



Ian New
President

P R E S I D E N T ' S R E P O R T
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Peter Brown
Past President

Changing Times

This is my final newsletter as President of the New Zealand Society of Actuaries. I have immensely enjoyed the privilege of fulfilling your Presidency role, not least because our profession has so many motivated and capable members. I am genuinely grateful for the support and input that Members, Convenors, and their Committees have provided to the profession over the past 2 years. And I am indebted to Council for their guidance and advice in sharing the leadership.

The New Zealand Actuarial profession is in good heart. There is an active program of Continuing Professional Development events, and the profession is becoming ever more proactive in relevant areas of legislative and regulatory developments. One key example of a regulatory development is the anticipated prudential regulatory regime for insurance companies. This will see actuaries take on a core role in reporting and advising on the financial management of all insurance companies in New Zealand, be they life, general or health insurers.

Another development which is very pleasing to see is the increasing number of appointments of actuaries to significant public governance positions. Such appointments are of course very much related to the skills of the individuals concerned and their ability to contribute, however they are indicative of the depth of talent within the profession. Recent examples have been Murray Hilder's appointment to the ACC Board, Keith Taylor's appointment to the Board of the Reserve Bank of New Zealand, and John Errington's appointment to the Higher Salaries Commission.



John Smith
Secretary



Greg Lee
Council Member



Bernie Higgins
Council Member



Linda Caradus
Council Member



Heathcliff Neels
Treasurer

Upcoming NZSA Events

Sessional Meetings – Mortality Investigation

Tuesday 10 November in Wellington

Thursday 12 November in Auckland

These meetings will provide an opportunity to hear about and discuss the results of the latest NZSA Mortality Investigation. The results will be presented by Jonathan Eriksen. Eriksen Associates were contracted by the Experience Investigation Committee of the NZSA to conduct the analysis of the data and produce the results. This latest investigation covers mortality experience over the period 2005 to 2007 and includes data supplied by 12 companies. The output of this investigation will comprise separate male/female graduated select mortality tables, split by smoker/non-smoker status and by type of business.

The previous mortality investigation was based on experience over the period 2000 to 2004, and a high-level comparison of the results of the two investigations has also been conducted. This is a significant NZSA initiative, and I encourage members to attend these meetings.

Annual General Meeting

Friday 27 November in Auckland

Members have received notice of NZSA's 2009 AGM which will be held immediately prior to the Financial Services seminar on Friday 27 November. The AGM will commence at 9am at the seminar venue, the Westin Hotel at Viaduct Harbour, Auckland. Members have also received nomination forms, and nominations for NZSA Officers must be received by the Secretariat by 5pm on Friday 30 October.

In addition to the normal AGM business, I intend to provide a brief overview of progress on initiatives over the past 12 months, and there will be at least a couple of other special items for preliminary discussion:

- One of these items relates to the possibility of a new 'Associate' membership designation within NZSA, in line with recent moves by the Institute of Actuaries of Australia.
- The other item relates to Council's desire for members to discuss whether NZSA should utilise the power to award lifetime membership to individuals, and on what criteria such individuals might be selected.

Please note that ALL members are encouraged to attend the AGM, regardless of whether or not you are intending to register for the Financial Services seminar.

Financial Services Seminar

Friday 27 November in Auckland

NZSA will be holding a Financial Services seminar on 27 November 2009 at the Westin Hotel at Viaduct Harbour, Auckland. Registration forms have been sent to members by email. The seminar programme has a diverse range of topics and includes two sessions from this year's Biennial Convention of the Australian Institute – these two sessions were strongly recommended by those of our members who attended the Sydney Convention.

The theme of the seminar is "Have We Missed the Boat? – Outlook for New Zealand Financial Services". Make sure you register and don't miss the opportunity to interact

with your professional colleagues and discuss current topics. Thank you to Adam Follington for leading the organisation of this event, helped by Jonathan Turner and Margaret Cantwell.

