Actuaries Institute

2020 Presidential Address

Picking up the torch

Hoa Bui

I am honoured and proud to be the President of the Actuaries Institute in 2020. It is an absolute privilege and I am humbled by the calibre of Past Presidents – some of whom I have met and many I know only by reputation.

This profession and the people in it mean so much to me because it has been such a large part of my life. I have been an actuary since 1989 and four members of my family completed the actuarial course.

In one way, my professional life followed a traditional path. I started out in superannuation then life insurance, and most recently my team includes many actuaries who work across superannuation, insurance and banking. Yet in other ways, I have made many key choices to get me to this point.

One of those choices was to choose to come to Australia rather than France or Canada when I left Vietnam. In an alternative world I could have been talking 'assurance vie', rather than 'life insurance'. But I chose Australia because it is warm, it felt like a new country, with a powerful young energy – and I have never regretted that decision.

The horizon in view

As I look towards 2020 and the future of the profession, there are three things I would like to discuss:

1. Where we are now.
2. What the Council is focused on.
3. What I hope to achieve as President in 2020.

Vice President
Annette King

President
Hoa Bui

Senior Vice President
Jefferson Gibbs

Where we are now

2020 will be my sixth year in council. As I look back to my first Council meeting, I realised for the first time how much work went into maintaining the profession's high standards. It has been a very productive five years for the profession. Some of the highlights for me were:

- The revamp of actuarial education - modernising the Fellowship subjects and creating an education faculty that will educate the next generation. I believe we have achieved the right balance between training in the vital, traditional actuarial skills and in future-proofing our 'graduates'.
- Refining our Disciplinary Scheme and updating the Constitution to enable this.
- Introducing a principles-based Code of Conduct that is clearer, simpler and better suited to the times we live in, to a time where trust is the most valuable asset any profession can have. The Disciplinary Scheme and the Code of Conduct are key elements of a profession. Enhancing them substantially adds to the value of our actuarial brand.
- Significant contributions to public policy on important issues including mental health, private health insurance, retirement incomes and superannuation.
- Promoting important and relevant social initiatives like the Australian Actuaries Climate Index and the Worldwide Pension Index.
- The maturity of the Data Analytics Working Group into a Practice Committee that includes practitioners with both traditional and new practice areas.

We have also launched other initiatives that promote the future of our profession.

- Building the brand of actuary via our 'See what we see' campaign. As W. Edward Deming said: "In God we trust, all others bring data." Our new campaign highlights our strength in data and promotes the value of our profession.

- In an organisation as wide-reaching as ours, there are achievements that get applauded, some that go unsung – and others whose real value only becomes obvious down the track. I am pleased to say that we now have a formal way to acknowledge the contribution of our volunteers with a series of Volunteer Awards. Our profession, like many others relies on the commitment and the generosity of the current generations of actuaries to lead the next generation and leave the profession in a better position that they found it. This recognition is vital – and overdue. So, thank you to our 900+ volunteers.

John Towbridge, Michael Storozhev, Ian Bulcraig, Andy Sui and Rob Daly

- Running CPD tours following the release of the Royal Commission report. We had significant interest both here and overseas on this Tour. I am sure you will agree with me, there has never been a more important time to be on the front foot about trust.

- Rewriting our professional standards to reflect the new regulatory requirements - specifically the actuarial advice framework which came into effect in July 2019.

What the Council is focused on

So where to now, after a very productive five years? As you know, Council's strategy has four pillars:

- Deliver continuing professional development education.

- Build our brand and community.

- Create a future-proof profession and professional organisation.

- Facilitate growth and diversity.

What does this strategy mean in 2020?

Quality professional education

In 2020, this means the continuing revision of the Fellowship exams. We successfully launched the Life Insurance Fellowship subjects in 2019. In 2020 we are developing four subjects: General and Health Insurance Valuation and Product Development, Data Analytics Applications and Investment, these are to be delivered in 2021. The General Insurance Applications and Enterprise Risk Management subjects are due to be developed in 2021 for delivery in 2022.

For actuaries who are already qualified, we will make CPD even more personalised and more accessible through new functionality like the CPD Knowledge Hub and the upcoming CPD Dashboard.

From an events perspective, I am pleased to say we are combining all the major events into one via the first All-Actuaries Summit on the Gold Coast in June. This is deliberately bringing the whole profession together because we believe that our diversity and the breadth of our work is our strength and can be harnessed to the benefit of our clients and ourselves.

