



2014 Presidential Message - Daniel Smith

Fellow members of the Institute

Firstly let me say that I feel extremely privileged and honoured to have the opportunity to be President of the Institute for 2014. I know that a number of you are somewhat surprised to find me in this position with our most recent Actuary of the Year asking "what were you thinking?" Hopefully I can give you an idea of what I'm thinking in the remainder of this talk.

Before going further, I would like to state my appreciation of our 2013 President, John Newman. I spent five years on Council with John and worked with him across a range of areas. In my view John has always acted in the best interests of the profession and has approached all issues with honesty and integrity. To be frank, I hope that I can fulfil the role of President with the same decorum as John.

I would also like to thank Melinda Howes for her service to the Institute as CEO. Melinda undertook the role with great passion and enthusiasm and has left the Institute and HQ in a better position than when she started. I know that the HQ team members were very sad to see her go.

These video presentations have become the modern way of providing the Presidential Address. I have had a few people ask me to consider reverting to the previous method of preparing a formal paper which would then be presented and discussed at meetings in at least Sydney and Melbourne. I've decided against this for a handful of reasons.

- ▶ I was never a great reader of the Presidential Addresses and my understanding has been that a large number of members do not read the address.



- ▶ Preparing a lengthy document takes considerable time, which is hard to justify spending if it is not going to be widely read.
- ▶ With an annual rotation of President it is important for each President to support and enhance the long-term strategy set by Council. It is my view that an annual change in direction to accommodate the interests of the current President is far from useful.
- ▶ A transcript of this video is available and this can act as a quasi-Presidential Address but will be more useful when combined with the Institute's strategic intent.
- ▶ Meetings with the President are held in most capital cities and in some centres in Asia. There is time at those meetings for members to discuss the issues I'll raise later, as well as to discuss any other issues that members are interested in. Thus, the lack of a formal written document does not prevent members from discussing and debating issues facing the Institute.

If you feel strongly about the Presidential Address issue then let me know. If there is sufficient member demand then future Presidents will feel more inclined to prepare a formal paper.

Moving on.

We have achieved quite a lot in recent years maintaining the high regard with which the actuarial profession is held and continually ranking highly as one of the best careers in the world. Our members have continued to develop our position as a highly respected, and independent, advisor to governments. There has been expansion into non-traditional areas such as banking, data analytics, media strategy, natural resources and public health. Further, inroads have been made into positioning actuaries as the risk managers of choice.



Nevertheless, several preceding Presidents (along with many others) have highlighted the issues facing the profession both now and in the future. At best a stagnation and at worst a contraction in the number of roles in our traditional areas, competition in both non-traditional and traditional areas and the need for globally accepted skills place pressure on us, both from other actuarial bodies and other professions. To some extent, the future has already arrived.

We need to find a range of ways to enhance the actuarial brand and ensure that more people understand the value that an actuary can add to a broad range of problems - not just doing the calculations but contributing to the strategy and policy development aspects also.

Council's current strategic intent was set with these issues in mind and it contains three elements:

- ▶ to enhance the brand of actuary and the reputation of the Institute;
- ▶ to sustain and develop the actuarial profession; and,
- ▶ to sustain and develop the Institute's business.

Council is currently reviewing the Institute's mission and vision statements and, upon completion, will revisit the strategic intent to ensure it aligns with the mission and vision (to the extent that they change from our current statements).

At the same time, a taskforce will review the governance processes of the Institute, which will include consideration of the manner in which members are elected to Council as well as the term and election of presidents.

These reviews need member input and will involve extensive communication with members. This work will most likely extend beyond my



presidency, hence the need to ensure that the views of each president do not dominate the actions of the Institute.

While these reviews are important and may result in some change in emphasis going forward, given the speed with which the world is changing and the lead time for us to make changes, we cannot sit back and wait for them to be completed. There are a range of initiatives underway to fulfil our current strategic intent and it is these that our new CEO, David Bell, will be focused on.

