



Society of Actuaries in Ireland

**President's Address 2021**

***"Building Trust"***

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## WELCOME

Good evening everyone, and thank you for joining this first virtual Presidential Address of the Society of Actuaries in Ireland. Normally this would be a social event to which non-members are invited, including my personal guests. On this occasion, to make the best use of our situation we have limited the attendance to members only, so that we can have a more open conversation about how we fulfil our roles both as individual actuaries and collectively as a profession through our professional body. And after the event, you will have to find your own refreshments in your own fridge.

## THEME

My theme for this address is “Building Trust”. This is in the context of the Society’s [Vision](#) statement, that “Actuaries are trusted as experts in evaluating risk and financial uncertainty”. This updated Vision was introduced as part of the [Strategy Plan for 2020-2023](#). In developing that strategy with a working group of volunteers, our first step was to identify all the Society’s stakeholders. We then went on to brainstorm various aspects of our role in the context of those stakeholders and their needs and wants. Having used this to formulate the Vision, Mission, Aspirations, Strategy Themes and Objectives, as published in the Strategy Plan over a year ago, my musings tonight will perhaps close the circle between where the strategy work started (with our stakeholders) and the resulting Vision for the actuarial profession in Ireland.

So in considering who it is that we want to be trusted by, I will explore four different categories of stakeholders: financial firms (as key employers of actuaries); consumers; regulators and policy makers; and you, the members. Some of the examples I will delve into reflect the territory I am most familiar with, that is, the insurance sector, particularly product, customer fairness and governance matters. However, I would like to encourage a broad debate, so please do not limit your comments and questions after my address to the areas I have highlighted.

One key area within this is my concern about the lack of trust that the general public, the media and many in the political domain have in the financial services sector. How does this reflect on our profession? Is this perspective misguided due to a lack of information or unreasonable expectations? As a profession, and as individual actuaries, what can we do to improve the situation? Or is it not our problem to solve?

## TRUST

A few general thoughts on trust first.

I’ve been dealing with builders and tradespeople recently for house maintenance jobs. This has heightened my awareness of the greater tendency towards trust that I have compared with my husband, Conor. In fact, I once did a psychometric assessment which concluded that I was at the very tail end of the distribution of people on the spectrum from suspicious to trusting. In other words, no one is more trusting than me.



Thinking about how trust is established and develops over time, it's useful to think of those relatively simple transactions that we have with tradespeople. We are quick to put them in one of two boxes – reliable or unreliable. Our homes are typically the biggest monetary investment we make, so we want to protect that investment. Also, back in the day when our working lives were spent outside the home, there was nothing worse than waiting all afternoon for a tradesperson who didn't show up.

So, even for someone as trusting as me, trust starts with small steps - replying to a communication, turning up on time, doing what they said they would do. Trust also builds over time. So, they will have to demonstrate ongoing reliability and competence. Communication is important – regular updates on how the job is going, any problems that have arisen and when the work is likely to finish. Honesty is valued, as is resilience and perseverance. Relationships often deteriorate because a job is left half-done for too long, or mistakes are not dealt with honestly and constructively.

Let's forget about the builders now, but hang on to some of those ideas.

- Collectively as a profession and a professional body, are we in the reliable or unreliable box?
- Are we taking the small steps that might be expected of us and showing up when expected?
- Are we maintaining momentum, communicating, being honest and demonstrating resilience?

We will come back to these questions.

## **EXPERTS**

Our vision is to be trusted as experts.

We have a reputation for being clever, no doubt based on the entry requirements for university courses. And even for us clever clogs, the actuarial exams have always been seen as arduous. When I became an actuarial student with New Ireland Assurance in 1982, it was made clear to me that expectations for my exam success and eventual qualification as a Fellow were very low. I have no doubt that this spurred me on to prove my bosses wrong. Completing the actuarial exams certainly requires tenacity. As a Council member invited to attend the Society's Graduation Events, when I met with newly qualified actuaries and their families the strength of pride in their achievement was always evident.

