Newsletter
June 2006
The Society of Actuaries in Ireland

Phelim Boyle: Financial Engineer or Actuary of the Future?

Honorary Fellow Members of the Society of Actuaries in Ireland with the President on the occasion of the conferring of Honorary Fellow Membership on Professor Phelim Boyle. Left to right: Chand Kohli, Professor Philip Boland, Professor Emmanuel Buffet, Colm Fagan, Professor Phelim Boyle, Professor Brendan Walsh, Dr. Garret FitzGerald. (Professor Alastair Wood absent from photograph)

"Phelim Boyle" is perhaps the most concise answer to the question: what has Ireland ever contributed to actuarial science? Phelim introduced Monte Carlo methods to price options, co-created the Asian option, authored almost 100 papers and wrote or contributed to several books. Aside from his famous contributions to financial economics, his publications range over the full gamut of actuarial science – from mortality to the assessment of damages in court cases, from tailoring investment strategies to life assurance accounting.

Phelim's research has been noted by many awards, including some of the most prestigious awards of the actuarial profession - the Redington Award, the Centennial Gold Medal, and the Dave Halmstad Prize. His work, though, has had more influence outside the profession and this was dramatically acknowledged in December 2005 when Phelim was named the "Financial Engineer of the Year" – an award that may be regarded as the Nobel Prize in Finance (in fact, three out of the other dozen winners also won a Nobel Prize).

Dr. Boyle qualifed as an actuary (FIA) in 1972 and would have been the 18th actuary in Ireland had he stayed. But he left his job as an actuarial student in Irish Life the previous year,

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having played a role in converting the industrial branch premiums into the new decimal system, to move to the comparatively exciting position as pension consultant at the Liverpool office of the consulting actuaries, Duncan C. Fraser & Co. However, he did not stay long in that position but moved again in 1973 to Canada, first for an academic position with the University of British Columbia and then, almost a decade later, to the University of Waterloo where he remains as the J. Page R. Wadsworth Professor of Finance. While his career change to academia was facilitated by the PhD in Relativity he gained from Trinity College Dublin in 1970, his teaching and research was always to be in finance and actuarial science.

The Society of Actuaries in Ireland celebrated Professor Boyle's career on 22nd March 2006 when Phelim was made the 7th Honorary Fellow of the Society. Inevitably, he drew a large crowd, some of whom were his former work colleagues from his student days with Irish Life. Prior to receiving his fellowship, Phelim set out in his understated manner the major threat to our profession with his address, Financial Engineers are Here to Stay.

Financial engineers use modern theories in finance, coupled with sophisticated mathematics and numerical methods, to create and manage desirable financial products. In a job brief that is uncomfortably similar to that of an actuary's, he outlined how they design, construct and price products in trading rooms, model and construct hedges, develop trading strategies to mitigate risk and build risk management systems. Quite simply, financial engineers answer a demand for sophisticated financial products, often with embedded guarantees and options.

Actuarial science, of course, used cutting-edge mathematics at the time of its genesis – probability, compound interest and mortality – to create desirable products. Like today, those products had embedded options and guarantees – the option of continuation on set terms and a guarantee on benefits. However, the limitations of the technology of the time required the pooling of money so it loses its identification with an individual, which, when coupled with the commercial requirement to add margins, created surplus and the need to allocate it. The pooling system delivers collective security but at the cost of a rough justice – and, he emphasized, often we don't know just how rough that justice is. The pooling system, with its associated lack of transparency and broad attempt at individual equity, is now out of step with market demands. Crucially, though, the guarantees that are now demanded by the market fit uneasily in the pooling system. Quoting Redington on the "thorny area of guarantees" which "attempt to borrow from the pooling system", he concluded with Redington that such developments are "naturally troublesome" in the with profits model. Dr. Boyle argued that the optimal modern contract design is unit-linked with guarantees – combining the demands for transparency and individual equity, with security provided through the guarantees.

