



Institute of Actuaries of Australia

Strategic Challenges

Fred Rowley, President (2007)
- with considerable acknowledgement to
Greg Martin, President (2008)



Topics

- Strategic Plan
- Learnings
- Global ERM designation





Institute of Actuaries of Australia

Strategic Plan 2008-10

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2007 in Review

- Strategic Focus
- ERM
- International
- Public Policy
- Education & Research
- Governance
- Youth



Approach & Issues

- **Based on previous review (“V2020”)**
- **What do we want it to look like?**
- **What should (observable) goals be?**
- **What’s working? What’s not?**
- **Why?**
- **Risks?**



What do we want it to look like?

The Actuarial Profession is Growing and Diversifying with Increasing Influence

Sound / growing numbers.
New areas. OK remuneration.
Growing senior management.
Good ground floor flows.

Actuaries have a High Reputation for Ethics and Sound Advice

Limited negative press.
Recognised by business and public for ethics / reliability.

The Profession and Institute are Broadly Recognised and Actuaries have a Reputation for Highly Skilled Advice

Profession valued by business.
Sought for public debate.
Sound flow of R&D.

The Institute is valued and highly regarded by its members, with high member capture and retention rates

Valued services and education.
High membership take-up.
Low lapses.
Good volunteer numbers.

The Profession is Enjoying Global and Regional Success

Region meeting demand.
Helping/sharing region success.
Sound global progress.



Risks

- Profession fails to move with world / into new areas.
- Actuarial failures or poor performance.
- Failure to maintain skill base / relevance.
- Lack of leaders in profession (and/or good recruits).
- Profession marginalised - back room & compliance.
- Institute fails broad membership service demand.
- Insufficient volunteers.
- Failure of engagement in region.
- Failure of the IAA to progress.



Strategic Conclusion # 1

Institute as “Service Provider”

If Institute is to:

Be responsive to an evolving profession and changing world, and

Attract and retain professionals we think of as actuaries (who do good work we want to see identified as “actuarial” and not a competitor)

.... then



Strategic Conclusion # 1

Institute as “Service Provider”

The Institute needs to evolve:

away from a basic “Educator and Licensor” focus

towards more of a “Member Services and Educator” focus.

Linkages & inter-relationships:

Member value proposition, geographic service delivery.

Education, designations, CPD

Marketing the profession

Efficient, user friendly, responsive and cost-effective

Secretariat.



Strategic Conclusion # 2

Rethink Pre-Qualification Education (Part I, II and III)

Reassess what it is we wish to achieve with Parts I, II and III, and their relationship with changes to designations

Reassess the skills outcome we want (e.g. communication, business acumen, risk management, ethics)

Align content, delivery and examinations with outcome wanted.



Strategic Conclusion # 2

Rethink Pre-Qualification Education (Part I, II and III)

Linkages & inter-relationships:

- **Student (member) satisfaction, delivery issues, pass rates**
- **Ability to deal with an expanding remit (Health, GRIS, ERM).**
- **R&D (incl. leverage), CPD**
- **Broader international opportunities / needs**
- **Think of our education products (e.g. text books) strategically**



Strategic Conclusion # 3

ERM: An Imperative & an Opportunity to get right

- **Being recognised within ERM is an imperative with respect to our pre-existing risk management “brand”**
- **ERM is a clear growth opportunity.**



Strategic Conclusion # 3

ERM: An Imperative & an Opportunity to get right

If we are going to:

**succeed in delivering high value professional ERM skills to the marketplace;
and not be “pushed aside”.**

We need to apply serious effort to:

**establish our presence; and
win a satisfactory place in the marketplace.**



Strategic Conclusion # 4

Relevance, Quality Assurance & Region

R&D - a key “service provider” issue:

- Without adequate R&D to maintain and develop our science and skills, success will be short lived.

Professional Standards, Code & Discipline:

- It is an imperative to maintain our reputation for high quality and ethics.

Regional/global support and relevance:

- Involvement, support and co-operation in our region is an imperative to underpin our long-term global relevance and future.



Institute Strategic Plan 2008-2010

Whenever there is uncertainty as to future financial outcomes, actuaries will be sought for their valued advice and authoritative comment.

