



Leading in a changing world

Annual Review 2009



Institute of Actuaries of Australia



The global financial crisis has created a level of future risk and uncertainty arguably unparalleled in contemporary times. As political leaders continue to deal with the complexities of navigating a return to full economic prosperity, actuaries remain at the fore utilising a strong and proud history of serving the public interest.

Highly experienced in measuring and managing future risk and uncertainty, actuaries are continuing their long tradition of focusing on potential reforms, improvements and solutions at both the micro level for individual entities and the macro level of prudential regulation and supervision.

This Annual Review focuses on the very broad range of initiatives across the Institute and profession which are helping to shape and support the modern actuary in doing what he or she does best – leading in a changing world.



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“positioning the profession so that wherever there is uncertainty as to future financial outcomes, actuaries are sought after for their valued advice and authoritative comment”



Targeting opportunities

In my Presidential Address 'Colliding with the Future' published in December 2008, I identified the priorities for the Institute for 2009. These are set by Council and are aligned with the Institute's three year strategic plan. I also outlined some challenges and opportunities for the profession and my view on how to address these. This report summarises developments during the year and progress made against priorities.

The global context

2009 has been a turbulent year and the effects of the global financial crisis (GFC) have impacted everyone. The financial services sector has been at the heart of the turbulence which has placed very significant pressures on all our members to varying degrees.

Current indications are that the crisis is receding and that a return to normality is appearing increasingly likely, albeit at a cautious pace. The crisis and its recovery have revealed many mistakes and lessons and we can reasonably anticipate a program of global regulatory reform aimed at improving overall risk management of the financial system and preventing a recurrence of such proportions.

The profession has every reason to be proud of our management of the diverse range of financial institutions and clients through this period of turmoil.

What was the impact on the Institute?

The Institute was largely insulated from adverse financial impacts. Membership and student numbers have continued to grow, whilst operating costs have been closely managed. The major events such as the Biennial Convention, the Super Policy Forums, the General Insurance Seminar, the Health Financing Seminar, the inaugural Enterprise Risk

Management Seminar and the 12th Accident Compensation Seminar were a great success.

The Institute's capital investments were adversely impacted but values are recovering somewhat as interest rates commence to return to pre-crisis levels. The overall capital position continues to be healthy.

Council took the opportunity during the year to undertake a corporate governance review and to introduce a comprehensive risk management framework. Both are in line with contemporary best practice and position the Institute well for the future. The governance review outcomes include establishing an HR and Remuneration Council Committee, and a Submissions and Public Policy Council Committee. These will address important areas of governance and public positioning and share the workload amongst Council. The risk framework extends to strategic initiatives as well as day to day operational exposures, and recognises the importance of considering the implications of non-action, both strategically and operationally, as well as taking initiatives.

Planned initiatives

The priorities for 2009 were:

- Australia has led the development of a global enterprise risk management (ERM) qualification. Fred Rowley has championed this cause and the new qualification was announced in November. This qualification is a world first for the actuarial profession in that the qualification will be awarded by each participating country but will be recognised globally based on a shared syllabus and education quality standards.

The Fellowship qualification will continue to be supported and encouraged as the premier actuarial qualification.

Further, the Institute has also introduced ERM into our pre- and post-qualification programs to ensure that all actuaries are well briefed and trained in this important emerging field.

- Council resolved to proceed with allowing Associate members who have met stipulated requirements to call themselves 'actuaries' from 1 January 2010. This change will allow all members who elect not to complete the Fellowship qualification to be recognised and provide 'actuarial advice' commensurate with their education and experience and in line with international 'actuarial' designations. The Fellowship qualification will continue to be supported and encouraged as the premier actuarial qualification.
- The Code of Professional Conduct and Continuing Professional Development (CPD) requirements have been updated to reflect the current changes within the profession and contemporary standards for professions. This will ensure that the profession maintains the highest standards of ethics and competence.
- Council resolved to adopt a major change of focus from an 'educator and licensor' model to a 'member services and educator' model. This means valuing all members and looking to provide value to all members, recognising the differences in qualification level, field of practice, location and nature of employment and employment status.

This is a fundamental and significant change. Members should see initial changes emerging in 2010.

- Council approved major changes in 2008 to put the Institute's research effort onto a more professional footing. Key initiatives which are now in place include identifying gaps in the profession's research agenda; bringing academic and practitioner research closer together; sponsoring research through grants and project funding; and liaising with our professional counterparts overseas to leverage research effort and outcomes. Improving research is important and will take time but good initial progress has been achieved in 2009.
- Institute affairs and operations are principally aligned to calendar years. The move to calendar year financials will facilitate ease of operations and a more sensible timetable for audit of the Institute's financial statements.
- The Super Policy Forums held during 2009 have been an outstanding success in facilitating high quality policy debate amongst the diverse stakeholders in the retirement income debate. The Institute has retained a respected position in providing high quality apolitical thought leadership in the debate. The Super Policy Forums are planned to continue in 2010.
- The appointment of Honner Media and a concerted effort at the Institute has resulted in a significant lift in media coverage and presence. The major impact was the successful media launch of the International Actuarial Association (IAA) recommendations for global regulatory reform as a result of the GFC. This was widely covered in the media and with government and has established our presence as an



important contributor in this space. The launch has been consistently followed up throughout the year with related media effort, including support of the inaugural Enterprise Risk Management Seminar.

Unexpected developments

The Institute was delighted, at the graduation dinners, to welcome a record number of new Fellows in February 2009 and a further strong induction in August 2009. This is very positive for the profession as the demand for actuaries continues to grow in Asia, in wider fields and generally as a result of regulatory and other changes arising from the impact of the GFC.

The Institute's Vice President, Mark Baxter resigned in April 2009 due to work commitments. Council subsequently appointed Barry Rafe as Vice President.

The relocation of the Biennial Convention in April 2009 from Perth to Sydney at relatively late notice was necessitated by concerns about attendance numbers had the Convention proceeded in Perth. Notwithstanding the relocation, the Convention was an outstanding success attracting a wider audience and record numbers. This format may well become the way of the future.

The Institute's CEO, John Maroney, resigned in July to take up a position with the International Association of Insurance Supervisors in Basel, Switzerland. A full search was undertaken and I am delighted to record the appointment of Melinda Howes to the CEO position. Melinda is an exceptional replacement and will bring strong skills and experience to the role.

The Australian government has initiated a large number of wide-ranging reviews

as a result of the GFC. The Institute has made submissions on many of the reviews and maintained our creditable record for quality input. A special thanks goes to all the volunteers who have provided their time and expertise during such a busy and challenging period.

Challenges and opportunities

In my Presidential Address I supported the notion of serious opportunities in risk management arising from the GFC. I remain convinced that this is a once in a lifetime opportunity for the profession. We need to both skill our members accordingly and market our services in this area by careful communication of what we can contribute and demonstrate this in the market place. I encourage every effort for actuaries to become involved with retail banking and seek to offer complementary expertise to achieve the best risk management techniques possible.

I also raised the notion of wider pathways to Fellowship to broaden the profession and legitimise areas where some of our best and brightest are already practising. I am delighted that Council resolved to have this issue fully explored and researched. The practicalities may limit any change in this regard in the short term, but I am convinced that, to continue to attract the top students, we must offer qualification options that are attractive whilst still related to our fields of expertise. The broader career opportunities in investments, risk management, health financing and, in due course, environmental issues, are obvious candidates. This question is a crossroads issue and the outcome will determine the relevance of the profession in the years ahead.

Finally, I wrote about professionalism and the challenges in the modern

world. Integrity is the profession's greatest asset and customer value, which once lost is extremely difficult to rebuild. I am delighted that every effort is being maintained through the Code of Professional Conduct, CPD and the Professionalism Course to reinforce an understanding of this fundamental point.

Conclusion

2009 has been a year of unexpected developments but also a year of opportunity. Much has been achieved and the Institute is, in my view, in a stronger position than at the start of the year.

I would like to acknowledge the efforts of the Secretariat and all the many volunteers for their commitment to the profession. I believe that the future is strong and awaits those who are committed to an outstanding professional career.

Trevor Thompson
President



From the Secretariat

I cannot stop thinking how apt the title of this Annual Review - 'Leading in a Changing World' - has been for the Institute in 2009. Much has occurred this year which will have a profound change on our ability to better serve the membership in future.

The year started with a bang of sorts; our investments situation began deteriorating month by month as the impact of the GFC bit. Our forecast job advertisement revenue was all but drying up as recruitment interest for actuaries declined. The combined effect of these impacts on revenue, coupled with fears that education revenue might also be affected, prompted the Secretariat to develop contingency plans around a series of deteriorating scenarios. And as a precaution, strict expenditure controls were introduced. Fortunately from May onwards, our investment position began to steadily improve, job ads increased slowly and education numbers remained firm in the second semester. As the year draws to a close, I am pleased to advise that our financial position has recovered extremely well considering what we have been through.

Members will all be aware of the departure of John Maroney, the CEO, in September. Prior to John's departure, a restructure of the Secretariat was approved. Also, the Director of Professional Development left in August and the Director of Public Affairs departed in September. We also replaced the Finance Manager with a more qualified Financial Controller. Part of the rationale for the restructure was to flatten the organisation structure and increase the rigour of financial reporting. While not yet complete, the restructure is expected to be concluded following the arrival of our new CEO, Melinda Howes, in early 2010.

