



Institute of Actuaries of Australia

## Actuaries in the Community

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### **Abstract**

Actuaries make valuable contributions to society in many ways – through the organisations they serve and the social equity contribution made by those organisations, through the community and NGOs (non-government organisations), and through involvement in significant public policy issues.

The purpose of the paper is to highlight examples where a community contribution is occurring at an individual level – and to highlight opportunities for further involvement of actuaries. This potentially extends to programs that will be co-ordinated through the Institute Leadership development program.

A number of case studies are presented where actuaries have made a useful contribution through being involved in community initiatives.

We are very conscious that there will be many excellent contributions being made by actuaries that are not canvassed in this paper – we applaud these unsung contributors. Our goal in writing this paper is simply to canvass some areas of current endeavour, and, by increasing awareness, to encourage other members of the profession to make their contribution, and indeed to ‘make a difference’ in areas which align with their own interests and passions.

*Key words: community service, volunteer, leadership, micro insurance, developing country, not-for-profit*

## 1. Introduction

The actuarial profession emerged alongside organisations designed to help people face some of life's uncertainties (and harms). These organisations have been both non-profit and for-profit in nature and naturally linked to the government social policy of the day.

A key part of the actuarial profession's essence has therefore been awareness and obligation of the public interest and public good. Indeed this feature is very much what distinguishes a profession from a trade body.

In more recent years with a greater focus on independence and objectivity it appears that actuaries have, at an individual level, softened their obligation or priority to serve the public good in favour of clearer focus on the more direct client. Both the UK and Australian Institute Codes retain requirements for actuaries to have due regard to or serve the wider public interest, though this is perhaps interpreted these days more closely as following legislation and standards.

Nevertheless, there is a general sense of dilution in this public interest focus over the years. It is perhaps a consequence of this trend that actuaries have focused their energies on their own organisations including of course their own actuarial professional bodies. Any social as opposed to commercial based actuarial activity – for example contribution to social policy thinking (which was a role/activity that the profession didn't automatically take upon itself until recent years) - has likely come through organisations rather than actuaries individually.

This paper suggests that there are benefits to actuaries and to the wider profession through individual actuarial involvement with organisations that have as much a social focus and orientation as a purely commercial orientation. In his paper on "Actuaries and Social Policy" to 2002 Healthcare Conference, Brian Risdale wrote:

*"A catalyst, in a chemical process, is a substance that increases the rate of a chemical reaction without itself suffering any permanent chemical change. I believe we should not under-estimate the role that the Profession can play, with its specific skills and methodologies, as a catalyst for thinking about social change. But that is only half the story. By becoming involved in the debates and decisions on our changing environment we become more able to change ourselves, and the way we operate. This, too, will bring benefit to the profession."*

The paper addresses this: aiming to gauge the current extent of similar activities and identifying some current examples of direct actuarial involvement with social not-for-profit communities. We believe this is happening and continues to be a very valuable component to professional life.

We go on to suggest that this is something the profession might usefully encourage of its membership and especially so in regard to supporting leadership and personal development. There is also likely to be additional networking opportunities that arise.

We believe there is scope for more direct involvement in and service to social communities by individual members of the actuarial profession. We also offer some tips from our experience to help any one wishing to pursue this opportunity further.

## 2. What does “Community Service” mean?

As actuaries we are in a privileged position to be able to make major contributions to society and the community in many different forms - and not just in a purely altruistic sense.

Many of us through our day-to-day work are making a significant social contribution through the institutions with which we work. This concept of Social Equity was alluded to in Graham Rogers’ Presidential Address. It includes general insurance companies and life offices facilitating security and family protection, superannuation funds enabling a more comfortable and dignified retirement, banks providing services which not only enable our own financial convenience, but “grease the wheels” of industry and commerce which enables a prosperous society. If we can assist these and other institutions better fulfil their charter, then this is a valuable and noble contribution.

However, in this paper, we are considering community service outside actuaries’ traditional roles in the financial services sector. There have been some (though possibly few) outstanding examples of actuaries who have been very influential and involved in an actuarial capacity at social/community level over the years. These examples include:

- John Walsh - long term care of the catastrophically injured
- Rod Lester (World Bank) - insurance industry regulation, capital markets and disaster relief schemes in developing countries
- Tony Coleman - climate change

Actuaries can make a major contribution to ensure a better and more sustainable future through our involvement in public issues and society-based needs. This includes retirement income policy, health financing, aged care, population policy, other intergenerational issues, infrastructure planning and environmental impact awareness, e.g. climate change, resource impacts and biodiversity. Actuaries have certainly been involved in public policy debates, typically through voluntary services to the Institute or by supporting and being involved with other organisations in their own public policy submissions. The standard view of where actuaries add value here is; Research, Information, Education, Consultation – the profession has often sponsored research, meetings, conferences and submissions.

Community involvement includes contribution and service to Not-For-Profit (NFP) and Non Government Organisations (NGOs) through for example investment advice, financial and risk management and also governance support.

