuarial science and related areas in the actuarial schools at the Universities, by other actuarial bodies and in industry.

Activities

The Committee continued to monitor prior year research grants.

Applications for 1998 research grants and the Melville Practitioner's Award have been requested and will be assessed and granted before the end of the calendar year.

FELLOWSHIP EDUCATION: P D Caputo, M J Aa, J Frazer, J Yuen,
A Tay, E Leung

Purpose

Was formed in 1998 and incorporates the Tuition Committee, the Professionalism Course Group, Actuarial Control Cycle distance examinations, Part III course writing teams and quality feedback from students.

To liaise with and monitor the progress of the subject practice committees in the review and development of comprehensive study programs and core syllabus for Part III subjects.

To review annually the Course of Reading for examinations set in Australia.

To ensure that the administrative arrangements for providing tuition for the Part III examinations are adequate.

To arrange such discussion classes and other gatherings as are deemed appropriate to supplement the tuition by correspondence for Part III examinations.

To obtain constructive feedback from students on the delivery and content of the Part III subjects.

PROFESSIONALISM:

M J Gallagher, J W Smit

Purpose

To conduct Professionalism courses each year for recently qualified Fellows and to review the material used for such courses.

Activities

The 1998 Professionalism Course was held as a residential course at the Novotel Northbeach Hotel, Wollongong from Monday 23rd – Wednesday 25th February. The course was attended by 63 people who enrolled via the Institute office, largely following the successful completion of the Institute's October exams. The course was followed by a graduation dinner at the Sheraton Airport Hotel, which included family and friends of graduates, at which they were presented with their certificates.

EDUCATION FINANCE:

S J Wood, M J Aa, R H S Lyon,
N L Rubinsztein, J W Smit,

Purpose

To review and make recommendations to Council Education Committee on financing the education plans of The Institute of Actuaries of Australia for the next three years.

Activities

The Committee prepared projections of future education income and outgo for the next three years.

The Committee also reviewed the level of Course Enrolment Fees for Institute Part III subjects.

BOARD OF EXAMINERS:

S P Miles (C), P J Blight, M Playford,
 D W Gorey, S M Colls, T J Kyng,
 G Robinson, P E Durant, J W Smit (S)

Purpose

To be responsible for all matters relating to the conduct of the Institute's examinations, including recommendations to Council concerning awards from the Andrew Prescott Memorial Fund.

Activities

The 1998 exams introduced open book exams for the first time. Although follow up focus groups will be held, initial feedback has been positive. Open book questions have meant an end to "State" and "List" with these terms being replaced by "Explain" and "Describe how".

The 1997 exams were the last to hold Fellowship examinations at the Ordinary level. The overall Ordinary pass rate was 71%. For the specialist exams overall pass rate fell from 44% to 38% ranging from a low of 31% (General Insurance) to a high of 45% (Finance).

The Investment exams for 1998 have been increased to 2 two-hour papers, as the examination team did not feel that 3 hours gave enough time to examine the whole syllabus, notwithstanding the fact that the Securities Institute of Australia also examines some of the subject.

STRATEGY & INTERNATIONAL COMMITTEE

COUNCIL COMMITTEE:

D M Knox, M J Gallagher, P R Muir,
A E Merten, F M McInerney, J Rankin
A M Coleman, A C Gale

INTERNATIONAL:

M J Gallagher, K Roberts, C M Prime,
M A Hilder, B Hinton, B R Vincent,
J D Gribble, K E Bacon (S)

Purpose

To expand the Institute's educational facilities overseas and facilitate assistance on actuarial education to actuarial students and bodies in other countries.

To determine the status of FIAAs in other countries and to further the recognition of FIAAs in other countries.

To advise Council on the activities of the International Actuarial Associations (IAA) and to provide Institute representation on the Council and Committees of the IAA.

To build links with actuarial associations in other countries.

Structure

The International Committee reports to the Strategy and International Council Committee with which the IC can discuss issues, obtain direction and use as an external sounding board when required.

To effectively deal with the many issues facing the committee it was necessary to form four sub-committees which deal with the following:

- matters relating to IAA;
- matters relating to overseas education;
- matters relating to FIAA recognition; and
- links with overseas actuarial associations.

New Membership

Membership of the Committee changed late in the year following a meeting called by The President to discuss "International Structure and Organisation". The President, Junior Vice President and Institute Executive Director now attend all International Committee Meetings.

IAA as World Body

Following the International Actuarial Association Council meeting in Brussels in September 1997 the IAA Provisional Executive submitted a proposal to change the IAA to an association of actuarial associations rather than an association of individuals. A draft constitution was voted on and accepted at the General Assembly at the Birmingham Congress in June 1998. The IAAust profile has been raised by C Prime being designated President elect with her term as President running for 12 months from January 2000.

IAAust delegates to IAA are currently Kerry Roberts as Delegate and Rod Atfield as Alternate. As from 1/7/99 the following apply:

- The President as Delegate,
- Senior Vice President to be International Correspondent; and
- Junior Vice President to be appointed to IAA sub-committee.

Ambassador Program

The Ambassador Program set up to provide local representation of the Institute in overseas countries with a brief to promote the Institute, especially in education has progressed further. Currently there are ambassadors in Hong Kong, Malaysia, Singapore, Japan and Canada with nominations for Ambassadors or Correspondents having been proposed for South Africa, UK, Taiwan, Indonesia, China, India and Thailand

Purpose

The focus of the Strategy and Planning (S & P) Committee is to co-ordinate the strategic and planning functions for the Institute.

The S&P Committee aims to achieve its mission by:

- *reviewing and updating the Strategic Plan for the Institute each year;*
- *assisting Council in implementing the plan; and*
- *acting on requests from Council for ad hoc support on strategic issues.*

During the year Stephen Kwa resigned from the Committee. As yet he has not been replaced. A review of committee membership will be carried out in early 1999.

Activities

Following workshops discussing the Strategic Plan, a Promotions Committee has been formed (which has since evolved into two task specific committees) reporting to the Member Services Committee. It commenced activities late in the year.

In the middle of the year, Andrew Gale reviewed the alignment of Working Committee activities with the Strategic Plan. It was agreed that some of the misalignment resulted from a lack of buy-in to the plan by Council. As a result, a review of the Plan commenced in September in order for a new version to be agreed by Council by the year-end.

Yearly updating and communication of the Strategic plan will now be a formal task of the S&P Committee.

FINANCING THE AGEING:

S Somogyi, R J Stevens, D M Knox,
C O Helenius, A P Gale (S)

Purpose

The purpose of this Committee is to assist Council to develop Institute policies to finance Australia's long term needs for retirement income, health care and other care for its aged persons. The Committee is also seeking to promote the role of the Institute in community discussion of these issues.

Activities

The Committee plans to submit an options paper to Sessional Meetings early in 1999 to seek the views of Institute members. After consideration of these views it is hoped a paper setting out suggested policies will be presented for discussion at the Darwin Convention later in the year.

PUBLIC RELATIONS:

P R Muir, M D Burt, P M Carroll,
W Hearne, J H Lang, C B Price, J Rankin, N
J Schwerkolt, D E Wilkinson,
B R Mahoney, G J Della (S).

Purpose

To promote greater awareness of the value of actuaries to the community.

The PR Committee manages the public relations framework within which Institute committees promote Institute activities and interests.

Our role has been largely carried out through the Institute's public relations consultants, FCR, especially where press releases, public documents and reports covering numerous practice areas and Institute submissions to public inquiries. This function is being brought largely in-house next year. 1998 media releases included:

November 1997 Health Insurance release
December 1997 General Insurance conference release
March 1998 Australian Financial Review article
May 1998 Budget release
July 1998 Richard Fitzherbert's Corporate Profitability release
New Institute Information Brochure (release October 1998)

This committee has been involved with the Presidential marketing programme for the year that included the Presidential Dinners, lunches for journalists, politicians and senior business leaders and the production of a marketing brochure. Members of this committee and our consultants can assist with all aspects of PR including advice, planning, presentation material, media releases, information brochures or distribution list preparations and so on.

COUNCIL PROFESSIONAL AFFAIRS

COUNCIL COMMITTEE: C G Lewis, K S Pike, K E Doran,
D M Goodsall, M E Turner

EXPERIENCE STUDIES: K S Pike, C G Lewis, F M McInerney,
D J Minty, B P Smith, P R Muir,
J H Pollard

The Experience Studies Committee had three specific objectives for 1998:

1. *Both the Mortality and Disability Reports on the experience to December 1997 should be published by the end of 1998.*

The Disability Committee's Report will be presented at the November Life Insurance Forum in Canberra. Due to difficulties with the quality of the data submitted and the lateness of the certain contributors, the Mortality Report on the period 1995-97 has now been scheduled for completion by the end of March 1999.

2. *To put in place an effective liaison with ALUCA (Australian Life Underwriting and Claims Association)*

Negotiations are well advanced with ALUCA as well as the Insurance Medical Officers' Society of Australia (IMOSA). The intention would be that the Institute form a joint committee in a similar manner to that between the Society of Actuaries and the Underwriting and Life Insurance Medical Directors Bodies in North America, on matters of mutual interest.

3. *To investigate and prepare submissions on developments which may:*
 - a) *involve removal of discriminatory practices;*
 - b) *impact the right to underwrite; or*
 - c) *affect life, general and health insurance and superannuation.*

This covers some of the work of the Risk Classification Committee and has progressed satisfactorily over the year.

MORTALITY:

P R Muir, A T W Mak, R J Land,
F M McInerney, L G Tickle, G Whittaker,
G J Brennan, J Y Wildgoose, P Chan (S)

Purpose

To carry out investigations into mortality, major trauma and lump sum permanent disablement of insured and other lives and to report to the Experience Studies Committee thereon.

To carry out projections on future mortality trends, including the impact of AIDS.

To liaise with the Education Management Committee and the Tuition Committee and assist in the review and drafting of underwriting and mortality sections of Institute courses and text books.

To liaise with Institute Committees on matters affecting underwriting and mortality. Special importance is placed on liaison with the Risk Classification Committee.

To liaise with external bodies, including APRA and IFSA on underwriting and mortality matters.

Activities

The major work undertaken by this committee in 1997/98 was the preparatory work associated with the production of the next comprehensive Mortality Investigation for the years 1995-97. This study includes for the first time investigation of the total and permanent disablement and major trauma rider benefit experience. It is intended to issue this investigation as a graduated Standard Mortality Table early in 1999.

Work is also continuing on the production of a second Investigation of Industry Fund Experience covering the years 1994-95. Initial results are to be discussed at the November 1998 Life Forum with the full investigation being published early in 1999.

For data collection and analysis the Committee relies on the Institute's resources of one fulltime and one part-time staff members (namely Jenny Wildgoose and Linda Owens) located at Macquarie University.

DISABILITY COMMITTEE:

B P Smith, H T T Bui,
K E Boss, (S)J G Hocking,
F M McInerney, M A Robinson

Purpose

To carry out investigations into morbidity of insured and other lives and to report to Council thereon.

To liaise with Institute Committees on matters affecting disability insurance. Special importance is placed on liaison with the Life Insurance Practice Committee.

To liaise with the Education Management Committee and the Tuition Committee and assist in the review and drafting of disability sections of Institute courses and text books.

To liaise with the Life Insurance [Actuarial Standards Board](#) on disability insurance matters.

To review developments in disability insurance with particular reference to changes in relevant legislation and market practice.

To catalogue and disseminate papers and other material of assistance to actuaries practising in the disability field.

To investigate and comment on any aspect of disability insurance.

Activities

[The Committee is carrying out an analysis of 1993-96 insured lives experience. The full results will be published in the 1998 Interim Report of the Disability Committee.](#)

[The Committee is undertaking a review of the LIASB solvency and capital adequacy assumptions for disability business.](#)

[The Committee rewrote the instructions for contributing offices to clarify certain areas and take into account recent product developments.](#)

[1997 data is now being collected in preparation for the analysis of 1994-97 experience.](#)

RISK CLASSIFICATION:

D J Minty, D I C Kerr, A S Geue,
T Furlong, C Larmer, E Fabrizio (S)
F M McInerney, R E Pfeifer,

Purpose

To investigate and prepare submissions on developments in the removal of discriminatory practices which affect or may affect life, general and health insurance and superannuation.

To liaise with the Public Relations Committee for more effective communication of the Risk Classification process in all relevant practice areas.

To co-ordinate research into mortality and morbidity levels, as may be needed to develop "reasonable data" for purposes of discrimination legislation.

To liaise with other Institute committees and industry and regulatory bodies, as necessary to carry out these duties.

