

**ACTUARIES, WOZLES AND HEFFALUMPS:
PERSPECTIVES FROM THE HUNDRED ACRE WOOD**

2002 PRESIDENTIAL ADDRESS

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Institute of Actuaries of Australia

ACTUARIES, WOZZLES AND HEFFALUMPS: PERSPECTIVES FROM THE HUNDRED ACRE WOOD

1 PREAMBLE

- 1.1 I am extremely proud and honoured to have been elected to Council, and as President of our Institute. I look forward with enthusiasm to leading the Australian actuarial profession over the next year and to my continuing involvement in the wide range of activities that Council has been pursuing in recent years.
- 1.2 There have been many eminent actuaries that have preceded me as President of the Institute. I hope that I too will do justice to this important and challenging role, and will represent the members of the Institute in a manner that they will be happy to support. The continuing rapid change in the areas in which actuaries work suggests that it will be an interesting (and exceptionally busy) year!
- 1.3 The task of preparing a Presidential Address is, I believe, one of the most daunting aspects of being the incoming President (although it has also been a more enjoyable experience than I expected!). Writing a Presidential Address requires a significant time commitment and it is extraordinarily difficult to get sufficient uninterrupted time for the task. My advice for those who follow me into this role would be to start as soon as you are elected Vice President.
- 1.4 The discipline of writing the Address provides a useful focus in preparing for the coming year. However in tackling the task I quickly realised that there are more things that I would like to see achieved by and for the profession than could ever possibly be accomplished in one twelve month period. This made it difficult to decide what to include in this Address and to give priority in 2002, as I was reluctant to leave out issues that I believe are important and should be addressed by the profession. I will be satisfied if we make a start on most or all of the ideas and initiatives, as I acknowledge that we will not be able to complete them all in the coming year.
- 1.5 I am sure that the constructive comments of members on this Address will be of tremendous value in shaping the priorities and activities of Council in 2002.

2 INTRODUCTION

- 2.1 The title of my Address is based on Winnie-the-Pooh, by A. A. Milne. A number of books have been written linking Winnie-the-Pooh to philosophy, psychology, management and many other areas. Pooh and perspectives on the actuarial profession seemed like another connection to be made. I found many passages and quotes in Winnie-the-Pooh that could readily be related (with minimal adaptation and imagination) to some of the issues that I wanted to cover in my address. So I have used excerpts from Winnie-the-Pooh to provide a different perspective on issues and draw out some of the points that I want to make.
- 2.2 The title followed from the particular excerpts from Winnie-the-Pooh that I decided to use. And as Winnie-the-Pooh aficionados would know, the stories are set in and around the Hundred Acre Wood. I hope others enjoy the excerpts, and the analogies I have drawn from them, as much as I enjoyed re-reading Winnie-the-Pooh to find them!
- 2.3 There are three key areas on which I have primarily focused in this Address:
- the value of the Institute to its members and their employers (Section 4);
 - the participation of the Institute in public policy (Section 5); and
 - future developments in actuarial education (Section 6).
- 2.4 Before covering these areas, however, Section 3 briefly summarises the Institute's current (2001) strategic and business plan and some of the initiatives that are being undertaken as part of that plan. This provides a base from which to briefly outline my thoughts on priorities for the Institute's strategic and business plan for 2002. The 2002 strategic plan will be discussed at the Council meeting on 11 December. Council and I would welcome input from members before then (and indeed at any time) regarding their views on priorities for the Institute in 2002 (and beyond).
- 2.5 The key messages that I wish to convey in this Address are explored in detail in Sections 4, 5 and 6. In my view, the future success of the actuarial profession requires us to plan strategically, so that we most effectively use the profession's scarce resources. This applies in all spheres of our activities, but particularly in education. The profession is changing, both in Australia and globally, and our education system must also adapt and change. There are many likely developments to which the actuarial education system will need to respond over the next few years. Formulation of an education strategy (as proposed in Section 6) will allow us to anticipate these changes and develop a considered plan for adapting our education system to the future needs of the actuarial profession. Section 6 highlights some of the particular issues and possible future directions for our education strategy.
- 2.6 The Institute itself continues to be in a state of transition. We have made significant strides in recent years to improve the structure, operations and focus of the Institute and Secretariat, and I believe we are now well placed to build on these achievements in 2002 and beyond. However there is still much to be done to move us from where we are today to where we would like to be in 5, 10 or even 20 years time. Our ambitions as a profession are high, and the resources required to achieve them potentially significant. This

makes it even more important that we strategically prioritise our activities, review how we do things and consider ways in which we can get better leverage and value from the resources available, particularly the Secretariat.

- 2.7 To build on the achievements in recent years, and be successful in further enhancing the future relevance and value of the profession, requires strong support for the profession from within. We must continue to increase the relevance and value of the Institute, and the services and benefits it provides, to a wider range of members and also to their employers. However members need to support these efforts through their participation in the Institute, and to consider the relevance and value of the Institute from a broader perspective than they may have done to date. Section 4 emphasises my views on the importance of increased participation in the Institute and the value this brings to individual members, to the profession as a whole and to employers of actuaries. I have made some suggestions in that Section regarding ways to increase participation, but I am also keen to hear members' views on this important issue.
- 2.8 Finally, I believe another important area of focus for the Institute in 2002 will be public policy. Actuaries have much to add on a wide range of policy issues. However, as I outline in Section 5, to contribute effectively in the public policy arena requires us to ensure that we provide a balanced perspective, supported by research where necessary. We must be open to the views and perspectives of others, and indeed should include others in developing our policy input in some areas to achieve this balanced perspective.
- 2.9 My goals over the next twelve months are to work with the Institute Secretariat, Council and you, the members of our Institute:
- to further enhance the value and relevance of the Institute and the Australian actuarial profession it represents, both internally and externally, through improved member services and by further expanding our involvement on public policy issues;
 - to engage more Institute members in achieving this aim by more clearly articulating and widely communicating to members and their employers the benefits and rewards of participation in the Institute and its activities; and
 - to ensure that the high global standing of the Australian actuarial qualification and profession is maintained and enhanced through development and implementation of a comprehensive Australian education strategy and continued involvement in international actuarial organisations and events.
- 2.10 I look forward to hearing your views on this Address, and to your support and participation in 2002.

3 OUR STRATEGIC PLAN

Chapter Three in which Pooh and Piglet go hunting and nearly catch a Woozle

One fine winter's day when Piglet was brushing away the snow in front of his house, he happened to look up, and there was Winnie-the-Pooh. Pooh was walking round and round in a circle, thinking of something else, and when Piglet called to him he just went on walking.

'Hallo!' said Piglet, 'what are *you* doing?'

'Hunting,' said Pooh.

'Hunting what?'

'Tracking something,' said Winnie-the-Pooh very mysteriously.

'Tracking what?' said Piglet, coming closer.

'That's just what I ask myself. I ask myself, What?'

'What do you think you'll answer?'

'I shall have to wait until I catch up with it,' said Winnie-the-Pooh. 'Now, look there.' He pointed to the ground in front of him. 'What do you see there?'

'Tracks,' said Piglet. 'Paw-marks.' He gave a little squeak of excitement. 'Oh, Pooh! Do you think it's a – a – a Woozle?'

'It may be,' said Pooh. 'Sometimes it is, and sometimes it isn't. You can never tell with paw-marks.'

With these few words he went on tracking, and Piglet, after watching him for a minute or two, ran after him. Winnie-the-Pooh had come to a sudden stop, and was bending over the tracks in a puzzled sort of way.

'What's the matter?' asked Piglet.

'It's a very funny thing,' said Bear, 'but there seem to be *two* animals now. This – whatever-it-was – has been joined by another – whatever-it-is – and the two of them are now proceeding in company. Would you mind coming with me, Piglet, in case they turn out to be Hostile Animals?'

Piglet scratched his ear in a nice sort of way, and said that he had nothing to do until Friday, and would be delighted to come in case it really *was* a Woozle.

'You mean, in case it really is two Woozles,' said Winnie-the-Pooh, and Piglet said that anyhow he had nothing to do until Friday. So off they went together.

There was a small spinney of larch-trees just here, and it seemed as if the two Woozles, if that is what they were, had been going around this spinney; so round this spinney went Pooh and Piglet after them....

Suddenly Winnie-the-Pooh stopped, and pointed excitedly in front of him. '*Look!*'

'*What?*' said Piglet, with a jump. And then, to show that he hadn't been frightened, he jumped up and down once or twice more in an exercising sort of way.

'The tracks!' said Pooh. '*A third animal has joined the other two!*'

'Pooh!' cried Piglet, 'do you think it is another Woozle?'

'No,' said Pooh, 'because it makes different marks. It is either Two Woozles and one, as it might be, Wizzle, or Two, as it might be, Wizzles, and one, if so it is, Woozle. Let us continue to follow them.'

So they went on, feeling a little anxious now, in case the three animals in front of them were of Hostile Intent.... And then, all of a sudden, Winnie-the-Pooh stopped again, and licked the tip of his nose in a cooling manner, for he was feeling more hot and anxious than ever in his life before.

There were four animals in front of them!

'Do you see, Piglet? Look at the tracks! Three, as it were, Woozles, and one, as it was, Wizzle. *Another Woozle has joined them!*'

And so it seemed to be. There were the tracks; crossing over each other here, getting muddled up with each other there; but, quite plainly every now and then, the tracks of four sets of paws.

[At this point Piglet trots off home scared and Pooh spies Christopher Robin up in a tree.]

Christopher Robin came slowly down his tree.

'Silly old Bear,' he said, 'what *were* you doing? First you went round the spinney twice by yourself, and then Piglet ran after you and you went round again together, and then you were just going round a fourth time—'

Cont....

‘Wait a moment,’ said Winnie-the-Pooh, holding up his paw.
 He sat down and thought, in the most thoughtful way he could think. Then he fitted his paw into one of the Tracks...and then he scratched his nose twice and stood up.
 ‘Yes,’ said Winnie-the-Pooh.
 ‘I see now,’ said Winnie-the-Pooh.
 ‘I have been Foolish and Deluded,’ said he, ‘and I am a Bear of No Brain at All.’
 ‘You’re the Best Bear in All the World,’ said Christopher Robin soothingly.
 ‘Am I?’ said Pooh hopefully. And then he brightened up suddenly.
 ‘Anyhow,’ he said, ‘it is nearly Luncheon Time.’
 So he went home for it.

A.A. Milne, ‘Winnie-the-Pooh’, pp30-38

Our Strategic Plan

3.1 What is the relevance of this story to actuaries?

The two questions I would ask are:

1. What would Pooh do if/when he caught up to the Woozle?, and
2. Why does Pooh not realise that he is following his own (and Piglet’s) tracks?

3.2 The answer to the first question relates to objectives, strategy and planning, which is why I have included the Woozle tale in this section.

3.3 It is important for an organisation such as the Institute to know what it hopes to achieve and how it plans to achieve it. I suspect that Pooh would have been surprised and nonplussed had he actually caught up with a Woozle because it is unlikely that he had thought through his objective or strategy in tracking the Woozle.

3.4 The Institute is an organisation with a limited budget, whose activities span a wide range of areas. It also relies heavily on volunteer support in many of its activities. This makes strategic planning critical – prioritising the areas on which we should focus the limited resources (both people and finances) available. We cannot afford to aimlessly track Woozles round a spinney without having a clear idea of what our objective is in trying to catch one. Equally, we should not be hunting Woozles if the membership is not interested in Woozle-hunting but in catching Heffalumps.

3.5 Not only do we need objectives, we should also want to achieve results. Some employers favour physicists or engineers over mathematicians when recruiting actuarial students because physicists and engineers want to achieve a result, whereas mathematicians are more likely to enjoy the process of solving the problem. In the same way we need to ensure that the Institute’s strategic planning is more than just a process and is focussed on achieving results.

3.6 In recent years the Institute has placed more emphasis on developing its strategic plan and translating that into a business plan. I hope to continue with, and improve on, that process over the coming year.

