



2016 Presidential Message – Lindsay Smartt

Hello colleagues!

It's both an honour and pleasure for me to be speaking with you as President of the Actuaries Institute for 2016.

In his 2014 presidential message Daniel Smith said "it's my view that an annual change in direction to accommodate the interests of the current president is far from useful." Daniel also spoke of an observed reduction in community over the years, in the context of needing to improve transparency. I will touch later on both community and transparency but I want to assure you at the outset that, like Daniel, I also see it as important for the Presidency to have consistency of direction.

I see the role of President exactly as Estelle Pearson described it in her message last year:

- ◆ lead the profession and engage with Members;
- ◆ Chair Council and oversee the stewardship of the profession; and
- ◆ represent the profession, both in Australia and globally.

Estelle, also spoke of the importance of a vibrant profession and diversity – which I will come back to.

I've had the pleasure of serving with Daniel and Estelle on the Presidential Committee over the last couple of years. I would like to take this opportunity to record my thanks to them, both personally, and on behalf of the profession, for their unwavering commitment and excellence in leadership. I see it as my responsibility to build on the fine work they (and earlier Presidents and Councils) have done. I am also well supported on the Presidential

Committee this year by Jenny Lyon and John Evans, whose wisdom and counsel I value.

You have my commitment to lead the profession and serve the interests of the Institute and you, our Members, with diligence and insight. I'm keenly interested in:

- ◆ the standing and prospects of the profession;
- ◆ the quality and relevance of services the Institute provides to Members;
- ◆ the quality of leadership and decision making by Council; and
- ◆ engagement with Members – not least through further increasing transparency.

Before expanding on my specific ideas on the profession, I thought I would tell you a little of my career journey, including how I came to be an actuary. It serves to illustrate not only how things have changed, but also provides context for the themes I want to focus on during this year.

I joined the profession in the late 1970s – I've had a diverse career, and I now work as a non-executive company director. I started out in superannuation, worked in life and general insurance (and some other smaller practice areas), and ended up in risk management – working in insurance and reinsurance companies, large and small consultancies, and with considerable international exposure, particularly in Asia and Europe. This has given me a range of perspectives to complement my broad experience in the Life practice area.

Looking back makes for some interesting insights:

- ◆ When I was a student, actuarial studies was only available at Macquarie University, now there are seven universities in Australia providing the actuarial course.

- ◆ General Insurance was the newest practice area and had only recently become examinable – it is now close to if not *the* largest practice area for actuaries in Australia.
- ◆ The Actuaries Institute had just commenced offering its own exams – education is now one of our key functions.
- ◆ If you're interested in trivia, I believe I was the first actuary in Australia to qualify as an FIAA by sitting all the Australian rather than the UK exams.
- ◆ We had 650 members when I joined – there are now in excess of 4,600, a CAGR of close to 5½%.

I've observed over my career, that the profession has:

- ◆ been sustainable (in fact grown at a reasonable pace over the long run);
- ◆ has developed, adapted and remained relevant ; and
- ◆ has a prominent place in Australia (and internationally).

I'll return to these themes of *sustainability*, *relevance* and the *place* of our profession, but first I want to share with you how I came to be an actuary. My interest was sparked in my senior years of high school when a family friend commenced actuarial studies following a stellar performance in his final high school exams. As I looked into it, I was attracted to using my interest in mathematics in a practical business environment. I wonder what or who it was that attracted you to the profession?

I had an occasion recently when my neighbour asked me to speak with a friend of theirs who was thinking about becoming an actuary. Before long I found coincidentally that the student was in a band with the son of a colleague I've known most of my career. I was again reminded of the benefit we have in our great profession of being part of a community of

actuaries. And it also reminded me that each of us is an ambassador for our profession – in all walks of life, not just in the places in which we work.

When reflecting a moment ago on changes over my career I noted how the profession:

- ◆ has remained *relevant*,
- ◆ has a prominent *place* in Australia and internationally, and
- ◆ has been *sustainable*, and in fact grown considerably.

These themes of *Relevance*, *Our Place* and *Sustainability* are guiding my thinking for the year ahead. They are the hallmarks of the “vibrant profession” that Estelle described last year.

So what do I mean by them?

To be of *Relevance*, we need to be responsive to the changing business environment, for example, disruption.

We need to be resilient in the face of a changing landscape: such as flood, insurance affordability, disability and injury schemes, group life, retirement incomes, health systems and appointed actuaries.

We need to be developing in new areas such as data analytics; and we need to be in demand as valued business advisers.

Sustainable, has many dimensions, but includes:

- ◆ the attraction / retention of quality students;
- ◆ education;
- ◆ reputation;
- ◆ the Institute’s financial position;
- ◆ diversity; and
- ◆ the highest standards of practice, integrity and ethics.



