



Society of Actuaries in Ireland

SAI Presidential Address

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Good evening everyone. I am delighted to welcome you here this evening.

It is a huge honour for me to have been elected President of the Society of Actuaries in Ireland. I appreciate the confidence you have placed in me and I am committed to working on your behalf over the next two years.

Through my involvement with Society committees and with Council, I have had the pleasure of collaborating with many of you. Knowing what a bright and capable group of people you are makes me even more grateful for the recognition that you have given me.

I would particularly like to thank the current Council members, the officers and outgoing officers, especially Dermot Corry, and the staff of the Society for their support. As I said on the evening of the AGM, I have had the pleasure of working with Dermot for over twenty years. He combines a great intellect with a positive can-do attitude. He was a very effective leader over his two year Presidency. I would like to call on Dermot to come forward so that I can present him with his Past President's pin, which I am sure he will wear with pride.

A special welcome also for Philip Shier who will shortly take over as Chair of the Actuarial Association of Europe, continuing the strong tradition of international service by Irish actuaries.

I would also like to welcome my past and present colleagues from Irish Life. I have been very fortunate to work with talented and committed people throughout my career. I have learnt so much from you and thank you for your help and support. But more importantly it has been a pleasure to work with such a nice group of people.

I would like to particularly thank two very special mentors of mine, Bruce Maxwell and Bill Hannan, both of whom are past Presidents of the Society. Bruce recruited me and I was honoured twenty years later to follow in his footsteps as Appointed Actuary of Irish Life. It was Bill who first encouraged me to become active in the Society. Bruce and Bill are both wise counsellors and true gentlemen. They have given me enormous support and encouragement. Unfortunately Bruce is out of the country this week but I am very pleased that Bill is here tonight to share this evening with me.



When I was elected, Dermot commented that I was the first female President. I hesitated about referring to that fact in my talk this evening. In a Society where a third of the members are women why should having a female President be noteworthy? And I worried about the relevance to the whole audience. But on reflection I decided that it would be wrong not mention and welcome some of the ground breaking women in the profession who are here this evening -

- Brid Horan who was one of the early female students and is probably our most successful actuary in wider fields, having recently retired as Deputy Chief Executive of the ESB. Brid also acts as a mentor to younger female managers.
- Yvonne Lynch who, along with Evelyn Bourke, was the first woman Fellow member of the Society and
- Sheelagh Malin who was one of the first female Appointed Actuaries.

These and the other ground breaking women in the profession succeeded because of their talent, ambition and hard work but equally importantly because of their resilience and their willingness to be different. They succeeded on their own merits but they would not have had the opportunity to do so, if the people who recruited and sponsored them were not also willing to look beyond the familiar.

These attributes of resilience, the willingness and the courage to be different and the value of an open mind are just as relevant today - to each of us as individual actuaries and to the Society and the profession as a whole.

My final welcome is for my family, Bryan who is my best supporter and my children who are my pride and my joy.

Backdrop to our work

I do hope that this evening will be a very enjoyable social event but I will ask for your attention for a short while as I share my thoughts with you as a new President facing into the start of my two year term.

We are all privileged to be members of a profession which serves the public by working to secure people's financial futures. But with privileges come responsibilities. People place their trust in us. We have to ask ourselves if we earn that trust.



The industries in which we work have faced difficulties in recent years. Many defined benefit pension schemes have closed; many others have reduced benefits or increased contributions. Despite these actions, the Pensions Authority reported that only 59% of defined benefit schemes met the minimum funding standard at the end of 2014 and, as we know, meeting the minimum funding standard does not guarantee that a scheme will always be able to meet its liabilities. A number of insurance companies have also experienced financial difficulties. While shareholders bore the costs in most cases, unfortunately policyholders are also paying through levies to finance the Insurance Compensation Fund.

In light of these difficulties, we must ask ourselves if we have lived up to our own mission and goals. Have we served the public through the highest standards of professionalism and competence in actuarial practice? Have we always acted with integrity, professionalism and objectivity? Have we been willing to take unpopular and difficult decisions? Have we engaged in the right debates? Have we drawn attention to the right issues? Have we been too slow to give clear advice if it is unpopular? Have we had the courage to be different? Have we been resilient under pressure? Have we supported our colleagues when they face difficult decisions?