We all know that being an expert is not just about having a framed parchment on the wall. Being an expert requires continuous learning. At our Annual Convention in 2019, I was proud to launch the Society's [Competency Framework](#), comprising the knowledge, skills and attributes that actuaries typically draw on in their work. The framework places an equal emphasis on attributes, such as collaboration and resilience, as on technical skills and knowledge and recognises that someone can score high in some competencies and low in others at any career stage depending on the nature of their role. A corollary of this is that some competency levels will reduce over time if not actively maintained while others will increase with explicit training, research or experience.



When the Competency Framework pops up on a slide at the start of Society events, I'm sure many give it only a cursory glance. As a reminder, its purposes include to support members in the identification of their learning and development needs and, related to this, to facilitate members in identifying which parts of the Society's Continuing Professional Development (CPD) programme are relevant. I would encourage all members to take some time, once in a while, to reflect on the requirements of their current role or a role to which they aspire, and consider what further skills, attributes or knowledge would be of most benefit to them. In fact, Reflective Practice is a mandatory part of the UK actuarial profession's CPD scheme and it was considered by the Society Working Group that developed our new CPD requirements under ASP PA-1. For those interested in what Reflective Practice involves, there is a very useful [Note](#) on the Society's CPD web page.

I do hope also, that members will welcome the simplified approach to categorising CPD under the new ASP PA-1, which became effective from 1<sup>st</sup> September. As a reminder, there are now just two criteria defined for CPD that can contribute to the Society's minimum requirements. CPD should be appropriate and CPD should be identifiable. So we now have a broad definition of CPD, and requirements that are less prescriptive, to allow members more freedom to choose CPD that is most appropriate for them, whether through the Society's events or other activities.

I would, at this point, like to applaud the Society's Executive and all the many volunteers who have been involved in the design and hosting of events in this wholly virtual world that we have entered since March 2020. I have been struck by the range and depth of topics that have been covered, and by the high levels of member engagement. Particular thanks are due to Simeone Golden and the rest of the Member Services Team at the Society for their attentiveness in ensuring that all events run smoothly, including this one!

The Society is also active in sharing information about events and courses run by other organisations, including those of the Irish Management Institute of which we are a corporate member. So there is no shortage of learning opportunities. I would also stress that the number of hours to be completed annually as specified in ASP PA-1 is a minimum and not a benchmark.

So to conclude on expertise, there are many facets to this. Once we become expert in any area, we should try to avoid being complacent about that achievement. By adopting a lifelong learning mindset we can ensure that our expertise is maintained and remains relevant.

## **STAKEHOLDERS**

Next, let's think about our stakeholders. Who is it that we want to be trusted by?

When we developed the Strategy, the Society's stakeholders were mapped onto a colourful and slightly chaotic mind map. They included the employers of actuaries and other recipients of actuarial services, policy makers and regulators that we may seek to influence, industry bodies and those professions with whom we have shared interests, educators, researchers and international actuarial bodies, our members whatever stage or style of career they are at as well as potential members, the Society's own employees and service providers, and financial services consumers, remembering that due to Ireland's success as an international financial services centre, the reach of those products can be global.



What does it mean to be trusted as experts by all these stakeholders? And what role does our work as individual actuaries play in achieving the Society's Vision for the actuarial profession in Ireland?

### **FINANCIAL FIRMS / EMPLOYERS**

As individual actuaries, our primary stakeholder is our employer. For most of us this is either a financial services company or a consultancy that provides services to financial firms and pension funds.

Generally speaking I think actuaries are held in high regard by their employers. In many firms, actuaries will progress to senior executive roles across the organisation.

Are actuaries trusted as experts by their employers?

I would suggest that perhaps actuaries fall into one of two categories, depending on their role. There are commercial roles where actuaries will tend to have the achievement of the firm's strategy, financial and operational objectives to the fore, for example the CEO, CFO, IT, Operations and Pricing roles. And there are roles I would describe as gatekeeper roles, often in what is termed the second line of defence, where the actuary provides an assurance or advisory role or has specific regulatory obligations, for example in the risk function or the actuarial function, or as a PRSA Actuary or Scheme Actuary, or as the Independent Actuary in a portfolio transfer.