Goals	What Success Looks Like	Risks	Key Strategies	Key Actions
<p>The Actuarial Profession is Growing and Diversifying with Increasing Influence.</p> <p>Actuaries have a High Reputation for Ethics and Sound Advice</p> <p>The Profession and the Institute are Broadly Recognised and Actuaries have a Reputation for Highly Skilled Advice</p> <p>The Institute is valued and highly regarded by its members, with high member capture and retention rates</p> <p>The Actuarial Profession is Enjoying Global and Regional Success</p>	<ul style="list-style-type: none"> ➤ The number of actuaries is sound and growing, including in new areas. ➤ Sound remuneration. Senior role numbers increasing. ➤ Good flow of quality & diverse new entrants, associates and fellows. ➤ Limited negative press. ➤ Actuaries recognised by business and public sector for ethics and reliability. ➤ Actuaries valued for their contribution to business. ➤ Institute sought for contribution to public debate. ➤ Sound flow of R&D. ➤ Members value Institute services and education. ➤ High membership take-up. Low lapses. ➤ Volunteer numbers are maintained. Volunteers are effective and feel valued. ➤ Regional societies meeting the demand for actuaries. ➤ Institute contributing to and shares in regional success. ➤ Good global progress by the profession. 	<ul style="list-style-type: none"> ➤ Failure to move into new areas: <ul style="list-style-type: none"> ▪ Actuaries not valued. ▪ Oversupply. ▪ Not attractive to new entrants. ▪ Poor salaries. ➤ Professional failures or poor performance. <ul style="list-style-type: none"> ▪ Reputation. ▪ Regulatory model changes. ➤ Failure to maintain skill base, relevance. ➤ Lack of leaders in the profession. ➤ Profession marginalised to back room / compliance. ➤ Institute fails broad membership service / value demand. ➤ Insufficient volunteers. ➤ Failure of regional engagement. ➤ International Actuarial Association (IAA) progress failure. 	<ul style="list-style-type: none"> ➤ Change Institute focus to "Member Services and Educator" (from "Licensor"). ➤ Members join for value proposition. 	<ul style="list-style-type: none"> ➤ Implement Designations TF outcomes. ➤ Assess and change Institute services, fees etc philosophy and structure. ➤ Articulate the value of actuaries. ➤ Proud to be an actuary program.
			<ul style="list-style-type: none"> ➤ Revise Institute op. model. ➤ Enable support of initiatives. ➤ Volunteer management. 	<ul style="list-style-type: none"> ➤ Business & op plans linked to strategy. ➤ IT resources, staffing, ➤ Volunteer "list" & employer support.
			<ul style="list-style-type: none"> ➤ Pre-qualification education review. ➤ Align needs and outcomes. ➤ Skills, communication, ethics 	<ul style="list-style-type: none"> ➤ Stabilise current Part III delivery, resources. ➤ Full competency review. Designations, aims, content, uni's, delivery, exams. ➤ Text books as products.
			<ul style="list-style-type: none"> ➤ Comprehensively implement the ERM domain initiative. ➤ RM review of Institute. 	<ul style="list-style-type: none"> ➤ CPD, Part III, Practice Committee. ➤ ERM Seminar, marketing, international. ➤ Part I, II. ➤ Institute RM review.
			<ul style="list-style-type: none"> ➤ Implement "life long education" CPD model. ➤ All members, networking. 	<ul style="list-style-type: none"> ➤ Leadership, commun'tns, professionalism. ➤ Part III leverage. ➤ Full program width. ➤ Finalise Health, record keeping.
			<ul style="list-style-type: none"> ➤ Marketing initiatives to support strategy. 	<ul style="list-style-type: none"> ➤ Investment Seminar series. ➤ Employer marketing / liaison. ➤ ASIC. ➤ Enlist Uni support (students)
			<ul style="list-style-type: none"> ➤ Broad based R&D. ➤ Academic (fundamental), applied, industry. 	<ul style="list-style-type: none"> ➤ PhD's & Part III. ➤ Prizes and funding. ➤ Uni accreditation, Academic Papers. ➤ ARCA. ➤ Practitioner Papers.
			<ul style="list-style-type: none"> ➤ Regional engagement. ➤ Strategic IAA engagement. 	<ul style="list-style-type: none"> ➤ Regional co-operation and leverage. Education, IAA involvement, governance. ➤ Key IAA actions/focus.
			<ul style="list-style-type: none"> ➤ Maintain professional standards & guidance. ➤ Disaster Recovery Plan. 	<ul style="list-style-type: none"> ➤ Finalise current PS's. ➤ Review cycle. ➤ Re-establish full PGL set (via PC's). ➤ Standing review of Code, PSC, governance
			<ul style="list-style-type: none"> ➤ Strategic management focus. ➤ Improved data availability. 	<ul style="list-style-type: none"> ➤ Strategic Plan reviews & monitoring. ➤ Council, Exec, PC, CC interaction.