Elsewhere in this Review is mention of the new membership database. This has taken up considerable Secretariat effort to ensure we have the right product. All the indications are that it will deliver greater capability, functionality in the ways we are able to interact with members, and be more process efficient. Linked to this is the review currently underway to upgrade the Institute's website.

The Institute's Biennial Convention was a huge success with 571 participating delegates (up 60% on 2007). Other significant events for the year included the inaugural ERM Seminar, the General Insurance Seminar and the 12th Biennial Accident Compensation Seminar. For the first time, plenary sessions at Convention and the General Insurance Seminar were webcast so members interstate and overseas could participate. In addition, all audio or MP3 files were recorded for all concurrent sessions at these events and, with the webcasts, are all available to members on the Institute website. Over time, these recorded presentations are expected to form a rich and valuable addition to the Institute's library of intellectual capital for members to access.

While 2009 has been a year of challenge and change for the Secretariat, I believe it will be seen in retrospect as a foundation year on which much opportunity is built.

Peter Jones
Acting General Manager





A global market

What has changed?

The changes stemming from the GFC are profound. Some are immediately obvious whilst others will take time to become apparent. Similarly, some responses have been immediate and well publicised. Others are not necessarily transparent, yet will have a major impact on national indebtedness, currencies and international relationships.

As the GFC recedes, there is a real concern that the pressure for reform will wane or be overturned and business will revert to earlier practices. Managing the outcome will be a real test of resolve and alignment of views globally, especially amongst the G20 nations.

In all the above it is clear that irrespective of the outcome of these issues, the financial services industry has changed forever. Boards, senior managements, advisers, regulators, rating agencies, and even customers will view risk differently and with a healthier respect than in the past.

The opportunity

This is a world of true opportunity for our profession provided we recognise the need for advice and adequately fill that need. We will not be alone in identifying the opportunity and should recognise that other professions can and will offer services companion to, or in competition with, our skills.

This is why the profession is adopting a global ERM qualification with a common certification based on a shared syllabus and education quality standards. Our profession is small by global standards and a shared qualification will enable maximum leverage on the global stage.

Some of the major actuarial associations anticipate that as many as 25% or more

of Fellows in future will qualify with ERM as their specialty.

Other issues

In parallel with the financial crisis, the world is experiencing a blow out in longevity. This in turn has a major impact on the cost of financing retirement incomes, aged health care and health care. This presents a major funding and social/political issue in western countries and will do so increasingly in developing countries.

Developing countries are, by definition, demanding and building better living standards based on lower production costs and demand from developed countries. This whole model of development based on continual growth puts pressure on the world's natural resources and the environment. Clearly these issues are profound and ongoing beyond the GFC. The issues involved are complex and political but ultimately involve financial analysis of uncertain outcomes. Who is better placed than actuaries to contribute to the debate and thought leadership?

Even if you work in another practice area you are invited to think about the reality that you may change practice area and employer a number of times in your career. This could as easily be driven by changes in market demand as by choice. There is adequate opportunity to participate in committees and research in areas that may interest you and you are encouraged to consider this.

The Asian region

The Institute already has almost 25% of its members living and working overseas, with major increases in Asia in the past 12 months. Whilst the financial services industry differs markedly between most Asian countries, it is clear that most will

This is a world of true opportunity for our profession provided we recognise the need for advice and adequately fill that need.

undergo great change in markets and regulation. This will lead to significant demands for experienced staff and actuarial advice. It is also clear that most countries need more actuaries and encourage/support the flow of actuarial students to Australia.

Asia is therefore very important to Australia and we believe that we can make a contribution by sharing experience from our market. Our three year strategy includes building and strengthening relationships with our Asian neighbours.

International contribution

The IAA comprises 63 member associations. The objectives are to further develop and extend the availability of actuarial skills throughout the globe. These objectives include contributing to the development of sound policies and regulation at a global level by interaction with the relevant global authorities. The IAA also facilitates professional interaction across borders through "Sections" which are in effect special interest groups, such as pensions, health and social services.

The Institute has made a major contribution over the years to thought leadership at the IAA on many fronts. This is partly because the Australian financial services industry has developed rapidly from government deregulation in 1985, many years ahead of its major overseas counterparts. This has led to Australian actuaries being widely experienced in product initiatives not seen elsewhere for a couple of decades.

The reputation of Australian actuaries overseas is outstanding and second to none and has led to many employment and consulting opportunities over the years.

The Institute continues to provide valuable input on the global stage. Ironically, as the world continues to globalise, our contribution becomes increasingly relevant and important as many of the developments closely mirror the successful outcomes in Australia.

The international CERA qualification

The recently announced global ERM qualification is an exemplar of things to come as fourteen member associations of the IAA, comprising many of the major countries, have agreed to participate in the shared designation. The name for the designation is retained from the Society of Actuaries in the USA and builds on the strong model successfully launched in the USA two years ago. The new "global" designation is a first for the international profession and means that individuals with this qualification will be recognised internationally based on a common syllabus and education quality standards. Perhaps this will signal similar developments in other practice areas over time.

In Australia we believe that ERM is a unique opportunity for existing members and new graduates to broaden their career opportunities. Seeking employment in retail and wholesale banking, the finance sector and more broadly advising on risk management, utilises our unique skills in understanding and managing uncertain financial outcomes. The new CERA qualification will add market recognition and global weight to our unique combination of technical skills and professional discipline.

The GFC Taskforce

The GFC Taskforce was established earlier this year to monitor global and local developments as the GFC unfolded to ensure that we retained an

overview of developments and properly considered their implications and opportunities.

This is a different function to the Risk Management Practice Committee (RMPC) which has successfully introduced ERM CPD and pre-qualification education, established a special interest group with regular meetings and newsletters, and sought generally to promote initiatives to build the frontier of ERM in the profession.

The GFC Taskforce comprises senior members in a variety of high level positions working to recognise and comment on the implications of high level developments. This group also provides overviews to RMPC with comments and suggestions on activities and opportunities.

This structure is a good example of resources being used in a complementary fashion to the best advantage of the profession.

Conclusion

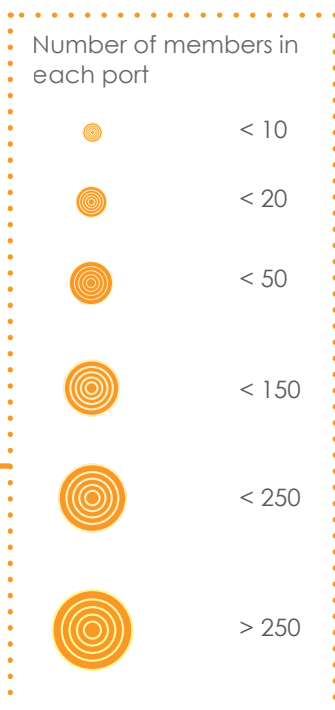
Increasingly, common regulation (even if based on common general principles) similar products and services, outlawing of locations of favour (e.g. tax havens), a greater awareness of risk and the need for a deep understanding and close management, all point to an increasingly global profession and favour great opportunities for the profession.

The Institute is watching strategic developments closely to ensure that Australian actuaries remain well positioned on the global stage and highly respected for their knowledge and skills.

A global market is an exciting prospect for those willing to step up to the opportunities!



Actuaries around the world



From Bermuda to the United Arab Emirates, our members are located in 37 countries around the world.

Over 800 members, that's almost a quarter of the membership, are based overseas.





The modern actuary

In 1762, Edward Mores penned the duties of an Actuary for the Equitable Society (see box over). Nearly 250 years later, Mores would little recognise the role description of today's actuary. Indeed, given the diversity of actuarial practice, it would be almost impossible to elicit any single description which adequately captured that diversity.

And this holds even more so when contemplating 'the modern actuary' or the actuary of the future. In December 2006, the Institute's Vision 2020 Taskforce foreshadowed:

"Given recent trends in Australia in financial sector regulation and employment opportunities and demands; and regional and global developments for insurance and pension industry growth, regulation and demand for actuaries; it would seem that if we "prosper" as a profession:

- In Australia, actuaries will be operating across a wide range of industries and activities, from finance and insurance to health and environment, working on assets, liabilities or both, estimating likely outcomes and measuring and managing uncertainty and risk, with some activities declining, some maturing and some growing.
- In the Asia region, a general theme of development of insurance and pension markets and demand for actuarial help in these "traditional" skill areas will likely be the case.
- In other jurisdictions such as Europe, established markets are undergoing substantial regulatory modernisation and/or institutional and product modernisation.
- Other jurisdictions will experience similar, different or a combination of one or more of these trends.

Our professionals, locally and globally, will be working in highly diverse areas and will not all be focused on the same thing."

One might add to that list, not only the ongoing need for technical expertise in traditional fields, but opportunities to bring actuarial skills and thought leadership to new and emerging fields such as ERM, retail and wholesale banking, health management, sustainable energy and climate change, marketing and business analytics. And, of course, the GFC has brought into even sharper relief the opportunities for the actuarial profession to bring to bear its risk management skills.

