

Annual Report 2006



Institute of Actuaries of Australia

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vision

Our Vision

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

Our Mission

The Institute of Actuaries of Australia (Institute) represents the actuarial profession by creating, expanding and maintaining an environment where the skills of actuaries are widely used and valued.

The Institute

- Establishes, maintains and enforces professional standards for the protection of the public and provides guidance to help actuaries provide professional services of high quality.
- Provides pre-qualification and continuing professional education, and creates forums for discussion about contemporary and relevant issues.
- Promotes research and the development of actuarial science.
- Promotes the actuarial profession's value in existing and new roles, including contributing to and informing debate on public policy and business issues.

mission

highlights

- Professional governance framework strengthened with the release of a revised Code of Professional Conduct and a revised Disciplinary Scheme
- New Professional Standards issued to members on Continuing Professional Development, External Peer Review and Financial Condition Reports for General Insurers
- Strong financial result with the Institute on a firm financial footing
- Institute's Mission Statement revised and brought up to the best standard around the world
- New website launched providing access the Institute's intellectual property
- Record attendances at the 2005 General Insurance Seminar and 2006 Financial Services Forum
- Development of a replacement course for the Institute's superannuation course
- Internal governance of the Institute reviewed by the Internal Governance Review Task Force
- Release of a paper titled "Tax-free superannuation benefits: a future revenue problem?" in response to concerns about the revenue consequences of the Treasurer's proposed superannuation tax reforms
- A record forty eight Insights seminars held in Melbourne and Sydney
- Implementation of a number of recommendations of the Baker Review of the Part III Education Program and development of a plan to implement the remaining recommendations
- Twenty submissions made to the Government and regulators on a wide range of issues including the prudential supervision of general insurers, proposed superannuation reforms, the treatment of unascertained personal injury claims, accounting standards and a pre budget submission
- Media roundtable discussions held to brief journalists on equity release products and the impacts of superannuation tax reforms resulting in positive publicity for the Institute
- New professional development programs launched for Senior Actuaries and Young Actuaries
- Content developed for a new online health insurance course ready for launch in 2007
- CPD programs recorded for easy access by all members via the website

president

The predominant impression of my year as President is the quality of our membership. I have met members in all the mainland capital cities in Australia plus New Zealand, Singapore, Hong Kong, China and at the Congress in Paris. Unfailingly, our membership has demonstrated thought leadership and has extended goodwill to me as President and to their actuarial colleagues. Long may this continue.

As foreshadowed in my Presidential Address, the 2006 year was characterised by progress through building on the strength of the past.

Our Mission Statement was reformed and brought up to the best standard around the world. In particular the Mission Statement now clearly specifies that the Institute enforces professional standards as well as establishes and maintains them; and there is now a statement emphasising that part of the Institute's mission is to increase the public's recognition of the value of actuaries. The third change highlights that the Institute encourages actuaries to provide professional services of high quality. Moreover, the changes were effected in such a way that the five dot points in the previous version were reduced to four. Progress indeed!

There were four key developments in Part III education that will have ramifications for many years into the future. Firstly, very considerable progress was made in producing an examinable Health CPD offering. The course is expected to be available in 2007. This course will remove the profession's exposure of having a statutory role in health, but no formal education program. Secondly, the Risk Management Committee has been working on determining the best approach to including Enterprise Risk Management into our education syllabus. The outcome of this process is crucial to the future positioning of the Institute. Thirdly, Council approved a restructure of the syllabus for

superannuation. The emphasis on defined benefit funds and financial planning will be reduced and the course will feature: a global and regional perspective rather than predominantly an Australian perspective, the challenges of an ageing population, a considerable emphasis on defined contribution funds, a greater emphasis on accounting, a consideration of products and managing superannuation funds as financial institutions. Thus the actuarial footprint in superannuation is to be repositioned. Fourthly, considerable investment will be made over the next few years in e-learning. This will lessen our reliance on volunteers, will make access to our education more flexible and will assist in the provision of distance education.

The Institute's focus since 2002 on strengthening the professional governance framework of the Australian actuarial profession reached its culmination in early 2006 with the revised Code of Professional Conduct, the revised Disciplinary Scheme, the revised Professional Standard on Continuing Professional Development, the Professional Standard (and guidance) on External Peer Review, the Professional Standard on Financial Condition Reports for General Insurance and a new Policy for Drafting Professional Standards. Later in the year PS 300 (Professional Standard 300 Actuarial Reports and Advice on General Insurance Technical Liabilities) was substantially completed under the new Policy for Drafting Professional Standards and considerable progress has been made with PS 200 (Life Insurance) and PS 400 (Superannuation).

All these documents are essential, but the most fundamental is the Code of Professional Conduct. The Code applies to all members, not just Fellows. A distinction is drawn between Actuarial Advice and the provision of Professional Services, with higher standards expected from members

in respect of the former. The new Code sets minimum standards for actuarial reports, specifies that Actuarial Advice must be impartial and sets the boundary of the actuary's responsibility to the public interest at ensuring that third parties are not misled. The Code requires actuaries to seek advice and to take appropriate action if the actuary considers that there is a potential misuse of his/her Professional Services.

The Code is a short document and all members should acquaint themselves with its provisions.

The Professional Standards on Financial Condition Reports and External Peer Review have been "road tested" in general insurance. The early indications are that the Financial Condition Reports are providing the Institute's desired outcomes: to produce a document that not only meets statutory requirements, but also becomes part of the ongoing financial management of the organisation. Its particular value is to bring together all the significant financial and risk management aspects of the organisation in one place. With respect to External Peer Review, different reviewers are looking for different levels of detail, leading to a perhaps confusing range of practices. This is not surprising for a new field of operation, and 2007 should bring initiatives to standardise some of the procedures.

It is quite instructive to consider some recommendations that had been made over the course of the preceding years that were not included in our professional governance framework. Whistle blowing was not made mandatory – because to do so would have meant that in some instances we would be inciting members to break the law. We have not set up panels of mentors to support actuaries in "difficult positions" because this would potentially expose mentors to unacceptable liability risks. And we are not

Internationally Australia continues to “punch above its weight”. In the International Actuarial Association (IAA), Australia’s reputation is very high, due to the excellent work of a number of our members.

able to share information with the regulator in respect of disciplinary matters, because the regulator is prohibited under law from providing the information to us.

Internationally Australia continues to “punch above its weight”. In the International Actuarial Association (IAA), Australia’s reputation is very high, due to the excellent work of a number of our members. I cannot mention everyone, but particular recognition should go to Helen Rowell (Professionalism), Tony Coleman (Enterprise Risk Management and Solvency), Fred Rowley (China subcommittee and Advice and Assistance) and Tom Karp (International Regulations).

Other international developments included an Australian paper winning the prize for the best paper at the International Congress of Actuaries in Paris, the adoption by the US Society of Actuaries of the Institute’s publication *Understanding Actuarial Management: the Actuarial Control Cycle* (edited by Clare Bellis, Richard Lyon and John Shepherd) as a major textbook; and translation of the book into Chinese. Friendly relations continue with our neighbouring actuarial associations in the region, and a number have expressed interest in greater contact (particularly in respect of CPD) between their countries and Australia.

A thorough review of our Internal Governance was undertaken by a Task Force led by Graham Rogers. As a result of this review, Council reaffirmed our commitment to a one year Presidency preceded by a two year Vice Presidency. The critical argument in favour of retaining the one year Presidency (as opposed to moving to two years) was the need to continue to attract high quality candidates at all stages of an actuary’s career. A longer term presidency would inhibit candidates in mid-career from coming forward. The main recommendations that are being developed through consultation

with members include moving to a Council consisting of twelve members plus the President, with the Council members to be elected on a rotating basis for a term of four years (compared to our current process of five members elected each year for three years). Council also accepted the Taskforce’s recommendation to establish a Nominations Committee to identify and encourage potential Councillors to come forward.

2006 included a period of sustained favourable publicity for the Institute. A media lunch was held in respect of reverse mortgages. The Institute wrote a paper on the financial sustainability of the superannuation tax changes announced in the Budget and made eight submissions to Treasury on the topic. The Institute’s positions on reverse mortgages and the simplification of superannuation tax received extensive media coverage.

Finally, I wish to express my appreciation of the support provided to me by the two Vice Presidents, Fred Rowley and Greg Martin. It is a great feeling to know that the Institute is in such safe hands over the next two years. And a special thanks to the three Chief Executives of the Secretariat over the year. Catherine Baldwin completed seven memorable and constructive years; Ken Guthrie skillfully managed the dual roles of Acting CEO and Director, Professional Education in the middle part of the year and John Maroney – our new CEO – has hit the ground running and is already making a significant and beneficial difference to the Institute’s journey to attaining its vision:

To position the profession so that whenever there is uncertainty about future financial outcomes, actuaries are sought after for their valued advice and authoritative comment.

Martin Stevenson
President



Chief Executive Officer's Report

Every year brings major changes and this year is no different. Education, research, member services and promoting the value that actuaries can contribute to the community are our highest priorities.

The President and Council choose the road map and destinations. The Secretariat is the engine room that drives the Institute's major strategies and operations, while the volunteers from the profession provide most of the fuel for the journey. The Secretariat plays a key role in helping the Institute achieve its goals. It is a privilege to have been chosen as Chief Executive at this time of exciting change and my key role is to help Council choose these goals and then energise the Secretariat and volunteers to achieve them.

New Website

In June, the Institute launched a new website incorporating a number of new features and benefits including:

- A new search engine providing access to the Institute's intellectual property
- Easier navigation with more efficient access to information
- Personalisation of information for members, to save time and provide a higher degree of service
- A quick-check calendar for upcoming events and courses
- Reminders for students and a dedicated area for the various practice committees
- The ability for all members to electronically record their CPD activities and hours

The Institute's extensive intellectual property (including articles, publications, papers and presentations) is searchable. Searches can be made by document title, author or keywords. Additionally, searches can be filtered by event, publication and year.

The Members Area of the site provides access to member surveys, the ability to contact other members, discussion forums, confidential reports, a personal log of CPD

hours, notices sent to members and access to practice area information.

Financial Performance

Very satisfactory financial results have been achieved for the year. The 2005-06 budget projected a deficit of \$48,000. However, with a focus on cost saving and revenue generation, the budget deficit was turned into an operating surplus of \$396,000. The turn around was mainly attributable to three factors: very strong sales of the Actuarial Control Cycle textbook in the United States, a greater number of exemptions being received than expected and larger than expected attendances at the two major seminars, the Financial Services Forum and the General Insurance Seminar.

New CPD Programs

Two new continuing professional development programs were introduced during the year. The Senior Actuaries' Forum was introduced to provide a forum for presentations and discussion by firms' Senior Actuaries of topical issues affecting the profession. Senior Actuaries have an important role in the professional governance of a firm on behalf of members of the Institute. Senior Actuaries also provide an important focal point for the Institute on professional matters. Quarterly Forums were held on the new Code of Professional Conduct and the new Professional Standard on CPD.

The second initiative was the introduction of the Young Actuaries' Program. Designed for actuarial students and those who have recently qualified, the Program focuses on "soft skills" training such as communication, negotiation techniques, presentation skills and career advancement. I addressed young actuaries in September on the topic of "Maximising Your Career Potential", imparting ten key lessons I have learnt during my career. An important feature of this new initiative is the opportunity for informal networking.

The Insights seminar program was further strengthened this year with 48 Insights held in Melbourne and Sydney. All Insights are recorded and placed on the website so that all members can listen to the presentations and discussions wherever they are located.

Review of Professional Education

In response to lower than usual Part III pass rates in 2004, the Institute commissioned Professor Tony Baker, the Chair of the Academic Board at the University of Technology Sydney, to conduct a comprehensive independent review of the Part III program. Professor Baker's report, which contained 29 recommendations, highlights that of the three responsibilities of an organisation providing education – curriculum, pedagogy and assessment – the Institute's Part III program was very strong in the area of assessment, but required improvement in the area of pedagogy, and the link between curriculum and assessment needed strengthening.

The detail of the report includes improvements such as the introduction of performance objectives for all courses, the establishment of a student induction program and stronger links between the performance objectives and the tutorials, assignments and examinations amongst others. Professor Baker was grateful for the considerable input (which formed the basis of the report) from students, recent graduates, education volunteers, senior actuaries and Institute staff.

Whilst some of the Baker recommendations are still to be implemented, significant progress was made during the year including:

- The introduction of orientation sessions for new students
- The establishment of student syndicate groups
- Improvements to the way the discussion forums operate
- Improvements in the quality of the tutorials
- Engagement of an expert consultant to develop performance objectives for the General Insurance and Investments courses

The remainder of the Baker recommendations are planned for

implementation during 2007 with performance objectives introduced for all Part III courses by semester one in 2008.

Professional Governance Framework

As mentioned in the President's Report, considerable effort was devoted to developing a revised Code of Professional Conduct, a revised Disciplinary Scheme and new Professional Standards on CPD, External Peer Review and Financial Condition Reports for General Insurance. The documents were issued to members in a Professional Standards Folder in March.

The value add of the professional governance framework is that it strives to maintain independence and self governance of the profession in Australia. This should lead to greater confidence that the public has in the actuarial profession to meet high standards of professional conduct and provide superior professional services.

International Visit

During the year the Acting CEO, Ken Guthrie, attended the IAA meetings in Paris and took the opportunity to visit the joint office in Hong Kong as well as actuarial societies in the UK and the US with the aim of identifying international best practice in professional actuarial education. Ken's findings included:

- The Australian Institute is highly regarded in its approach to developing professional education course materials. For example, the Society of Actuaries has used the Actuarial Control Cycle text book as the central syllabus for its Foundations of Actuarial Practice course
- Pass rates for students undertaking the Institute's education courses are lower than those undertaking the UK and US courses and, as a consequence, Australia is losing potential students, particularly in Asia
- The way the Institute examines its students ie. by emphasising and testing judgement, unfortunately leads some students to enrol in actuarial courses offered by other countries

These and other findings are being taken into account in reviewing the Institute's education program.

