



2015 Presidential Message – Estelle Pearson

The first thing to say is of course what an honour it is to be the President of the Actuaries Institute for 2015. I don't think that I am a particularly emotional person but I surprised myself by feeling quite choked up on receiving the Presidential medal from our outgoing President Daniel Smith in a small handover ceremony after the final Council meeting for 2014. The second thing to say is thanks to Daniel for his service as President last year. I have known Daniel for a long time and it was a pleasure to watch him bring his own inimitable style to the Presidency and to provide such steady stewardship of the profession through the year. I observed Daniel to be thoughtful and considered in his approach and to spend a lot of time listening before reaching a conclusion and I hope that I have learned this from him. 2014 was the year of reviews with both the Mission and Governance Review Committees reporting to Council. Both committees undertook extensive consultation with members in formulating their recommendations to Council and I think that their approach was in part driven by Daniel's views around transparency and how Council should consult with members and seek their input on important issues.

I am looking forward to working with Senior Vice President, Lindsay Smartt, and Vice President, Jenny Lyon in 2015 as well as the Institute's CEO David Bell and the Institute staff. I think that we are fortunate to have found someone as capable and experienced as David to be our CEO, I was impressed at how quickly David mastered the role and valued his input and advice last year.

I want to first share a little about myself, then focus on the outcomes of the Council strategic planning process and what I would like us to achieve during 2015.

For those who don't know me – and there are many because of the sheer size of our membership - I am a general insurance actuary although I did work briefly in superannuation when I joined the profession as a student 30 years ago. I am originally from the UK so my actuarial career started in London where I only

lasted through one winter of commuting before requesting a transfer to Sydney. I came to Sydney in 1987, took one look at the beach, realised that you don't need an overcoat in winter and decided to stay. I made the move to general insurance in 1989 and again decided quite quickly that was the area for me. I have always worked in consulting and am managing director of a consulting business. Currently I am working four days a week to help meet the time commitment required of the President. I have been on Council since 2011 and have been active on the Public Policy Committee (as Convenor for the last two years) and the Education Strategy Working Group (where I was also Convenor). This year I have stepped down from those groups to focus on the Presidency where I see my role as threefold –

- ▲ Firstly providing leadership to the profession and engaging with members.
- ▲ Secondly as Chair of the Council overseeing the stewardship of the profession.
- ▲ And thirdly, representing the Australian profession to the wider world (locally and internationally) when required.

I am looking forward to engaging with a broad range of our members either face to face, by phone, digitally or in writing. I would like to feel that any member is able to contact me to provide feedback – both positive and negative – on what they see the Institute doing or not doing. I'll be working with the Institute team to make sure different communication channels are open to members – I may even take up tweeting! But most importantly I will be trying to meet and talk with as many members as possible at our various events and functions and through our committees and other groups.

Before looking at the Institute's strategy I'd first of all like to talk about some of the challenges that the Institute faces, to put the strategy into context. The challenges for the Institute arise mainly from the changing profile of our membership and there are three key changes that I think drive our strategy.

Firstly, our members are employed in a more diverse range of industries and jobs than ever before. When I joined the profession thirty years ago the majority of actuaries worked in either life insurance or superannuation. Now only a quarter of qualified actuaries list life insurance as their major practice area (less than this in Australia) while under 10% work in superannuation. General insurance has moved from being a new to a “traditional” area employing 25% of qualified actuaries. The remaining 40% or so work across a range of areas including investments and fund management, banking, health insurance, risk management, the health and disability sector and of course data analytics. And it is our members who have created a demand for actuaries and developed the actuary brand in these areas through the quality of their work and the soundness of their advice. Current trends mean that we are seeing a reduction in employment opportunities in some areas of insurance and certainly not the type of growth that we have previously seen in general insurance. Industry consolidation both in Australia and globally is one factor. So too are automation, off-shoring and globalisation. So what does this mean? I think that we can expect to see the diversity of our membership continue to increase as actuaries look for new employment opportunities. And a challenge for our members is that there is much greater competition for roles outside the traditional areas, where having an actuarial degree or being an actuary does not necessarily have the same value.

Secondly even within our traditional areas the work that actuaries do and the roles they hold have expanded well beyond reserving and traditional pricing. In these areas we are also competing for roles with non-actuaries. In general insurance (the area I know best) we work alongside statisticians and mathematicians in pricing, natural hazard scientists and engineers in perils modelling and we compete with lawyers, auditors and risk professionals for Chief Risk Officer roles.

A third challenge is the 23% of our membership that works overseas, especially in Asia where the insurance markets are quite different to ours and growing. The

employment opportunities and career paths for our members will increasingly feature a move overseas, particularly to Asia.

The changing profile of our members gives us a number of challenge –

1. How do we support members working in traditional areas and provide them with the right skills for their ongoing career development?
2. How can we equip actuaries with the right technical building blocks and other skills to provide them with employment opportunities in the areas that are developing outside the traditional fields?
3. How can we provide relevant CPD to qualified actuaries working outside traditional fields so that they see an ongoing value in membership of the Institute?
4. How do we provide the right skills and ongoing training to our members working, or who will work, outside Australia?
5. How do we promote the value of actuaries to employers outside the insurance and superannuation industries, and within those industries how do we promote their value beyond the traditional areas of work?
6. How do we (the Australian Institute) do all that with limited resources both financially and in terms of the size of our very valuable (and unpaid) volunteer base?

