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A Contributing Life – The 2012 National Report Card on Mental Health and Suicide Prevention

Injury Schemes Seminar*

Balancing Outcomes

10–12 November 2013
Sheraton Mirage Gold Coast

Call for Papers

Visit www.actuaries.asn.au/InjurySchemesSeminar2013 for the submission form and key deadlines.

Submissions are due to the Institute by **Friday 24 May 2013**.



**Actuaries
Institute**



* Formerly the Accident Compensation Seminar

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Actuaries

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All contributions must conform to our submission guidelines which are available from the Communications and Marketing Team.

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[TechnicalResources/ActuaryMagazine.aspx](http://www.actuaries.asn.au/TechnicalResources/ActuaryMagazine.aspx)

for full details of our disclaimer notice.

Coming Up

April

Annual General Meeting and Presidential Cocktail Party

Monday 29 April, Sydney

Member Consultation and Discussion – Reputation of the Profession – our challenge

Save the Date – Video Conference Session

Tuesday 30 April, Adelaide, Brisbane, Canberra, Melbourne, Perth

May

Member Consultation and Discussion – Reputation of the Profession – our challenge

Wednesday 1 May, Sydney

Insights – IFRS – Insurance Standard Developments

Wednesday 1 May, Melbourne

Retired Actuaries Group Sydney

Thursday 2 May, Sydney

Member Networking – New Members

Wednesday 15 May, Sydney

Member Networking – New Members

Thursday 16 May, Melbourne

Actuaries Summit

Monday 20 – Tuesday 21 May, Sydney

June – Nov

Fellowship and Graduation Dinner

Tuesday 20 August, Melbourne

Fellowship and Graduation Dinner

Tuesday 8 October, Sydney

Injury Schemes Seminar

(formerly the Accident Compensation Seminar)

Sunday 10 – Tuesday 12 November, Gold Coast



Your intrepid Editor celebrates reaching the summit of the Isle of Pines in New Caledonia

I love new experiences! Of course, not all experiences are what you would expect them to be (like the \$29 haircut-with-colour-perm-massage-treatment-and-bubbly-worth-\$1,000 from group buying sites) but they offer things to talk about.

Over the past three months, I have been fortunate to gain much conversation material:

- I have hiked with my best buddies and snorkelled with turtles in beautiful New Caledonia.
- Taken the plunge to move to a new firm.
- Walked around for two weeks with a snowstorm on my head as a result of a massive sunburn on the scalp.
- Been locked in a public toilet at Clontarf Reserve, Manly with no phone and no way of letting anyone know I was there.
- Had a sugar attack from dunking too many free sugar cubes and eating all the sweets at a high tea sitting too quickly.
- Tried ice-cream made from liquid nitrogen and possibly gold nuggets given the outrageous price! (If you don't know what all the fuss is about, make a beeline for N2 Extreme Gelato in Sydney's Chinatown).
- Taken up the position of editor of the *Actuaries* Magazine.

Entertaining as these experiences were, they do not compare to the following astonishing experience. Two weeks ago, I was sipping chilled water at the Institute, waiting for my fellow Editorial committee members to arrive for our monthly meeting. It was quite an ordinary day (I probably yawned). Then in walks a long-lost friend* from South Africa who I met and last spoke to in Taiwan eight years ago! Oh my goodness. We used to live halfway across the world from each other and suddenly found ourselves reacquainted, both living in Sydney, working within 300m of each other and deliberating over the next issue of *Actuaries* magazine. How incredible! How insane!

If you want a piece of that inexplicable magic, you've got to be in it to experience it. So if you haven't already signed up for the Actuaries Summit, do it now (or when you get home) or check out what's going to be on offer on pages 20-25. You never know who you might be reunited with from halfway across the world. Or you might just have a fantastic time.

Please also make sure you read our feature article by Stephen Ellison and his mind blowing brain on pages 4-6, (Stephen has even appeared on morning television for his talents!) and the article by Dan Mayoh on his experience competing at the 2012 ModelOff Financial Modelling World Championships on pages 7-9.

Just to make sure we're all on the same page by now: the 'theme' of this month is Experiences. Oh joy. So make sure you have a fabulous month, look out for those new experiences and mail me what you've been getting up to. We will soon be starting a Social Column featuring all sorts of shenanigans our members are getting up to, so get in touch as we would love to have you grace our pages! 📧

Yours truly
Keri Lee

* The lovely Candice Ming on the Editorial Committee!

A Career Break, a Party Trick and a Questionable Nickname





The Human Wikipedia' – can you possibly think of a more self-glorifying nickname? Whether I like it or not, it seems that is how I will be remembered in the digital viral world. From the outset I can make it perfectly clear that I had nothing to do with the title, and it is my one tiny criticism of YouTube leviathan (and wonderful person) Charles Trippy. If nothing else, at what point did 'Wikipedia' replace 'encyclopaedia' in everyday usage?

For those who have no idea what I am talking about, I have a party trick for which I have recently gained a small amount of internet fame (plus a sprinkling of TV and radio appearances). It may seem unique and impressive on first description – the ability to name any historical figure, from Pythagoras to Steve Irwin, given only their year of birth and year of death – but perhaps it can be more accurately described as the result of a gift for remembering numbers coupled with a boring weekend in 2007!

Looking back, the notion that someone would voluntarily spend a Saturday manually looking up thousands of dead people seems a little sad, but believable. The thought that this same person would leave his actuarial home to become a tour manager for Contiki Holidays in Europe seems almost ludicrous! That is what happened though, and it was a choice that ultimately led to the 'Human Wikipedia' YouTube video.

Let me start at the beginning...

I graduated from Macquarie University's actuarial program at the end of 2003 and was lucky enough to be taken on by Quantium (at that stage a company of only 10 people). Over the next six years I enjoyed all the challenges and experiences that actuarial life brings, and Quantium gave me enormous flexibility and support throughout my entire tenure. However, by the start of 2010 I had well and truly caught the 'travel bug' and a career break in Europe was beckoning.

Having absolutely adored the Contiki product as a passenger, applying to become a tour manager with them was an easy choice. However, and let there be no mistake about this, in spite of the international reputation, being a tour manager with Contiki is as challenging a job as you will ever find. The 66 day training trip was akin to torture, resulting in only 16 of our original 25 trainees making it to the end. Additionally, once on the road, the on-the-spot knowledge required made the actuarial syllabus look positively tiny!



Stephen Ellison – in Tour Guide mode

Over my two-and-a-half years with Contiki, I led 31 tours across 26 countries. I was lucky enough to attend the dawn service at Gallipoli (twice); visit three consecutive Oktoberfests; 'Carnevale di Venezia'; have St Patrick's Day in Dublin; Christmas in both Rome and Munich; New Year's Eve in both Paris and Lucerne; and be in Monaco for the wedding of Prince Albert II.

While on the road I discovered (quite randomly, but are not a lot of discoveries random?) that the results of that boring weekend in 2007 made an entertaining party trick. It gained some notoriety on the Contiki circuit and before long the good-natured label of 'Rain Man' was attached to me.

By September 2012 my time in Europe was drawing to a close, Sydney was calling me home, and the Quantum family had confirmed they had room for a prodigal son! My final hurrah for Contiki was to lead a promotional tour known as The Road Trip Europe 2012. It was a groundbreaking marketing ploy, which involved taking 13 of the biggest fulltime 'YouTubers' (who between them had 6 million online subscribers) and placing them on a whirlwind tour of Europe, creating bucket loads of pro-Contiki YouTube content in the process.

Included in this cast of online celebrities was Charles Trippy, creator of the Internet Killed Television web series. Towards the latter end of this tour, the group was having dinner at a restaurant in Paris, and following a glass or two of wine, the conversation turned to party tricks. Before I knew it my birth / death years trick had been revealed, and most of the YouTube stars were frantically trying to stump me, looking up all manner of people on their smartphones.

The next morning the tour progressed to London, where (amongst other activities) an organised 'gathering' was scheduled, giving the fans of these YouTube stars an opportunity to come and meet their heroes. It was at this gathering that Charles Trippy took the opportunity to film me in action, demonstrating my party trick to random attendees. With the average age of the attendees being quite young (most were in their late teens), there was a heavy pop culture bias in the people I was quizzed on (Michael Jackson, Amy Winehouse, etc.), but thankfully there were a few more challenging questions as well (John Steinbeck, Vivaldi



Mr Human Wikipedia, and friend

and Rasputin come to mind).

Two weeks later, with this final tour well and truly over and my life in Europe all but packed-up, the 'Human Wikipedia' clip went online. Within 24 hours it had been noticed by several friends on Facebook, and then seemed to explode in amongst my network of friends with a lot of people re-posting it. While this sort of memory trick obviously does not have the same universal appeal as videos of funny cats or 'Gangnam Style', the response I received was very positive and hundreds of people on Twitter have tested me with different combinations of years.

Over the next few weeks the clip was featured on TV in several different countries (Canada, Netherlands, France, Croatia, and Israel are five that I know of!). During this time, I also did ten radio interviews across Australia and USA, and appeared on Sunrise in Australia. As of writing this article, an appearance on a TV show called You Have Been Warned (based out of London) is also in the pipeline.

Throughout all of this, my attitude has been one of incredulity. It seemed (and still does seem) to be the world's least useful skill and not worthy of getting this attention. This clip has resulted in me being recognised on the street a 'grand' total of 11 times, each time accompanied by a scramble for a smartphone in an attempt to baffle me.

Certainly the most common question I am asked is how I remember all these numbers. The answer to that question is not something I have ever really worked out. The best way I can explain it is that I do not remember the digits, I remember the pattern – similar to the way many people do not really remember their banking PIN, but remember the movements their hand makes as it traces across the keypad.

So there is not really a thrilling conclusion to this story. Having returned to Sydney, it has been a breath of fresh air to have a routine once again, and am back working at Quantum. The birth / death years trick, combined with a long-term interest in sleight-of-hand, has resulted in several side-line gigs at functions as an... entertainer? (I am sure no specific title exists for this combination of skills!)

It has been almost 1,600 years since the death of St Augustine, but the following quote, attributed to him, is perhaps even more accurate in 2013. "The world is a book, and those who do not travel read only one page". I look back at my years in Europe with nothing but affection (and bouncing around in my head are enough stories from the road to fill a book!). The old adage of "what happens on tour, stays on tour" does still apply in 2013, but my lips have been known to loosen over a beer. Of course, you could always go and find out for yourself. **A**



Almost a World Champion



Financial Modelling at its most competitive

In years past, I'd often thought of what it would be like to win a world championship at something. As a kid at school, I was never the stand out in Physical Education class, feeling much more at home in the maths classroom (a characteristic shared by quite a number reading this, I'm sure). Although, as a teenager, I was a fair hand at chess, American football and tenpin bowling, reaching world-class level was as likely for me as finding the 116-digit prime factors of RSA-768 by rolling a pair of dice 116 times and recording the sum of each pair (bonus points to anyone who actually calculates that probability before the next issue comes out!). As I entered University, 13 long years ago, I decided that backgammon would be the most likely avenue of reaching my world championship ambitions (it too involves lucky dice rolls). My experiences of late 2012, however, have made me consider a new candidate activity in my quest for glory – financial modelling.

From October to December 2012, the team at www.modeloff.com put together the 2012 Financial Modelling World Championships. To save you skipping to the end of the article right now to see the result, I'll just tell you now. I earned second place after attending the live finals in New York City for the top 16 preliminary round competitors from around the world. First place and my congratulations go to Alex Gordon, a consultant with PwC in New Zealand.

Above: The 16 finalists in the 2012 ModelOff Financial Modelling World Championships, at the Bloomberg Offices, New York City. Your author is on the far left, third row from the back.



Above: Lead organiser Johann Odou briefing finalists at the 2012 ModelOff Financial Modelling World Championships. Your author can be seen in the white shirt on the far left.

I first read about the competition on an online Excel forum. Having worked with financial models for most of my professional life, I decided to give it a go, more out of curiosity as to what format such a competition would take than anything else. Excel is a passion of mine, so this looked like it would be a bit of fun. At the time I entered I never considered the idea that I would actually be competitive. I guess there's a lesson in there about not under-estimating your own ability (or, alternatively, not over-estimating your competition).

The first round was a two-hour test conducted online simultaneously around the world, which due to my time-zone in Brisbane meant giving my all from 7.00 to 9.00 am on a Sunday morning. That alone was enough to weed out all but the most dedicated Australians, I'm sure. The first round consisted of three case-study type questions covering discounted cash flows, cash flow waterfalls, and analysing share trading data, each of which required building a financial model based on the information provided and using the model results to answer a series of multiple choice questions. There was also a section with general questions about Excel and VBA. Over 2,000 participants worldwide registered for the competition (45% from the USA) and the top 200 from Round 1 were invited back to do it all again two weeks later. Of course, this meant another Sunday 7.00am session for yours truly. The average mark in Round 1 for the top 200 was around 45 out of 85, so the contest was by no means easy. I have to say the time pressure was the biggest hurdle (I'd like to think that with an extra hour, that average mark could have been 46 or maybe even 47...).

Round 2 was also online and similar in format to Round 1, with four sections covering acquisitions, capital expenditure, auditing a cash flow model, and performing a Monte-Carlo analysis. Speed was again of the essence. The top 50 scored an average of 50 out of 85, with a top mark of 68. A sample question from Round 2 is included on page 9. For reference, 25 minutes was the budgeted time for this question.

Once Round 2 was done and dusted, the top 16 remained to be invited to New York City for the final round on 2 December. I was fortunate enough to



SAMPLE QUESTION FROM 2012 MODELOFF FINANCIAL MODELLING WORLD CHAMPIONSHIPS

You've been asked to model the forecast asset schedules for a new business. As part of the analysis, you are required to analyse the impact on the forecast deferred tax. To help you prepare the analysis, you have been provided with the following information:

All capex amounts presented in the following table are specified in real 2012 US\$m. All capital expenditure is incurred on the first day of each calendar year.

Year	2012	2013	2014	2015	2016
Capex	10	64	69	99	89
Year	2017	2018	2019	2020	
Capex	39	34	23	29	
Year	2021	2022	2023	2024	2025
Capex	69	99	89	39	34
Year	2026	2027	2028	2029	
Capex	23	29	69	99	

You have been advised that the inflation rate is forecast to be 3% per annum.

For accounting purposes, depreciation on the capex is calculated on a straight line basis over 12 years.

