



Australian Government  
Australian Government Actuary

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# A Century of Australian Government Actuaries

Guy Thorburn

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# Chapter 1

## Introduction



## **The first Australian Government Actuary (AGA), or Commonwealth Actuary as the role was first known, was appointed in 1924.**

The first century of actuarial service provided by the Office of the Australian Government Actuary (the Office) to the Australian Government is about to be completed.

As the 10th AGA I have been interested to see what can be discovered about those that have held this role before me. What was the focus of the role in their era?

My initial motivation was to document a brief and somewhat selective history of the Office and to see if I could learn from each AGA's experiences in a way that might help me in the role today. In the process I have learnt about the significant contribution of these actuaries, and those who worked with them in the Office of the Australian Government Actuary.

## Precedent

It is important to acknowledge at the outset that government actuaries were not invented by the Commonwealth of Australia. Prior to establishing the Commonwealth, several states had government actuaries.

Stretching further back in time, the United Kingdom (UK) Government appointed John Finlaison as Government Actuary from 1822 to 1851.<sup>1</sup>

During this period, Finlaison's tasks included advising on pension funds, compensation to slave owners on the abolition of slavery, and the valuation of annuities issued by the UK Government. The offer of annuities as an alternate form of government debt to bonds was popular at the time. The development of a proper understanding of the value of these instruments would have been an important consideration for the UK Government.

Later, during World War I (WWI), the UK Government received actuarial advice on war pensions and shipping.

The UK Government Actuary's Department, in its current form under the UK Treasury, celebrated its centenary in 2019. It was formed at the end of WWI after the Haldane Report, in which Richard Burdon Haldane recommended the creation of a single government department of actuaries:

**'... work of this character may best be performed at a common centre (which) concentrates in itself an amount of knowledge, beyond the grasp of actuaries exclusively employed in a single Department.'**<sup>2</sup>

Five years later, Australia appointed its first Commonwealth Actuary in Charles Wickens.

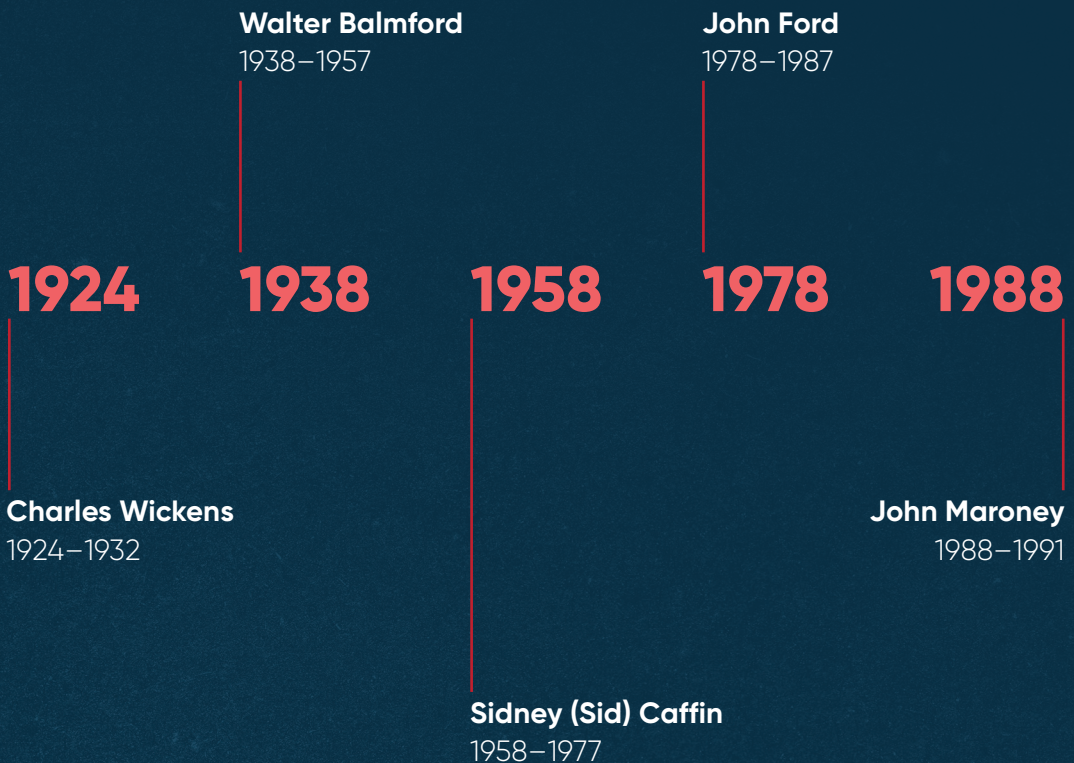






# Australian Government Actuaries

The Australian Government Actuaries have been:



**Donald Duval**  
1992–1996

**1992**

**1996**

**Craig Thorburn**  
1996–1999

**Kevin Deeves**  
1999–2000

**1999**

**2000**

**Peter Martin**  
2000–2017

**Guy Thorburn**  
2017–Present

**2017**




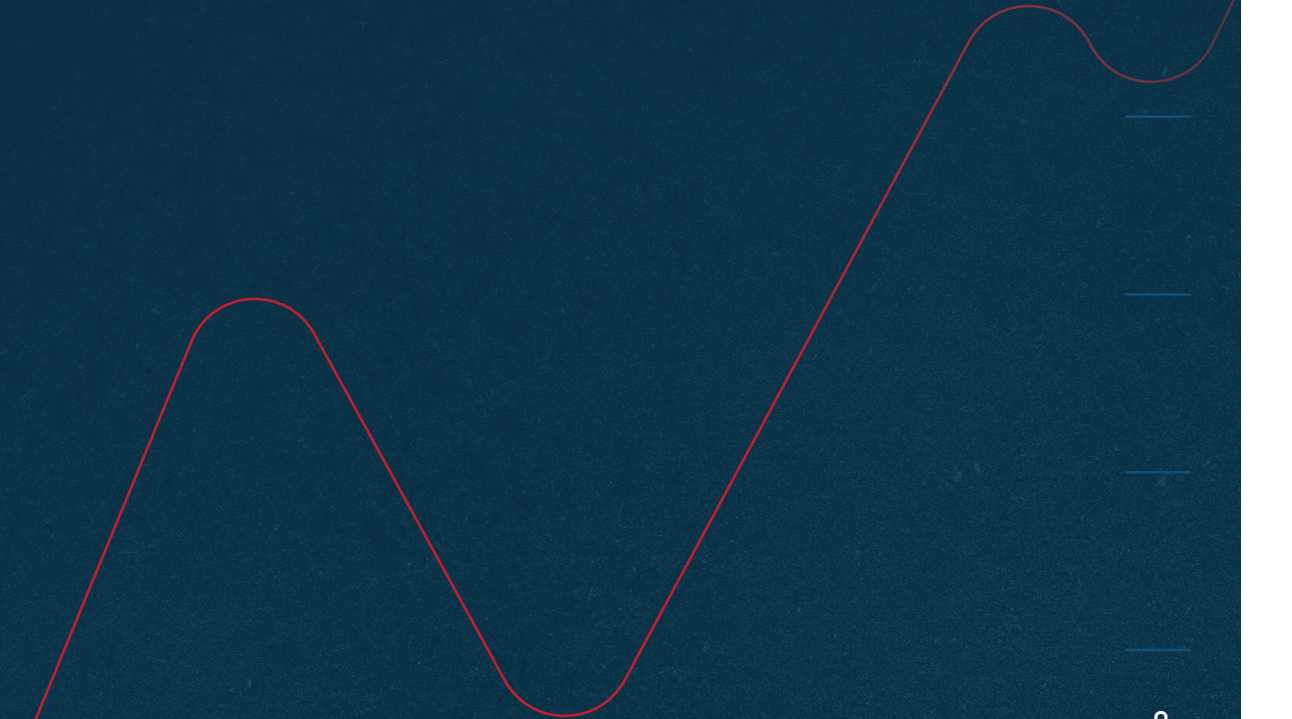
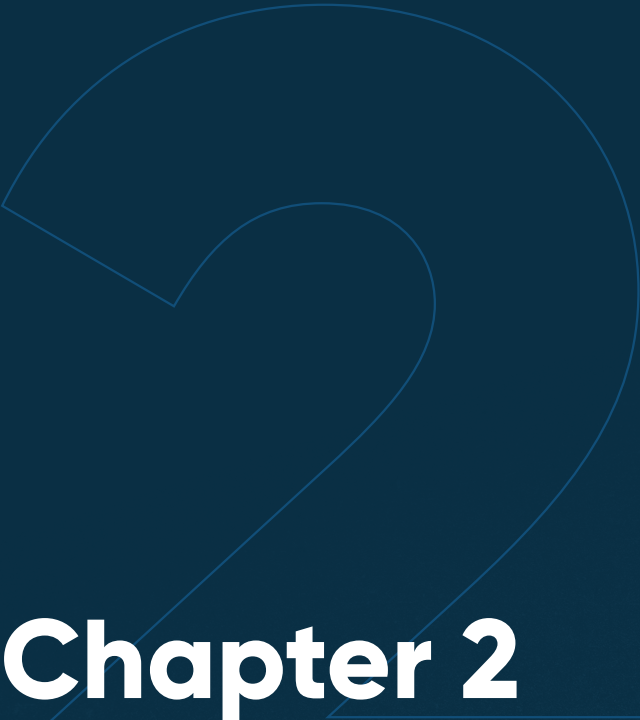
There have been times when there was no AGA (or Commonwealth Actuary). It is not always possible to account for the arrangements in place when vacancies arose. For example, there was no Commonwealth Actuary during the period between May 1932 and December 1938. However, there is evidence of actuarial work being undertaken for the Commonwealth. This is discussed in Chapter 3.

At other times, an Acting Australian Government Actuary was in place. For example, during the period between Sidney Caffin and John Ford, John Carroll was the Acting AGA. During the period between John Maroney and Donald Duval, Robin Carey was the Deputy AGA in April 1991. It appears likely that Robin Carey was acting as the AGA in this period. He became the Secretary and Treasurer of the Institute of Actuaries of Australia (now known as the Actuaries Institute) around 1992.<sup>3</sup>

One immediate observation is that there have been relatively few Australian Government Actuaries in 100 years. Many served for over a decade.

**While turnover increased in the late 1980s, Peter Martin restored the tradition of long service from 2000.**

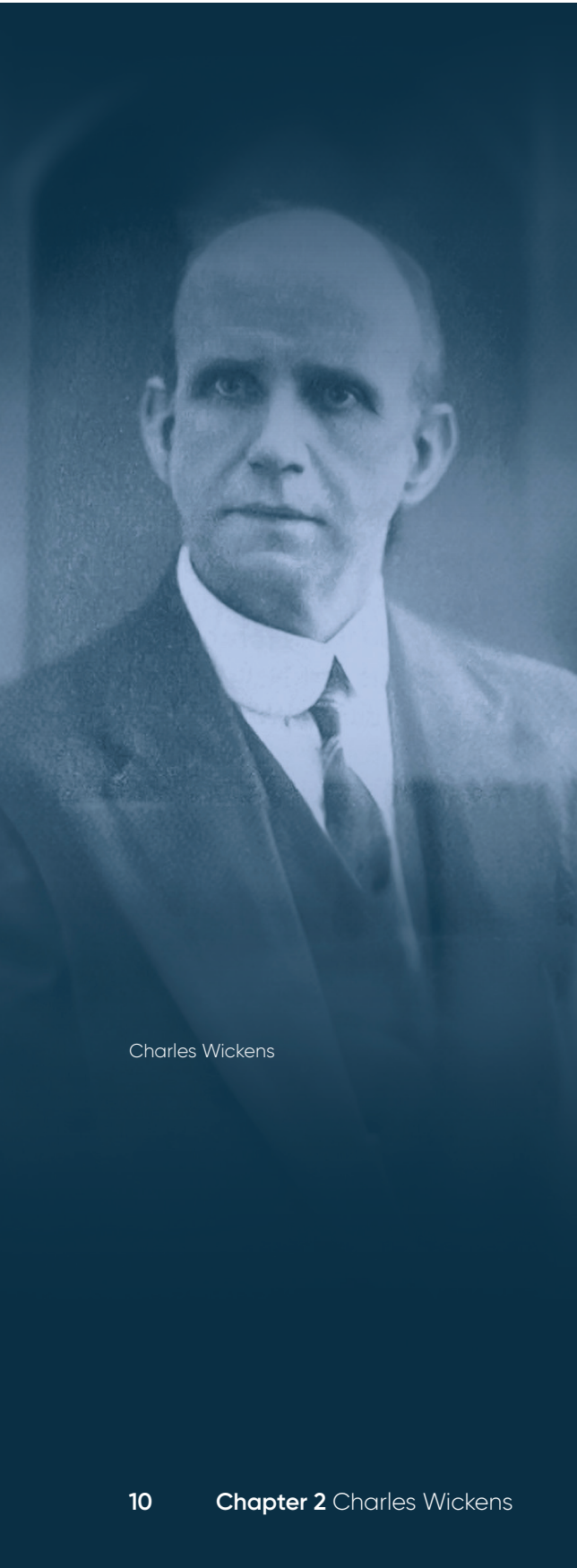
A relatively short time in the role has given me a glimpse of what an interesting and varied actuarial role this is. However, a look through the archives reveals that the issues that dominated the tenure of each AGA varied considerably. The role has adapted to deal with the issues facing the government of the day.



# Chapter 2

## Charles Wickens





Charles Wickens

**Charles Henry Wickens was born on 16 October 1872 in Sandhurst (Bendigo), Victoria. He was educated at the local primary school and at the age of 24 became an associate of the Institute of Actuaries of Australia through private study.<sup>4</sup>**

Wickens moved to Western Australia and joined the state public service in April 1897. He was promoted to the Statistical Bureau in 1899. In July 1901 he was appointed Assistant Compiler and Departmental Actuary and was responsible for the conduct of the state census in that same year. In 1905 he completed Western Australia's first life tables.<sup>5</sup>

# The Commonwealth Bureau of Census and Statistics

In December 1905, the Government created the Commonwealth Bureau of Census and Statistics.

The first Commonwealth Statistician, Sir George Handley Knibbs (1858–1929) was appointed in 1906. Charles Wickens was well qualified to be appointed a Compiler at the same time and made a significant contribution to the development of the Australian Census under Knibbs.