Actuarial Research Centre of Australia

A profession at the leading edge must continually renew its intellectual capital and have a sound research program. In April, the Institute established the Actuarial Research Centre of Australia (ARCA). ARCA is a collaborative research facility established to "bring the skills and talents of actuaries to bear on issues of future risk and uncertainty facing the Australian community". ARCA is a not for profit trust operating with the support of the Institute. The values that drive ARCA are quality, independence and relevance of the research it arranges. I am confident that ARCA will initiate a range of valuable research projects during its first full year of operation in 2007.

Health Insurance Course

For some years, actuaries have held statutory roles for private health insurance funds. The role of the Appointed Actuary for such funds is critically important, yet there is no formal education program for health insurance actuaries. During the year, significant progress was made toward developing a comprehensive education course for aspiring private health insurance actuaries. A two day workshop was convened at which draft course material was presented and peer reviewed by several Appointed Actuaries and other health insurance experts. The course material is now being refined and it is planned to offer the new course online in 2007. This will allow participants to undertake the course whenever it suits them and from any location.

Practice Committees

The Practice Committees are central to the work of the Institute. This year, the role of the five Practice Committees was elevated so that they report directly to Council. At the same time, new terms of reference were developed for the Practice Committees. The terms of reference reflect the wide range of responsibilities the Practice Committees have on behalf of members. The high level objectives of the Practice Committees include:

- To contribute to the strategic direction of the Institute through representation of the specific practice area
- To actively support the development of actuarial practice through the Institute's education, CPD, standard-setting, public policy and research activities
- To actively identify and promote opportunities for members working in the practice area and facilitate communication and liaison within the profession.

In addition, the Practice Committees are charged with the responsibility for identifying research and development, and identifying risks to the profession and proposing strategies to manage any such risks.

Member Involvement

The backbone of our organisation is our volunteers. Volunteers assist in a wide range of activities including education, policy development, corporate governance, CPD, special projects, communication with other members, technical issues, professional governance and international representation. Over 500 members contributed their experience and intellect during the year. Their commitment to the Institute has been exceptional and I would like to take this opportunity to thank all of them. Our volunteers are displayed on the website in the member's area.

Finally, although I have only been in the CEO's chair for a few months, I would like to thank all staff of the Secretariat for their commitment and dedication in what has been a challenging and productive year.

John Maroney
Chief Executive Officer





Martin Stevenson

*BSc, FIA, FIAA
President, Council Member, Chair of
Executive Council Committee, Chair
of the Financial Services Forum
Organising Committee. Age 59*

Appointed to Council 2001

Martin is a Director and is the Senior Actuary of Mercer Australia. He is a worldwide partner of the global firm and has been working in the superannuation industry since joining Mercer.

Martin's experience includes consulting with private and public sector clients in Australia in the area of benefit design, and actuarial, insurance and investment aspects of superannuation funds.

His clients include major corporate, and State and Commonwealth Funds. Martin has also worked in other actuarial areas during his career including finance and risk consulting and providing evidence as an expert witness.

Fred Rowley

*MA, FIA, FASI, FIAA
Vice President, Council Member,
Member of Executive Council
Committee. Age 56*

Appointed to Council in 2003

Currently a strategic financial services consultant, Fred has served as Chair of the Life Insurance Practice Committee, the Public Policy Council Committee, the Standards Regulation Taskforce, and the Prudential Regulation Taskforce.

He previously served on Council from 2000-2002 and is co-author of several Institute submissions to government and financial regulators, including the Australian Taxation Office, APRA, and the Basel Committee.

Fred is Secretary of the "Actuaries without Frontiers" Section of the International Actuarial Association. He has a particular interest in broader risk management, with emphasis on financial risks and corporate finance.

Greg Martin

*BA, FFin, FIAA
Vice President, Council Member,
Member of Executive Council
Committee, Member of the Life
Insurance Actuarial Standards
Board, and the Life Insurance
Practice Committee, Chair of the
International Accounting Standards
Committee. Age 45*

Appointed to Council in 2003

Greg is a Senior Director of KPMG Actuaries Pty Limited where he specialises in insurance, funds management and general financial valuation and modelling. He currently has five Appointed Actuary roles and four former roles. Greg has advised groups such as the AASB on Australian and international accounting standards related to insurance business.

Greg has served on a number of the Institute committees and taskforces including the IAS39 Taskforce (2003-2005), IAS19 Taskforce (2005), Unsatisfactory Financial Position Taskforce (2003), Accountants and Actuaries Liaison Committee (1998-2003) and Discount Rates Taskforce (2001).

Caroline Bennet

*BCom, MBA, FIAA
Council Member. Member of
the Risk Management Practice
Committee, Member of the Life
Financial Reporting Sub Committee.
Age 33*

Appointed to Council in 2006

Caroline is a Partner in the Financial Services practice of Trowbridge Deloitte. Prior to this, Caroline worked at Colonial Mutual Life.

Caroline is a member of the Risk Management Practice Committee and the Life Financial Reporting Sub-Committee.

She has co-presented sessions at the Financial Services Forum 2006 and presented papers to the 2003 and 2005 Biennial Conventions. Caroline was also the Chief Examiner for Life Insurance.



Ian Burningham

BSc, FIAA

Council Member, Member of the Health Practice Committee, Member of Health Insurance Practice Sub-committee and Member of Health Education Sub-Committee. Age 40

Appointed to Council in 2003

Ian is Group Executive Corporate and Capital Management of MBF Australia. In addition to being the Appointed Actuary of both health funds, Ian is the Group Actuary for the private health insurance and life insurance businesses. Previously he was a partner with Trowbridge Consulting (and Trowbridge Deloitte), working across the financial services and health care sectors.

Ian has served as Convenor of the Health Practice Committee, a member of the Banking and Finance Committee, and contributed to the Professionalism Course (2001-2003).



Anthony Cook

BSc, FIA, FIAA

Council Member. Member of the Audit Council Committee. Age 41

Appointed to Council in 2004

Tony is Chief Financial Officer at Tower Life. Prior to this he ran his own consulting business. He has performed a range of roles in both New Zealand and Australia including product management, compliance management, project management, finance and Chief and Appointed Actuary roles.

Tony has worked for Royal Life, Sun Alliance, Colonial and CBA, and most recently was CFO for Commisure.



Rodney Hoskinson

BAppSc, FIAA

Council Member, Member of the General Insurance Practice Committee. Age 38

Appointed to Council in 2004

Rodney is Actuarial Manager, Australia at QBE Insurance Group. Prior to joining QBE he worked in several consulting and corporate positions at Towers Perrin, Trowbridge Consulting, and FAI Insurance.

Rodney co-authored "Workers' Compensation Rating Systems" (Accident Compensation Seminar 1994). He was a member of the Communications Committee (2001 and 2002), the Accident Compensation Sub-committee and a member of the organising committee for several Institute accident compensation seminars.



Jennifer Lang

BEC, FIA, FIAA

Council Member. Member of the Audit Council Committee. Age 39

Appointed to Council in 2005

Jennifer is Chief Actuary, Wealth Management at Commonwealth Bank and has more than 15 years experience in the financial services industry, including work for life insurance companies, as an asset manager and as a financial services consultant.

Jennifer has written a number of Institute papers including on the choice of risk discount rates for the valuation of life insurance companies, and asset liability modeling for life and general insurers.

Council



Henry Onions

*BA, FIA, FASI, FIAA
Council Member, Member of
the General Insurance Practice
Committee, Member of Vision 2020
Taskforce. Age 44*

Appointed to Council 2005

Henry is Chief Actuary General Insurance for Zurich Financial Services Australia.

Prior to joining Zurich he spent 15 years at AMP, most recently as actuary for the Cobalt / Gordian business. Henry's prior roles at AMP included work on demutualisation, involvement in the acquisition, integration and then divestment of GIO, and three years in Jakarta as Finance Director and Actuary for AMP Panin Life.

Nathan Rivett

*BSc, FIA, FIAA
Council Member, Member of
the General Insurance Practice
Committee. Age 44*

Appointed to Council in 2004

Nathan currently manages a CTP Research Team at IAG. Previously he was the Appointed Actuary at Tower and FAI Life. During his eight years at AMP before that he held positions in product areas, Group Office and Superannuation, including the role of scheme actuary for defined benefit superannuation funds.

Nathan was a member of the Life Insurance Practice Committee and the Tax and Legislation Subcommittee from 1999 to 2001.

Steve Schubert

*BSc, FIAA
Council Member, Convenor of
the Superannuation & Employee
Benefits Practice Committee and
Member of the Retirement Incomes
Taskforce. Age 49*

Appointed to Council in 2005

Steve is Director of Actuarial & Benefits Consulting at Russell Investment Group, having previously been a Principal of Towers Perrin before Russell's acquisition of Towers Perrin Australia. Steve has specialised in superannuation consulting for over 25 years and is the Senior Actuary at Russell.

He has advised a wide range of large private sector and public sector employers and funds. Most recently he has taken a strong interest in raising the awareness of factors affecting the ability to achieve adequate retirement incomes, particularly longevity risk.

Tim Spicer

*BSc FIAA
Council Member, Member of the
Education Council Committee.
Age 40*

Appointed to Council in 2006

Tim is a Senior Manager at Ernst & Young Actuarial Business Consultants.

Before joining the general insurance team at EY ABC in April 2006, Tim was a consultant at Taylor Fry Consulting Actuaries (2004 – 2006). Prior to that he was pricing actuary at the Accident Compensation Corporation in New Zealand (2001 – 2004).

COUNCIL



Trevor Thompson

*BA (Econ), FIAA
Council Member. Age 61*

Appointed to Council in 2003

Trevor retired in 2002, following a career with AMP both in Australia and the UK. Positions held in more recent years included Marketing Manager for Australia, General Manager Superannuation for Australia, Manager of AMP's demutualisation, Corporate Treasurer AMP Limited, and subsequently in the UK, Chief Executive and Managing Director of AMP's last UK acquisition National Provident Institution, and Sales Director for AMP (UK).

Trevor has served on a wide variety of committees and taskforces including the Corporate Governance Task Force (2003 – 2005), Penrose/Morris Task Force (2004 – 2006), and the Independent Peer Review Implementation Task Force (2004 – 2006). He was also a member of the Education Council Committee, Chair of the University Accreditation Committee, and External Examiner for UNSW and Macquarie University (2003 – 2005).



Mark Turner

*BA (Hons), FIA, FASI, FIAA
Council Member. Age 56*

Appointed to Council in 2006

Mark retired from Tillinghast - Towers Perrin in June 2006 after 20 years consulting with the firm. During his time with Tillinghast he held various roles including Managing Principal Asia Pacific, membership of Tillinghast's worldwide management committee and leader of the Indian consulting practice.

Prior to joining Tillinghast, Mark worked for the M&G Re from 1978 to 1986 in the UK, Asia and South Africa, for Cannon Assurance in London from 1974 to 1978 and for Phoenix Assurance in Bristol from 1972 to 1974. He was a member of the Institute's Corporate Governance and Penrose/Morris Task Forces. Mark has written actuarial papers on the subjects of transfers of life insurance business and independent peer review.



Rowan Ward

*BSc, FIAA
Council Member. Age 51*

Appointed to Council in 2004

Rowan is Chief Actuary for the Suncorp Group with responsibility for actuarial advice relating to its general insurance, life insurance and banking businesses.

He is Appointed Actuary for its life company and is a director of a number of subsidiaries of the group. During his career at Suncorp, Rowan has worked in various management and technical roles across the Group and prior to that with National Mutual.



Bruce Watson

*BSc(Hons), FNZSA, FIAA
Council Member. Member of
Accountants and Actuaries Liaison
Committee. Age 45*

Appointed to Council in 2005

Bruce is a Principal of Finity Consulting Pty Limited. He has worked in actuarial consulting since joining E.S. Knight and Co. in 1984 and has specialised in general insurance and accident compensation since 1995.

Bruce was Chair of the General Insurance Practice Committee from 1999 to 2002 and chief tutor for the general insurance course in 1995 and 1996. He is the author of papers presented to Institute seminars, the NZ Society of Actuaries Biennial Conference and various industry seminars.

Secretariat



Philip French



Katrina McFadyen



Lauren O'Donnell

(L to R): Vicki Mullen, Sarah Hodgkinson, Philip Latham, Carmen Joseph, May Ting, Shylee Green, Ken Guthrie, Linh Luong, Darren Davis, Julian Buckell, Peter McBride, Julia Purves, Wahiba Tegmouss, George Zorbas.

Absent from group photo:

Philip French, Katrina McFadyen, Lauren O'Donnell



John Maroney

Chief Executive Officer

John was appointed Chief Executive Officer in June 2006. He has more than 20 years' experience in the financial sector, much of this related to employee benefits and consulting. He also has extensive experience in life insurance and superannuation management, industry associations, regulation and as Government Actuary. John has held senior positions with AMP including Superannuation Manager and Actuary.

John was CEO of the Life Investment & Superannuation Association and then helped establish the Investment & Financial Services Association. John then shifted to consulting, initially with Trowbridge and Deloitte and then jointly established the firm, Professional Financial Solutions, with two other actuaries.

