

BACKGROUND ON THE AUSTRALIAN ACTUARIAL PROFESSION FOR THE MORRIS REVIEW OF THE UK ACTUARIAL PROFESSION

From the Institute of Actuaries of Australia, September 2004

The Institute of Actuaries of Australia (IAAust) submits this response to the Morris Review of the Actuarial Profession in the UK as a source of information about the IAAust and the Australian actuarial profession. Whilst the Australian actuarial profession originated from the actuarial profession in the United Kingdom, there are some key difference to the way in which the actuarial profession in Australia has developed. To enable the Morris Review to more easily identify these features the following summary is provided.

FEATURES OF THE AUSTRALIAN PROFESSION

Partnership with Universities

A unique feature of the Australian actuarial education system is the partnership between the Institute and the University sector. Four major universities have been accredited by the Institute to deliver Part I (Core technical subjects) and Part II ('Actuarial Control Cycle') of the actuarial education program. The process for accreditation is rigorous and incorporates regular visits by Institute panels to the actuarial departments of these universities to review the application of the Institute's syllabus and the quality of course content.

The relationship between the profession and the university sector has created an environment where actuarial students normally undertake their actuarial study full-time within an undergraduate degree rather than taking their studies via correspondence whilst employed. Students therefore enter the profession by selecting the undergraduate course rather than responding to employment opportunities post graduation.

The Actuarial Control Cycle

Part II of the education program comprises the 'Actuarial Control Cycle', a program specifically developed by the Australian Institute based on a concept originally articulated by the UK Institute. The Actuarial Control Cycle was first taught in 1996 as part of the Australian actuarial education program to promote the practical application of actuarial techniques. The Actuarial Control Cycle is an innovative means for learning how to apply actuarial skills to business situations across a wide range of traditional and non-traditional practice areas. In 2003 the IAAust published a text book to support teaching of the Actuarial Control Cycle and is currently producing a revised second edition.

Statutory Responsibilities

Statutory responsibilities for actuaries are written into the legislation and regulation of Life Insurance, General Insurance, Medical Indemnity Insurance and Health Insurance.

Actuarial Certification is also a requirement within the Superannuation sector. The spread of statutory roles for actuaries in Australia has increased significantly over the past two years and indicates a strong reliance on the actuarial profession as the guardians of the long-term financial sustainability of institutions. Following the Royal Commission into the collapse of the major general insurer HIH, the prudential regulation of general insurance was strengthened together with the introduction of the role of Approved Actuary. This statutory responsibility is now being extended to include the provision of a Financial Condition Report.

Spread of Actuarial Practice

Less than fifty percent of the Australian actuarial profession is employed in the traditional areas of Life Insurance, General Insurance and Superannuation. There has been a significant broadening of employment of actuaries in the banking, finance and investment sectors and increasingly into areas such as health, environment, energy and infrastructure. The introduction of the Actuarial Control Cycle into the education program has helped to influence this broadening of the application of actuarial techniques. Additionally, the increased popularity of actuarial science at university, the consequent increase in supply, and the high regard for the skills and expertise of actuaries has enabled pioneers within the profession to develop opportunities in new areas of practice.

Internal Corporate Governance

The Institute has an essential role in the self-regulation of the actuarial profession in setting and maintaining standards of practice. Typically, the IAAust conducts regular reviews of its professional standards and its own corporate governance. In 2001, the Institute undertook a review of the Code of Conduct, Continuing Professional Development requirements, Constitution and Disciplinary Scheme of the Institute to bring these processes up-to-date with current practice and with public expectations of professions. Similarly, the Education program is subject to continuous review to ensure courses remain relevant and reflect best practice.

In parallel with the hearings of the HIH Royal Commission the IAAust established a high-level taskforce to monitor proceedings, make submissions as required and develop recommendations for the Institute's Council regarding changes to standards. The taskforce also had responsibility for referral of members to the disciplinary scheme in circumstances where there may have been 'actionable conduct'. The IAAust also established a Corporate Governance taskforce which developed a series of far-reaching recommendations resulting in the introduction of Independent Peer Review for statutory work, whistle-blowing procedures and mentoring support, a strengthened process for developing and monitoring professional standards, and more rigorous CPD requirements. There will now be a further review during 2005 of the IAAust's Code of Conduct and Professional Standard for CPD as well as an assessment of current and potential Professional Standards.

1. ABOUT THE INSTITUTE

1.1 Introduction

The Institute of Actuaries of Australia is the learned professional body representing actuaries in Australia and in other countries.

The Institute's vision statement is to position the profession so that wherever there is uncertainty of financial outcomes, actuaries are sought after for valued advice and authoritative comment.

Through expanding and maintaining an environment where the skills of actuaries are widely used and valued the Institute:

- establishes professional standards for the protection of the public;
- provides pre-qualification and continuing professional education;
- provides forums for discussion of issues of contemporary interest;
- promotes research and development of actuarial science; and
- contributes to and informs debate on public policy.