Thinking about these first and second line mindsets, led me to a little research on the Three Lines of Defence model for managing and controlling risk that was first developed about 20 years ago. It has become increasingly prevalent in the financial services sector in response to regulatory demands. The Institute of Internal Auditors recently undertook a global consultation on the model and this concluded with the publication of a refreshed model in July 2020. I confess I wasn't aware of this and the changes made are somewhat subtle. They may have limited effect on larger organisations that already have a well embedded governance structure. However some of the changes are interesting as I think they seek to address the dichotomy that can emerge as a result of first and second line roles operating in separate silos. They also allow a more flexible, proportionate approach to be adopted in smaller organisations and in non-regulated sectors.

In the refreshed version the word 'defence' has been removed, so now it will be known as the Three Lines Model. This is an attempt to shift from a negative perception of the model in terms of its risk mitigation role towards a more positive perception, where the model contributes to value creation and the achievement of strategic objectives. The old model was prescriptive and rigid with regards to the silo structure and unique roles and responsibilities, while the new model allows for greater flexibility such as the blending of first and second line roles. The new model also highlights the need for alignment, communication, coordination and collaboration across first, second and third line roles and the need for all activities to be aligned with the objectives of the organization.

So is there anything we can take from this evolution of the Three Lines Model when thinking about how actuaries are positioned within financial firms and the extent to which they are trusted as experts? I wonder whether individual actuaries are too constrained by their designated roles as part of either a first line or second line function. Is there scope for actuaries in commercial roles to adopt



more of a risk management mindset? And are actuaries in gatekeeper roles perceived solely as a compliance requirement or can they offer more in terms of value creation and align more closely with the commercial objectives?

I would be interested in hearing your thoughts on perceptions and realities within firms, and how the Society can help members to positively influence these. As a profession, we gain most by working together, and so your contribution is valuable as we shape the Society's agenda and strive to achieve our Vision.

## **CONSUMERS**

Now let's consider consumers of financial services products as our stakeholders. As mentioned earlier, my main experience is within insurance, so that is where I have drawn my examples from. It is also the sector in Ireland in which actuaries are most prevalent.

In 2020 the Central Bank of Ireland (CBI) conducted one of the largest ad-hoc standalone consumer surveys in Ireland as part of its Differential Pricing Review. This research surveyed 5,500 private home and car insurance customers to understand their engagement with and experience of insurance. This research was conducted in tandem with a large qualitative research programme of nearly 100 insurance customers to get an in-depth understanding of their needs and behaviours in relation to insurance buying, renewal and switching behaviours.

As published in its Consumer Protection Outlook 2021 Report, the conclusions of the research include:

- Consumers frequently considered insurance in negative terms. This results in both a lack of trust and lack of interest in insurance.
- The complexity of insurance means most consumers have a limited knowledge of how the specifics of insurance operates. This can discourage more active involvement at renewal, with many consumers feeling it is better and easier to stay with their provider rather than switch.
- Many consumers report that they compare prices with other insurance providers largely because it helps to negotiate a better price with their current provider.

So, consumer trust is certainly lacking here. The Central Bank's Differential Pricing Review focussed on what it described as "the most significant forms of stealth pricing practices applied by insurance providers in the market". Their analysis shows that some of the practices identified could result in unfair outcomes for some consumers in the private car and home insurance markets. They also found that oversight of pricing practices was lacking.

The Central Bank is therefore proposing a series of reforms to strengthen the consumer protection framework in this area, and the Society will respond to the consultation on these proposals. It seems inevitable that increased regulation or supervisory requirements will be imposed on the insurance industry with the objective of achieving clearer governance and accountability, greater transparency and fairer outcomes for consumers. I see this as part of a growing trend to regulate the market by imposing very specific rules on product providers, rather than relying on each firm's own interpretation of fairness and good customer outcomes.



