



**17th China Actuarial Annual Conference
Opening Speech—September 23, 2016
Mr. Fred Rowley
Immediate Past President of the IAA**

President Chen, Honoured Guests, Ladies and Gentlemen,

Thank you very much for your warm welcome. As always, it is a great pleasure for me to be back here in China. It is also a great honour to address this opening session of the 17th China Actuarial Annual Conference, representing the International Actuarial Association.

Today, I am looking forward to learning more about the exciting progress made by the Chinese insurance industry, the insurance regulator, and the actuarial profession.

But first, I want to tell you about some of the most significant things we have been doing in the IAA over the past year, on behalf of our 68 Full Member Associations and 29 Associate members. Later in the meetings, I hope that some of you will talk to me, and let me know your views on the work the IAA is doing, or could be doing, or how we could better work together.

One of the themes of this conference is “Advancing Professional Value”, and that is very much in line with what we are aiming to achieve at the IAA.

During the year, the IAA has continued to build its relationships with key supra-national organisations. These relationships help to promote and consolidate the profile of the actuarial profession with key decision-makers in the financial world, at the highest level globally.

Many of you will know that the International Association of Insurance Supervisors (the “IAIS”) is conducting a consultation about its proposed International Capital Standards. The IAIS has set itself a challenging goal. It wants the regulatory balance sheets of major insurance groups operating internationally to be both more sustainable financially and more comparable with each another. The IAA has been invited to comment on these proposals and the IAA’s Insurance Regulation Committee is fully engaged at the moment in responding to that request.

The IAIS regards the IAA as a significant stakeholder and we are currently exploring with them a range of ways to make that relationship as productive as possible.

In parallel with the ICS consultation, we have been making good progress with the development of International Standards of Actuarial Practice (“ISAPs”) – model standards that are made available by the IAA as a resource for use by standard-setters around the world.

Professional Standards are a key part of many professional organisations, aiming to support the quality of the work its members do – protecting the financial stability of the companies they serve, and through that work, protecting the public who buy insurance products, or

receive pensions. In the international domain, we expect that Professional Standards will do the same.

In support of the work of the IAIS, we therefore have two ISAPs underway. ISAP6 deals with ERM programs that are intended to comply with the IAIS “Insurance Core Principles”. ISAP7 deals with “current estimates” – necessary in the assessment of insurance liabilities for regulatory purposes.

Our work with the IAIS is wide-ranging, and represents a wonderful opportunity to showcase the unique contribution this profession can make to financial stability at the level of individual companies and in the global financial system. The same is true of our work with the IASB on their standard IFRS4 – accounting for insurance contracts – which is also progressing smoothly as implementation approaches.

To support actuaries working on the implementation of IFRS4, the IAA has commissioned the development of an educational monograph which addresses the application of risk and uncertainty to the measurement of the liability of insurance contracts. We are looking forward to receiving comments on the exposure-draft of this monograph starting next month.

Other areas where we have been working on ISAPs this year include the Governance of Actuarial Models (ISAP1A), and Insurer Enterprise Risk Models (ISAP5). We expect that both of these will be approved at the next IAA Council Meeting in Cape Town.

In terms of its internal structure, the IAA has also recently formed some new Committees and working groups, designed to increase the effectiveness of what we do.

We now have a General Insurance Committee, which should give us a more balanced and concentrated focus in this important area.

Looking more to the future, we have also recently created Working Groups in Banking and Data Analytics. This will allow us to support Member Associations over a broader set of practice areas.

We especially hope this will empower young actuaries around the world to develop themselves in a way that meets community demands, well into the future. The difference that the profession can make in those areas comes not only through the technical skills we bring to bear, but through our objectivity and our ethical and professional approach. The accessibility of personal data in the modern world may provide us with ethical challenges we have not yet thought of, as well as computational challenges!

I have said before that actuaries are uniquely well-equipped to perform senior risk-management roles – much more than simply measuring the risks, or calculating the liabilities.

