



Newsletter

The Society of Actuaries in Ireland

Editorial

Welcome to the most colourful newsletter of the year so far. I hope the photographs of the annual ball give you a flavour of the night that mixed pirates, gun-slingers, glamour and plenty of cocktails. Congratulations to the organising committee (Emer, Ivor, Mary, Sean and Clair) on a very enjoyable evening.

One item to look out for over the coming months is the results of the Working Party on Irish Mortality Statistics. Data has finally been received from all contributing offices and analytical work has started in earnest. The final report will be circulated to contributing offices in due course. We can also look forward to the Presidential Address from our new President, Jimmy Joyce, which will be presented to the Society in September.

While the newsletter will be taking a break for the summer months the PR/Communications committee will be using this time to organise a one-day seminar to be held in the Autumn. We have also appointed Setanta Communications to assist with promoting the Society and will be working very closely with them on this item. Michael Moloney of Setanta has already proved very helpful in publicising the recent Pensions Seminar.

The members of the PR/Communications committee for the forthcoming year are;

Sean Casey - *New Ireland* (Chairman)

Dervla Tomlin - *Irish Life*

Michelle Roche - *Lifetime Assurance*

Frances O'Shea - *Delany, Bacon and Woodrow*

Sheelagh Malin - *GRE Life*

Alan Hardie - *PricewaterhouseCoopers*

Les Gemmill - *GAAPs*

Paul Duffy will continue to participate on the committee on an advisory basis. The members of the committee would like to take this opportunity to thank Paul for the enormous contribution he has made over the last few years.

Articles for the newsletter are welcome over the summer months and can be sent to either Frances O'Shea, Michelle Roche or Mary Butler.



Incoming President of the Society of Actuaries in Ireland, Jimmy Joyce, being presented with his chain of office by outgoing president, Bruce Maxwell.

IN accepting the Presidential chain of office at the Annual General Meeting, Jimmy Joyce remarked that he was not a normal actuary, in that he had spent most of his career on other than actuarial work. Jimmy has certainly had a varied career, which has ranged over finance, industrial relations, broadcasting policy and heading up postal and telex operations. Then, from 1984 to 1992, he was an Executive Director of Telecom Eireann. In 1992, he accepted an invitation to become actuarial consultant to the Department of Industry and Commerce (now Enterprise, Trade and Employment), where his main involvement is in the prudential supervision of insurance companies.

Jimmy has maintained an involvement in Society affairs since becoming a Fellow of the Institute in 1976 and regards it as a strength of the Society that, although he was working outside the usual professional areas, he never felt excluded and, indeed, was always encouraged to be so involved. In more recent years, his membership of Society Committees, in particular the Life and Non-Life Committees, has contributed significantly to the effectiveness of his work in the Department.

How is he facing up to the challenge of being President? Well, he is clearly relishing the prospect, although he says that he is still a little overcome by it all. He is particularly looking forward to meeting as many members and students as possible.

And what, in Jimmy's views, are the major issues facing the profession and what are his plans for dealing with them? These are not matters for a brief profile, he says. But he is already thinking about his Presidential Address later in the year, where he will set out an agenda for his term of office. We wish him the best of luck.

Contents

Some Reflections on two years as President	page 2
Saving for Retirement in the New Millennium	page 2
Chairman's Report to the meeting of the Freedoms & General Purposes Committee 16 April 1999	page 3
Photographs of the Annual Ball	pages 4 & 5
Financing Health Care in Ireland	page 6
Regulation and the Actuary	page 6
Pensions Workshop	page 7

Some Reflections on two years as President

My term began with the 25th Anniversary Seminar and Dinner which were tremendous successes. Tom Mulcahy and Michael O'Leary enthralled us with their views on the future, David Norris led us all a merry dance through language in a packed Trinity dining hall.

Then the Groupe Consultatif came to town and we showered them with hospitality in the Abbey Tavern and Dublin Castle, and efficiently handled their AGM and three committee meetings. They are still talking about their visit to us two years later.

The President's address met with respectful attention. I laid down some hopes for the profession for the two years. It was instructive to review them at the recent AGM. The end of term report was summarised as 'making progress, lots still to do (hopefully on the right track).'