Activities

The Committee met the officers from the NSW Anti-Discrimination and Privacy Boards. Issues arising from risk classification were discussed and explained from both points of view. The Institute continues to have a good dialogue with these Boards.

The Committee continued to develop a project to review the impact of risk classification on disabled groups.

PROFESSIONAL STANDARDS:

A G Haintz, K E Doran, D W Welch (S)
P D Francis, A J Goddard

Purpose

To be responsible for the review of the Code of Conduct and the preparation of accompanying guidance notes.

To review and make recommendations to Council in respect of organisations which wish to describe themselves as Consulting Actuaries or Actuaries.

To ensure an orderly process leading to the adoption of professional standards by co-ordinating the activities of the Practice Committees and to ensure consistency in presentation of both the Exposure Draft of such Standards and the resulting Standard.

Activities

A number of Professional Standards and Guidance Notes, at various stages of development, were reviewed prior to circulation to members. Several applications were received from organisations wishing to describe themselves such terms as "Consulting Actuaries". [Consideration is being given to the role of senior actuaries as referred to in the Code of Conduct.](#)

ACCOUNTANTS LIAISON:

D M Goodsall, G M Atkins,
G S Langton (S), [G C Martin](#), [C Jared](#)

Purpose

To confer with representatives nominated by the Institute of Chartered Accountants in Australia on matters of mutual interest.

To maintain liaison with the accounting profession and to take such action in connection therewith as may be necessary to maintain and improve the standing of the actuarial profession and its ability to serve the public.

To participate in the development of reporting standards on the financial status of friendly societies, general insurance companies, life insurance companies and superannuation funds which involve actuarial certification and to liaise with the relevant technical committees in relation to such standards.

Activities

The Committee comprises five actuaries whose practice areas include life insurance, general insurance and superannuation. The Committee meets bi-monthly with [seven](#) accountants, representing [five](#) major accounting firms, a major life office and the Institute of Chartered Accountants, jointly forming the "Accountants and Actuaries Liaison Committee" (AALC).

The AALC aims to promote discussion and understanding between the accounting and actuarial professions on matters of common interest. While the Institute practice committees take the leading role on specific issues, the Committee plays a co-ordinating role on issues involving several practice areas.

COMMITTEE FOR THE FUTURE: J R Cumpston, G M Adams, J P Green,
A Brown, H B Sarjeant (S), H Onions
A P Leung, D B Warren

Purpose

To review publications about the future of the world, establish links with data sources and researchers; encourage research projects, publications and seminars; help the Institute learn from and contribute to international work; make inferences about Australia from global models; and thus help actuaries carry out their tasks better and increase the areas in which actuaries can work.

Activities

The Committee's membership was expanded significantly at the commencement of the year. Its terms of reference were unchanged over the year, though these are now being reviewed. Activities included:

- visiting the International Institute of Applied Systems Analysis (IIASA) in Austria and summarising their work;
- maintaining relations with the CSIRO, Academy of Science and the Department of Primary Industry and Energy, Department of Industry, Science and Tourism, ABS and Australian Research Council; and
- consideration of a joint seminar with the Futurism Section of Society of Actuaries on global issues for actuaries.

The Committee is presently reappraising its role and the desirability of developing its own specific needs.

TAX REFORM TASK FORCE: I L Salmon, J L Maroney, D M Knox,
J Rankin

The main pre-occupation of the taxation committee has been to come to terms with the likely outcomes of the introduction of a GST. This has involved discussions with the Minister assisting the Treasurer and the preparations of suggestions for the taxation of financial services for the consideration of the Minister. To date no firm proposals have been submitted by us for the appropriate treatment of financial services under a GST regime. However, with the coalition having been re-elected and the overall intention of the Government to introduce GST legislation as a matter of urgency, the committee will be actively seeking ways of expressing a view on behalf of the Institute.

The following three task forces were established in 1998 by the efforts of Mark Turner.

**PRUDENTIAL REGULATION
TASK FORCE:**

F Rowley, S H Collings, R A Collins,
A M Coleman, K V Griffin,
J M Newman, S J Wood (S)

Activities

Immediately following its establishment early in 1998, the Task Force reviewed developments in the regulatory field in Australia and overseas. This resulted in a report to Council on the Supervision of Financial Conglomerates, which was later submitted by the President, on behalf of the Institute, to the Joint Forum in Basle.

A further paper will be submitted to APRA in late 1998, containing the recommendations for the evolution of the regulatory process in Australia.

**STOCHASTIC MODELLING
TASK FORCE:**

N Rowley, S P Britt,
R M Fitzherbert, D W Gorey,
C R Grenfell, G R Harris,
J H Lang, M Sherris

Purpose

To identify the current uses of Stochastic modelling made by actuaries in various practice areas.

To identify the approaches and methods used by actuaries with regard to stochastic modelling.

To consider whether there are opportunities for uses of Stochastic models made in one practice area to be beneficially made by actuaries in other practice areas.

To recommend means of providing further guidance to actuaries on the use of stochastic models.

Activities

Based upon the collective experience and knowledge of its members, the Task Force is preparing a report on the uses of stochastic modeling made by actuaries in the principal actuarial practice areas. The Task Force is also conducting a survey of the uses made of stochastic models in the life insurance industry.

The Task Force is intending to recommend that a one-day seminar on stochastic modelling be offered by the Institute. The seminar's objective would be to provide an introduction to the practical use of stochastic models in areas of actuarial work. A program for the seminar is being developed by the Task Force.

It is expected that the Task Force will complete its report in 1999.

**BEST ESTIMATES
TASK FORCE:**

B J Palte, S Dixon,
M Fry, C Helenius, J Moss,
D Shaffer

Purpose

To identify any material differences in approach used by actuaries in different practice areas when setting best estimate assumptions.

To seek to understand and clarify the causes for any differences.

To review existing Actuarial Standards and Guidance Notes for consistency.

To propose processes for the profession to resolve or manage any perceived inconsistencies.

To prepare a short paper on the broad principles to apply when selecting best estimates.

Activities

The Task Force was constituted to include representatives from a wide range of practice areas, including Superannuation, General insurance, Banking, Corporate Finance, Life insurance and Stockbroking.

The Task Force has reviewed current practice in the above areas and identified areas of similarity and difference. From this initial analysis, a draft paper has been developed.

This paper sets out a number of core principles which the Task Force feels are applicable to all best estimate assumption setting. The paper also sets out examples of how particular assumptions are set in various practice areas, and considers how different approaches are influenced by the assumption setting purpose. A series of miscellaneous practical issues is also covered.

The Task Force intends to finalise this draft paper and present it to the Multi Practice Committee to consider how the conclusions might be applied in practice.

SUPERANNUATION

COUNCIL COMMITTEE:

C A Nance, M M Jilovsky, G S Langton, W
E Walker, H R Martin, J H L Jones (S),

Purpose

To propose and formulate the IAA's stance on superannuation policy issues for consideration by Council.

To ensure that Council's policy in regard to superannuation is communicated to working committees.

To communicate Council policy to IAA members and provide appropriate support to IAA members practicing in superannuation.

To develop and extend the role of expert adviser to employers, government and the community on superannuation and related matters.

To develop and extend the role of actuaries in superannuation by reasserting the importance of financial management and communicating to actuaries and students.

Become influential in simplifying and demystifying super.

Identify major opportunities (and threats) in the post-Wallis environment.

Activities

During this year the Committee's major focus was on the problems arising from the surcharge, and choice of funds issues.

**SIMPLE SUPERANNUATION:
TASKFORCE**

C A Nance, D M Knox, H R Martin
T B Williams, M S Howes, J L Maroney,
J H L Jones (S)

Purpose

To develop a model for simplifying superannuation with the emphasis on reducing the significant complexities, anomalies and inefficiencies of the current taxation system.

Activities

The taskforce was established in May and has developed a discussion paper to stimulate discussion amongst IAA members and the industry in general. The discussion paper is to be presented at the Association of Superannuation Funds National Conference in November 1998. Following discussions with members and industry, the taskforce will recommend a policy position to Council.

SUPERANNUATION PRACTICE:

G Langton, M Jilovsky,
S Partridge, J Ward, C R Grenfell,
H Martin, J Humphreys,
P Francis (S)

Purpose

To review developments in superannuation from an actuarial point of view, with particular reference to changes in relevant legislation and regulations, and to initiate such studies as it thinks fit.

To maintain liaison with Government bodies which are responsible for the supervision of superannuation, the Australian Taxation Office, Treasury, the Australian Accounting Research Foundation and other relevant bodies on superannuation matters.

To encourage liaison between actuaries, IFSA, ASFA and others concerned with superannuation matters.

To liaise with the Professional Standards Committee and assist with the drafting of Professional Standards, Guidance Notes and Practice Notes.

To liaise with the Accountants Liaison Committee and assist, as needed, in the drafting of superannuation reporting standards and the like.

To liaise with the Education Management Committee and the Tuition Committee and assist, as needed, in the review and drafting of the course and text book for Superannuation.

To recommend names of prospective tutors and examiners to the Education Management Committee.

Activities

This has been a very busy year for the Superannuation Practice Committee. Members of the Committee and its various sub-committees have been actively involved at all levels with the Federal Government on the implementation of the Surcharge legislation and finalising the detail of the draft Choice of Fund legislation.

Accounting and Investments:

C R Grenfell, M A Blair,
K G Dance, G S Langton,
H R Martin, D J O'Keefe (S),
S M Partridge

Because of the importance that the Practice Committee attached to investment disclosure issues, the Accounting and Investments sub-committee took responsibility for all IAA "Choice of Superannuation Fund" matters. In the first 7 months of 1998 the group prepared ten submissions on this topic to the ISC, the Senate Select Committee on Superannuation, Senator Rod Kemp and ASFA, IFSA and other "stakeholders". The group liaised with accountants on the use of net of tax and gross of tax discount rates, AS33 standard notes to Superannuation Fund accounts, reporting on the cost of superannuation for directors, and the new International Accounting Standard IAS19. An article on the latter is being prepared for "Actuary Australia". The group also liaised with ASFA and the ISC in relation to SIS Section 153 disclosure, arguing that brokerage should not have to be disclosed as an expense.

Regulations:

J Fitzpatrick, P Francis, P Shallue, A
Leung, N Callil, M Jilovsky,
J Ward

During the year the Regulations sub-committee was involved in a variety of matters that related to the operation of the Surcharge legislation. The group developed the Institute's Guidance Note on Allocated Surplus Amounts in Superannuation (Accumulated Benefits) Funds. At the same time, the group provided significant input into the preparation of the Australian Tax Office's draft Tax Ruling on the same subject. During the year the group also revised Guidance Notes 451 and 452 and had discussions with the Tax Office on its position concerning the impact of Surcharge on Minimum Requisite Benefits.

Education:

J Humphreys, J Shead, J Burnett,
S Ferris,

The major focus of the Education sub-committee during the year was the organisation of the Superannuation Forum in Melbourne. The group also started the process of revising the syllabus of the Superannuation Course and rewriting the course material. Because of special interest of members of the group, the group also provided comments to the Tax Office on the deductibility of SCI premiums in response to a draft Taxation Ruling.

Special Task Force

A special task force was also established to liaise with the Government on initiatives that were announced regarding superannuation and Family Law. The task force was coordinated by H R Martin and included S M Partridge, P I Crump, S Ferris and T Boden.

COUNCIL FINANCIAL SERVICES**COUNCIL COMMITTEE:**

R L Morath, R P Mangano,
M J Monaghan, A M Coleman,
C J Stevenson, B A Edwards,
F T Neville

Purpose

To review developments in the Banking, Funds Management, Life Insurance, Investment and Friendly Societies industries.

To prepare for Council appropriate submissions to Government and regulators in this regard.

To make contributions to these industries.

To demonstrate the role actuaries can play in their development.

The Financial Services Committee has a number of Committees. They are:

COMMITTEE

Funds Management
Life Insurance
Investment Practice
Banking & Finance
Friendly Societies

CHAIRMAN

Mike Monaghan
Rocco Mangano
Frederick Neville
Bruce Edwards
Carl Stevenson

In addition, a special taskforce under Tony Coleman was formed during the year in regard to the Corporate Law Economic Reform Program (CLERP).

During the year the main work of the Committees was as follows:

FUNDS MANAGEMENT: M J Monaghan, S E Holstein,
J W S Pascoe, P F Scully,
R A Rowlinson, D G McNeil, T Cook,
P Carrett

A submission was made on the Collective Investment Bill. A meeting was held with ASIC representatives in regard to the disclosure regime for investment products, and input is being given to the Institute's Tax Reform Committee in regard to the Government's taxation proposals for managed investments.