**In 1911, the Commonwealth Bureau of Census and Statistics conducted the first Australian Census.**

The detail to be included in the Census was specified in an Act of Parliament and generally followed the lines established by earlier state censuses. As a new development, Commonwealth statisticians chose to innovate with the introduction of a personal card to be completed by each individual respondent.

Published as an appendix to the Commonwealth Statistician's report on the 1911 Census was an important work titled *The Mathematical Theory of Population*. This was a significant document that is sometimes cited among the pioneering works of demography. The appendix was attributed to Sir George Knibbs as the author.

In 1986, Sir Roland Wilson stated that Charles Wickens was, '... a very able mathematician and he is reputed to have been the real author of that great work, *The Mathematical Theory of Population* (published under Sir George Knibbs' name) which was so very many years ahead of its time. I think it ought to be recorded that he was in fact the man who wrote that book.'<sup>6</sup>

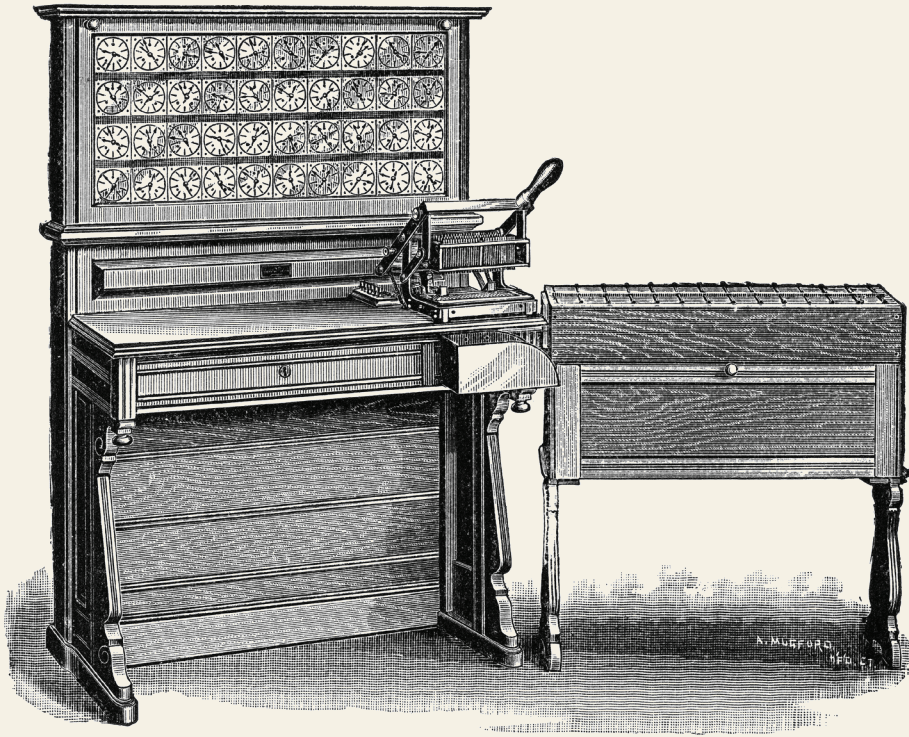
While it is pleasing to see that the man appointed as the first Commonwealth Actuary was held in such high regard, Richard Madden has told me that he asked Peter Wickens (the son of Charles Wickens) about the authorship of this work and he clearly attributed it to Knibbs. It has been concluded that Knibbs was in fact the author.<sup>7</sup>

In 1915 the Commonwealth Bureau of Census and Statistics undertook a war census, with the analysis of the results completed by Charles Wickens after the resignation of Knibbs.

The 1921 census followed and was the first census to use the electric calculating machines, known as Hollerith machines, under the supervision of Charles Wickens.<sup>8</sup> While Charles Wickens is likely to have used a later model, a picture of a replica Hollerith machine from 1890 is shown.<sup>9</sup>

These unit record (or tabulating) machines allowed large data processing tasks to be completed. To Charles Wickens, they must have seemed the ideal solution for processing census data. Hollerith's company, the Tabulating Machine Company, was founded in 1896 and was one of four companies that merged in 1911 to form the company now known as IBM.<sup>10</sup>

**Charles Wickens qualified as a Fellow of the Institute of Actuaries of Australia in 1920.<sup>11</sup> He was appointed to the role of Commonwealth Statistician in 1922 as the successor to Knibbs.**



Hollerith Machine

Following his appointment, Wickens established a unified statistical authority for the whole of Australia. In May 1923 a premiers conference passed a resolution in favour of this proposal. The details were to be worked out at a Conference of Statisticians in October 1923 but were not resolved. Tasmania was the first to transfer its responsibilities under an arrangement negotiated with Charles Wickens in 1924.

## Appointment

Wickens' role was expanded in 1924 when the Government appointed him (aged 51) to the additional role of the first Commonwealth Actuary. He was also the President of the Institute of Actuaries of Australia in 1924.

## Australian Life Tables and Demographic Studies

Charles Wickens constructed Australian Life Tables (ALTs) for the periods 1881–90, 1891–1900 and 1901–10. These were published in the Census reports in 1911 and 1921.<sup>12</sup>

A focus at the time was the establishment of the Census and the derivation of reliable and informative statistics from the data. A brief search of the catalogue of the National Library of Australia provides supporting evidence that the focus of his work lay with population statistics, both leading up to his appointment as the Commonwealth Actuary and in the years that followed.



References include:

- (1910) Professional Paper on Census Taking, Wickens
- (1911) Census of the Commonwealth of Australia
- (1911) An extension of the principle underlying Woodhouse's method of graduation, Wickens
- (1912) The determination and uses of population norms representing the constitution of populations according to age and sex, and also according to age only, Knibbs & Wickens, Trans 15th Int. Congress of Hygiene and Demography, Vol 6, 352–378
- (1913) Professional papers on investigations concerning infant mortality, Wickens
- (1921–31) Census of the Federal Capital Territory, Wickens
- (1923) Human Capital
- (1924) The Wealth of Australia – a new inventory estimate
- (1926) Australia's Balance Sheet, Wickens
- (1925) Labour Report No. 16, Wickens
- (1927) Vitality of white races in low latitudes, Wickens
- (1928) Australian Population, its nature and growth
- (1929) Sir George Knibbs

While Wickens' article on vitality has a highly problematic title when viewed through a 21st century lens, he made a prolific contribution to the recording of population statistics from the early years of the Commonwealth of Australia.

## Social Security & Superannuation

As soon as it was established, the role of Commonwealth Actuary began diversifying into wider actuarial fields, sowing the seeds for those who would follow.

In 1923, Wickens advised the Government on the establishment of the 1922 scheme for commonwealth civil servants (*Superannuation Act 1922*).

Wickens investigated the establishment of a social insurance scheme for the development of national insurance proposals for Sir Earle Page (then Treasurer of Australia), advising a royal commission on national insurance from 1923–27.<sup>13</sup> This preceded the first Bill attempting to establish a national insurance scheme in 1928.

In the early 1930s, the role of economists in Treasury was not as well established as we have come to expect today. In 1930, Wickens represented the Government before the Commonwealth Court of Conciliation and Arbitration on the basic wage case.

Wickens was called upon to provide advice to the Government in relation to the Great Depression. He may have created a precedent for the provision of frank and fearless advice by stating that:

*'... We must all be prepared for hardships, ... We must take our belts in a further hole, and grimly tackle the task that lies before us, with a special determination to eliminate waste of every kind. ... Since the termination of the war we have lived in a fool's paradise. We have had a succession of favourable harvests, supplemented by prices such as are seldom realised in normal times'<sup>14</sup>*

Wickens supported inflation over repudiation (defaulting on interest payments).<sup>15</sup>

As we shall see, superannuation advice, involvement in national insurance, courts and royal commissions were to be features of the careers of later Australian Government Actuaries.

## Retirement

Lancaster reports that Wickens gave outstanding service as a government adviser and the head of an important government department.

**His contribution to the study of Australian demography, particularly life tables and key statistics, were of the highest quality.**

He is also reported to have made scholarly contributions to actuarial theory.<sup>16</sup>

Charles Wickens retired from the role of Commonwealth Actuary in April 1932 after suffering a stroke in February 1931. He was recognised with the naming of Wickens Place in the suburb of Fraser, Australian Capital Territory (ACT). He passed away in the Melbourne suburb of Balwyn, Victoria on 30 July 1939, aged 66.







# Chapter 3

## Interregnum



## Between Charles Wickens' retirement in 1932 and Walter Balmford commencing as Commonwealth Actuary in December 1938, there was a period where Australia did not have a Commonwealth Actuary.

Perhaps this provided an opportunity to reset the priorities of the role. By this stage, the Bureau of Census and Statistics was firmly established and the Census, carried out every 10 years, was a regular part of Australian life. There appears to have been less need for the Commonwealth Actuary to support further development of the Census and, perhaps, the Government of the day saw no pressing case for the immediate appointment of the next AGA.

In those intervening years, the Australian Government redeveloped plans to establish a National Insurance Scheme, along lines that existed in the UK. On 4 May 1938, Treasurer Richard Casey stood to introduce the National Health and Pensions Insurance Bill 1938 to Parliament for its second reading.

This was a significant initiative. Casey's speech to introduce the Bill describes it as:

*'... one of the most far-reaching schemes of social reform that has been presented to the Federal Parliament. It brings directly within its scope over 1,850,000 persons, and affects, including wives and children, a total of no less than 3,600,000 persons, or about 52 per cent, of the people of Australia.'*<sup>17</sup>

To reach the stage of a Bill, significant effort had clearly been made in the design of the scheme. It was to provide weekly cash payments to the sick, free medical attendance, free medicines, superannuation pensions for insured persons (including their widows and orphans up to the age of 15) as well as allowances for dependents under 15 of those receiving sickness benefits. Those who were working and aged 16 and over were fully covered.



National Insurance Scheme Stamps

The scheme was a compulsory, contributory scheme. The compulsory element would avoid anti-selection. The weekly contribution at inception was to be 3 shillings a week for an employed man, and 2 shillings a week for an employed woman. Treasurer Casey estimated this to be a surprisingly low 0.2 per cent of income. Some special cases were to be levied a lower contribution. The contribution was to be shared equally between the employer and the employee.

Treasurer Casey noted in his speech:

*'... the weekly contributions from employee and employer combined for health and pensions benefit under the bill are only the equivalent of the actuarial value of the benefits for persons who enter the scheme at the age of sixteen. The Commonwealth will make good the difference for those who enter at later ages.'*<sup>18</sup>

The Bill was accompanied by an actuarial report, a copy of which is available in the National Library of Australia.<sup>19</sup>

The report was completed by two Fellows of the Institute of Actuaries of Australia, S. Bennett and F. F. Innes. It was dated 26 April 1938. While the report is succinct at just 13 pages, a substantial amount of work must have been completed in its preparation as it included projected cash flows from 1939 through to 1978.

An area of specific actuarial consideration was the effect of introducing a broad range of ages into the scheme at inception. This created an initial unfunded liability. The capitalised value of this liability had been calculated (£281.5 million) and a scheme of government financing addressed this liability for both the age pension and health benefits. The arrangements were outlined by Casey in his speech to the Parliament.

Early themes of prudential management were also contemplated, with the requirement for a contingency fund to cover the risks of unfavourable experience. In addition, all friendly societies were required to contribute to a special risks fund held by the Australian Government to assist any societies that found themselves in financial difficulty.

Mutual friendly societies were to form the backbone of the operation of the health insurance schemes. Explicitly, no shareholder organisations were to be approved. There would be no dividends leaking money from the scheme and all surplus was to be returned to members of the scheme, with 50 per cent of a society's surplus to be returned to their members and 50 per cent contributed to a pool (by all societies) and shared with all societies in proportion to membership. Optimistically, Treasurer Casey envisaged surpluses would build up and societies would soon expand the benefits from general practitioner services to include hospital and dental.<sup>20</sup>



NATIONAL HEALTH AND PENSIONS  
INSURANCE BILL.

Actuarial Report

ON THE

Financial Provisions of the Bill.

RETURN TO  
PARLIAMENTARY LIBRARY  
CANBERRA

By Authority:

L. F. JOHNSTON, Commonwealth Government Printer, Canberra.  
(Printed in Australia.)

F.2260.

Interestingly, Treasurer Casey noted that part of the motivation for introducing a funded age pension scheme was the fact that the population would be ageing over the next 50 years.<sup>21</sup> He noted that there would be fewer people of working age to bear the burden. It would be unreasonable to expect Casey to have foreseen the post-war baby boom from his perspective in 1938. However, it is interesting to see that population ageing has been a consideration for a much longer period than we might think.