Our Place, locally and internationally, is self-explanatory but I will come back to this.

These three themes are of course interrelated as you can't have one without the others. As I now talk about our priorities and recent achievements you can hopefully reflect on how they relate to *Relevance*, *Sustainability* and *Our Place*.

In the "See What We See" campaign to promote the profession, we have tried to improve the visibility and attractiveness of the profession – not only to employers of actuaries but also to students and potential recruits to the profession. Following the initial launch, we are continuing the campaign in a cost effective "always on" digital format. There is some great content here and I encourage you to take a look at the microsite. Did you know that the President of the Institute and Faculty of Actuaries in the UK made mention of our "See What We See" campaign in her 2015 presidential address?

Thanks to the great work of the Mission Statement taskforce, Council (perhaps after rather too much debate), approved the new Mission Statement. It's brief and to the point and includes key terms like "business and society", "resilient" and "professional community", some of which I have already mentioned. We are called to serve the public - business and society – it's an important responsibility, for the public good. I encourage you to think about your own actuarial community or network and what you can do to develop, maintain and enhance it. It's valuable, and I know I have benefitted from, and enjoyed a strong actuarial network throughout my career.

Following our comprehensive strategic review a year ago, Council will refresh the Strategic Plan in early February by examining three key areas of our current strategy. Council regularly monitors progress on the strategy



implementation as well as the risks to achieving it and we provide updates to Members – the most recent was in December last year.

Whilst *Relevance* and *Sustainability* are important for the whole profession, we understand their particular importance to younger members. We will take these themes, together with the *Place* of the profession, into our upcoming strategy discussions.

It will come as no surprise that education will be a key focus of our discussion in February. As you know, we recently reviewed the appropriate actuarial skill set for today and tomorrow, and interestingly, the global profession is also in the midst of such a review – and don't worry we are well aligned.

Across our education path we operate multiple business models with a range of insourced and outsourced providers. The landscape is changing and we need to respond to these dynamics – the pace of change only seems to be accelerating. Now all this talk of change may sound somewhat disconcerting to our many student members. But I want to assure you that our ambition is to have the best education system possible so that you are equipped, through education to a high standard, enabling you to make valuable contributions in your careers as actuaries.

The second focus of our strategy refresh will be Asia. Following on-the-ground feedback throughout last year we will fine tune our strategy to ensure we are best placed to support our close to 15% of Members based in Asia. We feel it's important to stay close to developments in the region and we are mindful that Members, who choose to work globally, need to be well positioned to contribute.

Our final strategy topic is Data Analytics. Many actuaries now nominate Data Analytics as their primary area of practice. We already have a working



group that is driving development of the Institute's strategy in this exciting new area. We held a successful seminar last year on the topic and more is planned. Our progress in Data Analytics has also been noticed globally, and we plan to work in cooperation with our international colleagues from other actuarial associations. At Council we need to ensure we have sufficient focus on this important new area for actuaries.

As we improve and roll out CPD offerings, we have taken Member feedback on board and are planning to develop some CPD to be available to you via your mobile devices. In this way, you can access CPD, even in small chunks, as and when it suits you.

Now that leads me to say that I think another good example of listening to members was in the recent policy that we published on the Economic Implications of Climate Change.

Climate Change is a topic that polarises opinion from politicians to the everyday person – and actuaries are no exception. In publishing our policy, we listened to both supportive and contrary feedback from Members and the result was a policy position that rightly covers areas where actuaries are well qualified to advise. We also endorsed continuing research and publishing of data. The North American actuarial associations have developed the Actuaries Climate and Risk Index and we plan to discuss with them its potential application in this region.

We had success last year on the publication of our White Paper "For Richer, For Poorer", launched by the Financial System Inquiry Chair David Murray, which generated good coverage in the media. This followed earlier publications on "Who will fund our Health?" and our first White Paper in 2012 "Australia's Longevity Tsunami, What Should We Do?"

There is much more that we do in the public policy space apart from these headline items. We will continue to further develop our contribution in topical areas, building on what we have achieved and tackling new areas where we believe we can usefully add insight.

One of the reasons our public policy work is valued by senior bureaucrats, politicians and the business community, is because we bring an impartial non-partisan approach. We are first and foremost, members of a profession. Integral to being a profession is having ethical standards and integrity. Such is the importance of this that we engaged the services of Dr Simon Longstaff, Executive Director of the Ethics Centre last year for a CPD tour around Australia, New Zealand and Asia. I plan to encourage a continuing focus on ethics.

