



Institute of Actuaries of Australia

# Down Under Market Happenings and ERM

*Bozenna Hinton*

*President*

*Institute of Actuaries of Australia*

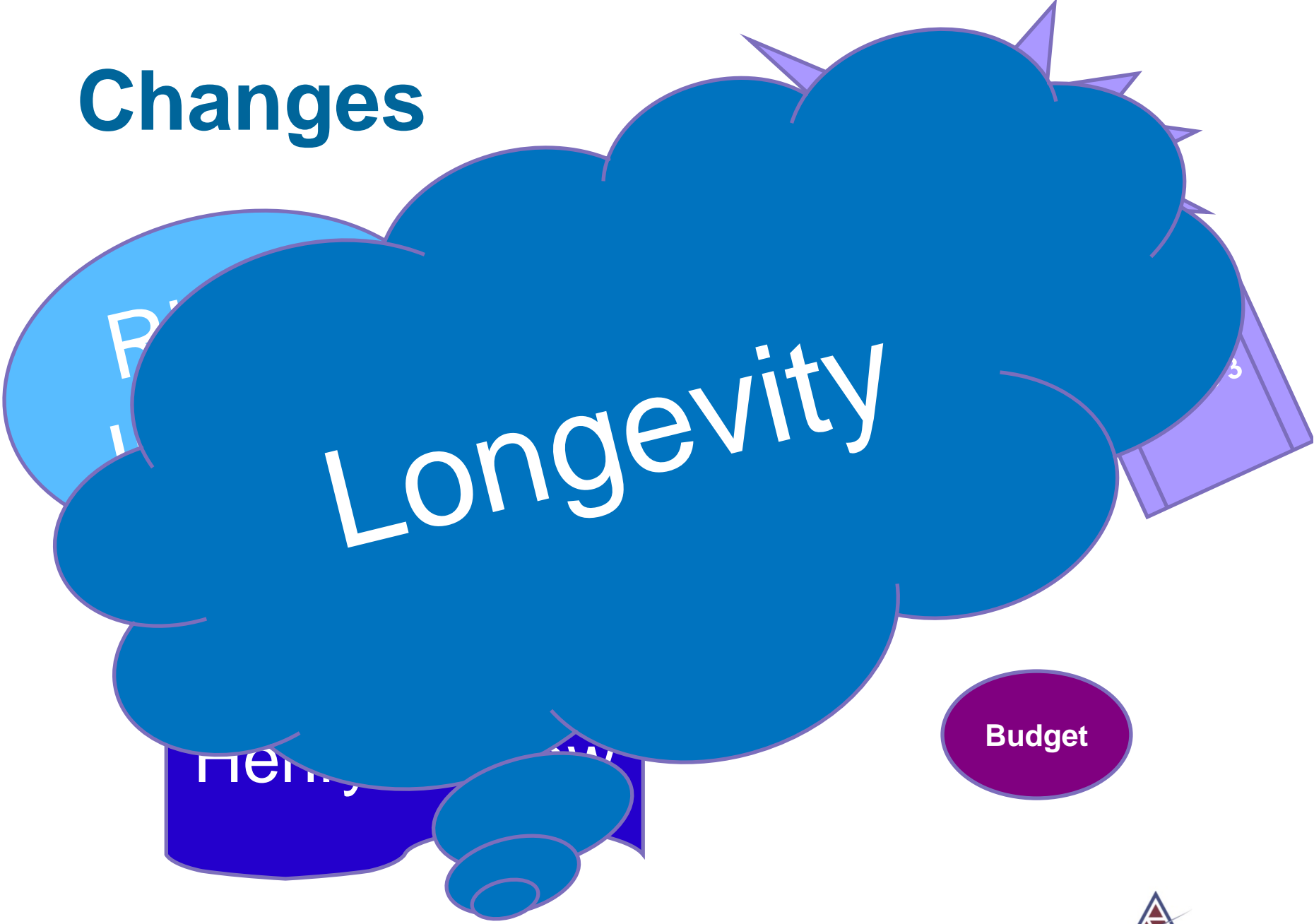


# Market happenings

- ❖ **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