Another example is the European Insurance and Occupational Pensions Authority (EIOPA) consultation on the framework to address value for money risk in the European unit-linked market. EIOPA's concerns, based on its analysis of selected unit-linked products, include:

- Low value to consumers on some products, either altogether or for single components, with costs often not clearly identified or linked to a specific product service or benefit;
- Costs that vary significantly between different options, leading to some options offering more value for money than others and other options not offering value at all;
- Costs identified are often opaque and high and it is often difficult to establish whether they correspond to a specific service in response to a target market need and whether they are in line with products that offer similar services or features.

The framework that EIOPA proposes is fairly prescriptive in requiring that each of the product charges should be matched against the costs of the product provider and the services offered. Each product feature, as well as the product as a whole, should deliver value for money. The costs, charges, product performance and services should be reviewed regularly, and mass marketed unit-linked products should be easy to understand. EIOPA envisages this framework as a first step towards a broader set of tools that would provide further guidance for firms and supervisors for assessing when charging structures are not appropriate, and to aid them in testing the value for money of products and by providing practical benchmarks.

Both the Society and the Actuarial Association of Europe (AAE) have responded to the consultation. In these responses, the concerns raised include the inherent subjectivity of the value for money judgement when assessing whether costs and charges are proportionate to the benefits, and the practical difficulties in taking an analytical approach towards breaking down costs and benefits.

Based on these two examples of more intrusive supervision on the horizon, it is clear that product design and pricing will increasingly be the remit of the compliance department alongside product development actuaries and marketing analysts. How did we get here? I have tried to piece together the chronology of key regulatory developments affecting the conduct of insurance business in Ireland.

- The key idea of “acting in the best interests of your customers and the integrity of the market” has been at the heart of the CBI's Consumer Protection Code since it first became effective in 2007.
- Four years later in 2011, the Central Bank defined ‘conduct risk’ in the context of its PRISM risk-based supervisory framework as “the risk the firm poses to its customers through its direct interaction with them.”
- In another four years, in 2015, the CBI published the first of its Consumer Protection Outlook Reports. The Foreword to the report stated “Over the next few years as the economy and our financial system continue to recover, our consumer protection focus will be on requiring firms to make the essential cultural shift to putting the consumer first and to demonstrate that this shift is deeply rooted and sustained throughout the organisation”.



- Two years later, in January 2017 EIOPA's preparatory guidelines on Product Oversight and Governance (POG) for insurers took effect, and were subsequently implemented as part of the Insurance Distribution Directive, effective from October 2018.

So now in September 2021 we have had nearly three years of the POG requirements having been implemented in law plus a preparatory period of two years before that. The POG requirements are based around the idea that a more structured design and marketing process, involving the board of directors, and where company functions are always attentive to meeting customer needs and interests, should protect customers from detriment. Products should be subject to testing and ongoing monitoring and review. The POG Delegated Regulation is less than seven pages long and very clear in concept, so I think all functions and levels within insurance firms should have found it accessible.

Personally, at the time, I very much welcomed the concept of the POG and its focus on systems and controls and customer outcomes. Perhaps I was too trusting but, as one example, I expected it to have some impact on the health insurance market where it is generally acknowledged that there are too many products, many with minimal benefit differences. I couldn't see how an insurer could define the target market for each of those separate products.

However, while the POG requirements will undoubtedly have had an impact on insurer and intermediary internal processes, controls and oversight over the last five years, I question whether they have had any material impact on consumer outcomes. I would suggest that it is this failure to implement POG in line with its original objectives that has led to the current proposals for ever more prescriptive regulation.

And to what extent are actuaries implicated in this state of affairs? While Product Oversight and Governance is clearly the collective responsibility of the board and management, actuaries often play a key role in product development and product review processes. Should actuaries have been more proactive in viewing products and services from a customer's perspective, or in insisting that consumer feedback is actively sought in a coherent way? What will it take for the financial services sector as a whole to make this cultural shift?

What should we be doing as actuaries, individually and collectively? How can we grow our influence, individually within our firms and collectively in the Society's dialogue with policy makers, regulators and industry bodies, so as to bring about better consumer outcomes?