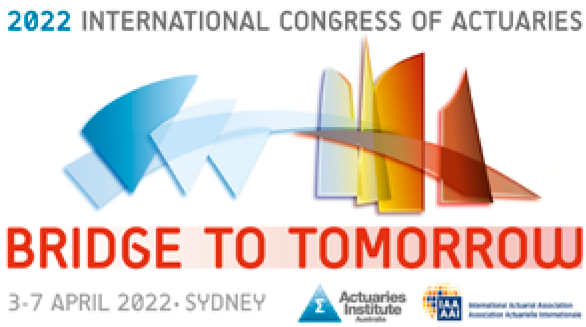
While we're on the topic of clients, the theme for the 2020 Summit - Through the Consumer Lens - has never been more important. I believe we can do better work for our clients and our community if we start with the end consumer in mind more explicitly than we currently do. And the Royal Commission makes it clear that the end consumer is not always our direct clients or our shareholders.

The public interest view and focus are woven into our Code of Conduct, in our marketing, in our work on the Dialogue paper The Social Condition Report – A Suggestion for Financial Services Businesses. We have an opportunity and a role as a profession to help address the trust-deficit in our society.

The Actuarial Olympics

We are also gearing up to host the International Congress of Actuaries in 2022 (ICA2022) in Sydney. This happens every four years and is the Olympics of the actuarial world. Preparations are well-advanced and we have already secured our first platinum sponsor.

I have always considered Australian actuaries to have the most global mindset, for example, our contribution to the development of the global accounting standard for insurance and to the international actuarial association. I encourage you to take this opportunity to attend this truly global event when it is held in 2022, meet our overseas counterparts and share ideas, hopes and experiences.



Build brand and community

In 2020, we will continue to promote the value of the brand actuary through the See what we see campaign. It's an important campaign – one that showcases real actuaries' achievements and the value we bring to our clients and our community.

The other vital way we advance the reputation of our profession is through our contribution to public policy, and the depth and breadth of that contribution. The Institute's expertise is routinely sought by policymakers, both here and overseas. In 2019, we proved we are prepared to take on the big issues – and go beyond our traditional sphere of influence. We have similar plans for 2020. That includes Green Papers on the gig economy, the Intergenerational Equity index, anti-discrimination emerging issues, and the low-interest rate environment.

Future proofing the profession and the Actuaries Institute

In 2020, I will have an explicit focus on driving our global strategy and strengthening international partnerships. On the international scene, our Institute punches above its weight and is a sought-after partner. I believe ICA2022 will reinforce this positioning.

I don't think we can talk about future-proofing the profession without talking about the big issue in the present – the Hayne Royal Commission. I see a post-Royal Commission world as an opportunity for actuaries to claim back the role of the guardian of the policyholders, superannuation fund members and customers' interest.

In my view, the Hayne Royal Commission shows that there is a vital role for a profession to play in protecting policyholders as well as shareholders' interests.

Actuaries have the reputation, skills and ethical frameworks to step into that space. The changes that were made to our Code of Conduct and our ongoing investment in thought leadership position us to do this successfully. As part of this, I would like to reinstate the Senior Actuary role in each firm, so that members have a single point of contact and accountability across all ethical and professional questions.

I have also asked the Institute to run an Appointed Actuary Forum, where all appointed actuaries can discuss common challenges and issues when performing this important and unique statutory role.

I want us to look at rebuilding trust as our opportunity – and our responsibility.

Growth and diversity

In 2019, our membership reached 5,000 for the first time. It is very pleasing to see our membership grow. What I'm even more excited about is the people behind the numbers – the diversity in nationality, location, gender and roles that we are now seeing.

More women in leadership positions

The actuarial profession was predominantly male and Anglo Saxon when I started. There were six women out of 40 in the first year of my actuarial course and only four qualified as Fellows. Today the picture has changed somewhat.

Over 30% of new fellows are female, up from 20%, 20 years ago. In the last 20 years, the Actuaries Institute has had five female presidents.

In the 20 years before that, Catherine Prime was the only female president. Today, we are starting the new decade with me as President, and as you know, Annette King will follow Jefferson Gibbs as the 2022 president. So, we are making great progress in this respect.

More dimension in our diversity

Gender is not the only kind of diversity we seek to achieve. I'm delighted to be the first Asian-born President of the Institute. To be more accurate, I am an Australian-trained actuary who speaks an Asian language and who understands an Asian culture.

