



Richard Geisler
President

NEW ZEALAND SOCIETY OF ACTUARIES

PRESIDENT'S REPORT

DECEMBER 2004



Doune Connett
Vice President

Council Notes

At the AGM in Napier, the members instructed Council to determine an appropriate subscription fee for retired members. The rule, as passed by Council in December, allows any member over age 55 who is not employed as an actuary, other than on a casual basis, to pay subscription rates for retired members. The rate is the same as the student rate which is \$40 for 2004/05. Invoices you receive have this category indicated.

The review of the profession in the UK and, more importantly, here by the Law Commission, have a common message. The regulation of the profession needs strengthening. The focus for NZSA in the last 9 months has been a review of the disciplinary process. As we endeavour to complete that review, Council is taking steps to tackle an important next phase of the strengthening the profession.

Hand-in-hand with a proper disciplinary process is a set of appropriate professional standards. We all recognise the need to update existing standards and adopt new standards and guidance notes where necessary. However, the process for approval needs updating and principles which direct the content of standards, such as the level of prescription versus being principles based needs to be considered.

As revision of standards will be a major focus for next year, Council has approved a

new committee to oversee professional standards. See below for more details.

Next year, Council meetings are scheduled on the 3rd Wednesday each month starting in February. Meetings start at 12:30pm in Asteron's video conference facilities in Wellington and Auckland. Don't be shy if you have a general agenda item.

Law Commission Report

The Law Commission released its recommendations to The Hon David Benson-Pope, the Minister responsible for the Law Commission.

See www.lawcom.govt.nz/ for the report

In summary, actuaries are to be relied upon heavily in the regulation of life insurers. The main recommendations affecting actuaries are:

- ◆ The financial statements of life insurers would be required to be audited by an independent actuary (an "audit actuary")
- ◆ The audit actuary would be recommended by the life insurer, subject to approval by the company's main auditor, and subject to a list of audit actuaries approved by the Securities Commission.
- ◆ The audit actuary would have whistle-blowing powers
- ◆ The solvency elements of GN5 would become a standard with legislative



Brian Lenehan



Linda Page?



Mark Weaver
Past President



Herwig Raubal?



Peter Cosseboom

backing, ratified by a body such as the Accounting Standards Review Board.

- ◆ The ASRB would need to be expanded to include some actuarial expertise.
- ◆ A prudential supervisor would monitor the solvency of life insurers. Whether this prudential supervisor would be a private body (e.g. a Trustee company), or a government body (e.g. the Securities Commission or the Government Actuary) is still open for discussion.
- ◆ The capital adequacy aspects of GN5 should be "fleshed out" into a full professional standard.

There is no specific comment on how actuaries are to be regulated. As this report is a recommendation to the Minister, no comment is expected from the public. However, Council will be writing to the Minister to express our interest in the process and offering to provide input if requested. Legislative proposals are not expected for at least 6 months.

Standards Committee Created

A new committee has been created called Professional Standards Committee. The purpose is to define the appropriate process to be followed for approving standards and guidance notes. The initial tasks will include defining the template for standards and to determine which ones are to be created or reviewed in the immediate future. Although it is not the Committee's responsibility to draft standards they will approve final standards. Independent representation will be included on the Committee, as is now generally required in other jurisdictions and professions.

At present, Council must still approve standards but it is expected the Committee will eventually be given independent status. One of the Committee's tasks is to define NZSA rules to comply with any legislative requirements relative to setting professional standards.

The mission of the Council is to "assure the practice of actuaries in New Zealand is recognised as meeting international standards". A vital role for the Council is therefore to maintain public trust in our ability to regulate the profession. As mentioned earlier, we have created the Standards Committee, not to relieve our duty in this regard but to assure the standards are reviewed and the approved standards are seen as fully sufficient to regulate the profession.

Here is an opportunity to contribute to your Society. We are looking for a chair and 2 members. There is a budget for an independent member and legal advice. The scope and purpose for the Committee is on the web site, www.actuaries.org.nz Please make your interest known in January.

