



Society of Actuaries
in Ireland



News Briefs from Practice Committees

ISSUED: JUNE 2018

Contents

Enterprise Risk Management Update	3
Finance & Investment	4
General Insurance Update	5
Healthcare Update	7
Life Update.....	8
Pensions Update	10
Wider Fields Update.....	13

Enterprise Risk Management Update

The ERM Committee has had busy few months between organising the ERM forum and conference, maintaining the ERM database and working on committee objectives. The Committee has also been busy with member communication through the newsletter, member emails and a number of LinkedIn posts and blogposts. Recent work undertaken by the ERM Committee includes the following:

Learning – Events

The Society's ERM Forum took place on Thursday 14th June in the Alex Hotel, Dublin 2. The agenda included a Panel Discussion on Top Risk Hot Topics 2018 as well as a presentation on ORSA from Dr Manuela Zweimueller, Head of the Policy Department in EIOPA, who provided insights into EIOPA experiences and feedback on the ORSA.

The date for the 2018 Risk Management Perspectives Conference has been set – this will take place in the Convention Centre on October 12th. The Committee is busy putting together an exciting line-up of speakers to ensure the conference lives up to the success of previous years.

The Committee also facilitated an ERM Professionalism Event on May 24th with some interesting case studies prepared for the day.

Research - ERM database

Having added a large number of articles to the database last year the ERM database working party is exploring options for adding further resources for the database, linking in with other potential hosts and outlining a robust governance framework for the management of the database going forward. Over the last 6 months the ERM Database has received over 3,000 unique visitors.

Regulation

The Committee has been busy from a regulation perspective. A lot of work has been undertaken preparing professionalism case studies with an ERM theme. The Committee provided feedback on the IAA exposure draft on ISAP 6 (Enterprise Risk Management Programs and IAIS Insurance Core Principles).

Finance & Investment

The Committee has reviewed the Society's Financial and Economic Assumptions paper. Following consultation with Council, this has been approved and issued. The purpose of the document is to assist the Society's Council and Practice Committees in the review of the Society's ASPs. The [paper](#) is also available for information to the Society's membership generally.

The bulk of the Committee's time in meetings to date has been on planning CPD events. Recent events have included a presentation on the UK approach to investing for annuities, a session on Blockchain at the recent Convention and a presentation on investment governance, in particular delegated governance models. Through the Society's partnership with the CFA Society, members also attended sessions on Brexit, IORP II and ESG, as well as a global investment and market update. Members with an interest in Finance & Investment are encouraged to volunteer to present on relevant topics, either at a CPD event or as part of the Finance & Investment Forum in November 2018.

The Committee is actively contributing to a number of working groups, in particular in the areas of ESG and Aviation Finance. The Committee is also exploring the formation of a working group on personal investment advice, an area which has not received much attention from the Committee in the past.

Patrick McKenna has stepped down after 4 years as a member of the Committee. The Committee expressed their appreciation to Patrick for his contribution.

General Insurance Update

CPD Events

The first SAI non-life Pricing Seminar was held in March and was attended by 120 members. The programme consisted of presentations on

- Machine Learning - Duncan Anderson, Global Leader of Willis Towers Watson,
- Advanced Modelling Techniques - Dr Adrian O'Hagan and Sen Hu
- Commercial lines workshop - Eoin O'Baoighill (Milliman)
- current hot topics in Personal Lines Pricing - Jenny Quigley (Willis Towers Watson)

The final session was presented by Neil Hilary, recently retired from the staff of the Institute and Faculty of Actuaries, ably assisted by Aidan Redmond, Grainne Murray, Jenny Johnston, Mark McCormack and Shane Walsh. This involved a role play based on a new product called "You cannot lose", a product which resulted in catastrophic losses. This explored the professional issues surrounding decisions made and the ethical issues arising. A presentation was made to Neil to thank him for his generous contribution to the Society over the years.

The Committee is grateful to Cecilia Cheuk who organised the Seminar and whose hard work for the Society was recognised in the Outstanding Contribution Award presented to her at the Annual Convention.

A more detailed report on the Seminar will be included in the next edition of the Society's Newsletter and all presentations are available on the website.

The Annual Convention programme also included a number of sessions of interest to GI actuaries.