Recent NZSA Events

There have been quite a number of events held since the July newsletter. I briefly mention these in reverse chronological order:

General Insurance Seminar (*held 22 October*)

The NZSA General Insurance seminar held recently at Te Papa was a hugely successful day, with 80 people attending. There was a strong turnout of NZSA Members, a number of actuaries travelled from Australia, and there were representatives from the audit profession, general insurance companies, and the Insurance Council. This wide mix of people facilitated discussion of a full range of views and experiences. There was of course a strong focus on the emerging prudential regulation regime, and we were pleased to have Toby Fiennes of the Reserve Bank set the scene in the opening session.

The organisers of the event, Richard Beauchamp and Wayne Anderson, are to be commended for having run such a valuable day for the actuarial profession. The imminent new regulatory regime will present exciting challenges and significant new responsibilities for actuaries working in general insurance. It will be important that NZSA holds further workshops to support Members as we work through the implementation stages. It will also be important that NZSA continues to maintain close dialogue with key external stakeholders such as the Reserve Bank and the Insurance Council.

Professionalism Course (*held 28 August*)

This day was the successful culmination of a thought Peter Brown had 3 years ago. The event was attended by 30 NZSA Fellows and I was pleased to receive positive feedback from attendees. There were three overseas presenters, including Curtis Huntington who has considerable experience in the USA with facilitating and presenting professionalism courses for actuaries, and also hearing professional complaints. John Maroney and Chris White are involved with the Australian Institute's professionalism course and travelled from Australia to present.

We are very grateful to each of Curtis, John, and Chris for giving of their time and making a priority of coming to New Zealand to ensure the success of this course. Thank you also to Murray Hilder and Brian Lenehan for running a session on behalf of the NZSA Professional Conduct Committee.

One of the collateral benefits of attending the NZSA professionalism course is that some of our Fellows who attended will now qualify to apply for Fellowship of the Institute of Actuaries of Australia. Further details on the eligibility criteria have been provided in the email of 7 October, sent to attendees.

The course has prompted an attendee's suggestion that we could usefully create further opportunities for our members to get together to discuss professional ethics. Council is considering possible options around this.



Ian New, Curtis Huntington, Chris White, John Maroney, and Peter Brown at the NZSA Professionalism Course

Meeting – John Maroney, Institute of Actuaries of Australia (*held 27 August*)

Actuarial trainees and younger actuaries met with John Maroney, Chief Executive of the Institute of Actuaries of Australia, on the afternoon of 27 August in Auckland. John gave a talk to Members, and then took questions. Curtis Huntington and Chris White were also present, as well as Peter Brown who organised the event. The session was well received and Council would like to organise further events tailored for this audience. This was one of John's final days working as Chief Executive of the Australian Institute, prior to leaving for Basel, Switzerland, where he has now taken up an appointment by the Bank for International Settlements as a member of the secretariat of the International Association of Insurance Supervisors.

Seminar - Evaluating New Zealand's financial reporting landscape for insurers (*held 27 August*)

NZSA members were guests of Grant Thornton at a seminar run specifically for the actuarial profession at their Auckland offices. Mark Hucklesby led the presentation and discussion, utilising his experience over the last three years spent in London working full time on IFRS reporting matters. Perhaps the most sobering realisation for attendees was the sheer volume of development in train with financial reporting standards at the international level. The feedback from attendees was positive, and consideration will be given to the possibility of further updates from time to time.

Sessional Meetings – Insurer Solvency (*held 3 & 5 August*)

This was an opportunity for the full NZSA membership to discuss the important issue of standards for insurer solvency. A draft solvency standard for non-life insurers, jointly developed by the RBNZ & NZSA, had been released into the public arena for comment. The meetings were facilitated by Paul Rhodes and John Smith. Paul was Convenor of the NZSA working group who had provided input into the development of the draft non-life solvency standard. John collated the feedback from the meetings and drafted an NZSA submission to the Reserve Bank. This submission is available on the NZSA website.

NZSA Winter Dinners (*held 29 & 30 July*)

Dinners were held in Auckland and Wellington to coincide with Trevor Thompson's visit to New Zealand in his capacity as President of the Institute of Actuaries of Australia. Trevor was accompanied by his wife Margaret, and it was good to see members and their partners attend. Both dinners were very enjoyable evenings.