- 3.7 The answer to the second question (in relation to Pooh) is obvious – he is a Bear of Little (or No) Brain and so does not realise he is following his own tracks until it is pointed out to him. But what is the message for actuaries?
- 3.8 I would see it as a caution against focusing on one view, perspective or approach – because if you do, you may be made to look foolish or naïve. Pooh doesn't consider that it may *not* be a Woozle that he is tracking. Actuaries too can take a narrow view on issues or assume that there is only one perspective (their own). It is always important to consider alternative views and approaches, consider problems from all angles and, where appropriate, seek advice from others (such as Christopher Robin) before forming conclusions. But conclusions must be reached - whether by us, or by others following our advice, or by others without our input. I will comment more on this in Section 5 in the context of public policy, and in particular the importance of considering other perspectives if we wish to have our advice considered.
- 3.9 Let me turn now to the Institute's current strategic plan, some of the Institute's achievements in 2001, and my thoughts on priorities for 2002.

Our Vision and Mission

- 3.10 In his 1997 Presidential Address, Trevor Matthews said, *I believe it is time we developed our own aspirational Vision Statement to complement our existing Mission Statement...*
- 3.11 The Strategic Plan that was first developed and discussed at the 1997 Centenary Convention raised a similar question. Since then the strategic plan has evolved, and the Institute's Strategic Plan 2001 contained the Vision and Mission Statements set out below.

Vision Statement

- 3.12 To position the profession so that wherever there is uncertainty of future financial outcomes, actuaries are sought after for their valued advice and authoritative comment.

Mission Statement

- 3.13 The Institute of Actuaries of Australia (IAAust) represents the actuarial profession by creating, expanding and maintaining an environment where the skills of actuaries are widely used and valued.

The IAAust

- establishes and maintains professional standards for the protection of the public
- provides pre-qualification and continuing professional education
- creates forums for discussion about contemporary and relevant issues
- promotes research and the development of actuarial science, and
- contributes to and informs debate on public policy.

- 3.14 These Vision and Mission statements, and the Strategic Plan that supports and expands on them, should underpin all that we do as an Institute. They should be used as the basis for planning and prioritising our activities and for the allocation of resources.
- 3.15 In response to David Knox's Presidential Address nearly two years ago I indicated that it was *my view that many decisions are made (by the Institute) without first really thinking through what it is we are trying to achieve when we are making those decisions. Whether it is the Part III subjects or CPD, I think we really need to take two, three, or more steps back before we actually decide on any course of action and think through what our objective is.*
- 3.16 The Strategic Plan 2001 was developed in David's year as President and I believe has made a significant contribution to enhancing the operation of the Institute and improving the decision-making process. However there continues to be room for improvement. We are still more reactive than I would like, and so not as good as we could be at considering what it is we hope to achieve before we make decisions. There is also scope to improve the prioritisation of actions in the Strategic Plan and the communication of the Plan to committees and members generally. Finally, we need to be more rigorous in following through on the implementation of the Plan, and monitoring our progress on key action steps.

Achievements in 2001 and Priorities for 2002

- 3.17 The 2001 Strategic Plan included over 130 action items, spanning all aspects of the Institute's activities from education to public policy and communication (internal and external). By far the largest number of actions were in the education area, which encompasses all of the pre-qualification education programme (Part I, II and III and the Professionalism Course) and also CPD.
- 3.18 Responsibility for undertaking the actions in the Strategic Plan was allocated to the relevant Council committees and from there (hopefully) communicated to all of the Institute's committees. There was some discussion of priorities, however the Council committees were largely left to pursue their agendas and report back to Council on progress.
- 3.19 The areas of focus in the 2001 plan included:
- improving the quality and delivery of services to members;
 - continuing to improve the quality of actuarial education and reviewing delivery mechanisms and student communication;
 - providing enhanced opportunities for CPD and expanding and developing the CPD programme;
 - retaining and expanding Institute membership;
 - building member involvement in the Institute;
 - influencing the global actuarial profession and participating in international actuarial initiatives;
 - strengthening the strategic use of Institute resources;

- effectively monitoring emerging policy issues and trends, and targeting issues where actuaries can best add value;
 - engaging members in and enhancing the policy development process; and
 - increasing the impact of public policy initiatives and raising awareness of the value and role of actuaries.
- 3.20 Considering the above list, I believe the Institute made considerable progress in achieving our plans for 2001. Of course, there is always more that Council and the presidential group would have liked to accomplish. However the 2001 Strategic Plan was extensive and ambitious and it would be unrealistic to believe (and in fact it was never intended) that we could have undertaken all of the actions listed in it in one year.
- 3.21 Many of the activities undertaken by the Institute in 2001 have been reported elsewhere, for example in Actuary Australia and in the annual report. However I have briefly summarised some of the activities below to give an indication of how we measured up against the key areas of the 2001 Strategic Plan outlined above. More importantly, many of the priorities for 2002 build on what has been accomplished in 2001. It is therefore appropriate to briefly review the 2001 achievements in a range of areas before turning the focus to 2002.

Member Services and Member Involvement

- 3.22 Key developments in improving services to members in 2001 included changes to the staff structure of the Institute Secretariat, an extensive review and upgrading of the membership information database and the recent launch of the new web-site with a members-only section.
- 3.23 The current staff structure in the Institute office allows it to support more effectively the range of Institute activities undertaken and respond to the needs of members. The improved membership database, including e-mail addresses for the vast majority of members, enables more effective and efficient communication with members. For example, it has been used in recent months to advise members of forthcoming Institute activities on a regular basis. It will also assist the Secretariat and Council in being able to analyse our membership base to assess needs and priorities going forward.
- 3.24 The new web-site will allow more effective communication with members as we will be able to provide information to members efficiently, and more regularly, and hence our communication with members should be able to be more comprehensive. Committees will be able to use the members-only section to facilitate input from members on draft standards and submissions as they are being developed, and it will enable discussion forums on current issues. It is also envisaged that the web-site will provide alternative and effective means for communicating with students, and in due course delivery of education and CPD.
- 3.25 A Membership Taskforce was established in 2001, to review the categories of Institute membership. A particular focus of the Taskforce was to consider the expansion of the Institute's membership through introduction of an Affiliate membership category for individuals from non-actuarial backgrounds that may

have an interest in actuarial issues. Council discussed the initial recommendations from the Taskforce at recent meetings and the Taskforce is now finalising its recommendations. The introduction of an Affiliate category of membership has been incorporated in the revised Constitution that will be considered at the Annual General Meeting (AGM).

- 3.26 Efforts have been made to include a wider range of members in new and existing committees and taskforces, and to enhance participation at Institute activities, including sessional meetings and seminars. Work also commenced on developing key messages for members and employers about the Institute, its activities, and the value to be gained from active participation and support. However more needs to be done in this area.
- 3.27 The Member Survey was aimed at improving the services that the Institute provides to members. By obtaining information on members needs and expectations we will be better placed to prioritise and focus the Institute's activities where they will provide greatest value for members.
- 3.28 By the time this Address is discussed in December we will have collated and analysed the results of the Member Survey. The response to the survey was reasonably pleasing, with 242 or around 10% of members completing the survey by the initial closing date of 29 October 2001. Those responding represented a reasonably broad cross-section of the Institute's membership, and included:
- 146 Fellows, 58 Associates and 38 students;
 - 207 members from Australia (of which 191 members were from NSW and Victoria), and 35 from overseas;
 - 35% under age 30, 33% aged between 30 and 39 and 32% aged 40 or over;
 - 78% males and 22% females;
 - members that first joined the Institute in nearly every year from 1965 onwards, (and one or two that joined even earlier than that!); and
 - members from a broad range of areas of practice, both traditional and non-traditional.
- 3.29 Unfortunately the survey results were not available in sufficient time to include detailed comments in this Address. However a quick initial review of the survey responses leads to the following observations.
- The majority of members rated professional accreditation, high professional and ethical standards, keeping up-to-date, CPD, actuarial education, and promotion of the profession as the most important aspects or benefits of Institute membership. Over 50% of respondents rated these as being of high or very high importance.
 - However those surveyed indicated there was room for improvement in delivering these benefits as typically a lower percentage of respondents rated the performance of the Institute in these areas at very good or excellent. Also, a number of members (between 15% and 30%) rated the Institute's performance in these areas as being below average.

- Around 55% of members responding to the survey indicated that they had attended sessional meetings in the last 2 years and a further 15% indicated they would attend them in the next 2 years. The corresponding percentages for survey respondents attending Educational Topic Discussion Group (ETDG) meetings and the biennial convention in the last 2 years were 37% and 27% respectively, with around 20% to 25% indicating they would attend these events in the next 2 years. While these percentages are quite good, it should be noted that those members completing the survey are probably more likely to attend Institute activities than those who did not. Hence, the percentage of survey respondents attending these events is likely to be higher than the percentage for all Institute members.
 - Around 10% to 15% of members indicated that they had written papers, undertaken research or participated in committees, work groups or taskforces in the last 2 years. A further 8% to 12% indicated they would do so in the next 2 years.
 - The most common suggestions for additional benefits or services that the Institute should provide related to provision of CPD, particularly for members in states other than NSW and overseas members.
 - Over 73% of employers provide some financial support for Institute membership, but only 55% support time commitment by their employees for involvement in the Institute.
- 3.30 Clearly a priority in 2002 will be to consider the views expressed by members in the survey responses and decide on appropriate actions in relation to the feedback provided.
- 3.31 As I indicated above, less than 10% of members responded to the survey. While the respondents were drawn from a wide cross section of the Institute's membership, around 90% chose not to complete the survey and so we still do not know their views on the value and services that the Institute provides. It is this group that we need to target if we are to significantly increase the participation of members in all of the Institute's activities. Further effort is also needed to gain increased employer support for that involvement. This issue is the focus of Section 4 of this Address.
- 3.32 To ensure that we obtain feedback from as many members as possible, the Member Survey will remain open until the AGM on 10 December 2001. I would encourage those of you that have not yet completed the survey to do so over the next few weeks.
- 3.33 Other member service initiatives in 2002 will include implementing the recommendations of the Membership Taskforce in relation to changes to the categories of Institute members, and particularly the new Affiliate category. We will also continue to enhance the web-site.
- 3.34 Members will be aware of the recent departure of the Director, Public Affairs (Jane Ferguson) to pursue her interest in structured settlements. As a consequence of this change, and a review of our needs in that role, we have advertised for an actuary to be employed in the Institute Secretariat to provide additional support for committees and assist with public policy development.

- 3.35 Another initiative that I am considering is a series of informal 'lunches with the President'. I have borrowed this concept from the Aardvark meetings that were an initiative of the current President of the UK Institute, Peter Clark, and the background behind the concept is set out in his President's Address. In the Australian context, my suggestion is that an informal 'lunch with the President' meeting could be held once every two months, for a group of 12 or 15 members. We would need to devise an appropriately Australian name for these lunch meetings – suggestions to date have included 'Platypus', 'Wombat', 'Woozle' or 'Kanga' meetings! There would be no set agenda, rather it would be an opportunity for members to raise and discuss issues of professional concern and interest and for the President to talk about the range of initiatives being pursued by the Institute. These could be held in both Sydney and Melbourne, perhaps around the time of the monthly Seminar Series meetings – which I will explain below. I would also like to explore ways to include members from other states (and also overseas members) in this type of informal discussion forum.
- 3.36 The other suggestion, again borrowed from the UK Institute and also the US Society of Actuaries, is an 'e-mail the President' facility. As not all members will be able to attend the 'lunches with the President' described above, an e-mail facility will enable all members to ask questions, make comments and put forward suggestions to the President.
- 3.37 I would be interested in members' views as to whether either or both of these initiatives would be worth pursuing as ways of improving communication with Institute members.

Education and Continuing Professional Development

- 3.38 One of the more significant staffing changes in 2001 was the introduction in February of a new senior staff position – Director, Professional Development – and the appointment of Carolyn MacLulich to that position. Following further changes to the Institute Secretariat in September 2001 Carolyn now has responsibility for all of the Institute's education and CPD programs. This has been an important change, given the significance of this area of Institute activities and the many and varied projects continually underway, and has positioned us well for 2002 and beyond.