EIOPA's 2nd set of advice to the European Commission on the Solvency II Delegated Regulation

On the 28th February EIOPA published its 2nd set of advice to the European Commission on proposed changes to the Solvency II Delegated Regulation, following EIOPA's Consultation on the review of the methods, assumptions and parameters used when calculating the Standard Formula Solvency Capital Requirement (SCR).

The consultation covered a wide range of areas, some which are specific to non-life (re)insurance and some of which are relevant to life (re)insurers only. The GI Committee has produced a short note which provides a high-level summary of the advice on issues relevant to non-life insurers. The note is available [here](#).

The next steps are for the European Commission to consider the advice to complete its work by the end of 2018. It is expected that revisions to the Standard Formula will be applied from the end of 2019.

Member consultation ASP INS-1

The Society established a Working Group comprising life and non-life actuaries to review the AAE model standard, European Standard of Actuarial Practice 2 (ESAP 2), Actuarial Function Report under Directive 2009/138/EC (the Solvency II Directive), and to consider how to develop a Society standard to reflect this.

The Working Group has drafted an adapted version of ESAP 2, titled ASP INS-1, which has been exposed for member consultation on the [consultations forum](#), along with a background note and details of differences between ESAP 2 and ASP INS-1. Members are invited to submit comments on the forum by 29 June 2018.

Consultation Paper 114

On 9 November 2017, the Central Bank of Ireland published Consultation Paper 114 (CP114): “Amendments to the Non-Life Insurance (Provision of Information) (Renewal of Policy of Insurance) Regulations 2007 (S.I. No. 74 of 2007)”.

The purpose of this consultation is to seek views from interested stakeholders on two recommendations from the Action Plan contained in the Government’s Cost of Insurance Working Group (CIWG) Report on the Cost of Motor Insurance published in January 2017.

1. Insurers to provide additional information on the premium breakdown to consumers; and
2. Extend the current renewal notification period from 15 to 20 working days.

The Committee prepared a [submission](#) on behalf of the Society. Eight responses were received by the closing date and an analysis of the submissions is currently being undertaken.

Cost of Insurance Working Group

The CBI asked the Society to comment on the draft specification for the National Claims Information Database (NCID) and the Committee prepared a response which was submitted in May. The Committee is currently considering the Department of Finance Consultation on the feasibility of establishing a claim-by-claim register.

ISAP4 – IFRS17 Insurance Contracts

The Society established a Working Group comprising life and non-life actuaries to prepare a response to the consultation on the exposure draft of the IAA model standard, ISAP4 – IFRS17 Insurance Contracts. The Committee has reviewed and endorsed the draft response.

Healthcare Update

The Committee has met regularly since the last membership update. Since then the Committee surveyed members who are active, or are interested, in Healthcare issues to identify topics of interest for future CPD events.

A number of healthcare related CPD sessions were delivered over the past 6 months including 3 at the annual convention in May, namely:

- Projections of Demand for Healthcare in Ireland: 2015-2030 (14/12/2017)
- Role of data in transforming PMI analytics (12/02/2018)
- Using your Tea, Milk and Mobile to get Health Cover: Challenges and Solutions to Make Micro Health Insurance Work (18/05/2018 – Annual Convention);
- Might smoking rates go up in flames? (18/05/2018 – Annual Convention); and
- Embedding wearable health tech into insurance (18/05/2018 – Annual Convention).

Copies of the above presentations are available on the Society's website.

On behalf of the Society, Brendan McCarthy and John Armstrong have continued to participate in a working group established by the Department of Health on the future of the Risk Equalisation Scheme. The working group is represented by the Department, the HIA, the 3 domestic insurers, the ESRI, the private hospitals and the Society. The working party is looking at options for the Irish Risk Equalisation Scheme to enable more refined risk-based measures to be used in the future. The working party has met on a regular basis since the last update and Brendan and John have continued to provide feedback from these meetings to the healthcare committee.

The committee are currently trying to organise healthcare-related seminars for later in the year. A number of topical areas are being considered such as the future of the risk equalisation scheme in Ireland and SlainteCare. Both of these are quite topical at the moment with lots of public and political interest in the areas. The intention would be that the seminars would be broad enough to be of interest to external stakeholders. A further update will be provided to members once our plans are further progressed.