But beyond a recitation of his or her diverse work areas, the modern actuary will be someone who grows in their career by building on experience and accumulated wisdom through lifelong learning and contributing to actuarial intellectual capital. The modern actuary will be an exemplar of strong leadership qualities and communication skills – essential qualities for successful outcomes at the intersection of a growing, influential profession and public policy imperatives. Finally, the modern actuary will be someone who values making a contribution to the community.

The Institute has, through the work of committed volunteers and the Secretariat, undertaken many initiatives designed to support and complement the ongoing development of the modern actuary.

Designations changes

Following a membership-wide plebiscite, the decision was taken to extend the designation of 'actuary' to a wider community of actuarially trained professionals. Implementation of the changes has involved significant activity across a broad range of fronts, including: amendments to the Code of

"The Actuary:

- 1 shall give constant attendance at the House or Office of the Society on each day (Sundays only excepted) to receive proposals and execute other business
- 2 shall, in a fair and clerk-like hand, method and manner, write and keep all the books of the Society
- 3 shall regularly enter every day, into a Journal to be kept for that purpose, all applications for membership and all such sums of money as shall be received or paid by or for the use of the Society and of every other occurrence which shall fall out and come first to his knowledge, relating to the affairs and business of the Society
- 4 shall enter up the minutes of the proceedings and orders of the Court of Directors, and of the General Courts or Meetings of the Society."

Duties of the Actuary under the Deed of Settlement for the Equitable Society (1762)

Professional Conduct in order to both implement the change whilst continuing to safeguard the public through status disclosure requirements in certain instances; introduction of investments material into Part II and plans to develop an online bridging course; development of professional experience requirements; and reviews and planning with respect to the required Professionalism Course. Extending the actuarial brand into the wider business community in this way will support the extension of the modern actuary into new and emerging fields.

Enterprise Risk Management

As the President has noted elsewhere in this Review, Australia has led the development of a global ERM qualification. Risk management as a discipline has gathered enormous momentum around the world, and is now high on the agenda for many boards, especially in financial services. As such, it presents a significant opportunity for the modern actuary to gain a competitive advantage by building on traditional skills and techniques.

Fred Rowley has championed this development and the new qualification was announced in November. This qualification is a world first for the actuarial profession in that the qualification will be awarded by each participating country but will be recognised globally based on a shared syllabus and education quality standards. Further, the Institute has also introduced ERM into its pre- and post-qualification programs to ensure that all actuaries are well briefed and trained in this important emerging field.

Leadership

The long term goal of the Institute's Leadership Program is to inspire and better equip actuaries to make leading contributions and to make a difference,

through both the General Program and the Step Up Program. The first iteration of the Step Up Program was held during the year (with another being held in 2010).

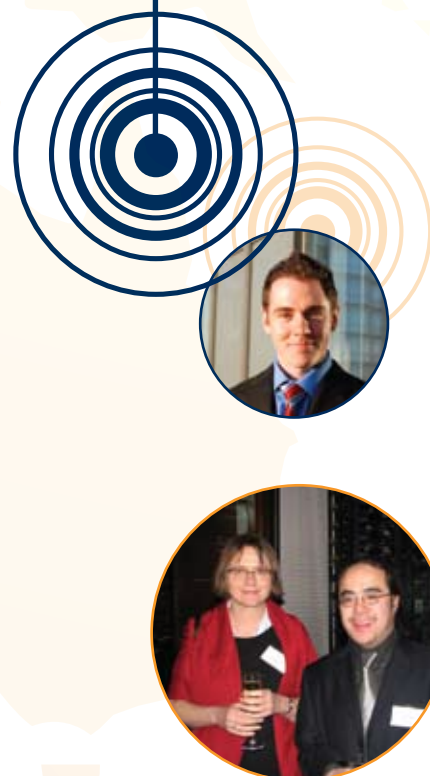
On the intellectual leadership front, the first round of Australian Actuarial Research Grant offers was made for research to be carried out in 2010. The research projects cover a very diverse range of topics from adaptive reserving with neural networks to prospects for longevity in Australia to dividend optimisation problems under Markov regime switching collective risk models.

Communications course

The Institute, in partnership with communications experts, piloted a new communications course tailored to the specific challenges of actuarial communications in communicating complex issues to non-actuarial executives using sophisticated written and verbal communication skills.

These initiatives of the Institute across the research, leadership and communications fronts strongly support the development of the core attributes of the modern actuary: a good communicator of complex issues and uncertain outcomes; someone who shows thought leadership and strong commercial understanding and judgment; and a contributor to public policy debate who is valued by government and the community.

..... of course, the exciting question is whether today's vision of the modern actuary will one day become as anachronistic as Mores' 1762 vision.





Actuaries in the media



In January 2009 the Institute embarked upon a more active public relations campaign to raise the profile of actuaries across the broader financial and corporate community. A key goal of the campaign has been to support the Institute in positioning the profession as a valued reference point whenever future financial outcomes are uncertain.

The GFC has proved a valuable opportunity to reinforce the role of the actuary during 2009 – and the media has played a key part in driving our messages home. The Institute has enjoyed a range of media coverage across a number of key topics including retirement income policy, ERM, prudential regulation, improvements in risk management following the GFC, the Institute submission to the Ripoll inquiry, the introduction of the global CERA qualification and the appointment of Kaise Stephan as Actuary of the Year for 2009.

Coverage has been more prominent this year with articles appearing in front news sections of The Australian Financial Review and The Australian, as well as regular coverage in BRW magazine, The Sydney Morning Herald, Business Spectator and broadcast outlets ABC Lateline Business, Sky Business and ABC Radio. Widespread coverage has also been achieved across the financial trade press.

Particular success has been achieved off the back of several events run by the Institute during 2009, which have attracted excellent journalist attendance and media coverage. The Super Policy Forum in February, the Biennial Convention and Global Risk Management media briefing all served to profile the profession and the areas in which actuaries work - as well as increase the engagement of

Institute spokespeople with the media. This concentrated activity has in turn led to more frequent, proactive contact from journalists on a broader range of topics where actuaries have a clear contribution to make.

Additionally the ability for the media to engage with a range of actuaries operating in the field in different areas has contributed to the success of the media program. Access to these spokespeople has broadened the range of topics the Institute is able to comment on and often allowed a more timely response to journalists.

The media coverage of the profession has also extended beyond our shores, with the New Zealand Society of Actuaries welcoming the suggested introduction of a "personal stress test" for investors and United Kingdom publication, Global Pensions, mentioning the Institute in an article about the increase in the Australian aged pension age.

Actuaries have become more sought after for expert comment across a larger range of areas. At the same time, the GFC has highlighted the need for better risk management, once again bringing actuaries to the fore.





A core element

Volunteers are vital to the success of many of the Institute's activities. Many say volunteers form the backbone of the Institute – they're right. In this changing market place volunteers are becoming more and more necessary in achieving the Institute's goals. The Institute can be proud of the enormous volunteer contribution made to the actuarial profession in Australia, and in some cases internationally, by over 35% of the membership.

The roles volunteers play

The Institute is fortunate in that members (and some non-members) contribute their knowledge, time, experience and enthusiasm in a wide range of areas across the Institute including education, communications, governance, professional development and operational aspects with over 100 committees, sub-committees, taskforces and working groups working with the Institute staff in all of these areas.

In the education area, the Institute has actuaries who tutor students, mark exams and assignments, write and review education exams and courses, and prepare professional development material.

There are volunteers who organise and contribute to seminars and other CPD events for members, such as the very successful Convention held this year. A glance at the program shows just how significant member contribution is to the profession's ongoing vitality and intellectual development. The same can be said in relation to the General

Insurance Seminar, the Accident Compensation Seminar and the Financial Services Forum. These events are only as good as the quality of the presentations and papers delivered, in which Institute members cannot be faulted.

Volunteers willingly prepare submissions to government and regulators on topical issues such as pension and retirement income policy reform, climate change, taxation, and regulatory reforms to superannuation, general insurance and life insurance. There are also numerous volunteers who make an enormous contribution to our research effort, which is critically important for the future of the profession.

There are yet other volunteers who make a significant contribution on a wide range of committees serving the practice areas, those that willingly volunteer their time to assist with strategic projects such as improving communication, member services, leadership, corporate governance and the future of the actuarial profession and many who represent the profession internationally.

The Institute also relies on volunteers to provide governance and disciplinary support by sitting on the Professional Standards Committee, the Professional Conduct Committee, the Tribunal Panel and Appeal Board, along with Council members who make a significant contribution to the strategic direction and governance of the Institute.

"Being involved with the Institute gives you a chance to make a difference and work with some amazingly talented people in the profession."

Darren Wickham, Benefit Projections Working Group



"Those who can, do. Those who can do more, volunteer."

"It is vital that our culture of volunteer support and intellectual input continue if we are to retain our character as an entity which truly reflects the views and values of our members."

*Bozenna Hinton,
Senior Vice President,
Volunteers Cocktail Party*

Why volunteer?

Time is a very valuable commodity and the Institute relies heavily on the membership to give their time to achieve its strategic goals. The unique qualities, especially the technical expertise, that actuarial volunteers bring with their involvement allows the Institute to deliver quality outcomes and unsurpassed results.

The Institute was encouraged with the response received late this year from members indicating that many had a strong interest in becoming actively engaged with the Institute. The Institute welcomes all potential volunteers and encourages members to speak to other volunteers, not only to hear about what opportunities may exist, but also to spend time learning about experiences other members have had and the achievements and progress they have made within the profession.