Community involvement and community service are broad terms but for the purposes of this paper we have defined some boundaries to this term, and included:

- A contribution to public policy
- Contributions to NFP community organisations (excl. Government organisations)
- Actuarial services to individuals or small groups, e.g. families
- Actuarial services (excl. to actuarial organisations) with no or substantially reduced individual remuneration

The boundaries are not clear but offer a starting point. For example, while “community service” might be considered more broadly to include participating and helping out in many ways with sports clubs, charitable and other voluntary associations, we focus in this paper on the extent to which actuaries have supported communities directly with their actuarial skills and knowledge.

### 3. Why is community service valuable – and personally fulfilling?

Making a significant community contribution is worthwhile, and can be exciting and personally fulfilling.

You may think that this is all very well as a concept, but that for you there are personal imperatives that are more pressing right now, including a challenging and successful professional life with interesting work and career opportunities. These goals are not, and need not be, in conflict. Indeed, they are highly congruent. A happy and fulfilled life requires purpose. In studies reported by Clive Hamilton (Executive Director of the Australian Institute) in *Growth Fetish*, a key finding was that

*“A sense of meaning and purpose is the single attribute most associated with life satisfaction”<sup>1</sup>.*

In his book *“Servant Leadership”*, Robert Greenleaf asserts:

*“Caring for persons, the more able and less able serving each other, is the rock upon which a good society is built. Whereas until recently, caring was largely person to person, now much of it is mediated through institutions – often large, powerful complex, impersonal ... If a better society is to be built ... one that provides greater creative opportunity for its people ... then the most open course is to raise both the capacity to serve, and the very performance as servant, of existing major institutions by new regenerative forces operating within them.”*

If just a limited number of organisations (financial institutions, NFPs, NGOs) can achieve a position of distinction, and can sustain this performance, then the quality of society will improve.

To achieve this, trustees and directors of these institutions must lead the way but they need good support from competent managers and staff. As actuaries, we can help them with our service and particular competency set at an overall level as well as in a myriad of more specific actuarial service and contribution areas.

While the altruistic nature of community service can be deeply rewarding, there may be a few readers who are pondering ‘this is all very interesting, but what’s in it for me?’ The Williamson Leadership Foundation in Victoria has been running community based leadership programs for over twenty years. These programmes provide senior managers across various organisations (government, not-for-profit, for-profit) exposure to challenges faced by less advantaged people on a day-to-day basis and understanding of the role of leadership in creating a more equitable society. The feedback from participants is invariably that this has been a life-changing event for them, which gives them levels of insight and deep compassion for others that was beyond their highest expectations. The value to the individuals affected by the program is that the breadth of their leadership capability and in particular their appreciation of and regard for others is much greater, which in turn is of tremendous benefit to their personal careers.

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<sup>1</sup> Source: Headey & Wearing, quoted by Eckersley, “Measuring Progress”

In the next sections, we provide the following case studies where actuaries have done just this:

- Applying actuarial skills in the areas of micro-enterprise, microfinance and micro-insurance which helps socially disadvantaged people, and indeed those living in poverty, to achieve improved lifestyles and with self-esteem and self-respect;
- Assisting less developed countries to develop regulatory systems, regulatory capacity and actuarial capacity to properly manage their financial services industries; and
- Creating a new practical framework for children's saving and the financing of tertiary education.

## **4. Case Study – Microfinance**

### **4.1. Micro Insurance: Going back to basics in a familiar industry**

Micro enterprise development, micro credit and microfinance have been a part of the development aid solution for some thirty years, providing 'micro' loans to help poor people start their own businesses – enough to buy a sewing machine, for example. Micro credit's profile grew dramatically in 2006 when the Nobel Peace Prize was awarded to Mohammad Yunus and his organisation, the Grameen Bank of Bangladesh, a pioneer in providing 'micro' credit. However, to those working in development aid, micro credit is 'old news' and attention has turned to other ways to use financial services to help the poor. Over the last 5 years, micro insurance has emerged as one solution and it is here that actuaries can make a difference.

Micro insurance involves providing low cost insurance to low income households. In developing countries, micro insurance is usually provided by NGOs (non-government organisations) often working in conjunction with local insurance companies. Initially micro insurance products were offered as an add-on to micro credit loans in order to help protect both the borrower and lender should something go wrong. More products are emerging, providing a perfect opportunity for those actuaries wanting to volunteer their time to offer their services. A number of actuaries – Denis Garand and John Wipf (Canada) and Francois-Xavier Hay (France) – have been heavily involved in the development of micro insurance, either directly managing micro insurance programs or by working with organisations such as the CGAP<sup>2</sup> Working Group on Micro Insurance, to develop tools and guides to help those working in the field. Australian actuaries are now becoming involved.

