

INSTITUTE OF ACTUARIES OF AUSTRALIA

**ANNUAL REPORT**  
**2003**



Institute of Actuaries of Australia



The **Institute of Actuaries of Australia** represents the actuarial profession by creating, expanding and maintaining an environment where the skills of **actuaries are widely used and valued**. The IAAust > establishes and maintains **professional standards** for the protection of the public > provides pre-qualification and continuing professional education > creates forums for discussion about **contemporary and relevant issues** > promotes research and the development of actuarial science and > contributes to and informs the **debate on public policy**. The vision of the IAAust is to position the profession so that wherever there is uncertainty of future financial outcomes, actuaries are sought after for their **valued advice and authoritative comment**.

# President's Report

When I look back on 2003, I reflect on a year where the IAAust has been very active. Corporate Governance issues featured prominently as the report of the HIH Royal Commission was considered, and the IAAust itself considered many crucial issues in the Corporate Governance area. In the education area, we have undertaken a major review of our Part III Education Program. We have continued our strong active role in the public policy area, and also continued to examine topics and issues in the area of financial reporting. All of this against a background of generally depressed world investment markets – which have themselves produced some issues for the profession.

## Key Events in the Year

Looking back the following spring to mind.

- The successful biennial convention at Cooloom, our major CPD event for the year. We had a record level of attendance – 323 delegates and 55 accompanying people. The plenary sessions were of high quality and we had almost 50 concurrent sessions. It was pleasing to see the range of sessions on offer – there was something for everyone ranging from the traditional areas to the wider fields. The feedback I received from delegates has been almost universally complimentary. A significant number of our international visitors were also very complimentary – from the professional way it was run through to the richness, diversity and depth in the program and the general quality of both the plenary and the concurrent sessions. Many also commented on our ability to not only focus on the important, but to also be able to kick up our heels and party as well. It was also at Cooloom that I announced and presented the Actuary of the Year award to Geoff Atkins.
- Prior to the convention, the May meeting of the International Actuarial Association (IAA) was held in Sydney. The IAA meets twice a year and the Sydney meeting was attended by 90 prominent actuaries from around the world. The meeting went well, aside from the inclement weather. As part of the meeting, the IAAust hosted a formal dinner for the attending delegates, and also held a very successful cocktail party to which many of our members came and had the opportunity to meet and mix with the overseas visitors.
- Prior to the IAA meeting in Sydney, the IAA and the IAAust jointly hosted a successful seminar on Risk Management and Modelling in Banking and Insurance.
- Through these and other factors, the IAAust has maintained and enhanced its role internationally, particularly in the fields of education, prudential regulation and international accounting standards.
- The report of the HIH Royal Commission has been handed down and our own HIH Royal Commission Taskforce produced its final report and recommendations, which are currently being worked on.
- The pre-budget submission to the Federal Government, plus many other public policy submissions.
- Our public policy had certain key areas of priority, including Corporate Governance, Health Financing, Financial Reporting, and issues around our ageing population. It has been an active year in terms of making submissions. Key submissions included the pre-budget submission, a submission to the House of Representatives Inquiry into Ageing, and a submission to the Productivity Commission on workers' compensation. We have also focused on retirement/ageing issues, energy market reforms and valuation of executive options. Our members have contributed to public debate and policy development on issues such as medical indemnity, public liability and long term care for the catastrophically injured.
- In May, the IAAust completed and launched the textbook for the Actuarial Control Cycle (ACC) at the cocktail function held in conjunction with the IAA meeting in Sydney. The textbook has been well received internationally. Our development of the ACC has provided a model which several overseas countries are taking into account in developing their education systems.
- On 30 June 2003, I sent a notice to all Fellows incorporating advice and suggestions on dealing with the situation of a defined benefit scheme that is in an Unsatisfactory Financial Position (UFP) (which generally occurs when the market value of the assets held falls below the total vested benefits). This notice was prepared by a short-term urgent issues task force set up to consider this issue. The next step for us is to consider further the deeper actuarial issues raised by the UFP problem. The urgent issues task force and the practice committee will be working together to produce a discussion paper on this.
- The IAAust has been actively involved for some time in the emerging development of the new International Accounting Standards (IAS). We had growing concerns at the direction being taken during the year by the International Accounting Standards Board (IASB) in financial reporting for financial business operations and institutions. This, together with the Australia's announced policy of adoption of the new IAS by 2005 (except where this would be detrimental to Australia's interest), led us to write to the Treasurer on 16 July expressing our concerns. Subsequent to the letter, representatives of the IAAust met with Senator Ian Campbell (Parliamentary Secretary to the Treasurer) and then with Sir David Tweedie (Chair of the IASB) and Warren McGregor (Australian member of the IASB) in Melbourne where the IAAust had a good opportunity to discuss and to progress these issues.
- In the early part of the year we restructured how we carry out public policy. We focussed more on our own resources, relying less on external consultants. We also appointed two additional key people to support our continued emphasis and focus on public policy matters of interest to the IAAust and its members.
- In October 2002 we held our Biennial Accident Compensation Seminar in Adelaide at which we

**IAAust has maintained and enhanced its role internationally, particularly in the fields of education, prudential regulation and international accounting standards.**

Chris Lewis



# IAAust Council



**Institute of Actuaries of Australia Council Members 2003 Council Meeting, AMP Sydney, 13 August 2003, held at Circular Quay. Back Row (left to right):** Steve Somogyi, Andrew Dillon, Graham Rogers (Senior Vice President), Alan Doble, Michael Playford, Martin Stevenson, David Service, Blair Nicholls, Clive Amery. **Front Row (left to right):** Helen McLeod, David Goodsall, Chris Lewis (President), Peter Worcester, Helen Martin (Past President), Andrew Gale (Vice President). **Inset:** Pauline Blight.

## Actuary of the Year

Geoff Atkins is considered by his peers to be one of the outstanding thought-leaders in general insurance in Australia.

Geoff Atkins



### Geoff Atkins BA, FIA, FIAA

The Actuary of the Year Award for 2003 was presented to Geoff Atkins at the gala dinner of the 2003 Biennial Convention in May. The award was made in recognition of Geoff's outstanding contribution to the profession, business, government and the community.

Geoff has been involved in various IAAust committees such as the Actuaries and Accountants Liaison Committee and the International Accounting Standards Committee. He is also a former Chair of the General Insurance Practice Committee and a previous member of the IAAust Council.

Geoff's experience covers a wide range of insurance issues in both the public and private sectors. He has been an adviser to many insurance and reinsurance companies such as Royal & Sun Alliance and XL Re and also to a number of CTP and workers compensation schemes in Australia and New Zealand. He has also undertaken considerable work

on behalf of government where his advice and guidance has been instrumental in regulatory and industry reform.

Geoff has consistently participated in the public policy and practice development work of the IAAust and over the last twelve months has been proactive in his role as convener of the Institute's Medical Indemnity Taskforce. He instigated the Medical Indemnity Reform Roadmap issued by the IAAust to support a series of stakeholder meetings and presentations to government culminating in the roundtable discussion conducted during the Accident Compensation Seminar in October 2002.

Geoff is considered by his peers to be one of the outstanding thought-leaders in general insurance in Australia. The award recognises Geoff's achievements and acknowledges his role as a leading light in the industry.

# President's Report

hosted a roundtable meeting of stakeholders in medical indemnity insurance.

○ The inaugural Health Financing in Australia course was conducted in November 2002 in Canberra for fifty participants comprising actuaries and other senior health professionals. An expert faculty was assembled for this course and a body of work produced that will assist the actuarial profession in developing its practice into the broader health system, beyond the current activities in health insurance. In December 2002 we held a roundtable meeting of key stakeholders across the health sector and from these discussions an agenda of public policy research projects in health financing has been established.

## In considering key activities that continued for most of the year.

○ The current review and implementation of the new structure of Part III of our Education Program from 2005. During the year, Council considered proposals on the development and implementation process for the revised Part III structure. Council reaffirmed its view that key areas such as syllabus development and review, Board of Examiners' review and approval, and assessment of results, should remain with the IAAust. It is clear there will need to be additional resources brought into some of the more labour intensive areas to support our extensive volunteer program, and Council noted the key and important role volunteers play in our education process. Subsequently, Council adopted the recommendations to implement the new Part III structure from 2005, and also the recommendations that the proposed method of delivery (IAAust managed web-based courses with voluntary committees in key roles and paid actuarial staff/contractors) be further developed. A business plan has subsequently been developed.

○ The work of the Corporate Governance Taskforce has generated much interest and debate during the year, particularly in the areas of peer review and independence. We will also need to commence the implementation phase of the recommendations of the Corporate Governance Task Force taking into account Council's deliberations and decisions, and also taking into account Council's decisions with respect to the recommendations emerging from the HIH Royal Commission Taskforce. This is likely to involve liaison with, and research across, specific practice areas.

○ Our various initiatives in the area of financial reporting (including the areas of Economic Valuations, Valuation of Executive Options, and Employee Entitlements).

○ Our ongoing role and activity in the public policy area.

○ The prospect of an appointed actuary role in Health Insurance.

○ We held 10 Horizons meetings during the year on a wide variety of topics. We continued the less formal and more interactive approach adopted last year with pleasing levels of attendance, although there is always room for extra members to attend.

○ I held Presidential Dinners in Sydney, Melbourne, Brisbane, Adelaide, Perth and Canberra and visited our members in Wellington and Auckland. I also attended a convention in Canada, a seminar of Asian actuarial bodies in Manila and IAA meetings in Sydney and Barcelona. Later this year I will attend a convention in South Africa and the next IAA meeting in Berlin.

○ In the latter part of the year, I held a number of informal 'lunches with the President' both in Sydney and Melbourne.

The theme of my Presidential Address (and carried through to the Convention) was 'Shaping the Future: in a World of Uncertainty'. In my address I wrote in conclusion:

- The profession is experiencing growth and change.
- Our roles and importance in various sectors is changing over time and new fields are continually being explored.
- We need to retain our core values and our reputation.
- The IAAust undertakes a high level of activity in education, public affairs and member services. This will continue and will need to continually adapt and grow to meet the ongoing requirements of the profession and its members, recognising there will be differences in these requirements across the sectors our members work in. This will place pressure on available resources and funding.
- The IAAust cannot do it all – we as actuaries need to also adapt and change to meet the future and help shape the future in a world of uncertainty.

I believe the year has borne out these comments.

Last but not least, I must acknowledge the tremendous volunteer contributions that members of the IAAust make – whether it be through our education process or via our many committees and taskforces. Much of the work of the IAAust rests on their shoulders and I thank these members for their commitment, dedication and hard work.

I would also like to acknowledge the work carried out by the IAAust Secretariat whether it be organising CPD activities, our education processes, member services or public policy areas. They have shown tremendous enthusiasm, hard work and capability. My thanks also to my fellow Councillors. Finally I would like to thank my fellow members of the Executive team, the Vice Presidents Graham Rogers and Andrew Gale and Chief Executive Catherine Beall for their work and support.



**Chris Lewis**  
President

**We as actuaries need to also adapt and change to meet the future and help shape the future in a world of uncertainty.**

# Chief Executive's Report

Many of the themes of 2002 carried through into 2003 with: the continuation of the hearings of the HIH Royal Commission; the ongoing crisis in medical indemnity and public liability insurance; preparation for the March 2004 introduction of licensing under the Financial Services Reform Act; the development of international accounting standards towards their introduction in 2005; and public debate on the impact of ageing populations which was advanced by the Federal Treasurer's release in May 2002 of the first Intergenerational Report.

The Institute's initiative to promote the concept of a statutory office of Chief Government Actuary was progressed during the year through representations to government and opposition. Our meetings were constructed in order to specifically profile leading members of the profession engaging with issues across portfolios and jurisdictions. This personal interaction was a powerful medium for advancing the message that actuaries can add value to the public policy process.

Catherine Beall



In many respects, the appointment of actuaries to various government inquiries, Steve Somogyi's appointment as one of the three new Members heading up APRA and Ian Pollard's appointment to the Implementation Review Group of the ASX Corporate Governance Council are an indication of progress in this area. The Institute will continue to build on its relationships within the political and business sector to ensure actuaries are in consideration for appointment to high level reviews and inquiries, and for positions of leadership more generally.

Our public policy initiatives for the year were boosted with the issue by the Institute of its first Pre-Budget Submission. Rather than focusing on issues of immediate fiscal demand on government, the Institute delivered an overview of its policy work on longer term concerns for the community as a whole. The Pre-Budget Submission provided a valuable platform for profiling the work of the actuarial profession across a breadth of economic, social and environmental endeavours.

This breadth of practice and policy interests was further reflected in the strong program of sessions presented as part of the Institute's Biennial Convention in May 2003. Some fifty workshops and research papers were presented covering an increasingly rich mix of topics. To describe the initiatives taking place within the profession as innovative may seem passé however without a doubt, and supported by the responses of some twenty international guests at the Convention, the Australian profession is leading the way in its broad application of actuarial skills.

Intellectual leadership by the Institute is perhaps best exemplified in the production and release in May 2003 of the text book '*Understanding Actuarial Management: the actuarial control cycle*'. The Editors, the writers, the reviewers and staff are to be congratulated for their outstanding achievement in the realisation of this publication. We are currently

reviewing the writing process and content of the book for refinement and development towards a second edition. We hope the book proves to be a valuable resource for students of the control cycle, as well as a useful guide for professionals in other disciplines who are keen to know how actuaries think.

The main section of this annual report provides an extensive account of the Institute's public policy activity. However, there were a few areas where the contribution of actuaries has attracted particular public interest during the year, and these are: valuing share-based payments; international accounting standards; medical indemnity and public liability insurance; long term care for the catastrophically injured; emission trading in relation to energy markets; the impact of climate change; safety of superannuation; and intergenerational issues. The names of the members who have provided leadership in these key policy initiatives are detailed in the committee section of this report however I would like to take this opportunity to thank them for their enthusiasm and their valuable intellectual contribution.

Some members wonder why (and perhaps even how) the Institute can effectively contribute to public policy, and may even think the IAAust is best placed by simply serving the needs of its members. The answer to this is to cite the value to society of having the actuarial profession make sound observations and projections on the impact of policies on our social and economic systems. New and emerging issues for the forthcoming year will be the Productivity Commission's Inquiry into Workers' Compensation, the need for resolution in the current medical indemnity insurance crisis, an assessment of the viability of a national approach to long term care for the catastrophically injured, climate change and sustainability.

Within the prudential regulation of the financial services there is increased demand for actuarial advice with the extension of statutory actuarial roles into General Insurance and more recently into Private Health and Medical Indemnity Insurance. The report of the HIH Royal Commission recommended increased responsibility for the approved actuary to enhance accountability and reporting by general insurers. A key requirement of these statutory roles is that the appointed or approved actuary produces a Financial Condition Report. Whilst each application of the FCR is specific to that industry there is a developing body of knowledge and experience within the profession that may enable the extension of the FCR into broader financial reporting across the business community. Certainly over the next few years through its public policy program the Institute will be advocating and demonstrating the value actuaries can bring to financial reporting generally.

During 2004, we expect new legislation to be introduced to enable professional associations, such as the Institute, to establish professional standards schemes for their members to ensure protection of the public interest in situations of professional negligence. We hope in turn there will be

**The Australian profession is leading the way in its broad application of actuarial skills.**

# Chief Executive's Report

improvements in the availability and affordability of professional indemnity insurance for actuaries.

It goes without saying that there have been increased demands on the Institute's Disciplinary Scheme as a consequence of the hearings of the HIH Royal Commission. The scheme operates entirely independently of the Institute and its Council and is highly dependent on the input of the members of the Professional Conduct Committee who have worked tirelessly this year to fulfill the Institute's obligations in this area. A robust disciplinary scheme underpins the self-regulatory powers of the profession and it is important to acknowledge the contribution of those members involved in this process.

Throughout this annual report the valuable contribution of numerous members is evident and acknowledged. However, this activity is supported by the professional secretariat which makes a valuable contribution to the Institute. They are a dedicated team who demonstrate their enthusiasm and ingenuity when it comes to meeting the endless challenges and demands that come with the continuous development of the Institute. I am justifiably proud of the ability of the staff to deliver a range of services and outputs for the benefit of the profession.

The inter-dependent contribution by members and the professional secretariat serves the Institute well as it provides complimentary skills and intellectual input across the various businesses in which the IAAust engages. The core business of Part III Education has been a key focus for 2003 with the development of a business plan for the implementation of the new Part III Education Program in 2005. Over the next twelve months it will be equally important for the Institute to consider how it conducts other activities such as CPD programs, publications, research, member services, experience studies and its relationships with universities. A number of reviews are underway which will influence how we see the Institute developing over the next decade and, most importantly, how the Institute is structured and resourced to appropriately respond to needs of the profession.

At a special members' screening of the film 'About Schmidt' earlier this year we shared the experience of Jack Nicholson who plays the role of a retired actuary. Schmidt had given 'his all' to his firm over a long career, but for what? Whilst the film had some extremely dark humour it also provided a great conversation piece on how we all assess the value of our working lives and how that contribution will be measured. The content of this annual report is a useful record of, and a testimony to, the valuable and exceptional contribution actuaries make to their profession for the benefit of society as a whole – long may it continue!