Sometimes I'm asked by Members, particularly newer entrants to the profession, "What does Council do?"

Council is the ultimate decision-making body of the Institute - its Board of Directors.

Council's operations are governed by our Constitution and the Corporations Act. The Constitution requires us, amongst other things, to promote the profession, enhance its reputation and engage in relevant public policy. These areas will remain an ongoing focus.

As Chair of Council I'm keen to see that we continue to perform well together, that we spend our time effectively on the right topics, leading to quality decision-making and that we are transparent.

For the profession to remain *Relevant* and *Sustainable*, Council may need to take decisions that have majority but perhaps not unanimous support. As



Chair of Council I will ensure that we only arrive at such a position after appropriately informed debate.

As a result of the Governance Review Taskforce, Council is proposing a number of constitutional changes dealing with Council terms, and these will be decided at the AGM on 27 April. I encourage you to review the proposed changes and, for eligible members, to vote at the AGM.

One thing that helps Council's effectiveness is to have a diverse membership. Whilst pleasing to see that the female proportion on Council remains at 33% in 2016, it would be good if this percentage increased. I encourage women leaders to stand for election to Council. Of course diversity is not just about gender – other examples being practice area and location. We currently have Councillors from Brisbane, Melbourne and Hong Kong as well as Sydney. I will also be continuing to encourage diversity wherever we have Member representation (such as committees) to ensure that we have the best range of contributions possible.

Risk is at the core of most things that actuaries do. Over the course of last year, Council adopted a revised Statement of Risk Appetite. We will make this available on our website soon. We have also reviewed the range of risks that Council see as inherent to the profession and the Institute.

The Institute's financial performance and position is an important dimension of sustainability, as I mentioned before. The result for 2015, whilst not yet signed off, is expected to be close to break even, and the financial position is strong with net assets in excess of Council's reserving targets. The financial discipline implemented by the Institute staff, and overseen by Council, enables us to make effective use of our financial resources. We plan to continue providing Members with insights into how funds are utilised.

Of my three themes, I'll conclude with a few remarks on *our Place*.

In your home market, and for 75% of you that is Australia, you are quite familiar with your place in the profession. Actuaries are essential to large parts of the financial system. While this is recognised in some statutory provisions, of course the many and varied roles actuaries play is far more broadly based. We are primarily trusted business advisers.

Many of the companies in which we work operate globally or have foreign ownership and international mobility is as commonplace today as it has ever been.

We support *our place* in the international profession in a number of ways.

- ◆ We develop and maintain strong working relationships with other actuarial associations in major markets.
- ◆ The Institute is a full member of the International Actuarial Association and we contribute significantly in many ways. In fact, our own Fred Rowley has just completed his term as President of the IAA. I mentioned Data Analytics global co-operation earlier. On this front, we are currently developing a presentation on Data Analytics for the next meeting of the IAA in a few months time, with the aim of furthering recognition of, and opportunities for actuaries, in this rapidly developing field.
- ◆ We also facilitate international mobility by having Mutual Recognition Agreements in place with countries with similar professional and educational standards. The most recent of which I signed with South Africa in October last year.

Having discussed our priorities and recent achievements and themes of *Relevance, Sustainability* and *Our Place*, I am optimistic that we are very well

placed to further our great profession and to support you in your contributions. However, I am also very well aware that risks are present. As a profession, we are not immune from the pace of change we see in Business and Society. To remain relevant we must continue to adapt, be resilient in the face of challenges and change, and grasp the opportunities we see. We must be nimble and responsive.

I want to spend considerable time listening to your feedback – both formally and informally. We as an Institute, Council, and I as your President, need to be well informed on your views. Please have your say – there are many opportunities for this. Under our CEO, David Bell's leadership, the team at Institute HQ are motivated by working to deliver quality services to you our Members. David has done a great job since joining two years ago, and I know he is also open to, and actively seeks out member views. Again, please have your say.

When I mentioned earlier that the Institute had just 650 members when I started (half of whom were Fellows), what I didn't tell you was that, of that number of FIAAs, just three, that's right three, listed general insurance as their practice area. It's clear that we have shown our adaptability as a profession, our resilience and ability to grasp opportunities.

This year I will work on:

- ◆ the standing of the profession – *its Relevance, Sustainability and Place in business and society*;
- ◆ the quality and relevance of Institute services to Members;
- ◆ leading an effective Council; and
- ◆ engaging with you, our Members, while representing the profession.



I am truly honoured to serve as your President for 2016. I am looking forward to the year ahead, as we work together to meet the challenges facing our profession. It's up to each one of us to grasp the opportunities we see, and to be involved in our actuarial community.

Lindsay Smartt

President 2016