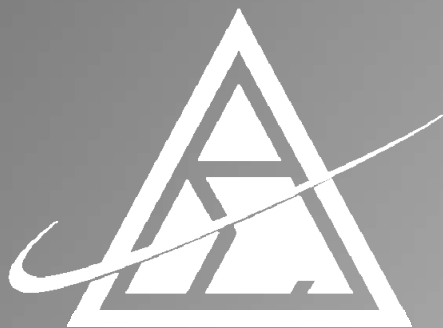




Annual Review 2010



Institute of Actuaries of Australia



Institute of Actuaries of Australia

The Institute of Actuaries of Australia has a national and international membership, employed mainly across the financial services and insurance sectors. Many members are self employed practitioners, while others are employed by actuarial consulting firms and larger financial institutions.

The Institute is committed to promoting the brand Actuary, providing educational and continuing professional development services to members and ensuring the standards of the profession are maintained to the highest level.





Institute of Actuaries of Australia

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Institute of Actuaries of Australia

Institute overview

This section of the Institute's Annual Review for 2010 provides an overview of the achievements of the Institute for the year, our membership profile and the Institute's governing body – the Council.

From the President

From the CEO

Membership statistics

Council

Retiring Council members



Institute of Actuaries of Australia

Annual Review | 2010 From the President

Key highlights

The Education system has continued to be a focus, evolving to position the profession for the future. This has included a new Part III subject introduced in the area of Enterprise Risk Management (ERM), which is a growth area for the profession. ERM is a core actuarial skill and it is important that actuaries are recognised as skilled practitioners, to ensure that we are publicly acknowledged as experts. Our ERM qualification is part of the international Chartered Enterprise Risk Actuary (CERA) designation. The Institute was a founding treaty signatory and one of the first bodies eligible to award the CERA designation.

A framework to deliver better services for members has been designed. A key piece of this program is a new computer system, allowing greater administrative efficiencies and an improved ability for members to interact with the Institute online. Improving access to electronic resources, including making it easier to download audio files, is the next stage of development.

External recognition is another important component. For actuaries to be listened to, others must know about us. We have continued to work on enhancing our growing media presence. This has also included greater follow up on the submissions we have made, to ensure that our message is understood.

International program

Our international efforts continue to strengthen our brand overseas, which makes it easier for our members to work internationally. We have Mutual Recognition Agreements in place with key organisations and our qualification is recognised and valued around the world. We have continued to make significant contributions to the International Actuarial Association through many of its committees, including the newly reconstructed Executive Committee. Our strong relationships with other international bodies also allows us to share resources. The "Understanding Actuarial Management" (control cycle) textbook, produced by the Institute of Actuaries of Australia and the Society of Actuaries this year, with a follow up volume planned for next year, is an example of this.

As well as representing Australian interests overseas, we are making sure we keep in touch with the 23% of our members who reside outside Australia, so that the needs of all can be understood. Australian representatives attended the International Congress of Actuaries in South Africa, the International Association of Actuaries meetings in South Africa and Vienna, the NZ Actuarial Conference, the Casualty Actuarial Association Annual meeting in San Diego, the EAAC Board meeting in Kuala Lumpur, an International President's roundtable in London, the China Actuarial Association meeting in Nanjing, and President's dinners in Hong Kong, Singapore, London, Auckland, Wellington as well as around Australia.



Institute of Actuaries of Australia

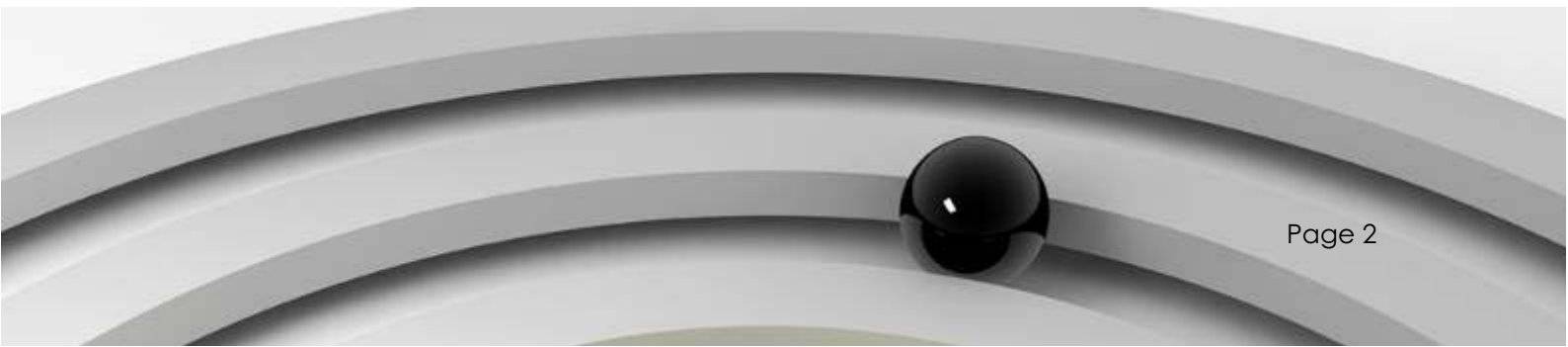
Annual Review | 2010
From the President

The future

The profession is at a crossroad – with diversification and expansion on one side, or maintaining the status quo and being recognised purely as technical specialists on the other. Our challenge is to continue to display our expertise in core areas, while also pursuing new opportunities, through embracing actuaries who have already moved into new fields by acknowledging them as a valuable part of the profession. This way we can make sure that the actuarial profession maintains its relevance in a changing business environment. Actuarial skills can be used in much broader areas than just the more traditional industries such as the insurance industry. Identifying the skills that make us unique as actuaries can help us to build on this to grow.

We have taken our first steps along the path with the new actuary designation at the Associateship level. Another step has been the University Subscriber membership class, enabling University students to obtain a greater knowledge of actuaries and how being a member of the actuarial profession can assist their career. It is up to all of us to choose the future of our profession.

Bozenna Hinton
President

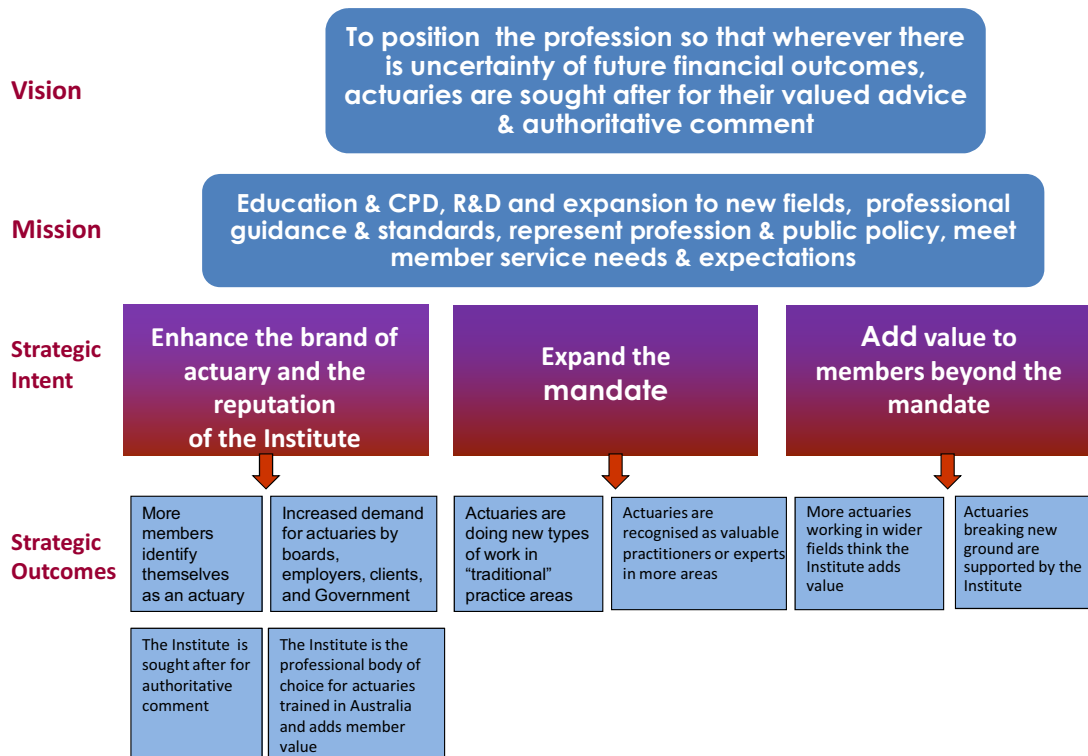




Strategic Plan

When I joined the Institute in February, I worked with Council to develop a three-year strategy which is summarised as follows:

Institute of Actuaries of Australia – Strategy 2010 to 2012



This strategy has informed our thinking and the creation of an operating plan in June containing all of the projects and initiatives we wanted to undertake this year. This focus on project initiatives has been very successful and we have completed more projects than we had initially planned.



Institute of Actuaries of Australia

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From the CEO

2010 in review

It has been a very busy year at the Institute and I feel that the team at the Secretariat, as well as our volunteer workforce, have achieved an enormous amount.

The reports from the key business areas will detail activities in each business line, and here are some statistics that give a feel for the volume of work in media and public policy this year:

- ▶ media – 88 press articles, 30 interviews, 10 media releases; and
- ▶ public policy - 3 proactive public policy positions finalised (and another under development), 32 submissions, 5 events on APRA capital changes.

The team and I have spent a large amount of time and effort this year on a quest to improve our operational efficiency. As such, I have made changes within the Secretariat's operations which include:

- ▶ aligned business units within the Secretariat to current services offered, adjusting staffing and giving business line managers responsibility for their budget and the financial outcome of their business line;
- ▶ introduced new role responsibilities (some staff, some consultants) for marketing i.e. member service focus, universities relationships, committees liaison and volunteers management;
- ▶ moved to completely electronic financial transactions including electronic bill payment (except where members request cheques), superannuation and payroll;
- ▶ communicated our strategy to all staff, and got managers involved in creating the operational plan so they understood the Institute's goals and took ownership in achieving them;
- ▶ with the assistance of the HR & Remuneration Council Committee, overhauled the performance and remuneration arrangements for staff to benchmark salaries to market, link bonus payments more closely to performance, and (commencing in 2011) incentivise staff to achieve key project and operational goals; and
- ▶ in terms of staff development, I have provided all staff with regular training on customer service. We are currently in the process of identifying a training/personal development goal for each staff member for 2011. Training allows us to develop and retain high quality staff.



Institute of Actuaries of Australia

Annual Review | 2010 From the CEO

I have identified a range of cost savings within the business this year, which total more than \$400,000. Some of this saving is being spent on new initiatives such as creating a marketing function and implementing better project management within the business. However other savings are being passed on to you, our Members. For example we have greatly reduced exemption fees for both our Part I and Part II students, have slightly reduced annual membership fees for Fellows, and significantly reduced them for Members aged over 60 who are no longer providing professional services.

We predict that we will reap additional cost and time savings in 2011 once our new CRM system (Aptify) is fully bedded down and staff become more familiar with its operation.

Our new website was soft launched in June 2010. At that stage the functionality was rudimentary and we apologise for the significant period of months where some key functionality was not available. Each month more functionality has been added, including the recent addition of an enhanced search tool, and continual improvements to the website will remain a significant focus for the rest of this year and into 2011.

Where to in 2011?

On Friday 19 November I held a half-day offsite meeting with my management team and we commenced our business operations planning for 2011.

The Operating Plan will encompass:

- ▶ initiatives for the business itself (the Secretariat);
- ▶ strategic initiatives for the profession; and
- ▶ "Public Facing" initiatives including media, public policy, engaging with APRA, PHIAC and other regulators; and engagement with Government, Opposition and, of course, the Independents.

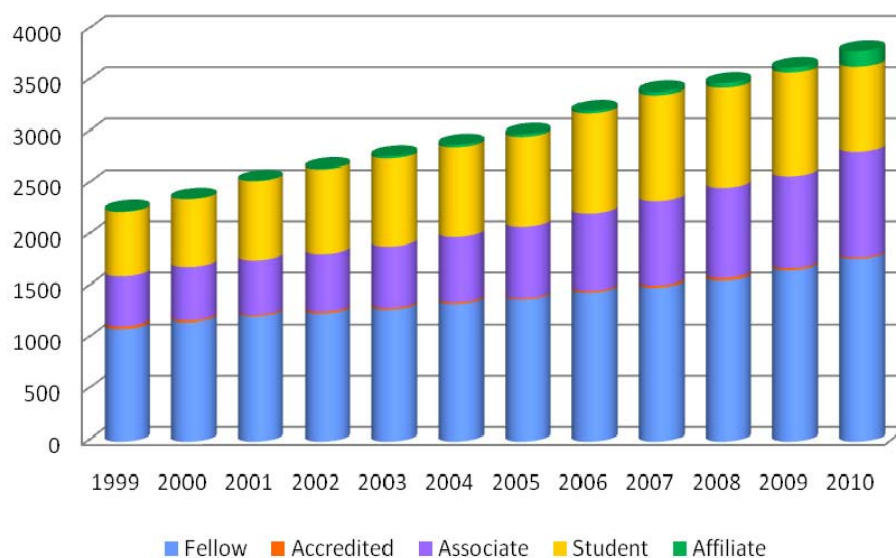
Work is well underway on customising our new project portfolio tool and the related project governance model. This work will be completed by mid January 2011 and will assist us in selecting a portfolio of projects that best meets our strategic goals, and allocating resourcing so that we can achieve these projects. The project governance model will assist us in better running the projects to time, to budget and to ensure achievement of the business goals.

It's been a fantastic 2010, and I am really looking forward to 2011!