So what toolkit, aside from mathematical aptitude, is necessary to design and manage such products? Phelim outlined the "magnificent seven" insights that financial economics has given over the last half-century (see box). Perhaps the surprise on the list is portfolio selection in continuous time, the field created by Merton, but Phelim insists that this was not there just to make up the number but that "Merton's model is as beautiful as the Black-Scholes-Merton formula" and necessary to cope with dynamic investment conditions.

Key Ideas in Finance: the Magnificent Seven

1. The No-Arbitrage Principle: two identical cashflows must have the same price.
2. Mean-Variance Portfolio Selection: if investment reward is taken to be the expected return and investment risk to be the standard deviation of returns, and we know these values, then portfolio selection is a relatively straightforward optimisation problem.
3. Capital Structure Irrelevance: the ideal capital structure of a firm (the optimum debt/equity mix) does not exist (under certain assumptions).
4. The Capital Asset Pricing Model: a theory that accounts for an individual asset's ex-ante excess return (over the risk-free rate) as related linearly to the expected excess returns from all risky assets.
5. Equilibrium: the notion that the expected return and therefore the expected price evolution of a risky asset is a function of its relationship with all other risky assets as captured by CAPM or other market pricing models.
6. The Black-Scholes-Merton Option Pricing Formula.
7. Portfolio Selection in Continuous Time: a key result is that a risk averse investor who wishes to maximise expected utility will, under certain assumptions, maintain a constant fraction of their wealth in risky assets, the fixed proportion given by the Merton ratio. i.e., [risk premium on risky assets]/[variance of risky asset returns x individual's relative risk aversion factor]

the Future? ...continued

Phelim took us through an optimal contract design he was working on with a collaborator, Weidong Tian. It was an unapologetic academic treatment that attempted to square-the-circle of a product that maximises the policyholder's utility subject to a maturity guarantee and, with a set probability level, delivers the upside of an equity index. This is a generalisation of the standard guaranteed equity tracker and he briefly explored under what conditions the product exists.

He concluded his address by arguing that financial engineers and actuaries can learn a lot from one another. While the examples he employed were drawn from insurance, his arguments carried through to pension schemes. Financial engineers are strong on technique but actuaries – the oldest risk management profession in the world – have the advantages of quality control in technical competencies, professionalism and discipline. He finished with a question: can we combine the best of both worlds?

It was clear by the end of his address that the threat to our profession was not financial engineers but our own inertia. While a young pupil in Dreenan School in County Derry, Phelim was nick-named the Bard of Armagh but his message was first put in verse by another Irish poet:

It seems again that it is time to learn,
In this untiring, crumbling place
of growth
To which, for the time being, I return.

Thomas Kinsella, Mirror in February.

Shane Whelan

International News

Group Consultatif eNewsletter

This Newsletter is an excellent summary of current international matters that are likely to affect actuaries over the next few years. It has both technical and general content. It is available on the Groupe Consultatif's website www.gcactuaries.org/enews10.html

IAA Life Section

If you wish to join the new IAA Life Section, please contact the Society.

International Presidents' Meeting

Every six months, a meeting or "forum" of the presidents of actuarial associations worldwide takes place in conjunction with other meetings of the IAA (International Actuarial Association).

The next Presidents' Forum takes place in Paris on Sunday 28 May. It will be focusing on six topics identified at its last meeting as key priorities for the IAA and its member associations:

- Actuarial involvement in banking and financial management
- Risk management
- Education and CPD (including the proposed development of an International Actuarial Education Programme)
- Branding and marketing the actuarial profession
- Operations and governance within the IAA (including the relationship between the IAA and its member associations around the world)
- Value added by the IAA

The Forum will be attended by presidents of 48 actuarial associations from all over the world, including Colm Fagan, representing the Society of Actuaries in Ireland.

Trusteeship Debate

On 2 March, the President Colm Fagan chaired a debate on Trusteeship in Ireland. Jimmy Joyce and Patrick Burke spoke on the proposition that "Trusteeship Contributes Positively to Pension Scheme Governance" while David Kingston's and Ciaran Long's proposition was that "The Trusteeship Model Requires Fundamental Reform."