Beautiful Napier

I suppose I'm prejudiced but the NZSA conference was superb in all respects. My thanks again to **Andrea Gluyas**, chair and members **Heathcliff Neels** and **Mark Weaver** for picking such an outstanding venue and for all their extensive efforts in organising the event. Of course, there was much, much, more to the conference than that startling early morning sunrise and fantastic beach walks. We were so fortunate to have top speakers and a wide variety of papers to add to our CPD credits.

Let's be honest, the opportunities for networking and socialising are so important



and we were treated to great events from Sunday's barbecue, Mondays Winery Crawl (and great

debate) and Tuesday's final formal dinner/dance.

It was good to see so many students attending for the first time. Feedback was

overwhelmingly favourable, much of it from veterans who have seen many such events here and overseas. Thanks to all 145 of you who made this a great conference. Where do we go next? Well, in fact, *you can help decide*. We need one more volunteer for the team of three. Don't be bashful!

Committee Reports

Experience Committee has had a very positive response from the industry with a high level of participation in the investigation expected. The committee is currently in the process of drafting the specification for the data requirements after consideration of the suggestions received and comments made at the 2002 Conference when the results of the previous mortality investigation were discussed. A draft specification will be distributed by the end of February of 2005 requesting feedback from the companies who have indicated that they wish to provide data for the investigation. The intention of the committee is for the investigation to be self-funding and we anticipate being able to provide some indication of the cost to participants at this time. Subsequently, we will also be inviting organisations to tender for the collection of data and the carrying out of the mortality investigation. The current plan is to obtain data from individual offices by the end of June 2005 and publish a final mortality table by the end of the year. Please contact Linda Page on 09 487 9894 or email Linda.Page@sovereign.co.nz if you have any comments or suggestions.

General Insurance Committee is looking at holding another one day seminar along the lines of the one held in May this year. More to follow in the new year.

New Members

Fellows

Sean Carroll Marinda Dean
Timothy Jenkins

Ordinary

David Crowther Richard Gray

One Fellow has resigned.

Don't forget to update the membership list sent this month. Let Fran know of changes and an updated list will be sent in late January.

Stobo Report Released

In September, *Ed Robinson* co-ordinated a response from *Richard Bruynel, Graham Evans and John Errington* on the draft issues paper. The Stobo report has now been released on taxation of investments www.beehive.govt.nz/ViewDocument.cfm?DocumentID=21490. The drafting of any further response by the Society has been assigned to the Superannuation Committee. Please contact *Bobby Schoonraad*, chair, if you have any input you wish the Society to consider.

Morris Interim Assessment

There is a February 4 deadline for comments on the 200 page report. See www.morrisreview.org.uk for the report.

Professional Conduct Review

The initial draft was discussed at the conference in Napier. It was heartening to see the thought members had given to the draft and that all comments were presented in constructive atmosphere for the committee's benefit. The committee, *Daryl Hayes, John Melville, Ian New and Bernard Reid* are now considering the changes that may be made as signalled at that session.

Council expects to consider the Committee's recommendation for changes to the disciplinary process at their first meeting of the year in February. It is our expectation that an exposure draft will be sent to all

members by the end of February. The exposure period is likely to be relatively short with final proposed rule changes submitted for ballot vote as early as the end of March.

Objectives of Council this year

In summary, we will implement any changes approved by members on the disciplinary process. We will be concentrating on upgrading professional standards and guidance notes. This will be time consuming for several of the committees. We will repeat the winter dinners in Wellington and Auckland and I will attempt to get some monthly networking opportunities on track again in Wellington. Plans are being made for a GI seminar again this year in May.

And finally...

Thanks to the members for supporting me as President again for another year. I sense many of you are prepared to find time for the profession when you see your contribution will make a difference. Opportunity will be knocking...

Happy Holidays and best wishes in the New Year to you and your families

Keep in touch

Richard Geisler, President