Pre-qualification Education

- 3.39 In 2001 the Part II Review Committee made significant progress with its review of the Actuarial Control Cycle syllabus and Council will consider the final recommendations for changes to the syllabus in December. It is anticipated that the changes will be implemented in 2003, and discussions are underway with the four Australian universities that provide the Actuarial Control Cycle subject in relation to implementation issues. Some further comments on the Part II Review are set out in Section 6.
- 3.40 The Institute has also recently commissioned the writing of an Actuarial Control Cycle textbook, which it is anticipated will be used by the Australian universities and also be of interest to overseas actuarial bodies and universities. Clare Bellis and John Shepherd have been selected as joint Editors for the textbook, and will co-ordinate contributions from a range of authors (both Australian and international). The Editorial Committee for the

textbook comprises representatives from the Institute (including the Council Education Committee) and the four Australian universities. The aim is for the textbook to be published in mid-2002.

- 3.41 During 2001, to support the Part II review that was underway and the Part III review that is about to commence, the Institute also commissioned a consultant to assist with the development of capability statements to describe an Associate and a Fellow. These statements were first put forward for member discussion at the Convention in May 2001. Feedback on the initial draft statements was incorporated and Council approved the adoption of the final recommended capability statements at its last meeting. The capability statements will provide a useful tool for reviewing and refining the requirements of our education system, by assisting to focus developments on the outcomes we are seeking to achieve.
- 3.42 In the pre-qualification education area, the focus in 2002 will be on implementing the outcomes from the Part II review, making progress on the Part III review, publishing the Actuarial Control Cycle textbook and continuing the process of reviewing and enhancing the Part III programme. Other initiatives will include development of web-based education tools for delivery and management of Part III subjects, and a review of the management of, and recognition given to, the significant volunteer support for education that is provided by members. However, as I outline in Section 6, to provide a focus and structure for these activities an Australian education strategy needs to be developed.

Continuing Professional Development (CPD)

- 3.43 Progress was made in 2001 with implementing the changed CPD requirements following the review of PS 500 that was undertaken in 2000. The CPD Committee made a good start on implementing more innovative and varied CPD activities. These included the extremely successful Convention in May and the sessional meeting at which a role-play of an actuary in the witness box was used to highlight the importance of both undertaking and recording CPD activities. Other initiatives included a joint seminar on risk management with the Global Association of Risk Professionals (GARP) and a recent seminar on Financial Modeling, both of which were very well attended.
- 3.44 Peter Clark (in his UK President's Address last year) quoted the comments of another actuary, Higham, in 1901 on sessional meetings. Higham said *it is worth inquiry, too, whether the procedure of our sessional meetings, which has been somewhat criticised lately, can be revised so as to encourage the diffident, to curtail the lengthy, and to suppress, if it may be so, all that is uninteresting and dull.*
- 3.45 It is interesting that, even in 1901, the format, content and participation of sessional meetings was felt in need of review! I believe that is still the case today. In continuing our efforts to improve and enhance the CPD program, in 2002 we plan to hold a Seminar Series – tentatively called Horizons - in place of both sessional and ETDG meetings. The Series will be held in the fourth week of every month from February to November, on Monday evenings in Melbourne and Wednesday evenings in Sydney. They will have a varied format, including discussion of research papers, workshops on topical issues and so on. We will seek venues that facilitate discussion and participation, and are also considering replacing the tea and biscuits with wine and cheese.

- 3.46 The CPD Committee would welcome suggestions from members on topics and format, so that we can tailor the Series to meet the needs and interests of members (and hence *hopefully suppress...all that is uninteresting and dull*). We are also seeking an appropriate name for the Series, so suggested names are also welcome.
- 3.47 My aim for the CPD program, and in particular the Horizons Series, in 2002 is to build on the stronger attendance levels of 2001 but, more importantly, to gain a wider level of contribution to the discussion and debate at each meeting or seminar (*to encourage the diffident*). Perhaps we should award a prize (such as a bottle of wine or champagne) for the best contribution, particularly from a younger member, to encourage more members to air their views!
- 3.48 We also propose to trial a joint practice committee forum in 2002, by having a Financial Services Forum in place of separate Life Insurance and Superannuation Forums. The convergence in the financial services industry in recent years means that there are a number of issues that span across practice areas. A combined Forum provides an opportunity to address these issues of common interest, such as the impact of the Financial Services Reform Act and the shift towards more uniform, risk-based prudential regulation approaches across the financial sector. Provision will still be made for sessions covering specialist topics relevant to actuaries practicing in superannuation and life insurance in particular. However I believe a joint Forum will be of benefit to the profession by enabling the sharing of ideas and experience across the profession and hence providing a broader perspective on key issues. Such a forum will also hopefully attract interest from actuaries practicing in other areas, such as investments, funds management and general insurance, which would add further to the breadth of perspectives provided in the Forum sessions.
- 3.49 We will continue to seek joint CPD opportunities with other organisations and professionals, such as GARP, and another Funds Management seminar is planned. Also, an increasing number of Institute members are resident in Asia, and in particular Hong Kong, and so we propose to liaise with the Joint Office in Hong Kong to develop CPD opportunities for our members in Asia. Further CPD suggestions from members would be welcome.
- 3.50 The area of actuarial education is critical to the continued success of the Institute and its members. Section 6 sets out some of my thoughts on future developments in actuarial education, in Australia and internationally. As mentioned above, it also advocates that the Institute develop a cohesive strategy (or five-year plan) for Australian actuarial education to ensure that we are best able to meet current and future education challenges.

International Influence

- 3.51 On the international front we continue to 'play above our weight', to paraphrase an expression used by David Knox. We have representatives participating on many of the committees of the International Actuarial Association (IAA) and had strong Australian attendance at the two IAA meetings held this year. I presented on Australian 'wider field' activities (as part of a concurrent session with three other actuaries) at the recent East

Asian Actuarial Conference in Hong Kong. A similar (plenary) session is planned for the International Congress of Actuaries in Cancun in March and we have been invited to again provide an Australian perspective on wider fields at that session.

- 3.52 Australian actuaries have made significant contributions over the last year or more to a number of IAA submissions on international issues, particularly in the area of international accounting standards and prudential regulation. It is pleasing to observe that our contribution on international issues is keenly sought and highly valued.
- 3.53 There are a number of developments underway in international actuarial education. Major reviews are underway in both the UK and US, and Clare Bellis is representing Australia on the taskforces that are undertaking those reviews. The International Actuarial Association is also continuing its work towards implementing a global actuarial syllabus (at a level broadly equivalent to our Part I and II) by 2005. Again, Australia is providing input to these efforts, with Clare Bellis as the Australian representative on the IAA Education Committee.
- 3.54 It is fair to say that the Australian actuarial education system is very highly regarded internationally, and elements of it (in particular the Actuarial Control Cycle) are likely to influence the revised education systems that will emerge from the reviews in both the UK and the US. Again, it was very pleasing to observe at the IAA meetings this year the degree of positive endorsement of the Australian actuarial education system by a wide range of international actuaries in a variety of contexts.
- 3.55 Participation in the international actuarial arena will continue to be a priority for the Institute in 2002.
- 3.56 Trevor Matthews' 1997 Presidential Address included the following comments on actuarial education initiatives by the Society of Actuaries, and the UK and Australian Institutes in Asia.

Some actuaries view these efforts as competitive attempts to exert national influence in the developing countries and are worried that our Institute will lose out.... I take a contrary view. I believe there is a bigger issue than actuarial colonisation. We should be encouraging our overseas colleagues and working together to raise the standard of actuarial knowledge and professionalism for the benefit of the global actuarial profession.

- 3.57 I wholeheartedly agree with this view. There are more than enough opportunities for all of the major actuarial bodies to play a role in actuarial education in Asia. Our proximity to Asia gives us some advantage, and we have established an International Education Strategy Taskforce (chaired by Graham Rogers) to enable us to pursue these opportunities. The role of the Taskforce is to develop business plans for education initiatives, particularly in Asia, prioritise those initiatives, seek funding from aid agencies and the like to assist with financing them (where necessary and appropriate), and co-ordinate the resources and activities of the Institute in this area. The Taskforce will also pursue opportunities for wider recognition of the FIAA qualification by regulators in Asia. We would be particularly keen to hear from

members in Asia that would be interested in participating in the initiatives of this Taskforce.

- 3.58 We will continue to liaise closely with the other actuarial bodies that are also active in Asia, continuing our contribution to the development of a global actuarial profession. Australian representation on IAA committees and at IAA events will be maintained (or hopefully even expanded!), as will our participation in the US and UK education reviews currently underway. We will also continue to seek opportunities to promote the capability of Australian actuaries, and the breadth of our experience, at international seminars and the like.

Policy Initiatives and Public Awareness

- 3.59 There has been much activity on the policy and legislative front in 2001. Significant strides were made in raising awareness of actuaries, and the contribution we can make on policy issues, with a range of politicians, government representatives, agencies, industry bodies and the media.
- 3.60 We achieved this through a mix of meetings, submissions, presentations, press releases, and media briefings. A critical factor in this achievement has been the work of the CEO (Catherine Beall) and the Director, Public Affairs (Jane Ferguson), coordinating the activities of the presidential group and various committees and organising meetings and media contacts.
- 3.61 To cite some particular examples, as most members would be aware, major reforms are being implemented in the prudential regulation of general insurance, hastened by the collapse of HIH. The Institute has effectively managed its media response and involvement in relation to HIH throughout the year and is now contributing its views on the policy issues being considered by the HIH Royal Commission.
- 3.62 A significant amount of time and effort has been devoted by the General Insurance Practice Committee, the current President (Tony Coleman) and a number of special taskforces to review and comment on the legislative changes, and in particular the role of the Approved Actuary. The Institute is also working closely with the Australian Prudential Regulation Authority (APRA) to develop standards and guidance notes, including jointly funding a consultant to assist with that process. Members and industry representatives will have an opportunity to discuss these at the General Insurance seminar in November 2001.
- 3.63 The Financial Services Reform Act and associated regulations and Australian Securities and Investment Commission (ASIC) policy papers have also kept two Institute taskforces very busy in 2001, and will continue to do so in 2002. This is clearly an important package of legislation for Institute members, and we are seeking to work with ASIC and other Government representatives to clarify its impact and assist our members to respond to the licensing and other requirements that it introduces.
- 3.64 In the superannuation area, Institute submissions have addressed a wide range of issues, including prudential regulation, superannuation and family law, preservation requirements, responses to reports by the Senate Select Committee and the Productivity Commission, and so on. We have also

continued to advocate the need for a broad review of superannuation, focussed on simplifying legislation, reviewing taxation, enhancing saving for retirement and improving integration with social security. The successful Ageing Australia seminar in October was a further step in encouraging debate, and helping position actuaries as able to make a valuable contribution, on these important policy issues.

- 3.65 Health was another area where significant policy contributions continued to be made in 2001, particularly in the area of solvency and capital adequacy standards. The members of the Health Practice Committee are to be commended for their efforts in recent years in raising the awareness of the value that actuaries can contribute on health issues. This has been achieved through building strong relations with the regulator, fostering education initiatives and (when appropriate) contributing the views of actuaries on policy issues.
- 3.66 The Institute made significant policy contributions in the areas of medical indemnity insurance and structured settlements in 2001. The May Convention also clearly positioned the Institute as a key contributor on major policy issues such as general insurance and genetics. The genetics book published in conjunction with the Convention has received wide acknowledgement, both in Australia and overseas, as making a significant contribution to informed debate in this difficult area.
- 3.67 There will continue to be many opportunities for public policy contributions in a range of areas in 2002 and Section 5 considers in more detail the role of the Institute in public policy.
- 3.68 The general insurance reforms, HIH Royal Commission, and Financial Services Reform Act will continue to be areas of focus in 2002. It is also clear that a significant review of the prudential regulation (and perhaps broader aspects) of superannuation will occur. Further developments are expected in health, and I'm sure there will be many other policy areas in which the Institute can and should make a contribution. I am very keen, for example, for the Institute to continue to promote discussion and debate on policy approaches to the issues raised by the ageing of Australia's population and to maintain the momentum started this year in the area of genetics.
- 3.69 Another area in which we are already preparing to provide input is in relation to the role of the Government Actuary. John Trowbridge said in his Presidential Address in 1998 *we should work actively to promote the role and the significance of the Government Actuary.*
- 3.70 Since then we have not done as much as we should and the position and influence of this office appears to have declined. The Public Policy Council Committee is currently developing a discussion paper for consideration by Council to canvass options for the role of the Government Actuary's office and issues to consider in relation to these options. This will assist in developing Council's view on how to take this issue forward, the views that the Institute may wish to express and the action plan for doing so. My view is that the actuarial profession, and also the public, would benefit significantly from having a strong Australian Government Actuary's office providing input to Government and Government departments on a broad range of public policy issues, and that the Institute should seek ways to actively promote and support this.