The Government had been aided in its preparations for the Bill by Sir Walter Kinnear, an expert in national insurance from the UK. By the end of July 1938 Kinnear's work was done, and he left Australia to assist the US Government.<sup>22</sup>

The scheme was developed following an election promise by then Prime Minister (Joseph Lyons). However, the seeds of the scheme's ultimate demise were already acknowledged in the Treasurer's speech to Parliament:

*'... [This] Bill is introduced in fulfilment of a pledge given by the Prime Minister on behalf of the Government before the last general election. It has been suggested in certain quarters that recent developments in the matter of national defence, involving as they do the expenditure of large sums of money, would justify the Government in deferring the introduction of this scheme, but the Government, once having determined on this most important matter of social reform, is not going to draw back now.'*<sup>23</sup>

The Bill was also a positive omen for the future of the Commonwealth Actuary. Section 108 of the Bill established that there would be a Board of Trustees for the National Insurance Funds and that the composition of the Board would include the Commonwealth Actuary. This was a positive sign for the future of the role since the Government had not yet appointed a replacement for Charles Wickens. The scheme would also provide new work for actuaries across the profession, requiring the valuation of approved societies by

**‘valuers having such actuarial qualifications as it considers necessary’ every 5 years.<sup>24</sup>**

While the Bill was passed and became an Act, ultimately the scheme did not proceed. On 8 December 1938, it was reported that the fate of the entire National Insurance Scheme lay in the balance. Cabinet met continuously for over four hours with the Country Party arguing that the nation’s new defence commitments must get full priority and not be distracted by the burden of the new scheme.<sup>25</sup>

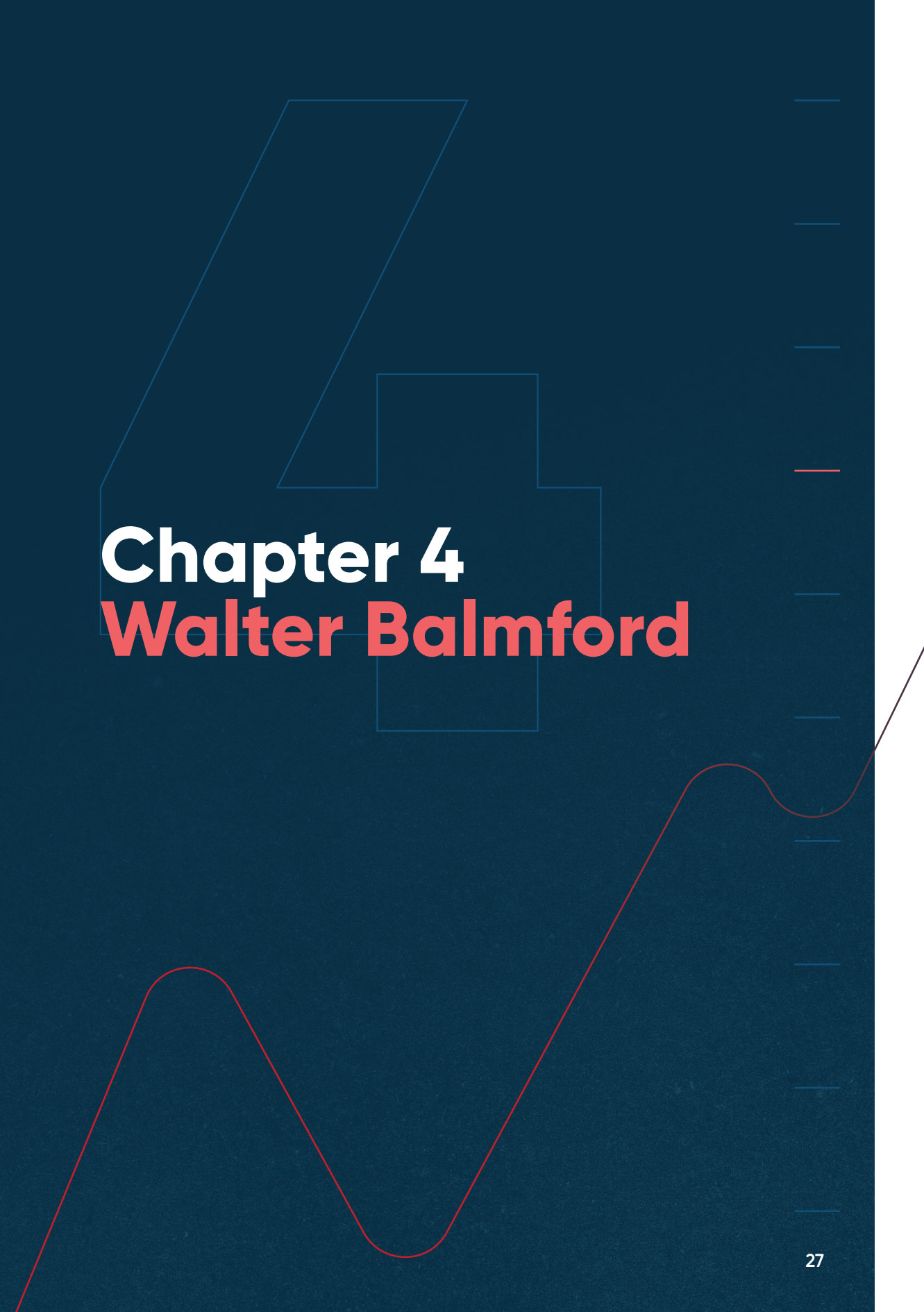


This turned out to have been a politically charged moment that was also a pivotal moment in the history of Australian prime ministers. Prior to the cancellation of the proposed scheme, Robert Menzies was the Attorney-General, Deputy Prime Minister and Deputy Leader of the United Australia Party. While he would one day become Australia's longest-serving Prime Minister, it was told by Prime Minister Lyons' private secretary that the Prime Minister had established a committee of senior ministers to handle the implementation of the national insurance scheme.

It is reported that Mr Lyons invited the committee to a dinner in March 1939 to discuss the scheme. However, Menzies, who had diverted to Melbourne to spend the weekend with his family, was not invited. It was at that dinner that they decided that the scheme would be scrapped.<sup>26</sup>

Menzies returned to Canberra to discover the news. He resigned on principle from all Government and party posts in March 1939 as a protest against the Government's decision to drop its national insurance scheme, feeling he had let down his electorate and been treated with discourtesy by his colleagues.<sup>27</sup>

Shortly afterwards in April 1939, Lyons died in office. He was replaced by Dr Earle Page as Prime Minister for 19 days, at which point he was deposed by Menzies.<sup>28</sup> Menzies was elected leader of the United Australia Party and became Prime Minister in April 1939. Despite Menzies' principled stand, the plans to establish a National Insurance Scheme in this form were not resurrected.



# Chapter 4

## Walter Balmford

## ACTUARY FROM ENGLAND

### National Insurance Commission

CANBERRA, Friday.

The National Insurance Commission announced to-day that Mr. W. C. Balmford, one of the assistant actuaries in the British Government Actuary's Department, would probably be appointed shortly to the post of Commonwealth Government Actuary, at a salary of £1750.

He would be an officer of the Commonwealth Treasury as distinct from the National Insurance Commission, and although he would be mainly occupied in national insurance work, he would be required for other duties in connection with the superannuation fund, administration of any control over insurance companies instituted by legislation, and for other similar purposes.

The commission stated that it was necessary to make an appointment from overseas because of a shortage of actuaries in Australia. No actuary was available with the requisite experience in the particular technique of national insurance, and had an Australian been appointed the selection would in all probability have been one of the state actuaries. The Commonwealth was reluctant to deprive any of the states of the services of so important an officer. Among the duties in Australia of the Commonwealth Government Actuary would be the training of staff.

More than 4000 applications have been received by the National Insurance Commission for fewer than 50 staff positions advertised to date. Most of these were from members of the Commonwealth public service in the

Walter Balmford was born in Warrington, England on 28 August 1896.

Information about Balmford can be found in his memoirs, *Three Score Years and Twenty*.<sup>29</sup> This book provides significant information about Balmford's life outside his role as the Commonwealth Actuary, including his early years at school, how he came to be shot down as a pilot in WWI (possibly by the Red Baron) and his early career as a civil servant in England.

The Balmford family has donated copies of his memoirs to the National Library, The State Library of Victoria and the Office of the Australian Government Actuary, for which I am grateful.

## Appointment

In May 1938, plans for the implementation of the National Insurance Scheme were progressing at pace. As the new Act required the Government to appoint a new Commonwealth Actuary, it set about that task by approaching the UK Government seeking an actuary experienced in the UK National Insurance Scheme. The UK Government recommended Walter Balmford from the UK Government Actuary's Office.



On 3 September 1938, Tasmania's *Examiner* newspaper reported that the Government would shortly announce the appointment of Balmford to the position of Commonwealth Actuary at a salary of £1,750. The article further stated that the overseas appointment was necessary as there was a shortage of actuaries in Australia. It also claimed that no local actuary had the prerequisite experience with national insurance schemes.<sup>30</sup>

What Balmford could not have known while enjoying the journey to Australia with his family, including two young sons Peter and John, was that the Australian Government was backing away from its commitment to press on with the National Insurance Scheme.

When Balmford disembarked from the RMS *Orama* in Western Australia in November 1938, his first impression of his new country was a newspaper poster reading, '*National Insurance Scheme Abandoned*'.<sup>31</sup> While this date was before the aforementioned dinner, it is a possible measure of the resistance the scheme was facing in the press.

R.M.S. *Orama*, supplied by courtesy of the Australian National Maritime Museum Collection



## I have been privileged to have had the opportunity to meet Walter's son, John Balmford.

John has generously shared his recollections of Canberra with me and the team in the Office of the Australian Government Actuary.

John recalls that his father was met in Western Australia by Sam Bennet (from the Government Actuary of Western Australia) and a representative of the Deputy National Insurance Commissioner. He was reassured that the alarming news headlines did not mean he did not have a role. The family travelled on to Melbourne and disembarked. They caught the train, *Spirit of Progress*, to Albury and then continued by train to Canberra.

At this time Canberra was little more than 10 years old. John recalls the family arrived at a rather small train station and they remained on the train awaiting the final step to the national railway station. They were told that this was indeed Canberra Station, and it was in fact the end of the line!

Thankfully it was not the end of the line for the newly appointed Commonwealth Actuary. Walter's family resided in Normanby Crescent, Deakin. Walter's son, John, recalls his father commencing work in West Block and that he continued to work on the National Insurance Scheme for some time. However, with the advent of World War II (WWII), priorities quickly changed.



# National Security

During WWII, the Office's priority was the war effort. One way this was achieved was through the National Security (Capital Issues) Regulations.

In support of the administration of these regulations Walter Balmford was delegated all the powers of the Treasurer on 15 November 1939, 13 October 1940, 28 October 1940, 19 September 1941 and 21 September 1943.<sup>32</sup>

There are a number of examples of orders signed by Walter Balmford during this time.<sup>33</sup> By 1946 he was Chair of the Capital Issues Board.<sup>34</sup> This work continued until well after the war as the Treasurer (Arthur Fadden) further delegated these powers on 19 December 1949.<sup>35</sup>

## "Consent to deal given on Sunday"

**SYDNEY** (by teleprinter)—Capital Issues consent to the issue of 678,674 £1 Associated Newspapers, Ltd. shares to John Fairfax and Sons Pty. Ltd. was obtained on a two-hour visit to Canberra on a Sunday, the Equity Court was told yesterday.

The date of the official consent form was August 31, although it had been obtained a day earlier, on Sunday, August 30.

Ronald Arthur Irish, a director of Associated Newspapers, Ltd., who admitted this under cross-examination, said formal approval to the share issue had been given by the delegate to the Treasurer, Mr. Walter Balmford.

The court was hearing an application by Gabriel Selmer Reichenbach, a city solicitor and a shareholder in Associated Newspapers, Ltd. for an injunction to restrain John Fairfax and Sons Pty. Ltd. owners of The Sydney Morning Herald from acting with respect to the 678,674 shares of Associated Newspapers, Ltd.

During the hearing yesterday, Irish admitted that The Sunday Sun and The Sunday Herald would be merged into one paper as from September 27, although The Sunday Sun was a paying proposition while The Sunday Herald was losing money.

The managing director of Consolidated Press, Mr. Frank Packer, who originated negotiations to buy a controlling interest in Associated Newspapers, Ltd. said he intended obtaining a £2,180,000 loan from the ES and A Bank to finance the deal.

Reichenbach said he would not have begun his action if the unissued capital of Associated Newspapers, Ltd. had been issued to Consolidated Press.

The hearing will continue to-day.

Walter's son, John Balmford, also recalled an incident from the 1940s when the phone rang at home one Sunday morning.

A company rang Walter Balmford at home as it had identified it urgently needed a ruling, or application approved, under the National Security Regulations. They asked to see Walter as soon as possible. He offered to meet Frank Packer and Angus McLachlan, General Manager of the *Sydney Morning Herald*, that Sunday afternoon.

After phoning an assistant to provide support at the office Balmford met with the company and duly issued the approval they required. This led to an uproar from the Opposition, asking questions about whether the public service was now open on Sundays!

By way of other special wartime duties, Balmford was also appointed as a member and Chair of the Commonwealth Marine War Risks Insurance Board, on 27 February 1941.<sup>36</sup>

Balmford had numerous other responsibilities during this period.

## **National Security (Building Control) Regulations**

On 5 December 1940 and again on 12 June 1941, the Treasurer (Arthur Fadden) delegated to the Secretary to the Treasury (Stuart McFarlane), the Assistant Secretary (Albert Charles Joyce) and the Commonwealth Actuary (Walter Balmford) all the powers of the Treasurer under the National Security (Building Control) Regulations. The new Treasurer (Joseph Benedict (Ben) Chifley) delegated the same powers again on 7 October 1941.<sup>37</sup>

## **National Security (Cash Orders and Hire Purchase Agreement) Regulations**

On 1 May 1942 and again on 21 September 1943 and again on 13 July 1945, the Treasurer (Ben Chifley) delegated all the powers and functions of the Treasurer under the National Security (Cash Orders and Hire Purchase Agreement) Regulations to Walter Balmford and other officers of the Treasury.<sup>38</sup>

## **National Security (Economic Organisation) Regulations**

On 20 February 1942, 10 March 1942, 21 September 1943, and again on 21 March 1944, the Treasurer (Ben Chifley) delegated all powers and functions of the Treasurer under Part IIIA of the National Security (Economic Organisation) Regulations to Walter Balmford and a number of other officers of the Treasury.<sup>39</sup> On 13 July 1945, Treasurer Chifley extended the delegation to include Parts III, IIIA and VI.<sup>40</sup>

## Land Transfers Board

In 1947 Walter Balmford faced allegations made by Frederick Alan Lush (a Treasury officer in charge of the Sydney office) regarding the execution of Balmford's duties. These allegations must have been extremely serious as a Royal Commission into land sales was held in Sydney later that year.

At the Royal Commission Walter Balmford is reported as saying that he '... had the unfortunate task of having to decide land sale applications from all over Australia'.<sup>41</sup>

In this capacity, Balmford described his role as the Chief Departmental Officer of the Land Sales Control Branch of the Treasury and that he was also in charge of the Capital Issues Branch, which was in some way connected.

The allegations against Balmford appeared to concern the sale of two properties in Sydney, Lombard Chambers for £50,000 and another property initially valued at £68,000.<sup>42</sup> However, during the Commission's enquiry, evidence was provided by Miss Strong and Miss Le Blond that some files were missing from the office.<sup>43</sup> This was denied by Lush's lawyers.<sup>44</sup>



Walter & Val Balmford, 16 July 1942, in Martin Place, Sydney, New South Wales

Ultimately allegations against Balmford were not supported. Royal Commissioner Mr Justice Kirby stated that Balmford had

**‘... acted with admirable decision in exercising the discretion entrusted to him’**

while at the same time finding Lush and others guilty of misconduct and wrongdoing.<sup>45</sup>

I imagine it was with some relief that Balmford returned to his duties in Canberra.