Chief Executive Officer

John Maroney

Personal Assistant to CEO

Julia Purves

Director, Professional Education

Ken Guthrie

Education Manager

Philip Latham

Program Manager

Katrina McFadyen

Education Coordinator

Carmen Joseph

Education Officer

Lauren O'Donnell

Director, Practice Development

Darren Davis

Professional Development Manager

Sarah Hodgkinson

Events Coordinator

Shylee Green

Director, Governance & Regulation

Vicki Mullen (to 08/06)

Director, Public Affairs

Philip French

Finance Manager

Peter McBride

Finance & Administration Officer

George Zorbas

Membership Manager

Julian Buckell

Membership Officer

Linh Luong

Administrative Officer

May Ting

Receptionist

Wahiba Tegmouss

Actuary of the Year

John Trowbridge

Bsc, BE, BA, FIA, FIAA

John Trowbridge was awarded Actuary of the Year for 2006. The award was made in recognition of John's outstanding contribution to business, government and the actuarial profession over many years.

In July 2006, John was appointed by the Federal Treasurer as one of three members of the Executive Group of APRA with responsibility for determining the goals, priorities and strategies of this statutory body. The appointment recognised John's extensive experience in the insurance and financial services industry and the high regard in which he is held at senior levels in both government and industry.

Prior to this appointment, John was a Director of Munich Reinsurance of Australia and before that was the Group Executive for General Insurance at Suncorp Metway. He has also held senior executive positions with QBE.

John has held a number of board and advisory positions. From 1998 to 2004 he served as a member on the Treasurer's Financial Sector Advisory Council (FSAC). The Council provides advice to the Treasurer on policies that will maintain an efficient, competitive and

dynamic financial sector, consistent with the objectives of fairness, financial stability and prudence and to promote dialogue between the private sector and the Government in support of the development and growth of Australia's financial sector.

John has had over thirty years experience in the financial sector and was one of the actuaries instrumental in developing the general insurance practice area. In 1981, John founded Trowbridge Consulting which he guided over 20 years to become one of Australia's leading actuarial and management consulting firms.

In addition to his achievements in business, John has made a major contribution to the actuarial profession. In 1998 he was President of the Institute and more recently convened the Actuarial Research Centre of Australia (ARCA) and the Superannuation Tax Reform Taskforce. These initiatives have both raised the profile of the Institute and brought significant credit to the profession.

John has consistently demonstrated and promoted the value the actuarial profession can bring to wider areas, particularly his contribution to government. His success in these roles demonstrates and brings significant credit to the Australian actuarial profession.



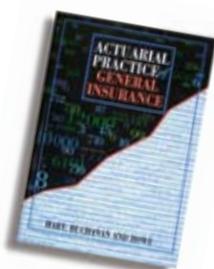
John Trowbridge (left) receiving his award from Institute President Martin Stevenson

Practice Committees



General Insurance Practice Committee

- Distributed a regular newsletter to members
- Organised the General Insurance Seminar in November 2005
- Convened two seminars for members providing guidance on the preparation of Financial Condition Reports for General Insurers
- Prepared a submission to the Corporations and Markets Advisory Committee regarding the treatment of personal injury claims for insolvent companies
- Finalised a Professional Standard on Financial Condition Reports
- Prepared an Exposure Draft Professional Standard regarding the valuation of insurance liabilities
- Commenced work on a Professional Standard for CTP Premium Filing
- Various meetings held with APRA and prepared a letter to APRA to demonstrate the outworkings of "prospective accounting" requirements



Health Practice Committee

- The Committee focused on the development of content for the introduction of a Private Health Insurance education course in 2007
- The initial body of knowledge for the proposed new course was established
- Many Appointed Actuaries or their representatives jointly authored the body of knowledge and a workshop was organised in April which allowed participants from the wider Private Health Insurance community to provide further feedback and content refinement
- Regular meetings of Health Insurance Appointed Actuaries were held to discuss topical issues arising in this new statutory position, including:
 - Preparation for producing Financial Condition Reports (FCRs)
 - Requirements of IFRS for health insurers
 - Feedback from the regulator (PHIAC) on the first set of FCRs
 - Implications of the health insurance legislative changes announced in April - June 2006
- The Committee worked with industry bodies on the application of AASB1023 to private health insurance funds
- Supported the Insights session, "Asia Pacific Cohort Studies: Addressing the Rising Burden of Cardiovascular Disease"
- Produced a regular health electronic newsletter for members and non-members which was circulated to over 700 people

Life Insurance and Wealth Management Practice Committee

- Established a Product Rationalisation Taskforce which prepared a submission to the Government identifying key issues that arise in the context of product rationalisation
- Monitored and reviewed the Australian life insurance industry's adoption of International Financial Reporting Standards and the related changes to the Life Insurance Actuarial Standards Board's (LIASB) standards, including preparing submissions to standard setters, discussion notes for members, member surveys and industry discussion forums
- Fostered open communication with APRA on areas of joint interest in the life insurance and funds management industries, including regular meetings and communication with senior APRA representatives
- Proactively liaised with members of the LIASB to ensure appropriate levels of support were provided by the Institute, including the development of an upgraded Resilience Reserve framework for the LIASB to consider
- Supported the delivery of the revised Part III Life Insurance Course
- Liaised with the New Zealand Society of Actuaries on a range of matters, including development of actuarial standards and representation at key Society events
- Revision work on PS200 relating to the provision of actuarial advice in the life insurance industry



mittees

Superannuation & Employee Benefits Practice Committee

- Assisted the Institute's Superannuation Tax Simplification Taskforce to prepare several submissions to Treasury on the Government's Plan to Simplify and Streamline Superannuation
- Contributed to the development of guidance on the harmonisation of international accounting standards, including a submission to the Australian Accounting Standards Board on allowances for superannuation tax under AASB119
- Prepared proposed new Guidance Notes for members and discussed the drafts with members at Horizons meetings
- Contributed speakers and papers for the Financial Services Forum
- Actively participated in Institute media roundtables on superannuation tax reform
- Contributed to Part III and Part IV education courses
- Continued the review of all relevant Professional Standards and Guidance Notes to ensure that they remain up to date and in line with new drafting standards
- Made numerous submissions to Treasury and APRA on:
 - Changes to SIS reporting regulations
 - Guidelines on Defined Benefit Superannuation Funds
 - Draft superannuation splitting regulations
 - Pension benefits from small superannuation funds
 - Use of pre-1 July 1988 Funding Credits



Risk Management Practice Committee

- Formed in late 2005, the focus of the Committee has been on investigating the development of a risk management education course
- In this vein, the Committee prepared a paper for Council's consideration outlining various options for offering an education course on enterprise risk management, including content, delivery and assessment options
- Engaged in dialogue with international bodies involved in risk management to demonstrate the Institute's strong interest in this growing field
- Prepared articles for the Institute's Actuary Australia magazine on risk management
- Contributed speakers and papers for the Financial Services Forum



Institute Tutorial



Actuarial Education Programs

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

Although the Part I and Part II programs did not undergo change this financial year, some minor changes were made to the Institute's new Part III actuarial education program. The final course in the new four module education structure, the compulsory Commercial Actuarial Practice course, was launched for the first time in semester two 2005. Designed to increase student awareness of, and capability within, a wide range of different business contexts where actuarial skills are valued, as well as to improve students' communication skills, the Commercial Actuarial Practice course has achieved higher than average pass rates (60-70%) and extremely positive feedback from students over the last year. Since its launch, the course has undergone further enhancements and the Institute currently plans to run the course in Singapore next year in an effort to meet the needs of Asia-based students. A component of the Singapore course will also be offered as continuing professional development for the first time.

Part III Education Program

During 2005, in response to lower than usual pass rates in the Part III education program, Council initiated an independent review of the program by Professor Tony Baker from the

University of Technology, Sydney. Professor Baker found the assessment process to be world's best practice, but highlighted a number of improvements that would need to be made specifically in the area of pedagogy and the link between curriculum and assessment. Professor Baker's Part III Review Report made a total of 29 recommendations which varied from maintaining the status quo of certain processes to the introduction of additional face-to-face workshops and explicit performance objectives for all Part III courses.

From the Baker Review Report an implementation plan was created. The plan outlined a three phase approach to the implementation of the Baker recommendations. The recommendations with the shortest development lead time were implemented in late 2005 for launch in semester one 2006. The remainder, including the complex embedding of performance objectives into course syllabi and content, were scheduled for development in 2006 and launch in 2007 for General Insurance and Investments courses, with all other courses to undergo the same transformation during 2007 for launch in 2008. It is expected that these improvements will provide greater clarity and support to Part III students, increasing their likelihood of passing the course assessments.

With Part III subjects being offered twice each year the demand on members has increased. This year over 280 members voluntarily gave their time to support the education programs for modest financial returns – as examiners, markers, scrutineers, tutors, course writers and course reviewers.

Tutorials were held for Part III subjects in Sydney and, where numbers and staffing permitted, in Melbourne and Singapore. The Sydney tutorials were audio recorded and made available on the website for all students

to access. The web-based discussion forums, managed by the course leaders, were widely used in most subjects and proved to be an effective way for students to raise questions, work collaboratively on problems and exercises as well as share their knowledge and experiences. Plans are underway to provide additional support to students in the form of e-learning exercises and self assessment mechanisms, as well as webcasting of tutorials and workshops.

The Institute conducted Part III examinations in October/November for semester two 2005 and in May for semester one 2006. The table on page 17 displays the student results for these two semesters.

University Relationships

Four Australian universities currently have full accreditation from the Institute for Part I and Part II of the actuarial education program: Australian National University, Macquarie University, University of Melbourne and University of New South Wales. They are reviewed on a four-year cycle, with a mid-term review conducted every two years. During the year, full reviews were conducted of the actuarial education program at the Macquarie University and the University of Melbourne.

Under its new University Financing Policy in place for 2006 and 2007, the Institute provided financial support for Macquarie University, University of Melbourne and University of New South Wales, which met the criteria to be considered Centres of Excellence in actuarial education. The Institute also provided financial support for all four accredited universities in recognition of the quality of their research output over the last year. In addition, the Institute made financial contributions to Actuarial Students' Societies' information days at Melbourne



Part III Student Results for Semester 2, 2005 and Semester 1 2006

| Subject | Sat Nov '05 | Pass Nov '05 | % | Sat May '06 | Pass May '06 | % |
|-------------------------------------|-------------|--------------|----|-------------|--------------|-----|
| Investments | 129 | 38 | 29 | 162 | 45 | 28 |
| Life Insurance 2A | 62 | 19 | 31 | 53 | 17 | 32 |
| Life Insurance 2B | 28 | 8 | 29 | 25 | 8 | 32 |
| General Insurance 3A | 79 | 28 | 35 | 69 | 29 | 42 |
| General Insurance 3B | 34 | 11 | 32 | 48 | 24 | 50 |
| Superannuation & Planned Savings 4A | 11 | 2 | 18 | 12 | 6 | 50 |
| Superannuation & Planned Savings 4B | 10 | 6 | 60 | n/a | n/a | n/a |
| Investment Management & Finance 5A | 19 | 5 | 26 | 14 | 7 | 50 |
| Investment Management & Finance 5B | 16 | 5 | 31 | 14 | 6 | 43 |
| Commercial Actuarial Practice | 28 | 18 | 64 | 23 | 14 | 61 |
| Total | 416 | 140 | 34 | 420 | 156 | 37 |

and Macquarie universities, was the major sponsor of the Joint Actuarial Students' Society's Ball in Sydney and sponsored actuarial subject prizes at University of Melbourne and University of New South Wales in 2006.

International Education Developments

The adoption by the Society of Actuaries of the 'Understanding Actuarial Management: the Actuarial Control Cycle' textbook as its central syllabus and main prescribed reading for its Foundations of Actuarial Practice course has made a significant contribution to the Institute's revenue in 2006 and has reinforced the contribution the Australian actuarial profession continues to make to the education of actuaries worldwide. The Institute was represented on the International Actuarial Association's Education Committee, as well as the IAA's Education Assessment Working Group and continues to contribute to the planning and feasibility assessment of the development of an International Actuarial Education Program.

Professionalism Course

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

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

37 participants successfully completed the first course held on 27 & 28 February with 31 attaining the status of FIAA. The second course was held on 28 & 29 August. 31 participants successfully completed this course with 27 attaining the status of FIAA.

The course provides participants with an opportunity to reflect on what it means to be a professional and to facilitate knowledge of

the obligations, risks and legal responsibilities of being a member of the actuarial profession. The course focuses on the Institute's Code of Conduct and its practical applications, the ethical requirements of being an actuary and the dilemmas likely to be faced in practice, as well as strengthening the professional network of those attending. Following the completion of the course, participants attended Presidential Dinners in Sydney or Melbourne where the new Fellows were awarded their Fellowship Certificates by the President of the Institute.

August Professionalism Course participants and facilitator



Professional Development

The Continuing Professional Development (CPD) program provided members with a wide array of events covering the main practice areas of actuaries. Events were also held in various locations and in a range of formats including one, two and three day seminars and one hour seminars followed by an opportunity for networking. Over 100 events for members were held during the year.

General Insurance Seminar

The XVth General Insurance Seminar was held in Port Douglas in October and was attended by over 200 actuaries and industry representatives. The theme for the seminar was "Evolution of the Industry" reflecting the rapid pace of regulatory change such as APRA's Stage II reforms, new corporate governance standards, the requirements for an Approved Actuary, the impact of international accounting standards, tort reforms, regulation of conglomerates and new audit and valuation standards. The theme also encapsulated the growing importance of actuaries in general insurance. Keynote speakers included Mark Valena, CEO of the Medical Defence Association and John Laker, Chairman of APRA. A wide range of topics and issues were discussed at the Seminar including risk margins, latent claims, pricing, catastrophes, risk-based capital and correlations and diversification.

Reflecting the strong growth of actuarial involvement in general insurance, some 32 written papers were presented at the Seminar, almost twice the number of papers for the previous Seminar held only two years prior. In addition, four working groups prepared papers for the Seminar on topics as diverse as the insurance cycle; child exposures, molestation and liability insurance; accounting standards; and tort reform. The Seminar also featured debates on topical general insurance issues.

