Actuaries Institute

2021 Presidential Address
Expanding Our Frontier

Jefferson Gibbs

Expanding Our Frontier

Jefferson Gibbs, Actuaries Institute President

I begin my address by acknowledging and showing my respects to the traditional owners of all our lands here in Australia.

I thank the presidents that proceeded me and, in advance, Annette King and Naomi Edwards for their service as your future presidents.

It is a great honour to be your President for 2021.

Why? Because being an actuary is bound up with my past and my future. I come from a humble background where hard work and community were key. My parents were teachers in rural New Zealand. The world owed me nothing and education and hard work were the pathway to a fulfilling future.

Jefferson Gibbs alongside 2020 President Hoa Bui, at last year's Presidential Handover Ceremony.

I got my first job at 11. With the support of my family, I left home at 17 for University to become an engineer but found that it just wasn't me. I then discovered the profession of actuary – and it changed my life.

The exam pathway was clear, tough and long. But there were no tricks. It was about what you know, not who you know. It was about merit, and I like that. I know lots of actuaries who feel this way – we should celebrate it more.

While it may sound clichéd, I hold myself a debtor to this profession. It has been the bedrock of a fantastic life for me and my family. It has given me a valued career, financial security and a sense of purpose. A sense of purpose that I will bring to my year as your President.

Our debt to this profession can never be repaid in full as we inherit so much from the many generations that laid our path.

Through this address and my year as President, I want all members – and the world – to see that, and value it as I do.

Because actuaries count.

As I begin, I acknowledge my fellow Councillors, our CEO and passionate HQ Team, and the immense contribution of our volunteers.

Structure

I have structured my address into four parts tied to my vision of our present and future:

1. **2020 – COVID-19 changed the picture**
2. **2021 – upcoming plans and our strategy reset**
3. **2035 – the future of our profession**
4. **A voice for your opportunity**

1. 2020 – COVID-19 changed the picture

COVID-19 Overview

In 2020 we lived history as COVID-19 played havoc with every aspect of our lives.

This address touches on the significant impacts of COVID-19 on the Institute, its members, our profession, and the HQ Team and how we have adapted to these challenges. This is to explain some of the changes you have seen in the year and position my focus for the year ahead as an opportunity to embrace a bigger, bolder future together. It also records how we navigated the challenges for future reference.

COVID-19 Management and Governance response

At the Institute, several important changes were made:

Council re-examined its delegations to give far greater autonomy to the CEO and President as a pair and the Presidential Committee. This hastened and simplified decision-making while maintaining governance rigour.

The Presidential Committee met frequently with the CEO to cover developments and make specific decisions. Council ran shorter, more focused meetings to deal with major issues, such as events, staff welfare and exams. This provided direction that allowed our CEO and staff to move quickly and embrace change.

We recognised the additional stress everyone faced and focused on safety, empathy and understanding – for our HQ Team, our members – and ourselves.

We all know that actuaries can suffer from 'analysis paralysis' and seek over-perfect solutions. So, we talked of the need to respond wisely, quickly and with a focus on managing risk – but resisting our natural 'need' to craft perfect, full-term solutions with no residual risk.

All these steps combined to shepherd us through. It's a model we can use if faced with a future crisis. I acknowledge the wisdom of my fellow Councillors and applaud our CEO and the HQ Team in how they navigated the year.

Key decisions

By 13 March we had decided to cancel all face-to-face member meetings and move all staff to online working. In doing so, we gave up all there is to enjoy and learn from real human contact with our peers and colleagues. The shift to online was difficult. But once we made that decision, those that followed were easier.

In another twist, 2020 was the year we were all set to incorporate the General Insurance Seminar into the Actuaries Summit – and bring all Actuaries together. The Organising Committee had created a fantastic agenda but the need to protect health was paramount. We all felt the burden of the costs and the lost opportunities. The decision to cancel the face-to-face event sat heavy; it was one of the Institute's real 'COVID moments'.

Silver linings: Virtual Summit and Online Exams

Virtually assured success

So, it was with surprise – and absolute joy – that I participated in our first ever Virtual Summit. The team bringing that together deserve our deepest praise. I also thank all members who attended and all our sponsors for their wholehearted support.