### **4.2. What do micro insurance products look like?**

The micro insurance products developed to date are simple, short-tail products that meet the very real needs of the communities they insure. The most common form is term life insurance to cover funeral benefits or the value of loans taken through a micro credit scheme. Recognising that health costs and crop failure are key events pushing people in developing countries into extreme poverty, crop insurance and health insurance are now growing. Micro insurance is rapidly evolving as insurers better adapt the simple products they first introduced to suit the needs of the poor. Options that we take for granted – deductibles, periodic premiums, insurer-to-hospital direct payment rather than member reimbursement – are now

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<sup>2</sup> CGAP was established in 1995 by nine leading development agencies and microfinance practitioners to support the development of a sustainable microfinance sector. Today, CGAP serves as a global resource centre for microfinance, providing advisory services and information to a wide range of stakeholders.

being incorporated into the products. Actuaries can help by bringing developed country ideas and adapting them to this new environment.

A key feature of successful micro insurance schemes is to complement the financial services they offer with advice and support to reduce the risk that those insured slide into poverty and at the same time minimise the risk to insurers. For example, in crop insurance, micro insurers have helped farmers to access warehouses for their crops, hence optimising timing of sale to improve the price farmers fetch for their crops and also minimising risk for insurers, which keeps premiums low. In health insurance, micro insurers negotiate discounts with hospitals and also arrange 'health camps', where GPs and other doctors offer their services free of charge to members, preventing many hospitalisations happening in the first place.

### **4.3. A detailed look at micro health insurance in India**

India has no public health financier like our own Medicare and traditional private health insurance is limited to employees of the government and a few large companies. As a result, over 80% of India's health costs are paid directly out-of-pocket, compared to just 15% in Australia. For Indians living below the poverty line, health costs often mean borrowing money from a loan shark at extortionate interest rates or deciding to forgo health services entirely.

To meet this clear need, Uplift India Association is just one of several organisations offering micro health insurance in India. Uplift is a network of NGOs supporting the livelihoods of people earning less than 2500 Indian rupees (\$70) a month in the slums of Pune, Mumbai and Kolkata. With financial backing from the French Government and MACIF, a French insurer, Uplift provides micro credit and micro insurance in the slums, and organises a range of health and childcare services. For just \$2 a year, Uplift provides basic health insurance, part-reimbursing expenditure on hospitalisation and some other health services.

Uplift uses a community-based mutual fund model, emphasising to communities that they own the mutual fund money and must be involved in decisions about claims. A committee of representatives from the local community meet each month to decide on the benefits they should pay. Indirectly, this is helping many in the community to learn just what insurance is. Induction meetings for new members, wall charts with up-to-date fund information and monthly claims meetings all help the education process.

Uplift's health insurance product was designed and set up by an actuary, FX Hay, who has been based in India for some 8 years. Several Australian actuaries have also played a role in the development of Uplift's product – Colin Priest and Siddharth Parmeswaran volunteered their time to review data systems, Kirsten Armstrong spent 3 weeks in India in 2007 assisting Uplift with a major review of product design and pricing and Eamon Kelly will be taking over the running of the micro insurance program from May 2008.

### **4.4. Future work for Actuaries**

The micro insurance industry is growing rapidly and the potential is enormous. In just one state in India, Maharashtra, 5 million people inhabit its slums. Opportunity International, an international micro finance organisation with offices in Sydney, Melbourne, Brisbane and Perth, is currently on a fact-finding mission in India to consider how they may have a role in meeting health needs and providing health insurance. Andrew Gale and Kirsten Armstrong have co-ordinated a small team of Australian actuaries who have established links with Opportunity International and will be co-ordinating actuarial volunteers to support product development. World Education, an Australian organisation which focuses on educating and supporting micro finance organisations throughout their development, is developing education material for micro insurers in Nepal, and Australian actuaries are looking to volunteer their support for this process.



Working in micro insurance is personally rewarding, as it contributes directly to lifting people out of poverty. The work can be professionally rewarding too, thanks to the rapid pace with which new ideas are incorporated into these small, agile organisations and shared with the growing network of micro insurers. Working in an environment like this does present challenges, but these are not insurmountable. Often there is little or no legislation to comply with, so the actuary can fall back to basic actuarial principles and their own country's practices, and Code of Professional Conduct, to guide their advice. The key is to understand that the needs of the insured and the risks to the insurer may be very different in a developing country, and to ask a lot of questions.

## **5. Case Study – Building Regulatory Capacity in South East Asian Financial Service Markets**

### **5.1. Background**

For the last decade, a diverse range of actuaries have regularly taken part in the opportunity to support the building of regulatory capacity in developing countries, an essential key to stable and vibrant industries. The individuals involved express a gratitude and appreciation for being involved in an endeavour that went beyond their traditional professional boundaries into making a real ongoing contribution. How did this all begin?

In the latter part of the 1990s, the volatility in financial markets across the Asian region increased dramatically, challenging the underlying models that previously assumed certainty for policyholders and indeed broader industry stability.

While products with high guarantees were widespread, interest rates were declining dramatically, credit risk was emerging as a major issue and currency risk had exploded as the peg with the USD started to break down. In very few countries did the regulatory regimes require capital to be held to cover any of these risks. In short, the forms and style of regulation that had helped to create stable industries were the biggest threat to governments and to policyholders across the region.

Many countries faced the ever present paradox of very limited regulatory funding, professional bodies in their early stages of development and rapidly growing markets that needed much deeper and broader expertise to deal with the ever growing market risks.