- 3.71 During 2001 the Public Awareness Council Committee was renamed the Communications Council Committee to more clearly express its role in both internal and external communication activities. It has, among other things, overseen the revamping of the Institute's publications, assisted with the launch of the web-site, helped co-ordinate our media strategy and assisted with the development of the Member Survey.
- 3.72 In 2002 I am keen for this Committee to revisit the Institute's marketing plan; update it, revive some of the concepts (like CEO lunches) and also develop new ideas for marketing the Institute and the actuarial profession. In 2000 the UK Institute and Faculty developed a paper on a promotional strategy for the actuarial profession. The paper advocated the need to develop a striking image for the profession and a new language for the way in which the profession presents and describes itself. The paper also advocated that it is more important for the strategy to focus on how we *want* actuaries to be perceived (rather than what an actuary is). It included suggestions for the desired perception of actuaries, and objectives and actions for key target audiences for the promotional strategy. Many of the ideas in the paper are equally relevant for the Australian profession and should be taken into account in revising our marketing plan in 2002.
- 3.73 There is clearly still a need to promote a better image for the profession and change how we are perceived, both externally and by the profession itself. The last question of the Member Survey asked members to describe their view of the actuarial profession. Over 40% of the responses conveyed negative views, including words and phrases like insular, in danger of becoming irrelevant, outdated, boffins, somewhat arrogant and under-appreciated. The responses in relation to how members thought actuaries are perceived in their industry or sector had an even higher proportion of responses expressing negative views and used many similar words and phrases to those above. This image **must** be changed if we want the actuarial profession to continue to thrive, and to increase its influence. However this will only be achieved if the Institute and its members commit to making it happen through developing a positive image for the Actuary brand and actively and widely promoting that brand.

Summary and Focus for 2002

- 3.74 Although it appears extensive, the above summary of some of the Institute's activities in 2001 does not do justice to the full range of activities undertaken. However it does, I believe, support my view that we were indeed successful in making progress in most of the priority areas identified in the 2001 Strategic Plan. Nevertheless, there is always more to do.
- 3.75 You will also see from my suggestions above in relation to 2002 that, in broad terms, I do not see a need for significant change to the Institute's Strategic Plan for 2002. There is a need for it to be updated to reflect the progress made on a number of key areas and for the next steps in some of these areas to be included as new action items. However the broad thrust remains appropriate.

- 3.76 What will be important in 2002, I believe, will be to more actively prioritise the activities to be undertaken, and to ensure that sufficient action occurs in these priority areas by implementing appropriate monitoring, accountability and review processes. I also feel that there is a need to more effectively communicate the plan, required actions and priorities from Council to all of the Institute's committees and all Institute members.
- 3.77 Sections 4, 5 and 6 elaborate on what I see as some of the key issues for the Institute in 2002 (and beyond).

4 THE INSTITUTE, ITS MEMBERS AND THEIR EMPLOYERS

Chapter Five in which Piglet meets a Heffalump

Pooh looked round to see that nobody else was listening, and said in a very solemn voice: 'Piglet, I have decided something.'

'What have you decided, Pooh?'

'I have decided to catch a Heffalump.'

Pooh nodded his head several times as he said this, and waited for Piglet to say 'How?' or 'Pooh, you couldn't!' or something helpful of that sort, but Piglet said nothing. The fact was Piglet was wishing that *he* had thought about it first.

'I shall do it,' said Pooh, after waiting a little longer, 'by means of a trap. And it must be a Cunning Trap, so you will have to help me, Piglet.'

'Pooh,' said Piglet, feeling quite happy again now, 'I will.' And then he said, 'How shall we do it?' and Pooh said, 'That's just it. How?' And then they sat down together to think about it.

Pooh's first idea was that they should dig a Very Deep Pit, and then the Heffalump would come along and fall into the Pit, and—

'Why?' said Piglet.

'Why what?' said Pooh.

'Why would he fall in?'

Pooh rubbed his nose with his paw, and said that the Heffalump might be walking along, humming a little song, and looking up at the sky, wondering if it would rain, and so he wouldn't see the Very Deep Pit until he was half-way down, when it would be too late.

Piglet said that this was a very good Trap, but supposing it were raining already?

Pooh rubbed his nose again, and said that he hadn't thought of that. And then he brightened up, and said that, if it were raining already, the Heffalump would be looking at the sky wondering if it would *clear up*, and so he wouldn't see the Very Deep Pit until he was half-way down... When it would be too late.

Piglet said that, now that this point had been explained, he thought it was a Cunning Trap.

Pooh was very proud when he heard this, and he felt that the Heffalump was as good as caught already, but there was just one other thing which had to be thought about, and it was this. *Where should they dig the Very Deep Pit?*

Piglet said that the best place would be somewhere where a Heffalump was, just before he fell into it, only about a foot further on.

'But then he would see us digging it,' said Pooh.

'Not if he was looking at the sky.'

'He would Suspect,' said Pooh, 'if he happened to look down.' He thought for a long time and then added sadly, 'It isn't as easy as I thought. I suppose that's why Heffalumps hardly ever get caught.'

'That must be it,' said Piglet.

They sighed and got up; and when they had taken a few gorse prickles out of themselves they sat down again; and all the time Pooh was thinking to himself, 'If only I could *think* of something!' For he felt sure that a Very Clever Brain could catch a Heffalump if only he knew the right way to go about it.

'Suppose,' he said to Piglet, '*you* wanted to catch *me*, how would you do it?'

'Well,' said Piglet, 'I should do it like this. I should make a Trap, and I should put a Jar of Honey in the Trap, and you would smell it, and you would go in after it, and—'

'And I would go in after it,' said Pooh excitedly, 'only very carefully so as not to hurt myself, and I would get to the Jar of Honey, and I should lick round the edges first of all, pretending that there wasn't any more, you know, and then I should walk away and think about it a little, and then I should come back and start licking in the middle of the jar, and then—'

'Yes, well never mind about that. There you would be. And there I should catch you. Now the first thing to think of is, What do Heffalumps like? I should think acorns, shouldn't you? We'll get a lot of—I say, wake up, Pooh!'

Pooh, who had gone into a happy dream, woke up with a start and said that Honey was a much more trappy thing than Haycorns.

A.A. Milne, 'Winnie-the-Pooh', pp52-54

The Institute, its Members and Their Employers

- 4.1 Pooh and Piglet are aware that to catch a Heffalump you need to offer something that appeals to them – honey or acorns depending on whether you are Pooh or Piglet. The same applies to the Institute and its members, and to the employers of those members. If we want actuaries to be involved in, and supportive of, the activities of the Institute, we need to offer services, activities and benefits that they value and that meet their needs.
- 4.2 My view of what is important, valuable and interesting will be different to yours. Obviously, not everyone wants the same thing – so the Institute needs to offer honey AND acorns to appeal to the different interests of its members (and their employers). Further, we need input from members to tell us what they want. Otherwise we run the risk that Pooh will decide you all want honey and Piglet will decide you all want acorns, when in fact some of you want jam and others want cashews!
- 4.3 In the same way we need to be aware of what is important to those outside the profession with whom we interact, i.e. government and other politicians, their advisers, industry representatives, and the public. We need to consider issues from their perspective, not just ours. I elaborate on this issue of perspective in Section 5, in relation to public policy.
- 4.4 The Member Survey was aimed at finding out what was important to Institute members and how well they perceived the Institute was currently meeting their needs. Some initial comments on the results of the survey were provided in Section 3 and further comments are included below.

Level of participation and support

- 4.5 A significant number of Institute members play an active role in the profession. There are around 2,500 members of the Institute in total, of which around 1200 are Fellows. This year's annual report lists over 500 members involved in education and as members of various committees, sub-committees and taskforces. The majority of those involved in education and committees would be Fellows. There is some duplication on these lists, as many Fellows would be on more than one committee and may also be involved in education. However, this suggests that around a third, say, of Fellows have participated in the Institute's education activities and committees and taskforces in the last year. While this appears a relatively high proportion, clearly there are also many members that do not contribute to the education and committee work undertaken by the Institute or that participate to a very limited extent.
- 4.6 For our committees to be vibrant there is a need for new members that can inject fresh ideas and perspectives, however it appears to be increasingly difficult to find members willing to be involved.
- 4.7 The last few Council elections have not drawn wide interest from members wishing to stand. Although there were eight candidates for the five positions this year, significant effort was required of the presidential group and other Council members to achieve this level of nominations. (I was also particularly disappointed that there were no female candidates in this year's Council elections.)

- 4.8 An increasing number of Associates and Fellows feel the Institute is of less relevance to them as they move into different areas of employment. Employers too seem less supportive of the involvement of the actuaries that they employ in Institute activities, both as members of committees and in attending seminars, forums and conferences.
- 4.9 There has been a decline in attendance at sessional and other Institute meetings and activities in recent years. The attendance at Institute activities such as seminars, conferences and sessional meetings has been better in recent months, although there is clearly some variation depending on the topic, time involved and so on. The increased attendance has been helped by more active promotion of forthcoming events. However there continues to be considerable room for improvement. Further, attendance levels are not necessarily a good indication of active participation. It is disappointing, for example, that there continues to be only a handful of members actively contributing to discussion at sessional meetings.
- 4.10 While it is unrealistic to expect that every member will be able or willing to be involved in the Institute, I believe it is desirable to have higher levels of participation. As I have indicated earlier, there are a huge range of issues and activities that the Institute needs or would like to pursue. Increased participation would allow us to achieve more of our aims and objectives, and to achieve them more quickly. It would also allow us to spread the level of activity more widely across the profession, whereas at present it is often a relatively small group of actuaries who are putting a significant amount of time and effort into Institute activities. I elaborate further on the importance of participation below.
- 4.11 To achieve greater participation we need to understand why many actuaries are unwilling or unable to be involved in education and on committees, or to attend Institute events. We will then be in a better position to decide what, if anything, we can and should do about it. A key aim of the Member Survey was to answer some of these questions.
- 4.12 Members indicated in the survey that promotion of the profession externally was important, and that the Institute needed to improve its performance in these areas. However these promotional activities are developed and undertaken by Institute committees, which require member participation. Similarly, the survey responses indicated that CPD activities were important and needed to be improved. Again, this requires member support and participation.
- 4.13 The attitude of employers is clearly important in influencing the level of involvement of actuaries in Institute activities. Some employers support (to varying degrees) the participation of the actuaries they employ and others do not. The survey results indicated that a relatively high proportion of employers (over 73%) provide financial support, however only 55% support time commitment by their employees for involvement in the Institute. Over 10% of respondents indicated that their employer does not support their Institute involvement.
- 4.14 Clearly we need to better articulate the value to actuaries and employers of the services and activities provided by the Institute, and the reasons why participation in education, committees and Institute activities is important.

- 4.15 As I indicated in Section 3, the survey results suggest that a reasonable proportion of members (between 30% and 60%) attended sessional meetings, conventions and seminars in the last 2 years and/or expect to do so in the next 2 years. Also, around 15 to 30% have participated in research, writing papers or committees and work groups in the last 2 years and/or expect to participate in these activities in the next 2 years. This probably represents a higher involved proportion than is the case for many other professions. However without this level of support and involvement from members the Institute would not be able to achieve all that it currently does, and without a higher level of involvement it will not be able to achieve all that it (and its members) would like to achieve in future. Those members that have participated in Institute activities, committees and so on have hopefully enjoyed and valued the benefits of this participation and I would encourage them to communicate the value and benefits of active involvement to all Institute members.