I was delighted by the inclusive nature of online questions, the virtual connections and how it gave a voice to all our members. One simple example was the merit of written Q&A. Lower costs and the ability to join from anywhere across the globe increased the total number of members that joined in.

We learnt a great deal about hosting a virtual event, I am excited to see how we deploy that experience in the future.

Passing the exam test

The health and welfare imperative meant it was necessary to cancel our Semester One exams. We shifted to online exams for our second semester to avoid a 12-month pause for many students. That's a huge delay when you are seeking qualification.

The work involved in that pivot was significant.

The way our HQ Team handled this change and the risks involved was exemplary. Testing was rigorous and the few issues that emerged were managed extremely well. Once again, we owe our gratitude to all involved for their effort and the result.

This change is one of the silver linings of COVID-19. While final decisions are yet to be made and Semester One exams in 2021 will again be delivered online, it is unlikely we will ever return in full to the past approach.

Finances

The Institute's budget result was better than might have been expected with reduced revenues being offset by cost savings and government subsidies. The Institute remains in a strong financial position with the ability to invest in the strategies that will move the profession forward.

Profile and the Pandemic Resource Centre

I acknowledge the great work in establishing the Actuaries Institute Pandemic Resource Centre. It gave us a depth of insight and lifted the profile of our members and our profession. Many actuarial contributions to the great COVID debates were seen in the mainstream press. I welcomed the increased profile for the individuals and the Institute and the enhanced connection with bodies such as the AICD. It showed quite clearly that actuaries count.

An opportunity for change

The shift to online meetings was important in maintaining operations and bringing Council and our many committees together across multiple states and countries. The shift to an online platform means we can now deliver our exams to students in more locations without increasing costs. The virtual AGM saw a lift in members attending that forum.

These changes were forced upon us, and they have broken the mould of 20th century thinking. Although the benefits of connecting in person remains clear we expect to balance face-to-face connections with more cost-effective virtual options going forward.

Collectively we lifted the height of the bar in 2020. In 2021, I hope we all raise it further.

2. 2021 – upcoming plans and our strategy reset

In this section I cover three areas of upcoming activity:

- **Education Strategy Review.**
- **Regulatory reform – and speaking up.**
- **The Young Actuaries Advisory Board.**

World Leading Education

Over recent years there has been a substantial shift in the way we look at and deliver education and ongoing CPD support. Since 2016 we have been modernising the Education program:

- offering additional pathways to qualification; and
- ensuring future sustainability and flexibility.

In particular, the curriculum was altered to introduce compulsory training in the principles of data analytics. From Semester 2, 2021, students will have a subject at Fellowship level that will offer a new data analytics pathway to qualification. I am confident that there will be a strong uptake in this option and many of our members already list data analytics as their primary or secondary area of work.

The Education Strategy Committee (ESC) leads and oversees the development and delivery of the new program via an internal team of actuarial educators.

ESC is driving cultural and technical change through the articulation of five simple principles briefly outlined below.

1	The Fellowship qualification is regarded as equivalent to that in countries such as the US, UK and Canada thanks to mutual recognition agreements.
2	The Foundation, Actuary and Fellowship programs map to levels 7, 8 and 9 of the Australian Qualifications Framework.
3	Each subject must have a clear aim supported by the subject outcomes and learning objectives.
4	All learning objectives may be formally assessed.
5	Formal assessment must provide an expectation that a well-prepared student will reach pass standard.

Communication

The pathway to becoming an Actuary or Fellow has changed in various ways, although the standards required have not altered.

The restructure of the curriculum places further emphasis on communication skills – from 2020 we introduced a new subject that teaches communication, modelling and professionalism (CMP) skills at the Actuary level. We know these skills are valued by employers.

In my preparation for the Presidential year I spoke to several senior, non-actuarial leaders in industries working regularly with actuaries. When asked how we could increase our value add – and increase opportunities for actuaries – the universal answer was to lift our ability to listen and communicate effectively. Our important and often complex messages are respected; but we need the skills to ensure they are received and understood. This is not a new theme for us.