1.2 Objectives of the Institute of Actuaries of Australia

The primary objectives of the Institute are to increase the value to the community of the actuarial profession and to foster the development of actuarial science. In serving the public interest and the intellectual advancement of the profession, the Institute works towards achieving the optimal positioning of the profession on behalf of its members. In pursuing these objectives the Institute draws together the intellectual capital and practice experience of its members and engages them in a range of activities which in turn benefit its members.

The IAAust produces a strategic plan about every three years to guide the governance of the profession and the operations of the Institute. In parallel with the development of the strategic plan 2004-07 the Institute has established a taskforce 'Vision 2007' to look at the future of the profession beyond the objectives of this plan. We are acutely aware of the demographic shifts occurring within the membership of the IAAust towards greater female and more diverse ethnic representation. A sociological survey of the profession across the various generations is being commissioned to inform our perceptions and expectations of the future.

1.3 History

The origins of the actuarial profession in Australia can be traced back to the mid-1800s, with the foundation of the first life insurance companies in the colonies. By the 1890s the profession was firmly established in Australia.

The examinations of the Institute of Actuaries (UK) were extended to Australia from 1892 and for many years the UK Institute, along with the Faculty of Actuaries in Scotland, provided the formal training of Australian actuaries.

In 1897, the forerunner of the present Institute, was founded in Sydney with seventeen members. As actuaries in other Australian states and in New Zealand joined, the Society's name was changed in 1918 and then again in the 1960s.

By 1977 the Institute was named The Institute of Actuaries of Australia and the membership voted to introduce an Australian actuarial qualification. Examinations for the Fellowship of the Institute of Actuaries of Australia (FIAA) were conducted from 1980.

1.4 Governance Structure

The IAAust is governed by a Council of fifteen FIAAs elected by members for three year terms. Council has overall responsibility for corporate governance and the strategic direction of the IAAust.

The President and two Vice Presidents, elected from within the Council, have two years as a Vice President and then hold office as President for twelve months. The Immediate Past President continues to serve for a further twelve months as the IAAust Delegate to the IAA.

The three Presidents together with the Chief Executive form an Executive Committee that monitors the strategic plan, allocates resources and establishes priorities.

Eight committees reporting directly to Council cover the range of IAAust programs:

- Executive – overseeing the strategic direction, public affairs and management as delegated by the Council.
- Education – overseeing the development and delivery of actuarial education either through accreditation of universities or the delivery of IAAust courses.
- Audit – overseeing the appointment of auditors and the annual audit and financial statements for the IAAust.
- International – participating in the international actuarial community and responsible for communications between the IAAust and its' overseas ambassadors and representatives, and providing the link with the International Actuarial Association.
- Professional Standards – facilitating the development and monitoring regular reviews of professional standards and guidance for actuarial practice.
- Public Policy – co-ordinating the IAAust's response to a wide range of social & economic policy, legislative reforms and industry regulation issues.
- Member Services – monitoring and reviewing the nature of services provided by the IAAust to its members and their particular needs by segment and interest group.

- Continuing Professional Development – overseeing the CPD framework, requirements and program of activities to respond to the range of members’ professional and career development needs.

Members contribute to the work of these committees and initiate programs in policy development, education and CPD for the benefit of actuaries in particular practice areas through the six Practice Committees in:

- Banking & Finance
- General Insurance
- Health
- Investment & Funds Management
- Life Insurance
- Superannuation & Employee Benefits

Over 350 members (nearly one third of FIAAs) are actively involved in conducting the education and policy development work of the IAAust. The IAAust until quite recently relied almost entirely on this voluntary involvement by members. However, since 1997 there has been a shift towards the engagement of professional staff to meet the increasing demands placed on the IAAust Secretariat.

The IAAust employs a professional staff of sixteen. The organisation is managed by the Chief Executive with the support of a senior management team of four Directors covering Professional Education, Practice Development, Operations and Public Affairs. The value of the professional Secretariat working in concert with the large volunteer network of members is evidenced in the substantial public affairs activity enjoyed by the IAAust, the development of alliances with other associations servicing affiliated professionals, and the international acknowledgment of the educational achievements of the Australian profession.

The IAAust offices are in the historic Challis House in Martin Place, in the heart of Sydney. The IAAust is also a partner in the Joint Hong Kong Actuaries Office which is co-funded by the Society of Actuaries (US), the Institute /Faculty of Actuaries (UK) and the Hong Kong Society of Actuaries.

1.5 Funding

The Institute is a non profit organization and derives its income from membership subscriptions, education fees and registration fees for events. The annual budget is prepared by the CEO and approved by its governing board, the Council which sets the level of subscription and enrollment fees, and establishes a range of documented policies and procedures regarding the governance of the Institute.

The Executive Committee monitors the financial performance and overall activities of the Institute at fortnightly meetings.