## **REGULATORS / POLICY MAKERS**

While the stakeholders I've considered so far may be impacted by individual actuaries working within their firms, I'll now move to considering trust in the context of the Society of Actuaries in Ireland as a professional body. Thinking about regulators and policy makers firstly, our aspiration is to retain their trust and respect and to be seen as having an independent voice rather than necessarily being aligned with industry. We do this by remaining connected, maintaining regular touchpoints that facilitate informal discussion.



We also respond formally to industry consultations both in Ireland and Europe, the volume of which is increasing apace. This year to date, we have responded to eleven consultations on our own behalf and contributed to a further five consultations through the AAE. I would like to acknowledge the huge contribution that volunteers on the Society's Committees and Working Groups make in responding to consultations. Their work is ably co-ordinated and supplemented by Philip Shier, the Society's Head of Actuarial Practice.

These consultations present a valuable opportunity for the Society to bring to life its Vision that actuaries are trusted as experts in evaluating risk and financial uncertainty. So the quality of our responses should be reflective of our expertise. Responses should also be balanced and considered, with the public interest to the fore. This is no small ask; being balanced and considered can sometimes translate into a non-conclusive answer. This could also be the outcome where there are differing views among those involved in the Working Group. This does not necessarily diminish the usefulness of the response – often, awareness of different considerations and points of view can help to inform policy making and improve its effectiveness.

I feel strongly that this is a Society activity that warrants the effort involved. It is consistent with one of our Mission statements "To serve the public interest by promoting thought leadership and contributing as an independent voice on matters where an actuarial perspective can add value". Additionally we will potentially be judged on the quality of our submissions by a broad range of stakeholders, since responses are generally published and therefore in the public domain.

Another area where we can showcase our knowledge and expertise is in the quality of the presentations and discussions at events that the Society hosts. As championed by my predecessor as President, Sean Casey, and others, it is now the norm for most events to be open to non-members. As I noted earlier the breadth and depth of content at these events is impressive. Within the Thought Leadership strand of the current Strategy we have an aspiration to promote the benefits of, and actively support, new actuarial research. This can be achieved through Committee and Working Party activities and also within universities by supporting academics seeking to avail of research funding or research appointments or seeking a platform for publicising research findings.

So my message here is, if you have relevant expertise or wish to develop it further, do get involved in the Society's Committees and Working Groups, or make a proposal about a research topic that interests you. And if you don't have the capacity currently due to other commitments, encourage other members to get involved. It is hugely rewarding, both personally and professionally.

## **MEMBERS**

The final group of stakeholders I'm going to consider tonight is you, the members. Is it odd to think about this in the context of trust? Might this mean we don't trust each other, or we don't trust the Society? Well, given that members are the Society's primary stakeholder and its "sine qua non", it seemed rude not to consider you. Indeed the Member Proposition strand of the Strategy is the one with the longest list of objectives and planned actions.



I was struck by the results of a recent LinkedIn poll issued by an actuary Bradley Shearer, whose company, Protagon, provides career development and talent management services for professionals. He asked poll respondents to complete the sentence: “Professional Bodies...” and offered a range of options. Only one of the four options offered could be selected. The results, in decreasing order, were:

- Professional bodies are outdated and out-of-touch: 42%
- Professional bodies police professional standards: 31%
- Professional bodies help their professionals develop fully: 20%
- Professional bodies truly care about member value: 7%

While the results aren’t statistically significant and will include members of many different professions across the globe, both Bradley and I are astounded by the proportion of disenchanted professionals that participated, perhaps taking the opportunity to share what they really felt anonymously. He suggests that perhaps some of those who feel their professions are out-of-touch are also those who themselves have chosen to disengage, and hence they are less aware of what their professional bodies are up to.

The Society does carry out regular surveys, including event feedback, to canvas opinion on specific topics as well as more comprehensive member engagement surveys. The responses to these are generally positive, but the results of this LinkedIn poll remind us that these results may be biased and not reflective of the views across all our members. So we should never be complacent about how good a job the Society is doing.