BANKING & FINANCE: B A Edwards, J Lang, P Dolan,
K B Griffin, A J McNamara,
E L Ranson, J F Salamito
G Nassios, C W Thorburn, R Collins,
G W Walker, R L Morath

A major task has been the construction of a research program to demonstrate the contribution from actuaries, the first topic being research into mortgage prepayment statistics.

INVESTMENT PRACTICE: P G Cashman, M M Anderson,
M N M Batliwalla, R A M Lipman,
M J Hickling, F T Neville, J W S Pascoe,
Y K Ooi (S)

Work focuses on the potential for fast tracking the Certificate of Financial Planning for actuaries, and contributions to the development of a new course on investment.

FRIENDLY SOCIETIES: C J Stevenson, A L Truslove,
M J Dwyer, F P Funder, R M Fitzherbert

Ongoing work in regard to all Friendly Societies issues: Prudential Control, Risk Management, and Taxation.

LIFE INSURANCE PRACTICE: R P Mangano, C G Aaron,
K E Doran, P M Hodgett,
M J Mulcare, I New, B R Vincent,
R A Rowlinson (S)

The major issue has been work in regard to the Life Insurance Actuarial Standards Board, and the associated exposure drafts for standards. Objectives were to achieve consistency between Australia and New Zealand, and to build credibility for Margin on Services with journalists and other non actuarial professionals.

CLERP TASK FORCE

Purpose

A taskforce was formed during the year to develop the I.A.A.'s response to the introduction of the Corporate Law Economic Reform Program ("CLERP"). The taskforce was comprised of Tony Coleman (Chairman), Alan Doble, Geoff Walker, Tony Cook, Roger Rowlinson, Jock Rankin and received the assistance of Andrew Mutton of Philips Fox on legal issues.

Activities

The taskforce provided a submission to Treasury on the various aspects of the Corporate Law Economic Reform Proposal including, in particular, issues related to financial product disclosure and licensing of financial advisers.

HEALTH & GENERAL INSURANCE

COUNCIL COMMITTEE:

A M Gould, D M Torrance, D G Hart,
J E Walsh, G Robinson, A P Gale

GENERAL INSURANCE PRACTICE:

A M Gould, B Watson, J B Claridge,
W E Gard, M J Goodwin, B M Nicholls,

C J Marjoribanks, G L Robinson (S)

Purpose

To promote actuarial involvement in general insurance and the benefits to the insurance industry of actuarial involvement.

To review developments in general insurance from an actuarial point of view, including changes in relevant legislation and regulations, and to initiate such studies as it thinks fit.

To promote actuarial research in general insurance.

To disseminate actuarial knowledge in relation to general insurance.

To maintain and develop liaison with the Australian Prudential Regulatory Authority on general insurance matters.

To liaise with the Professional Standards Committee and assist with the drafting of professional standards and guidance notes.

To monitor, keep up to date and deliver on behalf of the Education Management Committee an appropriate core syllabus and study programme for the general insurance course.

To recommend names of prospective tutors and examiners to the Education Management Committee.

To liaise with the External, Public Relations and Strategy, Marketing and Planning Committees to obtain appropriate publicity for the general insurance work of the Institute and to assist with the development and implementation of the Institute's Strategic Plan.

Activities

Much of the work for which the Practice committee is responsible is undertaken by sub-committees, working groups and organising committees.

The membership and main activities of these bodies during the year ended 30 September 1998 were as follows.

Accident Compensation Sub-Committee:

D J Finnis, R A Buchanan, R A Davies,
R D Hoskinson, B M Nicholls, B H Ward,
D A Whittle

Responded to:

- The National Competition Policy Review of the NSW Motor Accidents Act
- Comments made in NSW Parliament regarding actuarial involvement in the WorkCover scheme

Monitored developments in motor accident and workers' compensation schemes in each Australian jurisdiction and liaised with the organisations responsible for those schemes.

Development Sub-Committee: R D Hoskinson, R A Davies, W E Gard

Organised Continuing Professional Development activities, including the arrangement of a claim modelling seminar held in March.

Organising Committee for the IAA's 11th General Insurance Seminar:

T E Andrews, K E Johnston, M Stevens,
D A Whittle

Organised the seminar held at Sanctuary Cove in November 1997, which received a high level of favourable feedback.

Organising Committee for the IAA's 7th Accident Compensation Seminar:

R A Davies, R D Hoskinson,
C J Marjoribanks

Organised the Seminar to be held at Coolumb in December 1998.

Education Sub-Committee: G L Robinson, G Trahair, B Watson,
S J Wilson

Made tuition and examination arrangements for 1998.

Revised the syllabus for 1999 and updated the Learning Guides and assignments.

Provided editorial input to the review of the course textbook.

Financial Reporting Sub-Committee: J B Claridge, A J Bendall,
C J Marjoribanks, C J O'Dowd

The major activity was carried out by the two Working Groups below, to which this Sub-Committee provided guidance.

Other activities included:

- Participation in the Best Estimates Task Force
- Liaison with the Superannuation Practice Committee regarding discount rates

**Working Group on the
Consistency and Reliability of
Outstanding Claims Provisions:**

C J Marjoribanks, C A G Beynon,
P C Martin, C J O'Dowd, G Schneider,
A G Scott, A D Smee, Y Zhao

TERMS OF REFERENCE

- *To determine the degree of consistency among insurers which is provided by current practice in the establishment of provisions for outstanding claims, and the reliability, over time, of the provision so established.*
- *To examine whether actuarial estimation of outstanding claims liabilities improves the consistency and reliability of outstanding claims provisions of general insurers.*
- *To assess whether material improvements in the levels of consistency and reliability of outstanding claims provision are necessary, and the extent to which these could be achieved by:*
 - (i) *alterations to actuarial and /or accounting standards*
 - (ii) *further requirements on the general insurance industry."*

Activities

Prepared a discussion paper on the Terms of Reference for the Group which was discussed at the General Insurance Seminar in November 1997.

Worked on the consistency and reliability study and review of actuarial standards for reserving, a draft report on which is to be discussed at a workshop in late 1998.

**Working Group on the
Determination of Solvency
Standards for General Insurers:**

C J O'Dowd, W Choo, S H Collings,
D J Finnis, M J Goodwin, C R J Latham,
P C Martin, T J Pratt, S J Wilson

TERMS OF REFERENCE

- *To determine appropriate criteria to be applied in the formation of minimum solvency standards for general insurance companies.*
- *To determine the extent to which the current minimum solvency standard meets these criteria.*
- *To examine alternative solvency standards against the criteria and make recommendations.*
- *To examine what should be provided for the interpretation of solvency by users of insurers published financial information.*

Activities

Prepared a discussion paper on the Terms of Reference for the Group which was discussed at the General Insurance Seminar in November 1997.

Worked on the evaluation and development of alternative solvency standards, a draft report on which is to be discussed at a workshop early in 1999, with the final report to be discussed at a seminar in March 1999 organised by APRA.

HEALTH PRACTICE:

D M Torrance, G M Adams,
C M Brennan, P M Carroll, A P Gale,
R C Madden, C J Stevenson,
B W Walker, D Walker, J E Walsh,
D Watson, R J Paton (S)

To extend and promote the use of actuarial skills in the health sector.

To achieve this mission the Health Practice Committee will:

- develop educational standards;
- provide education;
- conduct research;
- develop new skills;
- promote the profession; and
- contribute to the development of public policy.

The Health Practice Committee has been focussing its efforts on developing the skills of, and opportunities for, actuaries in the health arena. The committee has been active over a wide field with a great deal of its work being done through sub-committees.

Education Committee:

J E Walsh, D J Walker, G M Adams,
P M Carroll, W E Gard, J W Smit,
D Watson

Professional Standards & Legislation:

A P Gale, B A Howe, J E Walsh,
D M Torrance, B W Walker,
D Watson

Long Term Care:

C M Brennan, N L Woof, J E Walsh,
R C Madden, D M Torrance, D J Walker

Health Planning & Evaluation:

G M Adams, D M Torrance
D J Walker, D Watson, B W Walker
R C Madden

Experience Studies:

C J Stevenson, T Clarke, A P Gale,

Activity & Public Relations:

R J Paton, C M Brennan, P M Carroll,
I D Burningham, T Karp, N Potaznik

The Institute's new course "Actuarial Practice in Health Insurance" was developed and launched. The course provides actuaries with the knowledge and understanding of the operation of health insurers and provides a basic skill set as a foundation for the future provision of actuarial advice to health insurers. This initial course may ultimately be part of a future Part III subject in Health.

The Health Practice Committee organised a one day seminar on "The Future Funding of Healthcare in Australia", and arranged for experts from outside the profession to speak about this issue, both to actuaries and to others interested in this topic. The aim of the seminar was to explore the important issues associated with financing healthcare in Australia.

A draft guidance note on "Actuarial Reports and Advice on Provision of Outstanding Claims in Health Insurance" has been produced for discussion by the membership. The Committee is also working towards a compendium of regulation affecting private health insurance business.

In order to promote discussion on the issues facing the industry and to raise the profile of actuaries within the industry, the Health Practice Committee invited a number of guests from the health industry to meet with actuaries who have an interest in the health sector. The purpose of these meetings is to provide an avenue for actuaries to gain a wider understanding of the health industry, and for the guests to become familiar with actuaries and with our work. The Committee met with Gayle Ginnane (PHIAC), Dr Brendan Nelson (Federal Member for Bradfield and former president of the AMA) and Mr David Borthwick (Deputy Secretary of the Commonwealth Department of Health and Family Services).

Market research by an independent market research firm, on the role of actuaries in the health insurance industry, both historically and potentially, has been commissioned. This research is being conducted with health insurers, regulators and providers.

A regular newsletter "Private Health Insurance News of Interest to Actuaries" is produced and circulated to actuaries and to a limited number of people who have an interest in these matters.

The Committee has contacted all the major conference organisers offering the services of actuaries to speak at health care conferences.

The committee will continue to address issues where we believe we can add value and raise the profile of actuaries in the health industry. We will also continue to work to increase the health knowledge within the profession.

COMMITTEES REPORTING DIRECTLY TO COUNCIL

PROFESSIONAL CONDUCT: W H Carter, T C Jenkins, K W McLeod,
W K Roberts, F M Ross, G C Taylor,
G B K Trahair

To carry out such investigations as are required by virtue of complaints received of the conduct of members. A subcommittee appointed by the Chairman may, in relation to such an investigation, require and receive from the member concerned or any other members, and seek and receive from any other person or persons, such information and explanations as it may think proper. This Committee reports directly to Council.

There were no complaints received by the committee during 1998.

PROFESSIONAL CONDUCT J L Maroney, R W Champion,
TRIBUNAL: R G Glading, S P Miles, D A Service

To receive reports from the Professional Conduct Committee, to review them and determine what action should be taken. To hear appeals by members in relation to warnings issued by that Committee.

No matters were referred to the Tribunal during the year.

LIBRARY

This financial year some \$5,000 was spent in upgrading the Library. All books were catalogued and an index created which was put onto a software package designed for the purpose.

Eventually it is hoped to put the index on our home page, but in the meantime members can ring the Institute office and ask staff to search for material for them.

FINANCIAL STATEMENTS

Copies of the Institute's audited financial statements for the year ended 30 September 1998 are attached.

For and on behalf of the Council

9 November 1998

J R Trowbridge
President

CLASSES OF MEMBERS

1. Fellows

The requirements for admission as a Fellow of The Institute of Actuaries of Australia are:

- (i) Exemption from Part I subjects;
- (ii) Exemption from Part II subject (Actuarial Control Cycle);
- (iii) Completion of the examinations at Specialist Level in two (2) Part III subjects.

As a transitional arrangement, passes in Fellowship examinations before 1990 are allowed as exemptions from the examination in the subject at the Specialist level.

It is also necessary for Australian residents to attend the Institute's Professionalism Course and for overseas residents to attend a similar approved course.

2. Accredited Members

Fellows of some overseas actuarial bodies who have been working in Australia for a period of at least six months, have had appropriate actuarial experience during that period and have attended the Institute's Professionalism Course, may be admitted as Accredited Members (or transferred to that class if they are already Associates). After three years' practice in Australia, Accredited Members may apply to become Fellows.

Note: New rules for bilateral recognition of fellowships are being developed, as is a non-member category of correspondent. Both are hoped to be finalised in 1999.

3. Associates

Student members who have been exempted from all Part I and Part II subjects are eligible to become Associates (AIAA).

4. Students

Student members must satisfy the entry standards laid down by Council.

5. Lay Members

The Actuarial Society of Australasia admitted as Lay Members persons who were interested in actuarial discussions but no new Lay Members have been admitted since 1963.

