



Newsletter

The Society of Actuaries in Ireland

December 2001

Editorial

Welcome to the December 2001 newsletter. Many thanks to all of those who replied to our Christmas puzzle on the website. To put everyone out of their misery, the solutions are now on our website. Our winner was announced at the Christmas drinks in The Stephen's Green club on the 12th December.

There is a strong emphasis on actuarial certification, and actuarial responsibilities in general, in this edition of the newsletter and we hope that many of you will find our account of the discussions on the issues of interest. The Society would like to thank those who have been involved with the various working parties and committees over the last year to progress these issues.

While we take a break over the Christmas period, the calendar of events for next year is already filling up. The PR/Communications Committee will continue play an active part in promoting the Society next year. Our Chairman for 2001, Sean Casey, has stepped down from the committee to concentrate on his role as Chairman of the Life Committee. Dervla Tomlin takes over from Sean on the PR/Communications committee. Many thanks to Sean for his contribution over the last year and best wishes to Dervla in her new role. We wish all our readers a very Happy Christmas and a peaceful New Year.

Articles for the future editions of the newsletter are always welcome and can be sent to either Frances Kehoe, Michelle Roche or Mary Butler. The next issue will be in February, 2002.

Merry Christmas



Consultation Meetings on General Insurance Actuarial Certification

Actuaries get excited about Reserving!!!

Two lively constructive meetings have taken place in recent weeks as part of the consultation process regarding the introduction of Actuarial Certification of General Insurance Reserves. Both were well attended and have resulted in various changes to the guidance itself - GN20(ROI) - and the requirements around qualification for practising certificates.

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Consultation Meetings on General Insurance Actuarial Certification continued...

The DETE has introduced a requirement for certification of actuarial reserves from year-end 2001, i.e. this year. In order to do this an actuary must be a fellow member of the Society and follow the Society's guidance. The Society has charged a sub-committee of the General Insurance committee with the task of devising appropriate guidance and rules for granting of practising certificates. This sub-committee, under the chairmanship of Paul Duffy, has carried out sterling work over recent months. The purpose of the meetings was to share the draft work and obtain feedback on any contentious issues.

Round 1 - 13/11/2001:

Paul and the other members of the sub-committee opened the meeting by outlining the approach used to draw up the draft documents. The over-riding goal of the sub-committee was to safeguard the profession. Guidance is by general principles with a relatively onerous requirement to maintain an audit trail that another actuary could follow. The position in Australia, the US and the UK has been considered.

GN12 is the basis of the data sections in GN20(ROI). Peer review was considered and seen to have benefits but left out until the Society's position is clearer. Collective judgment will be provided by the Society on issues with considerable uncertainty, e.g. the McEneaney judgment. Much of the debate focused on the Practising Certificate rules, with a number of individuals pointing out anomalies. Issues touched on included the rigorous standard being demanded; peer review/ mentoring; special consideration of captives and overseas business; the impact on individual actuary's career paths and related succession planning for companies; competence versus experience and the need for retraining. The consensus seemed to be that a better balance needed to be struck between safeguarding the profession and constraining individual actuaries.

Round 2 - 21/11/2001:

Paul Duffy opened the second meeting by pointing out various drafting changes made in response to points raised. A different set of issues was subsequently raised.

Chief among these were possible inconsistencies between the DAS & DETE certification of data, and between the valuation principles and accounting principles, possibly leading to statutory versus solvency bases; potential conflicts of interest for directors; the need to use more than one projection method, even for short-tail classes; the need for sufficient relevant CPD to be provided by the Society; the process for becoming a Signing Actuary, including indications of likelihood; reliance being limited to the regulator, not auditors; finally, and somewhat flippantly, € rounding of fees.

The next step in the process was the EGM on Wednesday, 12th of December 2001. An update on this meeting will be included in the next Newsletter.

Members of the General Insurance Sub-Committee: Paul Duffy (chairman), George Maher, Pat Healy, David O'Connor, Peter Copeman, Bill Hannan, Brian Huston.

Joe Kennedy

PRE Aspects of Cross Border Life Assurance

The paper, by a Working Party of the Cross Border Life Committee, was presented on the 7th of November, 2001 to a full house of 50 or so actuaries and guests at The Stephen's Green Club. The Cross Border Life Committee was set up earlier in the year to consider matters of special interest to cross border companies based in Ireland. It quickly became evident that PRE was a particular difficulty for cross border companies.

