



Ian Perera
President

**PRESIDENT'S
NEWSLETTER
APRIL 2011**



Paul Rhodes
Vice-President

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Message from the President

The second major Christchurch earthquake will be an enduring memory for New Zealand. As a profession this type of event encourages our focus on risk and supports our endeavour to convey that looking at the future in terms of just a single "most likely" scenario is flawed.



John Smith
Secretary



Bernie Higgins
Past President



Richard Beauchamp
Council Member



Linda Caradus
Treasurer



Heathcliff Neels
Council Member

By their very nature, extreme events are hard to model. However, regulatory supervisors, clients and employers may expect us to give a point estimate for a 1 in 250 year event. The Insurance (Prudential Supervision) Act will place a more public profile on our ability to model risk. Our professional opinions will impact both the security of policyholders and the cost that they pay for insurance. As our role is under greater scrutiny it should be a comfort to members that the Society is there to support them.

This year we have a focus on increasing the number of events in which we can meet as a profession. There can also be great value in the informal conversations between members over a thorny issue.

I look forward to meeting as many of you as possible at these events over the next few months.

Events Committee

I am pleased to announce that Daniel Mussett has taken on the role of Convenor of a newly formed Events Committee. Ross Simmonds and Anita Samu have also agreed to join.

The Committee is charged with organising and coordinating a programme of events for members of the Society, including the biennial Conference.

The short-term objective that the Committee has set itself is to organise at least one event per month (excluding December and January) to meet the clear demand from Society membership for more CPD opportunities. A secondary objective is to ensure that the programme of events is sufficiently diverse to have broad appeal, by rotating among practice areas (including 'wider fields') and making use of speakers from outside the actuarial profession. The Events Committee will work closely with the practice committees, Entrants and Education, and the External Relations Committee to ensure the events organised are well coordinated, and meet a range of the Society's aims.

A planning schedule for events has been established. Further events in May, September, October 2011 and February 2012 are already scheduled and there is no shortage of suggestions for further events.

Nevertheless, more ideas are welcome and if you have a suggestion for a topic or a type of event please do let Daniel know. (D.Mussett@russell.com)

Ray Taylor



Members will have been shocked to hear of Ray's untimely death last month. Shelley Crosby, who worked with Ray for over 20 years, has kindly provided the following tribute to Ray.

Having completed a Bachelor of Science degree at Auckland University, Ray started the actuarial exams with AMP before moving to Wellington and taking up a position with CML in 1970. Ray qualified as a Fellow of the Institute of Actuaries in 1981. The majority of Ray's actuarial career was spent as a consulting actuary with Watson Wyatt and its predecessors, firstly in Wellington and then in Auckland. For the last ten years, Ray has been a director of Crosby Business Partners, which he founded with Shelley and Martin Crosby.

Ray was a life long learner, completing a Bachelor of Theology degree while working part-time and he continued to explore areas of interest through extra-mural studies, with botany and biology being the latest. Others also benefitted from Ray's learning as he tutored many actuarial and other students over the years. In addition to being a willing participant at Society meetings, Ray had recently joined the Professional Standards Committee.

Ray died as a result of an accident at home on 3 March 2011. He was in his 64th year.

Regulation of insurers

Members who work in the insurance field will no doubt be aware that the Reserve Bank has extended the timeframe for further work on the two solvency standards. A revised version of the life standard was issued on the 15th of April, with consultation closing on the 27th of May with the intention for the standard to be finalised at the end of June. A revised version of the non-life standard is expected shortly. Once the new drafts have been issued and digested, the Society will consider the need for further discussion meetings of NZSA members. The continuing engagement between the Reserve Bank and members of the profession has been very positive.

Paul Rhodes has contacted the Reserve Bank on behalf of NZSA to determine the legal position of both the Bank and NZSA when RBNZ standards make specific reference to NZSA standards. The matter has been referred to Crown Law and I hope to be able to report on progress in the next newsletter.

