



Ian New
President

P R E S I D E N T ' S R E P O R T
J u l y 2 0 0 8



Linda Page
Vice President

International Actuarial Association Presidents' Forum

I was privileged to represent the New Zealand Society of Actuaries at the International Actuarial Association's Presidents' Forum in Quebec City in June. The IAA holds the Presidents' Forum each six months, with Council and IAA Committee meetings also taking place over the four day program. The IAA has a number of working groups and committees, operating in areas such as enterprise and financial risk, risk margins, solvency, insurance accounting, insurance regulation, mortality, and pensions & employee benefits. In my view, it is important that the actuarial profession has international influence, but making progress on issues where there is a wide range of interests and opinions can clearly present challenges! I found it a very interesting experience, though there is a significant time and resource commitment involved for those who attend regularly.

NZSA Conference 2008

Plans for our 2008 Conference are progressing well, with a range of external speakers booked. The program of papers is shaping up well, but the conference committee are still seeking some further presentations to complete the program. So if you wish to present a paper, please do contact one of the committee members - Margaret Cantwell, Ross Simmonds, and Swee Chang

The theme of the conference is 'Catching Opportunities in a changing environment', and there is plenty of change going on with Prudential Regulation of Insurers, Enterprise Risk Management, Kiwisaver, etc..... This conference represents an important opportunity for you to deepen your knowledge and interact with your fellow professionals.



John Smith
Secretary



Greg Lee
Council Member



Peter Brown
Past President



Linda Caradus
Council Member



Heathcliff Neels
Treasurer

Registration will be open from early August. The conference will run from the Wednesday afternoon 19 November 2008 (with the AGM being held immediately prior to the conference) through to the Saturday lunchtime 22 November 2008, at the Wairakei Resort near Taupo.

Visit of Greg Martin & Mid-Winter Dinners

We were very pleased to welcome Greg Martin, President of the Institute of Actuaries of Australia, to speak to our members on 4/5 June in Wellington and Auckland. Greg spoke at sessional meetings on the subject of ‘Actuaries & Institutes – Where to from here?’ This was then followed in the evening by our traditional mid-winter dinners.

I was pleased to see a good number of our members attend the meetings, and the dinners provided a pleasant opportunity to network – it was great to see several partners also attend the dinners. At the Wellington dinner, we were also very pleased to have Richard and Sheryl Dean attend as guests of the NZSA. Richard Dean is Manager, Insurance Policy at the Reserve Bank of New Zealand and is heavily involved in the current RBNZ developments around the prudential regulation of insurance. Earlier in the day, Richard had met with Greg Martin, Peter Brown, and Paul Rhodes to discuss these developments, the timescales involved, and the requirements of the NZSA.

Institute of Actuaries of Australia - 4th Financial Services Forum in Melbourne May 2008

Charles Hett recently attended this Forum, and has kindly provided the following feedback:

“There was a good New Zealand contingent amongst the overall 300+ attendees at the recent FSF on Melbourne’s South Bank. The forum took place over two days and combined a mix of plenary and specific sessions that covered a wide range of topics. There was also ample opportunity to meet people and a great dinner overlooking the Yarra. The focus for this Forum was “Innovation in Financial Markets” opening with a plenary session addressing the recent budget and market outlook.

There were two other plenary sessions: innovation in superannuation and sustainable development in financial markets. The former covered financial literacy, the role of employers in facilitating savings and the way industry funds will develop and increase their focus on member services. The final session built on previous IAA sessions and outlined opportunities for actuaries arising from the public discussion and awareness on sustainable development, investment and environment economics.

The IAA website provides access to all the FSF sessions – papers and audio are now available online; and a visit to peruse them is easy and recommended. The URL is:

<http://www.actuaries.asn.au/Events/seminarProgram.aspx?eventID=1450>

Some personal highlights were; use of securitisation in insurance, the sessions covering financial aspects of investment product guarantees including variable annuity risk management, product rationalisation principles, risk product innovation and also market consistent economic profit. The paper “Actuaries in the Community” was well received with a group deciding it was time to encourage us all more actively in this direction.

Finally it is always good to see a Kiwi winning first prize in an Australian actuarial draw!”

Enterprise Risk Management

Members will be aware of the proactive push by overseas actuarial professions to enhance the recognition of actuaries' involvement and expertise in the area of enterprise risk management. I mentioned in the last newsletter the initiative to develop a new global enterprise risk management qualification. Harry Panjer (former President of the Canadian Institute) and Fred Rowley (immediate Past President of IAAust) have been leading international working groups focused on 'syllabus' and 'recognition' respectively.