As with all our education efforts I hope the CMP course is seen by members as a valuable part of communication development – not the completion.

New subjects

The structure of Fellowship subjects has changed. Students now take two principles-based (i.e. legislation agnostic) subjects before specialising in an 'Applications' subject. This approach gives students a solid understanding of the core principles underlying actuarial methods. The final subject provides the 'practice-ready' skills.

As at the end of 2020, we introduced six new subjects:

- **two covering valuation and product development for long-term contracts;**
- **specialist subjects in Life Insurance and Superannuation & Retirement;**
- **CMP; and**
- **the revised Asset Liability Management subject.**

The accredited universities introduced the new Data Analytics Principles subject in 2020.

In 2021, we will introduce a Valuation subject and a Pricing & Portfolio Analytics subject that covers the domains of general insurance and health. In semester 2, we will introduce the Investment subject and a new Data Analytics Applications subject. The corresponding applications subject for general insurance will follow in 2022, as will an Australian-focused ERM subject. We are investigating the development of a Banking subject.

Feedback from students and fellows who have reviewed the new material has been extremely positive.

These new pathways are crucial to the ongoing delivery of careers and I touch on that further later in this address.

Speaking up

The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (Hayne Royal Commission) dominated many Boardrooms and workplaces across 2019. Topics of trust, social licence and consumer confidence were front and centre.

I touch on this only briefly to note that the response and roadmap present a vast opportunity for our profession. We have a reputation for objectivity, honesty and independence. We can make a real difference to the financial services sector and, particularly in banking, capture broader opportunity for the actuarial profession.

At the 2019 Actuaries Summit John Lonsdale, Deputy Chairman of APRA called us to action:

"Actuaries must learn to find the story behind the raw numbers – and then have the courage to speak up."

There's a great gift to us in his advice. I ask you, whatever your role, find the story behind the numbers and have the courage to speak up.

Young Actuaries Advisory Board

Across 2019 and 2020 Council was busy at work initiating a new forum for our young and new members, the Young Actuaries Advisory Board (YAAB). Our previous President, Hoa Bui, was a champion of this initiative – one of many major contributions she made to the future of the Institute in a challenging year.

The YAAB will start by focusing on:

- Designing a targeted communications strategy to increase young members' engagement – including taking responsibility for the Young Actuaries Program and Young Actuaries Conference.
- Developing a register of members looking to volunteer, particularly for the first time.
- Exploring opportunities to place young members on Council working groups and committees.
- Providing a young members' perspective into Council strategy. The first task on this point includes significant input into the 'Horizon Scan 2035' (see below).

I look forward to learning from YAAB as it innovates to design, coordinate and promote activities relevant to our younger members and help us develop future leaders.

3. 2035 – the future of our profession

Looking forward

COVID adds to short-term uncertainty. That does not excuse us from making long-term plans. Change continues and right now it is hard to know what changes will stick in aspects like face-to-face meetings and what will return to pre-COVID norms.

For me, COVID gives us an opportunity to challenge norms and try new things. We will continue to seek your feedback on these matters as we adapt to your needs.

Current demand for our support is high

Much of our routine and regulatory work is now in high demand. Work related to regulatory reform, the Hayne Royal Commission and Treasury Roadmap, IFRS 17, Superannuation reform and Government investment approach modelling, continues to keep us busy. Feedback from the Data Analytics Practice Committee and the Climate Change Working Group are that we continue to get noticed.

COVID's profound economic impact will increase demand for actuarial support

When you look at our existing platform and the massive economic upheaval and uncertainty arising from COVID it is clear that, now more than ever, our expertise is in high demand. The need for us to be there and be at our best could not be higher.

Never let a good crisis go to waste

I heard it said that you should never let a good crisis go to waste. It is crucial at this junction that we find more assertive ways to promote the role of actuary to a broader audience.

We would for example, be unwise to be complacent about the work coming from financial services post the Hayne Royal Commission.