Financial Services Forum

With the theme of 'Expanding Our Horizons', the Third Financial Services Forum attracted a record attendance of 330 actuaries and other financial services practitioners. The large number of delegates combined with a strong program of speakers ensured the event was an outstanding success. Delegates enjoyed some 42 concurrent sessions and three plenary sessions.

The keynote address was given by Dr Don Stammer who spoke on the topic of Australia's Expanding Economic Horizons. Dr Stammer discussed the extremely volatile cycles of the 50s to 70s and warned that the cycles will continue, albeit with more subdued peaks and troughs, due to the economic reforms of various Governments. Other plenary sessions were held on the topics of future investment opportunities for Australian institutions and the growing importance of risk management.

The Forum covered a wide range of issues from genetic testing, equity release schemes, unit pricing, pandemics, ethical investing, profit testing, distribution channels and financing the ageing. The diversity of presentations from industry experts provided ample opportunity for vigorous discussion throughout the Forum.

Reserving for General Insurers Seminar

180 actuaries and other general insurance practitioners attended the Reserving for General Insurers Seminar held in late September in Sydney. The program was in two parts. The morning sessions focused on the current challenges including the key impacts of Professional Standard 300, the Code of Professional Conduct, reserving practices in Australia and the UK and a report from the Risk Margins Taskforce. The afternoon sessions focused on future opportunities for actuaries working in reserving including stochastic reserving methods, fair value of liabilities, individual claims modelling and future trends in reserving methods. The two panel sessions provided a forum for discussion and debate on reserving issues.

Horizons

The monthly Horizons meetings held in Melbourne and Sydney featured a wide

range of regulatory, practice development and professional issues. Topics included external peer review, research paradigms, developmental opportunities for prospective actuaries, PS200 – actuarial reports to life insurers, PS300 – valuation of general insurance liabilities, long term care, and the work of the Superannuation Tax Reform Taskforce in evaluating the affordability and other impacts of the Federal Government's superannuation tax reforms.

Insights

Insights continued to prove extremely popular with members with strong attendances at the 48 events held in Sydney and Melbourne. Most Insights comprised encore sessions of well-attended presentations delivered at the major seminars. This provided members who were not able to attend the major seminars with an opportunity to see the presentation and participate in discussion. It also enabled the presenters to obtain further commentary and feedback from members on their topic.

The Insights on Basel II delivered by Charles Freeland from the Bank of International Settlements based in Switzerland was well attended and provided an opportunity for members with an interest in banking and finance issues to hear first hand the latest developments and future plans. Other Insights focused on topical issues in general insurance and financial services generally.

Senior Actuaries' Forums and Young Actuaries' Program

Two new programs were introduced during the year, the Senior Actuaries' Forum and the Young Actuaries' Program catering for these segments of the Institute's membership. Further details are provided in the section on Member Services.



“Abolition of benefits tax will have minimal impact on revenue, say actuaries” – *The Age*

The Institute aims to position itself as the voice of the profession and to influence Government and industry through contributions to public policy. This is achieved through preparation of high quality submissions in response to government requests for input to policy, followed up by direct representations where appropriate.

The Institute made over 20 submissions in 2005/06, including a Pre-Budget Submission which highlighted many of the areas in which the profession maintains an active interest, including retirement incomes policy, financial reporting, regulatory issues in the financial services sector and health funding.

Through its Superannuation Tax Reform Taskforce, the Institute focused considerable effort on responding to the Treasurer’s “Plan to Simplify and Streamline Superannuation”. In July and August 2006, the Institute made nine submissions covering the following topics:

- Administering Contribution Limits
- Contribution Limits and Defined Benefit Funds
- Indexation of Contribution Limits
- Appropriateness of Contribution Limits
- Death and Disablement Benefits
- Voluntary Deductible Contributions for Employees
- The Minimum Pension Scale
- Issues Affecting the 60 to 65 Age Group
- Windfall Transitional Gains

The Institute also produced a widely reported paper, entitled “Tax-free superannuation benefits: a future revenue problem?” which addressed questions raised by Institute members and others as to the financial consequences of the Government’s proposal to remove taxes on benefits paid to those over age 60. In particular, the paper:

- Explores the reasons why revenue from benefits tax is relatively small
- Discusses some of the problems of taxing benefits instead of contributions
- Discusses the issue of whether benefits tax is a solution to the ageing population’s revenue needs.

The Institute provided the Corporations and Markets Advisory Committee (CAMAC) with a comprehensive submission in relation to CAMAC’s proposal to strengthen the protection for future unascertained personal injury claimants where the solvency of the responsible company may be in question. The issues involved are complex due to the uncertainty inherent in the projection of future claim volumes and estimation of the associated liabilities. The submission explores the dimensions of this uncertainty and highlights issues and potential responses for consideration by the CAMAC.

The Institute wrote to the ACCC in support of the life insurance industry’s submission on genetic testing. It is the Institute’s view that no life office should be requesting applicants to undergo genetic tests, either directly or indirectly. The public benefits of this are that use of genetic tests will continue to be led by the genetic counselling and medical communities and that life insurance companies will not try to influence by their actions the applicant’s ‘right not to know’ the results of a genetic test. Effectively the public is protected by being confident that insurers will not compel an individual to have a genetic test.

Submissions were made on a range of other issues including:

- The prudential supervision of corporate groups involving authorised general insurers

- LIASB Exposure Drafts of Revised Actuarial Standards
- Splitting of superannuation contributions
- Amendments to AASB 1038, Life Insurance Contracts, in relation to friendly societies
- The ban on commencement of new defined benefit pensions from funds with small defined benefit sections
- Proposals to expand reporting obligations and safe harbour provisions under sections 129 and 130A of the Superannuation Industry Supervision Act to include breaches of the market conduct and reporting requirements in the Corporations Act
- Amendments made to the standard AASB 119 (Employee Benefits) to include a requirement in the Australian Guidance that “any future taxes, such as contributions tax and investment tax, are taken into account in the actuarial assumptions”
- Proposals contained in the Government’s Corporate and Financial Services Regulation Review Consultation Paper
- The proposed process and principles contained in the Consultation Paper on amendment of legislative provisions governing use of pre 1 July 1988 funding credits

Media roundtables are another way in which the Institute influences public debate about important issues. During 2006, the Institute conducted media roundtables on the topical issues of reverse mortgages and superannuation tax reform. These events succeeded in attracting a wide range of journalists who listened to presentations from senior actuaries on these important topics and discussed related policy implications and issues with the President and other members of the Institute’s Executive Committee.



Member Services and Membership Statistics



mem b

Members' Survey

A members' survey was conducted in late 2005 in conjunction with Beaton Consulting as part of its Annual Professions Study. The Professions Study benchmarks the performance of a number of industry associations. The Institute was found to have several strengths including:

- Keeping members up to date with developments or issues impacting the profession
- Allowing members to meet the expectations of their employers
- Promoting high professional and ethical standards in professional practice

Furthermore, almost 70% of members rated the Institute's overall performance as good or excellent. However, feedback from the survey also revealed that members would value more opportunities for networking and a greater sense of belonging to a professional association/community.

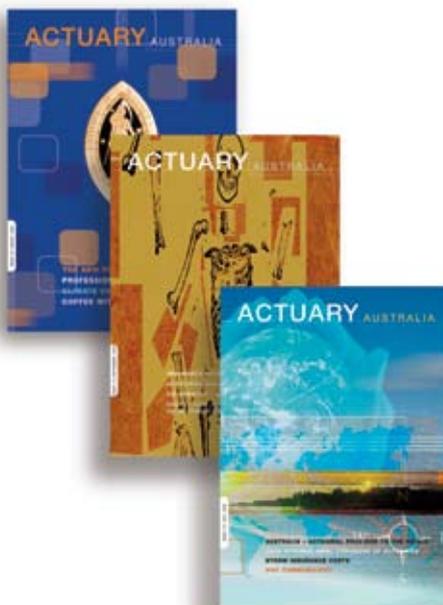
New CPD Programs

Following the survey, two new programs were launched during the year, the Senior Actuaries' Forum and the Young Actuaries' Program. The Forums provided an opportunity for firms' Senior Actuaries to be briefed on and discuss the practical aspects of the new Professional Standards including the Code of Professional Conduct and PS1 – Continuing Professional Development. The inaugural event for Young Actuaries was held in September and featured a presentation by John Maroney on "Maximising Your Career Potential". Over 100 actuaries attended the event in Sydney and attendees appreciated the opportunity for networking both before and after the event.

Publications

Actuary Australia, the Institute's monthly full colour magazine, continued to be an important source of information for members. Articles published in the magazine during the year covered all the main areas of actuarial practice including general insurance, life insurance, banking and finance, superannuation and health insurance. Some of the articles stemmed from topical papers presented at the General Insurance Seminar and Financial Services Forum.

A series of articles was published on communication issues which flowed from the work of the Institute's Communications Taskforce. The Editor, Barry Rafe, provided thought provoking and sometimes controversial editorial opinion which evoked feedback from members. The magazine continued to be a must read for all members.



The *Australian Actuarial Journal* also continued to be an important reference source for actuarial research and recent developments in actuarial science. The Journal is published quarterly and is edited by Andrew Leung and a strong editorial team of members in Australia and Hong Kong. The Journal was repositioned so that papers presented at the Institute's major seminars will be published subject to an independent peer review process.



Communications

Following detailed research and investigation, a new website was launched during the year. Key aspects of the new site include a more powerful and effective search engine for access to the extensive intellectual property published by the Institute, personalisation of information for members (for example, opting to receive certain newsletters) and a secure interface between the website and the Institute's database for member-only access.

Following feedback from members that the Institute could further improve the way it communicates with members, important information was corralled into a weekly

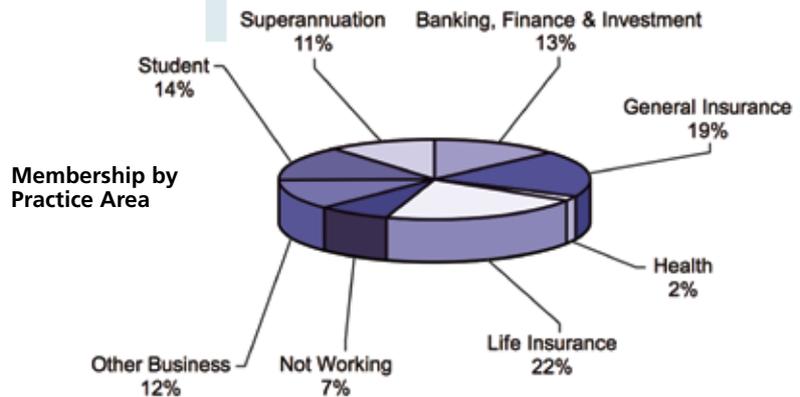


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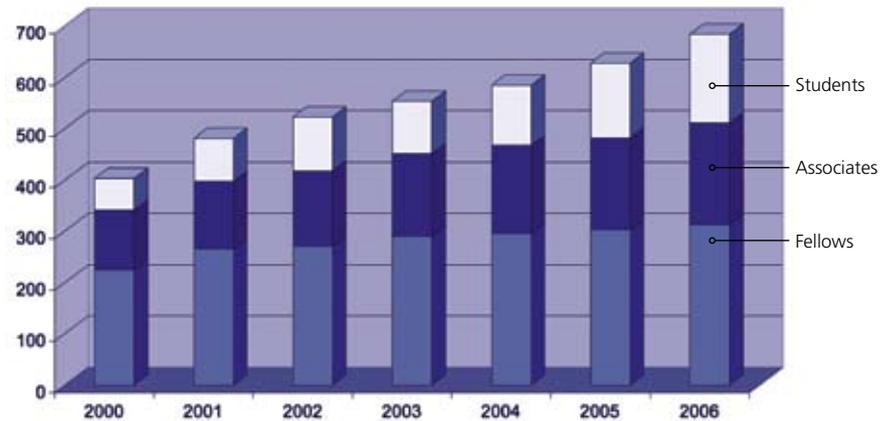
bulletin emailed to members. Information Bulletins contain a variety of news items including notices of draft Professional Standards for comment by members, notices of forthcoming events, practice committee newsletters and links to submissions made by the Institute.

As part of the process of issuing new Professional Standards, a folder containing all the new Standards was sent to members in April. The folder allows members to add new Standards and other professional governance documents issued by the Institute in the future.

To obtain closer contact with particular segments of the membership, a series of President's lunches were held during the year in Sydney and Melbourne. These focus groups provide valuable feedback to the Executive and Secretariat on key trends and emerging issues for the actuarial profession. Presidential Dinners were also convened in six Australian and four overseas locations in the Asia Pacific region.



Overseas Membership by Category

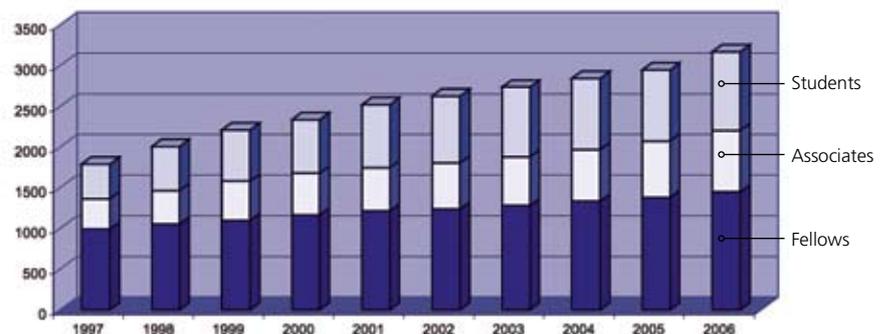


Membership Numbers

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Australia | 1947 | 2050 | 2125 | 2209 | 2293 | 2353 | 2517 |
| Overseas | 409 | 485 | 529 | 562 | 592 | 635 | 697 |
| Total | 2356 | 2535 | 2654 | 2771 | 2885 | 2988 | 3214 |



Membership by Category



New Fellows

Congratulations to the following members who, having passed or been exempted from Parts I, II and III of the Institute's education program, satisfied the Professional Experience Requirement and attended a Professionalism Course, became Fellows of the Institute of Actuaries of Australia in 2006.