The Committee has considered a number of potential research areas and is currently working on research related to environmental impact on Alzheimer's disease.

Life Update

The Life Committee continues to meet as planned and we have meetings scheduled every six weeks throughout 2018.

Recent work undertaken by the Life Committee includes the following:

Review of Life ASPs

ESAP 2 (The Actuarial Function Report) is now issued for consultation among members (as ASP-INS1). Given its content, we will also discuss it at upcoming Life and GI HoAF Forums.

In addition:

- ASP LA-7 (Financial Reporting): we completed an initial review to assess the amount of work that might be required to update this ASP. Current plan is that we withdraw LA-7 given it is materially out of date and initial discussions are being held on whether LA-7 should be replaced, given recent and planned changes to accounting regulations. We will update the Professional Affairs Committee and revert to Council with a proposal.
- ASP LA-4 (PRE): a review of this ASP will commence once work has completed on ESAP 2. A working party reviewed this over a year ago and there was a debate on the level of change required under Solvency II. This can now be progressed.

PRIIPS (and Life Disclosure) Working Party

The Working Group in respect of PRIIPS and Life Disclosure continues to be very active. A response was sent to the AAE survey in April and a survey, which was largely based on the AAE survey, has been sent to Irish companies. The Working Group is developing a plan for the steps that need to be taken to consider the implications of PRIIPs for the Life Disclosures regulations relating to cost disclosure within charges and updates to ASP LA-8 may be required as a result.

Shane Fahey has taken over as Chair of this Working Group following Linda Kerrigan's resignation (and her move to Canada - we wish her well).

Long Term Business Life Fund

The SAI previously issued a note on the operation of the Life Fund in a Solvency II environment. Some recent legislative changes meant that this note required minor updates. The note has now been updated and is nearly ready for publication on the SAI website.

Forums and CPD events

A Life Professionalism Skills training event was held in May, with a further event scheduled for June. Despite being booked out, the May event was poorly attended on the day (less than 50%) which makes planning for these events difficult. As expected, there was positive feedback on the event from those who did attend.

There were a number of other CPD events held which were relevant to Life actuaries, including the Life Reinsurance Forum and sessions at the Annual Convention.

Committee membership

We have had a number of new joiners to the Life Committee, namely Ciara Regan (Deloitte) and Eoin Byrne (Irish Life) and two resignations, Steven Hardy and Linda Kerrigan.

Pensions Update

The Pensions Committee has had a busy six months. The key focus of our work has been on DC and automatic enrolment and we kicked off the second half of the Committee's year with a session at the December Pensions Forum on Behavioural Economics and Pensions, delivered by Dr Pete Lunn of the ESRI. This presentation dealt with the ESRI's research and findings on Pension Benefit Statement design, how people understand money growth and the annuity decision (to buy or not to buy).

Pensions Roadmap

The Pensions Roadmap was issued by the Government in February 2018. A key theme of the Roadmap is to foster and support a culture of saving for retirement as well as modernising the existing pensions system. The Committee, on behalf of the Society, has considered the Roadmap in detail and is working on a discussion paper, due to be published shortly. This paper takes account of the learnings arising from the Automatic Enrolment-themed International Organisation of Pension Supervisors (IOPS) Spring meeting, hosted by the Pensions Authority, Sophia Singleton's presentation to the Society on the UK Automatic Enrolment Experience in March 2018, Maeve Hally and Shane Whelan's talk on their Analysis of the Taxation Supports for Private Pension Provision In Ireland (April 2018) and the Automatic Enrolment Panel Discussion held at the Society's May 2018 Annual Convention.

DC Decumulation

The challenge of decumulation is becoming increasingly important. Colm Fagan delivered a presentation in February 2018 entitled "A New Approach to Drawdown for Group DC Pensions". This issue was also discussed at the IOPS meeting and in particular, the meeting attendees noted that the lack of a deferred annuity market in many European countries, including Ireland, makes it more difficult to manage longevity risk. The Society intends to establish a cross-practice working group to consider the decumulation challenge and volunteers will be sought shortly.

Society's response to the Pensions Authority Consultation on Key Function Holders

Turning to regulation, in December 2017, the Pensions Committee prepared the Society's response to the Pensions Authority Consultation on Key Function Holders. These function holders - internal audit, risk management and, for DB plans, the actuarial function holder - represent a new requirement for pension schemes under IORP II. The focus of the Society's response centred around risk management and actuarial functions. Representatives from the Committee also met with the Authority in January to discuss and expand on the Society's submission.