The value and importance of participation

- 4.16 If we consider what the Institute provides for or offers to its members, I would include the following (not necessarily in order of importance):
- opportunities for sharing ideas and stimulating creativity and innovation
 - information that allows us to keep up to date on industry developments
 - support for, and access to, research
 - opportunities to build business and personal relationships
 - the development of skills and intellectual capital
 - maintenance of the value of our qualification
 - access to a global qualification and profession, and
 - the means to influence public policy.
- 4.17 Others may well be able to add things to the above list, and some of the items listed will have greater importance or value to some members than to others. However ALL of us gain to some extent from these things. I would argue that we gain most value as a profession if more Institute members are active in all of the Institute's activities. This allows more sharing of ideas, increased innovation and creativity, greater development of intellectual capital, wider networks of business and personal relationships, and a stronger ability to influence public policy. In a sense there is a snowball effect – if more people participate then the value of participation should increase.
- 4.18 Value is often only measured in a financial or economic sense and by what we as individuals gain. While this is clearly important, I would like to encourage actuaries, and their employers, to take a broader view when assessing the value of participation in the Institute. To quote from Tim Costello, in his book 'tips from a travelling soul-searcher' (tip number four 'Water them geraniums', p95):

Traditions of measurement of national economies seem to be deeply entrenched, supported by the orthodoxy of economists and mostly unchallenged by the rest of us. Robert F. Kennedy movingly described the hollowness of defining national progress by mere material accumulation in a speech made as long ago as 1968....He [Kennedy] says,

the gross national product does not allow for the health of our children, the quality of their education, or the joy of their play. It does not include the beauty of our poetry or the strength of our marriages; the intelligence of our public debate or the integrity of our public officials. It measures neither our wit nor our courage; neither our wisdom nor our learning; neither our compassion nor our devotion to our country; it measures everything, in short, except that which makes life worthwhile. (R. F. Kennedy, 1968)

The rhythms and rituals of one's home base are life-giving and heart-warming to all who have the good fortune to experience them. We need to participate in them regularly in order to stay grounded and connected with our soul's roots.

- 4.19 What does this mean in the context of the actuarial profession? I believe it means that there is more to be gained from active participation in the Institute, and indeed the broader community, than can be measured in financial or economic terms. While the commercial relevance and value of our activities is clearly important, I would urge every reader of this Address to take a broader view when deciding whether and how to contribute to the profession.
- 4.20 There is a significant degree of intangible or immeasurable benefit that derives from participation – for both those who participate and those that are affected by their participation. For example, we would all regard the role that parents play in the development of children as something of value, to both the children and the parents, but it is difficult to measure the value of that contribution in financial or economic terms. In the same way, the role that we play in developing others through participation at work and in Institute activities is of significant value, but the value of that contribution is difficult to measure. The image of the actuarial profession would be significantly enhanced if actuaries showed sensitivity to, and awareness of, the intangible rewards referred to in the quote from Robert Kennedy above.
- 4.21 If there were an over-riding message that I would like to leave with anyone who reads this Address, it would be **participate and be involved**. Individuals that participate and are involved outside the (narrow) focus of their day to day work are likely to add more value for their employer. Employers need employees who are active participants in the broader business community to bring new ideas, challenge existing ways of doing things and hence better contribute to the continuing success of the employer. The community at large also benefits from the active interest and involvement of a wide range of participants.

- 4.22 The principle that ‘two heads are better than one’ applies. Sharing and discussing ideas and problems with others helps improve the solution or outcome. This applies in a work context, but it also translates to interactions outside work.
- 4.23 We must also remember that the nature of a profession is that it passes learning from one generation to the next. It is the duty of one generation of actuaries to assist, support and train the next generation of actuaries, through involvement in actuarial education, participation in CPD activities and so on. Employers benefit from the skills and knowledge of the actuaries they employ and should expect those skills and knowledge to be shared within the profession (subject of course to commercial confidentiality). That sharing takes a commitment of time, however the time commitment is small relative to the value the employer gains from the initial development of actuarial skills in the actuaries they employ, and the maintenance and enhancement of those skills through continued participation in the profession.
- 4.24 In my view, the actuarial profession will be strongest and most successful if we actively participate within the profession, and if the profession actively engages with business, government and the public. Tim Costello makes a similar point, albeit from a different perspective. Tip number five in his book is ‘Catch a tram and be a citizen’ and in this chapter he discusses how trams provide opportunities for communal sharing and participation in Melbourne. At the end of this chapter (p119) he says:
- There is indeed a strength which can only be developed when we reach out to engage with the world around us. Involvement and identification with our own communities means that we can share the songs we sing with others. It is not surprising that...recent research suggests that the strongest and most economically prosperous communities are the ones which sustain enthusiastic local choral societies.... Community life is stronger than the vicissitudes of any particular life. That is why, if we are wise, we will catch plenty of trams and insist on taking a role in our community...*
- 4.25 I am not suggesting that we have an actuarial choir (although I suspect we could put together a very good one!) or that we should all spend lots of time on public transport. Rather, I believe it is important to the success and strength of the actuarial profession that we *engage with the world around us* – both within the profession and beyond.
- 4.26 I will regard my year as President as having been a success if there are:
- more, and different, actuaries actively involved in Institute activities and committees;
 - more employers actively supporting and valuing the involvement of the actuaries they employ in Institute activities; and
 - more Government representatives, politicians, Government departments and agencies, industry bodies and community organisations that recognise the value that actuaries can add across a broader spectrum of issues.

How do we achieve participation?

- 4.27 There are many steps that could be taken to increase participation in Institute activities. Clearly a first step will be to review and consider the feedback provided in the Member Survey, to determine what is required to align the services and benefits provided by the Institute more closely with the needs and interests of its members. However the best results are likely to be achieved if members themselves suggest ways to increase participation.
- 4.28 Some initiatives that I am planning for the Institute to pursue include:
- continuing to enhance and extend the CPD program so that the variety of formats, topics, times and venues meets the requirements and interests of the broad spectrum of the Institute's membership;
 - developing further links with other organisations such as the Securities Institute, GARP, and the Asia Australia Institute for education, CPD and other Institute activities;
 - reviewing the marketing plan for the Institute to include specific actions to actively promote the Institute to current and potential employers of actuaries, and to Institute members, for example organising meetings with employers to outline the value to them of supporting the participation of their actuaries in the Institute;
 - implementing the 'lunch with the President' meetings and 'e-mail the President' proposals outlined above to improve member communication;
 - increasing the use of the web-site and electronic communication to actively promote Institute activities; and
 - reviewing the management of, and recruitment to, committees to improve their effectiveness and ensure that those who do wish to be involved are able to be, and also find the experience rewarding.
- 4.29 However I am sure there are many more ideas that could be considered. I would welcome feedback and additional suggestions from members, to better enable us to meet your expectations.

5 ACTUARIES AND PUBLIC POLICY

Chapter Six in which Eeyore has a birthday and gets two presents

[Eeyore is sad because he hasn't had any birthday presents, so Pooh hurries home to find a present for Eeyore and there meets Piglet.]

The first thing Pooh did was to go to the cupboard to see if he had quite a small jar of honey left; and he had, so he took it down.

'I'm giving this to Eeyore,' he explained, 'as a present. What are *you* going to give?'

'Couldn't I give it too?' said Piglet. 'From both of us?'

'No,' said Pooh. 'That would *not* be a good plan.'

'All right, then, I'll give him a balloon. I've got one left from my party. I'll go and get it now, shall I?'

'That, Piglet, is a *very* good idea. It is just what Eeyore wants to cheer him up. Nobody can be uncheered with a balloon.'

So off Piglet trotted; and in the other direction went Pooh, with his jar of honey.

It was a warm day, and he had a long way to go. He hadn't gone more than half-way when a sort of funny feeling began to creep all over him. It began at the tip of his nose and trickled all through him and out at the soles of his feet. It was just as if somebody inside him were saying, 'Now then, Pooh, time for a little something.'

'Dear, dear,' said Pooh, 'I didn't know it was as late as that.' So he sat down and took the top off his jar of honey. 'Lucky I brought this with me,' he thought. 'Many a bear going out on a warm day like this would never have thought of bringing a little something with him.' And he began to eat.

'Now let me see,' he thought, as he took his last lick of the inside of the jar, 'where was I going? Ah, yes, Eeyore.' He got up slowly.

And then, suddenly, he remembered. He had eaten Eeyore's birthday present!

'*Bother!*' said Pooh. 'What *shall* I do? I *must* give him *something*.'

For a little while he couldn't think of anything. Then he thought: 'Well, it's a very nice pot, even if there's no honey in it, and if I washed it clean, and got somebody to write "A Happy Birthday" on it, Eeyore could keep things in it, which might be Useful.'

[While all this was happening, Piglet had gone back to his own house to get Eeyore's balloon. But as he was running to Eeyore he tripped and the balloon burst.]

'Oh, dear!' said Piglet. 'Oh, dear, oh, dearie, dearie, dear! Well, it's too late now. I can't go back, and I haven't another balloon, and perhaps Eeyore doesn't *like* balloons so *very* much.'

So he trotted on, rather sadly now, and down he came to the side of the stream where Eeyore was, and called out to him.

'Good morning, Eeyore,' shouted Piglet.

'Good morning, Little Piglet,' said Eeyore. 'If it *is* a good morning,' he said. 'Which I doubt,' said he. 'Not that it matters,' he said.

'Many happy returns of the day,' said Piglet, having now got closer....

'Meaning me?'

'Of course, Eeyore.'...

'Me going on having a real birthday?'

'Yes, Eeyore, and I brought you a balloon.'

'*Balloon?*' said Eeyore. 'You did say balloon? One of those big coloured things you blow up? Gaiety, song-and-dance, here we are and there we are?'

'Yes, but I'm afraid – I'm very sorry, Eeyore – but when I was running along to bring it to you, I fell down....I burst the balloon!'

Cont...

‘Is this it?’ said Eeyore, a little surprised.
 Piglet nodded.
 ‘My present?’
 Piglet nodded again.
 ‘The balloon?’
 ‘Yes.’
 ‘Thank you, Piglet,’ said Eeyore. ‘You don’t mind my asking,’ he went on, ‘but what colour was this balloon when it – when it *was* a balloon?’
 ‘Red.’
 ‘I just wondered....Red,’ he murmured to himself. ‘My favourite colour...’

[and then along came Pooh]
 ‘Many happy returns of the day,’ called out Pooh, forgetting that he had said it already.
 ‘Thank you, Pooh, I’m having them,’ said Eeyore gloomily.
 ‘I’ve brought you a present,’ said Pooh excitedly.
 ‘I’ve had it,’ said Eeyore.
 Pooh had now splashed across the stream to Eeyore, and Piglet was sitting a little way off, his head in his paws, snuffling to himself.
 ‘It’s a Useful Pot,’ said Pooh. ‘Here it is. And it’s got “A Very Happy Birthday with love from Pooh” written on it. That’s what all that writing is. And it’s for putting things in. There!’
 When Eeyore saw the pot, he became quite excited.
 ‘Why!’ he said. ‘I believe my Balloon will just go into that Pot!’
 ‘Oh, no, Eeyore,’ said Pooh. ‘Balloons are much too big to go into Pots. What you do with a balloon is, you hold the balloon —’
 ‘Not mine,’ said Eeyore proudly. ‘Look, Piglet!’ And as Piglet looked sorrowfully round, Eeyore picked the balloon up with his teeth, and placed it carefully in the pot; picked it out and put it on the ground; and then picked it up again and put it carefully back.
 ‘So it does!’ said Pooh. ‘It goes in!’
 ‘So it does,’ said Piglet. ‘And it comes out!’
 ‘Doesn’t it?’ said Eeyore. ‘It goes in and out like anything.’
 ‘I’m very glad,’ said Pooh happily, ‘that I thought of giving you a Useful Pot to put things in.’
 ‘I’m very glad,’ said Piglet happily, ‘that I thought of giving you Something to put in a Useful Pot.’
 But Eeyore wasn’t listening. He was taking the balloon out, and putting it back again, as happy as could be....