Sheelagh Malin and Marese Hussey introduced the paper which starts with a review of Irish and UK legislation, guidance and other material relating to PRE. The other material included a Society leaflet on the role of the Appointed Actuary,

reports from a UK Working Party into PRE in the 1990's, the AXA and Equitable UK court cases, and the Corley report. It was strongly evident that the concept, whilst part of many actuaries daily work, was not well defined and was capable of various interpretations.

Sheelagh also covered the extra challenges to Appointed Actuaries of companies selling cross border from Ireland. As currently written, GN1 applies PRE to all business written from Ireland.

Marese then covered the recommendations of the Working Party which briefly were:

- PRE should have a documented defined scope (to stop the definition growing over time).
- The roles of the company and the Appointed Actuary in relation to PRE should be clearly defined (the view of the Working Party was that the company "owns" PRE).
- The Society should develop a set of benchmark standards for policyholder communication and for quotation projection bases, against which the Appointed Actuary would report to the company board on an annual basis. (This would have the effect of documenting the reasons for

PRE Aspects of Cross Border Life Assurance continued...

departures from the benchmark standards, giving clarity and possibly raising standards).

- The profession should discuss with the regulator what should happen if the Appointed Actuary's advice is not followed by the company.

The discussion which followed was lively, as befitted the (to some) radical recommendations in the paper.

- One speaker remarked that the paper applied equally to domestic and cross border companies, and that there were several real-life examples of the fantasy country given as an example described in the paper. The challenges facing such a country should not be underestimated.
- There was some discussion over the basic decision by the Working Party that PRE should apply to cross border business at all. One contributor made the point that this would be an extra level of "regulation" which might disadvantage cross border companies, and for the EU the general good provisions put this matter squarely in the court of the regulator for the target market. Why should Irish actuaries think they know better than local regulators? In reply, the reputation and standing of DETE regulated insurers was mentioned.
- The point was then made that we don't have a single set of general good requirements, because each local regulator makes up their own, within the framework and that more regulation from the EU was required.
- There were several contributions on the point about the

relationship between the Appointed Actuary and the company. A director made the point that boards were happy with the status quo, where the actuary owns PRE and would not welcome change. However many actuaries in the audience agreed with the Working Party, that the Appointed Actuary's role is to advise the board on PRE, with the board deciding what to do with the advice.

- The debate moved on to what PRE actually meant and how to manage it. It was clear that the subject matter here was very topical to the audience, and that there was a variation in actual practices in the market. One speaker doubted that we could actually agree what it now meant, and hence the first recommendation above would be impossible to achieve.
- The role of the Appointed Actuary as a "whistleblower" was discussed. One point made was that if there is no statutory obligation to whistleblow, any actuary that does so is exposed to legal proceedings by the company against him. However, the profession was moving towards a more consumer protection type role, and indeed the regulators expected it, and this was the price the profession was paying to be allowed to retain freedom in various areas.
- A member from the UK PRE Working Party, from 12 years ago was present. He commented that non compliance with PRE had resulted in large fines by the regulator, and that the regulators have a habit of reinterpreting PRE retrospectively. Would documenting PRE now protect us from this?

- A lawyer present pointed out that non contractual obligations would be interpreted by the courts of the country which applied to the contract. If the law applying to the contract is the home country of the policyholder, different judgments would emerge in different countries and this was a difficult one for cross border companies to manage.
- There were some suggestions for refinement of the ideas included in the paper, including consideration of the Appointed Actuary's role in reinsured with-profits business and risks involved with derivatives, including counterparty risk and gearing. It was suggested that projection benchmark rates should depend on asset classes.
- Jimmy Joyce gave the Irish regulator's view. He was clear that the regulator regards the Appointed Actuary as guardian of the policyholder interest, so the whistleblowing issue highlighted earlier perhaps merits some attention. The single passport means that home regulation must be strong, or the concept doesn't work.

Overall the paper was very well received and thanks were given to the Working Party (Sheelagh Malin, Marese Hussey, Gerard Davis and Mark Maguire). The full text of the paper is available on the Society's website.