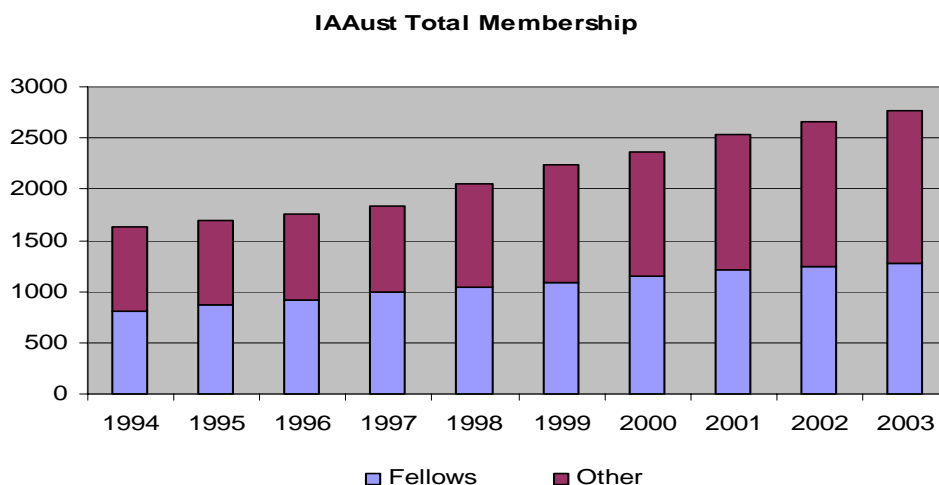
Statement of Financial Performance for the Year ended 30th September 2003

Revenues	\$AUS
Administration	\$1,749,331
Professional Development	\$827,399
Education	\$1,407,199
Members Services	\$251,596
Total Revenue	\$4,235,525
Expenditure	
Administration	\$649,987
Employment	\$1,119,196
Professional Development	\$567,837
Education /Universities	\$763,371
Members Services	\$602,397
Public Affairs	\$104,171
Total Expenditure	\$3,806,959

1.6 Membership

The Institute today represents 2,770 members, 1,269 of these being FIAAs. Membership has grown steadily, nearly doubling in size in the last decade, with each year between fifty and seventy members qualifying as new FIAAs.

Membership of the profession has been growing at circa 6.5% CAGR since 1993, as demonstrated below.



Fellows

The requirements for admission as a Fellow of the Institute of Actuaries of Australia (IAAust) are:

- (i) Passes or exemptions from Part I subjects
 - (ii) Exemptions from Part II examination (Actuarial Control Cycle)
 - (iii) Completion of the examinations at Specialist Level in two (2) Part III subjects
- As a transitional arrangement, passes in Fellowship examinations before 1990 are allowed as exemptions from the examination in the subject at the Specialist level.
- (iv) Twelve months relevant working experience
 - (v) It is also necessary for Australian residents to attend the IAAust's Professionalism Course, or for overseas residents to attend a similar approved course.

Accredited Members

Fellows of the Institute of Actuaries, London (IoA), the Faculty of Actuaries, Edinburgh (FoA), Society of Actuaries, US (SoA) and the Casualty Actuarial Society, US (CAS) may be accepted as Accredited members of the IAAust if they satisfy the following conditions:

- (i) They must be a current financial Fellow of one of the above-mentioned bodies
- (ii) The applicant is required to have been a resident of Australia for at least six months and to have gained suitable experience in local actuarial practice
- (iii) The applicant is required to have passed a recognised Professionalism Course within the previous five years or earlier at the discretion of the Council
- (iv) One of their nominating Fellows must be satisfied that they understand the IAAust's Code of Conduct.

In addition, Fellows of the Canadian Institute of Actuaries (CIA), New Zealand Society of Actuaries (NZSA), Society of Actuaries of Ireland and the Actuarial Society of South Africa (ASSA) may also be admitted as Accredited Members if they satisfy the conditions (i-iv) above and qualified as a Fellow through examination from either IoA, FoA, SoA or CAS.

Associates

Student members who have passed, or been exempted from, all Part I and Part II subjects are eligible to become Associates (AIAA).

Fellows and Associates of the Institute of Actuaries (London) and the Faculty of Actuaries (Scotland) are eligible to become Associates of the IAA. Fellows of the Society of Actuaries (USA) are eligible for Associate membership, with Associates of the Society of Actuaries (USA) being eligible to join as Student members.

Affiliates

Affiliate membership incorporates:

- Members of other professions seeking to maintain a close association and involvement with the actuarial profession. Their membership is subject to reference checks.

- Student members who are currently enrolled in the Part I or Part II subjects and have not yet completed either. They must have completed an approved university degree.
- Full time student members who have not yet completed Part I and are currently enrolled in a full time actuarial course at a recognised Australian university. Students enrolled in non-accredited courses or other disciplines may be admitted to the Institute on the basis of secondary school results.

1.7 International

The Institute is active within the International Actuarial Association (IAA) and all FIAAs are automatically members of the IAA with their subscription fees being paid by the IAAust. There are Australian representatives on most of the IAA committees covering professional development, public policy and education. Australian members also contribute strongly to the work of the international research bodies, ASTIN and AFIR.