It is not surprising, therefore, that the demand for specialised risk management education continues to grow. Already more than 5% of the world’s actuaries hold the CERA credential, almost 3,500 altogether, and the number is growing at around 15% per year. I hope we can look forward to the day when your association takes its place alongside us in supporting that global credential.

Overall, our 800 (or so) IAA volunteers have again been very active over the year: but we would always like to see more of them. As just one example, I know there is a great deal of pioneering work on big data in China, and I am sure many of you could help us to better understand and deal with the challenges of this new field.

I therefore hope we can look forward to the participation of growing numbers of Chinese actuaries in the important global work of the IAA. I would like to welcome you to our meetings in Cape Town in November. There is, in practice, unlimited scope to get involved!

Another theme of this conference is “supply-side reform”, and I will now say a few words on that topic.

As actuaries, we are all dedicated to the strong and sustainable growth of the insurance and pensions industries, which play a vital role in any developed economy. We can all strive to ensure that the future that comes is the future we want. That is the motivation for any reform.

We all know that periods of change and reform are times when we need to be particularly diligent about risk management – and as always, risk has a downside and an upside.

Alongside the “supply side” reforms, I know that the State Council has emphasised the need for fair treatment of consumers. That must surely be a sign that change is also coming in this area.

The reform of products, the regulation of selling practices, and the incremental improvement of consumers’ rights, can all bring benefits across a wide range of our society. However, they can also impact the risks that insurers face, and we must all be constantly alert to the consequences.

In Australia, we have seen some large cases where the interpretations of standard policy wordings have changed very substantially - solely as a result of the evolution of consumers’ rights in the law. Our experience was that sometimes industry players can miss the signals of that kind of subtle change until it is too late to easily put things right. And although the underlying change may be gradual, the impact may arrive quite suddenly.

Looking to the positives, we all know that consumer reform provides a strong platform for the development of sustainable products that will bring prosperity to all the participants. That is a true social blessing that we must all value, and it is the strongest motivation for this type of reform. If actuaries are to be trusted to ‘make sense of the future’, then I believe we must all play an active part in implementing reforms for the good of society as a whole.

The current reform program takes place at a time of rapid expansion of the range and volume of insurance and reinsurance services, in some very innovative areas. For the foreseeable future, I expect the profession will take a leading role globally, in risk management, big data, and banking – alongside our traditional strengths in our core practice areas of insurance and pensions. That is something to be proud of, and we must work hard, and work together, to ensure we achieve it.

Of course the Chinese profession already has many achievements to be proud of.

Earlier this year, I was delighted to be involved in the formal review of the new insured lives mortality table for China. This exciting project naturally involved many members of your Association. It was based on an amazing amount of data – over 300 million policies tracked over a four-year period, and all the records subjected to rigorous data cleansing. I will take this opportunity to again congratulate the whole team for this very impressive piece of work – which was completed very efficiently, and in a very short timeframe!

The introduction of the C-ROSS solvency system is another major achievement for China, to which the profession contributed strongly. C-ROSS will undoubtedly provide a firm basis for the Chinese industry, in support of the current reforms. It has been well received around the world, and it is an achievement to be proud of. Its unique and practical combination of approaches is tailored to the needs of countries with developing financial markets. Its implementation timetable was remarkable.

Some have said that C-ROSS would make a useful prototype system for developing economies, and I am sure it will be looked at very positively in that way. China stands in a strong position to influence the financial stability of the Asian region. It can be a very positive influence, not just through its leadership in the development of regulatory practices, but also through the enormous energy of its actuarial profession.

I wish all of you every success in the future!

In conclusion, on a personal note, as my term of office with the IAA comes to an end ... let me say how much I have enjoyed meeting and working with my Chinese colleagues and friends over the years, and getting to know a little about China. I may not be able to visit China so often in future, but I have many happy memories. I thank all of you for your friendship and your kindness. It has been a wonderful and unforgettable experience!

I will close now, by wishing all of you a most successful Conference on behalf of the IAA and its Officers and Executive Committee.

Thank you for your attention.

Xie Xie Da Jia.