Philip Ingram

Pensions (Amendment) Bill 2001

On the evening of 23 October 2001, Brendan Kennedy and Philip Shier spoke on the impending changes to be introduced by the Pensions Act to a packed Stephen's Green Club.

Brendan Kennedy raised some of the issues that will need to be considered by actuaries prior to the introduction of Personal Retirement Savings Accounts (PRSAs) and Philip Shier covered actuarial aspects of the non PRSA provisions of the Pensions (Amendment) Bill 2001.

Brendan looked at the duties and functions of the PRSA Actuary and questioned who would be able to apply for a licence. These will include certifying that the PRSA provider and the products comply with all regulations and legislation. The requirements of the position are therefore of a different nature to those of the Pension Actuary or the Appointed Actuary. The PRSA Working Party will produce Guidance Notes covering the product certification and compliance for a licensed PRSA actuary.

Each licensed PRSA provider must have a "Standard PRSA" which will have a maximum charging structure. Each Standard PRSA must also have a default investment strategy which is considered to fulfil the reasonable expectations of a typical investor. It is not clear at this stage whether a provider can have more than one investment strategy for a standard PRSA. The main investment concern is the interpretation of

reasonable expectations and what is 'safe and secure' from the perspective of an informed and uninformed contributor. The level of explanation needed to ensure understanding, especially in connection with potential variability, is another complex issue that needs to be clarified. Disclosures should reconcile expectations and understandings, while ensuring that the product remains accessible to all.

The proposed legislation permits the provider to take into account known facts about the contributor, but it is not clear if these factors are to be consistent across providers. It is anticipated that the Society may have an input into this stage of the process. Another issue with the legislation as currently drafted is that once PRSAs are in place it is not clear whether there will be any comeback for contributors if the investment strategy is unsuccessful.

Despite all of the uncertainty in the Bill, it is clear that actuaries will have responsibilities in relation to the PRSA products. Their role is, if anything, expected to increase as more legislation is due prior to the Bill being finalised. The timescale set by the Department of Finance and the Pensions Board is very aggressive/optimistic especially if more legislation is to come. The drafting of the Guidance Note required under Section 119 can't be started until close to final sign off on the legislation. Meanwhile, the PRSA

Working Party is in ongoing discussions with the Department and the Pensions Board.

Philip Shier spoke on some of the non PRSA elements of the Bill. He focused on the proposed changes to transfer value calculations, the minimum funding standard, treatment of surplus especially on wind-up or merger, and indexation of benefits.

In relation to transfer values, the Bill includes the treatment of transfers to some overseas schemes and PRSAs. The Bill proposes a 3 month guarantee on quotations and the possibility of being able to reduce a transfer value if a scheme is not fully funded, especially if additional preserved benefits have not been fully funded for.

As had been expected, the Bill introduces preservation of pre 1991 benefits.

There is also a provision in the Bill that the trustees will have to obtain an annual opinion from the actuary on whether the scheme satisfies the Funding Standard and disclose this in the annual report.

Philip suggested that the proposal in relation to the treatment of surplus on wind-up or following a merger was the most interesting part of the Bill. The legislation relating to surplus on wind-up states that trustees must provide revaluation on pre 1991 benefits before giving

Pensions (Amendment) Bill 2001

a refund to the employer. In relation to surplus on bulk transfer, the legislation proposes that information must be given to members about the proposed treatment of the surplus.

The Bill has defined "indexation" of pensions in payment to be CPI to a max of 4% each year. The extent to which indexation is provided must be reported in the annual report. Even if indexation is not provided, a report must be prepared for the Trustees on the implications of introducing guaranteed indexation. It is proposed that this process, and the decision of the sponsoring employer on foot of the report, will also be disclosed in the trustee report.

The Bill was published on 27 July 2001. It has been introduced to the Seanad and is at the Committee stage. It is expected that the Bill will be enacted before Easter 2002. In the Bill some provisions have an effective date of 1 January 2002 which will need to be changed.

The Society has a role in finalising amendments to the Bill in a number of areas including consultation and discussion with the Pensions Board and production of Guidance Notes. In future, Guidance Notes in relation to statutory duties will require the approval of the Minister.

