

THE SOCIETY OF ACTUARIES IN IRELAND



SPEECH TO THE BIENNIAL DINNER THE SOCIETY OF ACTUARIES IN IRELAND THURSDAY 10 FEBRUARY 2011 KEVIN MURPHY FSAI

Guests, colleagues and friends

It is my great pleasure to welcome you to this Biennial Dinner held on behalf of the Society of Actuaries in Ireland. This dinner comes towards the end of my two year term as President and it is an opportunity for us to thank the many people who have helped out the actuarial profession over the last two years. In particular, I welcome the representatives of the Government, the Central Bank, and the members of other professions who work with us on a daily basis in handling the various issues that concern the actuarial profession.

In addition, I would like to thank many individuals here both actuaries and non-actuaries who have helped the profession during my term as president when serving on disciplinary bodies, chairing committees of working groups, serving on government bodies and contributing to the profession at European and international levels. The Society does appreciate everybody's efforts here.

The audience tonight consists of 50% actuaries and 50% non-actuaries. It gives me the opportunity to debate the two great mysteries of life in Ireland today.

Firstly, what exactly does an Actuary do, and secondly and more importantly, which of the two lanes of the Stillorgan dual carriageway is the fast lane?

I debate the second issue every night as I drive home on the Stillorgan dual carriageway but the first issue is a more complex issue as I am sure each of the 50 actuaries here can explain exactly what they do. Unfortunately, usually they give 50 different explanations.

In describing to people there are various approaches to describe what exactly you do. You can say where you work or what you do at work or the output of the work. For example, doctors could say they worked in hospitals, they could say they do operations, or they could say they cure people. Ultimately I feel any profession should define themselves in terms of what exactly they do to help the end customer because ultimately any profession which hopes to survive long term needs to make sure its core activity adds value to its end customer.

Looking from that perspective the best summary of what actuaries do is that they help people to manage the major financial issues in their lives.

Generally there are two major financial risks in people's lives.

The first one is mortality. I am sure people here don't think a lot about their mortality given its somewhat depressing nature. Most people assume that whilst they recognise that such an event is certain they assume hopefully it will not occur too quickly. The main risk is that you may either live too short or of equal concern live too long. Ultimately actuaries help people manage the financial consequences of dying too quickly through our various protection policies and the issue of living too long through savings contracts and especially through pension schemes.

Equally, people have lots of financial risks associated with their possessions for example their car, their house, their workplace and these are essentially managed through the general insurance industry.

On working on these issues actuaries have two critical responsibilities. One to figure out how much people should be paying or setting aside for these risks and secondly to ensure that the institutions that are responsible for these risks are solvent.

In Ireland given the environment today we are working hard on both of these issues. Whilst the financial crisis directly affects both the Government and banking finances, indirectly obviously it affects all domestic activities including those in the insurance and pensions industry.

On the life assurance and general insurance side huge work is now being done by actuaries to ensure that these organisations are restructured and repriced back to the new economic realities of Ireland. Equally on pensions much work has had to be done as this new environment is particularly stressful for pensions. Fortunately quite radical action is being taken both in the insurance and pensions industries to deal with these issues. Both are being resized and more cost effective insurance and pension schemes are going to emerge from this.

From a longer term perspective the major issue facing actuaries in the insurance profession is the preparation for Solvency II. This is a new methodology for assessing the solvency of insurance companies and huge work has been done in the actuarial profession to get ready for this. This is a significant development in EU level which mirrors the equivalent development of Basel II on the banking side.

Under Solvency II there is a big opportunity for actuaries to significantly step up their risk ability. Under proposed Solvency II each institution, life office, general insurance company, reinsurance company not alone will have an actuarial function but also have a risk manager who will look at all the risks of that operation and be responsible for both identifying the major risks and working at the business of managing them successfully.

This is a change point for the profession and enables actuaries to use their inherent skills to successfully become risks managers of major financial institutions.

I think this is a fantastic opportunity for actuaries because risk is a huge issue in the world and there is in practice very little understanding and knowledge how best to manage the significant risks we have today. The reality is that many people understand the average outcomes but very few people can understand the whole concept of variation surrounding that outcome. I feel if actuaries become the profession that successfully manages variation then we will have a successful future

as risk managers, not alone in our current organisations but in many organisations in the financial services area.

So longer term what actuaries do will widen from managing peoples major financial issues and risks to doing the same job for institutions in society today.

Ireland is in a tough place at the moment but I have every confidence that we have the skills and the economic strength to successfully survive this crisis. The actuarial profession has a strong history of managing the institutions they have responsibility for and as this crisis has demonstrated we have managed to continue that despite considerable pressures in the system.

In doing that clearly we do recognise the support of many people here tonight.

To finish up can I thank the Governor and all our guests for taking the time to join us this evening and to my colleagues on Council and other members of the Society for their support this evening and during my time of office. I would like to thank the Royal College of Physicians of Ireland for the use of this wonderful building for what I am sure will be an excellent meal. Finally can I thank Mary Butler, our Director of Member Services, for all the work she has put in in making this evening a success.

Thank you for listening to me and could I ask all my fellow actuaries to please stand with me while I propose a toast of welcome to our guests.

KEVIN MURPHY