A. A. Milne, ‘Winnie-the-Pooh’, pp71-80

Actuaries and Public Policy

- 5.1 I have included this tale in this section to illustrate perspective. (Of course, we also need to acknowledge that Pooh cannot be trusted with a jar of honey and Piglet is a little clumsy.)
- 5.2 Perspective is an important element of participation in debate and discussion on public policy issues. Pooh assumes that an appropriate present for Eeyore is a jar of honey – but this is what Pooh likes rather than Eeyore. And both Pooh and Piglet are concerned that Eeyore will not appreciate their presents of an empty honey jar and a burst balloon. However Eeyore is delighted with his presents, because he views them from a different perspective.
- 5.3 When the Institute participates in the public policy arena, it is important that we appreciate the perspective of other participants and take account of these perspectives in both formulating and expressing our views on policy issues. I comment further on this at the end of this section.

- 5.4 Of course, appreciating and understanding the perspective of others has much broader application than just the public policy area. As I indicated in Section 4, it is also very relevant to the Institute, and the benefits and services it provides to its members and their employers. In fact, it applies to everyone, in all facets of their interaction with others.

The Role of the Institute in Public Policy

- 5.5 As I indicated in Section 3, the Institute made significant contributions to public policy in a range of areas in 2001, and there are many opportunities for this to continue in 2002 (and beyond). Policy developments are already expected in many areas (such as general insurance, health and superannuation) and there is a need for policy action in others (for example to address ageing population issues).
- 5.6 I am aware that there are different views held by Institute members in relation to the extent to which we should engage in debate and discussion on policy issues. John Trowbridge indicated in his Presidential Address that his theme of Pathways to the Future was ... *about being pro-active and optimistic regarding future events, about influencing them rather than waiting for them to happen.*
- 5.7 The Institute's mission statement (which builds on our Constitution) includes as one element that the Institute *contributes to and informs debate on public policy.* My strong view is that we have a duty to the public to contribute our views in areas where we can add value or improve outcomes. We should indeed be pro-active, and influence future events rather than waiting for them to happen. The issue is therefore more one of how and when we contribute, rather than whether we should.
- 5.8 Our role as professionals should generally be as an impartial and unbiased contributor, rather than lobbying from a particular perspective. There will therefore be many times when it is appropriate for the Institute **not** to promote a particular view or outcome. Rather we should outline the implications and likely outcomes from alternative approaches or courses of action.
- 5.9 Two recent examples of when this approach was appropriate were in relation to the introduction of the 30% rebate for private health insurance and the recent public discussions on protection of employee entitlements in the wake of a number of corporate collapses. Both of these areas are highly political and it is therefore appropriate that we refrain from advocating particular policy solutions or views. This does not mean that we do not make a contribution on these policy issues. There is still significant scope for us to provide advice on likely implications and outcomes. In these cases effective communication is crucial to ensure that our message is clear and will not be misinterpreted.
- 5.10 However there will be times when we **should** be prepared to advocate support for or opposition to policy initiatives. The most recent example of when such a stance was appropriate was in relation to the introduction of an Approved Actuary role in general insurance legislation. Our submissions in relation to the proposed legislation for general insurance quite clearly supported the introduction of a legislated role for actuaries and provided advice on the appropriate nature and extent of that role. While we always

need to be careful not to be seen as ‘pushing our own barrow’, the arguments in support of the value that actuaries could add in this area were widely accepted, particularly in the wake of the HIH collapse.

The Need for Research to Underpin Policy Positions

- 5.11 If we are to play a role in public policy we must *actively undertake research, analysis and synthesis that enable us to offer relevant advice.* (Trowbridge, 1998)
- 5.12 We will only be listened to if there is substance underpinning the policy views we express. Maintaining our role as impartial and unbiased contributors on public policy issues requires a significant investment of time and effort to understand the issues, analyse the likely outcomes of alternative approaches and from that base formulate appropriate policy positions. This reinforces the views I expressed in Section 4. We will only be able to contribute effectively, and influence outcomes, on public policy issues if there is active participation across the broad spectrum of Institute members in the formulation of our policy contributions.
- 5.13 This requires committees to be representative of Institute members, appropriate research to be undertaken to support the Institute’s policy positions, and mechanisms developed to ensure that a rigorous policy development process is followed. We need to actively promote the research that we undertake in relevant external forums, so that we enhance the value we gain from undertaking it. We must ensure that the time of members that contribute to research and policy initiatives is used effectively by prioritising and focusing the research undertaken on relevant issues or areas, and that there is appropriate recognition and support for these members.
- 5.14 In Section 3 I indicated that an area in which I would like to see the Institute continue to promote discussion and debate is in relation to the many issues associated with Australia’s ageing population. This is an area that is also very political, covers a wide range of issues, and involves many complex and competing objectives and perspectives. Hence it is probably an area where the Institute should **not** take a particular stance, but rather should contribute to the understanding of the implications of different solutions and approaches. It is also precisely the type of policy area where actuaries should be able to add significant value, through working through the competing objectives and the complexities to provide an increased understanding of the various interactions and implications.
- 5.15 To be able to do this effectively is likely to require a significant research effort by Institute members. We will also need to ensure that we focus not just on developing solutions to the problems, but also on effectively communicating the solutions and how they can be applied.
- 5.16 This is too important an issue for us to sit on the sidelines. We should ensure the research is undertaken and promote it widely. So I would encourage members to consider what contribution they can make in this (or other) policy areas. As a first step I propose to expand the terms of reference (and membership) of the Ageing Australia Taskforce, to consider how best the Institute can contribute to this policy area and the resources that may be required to contribute effectively. The taskforce will be encouraging members

with an interest in this area to participate in various initiatives, however as always, volunteers would be greatly appreciated!

Achieving an Agreed Policy Position

- 5.17 From time to time individual members criticise, and/or disagree with, the particular policy position advocated in Institute submissions. Members have also objected when they feel that they have not been consulted as part of the policy development process.
- 5.18 There is a consultative policy development process in place. Consider the case of submissions on particular policy proposals where the Institute has been asked, or wishes to, make a contribution. Where time permits, the relevant committee (often a practice committee) develops a draft submission, which is then reviewed by the Public Policy Council Committee, and/or Council and/or the presidential group. On very significant issues there may also be a process of exposing the draft response or submission to members. This process is more difficult to follow in full in the case of submissions that have to be made within a tight timeframe. However every endeavour is generally made to consult as extensively as possible with members within the time available, and particularly with those with expertise in the area.
- 5.19 Nevertheless, there is no doubt room to improve the policy development process and our communication with members about policy issues. I hope that the new web-site will be of assistance in this regard. For example, as I indicated earlier, the members-only section will allow draft submissions to be posted for feedback from members who are not on the committee that is developing the draft. We will also be able to set up discussion forums on particular issues to enable members to share their views as part of the policy development process. So those members that wish to contribute more actively to the Institute's policy development will have increased opportunities to do so. I would also encourage members who feel strongly about particular policy issues or areas to seek to play a more active role, for example by volunteering to join a committee or taskforce!
- 5.20 At the end of the day, someone (often Council and/or the presidential group) has to take account of the feedback obtained at various stages of the policy development process and make the final decision on the content of Institute submissions and policy papers. It is unrealistic to expect that every Institute member will agree with every detail of every submission that the Institute makes. What is important is that there are sufficient opportunities for review and input from a broad spectrum of the Institute's members. It is also important that we ensure that our submissions are balanced and objective, and that the particular views that we express are soundly based. This brings me back to the issue of perspective.

The Importance of Perspective

- 5.21 I started this section with a tale about perspective, and commented on the significance of perspective when contributing on public policy issues. Tim Costello also addresses the issue of perspective (in tip number nine 'Remember where a person is coming from', p203):

We may hear these obvious and fundamental truths, but we may not really absorb them unless we listen to others in their difference. Somehow, hearing these things from different perspectives helps us to learn the fundamentals more thoroughly....A new perspective can be the key to real knowledge.

*New perspectives can be gleaned from people who come from another generation, ethnicity or gender. But we also need to understand that **every** person has a different perspective, and that it comes from his or her own unique background. We see our reality from where we sit, but no one else sits in quite the same place. My tip is that it is important to remember that the view from other people's realities seems just as real to them as mine does to me, or yours does to you. We can ask ourselves, 'What must it be like to be in that person's shoes right now?' A soul-searcher who often asks that question is humbled, and this humility can be an important safeguard against taking a wrong turning.*

- 5.22 In contributing to public policy it is important that actuaries are humble, and consider and understand the perspectives of others that may also be making contributions on the same issue or be affected by the outcome. If we fail to consider the perspective of others when formulating and putting forward our views we will more than likely fail to influence the debate. This will particularly be the case on social issues, such as health, ageing and retirement incomes, where the participants in policy debate (and those affected by it) span an extremely wide spectrum of viewpoints.
- 5.23 We need to acknowledge that actuaries don't always know everything about an issue, and hence that our perspective may not be the only perspective and our solution may not be the only or the 'right' solution. For some of these social issues there is no 'right' solution!
- 5.24 As Tim Costello says, every person has a different perspective and we need to *listen to others in their difference*. We need to communicate with those that may have a different perspective, understand their views, and consider whether there are ways to address their concerns in putting forward our perspective on issues. This requires real, active listening. Tim Costello, in tip number thirteen 'leave space for grace and growth' (p284), says:

I suppose the tip I am making here for the soul-searchers of this world is that it is good to learn the discipline of sometimes standing back before or after making your own contribution, so that you can listen to another person's point of view even when you are convinced it is mistaken. It can be creative in a debate or discussion to allow that person to try out ideas without any threat of being labelled as a result. It is really important to allow for the possibility that someone may genuinely change his or her mind, and that 'somebody' may even be yourself. This will prepare the soil for the seed of grace.

- 5.25 If we genuinely listen to the views and perspectives of others we may be surprised to find that our perspectives on policy issues may shift as we accept (with grace) the validity and appropriateness of views other than our own! It is therefore important that we demonstrate that we are listening to the differences and understanding the alternative viewpoints. However, in formulating our view or contribution we must also always focus on the outcomes or implications for those affected by the particular policy issue

being considered and be prepared to put aside views and input that don't address that focus.

- 5.26 We also need to recognise when it is appropriate to compromise in relation to policy issues to achieve a reasonable (if not perfect) outcome, and when it is important to 'hold our line'. This has been clearly brought home to me in recent years through my involvement in 'negotiations' over both surcharge legislation and legislation dealing with the treatment of superannuation on divorce. We would have preferred a different approach or outcome in each of these cases. However by compromising on some issues (through listening to and understanding other perspectives) we achieved a better outcome than would otherwise have emerged, even if it was not our preferred position.
- 5.27 On some policy issues there will be advantages in working with other (non-actuarial) groups and individuals when developing Institute views and providing policy input. This proved very successful, for example, with the Genetics Taskforce and is also likely to prove fruitful in other areas, for example on ageing population and environmental issues. It provides access to different expertise, and different perspectives on the issues being addressed, and hence should improve the quality of the Institute's contribution. We should therefore actively seek to engage with others in contributing on public policy issues where this can be achieved without compromising our role as independent and unbiased advisers.

6 FUTURE DEVELOPMENTS IN ACTUARIAL EDUCATION

Chapter Nine in which Piglet is entirely surrounded by water

It rained and it rained and it rained. Piglet told himself that never in all his life, and *he* was goodness knows *how* old – three, was it, or four? – never had he seen so much rain. Days and days and days.

[Pooh had been sleeping after his Expedition to discover the East Pole when he awoke with water all around him.]

He splashed to his door and looked out

‘This is Serious,’ said Pooh. ‘I must have an Escape.’

So he took his largest pot of honey and escaped with it to a broad branch of his tree, well above the water, and then he climbed down again and escaped with another pot... and when the whole Escape was finished, there was Pooh sitting on his branch, dangling his legs, and there, beside him, were ten pots of honey....

Two days later, there was Pooh, sitting on his branch, dangling his legs, and there, beside him, were four pots of honey....

Three days later, there was Pooh, sitting on his branch, dangling his legs, and there, beside him, was one pot of honey.

Four days later, there was Pooh...

And it was on the morning of the fourth day that Piglet’s bottle came floating past him, and with one loud cry of ‘Honey!’ Pooh plunged into the water, seized the bottle, and struggled back to his tree again.

‘Bother!’ said Pooh, as he opened it. ‘All that wet for nothing. What’s that bit of paper doing?’