6. Voting Members

Only Fellows of the Institute are eligible to be voting Members subject to six months residence in Australia or New Zealand.

APPLICATIONS

Application forms for membership may be obtained from the Institute, or its Victorian Representative, Helen Taylor, 447 Collins Street, Melbourne, Victoria 3000.

ENTRY STANDARDS

(a) Graduates:

Graduates from Australian or New Zealand universities must have a degree at pass level with mathematics as a major subject, or at an honours level in a non-mathematical subject provided that a sufficiently high standard of mathematics has been demonstrated during the university course or at school.

(b) School Leavers:

New South Wales: At least four subjects in the Higher School Certificate Examination including English and 4 unit Mathematics together with a Tertiary Entrance Rank (TER) in excess of 92.

Victoria: Four passes in the Victorian Certificate of Education Examination including English, Specialist Mathematics and Maths Methods with a tertiary entrance ranking in excess of 92.

Queensland: Four passes in the Senior Examination including English, Mathematics B & C; the passes in the two mathematical subjects being at least at the "HA" level.

South Australia: Four satisfactory subject achievement scores at Stage 2 including English, Mathematics 1 and 2; the achievements in Mathematics 1 and 2 need to be at the 'A' grade level.

Tasmania: Four passes in the Tasmanian Certificate of Education

Examination including English, Mathematics (12 MT843 C Maths Stage

3, the passes in the mathematical subjects being at "HA" level.

Western Australia: Completion of four Year 12 Tertiary Entrance Examination subjects including English or English Literature and Applicable Mathematics. The level of achievement required in Applicable Mathematics being Grade A and at least Grade B in the other subjects.

New Zealand: Four passes in the University Bursaries Examination or the Entrance Scholarships Examination including English, Mathematics and Additional Mathematics; the passes in the two Mathematical subjects averaging 75% for the Universities Bursaries Examination or 60% for the Entrance Scholarships Examination.

Equivalent standards will be required in the case of graduates or school leavers from other countries.

- (c) Members of the Institute of Actuaries (London) or students of the Faculty of Actuaries (Scotland):

Applicants who are members of the Institute of Actuaries (London), or students of the Faculty of Actuaries (Scotland) are qualified to be student members of The Institute of Actuaries of Australia.

EXEMPTIONS

Graduates majoring in actuarial studies with a BCom from Macquarie University in Sydney, a BCom from the University of Melbourne or a BEc from the Australian National University in Canberra may gain exemption from the Part I subjects. The University of New South Wales in Sydney has also applied to the Institute for accreditation of its actuarial program, and if approved, graduates majoring in actuarial studies with a BCom from that university may gain exemption from the Part I subjects. Graduates enrolling as continuing education students in actuarial studies at Macquarie University or the University of Melbourne may apply for exemption from the Institute subjects which correspond to the completed university units.

Graduates from other universities who have achieved a sufficiently high standard in appropriate papers of degree examinations may be granted exemption from some of the Part I subjects. In general, such exemptions will be limited to Subject B (Economics and Accounting) and Subject C1 (Mathematical Statistics).

Students obtaining passes or exemptions in any of the subjects A, B, C, D of the joint examinations of the Institute of Actuaries (London) and the Faculty of Actuaries (Edinburgh) will be exempt from the equivalent Part I subject. Enquiries about exemptions should be referred to the Institute office.

OVERSEAS ACTUARIES

While actuarial advice in Australia should normally be given only by Fellows or Accredited Members of the Institute, occasionally actuaries with overseas qualifications (but who are not members of the Institute) visit Australia for short periods for the purpose of actuarial work on projects where their special relevant skills and experience overseas are of value.

Such overseas actuaries are, of course, subject to the Codes of Professional Conduct of their own countries but they are also strongly encouraged to adhere to the Institute's Code of Professional Conduct while they are working in Australia. If there is any doubt as to how they should act in specific circumstances, they should contact the Institute's President.

FEES AND SUBSCRIPTIONS

Annual subscriptions for 1997/98 were:

	Resident in Australia	Resident outside Australia
Fellow & Accredited Members	\$725.00	\$470.00
Associates & Advanced Students	\$450.00	\$300.00
Students & Lay	\$240.00	\$240.00
Full Time University Students	\$ 65.00	

The entrance fee for all classes of member (with the exception of full-time students) was \$200.00.

Members who have largely ceased gainful employment and are no longer practising professionally and members who, for a minimum period of four months, have been on unpaid parental leave or unemployed and are actively seeking work may pay a reduced annual subscription on application. Life Members and Retired Members over age 70 pay no subscription.

Subscriptions, which are payable in advance, fall due on 31 January in each year.

KINDRED SOCIETIES

INTERNATIONAL ACTUARIAL ASSOCIATION (shown below as IAA)

This association has been completely re-constituted on the occasion of its 26th International Congress of Actuaries held in Birmingham in June 1998.

Voting members of the IAA are now national actuarial associations. The Institute of Actuaries of Australia is a member. By virtue of this membership, all Fellows and Accredited members of The Institute of Actuaries of Australia are members of the IAA.

The Secretariat of the IAA provides continuity of communication. This Secretariat is currently at: 360 Albert Street Suite 820 Ottawa Ontario CANADA K1R 7X7; Tel: (1) 613 236 0886 Fax: (1) 613 236 1386 E-mail: secretariat@actuaries.org

Correspondence may be forwarded through the Australian National Correspondent and Representative on the IAA Council, Mr W K Roberts.

The aims of the IAA are to:

1. develop the role and enhance the reputation and recognition of the actuarial profession and individual actuaries throughout the world;
2. promote high standards of professionalism among actuarial associations and among actuaries throughout the world to ensure that the public interest is served;
3. advance the body of knowledge of actuarial science and its applications; and
4. further the personal professional development of actuarial throughout the world.

Arrangements are in hand for the 27th Congress of Actuaries to be held in Cancun Mexico in 2002.

ASTIN

Preparations are underway for the ASTIN Colloquium which is to be conducted in early October 1998 in Glasgow.

AFIR

A second Section of the International Actuarial Association, named AFIR (Actuarial Approach to Financial Risks) was established in 1988. The Section is devoted to the application of scientific methods to the evaluation and management of financial risks, and welcomes non-actuaries as well as actuaries at its annual Colloquia. Australia hosted the 7th Colloquium in Cairns in 1997 in conjunction with a similar event for ASTIN. The 8th Colloquium was held in Cambridge, UK from 14-17 September 1998, with attendees from 19 countries. The next is in Tokyo in August 1999, in conjunction with the ASTIN meeting and the Centenary of the Institute of Actuaries of Japan.

MEMBERSHIP OF ASTIN AND AFIR

Members who desire to register as members of these sections of the IAA should apply through the Institute office.

IFAA

This section of the IAA (International Actuarial Association) called the International Forum of Actuarial Associations has now ceased to exist following the reconstitute of the IAA. Effectively the IAA itself has taken on the constitution and purpose of the previous IFAA.

INTERNATIONAL ASSOCIATION OF CONSULTING ACTUARIES

This organisation was established at the 18th International Congress of Actuaries in Munich in 1968 for the purpose of facilitating the exchange of views and information on an international basis between members on matters affecting their professional responsibilities as consulting actuaries. Meetings normally take place every two years. The 1998 meeting was held in South Africa. The 2000 meeting is in Canada. Australian or New Zealand consulting actuaries who are interested in joining should contact Mr J Newman on (02) 9229 0803.

MEMBERSHIP STATISTICS

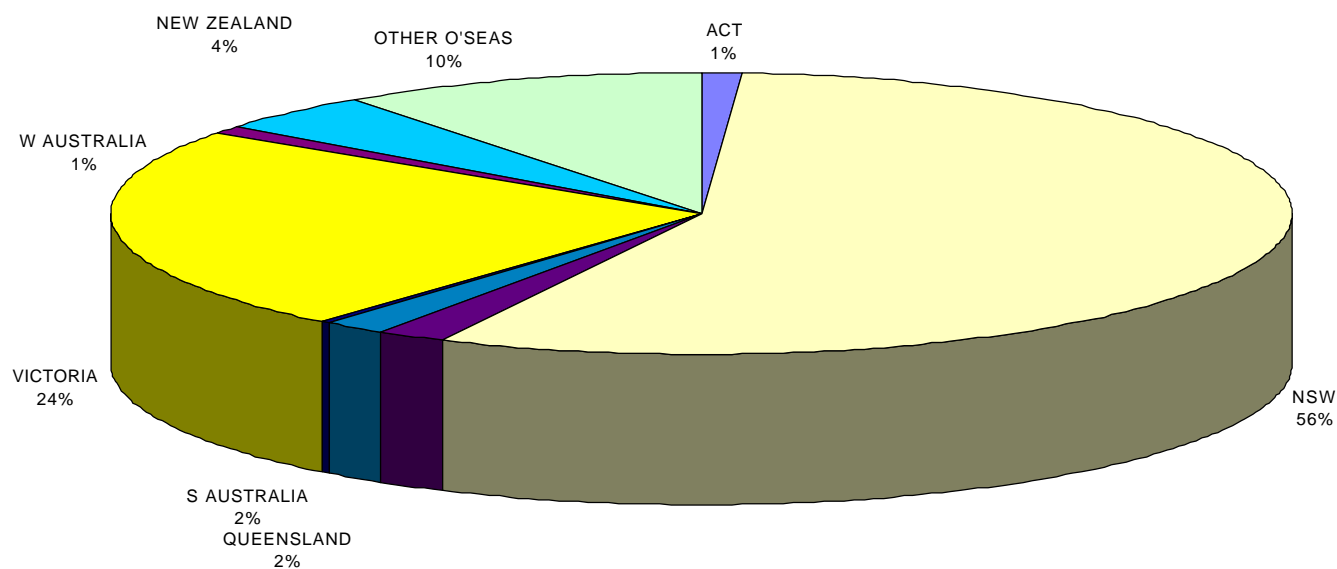
MEMBERSHIP FIGURES FOR THE LAST 10 YEARS
1988 - 1998

	Fellows	Accredited	Associates	Students	Lay Mbrs	TOTAL
1989	555	40	307	317	10	1229
1990	589	40	346	306	10	1291
1991	647	40	340	332	10	1369
1992	693	35	333	400	9	1470
1993	759	30	331	436	9	1565
1994	810	38	345	433	8	1634
1995	865	40	363	422	7	1697
1996	921	37	362	423	7	1750
1997	991	34	370	426	7	1828
1998	1048	34	412	545	6	2045

1998 CLASSIFICATION BY RESIDENCE
(1997 FIGURES IN BRACKETS)

	Fellows	Accredited	Associates	Students	Lay Mbrs	Total
ACT	13 (14)	0 (0)	4 (2)	11(6)	0 (0)	28 (22)
NSW	562 (553)	15 (15)	198 (184)	329 (258)	5 (6)	1109 (1016)
Queensland	21 (19)	0 (0)	15 (13)	18 (16)	0 (0)	54 (48)
S Australia	14 (15)	0 (0)	7 (6)	3 (3)	0 (0)	24 (24)
Tasmania	2 (2)	0 (0)	2 (1)	1 (1)	0 (0)	5 (4)
Victoria	249 (241)	9 (9)	96 (88)	124 (89)	0 (0)	478 (427)
W Australia	11 (11)	0 (0)	9 (4)	6 (4)	0 (0)	26 (19)
N Territory	0 (0)	0 (0)	1 (1)	0 (0)	0 (0)	1 (1)
New Zealand	46 (39)	0 (0)	33 (28)	13(10)	1 (1)	93 (78)
Other O'seas	117 (97)	10 (10)	47 (43)	40 (39)	0 (0)	214 (189)
	1048 (991)	34 (34)	412 (370)	545 (426)	6 (7)	2045 (1828)

1998 FELLOWS BY RESIDENCE



**THE INSTITUTE OF ACTUARIES OF AUSTRALIA
REPORT OF COUNCIL
FOR THE YEAR ENDED 30 SEPTEMBER 1998**

Council submits herewith the Balance Sheet at 30 September 1998 and the Profit and Loss Statement for the year ended on that date. In order to comply with the provisions of the Corporations Law, the Council reports as follows:

"The Institute is a company limited by guarantee and is licensed under Section 383 of the Corporations Law to be incorporated without the word "Limited" in its name."

Council fulfils the role of the Board of Directors.

