



Institute of Actuaries of Australia

VISION 2020 TASKFORCE

FINAL REPORT

DECEMBER 2006

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*grow and prosper, or decay and die...no organisation or society has shrunk to greatness
humans tend to over estimate change and its impact in the short term, but tend to
grossly underestimate the extent of change and its impact over the long term*

This paper has been prepared for issue to, and discussion by, Members of the Institute of Actuaries of Australia (Institute). The Institute Council wishes it to be understood that opinions put forward herein are not necessarily those of the Institute and the Council is not responsible for those opinions.

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1. Introduction & Background

1.1 Background

The Institute has responded to a number of significant challenges and issues over recent years and much of the Institute's work program over the next year or so may appear reasonably clear. However, where the Institute should be focusing and planning beyond this is less clear.

The "Vision 2020 Task Force" (V2020TF) was established to engage the membership in a debate on the big picture and provide input to Council.

1.2 Terms of Reference

The broad terms of reference of the V2020TF were to consider and assess the key issues over the next 10-15 years that the Institute need to consider and prioritise to make material progress on its Vision. Some specific questions were put to the V2020TF:

- What are the likely scenarios for the working environment of the members of the Institute?
- On current trends and known initiatives what might the member profile of the Institute look like?
- To what extent will the actuarial profession meet the needs of the evolving environment?
- What very high level broad directional changes should the Institute undertake?

A range of related issues were also put to the V2020TF.

For the purpose of the terms of reference of the V2020TF, the Vision and Mission of the Institute were to be "taken as read", i.e. the V2020TF was concerned with the strategic and practical issues of achieving the agreed Vision and Mission, not debating them.

1.3 V2020TF Process & Approach Taken

The V2020TF prepared and published a Discussion Paper on issues and options. That paper was released to members on 13 October 2006. The Discussion Paper was discussed at three Horizons meetings:

- Sydney on 18th October 2006.
- Melbourne on 31st October 2006.
- Brisbane on 29th November 2006.
- In addition, members were encouraged to make submissions on the Paper (written or otherwise) prior to 30 November 2006.

Based on our considerations for the Discussion Paper and the feedback and comments received from members, the V2020TF has reached the conclusions and views summarised in this Report.

2. Membership Feedback

The initial thoughts and considerations of the V2020TF are set out in the Discussion Paper. The following summarises the feedback received from members in respect of the Discussion Paper.

2.1 Sydney Horizons Meeting

The discussion in Sydney was generally positive and supportive of the general content and implied direction in the Discussion Paper. Observations and comments included:

- Institute should only regulate where needed. Take care not to make being a member a negative. Need to clarify application of Code of Conduct to reserved versus non-reserved roles. Definition of “actuarial advice” = “statutory advice” is good.
- Support for outsourcing education. Need for Part I to maintain technical currency. Question the relevance of UK course to our Part I now. Keep university funding.
- The merits of establishing a tradition of pro-bono work?
- With the growth of the profession and related regulation, there is a lower risk of newly qualified actuaries taking on “high roles”. Sensitivity around term actuary less now. Part I +Part II + Professionalism = actuary, is reasonable. (NB: practicing certificates in this case?)
- Some discussion of the Vision. A view was expressed that actuaries are not modellers of risk, but “architects of financial security” based on a deep understanding of institutions. We should be aiming at high quality/ethical/concerned individuals with strong technical and communication skills.
- We are at a “watershed” point: “elite focused” profession versus a broader “growth” based profession. Can we be elite and grow?.
- International is important for the future (roles and members). Australia can play a bigger role. Education is one dimension here: outsourcing to paid resources and charging more fees? IAA is slow – we can’t wait for them - we need to move forward ourselves. A view was that the main growth in members in future will be in Asia.
- Marketing dimensions noted: Institute to students (and high schools); Institute to members; Institute/members to employers.

2.2 Melbourne Horizons Meeting

The discussion in Melbourne tended to be around or additional to the Discussion Paper. Generally, more “substantial change” was raised. Observations and comments included:

- Vision is somewhat short term. Looking out 20 years: China/India as economic drivers/centres; Australia and resources boom (how long?); how long will we keep our reserved monopolies; changes in institutional frameworks. Our intellectual capital is our strength. Need to maintain and build this. Value is in defining the problems to be solved (not just solving them). Need to keep leadership and get out of comfort zone.