Melinda Howes
Chief Executive Officer

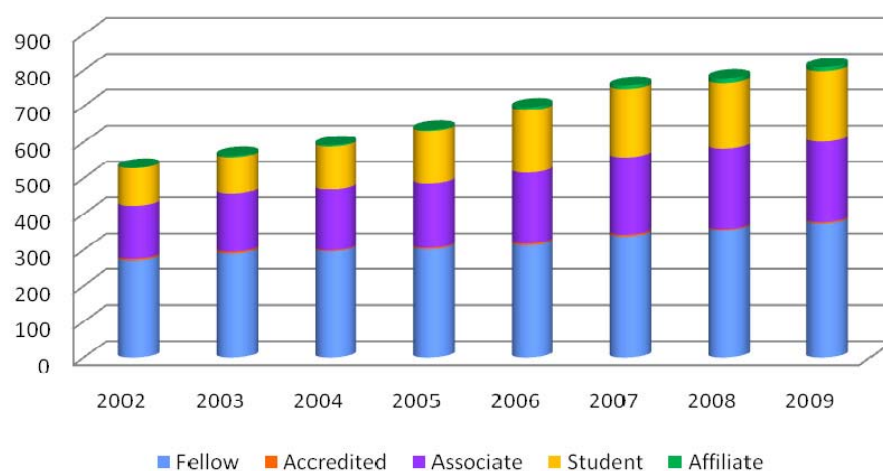


Membership by member category



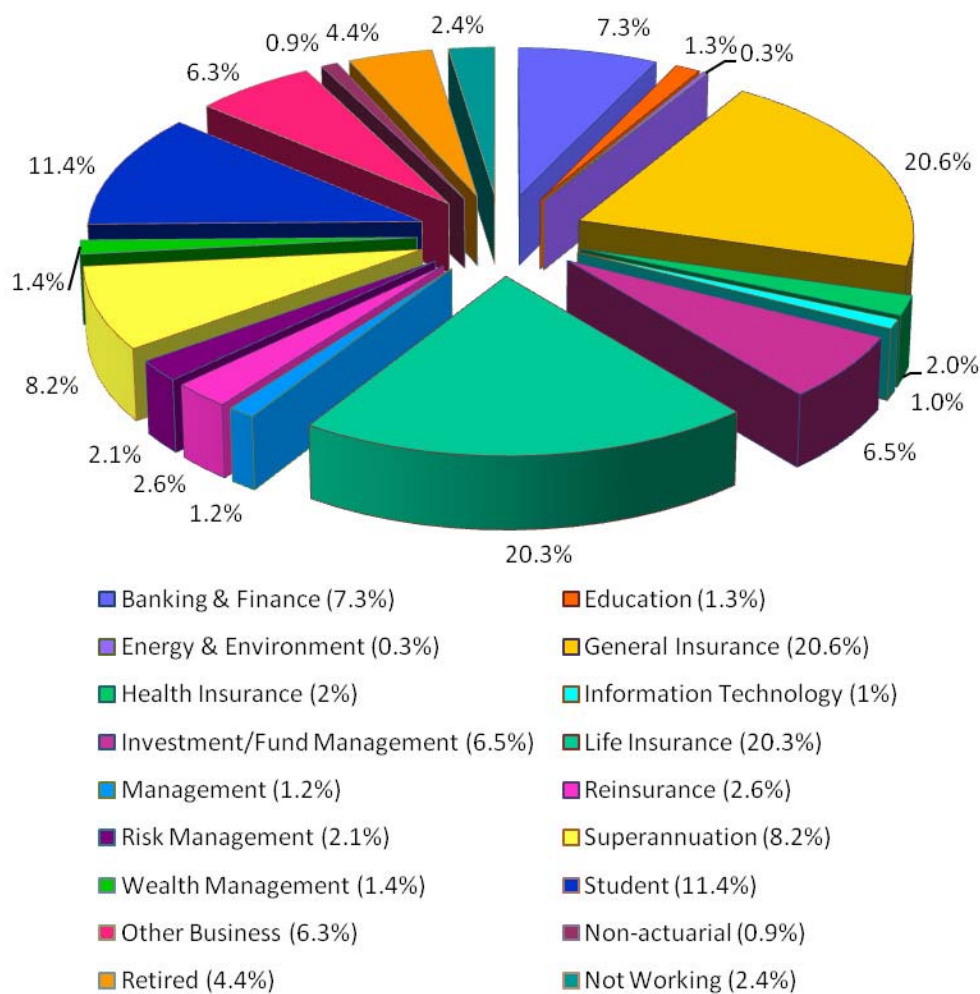
254 members achieved the "actuary" designation during 2010

Membership based overseas





Membership by practice area

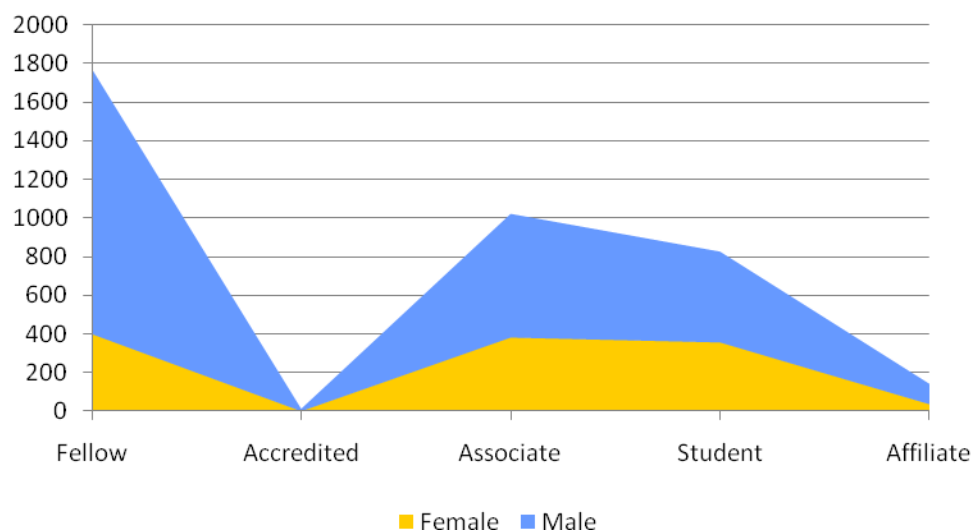




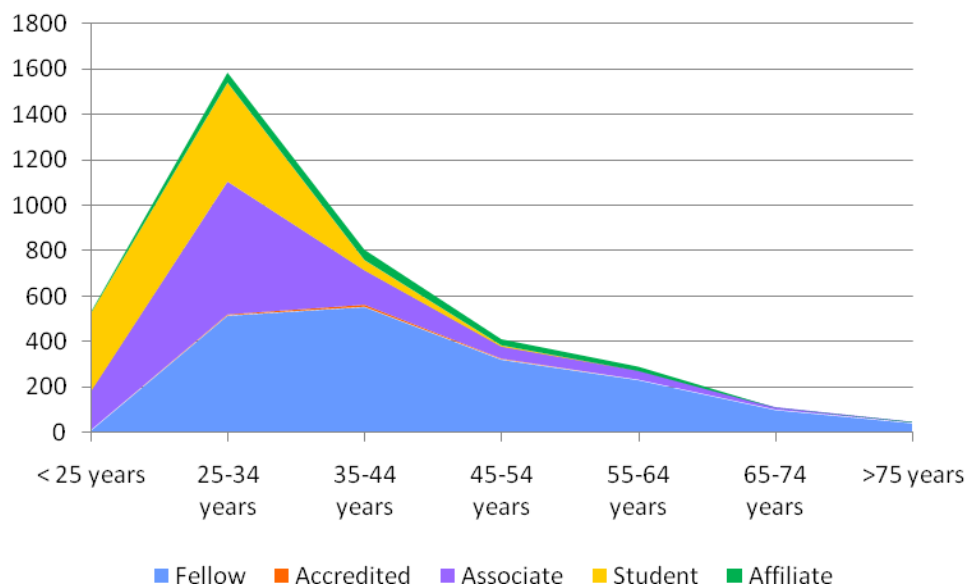
Institute of Actuaries of Australia

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Membership statistics

Membership by gender



Membership by age





Institute of Actuaries of Australia

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Council

Council members

The Council members during 2010 were:

		
Bozena Hinton President	Barry Rafe Senior Vice President	David Goodsall Vice President
		
Anthony Carey	Richard Fitzherbert	Chris Latham
		
John Newman	Blair Nicholls	Michael O'Neill
		
Lindsay Smartt	Daniel Smith	Gloria Yu



Institute of Actuaries of Australia

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Council

Key issues

A very wide range of issues is discussed by Council in any given year. Many of the matters raised in the various reports in this Annual Review come before Council for direction or decision. A key change during the year, however, was to set aside 20% of each Council meeting specifically to address strategic issues affecting the Institute and the profession. These discussions have traversed a wide range of topics, including:

- ▶ the Institute's strategic plan for 2010-2012;
- ▶ the Part III education and continuing professional development frameworks;
- ▶ research strategy; and
- ▶ committee structure and harnessing volunteer efforts.

Vice President for 2011



At its December 2010 meeting, Council elected Cr John Newman as Vice President for 2011. He will be President in 2013.





Council members moving on

The Institute extends its thanks and appreciation on behalf of Members to the following whose terms on Council ended in 2010.

Their valuable input into the many strategic and governance issues considered by Council over the last three years reflects a strong commitment by each of them, not only to their individual areas of practice and endeavour, but to the broader interests of the profession. Members will be well aware of the more general practice-level contributions made by all below, however the following records their specific service in relation to Council, Council Committees and Council Taskforces.

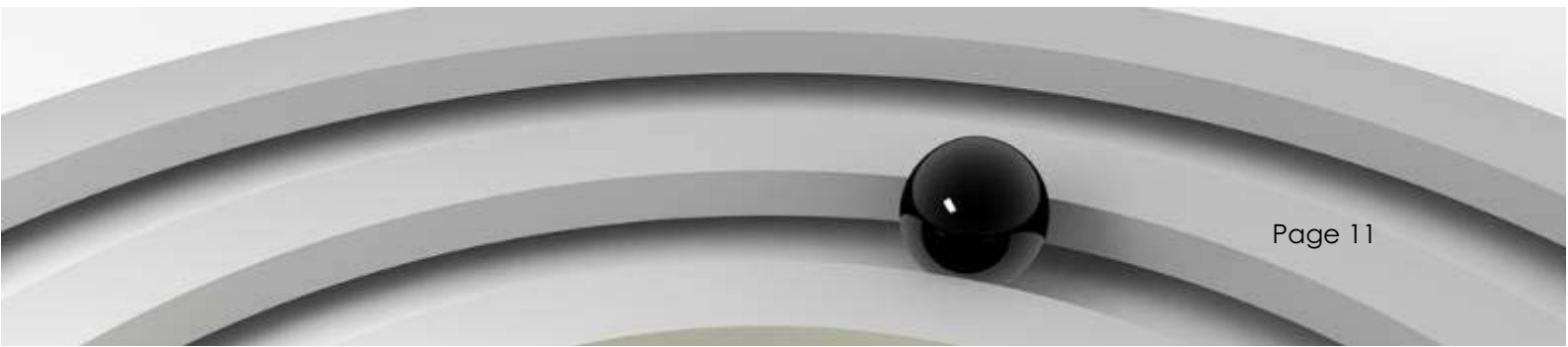
Bozenna Hinton President 2010

The Institute of Actuaries of Australia extends its sincerest thanks to Bozenna Hinton for her commitment and leadership as President in 2010. Bozenna's particular focus was on relevance and value – both of the Institute to its members and of the profession to the business community and public. Her commitment to these issues is at least partly reflected in her history of Institute service since joining Council in May 2007 which included:



- ▶ Chair of Member Services and Educator Taskforce. The Taskforce's work ultimately led to a number of initiatives – such as the review of membership fees, simplification of membership categories and the introduction of a new member benefit in the form of a professional indemnity insurance product for semi-retired and self-employed members;
- ▶ Convenor of Education Council Committee and Member of the Part III Review Taskforce; and
- ▶ Institute representative on the following IAA Committees: Accreditation, Education, Social Security, Pensions and Employee Benefits, and International Education Program.

Bozenna was also an enthusiastic supporter of the designation changes introduced in 2009 and was able to welcome approximately 250 members who have achieved this designation in 2010.





Anthony Carey

- ▶ Council member December 2007 – December 2010
- ▶ Member of Education Council Committee
- ▶ Member of Public Policy Council Committee
- ▶ Member of Macquarie University Actuarial Foundation Board



Chris Latham

- ▶ Council member December 2007 – December 2010
- ▶ Member of HR & Remuneration Council Committee
- ▶ Convenor of Research Council Committee
- ▶ Member of Research Taskforce
- ▶ Member of Risk Free Discount Rates Taskforce



Blair Nicholls

- ▶ Council member December 2007 – December 2010
- ▶ Convenor of HR & Remuneration Council Committee
- ▶ Member of International Council Committee
- ▶ Member of Nominations Council Committee
- ▶ Member of Management Committee
- ▶ Member of Risk Free Discount Rates Taskforce



Richard Fitzherbert

In December 2010, Council received the resignation of one of its newest members, Mr Richard Fitzherbert, due to a change of work obligations. Mr Fitzherbert was an experienced and strong voice during Council's many discussions around strategy and governance.

- ▶ Council member January 2010 – December 2010





Institute of Actuaries of Australia

Milestones

Each year, the Institute celebrates the significant accomplishment of those of its members who achieve Fellowship status, as well as recognises a member as Actuary of the Year for a key contribution to business, the community, government or the profession. It also rewards the academic and research achievements of members, and remembers those who have passed away during the year.

New Fellows

Actuary of the Year

Prizes and awards

In memoriam





Institute of Actuaries of Australia

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New Fellows

New Fellows

The Institute congratulates the following 118 Members admitted as Fellows:

Ashish Zimpok Ahluwalia
Nicole Appleton
Alfred Au
Anthony O'Boyle Beirne
Peter Robert Brown
Rosalind C H Calver
Kathryn Joan Cannon
Linda Caradus
Luke Anthony Carroll
Rita Wai-Ting Cham
Ming Ming Chan
Oi Suen Fiona Chau
Jessica Yang Han Chen
Clement Woon Chuen Cheung
Ocean Wai Yeung Chiu
Neil Ch'ng
Li Lian Chong
Ken Wing Wah Chow
Neil Robin Christie
Kim Maree Cohen
Corrin Grant Collocott
Daniel Cooper
Hadas Danziger
Phillip Bruce Dewhurst
Kuong Leng Diep
Andrew Doughman
Andrew John Fisher
Winnie Yin-Wing Fong
Arlene Bridget Forker

Aaron Mitchell Fryer
Chao Gan
Jason Douglas Gordon
Mudit Gupta
Simon Andrew John Guthrie
Kelvin Chee Yun Hii
Christopher Mark Hope
Cameron Sew Hoy
Ting Hua
Abbey Yuan Yuan Huang
Luciano Hwang
Adam Jarrod Jupp
Nicholas Paul Kennedy
Fraser Kerr
Ammar Khan
Benjamin Ko
Jonathon Ko
Leigh Alexander Kobus
Tina Tin Sau Kong
Alexander Junzhi Kwa
Irene Lai
Ronald Man-Ho Lai
Cindy Lau
Stephen Ming Yeung Lau
Daniel John Lavender
Hyun Kyung Lee
Phichol Lee
Stephen Lee
Willie Cliff Leong



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New Fellows

Xiaolin Li
Mei Yang Mary Liao
Khey Jun Lim
Ting Fang Lim
Ke Chris Lin
Shannon Chen-Yu Lin
Joshua Ling
Dai Wen Liu
Michael Liu
Xin Yuan Liu
Chenjie Lu
Janice Guiqing Ye Lu
Qi Ling Lu
Bessy Po Chi Ma
Vinko Matic
Mark Richard McClenahan
Kelli McGinty
Ben Ronald McLeod
Robert Douglas Menzies
Thomas David Millar
Adrian Wong Han Ming
Jimmy Jesse Cameron Molyneux
Heather Navid
Yu Fan Ng
Nam Ly Nguyen
Adam Stuart Norman
Damon William Paisley
Xi Lianna Pan
Truc Thi Thanh Pham
Nicholas Bui Phin

Brendan Ming Bo Pon
Ben Yue Qin
Sonia Ramdev
Harry Hongyu Rao
Jason Terry Ridley
Julie Ridley
Jacob Rosenberg
Alexander Rowley
Richard Saverimuttu
Christopher Michael Scheuber
Neekhil Navin Shah
Dehong (Shirley) Su
Nicholas Sinclair Sutherland
Anne Michelle Taylor
Daniel Teng
Bryan Mern Keit Tong
Brnic Van Wyk
Wendy Wang
Emily Anne Watchorn
Christopher Phillip Webb
Hua Clare Wen
Andrew John West
Tom William Wicling
Clare Wong
Edith Wing Tung Wong
Victoria Xie
Jia Hui Xue
Yinghua Vivian Yu
Ka Chun Yeung
Jiong Zhang





Institute of Actuaries of Australia

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Actuary of the Year

Fred Rowley

The Institute named Mr Fred Rowley, former President of the Institute and current Chair of the CERA Global Association, as the 2010 Actuary of the Year.

The Actuary of the Year award recognises an individual who has made a key contribution to business, the community, government or the profession. Mr Rowley was instrumental in unifying 14 International Actuarial Association (IAA) members in 12 countries to sign a global Treaty to adopt a common syllabus and standards for the Chartered Enterprise Risk Actuary (CERA) qualification.



