



New Zealand Society of Actuaries Conference 2004

The Future Role of the Professions in the
Financial Services Industry - an Australian
Actuarial Perspective

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- A sequence of corporate “failures” e.g. Equitable, Enron, HIH, James Hardie
- A multitude of subsequent inquiries and commissions - Penrose, Morris, HIH, RC, James Hardie
- Increased attention on the actions and obligations of “professionals”, including actuaries
- Changes in public expectations and regulatory requirements



- Extent of change required by the actuarial profession to meet changing expectations
- Balancing duty to “client” with public interest responsibility - as individuals and as a profession
- Identifying and managing risks - as individuals and as a profession



- Corporate Governance (2003) and Penrose/Morris Taskforce (2004) - key recommendations
 - Independent peer review
 - Review professional standards and Code of Conduct
 - Mentoring
 - Whistle blowing
 - Improved education and CPD
 - Practice certificates
 - Regulatory responsibilities



- Recommendations include amendments to Code of Conduct
 - Clarify and support position and response of actuary if work is misused
 - Notification of outdated advice or advice revision
 - Measures to avoid misinterpretation of advice
 - Declaration of independence; conflicts of interest
 - Disclosure of all information relied upon



- CPD - how much? How tough? How regular?
- Professional Standards - balance between “black letter” law and broad principles
- Discipline - balance between transparency (publicity) and confidentiality; speed and due process



- Establish and consolidate current statutory roles
- Increasing recognition of value of actuaries as key risk advisers
- Actuaries as Chief Risk Officer?
- Advent of Basel II reforms - role in banking?
- Actuaries and financial planning



- FCRs = key risk management initiative
- FCRs already in place for life insurance
- FCRs also in place for health insurance
- HIH Royal Commission recommendation - FCRs for general insurance
- FCR to be compiled by Approved Actuary
- IAAust FCR Taskforce - member, industry and APRA consultations
- Taskforce developing Professional Standard and Guidance Note
- APRA aims to develop Prudential Standard



- IAAust Corporate Governance Taskforce recommendation that IPR be adopted as best practice for statutory work and other work of actuaries - 2003
- IAAust Taskforce developing general Guidance Note for profession
- Specific guidance being developed for life and general insurance and superannuation
- Guidance will be extended specifically to other practice areas as appropriate
- IPR objectives:
 - Increase public confidence in objectivity and reliability of reported financial status of relevant entities
 - Increase support for actuaries in the performance of their work



- **Disclosure provisions for actuaries under:**
 - Life Insurance Act 1995
 - Insurance Act 1973 - from 1 July 2002
 - SIS Act - from 1 July 2004
- **CLERP 9 reforms from 1 July 2004**
 - Disclosure provisions for officers, employees and contractors of corporations under Corporations Act 2001
- **Need to ensure consistency between different regimes**
- **IAAust developing professional guidance for actuaries**



- Ethical standards
- Special knowledge and skills
- Public interest
- Code of Ethics
- High standards of behaviour
- Code enforced by the profession

- Professions Australia, May 1997