John F Kennedy once said that out of crisis comes opportunity. From this challenging environment was formed the APEC Managing Regulatory Change Programme, a programme targeted at building regulatory capacity across the region, across various financial service industries. To support this initiative, a community was formed comprising individuals and entities with the common interest of supporting capacity building. The members of the community included APEC, APRA and ASIC from Australia, the Asian Development Bank (ADB), the World Bank, the IMF, several industry representatives and a diverse and committed group of actuaries.

Countries that signed up to the programme and have been involved regularly include China, Fiji, Hong Kong, India, Indonesia, Malaysia, Papua New Guinea, Philippines, Singapore, Thailand and Vietnam. The countries with more developed regulatory regimes actively support the initiative through providing insights into best practice.

### **5.2. Wide-ranging involvement**

The programme that began from the “ashes” of the Asian financial crisis has continued on to today. Over that time over fifty actuaries have been involved by presenting, training,

supporting and advising regulators from countries that have taken part. The core body that has been involved throughout this period include Jules Gribble, David Knox, Bob Glading, Andrew Brown and Robert Baillie. The success of the programme has been highlighted through the encouraging development of many industries, the community of participants that has been formed and the expansion of the programme into both pensions and banking in recent years.

Participants from each country attend a two week programme run from Melbourne on a yearly basis. The programmes support the development of the regulators through sharing of models and methods, through challenging case studies, and through dialogue. These support the participants in developing a greater awareness of multiple perspectives, of understanding the risks and subsequent consequences of industry practices and to provide them a network of other professionals to call on. For many participants this is a once in a lifetime opportunity and their delight at being part of something extraordinary fills the training room.

The roles that actuaries have played in this programme are crucial in terms of providing insight to both systemic and technical issues. On a personal level, the actuaries who have participated have felt a tremendous sense of pride and satisfaction in being able to contribute in a powerful way to the development of regulations in developing countries, and to the development of participants who have taken part. In some instances, the programme has been heavily influential in the development of contributing actuaries' careers, both within and beyond actuarial fields.

Regulatory development such as this has not been limited to Asia. With the support of a range of donor agencies, such as the UK Department for International Development (DFID), the World Bank, EuropeAid and the European Bank for Reconstruction and Development, countries in the former Soviet Union have been supported to overhaul their financial regulation and expand their regulatory capacity. Individual actuaries such as Chris Daykin from the UK and Rod Lester, now with the World Bank, have spearheaded the development of actuarial capacity in these countries. Work continues in Asia and South America while Africa will be one of the next major regions in need of this support.

## **6. Case Study – Developing low-cost savings schemes for low-income families in New Zealand**

### **6.1. Background**

In 2001 a small group called Funz was formed to explore and bring about ways for New Zealand families and children to meet tertiary education costs through saving rather than borrowing.

The group itself was not-for-profit (funded from philanthropic sources) though members of the group were remunerated for their work. It comprised six people with broad skills covering social services, communications, project management, financial services and modelling. All the members of the group had prior experience of the business world. The group included one actuary (Charles Hett).

The group worked with a strong outward focus through consensus building at a national scale. The success of any idea would be highly dependent upon co-operation from all sections of society. Government, business, education, social & philanthropic organisations as well of course of families needed to support the idea fully. A specific approach was identified, researched and tested for viability; it comprised a not-for-profit (or mutual) savings scheme that adopted asset-based welfare principles.

The development and build activity happened principally between 2002 and 2005, though there were more recent follow-on developments from Funz to other organisations.

## 6.2. Scheme Outline

The scheme was a cost effective, not-for-profit national scale arrangement providing individual savings accounts to members (who were children). The initial organisation and scheme development would be supported by the state and ongoing scheme costs would be met from corporate sponsorships as well as through minimal account fees. The corporate sponsorship approach proved viable given the not-for-profit nature of the arrangement. Examples of this co-operation: the banks in NZ agreed to charge no transaction fees for monies transferred to the scheme accounts, a national scale retail operator with presence across the country agreed to handle even small cash contributions, suitable sponsorship was provided for information/statements to members.

The scheme incorporated initial kick-start funding and contribution matching derived from a wide range of sources – from businesses on behalf of their employees, through cashing-in loyalty scheme points, and from state and charitable support. The scheme would adopt commercial arms-length based administration support and investment management services with a conservative investment mandate. The scheme was designed to attract genuinely new savings as well as additional savings and contributions not available to individuals on their own.

The arrangement was sufficiently attractive to enable low-income families (with several children) to save into an individual multi-contributor account for each child and build up a useful fund as a young adult. An example of a viable saving level was \$2 per week per child and even saving at these lower levels, example funds could be \$12,000 by age 18.

The financial viability of all aspects of the scheme was a critical factor; this encompassed operational viability for the costs of the scheme itself (both the initial set-up period and ongoing in the long term), good value for members in terms of feasible contributions leading to useful accumulated funds and potential positive feed-back loops for scheme sponsors. Another very important aspect was the financial viability of any state support required. A business case compared the near term and ongoing financial support in terms of set-up costs and kick-start contributions with the longer-term result being reduced financial support required by the NZ student loan scheme.