February Professionalism Course participants and facilitator

Susanne Bowden

Aaron Bruhn

Sérgio Calçarão

Mara Carter

Kelvin Chan

Priscilla Chan

Chin Han Cheah

Cathy Chen

Eric Cheng

Ann Chong

Zita Chung

Antony Claughton

Noanie Condon

Susan Cooney

Brendan Counsell

Rachel Driessen

Tomasz Dudek

Ben Facer

Edward Freilikh

Wendy Fu

Alen Golubovic

Robert Hartnett

Albert Hattingh

Kobus Hattingh

Genevieve Hayes

Richard Henry

Alex Ho

Kirsty Hogan

Andy Hui

Kathleen Jervis

Andrew Katon

Nigel Ke

Geoff Keen

Louise Lam

Thomas Lee

Jessica Leong

Daphne Wen Ling

Craig Lough

Ada Lui

Natalie Lun

Kate Lyons

Darren Ma

Kon Makris

Kelvin Mo

Sam Morgan

Dion Oryzak

Nick Paras

Candice Partridge

Katelyn Priester

Francis Ratnasabapathy

Scott Russell

Angelos Skiapas

William Song

Tim Spiteri

Thomas Tang

Bronwyn Ulrick

Arie van den Berg

Bo Wang

Catherine Watson

Janagan Yogaranpan

Victoria Zaslavski

Prizes and Awards

Edward Leung



2005 A M PARKER PRIZE

The A M Parker Prize is awarded to the author or authors of a paper presented to the Institute of Actuaries of Australia. The supplementation from the Melville Prize fund for this prize is \$2,722. For 2005 the A M Parker Prize of \$3,200 was awarded to **Edward Leung** for his paper *Projecting the needs and costs of long term care in Australia* published in the Australian Actuarial Journal, Volume 10, Issue 2, 2004.

2005 H M JACKSON PRIZE

The H M Jackson Memorial Prize is awarded for any published articles presented to or published by a body other than the Institute of Actuaries of Australia. The supplementation from the Melville Prize Fund for this prize is \$2,722. For 2005, the H M Jackson Prize of \$3,000 was awarded to each of the following Members:

Leonie Tickle and Martin Stevenson



Leonie Tickle for her paper – *Beyond three-score years and ten: Prospects for longevity in Australia*. The paper was co-authored by Heather Booth and published in *People and Place*, Vol 12, No.1 (2004).

Bernard Wong for his paper *On the Martingale Property of Stochastic Exponentials*. The paper was co-authored by C C Heyde and published in the *Journal of Applied Probability* 41, 654-664 (2004).

Bernard Wong



Timothy Spiteri and Martin Stevenson

ANDREW PRESCOTT MEMORIAL PRIZE

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

The Andrew Prescott Memorial Prizes for the 2005 examinations were awarded to:

Daniel Murphy (Semester 1) and **Michael O'Neill** (Semester 2) – \$750 for best performance in Investments.

Arie van den Berg – \$750 for best performance in Commercial Actuarial Practice.

Alen Golubovic – \$750 for best performance in Life Insurance.

Adam Casey – \$750 for best performance in Superannuation & Planned Savings.

Timothy Spiteri – \$750 for outstanding performance in the Fellowship Examinations.

The supplementation from the Melville Prize Fund for the Prescott Prizes totals \$4,240.

KATHERINE ROBERTSON PRIZE

The Katherine Robertson Prize is awarded to the person obtaining the highest marks in the General Insurance Part III subject, provided that a certain minimum standard is attained.

The 2005 Katherine Robertson Prize of \$950 was awarded to **Timothy Spiteri**.

A H POLLARD PHD SCHOLARSHIP

The Council of the Institute of Actuaries of Australia founded the scholarship in 2002 in honour of the late Professor Alfred Hurlstone Pollard, who is widely acknowledged as one of Australia's most outstanding actuaries, having made particularly important contributions in the field of actuarial education. Recognising the financial hardship that Professor Pollard had to endure in order to gain his own PhD, the Scholarship is intended to provide assistance to a member of the Institute who is studying for a PhD degree at a recognised university, in an actuarial or related field. The monetary value of the scholarship is \$8,000.

The 2006 A H Pollard Scholarship was awarded to **Anthony Hatherley** for his PhD project on *The analysis of asymmetric correlations in tactical asset allocation and portfolio construction*, through the University of Queensland.

Anthony Hatherley





It was noted in the 2005 Annual Report that three of the four Complaints arising from the NSW Special Commission of Inquiry into the Medical and Research Compensation Foundation remained under consideration by an Investigating Sub-Committee.

These Complaints were made under the Disciplinary Scheme in force up to and including 28 February 2006. Under this version of the Disciplinary Scheme, Council is required to report annually to members such information in relation to the activities of the Professional Conduct Committee, and any proceedings before any Tribunal or Board during the year, as the Council deems appropriate.

One of these Complaints has now been finalised, such that the Investigating Sub-Committee determined that the member had committed or been engaged in actionable conduct, and that this member be given a warning in relation to such conduct (Rule 34(c)). The warning was given to the member by the Convenor of the Professional Conduct Committee.

The Investigating Sub-Committee made a determination in relation to another one of these Complaints that the member had committed or been engaged in actionable conduct, and that a report be made to the Tribunal in respect of such conduct. The Tribunal hearing was conducted on 14 August 2006 and at the time of publication, a determination has been made. The determination has been distributed to all the parties and is subject to appeal.

Another Complaint is still subject to investigation by an Investigating Sub-Committee.

The Actuarial Research Centre of Australia (ARCA) is a collaborative research facility aiming to bring the skills and talents of the actuarial profession to bear on issues of future risk and uncertainty facing the Australian community. The values that drive ARCA are quality, independence and relevance of the research it facilitates. ARCA is an independent not-for-profit trust operating with the support of the Institute.

In March, ARCA engaged an Executive Director and embarked upon an establishment phase. The Research Centre is now being positioned for the future by:

- Formally establishing ARCA as a separate corporate entity so it can attract and recruit an appropriate Board of Directors
- Developing and implementing a corporate strategy focused on facilitating connections between research and industry and government funders.

During the year, the ARCA Research Committee was formed and members recruited. The Research Committee's role is to oversee ARCA's research projects against probity, relevance and independence paradigms. The Research Committee members are Professor John Pollard (Chair), Dr David Knox, Dr Richard Madden, Professor John Piggott and Dr Just Stoelwinder.

ARCA intends to facilitate a range of research projects during its first full year of operation in 2007.

Throughout the year, there has been tireless support and enthusiasm from the Steering Committee, led for most of the year by John Trowbridge and then by Graham Rogers. The Steering Committee members are Mark Gallagher, Elayne Grace, Warwick Hearne, Tim Jenkins, David Knox, Richard Madden and Graham Rogers.

Over the next 12 months ARCA's focus will be on developing connections with researchers, industry sponsors and government policy makers.

The efforts of all those associated with the establishment of ARCA are much appreciated, especially the Chairman, John Trowbridge, and the initial Executive Director, Evan Predavec, both of whom contributed strongly to ARCA's initial phase.

Report of Council

THE INSTITUTE OF ACTUARIES OF AUSTRALIA REPORT OF COUNCIL FOR THE YEAR ENDED 30 SEPTEMBER 2006

Council submits herewith its report on the Institute for the year ended 30 September 2006. In order to comply with the provisions of the Corporations Act 2001, the Council reports as follows:

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

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

Operating surplus for the year amounted to \$396,373. No significant change in the state of affairs of the Institute occurred during the financial year not otherwise outlined in the accounts or notes thereto. The operations of the Institute for the year were similar to that of the previous year.

No matter or circumstance has arisen since the end of the financial year that has significantly affected or may significantly affect the operations of the Institute, the results of those operations or the state of affairs of the Institute in the financial year subsequent to 30 September 2006.

The Members of Council believe that there are no likely developments in the operations of the Institute and the expected results of those operations in the financial years subsequent to 30 September 2006 which need to be brought to your attention.

Council Members receive no remuneration or other benefits. No Member of Council, since the end of the previous financial year, has received or become entitled to receive a benefit by reason of a contract made by the Institute with a Member of Council or with a firm of which s/he is a member or with a company in which s/he has a substantial financial interest for services rendered in connection with the activities of the Institute, except as disclosed in Note 11 to the Financial Statements on page 34 of this Annual Report.

During the financial year, the Institute paid a premium of \$10,921 in respect of a contract insuring the Office Bearers (as defined including any past, present or future Director, Secretary, Officer, Trustee, Committee member or employee of the Institute or any other natural person acting on behalf of the Institute at the direction of an Officer or Board of Directors or Committee of Management of the Institute) against a liability incurred as such Office Bearer to the extent permitted by law.

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

Details of the qualifications, experience and special responsibilities of each Director of the Institute at year end are set out on pages 8-11 of this Annual Report. Catherine Baldwin was the Company Secretary until her resignation on 1 March 2006. Peter McBride was appointed Company Secretary from 2 March 2006 onwards and is a Member of the National Institute of Accountants and has 30 years' experience in a variety of roles at the Commonwealth Bank.

Directors' attendance at Board and Board Committee meetings

| Councillor | Council | Audit Council Committee | Education Council Committee | Executive Council Committee | International Council Committee** |
|----------------|---------|-------------------------|-----------------------------|-----------------------------|-----------------------------------|
| M Ali* | 1 of 3 | | | | |
| R J Bateup* | 0 of 3 | | | | |
| C J Bennet* | 3 of 3 | | | | |
| P J Blight* | 1 of 3 | | | | |
| I D Burningham | 1 of 7 | | | | |
| A J Cook | 5 of 7 | 2 of 2 | | | |
| A C Gale* | 2 of 3 | | | 2 of 2 | 0 of 1 |
| D M Goodsall* | 2 of 3 | 2 of 2 | | | |
| R D Hoskinson | 3 of 7 | | | | |
| J H Lang* | 3 of 5 | 1 of 1 | | | |
| G C Martin | 6 of 7 | | | 9 of 9 | |
| H C McLeod* | 1 of 3 | | | | 0 of 1 |
| H G Onions* | 4 of 5 | | | | |
| N J Rivett | 6 of 7 | | | | |
| F Rowley | 5 of 7 | | | 9 of 11 | 0 of 1 |
| S J Schubert | 7 of 7 | | | | |
| T Spicer* | 4 of 4 | | 3 of 5 | | |
| M A Stevenson | 7 of 7 | | 2 of 2 | 11 of 11 | |
| A Tatarow* | 3 of 4 | | | | |
| T J Thompson | 6 of 7 | | | | |
| M E Turner* | 1 of 1 | | | | |
| R T Ward | 4 of 7 | | | | |
| B A Watson* | 5 of 7 | | | | |

* These Councillors were not eligible to attend all meetings of Council as they did not hold office for the full year (refer Note 11(a) of the Notes to the Financial Statements on page 34 of this Annual Report for details of their period of office).

** The International Council Committee was discontinued by Council resolution on 31 October 2005. Also discontinued on that date were the following Council Committees: Member Services Council Committee; Continuing Professional Development Council Committee; and Public Policy Council Committee. These additional Council Committees did not hold a meeting between 1 October 2005 and 31 October 2005.

Signed on behalf of Council in accordance with a resolution of Council.



M A STEVENSON
President



F ROWLEY
Senior Vice President

Sydney, 22 November 2006

Declarations and Independence Report

THE INSTITUTE OF ACTUARIES OF AUSTRALIA DECLARATION BY MEMBERS OF COUNCIL FOR THE YEAR ENDED 30 SEPTEMBER 2006

The members of Council of the Institute declare that:

1. the financial statements and notes thereto, are in accordance with the Corporations Act 2001
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 30 September 2006 and of the performance for the year then ended on that date of the Institute.
2. in the Council's opinion, there are reasonable grounds to believe that the Institute will be able to pay its debts as and when they become due and payable.

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



M A STEVENSON
President



F ROWLEY
Senior Vice President

Sydney, 22 November 2006

AUDITORS' INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE COUNCILLORS OF THE INSTITUTE OF ACTUARIES OF AUSTRALIA

I declare that, to the best of my knowledge and belief, during the year ended 30 September 2006 there have been:

- (i) No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) No contraventions of any applicable code of professional conduct in relation to the audit.



F. GIANNUZZI
Partner



UHY HAINES NORTON
Chartered Accountants

Sydney, 22 November 2006

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

Scope

We have audited the financial report of the Institute of Actuaries of Australia for the year ended 30 September 2006, as set out on pages 28 to 36. The Council Members are responsible for the preparation and presentation of the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Institute.

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

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

Audit Opinion

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

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Institute's financial position as at 30 September 2006 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements.