In return, members may also find that they gain from the time and effort that they commit to the Institute's activities. Volunteers benefit from the opportunity

to network with colleagues, exchange information and ideas, and contribute to the growth and development of their profession. In this sense, there is synergy between contributing to the work of the Institute and receiving something in return – whether that is acquiring new knowledge, learning a new skill or simply meeting a new colleague.

Forward thinking

Volunteer acknowledgment, recruitment and recognition is a perpetual strategic theme of the Institute and has been an integral component of the Member Services and Educator (MSE) initiatives now being implemented.

For example, each year the Institute celebrates volunteers with a cocktail party in Sydney and Melbourne which allows the opportunity to acknowledge the significant contribution of Institute volunteers. In the education area, volunteers receive nominal payments for their time and a gift at the end of each semester.



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"Being a member of a number of taskforces in recent years has provided a great opportunity to interact with actuaries from a range of disciplines and to gain a broader understanding of their fields of work. This has also given me a modest insight into the considerable practical challenges the Institute deals with day to day in seeking to support actuaries who are working in a wide variety of roles."

Duncan Rawlinson, Professionalism Review Taskforce

Of course, the Institute's ultimate acknowledgment of volunteer effort for the Institute is the award of life membership. Life membership is awarded for a long record of distinguished service to the profession. To date, 15 members have received this honour. Many of our life members continue to serve the profession in various ways, for example: serving on disciplinary bodies, the Investment Committee, contributing thought leadership in the international arena and promoting the pursuit of academic and intellectual excellence.

Quite simply, the Institute could not operate as effectively as it does without the leadership and support of the many volunteers who give their time. Their commitment, dedication and hard work means so much more is achieved. Volunteers are a core element to the success of the Institute and the actuarial profession.

The Institute takes this opportunity to extend its grateful appreciation to all its volunteers.



"Firstly, there is a significant amount of Institute work that needs to be done by volunteers. Partly because the Institute doesn't have the executive resources to handle it all, but mainly because the work is often best handled by practitioners actively working in the field. It is therefore important for volunteers to make themselves available to perform this important work."

Having said that, I have found the experience very fulfilling, particularly helping to contribute to the future policy direction for the benefit of others in the profession, as well as for my own firm and colleagues."

Andrew Boal, Convenor, Superannuation and Employee Benefits Practice Committee





Adding member value

Members will recall that in 2008 the MSE Taskforce was established to change the Institute from an 'Educator and Licensor' to a 'Member Services and Educator' focus. The Taskforce presented its report to Council in February 2009. The report contained numerous findings. Council decided to establish an MSE Implementation Group (MSEIG) to conduct further research into the findings and develop formal implementation plans, some of which are explained further below.

The Actuary Brand Project

The Actuary Brand Project is based on the Taskforce recommendation that 'the Institute clarifies both the brand "Actuary" and the brand "the Institute" with the aim of identifying unique selling points to assist in ensuring continued relevance and recruitment of new members'.

The key points determined to date are:

- the actuary is facing continuing demand in traditional markets with significant growth opportunities using the actuaries' core skills in new markets;
- the actuaries' skills include a mixture of technical and professional components that are unique in the financial markets and are in the public interest;
- the actuaries' education process recognises the importance of developing technical expertise and professional business acumen;
- the brand 'Actuary' needs to recognise the strong technical knowledge as well as professional overlay; and
- the brand 'The Institute' needs to be recognised by current and potential members as the vehicle through which careers and skills will be enhanced.

Define the Institute's value propositions

The Taskforce had undertaken an assessment of the benefits the Institute provides to its members. Value proposition benefit areas included: education, CPD, networking opportunities, career support and member support.

A value proposition subgroup of the MSEIG was formed to further the assessment conducted by the Taskforce. This group thought about service levels for members in various stages of their careers. Four career life cycle stages and matching value propositions were developed.

Career Stage 1: University students (students who may be thinking of going down the actuarial path and taking exams) - the three most important themes for the university students are affordability, relevance and opportunities. Affordability includes cheaper membership and discounts to participate in CPD events. Relevance covers items such as Institute newsletters, information sessions, career support and mentoring on education matters. Opportunities refers to more involvement with Institute events, more networking and chances to meet experienced practitioners from the industry.

Career Stage 2: Early career (analysts focused on qualifying) - the key focus area for this group is their career, professional development and networking opportunities.

Career Stage 3: Mid-career (recently qualified actuaries, middle management or senior analysts) - mid-career actuaries are primarily focused on their CPD and networking needs with an important consideration being availability of education material. These members are also likely to want to move into management roles and may wish to enhance their skills, particularly in public speaking, leadership and mentoring.

The brand 'Actuary' needs to recognise the strong technical knowledge as well as professional overlay. The brand 'The Institute' needs to be recognised by current and potential members as the vehicle through which careers and skills will be enhanced.

Career Stage 4: Senior/Retired (senior management/actuaries or retired actuaries) - top of career active actuaries are interested in influencing business outcomes through influencing regulators and governments and have an interest in targeted networking with other senior business and Government representatives. Non-active senior actuaries are interested in helping contribute to the profession, but generally prefer just to retain contact with their peer group.

Review membership categories

The value proposition subgroup concluded that the career life cycle stages developed are in line with the current membership categories. Categories generally of Full time Student (referred to as University Subscriber), Member (current Student/Affiliate category), Actuary, Fellow and Retired (non-practising) member are appropriate.

Review fee levels

Having developed the membership value propositions, fee modelling work has now begun to analyse the movement of students through their examinations and into membership categories. This analysis continues and will inform possible changes to future membership fee levels.

Quick wins

The MSEIG concluded that some of the Taskforce findings could be achieved in a relatively short period of time and without the need for extra volunteer resources. These included:

Introduction of University Subscribers - one of the Taskforce recommendations was to target and engage university students. In August, the Institute launched a new free offer for full time undergraduates studying at an Institute-accredited university to register to become University Subscribers. They receive free on-line notices including

Practice Committee newsletters, graduate employment opportunities, and the weekly member bulletin.

Institute engagement through volunteering - in August the Institute re-contacted members that had expressed an interest in volunteering as a way to engage and involve members with Institute activities. 100 responses were received from members who wanted to actively give of their time and skills to Institute projects. Practice Committees are currently working with these lists of names to identify possible engagement opportunities.

Professional indemnity (PI) insurance member service - another Taskforce finding was to introduce additional member services. Research into offering PI insurance to semi-retired or self employed members is nearly complete. The Institute estimates there are up to 350 members who fall into this group and who require PI insurance but cannot afford it. Further information on the offer is expected to be available in 2010.

Future implementation

The MSEIG in 2010 will also continue work on:

- building a new IT platform and website;
- reconnecting with disengaged members;
- considering introducing rewards for long-term volunteers;
- reviewing exemption fees;
- reassessing education and CPD delivery;
- investigating new revenue sources;
- supporting the formation of Special Interest Groups; and
- encouraging greater involvement among members outside Sydney.



Applauding achievement

2009 Actuary of the Year

Kaise Stephan

Through his Channel Crossing for Life, Kaise Stephan has set an outstanding example of personal values, strength of character and selfless dedication – in pursuit of a goal that will bring benefit to the whole community. His achievement projects a very positive image, representative of the best attributes of our profession.

The last three years saw Kaise train for his Channel Crossing, an attempt at swimming the English Channel, considered by many in the world to be the Mt Everest of swimming. The successful attempt occurred on 13 July 2008 and was dedicated to raising funds for cancer research, to the benefit of the Oncology Unit at the Children's Hospital at Westmead. Kaise decided to swim the Channel and raise funds for cancer following his young cousin's diagnosis with leukaemia. The campaign has raised over \$160,000 and has enabled the Hospital and its Oncology Unit to commence and complete an assigned three year research project.

Since completing the swim, Kaise has continued to raise money for the Hospital to achieve his ultimate target of \$250,000 for this worthy cause.

Kaise has been involved with the Institute for several years through committees such as the Energy and Environment Committee, and more particularly through the education stream as a member of the Education Council Committee, the University Accreditation Sub-committee and as a Chief Examiner, Assistant Examiner and a course marker. He has also written or co-written several papers and presentations for Institute seminars in the general insurance practice area.

Honorary Fellow of Faculty of Actuaries (Scotland)

Fred Rowley

"The Eminent Australian actuary, Fred Rowley, has been elected as an honorary fellow of the Faculty, recognising his achievements in advancing the profession. President of the Institute of Actuaries of Australia in 2007, Mr Rowley has occupied top-level roles in his home country and in the UK. He has a consistent record creating value and achieving strategic goals through leadership and personal commitment. Mr Rowley has a particular interest in broader risk management, with emphasis on financial risks and corporate finance and the economic impacts of climate change. A management-focused actuary, Mr Rowley has clear visions of the potential actuarial role in the risk management field and has tirelessly promoted the profession. The Faculty is proud to elect him an honorary fellow."