For taxation purposes, depreciation on capex is calculated using the diminishing value method at a rate of 40% per annum. The taxation rate is currently 30% per annum but is forecast to move down to 28% from the start of 2016.

QUESTIONS:

- What is the total nominal capex for 2012 through 2021 (inclusive)?
- What is the closing balance for the accounting asset schedule in 2017?
- What is the closing balance for the taxation asset schedule in 2019?
- What impact does the change in taxation rate have on the opening deferred tax balance for 2016?
- What is the deferred tax balance as at 2028?

Dan Mayoh

be included, along with six competitors from the USA, two from the UK, two from New Zealand, one from each of Russia, Canada, Hungary and Poland, and one fellow Australian, Vivienne Petroff from Melbourne. Vivienne also had the distinct honour of being the only female amongst the finalists.

The final competition round was essentially more of the same, but with an upped ante. It involved six sections spread over two three-hour blocks, all of us working in the same room, and the highly sought after World Champion title and \$25,000 winner's cheque on the line.

Whenever I think back to this competition, it is the finals in New York City that stand out for me. Meeting and getting to know the other finalists was a pleasure, and seeing what some of them can do with Excel was really impressive. Watching them work, I also noticed that they were FAST. Not surprising really, given that being quick at putting models together was basically a prerequisite for making the finals in the first place. Despite all 16 of us being there to compete against each other, we also thoroughly enjoyed each other's company and will value the new networks and friendships more than any prize that was on offer. We, as a finalist group, also got the chance to meet, and in some cases teach Excel tips to, the three world-class judges, Professor Simon Benninga, Kiel LaFrance and MrExcel.com himself, Bill Jelen. Coupled with the fantastic industry support (the finals were held at the offices of Bloomberg and Microsoft, not to mention the \$40,000 in prize money for the top three competitors), it was a wonderful event for its inaugural year and my hat goes off to Melbourne-based organisers Johann Odou, John Persico and the rest of their team.

To anyone reading this who fancies themselves a skilled hand with Excel, I absolutely encourage you to have a go in 2013. Keep an eye on www.modeloff.com for the details. As for me, I haven't quite got that World Championship title, but runner-up is a fine achievement. Plus, I've still got my eye on the Backgammon World Championships in Monaco!

The actuarial pulse



NEW SURVEY QUESTIONS WILL BE AVAILABLE IN MAY 2013. WHAT WOULD YOU LIKE TO KNOW? IF YOU HAVE A QUESTION YOU WOULD LIKE TO PUT TO THE MEMBERSHIP, EMAIL IT TO EDITOR@ACTUARIES.ASN.AU

REPORT GENERATED ON 19 FEBRUARY 2013. 294 RESPONSES.

2013 FEDERAL ELECTION

On 30 January, Julia Gillard announced the date of the 2013 Federal election as 14 September. This means around eight months of almost relentless electioneering after which most of the Australian population will be wearied and worn out by the plethora of mindless bickering and banter that is standard fare during election campaigns. The length of the notification period is almost enough time to conceive and give birth to a new life – yet I’m quite sure that the outcome of this election will not be as rewarding.

Nonetheless, as there is no stopping the campaign juggernaut, why not begin the journey of the election torch by understanding a little about our voting habits.

RESPONDENT STATISTICS

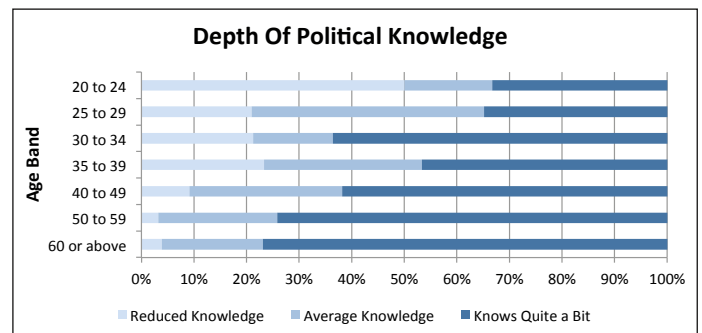
Respondent numbers were a bit lower than average with 294 people completing the survey. (Is it a coincidence that the last survey about elections in September 2010 had almost the same number of respondents?) What is also a little different is that the number of female respondents is proportionately lower than usual.

Female (18%)		Male (82%)	
Age Band	Number	%	
20 to 24	15	5.1%	
25 to 29	54	18.4%	
30 to 34	49	16.7%	
35 to 39	39	13.3%	
40 to 49	74	25.2%	
50 to 59	34	11.6%	
60 or above	29	9.9%	

There were 36 respondents who advised they would not be eligible to vote in the 2013 Federal election. As all respondents are over 18, this leaves only two other reasons for ineligibility – they are not Australian citizens or are serving full time prison sentences of more than three years. I’m thinking it is the former reason.

WHAT IS THE DEPTH OF YOUR POLITICAL KNOWLEDGE?

As the table below illustrates, those who are over 30 believe they have an increased awareness of the political environment. In fact just over 60% of the 30 and above groups put themselves in the top two categories of knowledge. This compares to just over 30% of the under 30s.



2010 ELECTION – WHO DID YOU VOTE FOR?

Party	Number	%
Did Not Vote	41	
Australian Greens	35	17%
Labor	72	36%
Liberal/National	94	47%
Other/Not Eligible/Didn't Answer	52	

Looks like the Libs take out the largest share of known votes for the respondent group. There was no obvious change in trends throughout the age groups.

COMPULSORY VOTING

Compulsory enrolment for Federal elections was introduced in Australia from 1912. This was followed by compulsory voting at Federal elections from 1924 with the 1925 election being the first election where this was enforced. Throughout the world, there are around 20 countries where voting is compulsory with varying degrees of enforcement. The results of the survey regarding compulsory voting were as follows.*

Age Band	Yes	No	Yes	No
20 to 24	7	7	50%	50%
25 to 29	38	15	72%	28%
30 to 34	35	11	76%	24%
35 to 39	23	16	59%	41%
40 to 49	53	20	73%	27%
50 to 59	30	3	91%	9%
60 or above	26	3	90%	10%
Grand Total	212	75	74%	26%

* Excludes those respondents who did not answer the question.



The Actuarial Pulse is an anonymous, web-based survey of Institute members, run on a monthly basis, giving members an opportunity to express their opinions on a mixture of serious and not-so-serious issues.

Three out of four respondents believe voting should be compulsory and there is a clear difference in conviction for this in the above 50 age bands.

Breaking this down further into party preference groups provides some differences, but it is the group who are ineligible to vote who have quite a different perspective than the average of the remaining respondents. The 'ineligibles' are split 50/50 when it comes to compulsory voting. I suspect this arises from the political environment from which these respondents come.

2010 Voting Party	Yes	No
Ineligible to Vote	50%	50%
Australian Greens	94%	6%
Labor	79%	21%
Liberal/National	76%	24%
Other	74%	26%
Total	79%	21%

As a few respondents pointed out, while enrolling and having your name crossed off the roll on voting day is compulsory – voting is not. By virtue of the fact that voting is confidential – whether you actually register a vote cannot be known, thus it could be considered that the act of voting is indeed not compulsory.

In Australia at the moment the penalty for not 'voting' is a \$20 'fine'. This could hardly be considered to be a significant deterrent to not 'voting'. So why do so many of us bother to turn up? The overwhelming responses from those who were in favour of compulsory voting were:

- It reduces the impact of extremism. The results should reflect the 'will of the people' and the Government will be compelled to consider the total electorate in formulating policy;
- It encourages engagement in the running of our country; and
- It is a responsibility.

A couple of respondents also commented on the importance of compulsory voting for disenfranchised groups:

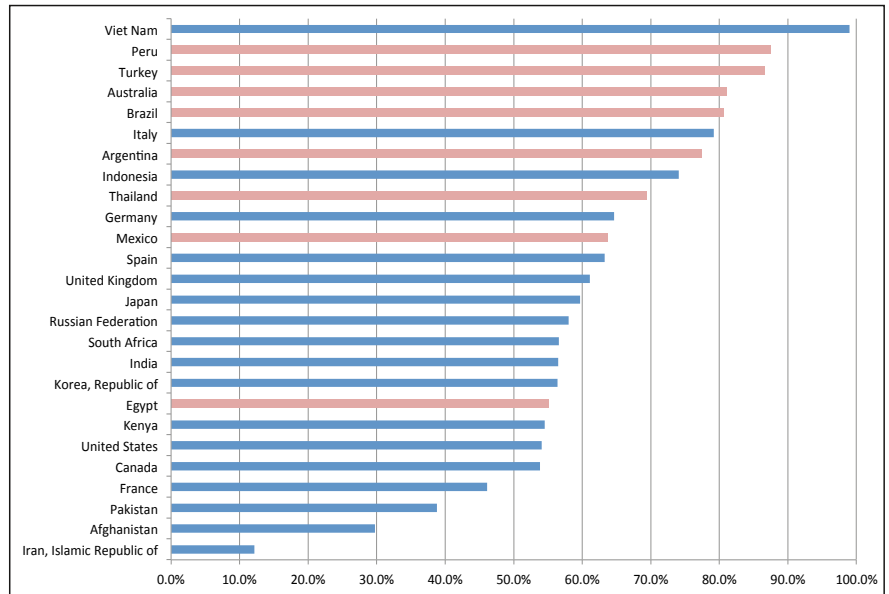
"...Non-compulsory voting discriminates against groups who feel more disenfranchised (and thus are less likely to bother voting) weakening the voting tally of those in the same group(s) who do bother to vote. These are precisely the groups who need to be represented in the political system..."

From those who were not in favour:

- It is undemocratic to be forced to vote; and
- It increases the chances of a more informed group of people voting.

The following table illustrates the variation in eligible voter turn-out rates for a selection of countries. The percentages represent the proportion of eligible voters who turned out to vote at each country's most recent elections. Countries with compulsory voting have been identified by using pink coloured data points on the graph. Australia's eligible voter turnout rate is around 83%. This is the joint outcome

of 87% of those eligible to vote being registered to do so and a 93% turnout of registered voters on the day.



Data was taken from the website of the International Institute for Democracy and Electoral Assistance which is an intergovernmental organization. www.idea.int

Various studies have been undertaken as to the likely impact of voter turnout for Australia should voting become not compulsory. There is no doubt that across the world participation rates in voting are generally decreasing. In countries where voting went from being compulsory to non-compulsory, turnout rates decreased post the change. Surveys in Australia indicate that a relatively high level of voting would continue (around 85% according to *Trends in Australian political opinion; results from the Australian election study, 1987 – 2010* by Prof Ian McAllister and Dr Juliet Pietsch) – but surveys of surveys also indicate that results are often exaggerated! Does the fact that this *Pulse* survey was one of the lowest patronised in the last couple of years indicate that apathy might prevail?

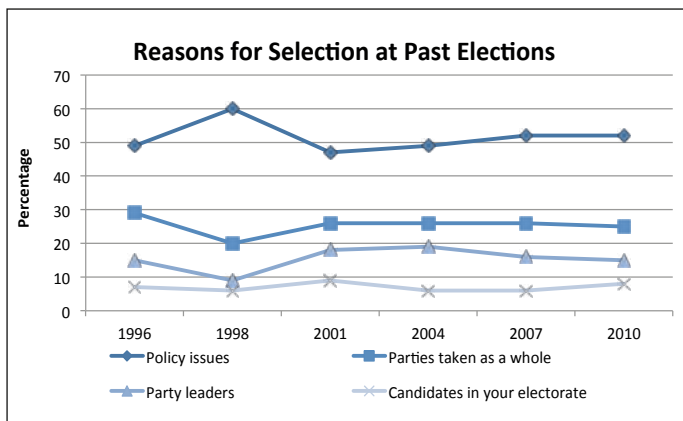
WHAT ARE THE MAJOR FACTORS WHICH WOULD INFLUENCE YOUR DECISION TO SELECT A PARTICULAR CANDIDATE?

For the vast majority of the respondents, it is all about the policies of the candidate or party. There appears to be very little influence on voting choice through family or friends. For those who opted for 'other', the most common response related to voting against a candidate or party rather than voting for someone.

Reason	Female	Male
Personal Allegiance to a Party	9	43
Influenced by Parents/Family	5	11
Influenced by Friends	3	4
Personal Preference for a Candidate	18	55
Policies of the Party or Candidate	42	206
Other	4	26

The actuarial pulse continued

The following graph is taken from *Trends in Australian political opinion; results from the Australian election study, 1987 – 2010* by Prof Ian McAllister and Dr Juliet Pietsch. Consistent with the Pulse survey, policy issues are the most important consideration in the voting decision.



The *Trends...* paper shows that around 50% of voters over the last five elections have always voted for the same party. This proportion has decreased from around 70% in the late 1960s to now.

2013 - AND THE WINNER IS....

The Libs!

The table below represents the number of respondents who voted in 2010 and who provided details of their chosen parties in this survey. It's not all beer and skittles for the Libs – there is a decided shift also to the non-major parties.

Party	2010	2013	% Change
Australian Greens	35	25	-29%
Labor	69	64	-7%
Liberal/National	92	100	9%
Other	24	31	29%

Overwhelmingly, most of the respondents believe that Tony Abbott (two t's) will be the next Prime Minister.

Prime Minister	Count
Julia Gillard	48
Tony Abbott	153
Someone else from the Labor party	9
Someone else from the Liberal party	36
None of the above (please specify)	15

WHO SHOULD BE PRIME MINISTER?