The full response can be accessed here: <https://web.actuaries.ie/sites/default/files/2018-01/171208%20Submission%20to%20Pensions%20Authority%20Consultation%20on%20KFH.pdf>

The Society's first Scheme Actuary Forum

The first ever Scheme Actuary Forum was delivered in March 2018, 20 years after the introduction of the Scheme Actuary Certificate requirement. The attendees heard from lawyer Stephen Gillick, on his views of GDPR from the scheme actuary's perspective while Pat O'Sullivan from the Pensions Authority delivered an FAQ session on the Funding Standard Reserve. A discussion was held on the

output from the Society's compliance monitoring feedback from Reviewing Actuaries, introduced for the first time in 2017. Arising from the discussion, the Committee has decided to review and update ASP PEN-1 and this work is underway at present.

At the Scheme Actuary Forum, the Pensions Regulator, Brendan Kennedy, set out his observations arising from the Authority's engagement with trustees of DB pension schemes over 2017. While the Authority was impressed with the commitment of the trustees they met, in the Authority's view, trustees do not have the necessary understanding or technical knowledge to run defined benefit schemes and they do not understand the breadth of their responsibilities. Mr Kennedy said that the Authority saw very little evidence of trustees going beyond the Pensions Act requirements or Pensions Authority guidance. He was of the view that trustees place more weight on scheme assets than scheme liabilities when making investment decision and that this is a fundamental concern to the Authority. According to Mr Kennedy, there is an emphasis on technical investment decisions rather than strategic decisions. In relation to risk, he said "if their actuarial advisers are talking to trustees about risk management...we see no written evidence of this". Risk management is central to the advice that actuaries provide to trustees, and it is a matter of concern to the Committee that the Authority apparently saw no evidence of this in its engagement with trustees. We are working with the Society's Executive to identify an appropriate course of action.

The podcast can be accessed here: <https://web.actuaries.ie/events/2018/02/scheme-actuary-forum>

Meeting with the Department of Finance

Representatives from the Society met with Department of Finance (DoF) officials to discuss the Society's 2017 note on [Taxation of Private Pension Provision](#) (an update to the 2011 paper), which arose following a member query. The team also had an opportunity to discuss tax policy and how it interacts with pension policy with the DoF representatives. We noted that the primary aim of pension policy is a target pension of 50% of earnings post retirement (dating as far back as 1998 and reconfirmed in subsequent Government reports) and that the tax structure plays an important role in encouraging individuals to save for retirement.

The paper can be accessed here: <https://web.actuaries.ie/news/17/12/position-paper-taxation-private-pension-provision>

Update on pension matters raised with Revenue

As you might recall, the Committee wrote to Revenue in 2017 raising some concerns and queries regarding the capitalisation factors and commutation factors set out in their Pensions Manual. In response to the commutation factor matter, Revenue has confirmed that "trustees who are using commutation factors greater than 9:1 may continue to use those factors providing it is based on the advice of a qualified actuary". The Committee asked for clarification in relation to schemes which are still using 9:1 but where the trustees wish to adopt higher factors and a response to this is awaited.

No response was received regarding the Society's concerns on the capitalisation factors set out in the Pensions Manual and in May 2018, Committee's Chair wrote to Revenue requesting that the reference to the capitalisation factors being determined following consultation with the Society of Actuaries in Ireland be removed, as the Society is of the view that the factors should be amended. The Committee will keep members updated on this matter.

Other work on the go

The Committee is drafting a new actuarial standard of practice to consolidate and update ASP PEN-8 and ASP PEN-9 which deal with accounting for pensions, and to reflect the provisions of the recently issued international model standard ISAP 3. The draft ASP is expected to go to member consultation in Q3 2018 (subject to Council approval). The Committee also reviewed a bank of pensions-specific professionalism case studies which had been developed by a working party and the first pensions professionalism event was successfully delivered in Dublin in May. A second event was held in Cork in June.

