

# Newsletter

November 2007

The Society of Actuaries in Ireland

## Update on Solvency II and Pensions from the President, Philip Shier



Philip Shier

A very significant milestone in the development of the Solvency II regime was reached on 10 July with the publication by the European Commission of its proposals for the text of the Solvency II Directive. Meanwhile the European insurance supervisors (CEIOPS) continue to analyse the results of the most recent Quantitative Impact Study (QIS3) and it is expected that their summary report will be published in mid-November. This should give the first meaningful view of how insurers' balance sheets might look under the proposed Solvency II framework. Attention will then immediately turn to the next such Study (QIS4) which will build on the findings of QIS3 and is expected to take place in Q2 of 2008 (following a consultation process in Q1).

To date, the Solvency II regime has application to insurance companies,

and when Commissioner McCreevy introduced the proposal for a Directive in July, he made it clear that it would not necessarily be copied across to the occupational pensions regulatory regime. There is a strong lobby, including the UK Government and the European Federation for Retirement Provision, to have a separate framework for pensions. Nevertheless, there are many influential people, including the former and current chairmen of CEIOPS, who have expressed the view that occupational pensions should be treated in the same way as insurance contracts.

In my President's Address, I noted that if the Solvency II reserving requirements were applied to an occupational pension scheme, it would be required to hold technical provisions calculated on a best estimate basis, with an explicit risk margin, and additional solvency capital calculated using Value-at-Risk techniques to limit the likelihood of short term insolvency to no more than 0.5%. I commented that this would undermine the viability of many if not all of our current defined benefit pension schemes.

The Groupe Consultatif, which has played a major role in the development of the Solvency II framework to date, is preparing a position paper for the European Commission on the possible application of Solvency II to pensions, which will attempt to focus on the technical rather than the political issues. However, it is a reality that pensions are very different across Europe (much more so than insurance), with different social contexts from country to country, and that it may not be practical to have a single framework to apply across the EU.

The key questions which need to be addressed are:

- ▶ Is it appropriate to require the same level of security for a pension promise as for an insurance contract?
- ▶ Should the same actuarial principles be used to determine technical provisions for occupational pensions as for insurance contracts?
- ▶ Should occupational pension schemes be permitted to take credit for capital held outside the scheme e.g. contingent assets, employer debt, state pension protection or guarantee funds?

### Weblinks:

European Commission Solvency II page:  
[http://ec.europa.eu/internal\\_market/insurance/solvency\\_en.htm](http://ec.europa.eu/internal_market/insurance/solvency_en.htm)

Groupe Consultatif Solvency II page:  
<http://www.gcactuaries.org/solvency.html>

CEIOPS: <http://www.ceiops.org>

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## Education Update

### CA2 (modelling) exam

The Institute decided last year to centralise all CA2 exam sittings to Oxford and Edinburgh. This was unavoidable given the nature of the CA2 exam. As you may know, CA2 is a 2 day attendance course with the need for computer facilities and the necessary controls on systems to ensure exam conditions can be maintained. The Institute & Faculty run CA2 exams throughout the year to cater for the demand from students – both from the UK and abroad including Ireland.

The Society of Actuaries wished to do something for Irish based students. We have just over 300 students here in Ireland, and we estimate that between 40 and 60 students per year will need to sit the CA2 exam. We therefore decided to become an examining body ourselves, and outsourced the actual exam to Dublin City University (DCU) in Glasnevin. The Institute was very supportive of this initiative and it has agreed to supply the exam materials to the Society, and also confirm exemptions for each candidate as part of the results process. But the Institute does view our CA2 exam as effectively “external” and successful Irish candidates have to apply and pay for an exemption when they pass the Irish CA2.

We were lucky to have DCU able to provide this service. DCU already offers a 12 month postgraduate certificate in actuarial studies that covers the syllabus for CA1 (assets/liabilities), CA2 (modelling)

and CA3 (communications). UCD and the other Irish universities do not currently offer CA2 courses, and therefore our options in outsourcing the CA2 examining were limited.