I believe that the events of recent years have tarnished the reputation of the profession and, while we retain a reputation for technical expertise, I doubt we are as well recognised for our leadership skills.

The challenges the profession faces are not new. My predecessors as President also reflected on the adverse impact of recent events. Nor are they unique to our profession. People do not place the same trust in any of the professions as they did in the past. Nor will the challenges abate. We live in turbulent times. Ageing populations, disruptive technologies, global macroeconomic trends such as the rise of the East and, as we are seeing each day, the terrible impacts of conflict and scarce resources all have the potential to create great change in the industries in which we work and the society in which we live.

While change can create opportunity, volatility can also bring risks. As actuaries, we have valuable skills to contribute in a changing world. We pride ourselves on our ability to assess risks and to maintain a long term perspective. The Society is committed to supporting actuaries to use those skills to serve the public.



Council set out its action plan for 2014-2017 in the Strategic Plan published last year. Work is being carried out in the areas of:

- Member Proposition
- Lifelong Learning
- Regulation
- Independent Voice
- Wider Fields and
- Financial Strategy.

Yesterday, you received an annual report on the activities of the Society which included an update on these initiatives. I won't discuss all of the detail tonight. Instead I would like to focus on the goals that Council has prioritised for the next year, which are to:

- build confidence amongst the users of actuarial services
- raise the profile and extend the reach of the profession and
- ensure the Society remains relevant to you, our members.

We would very much welcome your input. It would be great to harness the brain power and experience of the people here this evening. So, if you have thoughts on the issues I discuss, please do contact me.

Building confidence through enhanced self-regulation

Our first priority is to build confidence. In order to build confidence, we must challenge ourselves. We have to be pro-active and ask ourselves what more can we do to earn trust?

Regulatory expectations and the demands on professions are changing both locally and internationally. There is a demand for more transparency, a demand for more clarity on the assumptions underlying our advice and the limitations of our advice, a demand for more challenge on the application of professional judgment, a demand for more consistency and codification and a demand for more quality assurance.

We have to be open-minded and we have to accept the need for behavioural change. Given the volume of regulatory change, it is very easy to be reactive and to focus on the technical aspects of change. We need to also focus on ethics and professionalism. This is consistent



with the global and local trend for statutory regulators to codify more of the technical requirements, with the expectation that the professional bodies will focus on setting ethical and conduct standards. This will be a challenge for us as individual actuaries and for the Society. I ask for your support on this journey.

The Society supports members and serves the public interest by ensuring members work within an appropriate professional framework. This framework comprises qualification requirements, the Code of Professional Conduct, Continuing Professional Development requirements, Actuarial Standards of Practice, Practising Certificates and a Disciplinary Scheme.

Today, our Actuarial Standards of Practice relate primarily to regulated work. In line with international developments, Council is working on a proposal to broaden the scope of our standards by introducing a new standard on General Actuarial Practice which will apply to all members and will relate to all actuarial work.

The purpose of the standard will be to give users of actuarial services confidence that

- actuarial services are carried out professionally with due care and are subject to appropriate quality assurance;
- results are presented clearly and understandably; and
- the assumptions and methodology used are disclosed appropriately.

We believe that this will enhance confidence in the quality of work performed by members of the profession. The introduction of the new standard will be a change for many of our members and I ask you to participate positively and constructively in the consultation. The Society is committed to supporting our members in this change, so if there are actions we can take to help you, please let us know.

In relation to regulated work, I welcome the fact that the Central Bank of Ireland views actuarial reporting as a key tool for its supervision of the insurance industry and that it proposes to require actuarial opinions on technical provisions and on the range of risks and the adequacy of the scenarios considered as part of each Own Risk and Solvency Assessment process. The Central Bank's proposals for peer review, reserving policies and reserving committees to support the management and oversight of insurance companies are also welcome.



The Pensions Authority recognises the vital role of the scheme actuary as advisor to the trustees of defined benefit schemes and has commenced discussions with the Society on proposals to expand the scope of the advice provided by the scheme actuary to cover funding strategy, investment strategy and risk. The Pensions Authority would regulate such advice.

