



NEWSLETTER

NOVEMBER 1998

Welcome

Welcome to the November newsletter. We have decided to move away from the traditional format of the newsletter this month and produce a brief note on a number of Society meetings which have taken place over the last few weeks. Copies of the full reports are available from the Society office on request.

After the summer break the schedule of events for the 1998/99 year started with a reception for the new qualifiers on the 10th September. The calendar of events over the next few months looks busier than ever and some extra help has been drafted in to cope with the increased workload. I would like to take this opportunity to welcome Frances O'Shea and Sean Casey who have kindly agreed to join the PR/Communications committee.

Thank you for your submissions to this month's newsletter. As always, any articles, news items or appointments can be sent to either myself or Mary Butler and they will be included in the next newsletter.

Michelle Roche, Editor

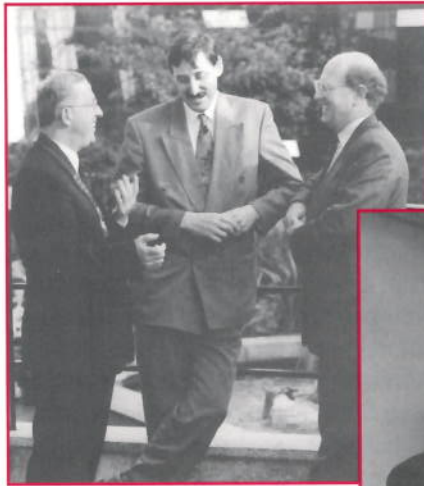
Thinking of moving overseas?

If you are a female qualified actuary, thinking of emigrating and if, most importantly of all, your name begins with C, then you are exactly the sort of person the Functions Committee needs.

With the departure overseas of Christine and Catherine, the Committee numbers have been decimated and new blood is urgently required. Even if you don't fit the description exactly we will be happy to have you.

Ring Emer Chapman on 639 6314 for more details.

A CRISIS OF LONGER LIFE



Bruce Maxwell speaking with Chris Daykin and David Lewis, authors of the paper "A Crisis of Longer Life: Reforming Pensions Systems"



Bruce Maxwell presenting 'Molly Malone' figure to Paul Thornton to mark the occasion of the first Sessional Meeting of the Institute of Actuaries held in Dublin on 18th September 1998.

The first ever joint sessional meeting of the Institute of Actuaries and the Society of Actuaries in Ireland was the centrepiece of a very successful evening in the Conrad on September the 18th. The paper presented 'A Crisis of Longer Life: Reforming Pension Systems' is Chris Daykin and David Lewis' discussion of the challenges and options for pension provision caused by the welcome problem of global increasing life expectancies. Social Security pension schemes around the world are facing a number of problems, of which demographic ageing is the most commonly discussed. This and other problems are addressed by the paper as it draws on examples from around the world to evaluate some of the range of solutions which have been considered. The options for reform evaluated include;

- various ways of reducing benefits provided

- increasing contributions required
- increasing government subsidies from general revenue
- increasing the pre-funding of liabilities
- saving on administration costs
- structural changes, including moves from defined benefit to defined contribution, income replacement to safety net, and fixed to flexible retirement ages.

There were many contributions from the floor and debate on a number of issues including the need for education on pension matters, the merits of PAYG versus funding, and the suggestion that there should be tax incentives to encourage child birth to combat the deteriorating dependency ratio. Dinner followed the conclusion of the meeting and the social part of the evening led to many calls for an actuarial weekend in Dublin to become a regular event on the Institute calendar.

Shane Wall

PRESIDENTS DIARY

26 May

Re-elected President for second year of two year term. Everyone had 'survived' the excellent Annual Ball in Powerscourt on previous Saturday.

4 June

Carried Waterford Glass gift, suitably inscribed, over to Staple Inn for presentation to Institute for 150th birthday. Attended meeting of International Presidents beforehand-mutual recognition and actuarial development in China being the main issues to be progressed.

6 June to 13 June

Attended International Congress in Birmingham. Represented Society at IAA Council meeting and dinner. Voted at historic meeting which changed IAA from 'association of individual members' to 'association of associations'.

10 September

Hosted reception for fourteen new qualifiers, prior to presentation by Sinead Kiernan on Alternative Risk Transfer.

15 September

Attended breakfast meeting in UCD, hosted by Society, for new students on the UCD BAFS course.

18 September

Hosted Institute Sessional Meeting and dinner. First time to be held in Dublin. Presentation of 'Molly Malone' figure made to Institute to commemorate the occasion.