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

COUNCIL

J R Trowbridge, BSc, BE, BA, FIA, FIAA

President, Born 25/4/47

John Trowbridge was elected to Council in 1993. John Trowbridge is Chairman of Trowbridge Consulting. John was previously on Council 1982-84 and has served on the General Insurance Committee 1981-84, Finance & Administration Committee 1982-84, Professional Guidance 1997, Sydney Activities Committee 1981-83, been an Assistant Examiner General Insurance 1982, author "An Alternative to Pensions Funding?", "Analysing Expenses in a General Insurance Company", "Strategic Issues for General Insurers in the 1990's", "Prudential Margins and Claims Reserving Policy in General Insurance". John is currently a member of the Financial Sector Advisory Council.

R S Mitchell, FIA, FIAA, ASA

Senior Vice President, Born 3/9/41

Chairman of Council Budget & Administration Committee, and is the Institute's representative on the Australian Council of Professions.

Richard Mitchell was elected to Council in 1994. Richard Mitchell is Chairman of Mitchell & Co Pty Ltd. Richard has served on the Council Superannuation Practice Committee 1994-95, Council Finance & Investment Committee 1995-96, Superannuation Practice Committee 1987-95, Retirement Incomes Policy Committee 1990-92, was a Tutor for Life Contingencies 1969-72 and has published as co-author "RIP Committee on Retirement Income Policy Statement" 1992, and "Australian National Report for IACA" 1994.

D M Knox, BA, PhD, FIA, FIAA

[Vice President](#), Council Member, Born 28/12/53.

Chairman of Council Strategy and International Committee and Member of Council Budget and Administration Committee.

David Knox was elected to Council in 1996. David Knox is Professor of Actuarial Studies, University of Melbourne. David was previously on Council 1985-88 and has served on Education Policy Committee 1988-91, Education Management Committee 1991-96, Retirement Income Policy Committee 1993-97, Membership Committee 1985-91, Resources Planning and Recruitment 1986-89, assisted in preparation of "Readings in Institutional Investment (with M Sherris) 1987, published "Index Linked Government Securities" 1984, "Unifying Fundamentals of Actuarial Science (with others) 1996, "Education and Professionalism - Towards a Global Profession (with others) 1997, co-author "The Development of some Criteria for Equity in National Retirement Income Systems", 1997, many superannuation related papers. He was Actuary of the Year in 1996. David is a member of the Board of the Australian Prudential Regulation Authority.

C S Bellis, BA, MA, FIA, FIAA

Council Member, Born 6/8/54

Member of Council Member Services Committee, Publications Committee and Chairman of Awards and Prizes Committee

Clare Bellis was elected to Council in 1997. Clare Bellis is a Senior Lecturer in Actuarial Studies at Macquarie University. Clare has served on the Resources and Planning Committee 1990, the Education Management Committee 1992-95, the Awards and Prizes Committee 1997-98 and the Publications Committee 1996-1998. She is co-author of "The Education of Australian Actuaries: improving the quality of learning" 1993, author of "The Future-Managers: Actuaries in Australia 1853-1997" 1997, and joint editor of the Transactions of the Institute of Actuaries of Australia 1997.

J B Claridge, BEc, FIAA

Council Member, Born 15/10/65

Chairman of Council Member Services Committee.

James Claridge was elected to Council in 1996. James Claridge is a Consultant with Tillinghast-Towers Perrin. James has served on the Financial Reporting (General Insurance) Sub-Committee 1996-97, General Insurance Practice Committee 1997, been a Chief Tutor in General Insurance 1995 & 1996, leader of Long-Tail Working Group, marking assignments and exams, co-author "An Introduction to Holistic Risk Management", 1997.

A M Coleman, BA, MBA, FIA, FIAA

Council Member, Born 29/4/54

Member of Council Financial Services Committee & Council Strategy and International Committee.

Tony Coleman was elected to Council in 1996. Tony Coleman is a Partner of Price WaterhouseCoopers specialising in Corporate Finance and Financial Services Consulting. Tony has served on the Investment Practice Committee 1993-96, Life Insurance Financial Reporting Sub-Committee 1993-94, and has been a Tutor in Investment. He published "Analysis and Optimisation of Leveraged Leases" 1981, was co-author "Valuation of Life Insurance Companies" 1992, developed "Success Stories" - presentation material on actuarial profession in 1995 and co-authored "Measurement of Capital Adequacy for Financial Product Providers - A Submission to the Australian Financial System Inquiry" in 1997. Tony is Junior Vice-President elect for 1999.

K E Doran, BEc, FIAA

Council Member, Born 10/2/63

Member of Council Financial Services Committee and Professional Standards Committee.

Karen Doran was appointed to Council in 1995. Karen Doran is employed by Ernst & Young, ABC. Karen has served on the Superannuation Practice Committee 1989-91, Life Insurance Practice Committee 1995-97, Professional Standards Committee 1997 and been a Tutor in Superannuation 1989-90.

A C Gale, BA, FIA, FIAA, MBA

Council Member, Born 16/10/56

Member of Strategy and International Committee.

Andrew Gale was appointed to Council in 1997. Andrew is employed by Optus Communications as Director, Home & Business Services. Andrew chaired the Marketing Committee in 1995 and the expanded Strategy, Marketing & Planning Committee 1996-97. He has also served as a member of the External Committee 1995-97, and the Council Strategy & International Committee 97-98. Andrew co-authored the "Audit of The Actuarial Profession" paper for the Coolom convention in 1995, and co-authored the "Future of the Profession" in 1996. Andrew is currently involved in co-ordinating the strategic planning process and alignment of Council Committee plans.

A P Gale, BSc, FIAA

Council Member, Born 16/9/64

Member of Council Health and General Insurance Committee, Member of Health Practice Committee

Andrew Gale was elected to Council in 1997. Andrew Gale is employed as Senior Product Services Actuary, National Mutual Financial Services. Andrew has served on the Health Practice Committee 1997-98, Financing the Ageing Committee 1998, Council Financial Services Committee 1997, has been an Examiner General Insurance 1991-92 & 1996, Examiner Life Insurance 1998. He is co-author of "Model of a Private Health Insurance Fund" 1996 and co-author of "New Membership Categories in Private Health Insurance" 1997.

A M Gould, FIA, FIAA

Council Member, Born 7/8/62

Member of Council Education Committee and Chairman Council Health and General Insurance Committee.

Adrian Gould was elected to Council in 1995. Adrian Gould is employed at NZI Insurance Australia Ltd. Adrian has served on the Admissions & Exemptions Committee 1997, Development Committee 1997, General Insurance Practice Committee 1995/98 (Chairman 1996-98), been a Tutor and/or Examiner in General Insurance 1990-94 & 1996/98, Superannuation 1988 and 1990.

C G Lewis, BSc, FIA, FIAA

Council Member, Born 30/3/51

Chairman of Council Professional Affairs Committee and Member Council Budget and Administration Committee.

Chris Lewis was elected to Council in 1997. Chris is currently employed as Group Actuary by AMP Limited. Chris is a Member of the Council Professional Affairs Committee and Council Budget and Administration Committee. He has served on the Experience Studies Committee in 1997 and the Institute's Tax Reform Task Force.

R H S Lyon, MA, FIAA, ASA

Council Member, Born 5/8/59

Chairman of Council Education Committee and Member of Education Finance Committee.

Richard Lyon was elected to Council in 1995. Richard Lyon is employed as Chief Actuary, Royal & Sun Alliance Life. Richard has served on the Education Management Committee 1990-96, International Relations Committee 1995-97, Life Financial Reporting Sub-Committee 1995-98 and was a Tutor in Life Insurance 1990-94, Examiner General Insurance 1988-90. He is author of "Margin on Services" 1991, co-author "Continuing Professional Development" 1992, co-author "Actuarial Education for the Next Century" 1994, co-author "A Perfect Match?" 1995, co-author "Education and Professionalism - Towards a Global Profession" 1997.

F M McInerney, BA(Hon), FIA, FIAA

Council Member, Born 20/3/51

Member of Council, Strategy and International Committee

Frank McInerney was elected to Council in 1995. Frank McInerney is employed as Manager New Ventures with Swiss Re Life & Health. Frank has served on the Awards & Prizes Committee 1989-1998 (Chairman 1997), Mortality Committee 1997-98, Risk Classification Committee 1996-98, Experience Studies Committee 1998, Disability Committee 1997-98, Professionalism Course Committee 1989-95, Professional Standards Committee 1989-96, Taxation and Legislation Sub-Committee of LIPC 1990-95, has been a Tutor for Mathematics of Finance 1985-86, Examiner Life Insurance 1993-94 and Chief Examiner Life Insurance 1995, co-author "Solvency Requirements for Investment Account Business" 1989, co-author "Life Insurance Taxation, a Discussion Paper" 1995.

H R Martin, FIAA

Council Member, Born 30/11/61

Member of Council Superannuation Committee and Council Education Committee.

Helen Martin was elected to Council in 1997. Helen Martin is a Principal of Towers Perrin and their Senior Actuary. Helen has served on the Superannuation Practice Committee and its sub-committees 1991-1998, and the Programme Committee 1996 – 98. She was Chief Tutor for Superannuation 1989 – 1991, a tutor and marker for Superannuation 1992 – 1995 and the Superannuation Course Co-ordinator 1991 – 1992. Helen has been author and co-author of many submissions on behalf of the Institute.

R L Morath, BA, FIA, ASIA, FIAA

Council Member, Born 13/12/48

Chairman of Financial Services Committee.

Dick Morath was elected to Council in 1997. Dick is currently employed as CEO of Lend Lease Corporate Services.

C A Nance, BSc, BA, FIAA

Council Member, Born 10/10/58

Chairman of Council Superannuation Committee.

Catherine Nance was elected to Council in 1996. Catherine is a Director, Williamson Nance Pty Ltd. Catherine has served on Activities Committee, Perth, and is co-author of "Management of an Australian Terrestrial Resource - The Kangaroo & "The Kangaroo Keepers - Conservation".

D M Torrance, BA, FIAA

Council Member, Born 27/8/56

Member of Council Health and General Insurance Committee and Chairman of the Health Practice Committee.

David Torrance was elected to Council in 1996. David Torrance is a Director of KPMG Actuaries Pty Ltd. David has served on the Accountants Liaison Committee 1997, Health Practice Committee 1997, Marketing Committee 1995-96, Public Relations Committee 1996, member Organising Committee for 1996 Life Insurance Forum, LIPC Sub-Committee to develop GN252 Actuarial Appraisals of Life Insurance Business 1993, LIPC Capital Adequacy Sub-Committee 1991. He was Chief Tutor Life Insurance 1993-94, and author of "Group Life Mortality Study" 1991. He was co-author of "Maintainable Earnings and Actuarial Methods for Valuing Life Insurance Companies" 1992.

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

The following is a record of attendance:

Clare Bellis	5/6	David Knox	8/9
Geoff Burgess*	3/3	Richard Lyon	7/9
Peter Carroll#	3/3	Helen Martin	6/6
James Claridge	9/9	Trevor Matthews	3/9
Tony Coleman	8/9	Richard Mitchell	6/9
Karen Doran	9/9	Richard Morath	3/6
Richard FitzHerbert*#	4/4	Frank McInerney	8/9
Andrew C Gale	5/5	Catherine Nance	8/9
Andrew P Gale	6/6	Stephen Partridge#	1/3
Adrian Gould#	9/9	David Torrance	8/9
Martin Jilovsky	1/3	John Trowbridge	9/9
Chris Latham*	1/1	Jennifer Sparks•	1/2
Chris Lewis	6/6	Leonie Tickle*	1/1
		James Thompson*	1/1

* Alternate # Retired (1.12.97) • Retired (10.11.97)

The principal activities of the Institute in the course of the financial year comprised encouraging the study of actuarial science, statistics and other subjects and conducting examinations in relation thereto. The Institute also undertook promotional and administrative activities in relation to the actuarial profession, including the preparation of professional standards. During the year there was no significant change in the nature of those activities.

Operating surplus for the year amounts to \$232,015. A net amount of \$23,406 has been transferred to educational, mortality investigation and prize funds reserves.

No significant change in the state of affairs of the Institute occurred during the financial year not otherwise outlined in the accounts or notes thereto. As disclosed in note 2 the result for this year included an abnormal surplus of \$199,772 which related to last year. The operations of the Institute for the year, other than for the conference and the Indonesian Project in 1997, were similar to that of the previous year.

No matter or circumstance has arisen since the end of the financial year that has significantly affected or may significantly affect the operations of the Institute, the results of those operations or the state of affairs of the Institute in the financial year subsequent to 30 September 1998.

The Members of Council believe that there are no likely developments in the operations of the Institute and the expected results of those operations in the financial years subsequent to 30 September 1998 which need to be brought to your attention.

Council members receive no remuneration or other benefits.