He took it out and looked at it.

‘It’s a Missage,’ he said to himself, ‘that’s what it is. And that letter is a “P”, and so is that, and so is that, and “P” means “Pooh”, so it’s a very important Missage to me, and I can’t read it. I must find Christopher Robin or Owl or Piglet, one of those Clever Readers who can read things, and they will tell me what this missage means. Only I can’t swim. Bother!’

Then he had an idea, and I think that for a Bear of Very Little Brain, it was a good idea. He said to himself:

‘If a bottle can float, then a jar can float, and if a jar floats, I can sit on top of it, if it’s a very big jar.’

So he took his biggest jar, and corked it up.

‘All boats have to have a name,’ he said, ‘so I shall call mine *The Floating Bear*. And with these words he dropped his boat into the water and jumped in after it.

For a little while Pooh and *The Floating Bear* were uncertain as to which of them was meant to be on top, but after trying one or two different positions, they settled down with *The Floating Bear* underneath and Pooh triumphantly astride it, paddling vigorously with his feet.

[Pooh floats to Christopher Robin, who tells him that the message is from Piglet, and they decide to head off to rescue Piglet from the water.]

‘Now then, Pooh,’ said Christopher Robin, ‘where’s your boat?’

‘I ought to say,’ explained Pooh as they walked down to the shore of the island, ‘that it isn’t just an ordinary sort of boat. Sometimes it’s a Boat, and sometimes it’s more of an Accident. It all depends.’

‘Depends on what?’

‘On whether I’m on the top of it or underneath it.’

[Pooh and Christopher Robin agreed that The Floating Bear was too small to rescue Piglet.]

Cont....

And then this Bear, Pooh Bear, Winnie-the-Pooh, F.O.P. (Friend of Piglet's), R.C. (Rabbit's Companion), P.D. (Pole Discoverer), E.C. and T.F. (Eeyore's Comforter and Tail-finder) – in fact, Pooh himself – said something so clever that Christopher Robin could only look at him with mouth open and eyes staring, wondering if this was really the Bear of Very Little Brain whom he had known and loved so long.

'We might go in your umbrella,' said Pooh.

A.A. Milne, 'Winnie-the-Pooh', pp122-130

Future Developments in Actuarial Education

- 6.1 This tale is about problem solving, and so it seemed apt to include it at the start of this section on future developments in actuarial education. A key focus of actuarial education, and in particular the Actuarial Control Cycle, is problem solving. Learning appropriate tools, developing necessary skills and applying those tools and skills to solve problems.
- 6.2 Pooh solves three problems in this tale – his Escape from the rising water on The Floating Bear, getting to someone who can help him read the Message, and coming up with a way to rescue Piglet. Perhaps it could even be argued that Pooh applies the Control Cycle – identifying the problem, applying the right tools to solve the problem, monitoring experience and adjusting the solution!
- 6.3 It should also be noted that in this tale Pooh moves from helping himself to working to save his friend (Piglet). He also seeks help from someone else (Christopher Robin) when he realises that he does not have the skills needed to solve the problem of reading the Message. This links with my themes of participation (helping others) and perspective (acknowledging that others also have a contribution to make and value to add).

The Need for an Education Strategy

- 6.4 One of the actions in the 2001 Strategic Plan was to establish and implement a continuous review process for the overall actuarial education program. This process exists to some extent, as we have reviewed and upgraded many aspects of the education system over a number of years. Much work has been undertaken by a number of committees and taskforces in this regard, reviewing and recommending changes to Australian actuarial education. However the process has tended to be somewhat ad hoc and to have a reasonably short-term focus.
- 6.5 I believe there is a need to develop a current, encompassing education strategy, to ensure that the process for reviewing and maintaining the standard of Australian actuarial education is proactive, and is undertaken as part of long term planning for the development of the actuarial profession, both in Australia and globally.
- 6.6 The current education system reflects implementation of an education strategy that was developed in the early 1990's and articulated (in part) in the 1994 paper from the Education Management Committee (Actuarial Education for the Next Century). There have been significant changes in actuarial education and practice since that time, and will be more in future, and so there is a need to review and update this strategy.

- 6.7 Some of the changes to which our education system may need to respond over the next five years or so include:
- changes to the UK and US education system as a result of their current reviews;
 - the introduction of the IAA's international actuarial syllabus in 2005 and other developments in international actuarial education and qualifications;
 - changes in areas of actuarial involvement, requiring different skills and capabilities to be developed through the actuarial education process;
 - the need to maintain the level of technical skills acquired by actuaries, so that the value of the actuarial qualification is maintained and enhanced; and
 - the limited resources that are available to support the education system and process.
- 6.8 An Australian education strategy will allow us to anticipate, and hence respond to, these issues in a considered, strategic and effective way rather than on an issue by issue basis. The strategy would encompass a Vision and Mission statement for Australian actuarial education that sets the objectives and framework for where we wish to be in, say, five years. It would also include a five-year education business plan setting out the actions required to achieve that Vision. The business plan would be regularly monitored and reviewed, and the Council Education Committee would be accountable for its implementation. This will allow us to prioritise our education activities and make effective use of the resources available. Some of the initial work towards developing an education strategy is included in the overall Institute Strategic Plan, however a more focussed and comprehensive education strategic and business plan is needed.
- 6.9 The Australian actuarial education system is highly regarded internationally, and it is important for the Australian actuarial profession that it remains so. This requires us to continue to stay ahead of anticipated developments rather than rest on our laurels (or branches).

The Part II and Part III Reviews

- 6.10 Before outlining some of the education issues that I feel need to be considered in developing an Australian actuarial education strategy, I want to make some brief comments on the Part II and Part III Reviews that are already in progress.
- 6.11 The review of the Part II (Actuarial Control Cycle) syllabus is nearing completion and in 2002 the process of implementing the recommended changes to the syllabus will occur (including determining any necessary transitional arrangements). The revised syllabus will apply in 2003, and the Actuarial Control Cycle (ACC) textbook will be published and promoted, both in Australia and internationally, in 2002 to support the teaching of the revised syllabus.

- 6.12 The Taskforce that undertook the review felt that, based on their review of the existing syllabus and also feedback from members and students, the primary issue needing to be addressed was depth, rather than breadth, of learning. The suggested changes to the ACC syllabus have focused on making it more outcomes oriented by more explicitly indicating the level of learning expected from students and also focussing on the 'use of tools', rather than the 'tools' themselves.
- 6.13 The Review recommends that a number of new Aims and Objectives be introduced and that the wording of most of the current Objectives be revised. However, consistent with the above comment re depth versus breadth, there has been no significant or fundamental change recommended to the role or scope of the ACC subject. This role is both preparation for the Part III subjects (as part of the pathway to Fellowship) and providing a working knowledge of actuarial principles and techniques across a broad spectrum of problems. On completion of the ACC, students are expected to be able to apply the technical knowledge gained in Part I to problems at a level sufficient to justify designation as an Associate (subject to also meeting some other requirements).
- 6.14 The importance of new areas of actuarial application has been recognised and it is expected that new developments will be automatically incorporated in the syllabus in future. Importantly, the range of examples of application to be included is expected to cover what are regarded as traditional and non-traditional areas of actuarial practice.
- 6.15 Some concerns have been expressed in relation to the size and length of the course, and whether the changes to the syllabus have lengthened the course so that it cannot be covered in two semesters. The taskforce is of the view that this should not be the case because the revised syllabus anticipates that the recent changes to Part I will increase the level of knowledge of students commencing Part II, and hence assumes more pre-requisite knowledge. Also, it is not intended that examples from every area will be used to illustrate each Objective and/or Aim. Rather, one or two examples from different areas will be used to illustrate the principles and concepts underlying the Objectives, so that over the whole course a range of examples from all traditional practice areas and a number of non-traditional areas are covered.
- 6.16 This last point is extremely important, particularly for those involved in Part III education. There will need to be close liaison between the universities that provide the ACC course, the Part III Review Taskforce and the Institute committees responsible for the Part III programme, to ensure that there is an agreed understanding of the pre-requisite level of learning that can be assumed for the Part III programme.
- 6.17 The next phase in the review of Australian actuarial education is the Part III review. One purpose of this review is to build on the review of Part II, and consider the changes that may be required to the Part III subjects to reflect the revised Part II syllabus. However the terms of reference for the Part III review are much broader than that. It is expected that the Part III Review Taskforce will review the objectives, purpose, structure, and content of Part III, and its links with CPD and the ACC. The review also needs to reflect the developments that are occurring internationally in actuarial education and to take account of issues of accessibility through use of web-based delivery options.

- 6.18 This is a broader, strategic review and hence needs to be undertaken (in my view) within the context of the overall education strategy for Australian actuarial education. This suggests some urgency is needed in the development of at least the Vision and Mission elements of the Australian education strategy, so that the Part III Review Taskforce has a clear framework within which to conduct its review and develop its recommendations. The significance of both an Australian education strategy and the outcomes of the Part III Review mean that extensive consultation with members will be required in their development and implementation.

Developing Our Education Strategy

- 6.19 There are many issues that need to be considered when developing an Australian Education Strategy, and I have outlined some of these below. Many of the issues are inter-linked, and so it is only by having a comprehensive education strategy (taking a top-down rather than bottom up approach) that we can effectively manage the overall process to ensure the desired outcomes are achieved.

The Actuary Brand

- 6.20 The value of the Actuary brand is fundamental to the success of the profession. In order to maintain and expand the role of actuaries, and promote the value that actuaries can add, there needs to be certainty about the standard of our qualification i.e. what someone gets when they buy the Actuary brand. This means that we must ensure that the actuarial education system provides a product that matches the Actuary brand that we promote (both in capability and image), and that any changes to actuarial education do not detract from that brand.
- 6.21 The education strategy must therefore clearly articulate the brand (or image) that we wish to promote, and include criteria and a process that will allow us to test the output from Australian actuarial education against that brand.
- 6.22 This has in part been addressed by the development of capability statements that describe expected levels of practice for Associates and Fellows. These statements are intended to answer the question 'what are we educating for?' and hence provide the objectives for Part II and Part III actuarial education i.e. the end product that we expect to emerge.
- 6.23 The capability statements are generic, that is they provide broad statements of what actuaries should be able to do regardless of the organisational context and area(s) of specialisation. They also provide meaningful descriptions of the complex professional roles and tasks that are required of actuaries. However, while they provide a powerful tool, they need to be supplemented by the education strategy and its vision for the Actuary brand.
- 6.24 One of the important issues that we need to consider is what skills need to be learned by all those who will be able to call themselves an Actuary. Further comments on this issue are set out below.

Associate – Designation or Qualification

- 6.25 For some time there has been a view that the role and status of the Associate qualification needs to be reviewed. This was considered by a Membership Taskforce established in the mid-1990's, however further consideration of the status and role of Associate should occur as part of the development of the education strategy by the Council Education Committee. There are two main issues to be considered:
- should achievement of Associate status be more than a step on the pathway to being a Fellow (i.e. a qualification rather than a designation), and if so what rights or status should it have; and
 - can we, or should we, use it as a means to retain (and also attract) members that do not wish to follow the full pathway to FIAA qualification.
- 6.26 No doubt members will have a range of views on these issues, and these views need to be taken into account in formulating the Institute's strategy in relation to the Associate qualification.
- 6.27 The issue of attracting and retaining Associates can be dealt with in a number of ways. This links back to my comments in Section 4 in relation to the benefits and value that the Institute provides to its members. That is, we need to improve the perceived value of Institute membership and participation to Associates. Reviewing and acting on the response of Associates to the Member Survey will assist with this.
- 6.28 The proposed Affiliate category of members also addresses this issue to some extent. It creates an alternative designation that will allow those not wishing to pursue qualification as a Fellow to remain (or become) members of the Institute and have access to the membership benefits that provides (without having to be categorised as student members as is the case at present).
- 6.29 The issues related to the value of the Associate qualification, and in particular whether they are 'actuaries' and so should have some signing or statutory rights, are much more complex. In the US, for example, I understand there are some (mainly pension) actuaries that would prefer the Associate qualification to be attained on completion of the initial technical papers (our Part I) and specialist technical and application papers (our Part III). This approach is consistent with the Enrolled Actuary qualification under ERISA. The Fellowship would then be granted after completion of generalist application papers (our Part II). However this approach is at odds with the approach proposed in the international (IAA) syllabus, the current UK and Australian approach and the initial proposals from the US education review taskforce.
- 6.30 International developments are likely to influence future changes to the Associate qualification in Australia. As I have indicated earlier in this Address, the actuarial profession is one of the first truly global professions, and current initiatives in international education will enhance this. By 2005 a minimum level of actuarial education (based on an agreed international syllabus) will be required of all actuarial associations that wish to be full members of the IAA. This minimum syllabus equates broadly to our Part I

and II courses, and so a next step may well be a global 'Associate level' qualification. However it is likely that an IAA Associate will (at least initially) be primarily a designation for mutual recognition purposes rather than having other status (such as signing rights under legislation.)