This question was to be a bit more telling... will it come as a surprise that Malcolm Turnbull is top of the pops? 160 respondents provided an answer to this question. Out of the responding group 62 thought Malcolm Turnbull should be Prime Minister. Here are the responses:

Sporting Heroes	• Adam Gilchrist, Shane Warne, Steve Waugh, Richie McCaw, David Boon	1 Vote Each
Media Personalities	• Andrew Denton, Animal from the Muppets, Dame Edna Everage, Hugh Jackman, Russell Crowe, Sam Kekovich, Shaun Micallef, Wil Anderson	1 Vote Each
Other Influential People	• Tim Costello, Ross Gittins, Ken Henry, David Ipp, Quentin Bryce, Steven Kates, Barry Rafe	1 Vote Each
Ex Politicians	• Jeff Kennett, Paul Keating, Kim Beazley, Peter Costello • Bob Hawke • John Howard, Bob Brown	1 Vote Each 3 Votes 4 Votes Each
Current Politicians	• Tony Windsor, Bob Katter, Nick Xenophon, Greg Hunt, Craig Thompson, Anyone but Gillard • Joe Hockey • Anyone but Abbott • Tony Abbott • Julia Gillard • Kevin Rudd • Malcolm Turnbull	1 Vote Each 2 Votes 4 Votes 11 Votes 12 Votes 14 Votes 62 Votes
Other	• Respondents – Selfies • Specified a set of qualities rather than a person	4 Votes 9 Votes

If I could mix the pot up and come up with a hybrid – my personal vote would go to a mixture of:

- Russell Crowe** – for his lovely deep voice;
- Hugh Jackman** – trustworthy and really really good looking – oh yes indeed!;
- Shane Warne** – a bit of devil in him;
- Paul Keating** – a clever politician;
- Kevin Rudd** – a good show-man; and
- Malcolm Turnbull** – liberal influence, business knowledge and he is actually quite handsome.

(My 17 year old daughter informs me that these are all shallow reasons upon which to base the selection of Prime Minister – to which I say – Poo Eee!)

While I grit my teeth when viewing yet another ridiculous grab for votes by either Gillard or Abbott, laugh at the prospect of an ignorant politician making mindless commitments and swear at the short sighted changes to sensible policy, I do secretly look forward to all of the argy bargy associated with an election. I think the Libs will get in – but also that Abbott will be rolled.

To all of our Jewish members, be sure to get your vote in early as it clashes with Yom Kippur – a time of atonement and repentance. Is there some sort of irony there? **A**

Under the spotlight

Mark Barda



Title... Actuary (Seriously!)

Organisation... Clal Health Insurance, Israel

My interesting/quirky hobbies...

Costume making and classical guitar, not usually at the same time

My favourite energetic pursuit...

Hiking and camping

The sport I most like to watch...

Cricket, but it can be challenging in Israel

The last book I read (and when)...

The Riddle of the Compass by Amir Aczel. Finished it last night, just in time so I wouldn't have to say *Captain Underpants and the Terrifying Re-Turn of Tippy Tinkletrousers*, by Dav Pilkey which I read with my seven year old daughter

My favourite artist/album/film...

Jamiroquai, especially *A Funk Odyssey*

The person I'd most like to cook for...

My wife and kids

I'm most passionate about...

A secure peace in Israel

What gets my goat... Narrow-mindedness

I'd like to be brave enough to...

Truthfully answer this question

In my life I'm planning to change...

I've already made my big life change by immigrating to Israel. I am planning to recover from the move one of these days

Not many people know this but I...

Am not in the slightest related to the superhero Big Barda (en.wikipedia.org/wiki/Big_Barda)

Four words that sum me up...

Out of the box

What I wanted to be when I grew up...

Just like my dad

Why and how I became an actuary...

My career's counsellor in high school suggested it to me as a student who enjoyed and was strong at maths

Where I studied to become an actuary and qualifications obtained...

Macquarie University, BEc

My work history... Legal and General and

ANZ Funds Management (both in Sydney), Tillinghast / Towers Watson (Melbourne), Menora Mivtachim Insurance and Clal Health Insurance (both Israel)

What I find most interesting about my current role...

Every day I come across new situations and new opportunities

My role's greatest challenges...

Working in a language I couldn't speak two years ago, coping with cultural differences, and considerable actuarial staff shortages (Israel has but 120 Fellows in a population of seven million)

Who has been the biggest influence on my career (and why)...

Me, and all the mistakes I've made. And also the professionalism ingrained through my years at Tillinghast

10 years from now, I will be...

Hopefully, breathing more easily after most of my children will have finished army service

When I retire, my legacy will be...

A more professional and thorough workplace

Why I'm proud to be an actuary...

We offer incredible insights into our businesses and demonstrate the highest levels of professionalism

The most valuable skill an actuary can possess is...

Communication: How to speak, how to write and how to prepare succinct Excel charts

If I was President of the Institute, one thing I would improve is...

Our brand. Kidding! Don't change it again. Ever

At least once in their life, every actuary should...

Take a career break

My best advice for younger actuaries...

Think and act. Do both and in that order

If I could travel back in time I would...

Don a cape and become a superhero, saving Gotham City from evil villains

If I win the lottery, I would...

Buy a time machine **A**



Dress-up day in the office for the festival of Purim

Risk Leadership

– Facing Emerging Risks

“Not everything we face can be changed. But nothing can be changed until it is faced.”

– JAMES BALDWIN

The findings of the Global Risks 2013 Report (“the report”), issued by the World Economic Forum Risk Response Network, provides some fascinating insights into emerging global risks and how perceptions influence human responses to emerging risks. This month’s column will explore the potential implications for the actuarial profession.

The Global Risks report was developed from the Annual Global Risks Perception Survey of over 1000 experts from industry, government, academia and civil society who were asked to review a landscape of 50 risks. Based on an analysis of the survey results, the report developed three risk cases:

1. Testing economic and environmental resilience.
2. Digital wildfires in a hyper-connected world.
3. Dangers of hubris (overconfidence) on human health.

1. TESTING ECONOMIC AND ENVIRONMENTAL RESILIENCE

The report observes that economic and environmental systems are simultaneously under stress worldwide, and this is testing resilience at the global and national levels. Survey respondents identified two key systemic risks in the near future as the failure of climate change adaptation and major systemic financial failure.

The economic fragility of the past five years has diverted the attention of governments across the globe from longer term issues such as climate change. New economic challenges continue to emerge, such as instability in the Eurozone, which keeps the focus on economic challenges. Unless countries manage risks on both the economic and environmental fronts there is a significant risk that the global climate situation may deteriorate further.

In short, little decisive action is being taken in relation to climate change. The report suggests that cognitive psychology may explain some of the global challenges to taking effective action. At the heart of cognitive behavioural psychology, we take in information through our senses (perceive) and we associate that, consciously or unconsciously, with our existing mental models and



frameworks. We use these models and frameworks to evaluate the situation and ultimately to decide on our actions.

In the face of ambiguity and complexity, our mental models and frameworks can be sorely tested. To address this, people often use rules of thumb to make judgements. While these rules of thumb can be useful, they may be associated to past circumstances or circumstances specific to a particular context. Their validity may diminish in a changing or complex environment. Hence various biases are introduced into our thinking. These include:

- People associate strongly to more recent experiences (principle of recency) or to their most significant experiences. Hence we can give excess weight to a recent event or a disruptive event. Experience in the United States shows that many more people buy flood insurance immediately after a major flood yet only hold it for another two to four years before letting it lapse if they have not suffered a claim.
- Through a process known as hyperbolic discounting, we tend to give disproportionately more weight to immediate costs and benefits than to delayed ones. Individuals, for instance, may often be reluctant to incur the upfront costs of measures such as investing in climate change adaptation measures when the benefits will not be felt for several years.
- We fail to take protective measures if the perceived likelihood of the risk in question is below our threshold level of concern – for example, discounting entirely the possibility of a natural catastrophe that has a low chance of occurring.

2. DIGITAL WILDFIRES IN A HYPER-CONNECTED WORLD

The spread of social media and the access to information are transforming the business and social environment. Social media is widely acknowledged as the catalyst for the “Arab Spring” uprisings and consequent change of governments.

At a corporate level, social media can have significant consequences. A complaint by a person against United Airlines turned into a YouTube video called “*United Breaks Guitars*”. The clip went viral with twelve million hits, and led to an immediate 10% decline in the United Airlines share price. With the BP Oil Spills, a fake Twitter account which parodied the CEO (“black sanded beaches are very trendy these days”) had 12 times as many followers as the official BP Twitter account.

Digital wildfires are most dangerous in high tension situations, when misleading information may cause significant damage. The other dangerous situation is when information circulates within a bubble of like-minded people who may be resistant to attempts to correct it.

While there are various initiatives to manage and measure quality (such as applications being designed to assess the credibility of information), companies like Forbes and Deloitte have identified social media as one of the biggest risks they face.

3. DANGERS OF HUBRIS ON HUMAN HEALTH

Another significant cognitive bias is hubris – overconfidence that things will remain the same. In healthcare, a significant current hubris risk is the spread of antibiotic resistant bacteria.

Antibiotics wipe out weak bugs but survivors multiply and become ever more resilient. A recent study identified that of 99,000 patients that died in US hospitals from care-associated infections, the vast majority of the deaths were due to antibiotic resistant bacteria.

Danilo Lo Fo Wong, a senior adviser on antimicrobial resistance to the World Health Organisation commented “To put it bluntly, we are running out of ideas. That's the problem we face. For many years we have been one step ahead of evolution, but in the past 25 years, we have failed to develop new antibiotics.”

The consequences of this on mortality, morbidity and healthcare are very significant, yet little has been done. Research money pours into other areas with greater pay-offs and longer term revenue streams than antibiotics which inevitably become ineffective as bacteria become resistant.

Implications for Actuaries

Cognitive biases and emerging global risks have significant implications for actuaries in the nature of our work.

- How might the rules of thumb we have used throughout our professional careers be implicated in a changing world? What rules of thumb do you currently use, and in what ways are they challenged by evolving conditions?
- How might these possible cognitive biases influence our assumption setting and the design of our models? What are examples of where we may give undue bias to a recent event or occurrence?
- What emerging risks might we ignore from our modelling or valuation methodologies because we see them as too low to warrant attention? Does this stack up in an environment of ongoing change?
- What are the implications and considerations for the work of the actuary in the use of social media to spread information, credible or otherwise? How does this impact on the profession, on our personal brands and have we considered social media related risks in our methods and practices?
- Where might we exhibit hubris? Where might we be overly influenced by our own beliefs? What other professional or community groups have different perspectives or views that we ignore? What information are we ignoring or discounting by not engaging with these people?

Despite the rational and methodological rigour behind actuarial science, actuaries are still vulnerable to the cognitive biases that all humans face. Observing the biases is often the most powerful method to disarm them. Are we as a profession happy to own up to our biases? This truly is a question of adaptation. **A**

Are Golden Skirts the Answer?

WOMEN AND GENDER QUOTAS

At the current rate of change, it will take over 70 years to achieve gender balanced boardrooms in the UK. Concerned about this slow rate of progress, the UK Government invited Lord Davies of Abersoch to undertake a review of gender equality of the Boards of listed companies and to make recommendations regarding what government and business could do to increase the proportion of women on corporate boards.

His review recommended that UK listed companies in the FTSE 100 should aim for a minimum of 25% female board representation by 2015. Lord Davies also called on chairmen of FTSE 350 companies to announce their own targets. In 2011 the Financial Reporting Council published revisions to the UK Corporate Governance Code to require companies to report annually on their boardroom diversity policy and to include gender diversity in the evaluation of Board effectiveness.

This article looks at the current gender breakdown on UK corporate boards, the UK life industry and within the Actuarial profession, as well as research on whether gender diversity improves corporate performance.