No Member of Council, since the end of the previous financial year, has received or become entitled to receive a benefit by reason of a contract made by the Institute with a Member of Council or with a firm of which he is a member or with a company in which he has a substantial financial interest for services rendered in connection with the activities of the Institute. No Member of Council had an interest in such a contract with the Institute during the year.

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

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

Signed in accordance with a resolution of Council.

On behalf of the Council.

J.R.TROWBRIDGE
President

R.S. MITCHELL
Senior Vice President

Sydney, 9 November 1998.

MEMBERS OF COUNCIL

***PICTURE OF COUNCIL MEMBERS WITH THEIR NAMES
PENDING THE PHOTOGRAPH***

Left to Right:

Standing: Richard Lyon, Helen Martin, Tony Coleman, John Trowbridge (President), Dick Morath, James Claridge, Andrew P Gale.

Seated: David Torrence, Clare Bellis, David Knox (Vice President), Chris Lewis, Richard Mitchell (Senior Vice President), Cathy Nance, Jock Ranking (Secretary)

Absent: Andrew C Gale, Adrian Gould, Karen Doran, Frank McInerney

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

Scope

We have audited the financial report of The Institute of Actuaries of Australia for the financial year ended 30 September 1998 as set out on pages 79 to 91. The Council of the Institute is responsible for the financial statements and the information they contain. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the Institute.

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

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

Audit Opinion

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

- (a) the Corporations Law, including:
 - (i) giving a true and fair view of the Institute's financial position as at 30 September 1998 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.

DELOUTTE TOUCHE TOHMATSU

N P Hullah
Partner
Chartered Accountant

Sydney, 9 November 1998

**THE INSTITUTE OF ACTUARIES OF AUSTRALIA
DECLARATION BY MEMBERS OF COUNCIL
FOR THE YEAR ENDED 30 SEPTEMBER 1998**

In the opinion of the members of Council of the Institute:

- (a) the accompanying financial statements and notes thereto give a true and fair view of the financial position of the company;
- (b) at the date of this declaration, there are reasonable grounds to believe that the Institute will be able to pay its debts as and when they fall due; and
- (c) The attached Financial Statements and notes thereto have been made out in accordance with applicable Accounting Standards and are in accordance with the Corporations Law.

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

J.R.TROWBRIDGE
President

R.S. MITCHELL
Senior Vice President

Sydney, 9 November 1998

**THE INSTITUTE OF ACTUARIES OF AUSTRALIA
PROFIT AND LOSS STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 1998**

	Note	1998 \$	1997 \$
Operating surplus	2	232,015	262,649
Income tax expense		_____ -	_____ -
OPERATING SURPLUS AFTER INCOME TAX		232,015	262,649
Transfers to reserves	9	(23,406)	(132,133)
		208,609	130,516
Accumulated funds at the beginning of the financial year		<u>1,684,030</u>	<u>1,553,514</u>
ACCUMULATED FUNDS AT THE END OF THE FINANCIAL YEAR		<u>1,892,639</u>	<u>1,684,030</u>

Notes to and forming part of the accounts are included on pages 83 to 91

**THE INSTITUTE OF ACTUARIES OF AUSTRALIA
BALANCE SHEET AS AT 30 SEPTEMBER 1998**

	Note	1998 \$	1997 \$
CURRENT ASSETS			
Cash		1,270,837	920,226
Other receivables	3	41,543	25,365
Investments	4	<u>646,567</u>	<u>950,649</u>
TOTAL CURRENT ASSETS		<u>1,958,947</u>	<u>1,896,240</u>
NON CURRENT ASSETS			
Investments	5	<u>500,000</u>	<u>400,000</u>
TOTAL NON CURRENT ASSETS		<u>500,000</u>	<u>400,000</u>
TOTAL ASSETS		<u>2,458,947</u>	<u>2,296,240</u>
CURRENT LIABILITIES			
Accounts Payable	6	175,170	186,712
Provisions	7	<u>38,918</u>	<u>100,454</u>
TOTAL CURRENT LIABILITIES		<u>214,088</u>	<u>287,166</u>
NON CURRENT LIABILITIES			
Provisions	8	<u>3,770</u>	<u>-</u>
TOTAL NON CURRENT LIABILITIES		<u>3,770</u>	<u>-</u>
TOTAL LIABILITIES		<u>217,858</u>	<u>287,166</u>
NET ASSETS		<u>2,241,089</u>	<u>2,009,074</u>
ACCUMULATED FUNDS		1,892,639	1,684,030
RESERVES	9	<u>348,450</u>	<u>325,044</u>
MEMBERS' FUNDS		<u>2,241,089</u>	<u>2,009,074</u>

Notes to and forming part of the accounts are included on pages 83 to 91

THE INSTITUTE OF ACTUARIES OF AUSTRALIA
STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 1998

	Note	1998 \$	1997 \$
Cash flows from operating activities			
Receipts			
- Member subscriptions		955,539	890,829
- Education fees		499,462	307,183
- Conventions and Seminars		178,035	1,469,056
- Other income		663,548	568,382
Interest Received		151,175	132,524
Abnormal item	2	<u>199,772</u>	<u>-</u>
		<u>2,647,531</u>	<u>3,367,974</u>
Payments			
- Administration		1,209,795	847,456
- Tuition and Examinations		312,780	112,116
- Conventions and Seminars		148,984	1,292,008
- Printing		184,771	299,348
- Other Expenses		433,174	508,589
- Transfers to related funds		<u>211,500</u>	<u>4,000</u>
		<u>2,501,004</u>	<u>3,063,517</u>
Net cash provided (used) by operating activities	13	<u>146,527</u>	<u>304,457</u>
Cash flows from investing activities			
Proceeds from disposal of investments		511,100	157,000
Payments for investments		(307,016)	(410,718)
Net cash provided (used) by investing activities		<u>204,084</u>	<u>(253,718)</u>
Net increase (decrease) in cash held		350,611	50,739
Cash at the beginning of the financial year		<u>920,226</u>	<u>869,487</u>
Cash at the end of the financial year	13	<u>1,270,837</u>	<u>920,226</u>

Notes to and forming part of the accounts are included on pages 83 to 91

**THE INSTITUTE OF ACTUARIES OF AUSTRALIA
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 1998**

1. ACCOUNTING POLICIES

a. General Statement of Accounting Policies Underlying the Financial Statements

The financial statements are a general purpose financial report that have been prepared in accordance with applicable Accounting Standards, Urgent Issues Group Consensus Views and the Corporations Law. The accounts have been prepared using the historical cost convention. The policies have been consistently applied, unless otherwise stated.

b. Fixed Assets

The Institute capitalises fixed asset purchases and writes them off against income in the year of purchase.

There were no major fixed asset purchases in the financial year.

c. Income Tax

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

d. Leased Assets

Operating lease payments are charged against income as incurred.

e. Investments

Investments are shown at cost.

Investments have been made in semi-government securities, bonds, unit trusts and cash deposits. Any premium arising on purchase is amortised over the life of the investment.

f. Other Receivables

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

g. Accounts Payable

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

**THE INSTITUTE OF ACTUARIES OF AUSTRALIA
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 1998**

	1998	1997
	\$	\$
2. OPERATING SURPLUS		
The operating surplus includes the following items of disclosable revenue:		
	2,312,762	3,240,290
Operating revenue		
Interest received	151,175	140,460
Abnormal item*	<u>199,772</u>	<u>-</u>
	<u>2,663,709</u>	<u>3,380,750</u>
The operating surplus is after charging the following items of disclosable expense:		
Fixed assets written off	<u>19,338</u>	<u>12,399</u>
Amounts received, or due and receivable by the auditors for:		
Auditing the accounts		
- Current year	10,000	15,000
- Prior year audit costs not accrued	-	3,500
Other services		
- Current year	13,500	10,000
- Prior year other services not accrued	<u>-</u>	<u>6,625</u>
	<u>23,500</u>	<u>35,125</u>
*The abnormal item has arisen from a re-examination of the 1997 results instigated by management this year. It represents funds for placement on deposit, in transit at 30 September 1997, recorded as a charge against the 1997 operating surplus.		
3. OTHER RECEIVABLES		
Income receivable	17,051	25,365
Prepayments	<u>24,492</u>	<u>-</u>
	<u>41,543</u>	<u>25,365</u>
4. CURRENT INVESTMENTS		
Cash on deposit	646,567	789,549
Government stocks and bonds	-	160,000
Investments – Prize Funds	<u>-</u>	<u>1,100</u>
	<u>646,567</u>	<u>950,649</u>

**THE INSTITUTE OF ACTUARIES OF AUSTRALIA
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 1998**

	1998 \$	1997 \$
5. NON CURRENT INVESTMENTS		
Diversified Investments – Unit Trust (Market Value \$100,459)	100,000	-
Bank bonds	50,000	50,000
Government stocks and bonds – at cost	351,964	351,964
Less amortisation	(1,964)	(1,964)
	<u>500,000</u>	<u>400,000</u>
6. CURRENT ACCOUNTS PAYABLE		
Unsecured:		
Sundry creditors	94,050	101,802
Unearned income – tuition and examination fees	75,520	50,000
Accrued prizes – Prize Funds	5,600	27,000
Unexpended monies – Indonesian Project	-	7,910
	<u>175,170</u>	<u>186,712</u>
7. CURRENT PROVISIONS		
Printing and postage of “Transactions”	-	60,000
Employee entitlements - annual leave	38,918	24,110
Research applications	-	16,344
	<u>38,918</u>	<u>100,454</u>
8. NON CURRENT PROVISIONS		
Employee entitlements - long service leave	3,770	-
	<u>3,770</u>	<u>-</u>
9. RESERVES		
Education	282,730	266,100
Mortality Investigation	21,099	14,552
Prize Funds	44,621	44,392
	<u>348,450</u>	<u>325,044</u>
Movements in reserves		
(a) <u>Education</u>		
Balance at 1 October 1997	266,100	125,850
Transfer from surplus	16,630	140,250
Balance at 30 September 1998	<u>282,730</u>	<u>266,100</u>
Transfers represent:		
Transfer from profit and loss account	-	129,450
Interest on Education Reserve	16,630	10,800
	<u>16,630</u>	<u>140,250</u>

**THE INSTITUTE OF ACTUARIES OF AUSTRALIA
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 1998**

	1998 \$	1997 \$
9. RESERVES (cont.)		
(b) <u>Mortality Investigation</u>		
Balance at 1 October 1997	14,552	26,629
Transfer (to) from surplus	<u>6,547</u>	<u>(12,077)</u>
Balance at 30 September 1998	<u>21,099</u>	<u>14,552</u>
Transfers represent:		
Donations Received	90,000	32,500
Expenses Incurred	(84,363)	(45,777)
Interest on Mortality Reserve	<u>910</u>	<u>1,200</u>
	<u>6,547</u>	<u>(12,077)</u>
(c) <u>Prize Funds – Reserves</u>		
Council has determined that because it has control over the disposition of the assets of the Prize Funds, it is appropriate that the assets, reserves and surpluses of the Prize Funds should be reflected in its financial statements.		
A M Parker Prize Fund		
Balance at 1 October 1997	13,087	10,648
Transfer (to) from surplus	<u>(1,106)</u>	<u>2,439</u>
Balance at 30 September 1998	<u>11,981</u>	<u>13,087</u>
Transfers represent:		
Supplementation from the Melville Prize Fund	-	3,300
Donation from profit and loss account	1,500	-
Interest received	<u>395</u>	<u>640</u>
	1,895	3,940
Less: Prizes paid	(3,000)	(1,500)
Bank charges	<u>(1)</u>	<u>(1)</u>
	<u>(1,106)</u>	<u>2,439</u>
H M Jackson Memorial Prize Fund		
Balance at 1 October 1997	6,085	4,046
Transfer (to) from surplus	<u>(351)</u>	<u>2,039</u>
Balance at 30 September 1998	<u>5,734</u>	<u>6,085</u>
Transfers represent:		
Supplementation from the Melville Prize Fund	-	3,300
Donation from profit and loss account	1,500	-
Interest received	<u>150</u>	<u>240</u>
	1,650	3,540
Less: Prizes paid	(2,000)	(1,500)
Bank charges	<u>(1)</u>	<u>(1)</u>
	<u>(351)</u>	<u>2,039</u>