As organisations complete their own forecasting and strategic work, our skills in navigating uncertainty will be more valuable than ever. But will they be more in demand than ever? Perhaps from those who know us, perhaps from those that already use us? But what about those who don't naturally think of actuaries as strategists, risk managers, data managers?

Perhaps our strong core is not in fact a wholly good thing? When you are deep in a crisis, the need to adapt is a matter of survival. For us, change may still appear to be optional. If we see it that way, we will see the opportunities of the future seized by others and in time, our core services come under threat.

A need to adapt and change

We won't change and grow our profession without changing how we think and work. I am asking for your full support as I encourage Council to endorse greater spend on promotion of the profession and to be bold with our upcoming strategy reset. I am seeking your full support in investing in our developing pathways in risk management, data analytics and beyond.

You can help drive this change through your actions:

- By speaking proudly of your own profession – and your contribution.
- By remembering and acting on this idea: you will strengthen the profession of actuary and secure your future by becoming a better actuary – by investing a little extra in your own career.
- By volunteering some time where you have not been able to do so in recent years. If every member finds an extra five minutes a week to volunteer or promote our profession, that amounts to more than 12.5 years of a person's full-time work.
- Changing your perspective of what it means to be an Actuary, away from one framed by the work a member is currently doing, to one that reflects the collective experience of actuarial training and standards. I want us to move past the phrase: 'not a real Actuary' when referring to one of our own working outside traditional or regulatory roles. When we do so we will grow and evolve more quickly and successfully.

Our brand, our future

Two quotes from 2020 show how wide the definition of brand Actuary is at this time:

When discussing the value of human life in an interview on Radio National, Philip Adams noted that things had become *'too brutal, too actuarial'*. Whilst not directly negative about our profession, this suggests that actuaries are as clinical as the models that we use.

On the other hand, in launching his journey to create a new insurer, Elon Musk noted his deep respect for the actuarial profession, he noted the value of *'high energy actuaries'* and that he wanted *'revolutionary actuaries'*. The quote is directly positive – with associations of value and modernisation.

In my view, we must own this narrative and guide the associations with our brand more carefully and explicitly towards those that we want.

Horizon Scan 2035

In 2005, the Institute established the Vision 2020 Task Force (V2020TF) to engage the membership in a debate on the big picture. The Vision 2020 Final Report gave a concise view of key issues that the Institute and its successive Councils were likely to face over the 15 years to 2020. A quick scan shows that the topics covered in the V2020TF process were relevant and timely. V2020 was an especially useful process and document.

The questions put to the Vision 2020 Taskforce are as relevant now as they were then:

- What will the working environment of Institute members look like?
- On current trends and accounting for current initiatives – what will the member profile of the Institute look like?
- To what extent will the actuarial profession meet the needs of the evolving environment?
- What high level, broad directional changes should the Institute undertake?

Late in 2020 we formed a taskforce to create a 2035 Horizon Scan document. This will pick up where V2020 left off.

The clear difference to 2006 is that we are emerging from a global pandemic; this creates both the permission and need to challenge the status quo and set bold strategy.

The Horizon Scan started in last quarter of 2020 with a plan to complete it across the next nine months.

So, what does this mean for you? This is an invaluable opportunity for you to tell your governing body what is on your mind and to help form current and future strategies. Focus groups commenced in late 2020 and a small survey during the Young Actuaries Conference. There will be further surveys and connection, so if you have not already done so, please share your thoughts with us.

Strategy reset

Over recent times our pattern has been a reset of the strategy every three years with a roll-forward, at interim years, to inform the annual operational plan. At the beginning of 2020 Council began work to reset our strategy to cover 2021 to 2023.

That reset was delayed by COVID. Had we looked at strategy in April/May 2020 the picture would have been less clear and the bandwidth of Council, the HQ Team and volunteers severely constrained.

In many ways the extra time allowed has been a blessing. COVID has forced us to embrace 21st century tools and create a mindset where we are more prepared to try new ideas. Our new strategy will be:

- informed by input from the Horizon Scan project and other member engagement;
- advised by the 'new-normals' that are developing as individuals and organisations adapt;
- set with a clearer picture of the economic and other impacts; and
- focused on brand Actuary and our value proposition to members and, through members, to business and society.

