



Society of Actuaries in Ireland

Launch of New Term and President's Address 2019

“Extending our Influence”

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Welcome and Introduction

Good evening and welcome

I'm delighted to launch the New Term of the Society and to give a short Address on topics of interest to the profession in Ireland. My primary theme will focus on how we can extend our influence as a Society in the years ahead.

For those of you who do not know me my name is Sean Casey and I have been a Fellow of the Society for many years. I started my career in the life assurance sector 40 years ago at the time of the introduction of Solvency I. I knew very little about the work of an actuary back then but my mother told me that there were only 2 actuaries in Ireland and I would make lots of money. This was the first but not the last time I have come across mis-selling in my career! I concluded the executive part of my career three years ago when Solvency II commenced, and so Solvency I and Solvency II have been useful as career bookends for me, not their primary purpose but there you go! I'm not sure I would be quite up to the demands of Solvency III and am more than happy to leave that to the next generation.

Nearly all of my career was spent with a fine Company, New Ireland Assurance Company, and it's a pleasure to see so many former colleagues here this evening.

This is a very pleasant occasion. Certainly, it's a proud one for me to have been elected President of the Society and I'm conscious that I follow in very illustrious footsteps. Indeed, it's good to see so many past Presidents of the Society here this evening. My thanks to you for being here and of course special thanks to my predecessor Maurice Whyms. Maurice has done a great job on all our behalves, he has been a tremendously effective President during his term and I would like to ask Maurice forward to be presented with the traditional President's Insignia.

I'd also like to extend my thanks to the new Council members for taking on their duties, we have seven new Council members so rather than try to name them individually and risk missing one, could I just ask you to thank them along with Yvonne and her team for providing such great support to us all.

Finally, and most importantly I'd like to say thank you to my wife Paula and our girls Roisin, Aoife and Caoilfhionn who are all here tonight. Truly I am blessed amongst women – something I am more than occasionally reminded of – but it is true so thanks for coming and missing the Great Brexit Bake-Off which I think is on TV tonight!



Extending our Influence

Background

So if I could turn to the primary theme of my Address, extending the influence of the Society and ensuring that we are effective in the way in which we engage with our stakeholders be they our members, Regulators, other professional bodies, the companies in which we operate and of course the industries and companies in which we do not yet operate but would like to do so.

The earlier part of my career was a golden age for the Expert. Experts were rarely challenged; their word was gospel and indeed questioning the Appointed Actuary was not far off a disciplinary offence. Those were the good old days!

So where are we today? Well it seems we are each more independent and entitled to our own version of events or “alternative facts”. Populism classifies any disagreement with its view as “fake news” and an Oxford education inducts Mr Gove to the view that “we have had enough of experts”. Closer to home, the financial crisis has seen the public take a much dimmer view of the Regulator, the banking industry, the Audit profession, ourselves and many others. So resting on our laurels as experts is unlikely to be the best route to success.

We are not an insular Profession and an important strategic direction for our Society is to continue to highlight our strengths and to open ourselves up to the many external constituencies with whom we engage. By coincidence, the most recent past President of the Institute and Faculty of Actuaries Jules Constantinou also characterised the priority in his term as raising the profile of the Profession or as he put it to encourage the UK profession to “step out from the shadows”. So, I think we might have converged on similar themes but from different backgrounds, and hopefully that’s not just actuarial group think on our parts!

We must appreciate that many of our audiences have no view or a very narrow view of the actuarial profession. Most people have not heard of us and many of those that have think we operate in just one discipline such as insurance or pensions. Very few see the breadth of the profession across not only insurance and pensions but also investment, risk management, health insurance, banking, data analytics and the aviation finance sector amongst others.

Indeed, I find it surprising that the Institute of Actuaries quotes from recent market research that 1/3rd of the people asked from the general public thought they knew what an actuary does. I’m not too sure that 1/3rd of Irish actuaries let along the wider population could easily define what an actuary does such is the breadth of our profession today.



A quick look at the recent CPD events held by the Society in the current year to date gives some idea of the range of areas we are involved in; technology discussions on the Digital Economy, Machine Learning and AI; Investment discussions on Aviation Debt and China as investible asset classes and on the new PRIIPs disclosure regime; sessions on our traditional demographic field looking at mortality and longevity and finally a focus on important social issues such as Public Hospital waiting lists and Equity Release in the Irish market. Quite a range and a lot of new information, new thinking and a great willingness on our part to share this new information and new thinking with kindred spirits.