**THE INSTITUTE OF ACTUARIES OF AUSTRALIA
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 1998**

	1998 \$	1997 \$
9. RESERVES (cont.)		
Andrew Prescott Memorial Fund		
Balance at 1 October 1997	9,290	9,793
Transfer (to) from surplus	<u>1,699</u>	<u>(503)</u>
Balance at 30 September 1998	<u>10,989</u>	<u>9,290</u>
Transfers represent:		
Donation from profit and loss account	2,500	-
Interest received	<u>350</u>	<u>823</u>
	2,850	823
Less: Prizes paid	(1,150)	(1,320)
Bank charges	<u>(1)</u>	<u>(6)</u>
	<u>1,699</u>	<u>(503)</u>
The Melville Prize Fund		
Balance at 1 October 1997	15,930	15,945
Transfer (to) from surplus	<u>(13)</u>	<u>(15)</u>
Balance at 30 September 1998	<u>15,917</u>	<u>15,930</u>
Transfers represent:		
Donation from profit and loss account	9,000	9,000
Interest received	<u>433</u>	<u>804</u>
	9,433	9,804
Less: Prizes paid	(4,027)	(2,000)
Transfer to Parker Fund	-	(3,300)
Transfer to Jackson Fund	-	(3,300)
Bank charges	(19)	(19)
Melville Lecture	<u>(5,400)</u>	<u>(1,200)</u>
	<u>(13)</u>	<u>(15)</u>
Total Prize Funds	<u>44,621</u>	<u>44,392</u>

**THE INSTITUTE OF ACTUARIES OF AUSTRALIA
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 1998**

	1998 \$	1997 \$
10. OPERATING LEASE COMMITMENTS		
Lease rental expense and commitments:		
a. Rentals charged to income & expenditure account	<u>62,050</u>	<u>64,480</u>
b. Lease commitments:		
Not later than one year	65,000	64,480
Later than one year and not later than two years	65,000	70,680
Later than two years and not later than five years	<u>213,750</u>	<u>226,920</u>
Total operating lease commitments	<u>343,750</u>	<u>362,080</u>

11. RELATED PARTY TRANSACTIONS

- a. The Council Members received no remuneration or other benefits. The names of the Council Members who held office during the financial year are:

P M Carroll	1994 - 1997	R S Mitchell	1994 -
R M Fitzherbert	1994 - 1997	C A Nance	1996 -
M M Jilovsky	1994 - 1997	D M Torrance	1996
T J Matthews	1992 - 1997	J R Trowbridge	1993 - 1998
S M Partridge	1994 - 1997	C S Bellis	1997 -
J S Sparks	1995 - 1997	A C Gale	1998 -
J B Claridge	1996 -	A P Gale	1997 -
A M Coleman	1996 -	C G Lewis	1997 -
K E Doran	1995 - 1997	H R Martin	1997 -
A M Gould	1995 - 1997	R L Morath	1997 -
D M Knox	1996 -		
R H S Lyon	1995 - 1997		
F M McInerney	1995 - 1997		

(Note: Councillors normally serve 3 years, with the first meeting of their term in the year of their election.)

- b. \$211,500 (1997 \$Nil) was donated to the Australian Universities Actuarial Foundation during the year. The Institute acts as nominee holder of Foundation investments.
- c. Persons who received amounts from AUAF and MUAF during the year included Councillors C S Bellis and D M Knox. See details under Foundations.
- d. There were no other transactions with related parties during the year.

**THE INSTITUTE OF ACTUARIES OF AUSTRALIA
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 1998**

12. FINANCIAL INSTRUMENTS

(a) Significant Accounting Policies

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

(b) Interest Rate Risk

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

	Weighted Average Effective Interest Rate	Floating Interest Rate \$	Fixed Interest Rate Maturing Within 1 Year \$	1 to 5 Years \$
<u>Financial Assets</u>				
Cash at banks	3.9%	1,270,837		
Cash on deposit	4.7%	137,457	509,110	
Government				
Stocks & Bonds	9.5%			350,000
Bank Bonds	7.0%			50,000
Total Financial Assets		1,408,294	509,110	400,000

Financial
Liabilities

The Institute has no interest bearing liabilities

(c) Credit Risk

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

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

**THE INSTITUTE OF ACTUARIES OF AUSTRALIA
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 1998**

(d) Net Fair Values

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

The net fair value of other monetary financial assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

The Council Members are of the opinion that the net fair values of financial assets and liabilities at balance date are equivalent to their carrying amounts as recorded above.

13. RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIES TO OPERATING SURPLUS

	1998	1997
	\$	\$
Operating surplus	232,015	262,649
Changes in Assets and Liabilities		
Decrease/(increase) in debtors	(16,178)	(9,894)
Increase/(decrease) in sundry creditors	(11,544)	60,183
Increase/(decrease) in provision for diminution	-	1,070
Increase/(decrease) in provisions		
Transactions	(60,000)	-
Annual leave	14,808	7,210
Long service leave	3,770	(7,900)
History of Institute	-	(25,205)
Research applications	(16,344)	16,344
Net cash provided by operating activities	<u>146,527</u>	<u>304,457</u>

Reconciliation of Cash

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

Cash	<u>1,270,837</u>	<u>920,226</u>
------	------------------	----------------

**THE INSTITUTE OF ACTUARIES OF AUSTRALIA
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 1998**

14. MEMBERS GUARANTEE

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

Each member of the Institute guarantees its liabilities to the extent of \$20.

15. SEGMENT INFORMATION

The company operates in Australia to provide members of the actuarial profession with education and other services.

DISCLAIMER

The additional financial data presented on page 93 to page 96 is in accordance with the books and records of the company which have been subjected to the auditing procedures applied in our statutory audit of the Institute of Actuaries of Australia for the year ended 30 September 1998.

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

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

DELOITTE TOUCHE TOHMATSU
Chartered Accountants

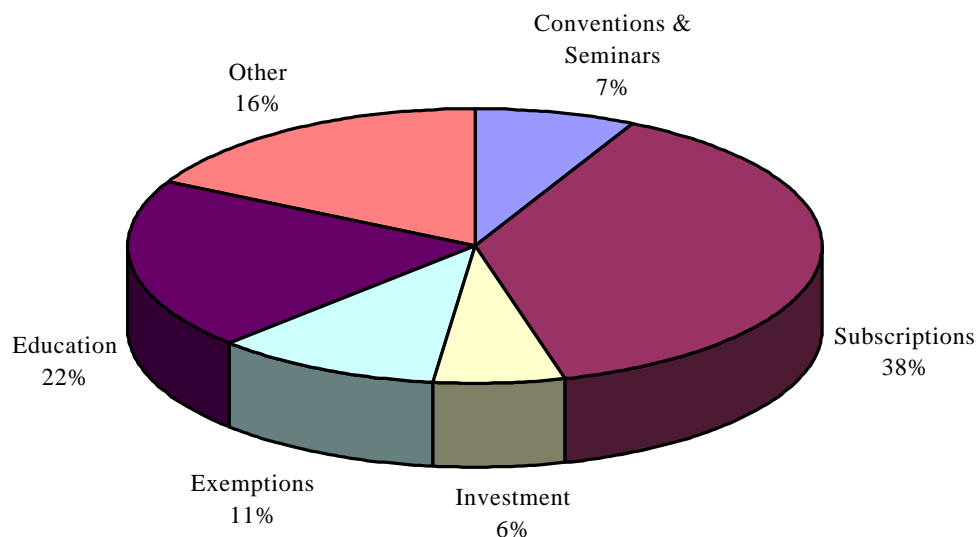
N.P. Hullah
Partner
Chartered Accountant

Sydney, 9 November 1998

FOR THE INFORMATION OF MEMBERS

**THE INSTITUTE OF ACTUARIES OF AUSTRALIA
PROFIT AND LOSS ACCOUNT
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 1998**

	1998 \$	1997 \$
INCOME		
ActEd Royalties – Education	13,799	-
Actuary Australia advertising	20,040	2,770
Advertising Circulars	96,369	130,495
Conventions and seminars	178,035	1,316,723
Education Seminar – Indonesian Project	7,910	110,143
Entrance Fees	34,695	15,798
Functions	29,984	23,230
General insurance text books – Education	15,774	20,930
Interest received	151,175	139,991
International Actuarial Association	12,520	13,070
Members' Subscriptions	943,019	890,829
Membership exemption fees	262,992	202,000
Mortality Investigation Account	90,000	32,500
Payments from UK – Education	-	76,840
Prize Funds Surplus	-	3,960
Professionalism Course	55,170	42,190
Sale of publications	42,449	51,059
Sundry Income	10,544	4,999
Tuition fees (Australia)	379,133	305,823
Tuition fees (UK)	120,329	1,360
TOTAL INCOME	<u>2,463,937</u>	<u>3,384,710</u>

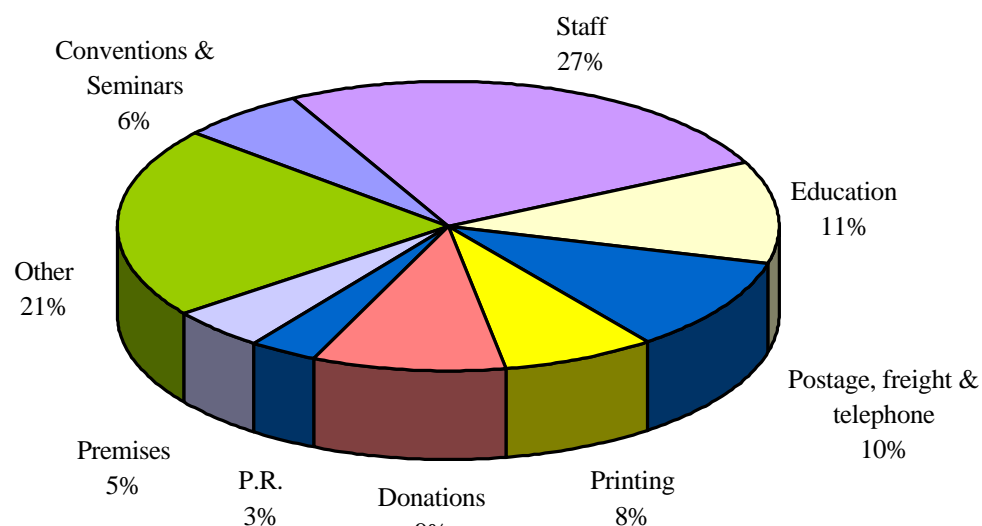
1998 Income By Major Segment

FOR THE INFORMATION OF MEMBERS

THE INSTITUTE OF ACTUARIES OF AUSTRALIA
PROFIT AND LOSS ACCOUNT
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 1998

	1998	1997
	\$	\$
LESS EXPENDITURE		
<u>Administration</u>		
Administration – Education	-	116,612
Auditors remuneration	23,500	35,125
Bank charges	7,243	23,502
Computers	56,671	49,045
Council expenses	16,818	2,346
Courses – General	-	3,615
Credit card charges	13,371	-
Fees-other	9,265	3,520
Fringe Benefits Tax	11,990	-
Functions – Education	6,928	2,562
Health Survey	11,500	-
Insurance	14,459	12,913
Library and internet	11,949	-
Office expenses	46,356	25,041
Postage, freight and telephone	255,263	188,321
Promotional Material	-	16,920
Recruitment fees	41,845	-
Rent, electricity and cleaning	68,435	71,686
Repairs & Maintenance	-	304
Salaries	553,286	268,397
Staff Training	20,626	-
Subscriptions/membership fees	30,687	1,259
Sundry administration	9,294	73,635
Superannuation contributions	48,600	36,637

1998 Expenses By Major Segment



FOR THE INFORMATION OF MEMBERS

**THE INSTITUTE OF ACTUARIES OF AUSTRALIA
PROFIT AND LOSS ACCOUNT
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 1998**

	1998	1997
	\$	\$
	<u>1,258,086</u>	<u>931,440</u>
Brought forward		
<u>Printing</u>		
Actuary Australia	51,848	32,531
Biennial Convention	-	1,251
Institute History Publication	-	42,923
Institute papers	17,632	63,412
Printing and stationery – Education	71,372	59,464
Professional standards	13,184	-
Purchase of Publications – Education	-	1,254
Quarterly Journal	-	29,130
Stationery	18,270	26,096
Sundry printing & photocopying	71,317	43,565
“Transactions”	7,401	34,291
Year Book	<u>5,119</u>	<u>4,064</u>
	<u>256,143</u>	<u>337,981</u>
<u>Other</u>		
Conventions and seminars	148,984	1,294,445
Council of Professions	-	5,033
Course development – Education	11,615	11,860
Donation – AUAF	211,500	-
Donations – Prize Funds	14,500	9,000
Education Account	-	1,158
Examination expenditure (Australia) – Education	22,140	7,021
Examination expenditure (UK) – Education	121,475	73,899
Examiners honoraria (Australia) – Education	24,280	17,766
Institute functions	44,687	33,431
International Actuarial Association	-	14,007
Legal fees	64,795	17,171
Miscellaneous – Education	9,770	44,697
Mortality Investigation	12,500	60,762
Payments to UK – Education	-	225
Prizes and Melville Lecture	15,586	-
Professionalism course	57,128	33,848
Public relations	80,862	66,086
Research Award	-	18,445
Seminars – Indonesian Project	-	102,233
Travel	62,306	28,073
Tutors honoraria (UK) – Education	-	70
Tutors honoraria (Australia) – Education	<u>15,337</u>	<u>13,410</u>
	<u>917,465</u>	<u>1,852,640</u>
 TOTAL EXPENDITURE	 <u>2,431,694</u>	 <u>3,122,061</u>
SURPLUS	<u>32,243</u>	<u>262,649</u>

Note

The comparatives in this detailed profit and loss account have not been restated to reflect the effects of the abnormal item (note 2). The surplus this year is reconciled as follows:

Surplus above	32,243
<u>Add</u> Net effect of the abnormal item	<u>199,772</u>
 SURPLUS REPORTED	 <u><u>232,015</u></u>

Certain items of explanation (e.g. staff salaries) were apportioned between education and other Institute activities for the 1997 year, but not for the 1998 year. Because of this, it was decided that maintaining a separate Actuarial Education Profit & Loss Account would not assist in interpreting the profit & loss account for the 1998 year. Therefore, the Actuarial Education Profit & Loss Account has been combined with the general Institute of Actuaries Profit & Loss Account.