Conference 2010

The office of Conference Innovators, who have provided such great service in the organisation of the NZSA biennial conferences, was located in Christchurch and was severely damaged in the recent earthquake. Fortunately all CI staff and their families are safe.

The process of compiling the final accounts for our Blenheim conference was almost completed prior to 22 February but was understandably delayed. However we now know that the conference made a loss of \$3,000. The conference was in fact budgeted to make a small loss so this final result is as expected. Thanks again to all of the many members who contributed.

Future events

Meeting with Anthony Brien, IAAust Chief Examiner

Anthony Brien, Chief Examiner of IAAust, will be in Auckland in May and has generously offered to hold a session for students to discuss the Australian exam system and approach to the exams, in particular the Part 3 exams, which is where he is involved. Lyndon Jones (Convenor of the Education and Entrants Committee) emailed all students on 20 January to ascertain interest in attending and 16 students responded positively including 3 from Wellington and 1 from Christchurch. As the meeting can be held only in Auckland, Lyndon is considering how interested students from the other centres can best participate. Further details will be circulated shortly to all students, regardless of whether they responded to the original message.

We are delighted that Natalie Jackson, Professor of Demography and Director of the Population Studies Centre at the University of Waikato, has agreed to speak to our Wellington members. Natalie's research has focussed on the different drivers and patterns of population ageing unfolding across and within Australia and New Zealand, and the consequences of these trends for a broad range of social and economic institutions such as education, the labour market, local, state and federal government, and business in general. Her other research areas are fertility trends, socio-demographic differentials between Indigenous and non-Indigenous sub-populations, the 'disparate impact' of policy on minority groups, and critical demography which views 'the family' as playing a pivotal role in providing the future labour force and tax base.

Natalie is an excellent speaker, and her presentation will be both interesting and relevant to members.

Please put this date in your calendar. Further details will be emailed to members closer to the time. It is hoped to also arrange an Auckland session at a subsequent date.

General Insurance Seminar and Life Insurance Seminar

NZSA has traditionally held two one-day seminars in October / November during our non-conference year. Current plans are to hold the seminars again this year, although the timing does need to take into account that the various games of rugby being held may affect ease (or at least economy) of travel. Watch this space!

Appointed Actuary One-Day Forum/Workshop

In a joint effort between the External Relations, Events, and the Life, General Insurance and Health Committees, a one-day workshop for Senior Actuaries, and CFOs and CEOs of insurance companies is being proposed for Auckland in February 2012. This timing allows for some experience of the new statutory regime, but to also provide a valuable opportunity for sharing of insights and experiences. It is hoped to attract a number of speakers from outside the profession and across the Tasman.

Planning for this session is in its very earliest stages. If you have a suggestion for this event, or would be happy to help organise it, please contact one of the relevant Committee Convenors.

Vienna International Summer School

Members fortunate enough to be near Vienna in July may be interested in the Vienna International Summer School "Stochastic Claims Reserving Methods in Insurance". Full details are available at <http://www.fam.tuwien.ac.at/events/viss2011/>

Other events

Winter dinners in both Auckland and Wellington will be held again this year, during which we will host the President of the Institute of Actuaries of Australia and the Richard Bruynel Memorial Prize for 2010 will be presented.

Reports from Recent Events

Savings Working Group (21 February and 21 March)

16 members attended an after-work presentation in Wellington by Paul Mersi, a member of the SWG, on 21 February. Paul described some of the matters considered by the Group and discussed his own views. One of the messages we took from that meeting was the importance of the New Zealand economy being in a position to withstand a substantial economic shock. That message was clearly brought to mind less than 24 hours later.

Craig Ansley kindly agreed to make a similar presentation in Auckland on 21 March, when 22 members attended an equally successful lunchtime event.