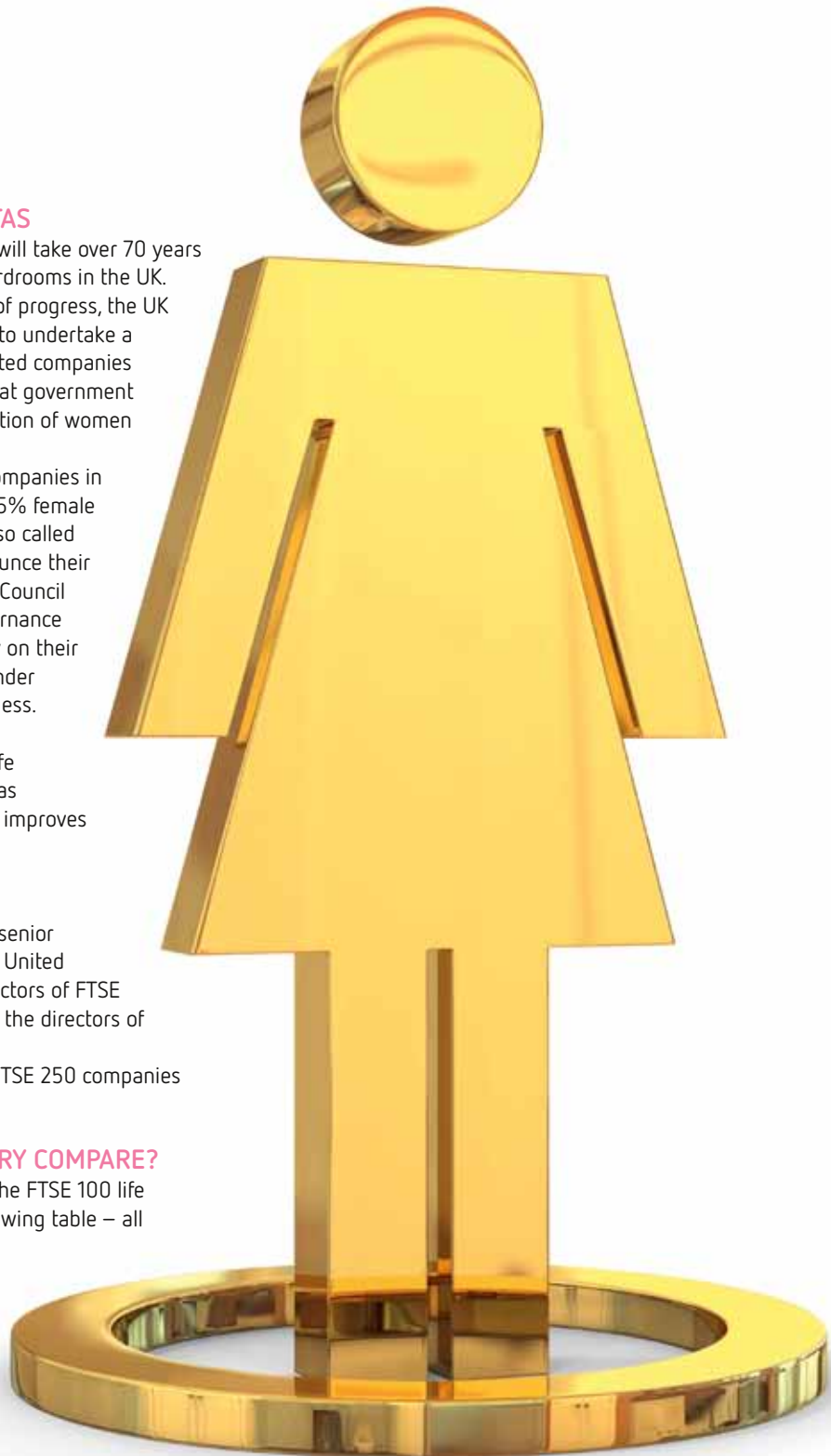
THE UK GENDER GAP IN 2012

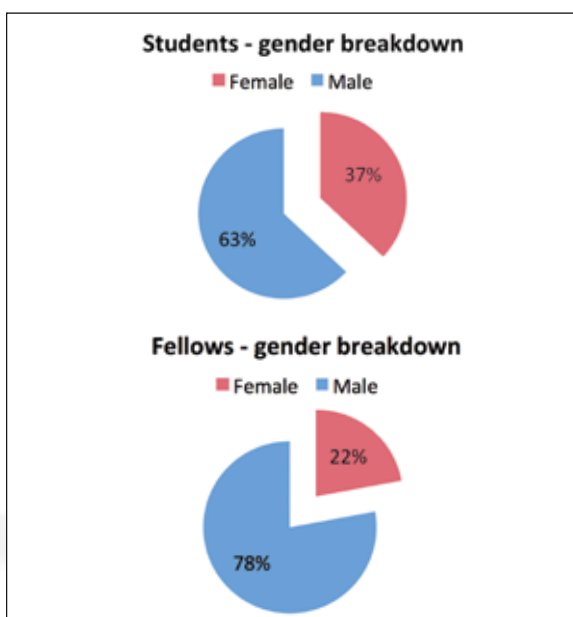
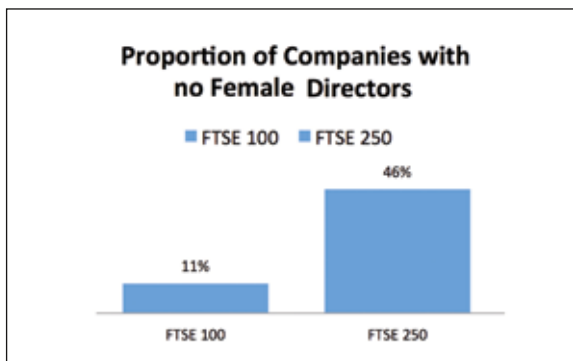
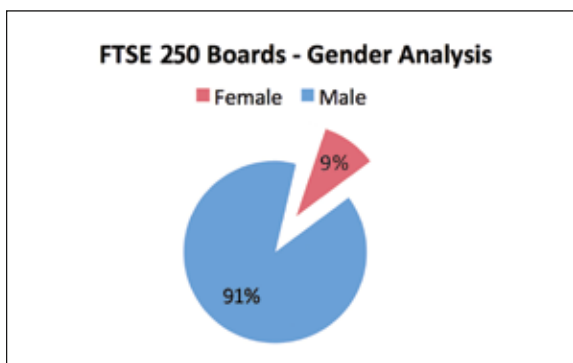
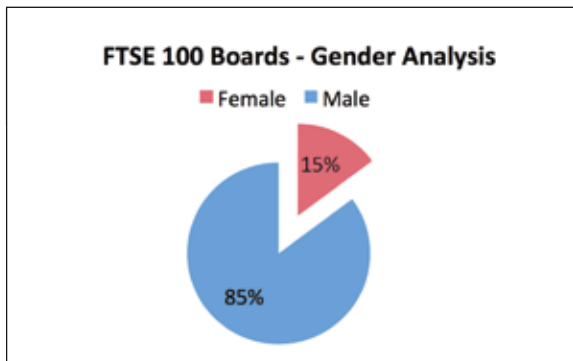
Women continue to be under represented in senior management and on corporate Boards in the United Kingdom. As at October 2012, 15% of the directors of FTSE 100 companies were women, and only 9% of the directors of FTSE 250 companies were women.

11% of FTSE 100 companies and 46% of FTSE 250 companies have no women at all sitting on their Boards.

HOW DOES THE INSURANCE INDUSTRY COMPARE?

The percentage of women on the Boards of the FTSE 100 life insurance companies is presented in the following table – all companies have at least one woman on their Board, with the median being two. Admiral, Aviva, Lloyds, Old Mutual and Royal Bank of Scotland have all pledged to meet Lord Davies' recommended target of a minimum of 25% representation of women on their Boards, whilst Standard Life already meets this target.





Company	Percentage of Women on Board	Number of Women on Board
PRUDENTIAL PLC	13%	1
STANDARD CHARTERED PLC	12%	2
LEGAL & GENERAL GROUP PLC	17%	2
OLD MUTUAL PLC	17%	2
RSA INSURANCE GROUP PLC	18%	2
AVIVA PLC	20%	2
LLOYDS BANKING GROUP PLC	8%	3
ADMIRAL GROUP PLC	18%	3
ROYAL BANK OF SCOTLAND GROUP	23%	3
STANDARD LIFE PLC	25%	4

THE ACTUARIAL PROFESSION

So, how do things look for the Actuarial profession? The 2010-2011 data released by the Profession gives a snapshot of the gender breakdown of our students and fellows. 37% of students in 2011 were female, compared to only 22% of Fellows.

The Institute of Actuaries was established in London in 1848, with women first being admitted in 1919 (following a unanimous vote), and the first female FIA qualifying in 1923. By the 1960s there were 11 female Fellows.

At the current rate of change, it should only take the UK Profession another 13 years to achieve gender parity, well ahead of the 70 years it will take to achieve gender balanced boardrooms in the UK.

Interestingly, the statistics for honorary members show that only 7% (7) of honorary titles are held by women. Would some of the ten female directors of FTSE 100 life companies be appropriate recipients of an honorary fellowship?

CORPORATE PERFORMANCE AND WOMEN'S REPRESENTATION ON BOARDS

Research shows that there is a strong business case for increasing the number of women on Boards in the UK.

Board Decision Making

A range of research demonstrates the positive impact that increasing gender diversity in senior management and Boards can have on the decision making of a company. This includes:

- Women take their non-executive director roles more seriously, preparing more conscientiously for meetings;
- Women ask the awkward questions more often so decisions are less likely to be nodded through resulting in better choices being made; and
- Female directors enhance Board independence and reduce "group think".

Furthermore, studies have shown that where governance is weak, female directors exercise strong oversight, can have a "positive, value-relevant impact" on the company, and that a gender-balanced Board is more likely to pay attention to management and controlling risk.

A Leeds University Business School study showed that having at least one female director on the Board appears to reduce a company's chances of going bust by 20%, and that having two or three female directors lowered the chances of bankruptcy even further.



There has been significant opposition to the introduction of quotas for women in the boardroom, with a number of concerns being raised – but from a longer-term financial perspective, it appears companies tend to benefit from having women on boards.

Financial Performance

There is various American and European research that demonstrates a correlation between increasingly gender diverse Boards and financial performance.

This research shows strong stock market growth among European companies is most likely to occur where there is a higher proportion of women in senior management teams, and companies with more women on their Boards were found to outperform their rivals with higher return on sales, higher return on invested capital and higher return on equity.

DO WE NEED GOLDEN SKIRTS?

70 years seems like a long time to wait for gender equity, and in the current period of economic unrest and shareholder activism, what company isn't looking to improve their financial performance and improve corporate governance? Are "golden skirts" or quotas for women in the boardroom the answer?

Norway became the first country to implement Board gender quotas in 2008, when the Norwegian Public Limited Liability Companies Act was amended to state:

- If the Board of directors has two or three members, both sexes shall be represented;
- If the Board of directors has four or five members, each sex shall be represented by at least two directors; and
- If the Board of directors has more than nine members, each sex shall be represented by at least 40% of directors.

The consequences for non-compliance with this Act include fines and the dissolving of the company (no public limited company has been dissolved on account of gender rules to date).

The Deloitte Study on *Women in the Boardroom: a global perspective* found that since introducing gender quotas, female representation on Norwegian corporate boards has increased from 6.8% in 2002 to 44.2% in 2011. In 2002, 470 out of 611 (77%) of the relevant companies were without a single female Board member.

This significant increase in the number of female Board members was partially achieved through an increase in Board size (rather than replacing existing members), and it is worthwhile noting that Norway has significant state support for childcare, with generous maternity and paternity leave.

There was significant opposition to the introduction of quotas, with concerns about tokenism, the most skilled people for roles not being selected, and a lack of suitable and experienced women to fill the positions.

However, as Lord Davies notes, quotas don't appear to have addressed the issue of women being promoted to become executives in their own organisation – only 2% of CEOs and only 10% of executive committee members were women in 2011.

From a financial perspective, academic reviews suggest that the balance sheets of successful Norwegian companies suffered a little in the short term but recovered quickly. By contrast, companies that weren't doing so well tended to benefit from having women on their Boards.

WE NEED YOU (AND YOU NEED WOMEN)

Whilst no one would argue that Board appointments must always be based on merit, it is imperative that Boards consist of talented individuals with a variety of skills, experiences and backgrounds. Women represent a largely untapped pool of these individuals, and, having more of them has proven to be not just the "right" thing to do, but also the "bright" thing to do – and we cannot wait until the 2080s. **A**

Alana Paterson is a Manager at Deloitte Actuarial and Insurance Solutions, and is a Fellow of the Actuaries Institute and a Certified Enterprise Risk Actuary.

Interested in reading more on this topic? Download *Women on Boards* at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/31480/11-745-women-on-boards.pdf



Operational Risk Management (ORM) Comes of Age

You know that an area of embryonic actuarial interest has come of age when the Institute invites members to an Insights session on that topic and finds the response so overwhelming that it has to turn many members away! Such was the case with Josh Corrigan's presentation on "Actuaries Managing Risk – Operational Risk" delivered at the Institute Board Room on 28 February 2013. Although only one of those present identified as being **predominantly** involved in ORM modelling, the interest in the presentation and active discussion suggested that there are many actuaries who maintain a strong interest in all aspects of ERM, including Operational Risk.

Josh's presentation, which was largely based on a February 2013 Milliman publication "Operational Risk Management Framework" by Paola Luraschi and himself, contained many aspects of interest. For example, he presented a pie chart of the risk capital allocated to the various categories of risk by the typical bank. If there was ever any doubt that the nature of risks faced by banks and insurers is different, the pie chart told it all. Of the total bank risk capital, 85% was attributed to credit risk, 9% to operational risk and only minor dribs and drabs to market risk and interest rate risk. His analysis of the frequency and size of ORM banking losses was also illuminating – the great bulk of losses contribute only a small fraction of the total expected loss; it is the extremely infrequent, but massive, losses from rogue trading that cause the majority of expected ORM losses. (For insurers, the equivalent infrequent risks of extremely high severity are mis-selling and mis-pricing.)

A key aspect of Josh's presentation was his taxonomy of the stages of ORM development. First come basic indicators and standard formulaic approaches (eg. the current APRA Operational Risk Charge); then quantitative risk assessment or scenario analysis; followed by the "statistical model" or "loss distribution" approach; and finally (and most labour intensively, but carrying

the greatest benefit if done well) the "structural" or "causal" approach. In the latter approach, the central component is modelling the **causes** of operational risk losses, and an important side-benefit is identifying appropriate mitigating actions, which surely should be the main objective of risk management. Previous Institute seminars have highlighted "too much measurement, not enough management" as a typical flaw in current approaches to risk management.

A point that attracted some discussion was Josh's suggestion that insurers, with the backing of the Institute, should commence collecting an operational risk database (a "Loss Data Collection" or LDC) similar to that collated internationally by ORX for banking. This suggestion raised some questions about the difficulty of persuading industry participants to contribute, consistency of contributed data,

privacy and so on. On the other hand, it will be difficult for Australia to proceed to the most advanced state of ORM modelling, especially for smaller insurers, in the absence of such a database. This is an open issue for further discussion by the Institute.

A





Actuaries Summit

get involved, get ahead

20-21 May 2013 • Hilton Sydney

The Actuaries Summit is being held in Sydney from 20-21 May 2013. With the theme of **get involved, get ahead**, the Summit will bring together a wealth of experience from actuaries in all disciplines.

ECONOMIC FACTS AND FIGURES

Since our last biennial event in 2011, Australia has continued to have a succession of natural disasters – floods, bushfires and the like, which not only challenges the communities involved but has a significant financial impact on insurers and re-insurers.

Changes to superannuation regulations, the FOFA implementation, LAGIC and ICAAP have all offered challenges which will result in vigorous discussion and debate. All these and more continue to challenge the insurance industry and the broader Australian economy.

Global economic uncertainty resulting from events in Europe and North America and ongoing questions about China's continued growth has experts asking how Australia is placed to capitalise on the potential opportunities ahead.

With around 0.3% of the world's population, the 13th largest national economy by nominal GDP and the fifth largest pension system in the world, Australia already punches above its weight on the international stage.

PLENARY SESSIONS

The five plenary sessions feature an exceptional selection of speakers. Presentations will include a wide range of topics covering global activities in insurance, health, risk and regulation, the challenges and opportunities they present, and how Australian actuaries are making a difference by interacting on social issues and influencing public policy. We also have 48 'streamed' concurrent sessions covering a wide range of business and non-technical topics.

DELEGATES

The Summit is a very important professional gathering for Australian actuaries from all sectors and industries.

Over 400 professionals from Australia and overseas are expected to attend to discuss and debate issues on general, life and health insurance, risk management, wealth management, banking, finance and investments, superannuation and other areas of where the aptitude of actuarial skills and training are proving valuable such as energy, data analytics and the environment.

Previous conferences have attracted industry leaders, regulators, researchers and academics as well as risk managers, senior consultants, heads of actuarial firms and industry colleagues working across a wide variety of sectors.

We encourage a global outlook and extend this invitation to all interested parties from around the world, and would be particularly delighted to see our regional partners from China, Hong Kong, India, Indonesia, Malaysia, New Zealand, Philippines, Taiwan, Vietnam and Thailand.

This is a great time to be an actuary in Australia. Come and network with your colleagues at this premier professional event designed specifically for you.

THE MELVILLE ACTUARIES SUMMIT PRIZE

The Melville Actuaries Summit Prize is funded by the late Mr Tig Melville and will once again be presented to the author of a paper considered by the judging panel to have effected a significant advance in the profession's understanding or knowledge of a specific subject or sphere of knowledge; or collected or presented existing material in such a way as to raise the awareness of the profession regarding an important contemporary issue.

