

ACTUARIAL SOCIETY OF SOUTH AFRICA
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Past Presidents, Fellow Members, Members and Distinguished Guests,

“Look at your actions today through tomorrow’s eyes”.

Let me start with a quote:

*“I am a Man of the Past, Living in the Present,
Walking in the Future, Stepping in the Future”*

Peter Tosh, *Mystic Man*

This lyric from the 1979 song, *Mystic Man*, by Jamaican reggae icon, Peter Tosh is an unusual choice to begin an actuarial Presidential Address. I am virtually certain that no previous President of any actuarial organisation worldwide has used a reggae introduction to such an address (except perhaps for the President of the Caribbean Actuarial Society!)

The ‘mystic man’ of Tosh’s song had nothing to do with his description of an actuary or the actuarial profession. However, before you begin looking for my dreadlocks, I think it is a particularly pertinent comment on the State of the Profession in South Africa today.

The Oxford Dictionary defines ‘*mystic*’ when used as an adjective as ‘*mysterious and awe inspiring*’. For many of our customers, actuarial science remains mysterious and trustees continue to be baffled by valuation bases and decrement rates whilst the public, too, finds us inaccessible and perceive us to be hiding behind our formulae and assumptions. I have a confession to make: In my more junior days, I would have found both qualities – mysterious and awe inspiring - to be aspirational and attractive. I would ‘get my kicks’ by obfuscating the facts to make things appear more complicated than necessary and hide behind the so-called magical ‘actuarial black box’ to defend my answers. This was probably a reflection of my own arrogance and perceived superiority at that time. As I’ve acquired some grey hairs, I have come to realise that, to remain relevant, the profession needs to (1) unravel the mystique and open up the so-called black box by focussing on communication and marketing of our skills; and (2) inspire awe through sheer professionalism, thought leadership and conduct beyond reproach.

We carry much of the Past with us. It is important that we retain what is good from that Past. We are very much living in the Present with many of ‘today’s’ issues that need to be dealt with. However we need to cast our eyes forward to the Future in order to remain relevant. It is only if we can boldly step into the Future that the profession will survive. If not we run the real risk of becoming increasingly *“Man of the Past, Living in the Present, Got no Future!”*

In last year’s Presidential Address, I said: “Whilst I believe there are many elements of the Strategic Plan that remain relevant, a number of developments in recent years require us to look at our strategy afresh.” Council held a Strategic Planning Session in early February this year. I’d like to quote from the notes of that meeting:

“The actuary has been de-mystified, our opinions are no longer regarded as sacrosanct, things that previously were entrusted only to actuaries now are performed by other professions, we are having to communicate better and market ourselves more.”

As we explored the Strategy it became clear that we needed to look at our vision through ‘tomorrow’s eyes’. What I am about to share with you is a straw man. Council will in the weeks to come engage with you to elicit your views. The current vision reads:

“The actuarial profession in South Africa is widely recognised as the profession that enhances the long term financial security of individuals and institutions.

Stakeholders and interested parties include business, labour, government, regulatory authorities, other professions, members of retirement funds and and policyholders, current and prospective members of ASSA, the media and the international actuarial community”.

We propose a new vision:

“A profession of substance and stature, serving, and valued by, our communities as a primary source of authoritative advice and thought leadership in the understanding, modeling and management of financial and other measurable risk.”

This sets challenges for us, as we ‘Walk into the Future’ in terms of our stature, value, authoritativeness, and thought leadership.

The current Mission of ASSA consists of 3 elements:

- ❑ *Ensure that the professional conduct and skills of members always meet the highest standards;*
- ❑ *Develop and expand the expertise of members as markets and conditions change; and*
- ❑ *Ensure the relevance and enhance the role and reputation of the profession, both in South Africa and within the international actuarial community*

To emphasize the importance of enhancing our professional reputation and maintaining our relevance in South African Society it is proposed that the 3rd element should become the 1st. In addressing the thought leadership aspect, a 4th should be added:

- ❑ ***Harness the expertise of our members to establish a position of thought leadership to inform public debate***

At present, the Strategic Plan has 6 key thrusts. We see these being retained as Operational Pillars.