14 October

Annual Dinner of Institute of Certified Public Accountants. Unfortunately could not attend.

21 October

Insurance Institute launch of new Financial Planning Certificate. Jimmy Joyce (Vice President) attended on my behalf.

PENSIONS SEMINAR

14 October 1998

"The Responsibilities of the Actuary under the Pensions Act 1990"

The Society's Pensions Seminar in the Shelbourne Hotel was particularly well attended. One aim of the Seminar was to provide an opportunity for actuaries to augment their CPD in advance of the operation of Scheme Actuary Practising Certificates.

The first speaker was Ian Woods of the Pensions Board, who guided us through the requirements for compulsory and voluntary reporting to the Board. As was evident from some of the subsequent questions, the range of events which need to be reported is wider than many of us had thought. It is necessary to report fraudulent conversion or material misappropriation, and the latter could include an overpayment due to a clerical error which was subsequently corrected.

Ian mentioned that eight reports had been received by the Board since the reporting provisions became operative in July 1996. All of these were substantial in nature and warranted full investigation by the Board.

Following the Seminar, the Society's Pensions Committee has decided to raise the issue of reporting in more detail in discussions with the Pensions Board.

Liam Quigley then spoke on the subject of actuarial valuations for the purpose of the Pensions Act. The definition of "Actuary" under the Act has changed recently, and is now stated in terms of membership of the Society. Liam covered the use of the main valuation methods and assumptions for ongoing and discontinuance calculations. He also highlighted some issues relating to the Discounted Cash Flow method of valuing assets, and noted that market-

related valuation approaches are gaining ground.

The Funding Standard was covered by Stephen Doyle. The actuary is guided by the Pensions Act and Regulations, the Society's Guidance Note GN3 (ROI), and the Scheme Rules. In particular the actuary must be conscious of the order of priorities on winding-up, and also the restrictions on including concentrations of investment and self-investment. The Society has made a submission to the Pensions Board concerning the form of the Certificate and the information shown.

In the discussion, John Caslin raised the question of a life office's pension fund investing in the office's own linked funds. Eamonn Heffernan confirmed that this could constitute self-investment, and that this issue is under consideration by the Pensions Board.

Phelim Kelly spoke about the Funding Proposal provisions in the Act. In contrast to the Funding Certificate, the Funding Proposal is a forward-looking exercise, intended to ensure compliance with the Funding Standard at the next date of certification. The actuary must then use a basis taking into account a prudent view of future events, but not extreme changes. The Proposal may include issues other than future contributions, such as investment policy and constraints on discretionary increases. In practice, only about 1% of schemes subject to the Funding Standard have had to submit Funding Proposals.

Detailed notes of the presentations and discussion are to be circulated to those who attended the Seminar.

Robert Wolfe

The Government's draft regulations under the Sale Of Goods Act 1980, known as the disclosure regulations, have almost reached a final stage. The Regulations envisage a very important role for the Appointed Actuary in complying with the regulations. In tandem with the refinement of the regulations themselves, the Profession has been working on a draft guidance note to assist Appointed Actuaries in this task. The late addition of commissions and sales remuneration disclosure to the Regulations, has meant that two Guidance Notes are being produced. The one on commissions disclosure will not be ready for several weeks. Having been approved by the Life Committee and Council of the Society, the meeting was called to give the members of the Profession an opportunity to influence the final form of the product disclosure Guidance Note.

Bill Hannan gave a brief presentation concerning the background and an overview of the Regulations. He pointed out that the equivalent UK Guidance Note was merely advisory but the Irish one would be mandatory. This was because of the absence in Ireland of any equivalent to the PIA rules which offices were obliged to follow. He pointed out that the Regulations put the Actuary centre stage in this matter and that actuaries should welcome such a role in assisting them to ensure that policyholders were not misled as to their reasonable expectations.

Brian Woods went through the Guidance Note in more detail. He pointed out that the projections basis had changed substantially from a few months ago and that the annuity rates to be used for pensions illustrations would be about half of what they had been as recently as last April. He also referred to the fact that all pension benefits will have to be given in real as well as nominal terms, allowing for inflation being removed from the

illustrations. This should help to ensure more realistic levels of pension contributions.