Then into a continuous stream of evening meetings, CPD sessions and seminars. All practice areas covered, all meetings well attended, all followed by enjoyable dinners. On the pensions front we obtained members agreement to introduce practicing certificates for scheme actuaries, which led to special CPD sessions on scheme actuarial issues (and a general increase in attendance at meetings by pension actuaries!).

I also have memories of the night the Tanaiste did not turn up to debate actuarial opinions of general insurance reserves, but most of the members did, and which con-

cluded with an overwhelming consensus of opinions.

The meetings schedule continued through the two years without any let up. The lunchtime meeting in August was deemed a success while the recent breakfast workshop also worked well - something to do with the odd hours pension actuaries work! I look forward to more innovations from the functions committee. I have particularly enjoyed the after meeting dinners which are a real opportunity for members to chat informally in a relaxed atmosphere and through which I have come to know a wide cross section of members.

Contact with external bodies was effected through meetings with various government officials and statutory bodies while good relations were also engendered through mutual attendance at Annual Dinners. Presidents can put on a lot of weight in October/November and February/March.

My President's Dinner last February was a stylish affair in Newman House and featured the first attendance by a government Minister (Noel Treacy). Overseas trips included invitations to the Institute Biennial Dinner in London and the Faculty Dinner in Edinburgh, and each President honoured me with their presence at our Dinner.

The Institute Sessional meeting held in Dublin last September was another feature, with the two Presidents (Institute and Society) swapping terrible jokes in public.

Our Formal Ball in Powerscourt and the recent Showtime Ball were both very well supported and thoroughly enjoyed which should encourage increased attendances next year (for whatever is offered). The visits by Council to Galway have established the regular strategy review sessions. These sessions will be a help to the Society in ensuring that it is on the right track to meet its mission.

My proudest moment as President was when I attended a special meeting in Staple Inn last June where gifts were presented to the Institute of Actuaries to mark its 150th Anniversary. In front of two dozen actuarial associations from around the world, the Society made its own presentation to the Institute and I had no doubt that we were entitled to be among such august company. I felt very privileged to be the Society President for that particular occasion.

I will of course never forget the people who helped me throughout my presidency. All Council members, Jimmy Joyce as Vice President and Stephen Doyle as Secretary, Mary Butler in the office and Margot Lawlor in the sub-office. To all of you I say a heartfelt thank you. To Jimmy I say good luck, I hope it will be as rewarding an experience for you as it has been for me. To the members, thank you for supporting me, putting up with my idiosyncrasies for the two years and now accepting me back as an ordinary member with some extraordinary memories.

Bruce Maxwell

Saving for Retirement in the New Millennium

This seminar focused on the new generation of retirement savings options which will be available when the proposals contained in the National Pensions Policy Initiative are implemented.

Financial journalist **Colm Rappale** gave a consumer perspective to saving for retirement. Consumer wants and needs are not always the same, and retirement saving is a low priority for many lower income earners. For this reason, he favoured an extension of the mandatory State pension system.

Colm was pessimistic about the prospects of a voluntary system based on PRSAs solving the problem of low pension coverage. If it is to succeed, he proposed that PRSA products should be standardised as much as possible.

Evelyn Bourke, (Tillinghast Towers-Perrin) gave an overview of how the UK market is changing. IFAs have gained market share, while there has been a sharp reduction in

the numbers employed in direct sales forces. Insurers offering higher early transfer values have gained market share.

The proposed Stakeholder Pensions have many similarities to PRSAs, and Evelyn explained the impact expected on the various distribution channels. Statutory limits on charges and product standardisation will lead to reduced commissions and a move towards fee based advice. There will be opportunities for efficient distribution of simple products.

John Edmondson (Independent Consultant) spoke about product design for PRSAs. The framework is well known, but much of the detail has yet to be decided. This will introduce major change into the pensions market, and existing providers need to formulate new products and marketing approaches.

Actuaries will have a statutory role in the

regulation structure for PRSA providers. There will be both controls on charges and high levels of service requirements, and John stressed that small cases will feature as a particular issue in product design and pricing. Other issues for actuaries will include disclosure and kitemarking.

Ivor O'Shea (Irish Life) dealt with retirement planning for PRSAs in the context of the 1999 Finance Act. He felt that the pensions industry had lost touch with consumer demands in relation to post-retirement options and had assumed that longevity protection, in the form of annuities, was all that was required. Consumers are looking for more choice and a greater sense of ownership.

