

Commercial Actuarial Practice

On Monday 12th September 2005 an enthusiastic group of near-qualified actuaries assembled at Macquarie University's Graduate School of Management to embark on the first Commercial Actuarial Practice Course to be offered in Australia and for that matter the world.

Day 1

The course began with a warm welcome from David Service to what would be an historic event, apparently four years in the making. The welcome was closely followed by sessions on actuarial contextualisation and business context-ualisation presented by David Service and Marcello Alves from ANU.

Lunch was an exciting event, where we were surprised by the appearance of John Eales (the former captain of the Australian Rugby Union team). Adrian Cheung Tung was the only student brave enough to get his signature and, due to the spontaneity, the only paper available was his name tag. Consequently he became known as John for the rest of the week.

After lunch we had the first of many case studies on general insurance, with a session led by Colin Priest. Each case study involved two break-out sessions where the students were broken into syndicate groups of 5 or 6. The first session was to identify the key issues within the case study and the second was to prepare a presentation of the recommendations and results that we would present to the relevant clients. As you would expect, our first attempt was atrocious. Colin reassured us that his case study was very complicated and taught us the mantra for the rest of the course: "X, Y, Z". Or "I saw X, which means Y, therefore I will recommend Z".

The day ended with a dinner where we were joined by a number of key figures from the Institute, including President Andrew Gale and CEO Catherine Baldwin. The after-dinner speech was presented by Michael Martin, a statistics lecturer from ANU. Michael's speech on communication was based on an article by Edward Tufte

entitled 'PowerPoint is Evil'. Michael showed us how unsuccessful Winston Churchill would have been if he had used PowerPoint while giving his "We shall fight them on the beaches" speech to the House of Commons on June 4, 1940 and how Martin Luther King would have failed miserably had he used PowerPoint for his "I have a dream" speech. Through his comic renditions of these famous speeches he reminded us that PowerPoint can help a poor speaker but it can be a strong speaker's ruin.

Day 2

After Michael's speech, it was to be expected that for our next couple of case studies on banking and health we would not be allowed to use PowerPoint. That did not stop the groups from presenting very entertaining recommendations. The banking case study was to determine a score out of 100 for Gail Kelly, CEO St George Bank, and John Stewart, CEO NAB for an awards ceremony. The chosen group took us to the awards night, where we had an entertaining MC, a specialist outlining the key decisions and of course the bankers themselves to accept their awards.

Richard Madden arrived to lead us through the health case study, where students needed to weigh up the costs and benefits of dealing with short-term issues (eg waiting lists) and long-term benefits (eg running smoking campaigns). Some of us were told off for our pessimistic views on how politicians may react to a focus on long-term rather than short-term goals. Overall however we produced greatly improved results compared to day 1.

The final case study for the day was on investments and finance. We were to present on the optimal asset allocation for a general insurer's CTP portfolio and were left to complete our presentations overnight. It was at this point that a few of the groups went crazy with the models provided to determine our results, with half the groups working through until



Course participants enjoying dinner presentation

midnight or later. Of course it was on this night we discovered that the computers provided were set up such that we couldn't run macros. Luckily all the groups (bar one) had access to a laptop to run the macros.

Day 3

As you would expect the group without a laptop was the group that was asked to present the next day! But despite the fact their numbers were not stringently tested, they managed to present an excellent recommendation (their PowerPoint slides included all the required no-no's as presented by Michael on Monday night, such as the high five guy, lots of fly-ins and red flashing ticks).

Tim Higgins from ANU ran the next session on aging populations. Tim was the most detailed of the presenters, showing strong enthusiasm for his subject matter. This case study was another that involved politicians but this time we were allowed to show cynicism as the politicians of the opposition wanted to quote our draft report criticising the government actuary's recommended aging levy.

The last case study for the day was on the environment, in particular on using wind farms as a source of energy. Richard Cumpston led this case study and emphasised how important it is to manage your results in a public arena, where your reports will often be misquoted. His key messages were to make sure you were always honest in your reports and recommendations and that the full report should be available to the public on the internet.

Dinner on Wednesday was held at the Stamford Hotel. Our guest speaker was Jim Service, elder brother of David. While not an actuary, Jim has extensive experience in the business world and has worked alongside numerous actuaries. The key message from his presentation on "How business really works" was that business works because of the people who make up the businesses and the importance of hiring the best staff and motivating them to succeed for the business. He gracefully answered many of our questions on his involvement with actuaries and stated that he was impressed by the actuaries whom he had met.

Day 4

The course was easing in intensity by Thursday. We held two case studies, one on life insurance and the other on infrastructure. By this stage all of the groups had mastered the art of preparing presentations without doing all of the required detailed analysis. The life case study reminded us of the importance of the control cycle within our processes and

also its use within the broader company.

Infrastructure was our last non-traditional case study, which tested our valuation skills in a new environment and required some legal knowledge. We were reminded of the need to interact with other professionals (including other actuaries) in providing advice if we do not have the relevant expertise.

That night was our last dinner as a group. The presenter was Gary Mackrell, who is in charge of CBA's international businesses. Gary's presentation on "How actuarial advice is used by business" was conversational in style, telling us many of his more interesting experiences particularly in mergers and acquisitions (6 sales and 3 purchases), noting that the actuaries were never quite right in their pricing (sometimes above, sometimes below).

Day 5

The final day came all too quickly and many of us were by this stage reaching our exhaustion point. We began the day with our final case study on superannuation, which was led by Peter Martin, the Government Actuary. Despite the tiredness we still managed to prepare some great presentations to end the week's sessions.

After lunch David Service presented once more on actuarial contextualisation and the structure of the course. He discussed how we had improved over the week and how impressed he had been with our participation. Following this there was time to reflect and hold individual consultations in preparation for Saturday's exam.

It was a long but enjoyable week. It was great to have the opportunity to meet a range of students from across Australia (and those flying in from overseas). I made many new friends over the week that I hope will last in the future. ▲

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