If you look at our newly qualified actuaries, this is a very common profile: people with Asian background who were born or grew up in an Australian environment and embraced the Australian way of life, without losing sight of their cultural heritage. Did you know that four of our councillors - Steve Hui, Annette King, Iris Lun and David Whittle - have all worked and lived more in Asia than I have? In a way, they are more 'Asian' than me.

This says a lot about how diverse our Council is, which in turn reflects how diverse our membership is. That's great in itself. It's also a positive for the profession because Asia is an amazing opportunity for actuaries.

When I visited Hong Kong in 2018, I was pleasantly surprised at how many of our members live and work there and how successful they are. The Institute is looking to extend our services to ensure that the 21% of members who practice overseas enjoy all the benefits of belonging to the Institute.

More diverse practice areas

When I qualified, most actuaries worked in two key practice areas: superannuation and life insurance. About 5% of our membership worked in investment, some actuaries were in senior management positions and general insurance was absolutely the new frontier.

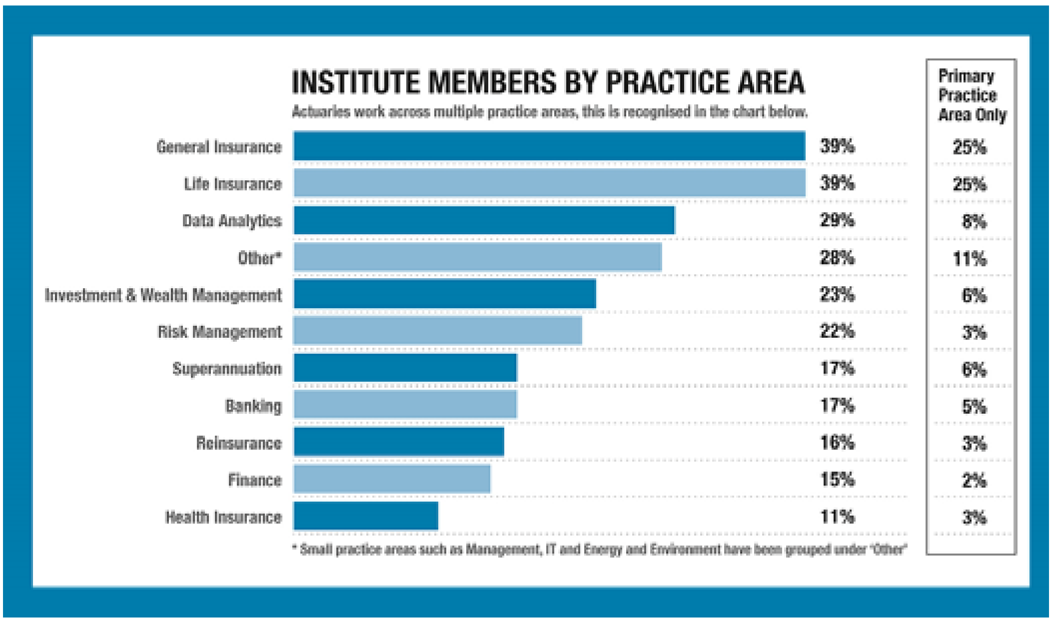
Today, our membership database shows that general insurance and life insurance are of equal size, each accounting for 25% of members, superannuation and investment are at 6%, and banking is at 5%.

Over 70% of our members still work in financial services. What is more interesting is where the other 30% is working: Data Analytics, Risk Management, Finance, Education and Energy. It is also interesting how the proportion of members in Data Analytics and Other increase to 57% if one includes secondary practice areas.

These are profound shifts in employment that happened in our lifetime. They reflect how widely our skillsets can be applied and the success of Australian actuaries in penetrating fields not traditionally thought of as actuarial domains – even where we do not have a statutory role.

If you look overseas, not many actuarial associations can boast the same diversity of employment as we can.

It is a real strength that the Australian profession brings to the global profession: the ability to use our skills to problem solve in diverse areas of business and society.



What I hope to achieve as President in 2020

To continue to thrive and survive, it's important we do not rest on our laurels. We must continue to adapt and expand our influence. This is what I want to focus on in the balance of this address. The world we live and work in is changing very rapidly and in fundamental ways.