- 6.31 Peter Clark (the current President of the UK Institute) advocated in his President's Address maintaining the current Fellowship standard for those who aspire to hold practicing certificates (i.e. have signing rights) but

would like to see a lower hurdle for the point at which someone is classed as an actuary, a full member of the profession. I recognise this is controversial, but, to my mind, it has much to commend it.

- *it retains the current Fellowship standard;*
- *it offers a very attractive option to those wanting to use their mathematical/actuarial skills in a broader context;*
- *for such people, it reduces the chances that a prolonged examination climb will remove their creative flair; and*
- *it opens up greater international opportunities in the area of mutual recognition and employer acceptance.*

- 6.32 The Australian profession needs to consider our views on these likely or possible international developments, such as how an international Associate qualification may relate to our current Associate qualification and hence the status it should or would have in the Australian context. We also need to consider the implications it would have for Australia if the UK did move to having 'actuary' status below fellowship level, and whether we would want to consider a similar approach. My view is that, under the current education system, we should look for other ways to create value for the Associate designation without conferring 'actuary' status.

- 6.33 If we were to consider an Associate as an actuary, with some form of signing rights, then we should also require the Professionalism course to be undertaken as part of completion of Part II and attaining the Associate qualification, rather than after Part III to qualify as a Fellow. There is an argument that this should be considered in any case, to provide increased emphasis on professional issues at an earlier stage of actuarial education.

- 6.34 We do not have practicing certificates in Australia, or designated qualifications based on particular practice areas. However this may not be sustainable in future, as legislative roles for actuaries demand particular capabilities and skills. We may therefore be headed towards a point where we need something akin to practicing certificates to allow actuaries to undertake particular types of work.

- 6.35 If this is the case we should be preparing for that development in anticipation when reviewing our CPD and education requirements. For example, I believe we should consider ways in which we can retain a single FIAA qualification, and use additional CPD modules to demonstrate that actuaries meet any additional requirements that may be imposed on actuaries undertaking particular legislated roles. This approach has more flexibility than developing specialist FIAA qualifications or practicing certificates for particular practice areas. It is also consistent with the Code of Conduct that relies on actuaries

to only practice in areas where they have appropriate experience, with completion of relevant CPD providing the means to demonstrate that this is the case.

Structure, Content and Delivery

- 6.36 Clearly the content of the actuarial education program is critical to maintaining the actuary brand. One of the key issues that we need to grapple with moving forward is how we make the education program flexible and adaptable to the changing needs and areas of practice of actuaries, without compromising the core capabilities that define the actuary brand. In other words, how do we expand the breadth of our education program without losing the depth of its technical content?
- 6.37 The Actuarial Control Cycle addresses this issue to some extent, by focusing on concepts across all areas of practice and using case studies and examples in a range of different areas to provide depth of knowledge. In principle, on completion of the ACC course, candidates will be able to translate the principles and concepts to other areas and hence expand their depth of knowledge in relation to problems not specifically covered in the course.
- 6.38 The Institute's education strategy needs to consider whether to build a similar, flexible approach into the structure of the Part III component. We need to be satisfied that those attaining the FIAA qualification have both the breadth and depth of knowledge that we believe is required, in relation to both assets/investments and liabilities. There is no easy solution to this, however I believe changes to the structure, content and delivery of Part III will be required to achieve it.
- 6.39 One particular issue that has been raised by some members is the level of investment knowledge that is compulsory for all Fellows. Financial economics is another area that is increasingly important for actuaries and is developing rapidly. We therefore need to consider the extent to which it needs to be incorporated in actuarial education and where it is most appropriate for it to be included.
- 6.40 A related question is whether it is sufficient that a Fellow completes Parts I and II and then two asset-related Part III subjects (i.e. investment and finance), or two liability-related Part III subjects (such as life and general insurance). Should we require candidates to undertake one asset and one liability Part III subject to obtain an FIAA qualification? Or are there other changes that we can and should make to the education requirements to ensure that those obtaining the Fellowship qualification have the breadth and depth of knowledge we believe is appropriate for the Actuary brand?
- 6.41 Given the changes in the financial services industry and areas of actuarial practice, I believe we need to consider moving away from a Part III structure that comprises large specialist subjects to a more flexible modular approach. Alternatively, or as a means to achieve this, we could extend the Actuarial Control Cycle approach so that Part III comprises an Assets and Investments course and a Liability course that all actuaries need to take to obtain their FIAA. To extend the depth of knowledge covered for particular specialist areas these two (Part III) courses could then be supplemented by CPD modules for particular practice areas.

- 6.42 A further alternative would be for Part II to comprise two separate parts – an asset/investments part and a liability part that, combined, would cover greater depth and breadth than the current Part II. Completion of Part II may then warrant designation as an ‘actuary’, after completion of a professionalism component. Fellowship would be attained by completion of perhaps just one specialist subject and/or relevant CPD modules in particular areas.
- 6.43 Repackaging Part III for CPD purposes is an initiative that I would like to see pursued. The advantage of this approach is that the CPD modules would also be useful for FIAs that wished to change practice area, and to demonstrate competence in a practice area for legislative signing responsibility (as an alternative to practicing certificates) as discussed above. A separate Assets and Investment subject that had to be completed by all actuaries may also assist with accreditation and recognition for the FIAA qualification for licensing under the Financial Services Reform Act.
- 6.44 Finally, a more modular approach to Part III education may widen the appeal of the actuarial education system (including CPD) to actuaries who wish to practice in a wider range of areas, and also to those who may not otherwise wish to pursue an actuarial qualification. It is also likely to make it easier to extend the range of areas in which ‘specialist’ education can be provided, as has occurred in the last few years with the development of Health CPD courses.
- 6.45 Another aspect related to actuarial education that requires consideration is the fostering of research. There is a serious risk that the technical skill level of actuaries will not be maintained relative to other professions and qualifications unless we continue to undertake research into new techniques and applications, and ways in which these can be applied in actuarial work. This needs to be reflected in our education system, by ensuring that the syllabus stays at the leading edge of developments and that a commitment to research is encouraged. The Institute allocates part of its budget to support research, which is usually undertaken by actuaries (and actuarial students) at universities. However we need to foster a broader commitment to research by the profession.
- 6.46 Finally, we need to continue to review the delivery of Part III education, for example to include increased use of electronic/web-based education techniques and tools.
- 6.47 From a resource perspective I believe we also need to consider increased use of university resources to deliver Part III education. This does not mean extending the length of university actuarial degrees. Rather, I envisage that the Universities would deliver Part III courses to candidates on an external and/or distance basis, as is currently the case with many students undertaking the ACC course. The Institute would maintain control of the standard of education and qualification through an accreditation process, in the same way as occurs now for Parts I and II. It may also be desirable to add a Professionalism exam conducted by the Institute, building on the current Professionalism course. This would provide the Institute with responsibility for, and control over, the final step in achieving FIAA qualification.

Conclusion

- 6.48 I have raised above just some of the education issues that need to be addressed, and suggested some possible solutions or approaches to address them. These are not the only issues or the only solutions, and I look forward to hearing the views of other members on the important area of the future of Australian actuarial education.
- 6.49 In concluding this section, let me take you back to the Pooh tale at the beginning of this section. There is another analogy here for the profession and actuarial education. The future (weather) is unpredictable, and so we need to be wary of resting on our laurels (branches). We must ensure that the education system equips actuaries to be adaptable, teaches them to think more broadly and to be able to apply their knowledge commercially and in broader contexts (i.e. to make boats out of empty honey jars or umbrellas depending on the circumstances). It should also encourage them to consider issues and problems from a range of perspectives, and to seek assistance and guidance from others (like Christopher Robin) when they can't solve the problem on their own.

7 SUMMARY AND CONCLUSIONS

Chapter Ten in which Christopher Robin gives a Pooh Party and we say good-bye

Pooh and Piglet walked home thoughtfully together in the golden evening, and for a long time they were silent.

‘When you wake up in the morning Pooh,’ said Piglet at last, ‘what’s the first thing you say to yourself?’

‘What’s for breakfast?’ said Pooh. ‘What do *you* say, Piglet?’

‘I say, I wonder what’s going to happen exciting *to-day*?’ said Piglet.

Pooh nodded thoughtfully.

‘It’s the same thing,’ he said.

.A. Milne, ‘Winnie-the-Pooh’, p145

- 7.1 Like Piglet, I wonder about the prospects for today and tomorrow. I look forward each day to the exciting developments that may occur. I particularly look forward to the next twelve months leading the actuarial profession in Australia.
- 7.2 The Institute needs to continue to build on the significant achievements in 2001, and over 2002 my aim is that we will:
- prioritise and focus our activities under an updated Strategic Plan to ensure effective use of the Institute’s limited resources, and also improve the monitoring of and accountability for progress in priority areas;
 - improve communication with members, in some of the ways proposed in this Address, about Institute activities, our strategic plan, actions being undertaken and progress being made in a range of areas;
 - analyse and act on the results of the Member Survey, with a focus on enhancing the relevance and value of the Institute, and the activities and services it provides, to members and employers, so that the level of participation by members in the Institute is increased;
 - develop an Australian education strategy and business plan to shape and guide future changes in the Australian education system, and in particular the Part III Review;
 - expand our international participation and involvement to further enhance the recognition and value of the Australian (and global) Actuary brand;
 - continue to enhance the role that actuaries play in public policy, through participation and representation that reflects consideration of issues from a broad range of perspectives and a renewed focus on research; and
 - revise and reinvigorate our marketing strategy for the profession, to promote a more positive image for the Actuary brand both externally but also within the profession itself.
- 7.3 The other key messages that I would like readers to take away from this Address relate to the importance of participation and perspective.

- 7.4 The Institute fulfils an important role for the profession, and in the public interest. The value of that role, both to the profession itself and also to the community more broadly, will be significantly enhanced by increased participation of members in Institute activities – the snowball effect that I described in Section 4. In that context, it is important that measures of value (in relation to participation in the Institute and in public policy) reflect some of the intangible benefits or rewards that are achieved.
- 7.5 The Institute has much to add in the public policy area – but it must do so as an impartial and unbiased advisor. We should actively fulfil this role in areas where we can most add value, either by outlining implications and likely outcomes or (when appropriate) advocating particular solutions or approaches. However, as I discussed in Section 5, to be most effective in influencing public policy outcomes we must actively listen to the perspectives of others and be open to alternative views when developing and contributing our views on public policy issues.
- 7.6 As I said in Section 4, I will regard my year as President as having been a success if there are:
- more, and different, actuaries actively involved in Institute activities and committees;
 - more employers actively supporting and valuing the involvement of the actuaries they employ in Institute activities; and
 - more Government representatives, politicians, Government departments and agencies, industry bodies and community organisations that recognise the value that actuaries can add across a broader spectrum of issues.

* * *

- 7.7 I believe that the future for the actuarial profession, both in Australia and internationally, is very bright. But it is in our hands. What you do today and tomorrow affects the future prospects of the actuarial profession. What do you want that future to be and what role do you want to play?
- 7.8 I hope that my Address may inspire you to participate more actively in our profession, consider the broader perspective, and embrace the future with excitement and anticipation. For my part, I propose over the next twelve months to actively communicate with, and listen to the views of, Institute members and to enthusiastically lead and represent the Australian actuarial profession, and in so doing play my part in building our future.

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