Following the presentations, the discussion was opened to the floor and the following points were made:

- While Ireland has tended to adopt

the more sensible elements of legislation previously introduced in the UK, on this occasion care should be taken especially in relation to proposals for indexation and bulk transfers.

- Anne Maher, Chief Executive of the Pensions Board and special guest at the meeting, commented that the Pensions Board were aiming for disclosure, consultation and consideration. They are also seeking to achieve regulation in a voluntary environment and are conscious of overregulation.

Eamonn Heffernan thanked the two speakers for the time and effort, which went into preparing their presentations and said that he looked forward to their findings over the next 6-12 months as the Bill was finalised.

Members of the PRSA Working

Party are: Brendan Kennedy (Chairman), Brian Woods, Evelyn Ryder, Jim Murphy, Jimmy Joyce, John Edmondston, Paul McMahon, Robert Wolfe, Brid Quigley.

Evelyn Ryder



Society of Actuaries Professionalism Course

The Education Committee is pleased to announce that it has finalised discussions with Council and with the Institute and Faculty of Actuaries on the introduction of a Professionalism Course run by the Society of Actuaries in Ireland. This course will be run by the Society but will receive accreditation from the Institute and Faculty and as such will be regarded as meeting the requirement for new qualifiers to attend a Professionalism Course.

It has been agreed that the first of these courses will be run in September/October 2002. This course will therefore be suitable for those Fellows who qualified in the September 2001 and April 2002 exam sittings, and for other interested people (such as members applying for membership via the Mutual Recognition Agreements).

In previous communications we had stated our intention to run a Professionalism Course that would be suitable for those qualifying in the April 2001 sittings. Unfortunately time has moved against us, and following receipt of approval to run the course it was considered that we might endanger the quality of the course if we attempted to rush it in too quickly. Therefore those who qualified in the April 2001 sitting are advised to apply for a Professionalism Course directly with the Institute or Faculty.

Although the format of the course has not been finalised it is intended that it will be similar to the courses run in the UK with the exception that it is likely that the course will not be practice area specific. The course will only be open to members of the Society of Actuaries in Ireland, will be held in Ireland and will have a strong Irish interest through the attendance of experienced Society fellow members. We are also appreciative to the Institute of Actuaries who have kindly offered the services of one of their staff actuaries to assist in setting up the course. More information on

the format of the course will be published via the Society's website as we firm up on the details.

This initiative marks another milestone in the development of the Society. I am sure that you will all put your support behind this course to ensure that it is a success going forward.

Duncan Robertson



Student Society

The Student Consultative Committee met last month to discuss students' concerns relating to exams and the future of the education system. Points to note from the meeting are as follows:

- 1) Dates for exams in 2003 have been set. They will be 2-11 April and 8-17 September.
- 2) The Board of Examiners is still working on a new, non-compulsory, 'Finance' exam that would be called '305'. If the exam is introduced students will have the option of sitting 3 exams from 302, 303, 304 and 305 with 301 still being compulsory. No final decisions have been made

relating to the subject but if it is to come in it will not be before 2003.

- 3) Full minutes of the meeting are available on the Faculty/Institute's website - www.actuaries.org.uk.

Remember that the consultative meeting is one of the best ways for you to get your message across to the Institute. All aspects of student life are discussed including exams, study materials, tutorials, examination centres and results. If you'd like to see something included in the next consultative agenda, or have any queries/comments relating to the exams, then mail me at Barry.Cudmore@irishlife.ie.

Student Events

The 2001 pool competition was held in Jason's of Ranelagh in October. The top prize of £50 drew a record 40 players. The standard of play was well up on last year with the reigning champion exiting in the first round. Philip Mullin of KPMG went on to take the title and cheque after beating John Groarke of Irish Life in a very tense final.

When you receive this newsletter, our Christmas Dinner will have taken place – full report in the next newsletter!

Finally, if you're not currently on our mailing list or have changed email address recently, then you may not hear about our events. Drop me a mail and I'll make sure you don't miss any of our notices.

Thanks for your support.

Barry Cudmore

Question Time

Career Summary

Product Actuary with American International Life Company based in Wilmington Delaware (it's about 30 miles south of Philadelphia if you haven't heard of it) since June 1999. Previously with Friends First, Ark Life and ICI.