He compared the new Approved Retirement Fund option with traditional annuities, and suggested a new role for equity-linked annuities providing a combination of security and performance potential.

Robert Wolfe

EUROPEAN

News

Chairman's Report to the Meeting of the Freedoms and General Purposes Committee

16 April 1999

1. It is customary for our Committee to meet at around this time of year, roughly midway between our Annual Meetings. I thought it would be a good idea to start our meeting with what I will call a mid-term report - a very brief review of what the Groupe (or more specifically its Committees) has been doing since the last Annual Meeting, and what may be expected in the coming months. Some issues will be more fully discussed later today in the agenda.
2. Our Colloquium in Luxembourg was held shortly after our meeting in Stockholm. The theme of privatization of compulsory state pension schemes was very well received.
3. We were not able to finalize our Core Syllabus in Stockholm and our Education Committee had another meeting in Luxembourg just before the Colloquium. I am happy to say they agreed to recommend the Core Syllabus to the member associations and we are waiting the associations' formal approval of this. Unfortunately, our request for funding under the SOCRATES programme to establish a thematic network for universities teaching actuarial science was not successful, and the committee will be considering its next steps in July, when it meets in Oxford. Those attending have also been invited to take part in an Actuarial Teachers' Conference being organized by the Faculty and Institute of Actuaries in Oxford immediately following the committee meeting.
4. Last September, the Groupe was represented at a meeting in Brussels arranged by the European Commission to discuss its Framework for Action for Financial Services. We shall be following developments on this closely in the future.
5. The Issues Paper from the IASC on its Insurance Accounting Project is still awaited and is now expected in the autumn. Some members of our Insurance Committee attended a meeting and seminar at the Faculty

of Actuaries in Edinburgh in March to discuss accounting issues and this was followed a few days later by a bilateral meeting on the subject between the Groupe and the Commission in Brussels. The commission invited us to make a presentation on techniques and practices of fair value accounting in insurance later this year, and we expect to continue our bilateral meetings on the subject with them for some time to come. The Insurance committee will consider arranging a seminar to consider the Issues Paper after it is published.

The Insurance Committee continues to monitor and respond to the Commission's review of the EU Solvency Regime, and is arranging to meet with a working group of the Conference of Insurance Supervisors (the Manghetti Working Party) to discuss non-technical life provisions.

6. In pensions, we published last November the updated version of the survey on *Actuarial Standards for Cross Border Transfers between Pension Schemes in the EU*, and in January, the Report edited by David Collinson on *Defined Contribution Arrangements in Europe*.
The long awaited Commission Communication following the Pensions Green Paper was expected in March, but now has to wait until the recent events at the Commission have been resolved.
7. Finally we have had a number of requests for admission to membership of the Groupe following the introduction of our new Statutes in January, and we shall be considering these later in the meeting.
8. I think this brief review of our activities well illustrates both the basic *raison d'être* of the Groupe - to represent the profession toward the EU organizations - and our wider role of acting as a focal point for the profession in Europe.

The meeting also heard about some

recent developments in the various associations within the Groupe.

- Most of the associations reported increasing membership numbers as well as an increase in the number of university students interested in actuarial science. The main focus of the associations has been on developing actuarial training for students and CPD for qualified actuaries.
- They have continued to develop their professional activities by establishing working parties on various issues in addition to introducing and revising guidance notes and standards of practise for members.
- There seems to be a real determination throughout the various associations to make the public more aware of the actuarial profession. The majority of them see the internet as a means of achieving this and have set up or are in the process of setting up, their own Web Site.
- Finally, each association highlighted any legislative changes made that will impact on the profession in their own country, in particular, the requirement in some countries for insurance companies to have an appointed actuary.

THE ANN



JAL BALL



Financing Healthcare in Ireland

Aisling Kennedy 27/4/99

Aisling introduced her talk as a follow up to Brian Duncan's talk on the same topic in December 1997.

Current problems with the financing of healthcare have been blamed on the healthcare system in place. Aisling asked why, instead of lamenting over how things should have been done in the past, we could not arrange things differently now.