The Actuary, August 2009

The Institute congratulates the following members admitted as Fellows:

Indula Abeykoon, Abhijeet Agarwal, Daniel Antioch, Maiyuran Perumynar Arumugam, Ee Ling Grace Aw, Geoffrey Baars*, Peter Cher Boon Baker, Gregory Barn, Francis Beens, Darren Beesley, Rachael Best*, Yi Fei (Elaine) Bian, Alastair Bulcraig*, Yang Cai, Anthony Gar-Hay Chan, Betty Hoi Feng Chan, Frankie Wai-Kuen Chan, Joseph Tsz Shun Chan, Keng Hong Chan, Vincent Hon Shan Chan, Jean Lisa Chen, Jeffrey Xin Chen, Thomas Cherian, Nathan Hon Ning Cheung, Christina Chin, Wing Lam Chow*, Samuel Wai Kuen Chui, Ben Coulter, John Duane, Catherine Dube*, Travis Elsum, Wee Loon Er, Lei Feng, Reuben Fernandes, Matthew Floyd, Edmund Fong, Lulu Gao, Dmitry Gorelik, William Gorski*, Alexander Gould, Andrew Gower, Ioana Gudas, David Halse, Jon Harwood, Dirk Hattingh, Henry Hou, Daniel Huang, Xianghe (Winston) Huang, Angela Wae Man Hui, Allen Juang, Kathleen Kong, Margaret Pui Kee Kwan, William Lam, Pei Shan Lee, Julia Lessing, Kenric Kin-Ching Leung, Ricky Leung, Man-Chun Annie Liao, Jia Lin, Wei Lin, Sharon Sen Wah Mak, Yoke Keen Mak, Wade Matterson, Craig McCulloch*, Richard McPherson, 18 Nicola Mealar*, Suresh Murugesan, David Nuutinen, John Oakley,



Life Membership

Rodney Atfield and Kerry Roberts

Mr Rodney Atfield and Mr Kerry Roberts were honoured at the 2008 Annual General Meeting with Life Membership of the Institute acknowledging their long record of distinguished service to the profession.

Over the past 20 years Mr Atfield has served on Council and various committees, was President in 1992 and, until recently, was Chair of the Macquarie University Actuarial Foundation. He is currently the Convenor of the Appeal Board Panel.

Mr Roberts has been a very strong supporter of the profession throughout his career. He was President in 1982, awarded Actuary of the Year in 1998 and played a major role in the establishment of the Macquarie University Actuarial Foundation. He spent some years as a member and then Chair of the Foundation.

Education prizes

Andrew Prescott prizes 2008	Andrew Fisher	Meritorious performance in Investments examination
	Annie Lin	Meritorious performance in Life Insurance examination
	Alistair Ong	Meritorious performance in Commercial Actuarial Practice examination

The Andrew Prescott Memorial prizes for Global Retirement Income Systems and Best Overall Performance in the Part III Examinations, and the Katherine Robertson prize for Best Performance in the General Insurance Examinations, were not awarded in 2008.

Research

HM Jackson Memorial prize 2008	David Pitt	Paper: Modelling the claim duration of income protection insurance policyholders using parametric mixture models
Melville Biennial Convention prize 2009	Mike Barker	Paper: Some further thoughts on systemic risk – and how to control it
Melville Health prize 2008	Dimity Wall and Adam Searle	Paper: Risk margins for outstanding claims liabilities in health insurance
AH Pollard scholarship 2009	Claymore Marshall	To support the second year of his PhD program on the pricing and hedging of insurance contracts with embedded options

Scott Olsson, James Jinwoo Park, Sarvee Pillai, Bartosz Piwcewicz, Sylvia Pleskot, Corey Plover, Jacky Hin Lung Poon, Lawrence Puang, Charles Chao Qin, Kah Hing Quah, Jamie Reid*, Ian Reed, Danny Rouel, Michael Rowe*, Michael Seymour, Xi (Lucy) Shi, Julianna Chi Lam Shing, Vaqas Ur Rahman Siddiqu*, Jasdeep Singh, Peter Sinkis, Nicholas Smart, Robert Sorbello, Jared Spowart, Andrei Stadnik, Nicholas Stolk, Michael Stumbles, James Sullivan, Wong Kwok Swan, Edward Tam, Ju-Li Tan, Yee Lian Tan, Emily Tao, Wilma Terblanche*, Michael Thornton*, Keith Tomkins*, Mark Tomlin*, Henry To, William Tran, Thi Thanh Tuy Truong, Joanne Mei Yee Tse, Ismar Tuzovic, Joseph Valenti, Edward Vincent*, Jeremy Waite*, Jenifer Walton*, Andrew White*, Nicholas Wilkinson, Thomas William, Kyung Chun Won, Christopher Wood, Wei Win Wong*, Yoke Wai Wong*, David Philip Wright, Cathy Qian Wu, Jason Yeung, Tin Fu Yip*, Jason Maxwell Chun Shing Yu, Kevin Wing Tak Yung, Teresa Huen-Yee Yung, Michael Shi-Tao Zheng

Council

In addition to various issues of Institute policy, strategy and priorities, Council also managed some noteworthy challenges in 2009, including:

- guiding the Institute through the GFC leading to a corporate governance review and the implementation of a robust risk management framework and policy and capital management policy;
- deliberating the merits of the designations debate culminating in a whole-of-membership plebiscite and implementation of the agreed changes across education, professionalism and communication platforms;
- IT infrastructure issues leading to the commissioning of new IT systems which will facilitate the provision of enhanced service to members; and
- recruitment of a new CEO.



Trevor Thompson
President
BA (Econ), FIAA



Bozenna Hinton
Senior Vice President
BEd, FIAA



Barry Rafe
Vice President
BSc, Dip Arts (Phil), FIAA



Anthony Carey
BEd, M.Mgt, FIAA



Chris Latham
BSc (Hons), FIA, FIAA



Blair Nicholls
BEd, FIA, FIAA



Eddy Fabrizio
BEd, MBA, FIAA, FNZSA, FAICD



Ian Laughlin
BSc, Adv Dip FS(FP), FIA, FIAA, FAICD



Daniel Smith
BSc, FIAA



David Goodsall
BA, FIAA, CERA, ASA



John Newman
BBus Sc (Hons), FIAA



Gloria Yu
FIAA, LRSM, LMusA, ATCL

"It has been a great honour and privilege to have been on Council for the past three years. Over this time I have seen, and experienced, the enormous amount of commitment given by so many of our members to the Institute and what has been achieved in the numerous practice areas and endeavours. For me, it has been a rewarding three years, and I would encourage all members to aim to give some time to Institute activities as it assists to strengthen and enhance our professional brand into the future."

Eddy Fabrizio, Council member

New CEO appointed

Melinda Howes was appointed in November as the Institute's new Chief Executive Officer, to take effect in February 2010. Melinda will join the Institute from her role as Director – Industry Policy and Practice at The Association of Superannuation Funds of Australia Limited.

Qualifying as a Fellow of the Institute in 1998, Melinda has very extensive experience in superannuation and National Retirement Income Policy development, as well as consulting and business management experience. She is very experienced in policy development and has worked closely with government and media over many years.

Melinda has been involved in a wide range of volunteer capacities with the Institute, including a period on Council.

In memoriam

Sadly, the Institute lost a number of members in late 2008 and 2009. As strong supporters and major contributors to the Institute and the profession, their loss was felt by all who knew them.

John (Jock) Charles Chappell
Ross Arthur Collins
Joanne Cargill Cullen
William (Bill) Joseph Dowd
Brian Frederick Honey
Lyndon John McMullen

With thanks

In September John Maroney resigned as CEO of the Institute to take up a position with the Bank of International Settlements, in Basel Switzerland, in a major role with the Secretariat of the International Association of Insurance Supervisors.

John has made a great contribution to the Institute and to the IAA. He has worked with enthusiasm and commitment and successfully lifted the profile of the profession with government and the business community, as well as growing the capability of the Secretariat.

The Institute would also like to acknowledge long-term staff members Darren Davis, Philip French and Peter McBride who left the Institute in recent months. Each has made a great contribution to the Institute over the past four years and their endeavours, professionalism and commitment to drive improvements provide a sound base for the future of the Institute.



"Council is at the heart of the management and development of the profession, and this involves significant challenges, particularly in the current world. It's been a privilege to be part of this over the last 3 years. I would like to see the composition of Council change to better reflect our membership, and so encourage younger members and female members to run for Council."

Ian Laughlin, Council member

Supporting our strategy - Governance and regulation

2009 saw another highly productive year in terms of ensuring the robustness of the Institute's professional standards and guidance regime to support members in their roles, as well as in improving the Institute's governance arrangements. Whilst it is impossible to fully reflect the achievements during 2009, the following provides an insight into the breadth and depth of the work of the Governance and Regulation Business Unit this year.

Professional standards and guidance

The Governance and Regulation Business Unit is heavily involved in the development of new and updated standards and guidance. Often this involves extensive drafting work in conjunction with members having professional expertise in the relevant subject matter. The Unit also supports the Professional Standards Committee.

During 2009, the following new and updated standards and guidance were issued:

- Code of Professional Conduct;
- PG 199.01 (Prescribed Actuarial Advice Reporting);
- PS 1 (Continuing Professional Development);
- PS 404 (Valuation of Superannuation Fund Assets); and
- PG 499.02 (Projected Superannuation Benefit Illustrations).