- ❑ *Promote Professionalism.*
- ❑ *Development of Expertise*
- ❑ *Ensure diversity*
- ❑ *Enhance Reputation*
- ❑ *Strengthen International Involvement*
- ❑ *Ensure Adequate Resources*

The 6 Pillars are unlikely to change significantly over time. What may change are the areas we choose to focus or put emphasis on from time to time - these are better described as “strategic initiatives” – there are 5.

- 1. Review ASSA structure including Governance, Standards, human resources and funding***
- 2. Establish independent SA examinations, qualifications and Enhance post qualification learning experiences***
- 3. Promote transformation initiatives to ensure diversity***
- 4. Enhance the profession’s standing with Regulators and the general Public & establish the “Actuarial Brand”***
- 5. Expand our International role***

I will now explore each of these strategic initiatives in some depth:

1. Review ASSA structure including Governance, Standards, Human Resources and Funding

The issue of Governance has already been discussed at this Convention. As part of a modern global profession, this is imperative.

*“Every weekend through the door
Come words of wisdom from the outside.”
Well I’ve got nothing against the press
They wouldn’t print it if it wasn’t true.”*

(both) Joe Jackson, *Sunday Papers*

It was a boring day at the office, mid-March 2006. The phone rang. “Hello, Adrian Baskir speaking,” I answered. “Hello Adrian,” said the caller, “its Bruce here, Bruce Cameron. I’m calling to tell you about the article I’m busy writing for next weekend’s *Personal Finance* which criticises the actuarial profession. I’d like your comment.” I remained silent. He went on to list a number of specific areas of criticism of the conduct of members of the profession.

Our professional reputation continued to come under fire from a number of quarters and Council spent many hours deliberating on these issues.

Whilst this criticism of the profession is very much part of ‘today’, many of the events for which we are collectively being criticised took place in the past. We are being judged ‘today’ by ‘yesterday’s actions’. Any profession and any society continues to evolve. What is accepted unquestioningly ‘today’ may be totally unacceptable in a few years’ time. The change in views on ownership of the surplus in a defined benefit scheme and early termination values illustrates this point. As a consequence, ASSA needs to assess and revise its approach to professional conduct by forward-looking standards.

The Constitutional amendments introduced to change the governance structure at this AGM will, we trust, lead to significantly improved accountability and transparency in the profession, as well as in the actuary-client relationship. Of note here is that the oversight structure includes a majority of non-actuaries. ASSA has also done a considerable amount of in terms of standards and guidance in recent years. A review of our Professional Conduct Standards (PCS) is now envisaged, hopefully leading to a PCSSA that reflects the needs of a South African

professional actuary rather than one that merely cross-references to that of the UK profession. This is not to say that the UK PCS is deficient in anyway, merely that ASSA needs its own PCS as befits one of the leading participants in a global profession.

Moving on to human resources, let me start by recording that very little, if any, of the last years' efforts as recorded in our Annual Report would have been possible without the dedication and hard work of the volunteers who serve on and chair the ASSA Committees. I sincerely appreciate their time and effort. I also wish to express sincere thanks to my colleagues on Council for their support, co-operation and guidance.

One of my disappointments this year was the fact that the Research Tender process, which was introduced, proved unsuccessful. 3 Relevant and important Research topics were put out to tender and we failed to receive a successful tender for any of these despite the offer of monetary assistance. This does not suggest that Research is 'dead' in the local profession – the record number of papers at this Convention proves that.

It is increasingly clear, to me and ASSA Council, however, that the organizational cannot fulfill all its obligations through volunteerism alone. The important functions required to sustain a vibrant local profession will need to be funded. Two examples are the introduction of the Actuarial Governance Board and the legal expenses associated with a robust disciplinary process. This expertise does not come free and a different funding model is required. I will cover local examinations next. Suffice therefore, at this stage, to note that even a redirection of the examination and exemption fees that currently flow to the UK is probably inadequate. We will need to engage with other stakeholders such as the universities, the IAA and the employers of actuaries to solve this.

<p>2) Establish independent SA examinations, qualifications and Enhance post qualification learning experiences</p>

ASSA has a rich and colourful past. Formally established in 1948, we have roots with both the Institute and Faculty of Actuaries. The Faculty celebrates 150 years of existence this year – an event recognised on our Powerpoint template and at our Convention Dinner this evening.