“Future Pathways” – Perspectives from Actuaries of the Future (15 and 16 March)

Joe Benbow’s initiative in arranging events in Auckland and Wellington in mid March was clearly very much welcomed by the 44 and 32 members who attended. Many thanks to Joe for all of the work he put in. The events were aimed at students and younger actuaries but there were a few older (sorry!) faces there as well.

And congratulations to those who prepared papers and made the presentations. Ben Coulter, Adam Swanson, Jonathan Nicholls, Annie Luo, Anagha Pasche, James Xu and Klaas Stijnen are all to be applauded for both effort and results. The wide variety of material covered was certainly impressive – I can see that the future of the profession in New Zealand is in safe hands.

The papers can be found on the NZSA website.

Meetings with Hon. David Cunliffe MP (4 and 7 April)

10 members attended an Auckland lunch with Hon. David Cunliffe MP, Labour’s Spokesperson on Finance, and 13 turned out bright and early (well, early anyway!) for a Wellington breakfast event. Mr. Cunliffe gave a brief overview of some elements of the Labour Party’s current thinking, and a wide ranging and freely debated discussion ensued. The Chatham House Rule applied. In other words, those who were present are free to use the information received, but neither the identity nor the affiliation of the speaker(s), nor that of any other participant, may be revealed.

Although it made for an intimate discussion, the small attendances in both locations were disappointing. This was a fine opportunity for the profession to engage with a senior politician but, on an ongoing basis, small attendances will make it difficult to attract such speakers. I understand that some members may have decided not to attend these meetings because they “weren’t interested in hearing from politicians”. However, the areas commented on by Mr. Cunliffe initially were just the starting point for a very wide-ranging discussion on finance, economics, social policy The material could not be described as “political” in the usual disparaging sense. A number of attendees commented later it was one of the most interesting, and indeed “fun” sessions they had attended for a long time. I would therefore like to invite members to give consideration to attending similar meetings which may be organised in future.

Mr. Cunliffe appeared to enjoy the sessions as well, and expressed his thanks for the various contributions made to the conversation by NZSA members. He noted particularly how the very long-term view taken by actuaries makes us especially well-placed to take part in such discussions.

IAAust Biennial Conference “Beyond the Mandate” (10 to 13 April)

The Institute of Actuaries Biennial Convention 2011 held at the Hilton Hotel in Sydney was well attended and several NZSA members based in NZ and Australia attended. The venue was very good and the whole thing ran like clockwork ...

The theme of the conference was “Beyond the Mandate” and the plenary sessions in particular explored local and international challenges and opportunities for actuaries in Australia and the possibilities for involvement in social issues and public policy. One of the most talked about plenary sessions was presented by Bernard Salt, an Australian-based Trend Forecaster talking about the implications of demographic changes and introduced the idea of “The tiger in the room”, and Dr Simon Longstaff of the St James Ethics Centre, speaking about the ethical dimension of being a professional and how increased regulation may result in unintended consequences.

As well as the plenary sessions, delegates were spoiled for choice at concurrent sessions with up to 6 sessions running at once covering a wide range of topics in all the usual practice areas and beyond. Notable sessions included Shauna Ferris’s “Strategic Disinformation”, an international study of situations involving regulators being economical with the truth where regulated institutions have got into trouble and Anthony Vial’s “The Man Who Ate Himself – Why Overpopulation and Overuse of Resources Will Lead to Humanity’s Demise”.

One of the main issues discussed that will be relevant to NZ insurance actuaries was the impending changes to insurance accounting; it appears that the methodology for setting risk adjustments, and the question of whether or not these should be combined with the residual margins, are very much open areas for debate.

The dominance of Australian owned financial institutions in the NZ marketplace means that trends in Australia will continue to be highly relevant to NZ conditions for our members. In the other direction, at this stage the main influence appears to be the impact of the Christchurch earthquakes, although a series of natural disasters in Australia as well are expected to make things interesting in the reinsurance markets in this part of the world.

I understand an NZSA member won a great prize at the Gala Ball. I have so far not seen any photographs of NZSA members in action on the dance floor at the ball, but if any are available I may consider publishing them in the next newsletter.