If we aspire to remain relevant, we must step up to the plate and deliver on the expectations for these new roles. Actuaries carrying out these regulated roles must communicate risk effectively. They must give clear advice. Providing lots of information, but not providing clear recommendations, will not meet the expectations for these roles.

Actuaries in these roles will face challenges. They must be resilient and be willing to challenge group think. They must not allow bias, conflict of interests or the undue influence of others to override their professional judgment. They must be willing to make unpopular recommendations and difficult decisions.

It is vital that, as a profession, we support members carrying out these roles.

We need to review our professional skills training to help actuaries equip themselves with the appropriate behavioural and communication skills to carry out their roles effectively. We need resilient, open-minded actuaries who have the courage to be different. We need to find a way to share experience and learnings from professional challenges. We will be putting out a call for help in this work, so if you have any ideas please do participate.

If you are facing challenges, please look for support. I also urge each of you to consider how you can support your colleagues and fellow professionals. Don't be the person who stands by waiting for someone else to say stop.

Council has also asked our Practice Committees to review our existing standards to ensure they continue to be fit for purpose in the changing regulatory environment. The Committees will also consider what other supports, such as Information and Assistance Notes, can be provided to support members carrying out regulated roles.



As you are aware, we recently consulted with members on the issue of voluntary Head of Actuarial Function and Reviewing Actuary Practising Certificates for 2016. While Practising Certificates have long been recognised as a fundamental part of the regulatory regime in Ireland, there are potential difficulties in introducing mandatory certificates post Solvency II. Issuing voluntary certificates for 2016 would enable the Society to maintain our commitment to fostering the highest possible standards and would enable a member to submit a Practising Certificate as part of the assessment of fitness and probity to carry out a Pre-Approved Control Function role. Council understands that there are a range of opinions on this topic. We thank you for the helpful feedback we have received which we will consider carefully.

I know that some members will be concerned that all of these changes will increase the burden of regulation and make our services less attractive. Given the recent history of our country, we should be all too aware of the risks arising from a focus on the burden rather than the benefits of regulation.

Other members are concerned about the implementation challenges for the Society. In particular, how will we monitor and assess professional skills and ethics? These challenges are real but I ask for your support as we enhance our professional regulation. Actuaries operating with appropriate technical competence and to high professional and ethical standards will deliver better outcomes and will build confidence in the profession.

Building confidence through improved risk management

Improving our processes based on the lessons of the past is necessary but it unlikely to be sufficient to deliver better outcomes in the future.

We need to ask ourselves what are the risks to the public related to today's actuarial work and how are we as individuals and as a profession addressing those risks? We need to apply our risk identification and management skills to our own professional enterprise.

Brendan Kennedy continues to highlight the vulnerability of the remaining defined benefit schemes. He has warned that many scheme trustees are choosing, consciously or otherwise, higher risk investments in an attempt to balance promised retirement benefits with affordable contributions. Many schemes are exposed to considerable risk of not being able to



pay the benefits promised by the scheme, and this risk falls especially on younger members. Low interest rates have exacerbated the problem. As the primary advisors to defined benefit pension schemes, are actuaries doing enough to communicate these risks clearly and to provide clear advice to trustees on actions they should take to manage these risks? Have we given clear advice on the sustainability of ongoing accrual? Do scheme trustees and members understand the minimum funding standard basis upon which actuarial funding certification is provided? More fundamentally, is this an appropriate basis for this purpose?

Low interest rates and market volatility also affect defined contribution plan members and people saving through unit-linked insurance products. The industry and regulators are working to improve the information provided to plan members and policyholders. Yet, as Kevin Murphy discussed in his Presidential address, there is a big difference between education and understanding, which poses risks to plan members, policyholders and ultimately the industry. Kevin challenged actuaries to deliver better advice and more innovative products that meet customer needs.

However, developing guaranteed products which are both profitable and attractive to policyholders is not an easy task, as evidenced by the difficult operating conditions facing the variable annuity sector. Life assurance firms in general are facing challenges in generating profitable new business. In a highly competitive marketplace are policyholders' reasonable expectations getting due consideration? Is this risk higher for cross-border business because of differences between regulatory regimes? Who better to advise Boards on policyholder reasonable expectations than the actuary?