- The environment: climate change is now officially recognised as a health hazard by the Australia Medical Association. Greta Thunberg's speech was one of the most watched videos in 2019. If we need any more proof of climate change's impact on the environment, the bush fires of 2019 are a grim reminder.
- Longevity: the 100-year life span is now within grasp for some people. A Japanese person born in 2017 has a 50% chance of living until 107. On the other hand, Australia's life expectancy, while still improving, is improving at a lower rate.
- Social issues: some of the previously taboo topics are now being debated openly and voted on nationally, from abortion, same-sex marriage, mental health, euthanasia to the role of the corporation in society.
- Digital and data: computers and spreadsheet are old hat. Artificial intelligence and robots are a reality. Data is the new oil, and everyone wants to own it.

As a profession we have a role to help our society deal with these issues and other emerging risks, as well as do what we do best, wear the black hats and call out the 'black-swan' events no-one else is paying attention to.

As the world changes, so actuaries must change.

Let me share with you some of my thoughts.

Think broader – see the whole board

As a profession, we need to look beyond the numbers. In the language of a chess game, we need to see the whole board. That means considering broader issues, social, legal, medical, environmental and technological influences when advising our clients.

Let's take a life insurance example. If you are pricing life insurance today and you are only using your latest company experience investigation and the latest standard table, you are probably not thinking broad enough. You need to be considering broader trends in the population, reading medical journals to understand incoming advances in genetics, consider incoming regulatory changes (design and distribution obligations, unfair contract terms, anti-discrimination legislation etc). You need to look way beyond the tables to see how you can price a product that would benefit consumers while remaining sustainable for shareholders. I am sure similar examples exist in other practice areas, and I encourage you all to look at the whole chess board.

Have a voice

In today's world, more than ever, actuaries need to have a voice. We are uniquely positioned to ensure that the interests of ALL customers are served, and sometimes it is not the same as ONE customer's interest.

Actuaries, through our work, have amazing insights. We need to share this with the world. If we are still in the back room, we need to come out of it, speak up and make sure the message is heard. The Institute is here to support you find that voice.

This is not a new observation: the need for better communication skills is a recurrent theme in past presidential addresses. But in the current environment which I will loosely describe as 'the age of the customer', it is particularly important that actuaries share our considerable insights, even if some of it may sound contrary at first. It's only then, with open debate and increased transparency can we help rebuild trust in the system.

Use data well and wisely

Actuaries have always known that data was important, data is cool, and that we should always understand the data before launching into the analyses. Thanks to the digital revolution, the rest of the world now understands this.

In this respect, the institute has made a lot progress over the last 5 years. Data Analytics (DA) now has its own practice committee, with a diverse membership including both traditional and non-traditional practitioners. We have a Young Data Analytics working group, and soon we will have our own Fellowship subject in Data Analytics. In 2019, we held the Data Forum, the second annual Actuarial Hackathon, the Young Actuary Program (YAP) Case Study and the DA Master classes. The DA Newsletter has an open rate of 50%, and 29% of our members identify data analytics as a primary or secondary practice area.

That doesn't mean we have room for complacency. We need to continue to sharpen the analytical skillsets we have and learn to embrace and better utilise new technologies in our work. That has a whole range of implications.

Hackathon 2019

- All actuaries need a better understanding of what data analytics can do so that we can utilise the best possible approach in traditional as well as new practice areas.
- The need to learn about data analytics and the way data is used in the future applies equally to more experienced actuaries and younger actuaries. Learning data analytics is like learning to use emails in the 80's. Everyone must learn, so why wait?

We can improve on our holistic approach to solving problems using a data centric approach if we are prepared to be open minded about what new methods and data sources can bring.

The Institute is committed to maintaining the momentum we have achieved and accelerating the education of members in this respect with the Data Analytics Fellowship subject to be launched in 2021. The challenge still sits with all of us, the actuaries, to embrace new ideas, new technologies and new data sources.

Data Governance and Data Ethics

With better technology and a seemingly insatiable thirst for data, comes the new issues that this creates, the ethics of data usage, everything from data integrity to data poverty to privacy. With machine learning and the use of data assets, implied assumptions take on new meaning. We need the same rigorous thinking about machine learning and artificial intelligence.

In this context, we often hear about data scientists, and how they, and artificial intelligence represent a threat to actuaries. Having worked with both data scientists and actuaries, I think that our skills sets at times overlap but most of the time are complementary. What we bring to the table that data scientists don't necessarily have is the business context and the rigour with which we approach data analysis; and of course, we bring our professionalism. The use of data, the potential abuse of data and the inherent bias in the data are all areas that consumers are now very aware of and are very concerned about.

Being part of a profession with an ethical framework whose members are expected to provide unbiased advice is a key differentiator for our members.