On the subject of the Faculty: Actuaries in Scotland were initially admitted as members of the Institute. By 1853, Scottish members represented one third of the Institute membership. The 400-mile train

journey from Edinburgh to London had to be made when there was no heating system for railway carriages and sleeping cars had not been introduced. Furthermore, Scottish actuarial affairs were already important, and Scotland had its own worldwide insurance interests. In addition, as A R Davidson points out in *The History of the Faculty of Actuaries in Scotland, 1856 – 1956*, “Scotland is Scotland, with its own habit of life”. Perhaps history must now repeat itself in SA.

Our examinations are largely based on syllabi developed in the UK and most students use the study material provided by ActEd. Even the South African Fellowship exams, which we commenced offering in 2004, are offered under the auspices of the UK Profession. A pass is rewarded by acquiring the designation FIA or FFA in addition to FASSA.

The take-up of the local Fellowship examinations remains low and the UK Profession’s Education & CPD Board have voiced strong concerns to ASSA Council about the sustainability of this initiative given this low demand. The ASSA approach has been to ‘soft sell’ the SA Fellowship route, gradually moving toward an ultimate position of full independence from the Faculty and Institute. Student surveys appear to show that students often choose the UK Fellowship route based on a misperception of the relative qualifications. ASSA Council is committed in its resolve to ultimately establish independent SA examinations and qualification.

A change of gear is now required. We must speed up our migration to a fully South African qualification and ultimate withdrawal of the FIA/FFA option. This will require a huge marketing effort and wide consultation with all stakeholders will take place. This will also need to be done with least disruption to those students already in the system.

Over a beer at the Hotel Concorde Lafayette in Paris with Michael Pomery (then Institute President) and Stewart Ritchie (then Faculty President Elect), I mentioned that ASSA Council had mandated me to explore the possibility of us pursuing a fully Local Qualification with Mutual Recognition of qualifications with the UK Profession as well as other countries. “You’re pushing at an open door,” said Michael.

A joint Task Team between ASSA Council and the Education Committee met recently to discuss this issue. We will be developing a detailed Project Plan to further this with a fully motivated Business Case and will be holding a Sessional meeting to report back shortly.

In terms of post-qualification experiences, my remarks are brief. This encompasses Continued Professional Development and the continued promotion of a strong Professionalism and Research culture in SA. A course for “experienced actuaries” would seem to be almost a given in this regard.

3. Promote transformation initiatives to ensure diversity

Quite simply, we need to improve the success rate of our black students. How does one fast-track the development of Black actuaries without compromising professional standards? Especially when it takes on average 6-8 years post-school study to qualify. Especially when one inherited a schooling system where many were denied access to the quality of teaching that is now being provided at most schools.

During April 2006, a milestone was achieved through the formalising of our relationship with the Association of South African Black Actuarial Professionals (ASABA) by signing a Memorandum of Understanding. This emanates from a shared vision for the development of the actuarial profession in South Africa. In terms of this agreement, ASABA will advance the development/production of more Black actuarial professionals and hence ensuring diversity, transformation and relevance of the profession. ASSA will remain responsible for the technical and professional development of members of the profession in South Africa. The agreement represents a co-operative relationship on an equal basis between the two organisations, and does not reflect an abdication by ASSA of its responsibilities in respect of transformation. This is a significant step to break from the shackles of the Past and become a truly South African profession.

An ASABA initiative is a mentorship programme at both UCT and Wits. Actuaries and senior students act as mentors to black students helping them cope with the challenges posed by university life. Whilst the Cape Town leg is going well, the Gauteng initiative is being hampered by lack of volunteers to act as mentors. What a great pity!! May I use this platform to urge our Gauteng members to support this initiative.

Actuaries on the Move is a joint venture between ASSA, Metropolitan Life and, latterly, ASABA. This programme focuses on talented Grade 11 and 12 learners in township schools in Khayelitsha, Botshabelo, Umlazi, Soweto and Soshanguwe. Thank you to our members that have given up their weekends to tutor the learners. At present we have over

460 learner participants. Let me highlight Martin Mphaphuli, who scored less than 50% in his entry exam to this programme. Martin scored the highest Physics Higher Grade and 2nd highest Maths Higher Grade marks in Gauteng in 2003. Martin is currently in his 3rd year at University studying Actuarial Science. They won't all become actuaries ... but some definitely will.

TSiBA, the Tertiary School in Business Administration equips talented youth from disadvantaged communities with leadership skills. I recently visited there to formally handover, on behalf of ASSA, some 90 financial calculators to the students at their weekly imbizo. This was largely funded by donations raised through my appeal at last year's Convention and accepted with great joy from the students.

