



Institute of Actuaries of Australia

Down Under Market Happenings and ERM

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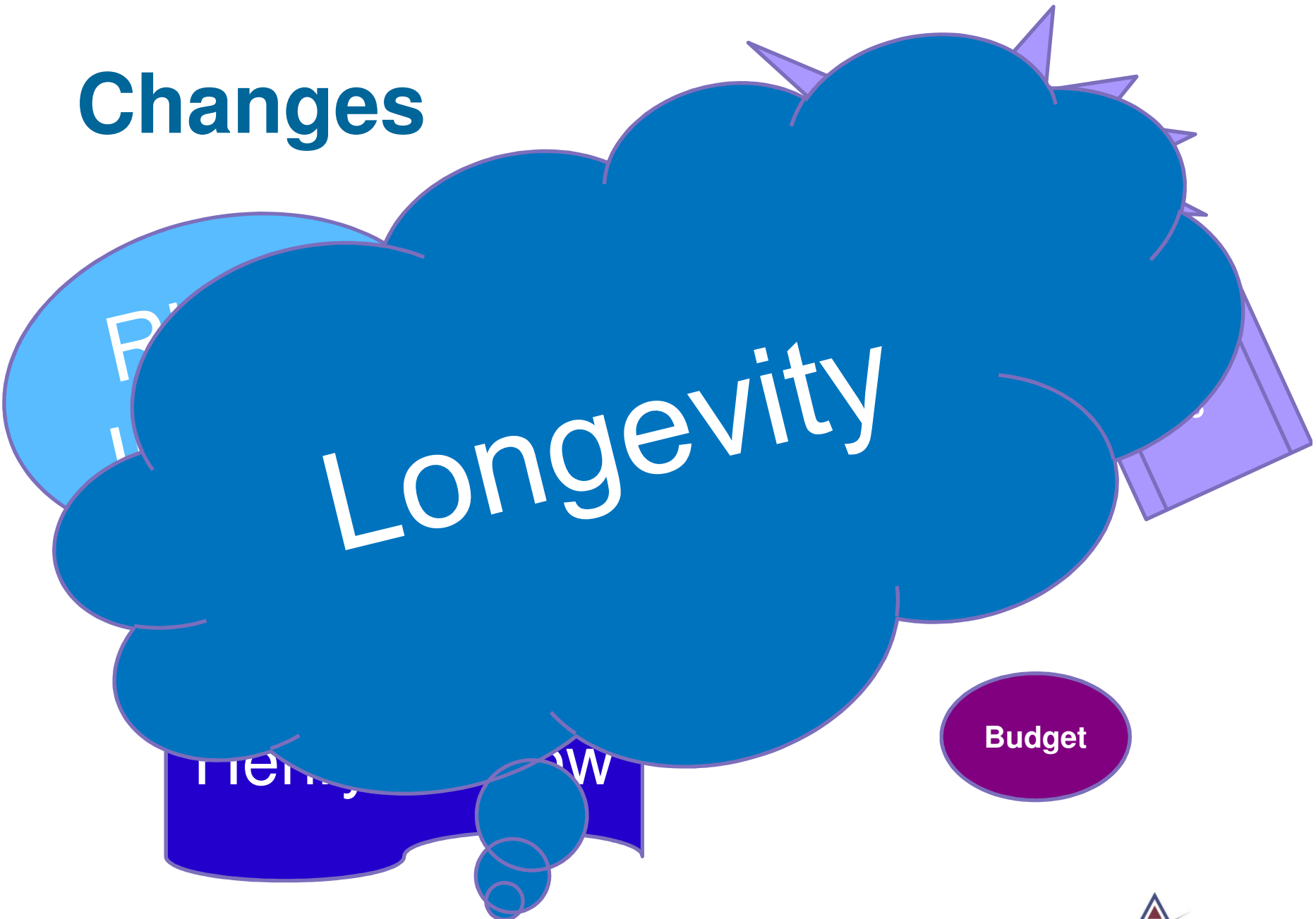


Market happenings

- ❖ Discussions, Reviews, Inquiries, Reports....
- ❖ *Some* ideas are taken up
- ❖ But not much change where we really need it – in the area of *longevity*
- ❖ Get ready for change here too!