Significant progress was also made on a number of other instruments, including:

- PS 300 (Valuations of General Insurance Claims);
- PS 400 (Investigations into the Financial Condition of Defined Benefit Superannuation Funds);
- PG 199.02 (Relationship with the auditor when actuarial work is used in an audit);

- PS 305 (Financial Condition Reports for General Insurers);
- conversion of GN 351 (Premium Rate Certification for the NSW Motor Accidents Scheme) to a professional standard;
- conversion of GN 456 (Preparation of Benefit Certificates) to a professional standard;
- conversion of GN 461 (Funding and Solvency Certificates) to a professional standard; and
- all the guidance notes in the health practice area.

Since the last Annual Review, substantial changes were made to the Due Process for the Development and Amendment of Professional Standards in order to ensure a rigorous review process.

Information and discussion notes

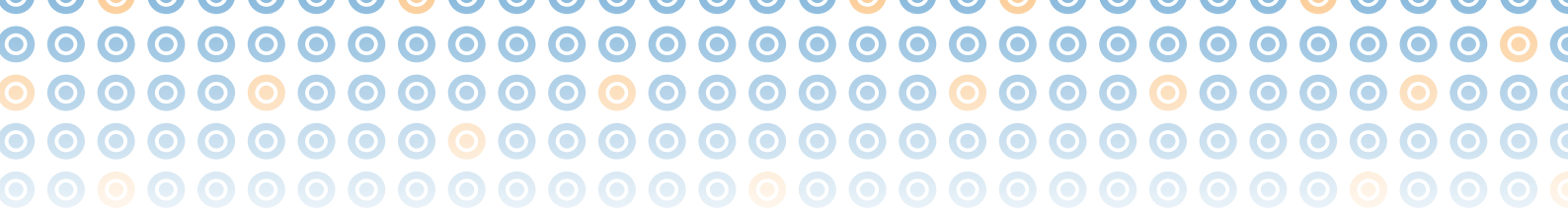
Several information and discussion notes were issued, ensuring timely and up to date information for members and opportunities for debate on practice-related issues:

- the application of LPS 1.04, AASB 138 and AASB 139 to friendly societies;
- target surplus;
- reviews of company run off plans;
- anti-detriment calculations; and
- payroll tax.

Continuing professional development

CPD compliance audits play a key role in achieving effective practice and reputation risk management. The 2008 audit was concluded during the year, with remedial action being taken with respect to some members, including future auditing. The key issues identified during the 2007 compliance review and the 2008 audit were addressed in the revisions to Professional Standard 1 (CPD) released during 2009.





A noticeable change during the year was the substantial increase in enquiries relating to CPD. This would appear to indicate that the audit campaigns have raised members' awareness of their CPD obligations which is a very positive outcome of the audit process.

A presentation was given during the year to members of the global Professional Associations Research Network on the Institute's CPD regime and auditing experience. Input has also been provided to two overseas actuarial associations in relation to their consideration of CPD compliance issues.

Global ERM Treaty

Considerable effort was expended during the year on the Global Enterprise Risk Management Designation Recognition Treaty, with the Governance and Regulation Business Unit leading the drafting on behalf of all the parties involved. This involved extensive negotiations with several international actuarial associations and their legal counsel, led by Fred Rowley. The first such agreement in the international actuarial profession, it is expected to provide a strong foundation for such co-operation in other areas in the future.

Mutual recognition

In November, a mutual recognition agreement was entered into with the Actuarial Society of South Africa. In addition, the New Zealand Professionalism Course was recognised for the purposes of Accredited Membership.

Designations

During the year, considerable advice and assistance was given across various issues associated with the designations proposals and changes. Numerous

enquiries from Members were also handled throughout the year.

Governance review

Support was provided during the year to the Corporate Governance Review conducted under Council's auspices. This effort focused particularly on ensuring that the results of the review – and the way in which Council decided to allocate accountabilities and responsibilities across governance, leadership, stewardship, management, the Institute's public face and voice and the international dimension – flowed through in amendments to the various governance instruments and policies of the Institute.

Constitutional amendments

At an Extraordinary General Meeting held in August, members adopted a new Constitution. The principal changes were to give effect to a change to the Institute's financial year to be on a calendar year basis. The changes will give relief to volunteer and Secretariat resources, as well as be consistent with the main drivers of the Institute's business.

Council election

For the first time in the Institute's history, an electronic ballot was conducted for the Council election following Constitutional amendments last year to allow such voting to take place. The facility led to a dramatic improvement in voting rates (by 60%), making for a more representative outcome.

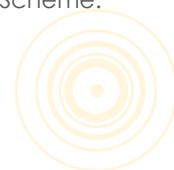
Other key areas of involvement

The Governance and Regulation Business Unit has many other areas of responsibility which continued during the year to require attention, including:

- managing the Council meeting processes (agenda preparation, preparing agenda papers and minutes);
- the induction of new Councillors;
- preparation of the Annual Review;
- managing the Disciplinary Scheme and dealing with complaints and inquiries with respect to the conduct of Members. This year a "Guide to Making a Complaint" was published and made available online;
- teaching professional obligations and practice risk management techniques at the Professionalism Courses during the year;
- providing company secretarial services for the Institute;
- updating of the Director's Compendium which provides a one stop resource for all the Institute's governance and regulation policies, structures and processes, as well as other information for Councillors; and
- providing legal input and drafting across a range of issues, which this year included for example: an agreement with the Society of Actuaries in respect of the UAM textbook; ensuring the Institute's compliance with privacy laws, necessitating a wide review and update of the Institute's practices in events and education; and various agreements related to research grants.

Disciplinary scheme report

There have been no Complaints or outstanding Complaints during the year under the Disciplinary Scheme.



"The privilege of being part of a quality group delivering key professional outcomes is the highlight of volunteering."

Elaine Collins, Professional Standards Committee and General Insurance Practice Committee

Supporting our strategy - Education and research

2009 has been a successful year for qualifying education. Highlights include:

- 108 candidates qualified as new Fellows;
- Overall 44% pass rate for Part III;
- 575 students enrolled in Semester Two 2009 Part III courses;
- 622 candidates sat Part I exams;
- 67.1% overall student satisfaction in Part III, which is an increase of 1.2% from 2008;
- ERM material has been successfully embedded into Part III courses;
- C1 Investments and 5A/5B Investment Management & Finance have been successfully run by Access Macquarie;
- Commercial Actuarial Practice course assessment structure was streamlined successfully and implemented in Semester Two 2009;
- Staff Actuary Pilot was conducted in Semester One in subject 2B Life Insurance;
- UAM Textbook project is nearing completion, with global emphasis and involvement;
- 'Promoting the Profession' initiative has expanded the quality and quantity of candidates seeking to undertake actuarial education;
- Monash University is undertaking provisional accreditation, which will result in a sixth accredited university; and
- visits have been made to each accredited university, and talks given to actuarial student societies.

The 2004 Baker Review of Part III found that Institute examination and assessment was world class, the course materials were average, but the teaching was poor. This became the blueprint of education reform. From 2005 to 2008, the Institute re-designed and re-worked the course materials to include performance objectives and

case studies, to bring them up to best practice. This is complete. In 2009 the focus in Part III education has been to pay more attention to the teaching element. The approach taken is to obtain better alignment between the learning strategies and the desired outcomes (which are tested in the exams). Currently the teaching consists of three two-hour tutorials during the semester. This new focus on teaching was done in two ways.

The first way was through the sub-contracting of C1 Investments and 5A/5B Investment Management & Finance to Access Macquarie. These courses were delivered by Access Macquarie in 2009. They featured five six-hour workshops to provide the teaching, making use of computer labs. These workshops were structured to provide theory and input in the first three hours, and workshop exercises in the second three hours.

The second way was through the Institute's Staff Actuary Pilot program conducted in subject 2B Life Insurance. This featured a half-day workshop followed by five two-hour tutorials during the semester. Both the workshop and the tutorials were repeated for distance students. Syndicate groups were the engine of learning, and case studies the main element. Students were encouraged to discuss and contest ideas, to work collaboratively and to present and critique material. Learning strategies like these are more likely to produce the qualitative complex judgment outcomes desired.

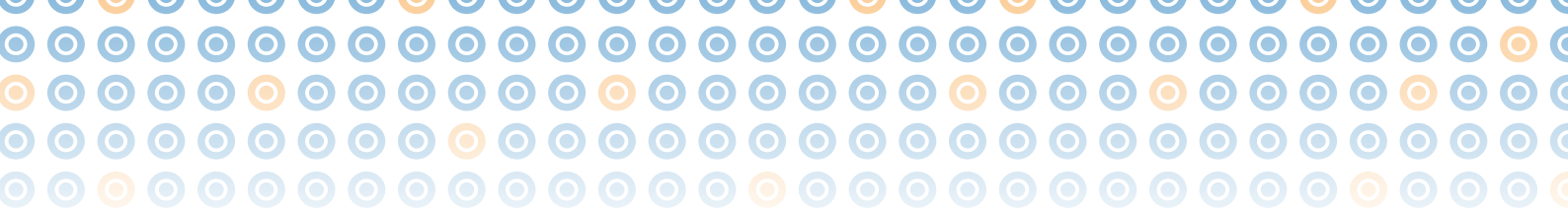
Promoting the Profession

'Promoting the Profession' has been an important initiative during 2009. The aim is to expand the quality and quantity of candidates seeking to undertake actuarial education. This is being done



"Volunteering is rewarding because it is only when you do it that you realise how your own achievements have been dependent on the help of others. Those many unseen volunteers - if they weren't there you wouldn't have achieved as much as you have. Also it's a great way to meet other members of the profession who you otherwise might miss - and they are normally wonderful people."