It was designed to have the credibility of a public institution operating through partnerships between families, social/charitable communities, businesses and government. Many associated benefits were identified.

A wide range of large and small businesses were involved with and supported the idea, as they recognised that ultimately this would lead to additional sponsorship and/or employment costs for them. The state offered both government and cabinet minister support through close interaction with the Treasury and Ministry of Education as well as cross-party briefings (to keep as apolitical as possible). Social and charitable support included churches, Iwi (Maori tribe-based groups) as well as education organisations of all types.

The scheme was designed to:

- reduce the requirement for students to fund education/training through debt;
- increase the range of students who can take up tertiary education/training;
- help build the expectation in families that their children will attend tertiary education/training;
- encourage regular savings habits; and
- support an improved level of financial literacy in younger people.

### **6.3. Current Status**

The scheme was an original idea and for a period in 2004/05 became part of New Zealand government policy in regard to savings but in the end, it did not proceed to become reality. An alternative (and subsequent) savings policy targeted more at the current workforce rather than current/future generations of children was also considered and adopted (and became NZ Kiwisaver). There are some familiar features in Kiwisaver that may have come from Funz ideas.

Some smaller scale organisations have nevertheless taken on the ideas behind the original national scale children's savings scheme and are considering them. A Maori organisation Ngai Tahu has now set up an Iwi based savings arrangement called "Whai Rawa" (Path to Prosperity) and drawn on a significant component of the original Funz idea, which was made freely available to them.

The scheme objective is to help Ngai Tahu members of all ages (under 65) but especially those under 16 save for their futures. For further information, please refer to: <http://www.ngaitahu.iwi.nz/Ngai%20Tahu%20Whanui/Whai%20Rawa>

Members of the original Funz group have ongoing involvement with various aspects of Whai Rawa and also still encourage other organisations to consider similar arrangements.

### **6.4. Features of the community experience**

The involvement in this community experience was very positive, deriving great satisfaction from working in a financial and actuarial capacity with other people to achieve goals outside of the standard commercial working environment. It also enabled an actuary:

- To broaden the connections with different people and organisations:
  - Cabinet Ministers and Government Policy Advisers
  - Ministry of Education and Treasury modelling teams
  - NZ Iwi organisations
- To participate in the consideration and development of government policy (including political aspects).
- To encourage serious consideration of long-term perspectives rather than a short-term view.
- To reaffirm the potential value of mutual, not-for-profit based solutions to problems as opposed to profit-oriented, market/commercial solutions.
- To realise some groups - perhaps understandably - put self-interest above anything. The only sector of society that explicitly opposed the Funz arrangements was the current generation of tertiary students.

## 7. Results of Actuaries in the Community Survey

The authors of this paper are very conscious that the case examples covered in this paper are only a small sample of the many interesting and valuable contributions that actuaries are making in the community, and that there are many other noble contributions being made by actuaries which we have not covered. In many cases, these unsung heroes go about making their contribution in a selfless manner and without seeking recognition.

The reason for this paper, even if it illustrates only a few case examples, is to exemplify the sort of contributions that actuaries are making, and perhaps inspire other actuaries to make their own particular contributions in areas which align with their particular passions.

To gain a somewhat broader understanding of actuaries' community involvement, we undertook some simple surveys through the Australian and New Zealand professional bodies.

Two surveys were undertaken each adopting the same questions- one in Australia via "The Pulse" online survey and the other in New Zealand through a direct emailed survey to the entire NZ resident Fellows (FNZSA). An opportunity for any comments was also provided.

There were 111 responses from the Australian survey and 28 responses from the New Zealand one. The results of the survey are summarised below:

### Q1 Have you ever provided any actuarial services that could be considered a contribution to public policy?

Choice	Australia	New Zealand
Yes	42%	75%
No	58%	25%

### Q2 Have you ever provided any actuarial services that could be considered a contribution to a not-for-profit community organisation (this excludes services to Government organisations)?

Choice	Australia	New Zealand
Yes	32%	43%
No	68%	57%

### Q3 Have you provided any actuarial services to individuals or small groups eg families?

Choice	Australia	New Zealand
Yes	39%	64%
No	61%	36%

### Q4 In the last 10 years have you provided any actuarial services (excluding services relating to examination or tutorial systems or committee involvement with actuarial organisations) without remuneration?

Choice	Australia	New Zealand
Yes	36.0%	57%
No	64.0%	43%

**Q.5 Have you ever been involved in any other community activity of any kind?**

Choice	Australia	New Zealand
Yes	78.4%	79%
No	21.6%	21%

Some high-level patterns and insights could be identified from the various response combinations and comments made.

