

New Zealand Society of Actuaries (Inc)

P O Box 1965, Wellington
Tel/Fax: (04) 477 1519
Email: society.actuaries@clear.net.nz

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Sir Derek Morris
Morris Review
1 Horse Guards Road
London SW1A 2HQ
United Kingdom

Dear Sir Morris

The New Zealand profession has spent time reviewing the Consultation Document and we offer the comments below for your consideration.

Background on the NZ profession

The Society comprises 100 actuaries of whom 50% have a UK qualification. The remainder are primarily members of the Australian Institute. Due to our small membership size we do not run our own examination system. All students are either sitting the UK or Australian exams. As might be expected given the proximity of Australia the profession in NZ is moving to create more links with the Australian profession while retaining reduced links with the UK.

Current issues in NZ

The current issues for the profession in NZ are:

- a review of the life insurance industry, and
- a review of our disciplinary procedures.

Due to the major involvement of actuaries in the life insurance industry the review looks in detail at the role played by actuaries.

Meeting in NZ

We held meetings with around 20% of our membership to discuss the consultative document.

A summation of the issues raised and comments follows:

- An acceptance that the professional standards actuaries work to need to be made more prescriptive in order to reduce the variability of results that actuaries can provide in their answers to clients.
- A need to involve independents in the disciplinary process and a recognition that this area is becoming more challenging and requires the profession to accept greater public accountability for its actions.
- The profession needs to improve the basis on which it communicates to clients, giving them a greater ability to properly understand the results and implications of an actuary's calculations.
- The roles actuaries can play for a client need to be well defined and actuaries need to be careful not to attempt to act as arbitrators in situations where there are different interests in play. To illustrate,

there could be a need for an actuary to represent the interests of policyholders in a life insurance company.

- As experts in the field of life insurance, where many policyholders have long term contracts, the actuarial profession needs to be more pro active in alerting the regulatory authorities if practices develop which are damaging the long term interests of policyholders.
- Similarly in the pensions area the profession could play a greater role drawing the attention of policy makers to the long term implications of current policy and exploring the alternative policies a Government could consider if it wishes to achieve certain wider policy goals. For example in New Zealand there is no annuity market and the opportunity exists here for the Government to consider how to develop a market which can provide stable incomes to retired persons taking account of interest rate and mortality issues. Another instance is the problems and implications of under funded schemes could be highlighted to Government. Both are instances where the profession could use the particular technical knowledge it has to work in tandem with Government in important public policy areas, always conscious that it is for Government to decide what the policy will be.

While some members of the profession had concerns with the review and the implicit criticism of the profession, in general the meetings were very supportive of the work of the review and welcomed the opportunities for the profession to make changes in response to the review process.

Yours sincerely

Richard Geisler
President