**Catherine Beall**  
Chief Executive

## SECRETARIAT

**Chief Executive**  
Catherine Beall

**Director, Professional Development**  
Carolyn MacLulich

**Manager, Policy & Research**  
Andrew Kirk (Part time)

**Manager, Policy & Public Relations**  
Vicki Mullen

**Manager, Communications**  
Chris Hundleby

**Education Manager**  
Michelle Aspery

**Administration Manager**  
Katrina McFadyen

**Events Manager**  
Kellie Woodward

**Membership Coordinator**  
Julian Buckell

**Personal Assistant to CEO**  
Liz Kimber

**Education Officer**  
Linh Luu

**Receptionist**  
Dina Nigro

**Events Assistant**  
Clare Zuber

**Finance Officer**  
Greg Frederic (Part time)

Within the prudential regulation of the financial services there is increased demand for actuarial advice with the extension of statutory actuarial roles...



# Public Policy

The key policy initiatives established in 2002 continued to be a focus for the public policy program for the period October 2002 to September 2003.

## CORPORATE GOVERNANCE

The IAAust has been a member of the **ASX Corporate Governance Council** which in March 2003 released its report 'Principles of Good Corporate Governance and Best Practice Recommendations'. With increased community debate about social responsibility and good governance, this report has generally been well received especially for its approach to defining principles rather than 'black letter law'. An Implementation Review Group has been appointed to assess the impact of the principles across the business sector and we were pleased that an actuary, Ian Pollard, has been appointed to this group.

The report of the **HIH Royal Commission** was released in April 2003 and identified fifty-six matters for referral to either ASIC or the NSW Director of Prosecutions. Although no members of the IAAust were involved in referrals, the Commissioner noted that actuaries would be subject to the processes of their professional association. Various actuaries had appeared before the Commission as either witnesses and expert advisors. Early on the IAAust had established a high-level Taskforce, chaired by Tony Coleman, with the purpose of monitoring the hearings and providing advice, as required, to the Commissioner. The report of the IAAust HIH Royal Commission Taskforce was presented to Council in April 2003 and as background for discussions on corporate governance at the IAAust's Biennial Convention.

The sixty-one recommendations of the HIH Royal Commission and the subsequent response from the Commonwealth Government in September 2003 included a number of matters for attention by the IAAust. In many respects, the Taskforce had, through its liaison with the Royal Commission, anticipated the views of the Commissioner and initiatives had taken place within the IAAust to provide advice and an action plan for Council. The Commission's report advocated increased responsibility for actuaries in general insurance in the advice provided to the board through the certification of actuarial advice and the provision of a Financial Condition Report.

Within the climate of discussion on corporate governance, the IAAust initiated a review of the practices and conduct of actuaries within institutions and in various statutory actuarial roles.



Within the climate of discussion on corporate governance, the IAAust initiated a review of the practices and conduct of actuaries within institutions and in various statutory actuarial roles. An **IAAust Corporate Governance Taskforce**, chaired by Chris White, was established during 2002 and is expected to report to Council in October 2003. The work of this Taskforce has generated considerable discussion about peer review and, indeed, the degree to which peer review should be independent and mandatory. These discussions have taken place in the context of a focus on peer review in the actuarial profession internationally. The IAAust Taskforce has conducted extensive consultation with members through Horizons meetings, the Biennial Convention, and direct discussion with the Practice Committees over the last twelve months to inform its recommendations to Council.

## FINANCIAL REPORTING

The challenge to improve accountability and transparency across a range of financial entities, in the wake of large corporate collapses and in an uncertain global environment, has put the issue of financial reporting at the top of reform agendas for government, regulators and professional and industry bodies worldwide. Actuaries play a unique role in financial reporting at present in the insurance and superannuation sectors which requires actuarial certification of the valuation of a company's liabilities and other aspects of risk management. Over the last twelve months there has been the development of a requirement for actuaries to produce **Financial Condition Reports** beyond their traditional application in life insurance into the new areas of general insurance, medical indemnity and health insurance. The IAAust will continue to advocate the benefits of a stochastic approach to valuation and risk management through actuarial advice to boards, shareholders, and consumers as a key to seeking improved financial reporting.

With the introduction in 2005 of **International Accounting Standards** the IAAust has been closely monitoring developments. Working in conjunction with the international actuarial community, the IAAust has provided advice to both the Australian Accounting Standards Board and the International Accounting Standards Board (IASB) on standards relating to financial instruments, insurance and superannuation. Representations have been made to the Federal Treasurer, the Chairman of the Financial Reporting Council and the Chairman of the IASB to express the IAAust's concern about the early announcement of mandatory adoption and the trend by the IASB away from principles-based to a more rules-based approach.



## Public Policy

During 2003, the IAAust **Executive Options Taskforce**, chaired by Nick Callil, produced a Guidance Note (GN510) for actuaries on the Valuation of Share Based Payments. The development of actuarial valuation methodologies has received considerable attention within the business community and through the IAAust's representations to regulators, industry, and professional bodies including specific presentations to ASIC and the AASB.

Two IAAust Taskforces, convened by Bruce Edwards and Pauline Blight, have developed guidance for actuaries on **Economic Valuations** and Appraisals of Life Companies respectively. Sessions at the Biennial Convention and Horizons meetings have generated discussion to inform the production of Guidance Notes. The IAAust has also engaged in a broader communications strategy to promote the capability of actuaries in providing economic valuations.

Regulation within the banking sector is under review with reforms under the Basel II framework. In response to these initiatives and as a means for supporting the increased participation by actuaries in the banking sector, the IAAust in conjunction with the IAA conducted a one-day seminar in May 2003 in Sydney on '**Risk Management & Modelling in Banking & Insurance**'. This forum promoted dialogue between professionals involved in financial risk across the banking and insurance sectors and highlighted the benefits of developing a common language and utilising best practice from both areas, especially when applied to conglomerates engaging in banking and insurance business.

### INTERGENERATIONAL ISSUES

Although the actuarial profession has traditionally focused on future outcomes, there has been an even greater emphasis on long term policy since the issue by the Federal Treasury of its **Intergenerational Report 2002-03**. Business, government and community awareness of the need to consider the impact of present day decision making on the longer term has been heightened and in this context there are considerable opportunities for the actuarial profession to demonstrate the value it can bring to long term analysis and modelling.

Various taskforces and committees across the IAAust have been focusing on future impacts covering intergenerational equity, retirement incomes, health financing, aged care, infrastructure, and sustainability. In February 2003, the IAAust recommended to the House of Representatives Standing Committee's **Inquiry on Ageing** that the Inquiry would benefit from financial and other modelling to investigate alternative strategies for long term policy. The IAAust has also advocated that future IGRs be commissioned on a more regular basis.

The IAAust has been invited to contribute a chapter to the white paper on **intergenerational issues** being published by the Committee for Economic Development of Australia (CEDA). During the last twelve months the IAAust has advocated the potential benefits of the Commonwealth's Retirement Incomes Modelling data being made available for strategic modeling of policy scenarios using a range of assumptions.

The IAAust's **Ageing Australia Taskforce**, chaired by Geoff Dunsford, has made a number of contributions including submissions to parliamentary inquiries into 'Planning for Retirement', 'Structure and Distributive Effects of the Australian Taxation System' and 'Long Term Strategies to Address the Ageing of the Australian Population over the next 40 years'. The Taskforce has also provided technical analysis and advice to the Federal Government and Opposition in the development of their superannuation and retirement incomes policies.



### HEALTH FINANCING

The IAAust conducted the inaugural **Health Financing in Australia** course in September 2002 which was attended by fifty delegates evenly divided between actuaries and senior health professionals. Building on the success of this course and extending into the public policy program, the IAAust hosted a roundtable meeting of key stakeholders within the health sector in December 2002. From that workshop discussion three issues were identified for further research and investigation – capital, workforce and federal/state funding inefficiencies. The IAAust is partnering with other organisations and governments to advance analysis and consideration of options in health financing.

The development of actuarial valuation methodologies has received considerable attention within the business community and through the IAAust's representations to regulators, industry, and professional bodies.

## Public Policy

### INSURANCE

The last twelve months has seen an increase in **statutory roles for actuaries** within the insurance sector. The Approved Actuary role became effective in general insurance from October 2001 and through consultation with the APRA regulator, the actuarial profession has contributed to further proposed reforms to prudential regulation of general insurance. Roles for appointed actuaries have been developed in medical indemnity insurance and private health insurance.

These increased responsibilities for actuaries have occurred within an environment of increased cost and uncertainty in certain areas of insurance such as medical indemnity, professional indemnity and public liability. The IAAust's **Long Term Care Taskforce**, chaired by John Walsh, presented a discussion paper 'Options and Issues for Long Term Care in Accident Compensation' in October 2002 at the IXth Accident Compensation Seminar. An updated version of the paper was then presented at the Biennial Convention in May 2003, and in August 2003 John Walsh presented to the meeting of Federal, State and Territory Insurance Ministers options for a national long term care framework. It is more than likely within the current political environment that governments will seriously consider options for funding long term care for the catastrophically injured, including victims of medical negligence.

The IAAust's **Medical Indemnity Taskforce**, chaired by Geoff Atkins, has had considerable involvement in public policy over the last year. A roundtable discussion involving a representative group of major stakeholders was hosted by the IAAust during the Accident Compensation Seminar in Adelaide in October 2002. The IAAust's Taskforce had developed and used extensively its roadmap designed to focus debate on the complex and interconnected interests impacting on the current crisis. Considerable goodwill and an appreciation of actuarial expertise, resulted from this workshop which led to a series of informal and formal consultation during the year.

From July 1, 2003 all medical indemnity cover must be provided through insurance companies that are regulated by APRA. Discussions between the Taskforce and APRA have informed the shaping of the new regulatory environment for this industry including funding plans for medical indemnity insurers and the introduction of **Financial Condition Reports** produced by an appointed actuary.



The IAAust has been represented by David Minty on the Law Reform Steering Group for **professional indemnity insurance** which includes members of a number of professional associations. In August 2003 the Federal, State and Territory Insurance Ministers announced an agreement for the establishment of a national professional standards scheme and the introduction of proportionate liability for economic loss. The IAAust has established a Taskforce to develop a proposal for the actuarial profession to join a national scheme.

The Accident Compensation sub-committee of the General Insurance Practice Committee made a substantial submission in June 2003 to the Productivity Commission Inquiry into National Framework for **Workers' Compensation** and Occupational Health and Safety. The IAAust also appeared at a public hearing conducted by the Inquiry in June. The ongoing work of the Productivity Commission in this area provides an opportunity for the IAAust to demonstrate the value of actuarial contributions to major public policy debates where competing interests are at stake.

### SUPERANNUATION

The last twelve months has been a busy period for the Superannuation and Employee Benefits Practice Committee particularly in the current environment of less than favourable markets and investment returns. Policy debates surrounding the financial position of defined benefit schemes, the superannuation surcharge, co-contributions for low income earners, superannuation fund choice and portability, disclosure of fees and charges, superannuation safety, and the prudential supervision of superannuation funds have put a significant focus on the superannuation industry.

There are considerable opportunities for the actuarial profession to demonstrate the value it can bring to long term analysis and modeling.

## Public Policy

The broader debate concerning **retirement incomes** policy and intergenerational equity issues arising with an ageing population in Australia adds to the complexity in this field. Members of the IAAust have been raising the profile of actuaries in superannuation with well regarded submission on key issues such as the draft portability regulations and the draft Superannuation Safety Bill. The IAAust has become involved in the industry coalition on retirement incomes which produced an agreed Framework Principles in 2001 and has been re-convened to review and update this work.

### GENETICS

The final report of the Australian Law Reform Commission and Australian Ethical Health Committee Inquiry into 'The Protection of Genetic Information in Australia' was issued in May 2003. This two-volume report now titled 'Essentially Yours' has been prepared over two years through extensive consultation. For the past three years the IAAust's **Workgroup on Genetics**, chaired by Alan Doble, has been actively studying the impact of genetic technology on Australian society. The IAAust's publication 'Genetics in Society 2001' has been extensively quoted in the ALRC /AHEC report. The IAAust's contribution has extended beyond reforms in insurance law and disability discrimination law into broader applications in relation to reform of the Crimes Act and ways to use a gene trustee when health authorities conduct genetic research.



### ENERGY MARKETS & SUSTAINABILITY

The IAAust's Energy and Environment sub-committee developed a submission to the Ministerial Oversight Committee on Australia's Long term Energy Policy regarding the effect on **greenhouse gas emissions** of Australia's electricity industry. The submission was supported by a discussion paper written by Richard Cumpston and Andrew Burge which projected greenhouse gas emissions from Australian electricity generators assuming different types of fuel. The submission and paper have received favourable comments from people both inside and outside the energy industry and led to a presentation by Andrew Burge at CEDA in August 2003 on this topic.

The **Futurism Committee** organised a Horizons meeting at which Barney Foran, co-author of the CSIRO's 'Future Dilemmas' report which covers a fifty-year projection of Australia's population, consumption of resources, emissions and other environmental factors, and Rod Lester from the World Bank, presented and generated a likely and informative debate on sustainability.

The growing interest in **environmental and sustainability issues** within the actuarial profession was evidenced during the Biennial Convention through a range of presentations by members on topics such as: 'Risk, the Environment & the Role of the Insurance Sector'; 'Sustainability Reporting in the Corporate Sector'; 'Forestry as an Alternative Investment – Attaching Commercially Valuable Carbon Credits'; 'The Impact of Climate Change on Insurance Against Catastrophes'.



The growing interest in environmental and sustainability issues within the actuarial profession was evidenced during the Biennial Convention through a range of presentations.

# Practice Committees

## BANKING AND FINANCE PRACTICE COMMITTEE

- Resourcing the examinations was a priority for 2003.
- Working on the syllabus with the Investment Practice Committee for:
  - Part III Module 1 – Investment Management,
  - Part III Modules 2 & 3 – Investments & Finance.
- Presenting draft syllabus for the above subjects for discussion at the Biennial Convention.
- Development of linkages with other associations such as the Australian Bankers Association, the Securities Institute of Australia and the Investment & Financial Services Association.

## GENERAL INSURANCE PRACTICE COMMITTEE

- Submission to the Productivity Commission Inquiry into workers' compensation.
- Organisation of the Accident Compensation Seminar in October 2002.
- Submission to the Senate Economic Committee Inquiry into public liability insurance.
- Submission to the Panel Review of the law of negligence.
- Organised a series of meetings between APRA and approved actuaries.
- Established a taskforce to consider development of Financial Condition Reports for general insurance companies.
- Medical Indemnity Taskforce has liaised with APRA regarding the role of actuaries in the regulation of medical defence organisations including actuarial certification of premium rates, actuarial certification of transitional funding plans, approved actuary role, actuarial financial condition reports.
- Medical Indemnity Taskforce developed a 'roadmap' for the future of medical indemnity insurance and discussed with relevant stakeholders providing input into a number of policy issues.

## LIFE INSURANCE PRACTICE COMMITTEE

- Monitored and influenced international developments (eg International Accounting Standards) through LIPC members who serve on relevant committees.
- Liaised with NZSA through NZ member of LIPC.
- Held a joint meeting with LIASB, to maintain IAAust link.
- Held an inaugural Practice Committee Briefing, as a forum for communication between the LIPC and IAAust members.
- Took over responsibility for Mortality and Disability Committees.
- Produced further submissions on the operation of Division 320 of the Income Tax Assessment Act 1997.
- Reviewed various IAA submissions for the purpose of recommending a position for the IAAust to take.
- Developed further discussion notes covering matters arising from new (2002) LIASB standards.
- Continued the review of GN252 (Appraisal Values).
- Initiated a review of other professional standards and guidance notes.
- Approved a revised syllabus for Part III Life Insurance.

## INVESTMENT & FUNDS MANAGEMENT PRACTICE COMMITTEE

- Part III Subject 1 (Investment Management) has been a major focus.
- As per last year, we have been quite successful in securing investment professionals – some actuaries and some not – to speak at tutorials.
- Specific efforts have been made, with some success, to arrange for actuaries to present at industry conferences.
- Committee members have been heavily involved with the review of the Part III syllabus.
- On the regulatory front, the committee has also been involved with the Superannuation & Employee Benefits Practice Committee in preparing a submission on Risk Management Plans for Superannuation Funds.
- Assisted with organising a group of actuaries to speak to investment professionals about the actuarial profession's opportunities in investment management.
- Resourcing the Committee's activities remains a challenge.

An initiative of the practice committees is to conduct informal briefings to give members an opportunity to keep up to date... and to discuss particular issues affecting that practice area.