- Need to focus on 3 or 4 issues. Education (pass rates, content up to standard, better access – Asia, paid delivery), risk management, promotion to employers and Asia generally. If we are to develop outside Australia, drop “Australia” from our name?
- Question as to how able we actually are as risk managers...development needed?
- Actuary = mathematical ability + judgement. Need to ask the “lost sheep” what they want.
- What is “actuarial science” versus “financial astrology”? We need to define it and develop it (no future in others’ pseudo sciences). Development of our intellectual capital and the “actuarial paradigm” is essential to the longer term position.
- No life, wealth management, super industries: all just Financial Services now. Our “regulatory monopolies” should not be taken as a given. Actuary should = “associate”.
- Actuarial focus should be on judgement, experience and communication. Education focus is increasingly technical. Need for reconsideration.
- Are we “engineers” or “pilots”?

2.3 Brisbane Horizons Meeting

There was a very good turn out in Brisbane, providing a vigorous discussion with very balanced and good contrasting views. Some issues raised included:

- Why is there a desire to grow? Potentially we can stay small and exclusive?
- A fair amount of discussion about maintaining quality and a general concern about the risks of changing the use of the term actuary
- Issues around Asia. Has Casualty Actuarial Society (CAS) already taken control anyway?

2.4 Separate Submissions

Three separate submissions were received. Key thoughts would appear to be as follows:

- The definition of an actuary is difficult and transient. There may be merit in developing a “philosophy of actuarial science” as a guide for our Vision. Key elements would seem to be that its grounded in human activities, considers future scenarios, has a measurement output, is mathematically based, and is outcomes focused.
- Considering the longer term outlook, we need to consider the longer term environmental changes out to 2020 and beyond. What will the actuary of 2020 look like? Impact of generation Y’s? We should consider the use of futurist tools such as “scenario planning”, “back casting” and “emerging issues analysis” to develop a picture of the future actuary, their environment and how we get there. The Discussion Paper appears to be taking a more deterministic, short term approach to the future.

Furthermore, futurism (and futurist tools) could be a valuable compliment to the actuarial tool box. Should we not be leveraging off work on changes in climate, energy sources etc?

- Australian actuaries have a significant opportunity to work and contribute to the development of the actuarial profession (and its related industries) in Asia. But not on an arrogant basis. The demands on actuaries in Asia are growing ahead of supply, not just in terms of numbers, but professional standards and guidance etc as well.

3. V2020 Overall Conclusions

In considering the preparation of our Discussion Paper and the feedback and comments provided to the V2020TF, some fundamental conclusions appear to present themselves.

3.1 *If We “Prosper” – What Might Actuaries Be Doing*

Given recent trends in Australia in financial sector regulation and employment opportunities and demands; and regional and global developments for insurance and pension industry growth, regulation and demand for actuaries; it would seem that if we “prosper” as a profession:

- In Australia, actuaries will be operating across a wide range of industries and activities, from finance and insurance to health and environment, working on assets, liabilities or both, estimating likely outcomes and measuring and managing uncertainty and risk, with some activities declining, some maturing and some growing.
- In the Asia region, a general theme of development of insurance and pension markets and demand for actuarial help in these “traditional” skill areas will likely be the case.
- In other jurisdictions such as Europe, established markets are undergoing substantial regulatory modernisation and/or institutional and product modernisation.
- Other jurisdictions will experience similar, different or a combination of one or more of these trends.

Our professionals, locally and globally, will be working in highly diverse areas and will not all be focused on the same thing.

3.2 *What Will a “Successful” Actuary (Actuarial Profession) Look Like*

While it is possible, and indeed arguably fruitful, to postulate more detailed scenarios of, and risks to, future development within the above broad “map”, the following key ingredients would seem to be essential as a foundation to succeed in most, if not all, scenarios and deal with our own uncertain future:

- Maintaining a relevant actuarial science and tool box for where we wish to work.
- Having a relevant and responsive education, training and re-skilling program.
- Actuaries able to effectively communicate with employers, clients and the public.
- Actuaries in leadership positions and a profession that has an effective marketing “machine”.
- A profession with sound quality control, risk management and “disaster recovery” systems and processes in place.
- Having a professional culture that encourages actuaries to trail blaze in new areas, develop actuarial science in those areas and open up opportunities for others to follow

3.3 Asia Region & Globalisation

It has become clear that there is a “fork in the road”, that needs to be addressed and a strategy developed, around our role in the Asia region and our inter-relationship with other actuarial societies in the region, be they established; fledgling or only “proposed”.

What can or should we do in education, Continuing Professional Development (CPD) and member services? What is an efficient and effective way for the actuarial profession to co-operatively and successfully grow and meet the challenges of the region? What is “in it” for the Institute to help? What will the development of multiple actuarial associations in the region mean for us and what is the “end game”? What should our relationship with other international actuarial associations the region be, e.g. CAS ?