Changes



Longevity

Budget



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Ripoll Inquiry



“to inquire into and report on issues associated with the collapse of financial services firms..”

- ❖ A ban on commissions for retail investment products**
- ❖ Increased transparency... opt in/out of advice**
- ❖ Financial advisors *required* to place client's interests ahead**



Cooper Super System Review

REVIEW INTO THE GOVERNANCE,
EFFICIENCY, STRUCTURE AND OPERATION OF
AUSTRALIA'S SUPERANNUATION SYSTEM

- ❖ **Final report due 30 June 10**
- ❖ **“MySuper” - a low cost simple default option, for those ‘not interested’**
- ❖ **Commissions replaced with fee-for-service**



Australian Government



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Henry Review - Tax

“to strengthen Australian fiscal policy to deal with socio-economic challenges in the 21st century”

- ❖ Increasing employer contributions from 9% to 12%**
- ❖ Lifting compulsory Super to age 75**
- ❖ Fixing tax inequity for low incomes**
- ❖ Mining tax @40%, company tax rate 28%**



Budget - 11 May

Not much to say...

- ❖ 50% tax discount on deposit products
- ❖ Government re-announced its intention to make Australia a major financial services hub

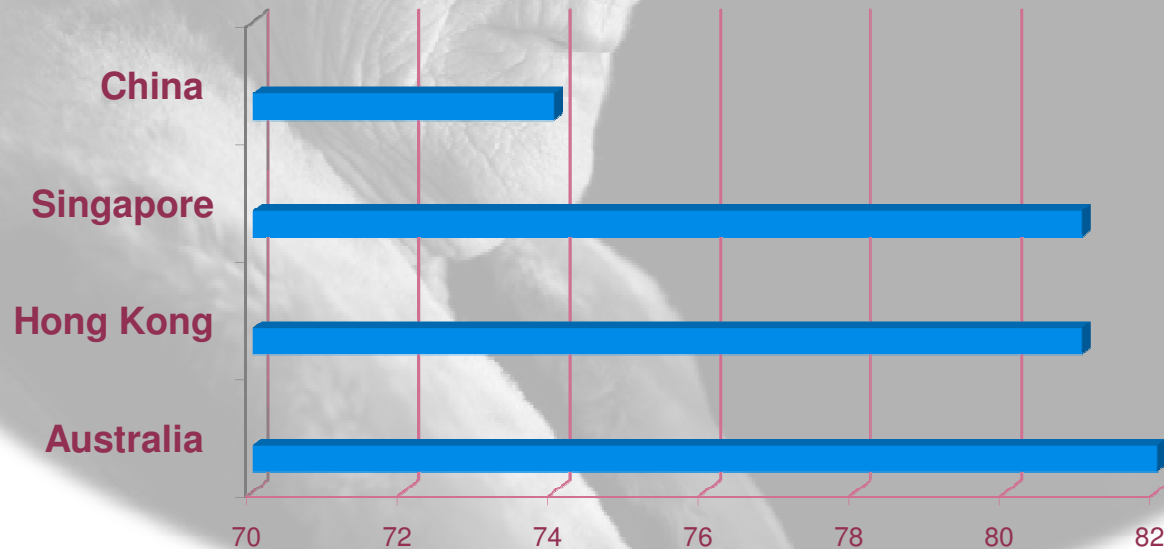


But *Longevity* is the real issue

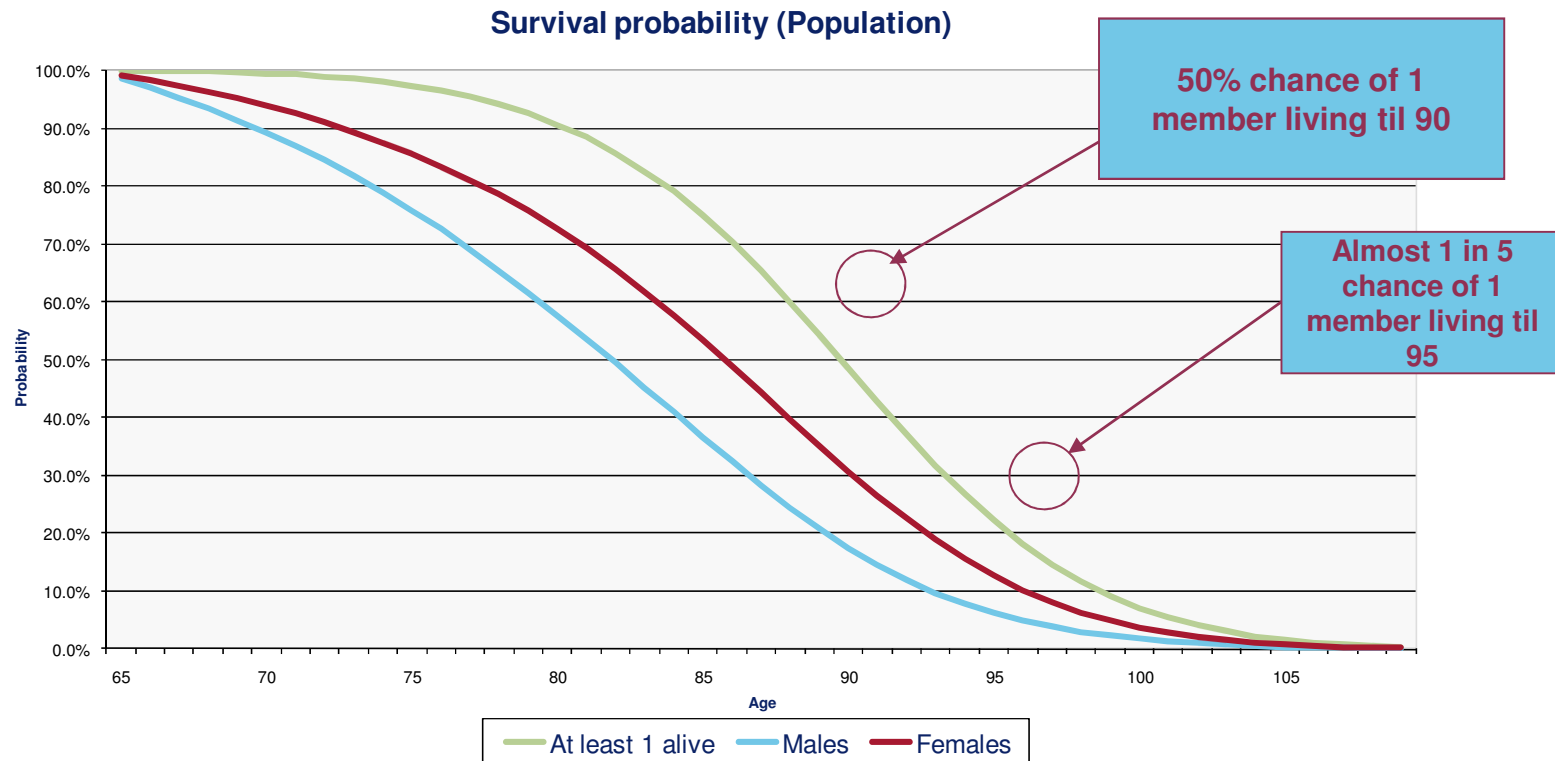
We are all living longer

Yeah! More years to celebrate

Boo! We can't afford it

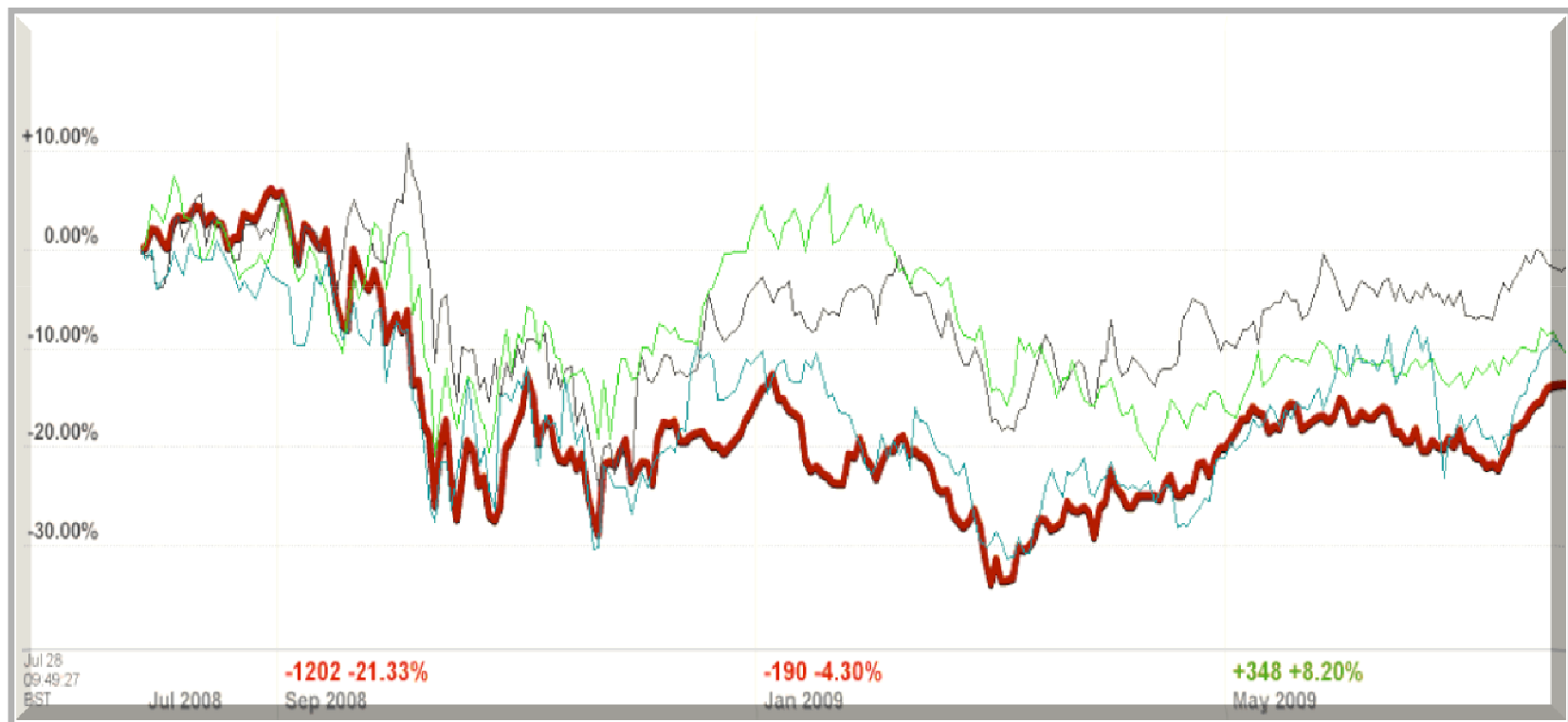


Survival from Age 65



The green line shows the chance of at least *one* surviving

Investments can fluctuate



Market Solutions

❖ **Allocated Pensions**

❖ **Traditional annuities?**

❖ **Variable annuities?**

– AXA North

– Macquarie Lifetime Income Guarantee

– ING Money For Life

❖ **Others?**



The big picture:

- ❖ DB Funds almost dead
- ❖ Increasing market concentration in the Life/Wealth management area.
- ❖ Growth in General Insurance
- ❖ Some Health prospects
- ❖ Some penetration in Energy, 'Banking', forests, cemeteries....

What now?



ERM

A Saviour?

- ❖ But what is it?
- ❖ What can it really deliver?
- ❖ What is in it for us?
- ❖ How do we get a job?



What's the fuss all about?

- ❖ *Nothing new - actuaries have always been risk managers*
- ❖ *Latest management fad*
- ❖ *“I don't want to know about health and safety, and our administration problems ...”*
- ❖ *“I don't want to be involved in the risk management function, I want to work in the business”*
- ❖ *“I want to work in a traditional role. Why is this relevant for me?”*
- ❖ *Others already dominate this space – we're too late*
- ❖ *In any event, we need to learn from non-actuaries, not actuaries*



But what is it ?