Other national associations have now been invited to monitor developments in this area and potentially become involved. At Council's request, Andrea Gluyas has agreed to act as the NZSA contact point for this. Quite how existing courses (such as the CERA qualification of the US Society of Actuaries and the Enterprise Risk Management CPD Course run by the Institute of Actuaries of Australia) will fit with the proposed global risk qualification is yet to be resolved.

Member Representative for International Actuarial Association

Council has recently taken up an offer from Curtis Huntington to represent the New Zealand Society of Actuaries on the Member Services Committee of the International Actuarial Association. Many of you will know Curtis from his attendance at previous NZSA conferences. Curtis lives in Boston USA, but regularly visits his sister and family in Wellington. Curtis has a high profile in the international actuarial community through his regular attendance and involvement at the 6-monthly forums of the International Actuarial Association. I believe this is a great opportunity for NZSA to achieve representation at an international level in a very cost-effective manner.

Actuarial Courses at Victoria University

We have recently been advised that Victoria University is no longer offering its actuarial courses. In part this decision has been driven by the inability of the University to gain accreditation from the Institute of Actuaries of Australia for the papers it offers.

The Society is currently considering what action, if any, to take in response to this decision. We would appreciate hearing any thoughts actuarial employers have on the programme and its graduates and the importance of offering actuarial courses in New Zealand. Please send your comments to the Education Committee, either:
Charmaine Green (charmaine.green@sovereign.co.nz) or
Andrea Gluyas (andrea.m.gluyas@nz.pwc.com).

Regulatory Developments

Prudential Regulation of Insurance

The Reserve Bank of New Zealand issued a further consultation paper in May around the prudential regulation of insurance. This consultation paper included a number of questions, seeking more detailed views on aspects of the proposed regime. Thank you to members who contributed to NZSA's response, and especially to John Smith for driving and collating the response. The NZSA's submission can be found on our website.

This development of the new prudential regulation and supervision regime for the insurance sector will remain a key focus area for the NZSA over the next couple of years. Readers will note elsewhere in this newsletter that we arranged for the RBNZ to discuss the Australian position with Greg Martin when he was in Wellington. We also have Paul Rhodes developing an overview of the actuarial professional standards that will be required.

Taxation: Life insurance, OCR deductibility, KiwiSaver

The Taxation (International Taxation, Life Insurance and Remedial Matters) Bill has been introduced and contains a wide range of taxation changes of interest to actuaries. This includes the major reform of life insurance taxation, clarification of the tax status of general insurance outstanding claims reserves, technical amendments to the PIE rules, and Kiwisaver amendments

The IRD's commentary on the Bill runs to 164 pages and the Bill itself is 567 pages long, so use of the index is pretty important!! All the material is available at the IRD's tax policy website:

www.taxpolicy.ird.govt.nz

The relevant NZSA Committees are currently reviewing the proposals.

Regulation of Financial Advisers

Peter Cosseboom and I appeared before the Finance and Expenditure Select Committee in early July, in support of NZSA's submission. This was a busy day for the Committee with 50 submitters due to appear at 10 minute intervals. Given that the core discussion areas of scope of the legislation and definitional issues had received wide comment from other submitters, we decided to focus our oral submission on the potential to extend to actuaries one of the (differing) exemptions written into the Bill for lawyers and chartered accountants.

Where the Financial Advisers Bill will end up is difficult to predict, given the range of views held by stakeholders. In terms of the exemptions, there is a range of possible outcomes, including consolidation of all exemptions to the proposed exemption for chartered accountants, or even complete removal of all exemptions. At the very least, I believe we highlighted to the Select Committee that the NZSA has the full requirements of a profession in place, including a professional code, practice standards, CPD requirements, and disciplinary procedures with external representation.

The Select Committee is due to report back to Parliament on both the Financial Advisers Bill and the Financial Service Providers Bill by early September.

Reverse Mortgage Code

The Office for Senior Citizens has issued a further draft version of a Code of Practice for Mortgage Based Home Equity Conversion Products, with significant changes from the previous version. The OSC are now considering implementation of an interim voluntary code, pending changes to the CCCF Act expected in 2010. Over the past 12 months, the activity of reverse mortgage providers in the New Zealand market has been severely pared back, driven by market conditions and the global shrinkage of the securitization markets. David Chamberlain is Convenor of the NZSA's Banking Group.