The Judging Panel will award a prize only if the subject paper is considered sufficiently meritorious. The monetary value of the prize is \$4,500.

NETWORKING

There will be plenty of opportunities for networking at the Summit. Delegates are invited to attend the Gala Dinner on Monday 20 May at the Ivy Ballroom. Guests are invited to wear their best safari costume or lounge suit. The Gala Dinner will be the perfect opportunity to catch up with colleagues and meet new friends. At the conclusion of the Summit all delegates are invited to participate in the networking cocktail party where there will be a representative from each of the practice areas in the profession as well as opportunity to reflect on all that has been gained and experienced during the Summit.

Full details at:

www.actuaries.asn.au/SUMMIT2013

REGISTER NOW!

Presenters



KEYNOTE SPEAKER
ITA BUTTROSE*

AO, OBE - 2013 Australian of the Year, legendary media editor, businesswoman, best-selling author and President of Alzheimer's Australia

Ita is a legendary media editor, businesswoman and best-selling author. She is currently the National President of Alzheimer's Australia, Patron of the Macular Degeneration Foundation, and Vice President Emeritus of Arthritis Australia. She was made an Officer of the Order of Australia for her services to the community and also received the OBE for her services to journalism and a Centenary Medal for her leadership to Australian Society. Ita was a founding member and former president of Chief Executive Women and on January 25 2013 she was named Australian of the Year.



FACILITATOR
ANNABEL CRABB*

Journalist, Author and Political Commentator

Annabel has been a journalist for more than 12 years, covering national politics

for 10. She has worked extensively in newspapers, radio and television as a political commentator. Annabel received the 2009 Walkley Award and has been a regular on the ABC's Insiders program since its inception in 2001 and hosted her own TV program Kitchen Cabinet in 2012.

PLENARY SPEAKERS



MONICA BARONE

Chief Executive Officer, City of Sydney

Monica has been the Chief Executive Officer of the City of Sydney since 2006. In this role she has overseen the development of the City's long term strategy and projects to achieve the Sustainable Sydney 2030 goals and targets worth nearly one billion dollars. She has also held senior management positions with the Warringah, South Sydney and City of Sydney Councils. Prior to entering local government, Monica ran her small business, the theatre and events partnership People next Door, for nine years.



MEREDITH BROOKS

Board Member - BT Investment Management; Chair - Balmain Investment Management and Critical Path Inc

Meredith is a Board Member at BT Investment Management and holds other various positions, including Chair of Balmain Investment Management, Chair of Critical Path Inc and a member of an Industry Advisory Board for Macquarie University. Meredith has spent 20 years in senior executive roles in the investment management industry in the US, Europe and Australia. She is an actuary and an APMA qualified pilates instructor.



GREG COOPER

CEO, Schroders

Greg is Chief Executive Officer for Schroders Investment Management

Australia Limited. Prior to joining Schroders in 2000 Greg was the Head of the actuarial and asset consulting practice for Towers Perrin in Asia. He is a Fellow of the Actuaries Institute and the Institute and Faculty of Actuaries in the UK. Greg is also an ambassador for the Australian Indigenous Education Foundation.



JOSHUA CORRIGAN

Principal and Consultant, Milliman

Joshua is a Principal at Milliman, where he leads Milliman's risk management services across the Asia-Pacific region. He is a specialist in market and enterprise risk management,

spanning a wide range of geographies and industries including insurance, banking, wealth management and energy. Joshua is a Fellow of both the Actuaries Institute and the UK Actuarial Profession, recently qualified for the CERA through the LEPAP pathway, and also holds the CERA and CFA Institute Charterholder.



ADAM DRIUSSI

Director, Quantum

Adam co-founded Quantum in 2002 where he now employs over 150 staff.

Quantum specialise in assisting clients realise value through the combination of data, analytics and software development. Quantum's major clients include companies such as Woolworths, NAB, FOXTEL, Telstra, eBay, Qantas and most major financial services companies.



SOPHIE DYSON

Director, Three Rivers Consulting

Sophie has spent over ten years in the private health insurance and health funding industry. Before founding Three Rivers in 2011, she spent a year with Ambulance NSW, managing an infrastructure project and working to establish a performance improvement team. Throughout her career in the UK and Australia, Sophie has worked in pensions, investment management, general insurance and health.



DIANA EILERT

Non-Executive Director - AMP Life, Queensland Urban Utilities, and "onthehouse"

Diana is a professional Non-Executive Director, appointed to the Boards of AMP Life, Queensland Urban Utilities (Queensland's largest water retailer), and ASX listed digital business "onthehouse". With an executive career spanning more than 25 years, her major roles include Group Executive responsible for Suncorp's entire insurance business and later, Group Executive People, Technology, Marketing and Joint Ventures for Suncorp.



KEVAN GOSPER*

AO, Member, International Olympic Committee

Kevan Gosper is a former Commonwealth Games and

National record holder over 400 metres. He is a member of the International Olympic Committee (IOC) since 1977 and has been Chief of the IOC Press Commission since 1989. Kevan was Inaugural Chairman of the Australian Institute of Sport (1980-85), President of the Australian Olympic Committee (1985-1990) and continues to serve on its Executive Board. He is also a Director of Crown Limited. Kevan is a recipient of the Order of Australia.



RICHARD HOWES

Chief Executive, Challenger Life

Richard is Chief Executive of Challenger Life. Richard joined Challenger in June 2003 from Zurich Capital Markets where he was responsible for the derivatives franchise that provided risk management solutions to major companies and institutions globally. Prior to that time Richard was a Managing Director in the Commodities business at Macquarie Bank, based in Chicago. Richard started his career at Queensland Investment Corporation in portfolio optimisation and return attribution.



IAN LAUGHLIN

Member, APRA

Ian was appointed as a Member of APRA on 1 July 2010 for a three-year term.

Ian has extensive board and senior management experience in the Financial Services industry, including as Managing Director of the United Kingdom life insurance subsidiaries of AMP (Pearl, London Life and NPI) and as a Non-Executive Director and Audit Committee Chairman of AMP Life. He has worked at AMP, Suncorp and National Mutual, in Australia, New Zealand and Hong Kong.



JIM MINTO

Managing Director, TAL

Jim is currently the Managing Director of TAL (formerly TOWER Australia).

Jim joined TOWER in 1988 and held several business leadership roles in that company spread between Australia and New Zealand and across a range of financial services. He then became Group Managing Director of TOWER Limited, overseeing the Trans-Tasman TOWER businesses. Jim is a chartered accountant and holds and has

held a number of other directorships and appointments.



NARELLE PYNE

Group Head, Risk Policy and Governance, Origin Energy

Narelle is currently the Group Head, Risk Policy and Governance at Origin Energy. She began her career as a graduate at Coopers and Lybrand in Sydney, and worked in the Global Risk Management Solutions practice at PwC until 2001, when she moved to London. After working at AIG Consultants for two years, Narelle joined RBS Group in 2003 and held a number of different roles in the Group Risk team. In 2008, Narelle joined Lloyds Banking Group, where she was the Head of Environmental and Reputational Risk for their Wholesale and International Banking Division.



BARRY RAPE

Principal, Rafe Consulting

Barry consults to senior management of financial services firms and Trustees of large superannuation funds on strategy, governance and high level operational issues. Barry also runs courses on public speaking and professionalism and facilitates conferences. He is a past president of the Actuaries Institute and, until recently, worked with the Institute on public policy issues.



LAWRENCE TSUI

Global Products Actuary for Risk Products, Swiss Re

Lawrence joined Swiss Re in 1997 and since then, has worked for Swiss Re in Australia, Switzerland, Singapore and Hong Kong. He is currently Swiss Re's Global Products Actuary for Risk Products, responsible for costing and development of life and health risk products (mortality, disability, critical illness, medical, etc) across the globe. He is the author and co-author of various papers and has presented at numerous industry conferences in Asia and Australia on topics related to cancer, critical illness, healthcare and longevity.



DONNA WALKER

General Manager of Claims and Chief Actuary, CGU Insurance

Donna has over 13 years

experience in the general insurance industry and has worked in a senior capacity across a number of areas of the industry, including pricing, reserving, reinsurance and major change projects. Before joining CGU Insurance, Donna spent three years lecturing at the University of Melbourne at the Centre for Actuarial Studies. Prior to lecturing, Donna held various roles in the Financial Services industry, with a focus on account management, people development and actuarial disciplines.



BRETT WARD

Group General Manager, Strategy, IAG

Brett started his career in 1990 as an actuarial consultant. From 2000, he was Group Actuary for the Promina Group of companies until its acquisition by Suncorp in 2007. Brett joined IAG in 2007 and has held several senior roles across the business, including Group Actuary. In December 2011, Brett was appointed as Group General Manager, Strategy, responsible for the facilitation of the strategic direction for the organisation, managing and contributing to the Group's sustainable future.

** Ita Buttrose, Annabel Crabb and Kevan Gosper appear by arrangement with Saxton Speakers Bureau.*



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Concurrent Topics Snapshot



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- Application of Risk Management in Non-Financial Services Industry
- Innovations in Operational Risk
- Emerging Risk Assessment – Latest Practice and Innovations
- Risk Management – Common Sense or Rocket Science?

GENERAL INSURANCE

- Extra-Terrestrial Influences on Nature's Risks
- Actuarial Valuation of the NZ Social Welfare System
- Viability of Weather Index Insurance in Managing Drought Risk in Australia
- The Market Price of Insurance Risk

HEALTH

- Contemporary Issues in Private Health Insurance
- Long Term Care Insurance: A Survey of Insurer Attitudes
- Incurred Claims Assessment: A Private Health Insurance Study
- New Therapies for Advanced Cancers: Can Our Society Afford Them? Is it Ethical to Deny Patients Access to Them?
- Community Rating: More Trouble than it's Worth?

INVESTMENTS

- Inflation and other Risks of Unsound Money
- The Investment Environment and Retirement Income Alternatives
- Market IQ – Understanding the Drivers of Shareholder Return
- Paying for Performance: Low Fees at the Expense of Alpha
- A Topic of Interest – How to Extrapolate the Yield Curve
- An Analysis of Temporal Effects on Correlations Between Asset Classes and the Implication for Investment Strategies of Superannuation Funds

LEADERSHIP AND OTHER TOPICS

- What's Up in Asia?
- Board Leadership in a Complex World – Optimising Value from Risk and Opportunity
- Holistic Business Cases
- Actuaries and Research – Why it Matters and How We are Doing it
- Listening to Get Ahead
- And Now for Something Completely Different
- Fearless Leadership – Where Neuroscience Meets Leadership
- Unorthodox Economics and Mathematics for the Actuarial Syllabus
- Social Media and Your Professional Success

LIFE INSURANCE

- Life Insurance Risk Margins
- Transforming the Life Insurance Industry – Lifestyle Based Analytics
- Pandemic Risk – "Life Insurer's Black Swan"
- The Winner's Curse in a Group Life Setting
- The Emergence of Selective Lapsation Effects in Australasian YRT Business
- ICAAP: Current State and Future Challenges
- Living LAGIC
- Economic Capital for Life Insurers
- Repercussions: How AIG's Insurance Subsidiaries were Affected by the Losses of AIG's Financial Products Group
- Trauma Insurance – Want to Play the Lottery?
- Leadership and Life Insurance Failures – What can we Learn About Financial Leadership?
- Wealth Management 2018 – Five Years of FOFA and Stronger Super
- The Appointed Actuary and the ICAAP
- Funeral Cover – Is There Another Way?
- Trends in the Life and Wealth Industry, with a Focus on Product Development

LONGEVITY

- What does Living Longer Mean for Me?
- Longevity: A Reinsurer's Global Perspective

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A Contributing Life

The 2012 National Report Card on Mental Health and Suicide Prevention

PREPARED FOR THE AUSTRALIAN GOVERNMENT BY THE NATIONAL MENTAL HEALTH COMMISSION, DECEMBER 2012

THE FIRST REPORT CARD

The National Mental Health Commission is a high powered body chaired by Professor Allan Fels AO. The job of the government appointed Commission includes "reporting each year on how Australians are faring in their mental health and on the things that aid recovery and help make people's lives better". Their "Report Card", published at the end of 2012, is in fact a book of more than 150 pages addressing a number of aspects of mental health and the ways that support is provided to people who suffer mental illnesses. The Commission freely acknowledges that they have only made a start in their first Report Card. Later annual reports will pick up more issues and address them in greater detail.

The discussion of the key issues and recommendations is all about ways to improve how people with mental health problems may better achieve a contributing life.

"A contributing life is where people living with a mental health difficulty can expect the same rights, opportunities and health as those without a mental illness. Simply put, this is about having a good home, meaningful activity, valued friendships, proper health care and opportunities for education and training all without experiencing discrimination due to having a mental health difficulty."



The Commission cites high numbers to show why the issues it is addressing are so important for the Australian federal, state and territory governments and the community as a whole. These include that:

- Mental illness is experienced by 45% of the Australian adult population at some time over their lifetime.
- 7.3 million Australians aged 16 to 85 have a lived experience of a mental illness.
- Of the total years of healthy life lost through illness and disease in Australia, 24% are lost through mental illness.
- As a nation we spent over \$6.3 billion or \$287 per Australian on mental health related services in 2009-2010.
- 1.7 million Australians (8% of the population) received public and/or private clinical mental health services in 2009-10.
- Only 35% of the 3.2 million people who reported they had a mental health difficulty in the previous 12 months used mental health services¹.

The figures quoted are surprisingly high¹. Perhaps the counting depends on the (undefined) meaning of a "mental health difficulty". Everybody experiences ups and downs. Over the years, I don't recall that half of my colleagues have been so badly affected as to require taking regular time off work. But perhaps what we see is just the tip of the iceberg? The Commission reports that there is still some stigma attached to mental illnesses. Readers may have their own views on how much higher the actual incidence of mental illness may be than the incidences they have seen openly reported.

PRIORITY ACTIONS

The Commission has identified four priority areas for action. These are:

Big picture issues

1. Mental health must be a high national priority for all governments and the community.
2. We need to provide 'a complete picture' of what is happening and closely monitor and evaluate change.

3. We need to agree on the best ways to encourage improvement and get better results.
4. We need to analyse where the gaps and barriers are to achieving a contributing life and agree on Australia's direction.

Building on these four planks, the Commission's Report Card for 2012 makes ten recommendations to achieve its vision for a contributing life for people with mental health difficulties, their families and supporters. The recommendations are listed below. The Report Card also sets out action steps proposed to help put each recommendation into place.