These 4 initiatives all reflect an investment 'today', for 'tomorrow's' benefit.

<p>4) Enhance the profession's standing with the Regulators and the general Public & establish the "Actuarial Brand"</p>

ASSA's External Value Proposition must reflect an "ASSA Professional view" that could stand apart from the commercial interests of our member actuaries. 3 illustrations of this:

- 1) The ASSA2003 AIDS and Demographic Model, released in November 2005, was the first model to take the Government's comprehensive plan for HIV and AIDS into account at a provincial level. This is the most accurate model that ASSA has developed to date, and allows for differing rates of HIV spread and differing levels of intervention by province.
- 2) National Treasury invited comments on its *Discussion Document on Contractual Savings in the Life Insurance Industry*, published in March this year. A Life Assurance Committee Task Team submitted comments on behalf of ASSA. The focus of the ASSA submission was very much professional opinion on key matters that are critical to the effective functioning of contractual savings system.
- 3) The ASSA Healthcare Committee commented on a number of documents that emanated from the Council for Medical Schemes, including Circulars 8, 9 and 34., which dealt with, *inter alia*, community rating, as well as benefit and contribution structures.

Our External Value Proposition as the trusted opinion leader or reference point for all its stakeholders also relies on an effective disciplinary process with whistle-blowing when necessary

With all the various reputational issues arising this year, one would have expected a flurry of complaints and referral to the Professional Conduct Committee (PCC) for investigation.

ASSA's Bye-law 22.1 deals with the ASSA Disciplinary Procedure:

“22.1 The disciplinary procedure referred to in Article 6.2 of the Constitution shall be initiated -

- (a) upon receipt by the Honorary Secretary of a written allegation by any person concerning the conduct of a member of the Society; or*
- (b) if the Council, having regard to the interests of the public and the profession, has resolved that it appropriate for a matter relating to the conduct of a member of the Society to be investigated, even though a written allegation may not have been received; or*
- (c) if the Honorary Secretary becomes aware, either by being so informed by the member concerned (which it shall be the duty of a member to do) or from any other source, that a member has been convicted by a competent Court of a criminal offence involving fraud or other dishonesty, and has so informed the Council in a written memorandum.*

It is therefore surprising, that the PCC were not inundated with complaints in terms of paragraph (a). Instead, it was left to Council in two instances to act in terms of paragraph (b). In both instances Council was concerned at the potential impact of the matters on the good reputation and standing of the profession. Council also felt that an investigation would be in the interests of the public and the profession.

Our External Value Proposition is also seen as being compromised by the perceived slowness of our disciplinary process. The disciplinary process has to be, and has to be seen to be, fair and efficient. It must be pointed out that in certain instances, it is ‘yesterday’s actions’ that are being investigated and where our process has improved, the changes cannot be applied retrospectively. This implies that when dealing with complaints relating to prior periods, we are often required to follow the disciplinary process applicable at that time, however flawed that process. This leads to some frustration on the part of the accusers but it must be pointed that often the defendants are under threat of both their professional reputation and future livelihood. They will fight tooth and nail to defend this.

What of our Actuarial Brand? On the topic of the current ASSA emblem I said as follows in my previous Presidential Address:

“I am convinced that a fresh image will be significantly enhanced through a modern, more African emblem and the Communication Committee will pursue this. Hopefully by next year’s Convention our transformation thrust will be epitomised by a symbol more reflective of our African roots and identity.”

The Communications Committee spent many hours on this and we need your help. We have narrowed it down to two options and in your Convention Registration pack you will find a ballot form to complete.

Option A takes some of the symbolism and tradition we have inherited but in a more modern, simpler look. The Delta and Sigma signs show our mathematical links with the Delta reflecting change and the Sigma being retained from the old emblem. The Proteas, too are retained and emphasise our South Africanness. Likewise the green and gold are recognized internationally as South Africa colours. The Latin term for “equity” and “justice” emphasizes our history and our link to the international community. In addition it emphasizes one of the fundamental principles of our professional judgement. The shield encapsulates the whole and again shows that we have a rich history and tradition behind us.