Solvency reporting for life insurers

NZSA's Professional Standard No.5 'Solvency Reserving for Life Insurance Business' applies to our members when asked to calculate a solvency reserve for an entity governed by

IFRS 4 Appendix C (this being the appendix dealing with life insurers). However, although the actuary will advise the company on the basis of PS5, the company itself could report its solvency in its public financial statements on a different basis. This is because IFRS 4 requires solvency reporting, but does not specify that the reporting should be in accordance with PS5.

In conjunction with the Life Insurance Committee, I have written to the Financial Reporting Standards Board (FRSB) asking that IFRS 4 be amended to require life insurers to report their solvency position in accordance with the Society's Professional Standard No.5. In due course, this will of course become the domain of the RBNZ.

Solvency reporting for health insurers

Members may have seen the recent *financial* alert article around solvency reporting for health insurers and it may be useful to provide some background information on this. The Health Funds Association (HFA) adopted their industry solvency standard in August 2007. The NZSA had been involved in development of that standard, but the HFA wanted the requirements to be phased in, whereas the NZSA does not regard phasing of requirements as acceptable in the area of insurer solvency. Hence an industry solvency standard with transitional provisions was ultimately adopted by the HFA, rather than an NZSA actuarial professional standard being put in place.

The HFA require their members to report their solvency position at 6-monthly intervals. The most recent development is that the HFA have put on their website the reported solvency positions of each of their members as at June 2008. Reporting is on the basis of the transitional requirements, though some HFA members also show their position ignoring transitional provisions. The HFA's phase-in period is planned to run through to 2011.

Professional Standards Update

Good progress continues to be made by the Professional Standards Committee and the many members who are involved in drafting and updating the NZSA's professional standards. A significant amount of important work is being undertaken by a range of drafting groups, with a snapshot of the current status being as follows:

PS5 *Solvency Reserving for Life Insurance Business* – updated exposure draft issued on 15 July, with feedback required to Hamish Farrar by midday Friday 15 August 2008

PS6 *Actuaries Providing Advice under the Friendly Societies and Credit Unions Act 1982* – feedback on exposure draft closed on 16 June, and the drafting group are now assessing the submissions

PS7 *Continuing Professional Development* – Standard approved and now in place

PS8 *Economic Valuations* – responses to exposure draft have been considered and intention is that further member discussion will be held via a sessional meeting

PS9 *Communication of Professional Advice* – exposure draft is close to circulation and it is intended that the EDs for PS8 and PS9 will be discussed at a sessional meeting

PS10 *Financial Reporting for Superannuation Schemes under IAS19* – exposure draft is very close to circulation

In conjunction with the RBNZ developments around prudential regulation of the insurance sector, Paul Rhodes is compiling an overview of the actuarial standards that will be required in the areas of life, general, and health insurance.

CPD Professional Standard

As anticipated in the previous newsletter and subsequently notified to members, Council approved the new Professional Standard on Continuing Professional Development (CPD) at its May meeting. This will be an important step forward and reflects the increased focus globally on ensuring that professionals have up-to-date skills and knowledge for the areas in which they operate.

A reminder of some aspects of this Standard:

- *it will be effective from 1 January 2008.*
- *it applies to all members including student members.*
- *study for actuarial examinations counts as CPD.*
- *CPD should be tailored to individual circumstances.*
- *members need to maintain written records of CPD.*

If you feel that special circumstances apply in your individual situation, please remember that Council has the ability to apply an exemption upon written application from the member.

Council also recognises that we need to promote opportunities for CPD. I met with Greg Martin and John Maroney in Sydney in late April, and I asked them how they support the CPD needs of their members who are resident in places like Perth and Asia. They acknowledged that this is a hot topic for the Institute of Actuaries of Australia. They recognise that there are some topics (such as the development of international financial reporting standards) which are of strong and wide interest in most jurisdictions. So as one possibility of delivering CPD, the IAAust are considering holding meetings by video conference with simultaneous participation from across the region.

Council Meetings

Council meets on the 2nd Monday of each month (except November). The next meeting is scheduled for Monday 11 August 2008.

If you have an issue you would like Council to consider please do not hesitate to contact either Fran Jenkins or me and we will arrange for it to be placed on the agenda of the next meeting.

Committee Appointments

The following appointments to the Society's Committees have been approved at recent Council meetings:

Life Committee:	David Chamberlain
External Relations Committee:	Paul Newfield

New Members

We welcome the following new members of the New Zealand Society of Actuaries:

Students

Xia Xia McKnight
Robert Lynch
Terence Ting
Nicola Westoby

Fellows

Mark Nelson
Jeff Warner
Andrew Scott

Ian New
President