Jimmy Joyce

Jimmy outlined that, in his experience, the current trusteeship model had a positive effect and that the involvement of trustees assisted in good governance of schemes. He felt that trustees should seek the advice of experts, as necessary, and engage in robust dialogue with those experts to ensure that trustees are provided with all relevant information required to carry out their role.

One of the trustees' key roles is to provide security for members' accrued benefits and to ensure pension schemes are managed separately from the business of the employer. In the absence of trustees, this independent role would be removed and any changes undermining trusteeship may result in the removal of independent intermediaries.

Jimmy felt that the greater questioning of the role of the trustee was partially as a result of a desire to look for a scapegoat for recent problems experienced by Irish pension schemes and that this was unproductive. Instead, he believes it is important to accept that it was a combination of circumstances that had led to the current problems rather than a failing of any particular party.

He felt the role of the trustee was to act as sceptical questioner of the adviser and that the problems which had arisen in the industry as of late were primarily due to the general structure of the Irish model rather than necessarily trusteeship in itself and that, in the current environment, trustees have a valuable role to play in managing the risks associated with pension schemes.

He stated that, in the current climate, trustees should ensure that they do not play a passive role and they should become more engaged in ensuring the good governance of schemes. To do this effectively, trustees would need the assistance of the various experts associated with the running of pension schemes.

Jimmy stated that there was also a conflict between the amount of information that was provided to members and the associated costs. In some cases, he felt that the regulator was putting too much emphasis on providing information which was of limited use but which substantially increased the costs associated with running the pension scheme.

Overall, Jimmy's view was that the role of the trustee was now more useful and relevant than ever before and that, while there were alternative models, trusteeship still provided the best option and that this was equally as applicable to defined contribution plans.

David Kingston

David spoke in favour of the reform of the trusteeship model. He felt that, prior to the last 5-10 years, there had been a great amount of stability within the pensions industry. However, in recent years there had been significant changes and in light of the new circumstances there was a need to review the existing trusteeship model.

Within the trusteeship model David saw a marked contrast between large schemes and small schemes and felt that for small/medium schemes the trusteeship model was not working very well. He felt that, in light of recent changes, there needs to be significant re-examination of the role of the trustees and also how they interact with the employer.

His contention was that rather than trying to act as the management of a pension scheme, the trustees would be better acting in an oversight role i.e. effectively acting as a non-executive director would do within a normal company management structure. He felt that while the trustees did not have the capacity to make detailed financial decisions themselves, they were strongly positioned to question and query those decisions made by the management of the company or, in this case, the management of the pension scheme and play a useful role in this capacity.

He suggested that while this role had been well fulfilled in the case of some large pension schemes, as schemes get smaller this process becomes far less satisfactory. He also felt that in many such cases the trustees may not fully understand the risks and as such the current role of the trustees acting as the management of a pension scheme is not suitable.

As a result, David believes a change should be made to the role of trustees to address the fact that the trusteeship model is not working for a vast majority of Irish pension schemes and requires significant reform.

Patrick Burke

Similar to Jimmy, Patrick spoke in favour of the existing trusteeship model.

His view was that trustees, as an independent group, have a valuable role to play and that they are well placed to manage the risks associated with pension schemes. He stated that given the current focus on good governance, the trustees had a far greater role to play in pension schemes going forward than heretofore. He noted that in present circumstances, where legislation and regulations are becoming far more complex, the trusteeship model offered the flexibility and the independent capacity to deal with these matters effectively.

He stated that this view was supported by a wide variety of reports and investigations carried out around the world and in particular the Myners review in the UK which found that the trust based model provided the framework for good governance and protection of members' rights.

He felt that if we adopted a contract based model to replace trusteeship there would be far more complications than under the trusteeship approach and that the positive features of the existing model would be lost.