IAAust Activity 2007/8

- **Designations & R&D Taskforces**
- **Education outsourcing
(Part III Investments)**
- **ERM CPD course, RM PC etc**
- **Budget for 2007/8 finalised allowing
for key strategic plan activity**
- **First detailed Operational Plan drafted
(35 pages!)**



Activity 2008

- **IT Infrastructure investment**
- **Finish current Part III fixes and implementations**
- **Start education objectives reassessment**
- **Employer visits**
- **High school student & careers advisor promotion**
- **Finalise professional standard conversion**



CPD Activity for 2008

CPD:

- Leadership program roll out
- Communication focus
- Start putting Part III subjects in CPD format
- Outsource Part III Investments

ERM focus:

- Commence work on establishing regular seminars





SAI Challenges?

- **Solvency II**
- **Solvency II for pensions**
- **Standards & (self-?) Regulation**
- **Pensions Green Paper:
promise vs security**
- **Education/CPD/Research**
- **Resourcing & Service?**
- **Brand?**





SAI Risks?

- Profession fails to move with world / into new areas.
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- Failure to maintain skill base / relevance.
- Lack of leaders in profession (and/or good recruits).
- Profession marginalised - back room & compliance.
- Institute fails broad membership service demand.
- Insufficient volunteers.
- [Failure of engagement in region?]
- Failure of the IAA to progress.



Learnings

- The needs of tomorrow's profession sometimes compete with today's needs ...
- Our actions must often serve both needs!
- i.e. Manage the current activities, and develop the future (“wider fields”)
- Reflections into standards, designations
- Comments on research



“Both needs”

Learnings on Standards

- “Independent” input is usually valuable, and ...
- True independence is the best solution for regulated areas ...
- Regulators: define the objectives & constraints
- Institute: regulate the production & delivery
- But only well suited to regulated areas
- Contract law “regulates” “unregulated” work

- And Enforcement underpins all, but ...
- Self-regulatory powers have limits



“Both needs”

Learnings on Designations

- **What is an ‘Actuary’? Or a ‘Fellow’?**
- **You can’t legislate that up is down**
- **Globalisation will influence outcomes too**
- **Communication is valuable, but ...**
- **If you want the wider fields members IN
– then they must feel as if they’re IN**
- **Some will feel threatened**



Learnings on Research

- **Research is your lifeblood**
- **Public policy exposure can be invaluable, in a host of different ways**
- **Don't think you are (or need to be) expert**
- **Join them: you won't beat them!**



Learnings on ERM

- **Regulators are already implementing**
- **Global community is moving (slowly)**
- **Demand is present**
- **There is still some inertia**

- **... Neat link to ...**





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Enterprise Risk Management – Steps Towards a Global Designation for Actuaries

*Fred Rowley, Past President
Institute of Actuaries of Australia*

What is ERM?

- **CAS definition:**

“ERM is the discipline by which an organisation in any industry assesses, controls, exploits, finances, and monitors risks from all sources for the purpose of increasing the organisation's short-term and long-term value to its stakeholders.”



Topics for Today

- Relevant features of ERM
- Who wants a new global designation, and why?
- What has been achieved so far?
- What next?



What does ERM consist of?

- **Comprehensive risk measurement using a consistent modern terminology and techniques: basis for management**
- **Not just financial and insured risks, but operational and strategic risks**
- **Integrated approach – not fragmented**
- **Not focused only on solvency or compliance: includes business value**
- **Note the links to increased risk focus in IAA Education Syllabus**



Who wants an actuarial ERM designation?

- Some insurance Actuaries are already required by law to know about (E)RM
- Expect IAIS draft paper (ERM) will be adopted by regulators in many jurisdictions
- Solvency II would benefit from a much fuller understanding of ERM in EU (“actuarial function shall ... contribute to RM ... in A.43” via A.47)
- Any actuary who wants to be a CRO!
- The global actuarial profession – when it exists !