F GIANNUZZI
Partner



UHY HAINES NORTON
Chartered Accountants

Sydney, 22 November 2006

Income Statement and Balance Sheet

THE INSTITUTE OF ACTUARIES OF AUSTRALIA INCOME STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2006

| | Note | 2006 \$ | 2005 \$ |
|-----------------------------------------|----------|--------------------|--------------------|
| Administration Revenues | | 2,266,738 | 2,080,329 |
| Professional Development Revenues | | 745,388 | 1,080,365 |
| Education Revenues | | 2,265,144 | 2,188,922 |
| Knowledge Revenues | | 493,286 | 212,286 |
| Total Revenue | 2 | 5,770,556 | 5,561,902 |
| Administration Costs | | (766,870) | (712,229) |
| Employment Costs | | (1,827,061) | (1,583,677) |
| Professional Development Costs | | (545,421) | (901,107) |
| University Foundation Grants | | (325,000) | (355,000) |
| Education Costs | | (850,418) | (941,665) |
| Knowledge | | (657,096) | (477,708) |
| Governance | | (296,771) | (258,216) |
| Public Affairs Costs | | (105,546) | (106,936) |
| Total Expenses | | (5,374,183) | (5,336,538) |
| Profit before income tax expense | | 396,373 | 225,364 |
| Income tax expense | 1(d) | - | - |
| Profit attributable to members | | 396,373 | 225,364 |

THE INSTITUTE OF ACTUARIES OF AUSTRALIA BALANCE SHEET AS AT 30 SEPTEMBER 2006

| | Note | 2006 \$ | 2005 \$ |
|----------------------------------|------|------------------|------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 3 | 171,924 | 387,102 |
| Trade and other receivables | 4 | 184,137 | 251,822 |
| Other current assets | 5 | 3,402,247 | 3,164,255 |
| Total current assets | | 3,758,308 | 3,803,179 |
| NON CURRENT ASSETS | | | |
| Other non current assets | 6 | 77,894 | 77,894 |
| Property, plant and equipment | 7 | 737,154 | 841,826 |
| Total non current assets | | 815,048 | 919,720 |
| TOTAL ASSETS | | 4,573,356 | 4,722,899 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 8 | 706,439 | 1,275,080 |
| Provisions | 9 | 112,929 | 90,204 |
| Total current liabilities | | 819,368 | 1,365,284 |
| TOTAL LIABILITIES | | 819,368 | 1,365,284 |
| NET ASSETS | | 3,753,988 | 3,357,615 |
| MEMBERS' FUNDS | | | |
| Retained earnings | | 3,753,988 | 3,357,615 |
| TOTAL MEMBERS' FUNDS | | 3,753,988 | 3,357,615 |

The accompanying notes form part of these financial statements

Statement of Changes in Equity and Cash Flow Statement

THE INSTITUTE OF ACTUARIES OF AUSTRALIA STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2006

| | 2006 \$ | 2005 \$ |
|-------------------------------------------------|------------------|------------------|
| Balance at 1 October 2005 | 3,357,615 | 3,132,251 |
| Profit attributable to members of the Institute | 396,373 | 225,364 |
| Balance at 30 September 2006 | 3,753,988 | 3,357,615 |

THE INSTITUTE OF ACTUARIES OF AUSTRALIA CASH FLOW STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2006

| | Note | 2006 \$ | 2005 \$ |
|-----------------------------------------------------|--------------|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from members and others | | 5,521,041 | 5,343,444 |
| Interest received | | 202,148 | 164,199 |
| Trust distributions | | 64,624 | 38,408 |
| Payments to suppliers and employees | | (5,712,505) | (4,871,029) |
| Net cash inflow from operating activities | 13(b) | 75,308 | 675,022 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Proceeds from disposal of investments | | 1,228,770 | 876,909 |
| Payments for investments | | (1,485,482) | (1,673,403) |
| Purchase of property, plant and equipment | | (33,774) | (47,071) |
| Net cash (outflow)/inflow from investing activities | | (290,486) | (843,565) |
| Net (decrease)/increase in cash held | | (215,178) | (168,543) |
| Cash at beginning of year | | 387,102 | 555,645 |
| Cash at end of year | 13(a) | 171,924 | 387,102 |

The accompanying notes form part of these financial statements

Notes to the Financial Statements

THE INSTITUTE OF ACTUARIES OF AUSTRALIA NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2006

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of Significant Accounting Policies

The financial report is a general purpose financial report that has been prepared with Accounting Standards, Urgent Issues Group Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The Institute of Actuaries of Australia is a company limited by guarantee, incorporated and domiciled in Australia.

Basis of Preparation

The Institute of Actuaries of Australia have prepared financial statements in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS).

These accounts are the first financial statements of the Institute of Actuaries of Australia to be prepared in accordance with AIFRS.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values, (except where otherwise stated), or current valuations of non-current assets.

b. Property, Plant and Equipment

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

The carrying amount of plant and equipment is reviewed annually by the Council to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received.

c. Depreciation

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

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

| Class of Fixed Asset | Prime Cost Method |
|------------------------|------------------------------------------|
| Office Equipment | 20% |
| Furniture & Fittings | 13% |
| Leasehold Improvements | the period of the lease and lease option |

d. Income Tax

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

e. Leased Assets

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

Incentives received on entering into operating leases are recognised as liabilities. The incentive, which represents a rent free period, will be reduced proportionately over the remaining term of the lease which expires on 1 May 2009.

f. Financial Instruments

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Notes to the Financial Statements

THE INSTITUTE OF ACTUARIES OF AUSTRALIA NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2006 (continued)

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Impairment of Assets

At each reporting date, the Institute reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

h. Other receivables

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

i. Accounts Payable

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

j. Employee Benefits

Provision is made for the entity's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

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

k. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and deposits held at call with banks.

l. Revenue

Revenue from the rendering of services is recognised upon delivery of the service to the member. Subscription income is brought to account upon receipt. Receipts received before year end in relation to future services to be provided is deferred as a liability (note 8).

Interest revenue is recorded on an Accruals basis and trust distributions are recognised on a Receipt basis.

m. Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

n. Exchange Rate

The Institute's exchange rate policy in relation to setting enrolment fees for UK exams is that the fee set by the UK Institute is converted on the basis of the average exchange rate for the previous month plus a 10% margin for the exchange rate variation.

o. Web Site Costs

Costs in relation to the website were expensed in the period which they are incurred.

p. Comparative Figures

There were no adjustments made to the financial statements for the year ended 30 September 2005 as a result of the first-time adoption of Australian Equivalents to International Financial Reporting Standards.

Notes to the Financial Statements

THE INSTITUTE OF ACTUARIES OF AUSTRALIA NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2006 (continued)

| | 2006 \$ | 2005 \$ |
|-----------------------------------------------------------------------------|------------------|------------------|
| 2. REVENUE AND EXPENSES | | |
| (a) Revenue | | |
| Revenue from operating activities | | |
| Income from sale of other goods and services | 5,526,501 | 5,321,732 |
| Total Revenue from operating activities | 5,526,501 | 5,321,732 |
| Revenue from non-operating activities | | |
| Interest received | 198,152 | 162,060 |
| Trust distributions received | 64,623 | 38,408 |
| Market value fluctuations of investments | (18,720) | 26,377 |
| Realised gains on sale of investments | - | 13,325 |
| Total Revenue from non-operating activities | 244,055 | 240,170 |
| Total Revenue | 5,770,556 | 5,561,902 |
| (b) Other Income | | |
| Net gain/(loss) on disposal of property, plant and equipment | - | (8,257) |
| (c) Expenses | | |
| Amortisation and Depreciation of assets: | | |
| Leasehold improvements | 80,825 | 80,825 |
| Office equipment | 54,833 | 41,608 |
| Furniture and fittings | 2,788 | 2,946 |
| | 138,446 | 125,379 |
| Movements in provisions | | |
| Leave entitlements (see note 9) | 22,723 | 27,027 |
| Doubtful debts | (4,866) | - |
| | 17,857 | 27,027 |
| Rental expenses on operating leases | | |
| Minimum lease payments | 241,811 | 244,836 |
| Remuneration of the auditors | | |
| Auditing the accounts | 15,000 | 13,000 |
| Other services | 19,390 | 14,371 |
| | 34,390 | 27,371 |
| (d) Significant Revenue and Expense Items | | |
| The following revenue are relevant in explaining the financial performance: | | |
| Publication revenue | 323,130 | - |
| Publication expenses | (91,748) | - |
| Website development costs written off | (213,148) | - |
| 3. CASH AND CASH EQUIVALENTS | | |
| Cash at bank | 171,524 | 386,702 |
| Cash on Hand | 400 | 400 |
| | 171,924 | 387,102 |
| 4. TRADE AND OTHER RECEIVABLES | | |
| Interest receivable | 8,908 | 9,531 |
| Income receivable | 40,279 | 81,319 |
| Less: Provision for doubtful debts | (2,500) | (7,376) |
| Deferred expenses | 60,404 | 129,553 |
| Loan to UNSWAF | 9,458 | - |
| Receivable from Taxation Office | 67,588 | 38,795 |
| | 184,137 | 251,822 |

Notes to the Financial Statements

THE INSTITUTE OF ACTUARIES OF AUSTRALIA NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2006 (continued)

| | 2006 \$ | 2005 \$ | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|-----------------------|---------------------------|-----------|
| 5. OTHER CURRENT ASSETS | | | | |
| Listed securities at market value | 1,007,501 | 815,051 | | |
| Unit trusts at market value | 682,996 | 675,732 | | |
| Cash on deposit | 1,636,130 | 1,596,747 | | |
| | 3,326,627 | 3,087,530 | | |
| Prize fund balances | | | | |
| H M Jackson prize fund | 6,329 | 6,432 | | |
| A M Parker prize fund | 12,027 | 12,025 | | |
| Andrew Prescott Memorial prize fund | 9,339 | 9,242 | | |
| The Melville prize fund | 26,924 | 26,453 | | |
| Katherine Robertson prize fund | 21,001 | 22,573 | | |
| | 75,620 | 76,725 | | |
| | 3,402,247 | 3,164,255 | | |
| 6. OTHER NON-CURRENT ASSETS | | | | |
| Bank bonds at cost (a) | 77,894 | 77,894 | | |
| | 77,894 | 77,894 | | |
| (a) Bank bond have been offered as security in place of a rental bond. | | | | |
| 7. PROPERTY, PLANT AND EQUIPMENT | | | | |
| Leasehold improvements, at cost | 877,474 | 877,474 | | |
| Less: accumulated amortisation | 229,630 | 148,805 | | |
| | 647,844 | 728,669 | | |
| Computer equipment, at cost | 244,439 | 232,468 | | |
| Less: accumulated depreciation | 180,716 | 125,883 | | |
| | 63,723 | 106,585 | | |
| Furniture and fittings, at cost | 34,900 | 13,097 | | |
| Less: accumulated depreciation | 9,313 | 6,525 | | |
| | 25,587 | 6,572 | | |
| | 737,154 | 841,826 | | |
| Movements in the Carrying Amounts | | | | |
| Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the year end of the current financial year. | | | | |
| | Leasehold Improvements | Computer Equipment | Furniture and Fittings | Total |
| Balance at the beginning of the year | 728,669 | 106,585 | 6,572 | 841,826 |
| Additions | - | 11,971 | 21,803 | 33,774 |
| Disposals | - | - | - | - |
| Depreciation amortisation expense | (80,825) | (54,833) | (2,788) | (138,446) |
| Carrying amount at the end of the year | 647,844 | 63,723 | 25,587 | 737,154 |
| 8. TRADE AND OTHER PAYABLES | | | | |
| Unsecured: | | | | |
| Sundry creditors and accruals | | 549,006 | | 676,946 |
| Registration fees for conferences and seminars received in advance | | - | | 384,051 |
| Lease Incentive | | 157,433 | | 214,083 |
| | | 706,439 | | 1,275,080 |
| 9. CURRENT PROVISIONS | | | | |
| Employee entitlements | | | | |
| Annual Leave Accrual | | 73,825 | | 73,160 |
| Long Service Leave Accrual | | 39,102 | | 17,044 |
| | | 112,927 | | 90,204 |

Notes to the Financial Statements

THE INSTITUTE OF ACTUARIES OF AUSTRALIA NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2006 (continued)

| | 2006 \$ | 2005 \$ |
|----------------------------------------------------------|------------|------------|
| 9. CURRENT PROVISIONS (continued) | | |
| (a) Aggregate employee entitlement liability | 112,927 | 90,204 |
| (b) Number of employees at year end | 18 | 16 |
| 10. CAPITAL AND LEASING COMMITMENTS | | |
| Operating Leases | | |
| Lease rental expense and commitments: | | |
| Rentals charged to income statement | 241,811 | 244,836 |
| Lease commitments: | | |
| Not later than 12 months | 335,418 | 307,737 |
| Between 12 months and five years | 347,723 | 320,046 |
| Greater than five years | 744,054 | 1,039,017 |
| Total operating lease commitments | 1,427,195 | 1,666,800 |
| Other Commitments | | |
| Capital and Other expenditure commitments contracted for | | |
| General Insurance Textbook | 50,000 | 80,000 |
| Website costs | 75,000 | 58,000 |
| Payable within twelve months | 125,000 | 138,000 |

11. RELATED PARTY TRANSACTIONS

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

| | | | |
|------------------------------|--------------------------|--------------------------|------------------------------------------|
| M Ali (to Dec 05) | A C Gale (to Dec 05) | H G Onions (from Dec 05) | A Tatarow (from Dec 05, resigned Jun 06) |
| R J Bateup (resigned Feb 06) | D M Goodsall (to Dec 05) | N J Rivett | T J Thompson |
| C J Bennet (from Apr 06) | R D Hoskinson | F Rowley | M E Turner (from Aug 06) |
| P J Blight (to Dec 05) | J H Lang (from Dec 05) | S J Schubert | R T Ward |
| I D Burningham | G C Martin | T Spicer (from Feb 06) | B A Watson (from Dec 05) |
| A J Cook | H C McLeod (to Dec 05) | M A Stevenson | |

(b) During the year the Institute had contracts with various entities which had officers or employees who were Council Members of the Institute. These transactions are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

There was a contract with Trowbridge Deloitte, which is related to A C Gale and C Bennet, in relation to the IFSA genetic testing database project. The amount spent during the year was Nil (2004/5 \$7,500.)