The IAAust has a number of bilateral agreements for mutual recognition of Fellows with the Faculty and Institute of Actuaries (UK), the Society of Actuaries (US), the Canadian Institute of Actuaries and the Society of Actuaries of Ireland. These agreements enable actuaries to practice professionally in other territories subject to meeting the requirements of the local actuarial association. Each agreement is predicated on equivalent standards of educational and professional conduct.

1.8 Self-regulation

The IAAust is the regulatory body for the Australian actuarial profession. The Institute maintains a register of members, upholds high standards of professional and continuing education and establishes professional standards of practice. The Institute has a Code of Conduct and a set of Professional Standards and Guidance Notes. These standards are developed according to a policy and procedure established by the Council which requires input from membership, peer review and approval by the governing body prior to being issued to members. The Institute also develops Guidance Notes which do not have the sanctioning force of Professional Standards but are developed to assist actuaries in various fields of practice.

As a function of the self-regulatory nature of the profession, the Institute, through its various committees and taskforces, regularly reviews existing practice standards and develops new standards and guidance to cover new or changing aspects of professional practice.

The Institute participates in initiatives taken within industry sectors in conjunction with other professional associations and industry bodies where such developments may affect the actuarial profession.

A Continuing Professional Development (CPD) program is run on an annual basis by the Institute and incorporates conferences, seminars, research, self-study programs and

exchange within special interest groups. All Fellows and Accredited Members of the Institute are required to undertake CPD. This is outlined in the professional standards (PS500) and requires a minimum CPD requirements are 20 hours of core CPD and 50 hours on non core CPD each year. Core CPD can be averaged out as 40 hours over the previous two years or 60 hours over the previous three years. Core CPD should include at least 5 hours each year of activities outside of the main area of practice for a member

1.9 Education

The Australian actuarial education involves a combination of university programs and courses conducted by practising actuaries through the Institute of Actuaries of Australia. It includes four parts and takes on average six to seven years to complete.

To ensure the appropriateness of the education process for professionally qualifying as an actuary, the Institute has responsibility for the continuous review and improvement of the syllabus and delivery of all programs.

The Institute has a rigorous process of accrediting universities to teach Part I and Part II of the actuarial education program, leading to the professional qualification of Associate of the Institute of Actuaries of Australia (AIAA).

For Part I of the actuarial study program, students may take one of several courses available at Australian and overseas universities via either distance education or face-to-face classes. Students generally complete the first four actuarial subjects as part of a study program for the Degree of Bachelor of Economics at Macquarie University, Degree of Bachelor of Commerce at University of New South Wales, Degree of Bachelor of Actuarial Studies at the Australian National University, Bachelor of Commerce at The University of Melbourne, or by correspondence with the Institute of Actuaries (London).

The university programs are reviewed on a four-year cycle, with a mid-term review conducted every two years. The examinations of the Institute and Faculty of Actuaries (UK) remain as an alternative for Part I via correspondence.

Part II comprises the ‘Actuarial Control Cycle’, a program specifically developed by the Institute and first taught in 1996 as part of the Australian actuarial education program to promote the practical application of actuarial techniques. The Actuarial Control Cycle is an innovative means for learning how to apply actuarial skills to business situations across a wide range of traditional and non-traditional practice areas. Part II is undertaken by either distance education or face-to-face classes at selected Australian universities.

The Institute itself develops, delivers and manages the final stages of the actuarial education program (Part III & IV), leading to the professional qualification of Fellow of the Institute of Actuaries of Australia.

From 2005, Part III involves successful completion of one specialist subject (Investments & Finance, Life Insurance, General Insurance, Superannuation and Planned Savings),

plus a compulsory Investment Management Course and a compulsory Business Applications Course.

Numbers of students undertaking Part III subjects and examinations have consistently increased, with over 480 students using the distance learning materials, web-based discussion forums, tutorials and videos and sitting examinations in 30 centres around the world in 2004.

To finalise Fellowship studies, Part IV of the program requires students to attend the Institute's Professionalism Course and meet a one-year Practical Experience Requirement, after which they receive their qualification of FIAA.

The Professionalism Course deals with the IAAust Code of Conduct and its practical applications. It also deals with the ethical requirements of being an actuary and the dilemmas likely to be faced in practice. This residential course, conducted annually, explores the obligations, risks and the legal responsibilities of being a member of the actuarial profession.

1.10 Delivery of Fellowship Program

A great deal of consideration and professional expertise has gone into the development and refinement of the specialist Part III subjects in recent years. Australian Fellowship studies are highly regarded due to the quality of their syllabi and structure, with a strong focus on learning outcomes. The Part III program is based on students working, often in a designated practice area, whilst undertaking the Part III subjects. Each subject is currently delivered predominantly in a distance education mode consisting of printed material, texts, assignments, plus two 3-hour examination papers. From 2005, the IAAust will utilize electronic delivery for course management and materials.

The considerable resources of members in the development and delivery of the Part III subjects should not be underestimated, with over 250 members generously giving their time each year as examiners, markers, scrutineers¹, tutors, course writers and reviewers, and education committee members. Institute members support students with tutorials for Part III subject located in Sydney, Melbourne, Hong Kong and Singapore. Other students are able to make contact with nominated members who act as subject Chief Tutors.