In Patrick's view, pension schemes (and especially defined benefit schemes) have changed very rapidly over recent years. As a result, some of the fundamentals that actuaries and other third parties involved in managing pension schemes had understood for years had changed quite quickly. Within this flux the trustees were not experts and had no greater wisdom than the other parties involved in pension schemes and Patrick acknowledged that the effect of these changes was to put greater pressure on the trusteeship model.

However, he still felt that the trusteeship model provided the best available approach. It provided a degree of flexibility and adaptability by giving the trustees the discretion to deal with issues as they arise. It also meant that they could be in a position to make difficult decisions and deal with the various pressures as independent bodies outside the direct influence of the company and/or the members. He said that while the trusteeship model was the best available, it does need help. In their role as protector of the members' interests, the trustees need to get a greater degree of assistance from the advisers of their pension scheme.

In the case of defined contribution schemes, Patrick felt that if trusteeship was removed then this would lead to the over regulation of small defined contribution schemes and that it would remove an important resource for pension scheme members.

His view was that there was not a need for fundamental reform of the existing trusteeship model but there was a need to evolve the existing system of trusteeship. He felt, overall, that there was scope to improve the trusteeship model for defined benefit schemes to make use of the degree of flexibility and that, for defined contributions schemes, the legislative or contractual route was simply not adequate to properly safeguard members' interests.

Ciaran Long

The last speaker was Ciaran Long, who along with David, spoke in favour of reform of the trusteeship model. Ciaran felt that trusteeship was a large barrier to expanding pension coverage in Ireland.

His view is that trusteeship is no longer suitable to deal with the current environment facing Irish pension schemes. He acknowledged that while there is a role for trusteeship in large defined benefit schemes, there is a need to review the existing structure for those schemes. Within defined contribution schemes he felt that there is no longer a role for trusteeship, particularly for the smaller sized schemes which are more typical in Ireland. However, Ciaran did feel that the super trust concept recently advocated by the National Association of Pension Funds in the UK and in operation in Australia had some merit and would benefit from some further debate in the Irish context. He felt that the key issues that demonstrated why fundamental reform was needed were the issues of pensions coverage, the degree of regulation, simplification and also the current position of trusteeship.

He felt that it was very difficult under the existing regime for small businesses to deal with the complexities of the current trusteeship model. In many such businesses, one employee effectively combines the role of CEO, financial manager and HR manager and does not have the capacity to try and deal with the various complexities of pension matters. For these businesses (which are very prevalent in Ireland), the trusteeship model is not working.

Ciaran felt that, in reviewing pension coverage, the danger is that we end up looking at larger companies rather than trying to understand the real world of surviving within a small business environment. Instead of focusing on the needs of smaller employers we assume that all employers have HR departments and/or pension managers who can manage complicated pension schemes, operate trusts and still be able to focus on their own business.

Instead he advocated a simpler contractual model for these businesses broadly along the lines of an SSIA type model with no trust, no complex tax relief system - just simple personal contracts. He felt that there was an over fixation on costs and consumer protection by having excessive legislation for low cost

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Trusteeship Debate...continued

products - no one actually wants to sell or provide these products and as a result there is no one buying them. He felt that the second problem is that there is too much complexity forced on these models by the regulator and then, effectively, no consumer can understand them.

Discussion

At this point the debate concluded and the topic was opened to the floor.

Overall, there was a general view that trusteeship worked well for large defined benefit pension schemes. However, there was a feeling that for small arrangements a PRSA or regulatory approach might be better suited to meet the needs of these employers and employees. It was also noted that the Australian model may combine many of the better features of trusteeship combined with the lower costs associated with a large scale model.

There was further recognition that amongst smaller employers the current model did result in higher administration costs. However, for the larger schemes, trusteeship did provide a greater degree of governance and corporate control and, in many cases, what we need to be looking at is the balance of powers so as to ensure that the employer has sufficient power and authority in the trust deed to facilitate the running of their pension schemes, rather than being excessively driven at times by the trustees.

Before rounding off the debate with a vote (or two!), Colm thanked each of the speakers for a thought provoking meeting. In particular, he thanked the only non actuary, Patrick Burke (a lawyer), for participating.