Why am I telling you all this? Two reasons – firstly, please be aware that we may not be able to cater for all the Irish students that may wish to avoid having to go to the UK for the CA2 exam. We have already run three CA2 exams (February 2006 for the Institute, February 2007 and July 2007) and at the moment we have one further date at the end of January 2008 in place. But we have a waiting list longer than our capacity for any one sitting as we can only accommodate 20 candidates per sitting. We are trying to agree a date mid 2008 for another CA2 in DCU. Secondly, don't underestimate the CA2 exam. It is not simply an attendance event as recent attendees are painfully aware. We had 60% pass rate for our 20 attendees this July, and these pass rates are consistent with the UK sittings recently. This similar trend is not a surprise as the exams are from the same source and the exemptions process effectively ensure the pass level is similar for both Irish and UK courses. Therefore some advice for future attendees to any CA2 exam:

- ▶ Buy some additional materials and study them. ActEd sells course materials for CA2, and given most employers are very generous in their study packages, some internet shopping for reading materials is strongly recommended.

- ▶ Download the example assignments from the Institute website – you will get instructions on how to do this when you apply for the exam. Pay particular attention to the “L3” example, this is in fact a past exam from the Institute and it shows that the other sample assignments were in fact not as stretching as the actual exam.
- ▶ Complete the pre-exam assignment. You will get details of this when you apply and are confirmed for the exam. Don't leave this until the weekend before the actual exam.
- ▶ Answer all questions on the exam! This means it is not enough just to produce an Excel model on the day, you will also need to “answer” your conclusions, summary, self checks and audit trail questions.

Finally, please put Monday the 3rd of December in your diary. We have Trevor Watkins, Head of Education and CPD from the Institute coming to Dublin to address students and employers on various aspects of actuarial education.

If you have any queries please contact Mary Butler in the Society.

*Mike Claffey*  
*Education Chairman*

# First Irish Annuitant Mortality Study – Results

With the ever increasing topicality of longevity, the Life Committee has been aware of the value of producing an all office experience for annuitant mortality. However the difficulties that the Critical Illness Working Parties have undergone did not augur well. The huge effort required even when the number crunching is outsourced (at the life offices' expense) to the CMI means that it has taken four years apiece to produce results and participants swearing "never again" at the end. There is simply not the resource in Ireland to handle a full study.

However there is a solution in the form of a new approach to cross-office studies - the new "Irish Lite" method, which seems to be a model for all such studies going forward. It is based on the simple concept that all companies are already doing their own studies and that these are structured in a manner that permits easy alteration of the table that is used for "expected mortality".

All that is needed for a Lite study is for all participants to agree a common basis for the Expected and to pool their Actual and their Expected results to a neutral (confidential) central resource (the Society's Director of Professional Affairs). She adds up all the A's and all the E's and divides one by the other.

Of course this method has some drawbacks. It is quite likely that there are different treatments of exposure periods, handling of joint lives and other minor details. But the effort required to sort all this out means that the alternative is realistically to have the quick and easy Lite results or nothing.

The table below shows the A/E by annuity amount split into broad age groups and split male/female. It should be noted that this result is all that will be published. It was felt by participants that publication was necessary to avoid any accusations of anti-competitive behaviour.

The standard table used for Expected deaths is the 2000 series UK Table ("PNMA" & "PNFA") from the CMI. The experience at young ages is quite severe and this is almost certainly due to an elective factor in early retirement being ill health. Some contributing companies claimed that they were able to remove early retirements from data, others could not. At later ages the pattern of improvement being more marked in the 60-70 age range has been seen elsewhere. The greater improvement for males and females is another factor well known from elsewhere, though the gap looks smaller than some other studies.

In any case it would appear from this data that the 2000 series table cannot be regarded as conservative for aggregate experience.