I am pleased with the steps the Data Analytics Practice Committee is taking to get us all thinking in this way; in fact, we are looking to build this layer of insight into our education system through our upcoming Data Analytics Fellowship subject.

Data is the future – and tied inextricably to the future of our profession. If we manage it well and wisely, I see a world where actuaries do much more than data 'work'. We will become the people who design, explain and interpret data and harness its power, while identifying rich new fields of practice. And we will have designed the robots and have them working for us – which is how it should be.

A younger Institute

In 2020, my role is to chair Council, drive our strategy and represent the profession with external stakeholders. When I was first elected in 2017, many members asked me what I wished to achieve in my presidential year, as if things can be achieved in one year. I have learned that real and lasting change takes time and collaboration to bring about. Yet my time in council has highlighted we don't have much time to make things happen, because of the speed of change that is happening around us.

Young Actuaries Conference 2019

So, my personal goal for 2020 is to better harness the talent of younger actuaries. We talked about gender diversity earlier. Former presidents, Nicolette Rubinsztein and Estelle Pearson both made it a priority in their presidential year. Firstly, let me say that I support improving all forms of diversity, including gender diversity in our membership. But what I like to focus on in my presidential year is to improve age diversity.

YAP Workshop - Climate Data and Insurance

Did you know that over 50% of our membership is aged under 35? But the average age of our councillors is over 50. Age is not always a good predictor of ability. I have had the chance to work with many talented graduates over the years, it's exciting for me to see some of them grow into chief actuaries and business leaders. I once worked for a chief actuary who was appointed at the age of 28. In today's environment, we see CEOs getting younger and younger, and many entrepreneurs making their mark before they turn 40.

Mark Zuckerberg became a household name and an instant billionaire at the age of 26, when Facebook listed on the stock exchange. Last year, the youngest entry into the New York Times 100 Rich List was aged 21. With the rise of Fintech, I expect this trend to accelerate.

Therefore, I am keen to better engage younger members of the profession, so that together we can bring about change even faster, for the benefit of the profession. I am convinced that if we don't work better with our young members, we will either lose them from the profession, or we won't be able to harness their energy and knowledge; either way the profession is going to miss out on that talent.

The Institute has already taken some steps in this direction. In 2006, we established a Young Actuaries Program. Two years ago, we asked young members of the Institute to organise the Young Actuaries Conference aiming at making conferences more accessible to younger members. I am pleased to say it has been a resounding success. I attended both conferences and was thrilled by the relevance of the program, the palpable energy in the room, the quality of the speakers, the sense of fun and passion that permeated the discussions. Our young members have a lot to say and they want to contribute to the profession.

Young Actuaries Conference 2019

In 2020, I have Council's support to establish a taskforce of young actuaries to find better ways to engage with younger members of our profession. This task force with a working name of 'Young Actuary Advisory Board' will include members of the profession from all membership types - from students to Actuaries to Fellows, from anywhere in the world – as long as they're under 35. Unlike Council, a member does not have to be a Fellow to participate in the Young Actuary Advisory Board.

The Advisory Board would contribute to Council, so that our young members would have a real voice in the future of the profession. Along the way they'd have an important platform on which to hone their communication, influencing and boardroom strategy skills.

The 2020 year

I would like to thank all members of Council whom I have worked with for their wisdom and hard work. I have learnt much from being on Council with you. In particular, I would like to thank Nicolette Rubinsztein, John Evans, Barry Rafe and Jefferson Gibbs who have been on the presidential trio with me over the last two years. I want to particularly pay tribute to Nicolette Rubinsztein, our immediate past president. Not only did she bring energy and commitment to the role, but she also brought her marketing flair, her industry profile and her leadership skills which have greatly increased the profile of our profession, and Nicolette also brought the best out of the councillors over the term of her presidency.

I'm looking forward to working with Senior Vice President Jefferson Gibbs, the new Vice President, Annette King and the incoming members of the Council, Naomi Edwards, Iris Lun and Darren Stevens.

Most of all I look forward to listening to and working with you, our members and the team at Institute HQ led by our CEO Elayne Grace.

I am optimistic about how much value actuaries can create and add to the community. I believe young actuaries have a crucial role to play in this.

If we are open to that kind of change, we can face into the social, technological, environmental and political megatrends of our time with confidence, and we can ensure that actuaries deepen our contribution to the community, while becoming better known and more influential. Let's do it together.

Hoa receiving her Presidential Medal from 2019 Institute President, Nicolette Rubinsztein