Recommendations

1. Nothing about us, without us – there must be a regular independent survey of people's experiences of and access to all mental health services to drive real improvement.
2. Increase access to timely and appropriate mental health services and support from 6-8% to 12% of the Australian population.
3. Reduce the use of involuntary practices and work to eliminate seclusion and restraint.²
4. All governments must set targets and work together to reduce early death and improve the physical health of people with mental illness.
5. Include the mental health of Aboriginal and Torres Strait Islander peoples in 'Closing the Gap' targets to reduce early deaths and improve wellbeing.
6. There must be the same national commitment to safety and quality of care for mental health services as there is for general health services.
7. Invest in healthy families and communities to increase resilience and reduce the longer term need for crisis services.
8. Increase the levels of participation of people with mental health difficulties in employment in Australia to match best international levels.
9. No one should be discharged from

There is still some stigma attached to mental illnesses. Quoted figures for mental illness are surprisingly high, and it is difficult to assess the actual levels of incidence within the community.

hospitals, custodial care, mental health or drug and alcohol related treatment services into homelessness. Access to stable and safe places to live must increase.

10. Prevent and reduce suicides and support those who attempt suicide through timely local responses and reporting.

The intended audience

The document is a Report Card directed back to the Prime Minister, other governments and the Australian public.

Supporting chapters

The Commissioners back up their recommendations with several supporting chapters.

References

The report includes copious references, 189 in all.

THRIVING NOT SURVIVING – PHYSICAL HEALTH

The Chapter on Physical Health, starting on page 50 of the Report, may attract most attention from life, general and health insurance companies and the actuaries who advise them. This Chapter quotes several dramatic statistics showing that mortality and morbidity is much worse among people

who suffer mental health conditions than it is for people who do not. The Commission's intention is to highlight the need for action to bring health outcomes closer to alignment.

Life insurance companies are sometimes challenged by anti-discrimination bodies to show the Australian statistics supporting their local underwriting practices. In relation to mental illnesses, here are some of the statements from "A Contributing Life" that life insurance professionals might wish to examine in more depth.

- One Australian study showed that people living with a mental illness had an overall death rate that was two and a half times greater than the general population.
- The undeniable fact is that ... people with severe mental illness live between 10-32 years less than the general population.
- People with a mental illness are dying younger – and this is only in part contributed to by people taking their own lives. They have higher rates of physical illnesses and lower rates of getting the hospital treatment they need.
- Around 12 per cent of people living with a mental illness will also be living with a chronic condition such as asthma or diabetes, sinusitis or psoriasis. Poor dental health is also a significant burden.
- One study of people living with psychosis found tobacco smoking was at a rate two and a half times more than the general population; that alcohol abuse for males was one and a half times that of the general population and for women it was two and a half times the rate; and that almost every second person in the study was obese (at 45.1%).
- Most Australians may not know that treatments with prescribed psychiatric drugs may lead to worse physical health.
- We know that in Australia mental illnesses are the largest single contributor to the non-fatal burden of disease.
- People living with schizophrenia have a reduced life expectancy of 10 to 32 years, and the major killer is cardiovascular disease, occurring at a rate double that in the general population. Higher than average rates of smoking and reduced levels of exercise also add to this risk.
- We need to see real improvements in the delivery of physical health services to reflect the circumstances of people living with a mental health difficulty –

usually one of unstable housing, lower household incomes and social isolation, so that appropriate health monitoring and interventions are relevant to their lives and effective for their health.

MENTAL HEALTH AND THE NATIONAL DISABILITY INSURANCE SCHEME (NDIS)

The Commission notes more than once that it would be a good idea to include psychosocial disability from mental illnesses within the National Disability Insurance Scheme. It states:

"The National Disability Insurance Scheme must fully cover the psychosocial disability that results from mental illness. Mental health problems and associated physical health problems can be just as disabling as sensory, intellectual or physical disabilities. There must be no competition: disability is disability, whatever the cause."

The paragraphs in the Report Card discussing the integration of mental health services and the NDIS were quite brief. There was no commentary on how the funding of the NDIS might be affected, after taking into account the existing funding of mental health services and integrating all support as the Commission has proposed. The Commission cites expenditure of \$6.3 billion on mental health services in 2009-2010. Separate discussions on the NDIS have suggested that the funding required to implement the NDIS might eventually reach a level of \$16 billion per year when the scheme is fully functional. It would be of interest to know if, and how, the funding of mental health activity may be folded into the funding of the NDIS. Would the mental health expenditure of \$6 billion be additional to the funding of the NDIS? Or, do the figures quoted for the NDIS already include part (or all) of the current expenditure on mental health?

Both sides of parliament agree that very large sums are needed to provide suitable disability support for our fellow Australians. It seems clear that current expenditures will increase dramatically in the next few years.

ISSUES FOR ACTUARIES

We may finish with these questions.

- To what extent should the Actuaries Institute, individual members, or industry bodies such as the Financial Services

Council and the Insurance Council of Australia, be involved in helping with improvement of mental health services and planning for the NDIS proposals?

- Are we doing enough at present? **A**

¹ It will be clear to readers from these statistics that numbers from various sources do not precisely match. One key focus of the Commission is to ensure better collection of consistent data in the future.

² Recommendation 3 refers to a person being treated for a medical illness without their consent, seclusion of patients to a single room within their home or in a treating facility and the use of straps, belts or sedation to restrain the patient's movements.

It has been noted multiple times that it would be a good idea to include psychosocial disability from mental illnesses within the National Disability Insurance Scheme



Social Media for Actuaries: Should We Care?

This was the question posed at a recent presentation, organised by the Melbourne branch of the Young Actuaries Program (YAP). Stephen Huppert from Deloitte, the guest speaker on the night, engaged the audience in an interesting discussion of the ever-growing, interactive social media platforms.

The words 'social media' evoke a range of emotions and reactions, depending on the audience. Some would say it is a menace, hearing "Gangnam style" playing over and over again, while others would say it's a great place to reconnect with people you haven't seen in a while. Yet, without doubt, and whether we want to admit it or not, social media is an ever-growing tool in this day and age where individuals share, connect and discuss current issues and information.

Stephen demonstrated that the audience at the YAP presentation all have a Facebook account and almost everyone accessed their accounts daily. When asked if anyone had a LinkedIn account, almost everyone's hands were up in the air again. So what? What does this all mean? Does owning a Twitter account mean you are just posting random stories of your daily life? Or is there more to social media that we should be paying closer attention to?

Just look around you, even the workplace is getting on board the social media trend. When we want to know a bit more about the competition, industry trends or issues, the first site many of us will think of is Google. But what if, someone else in your company knew a bit more about this? Wouldn't it be great if you could post a question online, and within seconds, someone responds with just the right information? Less time spent on filtering through search results and more time to spend on real work. Great, isn't it? This is something Deloitte has been at the forefront of. Yammer, the social networking platform Deloitte uses, has become more than just a networking site for its employees.

Stephen then continued to show us the importance of social media in the customer service industry. National Australia Bank (NAB) opened up a Social Media Command Centre where complaints, questions and

comments on its social media channel are addressed almost immediately. In today's ever changing world, you need to respond and adapt quickly. By monitoring the social avenue, NAB has been able to stay in touch with both positive and negative comments, and through this, has been able to improve customer satisfaction, which these days plays an important role in customer service industries.

So, with major organisations and industries jumping on the social media bandwagon, should we not, as individuals, take advantage of this? Why would social networking sites, such as LinkedIn, have several million monthly visitors? The reason is personal branding. Stephen showed the audience the importance of personal branding. He is an active user of Twitter and LinkedIn. However, he doesn't use these social sites to advertise what he does on a daily basis. Rather, he uses them to join or

subscribe to groups where he can have discussions and learn about current trends and issues. It made most of the audience realise how we, too, could use these sites to filter and tailor the information needed through the World Wide Web. In addition to this, by being an active follower of groups and discussions, you not only gain the edge of actively knowing the current industry trends, but also inadvertently network with a few brilliant minds in the industry. Isn't this how you would want to distinguish yourself from the crowd?

So, it seems that social media is the way to go. Yet caution must be taken. Social media is just a tool. As Stephen said in his presentation, social media is a weapon of mass distraction. How well it works will depend on us as individuals. Abuse it, and suffer the consequences. Use it with caution and intelligence and the world is your oyster.

A





Leadership Forum – Leadership and Strategy

Recently, I attended the lunchtime leadership forum on the topic of leadership and strategy. Both speakers, Nicolette Rubinzstein and Nadine Wilmot, who currently hold senior management positions in Colonial First State's and AMP's corporate strategy department, shared their wealth of experience on this topic. With a great turnout, the audience was brought along on the speakers' personal journeys of adapting and transforming from a traditional consulting actuary background to a corporate "strategist", and the role which an MBA played in the process.

One suggested way to carve out a career in strategy is by taking job opportunities in the broader fields, for example, product management to develop the 'softer' skills which are essential in the strategic roles.

Strategy has its origin in military warfare where strategists play a decisive role in securing victory for their forces through long-range planning. In the modern-day leadership context, strategy has evolved into the work of determining the long-term goals of an organisation, and designing the necessary courses of action for achieving these goals.

As such, our traditional actuarial skills which adapt themselves well to strategic work include:

- Our ability to read and process complex information quickly.
- The familiarity and skills of working with uncertain outcomes.
- A bit of 'instant respect' from telling people you are an actuary doesn't hurt either.

However, the skills required to transform from a "tactician" into a "strategist", and which we may need to further develop in our capacity as leaders in this field are:

- Facilitation skills with both small and large groups.
- Coordination skills with cross-functional areas to get things done.
- Forming the big-picture view of an organisation's strategic directions.
- Influencing skills to sway the opinions of the higher echelon of decision makers.

Whilst the discussion points raised in the forum were specifically related to strategy, I believe that they have equal relevance for actuaries working in a range of other roles.

Having recently undertaken an MBA myself, I reflected on why this may be the case; at the apex of Maslow's hierarchy of needs is the need for individual self-actualisation. As professionals, I believe we naturally tend to strive for this. However, self-focus in isolation is not likely to help to get things done, with or through other people – this calls for other skills such as leadership, influencing and coordination.

On reflection, it is obvious now that developing the 'softer' skill set and adapting to a wider perspective is important in the ever more complex world that we live in today. **A**



DISCIPLINARY PROCEEDINGS AGAINST MR ADEL ALAMEDDINE DETERMINATION OF TRIBUNAL 13.01

Investigating Sub-Committee 1201 ("ISC 1201") was appointed by the Convenor of the Professional Conduct Committee ("PCC") to assess a Complaint made by Mr Ruan van Rensburg ("Complainant") against Mr Adel Alameddine ("Respondent") that the Respondent had twice forged the Complainant's signature and falsified documentation of his employer in order to fraudulently obtain a bank loan.

On 14 December 2012, ISC 1201 determined that there was a *prima facie* case of Actionable Conduct (as defined in Rule 3.2(b)(ii) of the Scheme) having been committed by the Respondent and prepared a report pursuant to Rule 6.1(a) of the Scheme for the Tribunal.

The Convenor of the PCC then provided a copy to the Convenor of the Tribunal Panel who, in turn, established Professional Conduct Tribunal 13.01 to determine the matter. The Tribunal issued its Final Report on 12 March 2013.

The Respondent having admitted the Actionable Conduct with which he was charged, it was the determination of the Tribunal that:

- (a) the Respondent has engaged in Actionable Conduct in breach of Rule 3.2(b)(ii) of the Disciplinary Scheme, namely professional misconduct (being conduct that, having been established, justifies a finding that the Respondent is not a fit and proper person to engage in the provision of Professional Services) by dishonestly and fraudulently obtaining money by deception; and
- (b) the Respondent be suspended from membership of the Institute (pursuant to Rule 6.4(a)(iv)(B) of the Disciplinary Scheme) for a period of three years; and
- (c) in light of the determination in paragraph (b) above and seriousness of the circumstances giving rise to the Complaint, an interim suspension order under Rule 6.4(f) of the Disciplinary Scheme be made against the Respondent with the intent that he be immediately suspended from membership.

12 MARCH 2013



"I have discovered a truly marvellous proof of this, which this margin is too narrow to contain" – Fermat.

Back to Square One

Centuries before the first Sudoku puzzle was even dreamt of, there was the Latin Square. Sudoku are a special type of Latin Square. Both comprise an $n \times n$ grid where each of the integers from 1 to n appear exactly once in each row and column. However, unlike Sudoku, where each of the different sub-regions must also contain the numbers from 1 to n , no additional constraints are placed on the more general Latin Square.

While the first Sudoku wasn't published until the late 1970s, Latin Squares date back to the Middle Ages, although it wasn't until 1783 that Swiss mathematician Leonhard Euler gave them their present name and brought them to the attention of the mathematical community. The name "Latin Squares" arose from the fact that Euler originally used letters of the Latin alphabet to fill in the grid, instead of numbers.

Initially, Latin Squares were considered to have no practical use beyond puzzles. However, in the twentieth century, various applications were discovered and Latin

Squares developed into a respectable branch of mathematics. Applications of Latin Squares include the design of scientific experiments and processor scheduling for parallel computer systems.

Below is an 8 x 8 Latin Square puzzle.

For your chance to win a \$50 book voucher, complete the puzzle so that each of the numbers from 1 to 8 appear exactly once in each row and column of the grid, then email your solution to:
inthemargin@actuaries.asn.au

4			6	8		7	
				4		3	2
					4	1	
8	3			6	2		
			7		5		
6			2		3	4	8
2		5	4				6
		3					

ARE YOU SMARTER THAN YOUR BOSS?

(Answers below)

- Gaborone is the capital city of which African country?
- Name two of the four actresses, all with the initials "MS", who won the Best Supporting Actress Oscar between 1978 and 1981.
- Ag is the symbol for which chemical element?
- Which country will host the 2014 FIFA World Cup?
- Patrick Jane and Teresa Lisbon are the main characters in which TV series?
- What are the names of the two moons of Mars?
- What is the name of the book upon which the movie *Jack Reacher* is based?
- Who won the 2012 AFL Grand Final?
- What is the easternmost state in the USA?
- On 1 January 2013, who was the Prime Minister of Greece?