## Practice Committees

### SUPERANNUATION & EMPLOYEE BENEFITS PRACTICE COMMITTEE

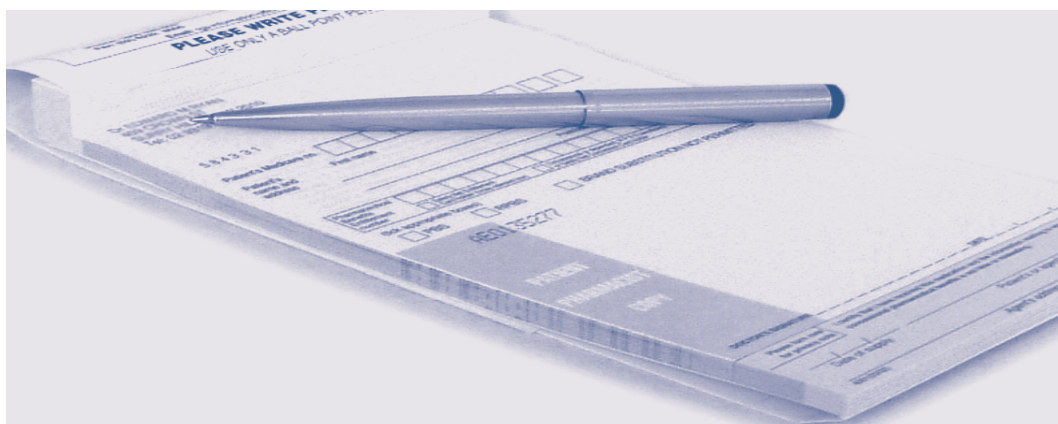
- The broader Part III course that includes a substantial financial planning component was finalised after a significant effort from the subcommittee.
- Establishment of a subcommittee to deal with issues specifically relevant to self managed superannuation funds.
- Currently reviewing all relevant Professional Standards and Guidance Notes to ensure that they continue to remain up to date.
- Contributed to the Urgent Issues Task Force dealing with the concerns about Unsatisfactory Financial Positions.
- Responded to the Government's portability proposals, including appearing before the Senate Select Committee.
- Responded to the Government's Superannuation Safety Bill, and the proposal regarding the splitting of superannuation contributions.
- Contributed to the development of the submission on IAS19.
- Subcommittee continuing to research and develop work on Employee Entitlements.
- Significant work on drafting a technical note on Benefit Projections is continuing
- The Guidance Note on the Valuation of Share Based Payments has been finalised.
- Contributed papers and sessions at the Biennial Convention.
- The reporting line for the Ageing Australia Taskforce was moved to the Committee during the year.

### HEALTH PRACTICE COMMITTEE

- Activity relating to the upcoming introduction of the Appointed Actuary in Health:
  - Create draft guidance notes relating to FCR,
  - Work with regulator to hold industry workshop session outlining value of actuaries and potential scope of role,
  - Prepared professional response on a range of issues (health reinsurance, new gap products).
- Review of the Health Financing in Australia course held in 2002 and preparation for a second course in March 2004.
- Updating course material for the education program covering actuarial involvement in Health Insurance.
- A Health Financing workshop was held in December 2002 with key industry figures to identify significant issues that the profession could contribute to. Three clearly identified strands of work which the profession is moving forward:
  - Health workforce issues,
  - Health capital,
  - State/Federal boundary issues.
- Made a strong contribution to the Biennial Convention with a number of health and health insurance related papers.
- Through the efforts of David Watson, a number of regular publications and circulars relating to health and health insurance issues are shared within members of the profession and the industry at large.



**The IAAust is partnering with other organizations and governments to advance analysis and consideration of options in health financing.**



# International Program

The IAAust and its members continue to play a significant role in international actuarial activities through roles in the **International Actuarial Association (IAA)** and liaison with other international bodies.

Nineteen Australian actuaries represent the IAAust on seventeen IAA Committees including Craig Thorburn and Tony Coleman who hold positions as vice-chairs of the IAA Social Security Committee and IAA Financial Risks Committee respectively, and Catherine Prime who chairs the China Sub-committee of the IAA Advice & Assistance Committee.

The IAAust hosted the IAA Committee and Council meetings in Sydney in May 2003 as well as a seminar on 'Risk Measurement & Modelling in Banking & Insurance' arranged by the IAA Financial Risks Committee. Chris Lewis also hosted the Presidents' Forum immediately before the IAAust Biennial Convention in Cooloolah in May 2003.

Significant areas of activity for the IAA during the year included considerable further work on the development of international actuarial standards to support the implementation of International Insurance Accounting Standards being developed by the IASB, as well as submissions on relevant actuarial issues to other international bodies such as the International Association of Insurance Supervisors. A new Health Section was approved at the May IAA meetings in Sydney, and a new Pensions Section of the IAA will be proposed for approval at the November IAA meetings in Berlin. If approved, Helen Martin will represent the IAAust and be involved in the establishment of this Section, which will run its first meeting as part of the IACA conference being held in Sydney in November 2004.

The IAAust has provided speakers for the IAA/IPEF meeting for actuarial leaders and educators in Asia held in Manila in October 2003. Catherine Prime was heavily involved in the organisation of this meeting as well as a meeting organised with the IAA and Asian Development Bank.

Other **international meetings and conferences** attended by representatives of the IAAust over the year included the Sectoral Conference in Shanghai in January, ASTIN in Berlin in August and AFIR in Maastricht in September. Chris Lewis also attended and presented on 'actuaries in wider fields' at the AGM of the Canadian Institute of Actuaries in June, Andrew Gale gave a presentation on the IAAust in Hong Kong in July and Graham Rogers presented on Corporate Governance at the EAAC in the Philippines in October 2003.

Closer to home, discussions are continuing between the IAAust and the New Zealand Society of Actuaries on ways to develop closer relations between the two bodies. As part of this strategy Mark Weaver, the President of the New Zealand Society, attended the IAAust Council meeting in April 2003 and Chris Lewis and Graham Rogers are reciprocating by attending the New Zealand Society Council meeting in October 2003.

During the year, the IAAust continued to work towards **mutual recognition** with a number of overseas bodies. A recognition agreement at the Affiliate level is currently being negotiated with the Institute of Actuaries of Japan and discussions on agreement with the Actuarial Society of India are continuing. The existing Mutual Recognition Agreement with the Canadian Institute of Actuaries was also reviewed during the year, as required under the Agreement.

Activity in the Asian region was curtailed to some extent by SARS during the middle part of the year, however the **IAAust Asian Education Strategy Taskforce** has continued to work towards building relationships with various education bodies in Asia. Discussions have been held with Hong Kong University and Nanyang University in Singapore, and the latter has expressed interest in seeking accreditation by the IAAust for their actuarial courses.

The IAAust continues to review its formal representation in overseas countries and there are currently Ambassadors and Representatives of the IAAust appointed across seventeen countries. During the year, some of the terms of existing **Ambassador and Representatives** came to an end and replacement Ambassadors and Representatives were appointed in Japan, China, Canada, Indonesia, India and the UK. A new Ambassador appointment has been made in France. A full list of Ambassadors and Representatives is set out later in the annual report.

...there are currently Ambassadors and representatives of the IAAust appointed across seventeen countries.



# Communications

## PUBLIC AFFAIRS

The IAAust **public affairs program** has been enhanced in the period October 2002 to September 2003 with the assistance until May 2003 of external consultants, Buchan Communication and with the appointment in March 2003 of two new policy managers to the staff of the IAAust. Greater focus has been placed on a consistent program of representation to governments and opposition, managed by the Chief Executive. Meetings with key political advisors, ministers and senators have enabled the IAAust to discuss issues and provide independent advice on proposed policy and legislation.

The IAAust is a member of the **ASX Corporate Governance Council** represented by Catherine Beall, and Tony Coleman. The IAAust is also a member of the Committee for Economic Development of Australia (CEDA) and re-activated its membership of the national peak body Professions Australia in 2003.

Through a series of **roundtable meetings** the IAAust has hosted strategic discussions on medical indemnity insurance, health financing and financial reporting. High level meetings between senior actuaries, politicians and their advisors have covered the portfolios of Health & Ageing, Finance, Treasury and Prime Minister & Cabinet.

The IAAust hosted a successful **cocktail party at Parliament House** in Canberra in August 2003 for members of government, opposition parties and their political advisors. Following Council meetings in Melbourne and Sydney, representatives of a number of industry and professional groups joined Council members as guests over dinner to share experiences and to discuss public policy issues of mutual interest. The first of a series of CEO roundtable discussions was hosted by the IAAust with the Chief Executives of General Insurers.

The IAAust Presidents and other key spokespersons have made presentations to industry conferences and business seminars consistently throughout the year. Catherine Beall, Chief Executive has made **presentations** at functions hosted by the Committee of Economic Development of Australia on topics such as superannuation, financial reporting, infrastructure and sustainability.

## MEMBER SERVICES

Current policy and practice issues have been featured in the monthly magazine **Actuary Australia** published by the IAAust. This year Daren Wickham has provided lively and provocative editorial guidance for the magazine which has further established **Actuary Australia** as a 'must-read' for members, politicians and associated industry professionals. The **Australian Actuarial Journal**, published quarterly by the IAAust and edited by David McNiece, has provided an important reference for actuarial research and recent developments. Papers from IAAust seminars and the Biennial Convention were made available to delegates on CD-Rom and via the IAAust website. The IAAust's **website** has continued to be a valuable resource for members, prospective students and other professionals. An initiative to create 'home pages' for each practice area is underway to ensure more regular and informative communication between the practice committees and the membership.

In April 2003, the convenors and a member of each of the IAAust's six **practice committees** participated in a workshop to identify ways in which the practice committees could more effectively contribute to overall strategic planning and public policy development within the IAAust. There was considerable benefit from the interaction generated by bringing the practice committee representatives together and further work will be undertaken over the next twelve months to support the development opportunities arising from the workshop.

**Presidential lunches** with selected groups of members continued to be held in Melbourne and Sydney this year providing a forum for feedback from members on a range of practice and professional topics. In 2003, an initiative of the practice committee is to conduct informal briefings to give members an opportunity to keep up to date with the activities of each practice committee and to discuss particular issues affecting that practice area.

In late 2002 a new committee was established to address the needs of sole practitioners and small consulting firms. The IAAust **Small Actuarial Enterprises Committee**, chaired by David Hart, took the initiative to support its constituents in preparing licence applications to ASIC under the new Financial Services Reform Act with some twenty firms and individuals participating in the project.

The IAAust services its members from a central office in Sydney, so every attempt is made to provide equivalent services to the next largest member base in **Melbourne** and increasingly to other large member groupings in places like **Hong Kong, Singapore and New Zealand**. All ongoing member activities are conducted in Melbourne as well as Sydney, and during the last twelve months, in partnership with the University of Melbourne Centre for Actuarial Studies, additional CPD activities have been offered in Melbourne. The Presidents, Council members and senior staff maintain a strong presence within the Melbourne actuarial community and through Presidential Dinners and visits from senior actuaries there are links with members further afield.

The new **Affiliate** category of membership has continued to attract professionals from other disciplines who have an interest in maintaining and developing their association with the actuarial profession.



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# Submissions

## SEPTEMBER 2003

- Letter to ATO on Valuation of Certain Pensions for Reasonable Benefit Limit Purposes (TD 2000/29)

## AUGUST 2003

- Letter to APRA on Draft Financial Condition Report Guidelines for Medical Indemnity Insurers

## JULY 2003

- Submission to Treasury on Adoption of International Accounting Standards
- Submission to Treasury, Consultation on Exposure Draft Superannuation Safety Amendment Bill 2003
- Submission to Senate Select Committee on Superannuation, Inquiry into Draft Superannuation Portability Regulations

## JUNE 2003

- Submission to Productivity Commission, Inquiry into National Workers' Compensation and Occupational Health and Safety Frameworks
- Submission to Treasury, Consultation on Draft Superannuation Portability Regulations
- Submission to Senate Economics References Committee, Inquiry into the Structure and Distributive Effects of the Australian Taxation System

## MAY 2003

- Submission to Minister for Revenue and Assistant Treasurer on Limits on Tax Deductible Employer Contributions to Defined Benefit Schemes
- Submission to Senate Select Committee on Superannuation, Inquiry into Planning for Retirement

## MARCH 2003

- Submission to Senate Community Affairs Legislation Committee, Inquiry into the Health Legislation Amendment (Private Health Insurance Reform) Bill 2003
- Submission to ATO on Transfer of pre-July 1988 Funding Credits
- Submission to Department of Prime Minister and Cabinet on Strategic Plan for Australia's Long Term Energy Policy
- Submission to House of Representatives Standing Committee on Ageing, Inquiry into Long Term Strategies to Address the Ageing of the Australian Population Over the Next 40 Years

## FEBRUARY 2003

- Pre-Budget Submission to the Commonwealth Government
- Submission to ATO on Revised Draft Tax Ruling TR 2001/D14 (2003 DTR)
- Submission to Treasury on Portability of Superannuation
- Submission to AMA and APRA on Medical Indemnity Insurance
- Submission to IASB with Comments on ED2, Share-based Payment

## DECEMBER 2002

- Supplementary Submission to the HIH Royal Commission
- Submission to Treasury on Contribution and Compulsory Cashing Standards

## November 2002

- Submission to ALRC and AHEC on Discussion Paper 66 – Protection of Human Genetic Information

Greater focus has been placed on a consistent program of representation to government and opposition.



# Education & Professional Development

The IAAust continued to maintain the high standards of the actuarial education program in 2003.

This year over 250 members voluntarily gave their time to support the **Part III Education Program** – as examiners, markers, scrutineers, tutors, course writers and reviewers. Numbers of students in Part III courses increased by 20% to 439 this year, from the previous year's enrolments of 365. Tutorials were held for Part III subjects in Hong Kong and Singapore, as well as in Melbourne and Sydney. This year, videos of the Sydney tutorials in Investment Management, Life Insurance and General Insurance were made available to all students internationally. The web-based discussion forums, managed by Chief Tutors, continued to be a well-used facility this year. A major revision of the Superannuation course was undertaken with a new 'Superannuation and Planned Savings' course being offered in 2003.

The IAAust Part III courses were successfully assessed by the Australian Securities and Investments Commission (ASIC) as providing competences under ASIC's PS 146: Licensing – training of financial product advisers, and were included on the ASIC Training Register.

The new Part III structure allows the application of core actuarial skills to other fields of work and places a greater emphasis on communication and business application skills.

EXAMINATIONS						
The Part III examinations of the IAAust were conducted in October 2001 with the following results (2001 results are shown for comparison):						
Subject	Sat '02	Pass '02	%	Sat '01	Pass '01	%
Investment Management	80	29	36	92	30	33
Life Insurance	86	33	38	79	30	38
General Insurance	73	26	36	59	20	34
Superannuation	26	8	31	23	8	35
Finance	68	21	35	47	18	38
Total	333	117	35	300	106	35

The **review of the Part III education program** continued in 2003, with the revised structure being endorsed, and new course syllabi developed. Delivery options, including on-line delivery of some components are being assessed. While maintaining the high educational standards in knowledge, skills and judgement required for practising in traditional areas, the new Part III structure allows the application of core actuarial skills to other fields of work and places a greater emphasis on communication and business application skills. The structure also permits students to complete four six-month modules, rather than two one-year courses, allowing for greater flexibility. Transition arrangements have been put in place and communicated to students in December 2002 with the introduction of the new Part III structure in 2005.

Four Australian universities currently have full accreditation from the IAAust to teach **Part I and Part II of the actuarial education program**: the Australian National University, Macquarie University, the University of Melbourne and the University of New South Wales. During the year, mid-term reviews of the actuarial programs at the Australian National University and the University of New South Wales were undertaken. Applications for accreditation of Part I programs were also received from other universities in Australia and Asia and are currently being assessed.

The IAAust has supported **Centres of Excellence** in actuarial education at Macquarie University, the University of Melbourne and the University of New South Wales. The IAAust contributed to Open Days at the four accredited Australian universities and at the Hong Kong Careers fair this year, providing information about actuarial careers, the IAAust and the actuarial profession. The IAAust was also the major sponsor of the Joint Actuarial Students Society's Ball in Sydney, and sponsored actuarial subject prizes at the University of Melbourne and the University of New South Wales in 2003.

In May 2003, the IAAust launched the new textbook '**Understanding Actuarial Management: the actuarial control cycle**' during the meetings of the International Actuarial Association in Sydney. This book, and accompanying CDROM, were commissioned by the IAAust to provide an essential resource for understanding the potential applications of actuarial science, and to serve as the textbook for the Part II (Actuarial Control Cycle) course currently taught at four Australian universities. The co-editors Clare Bellis and John Shepherd (and later joined by Richard Lyon), worked with fifteen authors and thirty-four reviewers to produce this key resource. There has been interest in this textbook from international actuarial organisations as part of the incorporation of the Actuarial Control Cycle concept into the reviews of their education programs.



## Education & Professional Development

The contribution of the IAAust to **international actuarial education** has continued throughout 2003. In particular, the Actuarial Control Cycle concept has influenced the education reviews of other international bodies. Throughout the year, members and staff gave presentations on the Australian education system at conferences and meetings in Sydney, Japan, Hong Kong, Canada and New Zealand. The IAAust was represented on several international education committees, including the Institute and Faculty of Actuaries (UK) and Society of Actuaries (USA) education working parties, and the IAA Joint International Education Taskforce.

The 2003 **Continuing Professional Education (CPD)** program provided members with a range of events covering a variety of content areas, locations and formats to support their CPD requirements under Professional Standard 500. The IAAust hosted two major events in 2003 – the Biennial Convention held at Coolumb in Queensland in May 2003, with attendance of over 330; and the Accident Compensation Seminar held in Adelaide in November 2002 with attendance of over 230.