1.11 Partnership with Universities

An important partnership exists between the IAAust and the university actuarial centres. The academics engaged in these actuarial centres are members of the IAAust and have often been practising professionals prior to taking up academic appointments. The IAAust provides funding to these centres where they meet established criteria for Centres of Excellence (CoE). Financial support is provided to a Foundation established for each approved CoE, with a Trustee board comprising a majority of trustees appointed by the IAAust and the balance appointed by the relevant university.

Part I and II courses conducted by the universities are subject to accreditation by the IAAust as a pre-requisite for Fellowship. A strong and rigorous policy framework for accreditation is in place to the benefit of all parties. The membership of the accreditation panels assessing university courses includes members of relevant IAAust committees, former appropriate academics and international experts. Currently four Australian universities have been granted full accreditation for Parts I and II: Australian National University, Macquarie University, University of Melbourne and University of New South Wales.

Students from non-actuarial courses are currently able to seek exemptions for four of the nine Part I subjects. With the recent amendments to the Part I syllabus there will be a review of the possible extension of this exemptions process to cover other Part I subjects which may provide a greater incentive for top students from other disciplines to cross over into actuarial studies, thus assisting the IAAust's aims for broadening the application of actuarial skills.

1.12 International Education Developments

The Australian actuarial education program has continued to gain international attention, through our involvement with the IAA Joint International Education Taskforce, and also with the IoA and SoA education working parties. taskforce. The IAAust has been active in supporting the developments towards compatible education approaches for 2005, together with the IoA, the SoA and CAS.

In 2001, the IAAust initiated a strategic plan to promote and expand Australian actuarial education, particularly in the Asian Region, and to increase recognition of the FIAA throughout Asian countries and more broadly. A joint Australia China Committee was established in 2004 to promote relations between the two actuarial professions. The IAAust has also increased its representation at major forums and education events in Asia.

Additionally, a trial of the Actuarial Control Cycle, in partnership with Macquarie University has been undertaken in China through the delivery of short courses at the Chengdu Southwest University of Finance and Economics and Shanghai University of Finance and Economics, China. The new Actuarial Control Cycle textbook and CDROM, was produced in 2002 and is currently being translated into Mandarin.

1.13 Continuing Professional Development

The IAAust conducts an extensive Continuing Professional Development (CPD) program, as a means of maintaining professional standards, enhancing career opportunities and meeting the needs for life-long learning by actuaries.

Typically the CPD program consists of forums, seminars, self-study programs, 'hot topics' sessions, residential courses, regular monthly meetings, and a major biennial Convention.

The monthly Horizon series meetings, held in Sydney and Melbourne are designed for discussion of a research paper or a current topic for debate across the profession. Other workshops and seminars are generally held in response to changes in legislation or perceived needs for particular skills development. CPD programs are also run in conjunction with universities and other organisations in the financial services sector. A combination of video, audio tapes and CD Rom recordings of CPD events are made available to members throughout Australia and overseas.

Annual or biennial forums for discussion of industry issues, changes to regulations, government initiatives and developments in professional practice are also held across various practice areas.

The Institute produces a number of publications including the quarterly Australian Actuarial Journal, the monthly Actuary Australia magazine, and a range of textbooks and compilations of papers.

1.14 Extending the Education and Professional Development Program

There is growing evidence of the need to develop new Part III specialist courses to cater for the demand by and for actuaries to work in new sectors such as Health Finance, Financial Planning and Banking. Much of the work of professionals in these ‘new areas’ is pioneering so the Institute has a commitment to producing CPD courses and ultimately new specialist courses designed to meet these needs.

Actuaries working in health financing have pioneered the application of actuarial methodology in this industry. To build their influence, the Health Practice Committee of the IAAust has developed a CPD course comprising pre-reading, written work and a practical workshop. This process provides a benchmark for the development of new courses in the future.

In 2002 and 2004, the IAAust conducted a Health Financing Course offering actuaries and health professional six units covering subjects covering Health Care Expenditure and Performance, Capital Works, Contracting, and Savings Results from Health Care System Investments. This six-day residential course has been attended by some 100 practitioners and represents a unique body of knowledge in a new area of influence for actuaries within the health system.

1.15 Publications

The IAAust produces a number of publications including a range of texts, the Australian Actuarial Journal on a quarterly basis, and the Actuary Australia monthly magazine. In 2001, ‘Genetics in Society, 2001’ was produced by the IAAust Genetics Workgroup as a current text on the social, medial and actuarial issues related to genetic advances. One IAAust publication ‘Actuarial Practice in General Insurance’ is now into its 6th edition. In 2002, the IAAust produced a textbook “Actuarial Control and Management” and CD-

ROM as a key resource for students undertaking Part II of the actuarial education program.