The CERA credential, developed in response to risk management issues highlighted by the global financial crisis, is the first globally recognised actuarial qualification. The designation requires candidates to meet stringent educational standards in Enterprise Risk Management, with a particular focus on technical skills and professional conduct standards.

Mr Rowley is an outstanding actuary who has selflessly dedicated himself to advancing the actuarial profession. He has served the Institute for more than 10 years including during his 2007 service as President. In recent times, Mr Rowley has contributed valuable insights and thought leadership in the areas of enterprise risk management and climate change economics.

Mr Rowley's CERA-related efforts resulted in his election as the inaugural Chair of the CERA Global Association on 7 May 2010. About 15 additional actuarial associations globally are expected to sign the global CERA Treaty over the next 18 months.



Mr Rowley's efforts were also acknowledged by the Society of Actuaries (SOA) with outgoing SOA President Mike McLaughlin presenting Mr Rowley with a Presidential Award, which is awarded for significant contribution to the actuarial profession anywhere in the world.





Education prizes

Andrew Prescott Major Prize

Awarded for best overall performance in the Fellowship examinations:

2009	Andrew Fisher
2010	Mark McClenahan

Andrew Prescott Prizes

Awarded for meritorious performance in each subject examination:

2009 prizes

Quian Xiao	Investments
Andrew Kwok	Life Insurance
Chenjie Lu	Global Retirement Income Systems
Andrew Fisher	Investment Management and Finance & Commercial Actuarial Practice

2010 prizes

Jeanette Palmer	Investments
Lucy Hammerman	Life Insurance
Simon Siu-Sang Ho	Investment Management and Finance
Mark McClenahan	Commercial Actuarial Practice

There were no candidates who met the prize criteria for the Global Retirement Income Systems subject prize.

Katherine Robertson Prize

Awarded for best performance in the General Insurance examinations:

2009	Ashish Ahluwalia
2010	Qian Xiao





Institute of Actuaries of Australia

Annual Review | 2010
Prizes and awards

Research prizes

HM Jackson Memorial Prize 2009

Awarded for excellence in a paper published in an overseas journal, presented to an international or foreign conference, or published in or presented to an Australian non-actuarial journal or conference:

Shaun Yow and Michael Sherris

for *Enterprise Risk Management, Insurer Value Maximisation, and Market Frictions*, ASTIN Bulletin, 38(1), May 2008, 293-339

Taylor Fry Accident Compensation Seminar Prize 2009 (silver prize)

Awarded to a paper that has significantly advanced the profession's understanding or knowledge of a specific subject or field; or collected or presented existing material to raise the profession's awareness of an important contemporary issue:

Andrew McInerney

for *An ageing workforce and workers compensation – what are the implications, in particular with an increasing national retirement age?*

Melville Financial Services Forum Prize 2010

Awarded to a paper that has significantly advanced the profession's understanding or knowledge of a specific subject or field; or collected or presented existing material to raise the profession's awareness of an important contemporary issue:

Tim Gorst

for *APS330 Home Lending Data – Application and Insights*



Institute of Actuaries of Australia

Annual Review | 2010

Prizes and awards

Taylor Fry General Insurance Seminar Prize 2010 (silver prize)

Awarded to a paper that has significantly advanced the profession's understanding or knowledge of a specific subject or field; or collected or presented existing material to raise the profession's awareness of an important contemporary issue:

Dimitri Semenovich, Yang Cai and Ian Heppel

for Convex optimisation: a new approach to common challenges in premium rating

AH Pollard Scholarship 2010

Tse-Ling The

for continued research at Columbia University on tailoring catastrophe bonds to meet the financial requirements of governments in the event of a natural disaster.





It is with sadness that we report the passing away of the following Members this year. Their loss was felt by all who knew them:

- ▶ Galfrid (Tig) Leslie Melville BA FIA ASA FIAA
- ▶ Nicholas (Nick) Edwin Renton AM FFA SFFin AIArbAm FIAA
- ▶ Noel Harry Tayler FIA FIAA
- ▶ Robison Kenneth Raine Wilson AAI

Obituaries were published in Actuary Australia for both Tig Melville (October 2010 issue) and Nick Renton (December 2010 issue). Those obituaries are reproduced here.

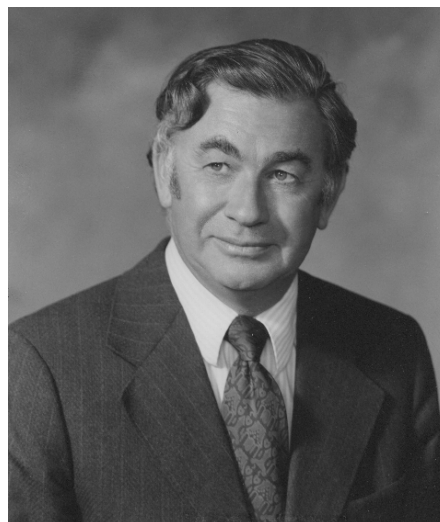
Tig Melville

17 June 1926 – 19 August 2010

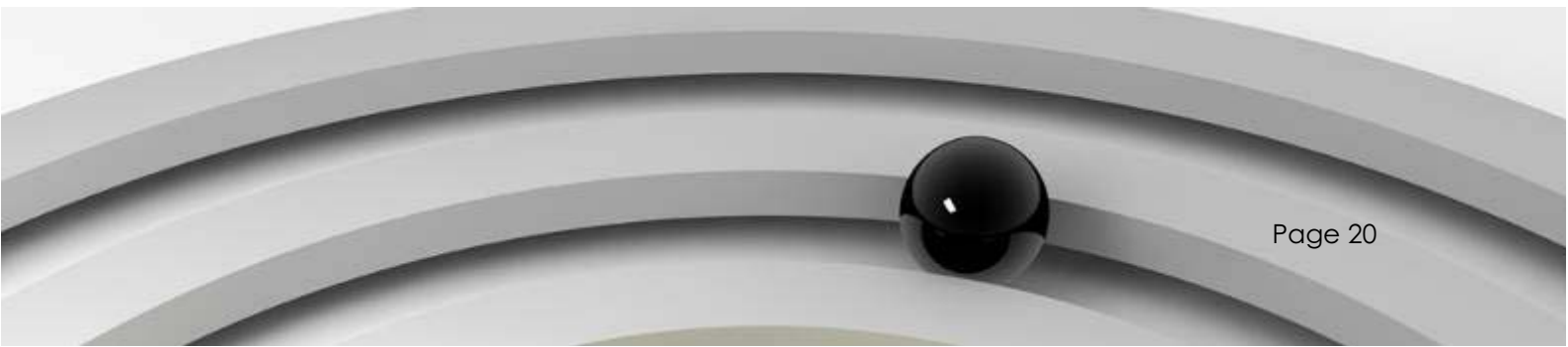
One word to describe Tig Melville is 'intrepid'. He looked for new ideas and new challenges. He had the courage to develop them. In an earlier age, he might have been an explorer.

Tig was born in Adelaide, South Australia, the first son of Leslie and Mary Melville. Leslie (later Sir Leslie) was a prominent economist and actuary who worked for the South Australian and Federal Governments including a three year stint at the World Bank.

Tig was a strong family man. He is survived by his daughter Jenny, his wife Patricia, stepdaughters Kay, Donna and Josephine, and nine grandchildren.



He completed the leaving certificate as Dux of the Shore School in Sydney, with an exhibition to Sydney University where he took an arts degree majoring in mathematics. He resisted pressure to take an honours degree in mathematics because he did not want an academic career. He took a pass degree and decided on an actuarial career.





Institute of Actuaries of Australia

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In memoriam

Throughout his life, Tig suffered from severe asthma. While this prevented him from participating in the sports for which Shore was well known – cricket, rowing and rugby – he was a keen tennis player at school and beyond, playing badge tennis with the Killara Tennis Club.

After University, Tig commenced work with the AMP Society in 1946. With short periods in Sydney, Adelaide and then back to Sydney again, the first adventure took him to New York with the New York Life in 1952. Tig qualified as a Fellow of the Institute of Actuaries in 1953. His enthusiasm and ability saw him gravitate to a relatively new area in New York Life, dealing with group life. Where previously life insurance had dealt in individual policies, even for group superannuation, health, and annuity business, New York Life was developing strongly in deposit administration, i.e. the bulk administration of such policies, with material savings in expense and much improved efficiency. By the end of 1957, Tig was faced with a choice, to commit to a senior position in New York Life or return to Australia.

He chose Australia – he expected his US knowledge and experience would be invaluable to a major Australian life office. However, the conservatism of the time in society generally and in the insurance industry in particular, which was focused on tied agency forces and high commission products, gave Tig no opportunity. He had to take a different path.

He threw himself into the development of a consulting actuarial practice based on a significant involvement in health insurance with HCF. His timing was fortuitous, just at the start of a golden era for consulting actuaries. The practice began to flourish with an influx of small life offices each needing actuarial advice and in addition the parent companies of Australian subsidiary companies were expecting to find deposit administration contracts to be provided by Australian life insurance companies. The Australian industry was forced into deposit administration by client pressure.

Tig's next venture was to establish a South East Asian actuarial consulting practice. The unstable political situation and the Indonesian 'sabre rattling' at the time caused that venture to fold. Once again, Tig was ahead of his time.

In 1964 he went to London, planning a year to explore the opportunities there. This led to a consulting role with Save and Prosper out of which arose a proposal to expand into life insurance with an agency force selling investment trust units with linked life insurance cover. The Board of Save and Prosper accepted Tig's recommendations on the condition that he took the responsibility for the whole operation as General Manager and Actuary. Tig retired from the firm he had established in Sydney to take up this challenge. Starting in late 1966, by



Institute of Actuaries of Australia

Annual Review | 2010
In memoriam

1968 he had taken Save and Prosper to the point that the new business written was second only to that written in the UK by Prudential.

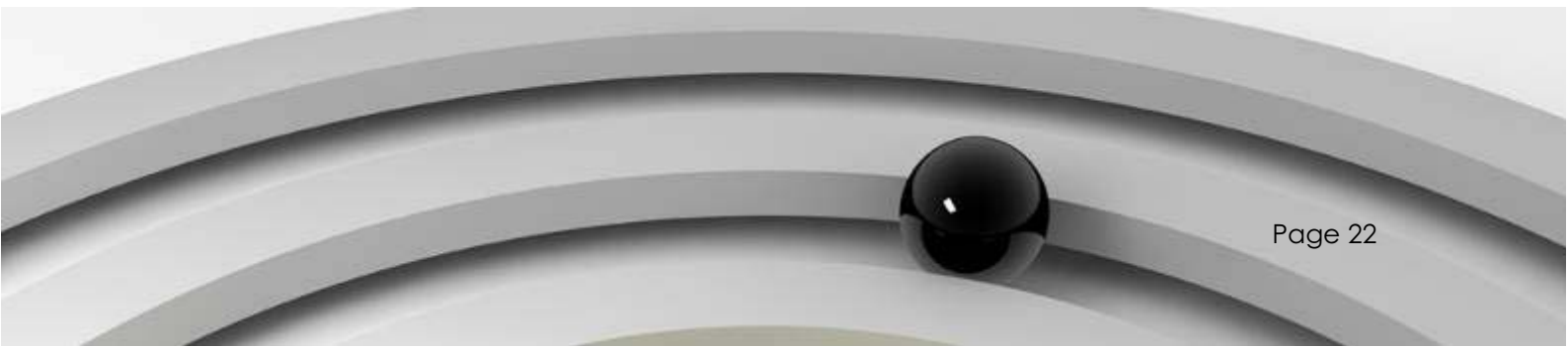
There were several keys to this remarkable success. The investment linked approach gave a transparency to costs which imposed a discipline on the organisation. The agency force was recruited deliberately from people with no experience in traditional insurance selling, who achieved a high rate of sales given the established investment name of Save and Prosper. In addition, he introduced direct selling through newspaper advertisement which was also successful. Tig wanted to make a further change to the structure to simplify the administration, a change the Board rejected - only to adopt a few years later.

Notwithstanding this success, which defied conventional practice and opinion, Tig left and returned to Australia at the beginning of 1969. In his *Recollections*, Tig said that after two years his job was done and given his tendency to seek new adventures, it seems he had decided to return home and try his hand again in Australia.

Back in Australia, he once again tried to bring his new knowledge to the Australian market. He wrote a prize-winning paper for the Institute of Actuaries of Australia titled 'The Unit Linked Approach to Life Insurance'. He was further honoured by a request to present the paper in London at Staple Inn Hall to the Institute of Actuaries. The success of Save and Prosper meant that the paper gained considerable recognition in the UK and has arguably influenced developments there and in the US, but not in Australia where life offices continued to focus on selling old-style traditional whole life and endowment insurance.

Tig was disappointed that he found no opportunity in Australia for the unit-linked approach to insurance. He spent the next few years in a variety of short term consulting and management roles until 1977 when he took on the role of Life Insurance Commissioner in Canberra. This was perhaps a surprising decision for him to make, but filling this role with a person of his stature was welcomed by the industry and the profession. One can only speculate on his motivation to enter a bureaucratic world, so alien to his adventurous nature. Whatever the motivation, Tig coped with the frustrations and difficulties and succeeded in making material changes. One particularly significant result was the introduction of Financial Condition Reports to be produced by the Actuary on the affairs of his/her life insurance company. There was opposition from the major companies of the day, but Tig carried the profession and then the industry. This materially raised the standards of the industry and the standing of the profession.

In other matters, he adopted a consultative approach using the industry and the actuarial profession to develop guidelines and regulations. Where there had often been an adversarial





approach previously, his consultative approach was very successful and was maintained after his retirement.

After retirement in 1984, Tig returned to Sydney and maintained his interest in many current activities. His support for the Institute of Actuaries of Australia was manifold and evidenced in particular by the establishment of the Melville Prize Fund – partly to honour his family but primarily to support prizes for outstanding contributions to the profession. His view was that prizes should be maintained in real terms, an objective not met by establishing a trust fund, conservatively invested, which loses its real value over time. Tig has established continuing trusts from which an annual donation is made to support the granting of prizes.

The professional recognition for Tig's support of the profession is evident in his election as President of the Institute of Actuaries of Australia in 1979 and then his election as a Life Member in 1990.

Tig will be remembered within the profession in Australia for his many contributions often challenging existing practices and encouraging changes. Elsewhere he will be remembered for the pivotal role he played in the development of unit linked life insurance.

Shortly before his death, Tig completed his *Recollections* which recount his professional career in some detail; a copy can be downloaded from www.actuaries.asn.au

Owen Roach and Tim Trahair

Nick Renton

23 February 1931 – 16 April 2010

Nick Renton, by any measure, had an extraordinary career.

He qualified as an actuary at the age of 26 and, from the age of 30 to 45, was the Principal Officer of The Switzerland Life Insurance Company. He followed that by leading the Life Office Association, and its successor the Life Insurance Federation of Australia, for the next 12 years and then, at the age of 55, instead of retiring he became, as listed on his website, a consulting actuary, a commercial arbitrator, a company director and (above all) a writer.





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In between these activities, he founded and was first President of the Australian Shareholders Association, Federal President of the Australian Society of Security Analysts and Victorian Chairman of the Commercial Law Association of Australia and even stood as a Liberal candidate for the Victorian State Parliament.

It was during this period [1970's] that Nick made his public reputation as the man who blew the whistle on Vehicle and General Insurance. John Gilmour says in his tribute to Nick in The Age "V & G gave the appearance of unusual success until Renton examined its accounts and declared that the insurer was not making sufficient provision for its unexpired risks thus its profitability was an illusion". He went on to say that "there was a furore about his [Renton's] assertions" but when V & G collapsed "Renton was proved right, and he was catapulted into the media as a financial guru."