Positive Steps – Proactive Engagement

So, what positive steps can we take in order to broaden our reach and become more effective at extending our influence? Well my own experience of the nature of our debates has very often been that they consist solely of actuaries talking to actuaries. Whilst the discussions have been internally collaborative, they might not be seen as inclusive when viewed from outside the profession. In that respect I very much welcome recent trends towards inviting colleagues from other professions and disciplines to many of our meetings particularly our Actuarial Convention and Risk Conference. That's a relatively new development but one which I am keen to encourage and broaden in scope.

Indeed, I'm delighted at what has traditionally been a members' only event to see guests from Insurance Ireland, IAPF, ACCA Ireland, the Insurance Institute, the Smurfit Business School and many others. A big thank you all for coming along this evening.

Equally I think it was a very positive step for the profession to stage our first Presidents Conference last year with discussions around key social issues of housing, pensions and health and with a focus on attracting an external audience. Thanks to Maurice for hosting the event and to Roma and Aisling for your great presentations and showcasing what our profession has to offer. The consistent feedback from the event was the surprise at the range of areas that actuaries are involved in and I think that reaction of surprise is indicative of a perception gap that the profession has to fill.

Our Society does engage with organisations similar to our own as part of the normal course of business and we will continue to work to strengthen those links. We have a strong relationship with the Irish Association of Pension Funds and many of our members are actively engaged with Insurance Ireland. We also engage regularly with the Central Bank of Ireland and the Pensions Authority. However, we can do more to strengthen our relationships with key government departments particularly the Departments of Finance and Social Protection, and also with other organisations where we may see potential common interests such as the Irish Association of Investment Managers, the Funds Industry, the Accountancy bodies, the Institute of Banking, the Institute of Directors and others.



Of course, as a Society we are always mindful of our independence – we work in industry but are not representatives of industry – and we are very conscious of that. Nevertheless, the time to establish and strengthen new relationships is when we can find common ground and help to support the Agenda of our partner. If the first time we knock on the door is when we are looking for something, we are much less likely to be successful.

Wider Fields

Turning now to the Wider Fields aspect of our work, this is an important part of our Strategy and has seen a lot of very good work over the last number of years led by Mike Frazer ably supported by Bryan O' Connor and the Aviation Finance Committee and Pedro Serrano and the Data Analytics Committee. And just to say congratulations to Pedro on recently being elected to EIOPA's Consultative Expert Group on Digital Ethics in Insurance.

The Wider Fields Committee directly engages with new sectors of potential interest where we are currently poorly represented and seeks to highlight to those sectors the skills that actuaries can offer, whilst at the same time highlighting to our members the opportunities that a career in those sectors can hold. Lots of innovative approaches are taken and I understand the speed dating with Aviation Finance firms was a great night although as to how many actual romances have taken hold it's still too early to say.

I'd also like to take this opportunity to recognise the very good work being done within the Irish universities to open the minds of the actuarial undergraduates to all of the possibilities they can explore. A high point in this year's Convention was the presentation from the UCD Actuarial students who discussed new future areas for actuaries including sustainable development and micro insurance, waste management, environmental finance and the energy industry; well done to Colm Fitzgerald and the team in UCD.

Looking forward, we intend building out from our success in risk management in the insurance space; our risk management skills must be transferable to other sectors. We will also have a hard look at the reasons for our relative lack of success in the banking sector. There's great potential here and we have sufficient links and relationships into the sector to accelerate what has been a very slow start to date.

I'd like to emphasise the importance of wider fields to the success of the Society in Ireland. We are currently heavily represented in life assurance, general insurance and pension consultancy. We have been fortunate that reduced career opportunities due to consolidation in the domestic Irish insurance market have been offset by new opportunities in the international sector with the arrival of a number of Brexit related companies.

However, we need to bear in mind that the number of members is growing very quickly; in broad terms the Society doubled in size from 500 to 1000 actuaries in the last 10 years and we are currently adding an additional 50-100 actuaries a year. So, an interesting challenge and I'm pleased to welcome Gareth McQuillan as the new Chair of the Wider Fields Committee to help us to address that challenge.



Directors Forum

Another area I want to touch on in relation to widening our influence relates to the Society's Directors' Forum which supports actuaries who sit on Boards as Directors and particularly as non-Executive Directors. There's great capacity for these actuaries to be ambassadors for the profession and they are currently doing just that on Boards across the insurance sector.

But it really is just in the insurance sector, and given the skills and experience that these actuaries possess we need to be more ambitious in our outlook. I see no reason why actuaries should not be represented on the Boards of all of the Irish plcs and indeed international plcs.