1.16 Public interest obligation

The objects of the Institute as set out in its Constitution represent an inherent commitment to professionalism and quality in the public interest. Of specific note are the following objects:

- to increase the value to the community of the actuarial profession and foster the development of actuarial science
- to establish and uphold standards of professional conduct by members of the actuarial profession for the protection of the public and in the public interest
- to discuss and comment on the actuarial aspects of public, social and economic and financial questions which from time to time may be the subject of public interest.
- to provide a system of professional accreditation of actuaries (including mutual recognition) for the benefit and protection of the public and Members and to arrange and conduct a system of examinations or other tests to determine the actuarial qualifications of those who submit themselves to them.

1.17 Public Policy

The Institute has an active public policy program providing independent advice on issues of public interest covering economic and social policy. It is an active contributor to the process of reform, and is well positioned to prepare submissions to major inquiries and provide advice to governments, industry and the community more generally.

Most recently, the Institute has been proactive in supporting reforms in the regulation of Financial Services and General Insurance, both fundamentally affecting actuarial practice.

The Institute also provides advice in areas of corporate governance and financial reporting, including an active contribution to the establishment of international accounting standards and valuation methodologies for executive options, employee entitlements and economic entities.

The Institute contributes to public debate in areas such as health funding, ageing populations, retirement incomes, infrastructure, genetics, sustainability and the environment.

1.18 Disciplinary process

The Rules of the Disciplinary Scheme are set out in the Schedule to the Institute's Constitution. The Institute's Disciplinary Scheme provides that any member of the public, various office holders and bodies of the Institute may make a Complaint against a member having regard to the interests of the public and the profession of actuary.

The Scheme sets out the rules and procedures governing professional discipline of members and the handling of Complaints about the professional conduct of Members. A member may be subject to disciplinary action under this Scheme if the Member has committed or been engaged in Actionable Conduct.

“Actionable Conduct” is defined in Rule 4 of the Scheme, and covers professional misconduct and unsatisfactory professional conduct.

The key bodies of the Scheme are the Professional Conduct Committee, the Tribunal Panel and the Appeal Board Panel.

A Complaint is investigated by an Investigating Sub-Committee (ISC) which is established from members of the Professional Conduct Committee. An ISC may either dismiss the Complaint, or make one of four determinations under Rule 34. If the determination is the most severe (34d) the Complaint is automatically referred to the Tribunal. A Tribunal is established with four members of the Tribunal Panel, and a practising barrister or solicitor who is not a member of the Institute.

In certain circumstances, parties (either the Complainant or the Respondent) may appeal a decision of a Tribunal to an Appeal Board. An Appeal Board is established with three members of the Appeal Board Panel, one barrister as Chairperson, and an independent professional from another discipline.

The determinations available to a Tribunal or Appeal Board include the determinations available to an ISC under Rule 34 and if a finding of “Actionable Conduct” is upheld a member may be reprimanded, suspended, or expelled. The determination of an Appeal Board is final.

The Disciplinary Scheme includes rules regarding confidentiality, publicity and conflict of interest. Practice Notes have been prepared to accompany the scheme document to assist all parties in understanding and meeting the procedures of the scheme.

2. REGULATORY FRAMEWORK

2.1 Regulatory framework within which actuaries function

In Australia, the work of certain actuaries is specifically regulated on a national basis under the following legislation:

- *Life Insurance Act 1995 (Cth)*
- *Insurance Act 1973 (Cth)*
- *Superannuation Industry (Supervision) Act 1993 (Cth)*

The work of certain actuaries in the regulated financial sector is also governed by mandatory Prudential Standards issued by the Australian Prudential Regulation Authority. Specific standards for life insurance actuaries are also set by the Life Insurance Actuarial Standards Board.

The work of actuaries may be more broadly regulated by key legislation such as the *Corporations Act 2001 (Cth)*, and the *Financial Sector (Collection of Data) Act 2001(Cth)*.

Members of the Institute must also comply with the Institute’s Code of Conduct, Professional Standards and Guidance Notes.

There are statutory roles for actuaries with the Appointed Actuary role in Life Insurance and the Approved Actuary roles in General Insurance (including Medical Indemnity) and Health Insurance.

Overall, Australian actuaries are accountable to various people and organisations including the following:

- the client or company for whom the actuary works;
- the Australian profession via the Institute (educational standards to be met, professional standards, Code of Conduct, CPD requirements, subject to Disciplinary Scheme);
- users of financial products – eg deposit-holders, insurance policyholders, members of superannuation funds;
- users of financial statements – analysts and the market generally;
- third party claimants in the field of general insurance and accident compensation;
- company shareholders;
- Regulators – eg APRA, ASIC;
- Governments – in meeting legislative requirements and justifying “monopoly” positions in statutory roles;
- the public and community more broadly as reflecting the public interest emphasis and requirements of the Institute’s Constitution, and in assisting protecting the public and the economy from financial failures.

There is evidence that many members of the profession in Australia seek peer review of key work or advice. The Institute is in the process of developing professional guidance for the profession so that independent peer review will be established as “best practice” for the statutory work of actuaries in life and general insurance and for certain work performed by actuaries for superannuation funds. The general principles will be applicable to all actuarial work.