**Horizon Series** (re-named from the Sessional Meetings) held in Sydney and Melbourne each month provided a range of opportunities for members to discuss a variety of research topics, practice development and professional issues. There has been a significant increase in attendances at the Horizon meetings with 30-60 in Melbourne and 90-150 in Sydney. An initiative in 2003 was the inclusion of presentations on actuarial research being undertaken by PhD, Masters and Honours students at the February Horizon meetings. The Horizon meetings are video-taped and circulated for the use of members in major cities throughout Australia and internationally, making the meetings accessible to members unable to attend the live events. The Horizon papers and discussion are published in the Australian Actuarial Journal.

The IAAust launched the General Insurance Self-study Program this year. Based on the Part III General Insurance course, this self-paced program proved attractive to a number of members from Australia and Asia. A number of **special briefings for members** were held throughout the year, including a discussion session on Unsatisfactory Financial Position by the Superannuation & Employment Benefits Practice Committee, and a Discussion of the Exposure Draft of Guidance Note 353: Evaluation on General Insurance Technical Liabilities Session presented by a General Insurance Task Force. Regular briefings were conducted for general insurance actuaries as the requirements of the new Insurance act were developed in conjunction with APRA.

A one-day seminar on Risk Measurement & Modelling in Banking & Insurance was held in conjunction with the meetings of the IAA in Sydney in May and was very well received with nearly 180 delegates attending.

The IAAust jointly promoted a range of **university based events** and seminars in 2003 with the ANU, Macquarie University, the University of Melbourne and the University of NSW. A major initiative was the new IAAust/University of Melbourne Seminar Series, with four seminars being held in central Melbourne in 2002-03.

The Horizon meetings are video-taped and circulated for the use of members in major cities throughout Australia and internationally.



### FORUMS SEMINARS & DISCUSSIONS

2 October 2002	Unsatisfactory Financial Position Session by the Superannuation & Employment Benefits Practice Committee (Melbourne)
18 October 2002 (Sydney & Melbourne)	Discussion of Exposure draft of Guidance Note 353: Evaluation on General Insurance Technical Liabilities Session by the General Insurance Task Force
23 October 2002	IAAust/University of Melbourne Seminar Series: Premiums and Reserves for Life Insurance Products – David Dickson
27–30 October 2002	IXth Accident Compensation Seminar
22 October 2002	IAAust/University of Melbourne Seminar Series: Identification and Measurement of Speculative Risk – Richard Fitzherbert
2 April 2003	IAAust/University of Melbourne Seminar Series: Financial Economics and Insurance Pricing – Greg Taylor
14 May 2003	IAA Risk Measurement and Modelling in Banking & Insurance Seminar – Where to from Here?
18–21 May 2003 4 June 2003	Biennial Convention 2003 Shaping the Future: in a World of Uncertainty IAAust/University of Melbourne Seminar Series: Some Optimal Dividends Problems – David Dickson

## Education & Professional Development

Horizon Series		
Date	Topic	Authors/Presenters
21 October 2002 (Melb) 23 October 2002 (Syd)	Claims Streaming, Risk Profiling & Other Applications of Data Mining	Inna Kolyshkina & Richard Brookes
25 November 2002 (Melb) 27 November 2002 (Syd)	Economic Valuation: Something Old, Something New	Michael Sherris
9 December 2002 (Melb) 16 December 2002 (Syd)	Presidential Address – Shaping the Future: In a World of Uncertainty	Chris Lewis
24 February 2003 (Melb) 26 February 2003 (Syd)	Emerging Ideas: Presentations by PhD, Masters, and Honours Students	Mahmoud Hamada, Eddie Leung, Kelvin Mo, Peter Raymond, Kirsty Reid, Manabu Sato, & Dumaria Tampubolon
24 March 2003 (Melb) 26 March 2003 (Syd)	The Actuary as an Expert Witness	Graham Ellis
28 April 2003 (Melb) 30 April 2003 (Syd)	Accounting Standards: The 2005 Changes Loom	Accounting Standards Committee of the IAAust and the IAS39 Taskforce: Greg Martin, David Rush, Clive Aaron, Kevin Allport, Christina Habal (AASB)
26 May 2003 (Melb) 28 May 2003 (Syd)	Approved Actuary in GI: 18 Months On	APRA : Robert Thomson & Helen Martin
23 June 2003 (Melb) 25 June 2003 (Syd)	Actuaries & Ethical Thinking – A Theoretical & Practical Framework	Chris White
21 July 2003 (Melb) 23 July 2003 (Syd)	IAAust Corporate Governance Taskforce Report to Members including Revised Draft Recommendations	Chris White, Michael Barker, Tony Coleman, Alan Doble, David Knox, Ian Pollard, Trevor Thompson, & Mark Turner
27 August 2003 (Syd) 28 August 2003 (Melb)	Between a Rock & A Hard Place – What are the Issues Threatening Australia's Future in the Next 50 Years & How Can Actuaries Help?	Rod Lester (World Bank) & Barney Foran (CSIRO)
22 September 2003 (Melb) 24 September 2003 (Syd)	Identification & Measurement of Speculative Risk	Richard Fitzherbert

The 2003 **Biennial Convention** was held at Hyatt Regency Cooloom from May 18 – 21 and the participation of over 330 actuaries and other professionals ensured it was an outstanding success. As the premier event of the IAAust, the Convention brings together a cross-section of professionals from Australia and overseas to be informed about, and to contribute to, developments in professional practice.

Entitled '*Shaping the Future: in a World of Uncertainty*' the Convention provided an important opportunity for participants to explore ideas for adapting to the changing environment and to actively guide companies, regulators and governments with their decision-making in shaping the future.

### Keynote Address:

Robyn Williams (Presenter The Science Show – ABC Radio National)

### Managing Contemporary Issues:

Tom Ross (President of the Faculty of Actuaries), Simon Longstaff (St James Ethics Centre), Wayne Lonergan (Lonergan Edwards & Associates)

### Corporate Governance & the Actuary:

IAAust Corporate Governance Taskforce, Chaired by Chris White

### International Professional Perspectives:

Paul McCrossan (Eckler Partners Ltd), Jeremy Goford (President, Institute of Actuaries UK), Harry Panjer (President, Society of Actuaries US)

### Trends & Cycles:

Cary Helenius (JB Were) and Haruhiko Kuroda (Advisor to Cabinet, Japanese Government)

### Actuaries: the 21st Century Corporate Superhero

Panel moderated by Adam Spencer (Triple J)

Panelists: Geoff Atkins, Cathy Nance, Dave Pelletier (President, CIA), Pauline Blight, Rebecca Hewitt (Editor, Investor Weekly) and Wayne Lonergan (Lonergan Edwards & Associates)

### Sustainable Futures:

Professor Jack Caldwell (Australian National University), Dr Judith Healy (Australian National University), Dr Clive Hamilton (The Australia Institute)

**The Convention provided an important opportunity for participants to explore ideas for adapting to the changing environment and to actively guide companies, regulators and government in their decision-making in shaping the future.**

## Education & Professional Development

### 2003 Biennial Convention Sessions

- **Genetics Workshop** – Alan Doble & Chris Daykin
- **Contemporary Issues in Private Health Insurance** – Andrew Gale & David Watson
- **Alternative Investments: Infrastructure** – Jim Miller
- **IAAust Disability Committee Update** – Hoa Bui
- **Contemporary Issues In Super: Unsatisfactory Financial Position** – David McNeice, John Ward & Martin Stevenson
- **Risk, the Environment & the Role of the Insurance Industry** – United Nations Environment Programme Finance Initiatives Australasia Insurance & Advisory Committee – Elayne Grace & Helen Bloustein
- **The Value of Advice** – James Hickey & Tim Gorst
- **The Role of the Actuary in Healthcare: Where are we, & where are we going?** – Sophia Dyson, Bronwyn Hardy & Barry Leun
- **Insurance Industry Opportunities in the e-World** – Shirley Gregor
- **Retired Market Financial Products** – Stuart Rodger
- **Correlations: What They Mean & More Importantly What They Don't Mean** – Colin Priest
- **Greenhouse Gas Issues within Australia's Electricity Industry** – Richard Cumpston & Andrew Burge
- **Holistic Financial Reporting: Update 2003** – Geoff Dunsford
- **Planning Health Care for the 21st Century** – Howard Bolnick
- **Financial Economics & Actuarial Practice** – Tony Day
- **Economic Valuations Guidance Note: Discussion Draft of GN511** – Pauline Blight, David Minty, David Rush & Ian Robinson
- **Family Law, Defined Benefits & the Actuary** – Andrew Boal & John Ward
- **A New Mathematical Model of Australian Disability Incidence & Termination Rates** – David Service
- **IASB Accounting Developments** – Paul McCrossan, Clive Aaron & Greg Martin
- **Life Industry Changes in Asia** – Caroline Bennet
- **Executive & Employee Share Options: Valuation Expensing & the Role of Actuaries** – Nick Callil
- **The Considerations of the Capital Adequacy Claims/Membership Experience Stability Margins for Private Health Insurance Capital Adequacy Requirements** – Brent Walker
- **Actuaries: A Narrow Profession?** John Shepherd
- **Forestry as an Alternative Investment: Attaching Commercially Valuable Carbon Credits** – John Smith & Braden Jenkin
- **Capital Reserving for Credit Risk for Insurers (Life & GI)** – Greg Martin & Martin Paino
- **Contemporary Issues in Life Insurance** – Richard Lyon
- **Continuous Compounding, Volatility & Beta: Review of & Response to Fitzherbert** – Michael Sherris
- **Planning in Uncertainty; Scenario Planning: a Tool for Actuaries** – Barry Rafe
- **Health after Lifetime Health Cover** – Andrew Gale
- **Group Life Experience Study** – James Collier
- **Risk Based Capital: Report from IAA Insurer Solvency Working Group** – Stuart Wason
- **Super for Struggle Street – superannuation for welfare recipients, job snobs & dinkum aussie battlers** – Darren Wickham
- **Reply to Sherris & Wong** – Richard Fitzherbert
- **Contemporary Issues in General Insurance** – Geoff Atkins
- **Real Options Analysis: The Challenge & the Opportunity** – Ian Robinson & Tim Kyng
- **Cashflow At Risk Models** – Douglas Lecocq
- **The Impact of Climate Change on Insurance against Catastrophes** – Tony Coleman
- **Private Health Insurance: an Appointed Actuary** – Gayle Ginnane
- **GN252 Review** – Pauline Blight
- **Future Education Strategy: A Discussion of the Part III Implementation Task Force Report** – Donna Walker
- **Microfinance: Financial Services for the Poor** – Siddarth Parameswaran
- **The Role of Australian General Insurance Actuaries in Asia** – Jeremy Wall & Bruce Howe
- **Market Consistent Economic Valuations for the Wealth Management Industry** – Pauline Blight, Anton Kapel & Anthony Bice
- **Options & Issues for Long Term Care in Accident Compensation** – John Walsh
- **Sustainability Reporting in the Corporate Sector** – Jill Green, Elayne Grace & Kaise Stephan
- **2005 Finance/IM Syllabus** – Paul Carrett & Peter Worcester
- **The Future of Retirement Incomes** – Geoff Dunsford
- **Protection of Employment Entitlements** – Glenn Langton

...there was something for everyone ranging from the traditional areas to the wider fields.

# Prizes & Awards

## A M PARKER PRIZE

The AM Parker Prize is awarded to the author or authors of a paper presented to the Institute of Actuaries of Australia. The supplementation from the Melville Prize fund for this prize is \$1,600. For 2002 the AM Parker Prize of \$2,400 was awarded to **Paul Carrett** and **Alex Stitt** for their paper titled 'The Valuation of Retail Funds Management Companies.'

## H M JACKSON MEMORIAL PRIZE

The H M Jackson Memorial Prize is awarded for any published articles other than papers eligible for an award from the H M Jackson Fund.

The supplementation from the Melville Prize Fund for this prize is \$1,600. For 2002, the H M Jackson Prize of \$1,800 was awarded to **Michael Sherris** for a paper, co-authored with Zinoviy Landsman, titled 'Risk Measures and Insurance Premium Principles.'

## ANDREW PRESCOTT MEMORIAL PRIZE

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

The Andrew Prescott Memorial Prizes for October 2002 examinations were awarded to:

**Jeffrey Chee** – \$800 for Subject 4, Superannuation and Other Employee Benefits.

**Jeffrey Chee** – \$800 for the Merit Prize.

No prizes were awarded in 2002 for Subject 1 Investment Management, Subject 2 Life Insurance, Subject 3 General Insurance and Subject 5 Finance.

The supplementation from the Melville Prize Fund for the 2002 Andrew Prescott Memorial Prizes is \$1,400.

## KATHERINE ROBERTSON PRIZE

The Katherine Robertson Prize is awarded to the person obtaining the highest marks in the General Insurance Part III subject, provided that a certain minimum standard is attained. No award was made in 2002.

## LIFE MEMBERS

<b>Catherine Prime</b>	2002
BSc, DipLaw, ASA, FIA, FIAA	
<b>Warwick John Easton</b>	1993
FIA, ANZIIF (Fellow), FIAA	
<b>Galfrid Leslie Melville (Tig)</b>	1990
BA, FIA, ASA, FIAA	
<b>Leslie George Oxby</b>	1987
FIA, ASA, FIAA	
<b>Owen Francis Roach</b>	1984
MA, FIA, ASA, FIAA	
<b>Colin James Steven</b>	1984
FIA, ASA, FIAA	
<b>Lawrence Julius Cohn</b>	1984
FFA, ASA, ANZIIF (Fellow), FIAA	

## SILVER MEDAL WINNERS

<b>John Hurlstone Pollard</b>	2001
BSc, PhD, FSS, FIA, FASSA, FIAA	
<b>Garth Cowan Ward</b>	1987
MSc, FIA, ASA, FIAA	
<b>Peter Charles Wickens</b>	1987
OBE, MA, LL.M, FIA, FIAA	

## GOLD MEDAL WINNER

<b>Greg Clive Taylor</b>	1997
BA, PhD, FIA, FIMA, MACS	

## A H POLLARD PHD SCHOLARSHIP

In 2002 the IAAust Council founded a scholarship in honour of the late Professor Alfred Hurlstone Pollard. Professor Pollard is widely acknowledged as one of Australia's most outstanding actuaries, having made particularly important contributions in the field of actuarial education.

Recognising the financial hardship that Professor Pollard had to endure in order to gain his own PhD, the scholarship is intended to provide assistance to a member of the IAAust who is studying for a PhD degree at a recognised university, in an actuarial or related field.

The 2003 recipient of this scholarship was **Edward Leung**, for his PhD project Long Term Care in Australia, through the Centre for Actuarial Studies at the University of Melbourne.



Edward Leung

In 2002 the IAAust Council founded a scholarship in honour of the late Professor Alfred Hurlstone Pollard.

# New Fellows

Congratulations to the following members who, having passed or been exempted from Parts I, II and III of the IAAust education program, satisfied the Practical Experience Requirement and attended the Professionalism Course, became Fellows of the Institute of Actuaries of Australia in 2003.

**Anish Aryal**

**Shikha Bajpai**

**Ian Barbour**

**Michael John Bartram**

**Gregory Paul Bird**

**Richard Keith Bruynel**

**Yusuf Cakan**

**Tze Siang Chai**

**David Brian Chamberlain**

**Dennis Chi-Ho Chan**

**Eugene Chiang Hua Cheah**

**Jeffrey Yoon-Sinn Chee**

**Jennifer Susanna Chow**

**Jennifer Lynette Dean**

**Zarina Dubash**

**Patrick John Dwyer**

**Ashleigh Clare Edwards**

**Kevin Fergusson**

**Matthew Wayne Gold**

**David Julian Isaacs**

**Hun Kim**

**Bill Konstantinidis**

**Wan-Fung Felix Lai**

**Peter James Larsen**

**Jasmine L. Lee**

**Yuk Ki Betty Lee**

**Tony Ka Keung Leung**

**Ka Ki Li**

**Albert Liu**

**Eric Zhanhang Lu**

**Nghiep Luu**

**Andrew Donald McLennan**

**Fiona Kate McRae**

**Alissa Gaye Merlo**

**Senthooran Nagarajan**

**Margaret Elizabeth O'Halloran**

**Ben Chair Ooi**

**Martin Robert Paino**

**Niranjan Pathma-Nathan**

**Anjali Paul**

**Adam Warren Payne**

**Adam John Pike**

**Marc Rosenthal**

**Leo Shum**

**Tracey Justine Teague**

**Karen Thompson**

**Leon Edward Tisdell**

**Georgina Hope Tucker**

**Sean Michael West**

**Julian James Widdup**

**Anthony Williams**

**Bernard Ho Yin Wong**

**Isaac Wong**

**Katherine Hoi Yee Wong**

**David Dae Yuel Yang**

**Kumaran Yogarandan**

**Angela Zhuo-Min Zhu**



# Membership

MEMBERSHIP FIGURES FOR THE LAST 10 YEARS						
	Fellows	Accredited	Associates	Students	Affiliate	Total
1994	810	38	345	433	8	1634
1995	865	40	363	422	7	1697
1996	921	37	362	423	7	1750
1997	991	34	370	426	7	1828
1998	1048	34	412	545	6	2045
1999	1093	29	482	629	6	2239
2000	1158	19	517	657	5	2356
2001	1212	15	533	770	5	2535
2002	1237	21	565	822	9	2654
<b>2003</b>	<b>1277</b>	<b>19</b>	<b>600</b>	<b>854</b>	<b>21</b>	<b>2771</b>

CLASSIFICATION BY RESIDENCE												
	Fellows		Accredited		Associates		Students		Affiliates		Total	
	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003
ACT	14	14	0	0	3	5	35	39	1	2	53	60
NSW	655	675	11	10	271	290	484	518	6	11	1427	1504
NT	0	0	0	0	1	1	0	0	0	0	1	1
QLD	26	26	0	1	13	13	28	25	0	0	67	65
SA	15	12	0	0	3	2	10	9	0	0	28	23
TAS	3	4	0	0	2	1	2	3	0	0	7	8
VIC	237	240	4	3	122	124	148	144	1	2	512	513
WA	16	16	1	0	3	3	10	14	0	2	30	35
<b>Total Australia</b>	<b>966</b>	<b>987</b>	<b>16</b>	<b>14</b>	<b>418</b>	<b>439</b>	<b>717</b>	<b>752</b>	<b>8</b>	<b>17</b>	<b>2125</b>	<b>2209</b>
New Zealand	42	49	0	0	27	24	5	7	0	1	74	81
<b>Total Oz &amp; NZ</b>	<b>1008</b>	<b>1036</b>	<b>16</b>	<b>14</b>	<b>445</b>	<b>463</b>	<b>722</b>	<b>759</b>	<b>8</b>	<b>18</b>	<b>2199</b>	<b>2290</b>
Other O'seas	229	241	5	5	120	137	100	95	1	3	455	481
<b>Total</b>	<b>1237</b>	<b>1277</b>	<b>21</b>	<b>19</b>	<b>565</b>	<b>600</b>	<b>822</b>	<b>854</b>	<b>9</b>	<b>21</b>	<b>2654</b>	<b>2771</b>

During 2004 we expect new legislation to be introduced to enable professional associations such as the Institute to establish professional standards schemes.