## **Life Insurance**

During 1944 and 1945, Walter Balmford was largely responsible for drafting the Life Insurance Bill 1945.<sup>46</sup> He was assisted by fellow actuary, Leslie Oxby from AMP and the parliamentary draftsman.<sup>47</sup>

In 1945 the Government passed Australia's first Life Insurance Act 1945 and on 13 June 1946, the Governor-General appointed Walter Balmford as the Insurance Commissioner under the Act.<sup>48</sup>

The First Report of the Life Insurance Commissioner was presented and it was reported that 22 companies had registered under the Act in its first year of operation. Registration was automatic for existing providers.<sup>49</sup>

One can imagine that the Act was introduced amid concerns about the security of some life insurance companies. To strengthen the industry, Walter Balmford took his supervision of the industry most seriously. On 20 February 1947 the High Court of Australia ordered that the Catholic Life Insurance Office of Australia be wound up. Sidney Caffin, working at the Office at the time, was appointed liquidator.<sup>50</sup> However, it was Associated Dominions that took relations with the new regulator to a level possibly not seen since.



In this author's experience, new prudential regulation is often regarded as unpopular by those subject to it.

On 13 May 1948, Associated Dominions Assurance Society Pty Ltd (of Castlereagh Street, Sydney) took its concerns to court. It argued that the *Life Insurance Act 1945* was a restriction on interstate trade and was therefore in conflict with section 92 of the Australian Constitution. They asked the court to declare that the Commonwealth had no right to appoint someone to inspect the company's affairs. The defendant was Walter Balmford.<sup>51</sup>

On 20 December 1948, Walter Balmford sought an injunction from the High Court of Australia to restrain the Associated Dominions Assurance Society Pty Ltd from refusing permission to a Commonwealth Officer to examine the books of the company. The matter was referred to the Full Court to be heard on 22 February 1949.<sup>52</sup>

Associated Dominions were clearly not happy with the process, as on 15 December 1949, it was reported that Associated Dominions issued a writ against the Commonwealth claiming £200,000 and naming Walter Balmford, Sidney Caffin and others as parties to the claim.<sup>53</sup>

On 9 August 1950, the High Court heard the matter of *Associated Dominion Assurance Society Pty Ltd v Balmford* [1950] HCA 30. However, not everything went Walter Balmford's way. On 10 August it was reported that the Court ruled in favour of the company on the basis that the notice had not been drawn in conformity with the *Life Insurance Act 1945*.<sup>54</sup>

On 27 July 1951, the courts refused to grant Associated Dominions an injunction to restrain a Commonwealth official from completing his investigations. Walter Balmford had appointed Sidney Caffin to investigate the company after it had failed to show cause, to Balmford's satisfaction, that it should not be investigated on the grounds that it was unlikely to be able to meet its obligations.<sup>55</sup>

## Assurance Society To Wind Up

**SYDNEY, Thursday.—Notice was filed in the High Court today of the intention to apply for the winding up of Associated Dominions Assurance Society Pty. Ltd.**

The notice was filed by the Insurance Commissioner, Mr. Walter Crowthers Balmford.

Mr. Balmford said in an affidavit in support of the application that actuarial valuations of the company disclosed it was hopelessly insolvent and that the financial position of the company had deteriorated during the years 1941 to 1950.

Concern with Associated Dominions persisted. In February 1953, notices were filed in court of the intention to wind up Associated Dominions Assurance Society on the grounds that it was 'hopelessly insolvent'.<sup>56</sup>

In September 1953, Balmford was again before the High Court, presenting an application to wind-up the company, on the basis that it was likely to be unable to meet its obligations.<sup>57</sup> B.P.

Macfarlane QC for the Insurance Commissioner stated the evidence was directed to showing that the company was now insolvent and had likely been insolvent since 1941.

The *Life Insurance Act 1945* served to regulate the life insurance industry for 50 years, when it was replaced by the *Life Insurance Act 1995*.

Walter Balmford resigned from his position as Insurance Commissioner on 31 December 1957.<sup>58</sup>

COMMONWEALTH OF AUSTRALIA.

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**Commonwealth Actuary.**

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**FILE OF PAPERS.**

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## Superannuation

Walter Balmford served on the Superannuation Board for most of his career as Commonwealth Actuary.

On 1 November 1939, Walter was appointed to the Superannuation Board (with the term ending on 20 November 1943).<sup>59</sup> He must have been reappointed in 1943, as on 23 November 1950, the Treasurer (Arthur Fadden) announced that the Governor-General had further reappointed Walter Balmford as a member of the Superannuation Board, for a period of seven years.<sup>60</sup>

Balmford, along with Leslie Oxby, advised on the design of the Parliamentary Contributory Superannuation Scheme. This came into being with the passing of the *Parliamentary Contributory Superannuation Scheme Act 1948*.

## Australian Life Tables

Balmford continued the tradition of the AGA completing the Australian Life Tables. The library in the Office of the Australian Government Actuary has a collection of all past Australian Life Tables and Walter is shown as the author of ALT 1946–48.

Through this aspect of his work a connection arose with the family of the first AGA, Charles Wickens. The Wickens family may not have started the tradition of multiple actuaries in the same family; however they certainly made an early contribution. Charles Wickens' son was Peter Wickens (also known as P.C. Wickens).<sup>61</sup>

Peter Wickens was a life insurance actuary when Walter Balmford gave permission to Peter Wickens to use the 1946 Australian Life Tables and Monetary Tables in his 1952 textbook *Introduction to Compound Interest and Life Contingencies*. At the time, Peter Wickens wrote a letter of thanks to Walter Balmford and a copy of that letter, along with the first edition of the book was donated to the Office by the Balmford family in 2017.

The photo is of Peter Wickens in 1953 when he was president of the Institute of Actuaries of Australia.<sup>62</sup> Peter Wickens was also the original author of *Wickens: The law of life insurance in Australia*.



Peter Wickens, President of The Institute of Actuaries of Australia, 1953



## Overseas Telecommunications Commissioner

Walter Balmford served on the Overseas Telecommunications Commission. The records indicate that Walter Balmford OBE was appointed a member of the Overseas Telecommunications Commission on 23 August 1956.<sup>63</sup> He must have been made the Commissioner soon after, as on 31 December 1957, he resigned as Commissioner of the Overseas Telecommunications Commission, owing to his retirement from the public service.

The same gazette notes that Balmford was reappointed as a member of the Commission with effect from 6 January 1958 until 22 August 1959.<sup>64</sup>

## Recognition

Over 19 years as Commonwealth Actuary, including as the Insurance Commissioner in the post-WWII period, Balmford provided significant service to the Government. On 1 January 1953, Her Majesty Queen Elizabeth II conferred an OBE on Balmford in the New Year's Honours list.<sup>65</sup>

On 16 February 1954, the Queen held an investiture at Government House, Yarralumla for 33 people, including Balmford. This was during her first visit to Australia after her coronation.<sup>66</sup>

In 1955, Balmford's role was listed as the Commonwealth Actuary and Insurance Commissioner (Second Division) when he received an increase in salary from £3,600 to £3,800, effective 3 February 1955.<sup>67</sup>

Balmford retired from the positions of Commonwealth Actuary and Insurance Commissioner in December 1957, before taking up the position of Chairman of the recently formed Australian operations of the life insurer, Legal & General.

Walter Balmford died in Balwyn North, Victoria on 14 May 1979. He was aged 82.



# Chapter 5

## Sidney Caffin





Sidney Caffin, 1967

**Sidney (Sid) William Caffin was born in Balwyn, Victoria on 15 March 1915. He started his career at the AMP Society, where he commenced his actuarial exams.**

Caffin enlisted in the army on 10 May 1939. At that time, he reported that he was single and employed as an assurance clerk with the AMP Society in Collins Street, Melbourne. He was assigned to the 24th Battalion and went on to serve with the Australian Imperial Force in Papua New Guinea (PNG) and Bougainville. Nevertheless, Sid Caffin continued his actuarial studies throughout his service.

Clare Bellis reports that his life contingencies textbook was stolen from his backpack (presumably for cigarette papers) and that this exam was completed over two days to fit around the timetable of Japanese shelling of Bougainville.<sup>68</sup>

John Balmford recalls a story that Sid Caffin was captured in WWII. During his time as a prisoner of war (POW) he managed to write to the UK Institute of Actuaries and obtain an actuarial exam paper.



He completed the paper, however the ship that carried it back to the UK was sunk and consequently, he was deemed to have failed the exam.<sup>69</sup>

Actuarial students always say how tough it is to pass exams but having your exam paper lost at sea while submitting it as a POW presents additional degrees of difficulty, no matter how good the paper that was submitted might have been!

Caffin joined the Office of the Commonwealth Actuary in 1946. John Balmford recalls that he was Walter Balmford's expected successor for many years.

Caffin must have started in the Office as an actuarial student. On 15 December 1949 he is listed as the Chief Finance Officer (Grade I) of the Insurance and Capital Issues Branch on a salary range of £1,064 – £1,219, when he was promoted to Assistant Actuary (Third Division) on a range of £1,156 – £1,344.<sup>70</sup> At this time, he was living in Empire Circuit, Forrest.

On 2 July 1953 the salary for his role of Assistant Actuary (Third Division) was increased from a range of £1,614 – £1,800 to £1,862 – £2,048.<sup>71</sup> By 1958, his salary immediately prior to appointment as the Commonwealth Actuary was £3,500.<sup>72</sup>

In 1954 Caffin was called upon as an expert witness to assist the case of a widow and her infant son, who were awarded damages on the death of her husband. Caffin was reported in *The Canberra Times* as 'an actuary of Forrest' and advised the court that the expectation of life for a male and female, aged 22, was 47.8 years and 51.57 years respectively. The court awarded £7,082 in favour of the widow and infant.<sup>73</sup>

# Appointment

Caffin was appointed as the Commonwealth Actuary and the Insurance Commissioner on Walter Balmford's resignation, from 1 January 1958 aged 42.<sup>74</sup> His salary on appointment was £4,250. In April 1964 it was increased from £4,925 to £5,440.<sup>75</sup>

He was also appointed to the Superannuation Board around the same time as his appointment as Commonwealth Actuary.<sup>76</sup> This was the beginning of a long association with that Board, as he was reappointed for a period of one year from 1 November 1975.<sup>77</sup>



Alf Pollard, President of The Institute of Actuaries of Australia, 1955

## Health Insurance

By 1972, health insurance was also demanding the Commonwealth Actuary's attention. The Minister for Social Security in the Whitlam Government, Bill Hayden, refused permission for MBF and HCF to raise their contribution rates.

This was challenged in court and Alf Pollard was the principal witness for the funds. Caffin was the principal witness for the Commonwealth. The judge ultimately ruled in favour of the health funds.<sup>78</sup> The photo is of Alf Pollard in 1955 when he was the president of the Institute of Actuaries of Australia.<sup>79</sup>

## Life Insurance

In some ways, the stage had been set for Caffin's commencement as Insurance Commissioner. The liquidation of Associated Dominions was still ongoing. On 21 May 1959, it was announced that the liquidators had ascertained the value of the liability of the company (ordered to be wound up back on 10 December 1953) on the basis recommended by the Insurance Commissioner.<sup>80</sup>

In 1965, MLC required the attention of the Insurance Commissioner. The issue related to a subsidiary H.G. Palmer (Consolidated) Ltd, an electrical retailer. On 25 November 1965, *The Canberra Times* reported that the retailer was under the control of a receiver and owed more than £20 million in outstanding debentures. The MLC–Palmer affair was headline news and the position of MLC policyholders was a matter for the Commonwealth Actuary and Insurance Commissioner to investigate.

The Treasurer, Harold Holt, found himself facing questions in the House and sought information from Sid Caffin so that he could answer the inevitable questions. Caffin refused to provide information on the grounds that the investigation was incomplete.<sup>81</sup>

The Office was also providing support to the Tasmanian Government. Caffin was effectively acting as the State Government Actuary. Throughout the 1960s and 1970s, Sid Caffin was involved in the valuation of all friendly societies in that state as well as assisting on other matters noted elsewhere in this book.<sup>82</sup>



In 1968 Caffin visited the US where he looked at the regulation of insurance companies in North America, writing a brief article with his observations for the Society of Actuaries publication, *The Actuary*, in September 1968.

In the 1970s, new unbundled forms of life insurance were being developed overseas. While the Australian regulatory framework of the day was not written with such policies in mind, this development was not supported by Caffin. Unbundled policies were not approved until after his retirement.

## General Insurance

I have not been able to ascertain exactly when Caffin's attention started to focus on general insurance. The introduction of the *General Insurance Act 1973* may provide some hint, however the Office's interest in general insurance does predate this and it is more likely that the 1973 Act was a culmination of prior events.

In the absence of a formal General Insurance Commissioner, it seems much general insurance work fell to the Office. Here are some examples of work undertaken in general insurance.

- Caffin was a member of the Third Party Insurance Premiums Advisory Committee that reviewed the level of premium rates for the ACT. This committee was originally established in 1947 and then reconstituted in 1967. In 1968, membership of this representative committee was chaired by J.W. Spencer (Department of Interior), and included S. East (Canberra Chamber of Commerce, representing motor vehicle owners), R.J. Lamble (NRMA, representing non-tariff insurers), J.H. Pead (representing private motorists) and D.M. Purnell (representing tariff insurers). Caffin was also a member and was simply listed as the Commonwealth Actuary. Caffin continued on this committee until at least 1975. Membership had changed slightly but the parties represented had remained constant. The Office reviewed the insurer's submissions and provided advice to the Committee.
- In 1975, Caffin published the actuarial book, *A Technical Basis for General Insurance*.
- In 1978 Caffin prepared *A Report on Third Party Insurance in the Northern Territory* as well as the *Report by the Technical Committee upon Technical Aspects of a National Scheme for Natural Disaster Insurance*. The latter was published by the Institute of Actuaries of Australia.
- Caffin was a member of the Board of Directors of the Tasmanian Government Insurance Office and the Northern Territory Insurance Office.<sup>83</sup>

# Natural Disasters

## A new challenge emerged for the Office when Tropical Cyclone Tracy hit Darwin in December 1974.

The first response was a policy by the Whitlam Government to establish the Australian Government Insurance Office. The objective of the government-owned enterprise was to increase competition and coverage at the lowest possible cost. However, the policy met with strong opposition from the insurance industry amid claims of nationalisation and industry demise.