Special Council meeting with Committee Convenors

The February Council meeting was longer than usual, as the Convenors of the Life Insurance, General Insurance, Superannuation, Investment, Events and External Relations Committees attended part of the meeting to discuss the role of the Committees.

We know from the recent survey that 80% of the membership wants NZSA to contribute more to, and influence, public policy. Committee Convenors acknowledged that currently much of their efforts have been reactive rather than proactive, and that it had been difficult to influence public policy without the right skills and contacts. Both commitment and resources can be a problem as the number of members offering to contribute to the work is

limited. Part of the External Relations Committee's role going forward, in conjunction with our appointed Public Relations Consultants, is to look for these opportunities and assist in their delivery. For example, in future we will be considering putting out a media release each time a submission is made.

The meeting also covered communication between Council and the Committees (and between Committee Convenors), commitment and resources, and suggestions for sessional meetings.

The Terms of Reference of each of the Society's Committee's can be found on the website (under Publications, Other NZSA Documents).

If you are interested in knowing more about the work of the Council or of any Committee, please contact me or the Convenor of the particular Committee. The names of the current Convenors can also be found on the website (under About Us, Committees). Committees generally hold a scheduled meeting once a month, by conference call, although much of the work is undertaken between meetings. Members who express an interest do not need to feel they will be making any commitment to joining a Committee immediately, or indeed at all. I would welcome contact from members who think they may be interested in joining in future.

The Society cannot function without the volunteers who fill roles on Council and Committees, and it is important and healthy for the Society if there is a continual rotation of people through these roles. I would also welcome volunteers who may be able to contribute on a short term basis when particular issues come up either in a practice area or in a more general way (e.g. a review of the Code of Conduct or the CPD standard). I note that time spent on Practice Committees will usually assist with fulfilling your CPD requirements.

Interested in Enterprise Risk Management?

If you are looking for an opportunity to contribute, Council has agreed to a suggestion to form an Enterprise Risk Management Committee and is seeking members. ERM is now an established practice area for actuaries, and Council is keen to support its profile and development. It is hoped and expected that a number of members of this practice committee will be students who have passed the Part III Enterprise Risk Management course or those seeking or who have obtained the Certified Risk Management Actuary (CERA) designation.

The Committee will be tasked with:

- NZSA's involvement in and commitment to the CERA treaty,
- providing guidance to actuaries on risk management, to assist with the risk management requirements of the new prudential supervision regime,
- coordinating opportunities for New Zealand actuaries to upskill in Enterprise Risk Management, or to discuss matters of professional interest, as part of their CPD, and
- raising the profile of actuaries in the ERM space.

If you are interested in this opportunity, please contact Andrea Gluyas, andrea.m.gluyas@nz.pwc.com or (04) 462-7613.

Current Committee work

Life Committee

Several Committee members were asked by RBNZ to review a new draft of the life solvency standard before its recent issue to the industry.

The Committee has also made an initial draft of a replacement for NZSA standard PS1 Reports and Advice to an Organisation carrying on Long Term Insurance Business. PS1 came into effect on 1 January 1990 and needs to be updated in the light of the new regulatory regime coming into effect. The initial draft was provided to the Reserve Bank for comment from the regulator's point of view and will be revised if necessary in the light of provisions in the (final) solvency standard before an Exposure Draft is circulated to members, expected to be during the third quarter of 2011.

General Insurance Committee

The Committee has been working on a new Exposure Draft of PS4 General Insurance Business after considering members' feedback on the ED circulated on 27 August 2010. The Committee may arrange further sessional meetings to debate some of the issues that have been raised, but believes it would be prudent to wait until the Reserve Bank issues the final non-life solvency standard before completing the NZSA standard.

Work on drafting a new standard to cover the issues to consider and the components required for a Financial Condition Report on non-life insurance business is also under way.