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

Two basic underlying principles:

- Holistic: All risks faced by the entity
- **M**anaging for value for the owners / stakeholders, whilst ensuring that promises made to customers are met



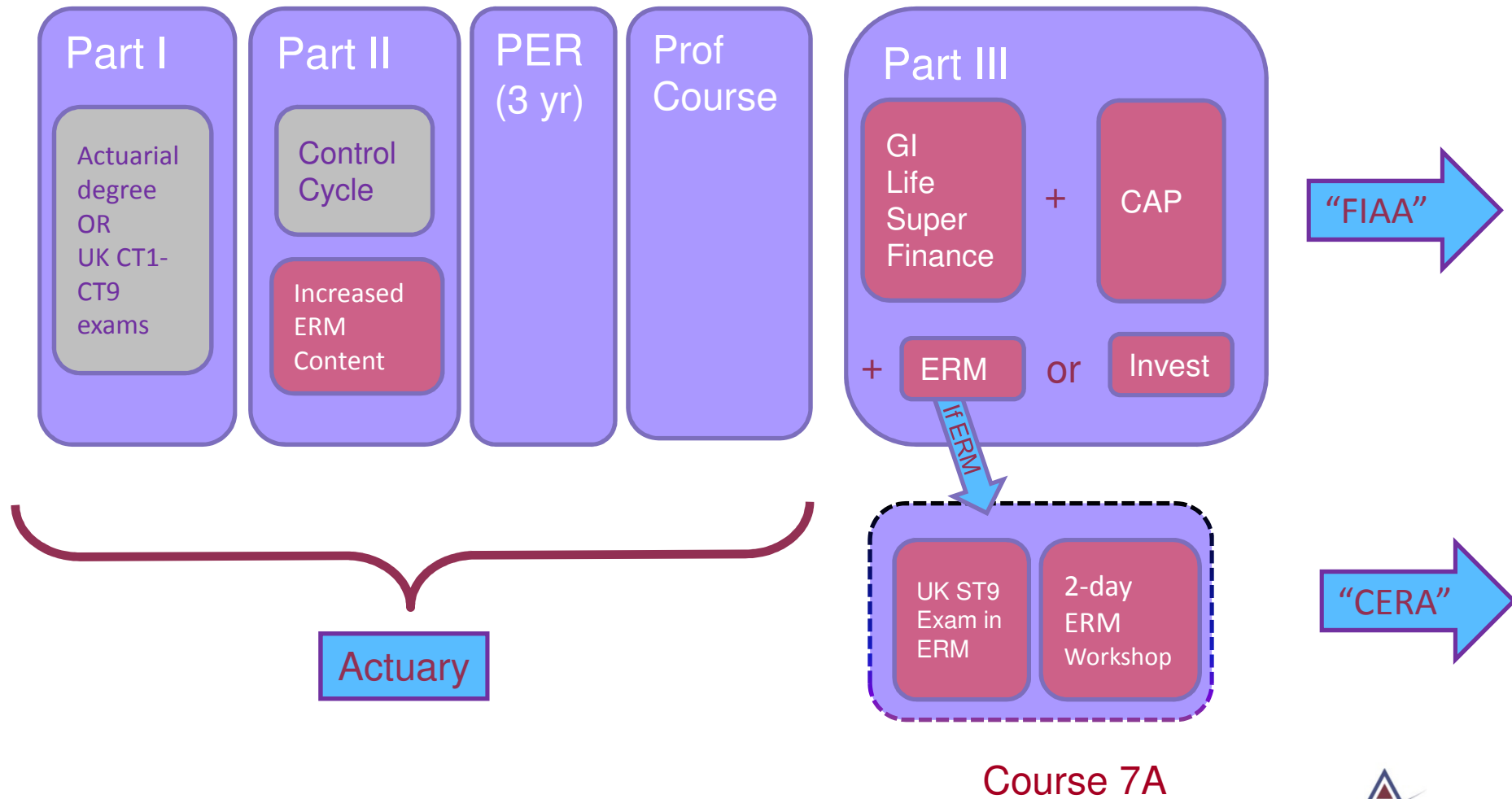
ERM - What Next?

- ❖ **Overlap with what we do anyway**
- ❖ **Rapidly evolving – boosted by GFC**
- ❖ **We are competing with others and need to be competitive**
- ❖ **Actuaries need an ERM qualification**
- ❖ **The Institute is beginning employer dialogues, to understand risk needs and their perception of actuaries.**

CERA COURSE SEMESTER 1 2010



How do I get there?



Institute Goals

- ❖ **ERM Pathway**
- ❖ **Capabilities and CPD**
- ❖ **Education**
- ❖ **Participation**
- ❖ **Reputation**
- ❖ **Professional Standards/Guidance**

ENTERPRISE
RISK
MANAGEMENT



Questions