Prime Minister Whitlam explained his policy on Queensland radio in May 1975 and cited the policy as a response to gaps in coverage identified following Brisbane floods and Cyclone Tracy.<sup>84</sup>

He stated that the only policyholders that were fully covered were those insured under the Defence Service Home Insurance Scheme operated by the Commonwealth (which still operates effectively today). The Prime Minister asked listeners to '... ignore that absurd talk' of nationalisation from industry and equated it to the doctors who had 'crusaded' against Medibank before realising its true benefits.<sup>85</sup>

Ultimately strong opposition and the demise of the Whitlam Government meant that the Australian Government Insurance Office was never introduced.<sup>86</sup>

The second response occurred when a discussion paper on a natural disaster insurance scheme was tabled in the Parliament by the Minister Assisting the Treasurer, in the Fraser Government, on 8 December 1976.

The natural disaster insurance scheme paper set in motion a program of work to investigate a national scheme for providing building and contents insurance to private homes, rural homes, small business and farms against earthquake, floods and cyclones.

A technical committee was formed, chaired by Caffin and supported by members drawn from Treasury, Department of the Environment, Insurance Commission, Insurance Council of Australia, the Queensland State Insurance Office and staff from the Office of the Australian Government Actuary. The report of this committee was published by the Institute of Actuaries of Australia.<sup>87</sup>





Library & Archives NT. (1974). Cyclone Tracy damage. Darkie Wise Collection, PH0855/0011. <https://hdl.handle.net/10070/696710>.

The Committee recommended a standard natural disaster policy be attached to all householder policies. The data available to develop premium rates was (by today's standards) limited and necessitated the development of risk zones for each peril. The proposal contemplated a level of community rating within each zone. This provides a sharp contrast to the development of the address level rating used by the industry today. Nevertheless, some of the rating factors seen today were contemplated in this work.

- For earthquake, construction materials and the property's location within three zones (for the country) were selected.
- For cyclone, distance from the coast, elevation and construction materials were selected as rating factors for cyclone premiums. Studies that followed Cyclone Tracy (Darwin, 1974) were used to inform the typical costs of damages for different types of building.
- Flood appeared to be the most challenging peril for the Committee. While they considered flood level, frequency and the height of a house's foundations, the Committee noted that this relied on local flood risk maps, which were not available for all locations.<sup>88</sup>

John Trowbridge recalls assisting Sid Caffin with this investigation, along with three senior industry representatives. These were the CEO of AMP General Insurance (John Stevely), the CEO of Commercial Union (Tony Breen) and a senior representative from QBE.

John Trowbridge also recalls that Sid Caffin held the view that this type of home insurance should be compulsory.<sup>89</sup> While compulsion might be a more challenging proposition to legislate, from an actuarial perspective it was sound advice for the sustainability of the proposed scheme. Faced with limited data and a significant degree of community rating, the prospect of selection against the scheme would have required mitigation. Compulsion would have been a solution.

**While much work was undertaken, the scheme was never introduced. The proposal faced significant industry opposition and the Treasurer (John Howard) determined that the scheme would not proceed.<sup>90</sup>**

This topic remains relevant to the Office. Further investigations into insurance in cyclone-affected areas has been undertaken by Peter Martin and me (in support of the Australian Competition and Consumer Commission (ACCC) inquiry into insurance in northern Australia).

In 2021, the Government announced its intention to establish a reinsurance pool for the purpose of funding claims in respect of cyclones and related floods, with further work on the design of the pool undertaken by Treasury and the Office. The pool commenced operations in January 2023.

## Superannuation

The actuarial management of the Commonwealth superannuation schemes remained a priority for the Office.

In 1965, Barry Amond was recruited from the UK to assist with this task. Barry became aware of the role through an advertisement circulated through the UK Institute of Actuaries. An interview followed at Australia House in London. Barry and his wife sailed to Australia (which Barry described to me as 'first-class passage on a third-class ship'). He arrived in January 1966 to take up the position of Assistant Australian Government Actuary located in Jardine Street, Kingston.<sup>91</sup>

Providing some insight into Canberra in 1966, Barry and his wife were allocated a government house to rent in the new suburb of Chifley in the Woden Valley, which was a rapidly growing region of Canberra at this time.

By this time the Office was structured into two main areas, those working on the prudential regulation of insurance and those working on superannuation and other activities of the Office.



Ultimately Barry left in June 1968 to take on the role of Chief Executive Officer – Pension Funds of the Myer Group in Melbourne. The photo shows Barry in 1986, when he served as president of the Institute of Actuaries of Australia.<sup>92</sup>

Barry now lives in Beaumaris, Melbourne. I thank him for taking the time to meet with me so that I could hear his recollections of his time in Canberra.

In 1969 John Trowbridge joined the Office and was responsible for the actuarial management of the Commonwealth superannuation schemes. John worked in the Office until 1977. The Office was also responsible for a range of other schemes (for example, Tasmania and PNG schemes) and a separate team, led by David Service, was responsible for these schemes. For practical purposes, the Office at this time comprised the two superannuation teams and a life insurance team.

John remembers Sid Caffin as meticulously professional, a man of great integrity and possessing strong technical skills. Superannuation work often extends beyond the pure actuarial valuation work. During this time Qantas pilots chose to strike.<sup>93</sup> The Government called upon the Office to provide advice on the financial implications of the remuneration demands being made.<sup>94</sup>



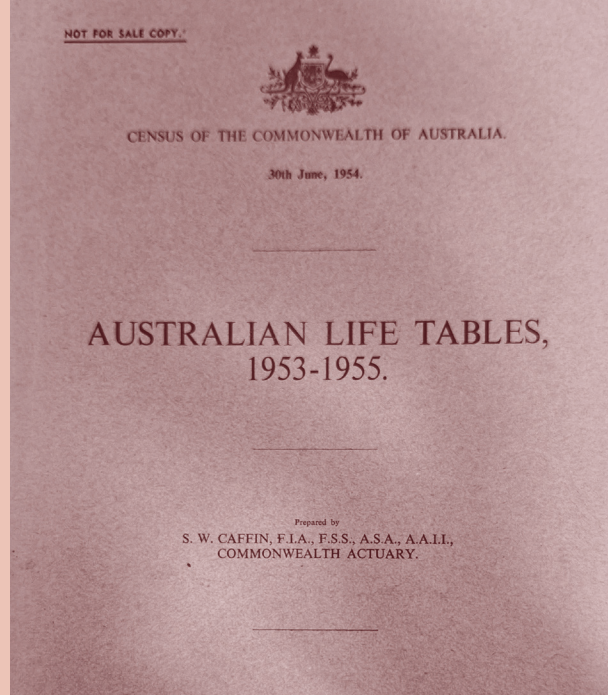
Barry Amond, President of The Institute of Actuaries of Australia, 1986

In the early 1970s the Government asked the Office to provide advice on establishing superannuation schemes for PNG's civilian public service and defence force personnel, in anticipation of PNG gaining its independence from Australia. Sid Caffin had a significant ongoing role in the management of these funds as a member of the Board of Directors. When PNG gained its independence in 1975, Treasury entered into an agreement with the PNG Treasury for the Office to continue providing services to these funds.

**This role entailed regular visits to PNG. A similar arrangement also existed with Tasmania.<sup>95</sup>**

# Australian Life Tables

Throughout his career, Sid Caffin continued the tradition of the Australian Government Actuary preparing life tables, now every five years. Sid Caffin is recorded as the author of ALT 1953–55, ALT 1960–62, ALT 1965–67 and ALT 1970–72.



## Recognition and Retirement

Sid Caffin served as the President of the Institute of Actuaries of Australia in 1967. The photo shows Sid Caffin when he was president.<sup>96</sup>

Her Majesty Queen Elizabeth II conferred Sidney Caffin (Commonwealth Actuary and Insurance Commissioner) with an OBE in 1972.<sup>97</sup>

In 1978 Sidney William Caffin OBE, of 10 Arthur Circle, Forrest, ACT, was recognised for distinguished public service, particularly as Commonwealth Actuary, as an officer of the general division of the Order of Australia.<sup>98</sup>



Sid Caffin,  
President of  
The Institute  
of Actuaries of  
Australia, 1967

Caffin retired from the roles of AGA and Life Insurance Commissioner on 30 September 1977 after 31 years working in the Office – 19 of those years as AGA.<sup>99</sup>

The Acting Treasurer, Mr Robinson, praised Caffin's service stating that he had contributed significantly to the stability and wellbeing of the life insurance industry<sup>100</sup>. His successor as Life Insurance Commissioner (Tig Melville) also reported on Sid's retirement in the *Thirty-second Annual Report of the Life Insurance Commissioner*:

*On 30 September 1977 the Life Insurance Commissioner, Mr S. W. Caffin, A.O., O.B.E., F.I.A., F.S.S., A.S.A., A.A.I.I., retired after a long and distinguished career in the Commonwealth Public Service. Mr Caffin, who also occupied the position of Australian Government Actuary, joined this office as Inspector early in 1946 shortly before the Life Insurance Act came into force. Mr Caffin was appointed Assistant Commonwealth Actuary in 1949 and Insurance Commissioner in 1958. His term of office coincided with a period of great change and development in the Australian life insurance industry on which his administration exercised considerable influence and earned great respect. This Office will miss the knowledge and insight which he brought to the position of Life Insurance Commissioner and acknowledges the immense contribution he made to the development of the practices presently used by the Office in the administration of the Act. Following Mr Caffin's retirement, separate appointments have been made to the positions of Australian Government Actuary and Life Insurance Commissioner.<sup>101</sup>*

Caffin remained active after his retirement. He continued in his capacity as a director of the Northern Territory Insurance Office and Tasmanian Government Insurance Office.<sup>102</sup> He also prepared the *Report on Regulation of Mortgage Insurance in Australia*. This report was commissioned by the Australian Association of Permanent Building Societies to assist building societies formulate their approach to the regulation of the mortgage insurance industry in Australia.

Caffin also became an adviser to the Reserve Bank of Fiji for a period. The Reserve Bank of Fiji regulated the insurance industry in that country.

Sid Caffin died in 2007.

**Of all the past Australian Government Actuaries, I have found Sid Caffin to be the most difficult to write about. The reason for this is that he is remembered very differently by the various people that I have spoken to.**

By some, he is remembered as a gracious and generous boss and a highly professional, technically gifted actuary who gave his career to the service of the Australian public. This is supported by the significant roles that he held (both as regulator of the Life Insurance industry and as AGA) as well as the contribution he made to a wide range of issues of the day, all of which were recognised through the receipt of both an OBE and an Order of Australia medal. In addition, he was recognised professionally and served as the President of the Institute of Actuaries of Australia.

By some (industry) actuaries he is remembered as a 'hands-on' regulator who formed strong views and whose attentions were not always welcome. Associated Dominions took this view and challenged both Caffin and Balmford at what might be considered a formative stage of Sid Caffin's career. However, it would be too simplistic, and would certainly not do anyone justice, to claim that Caffin's career was some sort of predestined outcome of this early career experience.



While this book cannot account for everyone's personal experience, I can observe that both roles held by Sid Caffin meant that the advice he provided was often lived out in the public domain and could directly and significantly impact those who were subject to that advice. These situations can require a level of conviction, resilience and a willingness to prosecute your view, or stand your ground, in the face of opposition. From what I have learned, I believe that Sid Caffin had these characteristics.

There were benefits from these characteristics. No life insurance company became insolvent while he served as Commissioner and the contribution of the Office was enhanced through its advice on several policy topics.

However, there may also have been costs. For example, it may be argued that innovation in the life insurance industry was stifled by his opposition of unbundled life insurance policies. Individual actuaries who were working at this time will also have their own personal recollections, which I acknowledge.

I have not set out to sum up the careers of past Australian Government Actuaries, so I will not make an exception for Sid Caffin. I would observe that actuaries are called upon to provide advice. 'Sitting on the fence' is not always an option. The lesson I take is that all actuaries need to be ready to explain our advice, to take on board new information, and (at times) to defend our advice.



**Chapter 6**  
**John Ford**

# Appointment

John Ford was appointed to the role of Australian Government Actuary in 1978.

Ford came to the role with relevant experience, having started his career in the Government Actuary's Office in the UK before spending seven years as the Government Actuary in Malaysia. In 1970 he was awarded an OBE for his services as Government Actuary in the Prime Minister's Department in Malaysia. Sid Caffin had a role in the selection of his successor as he was a member of the interview panel.

Ford took up the role of AGA within the Insurance and Superannuation Commission (ISC). The Office was in Queanbeyan, having moved there in 1975. A separate appointment (Tig Melville) was made to the position of Life Insurance Commissioner. John Carroll was appointed to the position of Deputy Australian Government Actuary shortly afterwards.

At this time the Office comprised four actuaries (John Ford, John Carroll, Noel Whitehead and Clyde Gittens). Peter Gerard joined the Office shortly afterwards. The Office had its own Honeywell mainframe computer and support staff.<sup>103</sup>

**John Ford has been described by many that remember him as a quiet, thoughtful and sincere gentleman.**

Outside of work he performed in musicals produced in Canberra and maintained an active interest in bushwalking and as a cross country skier in the Kosciuszko National Park.<sup>104</sup>

The Office worked closely with the Life Insurance Commissioner and the Insurance Commissioners, supporting them with all matters of an actuarial nature. John Carroll recalled that the regular communication would often extend over lunch, enjoyed at the Queanbeyan Leagues Club along with John Ford and Tig Melville.

General insurance work included supporting the Commissioner on the adequacy of claims reserving in general insurers. Peter Gerard, John De Ravin and Herbert Chan assisted with this work. The Office continued to review third party insurance premiums. Following the withdrawal of the Government Insurance Office of NSW in June 1979, the NRMA was the only company writing third party insurance in the ACT in 1980.<sup>105</sup> John De Ravin reports that, at this time, this review typically entailed meetings between the ACT's Third Party Insurance Premiums Advisory Committee, the Office (John Ford, Peter Gerard and John De Ravin) and NRMA (John Lamble, Colin Brigstock and Greg Taylor).<sup>106</sup> John Ford, in his capacity as AGA, was now a member of the Third Party Insurance Premiums Advisory Committee.