The following table gives a summary of the type of community contribution provided by those who responded:

	School Support	Teaching	Place of Worship	Individuals & families	NFPs	Overseas	Sport Clubs	Charitable Orgs
Australia	7	4	7	2	9	5	6	6
NZ	5	0	2	6	1	0	1	1

Conclusions from the survey include:

- Actuaries do, albeit in small numbers, carry out community work across a broad spectrum.
- There appears to be an orientation towards strong ‘yes’ responses and strong ‘no’ responses. The hypothesis here is that people who have a strong orientation to community work are likely to participate broadly.
- There are some differences between Australia and New Zealand. While we need to use some caution due to small sample sizes, the New Zealand participation rate was substantially higher than Australia in all areas except ‘other community activities’.
- In New Zealand about half the cases had never undertaken any pro-bono work – so presumably much ‘community related work’ was done through their employer. For most of these cases community involvement covered public policy submissions or worked in some capacity for small NFP organizations or alternatively there was no community involvement.
- The dominant focus for those who had undertaken some pro-bono work appears to have been providing financial help to friends and family. There were also a few private submissions on public policy.

## **8. Current Initiatives & Involvement**

In our case studies we highlight some recent examples where actuaries are or can be involved in community initiatives. Many of these are ongoing and volunteer actuarial support would be well received. Some other recent, current or emerging initiatives are covered in summary form below, to illustrate both current endeavours but also some areas for further actuarial contribution.

### **8.1. Micro Insurance**

As mentioned in Section 4.4, there is an emerging small group of actuaries who have pledged their support and involvement to assist Opportunity International in its endeavours, with a particular initial focus on micro health insurance in India.

India has over 860 million people living in poverty (less than \$US2 per day), with most of these people located in the north and north east. Opportunity International's objectives are to:

- create or sustain 5 million livelihoods by 2012, and 10 million by 2025;
- lift a cumulative 2.5 million poor families out of poverty by 2020; and
- lead and influence the microfinance, livelihood and enterprise development sector in India.

The three core elements in pursuit of these objectives are microfinance (broadly defined), enterprise development and community development. Particular initiatives will include partnering with existing microfinance institutions (20), supporting the development of 40 start-up microfinance institutions, and launching the Opportunity Micro Insurance Agency in India.

The small group of actuaries who have expressed interest in this area are looking at contributing their skills and capabilities to these initiatives, especially where we can provide 'actuarial value-add'. This group is also in discussions with an Australian-based organisation, World Education, which focuses on educating and supporting micro finance organisations throughout their development. This is expected to take shape over the next 6 months. Those interested in offering support are encouraged to contact Kirsten Armstrong or Kelly Cusick.

### **8.2. World Bank**

Rod Lester has already made a major social contribution in the various senior capacities in which he operates with the World Bank, for which he was recognised as Actuary of the Year in 2005. These contributions include pensions and insurance industry supervisory reform and resolution work, development of private pension mechanisms and an emphasis on natural disasters funding

Rod has written several Policy Research Working Papers, often with a World Bank senior economist as co-author. Topics have included 'Rapid onset natural disasters: the role of financing in effective risk management', 'Developing rainfall-based index insurance in Morocco', and 'Managing disaster risk in Mexico: market incentives for mitigation investment'. An Australian social impact issue identified by Rod is the issue of flood damage, and his belief that some poorer demographics (e.g. Western Sydney) are disproportionately impacted by the lack of coverage, which increases the imperative for actuaries in conjunction with the Insurance Council of Australia (ICA) to find solutions to this issue.

The World Bank is involved in a significant number of initiatives globally with major social impact implications and indeed intentions – including community based insurance mechanisms led by Vijay Kalavakonda, and the development of microfinance and micro-insurance arrangements – for example, currently there is a need for someone to assist with microfinance/micro-insurance arrangements in Rwanda for a couple of months. These

facilities can have a major positive impact on the lives of tens or hundreds of thousands of people living in poverty.

Given the growth in micro-insurance needs and potential service providers, there is a need to develop a textbook on micro insurance under the auspices of the International Labour Organisation (ILO). Australian actuaries could contribute to this initiative.

### **8.3. Emerging Initiatives – Micro Enterprise Development (MED) and Microfinance – Australia, especially with Indigenous Australians<sup>3</sup>**

Just as there is a major need for micro enterprise development and microfinance in developing countries, so too does this need exist in Australia – especially for those who are effectively denied access to our financial system and have evolved into a passive welfare culture rather than taking control of their own future.

In 2000, the Aboriginal and Torres Strait Islander Commission (ATSIC) initiated discussion with Opportunity International (and later Emerge Australia) which led to a series of pilot programs designed to test whether MED approaches and techniques developed overseas might have relevance to Indigenous communities in Australia. Prior to these pilots, MED had not been seriously tested or implemented in Australia.

The pilot results have been encouraging and have had a positive impact on MED clients and their communities. Other deliverables have included a MED methodology that works in Australia, the development of four retail enterprise hubs and a design for a national rollout.

The recommended way forward is a Private/Government partnership option for MED. Microfinance is a specialised area combining banking and social skills. There is a need to build skills and capabilities at a range of levels, including:

- Managers and information systems of micro-finance institutions (MFIs);
- Central banks (and other government agencies) that regulate micro-finance; and
- Donors (see below).

Actuaries can contribute to these initiatives. Andrew Gale is in early stage discussions with both Opportunity International and another affiliated entity called Many Rivers Opportunities (MRO) and its CEO, Leigh Coleman, regarding what form this contribution could take, including assistance with regulatory frameworks, and contributing strategic/business planning skills to MRO and assisting it with a national rollout strategy from its early stage MED and micro-finance initiatives.