Three fundamentals in relation to healthcare were suggested :

- **Healthcare has little impact on health status at a macro level**
- **Healthcare is a public good**
- **Demand for healthcare is increasing** (while resources to fund it are not)

As a result the search for cost effectiveness is very important.

Some statistics illustrated the fact that those who have insurance use it and that each private bed incurs a cost to the state as insurance only covers about 50% of the actual cost of care.

Aisling outlined desirable objectives for a healthcare system : it should be universal, equitable, efficient, of good quality, accountable and stable. She then told us her concerns with the current system.

For example since private patients get seen sooner than public patients, access to healthcare is certainly not equitable. There is sub optimum use of regional hospitals as evidenced by the high rates of transfer of patients to Dublin. The medical profession is under strain with 2/3rds of non-consultant public Doctors being less than three years qualified with little supervision.

Features of healthcare systems in other countries were also discussed. The UK system of fundholding has improved due to the extension of agreements from 1 year to 3 or 5 year agreements. Managed care in the US has received bad press but it can be used to drive quality also.

Four suggestions for the future of Irish healthcare were to stay as we are, have a public private mix determined by income levels, have universal health insurance or to grow the public system. All in all a national debate is required on healthcare financing.

The discussion afterwards included warnings not to make the UK's mistakes and the downside of competition in healthcare provision. Aisling finished by commenting that the forthcoming white paper will voice some small concerns over the current situation but will not contain any dramatic changes to the current system in Ireland.

Emer Chapman

Regulation and the Actuary

This paper was presented to the Society after the AGM on the 25th of May by Jimmy Joyce and Stephen Doyle. David Kingston chaired the meeting.

The evening started with a discussion of the statutory roles for professions in general. Major issues included the balance between judgement and prescription (e.g. should two actuaries be allowed to come up with different answers), whether a peer review system is appropriate and whether discipline can be maintained through a self regulatory system.

Statutory actuarial roles in life assurance and pensions were discussed with particular mention to forthcoming legislation that will affect both areas. The question of whether there should be a statutory role for actuaries in general insurance was also discussed - the overall view was that some statutory role would be worthwhile in this area.

The paper then considered the effects of international trends on regulation. The main themes here were: future EU directives, a trend towards statutory actuarial roles in general insurance and the implications for regulation in a global economy. The public interest dimension was then considered. It was felt that the public interest is difficult to define but actuaries should always be satisfied that it is being met when they seek a new statutory function.

The status of actuaries with statutory roles was looked at next. It is clear these roles place a heavy burden of responsibility and independence on the actuary. There was also a concern that statutory roles risked pigeonholing actuaries as technicians. The Appointed Actuary's position was considered to be difficult given the responsibilities to multiple parties and is currently facing the challenge of implementing disclosure regulations. The very important Pension Scheme Actuary role is also having to face up to issues such as the pending Pensions Board review and concerns expressed over variations in assumptions.

The paper concluded by making some general points on:

- The overall context of regulation as regards consumer protection versus market freedom, compliance costs and varying styles of regulation.
- The need for consistent regulation across all financial services - the proposed single financial regulator represents a unique opportunity here.
- Self regulation from the public's perspective may be in crisis in the light of recent events.

A very lively debate took place with a strong focus on regulatory issues for actuaries in life assurance. The main points made were :

- The peer review process was felt to be expensive and cumbersome. It potentially undermines the position of the Appointed Actuary and other professions are moving away from the idea.
- The new disclosure regulations should give Appointed Actuaries more of a focus on customer care than on more 'traditional' solvency issues.
- A feeling that life office actuaries have not stood up enough for customers in the past : e.g. using LAUTRO 'notional' charges and going along with initial units.
- Regulators have a high degree of trust in the Appointed Actuary system.
- A concern that the Appointed Actuary system is too 'successful' - i.e. you end up with too much capital tied up in life companies and have, from an investment perspective, an unhealthy low number of company failures. Other speakers felt the comfort given to customers by a high degree of solvency should not be underestimated.
- A feeling that actuaries have the ability and motivation to move into more general management positions in life offices.