There was a contract with Mercer Human Resource Consulting, which is related to M A Stevenson, in relation to Part III Course leader fees. The amount incurred during the year was \$11,500.

There was a contract with Russell Employee Benefits, which is related to SJ Schubert, in relation to Part III Course leader fees. The amount incurred during the year was \$ 31,000 (2004/5 \$55,000)

(c) Donations were made during the year to the University of Melbourne Actuarial Foundation for \$100,000, the Macquarie University Actuarial Foundation for \$100,000, and the University of NSW Actuarial Foundation for \$100,000, Australian National University \$25,000 and the Actuarial Research Centre of Australia for \$50,200.

(d) The Institute loaned the University of NSW Actuarial Foundation \$9,458 as a short term measure to ensure it to meet its June quarter GST obligations. The loan will be repaid from a GST refund due on the Foundation's September return.

(e) The Chief Executive of the Institute, Mr John Maroney, is a Fellow of the Institute.

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

12. FINANCIAL INSTRUMENTS

(a) Significant Accounting Policies

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

(b) Interest Rate Risk

The Institute's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in

Notes to the Financial Statements

THE INSTITUTE OF ACTUARIES OF AUSTRALIA NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2006 (continued)

12. FINANCIAL INSTRUMENTS: 12b Interest Rate Risk (continued)

market interest rates, and the effective weighted average interest rates on those financial assets and financial liabilities is set out in the following table:

Weighted Average Effective Interest Rate:

| | 2006 | 2005 |
|------------------------------------------------------------------------|------------------|------------------|
| Financial Assets | % | % |
| Cash at Banks | 4.17 | 4.99 |
| Cash on deposit | 5.77 | 5.40 |
| Investments | 6.70 | 7.30 |
| Floating Interest Rate: Financial Assets | 2006 | 2005 |
| | \$ | \$ |
| Cash at Banks | 171,524 | 386,702 |
| Cash on deposit | 54,619 | 54,152 |
| Investments | - | - |
| Total Financial Assets | 226,143 | 440,854 |
| Fixed Interest Rate Maturing within 1 year: Financial Assets | | |
| Cash at Banks | - | - |
| Cash on deposit | 1,636,130 | 1,596,747 |
| Investments | - | - |
| Total Financial Assets | 1,636,130 | 1,596,747 |
| Fixed Interest Rate Maturing within 1-5 years: Financial Assets | | |
| Cash at Banks | - | - |
| Cash on deposit | 77,894 | 77,894 |
| Investments | 1,007,501 | 815,051 |
| Total Financial Assets | 1,085,395 | 892,945 |
| Non-Interest Bearing: Financial Assets | | |
| Cash at Banks | - | - |
| Cash on deposit | - | - |
| Investments | 703,997 | 698,305 |
| Total Financial Assets | 703,997 | 698,305 |

(c) Credit Risk

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

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

(d) Net Fair Values

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

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

13. CASH FLOW INFORMATION

(a) Reconciliation of Cash

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

| | 2006 | 2005 |
|------|-----------|-----------|
| | \$ | \$ |
| Cash | 171,924 | 387,102 |

Notes to the Financial Statements

THE INSTITUTE OF ACTUARIES OF AUSTRALIA NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2006 (continued)

13. CASH FLOW INFORMATION (continued)

| | 2006 \$ | 2005 \$ |
|------------------------------------------------------------------------|---------------|----------------|
| (b) Reconciliation of Cash Flow from Operations with Net Profit | | |
| Net Profit | 396,373 | 225,364 |
| Non-Cash Flows in Profit | | |
| Depreciation and amortisation | 138,446 | 125,379 |
| Loss on disposal of assets | - | 8,257 |
| Changes in Assets and Liabilities | | |
| Decrease/(increase) in interest receivable | 623 | 2,137 |
| Decrease/(increase) in income receivable | 41,040 | (31,927) |
| Increase/(decrease) in doubtful debts | (4,876) | - |
| Decrease/(increase) in deferred expenses | 69,150 | (9,920) |
| Decrease/(increase) in receivable from Taxation Office | (28,793) | 40,314 |
| Increase/(decrease) in sundry creditors | (184,590) | 190,115 |
| Increase/(decrease) in income in advance | (384,050) | 124,653 |
| Decrease/(increase) in market value of investments | 18,720 | (26,377) |
| Increase/(decrease) in employee provisions | 22,723 | 27,027 |
| Decrease/(increase) in loan to UNSWAF | (9,458) | - |
| Net cash provided by operating activities | 75,308 | 675,022 |

14. MEMBERS' GUARANTEE

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

Each member of the Institute guarantees its liabilities to the extent of \$20. The number of members at year end was 3,214 (2005: 3,023).

15. SEGMENT INFORMATION

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

16. COMPANY DETAILS

The registered office of the company is:

Level 7 Challis House
4 Martin Place
SYDNEY NSW 2000

THE INSTITUTE OF ACTUARIES OF AUSTRALIA DISCLAIMER FOR THE YEAR ENDED 30 SEPTEMBER 2006

The additional financial data presented on page 37 to page 39 is in accordance with the books and records of the Institute which have been subjected to the auditing procedures applied in our statutory audit of the Institute of Actuaries of Australia for the year ended 30 September 2006.

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

In accordance with our Firm policy, we advise that neither the Firm nor

any members or employee of the Firm undertakes responsibility in any way whatsoever to any person (other than the Institute of Actuaries of Australia) in respect of such data, including any errors or omissions therein, arising through negligence or otherwise however caused.


F GIANNUZZI
Partner


UHY HAINES NORTON
Chartered Accountants

Sydney, 22 November 2006

Members Profit and Loss Account

THE INSTITUTE OF ACTUARIES OF AUSTRALIA PRIVATE INFORMATION FOR THE MEMBERS PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 SEPTEMBER 2006

| | 2006 \$ | 2005 \$ |
|-------------------------------------------|------------------|------------------|
| REVENUE | | |
| Administration | | |
| Interest | 198,152 | 158,822 |
| Trust Distributions | 64,624 | 38,408 |
| Market Value Fluctuations on Investments | (18,720) | 26,377 |
| Realised Gains on Sale of Investments | - | 13,325 |
| Members' Subscriptions | 1,889,909 | 1,697,525 |
| Entrance Fees | 69,233 | 55,695 |
| Events Administration fee | 63,540 | 90,177 |
| | 2,266,738 | 2,080,329 |
| Professional Development | | |
| Seminars & Programs | 707,450 | 1,044,386 |
| Functions & Meetings | 37,938 | 35,979 |
| | 745,388 | 1,080,365 |
| Education | | |
| ActEd Royalties | 28,466 | 23,487 |
| Tuition Service (UK) | 51,679 | 63,865 |
| Professionalism Course | 108,018 | 101,291 |
| Part III Course Fees | 1,339,243 | 1,313,630 |
| Commercial Actuarial Practice Course Fees | 263,329 | 120,445 |
| Exemption Fees | 474,409 | 566,204 |
| | 2,265,144 | 2,188,922 |
| Knowledge | | |
| Advertising | 154,140 | 126,150 |
| Sales of Publications | 323,130 | 52,501 |
| Prize Funds Income | 3,373 | 3,239 |
| Prize Funds Donations | 8,596 | 8,129 |
| Research & Reports | - | 18,000 |
| Other | 4,047 | 4,267 |
| | 493,286 | 212,286 |
| TOTAL REVENUE | 5,770,556 | 5,561,902 |
| LESS EXPENDITURE | | |
| Administration | | |
| Auditors Remuneration | 34,390 | 27,371 |
| Legal Fees | 34,418 | 29,350 |
| Donations | 9,271 | (20) |
| Staff Amenities & Travel | 16,230 | 17,689 |
| Insurances | 17,500 | 22,347 |
| Merchant Expenses & Bank Charges | 26,853 | 28,770 |
| Premises | 287,893 | 276,725 |
| Depreciation & Amortisation | 138,446 | 125,379 |
| Loss on Disposal of Depreciable Assets | - | 8,257 |
| Computer & Telecommunications | 107,126 | 84,575 |
| Stationery, Subscriptions & Couriers | 52,067 | 53,607 |
| Printing & Distribution | 21,202 | 30,701 |
| Council | 21,474 | 7,478 |
| | 766,870 | 712,229 |

Members Profit and Loss Account

THE INSTITUTE OF ACTUARIES OF AUSTRALIA PRIVATE INFORMATION FOR THE MEMBERS PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 SEPTEMBER 2006 (continued)

| | Note | 2006 \$ | 2005 \$ |
|-------------------------------------------------------------------------------|------|------------------|------------------|
| LESS EXPENDITURE (continued) | | | |
| Employment | | | |
| Salaries & Superannuation | | 1,605,679 | 1,495,941 |
| On Costs | | 77,008 | 72,580 |
| Fringe Benefits Tax | | 12,872 | 3,790 |
| Recruitment/training | | 131,502 | 11,366 |
| | | 1,827,061 | 1,583,677 |
| Professional Development | | | |
| Seminar & Program | | 460,022 | 252,313 |
| Convention | | 616 | 289,070 |
| IACA Conference | | - | 221,893 |
| Functions & Meetings | | 84,783 | 137,831 |
| | | 545,421 | 901,107 |
| University Foundation Grants | | | |
| University of Melbourne Actuarial Foundation | | 100,000 | 122,500 |
| Macquarie University Actuarial Foundation | | 100,000 | 110,000 |
| University of NSW Actuarial Foundation | (a) | 125,000 | 122,500 |
| | | 325,000 | 355,000 |
| (a) Includes a contribution of \$25,000 to the Australian National University | | | |
| Education | | | |
| Part III Course Development | | 43,800 | 113,040 |
| Part III Course Materials | | 196,022 | 216,091 |
| Part III Expenses | | 520,437 | 521,754 |
| Professionalism Course | | 75,859 | 79,780 |
| University Prizes & Scholarships | | 14,300 | 11,000 |
| | | 850,418 | 941,665 |
| Knowledge | | | |
| Actuary Australia, AAJ & Other Publications | | 302,753 | 256,815 |
| Prizes Paid & Bank Charges | | 14,964 | 9,417 |
| Research & Reports | | 12,818 | 83,591 |
| Website Redevelopment | | 213,148 | 87,156 |
| ARCA | | 113,413 | 40,729 |
| | | 657,096 | 477,708 |
| Governance | | | |
| International Actuarial Associations (incl HK office) | | 45,418 | 41,303 |
| Committees & International Representation | | 157,385 | 158,699 |
| Disciplinary Scheme | | 14,061 | 30,952 |
| Professional Standards Review | | 79,907 | 27,262 |
| | | 296,771 | 258,216 |
| Public Affairs | | | |
| Functions | | 2,716 | 1,651 |
| Consultants' Fees | | 66,971 | 84,262 |
| Subscriptions | | 13,996 | 13,494 |
| Travel & Other | | 4,735 | - |
| ERMII | | 6,069 | - |
| Representation/Training | | 11,059 | 7,529 |
| | | 105,546 | 106,936 |
| TOTAL EXPENSES | | 5,374,183 | 5,336,538 |

Prize Fund Movements

PRIVATE INFORMATION FOR MEMBERS PRIZE FUND MOVEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2006

| | 2006 \$ | 2005 \$ |
|---------------------------------------------------------------------------------------------------------------------------|------------|------------|
| Receipts into and payments from the prize funds has been reflected in the Institute's profit and loss account as follows: | | |
| Interest Received | 3,373 | 3,239 |
| Donations Received | 8,596 | 8,129 |
| Prizes Paid & Bank Charges | (14,964) | (9,417) |
| | (2,995) | 1,951 |
| The detailed movements in each account are as follows: | | |
| H M Jackson Prize Fund | | |
| Balance at beginning of year | 6,432 | 6,363 |
| Supplementation from Melville Prize Fund | 2,722 | 2,600 |
| Supplementation from the Institute | 3,000 | - |
| Interest received | 175 | 269 |
| Prize paid | (6,000) | (2,800) |
| Balance at end of year | 6,329 | 6,432 |
| A M Parker Prize Fund | | |
| Balance at beginning of year | 12,025 | 11,845 |
| Supplementation from Melville Prize Fund | 2,722 | 2,600 |
| Interest received | 480 | 580 |
| Prize paid | (3,200) | (3,000) |
| Balance at end of year | 12,027 | 12,025 |
| Andrew Prescott Memorial Prize Fund | | |
| Balance at beginning of year | 9,242 | 8,653 |
| Supplementation from Melville Prize Fund | 4,240 | 4,050 |
| Interest received | 357 | 339 |
| Prizes paid | (4,500) | (3,800) |
| Balance at end of year | 9,339 | 9,242 |
| The Melville Prize Fund | | |
| Balance at Beginning of Year | 26,454 | 25,987 |
| Donations received | 8,596 | 8,129 |
| Interest received | 1,558 | 1,588 |
| Supplementation to other prize funds | (9,684) | (9,250) |
| Balance at end of year | 26,924 | 26,454 |
| The Katherine Robertson Prize Fund | | |
| Balance at Beginning of Year | 22,573 | 20,735 |
| Increase/(Decrease) in Market Value | (1,425) | 2,324 |
| Interest received | 803 | 464 |
| Prize Paid | (950) | (950) |
| Balance at end of year | 21,001 | 22,573 |

University of New South Wales Actuarial Foundation Reports

UNIVERSITY OF NEW SOUTH WALES ACTUARIAL FOUNDATION STATEMENT BY THE TRUSTEES

The Trustees declare that:

- (a) the financial statements and notes thereto present fairly the Foundation's financial position as at 30 September 2006 and its performance for the year ended in accordance with Australian Accounting Standards and other mandatory professional reporting requirements;
- (b) in the Trustees opinion, there are reasonable grounds to believe that the Foundation will be able to pay its debts as and when they become due and payable.