Full name:

Anne Gaffey.

Year of qualification:

1995.

Current employment:

Product Actuary with American Life Insurance Company, dealing mainly with Europe particularly Eastern Europe but also Brazil, Trinidad, Canada and Venezuela from time to time.

Time you start work:

8.30 am US time -
1.30 pm your time.

Do you regularly take your work home?

No.

If you weren't an actuary what would you be?

Perhaps a teacher.

What is the worst thing about being an actuary?

Trying to explain it to people.

Pet hates:

Dogs, as anyone who has seen me cross the road to avoid one can testify.

Favourite actuarial joke:

Probably not politically correct but



Anne Gaffey

anyway - A life actuary who designed a new coverage "Senility Insurance" expected low claims because "If you remember that you have a policy, it is proof that you are not senile."

Would you recommend the actuarial profession to someone leaving school now?

Yes but I'd advise them to go to college first.

Favourite holiday location:

Many places - coming home to Dublin and meeting up with people - going to Greece and sitting on a beach with a book and travelling to interesting places in the US such as Savannah and New Orleans. I haven't been to the Grand Canyon yet but it's on my list.

What do you do to relax?:

Travel, though that is limited by the fact that 15 days 'vacation' is considered quite generous in the US. Also reading.

Last book you read:

When we were grown-ups by Anne Tyler.

Favourite tippie:

Gin and Tonic or a good wine.

Favourite Dublin hostelry:

I used to like Sean McCarthy's on the Upper Rathmines Road.

What famous person from history do you most admire ?

Countess Markievicz.

Favourite TV / Radio programme:

E.R.

What car do you drive?

Acura Integra.

Most embarrassing moment:

Many, resulting from the American habit of using words I think I know to mean something quite different from what I'm used to.

Favourite music:

I listen to much more Irish music here than I ever did when I lived there.

Dying words:

I'm not finished.

NEW QUALIFIERS

Congratulations to all those who qualified from the September exams.

Oliver Coakley	Hewitt Associates
Barry Cudmore	Irish life
Steve Gardner	Barclays Insurance
Martin Gilbert	Friends First
Suzanne Leydon	New Ireland
Kevin Manning	New Ireland
Alan Murphy	Hibernian
Redmond Murphy	Centre Re
Brian Murray	Irish Life
David O'Sullivan	L & P Financial Trustees

Web Notes

Recent additions to the site:

- Exam results
- GN20(ROI) and the regulations, rules and guidance relating to appropriate practical experience relating to certificates to act as a Signing Actuary.
- Signing Actuary Practising Certificate Application Form
- Solutions to the Christmas Quiz
- Paper on PRE for Cross Border Life Business

International

The November 2001 issue of the IAA Newsletter is available in the Members' section of the IAA web site www.actuaries.org under the New button.

The Faculty and Institute of Actuaries is trying to establish an international network of actuaries in the field of banking and financial investment. To this end they propose to publish a newsletter approximately four times a year, aimed specifically at those working in this sector. The Society has been asked to provide the Faculty/Institute with the email addresses of our members who work in this area.

If you wish to receive this newsletter, please email the Society and we will forward a list to the Faculty/Institute.

Payments by Visa/Mastercard

For security reasons, the credit card companies have now insisted that we submit, in addition to your credit card number and the expiry date of your card, the 3 digit security number on the back of your card.

We will alter forms to accommodate this and would ask for your co-operation in providing this information.

Questionnaire to Recently Qualified Actuaries

Just a short note to say thank you to all the recently qualified actuaries who responded to a questionnaire that was sent out in October. We received a tremendous response with just about everybody replying. I will be analysing the responses over the next month and will include a summary of the feedback in the next Newsletter.

Duncan Robertson

On the Move

⇒ Fellow Members

Stephen Bishop has moved from Scottish Equitable International in Luxembourg to **Scottish Equitable International in Dublin.**

Derek Bain is moving from Ernst & Young to **AXA Ireland.**

Olga Daly has moved to **Watson Wyatt Partners.**

⇒ Students

Sarah Byrne has moved from Ark Life to **Prudential Europe.**

John Hannon has joined **FINEOS** from Hibernian.

Kevin Power has moved from HCM International to **Andersen.**



Society of Actuaries in Ireland

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