Nick was a prolific author with more than 70 books and 600 articles published. His first book, "A Guide to Organisations and Meetings", was first published in 1961 and is now in its 8th edition. His books covered an eclectic range of subjects from "Family Trusts" and "Understanding Estate Planning", through books on share investment, property investment, negative gearing to books on good writing, on Latin phrases and even the first dictionary of metaphors in the English language. A number of his books have been published overseas, including in the United States and India.

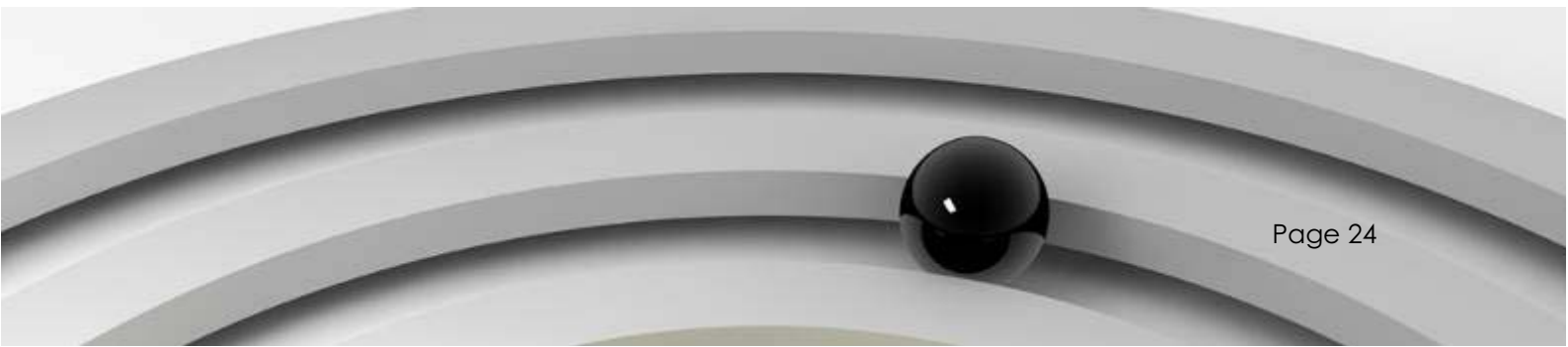
His 600 articles have appeared in a wide range of publications ranging from six metropolitan dailies and numerous periodicals to an overseas in-flight magazine.

He was recognised by the Institute in 1992 by being awarded the H M Jackson Prize for his paper on taxation and in 1995 he was awarded the Ken Millar Award for his bestselling "Understanding the Stock Exchange" and his controversial "Company Directors; Master or Servants."

His services to Australia were recognised by being made a Member of the Order of Australia in 2004.

Nick was born Nicholas Erwin Reinitz in Austria in 1931 and migrated to Australia with his parents in 1939. One can only imagine the challenges for a schoolboy of 9 who has just migrated from a country with which Australia was at war.

He started his actuarial career at the Colonial Mutual Life in 1949, completing his Faculty exams in 1957. Sam Brown (a fellow student) recalls that, as was often the case in those days,





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there were only two students sitting the final exam and it was conducted in a senior actuary's office, who gave them the papers and left them to it for the requisite three hours.

Even during those years, Nick's penchant for analysis of the less obvious was apparent. He established which tram routes offered the best protection in the various weather extremes that Melbourne offers and took which ever was appropriate to the weather on the day.

More importantly, in his early years at Colonial Mutual and Switzerland Life, Nick was a popular actuary who was a great supporter of, and mentor to, the actuarial students around him, as well as someone who was able to turn his skills to the much wider fields. In Switzerland Life, he had to set up a life insurance administration system from scratch.

Nick was many things – an atheist, a rationalist and a sceptic – but most importantly, Nick is remembered as a gentle and generous man who was able to keep calm under even the most severe provocation. Nick died in Caritas Christi Hospice on 16 April 2010 aged 79. He is survived by his wife Jenny and his three children.

Graham Rogers





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Key business areas

This section of the Institute's Annual Review for 2010 provides an overview of achievements from each of the key business areas of the Institute's Secretariat.

Education

Governance and Regulation

Professional Development

Operations

Research





Key highlights

2010 has been a year of change for the education unit and these changes have been successfully implemented. Highlights include:

- ▶ 254 members achieving the education requirements of the new 'actuary' designation which was introduced in January 2010;
- ▶ developing the online Investments Bridging Course;
- ▶ successfully running five Professionalism Courses instead of the usual two, which was necessitated by the new 'actuary' designation;
- ▶ implementing the Aptify database which has been customised to meet the needs of the Institute's Education Program;
- ▶ achieving Award Signatory status for the internationally recognised Chartered Enterprise Risk Actuary (CERA) qualification;
- ▶ introducing Course 7A Enterprise Risk Management in the Part III Education Program which also leads to the CERA qualification for those that meet the 2010 Associate requirements; and
- ▶ publishing *Understanding Actuarial Management: the actuarial control cycle* 2nd Edition - a joint venture with the Society of Actuaries in the USA.

The new 'actuary' designation

The new 'actuary' designation led to a number of challenges for the education unit in 2010, which were handled successfully. The new 'actuary' designation led to a change in the Practical Experience Requirement, the development of the online Investments Bridging Course and the delivery of five Professionalism Courses in 2010. In previous years, Professionalism Courses were only held twice a year with enrolment by invitation only to those who had completed Part III in the previous semester. As a result, we have seen increased diversity and a positive impact on the quality of discussion at the Professionalism Courses. At the time of writing, 254 members had achieved the new 'actuary' designation.

The Investments Bridging Course is the first online course developed by the Institute that uses automatically marked assessment. It is an example of an application of technology to meet educational aims with minimal administration. This may provide some ideas for the future. Three candidates have successfully completed the assessment from fifteen enrolments.



Award Signatory status for CERA

In August 2010, the Institute achieved the major milestone of Award Signatory status for the Chartered Enterprise Risk Actuary (CERA) qualification. Only one other actuarial society, the UK Institute, had achieved this milestone before. The Institute's examination pathway of the UK ST9 course and a two-day ERM Workshop (collectively known as Part III Course 7A ERM) was approved by the CERA Review Panel, which was impressed with the idea of the workshop and are now recommending this to other prospective Award Signatories. The Institute is now considering the recognition courses at UNSW as the equivalent of C7A ERM and hence for the award of CERA. Other universities have been invited to follow and some have already expressed their intention to do so.

Implementing the Aptify database

The Aptify database, which has been customised to meet the needs of the Institute's education program, was implemented in June 2010. The system will allow the Institute to define pathways, subject equivalents and milestones to help manage the complexities of transitions in the education program. The system also allows students to pay exemption fees online. An online pathway status page will be made available soon to allow members to see their progress to Fellowship.

New positions in the Education unit

A new position of University Relationship Manager, currently filled by Jennifer Burns, was created to oversee university accreditation, research and all other matters in the important partnership between the Institute and universities in delivering actuarial education.

The Institute has also upgraded Rebecca Moore's position of Part III Coordinator, to Volunteer Manager, with the scope still focusing on the high demands of the Part III Education Program, but also extending into other areas.

We also welcome back Lauren O'Donnell in the new position of Education Administration Assistant.



Pass rates for Part III courses

		2010 (2) Pass	2010 (1) Pass	2009 (2) Pass	2009 (1) Pass	2008 (2) Pass	2008 (1) Pass	2007 (2) Pass	2007 (1) Pass	2006 (2) Pass	2006 (1) Pass
1	Investments	31%	35%	30%	49%	51%	39%	42%	33%	31%	28%
2A	Life Insurance	31%	28%	60%	40%	48%	34%	39%	34%	27%	32%
2B	Life Insurance	41%	44%	39%	38%	42%	39%	33%	22%	41%	32%
3A	General Insurance	36%	37%	30%	37%	41%	52%	21%	38%	38%	42%
3B	General Insurance	40%	35%	29%	32%	37%	40%	48%	48%	39%	50%
5A	Investment Management & Finance	53%	n/a	37%	n/a	n/a	49%	n/a	35%	44%	50%
5B	Investment Management & Finance	n/a	56%	n/a	50%	31%	n/a	34%	n/a	27%	43%
6A	Global Retirement Income Systems ¹	n/a	25%	n/a	36%	n/a	58%	n/a	47%	38%	50%
6B	Global Retirement Income Systems ²	54%	n/a	53%	n/a	56%	n/a	n/a	n/a	57%	n/a
7A	Enterprise Risk Management ³	35%	19%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
10	Commercial Actuarial Practice ⁴	55%	59%	60%	55%	71%	49%	67%	57%	64%	61%

(1) = Semester One

(2) = Semester Two

1. 6A Global Retirement Income Systems replaced 4A (Superannuation and Planned Services) in Semester 2 2008
2. 6B Global Retirement Income Systems replaced 4B (Superannuation and Planned Services) in Semester 2 2008
3. Both Fellows and non-Fellows take this course. The figures here represent non-Fellows only. 10 Fellows also sat the course in Semester 1 2010 and 6 passed resulting in a 60% pass rate for Fellows. The overall pass rate in Semester 1 2010 was 25%. In Semester 2 2010, 9 Fellows also sat the course and 7 passed, resulting in a 78% pass rate for Fellows. Overall, in Semester 2 2010, 75 students sat and 30 passed, resulting in an overall pass rate of 40%.
4. Figure represents the overall pass rate for the CAP course including those in transition who have passed one assessment under the pre-Semester 2 2009 model and are only required to pass the other assessment.

Philip Latham
Education Manager



Key highlights

2010 was an outstanding year for the Institute's continuing development of its professional standards and guidance regime to support Members in their roles. A total of 7 new professional standards and 2 new practice guidelines were released. In addition, Exposure Drafts of 2 professional standards and a practice guideline were released, with work well advanced on Exposure Drafts of a further 2 professional standards and 2 practice guidelines for release in early 2011.

This achievement reflects a strong commitment by many Members – both through Practice Committees and the Professional Standards Committee – to this work program. Particular thanks go to the Superannuation and Employee Benefits Practice Committee which has been an exemplar in this area.

However, 2010 was not only the Year of the Professional Standard. Many other initiatives were undertaken with a focus on professional matters and practice, including the areas of CPD, online resources for Members, international issues (including the CERA designation) and Disciplinary Scheme matters. The balance of this section of the Annual Review explores these initiatives and activities in greater detail.

Professional standards and guidance

2010 was an outstanding year for the updating and development of professional standards and guidance. This work program remains critical to safeguarding the public interest and protecting the reputation of the profession.

A large number of new professional standards and practice guidelines were released during the year:

- ▶ a revised Professional Standard 200 (Actuarial Advice to a Life Insurance Company or Friendly Society);
- ▶ a new and updated Professional Standard 300 (Valuations of General Insurance Claims);





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- ▶ a new Professional Standard 310 for actuarial certification of premium rates under the NSW Motor Accidents Scheme, replacing Guidance Note 351;
- ▶ a revised Professional Standard 400 (Investigations of the Financial Condition of Defined Benefit Superannuation Funds);
- ▶ a new Professional Standard 403 on preparation of benefit certificates, to replace Guidance Notes 456 and 457;
- ▶ a revised Professional Standard 404 (Valuation of Superannuation Fund Assets);
- ▶ a new Professional Standard 405 on the cost of death and disability benefits in superannuation funds, replacing Guidance Note 450;
- ▶ a new Professional Standard 407 on solvency management of defined benefit funds, replacing Guidance Note 461;
- ▶ a new Practice Guideline 199.01 on Prescribed Actuarial Advice reporting; and
- ▶ a new Practice Guideline 199.02 relevant to the auditor-actuary relationship.

In addition, Exposure Drafts were released of:

- ▶ a new Professional Standard 600 on financial condition reports for private health insurers, to replace existing Guidance Note 670; and
- ▶ a new Practice Guideline 199.03 on economic valuations, to replace existing Guidance Note 552.

Finally, two new information notes were released:

- ▶ deferred tax assets – issues and considerations for life insurance companies and superannuation funds; and
- ▶ risk free discount rates under AASB 1038.

In addition to the above, work was largely completed on several Exposure Drafts which are expected to be released early in 2011:



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- ▶ an updated Professional Standard 402 (Determination of Accrued Benefits for Defined Benefit Superannuation Funds);
- ▶ a new Professional Standard converting existing Guidance Note 455 (Pre 1 July 1988 Funding Credits);
- ▶ a new Practice Guideline converting existing Guidance Note 460 (Prudential Reporting to Trustees and the Regulator); and
- ▶ a new Practice Guideline dealing with accounting for superannuation and long service leave obligations under AASB 119.

All professional standards and guidance can be found on the Institute's website at: www.actuaries.asn.au/Standards.

CPD

In addition to responding to numerous Member enquiries about CPD obligations, a new easy guide booklet on the Institute's CPD requirements was produced. This was supplemented by the production of a new poster outlining the key aspects of those requirements. The poster - and supplies of the booklet - were distributed to over 100 actuarial firms to increase their staff's awareness of the CPD rules.

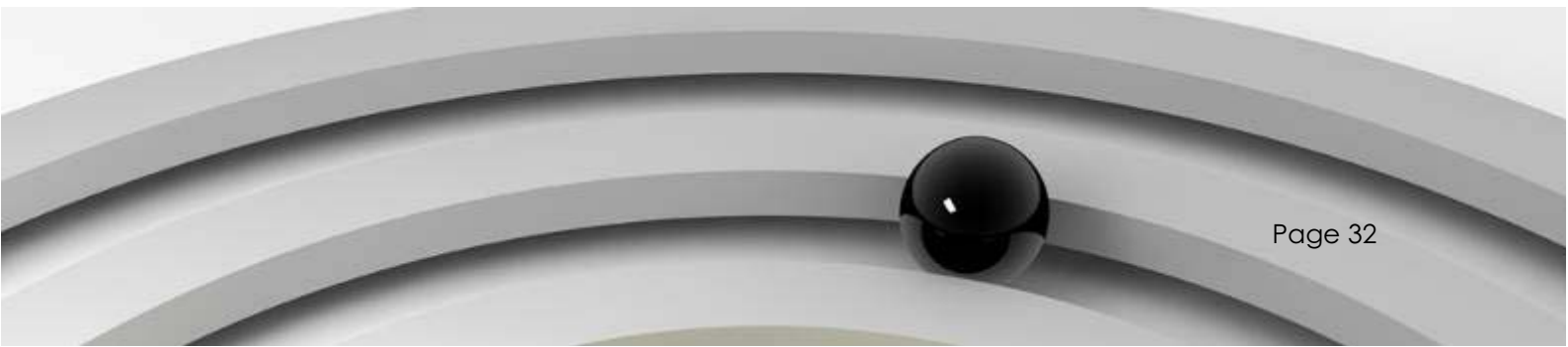


Professional matters initiatives

In October 2010, the Institute held a full day workshop for private health insurer Appointed Actuaries and the Private Health Insurance Administration Council. With 25 attendees – including 16 past or present Appointed Actuaries – the workshop provided an unique opportunity to reflect on the Appointed Actuary role (which was introduced in 2007) and its future.

Work was commenced on building up online resources available for Members in a number of areas relevant to professional practice. This included information on:

- ▶ Consulting Actuarial Firms
- ▶ Senior Actuaries
- ▶ professional indemnity insurance





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- ▶ conflicts of interest
- ▶ whistleblowing
- ▶ expert witnesses
- ▶ Australian Financial Services Licences and ASIC's RG 146
- ▶ mutual recognition agreements.