OVERSEAS IAAUST MEMBERS BY COUNTRY																				
Country	Fel	Acc	Asc	Std	Afl	Tot	Country	Fel	Acc	Asc	Std	Afl	Tot	Country	Fel	Acc	Asc	Std	Afl	Tot
Belgium	1		1			3	Japan	12		1	1		14	South Africa	1		3			4
Bermuda	3					3	Kenya			1			1	South Korea	1		2	3		6
Brazil	1					1	Macau				3		3	Spain	1		1			2
Canada	4	1		1	1	7	Malaysia	5	1	6	11		23	Sri Lanka				1		1
China	5					5	Mauritius	1		1			2	Switzerland	3		2			5
France	6		1			7	New Zealand	49	24	7	1	81	Taiwan	3		2			5	
Germany	2		1	1		4	Norway			1			1	Thailand	3		1			4
Hong Kong	46	47	39	1	133		Pakistan			1			1	The Netherlands	3		2			5
India	4		2			6	Philippines	1		1	1		3	UK	82	2	32	9	1	126
Indonesia	2		2			4	Poland	1					1	USA	24	13	5			42
Ireland	1		1	1		3	Romania	1					1							
Israel	1					1	Scotland	2		1			3							
Italy	1	1				2	Singapore	18	19	12		49								
														<b>TOTAL</b>	<b>288</b>	<b>5</b>	<b>161</b>	<b>104</b>	<b>4</b>	<b>562</b>

Key: Fel – Fellow; Acc – Accredited; Asc – Associate; Std – Student; Afl – Affiliated

FEES AND SUBSCRIPTIONS		
Annual Subscriptions (excl. GST) for 2002/03 were :	Resident in Australia	Resident outside Australia
Fellows and Accredited	\$895.00	\$600.00
Associates	\$570.00	\$340.00
Students	\$350.00	\$270.00
Full Time University Students	\$90.00	N/A
Affiliates	\$350.00	\$230.00

The entrance fee for all categories of membership was \$230.00 except for Full Time Students and Affiliates which was \$57.50.

IAAUST MEMBERSHIP INCREASES			
The increase in membership during the year was as follows:			
Class	Number at 30.09.01	Number at 30.09.02	Number at 30.09.03
Fellow	1212	1237	1277
Accredited	15	21	19
Associate	533	565	600
Student	770	822	854
Affiliate	5	9	21
<b>Total</b>	<b>2535</b>	<b>2654</b>	<b>2771</b>

# Education Program

The IAAust has a continuing commitment to providing quality in tuition and examination support for the education program and is indebted to the members listed below who have contributed their time, energy and expertise on a voluntary basis, to ensure the success of the education program.

## Chief Examiners, Assistant Examiners, Exam Markers, Scrutineers and Exam Supervisors for October 2002 Examinations

Amanda Aitken  
Jenny Andrews  
Allan Archer  
Puvan Arulampalam  
James Atkinson  
Rashi Bansal  
Mark Barda  
Andrew Barker  
Peter Barnes  
Sarosh Batliwalla  
Caroline Bennet  
Ashutosh Bhalerao  
Anthony Brien  
Mireille Campbell  
Paul Carrett  
Lisa Chadwick  
Andy Chan  
Phillip Chappell  
Peter Chun  
Brett Clark  
Sue Clarke  
Andrew S Cohen  
Scott Collings  
Elaine Collins  
Stuart Crockett  
Briallen Cummings  
Charles Davies  
Julie Demark  
Stephen Dixon  
Jason Doughty  
Adam Driussi  
Paul Drysdale  
Rachel Eagleton  
Natalie Eckersall  
Phillip Everett  
Emma Farrier  
John Ferraro  
Kevin Francis  
Paul Francis  
Tim Furlan  
David Gifford  
Peter Grigaliunas  
Phillip Halverson  
Gillian Harrex  
Richard Hitchens  
Vanessa Ho

David Hole  
Sally Hopwood  
Graham Horrocks  
Andrew Houltram  
Sue Howes  
Cynthia Hui  
Mark Hurst  
Andrew Huszycz  
Steve Jackman  
Chris Johnson  
Don Johnstone  
Janice Jones  
Wayne Kenafacke  
Tony Kench  
Tim Kyng  
Jennifer Lang  
Raymond Lei  
Tony Lei  
Tony Lewis  
Steven Lim  
Ezio Lo Castro  
Kate Maartensz  
Jason Marler  
Shane Mather  
Richard Mayo  
Peter McCourt  
Andrea McDonnell  
David McNeil  
Andrew Mead  
Steve Miles  
Jim Miller  
Graeme Miller  
David Minty  
Stuart Mules  
Mark Nelson  
Loan-Anh Nguyen  
Trang Nguyen  
Mark R O'Brien  
Christian Olsen  
Julie Osborne  
Siddarth Parameswaran  
Philip Pepe  
Paul Pesavento  
Ian Petersen  
Tracey Polldore  
James Purvis  
Nicole Raffin  
Scott Reeves  
Thomas Reif  
Stuart Rodger  
Nicolette Rubinsztein

Andrew Sach  
Luis Sarmiento  
Rodney Scott  
Chris Seddon  
Stuart Seddon  
David Service  
David Shade  
Siva Sivakumaran  
Alan Smee  
Daniel Smith  
Diane Somerville  
Jason Sommer  
Neale Spencer  
Kaise Stephan  
Peta Stevenson  
Adam Stolz  
Edward Swayne  
Kevin Thadanabath  
Hean Peng Thniah  
Mark Thompson  
Geoff Trahair  
Stuart Turner  
Andrew Vallner  
Rodney Venn  
Geoff Walker  
Jeremy Wall  
David Whittle  
Darren Wickham  
Stephen Wilson  
Sylvia Wong  
Stephen Woods  
Peter Worcester  
Rayman Yan  
Yan Zhao

## Chief Tutors, Assignment Markers, Tutorial Support and Course Reviewers/Writers in 2003

Marcus Arena  
Shikha Bajpai  
Mark Barda  
Greg Baker  
Rashi Bansal  
Andrew Barker  
Peter Barnes  
Michael Bartram  
Lorraine Berends  
Greg Bird  
Michael Blayney  
Richard Bruynel

The core business of Part III education has been a key focus for 2003 with the development of a business plan for the implementation of the new Part III program.



## Education Program

Matthew Burgess  
Yusuf Cakan  
Paul Carrett  
Paul Cassidy  
Siang Chai  
David Chamberlain  
Fred Chan  
Eugene Cheah  
Jeff Chee  
Anne Cheng  
William Cheong  
Aimee Cheung  
Tim Clark  
Andrew S Cohen  
William Cone  
Julie Cook  
Stuart Crockett  
Michael Crouch  
Joanne Cullen  
Karen Cutter  
John De Ravin  
Jenny Dean  
John Dodsworth  
Jason Doughty  
Adam Driussi  
Deborah Driussi  
Doug Drysdale  
Rachel Eagleton  
Simon Eagleton  
Julie Evans  
Phillip Everett  
Peter Fallows  
Steven Faulkes  
John Ferraro  
Shauna Ferris  
Michelle Finlay  
Warrick Gard  
Richard Gay  
David Gifford  
Corinne Glasby  
Matthew Gold  
Jethro Goodchild  
Elayne Grace  
Phillip Halverson  
John Hancock  
Bronwyn Hardy  
Peter Hardy  
Gillian Harrex  
Meg Heffron  
Lawrence Heyman  
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Stephen Huppert  
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David Isaacs  
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Chris Johnson  
Henry Josling  
Hanna Kam  
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Hun Kim  
Robin Knight  
Laurel Kong  
Bill Konstantinidis  
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Loan-Anh Nguyen  
Trang Nguyen  
Marg O'Halloran  
Henry Onions  
Julie Osborn  
Martin Paino

Suzanne Patten  
Anjali Paul  
Adam Payne  
Philip Pepe  
Grant Peters  
Ian Petersen  
Colin Priest  
Ken Ragell  
Scott Reeves  
Colette Reid  
Thomas Reif  
Catherine Robertson-Hodder  
Gae Robinson  
Gavin Rogers  
Chris Seddon  
David Shade  
Jonathan Shead  
Andy Siu  
Bernard Smith  
Daniel Smith  
Diane Somerville  
Jason Sommer  
Kaise Stephan  
Mark Stewart  
Anthony Street  
Susanne Szoldra  
Tracey Teague  
Kevin Thadanabath  
Bruce Thomson  
Robert Thomson  
Cheryl Tibbits  
Leon Tisdell  
Georgina Tucker  
Stuart Turner  
Marianne Watt  
Sean West  
Ian Wong  
Isaac Wong  
Katherine Wong  
Sylvia Wong  
Melissa Yan  
David Yang  
Yee Lin Yang  
Colin Yellowlees  
Guy Yeung  
Lynda Young  
Warwick Young  
Angela Zhu

**A number of reviews are underway which will influence how we see the Institute developing over the next decade.**

# Council, Committees & Taskforces

\* Denotes Staff Support  
• Denotes Non-member

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Lesley Manelok •  
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Blair Nicholls  
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Tony Coleman  
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### International Accounting Standards Financial Instruments Sub-committee

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Nelson Henwood  
Andrew Kirk \*  
Andrew Leung  
Senthoooran Nagarajan  
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Nick Raper

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Bill Dowsley  
Jill Green  
Alan Greenfield  
Don Johnstone  
Andrew Leung  
Helen McLeod  
Siddharth Parameswaran

# Council, Committees & Taskforces

Thomas Reif  
Kaise Stephan  
Raymond Yeow

## Workgroup on Genetics

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Kristine Barlow-Stewart\*  
Shauna Ferris  
Sue Khor  
Brent Walker  
Graham Whittaker

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Peter Martin  
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Michael Playford  
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Tony Snoyman  
Martin Stevenson  
Wayne Walker

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Rob Clark  
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Alex Stitt

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David Hotchkies  
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David Service  
Martin Stevenson  
Trevor Thompson  
Donna Walker

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David Dickson  
Hanna Kam  
Carolyn MacLulich (Sec)\*  
Trevor McMahon  
Judy Wang

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Linh Luu (Sec)\*  
Emil Valdez  
David Westcott

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Jeff Humphreys  
Carolyn MacLulich\*  
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Kellie Woodward (Sec)\*

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Kevin Francis  
John Hancock  
Bozenna Hinton  
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Philip Pepe  
Nicole Raffin  
David Shade  
David Ticehurst  
Stephen Wilson  
David Wong  
Noeline Woof

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David Hotchkies (Con)  
Michelle Aspery (Sec)\*

## Part II External Examiners

Trevor Thompson (Con)  
Susan Antcliff  
Anthony Carey  
Martin Fry  
Trevor McMahon

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Amanda Aitken  
Michelle Aspery\*  
Paul Carrett  
Stuart Crockett  
Sue Howes  
Peter Londregan  
Carolyn MacLulich (Sec)\*  
Helen Martin  
David Service  
Martin Stevenson  
Adam Stolz

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Ian Burningham (Con)  
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Ying Teoh  
Minoo Batliwalla  
Jules Gribble  
Chris Lewis  
Helen McLeod  
Graham Rogers  
Craig Thorburn  
Bruce Vincent  
Mark Weaver

## Asian Education Strategy Taskforce

Graham Rogers (Con)  
Tim Andrews  
Tuan Chua  
Carolyn MacLulich (Sec)\*  
Helen McLeod  
Steve Miles  
Sim Ng  
Fred Rowley  
Ying Teoh

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Craig Thorburn

## REPRESENTATIVES

**Korea**  
Simon Chong  
**Contact for Taiwan**  
David Waples

## IAA COMMITTEE REPRESENTATIVES

**Accreditation**  
Chris Lewis  
**Advice & Assistance**  
Graham Rogers  
**Actuaries without Frontiers**  
Craig Thorburn  
**China Sub-committee**  
Fred Rowley  
**Education**  
David Knox  
**Financial Risk**  
Tony Coleman  
**Public Statements**  
Rod Atfield  
**IASB Employee Benefits**  
Helen Martin  
**Insurance Accounting**  
Clive Aaron  
**Actuarial Standards Sub-committee**  
David Finnis  
**Insurance Regulation**  
Tom Karp  
**Insurance Regulation Working Group**  
Tony Coleman  
**Professionalism**  
Helen Martin  
**Social Security**  
Craig Thorburn  
**Supranational Organisations**  
Catherine Prime

## PRACTICE COMMITTEES

### INVESTMENT & FUNDS MANAGEMENT PRACTICE COMMITTEE

Paul Carrett (Con)  
Anne Cheng  
Peter Chun  
Bruce Gregor  
David McNeil  
Jonathan Stead  
Leon Tisdell  
Peter Worcester

### BANKING & FINANCE PRACTICE COMMITTEE

Peter Worcester (Con)  
Sarosh Batliwalla  
Stephen Dixon  
Kevin Francis  
Tim Kyng  
Nicole Raffin

The inter-dependent contribution by the members and the professional secretariat serves the Institute well

## Council, Committees & Taskforces

### GENERAL INSURANCE PRACTICE COMMITTEE

Michael Playford (Con)  
Clive Amery  
Tim Andrew  
Robyn Bateup  
John De Ravin  
Elayne Grace  
Rodney Hoskinson  
Andrew Huszczo  
Loan Anh Nguyen (Sec)  
Stephen Wilson

### Accident Compensation Sub-committee

Daniel Smith (Con)  
Clive Amery  
Bob Buchanan  
Philip Chappell  
Paul Driessen  
Julie Evans  
Craig Price

### Education Sub-committee

Deborah Driussi (Con)  
Loan-Anh Nguyen  
Adam Payne  
Matthew Gold  
Laurel Kong  
David Gifford  
Bill Konstantinidis  
David Jenkins

### Long Term Care Taskforce

John Walsh (Con)  
Clive Amery  
Chris Cuff\*  
Aaron Cutter  
David Gifford  
David Heath  
Greg Moran  
Bruce Watson

### General Insurance Seminar Organising Committee

Andrew Huszczo (Con)  
Bill Konstantinidis  
Stephen Wilson  
Kellie Woodward (Sec)\*

### HEALTH PRACTICE COMMITTEE

Ian Burningham (Con)  
Andrew P Gale  
Tory Gervasi  
Bronwyn Hardy  
Rob Paton  
Steve Somogyi  
Daniel Tess  
David Torrance  
Brent Walker  
David Watson

### Activities & Public Relations Sub-committee

David Watson (Con)  
Ben Ooi

### Education Sub-committee

David Torrance (Con)  
Ian Burningham  
Martin Edwards  
Bronwyn Hardy  
Rob Paton

### Health Insurance Practice Sub-committee

Andrew P Gale (Con)  
Mark Bishop  
Ian Burningham  
Raewin Davies  
Mark Do  
Themmy Flaracos  
Tory Gervasi  
Barry Leung  
Stuart Rodger  
Brent Walker

### Health Information & Analysis Sub-committee

Bronwyn Hardy (Con)  
Tory Gervasi  
Barry Leung

### Health Financing Taskforce

Daniel Tess (Con)  
Catherine Beall  
Andrew Kirk (Sec)\*  
James Purvis  
Graham Rogers  
Steve Somogyi