The Office continued to be involved in private health insurance. It assisted the Department of Health examine proposed changes to health insurance funds and to approve requests for premium increases from funds.

While public sector superannuation remained a cornerstone of the Office, in the early 1980s the Northern Territory was granted self-government. This led to advice being required on Northern Territory employee superannuation arrangements, as these individuals were, at that point, members of Commonwealth schemes.<sup>107</sup>

By around 1980, the combined needs of the ISC had outgrown the available space in Queanbeyan and was relocated to the Magenta Building in Belconnen.

Ford was also encouraging to prospective actuarial students. In 1981, he met with Hoa Bui as a Year 12 student. Hoa recalled that John Ford was generous with his time and that he spoke with great clarity, insight and modesty for someone in an important position. Hoa also recalled the interesting nature of his work and that the conversation inspired her to select the actuarial course.<sup>108</sup> Hoa went on to serve as the President of the Actuaries Institute in 2020. The Office was also recruiting actuarial graduates, which is how John De Ravin joined the Office, ultimately qualifying in 1985.

At this time, the role was not limited to that of AGA. Herbert Chan reports that Ford also acted as the Tasmanian Government Actuary.<sup>109</sup> This included public sector superannuation advice as well as advice to the Tasmanian Motor Accident Insurance Board. Continuing the tradition of supporting neighbouring countries, work was also done in support of PNG.

## Actuarial skills were in demand in the 1980s and actuarial salaries were increasing.

This led to difficulties for the Office in retaining staff members as public service salaries were slower to respond to the market forces at work in the private sector. This led to several representations to Treasury being made by John Ford on behalf of his staff.

## Australian Life Tables

John Ford is recorded as the author of ALT 1980–82. I understand that John De Ravin contributed much of the analysis underpinning the tables at this time. Population studies continued to be an interest of the Office with John Ford preparing a paper for the Institute of Actuaries of Australia on projected changes to the dependency ratio in the Australian population.

## Resignation

John Ford resigned from the role of Australian Government Actuary in 1987 and set up a new actuarial consulting firm, John Ford and Associates, which was registered on 11 June 1987.

He remained active in the industry. In 1999 Ford provided an influential submission to the ACT Government Select Committee into the territory's superannuation commitments. The Select Committee was reporting on the actions to take with the sale proceeds of ACTEW Corporation Limited relating to its funding of the ACT's superannuation commitments.<sup>110</sup>

John Raymond Ford OBE died in 2015, aged 86.<sup>111</sup>







# Chapter 7

## 1988 to 2000



The period following John Ford's resignation saw a reduction in the average tenure of AGAs. The first (roughly) 60 years saw only four actuaries occupy the role, implying an average tenure of around 15 years. In contrast, four actuaries occupied the role during the next 12 years.

The Office faced significant difficulties attracting and retaining staff in the late 1980s. This is a focus of the ISC 1987–88 Annual Report. This report is particularly brief and focuses on the difficulties faced by the Office and its staff. By 30 June 1988, only one full-time and one part-time actuary remained in the Office.<sup>112</sup> The following year reported two actuaries and three students.<sup>113</sup>

Resource constraints led to the suspension of the Office's role providing actuarial advice to the governments of Tasmania and the Northern Territory in 1988–89. This was a result of an Efficiency Scrutiny Review in 1987 that recommended the Commonwealth's limited resources be focused on the Commonwealth's needs.<sup>114</sup> This ended a long association with these governments.

## John Maroney

John Maroney was born in 1958 and was appointed as the Australian Government Actuary in January 1988.

At this time, the Office was located on the fourth floor of the Magenta Building, Benjamin Offices in Belconnen. Along with the rest of the ISC, the Office moved to improved premises at 212 Northbourne Avenue later in 1988 or 1989. The AGA was a member of the ISC's Executive Committee.

The Office was quite small in 1988. Susanne Szoldra joined in late 1988 and recalls that John was supported by one other actuary (Christine Hopper), three students (Pat McCarter, Neil McCoy and herself) and an analyst (Angie Julian).<sup>115</sup>



John Maroney

In the face of the significant resource constraints the Office continued to be called on to provide advice across a range of civilian and military superannuation schemes. This included schemes for Commonwealth agencies such as Telstra and Australia Post.

During this period, Sir Robert William Cole chaired a review of the Defence Force Retirement and Death Benefits Scheme. This review was supported by John Maroney, who directed TPF&C – a private sector actuarial firm.<sup>116</sup> Special mention is provided in the committee's report of the contribution made by the Office.<sup>117</sup> The review concluded that the Defence Force Retirement and Death Benefits Scheme was no longer appropriate for the majority of Australian Defence Force members, particularly for young people joining the Australian Defence Force. The Defence Force Retirement and Death Benefits Scheme was closed in 1991 and replaced by the Military Superannuation and Benefits Scheme (MSBS).

Susanne Szoldra recalls being seconded to the Department of Defence to assist with the design and implementation of the MSBS.<sup>118</sup> This was the start of a long-running association with the new scheme. The MSBS is still valued by the Office today.

The Office also worked with the Department of Finance on the similar review of the Commonwealth Superannuation Scheme (CSS) and assisted with the implementation of the new Public Sector Superannuation Scheme (PSS) scheme. This advice was provided as a jointly signed actuarial report, in conjunction with a private sector actuarial firm.

The ISC Annual Report 1988–89 draws the conclusion that the Office could be a valuable source of advice on a project that required greater resources than its own and that the model of working collaboratively with the private sector may be repeated in the future.<sup>119</sup> There are numerous examples of projects where the Office has worked collaboratively with actuaries in the private sector in recent decades.

The Office worked on other reviews and policy advice in this period:<sup>120</sup>

- Reporting on the Long-Term Costs of the CSS and Defence Force Retirement and Death Benefits Scheme, which were tabled in Parliament in May 1990.
- Advising on the implementation of PSS and MSBS.
- Valuing CSS liabilities for Australia Post and Telstra, both of which commenced their own superannuation schemes on 1 July 1990. Valuations were also prepared for the Commonwealth Serum Laboratories and the Australian National University (ANU).
- Advising on superannuation and employee entitlements in the coal mining industry.
- Assisting the ISC review Reasonable Benefit Limits in 1989 and 1990. During this time the ISC published three papers on this topic.<sup>121</sup>
- Advising the ISC Policy Group on a range of other matters, including retirement incomes policy, vesting and preservation, age and sex discrimination, and a code of practice to assist superannuation funds deal with AIDS.

- Supporting the Life Insurance Group of the ISC on the review of the *Life Insurance Act 1945*. This included advice on the prudential requirements applying to pensions and annuities.
- Undertaking statutory responsibilities relating to private health insurance for the Department of Health.

## In 1988-90 the Office was resource-constrained.

Actuarial work for the review of the MSBS was outsourced to TPF&C. In addition, the consulting firm John Ford and Associates assisted with the review of charges paid by larger authorities for the CSS.

To help meet demand, the Office introduced a user-pays arrangement from 1 July 1990. The Annual Report notes that this provided a structure for the viable operation of the Office and was expected to allow for the recruitment of at least two additional actuaries and the replacement of ageing computer systems in the following year.<sup>122</sup>

This optimism was qualified in the 1990–91 Annual Report, which reported that the introduction of a fee-for-service model did not reduce demand for service from the Office.

While two actuaries had been employed under contracts for approximately 12 months, ongoing challenges completing assignments in acceptable timeframes and an unacceptably low level of research papers persisted. The Office was able to purchase 'high performance personal computers with a range of software with actuarial applications'.<sup>123</sup>

**Susanne Szoldra recalls that this greatly reduced the demands on the typist pool.<sup>124</sup>**

John Maroney is recorded as the author of ALT 1985–87. Consistent with the resource constraints at the time the 1990–91 Annual Report notes that this was completed with the assistance of a consulting actuary.<sup>125</sup> John Maroney recalls that John De Ravin contributed much of the analysis underpinning those tables.

John Maroney completed his contract in February 1991 and it was anticipated that a replacement would be appointed early in 1991–92.<sup>126</sup> The 1990–91 Annual Report ends on an optimistic note. The pending appointment of a new AGA, the fee-for-service model and the new computing systems meant the Office was poised to increase and develop the staff required to meet the needs of its many clients.



## Donald Duval

Donald Duval was the Australian Government Actuary between 1992 and 1996. During this time, he made a significant contribution to the field of superannuation.

Duval is recognised as the architect of the 1993 Superannuation Industry Supervision legislation, which transformed the regulatory framework for the superannuation industry in the early 1990s.<sup>127</sup>

The Office contributed to the development of legislation for the new superannuation prudential framework.<sup>128</sup>

Significant legislative change is often accompanied by significant consultation and engagement with the affected stakeholders. This period of change was no different and Duval was a regular speaker at superannuation industry events to provide an update on the latest developments.

In September 1993, Duval spoke to superannuation fund administrators on the changing role of the ISC. This speech noted how the proposed Superannuation Industry Supervision legislation was part of a broader overhaul of the prudential supervision of the superannuation and life insurance industries that placed the ISC firmly in the spotlight.

Duval was also the author of a paper on the actuarial funding of public sector superannuation. *The Financing and Costing of Government Superannuation Schemes* was published in 1994 and reprinted in 1997. The paper initially accompanied the 1993 Long Term Cost Reports. It concluded that there was no absolute right answer to the question of how public sector superannuation should be funded. It noted that it may be desirable to fund these liabilities to some extent provided that can be translated into an efficient and effective increase in national saving. The paper stated that, whatever the choice, it is essential that estimates be made of the costs and proposed measures for doing so.

The Office's advice was not constrained to the development and implementation of the new superannuation legislation. It also provided advice on the following issues.<sup>129</sup>

- Advising on minimum and maximum drawdown factors for allocated pensions.
- Consulting with the Commonwealth Treasury, the Actuaries Institute and industry bodies on superannuation guarantee legislation.
- Reviewing guidance notes developed by the Actuaries Institute.
- Advising the Department of Veteran's Affairs on entitlements under the *Veteran's Entitlement's Act 1986*.
- Advising the Department of Social Security on a proposal to provide age pensioners with access to loans secured by their home (now known as the Home Equity Access Scheme).
- Advising on the calculation of doubtful debt provisions for student loans related to higher education contributions and the development of a financial model to facilitate the annual estimate of the doubtful debt provision.
- Completing long-term cost reports on civilian and defence force superannuation liabilities.
- Advising the ISC on the scope to use actuaries in the valuation of general insurance liabilities and more broadly on the adequacy of liabilities in general insurance companies.
- Reporting on the costs of judicial pension arrangements, including the costs of the *Judicial Pension Act 1968* and the appropriateness of the benefit design.
- Providing actuarial advice on the sale of the Repatriation General Hospital Hollywood, Western Australia.
- Supporting the Life Insurance Actuarial Standards Board.
- Advising on worker's compensation.

The new *Life Insurance Act 1995* provided opportunities to work with the ISC, particularly on proposed solvency and capital adequacy standards. Susanne Szoldra and Karen Doran provided support to this initiative, and ultimately moved to the life insurance supervision team within the ISC.

**Susanne recalls that Duval had a habit of always signing with a purple fountain pen, reducing the ability for people to falsely copy his signature.**

She also recalls the wonderful morning teas that were prepared for the Office by Donald's wife, Nancy.<sup>130</sup>

I am not sure if the Office's long tradition of morning teas started at this time, but this practice continued through to 2020. In 2020, the size of the team made the logistics more difficult, and the arrival of the COVID-19 pandemic gave priority to social distancing over shared morning tea.

By June 1993, the earlier optimism that resources could be rebuilt was coming to fruition. The Office benefited from a graduate program, offering new actuarial graduates a rotation through both actuarial roles and roles in life insurance and superannuation in the broader ISC. Staffing in the Office had increased to 11, including four qualified actuaries.

The Office expected the use of private sector actuaries would continue to supplement internal resources on fee for service work, but that recruitment and development of internal staff would reduce the Office's reliance on external firms.<sup>131</sup>

By June 1994 the fee-for-service model had matured to a model where work within the ISC was funded by a budget allocation, while work for external clients and to review applications for pre-1 July 1988 funding credits were funded on a fee-for-service model. By June 1994, staff had reduced to nine, including three actuaries. This had rebuilt to 14 staff by June 1995. A decline in the use of external consultants was noted in reports at this time.<sup>132</sup>

Esther Conway was a young actuary who participated in the graduate program. The work of the Office was not confined to superannuation. Esther recalled working on an interesting project to consider potential compensation payable to Argentinians who worked in the Australian Embassy and had been excluded from receiving local social security benefits as a result of their employment.<sup>133</sup>

In 1993, Michael Burt joined the Office to start a career spanning almost 30 years to 2022. Michael contributed significantly to superannuation policy over the years and did much of the work behind the military superannuation schemes long-term cost reports in this period.

Donald Duval is recorded as the author of ALT 1990–92.





Craig Thorburn

## Craig Thorburn

Craig Thorburn was born on 23 January 1964. After completing his actuarial major at Macquarie University, he worked at Colonial Mutual Life Insurance Society before being appointed the Australian Government Actuary in April 1996 at the age of 32.

The Office had faced a period of turnover in 1995–96. By June 1996, the Office had nine full-time actuarial staff and three part-time staff. To support resource constraints, a private sector firm supported the Office in 1995–96 with a major military compensation project. However, by this time, no other private sector consulting arrangements were required.

During Craig's tenure, the most public element of the role was associated with a superannuation surcharge. Just months after his appointment, the Government introduced a tax on superannuation contributions for higher income earners and mandated that the Office lead an

## Actuarial Advisory Committee to determine how it could apply to defined benefit schemes.

The committee was chaired by the AGA but otherwise consisted of private sector members. The surcharge was controversial at the time and ultimately was repealed, although some Australians remain liable for a surcharge debt to be collected when they claim their benefits.

The surcharge was not the Office's only activity. The Office was, at the time of Craig Thorburn's appointment, still heavily oriented to, and dependent on, work relating to civilian public sector and military superannuation.