# 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**



# 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**

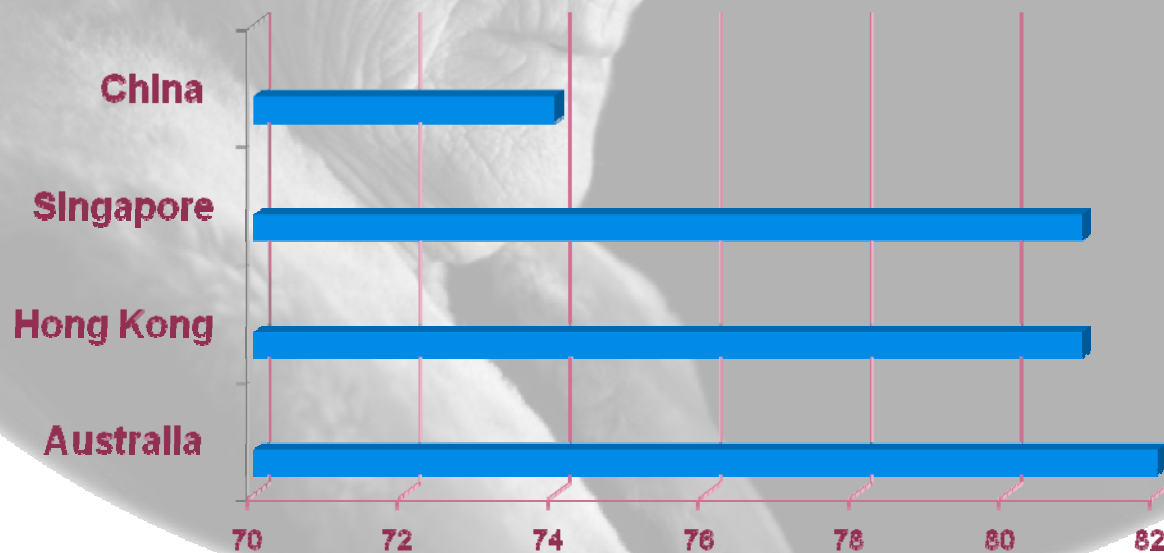


# But *Longevity* is the real issue

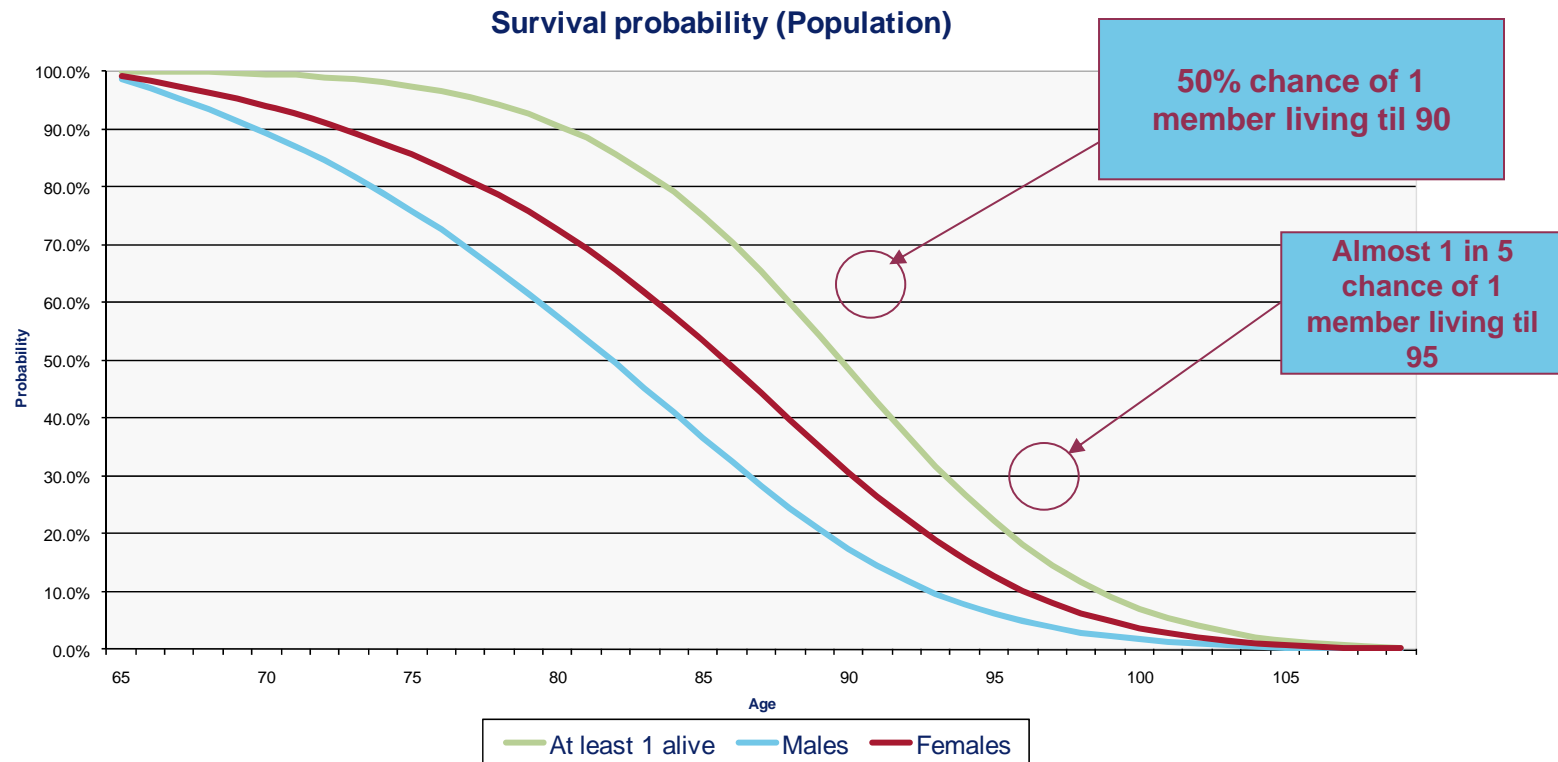