At the Auckland dinner we took the opportunity to acknowledge John Feyter as inaugural winner of the Richard Bruynel Research Prize. At the Wellington dinner, NZSA hosted Richard Dean (Manager Insurance Policy, Reserve Bank of New Zealand), Vance Arkinstall (Chief Executive, The Investment Savings & Insurance Association of New Zealand), and Terry Jordan, (Manager Finance & Regulation, Insurance Council of New Zealand).



Ian New presenting John Feyter with the inaugural Richard Bruynel Research Prize

Sessional Meetings – IAA Response to the Global Financial Crisis (held 29 & 30 July)

Trevor Thompson, President of the Institute of Actuaries of Australia, spoke about the initiatives that the International Actuarial Association has been taking around the global financial crisis. Members of the Australian Institute were instrumental in developing the international body's response. A key element of this was the paper "Dealing with Predictable Irrationality - Actuarial Ideas to Strengthen Global Financial Risk Management" which was published by the International Actuarial Association in February 2009. In addition to speaking to NZSA members, we also arranged for Trevor to meet with the Reserve Bank of New Zealand to discuss the global actuarial profession's response to the GFC and the roles of actuaries in financial institutions.

International Congress of Actuaries 2010

Members will be aware that the 29th International Congress of Actuaries will take place in Cape Town from 7-12 March 2010. John Smith will be presenting his paper "Recent developments affecting New Zealand's Life Insurers" at this Congress. There is of course a significant amount of change happening within the New Zealand environment at present, including prudential regulatory change, tax changes, licensing of distribution, and industry issues such as transfer terms on life insurance business. So this is an excellent time to put New Zealand on the map at the International Congress and John is to be commended for taking this initiative.

John will also attend the IAA President's Forum which will take place in Cape Town immediately prior to the Congress, and will represent the New Zealand Society of Actuaries at that Forum.

NZSA Conference 2010

As previously announced, the 2010 NZSA Biennial Conference will be held in Marlborough from **Sunday 21 November through to Wednesday 24 November 2010**.

The 2010 Conference Committee comprises Charmaine Green (Convenor), Marinda Dean, Ross Simmonds, and John Feyter. If you have any ideas or suggestions for the conference,

please do contact Charmaine or one of the team. November 2010 will soon come around, so **now** is definitely the best time to start planning that paper.

Regulatory Developments

Prudential Regulation of Insurance

The Insurance (Prudential Supervision) Bill is now commencing the journey through the Parliamentary process, and the first reading is understood to be imminent. I anticipate that the Select Committee process for this proposed legislation will benefit greatly from the initiative to circulate an earlier draft version to interested parties for feedback prior to the updated version being tabled in Parliament.

NZSA will obviously closely track the progress of this legislation, given its importance for the insurance industry and for actuaries. Naturally, NZSA will continue to engage closely with the Reserve Bank of New Zealand around the development of the solvency standard for non-life insurance, and the adoption within Regulations of an amended PS5.01 for life insurance business. The Reserve Bank has engaged John Errington to facilitate the implementation of these solvency standards. David Chamberlain is the NZSA contact around the life insurance solvency standard.

Taxation: Life insurance, OCR deductibility, KiwiSaver

The Taxation (International Taxation, Life Insurance and Remedial Matters) Act, together with related Supplementary Order Papers, was passed by Parliament in late September. One practical issue which has arisen is the application of Margin on Services reporting to “grand-parented” business. Certain existing life insurance business has been granted a 5-year transition period during which the old tax regime can continue to apply. If companies elect to implement this concession, tax on the new basis is not payable on this business until expiry of the 5-year period.

However, in contrast, if the best estimate assumption for tax is that additional tax will be payable beyond 5 years, then on the face of it, allowance needs to be made for this in current MoS projections, thereby reducing planned margins, and actual reported profits, immediately. The ISI industry body have initiated an industry review to ascertain if there are alternative acceptable interpretations of the financial reporting requirements.

Professional Standards Update

An update on progress with the work on NZSA professional standards:

PS1 (Revised) *Reports and Advice to an Organisation Carrying on Long Term Insurance Business*

The Life Insurance Committee have drafted revisions to this Professional Standard. The revised version is being considered by the Professional Standards Committee prior to exposure for comment.