### Health Financing Course Sub-committee

Graham Rogers (Con)  
Jennifer Alexander\*  
Ian Burningham  
Carolyn MacLulich  
Richard Madden  
Rob Paton  
Kellie Woodward (Sec)\*

### SUPERANNUATION & EMPLOYEE BENEFITS PRACTICE COMMITTEE

John Maroney (Con)  
Dermot Balson  
John Burnett  
Nick Callil  
Jeff Humphreys  
Glenn Langton  
Paul Shallue  
Martin Stevenson  
Jenifer Walton (Sec)  
Cohen Watson

### Education Sub-committee

Jeff Humphreys (Con)  
Shauna Ferris  
Graeme Humphrys  
Saffron Sweeney

### Regulation Sub-committee

Paul Shallue (Con)  
Warren King  
Andrew Leung  
David McNeice  
Christine Moran  
Mike Murphy

John Ward  
David Watson

### Financial Planning Sub-committee

Fred Neville (Con)  
Mark Berry  
David Edwards  
Shauna Ferris  
John Graham  
Paul Guthrie  
Graham Horrocks  
Anthony Lewis  
Paul Melling

### Share-Based Payment Taskforce

Nick Callil (Con)  
Paul Carrett  
Jeffrey Chee  
Esther Conway  
Keith Martland  
Peter Grigaliunas

### Benefit Projections Taskforce

John Burnett (Con)  
Colin Grenfell  
Ray Stevens  
Darren Wickham

### Employee Entitlements Taskforce

Glenn Langton (Con)  
Chris Latham  
Janet Linklater  
Colin Westman  
Darren Wickham

### SMSF Sub-committee

Cohen Watson (Con)  
Peter Crump  
Meg Heffron  
Jeff Humphreys  
Warren King  
Christine Moran  
Allen Truslove  
DeLancey Worthington

### LIFE INSURANCE PRACTICE COMMITTEE

Richard Lyon (Con)  
Pauline Blight  
Clive Aaron  
Christine Brownfield  
Hoa Bui  
Sean Carroll  
Greg Einfeld (Sec)  
Sue Howes  
Eric Judd  
Greg Martin  
David Rush  
Allen Truslove

### Education Sub-committee

Sue Howes (Con)  
Michelle Aspery  
John Dodsworth  
James Hickey  
Trang Nguyen  
Martin Paino

Susanne Szoldra  
Cheryl Tibbits  
Stuart Turner  
Yee Lin Yang

### GN252 Working Group

Pauline Blight (Con)  
Tony Cook  
James Hickey  
Grant Peters (Sec)  
Grant Robinson  
Bruce Vincent

### Life Financial Reporting Sub-committee

Bernard Smith (Con)  
Caroline Bennet  
Michael Dermody (Sec)  
Rob Desoisa  
Mark Stewart  
Mike Thornton

### Friendly Societies Sub-committee

Allen Truslove (Con)  
John Day  
Carl Stevenson

### Disability Investigation Committee

Hoa Bui (Con)  
John Hocking  
Kent Hopper  
Cynthia Hui  
Daniel Longden (Sec)  
David Service  
Bernard Smith  
Darren Stevens  
Warwick Young

### Mortality Investigation Committee

Sean Carroll (Con)  
Clive Allison  
Frank Burgess  
Patrick Chan  
Sue Clarke  
Natalie Eckersall  
Robin Knight  
Adrian Mak (Sec)

Throughout this annual report the valuable contribution of members is evident and acknowledged.

# Financial Reports

## THE INSTITUTE OF ACTUARIES OF AUSTRALIA REPORT OF COUNCIL FOR THE YEAR ENDED 30 SEPTEMBER 2003

Council submits herewith its report on the Institute for the year ended 30 September 2003. In order to comply with the provisions of the Corporations Act 2001, the Council reports as follows:

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

Council fulfils the role of the Board of Directors.

The members of Council in office at the date of this report are as follows:

**C G LEWIS BSc(Hons), FIA, FIAA** – *President, Council Member, Member of International Council Committee, Born 30/3/51. Elected to Council in 1997.*

Chris is employed as Senior Actuary, Corporate Taxation at AMP Limited. He is Chairman of the University of NSW Actuarial Foundation, and has served on the Institute's Tax Reform Taskforce, the Experience Studies Taskforce, and on both the Council Finance and Public Affairs Committees.

**G E N ROGERS FIA, FIAA** – *Senior Vice President, Council Member, Chairman of Council Finance Committee & Asia Education Taskforce. Member, International Council Committee, Public Affairs Council Committee & Health Financing Taskforce. Born 5/10/40. Elected to Council in 2000.*

Graham is an independent company director and chairman. His current board responsibilities include Chairman of SMF Funds Management Ltd, Director of RACV Financial Services and Deputy Commissioner of PHIAC. In the not for profit sector he is Chairman of the University of Melbourne Actuarial Foundation. Prior to this he has held a number of chief executive positions in the financial service industry including Equitable Life and General, Jacques Martin Group and Colonial Investment Management.

**A C GALE BA, FIA, MBA, FIAA** – *Vice President, Council Member, Chairman of Public Affairs Council Committee, Member, Council Finance Committee. Born 16/10/56. Elected to Council in 2000.*

Andrew is Lead Partner for the Australian Financial Services practice for Trowbridge Deloitte. Prior to Trowbridge, Andrew had senior positions at MLC, AMP, Optus and Accenture. He was Convenor of the Marketing, Strategy and Planning Committee (1995-97) and the Futurism Committee (2000-02). Andrew was also a member of the International and Public Relations Committees (1995-97) and a member of Council in 1998. He was co-author with the Marketing & Strategy Committee of a 'Marketing Audit of the Profession' (1995 Convention), 'The Future of the Profession' (1996 Sessional) and 'Shaping the Next Century – IAA Strategic Plan' (1997 Centenary Convention).

**C E AMERY BSc (Hons), FIAA** – *Council Member, Member of General Insurance Practice Committee, Medical Indemnity Task Force, Long Term Care Subcommittee and Accident Compensation Subcommittee. Born 15/11/1957. Elected to Council in 2001.*

Clive is a founding partner of an actuaries, a new actuarial firm specialising in general insurance. Prior to this Clive held various positions with Taylor Fry, Trowbridge Consulting, PricewaterhouseCoopers and National Mutual.

**P J BLIGHT MEd, FIAA, ASIA** – *Council Member, Member of Council Education Committee, Member of Life Insurance Practice Committee, Member of the Economic Valuations Taskforce, Convenor of GN252 Task Force. Born 30/12/70. Elected to Council in 2002.*

Pauline Blight is a Director of Tillinghast-Towers Perrin, specialising in life insurance and related financial services. She has previously worked for MLC and Morgan Stanley. Pauline was co-author of 'Market-Consistent Valuations for the Australian Wealth Management Industry' presented to the Institute of Actuaries of Australia, 2003.

**A G DILLON FIA, FIAA** – *Council Member, Member of Council Finance Committee, Born 11/08/47. Elected to Council in 2002.*

Andrew is Managing Director of Watson Wyatt Australia Pty Ltd. He has held a variety of roles within large and small organisations, life offices and consulting firms including AMP, National Mutual Life, Mercer and Watson Wyatt Australia Pty Ltd.

He was a Tutor for Compound Interest (1977-78), Superannuation (1980-81), assisted with preparation of Superannuation education material (1980-81). He is the author of 'Retrenchment Benefits from Superannuation Plans' (1982; winner of HM Jackson Prize).

**A W DOBLE BSc, FIA, FIAA** – *Council Member, Member of Council Finance Committee, Corporate Governance Taskforce, Governance Review Taskforce and Convenor of the Workgroup on Genetics. Born 29/9/50. Appointed to Council in 2001.*

Alan is Head of Actuarial Operations for Life Division, Munich Reinsurance Company of Australasia Limited. He was a tutor for Mortality (1978-80) and Superannuation (1981-84), a marker in Superannuation (1982-85) and the Assistant Examiner for Superannuation (1985). He is co-author of several recent publications including 'Reserves for Future Claims in Group Life Portfolios' (2003), Submission on Discussion Paper 66 'Protection of Human Genetic Information' (2002), Submission on Issues paper 26 'Protection of Human Genetic Information' (2001), 'Genetics in Society 2001,' presented at the Biennial Convention (2001).

**D M GOODSALL BA, AIA, FIAA** – *Council Member, Member of Public Affairs Council Committee. Born 18/5/55. Elected to Council in 2002.*

David is the Director of Actuarial Services in Oceania for Ernst & Young. He was a member of the Accountants & Actuaries Liaison Committee (1994-2000) and the Appraisal Value Subcommittee (1992-93). David was a Visiting Fellow at Macquarie University in 1994 and 1995 and Tuted Subject A4 from 1986 to 1988). He was a joint author of 'Solvency & Capital', IAA Convention (1993).

**THE INSTITUTE OF ACTUARIES OF AUSTRALIA  
REPORT OF COUNCIL FOR THE YEAR ENDED  
30 SEPTEMBER 2003 (cont'd)**

**H C McLEOD BA, FIA, FIAA** – Council Member, Member of Council International Committee, Member of the General Insurance Practice Committee. Born 6/5/56. Elected to Council in 2002.

Helen is the Regional Actuary, SE Asia and Australia, for American International Companies. In Australia, she is the Approved Actuary for American Home Assurance Company. Prior to joining AIG, Helen worked for a number of different consulting firms in several different countries. She has been a Tutor for Statistics and Superannuation, and assisted with marking in Life Insurance, General Insurance and Superannuation.

**B M NICHOLLS BSc, FIAAA** – Council member, member of accountants and actuaries liaison committee, member of general insurance financial conditions report working party. Born 5/8/67. Elected to Council in 2002.

Blair is employed as Group Manager, Planning and Actuarial at QBE Insurance Group. He has served on the general insurance practice committee and the accident compensation sub committee. He was author of 'pricing of short tail products.'

**M J PLAYFORD MSc FIAA** – Council Member, Chairman of the General Insurance Practice Committee, Member of Medical Indemnity Taskforce Born 14/7/1970. Elected to Council 2002.

Michael is a Partner of PricewaterhouseCoopers Actuarial where he has been employed since 1997. Michael has eleven years experience working in General Insurance and is the author of several papers on general insurance topics. His particular area of interest is accident compensation, in particular worker compensation and long term care. Michael was a member of the Accident Compensation Subcommittee (1999-2001) and was Deputy Chair of the IAAust Board of Examiners for Part III Exams (1998-2001)

**D A SERVICE FIA, FIAA** – Council Member, Member of Council Education Committee, Disability Investigation Subcommittee, Part III Implementation Taskforce. Born 18/9/48. Elected to Council in 2001.

David is currently Director of the Centre for Actuarial Research at the Australian National University. He was previously a Principal at Trowbridge Consulting. He is co-author of several recent papers including 'Disability Experience and Economic Correlations' (2001), 'Disability Claims – Does anyone Recover?' (2002) and 'A New Mathematical Model of Australian Disability Experience' (2003). He is the Institute's Canberra representative.

**S SOMOGYI MSc, SM, FIA, ASA, FIAA** – Council Member, Member of the Public Affairs Council Committee, Member of the Health Practice Committee. Born 06/01/48. Elected to Council in 2001.

Steve is a Member of the Australian Prudential Regulation Authority. Steve served as Chairman of the Institute's Financing the Ageing Committee in 1998/99, which presented a position paper on this topic to the Convention in Darwin in 1999.

**M A STEVENSON BSc, FIA, FIAA** – Council Member, Member of Council Education Committee, Member of Superannuation and Employee Benefits Practice Committee. Born 3/3/1947. Elected to Council 2001.

Martin is a Principal and Executive Director of Mercer Human Resource Pty Ltd and was formerly the Managing Partner of E S Knight & Co. An actuary specialising in superannuation for over twenty-five years, he is now Mercer's Senior Actuary. Martin was Chief Examiner, Superannuation for three years up to 1992 and was Chairman of the Board of Examiners in 1995 and 1996. He has co-authored two papers to the Institute of Actuaries of Australia: 'Some current aspects of Superannuation funding' and 'The Statex – Actuaries Accumulation Index'.

**P A WORCESTER BA, BSc, AIA, FIAA** – Council Member. Chairman of the Banking & Finance Practice Committee. Council Liaison for Investment & Funds Management Practice Committee. Born 7/4/54. Appointed to Council in 2001.

Peter is a Principal of Worcester Consulting Group, and consults to the funds management industry. Peter has previously worked for National Mutual (AXA Asia Pacific), W M Mercer, and Commonwealth Investment Management. He has been Joint Chief Examiner for Finance. He has been a Tutor for Institutional Investment, and has been the Institute's representative on the Securities Institute Education taskforce.

All Members of Council are Fellows of the Institute of Actuaries of Australia.

Six meetings of the 2002/2003 Council were held since the last Annual General Meeting. The following is a record of attendance (Meetings attended: No. of Meetings).

Clive Amery	6:6	Pauline Blight	5:6
Andrew Brown	1:6	Andrew Dillon	4:6
Alan Doble	6:6	Andrew Gale	6:6
David Goodsall	5:6	Christopher Lewis	6:6
Helen McLeod	5:6	Blair Nicholls	3:6
Michael Playford	5:6	Graham Rogers	6:6
David Service	5:6	Steve Somogyi	5:6
Martin Stevenson	5:6	Peter Worcester	6:6

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

Operating surplus for the year amounts to \$428,566.

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

No matter or circumstance has arisen since the end of the financial year that has significantly affected or may significantly affect the operations of the Institute, the results of those operations or the state of affairs of the Institute in the financial year subsequent to 30 September 2003.

The Members of Council believe that there are no likely developments in the operations of the Institute and the expected results of those operations in the financial years subsequent to 30 September 2003 which need to be brought to your attention.

Council members receive no remuneration or other benefits.

No Member of Council, since the end of the previous financial year, has received or become entitled to receive a benefit by reason of a contract made by the Institute with a Member of Council or with a firm of which s/he is a member or with a company in which s/he has a substantial financial interest for services rendered in connection with the activities of the Institute, except as disclosed in Note 12 to the Financial Statements.

During the financial year, the Institute paid a premium in respect of a contract insuring the Council Members (as named above), and all Executive Officers of the Institute against a liability incurred as such Council Member's or Executive Officers to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

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

Signed in accordance with a resolution of Council.

On behalf of the Council.



**C G LEWIS**  
President



**G E N ROGERS**  
Senior Vice President  
Sydney, 29 October 2003

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

### SCOPE

We have audited the financial report of the Institute of Actuaries of Australia for the year ended 30 September 2003, as set out on pages 30 to 33. The Council Members are responsible for the preparation and presentation of the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Institute.

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

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

### AUDIT OPINION

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

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Institute's financial position as at 30 September 2003 and of its performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements.



**HAINES NORTON**  
Chartered Accountants



**F. GIANNUZZI**  
Partner  
Sydney, 29 October 2003

## THE INSTITUTE OF ACTUARIES OF AUSTRALIA DECLARATION BY MEMBERS OF COUNCIL FOR THE YEAR ENDED 30 SEPTEMBER 2003

The members of Council of the Institute declare that:

1. the financial statements and notes thereto, are in accordance with the Corporations Act 2001:
  - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the financial position as at 30 September 2003 and of the performance for the year then ended on that date of the Institute.
2. in the Council's opinion, there are reasonable grounds to believe that the Institute will be able to pay its debts as and when they become due and payable.