The Vote

In the end it was agreed that two separate votes would be taken; the first was that the role of trusteeship in defined benefit schemes needed substantial review. This motion was strongly rejected. The second was that there was a need for reform of the trusteeship role in defined contribution schemes and this motion was narrowly carried.

Ollie Coakley and
Kieran Manning

SAI Report on Professionalism Issues for the IAA Professionalism Committee Meeting

Paris – 27 May 2006

The above report, which is available on the members' section of the Society's website, gives an update on the following items:

- Standard-setting;
- Membership of the UK actuarial profession;
- CPD scheme;
- Practising certificates;
- Disciplinary scheme;
- Professional conduct standards;
- Compliance monitoring for scheme actuaries;
- Conflicts of interest; and
- Guidance review.

European Insurance Forum:
March 15-16 2006

Left to right: Alex Tully (Irish Financial Regulator); Tom Doran (Chairman, DIMA); Sarah Goddard (CEO,DIMA); and Stephen Devine, Transamerica

Given Ireland's increasing importance in the Global Insurance and Reinsurance Market, it was perhaps timely that the European Insurance Forum returned to Dublin in mid March 2006. Hosted by industry group DIMA, this year's theme was insurance markets in an uncertain world. The two day event's overriding theme was how the increase in natural catastrophes has affected the global insurance and reinsurance market.

Topics discussed included how to minimise both human suffering and insurance losses stemming from these natural catastrophes. It considered threats made to global stability by terrorism. The forum also included sessions on life securitisations, reinsurance regulations and corporate governance.

The Society of Actuaries had no official involvement in the conference but Life actuaries Stephen Devine and Ciara Regan presented sessions on Reinsurance Regulation and Critical Illness respectively.

On perhaps a less insurance and/or actuarial related theme, former commander of the British Army's Special Air Services Tim Collins shared some of his views on global terrorism. In addition Mike Pickens, US insurance adviser to the Iraqi Government, and Peter Dobbs, Kidnap and Terrorism Specialist from Aon, also spoke on the less publicised areas of Kidnap and Ransom Insurance.

Alex Tully spoke about the Financial Regulator's objectives with respect to the introduction of reinsurance regulation. He stressed that Ireland's early adoption of the Reinsurance directive would "constructively assist reinsurance towards full compliance and provide more certainty in the market place". A further key plank of the implementation was the requirement for actuarial certification of Reinsurance reserves for Life and non–Life business. Currently only direct business requires actuarial certification. This is an area where the Irish Financial Regulator is working closely with the Society of Actuaries.

Patrick Grealy

For further information on the topics covered, including the slides and presentations made at the European Insurance Forum, please visit the website

www.europeaninsuranceforum.com

As Patrick outlined in his article, the topics are varied and make for interesting reading.

Modern Liability Management Techniques

Introduction

An evening meeting to discuss "Modern Liability Management Techniques for Defined Benefit Pension Funds" was held on the 4th April 2006 in the Burlington Hotel. The meeting was well attended and the speakers, namely Eamonn Liddy, Brian Griffin, Colm Fitzgerald and Pat Ryan generated an interesting meeting with the material they presented.

The speakers discussed the recent emergence of new products and techniques which could prove useful in helping companies and trustees manage their defined benefit pension liabilities. The presentation focused on the various instruments which could enable pension schemes to reduce risk relative to liabilities without compromising the expected return on the asset portfolio.

Presentation

Eamonn Liddy shed light on the two major drivers behind the recent developments in the derivatives market:

• Growth in Supply

In recent years, there has been a significant growth in the fixed interest and derivative markets both in the Eurozone and around the world. Investors are no longer limited to investing in conventional bonds issued by a small list of issuers. They can now choose from a wide universe of fixed interest assets restricted by their own requirements (e.g. currency, duration, liquidity). Similarly, derivatives are now more accessible to investors. As a result, it is now typically easier, cheaper, more efficient and more flexible to obtain equity, bond, property and cash returns using derivatives rather than investing in the underlying assets themselves. This evolution has now reached the pensions industry.