*Tony Jeffery*  
*Life Committee*

## So here are the results:

### Actual / Expected

| Age         | Males | Females | All  |
|-------------|-------|---------|------|
| < 60        | 222%  | 180%    | 208% |
| 60 ≤ x < 70 | 58%   | 53%     | 58%  |
| ≤ 70        | 83%   | 87%     | 84%  |
| Total       | 80%   | 86%     | 81%  |

# News from the SAI

## Summer Barbeque

Despite the terrible summer the optimistic actuarial students of Dublin descended upon D2 on Harcourt Street on 11th July for our highlight of the student society's social outings – the summer barbeque! The promise of an enclosed beer garden, delicious food and a few free drinks really got the crowds out in numbers. With almost 100 people coming and funds drying up we needed to go begging for some funds, without which the night could not have taken place. For this I would like to say a big thank you to the companies for their generous contributions.

- ▶ Irish Life
- ▶ Hibernian
- ▶ Canada Life
- ▶ Life Strategies

The evening turned out to be one of the better ones we've seen this summer and really added to the atmosphere. It was a great evening for meeting with old college and work mates and indeed introducing the newest graduates to the actuarial social scene.

Thanks for the great turn out – hope you all enjoyed it!



*Aislinn Hopkins, Seanna Hanratty and Helen Hurley*



*James Davidson and Karl Dooner*



*Cyra Mulvihill, Sarah Clarke, Peter Martin*



*Stuart Redmond, John Joyce, Niamh Crowley, and Bronagh Beary*



*"Student's at BBQ"*

# Student Society

## Football

The annual actuarial 5-a-side soccer tournament took place on July 28th last in Sportsco, Ringsend. In rare Saharan conditions, the final was played out between Eagle Star and Irish Life with the latter winning 3-2. We would like to congratulate the winning team of Terry Brannigan, Raymond Leonard, Brian O'Malley, Vincent Kelly and Shane Prendergast. Well done lads!

## Actuarial Education talk

Trevor Watkins, Head of Education and CPD with the Institute of Actuaries, will be coming over from England on 3rd December to address students on various aspects of Actuarial Education, including:

- ▶ Update on examination procedure
- ▶ Proposed changes to CA2
- ▶ Work Skills Log Requirement

This should be very informative and provides a forum for students to get their questions/queries answered. All are welcome.

The talk will take place in The Atrium, Irish Life, Abbey St. from 6.00 to 7.30.

## Student Society Committee

After an eventful and successful year of events Cathriona Callan and David Woods are stepping down as heads of the student society. We would like to wish Daragh Burns (Irish Life) and Sinead Carty (Hibernian) all the best in taking over our roles. Events will be planned over the coming months and Daragh and Sinead will send around emails in advance so you can keep your diary free.

I would ask you all to encourage new students in your companies to join the Society and indeed older students who are not members. It is a great opportunity to meet new people and de-stress after exams!

*Cathriona Callan*  
*David Woods*



*Team Eagle Star*



*Team Irish Life*

## Question Time with David Coldrick



*David Coldrick*

### *Current employment*

Retail Valuations Actuary, Irish Life. Qualified in 2004.

### *Why was your name referred to so much in the media during the week-end of 16th September?*

I was appointed to referee the All Ireland Senior Football Final between Cork & Kerry.

### *How did you become involved with the GAA?*

I played gaelic football from a young age with my local club, Blackhall Gaels (Meath), so gaelic football has always been my number one sport.

### *How successful were you as a player?*

I won minor & U-21 county medals with my club. I stopped playing when the refereeing career took off at inter county level as I couldn't find the time to combine both.

### *When did you get involved in refereeing?*

I started refereeing when I was 17.

I naively thought at the time that I could do a better job than some of the referees I came across while playing. I quickly found out it wasn't an easy job! I made my way through the grades in Meath & from there on to the Leinster referees panel. A year or two later I progressed onto the national panel of referees.