Alan Udell, Part III Course Leader and Part III Exam Marker



in a systematic way. The first strategy is to get information to high school careers advisers. To that end, a brochure has been designed using the "More Than Maths" brand, and a website www.morethanmaths.org has been created. A series of school visits by Fellows has been successfully piloted, and a target list of high performing schools has been created.

The second approach is to partner with the accredited universities as they outreach to schools in their catchment area. This is being supported through the "agreed objectives" university funding.

The third approach is to update our current brochure aimed at university students, which will be completed by the end of 2009. Finally, the last approach is to better engage with existing actuarial

university students through initiatives like the University Subscriber membership and visits to each university and talks to students.

UAM 2nd edition textbook

The second edition of the UAM Textbook will be a truly international text. The editors are located in Australia, UK and USA. Chapters have been written and reviewed by eminent actuaries throughout the world. This text is a collaboration with the Society of Actuaries, and will be published in time for the 2010 academic year.

Improving distance learning technology

Currently the Institute provides the Part III courses both in face-to-face and distance modes. For remote students,

distance mode has meant dialing in to a conference call and listening to the live tutorial that is presented to the face-to-face students, and at the same time running the powerpoint slides on their computer. The Institute has trialled web-conferencing technology during the recent Staff Actuary Pilot. This technology allows distance students to see the tutor's computer screen, and enables controlled interaction and participation. This will be phased in during 2010.

Research

The Institute is moving to a greater commitment to actuarial research, under the auspices of the Research Council Committee. Research is critical because it can set the future direction of actuarial practice and improve tools and methodologies.

Pass rates for Part III	2009 (1)	2008 (2)	2008 (1)	2007 (2)	2007 (1)	2006 (2)	2006 (1)
1 Investments	49%	51%	39%	42%	33%	31%	28%
2A Life Insurance	40%	48%	34%	39%	34%	27%	32%
2B Life Insurance	38%	42%	39%	33%	22%	41%	32%
3A General Insurance	37%	41%	52%	21%	38%	38%	42%
3B General Insurance	32%	37%	40%	48%	48%	39%	50%
5A Investment Management & Finance	n/a	n/a	49%	n/a	35%	44%	50%
5B Investment Management & Finance	50%	31%	n/a	34%	n/a	27%	43%
6A Global Retirement Income Systems	36%	n/a	58%	n/a	47%	38%	50%
6B Global Retirement Income Systems	n/a	56%	n/a	44%	n/a	57%	n/a
10 Commercial Actuarial Practice	55%	71%	49%	67%	57%	64%	61%

(1) = Semester One (2) = Semester Two



The Research Council Committee has focused this year on six strategic objectives:

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

These six objectives are genuinely strategic and capture the essential directions that need to be taken to expand and consolidate the research effort.

Notable developments or achievements this year have been:

- progress on a number of fronts with bringing practising members to be more research-aware and to engage more with research. Emergence of champions of research from the practitioners' ranks is a key, and encouraging this is a particular focus and will remain so over a long period;
- substantial progress was made towards prioritising and concentrating research. The first 'hard' manifestation of this was the list of priority research areas flagged in the advertising for the first round of Australian Actuarial Research Grants;
- good positioning of the Institute's research management system for applying the Research Project Fund (when the resources from it start to become available from the beginning of 2010) to support a

number of different types of research project, all of which will be significant if not important in developing a research portfolio on behalf of the Institute and the profession;

- developing good prospects for establishing and exploiting a range of linkages that will serve the Institute well in applying its limited research resources to obtain leverage on larger sources of research funding;
- sound governance and research management arrangements have been put in place, as well as ensuring a range of skills are on tap for driving the Institute's research agenda; and
- an enhanced facility to offer grants to competitive non-university researchers from 2010.

A particularly pleasing development was the making of offers under the first round of the Australian Actuarial Research Grants program, for research projects to be carried out during 2010. Nine offers were made from a field of 23 proposals, reflecting a pleasing competition for grants in the first round at a time when the funding arrangements are still bedding down.

The Research Council Committee was generally impressed with the applications received, many of which presented novel, interesting and potentially valuable projects. The first award round represented a very promising first step in the Institute's new research effort that will build up to its full budgeted level over a three-year period.

Supporting our strategy - Operations

A comprehensive review of the Institute's membership database was completed in late 2008. A preferred database was identified and a proof of concept demonstration of its capability was requested of the vendor in early 2009. The proof of concept was to automate a complex series of manual processes performed by staff within the Professional Education team. The demonstration was able to satisfy management sufficiently that the database had the versatility and features required to meet the needs of the Institute well into the future. Contracts have been signed and implementation formally commenced in November. We expect to see the launch of the new database in May 2010. The database will provide a broad range of new capabilities to better service the needs of members and improve Secretariat efficiency.

In addition to an upgraded database, the Institute is seeking to replace its website. A number of website solution providers and systems have been examined. The Institute also appointed a fulltime webmaster who has the skills to design and maintain a new look and feel for the website. Some of the key goals are to make it easier to navigate and to have a far more effective search facility, particularly for members who wish to access research papers and podcasts. The website must be inextricably linked to the membership database in order to enable e-commerce functionality and for this reason management is working to release the upgraded website at the same time as the new membership database is launched in May 2010.

The Institute also installed an advanced unified communication system covering

telephony and related communication requirements. The system has realised significant telephony savings during the year. The system is capable of communicating via voice over internet protocol (VOIP) and, as VOIP conditions become more robust, will see additional savings achieved.

The Institute also renewed its lease of Level 7, Challis House in Sydney for a further five years from May. The office is conveniently located for many members as evidenced by the high number who attend the regular Insights sessions during lunchtimes.

Aligning the Institute's financial year with the calendar year has been a significant accomplishment. In previous years, the Institute was under a great deal of pressure to prepare its financial accounts as at the end of September, support the external audit and have the accounts reviewed by the Audit and Risk Council Committee ahead of receiving Council endorsement prior to circulating them to the membership in time for a December AGM. The decision of the membership to support the move of the financial year will provide more opportunity for review.

In line with its Terms of Reference, the Audit and Risk Council Committee oversaw the development of a comprehensive Risk Management Framework comprising a risk management policy, strategy and reporting framework. Key internal and external stakeholders were consulted. All staff received training in risk identification and management. The risk management policy and strategy were both approved by Council in August.



The Institute moved to Challis House on 1 May 1994 – there were then 5 full-time Secretariat staff serving 789 Fellows, 331 Associates, 436 Students and 9 other members. There are now 23 staff serving over 3,600 members.

Expanding our horizons

"We are able to give the leaders of other actuarial organisations plenty of evidence to take back to their home countries that, although to them Australia may be a "land far far away", the quality and breadth of actuarial work both on a commercial and academic level is world class. On a personal level we are a profession that shares and cares about its colleagues, that willingly embraces change, progress and personal development for all. Convention is where we can step away from our daily lives, plug back in to this community, re-energise and remind us what it is really all about."

Lesley Traverso, Biennial Convention Organising Committee member

CPD is critical for members and the Institute. Learning doesn't end when the qualifying exams are completed. Actuaries need to engage on an on-going basis with developments not only in their practice area, but also in a range of generic skill development such as communication and leadership. They must do this to maintain and increase their value as practitioners in a highly competitive world. The Institute has a key role to provide more comprehensive CPD learning opportunities to members, to help equip them to be the premier risk professionals in the financial services and other sectors.

The Institute currently has a hybrid CPD structure. The first strand consists of event-based activities ranging from smaller one session events such as Insights and the Young Actuaries Program through to major events which for this year included intense one day seminars like the General Insurance and ERM seminars on the GFC and multiple day conferences like the Accident Compensation Seminar and the Biennial Convention.

The second strand of CPD is made up of courses, such as the 5-day face-to-face ERM workshop, the Step Up Program, communications skills pilot course and the online Private Health Insurance course.

The Institute is looking to place more emphasis on whole-of-life learning. This may result in an increase in provision of courses and investigating technologies to better leverage the existing events-based CPD.

Biennial Convention – Go for Gold

The Biennial Convention, the Institute's premier event, is the most important professional gathering for Institute members, providing a myriad of topics across all practice areas of the profession.

This year the focus was on surveying the global scene, pioneering best practice and professional leadership. Five non-technical plenary sessions, featuring an exceptional selection of local and international speakers, supported by 54 concurrent sessions covering a wide range of technical and non-technical topics, helped meet one of the key event objectives – to empower actuaries and other finance industry professionals to take a leadership role in the changing economic environment.

Despite the GFC, the growing pressure of work and balancing family and community responsibilities, there was a record attendance with 571 delegates from Australia and thirteen other countries. Feedback was very positive, with over 90% of respondents indicating the event met or exceeded their expectations.