At this time, the Office's role was being questioned and open to potential private sector substitution. As a result, Craig sought to diversify the client base within Government. This included regular assessments of the Higher Education Contribution Scheme (HECS) debt, a valuation of a government guarantee on reverse mortgages, modelling of potential revisions to Medicare, advice and a statutory role regarding superannuation benefits in divorce, insurance laws in PNG, and the OECD staff pension schemes. Advice was also provided to the departments of Defence and Veterans' Affairs concerning accident compensation.<sup>134</sup>

By 1996–97, 70 per cent of the funding for the Office was generated on a fee-for-service basis.<sup>135</sup>

1994–95 saw the commencement of the first actuarial examination of the costs of the Military Compensation Scheme, which then arose under the *Safety, Rehabilitation and Compensation Act 1988*. The outcome of this work resulted in the first report being presented in September 1996 and facilitated the annual accrual reporting of the scheme's liabilities.<sup>136</sup>

**This work continues to be undertaken by the Office to this day.**

The Howard Government announced major changes to HECS in its 1996–97 Budget, which led to the development of a new model to evaluate this scheme in 1997–98. The new models also allowed the Office to better analyse policy options under this scheme.<sup>137</sup>

Like some of the earlier AGA's, Craig Thorburn pursued an active interest in demography. He engaged with the demographic department at the Australian Bureau of Statistics (ABS) so that it could publish annual mortality tables for Australia and for each state and territory that would be consistent with the Office's quinquennial tables. He also supported the development of tables for Aboriginal and Torres Strait Islander Australians.

Craig published papers through the Australian Population Association on fertility and mortality modelling.<sup>138</sup> The papers included projections with relevance to retirement income policies. He also spoke on ABC Radio broadcasts about demographic issues.

## Building relationships with universities

Craig built relationships with schools of demography at Australian universities, particularly ANU and Macquarie University.

During Craig's tenure as AGA, ANU established an actuarial program. As it had not yet recruited its own actuarial faculty, ANU received most of its courses through a remote delivery arrangement with Macquarie University.

To raise the profile of the AGA among university students in Canberra, Craig tutored second and third year students, and supervised honours year thesis students at ANU. Ultimately he held an adjunct appointment at the university to support those students, some of whom worked in the Office after their graduation.

## Publications and research

Craig published papers at the Institute of Actuaries of Australia that built on the question of funding superannuation schemes, noted in Donald Duval's work. This continued a contribution to public discussion on whether government schemes should be fully funded. A second paper on the prudential issue of relative capital between banks and insurers concerning retirement income type products pointed to Craig's later work.

The Office's resourcing in 1997–98 had grown to 12 full-time staff, enabling the Office to increase its research output. The AGA prepared ALT 1994–96 for the ABS and published in the ABS Deaths Bulletin 1997.

The Office produced three papers in 1997–98:<sup>139</sup>

- *Where have all the Children Gone? Some current notes on Australian Fertility*
- *Australian Mortality: Improvement and uncertainty in an ageing population*
- *What the Guarantee Means: A statement of the structural conditions supporting the aged pension*

Craig Thorburn transferred from his role as AGA in February 1999 to the role of Acting Deputy Commissioner – Life Insurance at the ISC and, subsequently to the Australian Prudential Regulation Authority (APRA).

At APRA, Craig chaired the International Association of Insurance Supervisor's committee on solvency and actuarial issues. He then moved to the World Bank and engaged in insurance supervisory and regulatory matters. In this role he produced several papers on solvency and capital, insurance market development and retirement income products.



## Kevin Deeves

Kevin Deeves served as the Acting Australian Government Actuary for several periods prior to being appointed to the role of AGA. His tenure as Acting AGA reflects the uncertainty of the location of the Office at that time. In effect, there was no agency that was able to make an appointment.

APRA was established in 1998 following the Wallis Inquiry into Australia's financial system. APRA was focused on the prudential regulation of banks, building societies, credit unions, life and general insurers, and superannuation funds. APRA took over the prudential regulation functions of the ISC.

While the Office's roles assisting with prudential regulation and advising the Commonwealth and its agencies had co-existed in the ISC, APRA's role was, and is, that of a prudential regulator. APRA's governing legislation does not state that it is to provide actuarial services to the Government and its departments. This resulted in several areas of work that the Office undertook that did not fit under APRA's structure. As a result, the Office did not have a natural home within APRA.

The Office continued to operate on the same basis under APRA as under the ISC while discussions were held about the future of the Office.

Reflecting that a significant part of the role provides input into a wide range of policy development, the Office moved back into the Treasury in April 2000 and has remained there ever since.

For operational purposes, staff members in the Office are employed under Treasury terms and conditions. The Office shares facilities (for example, accommodation and IT systems) with Treasury. In professional practice however, the Office operates independently of Treasury. This ensures it can continue to provide independent and impartial actuarial advice to all areas of government.<sup>140</sup>

Once this period of transition was completed, Deeves was ultimately appointed AGA in 1999. However, by the time this took place he was only 6 months away from retirement early in 2000.

Despite what was a relatively short period in the role, Deeves is attributed with laying the foundations for the way the Office was to function in the 21st century.<sup>141</sup>

This was an important moment in the history of the Office. From this point on the Office was to be fully self-funding. All work would be completed on a fee-for-service basis.

## The Office moved to the Treasury Building in Parkes in 2001.

The nature of the work was also changing. While the Insurance Commissioner was originally a role held by the AGA, actuarial work in support of the regulator was now completely done by APRA. Public sector superannuation work became contestable with private sector actuaries, resulting in the actuarial work for the civilian public sector superannuation schemes being outsourced to the private sector. A new relationship needed to be formed with Treasury and other departments to establish fee for service arrangements and further diversify into new areas to replace work that was no longer being completed by the Office.

Kevin Deeves was the author of ALT 1995–97.



Kevin Deeves







# Chapter 8

## Peter Martin





Peter Martin

## Appointment

Peter Martin was appointed as the Australian Government Actuary in 2000. Peter was supported by Susan Antcliff and Michael Burt. Together they consolidated the Office's role as a key provider of actuarial advice to Government in the new operating environment.

The Office's operating environment changed dramatically between 1998 and 2000. All of the Office's Commonwealth budget funding had been withdrawn and it was now required to become and remain fully self-funding.<sup>142</sup>

To give transparent and practical effect to this, a Special Account was set up under the relevant legislation, into which fee revenue earned for actuarial services provided by the Office to client departments and agencies was paid. The Office's salaries and rent for the use of Treasury office space was paid from the Special Account.

The Office also paid an amount under a Service Level Agreement with Treasury for the provision of back-office support services from the Special Account. All of this had been implemented by Kevin Deeves just before his retirement.

Now it had to be put into practice and the Office had to demonstrate that it could pay its own way. This was a significant challenge. It required an immediate increase in revenue of around 60 per cent. Adding to this challenge, the Commonwealth had a clear 'contestability' agenda. In 2000, preference was to be given to outsourcing rather than insourcing, all else being equal. The immediate priorities were clear:

- Develop a relationship with Treasury, into which the Office had been transferred but with which the Office did not have a prior relationship of any depth.
- Rebuild the relationship with the Department of Finance and Administration which had carriage of the Commonwealth's contestability/outsourcing agenda and who had previously outsourced the civilian public sector superannuation work.
- Continue to broaden and deepen the Office's client base.

## Insurance

Three notable shocks to the insurance system occurred in the early 2000s. These were:

- The global withdrawal of terrorism reinsurance following the 11 September 2001 attack in the US.
- The collapse of the HIH Group of insurance companies.
- The collapse of Australia's largest medical indemnity provider, United Medical Protection.

The Office played a role in the development of public policy responses to these shocks and, at the same time, was able to forge closer ties with private sector actuarial consultancies working in the general insurance industry.

This enabled the Office to position itself as both a useful source of independent actuarial advice to Government and an intermediary between Government and private providers where that was a more appropriate path for Government to take.

For the medical profession, indemnity insurance is a prerequisite requirement to enable them to provide care. An urgent response was required if care was to continue uninterrupted.

The Government first decided to require medical indemnity providers to transition from their then-unregulated trust fund structures to become fully capitalised insurers regulated by APRA. The Government implemented the:

- Incurred But Not Reported Scheme
- High Cost Claims Scheme, the Exceptional Claims Scheme
- Run-Off Cover Scheme, and
- Competitive Advantage Payment arrangement.

The collective objective of the schemes was to improve the stability of medical indemnity insurance and to improve the availability and affordability of insurance. All schemes were subject to close oversight by the Office.

Peter recalls that the Incurred But Not Reported Scheme had an interesting passage through Parliament.

**‘From the Prime Minister down it was fascinating to hear politicians at first struggle with these terms but eventually they were rolling off the tongue!’<sup>143</sup>**

Some years later, similar schemes were put in place to facilitate access to professional indemnity insurance for privately practising midwives, again subject to oversight by the Office. The role and benefit of actuarial management of publicly funded schemes of this type is now well established and increasingly appreciated among policymakers.

The Office’s support for insurance has not been limited to the Australian, state and territory governments. During this period the Office also assisted the PNG Insurance Commissioner develop and introduce a risk-based solvency regime for general insurers operating in Papua New Guinea.

## Superannuation

During this period, the Office continued to provide actuarial advice to the Department of Defence on its superannuation schemes. In addition, an unusual event occurred where the Office was called upon to support the Department of Finance.

Members of one of the Commonwealth's public sector superannuation schemes sued the Commonwealth for, in effect, misleading and deceptive conduct. Test cases were heard in the ACT Supreme Court. There were two elements to the test cases, the legal merits of the case, and the quantum of damages.

The Department of Finance asked the AGA to provide the Commonwealth's expert actuarial evidence on the quantum.

Peter Martin recalled an interesting incident that occurred during the trial. The presiding judge (Refshauge), in a moment of judicial innovation, decided that he would hear from both actuarial witnesses simultaneously. This was presumably to cut down on time. However, the problem was that there was not enough room in the witness box to safely accommodate both Peter's and his counterpart's chairs.<sup>144</sup>

Justice Refshauge sent out for some rope to be brought to the courtroom. The rope duly arrived, the expert witnesses' chairs were lashed together, and the actuarial evidence was heard simultaneously without OH&S incident. From Peter's report, Justice Refshauge was not dissatisfied with the process.<sup>145</sup>



The Commonwealth lost the cases on their merits. This led to a not-insignificant stream of work from the Office to the Department of Finance as hundreds of matters (colloquially known as Cornwell cases) now needed to have damages calculated. Each matter required forensic and detailed analysis of its own particular circumstances and nuances.

In addition to these matters, Susan Antcliff helped the Attorney General's Department incorporate superannuation as an asset in family law legislation.

## Financial reporting

During Peter's tenure, the role of the Office continued to expand into new areas. Initially, this was associated with the responses to various crises but was also driven by changes in accounting standards requiring greater financial disclosure.

In the early 2000s, accrual accounting concepts were being adopted by Commonwealth departments and agencies, with the Department of Finance providing oversight. Agencies now had to report their accrued long service leave liabilities. The Office was asked by the Department of Finance to develop a shorthand method that could be applied practically by agencies and that would give reasonable results without the need for a formal actuarial valuation.

The Department of Finance also required Commonwealth agencies to have their provisions checked at least every three years. This helped broaden the number of departments supported by the Office and led to other engagements in new fields.

Support provided during the superannuation legal proceedings and the implementation of new financial reporting requirements contributed to building the Office's relationship with the Department of Finance at the time.

## Education

Later in the 2000s, the international education sector experienced failures that exhausted the protection mechanism for overseas students against provider failure. This had the potential to damage the reputation of Australia's education industry, which was a not-insignificant part of Australia's economy. As part of the response to this crisis the Government established the Tuition Protection Scheme.

The Office, through Susan Antcliff, supported the establishment of the Overseas Student Tuition Fund. Susan served on the Board of the Tuition Protection Scheme until her retirement in January 2018. To ensure ongoing actuarial input, the legislation requires that a representative of the Office serves on this Board.

## Australian Life Tables

Peter Martin was the author of ALT 2000–02, ALT 2005–07 and ALT 2010–12.

## Recognition and retirement

In 2014, Peter Martin was recognised for his contribution by being named the 2014 Actuary of the Year by the Actuaries Institute. The Actuaries Institute magazine noted Peter's contribution in a range of areas.

*'He contributed to the development and subsequent implementation of the Government's responses to the withdrawal of terrorism insurance, the medical indemnity crisis and the collapse of HIH. More recently, Peter has been tasked by successive Governments with preparing reports on the North Queensland insurance market to provide an informed and authoritative basis for discussion.'*<sup>146</sup>

The Institute's President, Daniel Smith, also noted that Peter provided critical input toward the development and design of the National Disability Insurance Scheme (NDIS), leading a 2012 review of the costing undertaken by the Productivity Commission.

The role of the AGA was also recognised in new legislation. The Australian Government Actuary was required to be the first Reviewing Actuary of the NDIS and was also recognised in legislation relating to medical indemnity and visa charging arrangements.

Over time, the Office came to support a wide range of government departments and agencies. By 2016, Peter reported that the Office was supporting around 40 agencies each year, including all the major departments. Work included technical actuarial financial management as well as policy advice where actuarial analysis and principles of management were relevant to the issue being considered.<sup>147</sup>

The Office was providing advice in areas as diverse as public sector superannuation and employee benefits, retirement income policy, insurance system policy, income contingent loans, the NDIS and the Australian Priority Investment Approach, among many others. While many new topics were being considered, one area of continuity with the work of the very first Commonwealth Actuary remained the ALT.

Peter retired from the role in April 2017.

The background features a dark blue gradient. In the upper left, there are two concentric circles in a lighter blue color. A red wavy line starts from the bottom left, moves up to a peak, then down to a trough, and then up again towards the right edge. On the right side, there are several horizontal blue lines of varying lengths, resembling a scale or a list of items.

# Chapter 9

## Actuaries in Canberra



The AGA has rarely been the only Canberra-based actuary or member of the Actuaries Institute. From the historical archives I have gleaned that Sid Caffin worked alongside Walter Balmford in the late 1940s and 1950s. I have also noted that there have been many actuaries working within the Office.