It seems problematic to develop a clear strategy for the Institute on key activities such as education, CPD and member services without a clear understanding, strategy and objective with respect to the Asia region.

While perceived as perhaps less immediate, similar questions around globalisation more generally, and the development of the International Actuarial Association, arise.

3.4 Education & CPD

Nonetheless, under any likely scenario, it will be necessary to significantly reconsider and restructure our education models:

- To deal with a greater breadth of skills and areas of “specialisation” (as well as “general practitioners”). Including different jurisdictional demands and understanding.
- To be able to be responsive to changes in the environment, evolution of actuarial science and better support the “longitudinal” development and education of actuaries throughout their careers.
- To deal with an increasing demand on voluntary resources following the above (depth and breadth).
- To ensure that we are on-board with global trends of educational convergence, to support alignment and to lobby for suitably high international standards.

3.5 Membership, Services & Marketing

Maintaining a strong membership is ultimately what it is all about. Key ingredients are:

- Encouraging a good, healthy mix of capable entrants to the profession is necessary.
- Providing good services and reasons for our members to continue to belong to the Institute is mandatory.
- Effective marketing of the profession to maintain and build our employment prospects is an important part of the “glue”.

3.6 *Research and Development*

To sustain our relevance and level of contribution to business and society over the longer term, we need to keep up to date. Continuing and systematic development of our “actuarial science” and our actuarial “tool box” will be essential.

4. Options & Views on Directional Change

4.1 Asia Region & Global Strategy

It would appear timely for the Institute to consider its medium to longer term strategy in Asia, and more generally globally.

In recent times, the Institute has applied considerable resources to involvement and support of the IAA. We will need to consider our strategic priorities for dealing with a range of issues on a global or regional basis. Taking a lead from the business world, local and regional consolidation is more typically seen as a precursor toward success on the bigger stage.

A better allocation of resources and effort may be towards our local region and working with our neighbours for our mutual growth, development and success. Two prime areas for consideration are:

- Collaboration and leveraging our combined education needs, abilities and resources.
- Collaboration and leveraging our IAA involvement. "Asia" has a relatively low level of general representation at IAA (Australia and Japan aside). Co-ordination within the region could result in a better regional representation at a more affordable cost.

Council needs to address how best to solidify and focus our strategic direction in this area.

4.2 The Title "Actuary"

Notwithstanding the results of the pulse survey set out in the Discussion Paper, there appears to be "on balance" support for a change in the way we use the title "Actuary".

It is proposed that the title Actuary be awarded in future at what is broadly the current "associate" level (which aligns with current international standards and directions):

- Completion of Part I, Part II, an abridged Commercial Actuarial Practice and Professionalism course.

Professional advice given by these "Associate Actuaries" is to be classified as "actuarial advice". This will likely involve changes to Code of Conduct, Disciplinary Scheme and Constitution, if not also some professional standards and guidance notes.

It is recommended that a task-force be established to "work out the details" and elicit a consensus view from the membership on this issue.

4.3 Fellowship & Practising Certificates

If the above change is made, we will need to address the following:

- The positioning and promotion of the "fellowship" education program.
- Ongoing support of "reserved" or "statutory" roles.
- The use of practising certificates as the link between these two.

- Position the actuary as a “general practitioner” and actuary + practising certificate as a “specialist”.

A closely related issue, if the Institute ultimately pursues offering specialist risk management education/qualifications, is whether the Institute should be awarding a separate ERM designation as the SOA is likely to do during 2007.

It is recommended that this matter be formally referred to a Council Committee or specific taskforce (could be the same one as 4.2 above) to develop these issues further.

4.4 Education & CPD

4.4.1 Sub-Associate Level – Part I & II

Separating Part I from the UK Institute syllabus is not seen as a priority by many members. Also, the needs of students that don't pass all university course subjects and overseas students should be considered, as well as likely IAA developments.

Nonetheless, to produce our “actuaries of the future”, there is a strong need to:

- Modernise Part I and maintain its relevance.
- Include more explicit content around communication and business skills.

Further investigation of this, including co-ordination with the universities, is needed to assess how this can be all achieved between Part I and Part II.

In terms of Australian “control cycle” text book, this is an important strategic product of the Institute and its international status and position are worth defending and enhancing (e.g. including a stronger focus on risk management within the control cycle in the next edition).

