



Society of Actuaries
in Ireland



Updates from the Practice Committees

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Demography

Recent work undertaken by the Demography Committee includes the following:

Mortality and Longevity Resources

The Demography Committee has compiled a list of useful Mortality and Longevity Resources including videos of mortality related CPD events. This is available on our [website](#).

Irish Insured Lives Mortality Investigation (IILMI)

The Demography Committee is currently undertaking an investigation into the mortality experience of Irish insured lives. The analysis will cover the mortality experience of both life assurances and annuities from 2010 to 2015 and the results of the investigation will be made available in a report prepared by the Society. Thank you to all companies who have provided data for this study.

Mortality Projection Methodologies

Currently ASPs LA-8 “Life Assurance Product Information”, PEN-12 “Statements of Reasonable Projection – Occupational Pension Schemes and Trust RACs” and PRSA-2 “Personal Retirement Savings Accounts Product Information” employ a one-dimensional mortality projection methodology. In the Demography Committee report “Annuity Conversion Rates in Retirement Fund Product Illustrations” dated July 2015¹ the Committee signalled that a two-dimensional mortality basis should be adopted following the next review of the bases. To this end the Committee is undertaking a study of relevant mortality projection models with a view to proposing a two dimensional mortality projection method for determining illustrations prescribed by ASPs LA-8, PEN-12 and PRSA-2.

Self-Administered Pension Scheme (SAPS) Mortality Study

The Demography Committee carried out an investigation into the mortality experience of Irish self-administered pension scheme (SAPS) pensioners in 2007 and 2013. The last investigation was based on data from 2006 to 2012 and the Committee produced a report in 2013². In 2017 the Committee will be inviting members to volunteer to participate in a Working Group to undertake a study of SAPs experience from 2013 to 2016.

¹ <https://web.actuaries.ie/press/demography-studies>

² “Report on the 2013 pensioner mortality study of Irish self-administered pension schemes” - <https://web.actuaries.ie/press/demography-studies>

Enterprise Risk Management

Following feedback from Members, the ERM Committee has refreshed its membership and placed a greater emphasis on pensions. Interest in joining the ERM Committee was very strong and the Committee is now at full capacity. Opportunities to get involved remain as the Committee is currently forming two new key working parties. See the [Committee LinkedIn page](#) for details. Recent work undertaken by the ERM Committee includes the following:

ERM Risk Management Perspectives Conference

In October 2016 the ERM Committee organised another successful Risk Management Perspectives Conference. A variety of high quality speakers covered areas including Central Bank analytics, Brexit, cyber, weather models, non-financial ERM, stress testing in banking and other interesting areas. With over 160 attendees this event has established itself as a key event for actuaries and others working in risk management in Ireland. 100% of those who provided feedback said they would go again. Presentations and podcasts are available on the [website](#).

ERM Communications

The Committee introduced the “[ERM Blog](#)” where members can browse posts for insights into risk management theory and practice from Ireland and internationally. You can follow the blog and other activities of the ERM Committee on the [ERM SAI LinkedIn Page](#). Recent articles cover diverse areas including operational risk, interest rate risk and risks to the public interest arising from actuarial activity. The Committee’s LinkedIn group now has over 50 Followers.

ERM Research Database

The [ERM Research Database](#) is a collection of articles, papers and books related to Enterprise Risk Management compiled by the ERM Committee in 2014. The Committee is currently updating the ERM Database with the latest research and articles to ensure that it remains a useful resource for risk management practitioners.

Other current ERM Committee activities include:

- Developing a “hot topics” register in conjunction with other practice committees to identify emerging risks;
- Conducting a survey of CROs in Ireland to identify their challenges, needs and priorities; and
- Providing risk specific input into consultations including CP102, CP103, CP104, ESAP3, ISAP5 and others.

Finance & Investment

Padraig Flanagan succeeded Shane O'Farrell as Chair of the Finance & Investment Committee in September 2016. Shane has stepped down from the Committee and the process of appointing new members to the Committee is in progress.

During the autumn, the Committee worked with the Pensions Committee to respond to the Pensions Authority in relation to the Example Statement of Investment Policy Principles and Guidelines for setting investment strategy for defined benefit schemes, and also contributed to the FAQs document on the risk reserve and related issues.

The Committee has also discussed the rates of return used in projections of life and pensions, as set out in ASPs LA-8, PEN-12 and PRSA-2, in the light of the significant fall in bond yields over the year. The review of assumptions for 2017 is currently in progress.