Ivor O'Shea

New Council 1999/2000 ROLES OF RESPONSIBILITY

PRESIDENT
 VICE-PRESIDENT
 IMMEDIATE PAST PRESIDENT
 SECRETARY
 TREASURER
 PR/COMMUNICATIONS
 INVESTMENT/FINANCE
 LIFE
 GENERAL INSURANCE
 HEALTH CARE
 FUNCTIONS
 PENSIONS
 MEMBERS' HANDBOOK

Jimmy Joyce
Eamonn Heffernan
Bruce Maxwell
Stephen Doyle
Tony O'Riordan
Sean Casey
John Caslin
Jonathan Goold
Jimmy Joyce
Aisling Kennedy
Ivor O'Shea
Philip Shier
Dervla Tomlin

Pensions Workshop

The Pensions Committee organised a morning workshop on 13th May 1999 to provide an opportunity for broadly based discussion on three topical issues. The format for the workshop was a brief presentation on each issue, followed by open discussion and many of those who attended took an active part in the discussion, no doubt fortified by the excellent full Irish breakfast provided by the Stephen's Green Club.

The first item for discussion was the relationship of the Society with the Pensions Board, particularly in the light of the recent statement by the Chief Executive of the Board that the regulatory role of the actuary under the Pensions Act is under review. **Stephen Doyle** introduced this topic and reminded members that the Society had made a detailed submission to the Board some time ago with suggestions for amendments to the funding certificate to provide greater security for pension scheme members. It was generally agreed that whilst greater disclosure of the methods and assumptions used by the actuary in giving his funding certificate might give some comfort to the Pensions Board, it would not mean very much to pension scheme members and would only make the funding certificate more obscure. It is understood that these suggestions are under consideration by the Board as part of the review of the funding certificate to be contained in the forthcoming Pensions Bill.

More recently, members of the Pensions Committee had considered whether the flexibility permitted under the Pensions Act to place an actuarial value on pensioner liabilities for the purpose of funding certificate calculations, rather than presuming that the Trustees would purchase annuities in the event of actual winding-up, should be tightened in the light of the current high cost of annuities. The meeting generally felt that this would be desirable, although it was pointed out that in some instances it would not be possible to purchase annuities to match the scheme's liabilities. The President advised the meeting that the Society

had very recently received a request from the Pensions Board to consider whether further guidance should be given to pension scheme actuaries in the current low interest rate environment, and that a meeting had been arranged with the Pensions Board to discuss this issue.

The next topic for debate was the requirement in the Revenue Pensions Manual for surplus to be reported to the Revenue in certain circumstances. The Revenue had recently indicated that they were concerned about the flexibility available to actuaries in determining the funding level of schemes, and the possible tax consequences for the Exchequer. **Philip Shier** made a brief presentation on the issues which the Society had discussed with the Revenue, and stated that further discussions would be held with them in the near future. There was general uncertainty about the pace at which the Revenue would permit surplus to be run off, and one speaker from the floor indicated that in a recent case the Revenue would not permit surplus to be extinguished by means of a long term contribution holiday. There was general agreement that it would not be desirable for a statutory surplus basis to be introduced.

The final item was the new retirement options introduced in the Finance Act 1999. **Brendan Kennedy** gave an overview of the issues on which the Society should have an input, and a lively discussion ensued as to the approach which the Society should adopt. It was agreed that there would be a need for high quality advice to individuals seeking to exercise their retirement options, and the Society would be ideally placed to set the standards in this regard. Council had decided to set up a working party to consider the issue and to put forward recommendations as to the Society's role in the public interest. The main concern is the scope for mis-selling, particularly to those with relatively low retirement funds, and it is important that the Society takes positive action to ensure, insofar as is possible, that the difficulties which arose in the UK over the mis-selling of

personal pensions do not occur here in relation to retirement funds.

The discussion gave the Pensions Committee plenty of food for thought and the Committee will now progress the issues discussed. The workshop format seemed to be very successful and it is hoped to hold further meetings in this format in the 1999/2000 session.

Philip Shier

The Annual Ball photographs Who's Who...