Health Committee

The Committee has welcomed Heather McLeod as a new member. Recent work has included discussions on the proposed insurer solvency standards as they relate to health insurance and review of the draft PS4

Superannuation Committee

A new standard PS10, for members giving advice on superannuation and other benefit liabilities under the accounting standard NZIAS 19 Employee Benefits, has not yet been finalised.

The relatively small number of members actively involved in superannuation work means that this Committee is particularly hard-pressed to resource a major task such as completing a new standard.

Investment Committee

The Committee has almost completed work on a new professional standard PS11 Investment Advice. The standard covers the provision of wholesale investment advice to fiduciaries, as the Financial Advisers Act relates primarily to the provision of advice to individuals, though there are elements that apply to both. The standard details the professional considerations a member must take into account in giving the types of investment advice typically associated with the actuarial profession.

The draft PS11 is about to be submitted to the Professional Standards Committee and an Exposure Draft will be circulated to members in due course.

External Relations Committee

The Committee is continuing to work enthusiastically on our behalf, in conjunction with PR consultant Four Winds Communications. A Press Release on my election of a new NZSA President has been issued (albeit somewhat belatedly). The delay was in part due to the suggestion that along with the announcement, I publish a “thought piece” to help raise our profile and contribute to public debate. After some thought as to an appropriate topic, I wrote an article on the need for retiree protection from inflation and longevity risks, and this has been very well received.

Over the year to date, our PR consultant has:

- suggested that NZSA officials have NZSA business cards and email addresses, to make it clear whether they are acting in Society or professional capacity,
- suggested a number of areas in which the NZSA may wish to make public comment,
- assisted with research and preparation for my ‘think piece’,
- liaised with David Cunliffe’s office to arrange the April meetings with NZSA members,
- worked on the design of our new website,
- attended External Relations Committee meetings, providing expert assistance in our strategy and endeavours in this area, and continually pushing us outside our actuarial comfort zones, and
- provided strong support in the handling of requests for media comment from the Society in the wake of the government support for AMI.

The budget presented to the AGM included an initial amount of \$9,000 for general Public Relations consultancy services over the year. Nearly half of this has been spent since work began in December. “PR” is a new area for NZSA and the recent member survey showed communication with external stakeholders was seen by many members as important. Council recently increased the budget by \$7,000 to support development in this area for the rest of the year. Both Council and the External Relations Committee are very conscious of the need to keep a close eye on this type of spending to ensure we get concrete results and value for money, but we believe that PR involvement is increasing the professionalism, preparedness and profile of the NZSA.

Articles for the NZ slot in Actuary Australia magazine have been arranged for April and May, being adaptations of the conference papers presented by Daniel Mussett and Geoff Rashbrooke. Joe Benbow has kindly agreed to provide the June article, which will be a review of the Future Pathways sessions held recently. In case you do not receive Actuary Australia, articles are available online, and it is planned to have them on our revamped website later in the year.

The External Relations Committee has also instigated and worked on a number of events involving external speakers and stakeholders, in conjunction with the Events Committee.

Events Committee

The Committee has only just been formally constituted. Nevertheless, it has so far organised the March sessional meetings on the work of the SWG and the April meetings with David Cunliffe, as well as starting to map out events for the next 18 months.

Council is delighted to find that it expects the fairly minimal budget originally set aside for sessional meetings will be well and truly exceeded. Recent activity has been higher than had become usual and this is expected to continue. Given the results of the member

survey last year, Council sees this as an ideal use of some of the excess funds the Society has accumulated and believes that members will welcome this change.

Council has agreed an additional budget of \$8,000 for the Committee to organise monthly 'events' (other than the winter dinners and the Life and General Insurance seminars) for the remainder of the financial year. Feedback from members on the March and April events has been roundly positive and we expect that the budget for the 2011/12 year will need to be more than 'fairly minimal'.

