



25th Anniversary

This year marks the 25th anniversary of the foundation of the Society of Actuaries in Ireland. When the Society was founded on 3 May 1972 it numbered only seventeen actuaries then working in Ireland. In the intervening period the profession in Ireland has grown rapidly and the Society membership now totals 467, of which 160 are student members.

Looking back over the past twenty-five years, a key milestone of the Society was its incorporation as a professional body on 2nd June 1988. In April 1993 the Society issued its Memorandum on Professional Conduct and Practice and the rules governing the Disciplinary Scheme as provided for in the Memorandum.

Since its foundation there have been a number of major developments affecting the environments in which the Society's members work.

On the life side, the statutory requirement for the Appointed Actuary of a life office to be a Fellow of the Society was introduced by the Framework Regulations in 1994. On the Pensions front, the Pensions Act 1990 provided that a representative of the actuarial profession from a nominated body be included on the Pensions Board. The Minister subsequently nominated the Society for this role. When the Society was founded there were no actuaries working in general insurance. The situation is very different now with a growing number of general insurance actuaries playing a significant role in the Society.

The desire of the Society to pioneer new developments is particularly evident from the many excellent papers that have been produced by both individual members and working parties over the years. From early papers such as that on 'Maturity Guarantees' by Tom Collins and Colm Fagan to the recent prize winning 'Derivatives' paper the standing and influence of the Society has been enhanced. Other major papers covered topics such as unit pricing, critical illness, the Insurance Accounts Directive and pension fund investment to name just a few.

On the education front, the Society was delighted to encourage and support the establishment of actuarial degree courses in University College Dublin and Dublin City University which have proved to be very successful. More recently the Investment and Finance Committee in conjunction with DCU have organised both a Diploma and an M.Sc course in Financial Mathematics. This initiative should enable the actuarial profession in Ireland to further develop its leading role in the application of mathematics to the management of finance and risk.

Turning to wider fields, the Society has now established a Healthcare committee which has produced its first paper, 'Private Health Insurance in Ireland: Challenging Times'. Shane Whelan's paper 'The Value of The Irish Pound', presented to the Society recently, proved to be both timely and topical in what is not considered to be a traditional actuarial area.

Internationally, the Society is an active member of both the Groupe Consultatif des Associations d'Actuaires des Pays des Communautés Européennes and the International Forum of Actuarial Associations. Last September the Society successfully hosted an international actuarial convention for the first time when the Annual Colloquium of the Groupe was held in Dublin.

The Society celebrated the achievements of the last twenty-five years at a special 25th Anniversary Ball in the Conrad Hotel on 24th May. Members and their guests enjoyed an excellent evening which included a presentation by Bill Hannan to eight founding members present and four widows of founding members. Bob Willis responded on behalf of the founding members and wished the Society every success in the future.

A seminar looking forward to the next twenty-five years will take place on September 18th. Advance notice of the details of this seminar are included in this mailing and all members should mark this date in their diaries.

Marese Hussey

NEW AIDS RESERVING GUIDELINE

There have been recent substantial changes in life office reserving requirements for additional mortality due to AIDS. This follows a similar change in the UK, and results from a slowing in the growth of the number of new AIDS cases.

The number of new cases reported in most countries is far less than was feared in the early 1990s. Indeed, in many countries, the incidence of new AIDS cases has almost stabilised. The following table shows the progression of AIDS cases per million of population, (adjusted for reporting delays) classified by year of diagnosis, in various European countries:

REPORTED AIDS CASES PER MILLION						
Country	1990	1991	1992	1993	1994	1995
Spain	96.8	112.4	123.8	132.8	179.7	176.2
Italy	54.9	66.9	74.5	84.2	97.5	100.4
France	74.2	79.4	87.6	92.7	96.4	88.7
Switzerland	86.3	83.7	98.4	92.8	94.8	81.5
Netherlands	28.0	29.6	33.5	30.4	30.3	32.1
UK	21.6	23.9	26.9	30.0	30.5	29.6
Belgium	20.5	25.5	24.5	24.9	25.2	23.2
Germany	18.8	20.9	21.9	22.4	22.8	20.4
Ireland	18.3	20.5	19.9	21.0	20.3	14.9

Source: WHO-EC Collaborating Centre on AIDS

The overall numbers continue to suggest that the Irish experience is similar to that of the UK, although at a lower level. However, there is a substantial difference in the distribution of AIDS cases over the various risk groups, as shown in the following table:

Percentage of adult/adolescent AIDS cases by transmission group reported by 30 June 1996		
Transmission Group	Ireland %	UK %
Homo/bisexual male	35.9	71.6
Injecting Drug User (IDU)	43.6	6.1
Homo/bisexual and IDU	1.7	1.8
Haemophilic/Coagulation Disorder	5.7	4.4
Transfusion Recipient	0.0	0.9
Heterosexual Contact	12.0	14.2
Undetermined	1.0	1.0

Source: WHO-EC Collaborating Centre on AIDS

The Society's AIDS Working Party in its 1991 report stated that:

"A prudent working rule might be to assume that Irish experience converges to UK experience over the next decade from an initial level of around 70%. As UK guidelines evolve the rule may be applied to the revised guidelines unless evidence emerges that Irish experience is not converging to UK experience."