This work will be continued in 2011, but the results to date may be found at: www.actuaries.asn.au/ProfessionalMatters.

International

On the international front, the Governance and Regulation business unit:

- ▶ continued a significant work program in relation to the global CERA designation. This included ongoing work relating to trade mark issues and certification standards, agency arrangements with the CERA Global Association, and the development of a new certificate for CERA holders and application form;
- ▶ engaged with the International Roundtable on Standards Setting, including surveys undertaken of the purposes for, and resources used in connection with, standards setting. The Institute continues to work with the Roundtable through a number of avenues; and
- ▶ provided input into an algorithm being developed by the Institute and Faculty of Actuaries regarding the application of professional standards for overseas members, as well as input on the UK's Certificate of Eligibility for Partial Regulation.

CERA

Other governance matters

The 2010 Council elections were again held utilising an online voting facility. Feedback from Members regarding this facility continued to be extremely positive. A record twelve candidates nominated for Council, with six Councillors duly elected.





The University of New South Wales Actuarial Foundation changed its name to Australian Universities Actuarial Foundation, so as to reflect its broader mandate across Australian universities with respect to the Institute's funding monies, following the determination of The University of Melbourne Actuarial Foundation in 2009.

The Governance and Regulation business unit continued to provide teaching on legal/professional obligations, the Disciplinary Scheme, risk management and CPD to attendees at the five Professionalism Courses held during the year. The content of the sessions developed considerably during this time, with increased emphasis on using actual disciplinary matters as case studies.

A submission was made to the Attorney-General's Department to have Members of the Institute included in the list of those persons able to witness statutory declarations for Commonwealth purposes. The Department is currently reviewing the statutory declarations regime and the Institute continues to liaise with respect to its submission.

A substantial work program was also undertaken to update and finesse the Institute's risk management framework to ensure that the Institute's approach to managing risk sets an example to the rest of the profession and to other like organisations (in terms of size and resources).

Disciplinary Scheme

In 2010, a new booklet on the Disciplinary Scheme was produced. Entitled "How do I complain about an Institute member?", the booklet was made available in both hard copy and online formats. In addition, a new area of the website was created to make access to Disciplinary Scheme notices far simpler. Such notices can now be found at www.actuaries.asn.au/Discipline.

Under Rule 9.5 of the Disciplinary Scheme, Council is required to report annually to Members in relation to the activities of the Professional Conduct Committee and any proceedings before any Tribunal or Appeal Board during the year. Accordingly, the following information is provided for the information of Members:

- ▶ there were four complaints under the Disciplinary Scheme, three from Members of the Institute and one from a member of the public;





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- ▶ one complaint was dismissed following a determination of the Convenor of the Professional Conduct Committee that the complaint did not show a *prima facie* case of Actionable Conduct having been committed by the Member. That determination was confirmed by the Convenor of the Tribunal Panel;
- ▶ one complaint was referred to the Professional Conduct Tribunal in November 2010, following a determination by the Investigating Sub-Committee that there was a *prima facie* case of Actionable Conduct having been committed by the relevant Member. At the time of writing, the form of publicity with respect to the Investigating Sub-Committee's determination was still proceeding through the approvals process required under Rule 9 of the Disciplinary Scheme; and
- ▶ at the date of writing, two complaints remained under investigation by Investigating Sub-Committees.

Anne Peters
Director, Governance and Regulation





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Key highlights

- ▶ produced 77 separate CPD or networking events for members worldwide over the 12 month period - 29 of which were paid events;
- ▶ major paid events included the two day Financial Services Forum, three day General Insurance Seminar, one day ERM Seminar and a half day Super Policy Forum;
- ▶ took the lead in hosting forums for industry discussion on new APRA capital standards;
- ▶ introduced new Insights networking sessions in Sydney and Melbourne for actuaries working in banking and finance;
- ▶ transitioned the Super Policy Forums to a regular calendar event and established the Enterprise Risk Management Seminar as an annual event; and
- ▶ provided soft skills options for actuaries.

Financial Services Forum

357 delegates participated in the Financial Services Forum held in Sydney over two days in May, representing a 13% increase in numbers on the previous Forum. The theme was 'Renovating the Financial Sector'.

General Insurance Seminar

230 delegates participated in the General Insurance Seminar on the Gold Coast over four days in November. The theme running through the sessions was 'Risk & Reward' and the seminar examined how the industry would continue to grow and innovate for the benefit of its customers and shareholders.

Enterprise Risk Management Seminar

The 2nd ERM Seminar – It's All About Opportunity – took place in Sydney in September 2010. The seminar attracted 119 participating delegates, of which 12% were non-members.



Presidential and Graduation dinners

Presidential dinners were held in Adelaide, Brisbane, Perth, Singapore, Hong Kong, London, Auckland and Wellington. Four Graduation Dinners were held in Sydney (February, April, August and October) and three in Melbourne (February, June and November) to accommodate the new designation of actuary.

Young Actuaries Program

Six YAP sessions were held during the year - 4 in Sydney and 2 in Perth. The program enables students, University subscribers and young actuaries to get together to learn soft skills and network. These very popular sessions were sponsored by Ernst & Young, PwC and Deloitte.

Facilitated industry discussions

The Institute hosted separate Insurance Capital Review Seminars in Sydney and Melbourne for life and general insurers. The Institute also facilitated a debate between life and general insurance specialists on Risk Free Discount Rates and discussions on the QIS.

Other events

- ▶ hosted a half day Super Policy Forum in Melbourne;
- ▶ 21 Insights sessions held in Sydney, Melbourne and London - three of which were new Insights Networking sessions for the Banking and Finance members and colleagues;
- ▶ 11 sessions for Retired Actuaries Group Sydney;
- ▶ three ERM Community networking sessions were held in Sydney during the year;
- ▶ volunteer cocktail parties in Sydney and Melbourne to thank the many members who gave their time during the year. 177 members attended and a further 52 volunteers were invited to attend Presidential dinners around the globe as Institute guests; and
- ▶ other events held included a Health Roundtable in May, soft skills courses in June and August, a Step Up program in August and a women's networking event in September.

Sarah Hodgkinson
Manager, Professional Development



Key highlights

- ▶ implementation of new membership database
- ▶ new website implementation
- ▶ implementation of new membership fee structure
- ▶ developed a Business Continuity Plan and Disaster Recovery Plan
- ▶ PI Insurance scheme for semi-retired and consulting actuaries
- ▶ review of finance function to improve efficiency
- ▶ EFT processing for accounts payable

Implementation of the Aptify database

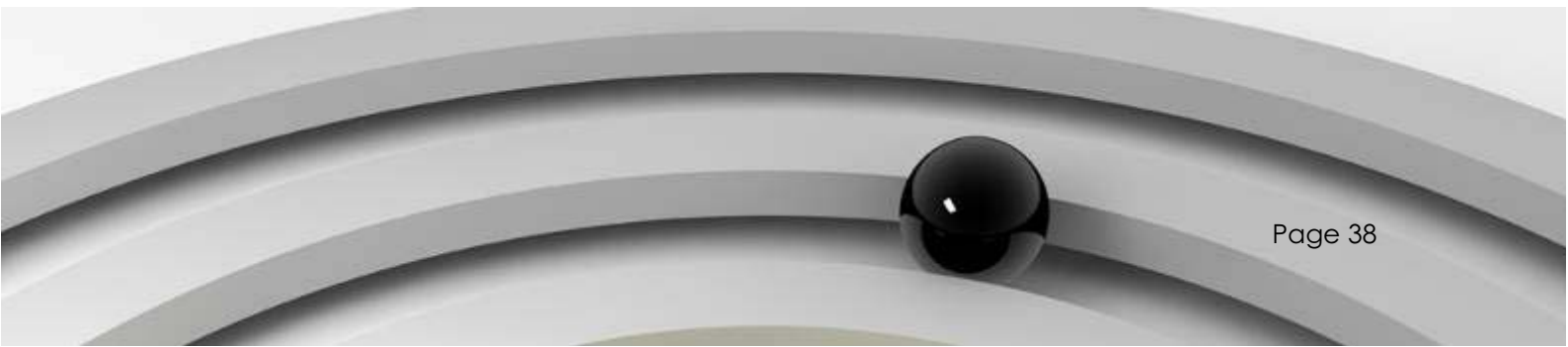
The result of a comprehensive review and tendering process in 2009 identified a superior membership database that would meet the needs of the Institute to better serve the membership in future years. The objective was to deliver a comprehensive association management solution that services the full range of membership and education administrative functions (Membership, Education and Events), to deliver excellent service to the Institute's members and prospective members, and provide the means to achieve effective management of relationships and interactions with all members and stakeholders.

Implementation commenced in late 2009 and continued over much of the year. 'Go live' took place on 1 June and additional functionality was delivered in subsequent months. Many of the Secretariat staff have seen improvements in data entry, reporting, streamlined processes and automated actions.

The Aptify database is very powerful and we intend to take advantage of many more features that are available to increase the effectiveness and efficiency of our staff.

New website implementation

Coupled with the implementation of the new database, a new Institute website was soft-launched on 1 June. The website was replaced for primarily two reasons. First, the old website was extremely frail and in many forms. On-line functions had failed and additional





systems had to be introduced to keep it working, including running it from multiple sites each of which needed to be maintained and paid for. The user experience was far from satisfactory. Secondly, the website had to integrate with the new membership database and there was a high risk that the old site would not have coped.

The new website provides a stable platform on which to build new functionality. Enhanced features will be rolled out progressively in 2011.

Member Services and Educator Implementation Group wrap up

The Member Services and Educator Implementation Group (MSEIG) was formed in May 2009 to investigate the findings of the Member Services and Educator (MSE) Taskforce Report. The key recommendation of the Taskforce was to establish a project implementation group made up of Institute staff and volunteers to test and implement its findings and develop a 'target' member services model for the Institute. The four areas of focus were:

- ▶ provide membership value;
- ▶ reassess education and CPD delivery;
- ▶ review marketing objectives; and
- ▶ ensure the Secretariat had the required capabilities.

The group developed a detailed project plan to roll out the initiatives and created short- and long-term action items. The majority of the MSEIG action items are now either well underway or have been rolled up in the Institute's Operational or Marketing Plans.

The MSEIG has now wound up its work with the last meeting held in July 2010. Thanks are extended to all MSEIG members for their valuable contributions.

Membership fee changes

This year changes were made to the membership fee structure to simplify membership and make fees fairer for all. The key changes were:

- ▶ **new payment deadlines** - Currently the membership year runs from 1 October to 30 September with renewals due by 31 January. This year the payment deadline remained the same but will be brought forward next year; and



- **changes to fees** - Membership fees and categories have been reviewed and the changes implemented in 2010 are part of an ongoing plan to standardise fees across membership categories.

Members can now easily identify whether they are eligible for a reduced membership fee. Members earning under \$50,000 per annum* for the financial year 1 July 2010 to 30 June 2011, may apply for a reduced subscription. Members aged 60-70 who do not derive income by providing services (whether actuarial or not) in a professional capacity may also apply for reduced subscription.

* This amount may be changed in the future at Council's discretion

Part I exemption fees will be lowered from \$250 to \$200 per subject for students who become eligible for exemptions after December 2010.

Member Services team

The Member Services Team is now led by Fatima Dawood, Membership Manager. Fatima was appointed to this position on 1 July 2010. Katrina McFadyen has joined the team and now splits her full-time role between working on projects and new initiatives within Member Services and managing the Institute's publications. In July 2010, Robyn Bulless, Membership Coordinator (part-time), left to take 12 months maternity leave. Richa Hirve has been appointed to this position in Robyn's absence. Nicole Joyce, the Institute's Receptionist, deals with member enquiries and provides administrative support to the Team.

Business Continuity Plan and Disaster Recovery Plan

As part of its risk mitigation strategy and operational plan, the Institute developed a detailed Business Continuity Plan (BCP) towards the end of 2010. The BCP is a plan for the Secretariat to follow to rapidly restore business services in response to natural or man-made catastrophes that may impact the operations of the business. The scope of the BCP has been designed to address a number of disaster scenarios. As part of the BCP, an IT Disaster Recovery Plan (DRP) has also been developed. While a standalone document in its own right, the DRP exists to respond specifically to IT related outages. It is intended to conduct a practice exercise in early 2011 to test the Business Continuity and Disaster Recovery Plans.



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PI Insurance Scheme for semi-retired and consulting actuaries

Working with Marsh Insurance Brokers, the Institute announced a competitive professional indemnity insurance scheme for consulting and semi-retired actuaries in July 2010. The scheme makes it possible for actuaries who consult or practice on a part-time basis to have a scheme tailored for the type of work they perform and the levels of coverage required.

Review of finance function to improve efficiency

A thorough review of the finance function of the Institute was initiated to identify ways where workflows could be improved, synergies could be gained between systems and enhancements made to existing tool-sets. A primary focus was to eliminate the need for manual processing, leading to more robust reporting. A detailed report was delivered and many of the recommendations have been acted upon.

EFT processing for accounts payable

In May, the Institute migrated from cheque payments to electronic funds transfer. While cheque processing remains in place for a small proportion of payments, the bulk are now handled electronically. This move has resulted in positive feedback from suppliers and volunteers.

Peter Jones
Director, Operations





Key highlights

Research remains an important focus for the Institute and this year we were pleased to offer prizes in four sections, including the HM Jackson Memorial award, the AM Parker Award, the Melville Prize for Practitioners and the Melville Health Insurance Prize. In total, 23 high quality submissions were received and, at the time of publication of this Annual Review, were still being debated.

Tig Melville

With the passing of much-loved actuary, Tig Melville, it was especially relevant that the Institute could offer two highly-esteemed prizes this year not only in his name, but in honour of his memory. The Melville name is carried on in four prizes offered by the Institute and will only become more prestigious over time.

Institute support for the Research Council Committee

The Research Council Committee saw a change this year as Ron Murnain stepped down from his position of Committee Secretary, a role that was taken on by Jennifer Burns. Jennifer was also appointed in the newly-established position of University Relationship Manager with the Institute.

Research prizes

The following research prizes were awarded since the previous annual review:

Research prize	Awardee	Topic
H M Jackson Memorial Prize 2009	Mike Sherris and Shaun Yow	Enterprise Risk Management, Insurer value Maximisation and Market Frictions
Melville Financial Services Forum Prize 2010	Tim Gorst	APS330 Home Lending Data – Application and Insights



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Research prize	Awardee	Topic
AH Pollard Scholarship 2010	Tse-Ling Teh	For continued research at Columbia University on tailoring catastrophe bonds to meet the financial requirements of governments in the event of a natural disaster

The future

It is the goal of the Research Council Committee over the next year to become a more streamlined entity which will allow members to be able to clearly access information regarding grants and prizes in a timely and precise manner through the website, bulletin and Actuary Australia magazine.

Jennifer Burns
Research Council Committee Secretary





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Council Committees

This section of the Institute's Annual Review for 2010 provides an overview of the highlights of the work program of the Council Committees of the Institute. These committees perform a very valuable role in supporting Council across its very large work program.

Audit and Risk Council Committee

Education Council Committee

Executive Council Committee

HR & Remuneration Council Committee

International Council Committee

Nominations Council Committee

Public Policy Council Committee

Research Council Committee



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Audit and Risk Council Committee

Key highlights

During the year the Committee has continued the implementation of the new risk management framework approved by Council last year. The risk identification and assessment process has been completed and regular risk reporting is now in place. The reporting is now being enhanced with the addition of lead indicators.

2010 saw the first financial statements based on a 31 December year end and the experience is being used to enhance the efficiency of the accounts preparation in respect of the current year.