### *What training is involved?*

The game at inter county level is getting faster & faster all the time so a high level of fitness is essential for referees. During the GAA season I'd train at least 3 times a week with a match most weekends. Inter county referees have to pass a fitness test at the start of every season in order to referee top level games & our fitness is assessed in all national league & championship matches during the season. I concentrate a lot on my level of fitness as I believe that whatever chance you have to see things if you're fit & up with the play you've absolutely none if you're lagging behind the play all the time.

### *What is your most memorable moment as a referee?*

Being appointed to referee this year's All Ireland final. This is what I got involved in refereeing for in the first place. While it's the goal of every player to play in Croke Park on the 3rd week in September, it's every referee's ambition to be the 'man in the middle' on that same day.

### *What is your most embarrassing moment as a referee?*

It was probably while refereeing a national league match between Mayo & Donegal a few years ago. Early in the 2nd half my whistle came off its chain but I didn't notice it for a split second & because underfoot conditions were poor I couldn't find it again. Luckily the ball went wide around the same time & I got the goalkeeper to hold up the play while I got one of my linesmen to go back to the dressing room to get a second whistle. That thought me a valuable lesson – always bring a second whistle out with me for all games!!

### *Do you find refereeing relaxing or very pressurised?*

I won't lie. It's a pressurised pastime, especially for big games. There is huge media attention at national level & with numerous TV cameras now covering inter county games the referee is coming under more scrutiny than ever before. TV can now show up incidents from lots of different angles but a referee has only one view of each incident & a split second decision to make each time. Players make mistakes, referees make mistakes but neither do so on purpose!

### *What do you do to relax?*

I like going to the cinema, concert hall & theatre in order to take a break from work & refereeing.

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

If refereeing was to go professional, I'd seriously consider it! I really like the outdoors & keeping fit but I've struggled to find a job that gives me these & pays an actuarial salary!

### *What is the worst thing about being an actuary?*

Long hours during quarterly valuation processes. It's difficult to keep up my fitness for refereeing during these processes.

# Question Time with Maurice Lyons

*What is your full name?*

Maurice Joseph Lyons (better known as Mossy Lyons!)

*Where are you from?*

Castleisland, County Kerry

*Where do you live now?*

Dublin

*Can you give us a summary of your career history to date?*

I did the Actuarial Mathematics & Statistics course at Heriot-Watt University in Edinburgh, Scotland. To date I've worked for Mercer Human Resource Consulting, Halifax Ireland Insurance Limited and Euro Insurances Limited (my current employer).

*When you are not pursuing your actuarial career, what do you do to relax?*

Outside of the GAA, I enjoy a round of golf, going to the gym, socialising and reading sports biographies.

*Where were you on Sunday, 16th September 2007?*

Croke Park!! (All-Ireland Final day, Kerry versus Cork)