So that's a challenge that Aidan O'Donnell will be taking on as Chair of the Director's Forum and I do know that part of the future approach will include joint hosting of events with other bodies, a much wider invitation list to our meetings to include non-actuaries and linking in with other INED associations such as the Institute's INED Forum. So lots of work to be done there and I'm sure Aidan and the team will do a great job for us all.

PR and Media

A final area in extending our influence is the area of PR and media engagement. In the first instance it's important to say that we are not what I would call a "loud" profession. Our normal approach is to try to influence outcomes by direct engagement on a collegiate basis rather than on the front page of a newspaper. Similarly, our approach has always been to take a considered view and adopt positions that are evidence based. For that reason, I can assure you that we will not be tweeting policy responses to the issues of the day, although we are likely to make more use of some social media such as LinkedIn.

However, the media does have a role to play in our influencing Agenda. It shows our members, other bodies and the wider public that we are prepared to take public positions on matters particularly where there is a public interest involved. Our stance in recent years has been to lean a little more into taking a public stance rather than relying solely on making private submissions.

You may have seen that in our more recent Media Releases for instance when noting the potential of the current PRIIPs regime to mislead investors or the threat posed by IORPS II to members of smaller pension schemes or indeed the need to enhance the Risk Equalisation system to ensure further equity in the health insurance market. It's our intention to continue with this approach led by Sheelagh Malin our Vice President who also chairs the Society's PR and Public Affairs Committee.



Equipping ourselves for the future

So if we've decided it's right to try extend our influence as a Profession, how might we as a Society equip ourselves to ensure we are best placed to do just that? I think this breaks down into three areas and they are structure, regulation and competencies.

Structure

Firstly structure; as you know, structure should facilitate strategy and I think we have taken some positive steps forward from this perspective including;

- Yvonne's appointment to the new position of CEO of the Society which has been very helpful in building cohesion and bringing focus to our Strategy.
- From a staffing perspective, we recently welcomed Tony Jeffery as Professional Affairs Manager so that's great addition to Philip, Brian and the rest of the team
- We've decided in principle that there's merit in reducing the term of the President to one year to ensure the different strands of the Profession are represented more frequently and of course to leverage the wider pool of candidates we now have.
- Finally, we will review our membership categories and particularly the need for the Affiliate status; that's a category where we need to use it or lose it.

Standards and Regulation

On the theme of standards and regulation, I'm in favour of having as much regulation as we need for the Profession, but no more. I'm not in favour of a light touch approach but we certainly have built up a fairly onerous regulatory infrastructure – the Society has 28 Actuarial Standards of Practice compared to the Institute and Faculty who have just 11 plus 4 Technical Actuarial Standards. A large part of our energy and resources goes into maintaining that infrastructure and we have to be conscious of the cost and the opportunity cost for the Society if we adopt a disproportionate approach.

Competency Framework

Finally, this year we launched our new Competency Framework setting out the broad range of competencies we need to equip ourselves with to be able to deal with the challenges of the future. This is an important development and will be very valuable in explaining to new members and to potential new employers the range of skills actuaries can offer.

We are working hard to ensure our skills remain up to date. We intend making the Society an awarding body for the Chartered Enterprise Risk Actuary designation underlining our view that Risk Management is now a key area for us. And its good to see the Institute launching a new course, a Certification in Digital Science, which is timely and which I'm sure our members will avail of.



Our message to our Audience

So, if we have decided that we wish to influence a wider audience and we've equipped ourselves to do just that, it's fair to ask what's our message as the Society of Actuaries in Ireland?

In the first instance, it's clear that we will continue to focus much of our work as we have done before; engaging with Government, Regulators and Industry to ensure that new Regulations, fiscal measures or social policy initiatives are effective and proportionate. Actuaries are well used to taking a long-term risk adjusted financial perspectives and that can be a very useful perspective to bring to any discussion. An example of that perspective in action in the last 12-18 months has been the Society's very comprehensive response to the Government's consultation process on the proposed Pension Auto Enrolment system. Thanks to Ronan and the Pension Committee and Tom Matthews for all of your hard work to make that happen.

Looking forward as we seek to extend our influence, the Independent Voice pillar of our Strategy is one that will be increasingly important. The focus of that pillar "to serve the public interest" is one that I believe will help to significantly strengthen the reputation of our profession in Ireland.