The prudential regulator, APRA has the key role of general oversight of companies in the regulated financial services sector.

2.2 Legal safeguards for disclosure

The following Commonwealth Acts provide certain protections for actuaries disclosing information in accordance with their legislative duties:

Insurance Act 1973 (Cth) – section 49C and 49D

Life Insurance Act 1995(Cth) – section 99

Superannuation Industry (Supervision) Act1993 (Cth) – sections 130A and 130B

Protection for actuaries extends to ‘qualified privilege’ and protection from self-incrimination.

3. MARKET FOR ACTUARIAL SERVICES

The Australian actuarial profession operates in an increasingly dynamic environment within Australia and overseas. The industries and emerging areas of opportunity for actuaries are being reshaped by major forces of change such as technology developments, the ageing of the population, globalisation, industry convergence, legislative change, privatization and prudential regulation. Where once the actuarial profession could be mostly identified with life insurance and superannuation, there are no longer identifiable boundaries to the applications of actuarial skills. This is borne out by the increasing demand for actuaries in general insurance, health financing, banking, investment, funds management, infrastructure funding, telecommunications, power markets, environmental industries and management consulting.

Demand for actuaries in Australia and the Asia /Pacific region continues to expand with some 20% of the current Institute membership based overseas, particularly in Asian countries. The Institute has responded to the increased opportunities for Australian actuaries in Asia by developing an Asian education strategy to promote the FIAA qualification and provide support for students based in these countries.

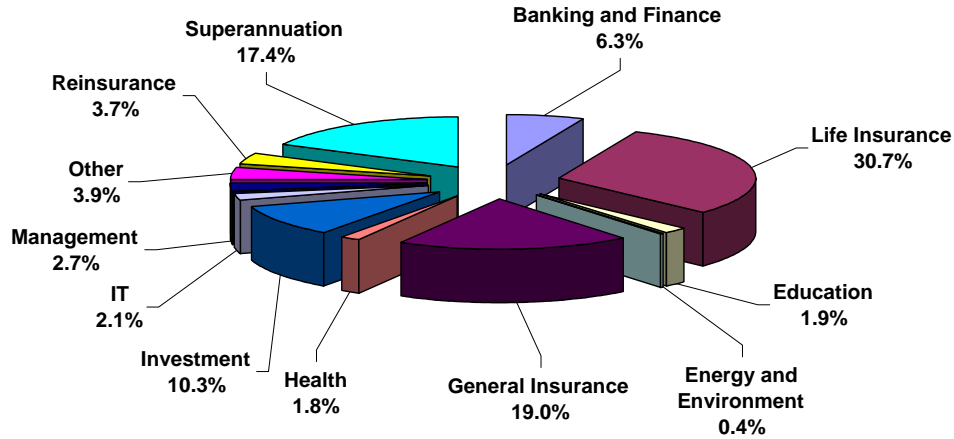
The balance of Australian actuaries working across various practice areas has shifted significantly since the early 1990s. Developing areas of actuarial practice include investment & funds management, banking, finance, health, the environment, energy markets and information technology.

In 2003, 38% of members identified that they were working in non-traditional areas, outside of Superannuation, Life Insurance and General Insurance.

3.1 Current Membership Composition

Approximately 62% of the profession is involved in the established practice areas of Life, General Insurance and Superannuation. The balance of 38% is testament to the success of the “wider fields” development. Approximately 20% of the membership is now based overseas, with UK, New Zealand, Asia (especially Hong Kong) dominating.

Membership Composition By Percentage



3.2 Areas of Practice and Employment

Classification	Number
Qualified Employed	1296
Associate Employed	600

Area of Employment	% of Membership
Banking and Finance	6.33
Education	1.89
Energy and Environment	0.39
GI	18.99
Health	1.76
Investment	10.25
IT	2.09
Life	30.68
Management	2.68
Other	3.85
Reinsurance	3.66
Super	17.43

Fellows	Total
Consultancies	478
Corporate	719
Government	48
Other	51
Total	1296

Associates	Total
Consultancies	170
Corporate	368
Government	15
Other	47
Total	600

3.3 Life Insurance

The role of Appointed Actuary for Life Insurance companies has been in place in Australia for at least 60 years. Under the Life Insurance Act 1995 (Cth), the role has changed from one akin to an internal pricing role to that of mandatory advisor to the Board in accordance with specific provisions of the Act.

Traditionally this sector has been the major employer of actuaries but with the shift towards conglomerates and wealth management institutions the opportunities for actuaries have changed and expanded. The production of a Financial Condition Report for the board and management of the Life Insurance company has been the hallmark of actuarial expertise in the valuation of liabilities, pricing and capital adequacy and solvency. This has now extended to other areas of general and health insurance.

3.4 General Insurance

The General Insurance Reform Act 2001 established new requirements for companies in relation to financial reporting and capital adequacy requirements. Australian actuaries have been working in general insurance for over a decade, but with the introduction of new prudential regulations actuaries have increased reporting responsibilities and the new role of Approved Actuary.

