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**PRESIDENTIAL PERSPECTIVE**

Newsletter, July 2008



Having been abroad for a few weeks, it may make more sense for me to try to read a newsletter, instead of sending one!

I have done some reading as well, though, and retirement matters, and especially retirement reform, seem to have featured regularly in the news recently. So, how old is the Actuarial Society this year? The first correct answer that reaches [wim@actuarialsociety.org.za](mailto:wim@actuarialsociety.org.za) receives a six pack, either soft or malted. On this topic, congratulations to Adele Groyer, who won the previous quiz.

**INTERNATIONAL ACTUARIAL ASSOCIATION MEETINGS, QUEBEC**

Council and Committee meetings of the International Actuarial Association were held in Quebec City from 11 to 15 June. When the IAA met in Mexico City in 2007, the city was hit by an earthquake. In Quebec City, a storm blew out a window near the registration desk!

The IAA issued a special newsletter to report on these meetings. It is available at [http://www.actuaries.org/LIBRARY/Newsletters/June\\_2008\\_EN.pdf](http://www.actuaries.org/LIBRARY/Newsletters/June_2008_EN.pdf). These meetings coincided with the tenth anniversary of the restructuring of the IAA into its current format, as an organisation of organisations. A publication highlighting developments in the organisation during the past ten years was issued, and is available on [www.actuaries.org](http://www.actuaries.org) as well.

From a South African perspective, the enthusiastic support for ICA 2010 expressed by Dave Hartmann, IAA President, was particularly encouraging.

Andrew Gladwin, Emile Stipp and I were involved in discussions with a number of organisations on mutual recognition agreements. In essence, the crucial agreement will be with the UK actuarial organisations. There are strong indications that, once this agreement has been established, agreements with the Australian, Irish and Canadian organisations will follow. To this end, UK involvement in the local qualification process will be extended. A detailed proposal will be submitted to the UK organisations shortly.

Since the American organisations are of the view that the actuarial profession, rather than universities, should provide education, discussions on mutual recognition agreements will continue, but are not expected to be formalised before 2010.

The Insurance Regulation Committee established a task team to develop a glossary of actuarial terms. This will address a problem that is becoming increasingly common, viz. that people use the same term for different concepts, or different terms for the same concept. Other matters of local interest included further progress on the global enterprise risk management qualification, discussions on the governance of cross border actuarial services and the ongoing process of developing global standards for the actuarial profession. Good progress is being made on many of these important issues, all of which will contribute to enhancing the stature of the actuarial profession.

### **ACTUARIES DO IT WITH MODELS**

Marius du Toit saw a bumper sticker carrying the above message in Quebec City. Dawie de Viliers and David Gluckman were instrumental in ensuring that Dr David McCarthy, who visited South Africa to participate in Sanlam's retirement matters seminar, address sessional meetings on *How to build an economic model of individual needs, and what these models say about optimal scheme design and investment policy*. Initially, Dr McCarthy would have presented in Johannesburg only, but David persuaded him to make a presentation in Cape Town as well. This left about 30 hours to arrange the meeting, but with 73 delegates attending, one is tempted to say all's well that ends well. I would like to thank all who were involved in these arrangements; apart from Dawie and David, Andrew Lonmon-Davis and David O'Brien agreed at short notice to chair these meetings.

### **LIFE IS A SHORT-TERM RETIREMENT SEMINAR**

Which is one way of saying that the Life Assurance, Short Term Insurance and Retirement Matters Committees all presented seminars recently.

The one-day life assurance seminar held in May was well attended. Topics covered included some technical updates on the hedging of investment guarantees as well as on market-consistent embedded values. In addition, there was some less technical discussion on commission and alternative risk transfer. The speakers generated constructive discussion on

many of the topics. As a result of the increased interest in the seminar it is likely that next year's seminar will be held in two locations to allow more people to attend.

We were surprised with the great turn-out at the short term seminar this year, with than 140 people registering, in comparison to just over a 100 in the previous years. The topics and some interesting excerpts included *Regarding your Happiness (The Logic Filter)*, *The impact of poor data quality on the General Insurance Industry*, a panel discussion on the benefits and risks of sharing data, *The hitchhiker's guide to Engineering Insurance*, and *Product Innovation - A global perspective*. The afternoon session contained more technical topics, which included an introduction to various reserving methods, an appetizer for the upcoming sessional meeting in August on stochastic reserving in the short-term, and a comparison of FCR, Solvency II and ICAS, including practical insight into ICAS. Solvency II is expected to be around five times the amount of work of ICA!

The Retirement Matters Committee hosted a one-day conference in Gauteng on 2 June 2008. Fagmeedah Petersen shared some thoughts regarding international developments following the Boston Colloquium whereas Rob Rusconi entertained the audience with a discussion about his latest paper, *Whose money is it anyway?* A clash ensued between auditors and actuaries when Kim Bromfield and Peter Withey led a very interesting discussion about the consequences of IAS19 reporting. Along with the usual presenters, brief discussions focused on topical issues that face the industry. The success of the event was measured by the record attendance (showing the desire to learn about the latest developments in Pensions, and for CPD, of course) as well as the positive feedback provided. The presentations are available on the website [http://www.actuarialsociety.co.za/Retirement Matters Conference 2008-263.aspx](http://www.actuarialsociety.co.za/Retirement_Matters_Conference_2008-263.aspx) .

Now watch out for the Healthcare Seminar, on 5 and 6 August, and the Social Security and Retirement Reform Seminar on 9 and 10 September. And I assume you have registered for the Select and PGN 105 Modelling Course on 13-15 August?