The Committee has put on a number of CPD events in this session to date:

- 1 September 2016 Alternative beta - combining smart beta and diversity
- 27 September 2016 The Economic and environmental benefits to individuals and to Society from investing in forestry
- 26 October 2016 Finance and Investment Forum - what lies ahead?
- 29 November 2016 Defined Contribution Investing - An international perspective

The next CPD event arranged by the Committee will be on 9 February, when Paul Sommerville will present on "2017 Investment & Economic Outlook on Global Markets - what investors need to watch for in these volatile times".

General Insurance

The rising cost of motor insurance has been high on the news agenda in recent months and the Committee, in the persons of Gary Dunne (Chair) and Ronan Mulligan (Vice-Chair), attended the Joint Oireachtas Committee on Finance, Public Expenditure & Reform, and Taoiseach, in September where they gave an objective view of the key issues. In particular, they emphasized the need to obtain comprehensive and detailed claims data to get clarity on the drivers (no pun intended) of the increase in premiums. The report of the Committee showed that their input was well received, and one beneficial side effect has been greater engagement with the Injuries Board who gave evidence in the same session.

Following on from this, the Society also input to the Cost of Insurance Working Group chaired by Minister Eoghan Murphy, which reported earlier this month. A key recommendation of the report is the establishment of a national claims database with quarterly publication of metrics on claim costs and trends in which the Society has been asked to participate.

<http://www.finance.gov.ie/sites/default/files/170110%20Report%20on%20the%20Cost%20of%20Motor%20Insurance%202017.pdf>

Another recent development is the publication of the Civil Liability (Amendment) Bill 2017 which contains the legislative provisions for the introduction of periodic payments orders (PPOs) in cases of catastrophic injury. The Committee's PPO Working Group, led by Clive Niven, has kept a close watch on developments in this area.

The Committee organized a General Insurance Forum in November, which was very well attended, which included a presentation from Maurice Priestley of the Injuries Board, as well as an update from David Cobley, recent appointed Head of Division, Insurance – Advisory, Analytics & Actuarial Services, at the Central Bank of Ireland.

A forum for GI HoAFs was held in December which considered in particular the responses to a survey of HoAFs on the implementation of Solvency II, and the HoAF role.

Current activity within the Committee includes:

- Review of ASPs in the light of changes to regulatory and practicing certificate requirements
- Consideration of EIOPA's consultation on the review of the SCR

Healthcare

The Healthcare Committee's research paper on inflationary pressures in the Irish Private Health Insurance market was presented at a lunchtime meeting in November, which was attended by representatives from the Department of Health and the HIA.

https://web.actuaries.ie/sites/default/files/event/2016/10/20161102_health_insurance_paper_-_final.pdf

The paper received coverage in the medical press and some of the key findings were quoted by Minister Simon Harris in a subsequent Dáil debate.

The HIA has recently issued a consultation paper on Lifetime Community Rating, which quotes at some length from the Society's research paper. The Committee will consider the Society's response to the consultation, to be submitted at the beginning of March.

In common with the other committees which deal with insurance matters, the Committee is considering EIOPA's review of the solvency capital requirements under Solvency II and will contribute to the Society's input to this review, which will be channelled through the Actuarial Association of Europe.

At its January meeting, the Committee discussed a number of topics on which work may be undertaken over the coming months

- a) A review of health service capacity
- b) DRG based measures for the risk equalisation scheme
- c) The Future of Healthcare Committee report due to be issued in the spring.

Life

Recent work undertaken by the Life Committee includes the following:

Review of Life ASPs

The Committee is reviewing the suite of Life ASP's in the light of Solvency II. Council has already withdrawn "ASP LA- 11 Statements of Actuarial Opinion on Life Reinsurance" and "ASP LA-12 Life Reinsurance Business: Actuarial Reports". Future ASP changes will reflect changing legislation (including PRIIPS), the move towards European Standards of Actuarial Practice and ASP PA-2 General Actuarial Practice, which is due to be finalised following the member consultation in 2016. Any proposed changes will be issued for member consultation in 2017.

PRIIPS Working Party

In July the PRIIPS Working Party reconvened to consider the implications of the requirements of PRIIPs from an actuarial and consumer perspective. The Working Group has considered in particular the performance scenarios which outline the projected values to be provided to policyholders under PRIIPs. The working group provided feedback to the Central Bank of Ireland (CBI) on this methodology, and other issues, with respect to the draft technical specifications in September and again with respect to the revised technical specifications issued by the Commission in November.

Life Forum

The Life Forum is scheduled for February 13th; the Committee is currently planning the agenda which includes content spanning two and half hours or longer, starting at 15:00. Details will be posted to the events page of the Society's website when finalised (<https://web.actuaries.ie/events>).