### **8.4. University Education initiative - Philanthropy and Social Investment**

There is scope to significantly increase the size, social contribution and effectiveness of the Philanthropy and Social Investment sector in Australia. During 2007, a consortium of universities, business representatives, and representatives from the NFP and philanthropic foundation sectors got together to address these issues through the development of a Philanthropy and Social Investment program through the universities. The group was known as the Working Group on Education in Philanthropy & Social Investment – the universities represented in this group included Swinburne, Sydney, Edith Cowan and QUT. Andrew Gale was one of the business representatives. The Working Group proposed to the Department of Prime Minister and Cabinet a program to be implemented through the universities focussed on increasing effectiveness and leadership in this sector.

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<sup>3</sup> In this sub-section, we primarily source our comments from a report by Leigh Coleman entitled 'Discussion Paper on the Establishment of a National Indigenous Micro-Enterprise Development Initiative in Australia: Options and Recommendations for Consideration



Co-incidentally, and concurrently, a parallel proposal was being developed by another consortium including the University of NSW and Melbourne University, which was also submitted to Department of Prime Minister and Cabinet.

The Government recommended that the two consortia collaborate, which they did and which has led to the formation of the Centre for Social Impact. The Prime Minister announced this initiative in October 2007 together with \$12.5 million in government funding for the Centre, with matching funded to be secured from the private sector. It will carry out teaching and research aimed at fostering greater co-operation between business, community groups and government on philanthropic activities.

It will also conduct courses to boost the skills of people working in not-for-profit organisations and to improve reporting standards and transparency of these organisations to make them more attractive partners for the corporate sector. The Government said University of NSW will lead the project but there will also be involvement by the University of Melbourne and Swinburne University of Technology.

Swinburne's 'patch' is grant making and fundraising. Andrew Gale is involved in the Advisory Committee to the Swinburne initiative. There is scope for additional input from actuaries for those who are interested, passionate and have relevant capabilities.

### **8.5. Climate Change & Sustainability**

In recent years, Tony Coleman and Elayne Grace have been active participants in promoting a better understanding of global warming and climate change in government and the community by collaborating with eminent scientists, business leaders and organizations. This included working with World Wildlife Fund (WWF) since 2004 as part of the Australian Climate Group of scientists and with the Australian Conservation Foundation (ACF) since 2005 on initiatives that included, in particular, the Australian Business Roundtable on Climate Change in 2006 where six major corporations (BP, IAG, Origin, Swiss Re, Visy, Westpac) joined with ACF to undertake economic modeling which demonstrated for the first time in Australia (and before the Stern Report was published) that taking early action on climate change would have a much lower adverse economic impact than delayed action.

Tony Coleman was also a contributing author to the Fourth Assessment Report of the IPCC report published in 2007 and has also been a member of the United Nations Environmental Program Climate Change Working Group for several years. He is currently active in various discussions on the design of an Australian carbon emission trading scheme.

Consistent with his interest in climate change and sustainability, Tony is also a Director of the Antarctic Climate & Ecosystem Co-operative Research Centre (ACE-CRC) which focuses on scientific research in Antarctica that impacts on global climate change and sea level rise. He is also a member of the Steering Committee of Green Cross in Australia (a NGO originally formed by Mikhail Gorbachev after the 1992 Earth Summit in Rio) which focuses on raising awareness on the humanitarian consequences of climate change and rising sea levels.

### **8.6. Forestry Management and Protection**

Since retiring in 2001, and moving to Tasmania, Naomi Edwards has become deeply involved in initiatives to protect Tasmania's forests and also to throw light on the underlying economics of some of Australia's forest management issues. From a tentative first approach from the Tasmanian Conservation Trust, Naomi has provided advice to the Australian Senate Committee on Plantations, the Resource and Planning Development Commission and various Federal and State Environmental Enquiries. She has written papers on various topics, including:

- The financial risks of Gunns' proposed pulp mill
- The returns being achieved on Forestry in Tasmania's state forests
- The MIS prospectus industry and the aggressiveness of MIS plantation forecasts.

Her papers are used by the media and by environmental groups such as the Wilderness Society in communicating the financial aspects of their campaigns. Although few of the papers require deep actuarial knowledge, they all require sound forecasting abilities and understanding of financial accounts. Naomi has had support in her work from the Institute's Energy and Environment Committee, and public knowledge of her work in the environment led to her being asked to join the Board of Australian Ethical Investments of which she is currently Chair.

## **9. Getting started and developing the opportunity**

The case studies show that there are some strong personal benefits derived by getting involved in community initiatives and providing support and service – either through the organisation you work for or individually.

At a more structured level of involvement there is clearly a good opportunity to develop leadership and governance skills. The case studies identify a wide range of other benefits:

- Becoming known/experienced in a new developing subject or issue.
- Widening the range of contacts and networks – both professionally and also in a community.
- Directly rewarding to be a part of the outcomes/results.
- Opportunity to work at a more fundamental level and on wide-ranging issues, often more thinking than doing.
- Being more directly involved in human level real world issues.