**MACQUARIE UNIVERSITY ACTUARIAL FOUNDATION
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 1997**

Board

The members of the Board of the Foundation during 1997 were as follows:

Appointed by The Institute of Actuaries of Australia

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

Appointed by the University Council

Professor J H Pollard, BSc, PhD, FIA, FIAA, FSS, FASSA
Emeritus Professor G E Roberts BArch, MCD, FRAIA, FRAPI
Mr Michael J Webster, M Com, FCPA

Mr Webster is Director of Financial Services of Macquarie University, and the Board welcomes his appointment by University Council.

Four Board Meetings were held during the year (11 February 1997, 2 May 1997, 4 July 1997, 6 November 1997).

Income and Expenditure

An income and expenditure statement for the year and a comparison with the previous year is set out in Attachment A. Comments on the main items are made below. During the year, the funds were invested by the University (as part of a much larger pool) on the short-term money market. Interest earnings totalled \$13,843.13.

Related Parties

The following academic staff at Macquarie University received financial support, C S Bellis, S M Clarke, J A Farmer, S D Ferris, T J Kyng, J H Pollard, J A Shepherd, L G Tickle, D A Westcott, M Sherris. Although not in the Macquarie University Actuarial Foundation financial year 1/1/97 to 31/12/97 we feel it is appropriate to bring to your attention that M.U.A.F. has received a donation from A.U.A.F. for the amount of \$120,000, in September 1998.

Members

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

Activities

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

The Foundation Board also performed an important role in providing advice to Professor Pollard and the Actuarial Studies Department. Meetings with the actuarial staff took place in conjunction with the Board Meetings on 11 February 1997, 4 July 1997 and 6 November 1997.

Developments during 1997

The “Control Cycle” units ACST400 Actuarial Planning and Control I and ACST401 Actuarial Planning and Control II were offered for the second time during 1997, with approximately 100 students enrolled in each (around 30 on campus as part of the normal degree program, and 70 in the city on a non-award basis). Seventy-three students were accepted by The Institute of Actuaries of Australia as having passed Part 2 of the professional examinations as a result of the 1997 courses. Whilst many took both units for the first time during 1997, a number were also repeating one or other unit to improve their previous grades.

Acknowledgements

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

R J Atfield
Chairman

**MACQUARIE UNIVERSITY ACTUARIAL FOUNDATION
STATEMENT OF PROFIT AND LOSS
1 JANUARY 1997 TO 31 DECEMBER 1997**

		1997	1996
	\$	\$	\$
Balance Brought Forward		338,805	303,043
<u>Income Received</u>			
Contributions			195,000
Interest	13,843		34,875
ASFA 1995			22,645
ASFA 1996			20,684
ASFA 1997	<u>23,560</u>		
		37,403	273,204
<u>Expenditure</u>			
Personnel			
- Academic Salaries	220,703		212,138
- Salary on Costs	18,760		24,906
- Non Salary Expenses	<u>65</u>		<u>398</u>
		<u>239,528</u>	<u>237,442</u>
Balance Carried Forward		<u>136,680</u>	<u>338,805</u>

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

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

Denise Osmand FCPA
Chief Finance Officer and Deputy Director

**AUSTRALIAN UNIVERSITIES ACTUARIAL FOUNDATION
FIFTH ANNUAL TRUSTEES REPORT
FOR THE PERIOD ENDED 30 SEPTEMBER 1998**

The Foundation was established by a Deed of Trust dated 9 April 1992. The objects of the Foundation are to advance and promote the education and study and research into actuarial science at public universities within the Commonwealth of Australia. The Fund shall be applied to provide grants to such public universities as are selected by the Trustees.

The Foundation replaced the Institute of Actuaries Education Trust and the outstanding Fund of the Trust was transferred to the Foundation. In order to achieve the objects the Trustees may invite contributions to the Foundation. During the year donations were made by Mr G L Melville and other members of the Institute of Actuaries of Australia (Institute).

Grants Made

During the year five Faculty members of the Centre for Actuarial Studies at The University of Melbourne received grants totaling \$109,585.

A further \$10,000 was allocated for conferences and seminars.

Accounts

The audited accounts for the Foundation are attached. Donations of \$224,250 were received and interest income totalled \$286. Expenses were incurred of \$4,181.

The Foundation Fund stood at \$253,643 at 30 September 1998.

Investments

The funds have been invested in accordance with the provisions of the Trust Deed. At 30 September the assets were held 45% in Listed Property Trust Units, 52% in Mortgage Trust Units and 3% Cash at Bank.

The Institute acts as nominee holder for Foundation investments where the investment register is reluctant to register the name of the Foundation, as distinct from individual Trustees. The Foundation thanks the Council and the Institute office for this facility.

Trustees

The Trustees of the Foundation are Messrs R J Atfield (Chairman), R W Champion, S P Miles, T J O'Donnell and Mrs C M Prime.

Chairman's Comments

Donations were received from several members during the year and I would like to express my appreciation for their generosity.

I thank the Trustees for their support during the year.

R J ATFIELD
Chairman of Trustees
9 November 1998

**INDEPENDENT AUDIT REPORT TO THE TRUSTEES OF
AUSTRALIAN UNIVERSITIES ACTUARIAL FOUNDATION**

Scope

We have audited the financial report of the Australian Universities Actuarial Foundation for the period ended 30 September 1998 as set out on pages 103 to 108. The Council of the Institute is responsible for the financial statements and the information they contain. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the Institute.

Our audit has been conducted in accordance with the Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement.

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

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

Audit Opinion

In our opinion, the financial report of the Australian Universities Actuarial Foundation is in accordance with:

- (a) the Corporations Law, including:
 - (i) giving a true and fair view of the Institute's financial position as at 30 September 1998 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.

DELOUTTE TOUCHE TOHMATSU

N P Hullah
Partner
Chartered Accountant

Sydney, 9 November 1998

AUSTRALIAN UNIVERSITIES ACTUARIAL FOUNDATION
STATEMENT BY THE TRUSTEES

In the opinion of the Trustees:

- a) the accompanying income and expenditure statement is drawn up so as to give a true and fair view of the operating results of the Australian Universities Actuarial Foundation for the period to 30 September 1998;
- b) the accompanying balance sheet is drawn up so as to give a true and fair view of the state of affairs of the Australian Universities Actuarial Foundation as at 30 September 1998; and
- c) at the date of this statement there are reasonable grounds to believe that the Foundation will be able to pay its debts as and when they fall due.

R J ATFIELD

C M PRIME

ON BEHALF OF THE TRUSTEES

Sydney, 9 November 1998

**AUSTRALIAN UNIVERSITIES ACTUARIAL FOUNDATION
PROFIT AND LOSS STATEMENT
FOR THE PERIOD ENDED 30 SEPTEMBER 1998**

	1998	1997
	\$	\$
INCOME		
Donations	224,250	42,550
Interest	286	1,848
Earnings from Property Trusts	<u>22,758</u>	<u>22,128</u>
	<u>247,294</u>	<u>66,526</u>
LESS EXPENDITURE		
Audit fees & Accounting	4,000	2,500
Bank Charges	181	214
Conferences	<u>10,000</u>	<u>-</u>
	<u>14,181</u>	<u>2,714</u>
Operating surplus	<u>233,113</u>	<u>63,812</u>

**AUSTRALIAN UNIVERSITIES ACTUARIAL FOUNDATION
BALANCE SHEET
AS AT 30 SEPTEMBER 1998**

	1998	1997
	\$	\$
TRUST FUNDS		
Balance at beginning	250,115	308,493
Surplus	233,113	63,812
Less:		
Distributions	<u>(229,585)</u>	<u>(122,190)</u>
	<u>253,643</u>	<u>250,115</u>
REPRESENTED BY:		
Cash at Bank	6,648	13,658
Income receivable	4,900	-
Audit Fee payable/Accounting	(4,000)	(4,000)
Investments	<u>246,095</u>	<u>240,457</u>
NET ASSETS	<u>253,643</u>	<u>250,115</u>

Notes to and forming part of the accounts are set out on pages 105 to 108

**AUSTRALIAN UNIVERSITIES ACTUARIAL FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 1998**

	1998	1997
	\$	\$
Cash Flow from Operating Activities		
Donations	224,250	42,550
Interest received	286	1,848
Income from property trusts	17,858	22,128
Payments to suppliers	(14,181)	(214)
Net cash from operating activities (a)	<u>228,213</u>	<u>66,312</u>
Cash Flow from Investing Activities		
Increase in property trusts	<u>(5,638)</u>	<u>(14,220)</u>
Cash Flow from Financing Activities		
Payments to beneficiaries	<u>(229,585)</u>	<u>(122,190)</u>
Net Change in Cash	(7,010)	(70,098)
Opening balance	<u>13,658</u>	<u>83,756</u>
Net closing balance (b)	<u><u>6,648</u></u>	<u><u>13,658</u></u>

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

Operating surplus	233,113	63,812
Increase in accounting		
Services payable		2,500
Increase in income receivable	<u>(4,900)</u>	
	<u>228,213</u>	<u>66,312</u>

b. Reconciliation of cash

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

National Australia Bank	<u>6,648</u>	<u>13,658</u>
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**AUSTRALIAN UNIVERSITIES ACTUARIAL FOUNDATION
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE PERIOD ENDED 30 SEPTEMBER 1998**

1. STATEMENT OF ACCOUNTING POLICIES

- (a) The accounts have been prepared in accordance with Accounting Standards issued by the Australian accounting bodies and other mandatory reporting requirements. The accounts have been prepared on the basis of historical cost and do not take into account changing money values or except where stated, current valuations of non-current assets.
- (b) The Australian Universities Actuarial Foundation is a tax exempt entity.

2. INVESTMENTS

	1998	1997
	\$	\$
At cost		
National Mutual Property Trust	113,014	113,014
ANZ Mortgage Trust	<u>133,081</u>	<u>127,443</u>
	<u>246,095</u>	<u>240,457</u>

The realisable value of the above investments at 30 September 1998 was \$340,531 (1997 \$309,150)

3. FINANCIAL INSTRUMENTS

(a) Interest Rate Risk

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

**AUSTRALIAN UNIVERSITIES ACTUARIAL FOUNDATION
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE PERIOD ENDED 30 SEPTEMBER 1998**

	Weighted Average Effective Interest Rate	Floating Interest Rate \$	Fixed Interest Rate Maturing Within 1 Year \$	1 to 5 Years \$
<u>Financial Assets</u>				
ANZ Mortgage Trust	6%	133,081		
Total Financial Assets		133,081		

Financial Liabilities The Foundation has no interest bearing liabilities

(b) Credit Risk

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

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

(c) Net Fair Values

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

The net fair value of other monetary financial assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

The Council Members are of the opinion that the net fair values of financial assets and liabilities at balance date are at least equivalent to their carrying amounts as recorded above.

4. Related Parties

The Foundation received a donation of \$211,500 from the Institute of Actuaries of Australia. The Institute acts as nominee holder of investments for the Foundation.

The following academic staff at the University of Melbourne received financial support totaling: \$109,585:

M Atkinson
D C M Dickson
D Dufresne
D M Knox
D Walker