4. A voice for your opportunity

Now I turn to **how** I hope to lead the Institute forward in 2021.

Personally, I believe we need to balance three things in our strategy:

- **the delivery of the existing plans;**
- **the reshaping required post-COVID; and**
- **building the platforms of change for long-term strategic success.**

The Horizon Scan and strategy reset are the platform for this, and I believe we will achieve that balance if we focus on the following:

Champion inclusivity

We need to give a voice and opportunity to all. We need to respect and champion the work actuaries do and not define ourselves by narrow definitions of 'actuarial work'.

Drive public policy

We must continue to lead in areas of public policy where we have the insight to create real change. I am talking about areas like post-COVID economic recovery, superannuation, climate, intergenerational equity, lifecycle modelling – and many more. We need to be heard where we can make a difference. That's good for our communities – and our members.

Build relationships

We are more powerful – and more effective – working with others. We need to continue to strengthen relationships with Government, regulators like ASIC and APRA, and we need to repeat that success with a wider-ranging set of organisations. We must also build on our relationships with actuarial bodies around the world.

Continue to build a bigger and better profession

As President I will always champion actions aimed at raising opportunity for actuaries, creating meaningful work and promoting the good work that you do. Of course, we must uphold our professional standards, retain our focus on the public good and work within our finite resources.

Nevertheless, in every discussion I have, I will be a voice for your opportunity. In the following section I share some thoughts about that.

Expanding our Frontiers

The breadth of roles for actuaries has grown across the three decades of my career. The work of other actuaries in broadening our roles opened the doors for me to switch from superannuation and life insurance to general insurance.

So, it is a passion of mine to return that favour and create meaningful roles and opportunity for others. Broadening actuarial career opportunities is now more important than ever. We are not immune to disruption. As the world adopts to life post COVID-19 there will be threats and opportunities to our growth pathway.

We must do all we can to help current and future members create new and exciting careers.

Here's how I see the situation.

Overweight Financial Services?

In our traditional areas we must adapt to maintain our relevance and manage both the threat and opportunity of change.

However, we are too bound up in financial services and overly reliant on regulatory roles. This is clear when discussion of areas for growth seek a monopoly or the same dominance. I do not think that is realistic in all fields.

In Australia, financial services is approximately 9% of our GDP; it is a major sector here and around the globe. There is significant work in the Government sector and the level of actuarial involvement with corporations is growing. To me the 81% of our economy outside financial services is an untapped opportunity for our profession.

Not enough Risk?

Risk management is one of our great opportunities for growth both within financial services and outside it. It is great to see more actuaries as CROs and risk managers within insurance companies and within banking. That growth has been steady and is a tribute to the work of many. Now it's time for us all to get together and drive it faster and further and retain the connection with our trailblazing actuaries.

To date, we have predominantly used CERA to complement our core actuarial roles in financial services. We can do more to project our value and expertise in risk management as a message to other sectors. The words insurance, superannuation and actuaries go hand in hand – we have an unprompted brand association. We need to create that same word association in risk management – risk management and actuaries should go hand in hand in people's minds.

We should aspire to a future where every major organisation employs a Risk Actuary – whether the business is in financial services or widget making, and that they do so because of the outstanding reputation of actuaries in this work.

Confidence

We have the knowledge, skills, individual trailblazers and qualification platform, all the ingredients for success.

We need to shrug off the limitations we put on ourselves. We must be bolder. The security of our future requires real investment, bringing new skills to Council and new ways of thinking about our role within the workforce. This includes better appreciation of the value of the brand and its sub-brands, our value proposition and promotion – as well as the technical skills and delivery that take so much of our focus.

If we do all this, we will see widening employment and career path outcomes; as well as making important contributions to businesses and our communities.

Pathways and purpose

I would like you to think about this from another perspective. The financial services sector is stimulating and rewarding, and actuaries have been a huge part of its success in Australia. But there are young students – with all the attributes we expect and want in an actuary – who don't find the sector attractive. We can bring even more great talent and diversity of thought into the profession if we ensure young adults see an actuarial career as fulfilling, varied and evolving one; with wide career options.