Answers: 1. Botswana 2. Maggie Smith, Meryl Streep, Mary Steenburgen, Maureen Stapleton 3. Silver 4. Brazil 5. *The Mentalist* 6. Delmos and Phobos 7. *One Shot by Lee Child* 8. Sydney Swans 9. Maine 10. Antonis Samaras

HAMLET'S CASTLE ACTUARIES 176 SOLUTION

Suppose you were given plans to a 99 x 99 room castle with the entrance in the bottom left corner room and the exit in the fourteenth room from the top on the far right. Is it possible to tour through this castle, passing through each room exactly once? Why or why not?



Solution:

Suppose the floor plan of the 99 x 99 room castle were painted in a black and white checkerboard pattern. Since there are an odd number of rooms in this castle, it follows that the four corner rooms will all be the same colour (say, white) and in order to pass through every room exactly once, it will be necessary to pass through one more white room than black room. As adjacent rooms of the castle are of alternating colours, this means that the tour of the castle described is only possible if both the entrance and the exit rooms are white. The castle described in the question would have a white entrance and a black exit. Therefore, it is not possible to tour every room of the castle without passing through at least one room twice.

Nine correct answers were submitted. The winner of this month's prize, selected randomly from among the correct entries, was **Mark Barda**, who will receive a \$50 book voucher. **A**



Communities of Practice – Another Vehicle for CPD

Last year we alerted you to the CPD initiatives expected in 2013. Learning networking will soon be enhanced by the creation of Communities of Practice (CoP) and activities such as “After Blogs”.

“Alone we can do little, together we can do so much”
– Helen Keller

A growing number of people and organisations in various sectors are using Communities of Practice to improve professional learning, development and performance.

WHAT ARE COMMUNITIES OF PRACTICE?

“When we cast our bread upon the waters, we can presume that someone downstream, whose face we will never know, will benefit from our action, as we who are downstream from another will profit from that grantor’s gift.”
– Maya Angelou

Communities of Practice are groups of people who share a passion for something that they know how to do and who interact regularly to learn how to do it better. The Community of Practice is not a club or a network of connections between people. Three elements define them:

- **The Domain** – the area of shared inquiry and key issues
- **The Community** – the relationships between members and a sense of belonging
- **The Practice** – the body of knowledge, methods, tools and documents

When these three elements are developed in parallel, the Community is successfully created.

WHAT DO COMMUNITIES OF PRACTICE DO?

“It is your prime responsibility to acquire useful knowledge from others and to apply it appropriately. You don’t have to reinvent the wheel, but you do have to learn from those who did.” – Gary Ryan Blair

Communities of Practice participate in a variety of activities such as:

- Problem solving;
- Requests for information;
- Advice from experienced members;
- Coordination;
- Discussing developments; and
- Mapping knowledge and identifying gaps.

“We are continually faced with great opportunities which are brilliantly disguised as unsolvable problems.”
– Margaret Mead

HOW BIG ARE THEY AND WHO BELONGS TO THEM?

“Most of us at one time or another have been part of a great ‘team’, a group of people who functioned together in an extraordinary way—who trusted one another, who complemented each other’s strengths and compensated for each other’s limitations, who had common goals that were larger than an individual’s goals, and who produced extraordinary results.....the team that became great didn’t start off great—it learned how to produce extraordinary results.” – Peter Senge

Communities of Practice come in a variety of forms. Some are:

Quite small	OR	Very large
Local		Global
Meet mainly face-to-face		Meet only online
Within an organisation		Include members from various organisations
Formally recognised and supported with a budget		Informal and even invisible

Where is the concept of Communities of Practice applied?

“The best way to find yourself is to lose yourself in the service of others.” – Mahatma Gandhi

Communities of Practice are in professional associations seeking ways to focus on learning through reflection on practice. The peer-to-peer learning activities typical of Communities of Practice offer a complementary alternative to more traditional course offerings and publications.

Why focus on Communities of Practice?

STAKEHOLDERS	SHORT-TERM VALUE	LONG-TERM VALUE
Members	<ul style="list-style-type: none"> • Help with challenges • Access to expertise • Increase confidence • Fun with colleagues • Meaningful work 	<ul style="list-style-type: none"> • Personal development • Reputation • Professional identity • Increase network • Marketability
Organisation	<ul style="list-style-type: none"> • Problem solving • Time saving • Knowledge sharing • Synergies across units • Reuse of resources 	<ul style="list-style-type: none"> • Build strategic capabilities • Keeping abreast • Innovation • Retention of talents • Harvesting new strategies

Look out for future communications about Communities of Practice and “After Blogs” to enable you to Stay Ahead in 2013. **A**

I am an Actuary

Six participants from the recent Professionalism Course in Sydney talk about their current roles and future aspirations.



HENRY SUEN



SHAMI SHEARER



CHAO QIAO

“He is a cat...” was how a colleague introduced me. At that time I couldn’t call myself an actuary. Nor did I do cat (catastrophe) modelling myself. I monitor cat exposure in the Asia Pacific region, coordinate cat data for cat modelling and also provide advice on cat planning and policy underwriting related to cat accumulation. What a mouthful!

I am based in Hong Kong and my numerous roles are regarded as non-traditional here. Within six years I have undertaken four different roles within Zurich; global associate, actuarial reserving analyst, property underwriting analyst, and my current role. Even the relatively traditional job of determining reserves for general insurance products is regarded as a bit special in Hong Kong because most actuaries work in life insurance.

I enjoy doing something different. I also think about how I can apply my actuarial and insurance knowledge to the community in addition to my daily work. Recently, I wrote an article on how a new insurance product may be created to help solve the hot issue, the hot property market in Hong Kong. It was posted in an online blog of a local financial newspaper and sent to the government. I don’t know whether my opinion will be eventually accepted, but I am curious to explore different ways to apply my actuarial and insurance knowledge. So who am I? A cat, a curious cat.

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“Mummy, why are you always sitting exams?” my four year old asked me. Well, I took the long road to Fellowship.

After completing an Engineering Degree and two years at Unilever as a Management Trainee, I ended up temping in an actuarial team while on my OE (Overseas Experience) and decided on a career change. On my return to NZ, I worked for AMP for 12 years, studying by distance learning.

When I was too busy (wedding, children...) I put study on hold for a few sessions. However, when studying, I’m of the Bruce Thomson school of thought – “do more than you think you need to” and only do it once!

NZ actuarial teams tend to be smaller than those in Australia, so my career covered a wide range of life insurance work, including valuation, unit pricing and product pricing. During my involvement with the Strategic Plan for AMP NZ, I felt a lot of actuarial elements came together: the technical aspects of modeling; communication skills; working with management so they could understand the impact of assumption changes and decide where to focus their efforts; professionalism in ensuring the documentation was thorough but “plain English” and my work was peer reviewed.

I’m currently at home with my two children as my Naval Officer husband is posted to Penang, Malaysia. I’ve used my time here to complete my last couple of exams and to travel within Asia. I look forward to returning to NZ early next year as a FIAA!

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I joined PricewaterhouseCoopers two years ago as a graduate straight from university. Working at PwC is enjoyable because of the variety of work as a consultant.

In my first year of work, I started on a few banking clients. Some of the work included verifying interest calculations for core banking systems and looking at credit provisioning models. Banking work is non-traditional but the skills involved are quite similar, and quantitative demand is equally high.

I gradually moved onto general insurance clients, and my current work is mainly workers compensation pricing. Another enjoyable part of my work is that I frequently get to interact with internal colleagues and external clients. Getting work done while talking to people at the same time makes work refreshing every day.

Before graduating from university, I worked on a retirement project as part of my Honours degree. While the project was only a tiny piece in addressing the big issue of retirement solutions for an aging population, working on it made me aware of the challenges our society faces and what actuaries can do to help.

One of the good things about being an actuary is the relatively good work-life balance when compared with some other professions, such as lawyers and doctors. It means there is time to do what you enjoy doing outside of work. For me, I am a keen follower of music, and I enjoy the free time after work and on weekends to go to musical shows and concerts.

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CAO THANG TRAN

I have been working in the Finance and Risk Consulting team of Mercer for about three years. My team is large, with teammates from different backgrounds such as actuarial, physics and engineering. In short, we review financial models developed for infrastructure finance projects and mergers and acquisitions.

The purpose of our work is to advise on the extent to which the financial model meets the client's objectives and its intended uses, for example, for investors to assess credit risks on a project. Therefore, my daily work involves testing the accuracy and reliability of model logic under both base-case and scenario-testing assumptions, together with reviewing the consistency of assumptions with relevant project documents.

This role allows me to apply the technical concepts acquired throughout my actuarial studies to the commercial world (for instance, cash flow projections, judgment on materiality and VBA programming we have all learnt at some stage in Part I and II courses). My role requires an extensive use of these skills under different business situations.

Another interesting part of my role is gaining exposure to a range of industries from the diverse range of projects on which I work. Areas I have got involved in so far range from transportation, mining and telecommunication to renewable energy, sewerage and social infrastructure such as prisons and schools. Further, the global nature of our projects and my team gives me the opportunity to work across time-zones to provide timely service to clients, which I find challenging yet interesting.

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TRACY THOMAS

I can now say, along with the 80 or so others that attended the professionalism course, "I am an actuary". Whilst for me I still have a few more exams until that seemingly elusive status of Fellowship can be awarded, I consider this to be a significant milestone in my life. So it is with both elation and – let's be honest here – partial relief, that I add this qualification to that of Chartered Accountant and Graduate Member of the Australian Institute of Company Directors. All of which are qualifications I believe enhance one's potential as a valued business adviser.

It is this aspect of providing value to others – assisting them in understanding the complexities of the situation and the potential decisions – which I have always enjoyed. This was kick-started by my experience as a vacationer in assurance at Ernst & Young, where I realised that although auditors may not always be liked or welcomed, their advice was generally very well respected and valued.

My current position as an actuarial analyst at PHIAC (the regulator of Private Health Insurance in Australia) has similar aspects. In encouraging actuarial best practice, my colleagues and I work with many different external stakeholders – the Board and management of health funds, the Department of Health and Ageing and, of course, Appointed Actuaries. We support PHIAC's responsibility to protect consumers of private health insurance by ensuring an industry which is competitive, efficient and financially sound.

Arguably, my varied background of accounting and actuarial skills isn't really that diverse but the benefits of these skills together with broader opportunities of a non-traditional area have me looking forward to a new challenge each day.

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HOLLY OU

Whilst studying in my final year at Macquarie University, I was lucky enough to obtain an internship with Zurich Financial Services, before moving to QBE Insurance. After almost 6 years working in the Australian General Insurance field, I took up the opportunity to work for PricewaterhouseCoopers based out of their Shanghai, China office. The chance to not only work in a consulting environment but also the challenge of shifting from a mature insurance market to an emerging developing market, was something too good to pass up.

I have now been working throughout Greater China and South East Asia for the past eight years. The reaction I get when I tell people about the environment I work in is usually "Wow, you must work long hours". This to an extent is true.

I have been in charge of numerous consulting and audit projects across Asia, including China, Hong Kong, Singapore, Vietnam and Thailand. What is exciting for me working here is how dynamic the region is – I am exposed to different cultures, people and business practices and it is forever changing as many countries in the region are developing at a rapid pace. It is intriguing to see a country implementing and developing policy as their market develops and matures.

As a senior manager of a consulting firm, there's real satisfaction in being able to assist the regulator in shaping certain regulations and practices. The main challenge I find with my current role is ensuring that clients' expectations are met in an environment where levels of competency vary drastically from country to country and from company to company. Communication skills become just as important as being able to manage a project (if not more important).

Greater China is a region on steroids. The life insurance industry is booming and the general insurance industry is set to follow. To understand it you really need to live it.

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Brand 'Actuary'

A strong brand identity has been proposed, aimed at enhancing pride in the profession and promoting our services externally. More consultation and feedback sessions are planned in the lead-up to a decision in June this year on potential implementation.

Last month I described the two very significant streams of activity that Council has decided are required, in parallel, over the next few years in order to sustain and develop the profession. The first relates to our education and training and the second to influencing how the actuarial profession is perceived by our key stakeholders, where we have engaged an external organisation to assist us.

Since that was published I have been involved in a number of certificate presentation ceremonies and events, including President's dinners, in Melbourne, Adelaide, Perth, Brisbane, Canberra and Sydney. These have given me the opportunity to expand on these points, but more importantly, they have given me the opportunity to hear comments and receive feedback from members on our ideas. That feedback has been overwhelmingly supportive, with virtually everyone who has spoken to me saying it's clearly time that something was done in these areas, and also endorsing the engagement of experts to help reposition the brand "actuary".

EDUCATION

On the subject of our education and training, Council, at its March meeting, established an education strategy taskforce to provide high-level recommendations, without consideration of implementation issues. This taskforce arose from the view that our

current pre-qualification education may not have kept pace with the changing working environment for actuaries, and the fact that gaps in actuarial education were highlighted by the Actuarial Capabilities Framework launched last year. There are concerns that the pre-qualification education system may not be equipping actuaries with the requisite skills for success in the competitive landscape and may be limiting the attractiveness of the actuarial degree program to potential new entrants to the profession.

The taskforce will be chaired by Councillor and Vice President Estelle Pearson, and will include both Council members and others. It is expected to provide a preliminary report to Council in June.

BRAND 'ACTUARY'

Last year Council engaged OgilvyOne to assist in positioning our brand and influencing how the actuarial profession is perceived – in the business world, by policy makers, by educators, and by recruiters. They presented the creative concepts for that work to Council in December 2012.

In essence, they have proposed a strong brand identity for the profession, and promotion of that through a series of carefully targeted very brief "case study" type advertisements through various mediums.

In March focus groups and consultation sessions with members begun in Sydney and Melbourne. More sessions are planned over the next few weeks, including an information session for Sydney-based members and video links with Adelaide, Perth, Canberra, Melbourne, and Brisbane. We want as many members as possible to have the opportunity to hear OgilvyOne explain the thinking behind their work, and provide feedback on the concepts, which will then inform further refinement. There will also be a dedicated section on the Institute website where members can view the OgilvyOne presentation and some case study examples, and share their feedback via an online discussion forum. The next stage is to launch the proposed campaign to the profession internally at the Actuaries Summit on 20 and 21 May. Council will then review members'



Melbourne Presidential Dinner



Brisbane Presidential Dinner

John Newman
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feedback at its meeting in June and decide on the next steps.