Technology played a part in increasing access to members who were unable to attend the Convention, thus creating wider discussion on key topics and interaction from members. The Institute launched Convention-specific discussions and networking using internet social media LinkedIn and Twitter prior to the event and all plenary sessions were broadcast via live webcast.

insights: current developments in international accounting standards, retired actuaries group: the obsession with funding, young actuaries program: bootcamp, health financing course, melbourne financial services symposium, retired actuaries group: sub-prime and measurement, retired actuaries group: malthus revisited, biennial convention - go for gold, insights: property damage exposure draft, insights: international accounting standards, erm community meeting, insights: some further thoughts on system of investment in life, research workshop, insights: solvency ii – latest developments, insights: commonwealth's carbon pollution, young actuaries program: superannuation in a post-global financial crisis world, insights: how to destabilise the financial system, actuaries program: uncover your talents, insights: learning to live with longevity – retirement spending and investment implications, insights: the appointed actuaries in general insurance – a 28 year assessment of the regime, insights: no-one is average –

"The review of Australia's future tax system (Henry review) will potentially have a major impact on our taxation, savings, social security and superannuation arrangements in Australia.

The Super Policy Forums gave us the opportunity to hear different views from within the broader industry and to participate in the development of the Institute's submissions to this review."

Catherine Nance, Super Policy Forum speaker

ERM Seminar – Beyond the GFC

The GFC has thrown up numerous examples of poor or inadequate risk management and the resulting financial damage has been immense. This alone is a graphic and compelling reason for robust risk management in financial institutions.

This seminar provided a practical forum to analyse, debate and understand the impacts of the GFC on the Australian financial services industry and its customers. The forum focused on strengthening global financial risk management post G20, Australia's response to the GFC, dealing with pro-cyclicality at a systemic level, business impacts of the GFC and risk management implications and how the financial services industry will change. The seminar raised the profile of the value actuaries have to add in ERM.

ERM CPD Course

Well before the GFC, ERM had been gathering enormous momentum around the world and become high on the agenda for many company boards, especially those in financial services.

The Institute held a 5-day face-to-face course providing a thorough grounding in the key areas of ERM. The aim is that the knowledge obtained from the course will assist risk management professionals in their current roles as well as providing a foundation for pursuing opportunities as they emerge in the risk management field.

Importantly, the course provides a very good framework for actuaries to address their statutory risk management responsibilities in life insurance and general insurance and of similar benefit for those with risk management responsibilities in superannuation and health insurance.

General Insurance Seminar – GI in a GFC world

The GFC has had a significant impact on economies around the world with slowing economic growth, rising credit risk, rising unemployment and volatile capital markets. This has created enormous challenges for general insurers seeking to maintain sound financial and risk management amidst increasing uncertainty about future claims experience, inflation, interest rates and investment returns.

In turn, it has posed acute technical and professional issues for general insurance actuaries as they seek to advise insurers on key financial and risk management concerns including underwriting, pricing, reserving, reinsurance, asset management and enterprise risk.

This one day seminar brought together a range of industry experts to focus on and constructively discuss these issues and the many other challenges facing general insurers in this new economic environment.





Insights sessions have grown into an integral part of the Institute's CPD program providing members with a forum to gain new knowledge, generate new ideas and debate and exchange views as well as an opportunity to network with colleagues and peers.



The benefits of the Insights program are evident with over 30 well attended sessions being held this year covering a very broad range of hot topics. Whilst most sessions are held in Sydney and Melbourne, and made available to all members via audio record, this year has seen Insights travel to Brisbane for discussions on the impact of the GFC and International Accounting Standards.

Health Financing Course

The course was jointly marketed by the Institute and the Australian College of Health Service Executives which helped to achieve a balance of actuaries and non-actuaries. Focusing on the health system framework and associated financial characteristics, health system markets and governance and the practicalities of health system financing, the course used a mixture of lecture, discussion, and syndicate work to enhance the participants' experience and meet the objectives of the event.

The objectives of the course were to introduce actuaries to the larger issues of Australia's health financing system, through the eyes of expert speakers and provide a learning forum where participants, who work in health financing and come from a broad range of disciplines including health economists, statisticians, public servants, providers of health or financial services and actuaries, can mutually interact.

The course was ambitious, in that it aimed to bring together people who have diverse and sometimes quite opposing views and thus, understanding the positions of others was an important lesson gained by participants.



"The Step Up Program has been a success in unleashing our potential and shaping us through leadership development. It prepares us to rise to the challenge and embrace the many opportunities in which our profession can make a difference."

Gloria Yu, Step Up Program participant

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"A key challenge put to the profession at the conference was that of working more closely with medical practitioners and social scientists to understand claim drivers more clearly."

Jefferson Gibbs, Convenor, General Insurance Practice Committee

12th Accident Compensation Seminar – Rising to the challenge

The treatment of injured people in our society is a complex issue. The compensation schemes that address this issue everyday face the challenge of balancing the different stakeholder needs. In recent years, there have been positive messages emerging from a number of schemes. While the economy was growing, favourable investment returns supported the affordability and funding aspect of schemes. Reductions in frequency, and expanding programs that addressed the needs of the catastrophically injured, have been positive steps for assisting injured members of our society.

However, we are now seeing the impacts of abrupt changes in the economic environment. In addition, there are a number of other challenges for schemes and their stakeholders. These include the challenges of different benefit levels between schemes, implementation of reforms and other operational changes, providing good service to claimants, inflationary pressures and management of legal and treatment providers. Stakeholders need to continue to strive and innovate to maintain a positive direction. It is with this in mind that the theme 'Rising to the Challenge' was chosen for the 12th Accident Compensation Seminar.

This Biennial Seminar provided both actuaries and industry professionals with an opportunity to keep up to date with emerging issues and the latest developments in accident compensation.

The Young Actuaries Program took time to discuss the impact of the GFC, careers and working overseas, the process of peer review, the individual's life capital and an interesting piece on uncovering your talents. These events focus on the careers of young actuaries and aim to enhance members' professional skills and raise awareness of the pathways available especially in this changing market place.

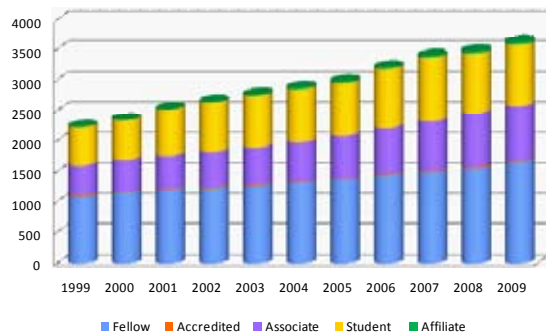
"..... while job prospects across the entire finance sector are suffering due to the current economic downturn, ultimately actuaries offer services which are still required just as much as before, if not more."

– a third year student's thoughts (Actuary Australia, April 2009)

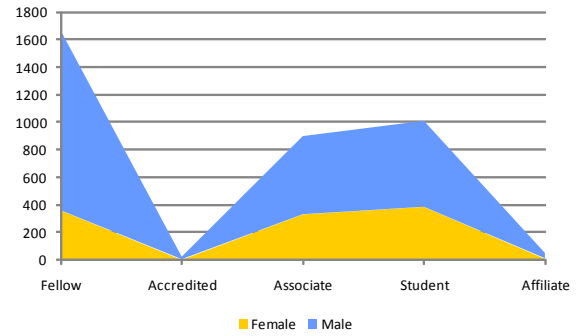


Membership statistics

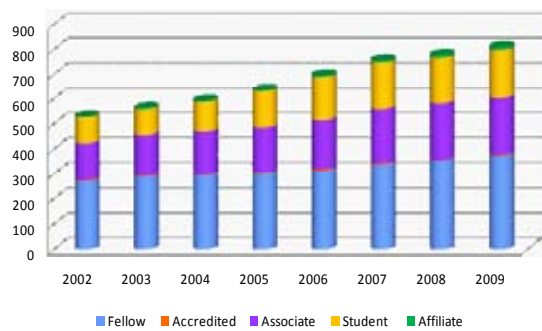
Membership by designation



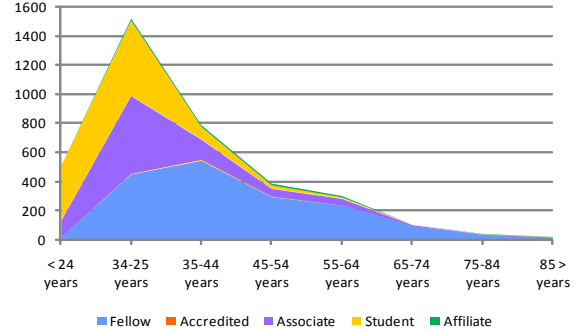
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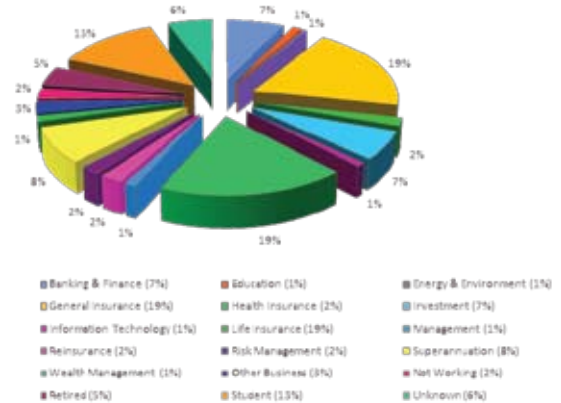
Membership based overseas



Membership by age



Membership by practice area



The Institute

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

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

For Institute news, services, publications and events go to www.actuaries.asn.au

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