These include the "See What We See" marketing campaign, continuing development in our education and CPD program and exploring ways to provide better services to non-Sydney members. David will, of course, need to manage these along with the day-to-day running of HQ and support of Council.

Further, there are a range of key areas that we need to address in 2014:

Education

A fundamental review of the education requirements of an actuary has commenced and is being led by our Senior Vice-President, Estelle Pearson. To date some high-level recommendations have been made with two key aspects of those recommendations being that we need to be able to provide an education syllabus that attracts quality entrants with a broad range of interests and we need to have a system that is flexible and takes account of our limited ability to achieve economies of scale. We are a small profession and need to be smart in ensuring we make efficient use of our limited resources whilst providing a first class professional qualification.



Overseas members

What services should we be providing to our many overseas members? We have a number of members who studied in Australia and have then gone overseas and established their careers elsewhere, particularly in Asia, taking up membership with another actuarial body. Is that a problem? What can we provide to them to make it attractive to remain members of the Australian profession? To date we have not defined our strategy well in relation to members outside of Australia and with about 25% of our members now in that category it is important that we do.

Big data and data analytics

Actuaries have the core skills needed to extract usable information from the masses of data that are now available to pretty much any organisation. The potential is huge and so too will be the competition. We need to be able to position the brand of actuary such that purchasers of data analytics solutions see actuaries as the logical choice.

Banking

We now have a number of actuaries working in traditional banking roles and we are working with the South African Society on developing a Part III banking subject.

Risk Management

Whilst we have made some progress in this area we still have work to do to establish ourselves as recognised risk managers across a broad range of areas.

Longevity

Much has been said about the longevity issue but not a lot has been done. There is a lot more that actuaries can contribute to the debate and we also need to advocate strongly for change in certain areas.



There's plenty to be done.

Then of course, there's the elephant in the room. Some members have criticised the manner in which Council operates and questioned whether it is sufficiently in touch with the membership, and open to scrutiny. It is my suspicion that this is at least partly due to the growth in the number of members over the last 10 to 15 years. 15 years ago it felt like everyone knew everyone else. There was a feeling of community, at least within the various practice areas. If you didn't know what was going on, then you could contact someone you knew who would. As the profession has grown that feeling of community has dissipated and the likelihood of having contacts across a broad range of areas in order to know everything that is going on has reduced. Thus, it is my view that a considerable driver of the perception of a lack of transparency is the growth in the profession and the associated reduction in community.

I consider that we have improved the level of transparency of Council decisions and consultation in recent times and I would like to see that continue to improve. Positions on committees and taskforces have started to be advertised and Practice Committees provide regular updates of activities back to members. There is of course a need for Council to make decisions. Not everything can be transparent and broadly consulted - Council needs to be conscious of the balance required albeit, in my view, to err on the side of openness.

A concern of mine is that we struggle to get engagement from a significant number of members. I know that a number of people were not happy with the designation change and the name change, for example. Yet, when it came down to the numbers of people providing comment, we heard from less than 20% of the membership. The recent EGM is another example. We had passionate input and debate from a small number of members and only had something like 20% of eligible members



vote. That would appear to indicate that many members either do not care or are happy to leave the decisions to Council. I implore you, please be involved. Use your right to have your say. Provide feedback. I look at the recent marketing strategy work as one area where feedback was listened to and, more importantly, reacted to.

As President I see my role as one of chairing the Council and ensuring, as far as possible, that Council is able to set, guide and monitor the strategy for the successful future of the profession. I do not have a particular agenda and will see success as being a year in which Council works as a team to enhance the status of the profession and to ensure that the interests and needs of the broad range of members are served.

It is important to ensure that we are part of the global profession and we will be continuing to consider how we most effectively take part in the various international forums, particularly given the financial cost involved in us attending overseas conferences and meetings.

I am expecting a very busy year representing the Institute and I look forward to meeting many members who I have not had the opportunity to meet before. In addition, I look forward to your feedback throughout the year as we continue to strive to improve the services to members and the standing of the profession.