THE SOCIETY OF ACTUARIES IN IRELAND

Press Release

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President of Society of Actuaries warns against risks of unregulated property investments

"In the past few years, Irish investors have enjoyed good investment returns with low levels of risk. But risk is never far away and when it returns, as it definitely will, it will expose the weak underbelly of the economy and lay bare practices that have evolved in the good times that will not be able to stand up to the stress of turbulent market conditions." This was stated today (Thursday, Feb 8th) by Colm Fagan, President of the Society of Actuaries in Ireland at the Society's biennial dinner. (Note to editors: on night of Thursday, Feb 8th)

Mr Fagan particularly drew attention to Irish investors' high concentration of investment in property, both through individual property ownership and collective vehicles. "The average Irish investor has a much greater exposure to property assets of various kinds than investors in most other countries. This lack of diversification, often geared up through high levels of borrowing, carries risks which the strong returns of recent years have probably masked."

"Of particular concern would be individual buy-to-let investments, often overseas, which are completely unregulated and are not subject to the normal statutory protections afforded to retail investors in regulated products. For example, investors do not benefit from full disclosure of charges and sales remuneration applying to most retail regulated products. In addition, some of the claims made for future performance of these investments are very misleading, and the commission paid to the salesperson or intermediary, which does not have to be disclosed, can be particularly high."

Mr Fagan also cautioned about the risks of certain collective property investments. "It can be difficult for the consumer to spot that some investments are unregulated, given that they may be promoted by entities - such as banks, life assurance companies or financial advisors- that are regulated in respect of other activities. In other cases, the unregulated property fund may be 'wrapped' inside a regulated product, such as a life assurance policy or a pension. While both the 'wrapper' and promoter may be regulated, the underlying property investment is often held in an unregulated vehicle such as exempt unit trusts, shares in private companies or co-ownership arrangements. This can lead to risks that most investors are unaware of, including potential problems in realising the investment, transparency on costs and valuations. Added to this virtually all consumers invest on a substantially geared basis, often in just one particular property located in a foreign jurisdiction."

Mr Fagan repeated the Society of Actuaries' call for property investment schemes to be brought within the remit of the Financial Regulator.

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The Society of Actuaries in Ireland is the professional body for actuaries practising in Ireland. Actuaries provide advice and relevant solutions for financial, business and societal issues involving uncertain future events. Most of the Society's members work in the financial services industry, and the profession has a statutory role relating to the supervision of pension schemes and insurance companies.

The Society seeks to make an impartial contribution to public debate on social policy and public interest matters where an actuarial perspective can add value.