As I look across the key sectors in which actuaries operate, it's clear that there are many areas where the public interest needs to be carefully considered. I'd like to share some personal examples of areas where actuaries can perhaps contribute further to the debate;

- In the investment sector, the current very low investment return environment raises questions about the current model under which retail investment products are sold. A typical investment product offers a 60/40 equity/bond exposure and carries a management fee to remunerate the manufacturer and the distributor. Assuming our current central assumption of an equity risk premium of 4% and a typical management fee we end up with an expected return after tax to the client of not much more than 0.5% per annum. This seems very low - in effect the investment return on the customer's fund is being distributed broadly equally to the 4 parties involved, the manufacturer, the distributor, the taxman and finally the customer. Can this be the right balance or do we need to revisit the model?
- Looking at the Pension sector we are seeing a sustained move to a Defined Contribution model where the investment risk is borne by the consumer. A very common feature of a DC Scheme is for the Company to pay a matching contribution when the employee opts to pay a contribution amount. In effect the employee is required to opt in. Knowing what we know about behavioural economics why is this not designed as opt out if we want to have a high participation rate and really look after employees? Do we have a role as advisors to pension schemes and to Trustees to raise these questions?



- Of course, employees of DC Schemes face very difficult investment choices at all stages of their investment journey and particularly at retirement. Current annuity rates will require a retiree aged 63 to live more than 30 years before receiving pension payments in excess of their own money. In effect most buyers of annuities will receive no investment return and little or no longevity protection. So, this is a market in need of solutions and it's good to see two of our members presenting papers on the subject, Colm Fagan exploring the possibilities of a smoothed equity fund approach to investing and Finbarr Kiely exploring the possibility of a tontine solution to enhance pension drawdown.
- Also, within the Pension sector, low investment returns are continuing to put pressure on Defined Benefit Schemes and where a Scheme in deficit is wound up, the pension benefits of an employee will be severely impacted. The Society has welcomed steps by Government to strengthen the hand of Trustees in such cases which would move Ireland some part of the way in the direction of the UK who have legislated for a Pension Scheme deficit to be a debt on the employer. Draft legislation was introduced in 2017 by Government but has not progressed since then. That's over two years ago. Should we be speaking more clearly today that pension members remain at risk or is this simply a matter for the Trades Unions?
- Turning to the General Insurance market, we have seen high levels of public debate about the lack of availability of cover and there has been some disquiet about premium levels and the profitability of general insurers. Much of the debate does not seem to be evidence based and as an evidence-based profession active in the industry do we have a role to play in helping this debate to resolution? That's something that our GI Committee under Niamh's Gaudin's chairmanship is currently looking at.
- And finally, as you know, the health insurance industry in Ireland operates on the basis of community rating with the premium paid being independent of age. However we are seeing evidence that older people are paying higher premiums, a function of their buying more expensive plans with benefits that are very important to them such as full orthopaedic cover and possibly also a function of inertia, an inertia that is exacerbated by the many 100s of plans in existence which makes it difficult to compare prices and to "shop around". It seems right to ask is this the optimum outcome for Irish society or would some further fine-tuning of risk equalisation or a capping of the number of plans that can be offered lead to a better outcome for members more aligned with the original aims of community rating?

So just some examples from a personal perspective of issues where the public interest is clearly relevant and where our actuarial insights can make a useful contribution to the debate.



The Generosity of the Society

I want to finish up this evening on a note which is really the glue that pulls together many of the different strands of the Society, and that is the undoubted generosity of the actuarial profession in Ireland.

The Society is possibly not a great example as an exercise in risk management. We have built a very fragile framework which simply could not work without an enormous voluntary contribution from our members. The level of volunteerism is not a nice to have – it's essential. We have less than 10 staff in the Secretariat to help lead and co-ordinate a workload which is shared by over 300 volunteer members each year, a huge proportion of the membership.

This mutual self-reliance has helped to create a profession which is supportive of and generous towards each other. That's something that is often commented on to me by members of other professions looking in at ourselves – the generous manner in which we treat and support each other – that's and something we should be proud of and not take for granted.

It manifests itself at all levels of the Society whether it's in the very high level of volunteerism in working parties or Society committees, our mentor program which is available for newly qualified members or the availability of a senior member to discuss challenging professional issues or indeed in the wider maths tutorials that our members provide to Deis schools, and there are many other examples. And my own experience, at all stages of my career, was that I could always pick up the phone to an actuary in another company and look for help on a difficult issue.

I do consider it to be an important part of my brief to ensure we continue to invest in that generosity towards each other and towards all our stakeholders. This will underpin our efforts to widen our influence as other organisations will always naturally gravitate towards those who are not guided merely by narrow self-interest.

So, in conclusion, widening our influence in an open and generous manner with the public interest at the heart of what we do will be the focus of my Presidency over the next two years. I know I can count on your support in helping to achieve this.

Thank you for coming along this evening, you have been very generous to me with your time and your attention, and I hope you can now join with me and our colleagues for a little while to celebrate the launch of our New Term.

Sean Casey
September 2019