### **A TANGLED WEB WE WEAVE**

Regular users of the Actuarial Society website would have noticed that the site is considerably faster nowadays. It has been moved to a new server, and the technology has been updated as well – before the changes, the technology dated from 2002, which left the site vulnerable.

Some areas of the site are still under construction. The new site will contain a number of additional features, e.g. a polling module and the facility to log CPD records online. These will be refined and added shortly, and you will be informed of all developments in this regard. Good news, meanwhile, is that the first former Transactions of the Actuarial Society of South Africa (TASSA) are now available on the website, at <http://www.actuarialsociety.co.za/TASSA-153.aspx> . I would have bought Rob Dorrington and Rob Thomson a beer each for their efforts, but it could be interpreted as favouritism and abuse of the presidential office, so I'll just say, "Thank you very much!"

Previous versions of some of the pages were apparently transferred when the site was moved to the new server. If you come across any of these, please contact [wim@actuariesociety.org.za](mailto:wim@actuariesociety.org.za).

Jikku Joseph has agreed to be the convener of the Information Technology Committee, which has been revived recently.

### **PGN 501: HIV/AIDS**

The 500 series professional guidance notes deals with AIDS. PGN 501, *HIV/AIDS: Actuarial Advice and Reports*, was approved recently. The Guidance Note sets out the key considerations actuaries need to address when advising in a professional capacity on impacts or aspects relating to HIV/AIDS.

The AIDS Committee will be presenting a select modelling course in Johannesburg on 13 - 15 August. This course was very popular when presented in Cape Town last year, so be sure to register early for this one.

### **COVERING ALL BASES**

The old adage about good intentions struck on 12 June, when an exercise that was supposed to result in an upgrade of the operating systems on two computers in the Actuarial Society office resulted in a major loss of data, including the database that was destined to be phased out later this year.

From this, however, the opportunity arose to obtain relevant and updated information on members of the Actuarial Society. Attempts over the past four years to obtain this information have met with moderate success only. You will shortly receive a membership data form, and I urge you to complete and return this form. Without relevant information, proper planning becomes almost impossible. If anything, the Society needs to plan properly if we want to meet the future with any measure of confidence.

### **EMPLOYER DISCUSSIONS**

Over the past eighteen months or so, Adrian Baskir, Peter Doyle and/or I have held discussions with most major employers of actuaries. The purpose of these discussions was twofold: (a) to inform employers of developments within the profession and (b) to explore ways of involving employers more closely in the affairs of the Actuarial Society, particularly in respect of matters related to education and discipline. We are keen to find a basis for more structured co-operation

between the Society and employers, given the critically important role played by employers in the lives of our members and the Society as a whole.

The intention is not to abdicate responsibility for the profession to employers or any industry. We are looking for a mutually beneficial arrangement, not unlike the arrangements that are currently in place between employers and other professions, e.g. the accounting profession. I am happy to say that most employers have expressed full support for our education and other initiatives.

Communicating with members about these discussions would not have made much sense thus far, as we are still in an exploratory stage. You will, however, be informed of any formal developments in this regard.

### **LAYING DOWN THE LAW**

Two pieces of legislation that could have implications for the actuarial profession caught the eye recently.

The *General Financial Services Laws Amendment Bill* contained, inter alia, a number of proposed amendments to the Pension Funds Act. The Retirement Matters Committee commented on the technical aspects of the amendments, while I submitted a separate memorandum on the definition of “actuary”, as set out in the amendment bill. This amendment emanated from discussions between the Actuarial Society Office and the Financial Services Board. Retirement fund practitioners may recall that the Pension Funds Act defined an actuary as a Fellow of the Institute, Faculty or US Society, or any other actuarial organisation approved by the Minister. The amendment bill proposed to change the definition to “a member of the Actuarial Society of South Africa or any other institution approved by the Minister...”. This appears to have been a technical oversight only, and the definition was subsequently amended to refer to “a Fellow member ...”.

Life office practitioners will know that the Long Term Insurance Act defines an actuary as a Fellow member of the Actuarial Society of South Africa. In other words, before this amendment, the statutory actuary of a life office could have allowed his or her membership of the UK organisations lapse, without his or her status as statutory actuary in South Africa being affected. Conversely, a valuator of retirement funds had to retain his or her UK membership. (Fellow membership of the Actuarial Society is, however, a prerequisite for the issuing of a practicing certificate to any member.)

In terms of the amendment, therefore, the designation that is the deciding factor has now become the same for both life office and pensions practitioners, i.e. FASSA.

The Insurance Laws Amendment Bill contains a number of proposals that affect life office, healthcare and short term insurance practitioners. The Life Assurance Committee prepared the Society’s submission on this one. The bill adds to the reporting requirements for statutory

actuaries and makes provision for more actuarial involvement in the short term insurance industry.

### **LET US KNOW**

Have you had a paper accepted for publication in a journal other than the *South African Actuarial Journal* or do you know of any other members who have? If so you or they may be eligible for a prize at this year's convention; please let Rob Thomson know – [rthomson@icon.co.za](mailto:rthomson@icon.co.za).

### **CONVENTION 2008**

A quick reminder that the Convention will be held at the Cape Town International Convention Centre on 23 and 24 October. Two international speakers, one from America and one from Australia, have already indicated that they will be attending the event, and we are waiting for a few others to confirm attendance. Mr Justice Dennis Davis has agreed to be the guest speaker at the convention dinner. So, dig out the registration forms; this promises to be an event not to be missed!

Kind regards



**Garth Griffin**  
**President**

31 July 2008