## **Actuaries in the wider public service**

Actuaries have also worked outside the Office.

### **Sir Leslie Melville**

Probably the most notable is Sir Leslie Melville KBE, renowned for his work as an economist who helped establish Australia's central banking system and for his service to ANU as Vice-Chancellor from 1953 to 1960.

In 1924, the year the first AGA was appointed, Leslie Melville was appointed as the Public Actuary to South Australia at the age of 22. In 1930, he was appointed to the role of Chief Economic Adviser to the Commonwealth Bank (then a government-owned entity). In this role he provided central banking advice to the Government.

Along with other economists, Melville is credited with helping to formulate the Government's policy responses to the Great Depression. Shortly before WWII, he was part of a committee established to advise on the economic implications of a conflict with Japan and subsequently went on to provide significant input into the design of Australia's wartime economy and post-war reconstruction.

Melville is reported to have been in the room (along with Prime Minister Chifley and Dr Evatt) when the decision to nationalise the banks was made, although understandably he is reported to have been clear that the decision was the Prime Minister's. He continued to provide service to the Government in a variety of roles into the 1970s.<sup>148</sup>

## **Tig Melville**

One of Sir Leslie's sons, Tig Melville, became a Fellow of the UK Institute of Actuaries in 1953.<sup>149</sup>

Prior to joining the public service, Tig had a diverse and interesting career. He worked at New York Life in the US. After returning to Australia, he advised HCF on health insurance premium rating (and most likely reserving). He also advised companies such as P&O and Country Broadcasting on their corporate superannuation arrangements.

It was during this time that Tig met Tim Trahair. Tim and Ray Palmer joined G L Melville and Partners, providing advice to health insurers, life insurers and superannuation clients. Tig's next move was to the UK where he set up Save and Prosper, which is now part of Countrywide Assured.<sup>150</sup>

After a diverse career in the private sector, Tig Melville was appointed to the position of Life Insurance Commissioner on 30 September 1977, after Sid Caffin's retirement.

Tig's first report as Life Insurance Commissioner was signed on 17 August 1978. In this role he would have worked closely with the AGA. Tig Melville allowed Australian life insurers to issue unit linked business, something that his predecessor Sid Caffin had not permitted.

Tig Melville BA, FIA, ASA, FIAA was made a life member of the Actuaries Institute in 1990. He established the Melville Prize in appreciation of the benefits that he received from the profession and as a tribute to his father.<sup>151</sup>

Tig Melville died 19 August 2010, aged 84.<sup>152</sup>

## **Robert (Bob) Glading**

Bob Glading succeeded Tig Melville as the Life Insurance Commissioner, or the Deputy Commissioner – Life Insurance at the ISC, (as the role was then known) in 1987.

Glading brought experience as a life insurance actuary and CEO to the role, as well as an industry profile that came from his leadership of the industry association for small life insurance companies.

**Glading's term as Deputy Commissioner - Life Insurance at the ISC was significant.**

Soon after his appointment he faced the 1987 stock market fall and the collapse of Occidental and Regal Life. He oversaw the development of new reserving requirements for unsustainable capital guaranteed investment products (section 273 reserves).

Glading played a key role in the *Life Insurance Act 1995*, which accompanied the introduction of the Margin on Services valuation methodology and the establishment of the Life Insurance Actuarial Standards Board, on which he served.

Under Glading's oversight, the life insurance consumer complaints mechanisms and improved consumer disclosure and agent competency practices were put in place. These were leading consumer protection initiatives.

Glading also oversaw the demutualisation of the major mutual life insurance companies in Australia.

He is remembered as a diligent regulator who was always willing to listen to a range of views before making any necessary decisions.

Glading served as the President of the Actuaries Institute in 1994 and was awarded Actuary of the Year in 1997. He retired from the ISC early in 1998 before taking up a number of board positions in the life insurance industry.

In 2000, Glading was made a Member of the Order of Australia for his service to the insurance industry and the actuarial profession, particularly for the development of new actuarial techniques. In 2007 he was honoured with life membership of the Actuaries Institute.<sup>153</sup>

Craig Thorburn succeeded Bob Glading in the role of Deputy Commissioner – Life Insurance in February 1999.

## **Dr Richard Madden**

The contribution of actuaries outside the Office has not been limited to insurance industry supervision.

As Deputy Australian Statistician and Director of the Australian Institute of Health and Welfare, Dr Richard Madden made a significant and diverse contribution to territory and Commonwealth governments across Treasury, accident compensation and disability. He was recognised for his contribution by being named Actuary of the Year in 2002 and awarded the Public Service Medal in 2003.

Madden was made a Member of the Order of Australia in 2018.



# Accident compensation

I will digress briefly to provide some additional information on accident compensation as this is a topic that has arisen at different times for the Office.

The 1967 Woodhouse report gave birth to New Zealand's Accident Compensation Commission seven years later. In 1973, Justice Woodhouse was brought to Australia by the newly elected Prime Minister Gough Whitlam. Woodhouse's task was to produce a report into the potential for a similar scheme for Australia in 1974.<sup>154</sup>

Justice Woodhouse was assisted by Justice Meares. They assembled a team to estimate the costs, which included Dr John Pollard and Dr Richard Madden. Their roles are described in Geoffrey Palmer's book, *Compensation for incapacity*.<sup>155</sup>

The report proposed an accident compensation scheme that replaced the compulsory third party (CTP) and workers compensation systems with a national scheme funded by a levy of 10 cents per gallon on petrol and diesel fuel as well as a two per cent levy on salaries. It would provide for the payment of benefits at the rate of 85 per cent of earnings up to earnings of \$500 per week as well as benefits for widows and dependents in the event of death of the injured person. Benefits would be adjusted by quarterly movements in the consumer price index.<sup>156</sup>

On 3 October 1974, Lionel Bowen introduced the National Compensation Bill 1974 to Parliament for its second reading. The Bill would have legislated that the scheme be introduced in four stages, commencing in July 1976. The scheme was claimed to provide cheaper, more efficient and just compensation to the sick, injured and disabled, and responded to the withdrawal (by insurers) from the CTP market due to issues of unprofitability.<sup>157</sup>

## Canberra Activities Committee

The Bill faced significant opposition from the legal profession, the industry and trade unions.<sup>158</sup>

**Ultimately the legislation never progressed after the Whitlam government was dismissed.**

This was despite a further effort to establish the scheme, when the Leader of the Opposition (Gough Whitlam) introduced the National Rehabilitation and Compensation Bill 1977 to the House of Representatives.<sup>159</sup>

Accident compensation is another example where inaction at the time did not mean that the issue had been resolved. The topic was again considered by the Productivity Commission when considering the NDIS and related National Injury Insurance Scheme (NIIS).

I have not sought records of all actuaries in Canberra over the century, however this account would be incomplete without mention of the Canberra Activities Committee.

This initiative appears to have commenced in 1988 when Tim Trahair visited Canberra. A lunch was organised by John Ford. The invitation list included the following nine Fellows; Jenny Sparkes (AMP), Sir Leslie Melville, John Ford, Richard Madden, Sid Caffin, John Maroney (AGA), Christine Hopper (ISC), Bob Glading (ISC) and John Smart. Five Associates (Herbert Chan, Bill Muysken, Pat McCarter, Neil McCoy and Tom Karp) were also invited. John Ford reported that this was everyone in Canberra. For the record, lunch was held at The Bistro, University House. Costs were shared between those attending, with the members sharing equally in the cost of the lunch for the President.

By 1990, Canberra members of the Institute of Actuaries comprised 12 Fellows; Christopher Armstrong, Timothy Bourke, Sid Caffin, John Ford, Bob Glading, Tom Karp, John Maroney, Sir Leslie Melville, Pat McCarter, Alexa McLaughlin, Bill Muysken and John Smart. Four students were also listed; Tony Burgess, Keith Chapman, James Windless and Susanne Szoldra.

The Canberra Activities Committee organised informal meetings to discuss papers of interest, in lieu of the more formal sessional meetings held in the larger capital cities. In addition, there appears to have been periodic cocktail parties and dinners held in Canberra following Council meetings in Canberra during the period 1988 to 1994. The invitation list for the cocktail parties included members of Cabinet, shadow Cabinet, and Secretaries and Deputy Secretaries of a number of departments and agencies. In 1988, the function was held at the Canberra Hyatt. Dinner appears to have followed with invitations extended to Actuaries Institute members and partners.

In 1994 these functions were either phased out, or their organisation shifted away from the Canberra Activities Committee. Either way, I am fairly certain they are no longer a feature of the Canberra actuarial scene (although it is possible that my invitation has been lost in the mail).

Coordination of the Activities Committee transitioned from John Ford to John Maroney, to Tom Karp and ultimately to Peter Martin in 1996. Despite the demise of the cocktail function, actuaries continued to meet to discuss papers of interest, meet informally for lunch and also for an annual Christmas luncheon. The tradition of Christmas lunch has continued to this day and has been arranged by Michael Burt for many years.



# Chapter 10

## The present





Guy Thorburn, 2021

## Guy Thorburn

I (Guy Thorburn) commenced as AGA in April 2017.

The diversity of the role provides many opportunities to bring an actuarial perspective to the development of policy proposals and the ongoing management of government programs.

Today the Office continues to support many agencies. New questions regularly arise where actuarial skills can bring a complementary perspective to the views of policymakers across governments.

## The Office in the public domain

Only a small proportion of the Office's work reaches the public domain. However many Australians have seen – and been affected by – our work since 2017.

### Retirement income policy

The Office has developed aspects of retirement income policy and the associated means testing of retirement income products under the age pension. These topics are important for current and future Australian retirees.

### Defence superannuation

Long Term Cost Reports into Defence superannuation schemes have continued the Office's long association with public sector superannuation. Viewed alongside its analysis of military compensation schemes for the Department of Veteran's affairs, the Office provides broad analysis of the support provided to veterans.

### Reinsurance pool

The Office supported Treasury on the establishment of a reinsurance pool for cyclone risks. This ultimately led to a new role for the Office as a Board Observer to the Australian Reinsurance Pool Corporation and as its Reviewing Actuary.

### Population statistics

The Office has continued its interest in population statistics. The Office published ALT 2015–17 and three new investigations into sub-groups of the population (state, place of birth and analysis by socioeconomic area).

The Office also completed preliminary analysis into the mortality experience of cohorts of Australian retirees. The new investigations were unique in that they were the first to develop life tables based on administrative records, rather than census records.

### Lifetime Cost Reports

The Office completed lifetime cost reports on the social security payments system, which were based on a whole-of-population microsimulation model.

## Other projects

Since 2017 the Office has also:

- reported to Parliament on the stability and affordability of medical indemnity insurance
- acted as the Reviewing Actuary to the NDIS
- been a member of the Tuition Protection Service board
- supported the Quality of Advice Review undertaken by Michelle Levy.<sup>160</sup>

There are many other topics where the Office has had the opportunity to contribute. The work of the Office is extremely diverse for a relatively small team of actuaries.

## Conclusion

Over 100 years there have been many new topics, but also many recurring themes.

At the very start, Charles Wicken's skills in demography started a tradition of creating ALTs that continues to this day. This series provides the only long-term basis for examination of national mortality improvement at the population level. More recently these skills have been applied to new investigations into specific groups of the population.

Charles Wickens and Walter Balmford worked on the original National Insurance Scheme. While Australia chose a different path to create the current social security system, the role of actuarial advice remains. Today, the Office provides long-term projections of the social security payments system and is the Reviewing Actuary to the NDIS.

While the Office's role in prudential regulation transferred to specific insurance commissioners in the ISC and then to APRA, the Office continued to support elements of the financial system. This has arisen where participants have faced difficulties that have created issues associated with the affordability and availability of insurance in certain sectors. Examples include medical indemnity insurance in 2002, terrorism insurance following 11 September 2001 and matters pertaining to natural perils from 1978 through to the current day.

Superannuation has been a constant topic for the Office since the *Superannuation Act 1922*. However, both the superannuation system and the provision of superannuation to public servants have evolved over the last century and the Office's advice has evolved with it.

The Office continues to provide advice on Commonwealth public sector superannuation. The evolution of the broader superannuation system has continued, and some will have seen the Office contribute to recent developments pertaining to the introduction of the retirement income covenant.



## When I joined the Office in 2017, the team comprised around 12 actuarial staff.

Continued demand for services since then has seen the Office grow to 26 actuarial staff in February 2023. Having been busy responding to new and growing requests for assistance, I have not reflected fully on all the causes of this trend. We do however live in an age of data. There is a growing role for actuaries to help identify recent trends and apply this information to demonstrate the implications of those trends.

The Office has provided a significant and varied contribution over 100 years. If I was to look for a single common thread that has contributed to our longevity, I would note that its endurance depends heavily on one critical foundation. This is the genuine professionalism, independence, and thoughtfulness that actuaries can bring to issues. These characteristics are not unique to the Office. They are a requirement of all actuaries and will continue to be critical over the next 100 years.

# Acknowledgements

Thank you to all those who provided input into this book.

While I have attempted to reference the sources of the information provided, I would also like to acknowledge the feedback from many people I have spoken to, or corresponded with, over the course of putting this paper together.

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- The many actuaries, particularly from the retired actuaries' groups in Sydney and Melbourne, who responded to my emails requesting their recollections of their time working at the Office, or their interactions with past AGAs. Thank you for your emails and discussions: Barry Amond, Hoa Bui, Michael Burt, John Carroll, Herbert Chan, Esther Conway, Bruce Cook, John De Ravin, Eddie Jones, Richard Madden, Trevor Matthews, David Service, Susanne Szoldra, Tim Trahair and John Trowbridge. Apologies to others I may have missed in creating this list.

Thank you to Margaret Thorburn, Rachael Cann and William Mellor for their diligent proofreading. Any remaining mistakes are solely my own. Thank you to Tim Richardson, for his support in the design of this book.

I have learnt that actuaries are a modest bunch. Most emails or conversations have started with a phrase along the lines of, 'I don't think I have much to add but I do recall ...' They have then gone on to provide a piece of information that has supported some of the history I had heard, but of which I had been uncertain, or that had provided a new line of inquiry that has almost always turned out to be valuable. It has been a pleasure to correspond with so many in our profession while writing this history.

**Guy Thorburn FIAA**

Australian Government Actuary

**January 2024**

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