We are all living longer

Yeah! More years to celebrate

Boo! We can't afford it



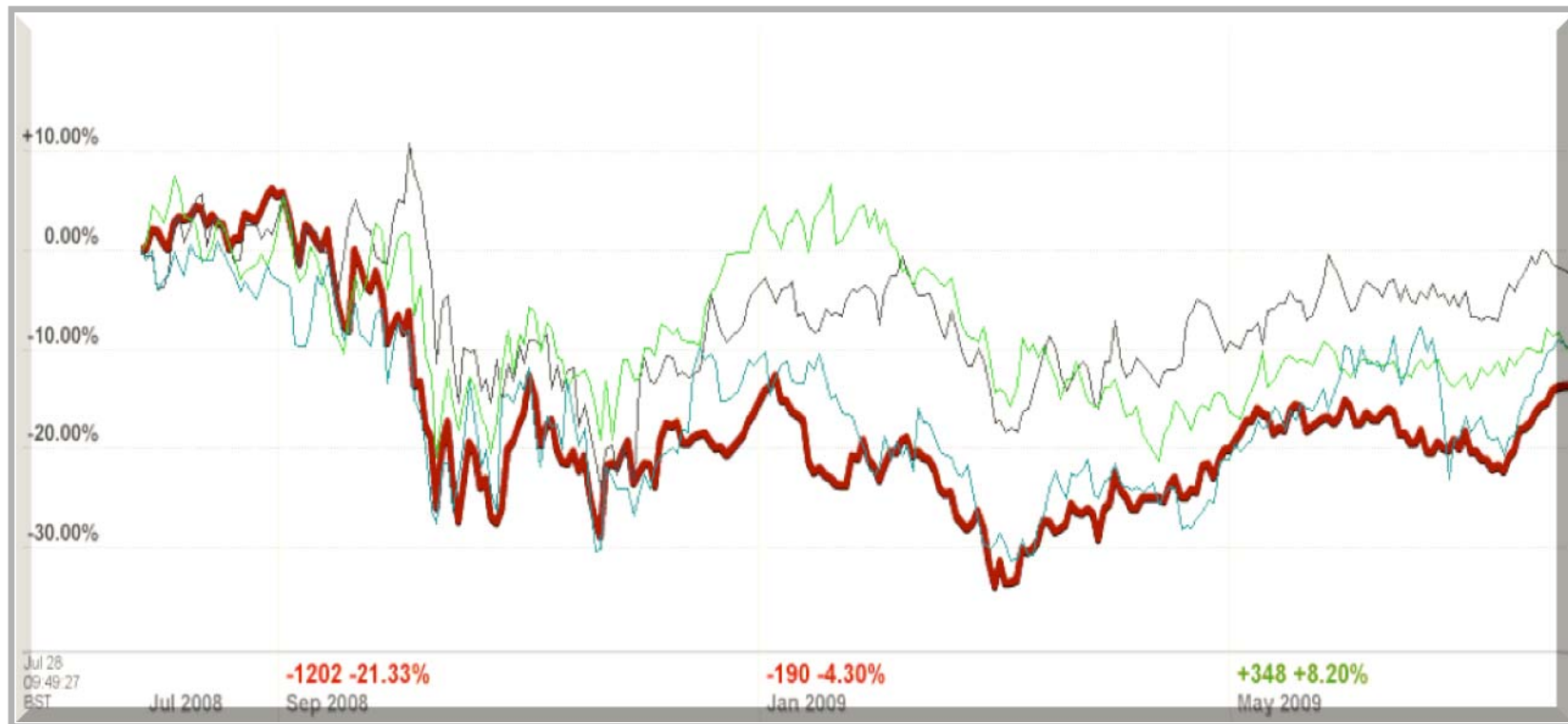
# Survival from Age 65



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