*Was this your first All-Ireland Final?*

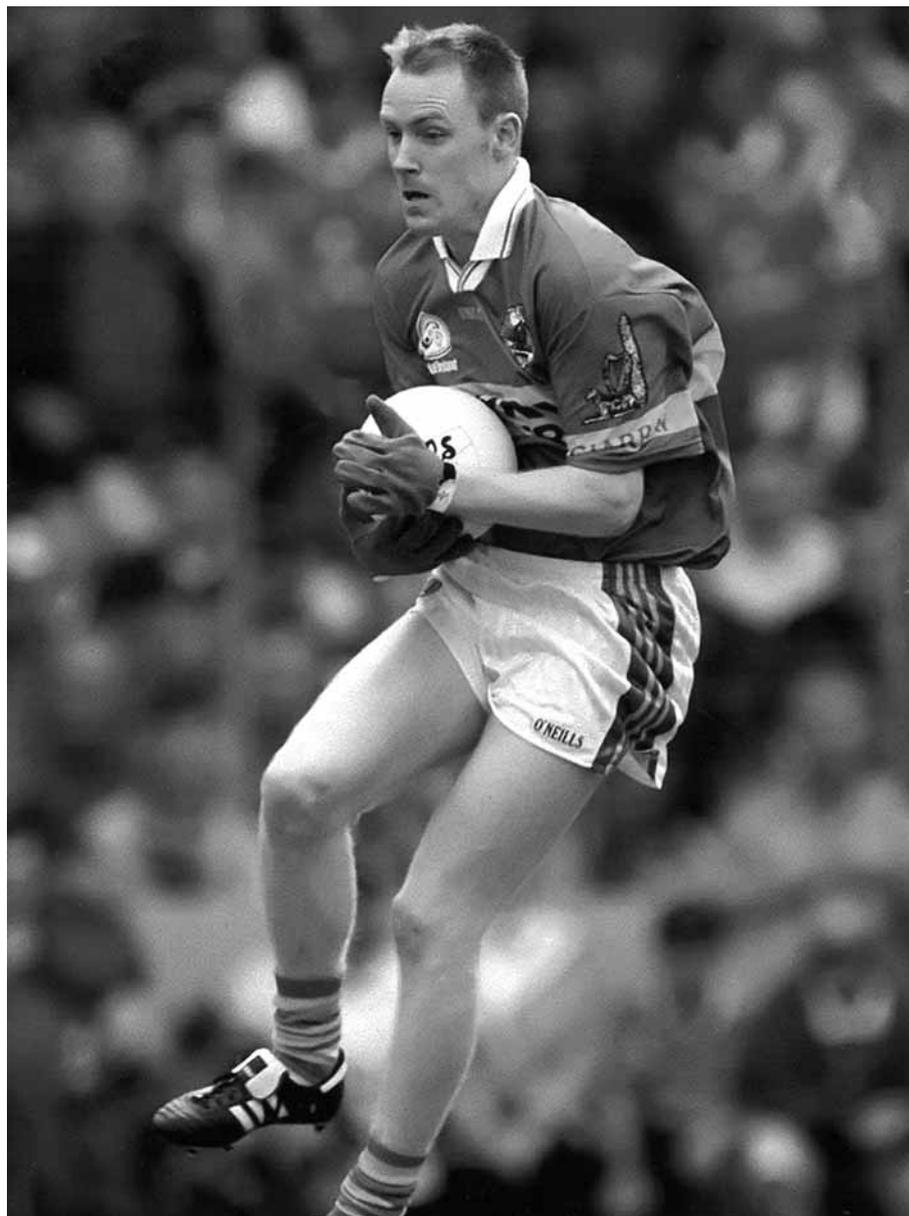
No, I've been involved with Kerry since 2000 so this was my fifth final. I missed out on the 2004 final due to injury.

*Was Gaelic Football always your first sport of choice & how and when did you get involved in Football?*

Even though I played all sports growing up, the Gaelic Football was always number one. For me there's no greater buzz than training and playing for Kerry and my club, Castleisland Desmonds. My father brought me to U10's training when I was 6 or 7 years of age so that's how I got started.

*Can you describe for us what your training programme entails?*

We train three times a week in Fitzgerald Stadium, Killarney where during the winter we do a lot of running and during the summer we play a lot of football. Outside of that we all have our own personal programmes we have to follow i.e weights, core stability, diet, flexibility. It can be difficult to switch off at times because you're doing something every



Maurice Lyons

night of the week. It's professional in everything but name outside of the fact that we have to go to work and don't get paid!

*What is your most memorable moment from an All-Ireland game?*

I think beating Cork in the All-Ireland Final this year and going back to back was particularly sweet for obvious reasons! On a personal note I played the two games against Dublin in Thurles in 2001 when Maurice Fitzgerald kicked the equalising point from the sideline. Those were great games to be involved in.