Option B is a much more modern look. It is the African Lion which is an animal symbolising pride, courage, nobility, fairness, and justice. The Delta sign in the centre of the logo emphasizes our ability to deal with change, uncertainty and possibility as well as our mathematical links. The colour orange reflects safety and trust. Yellow reflects generosity, harvesting and light in the way that actuaries can shed light on issues through our advice. Brown reflects steadfastness, simplicity and dependability. The lion itself also has a rich history and tradition behind it and as king of the jungle would be an appropriate symbol for a profession of thought leaders.

But the actuarial brand needs to extend beyond, simply a logo. We need to ensure that the customer experience is consistent throughout the profession and that the Vision, Mission and Strategies that we adopt are manifested in that experience. A significant amount of work is required to capture the essence of what that actuarial brand represents. In my view, the logo represents a modernisation of ASSA. My use of some

popular musical references in this address also reflects a contemporisation of what was traditionally a very academic exercise. I also think that the concept of professionalisation needs to be reflected in that Brand.

5) Expand our International role

The IAA is busy establishing itself as a global professional body; we need to understand developments and provide appropriate South African input. According to IAA statistics, South Africa has the 11th most member actuaries in the world. We need to continue to act as a significant player in the global domain. We also need to do more, to lead the development of the profession in Africa, whether as a regional research powerhouse or in serving as a regional education hub.

In 7 months time, we will have our first chance to show the global actuarial community our capabilities when we host IAAHS 2007 in this selfsame Convention Centre. But this is the dress rehearsal for the Main Event.

At the Closing Ceremony of ICA2006 in Paris the ICA2010 promotional video was first shown. It is an action-packed 5 minutes which you will have the opportunity to view at this Convention. Highlight for me was the invitation from Archbishop Emeritus Desmond Tutu which made me proud to be both a South African and a South African actuary. Two days earlier, at a private function for key actuarial opinion leaders hosted by the 2010 Organising Committee, Desmond Smith coined the phrase “Beating the Drum for 2010”. Inspired by both Desmonds, Jean-Louis Masse, IAA President dispensed with his normal gavel to formally close the proceedings and Beat a large Bongo Drum. ICA2006 was over – roll on Cape Town 2010.

Concluding remarks

You will recall my opening remarks about the actuary as a ‘mystic man’. In promoting the profession to stakeholders our ability to communicate must be significantly enhanced. The examination that many students continue to find to be their biggest hurdle is the Communications Paper.

This year we were saddened by the sudden passing of the late Peter Clark, Honorary member of ASSA. Amongst Peter's numerous contributions to ASSA was an address he made at this Convention in 2004 wherein he highlighted the importance of Communication.

Let me give 2 instances where I feel our communication is lacking:

- 1) Actuaries have established a reputation for ourselves through our ability to model and project the future demographic and financial risks of events. The impact of HIV/AIDS is an example. We are all well aware of the consequences of AIDS and the associated demographic implications. But, we are *not* talking about the social consequences of the AIDS deaths. What happens to the children of the victims? Who takes care of them? Who pays for their education? What kind of environment will they grow up in? What kind of adults will they be, having lost parents at an early age to this killer disease? What is being done to ensure they don't perpetuate the cycle? The AIDS orphans could be a major social crisis for this country in the next 10 years and I don't think we are raising it sufficiently, nor applying our minds to the solutions.
- 2) In the retirement fund industry. Quite simply, today's employed are failing to make adequate financial provision for their retirement. Whilst actuaries cannot take the blame for the move from Defined Benefit to Defined Contribution pensions, perhaps not enough has been said by actuaries about the consequences of this for retirees. Not only are employees now faced with an uncertainty in terms of investment risk, but often they do not know what their target is in terms of replacement ratio, let alone progress towards that target. The situation gets worse. A period of unemployment, a late start to retirement funding, a rapid increase in salary and associated quality of life could all lead to the retiree reaching retirement with an inadequate income replacement ratio.

In both cases, if we look through 'tomorrow's eyes', are we saying and doing enough as a profession to demonstrate thought leadership on these issues now ... or will the reputation of the actuarial profession be slated by our current silence? I leave this question to be answered by others.

In concluding my address, when we "Look at Today's Actions through Tomorrow's Eyes", we need to "Take bold Strides into the Future".

*"Giant steps are what you take, walking on the moon,
I hope my leg don't break, walking on the moon,*

We could walk forever, walking on the moon”
The Police, *Walking on the Moon*

Thank you