NZSA finances (to the end of March 2011)

Just over 95% of budgeted subscription income for the year had been received by the end of March. On previous experience, the shortfall of around \$2,000 is still likely to trickle in.

Regular and administration costs have been virtually identical to those expected by this stage of the financial year.

To put the additional budget amounts noted above for PR and Events into context, our excess of funds above 'target surplus' was originally budgeted to be \$60,000 as at 30 September 2011. Our funds are clearly sufficient to cover the extra costs in the short term. However, continuing activity at this level may well result in subscriptions needing to be increased next year. It was indicated in the Member Survey last year that members would be supportive of an increase to support developments in this area. Council looks forward to hearing your views on this later in the year.

Change to NZSA Code of Conduct

As noted in an email to all members on 21 March, a change to section 4.1.6 of the Code has been approved by a postal ballot of Voting Members. The new wording of the section is:

Members who are not permitted by their examining bodies to be called actuaries may not lead or encourage others to believe they are actuaries, or knowingly allow such a belief to continue.

The change was made following the amendment approved at the last AGM to create an "Associate" class of member. Please ensure that you understand how this new clause in the Code applies to your own position, as the various examining bodies have different rules in this regard with respect to dates, examinations and experience.

Help Wanted

The External Relations Committee is seeking at least one new member. The committee focuses on building the external profile of actuaries and the NZSA, and enhancing our relationships with industry, government and other relevant organisations. It is also responsible for the NZSA website. If you are passionate about the value actuaries can add, or have an interest in being the webmaster/involved in this year's website redesign, please contact Andrea Gluyas, Convenor (andrea.m.gluyas@nz.pwc.com or by phone 04 462 7613), for more information.

Reminders

Suggestions for a meeting topic or a type of event?
Contact Daniel Mussett. (D.Mussett@russell.com)

Interested in contributing to NZSA general or specific Committee work at some time?
Contact me at ian.perera@sovereign.co.nz
or the relevant Committee Convenor.

Checked that your details on the NZSA website are correct?
Please do it now!

Article or issue that you would like to be covered in a future newsletter?
Contact me at ian.perera@sovereign.co.nz

New Members

We welcome the following members who have joined our Society (or transferred between membership classes) since our January newsletter was issued. If you see any of these new members at sessional meetings, please introduce yourself and welcome them.

Students:

Bao An Le
Christopher Sissons
Daniel Borrie
David Cusack
Debby Shinta
Samuel Faulkner
Tian Tian
Toni Roberts

Associates:

Erica Kwon
Graham Evans
Jeremy Holmes
Jonathan Lowe
Jonathan Nicholls
Malcolm Ferguson

Fellows:

Martin Fry
Sharanjit Paddam

I hope you have enjoyed this bumper issue of the newsletter. Special thanks to all who have contributed to the contents and for Linda Caradus who helped put it all together.

Kind regards

Ian Perera

Appendix - You can't beat Wellington on a good day!

(Report from the walk organiser)

8 members plus various friends and relations enjoyed a 4-hour walk along part of the Skyline Walkway on Saturday 12 March. The party comprised 18 walkers with a total of 38 legs. We were especially pleased that Molly the Cocker Spaniel was able to join us and bring along her person, Fran Jenkins, who has been our NZSA Secretary since 1990.

There was virtually no wind at all on the ridgeline – yes, truly! But this also meant that there was nothing to blow away the clouds and we spent the first couple of hours imagining the wonderful views that we might have seen but couldn't.



Finally the sun broke through and the sea, hills, harbour and our destination Mt Kaukau were revealed under a beautiful blue sky. This was very fortunate since those at the front of the group had managed to wander off into the mist in completely the wrong direction at one point.

I am pleased to report that mortality and permanent disability rates experienced by all age groups were nil and that even those suffering temporary disability appeared likely to fully recover after a hot bath.



(L to R) Fran Jenkins, Dean Apps, An Le, Sandra Chapman, Linda Caradus, Charles Hett, Swee Chang, Janet Lockett, Ian New