Signed on behalf of the Trustees:



C G LEWIS



J M NEWMAN

Sydney, 22 November 2006

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

Scope

We have audited the financial report of the University of New South Wales Actuarial Foundation for the year ended 30 September 2006, as set out on pages 41 to 42. The Trustees are responsible for the preparation and presentation of the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Institute.

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

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

Audit Opinion

In our opinion, the financial report presents fairly in accordance with Australian Accounting Standards and other professional reporting requirements the financial position of the Foundation as at 30 September 2006, and the results of its operation and its cash flows for the year then ended.



F. GIANNUZZI
Partner



UHY HAINES NORTON
Chartered Accountants

Sydney, 22 November 2006

University of New South Wales Actuarial Foundation Reports

UNIVERSITY OF NEW SOUTH WALES ACTUARIAL FOUNDATION INCOME STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2006

| | 2006 \$ | 2005 \$ |
|-----------------------------------------------------|------------|------------|
| REVENUE | | |
| Donations received | 125,000 | 122,776 |
| | 125,000 | 122,776 |
| LESS EXPENDITURE | | |
| Bank Charges | 393 | 117 |
| Donation - ANU Centre for Actuarial Research | 25,000 | - |
| Donation - University of NSW Actuarial Studies Unit | 100,000 | 122,500 |
| | 125,393 | 122,617 |
| Surplus/(Deficit) | (393) | 159 |

UNIVERSITY OF NEW SOUTH WALES ACTUARIAL FOUNDATION BALANCE SHEET AS AT 30 SEPTEMBER 2006

| | | |
|-----------------------------------------------|---------|-----|
| TRUST FUNDS | | |
| Balance at beginning of the year | 949 | 790 |
| Surplus/(Deficit) | (393) | 159 |
| | 556 | 949 |
| REPRESENTED BY: | | |
| Cash at Bank/(Overdraft) | 14 | 949 |
| GST Refundable/(Payable) | 10,000 | - |
| Loan from Institute of Actuaries of Australia | (9,458) | - |
| NET ASSETS | 556 | 949 |

The accompanying notes form part of these financial statements.

UNIVERSITY OF NEW SOUTH WALES ACTUARIAL FOUNDATION CASH FLOW STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2006

| | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|------------|
| Cash Flows from Operating Activities | | |
| Donations received | 125,000 | 122,776 |
| Loans received from the Institute of Actuaries of Australia | 9,458 | - |
| Net GST Received/(Paid) | (10,000) | 1,428 |
| Payments to suppliers and donations paid | (125,393) | (138,323) |
| Net cash inflow/(outflow) from operating activities (a) | (935) | (14,119) |
| Cash Flows from Investing Activities | | |
| Proceeds from disposal of investments | - | - |
| Purchase of investments | - | - |
| Net cash inflow/(outflow) from investing activities | - | - |
| Net increase/(decrease) in cash held | (935) | (14,119) |
| Cash at beginning of year | 949 | 15,068 |
| Cash at end of year (b) | 14 | 949 |
| (a) Reconciliation of cash flow from operations with surplus/(deficit) | | |
| Surplus/(deficit) | (393) | 159 |
| Increase/(decrease) in GST liability | (10,000) | 1,428 |
| Increase/(decrease) in Accounts Payable | 9,458 | (15,706) |
| Net Cash Flows from Operations | (935) | (14,119) |
| (b) Reconciliation of cash | | |
| For the purpose of the cash flow statement, cash includes cash on hand and in banks and net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows: | | |
| National Australia Bank | 14 | 949 |

The accompanying notes form part of these financial statements.

University of New South Wales Actuarial Foundation Reports

UNIVERSITY OF NEW SOUTH WALES ACTUARIAL FOUNDATION NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2006

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

- (a) The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Basis of Preparation

The Foundation has prepared financial statements in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS).

The financial report has been prepared on an accruals basis and is based on historic costs and does not take into account changing money values. Cost is based on the fair values of the consideration given in exchange for assets. The accounting policies have been consistently applied, unless otherwise stated.

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

2. FINANCIAL INSTRUMENTS

- (a) Interest Rate Risk

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

- (b) Credit Risk

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

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

- (c) Net Fair Values

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

3. RELATED PARTIES

- (a) \$125,000 (2005: \$122,500) was received in donations from the Institute. The Institute acts as nominee holder of Foundation investments.

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

C G Lewis
M D Barker
C R Latham
J M Newman

- (c) The Institute loaned the Foundation \$9,458 as a short term measure to enable the Foundation to meet its June quarter GST obligations. The loan will be repaid from a GST refund due on its September return.

University of Melbourne Actuarial Foundation Reports

UNIVERSITY OF MELBOURNE ACTUARIAL FOUNDATION STATEMENT BY THE TRUSTEES

The Trustees declare that:

- (a) the financial statements and notes thereto present fairly the Foundation's financial position as at 30 September 2006 and its performance for the year ended in accordance with Australian Accounting Standards and other mandatory professional reporting requirements;
- (b) in the Trustees opinion, there are reasonable grounds to believe that the Foundation will be able to pay its debts as and when they become due and payable.

Signed on behalf of the Trustees:



G E ROGERS



M FRY

Sydney, 22 November 2006

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

Scope

We have audited the financial report of the University of Melbourne Actuarial Foundation for the year ended 30 September 2006, as set out on pages 44 to 45. The Trustees are responsible for the preparation and presentation of the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Institute.

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

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

Audit Opinion

In our opinion, the financial report presents fairly in accordance with Australian Accounting Standards and other professional reporting requirements the financial position of the Foundation as at 30 September 2006, and the results of its operation and its cash flows for the year then ended.



F. GIANNUZZI
Partner



UHY HAINES NORTON
Chartered Accountants

Sydney, 22 November 2006

University of Melbourne Actuarial Foundation Reports

UNIVERSITY OF MELBOURNE ACTUARIAL FOUNDATION INCOME STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2006

| | 2006 \$ | 2005 \$ |
|------------------------------------|------------|------------|
| REVENUE | | |
| Donations received | 100,000 | 122,500 |
| Interest | 713 | 452 |
| | 100,713 | 122,952 |
| LESS EXPENDITURE | | |
| Bank Charges | 263 | 223 |
| Donation - University of Melbourne | 100,000 | 122,500 |
| | 100,263 | 122,723 |
| Surplus/(Deficit) | 450 | 229 |

UNIVERSITY OF MELBOURNE ACTUARIAL FOUNDATION BALANCE SHEET AS AT 30 SEPTEMBER 2006

| | | |
|----------------------------------|--------|--------|
| TRUST FUNDS | | |
| Balance at beginning of the year | 26,437 | 26,208 |
| Surplus/(Deficit) | 450 | 229 |
| | 26,887 | 26,437 |
| REPRESENTED BY: | | |
| Cash at Bank | 26,887 | 26,437 |
| NET ASSETS | 26,887 | 26,437 |

The accompanying notes form part of these financial statements.

UNIVERSITY OF MELBOURNE ACTUARIAL FOUNDATION STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2006

| | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|
| Cash Flows from Operating Activities | | |
| Donations received | 100,000 | 122,500 |
| Interest received | 713 | 452 |
| Net GST Received/(Paid) | - | 2,829 |
| Payments to suppliers and donations paid | (100,263) | (122,723) |
| Net cash inflow/(outflow) from operating activities (a) | 450 | 3,058 |
| Cash Flows from Investing Activities | | |
| Proceeds from disposal of investments | - | - |
| Purchase of investments | - | - |
| Net cash inflow/(outflow) from investing activities | - | - |
| Net (decrease)/increase in Cash | 450 | 3,058 |
| Cash at beginning of year | 26,437 | 23,379 |
| Cash at end of year (b) | 26,887 | 26,437 |
| (a) Reconciliation of cash flow from operations with surplus/(deficit) | | |
| Surplus/(deficit) | 450 | 229 |
| Increase/(decrease) in GST liability | - | 2,829 |
| Net Cash Flows from Operation | 450 | 3,058 |
| (b) Reconciliation of cash | | |
| For the purpose of the cash flow statement, cash includes cash on hand and in banks and net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows: | | |
| National Australia Bank | 26,887 | 26,437 |

The accompanying notes form part of these financial statements.

University of Melbourne Actuarial Foundation Reports

UNIVERSITY OF MELBOURNE ACTUARIAL FOUNDATION NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2006

1. STATEMENT OF ACCOUNTING POLICIES

- (a) The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board, and the Corporations Law 2001.

Basis of preparation

The Foundation has prepared financial statements in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS).

The financial report has been prepared on an accruals basis and is based on historic costs and does not take into account changing money values. Cost is based on the fair values of the consideration given in exchange for assets. The accounting policies have been consistently applied, unless otherwise stated.

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

2. FINANCIAL INSTRUMENTS

- (a) Interest Rate Risk

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

- (b) Credit Risk

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

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

- (c) Net Fair Values

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

3. RELATED PARTIES

- (a) \$100,000 (2005: \$122,500) was received in donations from the Institute. The Institute acts as nominee holder of Foundation investments.
- (b) Trustees of the Foundation at the date of this report are:
- G E Rogers
 - R S Mitchell
 - M H Fry

THE ACTUARIAL RESEARCH CENTRE OF AUSTRALIA TRUST STATEMENT BY THE TRUSTEE

The Trustee declares that:

1. the financial statements and notes thereto are in accordance with the Corporations Act 2001, including:
 - (a) compliance with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 30 September 2006 and of the performance for the year then ended on that date of the Trust.
2. in the Trustee's opinion, there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Trustee:



M A STEVENSON



F ROWLEY

Sydney, 22 November 2006

INDEPENDENT AUDIT REPORT TO THE TRUSTEES OF THE ACTUARIAL RESEARCH CENTRE OF AUSTRALIA TRUST

Scope

We have audited the financial report of the Actuarial Research Centre of Australia Trust for the year ended 30 September 2006, as set out on pages 47 to 48. The Council Members are responsible for the preparation and presentation of the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Institute.

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

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

Audit Opinion

In our opinion, the financial report presents fairly in accordance with Australian Accounting Standards and other professional reporting requirements the financial position of the Trust as at 30 September 2006, and the results of its operation and its cash flows for the year then ended.



F. GIANNUZZI
Partner



UHY HAINES NORTON
Chartered Accountants

Sydney, 22 November 2006

ACTUARIAL RESEARCH CENTRE OF AUSTRALIA TRUST INCOME STATEMENT FOR THE PERIOD 30 SEPTEMBER 2006

| | 2006 |
|--------------------|-------------|
| | \$ |
| REVENUE | |
| Donations received | 50,200 |
| Interest received | - |
| | 50,200 |
| LESS EXPENDITURE | |
| Bank Charges | 194 |
| | 194 |
| Surplus/(Deficit) | 50,006 |

ACTUARIAL RESEARCH CENTRE OF AUSTRALIA TRUST BALANCE SHEET AS AT 30 SEPTEMBER 2006

| | |
|----------------------------------|---------|
| TRUST FUNDS | |
| Balance at beginning of the year | - |
| Settled Fund | 10 |
| Surplus/(Deficit) | 50,006 |
| | 50,016 |
| REPRESENTED BY: | |
| Cash at Bank/(Overdraft) | 16 |
| Pledges Receivable | 55,000 |
| GST Refundable/(Payable) | (5,000) |
| NET ASSETS | 50,016 |

The accompanying notes form part of these financial statements.

ACTUARIAL RESEARCH CENTRE OF AUSTRALIA TRUST CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2006

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|
| Cash Flows from Operating Activities | |
| Donations received | 210 |
| Interest received | - |
| Net GST Received/(Paid) | - |
| Payments to suppliers | (194) |
| Net cash inflow/(outflow) from operating activities (a) | 16 |
| Cash Flows from Investing Activities | |
| Proceeds from disposal of investments | - |
| Purchase of investments | - |
| Net cash inflow/(outflow) from investing activities | - |
| Net increase/(decrease) in cash held | 16 |
| Cash at beginning of year | - |
| Cash at end of year (b) | 16 |
| (a) Reconciliation of cash flow from operations with surplus/(deficit) | |
| Surplus/(deficit) | 50,016 |
| Decrease/(increase) in Pledges Receivable | (55,000) |
| Increase/(decrease) in GST liability | 5,000 |
| Cash Flows from Operations | 16 |
| (b) Reconciliation of cash | |
| For the purpose of the cash flow statement, cash includes cash on hand and in banks and net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows: | |
| National Australia Bank | 16 |

The accompanying notes form part of these financial statements.

ACTUARIAL RESEARCH CENTRE OF AUSTRALIA TRUST NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2006

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

- (a) The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Basis of Preparation

The Trust has prepared financial statements in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS).

The financial report has been prepared on an accruals basis and is based on historic costs and does not take into account changing money values. Cost is based on the fair values of the consideration given in exchange for assets. The accounting policies have been consistently applied, unless otherwise stated.

- (b) The Trust will be seeking an exemption from paying income tax under the Income Tax Assessment Act and accordingly has not provided for income tax.
- (c) There are no comparative figures for the 2005 financial year, as the Trust was constituted on 8 May 2006.

2. FINANCIAL INSTRUMENTS

- (a) Interest Rate Risk

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

- (b) Credit Risk

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

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

- (c) Net Fair Values

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

3. RELATED PARTIES

- (a) \$50,200 was received in donations from the Institute. The Institute acts as nominee holder of Trust investments.
- (b) The Trustee of the Trust at the date of the report was The Institute of Actuaries of Australia.



Institute of Actuaries of Australia

ABN 69 000 423 656

Level 7 Challis House
4 Martin Place
Sydney NSW 2000

Telephone +61 2 9233 3466
Facsimile +61 2 9233 3446
Email actuaries@actuaries.asn.au
Website www.actuaries.asn.au

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