Our Convenor Bruce Watson stepped down in September, having led the Committee through the risk management implementation. Lindsay Smartt, who is also on Council, has been appointed as Convenor.

David Goodsall

Audit and Risk Council Committee





Key highlights

- ▶ proposal on expanded choices for Part III courses, from 2012;
- ▶ development of CPD vision;
- ▶ accreditation of Universities - Macquarie (Full), Curtin (Full), UNSW (mid-term);
- ▶ streamlining of university accreditation process for mid-term reviews; and
- ▶ operational successes (covered in Education key areas report), including:
 - launch of online Investments Bridging Course;
 - implementation of the new "actuary" designation;
 - introduction of Course 7A ERM for Module 1 in Part III; and
 - successful management of Part III exam process in semesters 1 and 2.

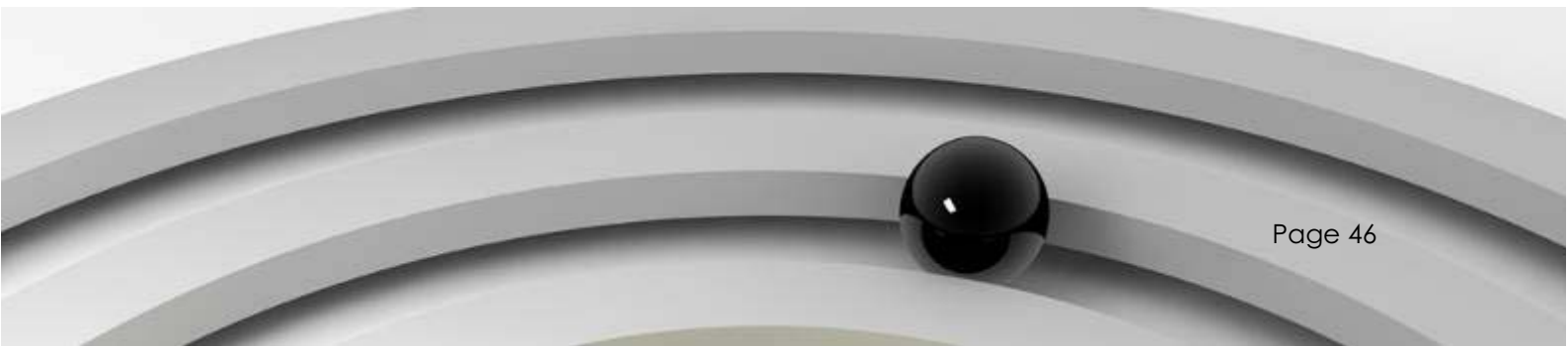
Future Part II Courses – Part III Working Group

The Part III Working Group developed a detailed proposal on Future Part III courses from 2012. The major focus was on the appropriate courses for Module 1. The working group favoured expanding the range of pathways available for Module 1, as part of increasing the diversity in the profession and retaining more members.

The working group considered additional pathways for Module 1, as follows:

- ▶ the A and B modules from subjects 2, 3, 5 and 6;
- ▶ PhDs in relevant topics; professional accounting qualifications;
- ▶ CFA qualifications; and
- ▶ subjects taught by the UK Institute, such as Health.

The working group also considered the subjects currently taught by Access Macquarie (C1, 5A and 5B) and their longer term future.





Council considered an initial paper in October and a revised paper was submitted in late November.

CPD vision

The strategic vision for CPD was approved. The vision will be used to help develop CPD as a central value element of member services for the Institute. The CPD vision consists of three pillars:

- i) keeping existing members up to date in their practice area, and developing technical actuarial skills;
- ii) professionalism, ethics and Code of Professional Conduct; and
- iii) expanding the commercial skills of members.

Other components of the vision for CPD include:

- ▶ using online technology to support access to programs for members outside Sydney and Melbourne;
- ▶ the business model for CPD follows user-pays principles, although passive information and some events will be made available to members at no cost; and
- ▶ Members need to attend the Institute's Professionalism Course every ten years.

University accreditation

The accreditation team completed the full term (4 yearly) reviews for Macquarie and Curtin universities and the mid-term (2 yearly) review for UNSW.

The team also recommended that mid-term reviews be replaced by a streamlined annual review, with the universities submitting annual reports on actuarial education to the Institute, with a focus on changes made and issues impacting on their delivery of education. This was seen by both the Institute and the universities as a much more efficient method for the Institute to monitor the actuarial education programs of the universities.



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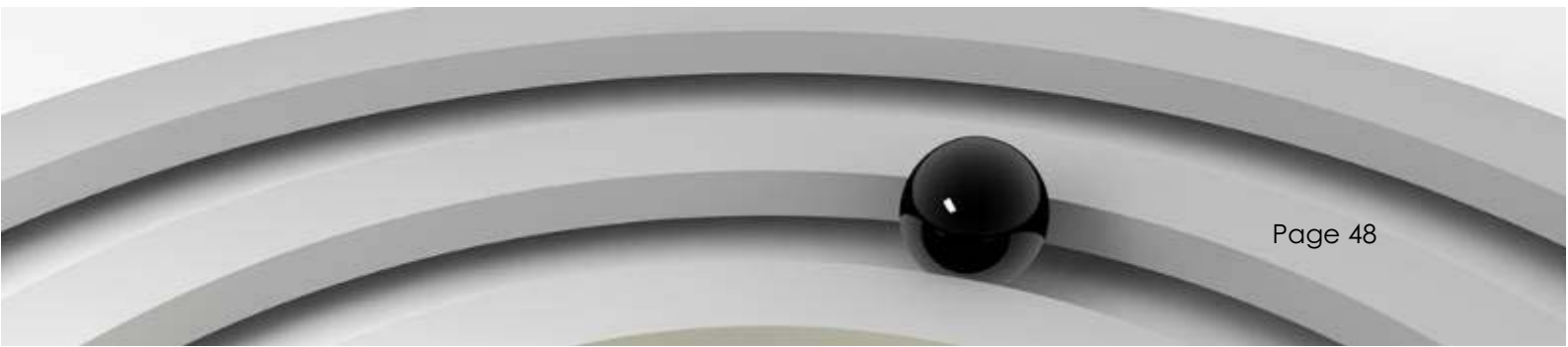
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Education Council Committee

Future goals

The Education Council Committee's strategic agenda has some important tasks for 2011. These include:

- ▶ Capability framework - the objective is to assess the entire qualifying education program against this framework, to ensure that the program develops the required capability outcomes in graduates. A comprehensive capability framework was constructed for the profession in 2001. The focus now will be to re-work the Associate-level capabilities to reflect the new actuary designation. A consultant has been appointed to update the capability framework for the profession and a series of workshops will be held.
- ▶ Board of Examiners reform - the existing Part III program continues to use a very high level of volunteers and the Education Council Committee is keen to explore ways in which the current process can be refined. A working group will be established in 2011 to consider the current process and recommend changes.

Trevor McMahon
Convenor, Education Council Committee





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Executive Council Committee

About the Committee

The Executive Council Committee operates on Council's behalf between Council meetings. It usually meets monthly. The members of the Committee are the three Presidents. The CEO also normally attends meetings. The Executive Council Committee is accountable to Council and minutes of its meetings are included with the Council agenda papers.

Another responsibility of the Committee is to make recommendations to Council for nominations of members and Convenors of Council Committees.

The Executive Council Committee often takes a leadership position on issues, policies and opportunities, as well as strategic thinking. However, it cannot make decisions outside of the authorities delegated to it by Council. The Executive Council Committee is responsible for determining the agenda of Council.

The Committee in 2010

In 2010, the Executive Council Committee has discussed many issues prior to bringing them to Council's attention.

It has also performed a liaison role between Practice Committee Convenors and Council. Regular meetings with the Convenors of the Practice Committees, along with the International Council Committee and Education Council Committee Convenors have been a great help.

Bozena Hinton
Convenor, Executive Council Committee





Key highlights

The HR & Remuneration Council Committee is a new committee formed at the end of 2009. The main items achieved during the year were:

- ▶ new workplace policies and procedures;
- ▶ being involved in the employment of a new Chief Executive Officer;
- ▶ implementing a new framework and timetable for setting staff bonuses based on merit;
- ▶ performance assessment structure for staff being reviewed;
- ▶ being involved in the process for setting the key performance indicators for the Chief Executive Officer;
- ▶ a benchmarking salary review with salaries being based on the jobs and skills required; and
- ▶ approving salary reviews for 2010 and bonus awards for 2009.

Blair Nicholls
Convenor, HR & Remuneration Council Committee





Key highlights

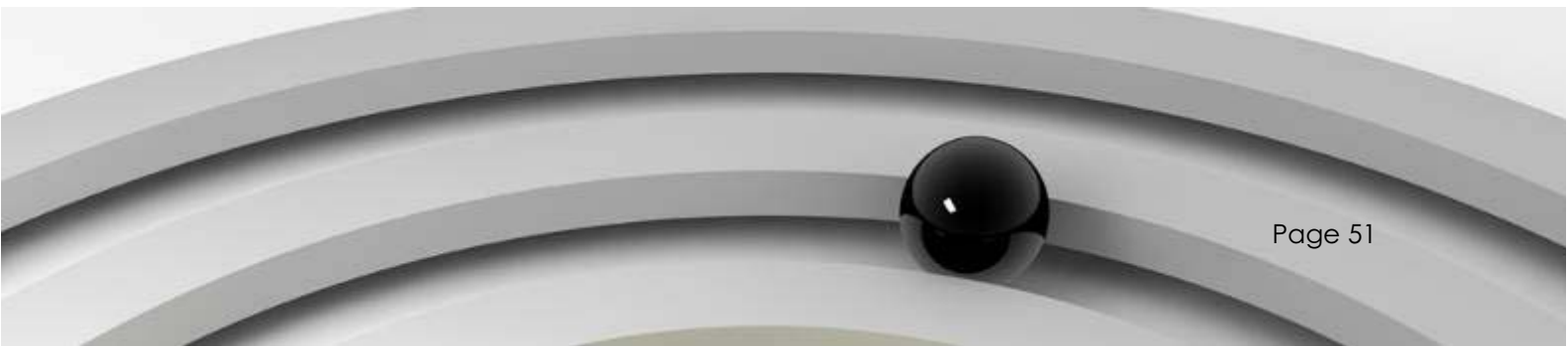
- ▶ a significant number of overseas member contact visits, including Presidential visits, were conducted as a means to inform them about developments in Australia and to gather their views about issues affecting our members overseas;
- ▶ several International Council Committee members maintained high-quality inputs to various committees of the International Actuarial Association;
- ▶ the Institute's application to host the International Congress of Actuaries in 2018 was withdrawn. Council has resolved to seek the views of the younger generation of Institute members in regard to seeking to host the 2022 International Congress of Actuaries;
- ▶ the Institute was granted the right to award the global CERA credential, subject to the completion of legal formalities;
- ▶ the Institute continues to support the Regional Risk Management Seminar in Asia, through the Hong Kong joint office; and
- ▶ a program of 'Asian stopovers' was initiated – in which senior members who travel frequently are encouraged to stopover in Asia to address local members on a current topic of interest to them, and to stimulate discussion and exchange of views.

Overseas member contact visits

Earlier in the year, President Bozenna Hinton visited Hong Kong, Singapore, New Zealand and London to speak to members practising in those territories, and to hear about issues affecting them as members working outside Australia. Vice President David Goodsall also attended the Casualty Actuarial Society meeting in San Diego and the EAAC committee meeting in Malaysia.

During these Presidential visits, Bozenna and David took the opportunity to hold discussions on issues affecting the actuarial profession both in Australia and worldwide and the future direction of the profession. This allowed them to feed back significant inputs to the Institute's International Strategy, particularly regarding member services.

In September, Fred Rowley represented the President at the Annual Conference of the China Actuarial Association in Nanjing, China. During that visit, he was able to host a member contact meeting, make presentations at four separate Chinese universities about the global





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International Council Committee

CERA qualification, and the International Actuarial Association's recently announced Comprehensive Actuarial Risk Evaluation (CARE) process.

These visits supplement the invaluable inputs we receive from our overseas 'ambassadors'.

International Actuarial Association committees and Council

Work of Committee members has continued to be valuable in moving the International Actuarial Association forward, both within its governance structure (through the Association's Council, Executive Committee and Nominations Committee) and through substantive technical inputs in areas like the Enterprise & Financial Risk (Tony Coleman); Education (Bozena Hinton); Insurance Accounting (Dave Finnis); Mortality Taskforce (Martin Stevenson); Professionalism and China Committees (Fred Rowley); and Accreditation and Life Insurance Section Committees (Chris Lewis).

Our representatives on the Accreditation Committee and Education Committee have recently been involved in assessing the application of the China Actuarial Association (CAA) to join the International Actuarial Association as a Full Member Association, which brings to fruition many years of hard work on the CAA's part in building the profession in China.

The pace of change within the International Actuarial Association is expected to increase as the impact of recent structural changes is felt. Future goals will include advancing the production of model International Actuarial Standards within the International Actuarial Association.

The Institute's record of making a leading contribution in the Presidents' Forum - one of the International Actuarial Association's most influential sources of change - was continued by the current Presidential group.

In April 2011, the Institute will host the meetings of the International Actuarial Association's Council & Committees, immediately before the Biennial Convention, which will be an opportunity for our Institute to welcome senior actuaries from around the world.

ICA 2022

In a recent issue of 'Actuary Australia', the President initiated discussion of the idea of seeking to host the International Congress of Actuaries in Australia in 2022. At the current time, the intention is to involve younger members of the Institute in the decision and throughout the process, utilising that experience as a way of using and building the undoubted leadership talents in that group.



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International Council Committee

Terms of reference and membership

The Convenor of the International Council Committee has commenced a review of the Committee's Terms of Reference in line with the Institute's new Strategic Plan, and has started a process of seeking 'new blood' to take the International Council Committee forward into the next decade.

Fred Rowley
Convenor, International Council Committee





Key highlights

- ▶ twelve candidates stood for election to Council to fill six vacancies;
- ▶ Fred Rowley was announced as Actuary of the Year; and
- ▶ the Committee expressed its reservations about the Life Membership award.

New Councillors

The largest challenge for the year was generating interest from Fellows to nominate for Council. There were six vacancies to fill, which is half of Council. Normally, only three or four vacancies would be expected at the end of a year. The higher number of vacancies was simply an anomaly and is unlikely to be repeated.

In addition to communications to all Fellows, the Nominations Council Committee also approaches members directly.

Twelve strong candidates stood for election.

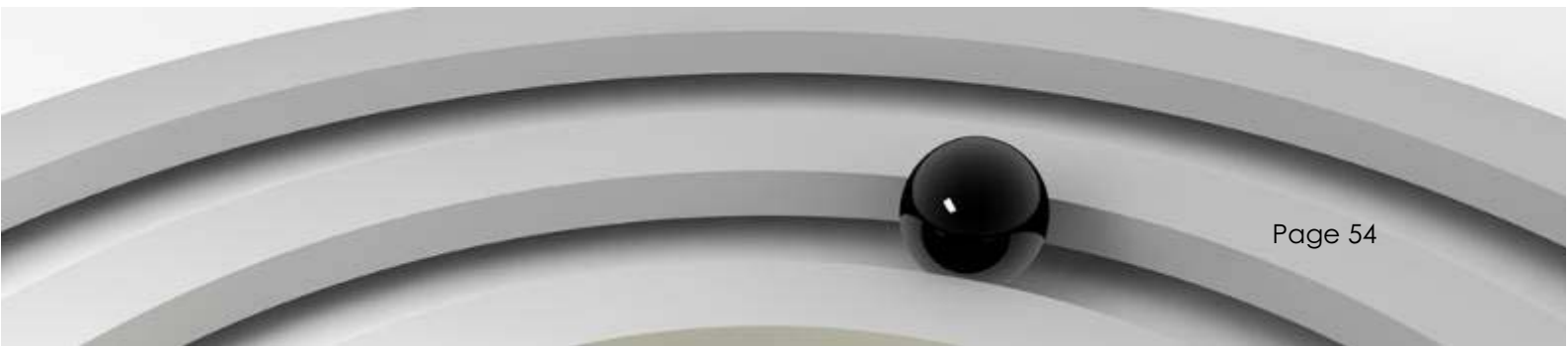
Actuary of the Year

Fred Rowley was announced as Actuary of the Year. This award is presented to an individual who has brought credit to the profession and made a key contribution to business, the community, government or the profession.