My own experience of Council and the Executive is that member interests are always to the fore in our thinking and we are increasingly conscious of the importance of being inclusive. As I noted when I first donned the chain of office at the AGM, I will be the first President of the Society to serve a one year term. The rationale for this change included, to increase visibility to different parts of the profession as we expand our areas of involvement, and to create the opportunity for more people to take up the role of President. We want to be and to be seen as a diverse and inclusive profession. If you feel that there are improvements we can make to achieve this do take the opportunity, now or at any time, to let me know.

I would also like to highlight the fact that there is no secret handshake, or in current times an elbow bump, that signals you can put yourself forward for Council. This is your professional body and if you feel you have a contribution to make on Council, you just need to find two other members who will nominate you. Of course if the number of nominations exceeds the number of vacancies, members will be asked to vote. It is perhaps surprising that the need for an election has been relatively rare.

### **SOME THANK YOUS**

Before I conclude and open up for comments and questions, there are several people I would like to thank tonight.



I would like to thank the members of both the current and previous Council and Officer Group. Your commitment and support is deeply appreciated. In particular, I congratulate Sean Casey on his Presidency and his leadership of Council and the actuarial profession in Ireland.

The Society is indebted to all its many volunteers. Thank you for your energy and enthusiasm.

We are fortunate to have Yvonne Lynch as the Society's Chief Executive and for her strong leadership of the executive team, some of whom I have already mentioned. On behalf of the membership, thank you to Yvonne and to Philip, Tony, Catherine, Elaine, Sheila, Simeone and our newest member Kaydee, for all that you do.

I would like to acknowledge the influence of my parents, who passed away many years ago, who were excellent role models with a strong work ethic and a commitment to volunteering.

There have been many people who influenced me in my career, so I will just mention two from my formative years as a newly qualified actuary. David Swanton gave me my first management position at New Ireland Assurance and his strategic thinking and commercial focus certainly helped in my development; and John Davies, now deceased, was an actuary at Guardian Royal Exchange who set high standards of professionalism and was a model of courtesy with a genuine interest in people.

Finally, I would like to thank my husband Conor, a member of the Society and a former member of Council, for his support over the years. I believe he is watching this on our home computer downstairs. Conor excelled as the main caregiver in our household throughout our daughters' school years. He insisted on flexible working arrangements that some of his friends in the industry would regularly ridicule, joking about whether he had a proper job. If I have come to accept that I am a role model in the financial services sector, where the representation of women in leadership roles is still painfully low, then to achieve a better balance in the world, we also need more male role models like Conor, who are open to allowing their partner's careers to take precedence over their own.

## **CONCLUDING REMARKS**

I am honoured to have been elected as President of the Society and am hopeful that in 2022, which is our 50<sup>th</sup> anniversary year, we will be able to celebrate in person and in style, while also extending our influence in line with Sean's theme as President and building trust among our stakeholders, as this Address calls for.

To recap on some of the questions I raised:

- How does the lack of trust in the financial services sector reflect on our profession? As a profession, and as individual actuaries, what can we do to improve the situation?
- Collectively as a profession, through the Society, do we show up when expected, and are we maintaining momentum, communicating, being honest and demonstrating resilience?



- Within financial firms, are individual actuaries too constrained by their designated roles as part of either a first line or second line function? Is there scope for actuaries in commercial roles to adopt more of a risk management mindset? And are actuaries in gatekeeper roles perceived solely as a compliance requirement?
- In relation to insurance consumers, to what extent are actuaries implicated in the failure of the Product Oversight and Governance requirements to achieve their objectives and what will it take to make the cultural shift to put the consumer first? How can we grow our influence, individually within our firms and collectively in the Society's dialogue with policy makers, regulators and industry bodies, so as to bring about better consumer outcomes?
- Finally in relation to the Society's Thought Leadership and Member Proposition, what improvements can the Society make?

I will hand over to Yvonne now to moderate your questions and observations. Many thanks for your attention.