We would therefore encourage actuaries and actuarial students (though we recognise the focus naturally is more on study and exams) to consider finding a project/activity or community to support.

Think about what the interests or concerns of different communities might be, your own issues and concerns, your passions and put them together. This will help shape the direction you could choose. Speak to other actuaries or contacts and find out what's needed (Note our suggestion at the end of this section).

If you're interested in making a contribution to the community, we've compiled some tips to help you get started.

### **i. Do some research**

You don't need to be an expert, but becoming armed with a little knowledge of your new area of interest will help you to identify the key issues and where your actuarial skills can be of most benefit.

### **ii. Talk to colleagues**

The survey completed for this project reveals that a number of actuaries have already played some role in volunteer work and public policy, so talk to others about your interests to learn about their experiences and ideas for making an effective contribution. They may be able to suggest further contacts in the sector.

### **iii. Find out about people in the field and talk to them**

Use your contacts to help you find the right people, but don't be afraid to cold-call charity organisations working in the field. Charity organisations, industry peak bodies, lobby groups and political parties are always interested to hear from people who want to help out, particularly if you have some clear ideas on how you can use your skills to help. Many people outside the finance industry won't be familiar with actuarial skills, so developing your own ideas of how your skills are relevant will really help.

#### iv. Volunteer your time

Volunteering your time is one of the best ways to get your foot in the door to achieve real change. Even if the work being offered to you doesn't seem quite the right fit, use the opportunity to get to know the people and issues in the sector you're working and start offering your skills where they are most valuable. You will be surprised how quickly organisations are to accept advice from skilled professionals.

#### v. Organise your friends and colleagues

Combining the efforts of your colleagues, both actuarial and others, is likely to prove more successful, particularly if it gives you the opportunity to bounce your ideas off others.

#### vi. Express a view

If you've done your research, don't be afraid to express a view. Letters to the editor of major newspapers and well-written letters and submissions targeted to the right members of Parliament or submission of inquiry will be read.

## 10. A Possible Blueprint for Action by the Institute

We are not the first authors by any stretch of the imagination to address the involvement of actuaries in the community. Another relevant publication was an article by Richard Cumpston and Colin Priest in *Actuary Australia* (August 2004) regarding actuarial work for the public good ("pro bono" work).

In some respects, it is easier for actuaries working in professional services firms or private consulting to be involved in community initiatives which involve actuarial advice (as opposed to more general services) – this is because these people have a lot of the 'infrastructure' in place to provide such advice (PI arrangements, risk assessment and client acceptance processes, etc.)

The Priest/Cumpston article was also followed up at the time by a member survey, which indicated an overwhelming level of support from members to volunteer their time to help causes that would help the general community. On the other hand, the survey showed that a vast majority of actuaries were not currently giving any of their time to these causes. At that time, Colin Priest observed in a letter to the Institute that:

*"This mismatch between intention and practice appears to be due to a lack of:*

- *technical knowledge about the practice areas (e.g. environmental modelling)*
- *professional indemnity cover*
- *knowledge of the needs of different community causes*
- *professional guidance notes*
- *community awareness of actuarial skills*
- *knowledge about how to determine which projects should be done on a commercial basis, and which can be done on a pro bono basis"*

Colin then proposed to the Institute that the actuarial profession develop a culture of working for the public good much like the pro bono culture that exists within the legal profession, and recommended the following initiatives to the Institute:

1. *schedule Horizons sessions to discuss the practicalities of pro bono work, including presentations from a lawyer, environmental actuaries and actuaries involved in charitable work*
2. *create a register of volunteers that can be used to match up actuaries to community causes*
3. *release a guidance note about actuarial work for the public good (a first draft was attached as an indication, based upon the Law Society of NSW's pro bono policy and the Australian Pro Bono Manual)*
4. *arrange a blanket professional indemnity cover for all actuarial work for the public good*
5. *schedule Horizons sessions / papers that cover practice areas related to public good (e.g. the Energy and Environment committee presented a paper in 2005 about methods of valuing nature services)*
6. *create a data / research repository for the use of members*
7. *publicise the availability of actuaries, and administer public access to the volunteer register*
8. *organise activities that give opportunities for not for profit organisations to meet actuaries, present their aims, express their needs, and recruit actuarial volunteers."*

## **11. Conclusion**

Brian Risdale referred to a catalyst in his paper and we believe there are some very positive role-model "catalysts" amongst the actuarial profession. This is a great starting position and perhaps, as also mentioned in that paper, there is also a role the Institute can take in encouraging and facilitating members to consider and find their own opportunities to get involved; as actuaries, in a community project or initiative.

We have outlined a range of examples, presented an indication of the current level of such activity and raised some ideas for action.

Like many complex changes, this is not something that can simply be done or put in place. It needs a mix of genuine action and activity by greater numbers, some positive reinforcement of the opportunity and the approach and also a good feedback loop to the full membership to show why this is something that each one of us should actively be considering and pursuing.

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