• Growth in Demand

The growth in demand for various derivative related products and techniques has been fuelled mainly by sponsors and trustees in their quest to measure and manage investment risk and consultants in their drive to aid clients eliminate "unrewarded risk".

Before investigating the types of investment instruments that are most likely to be of use to Irish pension funds in managing their liabilities, one needs to understand the risks. The sensitivity of pension scheme liabilities to real interest rates and inflation needs to be measured. The sensitivity to interest rates can be captured through the concepts of:

- "Duration" – the weighted average time to each of the cashflow points; and
- "Convexity" – the rate of change of duration with interest rates.

In an ideal world, the asset portfolio of a pension scheme should exhibit equal or greater convexity to that of the liabilities.

For most pension schemes a portfolio of assets designed to exactly match the liabilities will comprise both conventional and inflation linked instruments. For particularly longer term liabilities, this portfolio would have to include synthetic assets created through the use of derivatives. This, essentially, is where the need for sophisticated product solutions comes into play.

When looking at a typical scheme's "Risk Budget", it can be seen that approximately 50% of the overall volatility of the funding level relates to asset-related factors. The remainder of the uncertainty around the funding level arises from movements in the liabilities through movements in bond yields (real yields or inflationary expectations).

For pension fund trustees and/or sponsors, there are several ways of reducing the exposure to risk:

1. Move assets from equities to bonds – this would reduce the equity risk but also reduce the expected return on assets.

2. Diversify the equity risk – this would reduce the overall risk but not compromise the expected return on the portfolio. There is a limit to the amount of risk reduction that can be achieved here.

3. Change the type of bonds in the existing portfolio to be appropriate to the scheme's liabilities – this approach reduces to some extent the risk relating to bond yields. The move to a different type of bond portfolio could be achieved by a physical movement of assets or through the use of swaps.

4. Remove the interest rate and inflation risk by hedging such risks across the entire liability base, i.e., implement a swap overlay that "hedges the liabilities" without affecting the asset portfolio.

Steps 3 and 4 above are both steps that do not compromise the portfolio's level of expected return but would have a significant impact on the level of risk relative to the liabilities. Both of these steps are aided significantly by the emergence of swaps and other solutions in common use.

Brian Griffin, in his portion of the presentation, defined a swap, how they work, how they can be used within a pension fund and some of the implementation issues with using swaps.

A swap is an agreement between two parties to exchange cashflows in the future. A typical agreement for an interest rate swap entails the payment of a fixed rate of interest by one party and a floating rate of interest by the other party, calculated on a defined amount of notional principal and having a defined maturity. Swaps can be constructed in different ways to yield different cashflow profiles, for example, it could be customised to resemble a ten-year zero-coupon bond. In order to reduce the counterparty risk it is important for each party to enter into collateral agreements whereby any mark-to-market value on the swap is posted to a collateral account.

for Defined Benefit Pension Funds

Activity in swaps has increased rapidly in recent years and it is now possible to create all types of customised swap transactions at competitive rates. However, it is important to have expertise in pricing these instruments or at least the advice of someone with such expertise.

Modern derivative techniques enable pension funds to match the interest rate risk inherent in liability profiles significantly more precisely than the "traditional approach". The approach referred to as "cashflow matching" provides a much closer and effective hedge than duration matching.

There are various products and techniques available to pension funds when entering into the swap market.

Two of the main techniques are the:

- **Pooled Fund Approach**

These products are provided by the investment manager and offer pension funds the opportunity to address interest rate and inflation exposures through the use of pooled funds within the framework of a conventional investment management agreement. The two different pooled fund approaches are known as:

1. Duration "Bucket" Bond Funds
2. Leveraged "Bucket" Bond Funds

- **Segregated Approach**

The main difference between this approach and the pooled fund approach is that the pension fund buys the assets in its own name and contracts directly with the swap counterparties. The segregated approach allows the scheme scope to retain its allocation to equity, property and other asset classes.