Fred has worked tirelessly to advance the actuarial profession for more than ten years, including his time as President in 2007. His efforts over the past four years working at an international level to develop the global CERA designation have been outstanding.

Life membership

Nominations were called for Life Membership, but none were received. The consensus view of the Committee was that the concept of Life Membership, whilst sound at the time, has probably past. Confounded by the difficulties of having a lack of good information on potential candidates, it was felt that it was too difficult to fairly select a candidate.





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Nominations Council Committee

Gold and silver medals

As for Life Membership, the Committee had reservations about these awards. There were no candidates for either medal in 2010. There is, however, potential for awards to be made in the future.

Barry Rafe
Convenor, Nominations Council Committee





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Public Policy Council Committee

Key highlights

- ▶ agreed top four public policy priorities and spokespeople;
- ▶ have documented a position for our priority areas; and
- ▶ are in the process of making these available on the web site.

The Committee's role

To achieve the Institute's mission:

*"to **represent** the profession in Australia, and **develop and promote the actuarial profession's value**, including **contributing to and informing debate on public policy** and business issues",*

the Committee has agreed that the profession needs to take a high profile in the press and with Government and to be on the front foot and constructive on those issues where we believe that we can make an important contribution. Clearly we are only a small profession, so to make sure that we manage our scarce resources effectively we (that is, the Council of the Institute) have developed a number of policy principles which are used to decide if an issue should be actively pursued. The principles are:

- ▶ The Public Benefit – that is, as a professional body, the Institute holds the 'public interest' or 'common good' as a key driving principle in developing policy;
- ▶ Risk-focused – that is, in developing solutions to public policy problems, actuaries take an evidence-based approach that focuses on risks;
- ▶ Transparency and disclosure – that is, as a profession, actuaries are held to account for the policy positions we take. We therefore need to be transparent and disciplined in our approach and analysis. This requires use of data sufficient to underpin our positions;
- ▶ Equity of outcomes and the 'equal playing field' – for individuals, this Policy Principle means that individuals are given equal and fair treatment, without unlawful discrimination. For commercial enterprises, this Policy Principle means that all entities are allowed to compete on an equal playing field; and
- ▶ 'Good' regulation – that is, excessive or unnecessary regulation can obstruct an efficient market from functioning and can ultimately undermine the 'public interest'.



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Public Policy Council Committee

Policy priorities

The following sets out our policy priorities:

- ▶ assisting financial services enterprises (particularly those prudentially regulated by APRA) to better manage risk;
- ▶ securing adequate retirement incomes for an ageing Australia;
- ▶ ensuring adequate healthcare financing for an ageing Australia; and
- ▶ mitigating and managing financial risk arising from energy, water and other environmental issues.

Barry Rafe
Convenor, Public Policy Council Committee





Introduction

The Research Council Committee ("RCC") was established in August 2008 following a report by the Research Taskforce. The first Annual Report was presented to Council in August 2009. Since then there have been 5 meetings, with attendance as follows:

Chris Latham (Convenor)	5 meetings
Susan Antcliff	3 meetings
Dr David Knox	5 meetings
Professor Richard Madden	3 meetings
Michael O'Neill	1 meeting
Professor John Pollard	3 meetings

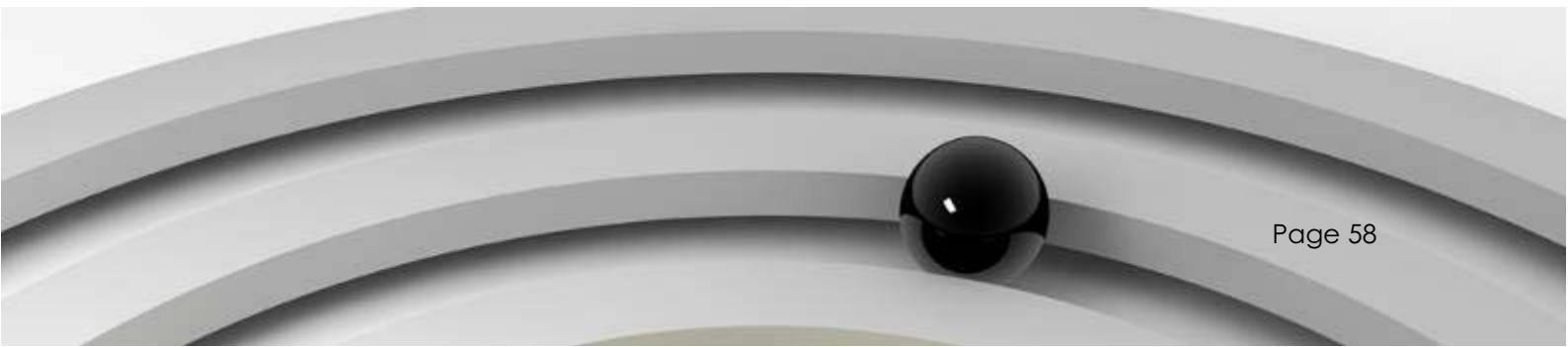
Membership has remained unchanged since inception, although Richard Madden and John Pollard have each indicated their intention to resign as at 31 December 2010.

Strategic objectives

In 2009, the strategic objectives under which the RCC was established were noted, namely:

- ▶ practising members' engagement and involvement in research;
- ▶ prioritisation/concentration of research;
- ▶ more, and more balanced, high-quality, dynamic research;
- ▶ effective deployment of research resources;
- ▶ establishment and lubrication of research-application channels; and
- ▶ effective and efficient governance and research management arrangements.

The first year was largely spent establishing the groundwork to enable the RCC to meet these objectives, and the second year started as one of further progress in this regard. Our challenge of bringing about a change in the attitude and commitment of the profession to





research was always viewed as a medium- to long-term one.

The appointment of a new Chief Executive Officer in February 2010, together with a new Executive Council Committee, led to a review and revision of the Institute's strategic goals, and the position of research in those goals came under scrutiny. The outcome of this scrutiny is discussed below. Because of the potential changes to the research program, the second annual report to Council, due in August 2010, was delayed.

Activity since 2009

A summary of RCC activity during the period August 2009 to November 2010 is as follows:

- i. Selection of recipients of grants: In October, the Committee met to adjudicate on some 23 applications for the first Australian Actuarial Research Grants (AARGs), comprising 16 from university researchers and 7 from non-university researchers. This was a non-trivial task.

Much time had been spent previously in setting some 8 selection criteria. The "core" criteria were seen as:

- ▶ the project's expected contribution to achieving our program's objectives;
- ▶ suitability of the researcher(s) to undertake the proposed research, and their track record; and
- ▶ all-round value for money the profession would receive from the project.

The total amount of grants sought was some \$462,000, and the amount actually granted was \$141,000. Almost 80% of the amount granted went to university researchers.

- ii. Prizes and PhD scholarships: The Committee awarded the Jackson Prize and monitored the obligations of past Pollard Scholars to report on their achievements.

After some mixed feedback from universities on the worthiness of the Australian Actuarial PhD Scholarships, the Committee nevertheless opted to retain them at least for a second round in 2011.

- iii. Preparation for Australian Actuarial Research Contracts (AARCs): Having completed the first round of AARGs, the Committee started preparing for the first round of the AARCs, scheduled for mid-2010. In this regard we arranged a meeting with all Practice



Committee Convenors to discuss suggestions for contracts and how they might present these to the RCC for consideration.

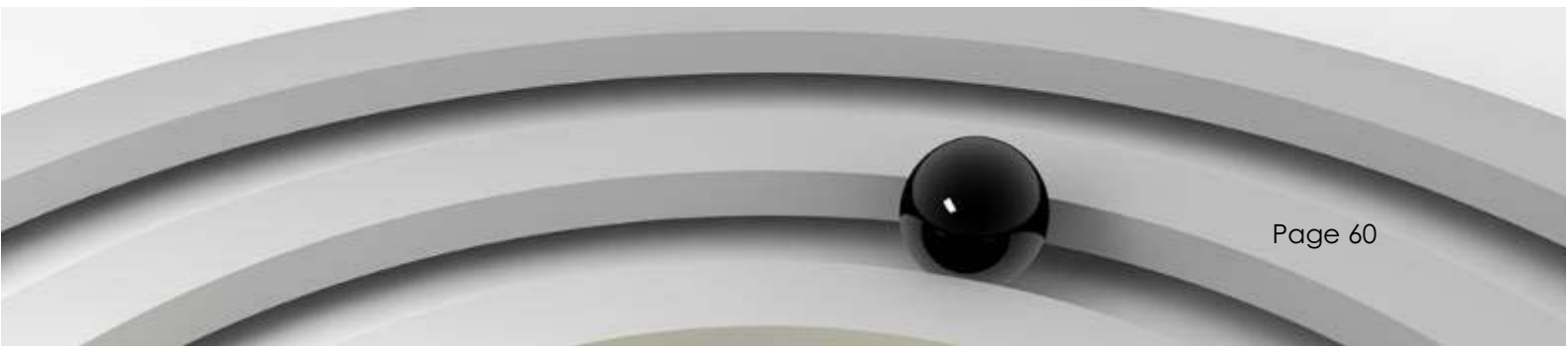
- iv. Research columns in the Actuary Australia magazine: Research columns were prepared for the magazine throughout the year.
- v. Miscellaneous: Various miscellaneous activities included:
 - ▶ discussion of relationship with the Australian Actuarial Journal, and potential changes to its format;
 - ▶ discussion with the US Society of Actuaries, as part of ongoing liaison on their research program;
 - ▶ setting of procedures for awarding of conference prizes;
 - ▶ in-principle support given for the establishment of the ARC Centre of Excellence; the Centre for Advanced Demographic modelling centred on the ANU; and
 - ▶ discussions with SIRCA Ltd about custodial/management role of datasets needed for actuarial research.

Outcome from the Institute's strategy review

Council discussed the research strategy at its August 2010 meeting, focusing on desired outcomes, the mode of delivery and the level of funding.

The main conclusions directly relating to the RCC were that:

- ▶ the overall level of funding previously committed by Council, including administration costs, was now viewed as too high. This view was informed in part by a survey of members on the amount of their subscriptions which they would be prepared to see committed to research;
- ▶ accordingly, the amount of regular ongoing funding was reduced from the current \$400,000 (approx) to \$200,000 per annum (duly indexed). This amount would include prizes not elsewhere funded, together with the costs of administration. There would be a facility for the RCC to approach Council for additional funding; and
- ▶ the existing administration costs were too high, reflecting the complex nature of the AARG and AARC processes. All efforts would be made to simplify those processes and





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Research Council Committee

hence reduce internal costs. In particular, AARCs would be abolished and all allocations for research funds would be via the AARGs. AARGs would be available to both university researchers and practitioners.

Notwithstanding these administrative/funding changes, the aims and objectives of the research program were to remain as described above, but stressing a balanced allocation of funds between universities and practitioners.

Chris Latham
Convenor, Research Council Committee





Institute of Actuaries of Australia

Practice Committees

This section of the Institute's Annual Review for 2010 provides an overview of the highlights of the work program of the Practice Committees of the Institute.

General Insurance Practice Committee

Health Practice Committee

Life Insurance and Wealth Management Practice Committee

Risk Management Practice Committee

Superannuation and Employee Benefits Practice Committee



Key highlights

- ▶ General Insurance Seminar 2010;
- ▶ the finalising of various professional standards;
- ▶ APRA liaison and LAGIC submission work and industry engagement on same; and
- ▶ co-ordinated research including a global pricing practices initiative.

General Insurance Seminar 2010

The General Insurance Practice Committee ("GIPC") worked closely with the Secretariat to deliver a fantastic seminar. Building on the feedback of past events, the agenda was deliberately directed into broader and emerging areas. Examples include risk management as highlighted in the member for APRA, Ian Laughlin's, opening address and other sessions covering micro insurance through actuaries without frontiers, the use of general insurance analytical tools in retail market research and acting in a regulatory capacity overseas.

The concurrent sessions were quickly filled with an over-subscription of papers relative to sessions at the seminar. Anecdotal feedback is that papers were of a high standard.

Papers can be downloaded from:

<http://www.actuaries.asn.au/GIS2010/Program/ProgramSnapshot.aspx>

Professional Standards

Significant work was completed in the year on Professional Standards including:

- ▶ Professional Standard 300: Valuations of General Insurance Claims - was completed after substantial discussion and submission from members and was released in February 2010.

<http://www.actuaries.asn.au/library/standards/PS300FinalFeb2010.pdf>

- ▶ Professional Standard 310: Actuarial Certification of Premium Rates under the NSW Motor Accidents Scheme - was completed after some time under development. The



standard is very specific and was prepared with significant input from the actuaries responsible for the current roles.

<http://www.actuaries.asn.au/library/standards/PS310finalJune2010.pdf>

In addition, the GIPC assisted in the examination of the following multi-practice guideline:

- ▶ Practice Guideline 199.02: Relationship with the Auditor when Actuarial Work is used In an Audit

<http://www.actuaries.asn.au/library/standards/PG19902FinalApr2010.pdf>

Looking ahead into 2011, the GIPC is examining the need to update:

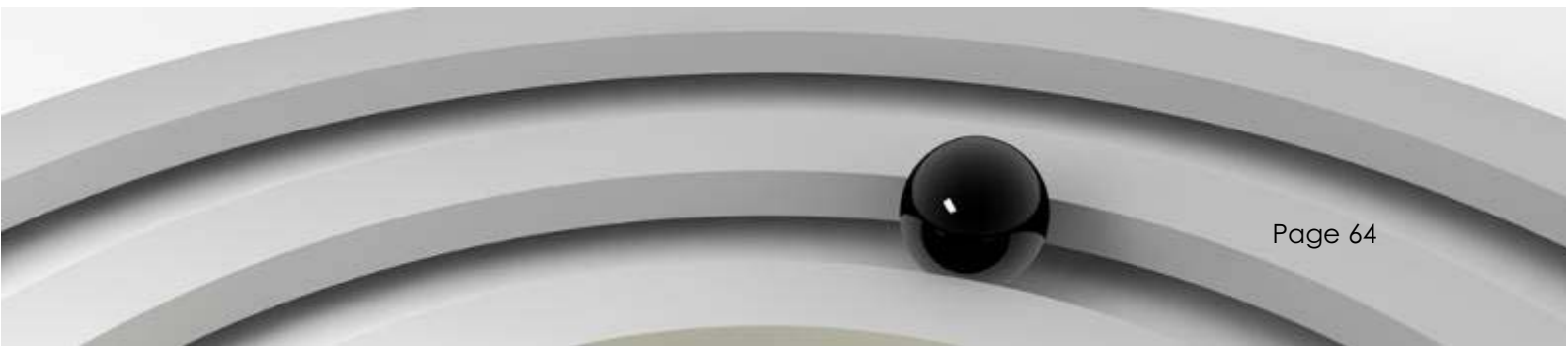
- ▶ Professional Standard 100: External Peer Review for General Insurance and Life Insurance; and
- ▶ Professional Standard 305: Financial Condition Reports for General Insurance. The review of this standard may be delayed until the completion of APRA's Life and General Insurance Capital ("LAGIC") review.