PS8 (New) *Economic Valuations*

This draft standard is with the Professional Standards Committee for final minor changes, prior to being sent through to Council for approval.

PS10 (New) *Financial Reporting for Superannuation Schemes under IAS19*

The Superannuation & Savings Committee is making some further changes to this draft standard based on feedback. The revised draft will then be sent to the Professional Standards Committee prior to re-exposure.

PS11 (New) *Investment Advice*

Work is progressing around development of the scope and content of a potential new Professional Standard in respect of Investment Advice provided by Members. Heathcliff Neels is leading the drafting group for this standard.

Insurer Solvency Standards

As Members are aware, NZSA is working with the RBNZ on the implementation of a solvency standard for non-life insurers, and updating PS5.01 for life insurers. These Solvency Standards will be given the force of law through Regulations to the anticipated Insurance (Prudential Supervision) Act.

Closer Relations with Australian Institute

On behalf of Council, I have written to the Institute of Actuaries of Australia, suggesting ways in which our respective professions may work more closely together. Suggested areas include CPD opportunities, closer coordination of timing of events either side of the Tasman, and closer engagement between corresponding Practice Committees of each professional body. The Australian Institute is keen to facilitate closer relations, and it makes sense for us to build off the work that can be produced by our much better-resourced sister organisation. I believe there are some significant opportunities here, provided we carefully select the appropriate areas and type of engagement.

Investor “Stress Tests”

One example of where an Australian actuarial initiative has crossed the Tasman is their work in response to the Australian Ripoll inquiry. The Institute put out a media release which was picked up by the New Zealand financial media, and I was contacted for an NZSA perspective. One of the Institute’s key suggestions was the development of a financial “personal stress test” as a potential tool to enhance the understanding of risk by individual investor members of the public.

NZSA Council formed the view that this idea may indeed have useful application on this side of the Tasman, and I have circulated the material to several relevant New Zealand organisations. If any members would like more detail, please go to the Institute website, or let me know.

NZSA Website - Actuarial Listings

There have been several suggestions to include a list of actuarial firms on the website, in particular for people looking for the services of an actuary, but possibly also as a resource for those seeking actuarial employment. The External Relations Committee is working on this project, and will shortly be sending a survey/details form to a representative of each organisation in the NZSA address database, as well as each individual without an employer address. Initial thoughts are to list consulting firms and consultants by geographical location, with a brief list of specialist areas. If there is support for the idea of including potential employers, a second page will contain these addresses and contact details.

Inclusion will be based on completion of this form, so if you don't receive one by 20 November, please contact Andrea Gluyas on (04) 462-7613 or andrea.m.gluyas@nz.pwc.com. Likewise, if you have any other feedback on this project at any time, please contact Andrea.

Committee Appointments

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

External Relations : Peter Scolley

New Members

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

Students

Andrew Mirams
Dinushi Jayasuriya

Fellows

Ian Burningham
Graham Campbell
Klaas Stijnen

The Last Word

In the previous newsletter under "The Last Word", I mentioned Peter Davies's result in the Takapuna half-marathon. It transpires that there were several other actuaries running in other sections that day, including Mark Sim and Brian Lenehan.

In this newsletter I can report a further example of a member of our profession excelling in the sporting field. One of our Fellows, Dan Stoner, has very recently represented New Zealand in the World Long Distance Triathlon Championships, held in Perth this year. Dan came a highly creditable 21st out of 60 males in his age category (30-34). More details are available at:

<http://www.ldworlds.org.au>

“Long” seems to be the key word for these Championships, the race comprising a 3km swim, 80km bike ride and 20km run. Nevertheless, everything is relative, and Dan tells me that these are about half the distances he covers in Ironman events.



Dan Stoner, New Zealand representative in the World Long Distance Triathlon Championships

The Very Last Word

Thank you again for your support over my term as President. Please continue to actively support your new President and Council once they have been elected. I encourage you to consider how you can get more involved with your profession, through writing papers, serving on a Committee, or organising events. You are more than likely to find such involvement a win/win, for both you and the profession.

Ian New
President