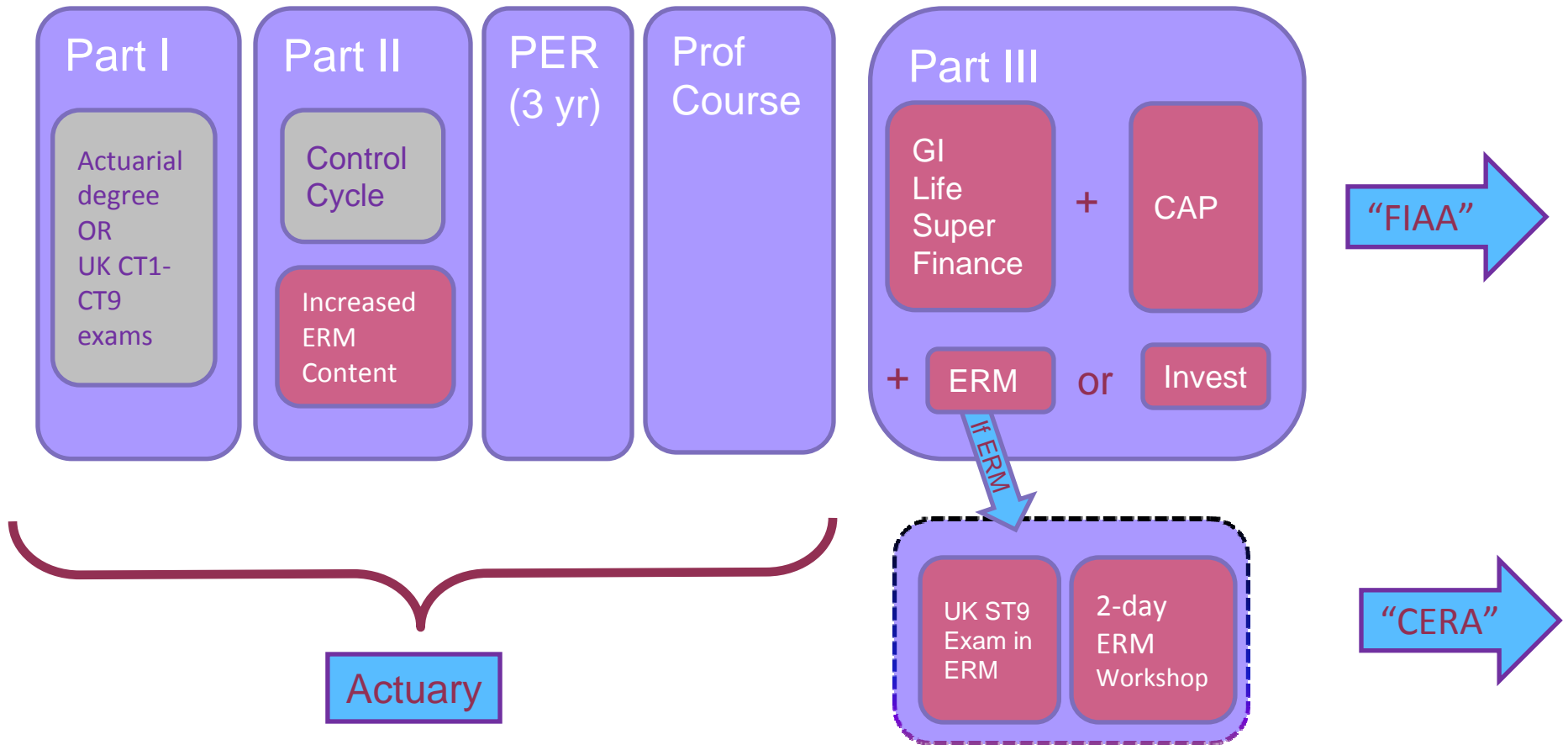
# ERM - What Next?

- ❖ **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?



Course 7A



# Institute Goals

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

ENTERPRISE  
**RISK**  
MANAGEMENT



# Questions