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



**C G LEWIS**  
President



**G E N ROGERS**  
Senior Vice President  
Sydney, 29 October 2003

**THE INSTITUTE OF ACTUARIES OF AUSTRALIA  
STATEMENT OF FINANCIAL PERFORMANCE FOR  
THE YEAR ENDED 30 SEPTEMBER 2003**

	Note	2003 \$	2002 \$
Administration Revenues		1,749,331	1,424,392
Professional Development Revenues		827,399	580,137
Education Revenues		1,407,199	1,142,635
Member Services Revenues		251,596	283,959
<b>Total Revenue</b>		<b>4,235,525</b>	<b>3,431,123</b>
Administration Costs		(649,987)	(480,511)
Employment Costs		(1,119,196)	(1,018,261)
Professional Development Costs		(567,837)	(373,489)
Univeristy Foundation Grants		(375,000)	(375,000)
Education Costs		(388,371)	(279,722)
Member Services Costs		(602,397)	(506,596)
Public Affairs Costs		(104,171)	(182,969)
<b>Total Expenditure</b>		<b>(3,806,959)</b>	<b>(3,216,548)</b>

**Surplus from ordinary activities attributable to members of the Institute** 428,566 214,575

Income tax expense 1(c) - -

**Surplus from ordinary activities after income tax expense attributable to members of the Institute** 2 428,566 214,575

**Total revenues, expenses and adjustments attributable to members of the Institute recognised directly in equity** 3 428,566 214,575

The accompanying notes form part of these financial statements

**THE INSTITUTE OF ACTUARIES OF AUSTRALIA  
STATEMENT OF FINANCIAL POSITION AS AT  
30 SEPTEMBER 2003**

	Note	2003 \$	2002 \$
<b>CURRENT ASSETS</b>			
Cash	4	508,325	299,501
Receivables	5	131,965	103,882
Other financial assets	6	2,614,552	2,364,748
<b>Total current assets</b>		<b>3,254,842</b>	<b>2,768,131</b>
<b>NON CURRENT ASSETS</b>			
Other financial assets	7	-	50,000
Plant and equipment	8	118,045	119,269
<b>Total non current assets</b>		<b>118,045</b>	<b>169,269</b>
<b>TOTAL ASSETS</b>		<b>3,372,887</b>	<b>2,937,400</b>
<b>CURRENT LIABILITIES</b>			
Accounts payable	9	563,049	566,190
Provisions	10	52,532	42,470
<b>Total current liabilities</b>		<b>615,581</b>	<b>608,660</b>
<b>TOTAL LIABILITIES</b>		<b>615,581</b>	<b>608,660</b>
<b>NET ASSETS</b>		<b>2,757,306</b>	<b>2,328,740</b>
<b>MEMBERS' FUNDS</b>			
Accumulated funds	3	2,757,306	2,328,740
<b>TOTAL MEMBERS' FUNDS</b>		<b>2,757,306</b>	<b>2,328,740</b>

**STATEMENT OF CASH FLOWS FOR THE  
FINANCIAL YEAR ENDED 30 SEPTEMBER 2003**

	Note	2003 \$	2002 \$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Receipts from members and others		3,922,305	3,671,790
Interest received		119,315	119,776
Trust distributions		35,146	17,825
Payments to suppliers and employees		(3,692,482)	(3,372,597)
<b>Net cash provided by operating activities</b> 14(b)		<b>384,284</b>	<b>436,794</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Proceeds from disposal of investments		2,256,556	1,375,668
Payments for investments		(2,377,359)	(1,617,941)
Proceeds from disposal of property, plant & equipment		3,319	1,818
Purchase of property, plant and equipment		(57,976)	(56,455)
<b>Net cash used in investing activities</b>		<b>(175,460)</b>	<b>(296,910)</b>
<b>Net increase in cash held</b>		<b>208,824</b>	<b>139,884</b>
Cash at the beginning of year		299,501	159,617
<b>Cash at the end of year</b> 14(a)		<b>508,325</b>	<b>299,501</b>

The accompanying notes form part of these financial statements

**THE INSTITUTE OF ACTUARIES OF AUSTRALIA  
NOTES TO THE FINANCIAL STATEMENTS FOR  
THE YEAR ENDED 30 SEPTEMBER 2003**

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

**a. General Statement of Accounting Policies Underlying the Financial Statements**

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board, and the Corporations Act 2001. The financial report has been prepared on an accruals basis and is based on historic costs and does not take into account changing money values. Cost is based on the fair values of the consideration given in exchange for assets.

**b. Plant and Equipment**

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

The carrying amount of plant and equipment is reviewed annually by Council to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

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



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

Class of Fixed Asset	Depreciation Rate
Office Equipment	30%
Furniture & Fittings	20%
Leasehold Improvements remaining term of lease	

#### c. Income Tax

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

#### d. Leased Assets

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

#### e. Other Financial Assets

Investments in unit trusts and listed securities are valued at market value at balance date. The gains or losses, whether realised or unrealised, are included in the operating results. All other investments are shown at cost.

#### f. Other receivables

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

#### g. Accounts Payable

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

#### h. Employee Benefits

Provision is made for the Institute's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled plus related on-costs.

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

#### i. Goods and Services Tax ('GST')

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

Receivables and payables in the statement of financial position are shown inclusive of GST.

#### j. Revenue

Revenue from the rendering of services is recognised upon delivery of the service to the customer. Subscription income is brought to account upon receipt.

2003  
\$

2002  
\$

## 2. OPERATING SURPLUS

The operating surplus has been determined after:

### (a) Crediting as Income

Operating Activities	2003	2002
Interest received	122,612	113,424
Trust distributions received	35,146	17,825
Market value fluctuations of investments	79,001	26,609
Realised gains on sale of investments	17,460	-
Income from sale of other goods and services	3,981,306	3,273,265
	<u>4,235,525</u>	<u>3,431,123</u>

### (b) Charging as Expense

Amortisation and Depreciation of assets	2003	2002
Leasehold improvements	20,503	17,153
Office equipment	25,679	13,287
Furniture and fittings	3,688	4,019
Loss on Disposal of Depreciable Assets	6,011	5,132
	<u>55,881</u>	<u>39,591</u>

### Movements in provisions

Leave entitlements (see note 10)	10,062	(18,263)
Doubtful debts	4,876	-
	<u>14,938</u>	<u>(18,263)</u>

Rental expenses on operating leases 131,775 94,809

### Remuneration of the auditors

Auditing the accounts	12,360	12,000
Other services	11,655	14,645
	<u>24,015</u>	<u>26,645</u>

### (c) Significant Revenue Item

The following revenue item is relevant in explaining the financial performance:

Donation received to establish the Katherine Robertson Prize Fund:	-	20,000
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## 3. ACCUMULATED FUNDS

Accumulated funds at the beginning of the financial year	2,328,740	2,114,165
Net surplus	428,566	214,575
Accumulated funds at the end of the financial year	<u>2,757,306</u>	<u>2,328,740</u>

## 4. CASH

Cash at bank	507,925	299,101
Cash on Hand	400	400
	<u>508,325</u>	<u>299,501</u>

## 5. RECEIVABLES

Interest receivable	5,974	2,677
Income receivable	70,866	20,327
Less: Provision for doubtful debts	(4,876)	-
Deferred expenses	16,650	68,325
Receivable from Taxation Office	43,351	12,553
	<u>131,965</u>	<u>103,882</u>

**THE INSTITUTE OF ACTUARIES OF AUSTRALIA  
NOTES TO THE FINANCIAL STATEMENTS FOR  
THE YEAR ENDED 30 SEPTEMBER 2003 (cont'd)**

	2003	2002
	\$	\$
<b>6. OTHER CURRENT FINANCIAL ASSETS</b>		
Listed securities at market value	535,227	705,190
Unit trusts at market value	1,193,937	770,578
Bank Bonds as cost (a)	50,000	-
Cash on deposit	762,072	821,104
	<u>2,541,236</u>	<u>2,296,872</u>
Prize fund balances		
H M Jackson prize fund	6,362	6,324
A M Parker prize fund	12,284	11,439
Andrew Prescott Memorial prize fund	9,603	9,441
The Melville prize fund	24,508	20,913
Katherine Robertson Prize Fund	20,559	19,759
	<u>73,316</u>	<u>67,876</u>
	<u>2,614,552</u>	<u>2,364,748</u>

**7. OTHER NON-CURRENT FINANCIAL ASSETS**

Bank bonds at cost (a)	-	50,000
	-	<u>50,000</u>

(a) The bank bonds have been offered as security in place of a rental bond.

**8. PROPERTY, PLANT AND EQUIPMENT**

Leasehold improvements, at cost	69,347	66,063
Less: accumulated amortisation	61,046	40,543
	<u>8,301</u>	<u>25,520</u>

Computer equipment, at cost	150,754	125,460
Less: accumulated depreciation	58,434	49,280
	<u>92,320</u>	<u>76,180</u>

Furniture and fittings, at cost	34,174	30,631
Less: accumulated depreciation	16,750	13,062
	<u>17,424</u>	<u>17,569</u>
	<u>118,045</u>	<u>119,269</u>

**9. ACCOUNTS PAYABLE**

**Unsecured:**

Sundry creditors and accruals	366,248	348,954
Registration fees for conferences and seminars received in advance	196,801	217,236
	<u>563,049</u>	<u>566,190</u>

**10. CURRENT PROVISIONS**

Employee entitlements - annual leave	52,532	42,470
	<u>52,532</u>	<u>42,470</u>

(a) Aggregate employee entitlement liability	52,532	42,470
(b) Number of employees at year end	12	12

**11. OPERATING LEASE COMMITMENTS**

Lease rental expense and commitments:

Rentals charged to statement of financial performance	131,775	94,809
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Lease commitments:

Not later than one year	98,352	133,333
Later than one year and not later than two years	-	91,667
Later than two years and not later than five years	-	-
Total operating lease commitments	<u>98,352</u>	<u>225,000</u>

**12. RELATED PARTY TRANSACTIONS**

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

C E Amery	
P J Blight	From 16/12/02
A J Brown	To 10/04/03
A G Dillon	From 16/12/02
A W Doble	
A C Gale	
D M Goodsall	From 16/12/02
C G Lewis	
H C McLeod	From 16/12/02
H R Martin	To 16/12/02
B M Nicholls	From 16/12/02
M Playford	
J W De Ravin	To 16/12/02
G E N Rogers	
F Rowley	To 16/12/02
D A Service	
S Somogyi	
M A Stevenson	
C W Thorburn	To 16/12/02
D J Walker	To 16/12/02
P A Worcester	
C W Yang	To 16/12/02

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

There was a contract with Trowbridge Deloitte, which is related to A C Gale, in relation to the IFSA genetic testing database project. The amount spent during the year was \$10,000.

There was a contract with D A & J M Service, which is related to D A Service, in relation to the disability investigation software design. The amount spent during the year was \$15,000.

There was a contract with the Australian National University, which is related to D A Service, in relation to the management, processing and analysis of insured disability income experience data. The amount spent during the year was \$18,000.

Council members also marked exam papers and received remuneration in this capacity, being P A Worcester (\$750), and A J Brown (\$250).

(c) Donations were made during the year to the University of Melbourne Actuarial Foundation for \$125,000, the Macquarie University Actuarial Foundation for \$125,000, and the University of NSW Actuarial Foundation for \$125,000.

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

**13. FINANCIAL INSTRUMENTS**

**(a) Significant Accounting Policies**

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

**(b) Interest Rate Risk**

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

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

**Weighted Average Effective Interest Rate:**

Financial Assets	2003	2002
	%	%
Cash at Banks	3.61	3.18
Cash on Deposit	4.65	4.76

**Floating Interest Rate:**

Financial Assets	2003	2002
	\$	\$
Cash at Banks	561,082	347,618
Cash on Deposit	-	-
<b>Total Financial Assets</b>	<b>561,082</b>	<b>347,618</b>

**Fixed Interest Rate Maturing Within 1 Year:**

Financial Assets	2003	2002
	\$	\$
Cash at Banks	-	-
Cash on Deposit	812,072	821,104
<b>Total Financial Assets</b>	<b>812,072</b>	<b>821,104</b>

**Fixed Interest Rate Maturing Within 1-5 Years:**

Financial Assets	2003	2002
	\$	\$
Cash at Banks	-	-
Cash on Deposit	-	50,000
<b>Total Financial Assets</b>	<b>-</b>	<b>50,000</b>

**Financial Liabilities**

The Institute has no interest bearing liabilities.

**(c) Credit Risk**

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

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

**(d) Net Fair Values**

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

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

**14. CASH FLOW INFORMATION**

	2003	2002
	\$	\$

**(a) Reconciliation of Cash**

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

Cash	508,325	299,501
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	2003	2002
	\$	\$

**(b) Reconciliation of Cash Flow from Operations to Operating Surplus/(Deficit)**

Operating surplus	428,566	214,575
Non-Cash Flows in Operating Profit		
Depreciation and amortisation	49,870	43,259
Loss on disposal of assets	6,011	5,132
Changes in Assets and Liabilities		
Decrease/(increase) in interest receivable	(3,297)	6,352
Decrease/(increase) in income receivable	(50,539)	61,361
Increase/(decrease) in doubtful debts	4,876	-
Decrease/(increase) in deferred expenses	51,675	(42,929)
Decrease/(increase) in GST receivable	(30,798)	8,289
Increase/(decrease) in sundry creditors	17,294	63,877
Increase/(decrease) in income in advance	(20,435)	121,750
Decrease/(increase) in market value of investments	(79,001)	(26,609)
Increase/(decrease) in provisions		
Annual leave	10,062	8,173
Long service leave	-	(26,436)
<b>Net cash provided by operating activities</b>	<b>384,284</b>	<b>436,794</b>

**15. MEMBERS' GUARANTEE**

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

Each member of the Institute guarantees its liabilities to the extent of \$20. The number of members at year end was 2,771 (2002: 2,654).

**16. SEGMENT INFORMATION**

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

**DISCLAIMER**

The additional financial data presented on page 34 to page 35 is in accordance with the books and records of the Institute which have been subjected to the auditing procedures applied in our statutory audit of the Institute of Actuaries of Australia for the year ended 30 September 2003.

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

In accordance with our Firm policy, we advise that neither the Firm nor any members or employee of the Firm undertakes responsibility in any way whatsoever to any person (other than the Institute of Actuaries of Australia) in respect of such data, including any errors or omissions therein, arising through negligence or otherwise however caused.



**F. GIANNUZZI**

Partner



**HAINES NORTON**

Chartered Accountants

Sydney, 29 October 2003

**PRIVATE INFORMATION FOR THE MEMBERS  
PROFIT AND LOSS ACCOUNT FOR THE YEAR  
ENDED 30 SEPTEMBER 2003**

	2003	2002
	\$	\$
<b>INCOME</b>		
<b>Administration</b>		
Interest	120,033	111,505
Trust Distributions	35,146	17,825
Market Value Fluctuations on Investments	79,001	26,609
Realised Gains on Sale of Investments	17,460	-
Profits on Foreign Exchange Gains	39,511	-
Members' Subscriptions	1,415,652	1,236,238
Entrance Fees	42,528	32,215
	<u>1,749,331</u>	<u>1,424,392</u>
<b>Professional Development</b>		
Seminars & Programs	316,500	580,137
Convention	510,899	-
	<u>827,399</u>	<u>580,137</u>
<b>Education</b>		
ActEd Royalties	21,084	17,230
Tuition Service (UK)	15,259	17,705
Professionalism Course	87,409	70,445
Sale of Course Material	119,692	50,530
Tuition Fees (Australia)	822,615	625,353
Exemption Fees	341,140	361,372
	<u>1,407,199</u>	<u>1,142,635</u>
<b>Member Services</b>		
Advertising	102,836	80,845
Sales of Publications	4,400	4,591
Melville Lecture	-	2,545
Functions & Meetings	38,823	32,965
FSR Kit	40,909	-
Prize Funds Interest	2,579	1,919
Prize Funds Donations	8,662	34,194
Donations by Markers and Tutors	3,440	-
Research & Reports	47,700	113,400
PI Insurance Scheme	-	6,000
Other	2,247	7,500
	<u>251,596</u>	<u>283,959</u>
<b>TOTAL INCOME</b>	<u>4,235,525</u>	<u>3,431,123</u>
	2003	2002
	\$	\$
<b>LESS EXPENDITURE</b>		
<b>Administration</b>		
Auditors Remuneration	24,015	26,645
Legal Fees	14,016	19,756
General	8,777	6,058
Staff Amenities & Travel	26,760	45,071
Insurances	20,286	14,449
Merchant Expenses & Bank Charges	71,251	57,651
Premises	206,926	108,286
Depreciation & Amortisation	49,870	43,259
Provision for Doubtful Debts	4,876	-
Loss on Disposal of Depreciable Assets	6,011	5,132
Computer & Telecommunications	125,948	59,438
Stationery, Subs & Couriers	53,387	47,018
Printing & Distribution	33,130	42,901
Council	4,734	4,847
	<u>649,987</u>	<u>480,511</u>

	2003	2002
	\$	\$
<b>Employment</b>		
Salaries & Superannuation	1,070,868	964,971
On-Costs	37,652	40,277
Fringe Benefits Tax	2,442	3,214
Recruitment	8,234	9,799
	<u>1,119,196</u>	<u>1,018,261</u>
<b>Professional Development</b>		
Seminar & Program	223,824	373,489
Convention	343,306	-
Other	707	-
	<u>567,837</u>	<u>373,489</u>
<b>University Foundation Grants</b>		
University of Melbourne Actuarial Foundation	125,000	125,000
Macquarie University Actuarial Foundation	125,000	125,000
University of NSW Actuarial Foundation	125,000	125,000
	<u>375,000</u>	<u>375,000</u>
<b>Education</b>		
Course	54,090	22,994
Course Materials	124,373	106,742
Australian Exams	125,719	85,346
Professionalism Course	77,189	61,867
University Prizes & Scholarships	7,000	2,773
	<u>388,371</u>	<u>279,722</u>
<b>Member Services</b>		
Functions & Meetings	140,672	93,966
Melville Lecture	-	6,704
Actuary Australia, AAJ & Other Publications	210,611	158,322
FSR Kit	47,598	-
Circulars to Members	43,367	69,588
Prizes Paid & Bank Charges	5,800	8,203
Research & Reports	43,000	61,923
International Actuarial Associations (incl HK)	35,688	27,490
Committees & International Representation	75,661	80,400
	<u>602,397</u>	<u>506,596</u>
<b>Public Affairs</b>		
Functions	814	10,076
Consultants' Fees	70,529	134,006
Subscriptions	14,746	17,012
Travel & Other	7,528	9,635
Representation	10,554	12,240
	<u>104,171</u>	<u>182,969</u>
<b>TOTAL EXPENSES</b>	<u>3,806,959</u>	<u>3,216,548</u>
<b>SURPLUS REPORTED</b>	<u>428,566</u>	<u>214,575</u>