The 'See What We See' campaign was excellent in challenging stereotypes and raising our profile as a profession. We need to go further.

As a young adult my education was about finding out and developing what you were good at; careers advice was about finding a home for your skills. That perspective of 'what can I best do with the talent I have' has helped our profession harvest fantastic talent from those with mathematical aptitude.

Things have changed. Many young adults now start with the mindset of purpose, and their education is focused on gathering the resources and skills needed to fulfil that purpose. If we do our job right, if we follow a slightly different course, the strong education we offer will attract those with mathematical skills and purpose both within and beyond financial services. The profession will get broader and stronger – and everyone will benefit – our clients, communities and actuaries themselves.

Data Analytics Pathway

In Semester 2 this year the Australian Institute will offer the Data Analytics Applications paper. This will sit alongside our traditional pathways, alongside investment and ERM.

I am pleased to say that is an accelerated timetable and COVID-19 has not pushed that back.

It is fantastic to see that coming to fruition. But there's a Pareto Principle at play here. The journey to deliver the CERA and DA pathways is significant. When students sit the DA paper for the first time, we have only just started on this journey. We have done 80% of the work to get 20% of the value. In parallel with the final stages of preparing the course we must start the task of promotion with the same passion and resolve.

This is an important and exciting junction for our profession. I take this opportunity to thank the many volunteers and staff who have got us to this point. From here, whether you're working in the DA space, sitting the course or benefiting from the support of those who do – the task of promotion sits with us all.

Broader appeal

To thrive, we must provide those with mathematical aptitude and strong communication skills the ability to entertain both an actuarial career and work in the industries where they find their purpose.

The legal and accounting professions offer their members and students career pathways into a broad range of industries. Risk management and data analytics are platforms that give us the same opportunity.

Across the past three years the promotion of our profession across all dimensions has been high on the agenda of Council and through that our HQ Team. I wonder where we will be in five years if we ratchet up this aspect of our activity and allocate further resources to do it.

As I noted before it is ultimately up to us to define who a 'real actuary' is and what they do. So, I suggest that along the journey we need to create and repeat a positive and consistent message to define the brand associations we want, the sub-brands we need, to sustain the profession, facilitate growth and build on our reputation. We need all members to support and promote the message in addition to a concerted and explicit program of brand promotion.

Making the change

Why does this matter so much to me?

Because I feel we miss being involved in so many enterprises of deep purpose and meaning if we don't take these opportunities. And those enterprises are missing out on the value and insight that actuaries invariably bring to the table.

I think that in our frontier areas the focus on promotion and growth needs to be far more explicit. We tend as a group to think the job is done once the technical and education material is in place. In truth that is only the beginning; we need to continue our journey of promotion. Our members on the frontiers of our profession need more support and I am investing my time in those spaces.

We can and should be far more explicit on our targets of success. The Institute has been steadily building the tools that will allow these to be both defined and monitored.

The challenge to us all is whether we have the capacity as individuals and collectively to embrace more direct and assertive ways of promoting our profession and whether we can allow ourselves as a body to change.

For all of us this is a personal challenge – not some abstract or institutional task, and so I ask:

- **Will you accept and promote a broader definition of 'an actuarial career', for example embracing as your equal and ally an actuary who has never spent a day in financial services?**
- **Will you facilitate the funding of promotion designed to embed a broader view of actuaries?**
- **Will you support and extend the cross-subsidy from our established areas into our emerging fields?**

I look forward to hearing what you think – even if you have hesitations. There is much to be had from working through these debates; true engagement will make us all stronger.

To end at the beginning

Let me end this address by acknowledging that many members, working together or separately, in Sydney or Singapore, Fremantle or Auckland, London or Melbourne have continually moved the profession forward with unique ideas, innovation and practice excellence. The partnership between members and our Institute has always been the strength of our profession. It is not taken for granted.

As your President, I am committed to action that lifts our engagement with you, champions bold strategic change and allows actuaries to thrive so that our journey together continues.

I look forward to working with all of you in 2021.

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