Intense competition and difficult operating conditions have resulted in profitability concerns in the non-life sector, with underwriting losses reported in the domestic market in both 2013 and 2014 and the sector becoming more reliant on investment returns. Against this backdrop, what can we do to avoid the risk of overly optimistic pricing and reserving? Another topical question is how we can contribute to the effective implementation of periodic payment orders to meet the real needs of people who have suffered catastrophic injury while supporting the financial stability of the non-life insurance sector.

As we move into 2016, will there be pressure from shareholders to release capital from Irish insurance companies? How will Boards assess the capital needs of their companies and



alignment with their risk appetite? What are the risks if actuaries do not provide sound advice?

Risks will evolve over time and it is important that the profession is vigilant in identifying these risks and that we do not shy away from tackling difficult issues. To quote Brendan Kennedy again, hope is not a strategy. Neither is denial.

When we identify current or emerging risks, appropriate actions that the Society can take include working with regulators, updating our standards of practice, issuing information and assistance notes for our members or engaging in public debate.

The fact that we may not be able to solve a problem in a way that meets the aspirations of all stakeholders should not be an excuse for inaction.

I will be working with Council and the Committees to identify the key current issues, emerging risks and appropriate actions. I hope that you will help us with this work.

Raising our profile and extending our reach

As a profession, we can also serve the public by contributing to debate where an actuarial dimension can add value. Speaking authoritatively and independently will also help build our profile. Our Vice-President, Maurice Whymys, is leading a group which is considering where and how we can make a valuable and effective contribution. For example, the Society, with funding from PublicPolicy.ie, recently commissioned an analysis of the financial sustainability of the State pension system, with a view to informing debate and public policy decisions on this issue. While we plan to engage more in public debate, where appropriate, we will continue to engage in bilateral discussions with key decision makers to influence public policy.

While there are many challenges facing the profession, we are fortunate to be members of a Society in which so many volunteers are actively engaged in supporting the profession. I know that with the support of our members we can meet the challenges - and of course challenges also provide opportunities.



If we continue to demonstrate our ability to assess risks and solve problems, there will be a continued demand for our services. Now that companies are completing their Solvency II implementation projects, all the energy and expertise which have been tied up for the last few years can be unleashed to solve new problems. If we keep an open mind, take on new opportunities and continue to learn at every stage in our careers, we will remain relevant and valued in the industries that we support.

The Society also wants to support member extending our reach into wider fields. Tony O'Riordan is leading a working group which is currently working on promoting actuaries to wider field employers, supporting actuaries interested in developing data analysis skills and promoting the Society to actuarial graduates working in wider fields.

Serving our members

The Society must remain relevant to you, our current members. Our member engagement group has recently surveyed you to gather your views on the Society. Our Lifelong Learning committee is also reviewing our CPD offering. If you have any ideas on how the Society can better support you please do contact us.

Mary has asked me to remind you that we have a very interesting ERM seminar at the end of the month. We hope that you will come and also bring some of your non-actuarial colleagues.

Thanks to our volunteers

By now you're thinking I got you here under false pretences promising this evening would be about our volunteers.

I sincerely thank all of our volunteers. You give your time, your energy and your ideas to the Society. You are ambassadors for the profession. You are committed to serving the public interest and the profession. You demonstrate an enthusiasm for lifelong learning and for using your skills to take on new challenges. You are wonderful role models. So many of you say that you benefit and learn from your involvement, so please do encourage others to follow your example.



I don't want to single out any one individual or group of volunteers. Our volunteers carry out a huge variety of work – drafting guidance and information notes, contributing to consultations on local and international developments, carrying out research, organising and presenting at CPD events and seminars, arranging network events for specific interest groups, providing support to student actuaries, mentoring newly qualified actuaries, developing and delivering maths tutorials to less advantaged students and overseeing the Society's activities.

Looking around the room I also see many people who have been active volunteers in the past. I want to thank you for your support and reassure our current volunteers that we do give time off for good behaviour.

Thank you all for your attention.

If you have any questions or comments on the issues I have discussed this evening I would be delighted to hear from you. You can either raise your hand quickly now or you can send me an email.

Thank you again for electing me as President. I look forward to working with you over the next two years.

I do hope that you will enjoy the rest of the evening, catching up with your fellow professionals.



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