**PRIVATE INFORMATION FOR THE MEMBERS  
PRIZE FUND MOVEMENTS FOR THE YEAR ENDED  
30 SEPTEMBER 2003**

	2003	2002
	\$	\$
<b>Receipts into and payments from the prize funds has been reflected in the Institutes financial performance as follows:</b>		
Interest Received	2,579	1,919
Supplementations & Donations Received	8,662	34,194
Melville Lecture Expenses	-	(6,704)
Prizes Paid & Bank Charges	(5,800)	(8,203)
	5,441	21,206

The detailed movements in each account are as follows:

**H M Jackson Prize Fund**

Balance at beginning of year	6,324	6,329
Supplementation from Melville Prize Fund	1,600	1,600
Interest received	238	195
Prize paid	(1,800)	(1,800)
Balance at end of year	6,362	6,324

**A M Parker Prize Fund**

Balance at beginning of year	11,439	11,865
Supplementation from Melville Prize Fund	1,600	1,600
Donation of Prize Received	1,200	-
Interest received	445	374
Prize paid	(2,400)	(2,400)
Balance at end of year	12,284	11,439

**Andrew Prescott Memorial Prize Fund**

Balance at beginning of year	9,441	9,526
Supplementation from Melville Prize Fund	1,400	2,800
Interest received	362	315
Prizes paid	(1,600)	(3,200)
Balance at end of year	9,603	9,441

**The Melville Prize Fund**

Balance at Beginning of Year	20,913	18,850
Donations received	7,462	14,194
Interest received	733	576
Bank charges	-	(3)
Lecture Costs	-	(6,704)
Supplementation to other prize funds	(4,600)	(6,000)
Melville Practitioners Award paid	-	-
Balance at end of year	24,508	20,913

	2003	2002
	\$	\$
<b>Katherine Robertson Prize Fund</b>		
Balance at Beginning of Year	19,759	-
Donations received	-	20,000
Increase in Market Value	16	420
Interest received	784	139
Prize Paid	-	(800)
Balance at end of year	20,559	19,759

**END ■**

## UNIVERSITY OF NEW SOUTH WALES ACTUARIAL FOUNDATION STATEMENT BY THE TRUSTEES

The Trustees declare that:

- (a) the financial statements and notes thereto present fairly the Foundation's financial position as at 30 September 2003 and its performance for year ended on that date in accordance with Australian Accounting Standards and other mandatory professional reporting requirements;
- (b) in the Trustees opinion there are reasonable grounds to believe that the Foundation will be able to pay its debts as and when they fall due

Signed on behalf of the Trustees:



**C.G. LEWIS**



**J.M. NEWMAN**

Sydney, 29 October 2003

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

### SCOPE

We have audited the financial report of the University of New South Wales Actuarial Foundation for the year ended 30 September 2003, as set out on pages 36 to 37. The Trustee's are responsible for the preparation and presentation of the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the trustees.

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

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

### AUDIT OPINION

In our opinion, the financial report presents fairly in accordance with Australian Accounting Standards and other professional reporting requirements the financial position of the Foundation as at 30 September 2003, and the results of its operations and its cash flows for the year then ended.



**HAINES NORTON**

Chartered Accountants



**F. GIANNUZZI**

Partner

Sydney, 29 October 2003

## UNIVERSITY OF NEW SOUTH WALES ACTUARIAL FOUNDATION STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 SEPTEMBER 2003

	2003 \$	2002 \$
<b>INCOME</b>		
Donations	125,000	125,000
	<u>125,000</u>	<u>125,000</u>
<b>LESS EXPENDITURE</b>		
Bank Charges	90	88
	<u>90</u>	<u>88</u>
Operating surplus	124,910	124,912

## UNIVERSITY OF NEW SOUTH WALES ACTUARIAL FOUNDATION STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2003

	2003 \$	2002 \$
<b>TRUST FUNDS</b>		
Balance at beginning of the year	1,019	1,107
Surplus	124,910	124,912
Less:		
Distributions	(125,000)	(125,000)
	<u>929</u>	<u>1,019</u>
<b>REPRESENTED BY:</b>		
Cash at Bank/(Overdraft)	929	(271)
GST Refundable/(Payable)	-	1,290
	<u>929</u>	<u>1,019</u>
<b>NET ASSETS</b>	929	1,019

The accompanying notes form part of these financial statements.

**UNIVERSITY OF NEW SOUTH WALES ACTUARIAL  
FOUNDATION STATEMENT OF CASH FLOWS FOR  
THE YEAR ENDED 30 SEPTEMBER 2003**

	2003	2002
Note	\$	\$
<b>Cash Flows from Operating Activities</b>		
Donations	125,000	125,000
Net GST Received/(Paid)	1,290	(776)
Payments to suppliers	(90)	(88)
<b>Net cash from operating activities</b>	<b>(a) 126,200</b>	<b>124,136</b>
<b>Cash Flows from Investing Activities</b>		
Proceeds from disposal of investments	-	-
Purchase of investments	-	-
<b>Net cash inflows from investing activities</b>	<b>-</b>	<b>-</b>
<b>Cash Flows from Financing Activities</b>		
Payments to beneficiaries	(125,000)	(125,000)
<b>Net cash outflows from financing activities</b>	<b>(125,000)</b>	<b>(125,000)</b>
<b>Net Change in Cash</b>	<b>1,200</b>	<b>(864)</b>
Opening balance	(271)	593
<b>Net closing balance</b>	<b>(b) 929</b>	<b>(271)</b>

**a. Reconciliation of net cash provided by operating activities to operating surplus**

Operating surplus	124,910	124,912
Increase/(decrease) in GST liability	1,290	(776)
<b>Cash Flows from Operations</b>	<b>126,200</b>	<b>124,136</b>

**b. Reconciliation of cash**

For the purpose of the statement of cash flows, cash includes cash on hand and in banks and net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

National Australia Bank	929	(271)
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**UNIVERSITY OF NEW SOUTH WALES ACTUARIAL  
FOUNDATION NOTES TO AND FORMING PART OF  
THE FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 30 SEPTEMBER 2003**

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

- (a) The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial report has been prepared on an accruals basis and is based on historic costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. The accounting policies have been consistently applied, unless otherwise stated.
- (b) The Foundation has been granted an exemption from paying income tax under the Income Tax Assessment Act and accordingly does not provide for income tax.

**2. FINANCIAL INSTRUMENTS**

- (a) **Interest Rate Risk**  
The Foundation's exposure to interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates. The Foundation had no interest bearing assets or liabilities at balance date.
- (b) **Credit Risk**  
The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts, as disclosed in the balance sheet and notes to the financial statements.
- The Foundation does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the economic entity.
- (c) **Net Fair Values**  
The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the Foundation approximate their carrying value.

**3. RELATED PARTIES**

- (a) \$125,000 (2002 \$125,000) was received in donations from the Institute. The Institute acts as nominee holder of Foundation investments.
- (b) Trustees of the Foundation at the date of the report are:

C G Lewis BSc (Hons), FIA, FIAA (Chairman)  
M D Barker MA, FIA, FIAA  
C R Latham BSc (Hons), FIA, FIAA  
J M Newman BBusSc (Hons), FIA, FIAA  
Prof. G.R.Whittred BCom (Hons), MEd, PhD ■

**UNIVERSITY OF MELBOURNE ACTUARIAL  
FOUNDATION STATEMENT BY THE TRUSTEES**

The Trustees declare that:

- (a) the financial statements and notes thereto present fairly the Foundation's financial position as at 30 September 2003 and its performance for year ended on that date in accordance with Australian Accounting Standards and other mandatory professional reporting requirements;
- (b) in the Trustees opinion there are reasonable grounds to believe that the Foundation will be able to pay its debts as and when they fall due

Signed on behalf of the Trustees:



**G.E. ROGERS**



**M. H. Fry**

Sydney, 29 October 2003

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

**SCOPE**

We have audited the financial report of the University of Melbourne Actuarial Foundation for the year ended 30 September 2003, as set out on pages 38 to 39. The Trustee's are responsible for the preparation and presentation of the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the trustees.

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

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

**AUDIT OPINION**

In our opinion, the financial report presents fairly in accordance with Australian Accounting Standards and other professional reporting requirements the financial position of the Foundation as at 30 September 2003, and the results of its operations and its cash flows for the year then ended.



**HAINES NORTON**

Chartered Accountants



**F. GIANNUZZI**

Partner

Sydney, 29 October 2003

**UNIVERSITY OF MELBOURNE ACTUARIAL  
FOUNDATION STATEMENT OF FINANCIAL  
PERFORMANCE FOR THE YEAR ENDED  
30 SEPTEMBER 2003**

	2003 \$	2002 \$
<b>INCOME</b>		
Donations	125,000	125,000
Interest	464	410
	<u>125,464</u>	<u>125,410</u>
<b>LESS EXPENDITURE</b>		
Bank Charges	81	4
	<u>81</u>	<u>4</u>
<b>Operating surplus</b>	<u>125,383</u>	<u>125,406</u>

**UNIVERSITY OF MELBOURNE ACTUARIAL  
FOUNDATION STATEMENT OF FINANCIAL  
POSITION AS AT 30 SEPTEMBER 2003**

	2003 \$	2002 \$
<b>TRUST FUNDS</b>		
Balance at beginning of the year	26,126	25,720
Surplus	125,383	125,406
Less:		
Distributions	(125,600)	(125,000)
	<u>25,909</u>	<u>26,126</u>
<b>REPRESENTED BY:</b>		
Cash at Bank	25,909	26,126
GST Payable	-	-
<b>NET ASSETS</b>	<u>25,909</u>	<u>26,126</u>

The accompanying notes form part of these financial statements.



**UNIVERSITY OF MELBOURNE ACTUARIAL  
FOUNDATION STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 SEPTEMBER 2003**

	2003	2002
	\$	\$
Cash Flows from Operating Activities		
Donations	125,000	125,000
Interest received	464	410
GST Collected	12,500	12,500
GST Paid	(12,500)	(12,500)
Payments to suppliers	(81)	(4)
<b>Net cash from operating activities (a)</b>	<b>125,383</b>	<b>125,406</b>
Cash Flows from Investing Activities		
Proceeds from disposal of investments	-	-
Purchase of investments	-	-
<b>Net cash inflows from investing activities</b>	<b>-</b>	<b>-</b>
Cash Flows from Financing Activities		
Payments to beneficiaries	(125,600)	(125,000)
<b>Net cash outflows from financing activities</b>	<b>(125,600)</b>	<b>(125,000)</b>
<b>Net Change in Cash</b>	<b>(217)</b>	<b>406</b>
Opening balance	26,126	25,720
<b>Net closing balance (b)</b>	<b>25,909</b>	<b>26,126</b>

a. Reconciliation of net cash provided by operating activities to operating surplus

Operating surplus	125,383	125,406
Increase/(decrease) in GST liability	-	-
<b>Cash Flows from Operation</b>	<b>125,383</b>	<b>125,406</b>

b. Reconciliation of cash

For the purpose of the statement of cash flows, cash includes cash on hand and in banks and net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

National Australia Bank	25,909	26,126
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**UNIVERSITY OF MELBOURNE ACTUARIAL  
FOUNDATION NOTES TO AND FORMING PART OF  
THE FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 30 SEPTEMBER 2003**

**1. STATEMENT OF ACCOUNTING POLICIES**

- (a) The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board, and the Corporations Law 2001. The financial report has been prepared on an accruals basis and is based on historic costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. The accounting policies have been consistently applied, unless otherwise stated.
- (b) The Foundation has been granted an exemption from paying income tax under the Income Tax Assessment Act and accordingly does not provide for income tax.

**2. FINANCIAL INSTRUMENTS**

- (a) Interest Rate Risk  
The Foundation's exposure to interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates. The Foundation had no interest bearing assets or liabilities at balance date.
- (b) Credit Risk  
The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts, as disclosed in the balance sheet and notes to the financial statements.
- The foundation does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the economic entity.
- (c) Net Fair Values  
The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the Foundation approximate their carrying value.

**3. RELATED PARTIES**

- (a) \$125,000 (2002 \$125,000) was received in donations from the Institute. The Institute acts as nominee holder of Foundation investments.
- (b) Trustees of the Foundation at the date of this report are:

G E Rogers FIA, FIA (Chairman)  
M H Fry BSc (Hons), FIA, FIAA  
R S Mitchell ASA, FIA, FIAA  
Prof PJ Dawkins PhD, MSc, BSc

**MACQUARIE UNIVERSITY ACTUARIAL  
FOUNDATION SIXTEENTH ANNUAL REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2002**

**Board**

The members of the Board of the Foundation during 2002 were as follows:

Appointed by The Institute of Actuaries of Australia:

Mr R J Atfield FIA, FIAA (Chair)

Mr R G Glading BSc, FIA, FIAA

Mrs C M Prime BSc, DipLaw, FIA, FIAA, ASA

Mr B C A Welland FIA, FIAA

Appointed by the University Council:

Dr M G Irving AM, BCom, HonDLitt, FAICD, FCPA, FSIA

Professor J H Pollard BSc, PhD, FIA, FIAA, FSS, FASSA

Mr M J Webster M Com, FCPA

Four Board Meetings were held during the year

7 February 2002 23 May 2002

14 August 2002 19 November 2002

**Members**

There were no additions to the list of Members, and the number of companies, firms and individuals who have qualified for Membership of the Foundation remains at 126.

**Income and expenditure**

An income and expenditure statement for the year and a comparison with the previous year is set out in the statement of Profit and Loss.

The Foundation gratefully acknowledges contributions totalling \$125,000 (plus GST) from The Institute of Actuaries of Australia. These contributions were to be received as two payments of \$62,500. When the second of these payments was due, an amount of \$2,949.11 was due to be paid to the Institute of Actuaries of Australia from an unrelated Macquarie University account. The Institute offset these two amounts and paid the difference of \$59,550.89 to the Foundation. To correct this error, a transfer of \$2,949.11 should have been made from the other Macquarie University account to the Foundation. The transfer was not made and this oversight was not detected until after the close of the 2002 accounts. A correcting transfer has been made in the 2003 accounts.

There were also contributions of \$57,300 from certain scholarship donors.

**Activities**

Usually the major expenditure commitment of the Foundation is in respect of market related salary loadings paid to actuarial staff members. However, during 2002 the department was able to fully fund the salary loadings to staff from other sources of income. This was partially due to the Chair in Actuarial Studies being vacant for the second half of the year, causing a reduction in the total amount of salary loadings paid. The other major contributing factor was an unexpected increase in fee income from non-award students. Neither of these factors is expected to continue in the long term.

Since no funds were drawn from the Foundation for the purpose of paying salary loadings in 2002, the major expenditure item was payments to certain scholarship holders and the balance of the account has significantly increased.

The Foundation Board performed an important role in providing advice to Professor Pollard and the Actuarial Studies Department.

**Developments during 2002**

Three AMP-Macquarie University China Fellows visited the Department of Actuarial Studies during 2002: Mr Pengzhi Gong (Shanghai University), Ms Sasa He (Nan Kai University) and Ms Jia Hui Li (Peking University). Each of the visitors gave seminars at Macquarie University and also to the Institute of Actuaries of Australia.

Professor Pollard has been made a University Professor of Renmin University in Beijing and Mr John Shepherd has been made a Department Professor of that University. Mr Shepherd also spent some time teaching actuarial science in Khazastan.

Demand for places in the undergraduate actuarial program remains strong. The number of international students in the program continues to increase, with the increase in the number of students from China being particularly strong.

Professor Pollard retired from Macquarie University in July 2002 after serving as the Professor of Actuarial Studies for 25 years. (Subsequent to the end of the period to which this report relates, Professor Pollard tendered his resignation from the MUAF Board in March 2003).

**Acknowledgments**

The Board wishes to acknowledge its sincere appreciation of the work of Professor Pollard and Ms Bellis who acted as Executive Officer of the Foundation for the first and second half of 2002 respectively, Mr Gary Grocott (Manager of the Division of Economic and Financial Studies) and the related University administrative staff who contributed to a most successful year of operation for the Foundation.

**R J Atfield**

Chair

**MACQUARIE UNIVERSITY ACTUARIAL  
FOUNDATION STATEMENT OF PROFIT AND LOSS  
1 JANUARY 2002 TO 31 DECEMBER 2003**

	2002	2001
	\$	\$
<b>BALANCE BROUGHT FORWARD</b>	12,843	37,790
<b>INCOME RECEIVED</b>		
Institute of Actuaries of Australia	122,051	150,000
Scholarship Donations	57,300	11,350
Interest	2,797	943
	<u>194,991</u>	<u>200,083</u>
<b>EXPENDITURE</b>		
Personnel		
-Academic Salaries	-	138,665
-Salary on Costs	-	11,093
Scholarship Payments	56,906	37,402
Non Salary Expenses	78	80
	<u>56,983</u>	<u>187,240</u>
<b>BALANCE CARRIED FORWARD</b>	138,008	12,843

I certify that the expenditure itemized above has been incurred solely for the purposes of this project.

I also certify that salary rates paid to persons employed on this project accord with the rates applicable to persons of similar status and responsibility employed by the University.



**Denise Osmand FCPA**

Chief Finance Officer and Deputy Director

17 February 2003

■ END



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