These new General Insurance standards were introduced at the time of the collapse of the major general insurer, HIH, and the associated increased public and political scrutiny of the industry has led to intense pressure to speed up reform. In order to achieve a constructive outcome for general insurers and the actuarial profession, the IAAust jointly funded a research project with the regulator, APRA, to analyse data and develop technical guidance for actuaries. The IAAust is developing programs of CPD and networking opportunities to support General Insurance actuaries in meeting their obligations under this new regime and in their new statutory responsibility for producing a Financial Condition Report.

An Approved Actuary is also required in the Medical Indemnity sector including the provision of a Financial Condition Report.

3.5 Health Insurance

Over the last few years the IAAust has had significant input into the reform of private health insurance in Australia. This has included the development of unfunded lifetime community rating, which was introduced by the Federal Government as Lifetime Health Cover in 2000, and reform of health insurance reinsurance arrangements. The IAAust has also developed Solvency and Capital Adequacy Standards for the health insurance industry. From July 2004, all private Health funds are required to have an Appointed Actuary who will be responsible for producing a Financial Condition Report.

3.6 Superannuation

Actuaries have been working in Superannuation since the early 1900s, when the major public sector funds commenced. Their roles cover a range of advice and services provided to trustees and employers including assessment of solvency, contribution rate recommendations, calculation of components of accounting standards, asset/liability modeling, crediting rate recommendations, asset allocation advice, insurance arrangements recommendations and general benefit design advice.

Under the SIS Act actuaries are required to complete actuarial valuations, prepare Funding & Solvency Certificates and Benefit Certificates and to report to the regulator, APRA, on certain breaches, unsatisfactory financial position and the employer contributing less than recommended. Under the Tax Act, actuaries are required to prepare certificates relating to tax exemption for death and disability expenses and for the investment income from assets backing current pension liabilities; and also to calculate the level of surchargeable contributions.

With the trend from Defined Benefit funds to Defined Contributions there is a shift in the work being undertaken by actuaries; however the overall level of work is declining.

A small cohort of actuaries is developing an area of practice within the financial planning sector and this is seen to be a relevant and useful new domain for actuaries in future years. In response to this increase interest, the Institute has included planned savings subject material into about 30% of its Superannuation subject in Part III.

With the introduction of new regulations in Superannuation by APRA, there is the potential for actuaries to take on greater responsibility for the risk management of Superannuation funds.

3.7 Banking, Finance and Investment

Over the past two decades there has been a steady increase in the number of actuaries working across banks, asset consulting, fund management and investment corporations. With the blurring of lines between insurance, banking and investment within financial entities there are roles opening up for actuaries in capital management, treasury, risk management, pricing, management of banking product portfolios (eg. mortgages),

infrastructure funding and investment etc. To some extent the actuaries moving into such positions are still pioneering as very often the actuarial qualification is not a pre-requisite for employment. Once actuaries are in these roles they are generally highly regarded.

The Institute is conducting activities to encourage the employment of actuaries throughout the banking and finance sectors and ensure these actuaries continue their association with the actuarial profession. The banking and finance sector is considered to be an increasingly important area for expansion of the profession particularly with the regulatory environment of Basel II and the increased focus on risk management. This reflects similar involvement by actuaries in the UK.

3.8 Pioneers in Wider Fields

There is a small cohort of actuaries in Australia with an interest in environmental programs, including climate change, energy markets, weather derivatives and biodiversity. The Institute has established committees for Energy & Environment and Futurism to investigate initiatives across a range of areas of industry and public policy that may be of interest to actuaries. In particular, the IAAust has contributed to inquiries into Greenhouse Gas Emissions, presented to conferences on Socially Responsible Investments and Sustainability and has been represented on the United Nations Environmental Program's Finance Initiative.

The IAAust encourages research and policy development in 'wider fields' on the premise that where risk exists actuaries can add value. Actuaries are encouraged to work with other professions and interest groups to approach and solve problems. Beyond the examples given in energy and environment actuaries are also contributing to energy markets, utility and mining industries and various forms of infrastructure investment such as roads, airports, power stations, mines and pipelines.

Other examples of the application of actuarial techniques occurring within the Australian profession include the valuation of biodiversity and the value of pharmaceutical products, environmental management and sustainability, socially responsible investment funds and the evaluation of offers for TV rights for the Sydney 2000 Olympics.

3.9 Recruitment of actuaries

Prospective actuaries are generally educated through the university system in Australia for the first parts of their program towards qualification. As students complete the Part II program, usually through an Honours or Masters Degree course, they commence the process of securing employment post-graduation. Contact is made with prospective employers through career days organized by the universities or from websites or printed media. Students may in fact have secured work beyond their university course by the beginning of their final year of study. Very often their continued study for the Part III or Fellowship examinations is supported both in time and finance by the employer. Some students will not secure work immediately and/or in securing work may decide not to continue towards Fellowship studies.

Mid-career recruitment occurs through formal and informal channels including word-of-mouth, networking through Institute membership, print and web advertisements and direct contact from recruitment and search firms.

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