While swaps appear to be a good tool which sponsors/trustees can use to reduce the exposure to interest rate risk, there are, however, a number of implementation issues that would need to be addressed before any contracts were signed. They are summarised as follows:

- **Legal issues**
  - Pension fund constitutive documents – do they allow the use of derivatives and swaps?
  - What are the counterparty credit rules?
  - Is collateralisation allowed?
  - Who will implement and administer the strategy?
  - Mandating the investment manager to fill this role
  - Implementing an investment management agreement

- **Operational issues with segregated approach**
  - Choosing single or multiple swap counterparties
  - Price verification requires technical expertise
  - Who will trade the swaps with the investment bank?
  - Swap documentation
  - Swap valuation
  - Collateral management
  - Ongoing adjustments to the overlay portfolio

Discussion

The lively discussion centred around a desire for the audience to gain a better understanding of what is a very complex process. It is essential that the investor has the expertise to use and/or understand derivatives markets in order to ensure value for money. Therefore, it is essential for pension fund actuaries to climb the learning curve as quickly as possible.

Brian Connaughton

Appointment: Chief Executive, HIA

Liam Sloyan

1. What is your role in the Health Insurance Authority (HIA)?

I'm the Chief Executive – basically, my role is to manage all the different functions of the Authority and to assist other staff so that we can provide a good service in relation to the regulation of the health insurance market.

2. Tell us about your career to date?

I joined New Ireland straight from school in 1988 and worked there for the first four years of my career. I had always wanted to go to college – so in 1992, I bit the bullet and went to UCD to study mathematics and physics.

Once I graduated I worked as a consultant, mainly for Bank of Ireland Life and Life Strategies. Then in 2002, I joined the HIA as Head of Compliance Services and was appointed Chief Executive in March of this year.

3. How do you see your role developing with the HIA?

The overall development of my role will depend on many other external factors that are currently facing the HIA. Late last year the Tánaiste, following a recommendation from the HIA, decided to commence risk equalisation payments in the health insurance market. This decision, as well as other matters relating to risk equalisation, is now being challenged in the courts. The outcome may determine a considerable part of my work in the foreseeable future. If the risk equalisation regulations as well as the actions of the State, the HIA and the European Commission are successfully upheld in court, then we will need to start administering payments under the regulations.

Regardless of the outcomes of these legal cases, my job is already developing at a fast pace and there is a lot to keep me busy. For example, we are working with the Competition Authority to conduct a joint study of competition in the health insurance market. All in all, it's an interesting time for us here.

4. What constraints do you envisage in the development of your role?

On entering the public sector, one thing that might appear to be a major constraint is the emphasis on process. It never seems sufficient just to accomplish a task, the way in which the task is accomplished is also important. This is very much the case for the HIA, across a range of areas from our core functions to matters such as recruitment and purchasing. While this may appear to be a constraint, I soon came to realise that if we are to serve the public, then it is appropriate that transparency and process exist so that the public can have confidence in our work.

New Qualifiers' Reception in Dublin Castle

Left to right: Gordon John Kearney, Ashlin Noonan, Anita Rose Graham, Tracy Higgins, Fiona Mary Denvir, Paula Florina Iencean, Jennifer Loftus, Colm Fagan, Richard Anthony McMahon, Julia Moore, Edward Guiney, Donal Joseph Keating, Kevin Begley, Mairead Coleman, Patrick Needham and Emer Cunningham.

The Member Services' Committee recently decided to change the format of our reception for new qualifiers and hold a separate event appropriate to the importance of the occasion. On 6 April we held the first of such events by hosting a reception in Dublin Castle for those who qualified from the September 2005 exams. It was a very enjoyable occasion with 15 new qualifiers being presented with their FSAI parchments by the President, Colm Fagan. The recipients were accompanied by family and friends. Professor Philip Boland of UCD and Professor John Appleby of DCU were present to meet some of their former pupils. Council members along with all the Officers were present to congratulate the new qualifiers. In his address to the new qualifiers, Colm Fagan warmly welcomed them as Fellow members of the Society and encouraged them to become actively involved in their Society by participating in working parties or even just by attending events organised by the Society. Colm also stressed the need for them to use their FSAI letters when letting people know their professional affiliation.