APRA liaison, interim reporting and the LAGIC project

Liaison with APRA was extensive during the year. The regular liaison meetings, scheduled jointly by the Committee and Helen Rowell at APRA, were substantially dedicated to APRA's LAGIC project.

The GIPC formed a sub-committee, which worked closely with a sub-committee of the Life Insurance and Wealth Management Practice Committee in preparing the Institute's submission to APRA. Additional events were held for members (discussing discount rates) and for industry. The Industry event, again scheduled in parallel with a life insurance discussion forum, was a clear indicator that, on topics of current interest, the Institute's brand can attract substantial and senior attendance.

Other preliminary work for the APRA dialogue included a survey of members in respect of gross risk margins and reinsurance credit and doubtful debt treatment and providing input into APRA's General Insurance Performance Reporting Project aimed at better aligning APRA and accounting reporting.





Industry and international liaison

Across the year liaison meetings were also held with the Australian and New Zealand Institute of Insurance and Finance (ANZIIF), the Insurance Council of Australia and representatives of the Casualty Actuarial Society (CAS) and the UK's equivalent to the GIPC. These discussions have informed the LAGIC submissions and the steps taken to provide industry events around that, strategy for 2011 and specific research. It is worth noting the Ratemaking Survey, which is a joint international initiative with similar surveys being completed in parallel by CAS and the UK profession. It is hoped that the presentation of combined results will provide the backbone to an Institute one-day pricing event in 2011 and opportunities for further international collaboration.

Other items

Across the year, other activity included:

- ▶ promoting the Financial Services Forum to general insurance actuaries and working with the Secretariat to arrange a "GI Session" and rate within the program;
- ▶ strengthening links to the Risk Management Practice Committee through the membership of Jacqueline Reid;
- ▶ providing input to the Institute's policy development;
- ▶ acting as a catalyst for the formation of a multi-practice working party which provided a submission to the National Disability Insurance Scheme consultation;
- ▶ providing submissions to the Victorian State Government as a follow up to earlier work on the Victorian Royal Bushfires Commission; and
- ▶ supporting the Education faculty by establishing a group to provide a 'question bank' for general insurance examinations and regular liaison with the faculty.

Membership change

Jefferson Gibbs, Jim Qin, Kevin Gomes and Stewart McCarthy stepped down from the GIPC after various terms. Nina Xiao who has acted as a co-ordinator to the GIPC has also stepped down.





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General Insurance Practice Committee

The GIPC would like to recognise the contribution that these people have made, in particular: Jim's contributions in education liaison; Stewart's work in the finalising of Professional Standard 310; Kevin's contributions as chair of past Accident Compensation and General Insurance seminars; and Jefferson's role as Convenor over the past three years.

Peter McCarthy will take on the Convenor role. The new GIPC members will be Julie Evans, John De Ravin, Peter Hardy, Keith Tomkins and Andy White. Nick Stolk will take on the co-ordinator role.

Jefferson Gibbs

Convenor, General Insurance Practice Committee





Key highlights

- ▶ National Health and Hospital Reform changes to health system environment;
- ▶ PHIAC Appointed Actuary Workshop October 2010; and
- ▶ PS 600: Financial Condition Reports for Private Health Insurers.

Environment: National Health and Hospital Reform

Following the release of the National Health and Hospital Reform Commission's report in 2009, major health reform was agreed to by COAG in April 2010. All Governments except Western Australia agreed to the establishment of a National Health and Hospitals Network (NHHN).

Under the NHHN, the Commonwealth will pay 60% of the 'efficient cost' of hospital services, with Local Hospital Networks (LHNs) delivering services. The Commonwealth will also take total funding and policy responsibility for GP, primary care and aged care services, which will be coordinated through Medicare Locals.

The NHHN changes the landscape of Australian healthcare funding and could provide opportunities for actuaries to increase their involvement in health funding and financing.

PHIAC Appointed Actuary Workshop, October 2010

This workshop was an opportunity for the Private Health Insurance Administration Council and Appointed Actuaries to discuss the role of the Appointed Actuary in private health insurance. It was part of a series of interactions with PHIAC initiated by a letter sent to the Institute by PHIAC Commissioner James Dominguez in January 2010.

At the workshop: PHIAC Chief Executive Officer, Sean Gath, set out his vision of the Appointed Actuary role; Appointed Actuaries from other practice areas provided their perspective; and actuaries contributed to discussion on the future development of the role. Engagement with PHIAC on the Appointed Actuary role will continue.

PS 600: Financial Condition Reports for Private Health Insurers

This professional standard is under development, and an Exposure Draft was released for comment in October, generating a number of submissions from actuaries and the





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Health Practice Committee

Regulator. Finalisation of this standard is a goal for the first months of 2011, so that it can be implemented for Financial Condition Reports as at 30 June 2011.

Health public policy

The Health Practice Committee is drafting a public policy document which articulates a set of policy principles for use by the Institute to assess both the current health system and the changes to the system being proposed by governments.

This is expected to be finalised by April 2011.

Convenor

Stuart Rodger stepped down as Convenor of the Committee in August, after five years of dedication to the task. The Committee would like to recognise the contribution that Stuart has made over this time. Sophie Dyson has taken on the role of Convenor.

Sophie Dyson
Convenor, Health Practice Committee





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Life Insurance and Wealth Management
Practice Committee

Key highlights

There was a significant amount of regulatory development and government reviews that occurred during the year which related to the life insurance and wealth management industries. These topics, which dominated the focus of the Life Insurance and Wealth Management Practice Committee (LIWMPC) in 2010, included the following.

APRA review of insurance regulatory capital standards

During the year, APRA began a significant project to review the regulatory capital standards for Insurers in Australia. The LIWMPC, in conjunction with the General Insurance Practice Committee, spent significant time on this topic during 2010, including:

- ▶ a number of formal submissions to APRA on framework and technical papers released by APRA;
- ▶ frequent formal and informal interactions with APRA on specific matters related to the development of the standards; and
- ▶ hosting and supporting a number of industry and member events related to the standards.

Significant effort is expected to be required in 2011 as APRA seeks to finalise these standards next year.

Product rationalisation submission to Treasury

Earlier in the year, the LIWMPC made a substantial submission to Treasury in response to its proposals related to product rationalisation within the life insurance and wealth management industries. Treasury is currently considering its approach and further interaction on this topic is expected in 2011.

Variable annuities

The LIWMPC created a taskforce to consider the issues relevant to members in relation to the emergence and development of variable annuity products in the Australian market place. The topics considered by the taskforce included: capital framework, sustainability, access for super funds, advice and marketing and industry guidance and standards. The





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Life Insurance and Wealth Management
Practice Committee

taskforce made a submission to APRA on their proposals around capital standards for variable annuities.

Research

The LIWMPC currently has two research groups operating covering longevity risk and equity risk premiums.

Professional standards, practice guidelines and information notes

During the year, the LIWMPC refreshed and developed a number of professional standards, practice guidelines and information notes, including:

- ▶ Professional Standard 200 (professional standard on providing actuarial advice to life insurers and friendly societies); and
- ▶ an Information note on deferred tax assets in unit pricing.

The LIWMPC also undertook an extensive program of work in relation to the conversion of Guidance Note 552 (Economic Valuations) and Guidance Note 252 (Economic Valuations of Life Insurance Business) into practice guidelines. This work was essentially completed and awaits final approvals through the relevant due process.

The LIWMPC also created a taskforce to prepare an information note for members in relation to product advice provided by Appointed Actuaries under the Life Insurance Act 1995 (Cth). This information note is expected to be completed in the new year.

Grant Peters

Convenor, Life Insurance and Wealth Management Practice Committee



Role

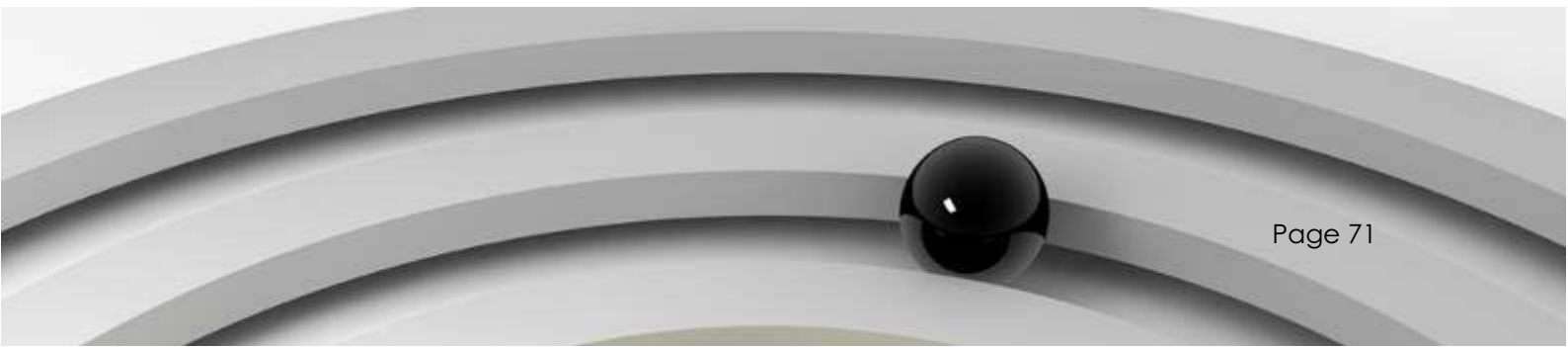
The role of the Risk Management Practice Committee is to:

- ▶ broaden actuarial participation in risk management;
- ▶ provide training and support for members to undertake enterprise risk management (ERM) roles; and
- ▶ more generally, improve the profile and reputation of the actuarial profession in ERM, local and globally.

Key highlights

- ▶ this was the first year of students studying to be awarded the globally recognised CERA qualification. This was made possible by the Institute being granted Award Signatory status by the CERA Treaty Board during 2010;
- ▶ the second annual Enterprise Risk Management Seminar was held in Sydney on 21 September 2010 with 120 delegates in attendance. The seminar identified opportunities ERM presents to business, the growing importance of ERM in managing business risk, and ERM's relevance across all business sectors;
- ▶ development and approval of the Institute's Risk Management Policy;
- ▶ adoption of a formal definition of risk management aligned with that adopted by the Society of Actuaries and Casualty Actuarial Society;
- ▶ ongoing development and review of risk management content in various actuarial courses;
- ▶ active participation in the ERM discussion forum on LinkedIn; and
- ▶ publication of the ERM newsletter.

Kent Griffin
Convenor, Risk Management Practice Committee





Institute of Actuaries of Australia

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Superannuation and Employee Benefits
Practice Committee

Key highlights

A major focus of the Superannuation and Employee Benefits Practice Committee ("SEBPC") during 2010 continued to be its review of all the existing professional standards and guidance notes to make sure that they are all up to date and also comply with the Institute's revised approach. Significant progress was made this year and we hope to complete this major project in the first half of 2011.

The SEBPC also continues to be very active in its dealings with the Government, Treasury and other regulatory bodies on matters affecting the superannuation industry and members of the Institute working in that field. During the year, the Institute sent ten major submissions to various bodies on behalf of the SEBPC. We also held a Super Policy Forum in Melbourne on the important topic of "Projecting the future – how much is my super really worth?" with an excellent panel of speakers.

Professional Standards

During 2010, the following professional standards and practice guidance were approved by Council: PS 400 (Investigations of Defined Benefit Superannuation Funds), PS 403 (Preparation of Benefit Certificates), PS 405 (Cost of Death and Disability Benefits in Superannuation Funds) and PS 407 (Solvency Management of Defined Benefit Superannuation Funds), which add to the list of updated standards or guidance from previous years, being PS 404 (Valuation of Superannuation Fund Assets), PG 499.01 (Self Insurance for Superannuation Funds) and PG 499.02 (Projected Superannuation Benefit Illustrations). Please go to the Institute's website for full details.

Drafts of the following are also in various stages of development with the SEBPC: PS 401 (Summaries of Actuarial Reports on the Financial Condition of Defined Benefit Superannuation Funds), PS 402 (Determination of Accrued Benefits for Defined Benefit Superannuation Funds), PS 406 (Unsegregated Superannuation Liabilities), PG 499.03 (Prudential Reporting to Trustees and the Regulator), replacement guidance for Pre-1 July 1988 Funding Credits (PJFCs) and a new Practice Guideline covering Accounting for Superannuation and Long Service Leave Liabilities under AASB 119.

Submissions

The Institute lodged a total of four submissions to all three phases of the Super System (Cooper) Review Panel over the period from October 2009 to February 2010. Submissions were also sent to Treasury during the year covering fee disclosure, short form PDSs, numerous



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outstanding notional taxed contribution (NTC) issues and the treatment of self insured superannuation funds under the announced transitional relief.

Submissions were also made to ASIC (CP122, superannuation forecasts and the inclusion of the age pension), APRA (risk management, the use of reserves and the Cooper Review), and the relevant Minister (the tax deductibility of disability insurance premiums in superannuation funds, the Cooper Review and splitting fees and costs). We are also liaising with the Tax Practitioners Board regarding the applicability of the Tax Agent Services legislation on certain professional advice undertaken by actuaries.

Member services

The Super Policy Forum held on 13 October 2010 in Melbourne titled "Projecting the future – how much is my super really worth?" received excellent feedback from attendees and also good press coverage for the Institute. The Super System ("Cooper") Review's report was released by the Government during the year and it recommended various changes to improve the awareness and engagement of individuals with the retirement income system. The Institute believes that mandatory benefit projections and online calculators will, over time, make a significant contribution to achieving this aim. The panel of speakers at the Forum included the Australian Government Actuary's office, ASIC, ASFA and leading actuarial and web practitioners in this field.

Insights sessions have also been held or are planned for the near future based on two Financial Services Forum presentations (Retirement Income Products and Strategies; Financial Planning and Advice).

Other Committee activities

During the year, the SEBPC nominated the following research topics for the Institute:

- ▶ Mortality & Longevity: Enhancement of research into mortality and changes in mortality of Australian pensioners.
- ▶ Health & Ageing: Further research into the adequacy and the cost of retirement incomes.
- ▶ Investment: Research into the various techniques used for valuing unlisted assets.



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- ▶ Liquidity: How super funds manage liquidity in a Choice of Fund environment, also allowing for regular member investment switching as well as systemic switching as members age.

The SEBPC continues to liaise with the regulators and Treasury regarding notional taxed contribution (NTC) issues, exempt current pension income, tax deductibility of disability insurance premiums, deductibility of contributions for pensioners/former employees, anti-detriment payments and allocations from reserves.

Key ongoing issues for the SEBPC

These include:

- ▶ Adequacy: Henry/Harmer tax and pension reviews, the adequacy of retirement incomes for an ageing Australia, longevity risks and post retirement issues such as the role for annuities, a deferred age pension and simplifying the means tests.
- ▶ Efficiency: Cooper/Ripoll reviews, including structural efficiency, concerns about commissions and the level of fees, choice and self-managed superannuation funds.
- ▶ Disclosure: Simpler product disclosure statements, separation of fees (investment, operational, advice), benefit projections and calculators.
- ▶ Risk: Engaging the superannuation industry to better manage risk through a best practice, principles-based risk management framework that is more robust.

On this latter point, a working group has been established to discuss Superannuation Risk Management and the opportunity for Financial Condition Reports in superannuation (including defined contribution superannuation funds).

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