1. Mary Coghlan, Jonathan Scott, Ian Veitch
2. Gabrielle Bowe, Gerry Jordan, John Lyons, Anne Marie Jordan
3. Ray Leonard, Rose Burke, Brid Quigley, David Harney
4. Catherine McGrath, Caroline Boyle
5. Brian Duncan, Jimmy Joyce, Bruce Maxwell, Michael O'Mahony
6. John Caslin, Nigel Tennant, John Logan
7. Piers Segrave-Daly, Joyce Kelly, Sue Segrave-Daly, Paul Kelly
8. Brian Grimes
9. Piers Segrave-Daly, Shane Whelan, Pauline Mellon
10. Ivor O'Shea, Liz Goold
11. Anton Davies, Grant Barrans, Bruce Maxwell, Maeve Barron, Debbie Davies
12. Pat Healy, Gerry O'Carroll
13. Brian Griffin, Michelle Heery, Ivor O'Shea, Emer Chapman, Tom Connell
14. Michelle Roche, Frances O'Shea
15. Sarah Shier, Eleanor Kehoe, Jim Kehoe, Joyce Kelly, Alice O'Mahony
16. Deirdre Johnston, Brendan Johnston, Des Ryan, Helen Ryan

UCD Actuarial Student Prizewinners



Pictured at the function are (seated): **Brendan Johnston**, FFA, Eagle Star; **Marie Ryan**, **John Groarke**, **James Creedon**, **Emer Breen**, and **Robert Wolfe**, FIA, New Ireland; with (standing) **Sarah Kearns**, Howard Johnson & Co.; **Marie Doyle**, UCD Statistics; **Dr. Russell Higgs**, UCD Mathematics; **Dr. Ronan O'Connor**, UCD Banking and Finance; **Shane Whelan**, FFA, Education Officer of the Society of Actuaries in Ireland; **Daire O'Neill**, Howard Johnson & Co.; **Professor Philip Boland**, UCD Statistics; **Gareth Colgan**, FIA, UCD Statistics; **Mary Ruane**, UCD Applied Language Centre; and **Isabelle Lemeé**, UCD Applied Language Centre.

Several sponsored prizes were recently awarded to a number of outstanding students in the UCD Actuarial and Financial Studies degree programme at a ceremony held in the UCD Belfield restaurant on 26 March, 1999. The winners were **Marie Ryan** (Eagle Star Prize in Advanced German); **John Groarke**, (New Ireland Prize in Advanced French); and **Emer Breen** and **James Creedon** (respectively the Howard Johnson & Co. Prizes in Statistics and Mathematics of Finance).

Calling All Budding Authors

Have you considered writing a paper for presentation to the Society, or even better have you one already in train (even if it's still in your head)? Council would be delighted to hear from members in this regard as there will be opportunities for starring appearances at evening meetings in the 1999/2000 session.

Ideally papers should be typed up in advance for circulation to members. The length of papers varies, usually in the range 15 to 40 pages. Any references to other publications/papers should be catalogued at the end of your paper. Please contact any member of Council if you are interested in presenting a paper. We would love to hear from you.

Stephen Doyle, Secretary

Office Hours

I am pleased to advise all members that the Society's office hours have recently been extended. The office is now open from **9 a.m. to 4 p.m.** daily. Members may of course contact the office anytime by email to actuaries@iol.ie

Stephen Doyle, Secretary

Web Site

Society's Web Site Address is www.actuaries-soc.ie

On the Move

- ⇒ **Fellow Members** **Emer Chapman** has moved from Coyle Hamilton to **William M. Mercer**, New York
Phelim O'Reilly has moved from IPT to **Construction Industry Federation**
John McCrossan has moved from Ernst & Young to **Norwich Union**
Sheelagh Malin is moving to **J. Rothschilds International** from Guardian Life

Congratulations to our new qualifiers

Michael Bennett	<i>Canada Life</i>
Conor Daly	<i>Mercer Limited</i>
Raymond Leonard	<i>Irish Life</i>
James Mulrooney	<i>Norwich Union</i>
Ceall O'Dunlaing	<i>Irish Life</i>
Ronan O'Lideadha	<i>Watson Wyatt Partners</i>

Ger Bradley	<i>Insurance Corporation of Ireland</i>
Damien Fadden	<i>Irish Life</i>
Brona Magee	<i>Irish Life</i>
David O'Dowd	<i>Eagle Star</i>
Shane O'Farrell	<i>Irish Life</i>



Society of Actuaries in Ireland

5 Wilton Place, Dublin 2. Telephone: 661 2422 Fax: 662 2489
E-mail: actuaries@iol.ie Web Site: www.actuaries-soc.ie