Dinner for Retired Members

The inaugural dinner for Retired Members of the Society was hosted by the President, Colm Fagan, on 12 April in the Kildare Street and University Club. From feedback received following this dinner, it would be wise for incoming Presidents to pencil this event into their diaries.

SAI Professionalism Course 2006

The dates for the Society's Professionalism Course have been changed to the 17th & 18th October. The course will be held in the Marriott Hotel Druids Glen, Co. Wicklow. Application forms are available on the Society's website www.actuaries.ie / Careers & Education / Professionalism Course.

Society Member in New Short Story Collection

Attention all actuarial readers! An author from our Society has made his debut in a just-published collection of short stories from new Irish writers. The collection is entitled "Off The Edge", and features short stories from twenty different writers, the majority being published for the first time.

Ireland's actuarial representative in the collection is Thomas Quigley, from Segrave-Daly and Lynch Limited in Dun Laoghaire, with a story called "Winds of Change". In his "other life", Thomas is a top inter-county Gaelic Football referee, and refereed the All Ireland Minor Football Final in Croke Park in 2004, when Tyrone defeated Kerry. Last year, he was linesman for the All Ireland Senior Final between the same two counties. So far this year, he has refereed 3 National League games (in Tralee, Newry and Arklow), the All Ireland Senior Club semi final between St. Galls of Belfast and Nemo Rangers of Cork, and is expecting to be busy during the Senior Championship which has just commenced.

"Off The Edge", with Thomas' story (and 19 other very varied and entertaining ones) is on sale in Easons and all good bookshops, priced at €9.99. However, Thomas has a number of reduced-price copies available, which he is happy to make available to Society members on a first come, first served basis. He can be contacted at: thomas.quigley@sdlactuaries.com

Thomas has set a quiz and the winner will receive a signed copy of his book.

Golf

- **Matchplay Competition**
  This competition has now commenced. Good luck to all!

- **Captain's Day**
  Thursday 27th July – Grange Golf Club

Actuarial Quiz

Question 1

The initial letters of the first names of Ireland's 1st, 2nd, 3rd, 4th and 6th Presidents can be rearranged to spell a topical killer. What is it?

Question 2

S = 16
V = 23
Y = 39
W = ?, and supply explanation.

Question 3

What is the overall sum of the individual years in which the following died:
Emily Davison, Patsy Cline, James Dean, Princess Diana, Marilyn Monroe, Wolfe Tone, Van Gogh, Karen Carpenter, Phil Lynott and Sigmund Freud?

Question 4

1 = F
2 = W
3 = L
4 = U
5 = ?, and supply explanation.

Question 5

What is the product of the STD codes for the cities of Dublin, Cork, Limerick, Waterford and Galway?

Question 6

10 = T
20 = C
30 = P
40 = R
50 = ?, and supply explanation.

Question 7

The initial letters of the capitals of Mongolia, Chad, Madagascar, Senegal, Tibet and Corsica can be rearranged to form the name of another capital city. Which one?

Question 8

70 = I
74 = S
80 = I
82 = G
85 = N
88 = S
95 = ?, and supply explanation.

Question 9

If A = 2,6,21 and C = 22,24,30,39,42 then B = ?, ? and ?, and supply explanation.

Question 10

AH = 82
DT = 85
?? = 97, and supply explanation.

Member's Name:

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Contact details:

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Email your answers to info@actuaries.ie or post to the Society by latest 23rd June.

On the Move

Fellow Members	**Munro O'Dwyer** has moved from Hewitt Associates to **PricewaterhouseCoopers** **John O'Connell** has moved from Mercer HR to set up **Trident Benefit Consulting Ltd.**

Society of Actuaries in Ireland
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