Society of Actuaries in Ireland

President's Speech to the Biennial Dinner

Dervla Tomlin

Date | 16.02.2017

Good everyone agus failte romhaibh go leir.

It is my great pleasure on behalf of the Society of Actuaries in Ireland to welcome you to our Biennial Dinner.

I am very pleased that Mr Brian Hayes MEP is our guest of honour this evening.

This dinner is our opportunity to thank the many people who have helped the Society over the last two years.

I welcome the representatives of government departments, regulators, state bodies, members of industry and other professions who work with us on issues of common concern.

I would also like to welcome Tom Terry, President of the International Actuarial Association and our other international guests. Thank you for travelling to join us here this evening.

We are very fortunate in the Society to have many active and engaged volunteers. I would like to thank those who served the profession during my term as President and those who served in the past but are currently enjoying time off for good behaviour.

I would like to extend a particularly warm welcome and thanks to the lay members who serve on the Society's Committee on Professional Conduct, our Disciplinary Panel and our Professional Affairs Committee. We are very grateful for the independence, objectivity and wise counsel that you provide. This is hugely important element in the governance of the Society. You receive nothing for your service other than the pleasure of working with actuaries. So we are indeed indebted to you.

The one thing that we all have in common here tonight is that, directly or indirectly, we help secure people's financial futures.We are very privileged to have been entrusted with that responsibility.

We are certainly working in interesting times with low global growth rates, great geopolitical uncertainty and traditional norms being challenged on a daily basis. Here in Ireland, given the open nature of our economy and our high levels of debt, we are particularly vulnerable to external shocks and of course the looming threat of Brexit.

After our meal, our distinguished guest, Brian Hayes MEP, will share his views on Brexit and how the EU should establish a solid new relationship with the UK. As a very experienced Irish politician and Vice Coordinator of the Economic Affairs Committee of

the European Parliament, Brian is very active in seeking the best outcome for our country and for the EU.
Brian has a keen interest in financial services, in pension policy and in policyholder protection, having served as the European Parliament's rapporteur for the IORPS II Directive. So I am really looking forward to hearing his insights on Brexit.

I won't try in any way to foreshadow his comments. Instead I will spend a couple of minutes reflecting on some of the more long-standing challenges facing the sectors in which most of us work.

Low interest rates are challenging the profitability of insurers and the solvency of pension funds.

Non-life insurance companies have incurred underwriting losses in recent years. Motor insurance and health insurance premiums are increasing rapidly.

While the ageing population and the shift towards defined contribution pensions are favourable long-term trends for the life insurance industry, in the short term, competition is constraining the profitability of new business and low interest rates make it difficult to develop secure savings products that are both profitable and attractive to customers.

Following the financial crisis, many defined benefit plans were closed to future accrual, were restructured or wound up with reduced benefits for members. Unfortunately, many of the remaining defined benefit plans are challenged to meet the minimum funding standard in a low interest rate environment.

Have these problems been adequately addressed in recent years? Or did we hope that the problems would just go away? Or did we delay action because we could not find the perfect solution that meets the aspirations of all stakeholders? Or have we just been distracted by other priorities?

Certainly insurance companies have expended huge effort and energy in recent years preparing for Solvency II.

The introduction of a risk sensitive capital regime is a very welcome development, as is the confirmation by the Central Bank that domestic insurers are well-capitalised under the new Solvency II standards.

But capital is just one pillar of an effective prudential regime. Given the recent history of financial services in Ireland, the Central Bank is quite rightly very focused on the governance and supervision of insurance companies.

In preparation for Solvency II, members of the actuarial profession, as directors, executives, risk officers and heads of actuarial function, have contributed to improving the risk management and governance of insurers.

However, there is more to do. The new governance requirements involve major cultural change, which is never easy.
This is demonstrated by the recent Central Bank review of life insurance pricing and reserving which concluded that not all actuaries and Boards are meeting the new expectations. The Central Bank has reminded Boards that they are responsible for the oversight of assumptions and cannot delegate to their actuaries and has reminded actuaries that they must provide sufficient information on the key judgments made when recommending assumptions so that they can be understood and robustly challenged.

The Society will play its part in supporting actuaries and directors in fulfilling their obligations.

Actuaries must be open-minded and accept the need for change.

We must communicate better.

We must share our knowledge and expertise in ways that are appropriate and relevant to our stakeholders.

We must be open to challenge.

We must also earn the trust placed in us and have the courage to challenge others. We must be willing to make unpopular recommendations and difficult decisions.

If actuaries can understand and communicate complexity and uncertainty, if we can keep the interests of our customers central in our work, then we and our colleagues will be better equipped to find solutions to the problems facing our customers and our industry.

Because while good governance is prerequisite, it is not sufficient to deliver good outcomes for customers. We also need a competitive, customer focused innovative industry.

What is true for individual actuaries also holds true for the Society.

Over the last eighteen months, in response to Solvency II, other local regulatory changes and international trends in actuarial standards, we spent a lot of time reviewing our professional regulation framework and the supports we provide to our members, particularly those who carry regulatory responsibilities. This internal review was very important because we need a framework that is fit for purpose and which serves the public interest.

But the profession also needs to be outward looking and willing to share our expertise where an actuarial viewpoint can add value.

We recently published a research paper on health insurance inflation and likely future trends.
We appeared before the Oireachtas hearings on the rising costs of motor insurance. We believe that fact based research is vital to informed policy making in this area and have volunteered to help design a robust research study on motor insurance costs.

In recent years, the Society has also commissioned research on the future of both private and state pensions.

In the case of Defined Benefit plans, we are in favour of actions which support an orderly run-off of these plans over the longer term.

We and the IAPF are in constructive dialogue with the Pensions Authority and the Department of Social Protection on ways to address some practical difficulties in the operation of the minimum funding standard.

While we all want pensioners to enjoy a secure income in retirement, we understand that measures to improve security must be considered carefully, weighing up the impact on other stakeholders and the risks of unintended consequences. We are very conscious that prolonged public debate on these matters can itself have unintended consequences.

So on reflection, while we haven’t solved all of the problems facing the insurance and pensions industries we are making progress.

Now that Solvency II implementation is nearly complete, I hope that all the energy and expertise which have been tied up for the last few years can be unleashed to solve these problems.

You would not know it to look at me, but we are a young profession with lots of talented people skilled in data analytics and new technologies. I am very confident that our young actuaries will find innovative new solutions for members of pension plans, for insurance customers and indeed for customers of other industries.

Looking beyond our own sectors, great progress has been made in recent years returning the Irish economy to growth and thankfully reducing unemployment and emigration. This progress is testament to the resilience, the adaptability and the can-do attitude of the Irish people. We are also very fortunate to have a young, highly skilled workforce.

So while we face many challenges, I have no doubt that we will adapt and thrive.

I know Brian Hayes is a politician with a very positive can-do attitude, so it will be very interesting to hear his ideas on how we should respond to Brexit and find the opportunities for Ireland.

Brian will address us after dinner.

I will wrap up for now, by thanking the Royal College of Physicians of Ireland for the use of this wonderful building.

I would like to thank Mary Butler, our Director of Member Services, for all the work she has put in to making this evening a success.

I thank my colleagues on Council and other members of the Society for their support this evening and during my term of office.

Most importantly, I thank all our guests for taking the time to join us here tonight.

Thank you and enjoy your evening.

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