With these challenges I am fortunate that going into my year as President that the Council undertook a full strategy review at the end of last year where we developed five key goals for 2017 –

1. To update and modernise our qualifications, making our education more widely valued and relevant – this includes building a stronger CPD program
2. To ensure ongoing relevance to our members by improving engagement
3. To be influential and better known by decision makers and employers in areas where we have credibility

4. To provide a relevant CPD program for our members based in the Asian region
5. To extend the reach of actuaries in non-traditional areas especially data analytics and banking.

These goals are focussed around ensuring the ongoing health and vibrancy of the actuarial profession. What do I mean by a vibrant profession? One which is prestigious and highly regarded, one that has plenty of employment opportunities and one that attracts top students as new entrants. Growth could be an outcome of having a vibrant profession but is not in my view the main goal. I find these goals exciting, and I hope that we as a profession can get enthusiastic about them.

An important part of my role as President in 2015 is to ensure that we make progress on these goals as well as to follow through on the reviews we undertook last year. So what are the key things that at the end of the year I would like to see us having achieved?

Firstly, I'd like to see us respond to the recommendations of the Governance Review. There were a number of recommendations around making some of the Institute processes more transparent. I think that we have already made progress on this with the advertisement of positions on committees and the Council meeting summaries, but hope by the end of the year to be able to highlight initiatives we have implemented to make the workings of the Institute, Council and its Committees even more accessible to members. There were also a number of recommendations around the structure of the Council and Council terms. My goal would be for Council to put proposals for any changes to the Constitution that respond to these recommendations to the membership at an EGM this year and have them passed by you.

Secondly, I'd like to see us establish a data analytics community within the actuarial profession. The interest in Big Data is, as many others have already discussed, a huge opportunity for the actuarial profession as well as for other

professional groups. When you read the skill set required – mathematics, statistics, programming, analytic modelling techniques, the ability to think broadly, to understand bottom-line needs, to know which questions to ask and how to measure and communicate results - it sounds very much like an actuary to me, although there is a need to experiment and to work in real time which is where some of our training and especially our focus on risk might be a hindrance. And our traditional education does not include many of the technical building blocks and skills that are sought after in this space. In Australia we are fortunate that a number of our members are already making their mark in this area and the actuary brand is associated with data analytics in some large companies outside the traditional insurance sphere. We are also fortunate that within those traditional spheres actuaries are heading up the data analytics teams in a number of large insurance companies. This is despite the fact that we are in fact at a technical disadvantage to some of those from other disciplines, based on our formal training. In my view a first priority of a data analytics group would be to help us understand what we need to do from an education perspective (both pre and post qualification) to better prepare actuaries to be competitive in this field.

A third goal would be for us to get some runs on the board in terms of our Asian strategy. I know that some members get nervous when they hear the words "Asian strategy" and think that Council or the Institute is planning some form of regional domination. But we are small in the region and need to be realistic and clever in how we use our resources. We have for some years discussed what our role in Asia should be given the large proportion of our members who work in the Asian region and I think that we have finally nailed it. Focussing on CPD and working in collaboration with local societies, as well as some of the other larger actuarial bodies, should enable us to leverage our local IP and provide relevant and high quality CPD to our members (and others) in the Asian region. We already made a small step in the right direction last year when we collaborated with the Casualty Actuarial Society and the local association on training for Malaysian actuaries on liability valuations and FCRs for general insurance



companies. That initiative came about because of the initiative of one of our joint CAS/Actuaries Institute members. I would like to be able to identify some Institute-initiated CPD activities for Asia by the end of 2015.

Identifying practical changes to education with the goal of making the education program more relevant to the actuary of the future is another key objective for me. We had a first attempt at this in 2014. Consultation with practice committee representatives and the accredited universities on our detailed proposals identified a number of risks and weaknesses and led us back to the drawing board. Changes to education are always difficult, and while I think that there is general (but not universal) support for making the program more relevant to the changing work environment for actuaries there is always concern that changes will lower standards or lose many of the strengths of the existing program. The challenge is I believe to identify a series of smaller changes which are individually easier and less risky to implement than whole sale changes but which lead us towards the end goal of continued relevance to the future generation of actuaries and the changing work environment. We have now established a new group led by Jenny Lyon (the Vice President) and including a number of university representatives which will be developing ideas on how we can achieve our goals while avoiding the risks raised during the consultation process. This group will also keep track of what is happening at the international level where the IAA is undertaking a review of its minimum syllabus requirements. This will help ensure that we are consistent with global developments in actuarial education and of course that our qualification maintains its global recognition.

My fifth goal is more personal and stems from my particular pride in being the fourth female President of the Actuaries Institute. The first female President was Cathy Prime back in 1991 who in fact presented me with my Fellowship certificate. There was a ten year gap before our second female President – Helen Rowell – a seven year gap to our third – Bozenna Hinton – and then just four years to me. And of course with Jenny Lyon as the Vice President there will be just a one year gap before our fifth female President. The reduction in the



time gap between female Presidents reflects our demographics. Women comprise 40% of our membership aged under 35, 30% of the membership between 35 and 50 and less than 10% of the membership aged over 55. Our gender diversity and representation of women in leadership positions in our profession is something to be proud of, so I was a little disappointed that there was only one woman out of ten candidates in last year's Council election. I think that it is important to encourage the next generation of female actuaries to step up or lean in (or whatever the current buzzword is) and during my year as President I'd like to take the opportunity to actively provide that encouragement.

So 2015 is going to be an exciting and busy year and I hope a productive one, where we as an Institute make solid progress towards our 2017 goals and as a profession maintain our enviable reputation and continue to raise our profile. Most of all at the end of the year I would like the members of Council, Council Committees, volunteers and the Institute staff to feel satisfied with what they have achieved in the year and that the effort that they have put in has been worthwhile.

Estelle Pearson

President 2015