HoAF Forums

The Life Committee organised three HoAF Forums in 2016 and plan to host three in 2017.

Pensions

Roma Burke has succeeded Aidan Kennedy as chair of the Pensions Committee (August 2016), with Ronan Keane as vice-chair. Frank Downey, Damien Fadden, Joanne McAleer and Shane Wall stepped down from the Committee and four new members joined – John Byrne, Richard Clossick, John Hannon and Conor King.

Pensions Authority 2016 Pensions Consultation:

The Committee was represented by Joanne Roche on the working group which prepared the [Society's response to the Pensions Authority consultation on proposals for pensions reform](#)

Pensions Authority – Operational meetings:

The Society holds regular operational meetings with the Pensions Authority. Two topics which have recently been discussed with the Authority are

- Example Statement of Investment Policy Principles and Guidelines for setting investment strategy for defined benefit schemes.

The Pensions Authority informally consulted with the Society on these before issue, and the Committee, with input from the Finance and Investment Committee, made some comments to the Authority on their drafts. The documents were published by the Authority on 9 December 2016.

http://www.pensionsauthority.ie/en/Trustees_Registered_Administrators/Guidance/Statement_of_Investment_Policy_Principles_-_Defined_Benefit_schemes.pdf

http://www.pensionsauthority.ie/en/Trustees_Registered_Administrators/Guidance/Guidelines_for_setting_investment_strategy_for_defined_benefit_schemes.pdf

- FAQs on the Funding Standard Reserve requirement
The Committee, again with input from the Finance and Investment Committee, prepared a list of questions on detailed aspects of the calculation of the funding standard reserve, along with some suggested changes, and proposed answers to many of the questions. The Actuarial Advisor at the Pensions Authority, Pat O'Sullivan, attended the November Committee meeting to discuss this document and a formal response from the Authority is expected shortly.

Pensions Authority – Strategic meetings:

The Society aims to meet the Pensions Authority twice a year to discuss issues at a strategic level. At the October strategic meeting, it was agreed that the Society should put forward some suggestions to address the difficulties which DB schemes were likely to have in meeting the funding standard, due to very low bond yields. A letter signed by the Society and the IAPF was issued to the Minister and the Authority in December, setting out issues for consideration, and a meeting with the Authority took place in early January to discuss the issues. A further meeting is scheduled for early February.

The Committee has (since August 2016):

- Undertaken a review of pensions ASPs; there have been some minor amendments to ASP PEN-1 (to be implemented shortly) and a working group led by Aidan Kennedy is reviewing the accounting ASPs (PEN-8, PEN-9, PEN-11) with the objective of updating and consolidating these ASPs. A sample review of ASP PEN-1 from a risk perspective by a non-actuary is underway.
- Considered risks to the Society from actuarial activities in the pensions area for inclusion in Council's risk register. Among the issues identified have been, low interest rates, assumption setting, commutation, conflicts of interest, enhanced transfer value exercises and Section 50 orders. A particular issue which has arisen relates to the returns to be assumed in the preparation of Statements of Reasonable Projection for DC plans, particularly for those close to retirement where the use of the maximum rate of return permitted under ASP PEN 12 may not be appropriate.
- Carried out a number of surveys:
 - a) Accounting assumptions at 31 October 2016 (see Forum slides for results)
 - b) Survey of Scheme Actuaries in relation to funding proposals, yield reversion and on-track checks (results to be presented to members shortly)
 - c) Pension Scheme Funding Survey – for the purpose of the upcoming pensions project. (This survey is in progress at the date of this note.)
- Organised CPD Events:
 - a) 7 December 2016: "Defined Benefit: An off-market approach" by Jon Spain, UK actuary with the GAD.
 - b) 14 December 2016: Pensions Forum. Speakers: Brendan Kennedy (Pensions Authority), Shane Whelan (UCD), Patrick McKenna (Pfizer), Pensions Committee, Accounting Subcommittee.
 - c) January 2017: "Investing for cashflow negative environment". Pensions Committee (Denis Lyons) & Life Committee (Dave O'Shea) joint session.

Other meetings are being arranged and details will be issued in due course.

In addition to further work on the above issues, the Committee's agenda over the coming months will include:

- Oversight of the pensions research project which is now underway
- Assisting the SAI Demography Committee with a mortality investigation for self-administered pension schemes.



Society of Actuaries
in Ireland

Clanwilliam House
Clanwilliam Place
Dublin 2
D02 AV90

Tel: +353 1 634 0020

Fax: +353 1 634 0039

Email: info@actuaries.ie

Web: www.actuaries.ie