4.4.2 Part III & CPD

It is concluded that:

- Part III (structure, delivery, content and assessment) will require radical change and replacement.
- We should look to link Part III and CPD into one, multi-level structure.
- We should look at Part III (fellowship / practising certificates) to be obtained via more than one route, e.g. a coherent selection of smaller specialist modules, years of service, CPD counting, research undertaken (including relevant PhD's), with alternative examination/testing approaches (e-tests, written, interviews, residential courses).
- This will need to deal with an ever broadening range of specialist material to be provided, including meeting the needs of actuaries working in a range of jurisdictions.
- Whatever we do, we need pass rates more comparable with community expectations (e.g. university level rates, say around 80%) and further communication skills. And language complications need to be considered.
- CPD needs to be considered in a more educational framework.

On the resourcing front:

- We need to consider moving more fully to a professional delivery basis (via an expanded Institute or outsourced).
- The introduction of conscription for tutors/markers should be considered.

Overall, the education and CPD programs need to be less “Australia” focused to meet the needs of our overseas members, particular those working in NZ and Asia.

Although we have had several reviews and taskforces addressing some or all of the above in recent times, it is recommended that detailed consideration of the above is now needed to develop these concepts and plan how changes such as the above can be soundly and appropriately introduced.

4.5 Development & Growth

4.5.1 Domain Development & Risk Management

It is suggested that the historical model of the expansion of the actuarial profession into new fields following the work of individuals or small groups (practitioners or academics) that have successfully applied actuarial science and tools to new problems or industries should generally remain the preferred development strategy.

Once the new fields become established, the profession can then aim to formalise (and build) our involvement. The profession should aim to maintain a sound and relevant platform of science and skills and support existing actual application, rather than spend scarce resources second guessing market trends or current “fashions”.

That said, Enterprise Risk Management (ERM) is well established in the North American actuarial education system and roles for Chief Risk Officers, with actuaries occupying some major roles, are increasing globally. ERM concepts and educational requirements have implications for all parts of our basic education and CPD. We need to urgently finalise our strategy in this area.

4.5.2 Research & Development

R&D will be an important focus looking forward, including pursuing developments such as ARCA.

The aim is that within a reasonable timeframe (e.g. 5 years) ARCA will be financially secure and independent, with a recognised track record in actuarial research, linking industry and researchers and be a major contributor to a substantial body of actuarial research. However, there are risks that ARCA’s strategy will not succeed and Council needs to address an exit strategy “with a time frame” if it proves unsuccessful.

However, even assuming it is a great success, ARCA alone is not “it”. We should be looking to drive research along multiple avenues, including allowing high quality research to form part of the education process (e.g. recognition of relevant PhD’s as part of the qualification process).

In all of this, we need a clearer focus on developing our “actuarial science”.

4.5.3 “Marketing” & PR

There would seem to be two focal points that need to be considered.

- Entry level (who joins the profession): The profession at present tends to attract new members from a narrow band of people. We should be actively marketing to broaden the entry character of our membership. Appropriate strategies to achieve this should be investigated.
- Employers: It is time to be more direct and focused on employers and the business community. It is recognised that this may mean some reduced effort applied to the public sector.

Leadership is seen as part of the market thrust on both these points.

4.6 **Institute Governance & Quality Assurance**

The following recommendations are made:

- That there be a standing review of our governance, professional standards and code of conduct every few years in light of emerging community standards and expectations and overseas developments .
- Develop a “Disaster” (Actuary failure) Recovery Plan.
- Continue with considerations such as of the role of Council as a quasi-representative membership body versus a more modern corporate Board of management.

4.7 **Services & Funding**

4.7.1 *Member Services – Satisfying the Broad Family*

To support a broader membership and position the Institute with its future potential members, there appears to be some key points for consideration:

- Making member services less Sydney (& Melbourne) centric - without jeopardising the value of the contribution made from those centres.
- Achieving a membership connection with students still at university before they drift off into new fields without joining up. We need to consider how we could achieve this, including what fee levels and what services.
- Continue, and increase, the engagement more broadly across the membership (e.g. Young Actuaries Program, Senior Actuaries Forum).

4.7.2 Funding & Resourcing the Institute

- The appointment of our new CEO provides an opportunity to critically review current resources and expenditure and to consider the efficiency and effectiveness of service delivery and adjust where required.
- Nonetheless, it is suggested we should be looking at new sources of revenue:
 - Charging for events (Insights etc) as per Finsia/CEDA.
 - Full day / 2 day courses for practising certificate CPD.
 - Member services / products – credit cards etc.
 - Accessing government grants and benefits.
- We need to apply more focus to measuring, articulating and supporting the value proposition for members viz-à-viz fees.