*What does the GAA as an organisation mean to you?*

Everything. My whole life revolves

around it. Most of my friends are involved in the GAA in some shape or form. My life would be very boring without it.

*What famous person from sport do you most admire and if you met them, what would your first words to them be?*

JP McManus, any tips?

*If you could do or be anything, what would you do or be?*

Professional Gaelic Footballer

*If parted from this mortal world, what would your dying words be?*

I told you I was sick!

## SAI Calendar of Events to December 2007

| DATE                             | VENUE  | TIME  | Title  | Speakers   |
|----------------------------------|--|---|--|--|
| Wednesday, 21st<br>November 2007 | The Conrad Hotel                               | 8.30 a.m. Registration<br>9.00 a.m. Start                                   | SAI Professionalism<br>Event for experienced<br>actuaries                                      | Mike Claffey<br>Brian Duncan<br>Yvonne Lynch<br><i>Guests:</i> Pierce Kent<br>Paul Kennedy   |
| Wednesday, 28th<br>November 2007 | The Alexander Hotel                            | 6.00 p.m. Tea/Coffee<br>6.30 p.m. Meeting                                   | "How risky is my<br>investment?"   | John Caslin,<br>Damian Fadden  |
| Thursday, 29th<br>November 2007  | The Westbury Hotel                             | 3.00 p.m. Tea/Coffee<br>3.15 p.m. Meeting                                   | Life Reinsurance<br>Regulation   | Members of the Life<br>Reinsurance<br>Sub - Committee  |
| Friday, 30th<br>November 2007    | The Gresham Hotel                              | 10.00 a.m. Tea/Coffee<br>10.30 a.m. Meeting                                 | General Insurance<br>Forum   | Members of the<br>General Insurance<br>Committee   |
| Monday 3rd<br>December 2007      | The Atrium<br>Irish Life<br>Lower Abbey Street | 6.00 p.m. Meeting   | Update on exams<br>including proposed<br>changes to CA2 and<br>work skills log<br>requirements | Trevor Watkins   |
| Tuesday, 4th<br>December 2007    | The Alexander Hotel                            | 3.30 p.m. Tea/Coffee<br>4.00 p.m. Meeting                                   | Pensions Forum   | Members of the<br>SAI Pensions<br>Committee  |
| Wednesday, 5th<br>December 2007  | The Westbury Hotel                             | 3.30 p.m. Tea/Coffee<br>4.00 p.m. Meeting                                   | PRSA Forum   | Members of the<br>PRSA<br>Sub - Committee  |
| Thursday, 6th<br>December 2007   | The Park Inn Hotel<br>Smithfield               | 6.00 p.m. Christmas Drinks<br>7.00 p.m. Quiz                                | Christmas Charity<br>Table Quiz  | Quizmaster<br>Kevin Manning  |
| Monday, 10th<br>December 2007    | The Westbury Hotel                             | 6.00 p.m. Tea/Coffee<br>6.30 p.m. Meeting<br>8.00 p.m. Drinks<br>Reception. | Current Topics 2007  | Mairead Coleman,<br>Niamh Gaudin,<br>Donal Keating,<br>Paul Kenny,<br>Maria McLaughlin,<br>Julia Moore,<br>Karl Murray,<br>Patrick Needham |
| Tuesday 11th<br>December 2007    | Westin Hotel                                   | 6.00 p.m. Tea/Coffee<br>6.30 p.m. Meeting                                   | Bank of Ireland's Life<br>Securitisation   | David Roberts  |

## On the Move

### Fellows:

**Kevin Manning** has moved from Bank of Ireland Life to join **Life Strategies**

**Aidan Kennedy** has joined **Hewitt** from Mercer HR

**Karl Alexander** has joined **Life Trust Holdings**

**Finbarr Kiely** has joined **Hewitt**

**Mary C. Cahill** moved from Canada Life to **Davy**

**Donal Garrihy** has joined **Citigroup** from Hibernian



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