The Committee and the Society would especially like to thank all the volunteers who have helped over the past six months. We are very grateful to members who have participated in sub-groups, working parties, helped coordinate events and delivered presentations. If you would like to get involved, please visit <https://web.actuaries.ie/benefits-volunteering> or contact Philip Shier for more information on the benefits of volunteering.

Wider Fields Update

This is the first Wider Fields section to be included in this regular Updates document. The Society established a Wider Fields Committee in 2014 to support members working in non-traditional areas of practice, to make the general membership aware of wider fields opportunities and to promote the actuarial profession to non-traditional employers.

In 2017/18 to date, the main activities of the Committee have been:

- The establishment of two formal sub-committees:
 - Data Analytics, chaired by Pedro Ecija Serrano; and
 - Banking and Aviation Finance, chaired by Bryan O'Connor.
- These sub-committees reflect probably the two most prominent and promising areas of non-traditional actuarial employment in the immediate future.
- An impressive number of members volunteered to participate in these two sub-committees and the Society is very grateful for members' willingness to contribute in these areas.
- The Data Analytics sub-committee is working on the development of a strategy to promote the actuarial profession in the Data Science community in Ireland.
- A key objective of the Wider Fields Committee is to articulate the actuarial skill set in a clear and attractive way that will facilitate the promotion of the profession to non-traditional employers. Research carried out, both here in Ireland and by other actuarial professions abroad, suggests that the actuarial brand is almost completely associated with the traditional areas of employment in insurance and pensions.

To this end, two innovative workshops were held in January & February of this year. These workshops, facilitated by Jenny Johnston, assisted by Barry Murphy and Brendan Guckian (all members of the Committee), brought 11 and 10 member volunteers together respectively using the Lego Serious Play methodology to explore new approaches to articulating the actuarial skill set. These workshops were very well received by the participants (and we thank all who volunteered for taking part with such enthusiasm and commitment) and they have given the Committee extensive material to work with in addressing our objectives in the area of promotion.

- To ensure that Society membership remains relevant for members working in non-traditional areas, as well as informing the general membership on wider fields topics, the Committee believes that a strong programme of CPD events is crucial. Darragh Pelly, who joined the Committee during 2017, has volunteered to act as CPD co-ordinator and has worked extensively with the sub-committees in developing event ideas.
- In particular, the Data Analytics sub-committee has instigated a series of events under the heading "R for Actuaries"; two very well-subscribed events have already taken place and further events in this series are planned for the autumn. Several additional events are under consideration by the sub-committee for the 2018/19 CPD year.

- The Banking and Aviation Finance sub-committee, as well as providing an introduction to its plans and activities at the Annual Convention, has organised a very significant Aviation Finance event to take place on 26th June, when Aengus Kelly, CEO of AerCap, a major player in the Aviation Finance industry, will address the Society. Members can book online [here](#).
- The Wider Fields Committee has been responsible for the Society's relationship with the IMI. This entitles the Society to a number of free places at IMI events, with further places available at a deep discount, as well as giving all members access to the IMI's extensive online library of management resources. The Committee has worked with the IMI through the past year to promote the availability of these resources to members, with the IMI making presentations and providing information at a number of the Society's own events. The feedback from members who have attended IMI events has been extremely positive
- In line with the Strategic Objectives for which the Committee is responsible, work is also ongoing in two other areas:
 - Liaising with international actuarial bodies to understand their approaches to non-traditional practice areas and exploring the potential for collaboration; and
 - Analysing the work done by other professional bodies in Ireland to broaden the areas in which their members work and exploring the potential to cooperate with such bodies for mutual benefit.

These areas of work are being progressed by sub-groups involving Barry Murphy, Eamon Comerford and Martin Keane from the Committee.
- A call for new volunteers for the Committee was made at the end of 2017, and four new members joined on 1 February 2018 – we welcome Giulia Vilone, Rafay Khan, Svetlana Gatova (who has taken on the role of Secretary) and Karl Fahy to the Committee. Their fresh perspectives have already re-energised the Committee's work.
- The Committee would like to thank Emily O'Gara for her excellent ongoing support for our work.
- The Committee would also like to thank the following former members who have left over recent months – Bence Zaupper, Conor Byrne (both of whom are continuing as members of sub-committees), Alan Canny and Rachel Lynch – their contribution to the work of the Committee has been greatly appreciated.
- The Committee is chaired by Mike Frazer.



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