At the March 2013 Council Meeting a budget was agreed for the activities to promote the profession – including the creative work, communication and consultation with members, initiatives aimed at enhancing pride in the profession, and the proposed external promotion of the final messages. Expenditure of \$50,000 was approved for the first phase – creative work and member consultation. Metrics for assessing the effectiveness of the proposed external promotion will be developed to give us a basis for approval of further expenditure.

MARCH COUNCIL MEETING

In addition to these two major items, at the March Council meeting the Financial Statements for 2012 were approved and signed. The Audit and Risk Council Committee (ARCC), chaired by Councillor Lindsay Smartt, had already reviewed the statements in some depth, and after discussion with management and the auditor, Council accepted the recommendation from ARCC to approve the Financial Statements.

They have since been published on the website (accessible via a link on the homepage) in advance of the AGM on 29 April, when members will be asked to receive and consider them. It is also proposed to provide more details of the revenues and expenditure for 2012, and the budget for 2013, in the next edition of the magazine.

In addition to internal matters about the workings of Council itself, the following further significant items were discussed:

- ▶ The CEO's business report and an update on progress with significant projects under way.
- ▶ The resignation of Fred Rowley from the position of Convenor of the International Committee, and the role of our delegate to the International Actuarial Association. This position will be advertised in the near future, but Council appointed immediate Past President David Goodsall, as acting Convenor and delegate for the time being. I would like to take this

opportunity to put on the record my sincere thanks to Fred for his many years of outstanding service to the Australian profession in this capacity.

- ▶ A proposed change in name and direction for the Australian Actuarial Journal (AAJ). In the near future the former AAJ will be relaunched as the Australian Journal of Actuarial Practice which will be more practitioner-focused.
- ▶ A proposal to recognise the Actuarial Society of South Africa's Health Insurance Course on a similar basis to the Institute and Faculty of Actuaries subject Health and Care was also discussed. Successful completion of that course, together with the online CPD course in Private Health Insurance offered by the Actuaries Institute, will be an alternative to the requirements for Part III Module I.

As I write this column, I am preparing to go on the road once more to meet our members and other actuarial colleagues in Singapore, Hong Kong, Beijing and Shanghai. I look forward to sharing these experiences and their views in a future update. **A**



Canberra Presidential Dinner



Perth Presidential Dinner

Transparency - Institute Finances and Your HQ Team

INSTITUTE FINANCES

The financial accounts of the Institute are now with you for your information in the lead-up to the Annual General Meeting at 5.30pm on 29 April 2013.

The Audit and Risk Council Committee under chair Lindsay Smartt have prepared a paper on "Understanding the Finances of your Institute", which will provide some additional commentary on the financial results for 2012. This was not available at the time of publication but will be made available to members shortly via the weekly Bulletin and the website. As such I am not going to spend time talking more about our finances.

HQ TEAM

However in the interests of transparency I do want to tell you a bit about my team, because it's become clear that many

members don't fully understand the HQ team and how we are set up.

The Institute of Actuaries of Australia (still our legal name) is a company set up as a not-for-profit organisation. This presents particular challenges in terms of attracting and retaining a high calibre team.

Assisted by the HR and Remuneration Council Committee we attempt to benchmark team members' remuneration to similar positions within similar organisations, however it's fair to say that we cannot generally match a financial services industry salary for the team that I employ.

So how do we attract and retain high quality team members or otherwise secure the services that we require?

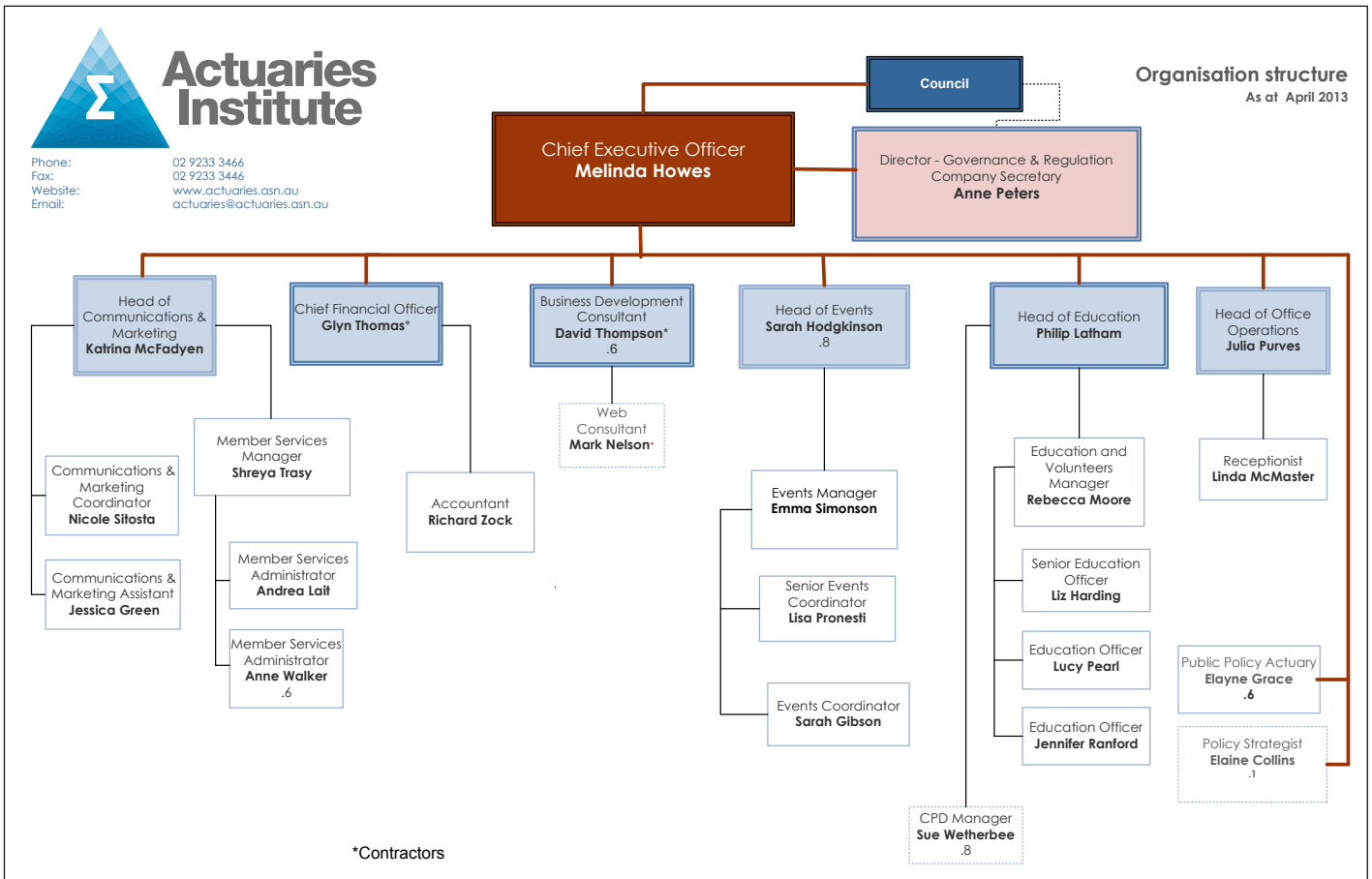
ATTRACTING AND RETAINING HIGH QUALITY PEOPLE

One of the things we endeavour to do is to

look beyond the employer/employee model and to consider alternative mechanisms for the supply of the services that we require. In most instances direct employment is the only available option. In those instances, greater flexibility in employment arrangements is the only benefit that we can offer over and above those offered in commercial for-profit organisations. For this reason there are a number of my team who work part-time or have flexibility to work some days from home.

We also have some instances in which services are provided by small businesses under contract – although such contract arrangements are not always possible given the nature of the services required and the manner in which the services are required to be provided.

Below is our latest organisational chart.





As you can see, two of my lead team are acting on a contracting basis and have a services agreement with the Institute.

In terms of part-time vs. full-time, where there is a number under a person's name and position, that is the proportion of a full-time role which they work.

RESTRUCTURE AND EFFICIENCIES

With the streamlining of a significant number of processes and the utilisation of more efficient software, particularly in the Finance and Membership Departments, efficiencies within HQ have enabled the Lead Team to review the structure of the Institute in recent months. It became apparent that there were three areas where we could rationalise our resources; these areas being Finance, Project Management and Education. As such three positions were made redundant effective 20 February 2013. This has enabled us to

refocus resources to better enable us to deliver the Institute's Strategy for 2013-2015.

Some new positions had already been brought on in 2013, so our headcount has now reduced by three. You can see from the organisational chart that our headcount is currently 22.6 FTE (Full Time Equivalent). This reduced from 23.8 FTE in late 2012.

SERVICE PROVIDERS

In an organisation our size it does not make financial sense to have all services provided in-house. As such we have a range of service providers with whom we have contracts for the provision of various services. There are many of these arrangements, however the major ones in terms of financial impact are:

- Honner Media who provide our Media and PR support;
- NTG who provide our IT systems support; and

- Firefly who are building our enhanced website and we are in the process of moving web servicing over to them. Our newly created role of Webmaster / Web Content Manager (Jessica Green – our Communications and Marketing Assistant) will remain on the Communications and Marketing team.

In 2012 and 2011 we used service providers and contractors for our public policy work, however given the volume of work it now makes sense to have this role in-house. This is being undertaken by Elayne Grace on a part-time basis, with strategic support from Elaine Collins.

If anyone would like more information on your HQ team and how it works, please do not hesitate to contact me. **A**





Remnant Backlashes Still Flooding Through GI

Recently, Australia has been experiencing a series of severe natural disasters. The 2009 Victorian bushfires, the 2010 Melbourne and Perth hailstorms, the 2011 Queensland floods and in 2013 the Tasmanian bushfires. Even into autumn, coastal Queensland is still flooded, while bushfires are raging beyond control in Western Australia.

On 8 February, the Insurance Council of Australia announced that claims for 2013 had already exceeded \$670 million. In law, remnant backlashes from the 2010/11 Queensland floods still echo in the recent legislative changes. With the official standardisation of definitions in 2014 and the possibility that general insurance may be included in Unfair Contract Term laws, the impacts on the industry cannot yet be fully measured.

In December 2010, a series of floods forced thousands of people to evacuate from towns and cities. It was estimated that the floods reduced the Australian GDP by some \$30 billion. To exacerbate the 'flood' damages, some victims were horrified to discover that their policies did not cover the particular types of inundation that damaged or destroyed their properties. As a result, the insurance industry was heavily criticised for circumstances where one neighbour could claim for damages while another is caught in a net of technicalities, only to be denied.

In March 2011, the then Assistant Treasurer (the Honourable Bill Shorten MP) announced the Natural Disaster Insurance Review. After three months of investigation, the Review ultimately identified two problems; first, the definition of 'flood' varies from insurer to insurer, therefore average consumers would not be able to fully understand the intricacies of the scope insured; second, flood risks are highly concentrated and severe, hence premiums are likely to rise beyond affordability.

Since the NDIR recommendations, the Government has legislated for a statutory, standard definition of flood to reduce consumer confusion. After 2014, only one standard definition ought to be known and the insurer would be legally required to inform the consumer should the cover

deviate. The main effect from the industry's perspective would be that future products would be standardised. As a result, price competitions may be more prevalent.

In December 2012, the Government decided to go further. The Assistant Treasurer, the Honourable David Bradbury MP, announced that Unfair Contract Terms laws may be extended to general insurance. The proposed legislation is to have a reverse onus, that the insurer would have the burden to prove that a term is reasonably necessary to protect their legitimate interests. The rationale for the proposed changes is that 'some terms in insurance contracts are simply unfair and are used to dismiss otherwise valid claims'. Indeed, following the Queensland floods, some 700 complaints were made because insurers refused to pay for damages that policyholders thought they were covered for.

Although the exposure draft was only recently released, much concern has already been raised for the additional risks insurers would bear. It is especially doubtful whether this should be implemented in an area that is exposed to catastrophic risks.

As the Actuaries Institute highlighted in a submission in February, if a term is judicially held to be unfair, then the insurer may become liable for many severe claims that it did not foresee. Moreover, the insurer may not be able to rely on reinsurance as it would depend on the original contract. Hence this could potentially open the floodgates that bankrupt the insurer.

From a practical point of view, the additional risks for the insurer are likely to be passed on as another wave of detriment to the policyholders. After the Queensland floods, the Natural Disaster Insurance Review estimated that the

severity of flood risks could be up to 9 times of other risks.

In fact, since companies started issuing mandatory flood covers, premiums began increasing in multiples. One case in Maranoa saw a premium increase by 1300%.

If UTC legislation changes eventuate, premiums will rise even further, if insurers offer cover at all. And if they choose not to, we all stand to lose. **A**



If you could frame courage, what would it look like? Would it be in the shape of a person, a part of nature, a landmark or something else entirely?

This year's *Actuaries* magazine photo competition aims to capture that moment when courage presented itself to you.

Get involved and take your shot of courage. The winning photo will be reproduced on the cover of a future issue of *Actuaries* magazine.

The successful photographer will also receive a gourmet gift pack courtesy of the Institute.

Make sure you don't miss out by submitting your entry before 30 June 2013.

Find out more via:

<http://www.actuaries.asn.au/TechnicalResources/ActuaryMagazine/PhotoCompetition.aspx>

Further entry examples from our 2012 Photo Competition



Ming Tan



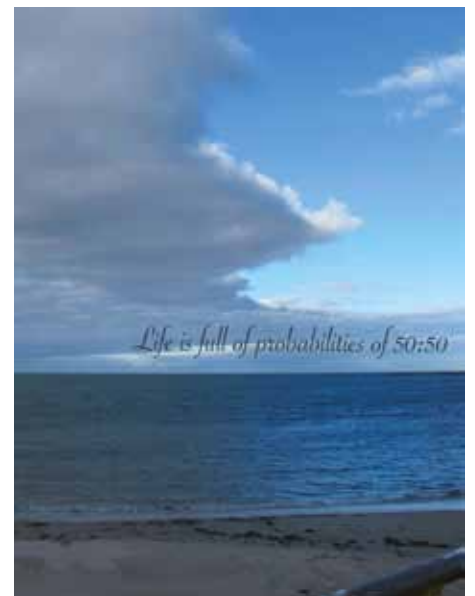
David Liu



Sam Tang



Melissa Chong



Gekko Chan



Fernando



Jason Yu



Young Tan