Competitive Implications

- **Actuaries will be better equipped to compete if they have the skills to be CRO (“pathway to CRO”)**
- **Actuaries must comply with regulatory requirements, driven by IAIS/ Solvency II, if they wish to keep trusted positions**
- **Risk: Other “professions” in ERM may outgrow the Actuarial profession**



Why do we need a Global designation?

- **Standardisation of 'ERM toolkit'**
- **Standardisation of education**
- **International mobility**
- **International recognition**
- **Globalisation of the profession**



What's in the Statement of Intent ?

- **Agreement to work together, to ...**
 - issue & recognise designation(s)
 - draft a Syllabus & Standards
 - draft, execute and administer a Treaty
 - educate & examine members
 - accredit educational bodies
 - administer the Treaty
 - make an announcement (done!)



Who's interested?

- **Original 8 member associations**
(Australia, Canada , Mexico, RSA, UK:2, USA:2)
- **plus Philippines, Catalunya, France, Spain**
(today!)
- **Japan, NZ**
– monitoring actively
- **Groupe Consultatif Europeen**



What is in the Syllabus?

- **No time to cover that!**
- **But we know it must ...**
 - be commercially relevant and effective
 - support measured education standards
 - be compatible with Solvency II & IAIS
 - take account of CERA (USA)
 - support global growth of the profession



What else is in the Treaty?

- Process to issue “XRX” separate from local actuarial qualifications
- Duty to recognise achievement
- Powers to delegate teaching/exams
- Processes for accrediting and monitoring educators
- Basic marketing obligations
- Discipline, Admin & Governance



Who can get an “XRX”?

- **“Fully Qualified Actuary”
(within the IAA definition)**
- **Taught & examined on Syllabus: and
compliant with educational
achievement levels**
- **Subject to Code of Conduct**
- **Consented to release of disciplinary
information from all sources**



What next?

- **Define Accreditation/QA processes in full**
- **Finalise Treaty (2008/Q4?)**
- **Add more associations!**
- **Someone should sign it!**
- **Delegation of Treaty processes**
- **Manage educational collaborations**
- **(Integrate with basic syllabus?!)**
- **Groupe Consultatif interest ? EAA?**





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IAA syllabus + following:

- **ERM concept and framework**
- **Structure of the risk management function**
- **What is good risk management practice**
- **Reporting of risk exposures**
- **Risk types: market, credit, operational, business, etc**
- **Risk measures**
- **Modelling tools including extreme value theory**
- **Aggregation of risks including copulas**
- **Risk mitigation techniques**
- **Economic capital**



Overall Goals of Credential - 1

The Global ERM designation indicates expertise in all aspects of ERM, including a thorough understanding of

- the concept of ERM
- the drivers behind ERM – governance, regulation, improvements in understanding of risk and techniques for measuring and managing risk, enterprise value protection and creation etc
- practical aspects of ERM, including all elements of a robust risk management framework and its operation, and critical success factors
- standards and good practice in use around the world
- the different types of risk – financial, insurance, operational, and strategic
- the quantification of risk, including tools and techniques and supporting mathematics
- practices and techniques for the management of risk, including control, mitigation, transfer, avoidance, and exploitation of risk opportunities
- the economic value added by sound ERM
- important regulation and regulatory capital requirements



Overall Goals of Credential - 2

For the risks currently developed enough to be modelled effectively, designees should be proficient at the following tasks:

- Independently develop reasonable models to quantify risk by type and in aggregate
- Parameterise the models appropriately
 - understand when historical data is applicable
 - know when and how to apply current values
 - Be able to apply informed judgment
- Run the models to obtain relevant results
 - be able to focus on the key metrics
 - select appropriate number of iterations
 - be able to update the model as necessary
- Explain the models and the results to a variety of audiences
 - other technical ERM experts
 - managers of specific types of risk
 - individuals such as the CFO, CEO and board members



Overall Goals of Credential - 3

In addition to modelling risk, global ERM designees should be able to perform the following tasks:

- Implement the basic steps in the risk management process for any individual type of risk and in aggregate
- Recognise how corporate governance issues can affect risk management within an organisation, including organisation structure and remuneration incentives to accept or control risk
- Use the standard methods for reporting risk to boards and senior management
- Calculate regulatory capital requirements for insurers and banks
- Understand how rating agencies incorporate risk management in determining ratings
- Implement and explain economic capital models within an organisation





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