



Ian Perera
President

**PRESIDENT'S
NEWSLETTER
January 2011**



Paul Rhodes
Vice-President

Reflections on 2010

2010 was another busy year from a regulatory viewpoint. The Insurance (Prudential Supervision) Act will have a major impact on actuaries working in the insurance sector. The Reserve Bank has issued draft Solvency Standards and Calculation Templates for each of Non-Life insurance and Life insurance business. The Reserve Bank has also held meetings, open to industry stakeholders, to present the draft Solvency Standards and generate discussion. The high level of engagement by the Reserve Bank has been very positive.

The Financial Markets Authority (FMA) will be the new regulator for New Zealand's financial markets, consolidating functions across the Securities Commission and the Ministry of Economic Development, including the Government Actuary, and NZX.

The Canterbury earthquake will be an enduring memory of 2010. Richard Beauchamp has provided an excellent article on this subject to the "Actuary Australia" magazine.

From an actuarial perspective, the highlight of my year was the excellent NZSA conference held in Blenheim. Those who attended (a record 140 delegates, partners and speakers) enjoyed an entertaining mix of outside speakers, actuarial papers and a great social programme. Thanks again to Charmaine Green and the rest of the organising committee as well as the many members who contributed papers or helped out in other ways.



John Smith
Secretary



Bernie Higgins
Past President



Richard Beauchamp
Council Member



Linda Caradus
Treasurer



Heathcliff Neels
Council Member

Appointed Actuary Regime

Council is keen to support members who take on the responsibilities of being an appointed actuary under the Insurance (Prudential Supervision) Act. Based on feedback received at the conference, there is interest in the Society organising a seminar for prospective appointed actuaries. The Society may also be able to sponsor regular forums that will allow appointed actuaries to share best practice and discuss issues on an informal basis.

To help gauge demand for this support could you email the society if you anticipate taking on this responsibility and would be interested in attending a seminar or a discussion forum, indicating any particular areas which you feel should be addressed.

Financial Advisers Act

I am grateful to Charles MacDonald for the following advice.

Members will no doubt be aware of the current legislative changes relating to the provision of financial advice. These changes are covered through the Financial Advisors Act 2008 (with amendments made in 2010) and the Financial Service Providers (Registration and Dispute Resolution) Act 2008, and come into force progressively from late 2010.

The financial services covered include the provision of financial advice, of an investment planning service and of discretionary investment management services.

In future, financial advisers:

- will be required to be registered in the Financial Service Providers Register through the Companies Office;
- will be required to join an approved dispute resolution scheme or the reserve scheme; and
- depending on the advice being provided, may be required to be authorised by the Securities Commission.

Advisers providing personalised advice to 'retail clients' must be both registered and authorised whereas those providing advice to wholesale clients need only to be registered.

Retail clients are defined as clients that are not 'wholesale clients'. There are several criteria, each of which results in a client being defined as a 'wholesale client', including:

- an entity that had turnover exceeding NZ\$1 million for each of their last two accounting periods; and
- an entity that had net assets exceeding NZ\$1 million at the end of each of their last two accounting periods.

Note that clients that satisfy any of the wholesale criteria can elect to be treated as a retail client.

It is expected that many members who provide financial services will only provide advice to 'wholesale clients' and so effectively be exempt from the authorisation requirements though not from the registration requirements.

However, it is possible that the financial services provided by a member to some clients may not meet the wholesale criteria, in which case the full requirements of both registration and authorisation must be met. This would, for example, likely be the case if a member provided certain specific investment advice to individuals.

The penalties for failing to comply with the relevant legislation are potentially substantial, with fines of up to \$300,000. It is therefore prudent that all members of the Society make themselves aware of the requirements of both the Financial Advisors Act 2008 and the Financial Service Providers (Registration and Dispute Resolution) Act 2008.

Relevant information can be found on:

- the Companies Office website for registering as a financial service provider www.fspr.govt.nz ; and
- the Securities Commission website that includes information www.seccom.govt.nz .

Note - the purpose of the above note is to alert members to the potential impact of the relevant legislation and is not intended to be advice. Members will need to seek their own legal or other advice on this matter.

Reminder for UK Fellows

UK Fellows are reminded that one of the conditions of eligibility for reduced subscriptions is that:

“I confirm that when using my UK designatory letters (FFA/FIA, AFA/AIA) these will be preceded by the recognised designatory letters for my primary regulator, and that any document bearing the UK designatory letters will contain a statement declaring which body is responsible for disciplinary matters. e.g. (‘For the purposes of professional regulation my primary professional regulator is’)”

Help Wanted

If you didn't quite get round to finishing a paper in time for the conference then you might wish to consider presenting at a sessional meeting. Please contact a council member if you are interested.

The External Relations Committee has lost two members to overseas, so is seeking some new volunteers. 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.

Finally, if you have an article or issue that you would like to be covered in a future newsletter then please contact me at ian.perera@sovereign.co.nz

New Members

Students:

Vera Hansen

James Xu

Tamsyn Claase

Margaret Morgan Coakle

Sheung Yang Lam

Andrea Fuehrer

Michael Simpson

Samuel Segal

Melissa Sutjipto

Caroline Moy

Fellows:

Daniel Smith

Kind regards

Ian Perera