There have now been two substantial downward revisions in the UK Government Actuary's guidelines: from Basis R with no reduction from peak levels (December 1989) to Basis R6A with no reduction from peak levels (September 1993) and now to one-third of Basis R6A (October 1996).

The Society's AIDS Working Party continues to believe that the convergence rule outlined above is valid, in the light of the new UK recommendation. The Department of Enterprise and Employment has written to life office appointed actuaries advising that in general a change in reserving similar to that approved in the UK may be implemented here.

ACTUARIES AND DERIVATIVES

Malcolm Kemp visited the Society on Wednesday 23 April to present his paper on "Actuaries and Derivatives"

The paper was divided into three sections i.e. the reasons for writing the paper, a section on the pricing and valuation of derivatives and finally some thoughts on the role for actuaries in the derivatives market.

As an introduction, Malcolm gave a brief description of the various types of derivative instruments in existence, from futures, forwards and swaps to call options. He also mentioned the existence of quasi-derivative items such as convertibles and with profit contracts.

He then went on to discuss the main uses for derivatives which centre on asset allocation, strategic risk management and individual share strategies. He suggested that investors would buy futures rather than direct shares to avail of a cheaper, quicker and more liquid market. He gave some examples of the use of derivatives for strategic risk management which he argued is essentially a form of insurance. He said that, in his opinion, actuarial expertise was being side-lined in this area of activity.

Malcolm then spoke on the more technical side of the subject i.e. the pricing and valuing of derivative instruments. The underlying theory in this area centres on a market value approach and is based on the principle of no arbitrage i.e. the fact that the same price should be paid for the same cash flow regardless of the type of instrument involved. This results in the use of the yield on a zero coupon bond forming an underlying part of the value calculation.

Having established the benchmark yield to be used, the other factor is the fitting of a probability distribution to the possible future cash flows. He mentioned that log normal type distributions are often used as is the case with the Black-Scholes method. He touched on some of the problems underlying the theory e.g. jumps in market values, the uncertain volatility of markets and the existence of transaction costs.

In the final section of the paper Malcolm dealt with the possible role for actuaries and the need for actuaries to try and hold on to this territory.

There is a lot of evidence of other market practitioners encroaching on what would traditionally be considered actuarial areas of activity.

Malcolm still sees opportunities for actuaries in the areas of reserving, advising on credit risk and controls for derivative traders.

However he said that the most common involvement of actuaries with derivatives is on the marketing side e.g. in selling derivatives to their actuarial colleagues in insurance companies and pension funds.

Malcolm ended his talk by saying that he was concerned about the future for actuaries in this area as many bright non-actuaries were getting involved and essentially using actuarial techniques.

A wide ranging discussion then followed which covered areas such as the lack of an intermediate qualification, the possibility of the derivatives market causing a melt down in the underlying stock market and the advantages derivatives offer for insurance companies in terms of solvency protection and transfer of risk.

Stephen Doyle

COUNCIL FOR 1997/98

President: Bruce Maxwell / **Vice-President:** Jimmy Joyce / **Honorary Secretary:** Stephen Doyle

COMMITTEE CHAIRMEN

Constitution	Bill Hannan	International	Bruce Maxwell and Jim Kehoe
Education/CPD	John Caslin	Investments	Pat Healy
Finances	Yvonne Lynch	Life	Jonathan Goold
General Insurance	Conor Malin	Pensions	Philip Shier
Healthcare	Aisling Kennedy	Public Relations/ Communications	Paul Duffy

GOLF RESULTS

*The annual Golf Outing was held in Luttrellstown Castle on Wednesday, 14 May.
The results of the Captains' Prize are as follows:*

First	Piers Seagrave-Daly(13)	42 points
Second	Tony O'Riordan(18)	37 points
Third	Donal Casey(4)	35 points
Fourth	Martin Keane(16)	35 points
Best Front 9	Eamonn Heffernan	20 points
2nd in the Front 9	Frank Downey	18 points
Best Back 9	David Harney	19 points
2nd in the Back 9	Brian Farrell	19 points

** The Visitors Prize was won by Pat Burke (14) with 34 points.*

** The Matchplay competition was won by Martin Keane who beat Tony O'Riordan in the final after a sudden death playoff on the 19th.*

Congratulations to all winners!

*The Society's Submission to the
Pensions Board on the
National Pensions Policy Initiative -*

This document is available on
request from the Society's Office.

The Society's Office
will be closed for holidays
Monday 23rd - Friday 27th June 1997



**SOCIETY OF
ACTUARIES
IN IRELAND**