The discussion ranged over the whole document plus the regulations themselves. There seemed to be nothing in the GN which provoked strong disagreement. The most unanimous comment was in respect of the requirement in the Regulations for annual updates on the initial statement given to clients. This was felt to be of very little use and would be very expensive for offices to set up such a capability. There was also a view that we could end up showing far too many figures in respect of pensions quotes. There was a concern that the volume of the information to be supplied at point of sale might mean that customers would ignore it. One office said they had done a draft which ran to ten or eleven pages of A4!

Bruce Maxwell read out some extracts from the Minister's letter to him in which the Minister thanked Bruce and the Society for the work they had done and the co-operation they had shown over this matter. It was felt that a good PR job had been done for the Profession.

Jonathan Goold

SUBMISSION TO THE MINISTER FOR HEALTH AND CHILDREN ON PRIVATE HEALTH INSURANCE

The Society recently made a detailed submission to the Department of Health and Children in relation to the forthcoming White Paper on Private Health Insurance. The submission highlighted a number of concerns such as:

Whether it is equitable that those with insurance can obtain preferential access for treatment in public hospitals while there may be significant waiting times for public patients.

Community rating of voluntary health insurance is an inherently unstable system which can only be

maintained if the young and healthy continue to participate in the system. They may not do so if premiums continue to rise in line with recent trends.

The current system is biased towards hospital-based care. There are insufficient incentives for primary care or preventive measures. This gives rise to concern as to the quality and cost-effectiveness of health care delivery.

The submission recommended a fundamental review of the overall system of health care financing and identified alternative options which could be considered. These included:

A single entry system for public hospitals to ensure fair access for everyone but with entitlement to free care limited to those below a certain income level and community-rated health insurance for those with higher incomes.

A system of compulsory health insurance for the whole population, with premiums based on a percentage of income, to cover a defined basic service. Individuals could purchase additional insurance to cover other services.

The Society's submission also included a number of recommendations to improve the current system. For example:

Insurers should be allowed charge higher premiums to those taking out private health insurance for the first time at an older age. The feasibility of different premium rates to reflect lifestyle factors such as smoking should also be considered.

An appropriate statutory authority should monitor the performance of all health service providers with provision for key indicators of financial performance, productivity and quality.

The Society's submission attracted a significant level of media attention, in particular in relation to the issue of equitable access.

Ailina Kennedy

ALTERNATIVE RISK TRANSFER (ART)

Sinead Kiernan's presentation on ART on the 10th September was a great start to the 1998/1999 calendar of events. Not only was the topic a new (and interesting) one for most present but the fact that Sinead was happy to give a presentation only a year after qualifying is another trend which will hopefully continue.

ART is a creative approach to risk, recognising companies' unique situations. Instead of considering individual risks in isolation the whole risk profile is taken into account and a solution is created and tailored to the client's objectives. An integration of insurance and banking ideas, ART can help in the attainment of financial

management goals. To illustrate the concepts, Sinead brought us through a variety of examples starting with T & N, a publicly traded UK company which was once a substantial asbestos producer. The solution was to provide coverage for aggregate losses over a certain amount in return for a hefty once off premium. The fact that the shareholders perceived the problem to be sorted caused a 40% increase in the share price in one week. Other scenarios discussed were "Contingent equity" (additional equity needed due to occurrence of catastrophe) solutions, "Double Trigger" (problems arising if two events occur together) solutions and Lloyd's stop loss solutions. The final example was debt financing where seemingly ART could even be used to stabilise fluctuations in rainfall!

Sinead concluded with a brief overview of the actuarial role in ART, emphasising that the actuary is only a part of a team of professionals working in the ART departments of insurers and investment banks. This marks a convergence in the roles of insurers and banks as capital providers.

The discussion afterwards covered a variety of issues such as the roles of different professions within the process, analogies to ART in the life assurance arena and comments on the allocation of risk capital. The latter is an area of debate amongst ART practitioners perhaps illustrating the variety of issues that arise each time actuaries move into (relatively) wider fields.

Emer Chapman

FORTHCOMING EVENTS

Tuesday 17th November

Evening Meeting/Dinner

"Margins for Prudence"

Tony Jeffery

Wednesday 25th November

Evening Meeting/Dinner

"Irish Financial Markets in Retrospect"

Shane Whelan

Wednesday 2nd December

Christmas Drinks

Stephen's Green Club 6.00p.m. - 9.00p.m.

Thursday 3rd December

Joint Seminar with IAPF,
IIF, Society of Actuaries in Irl.

"Long Term Care"

Conrad Hotel 9a.m. finishing with lunch

Tuesday 8th December

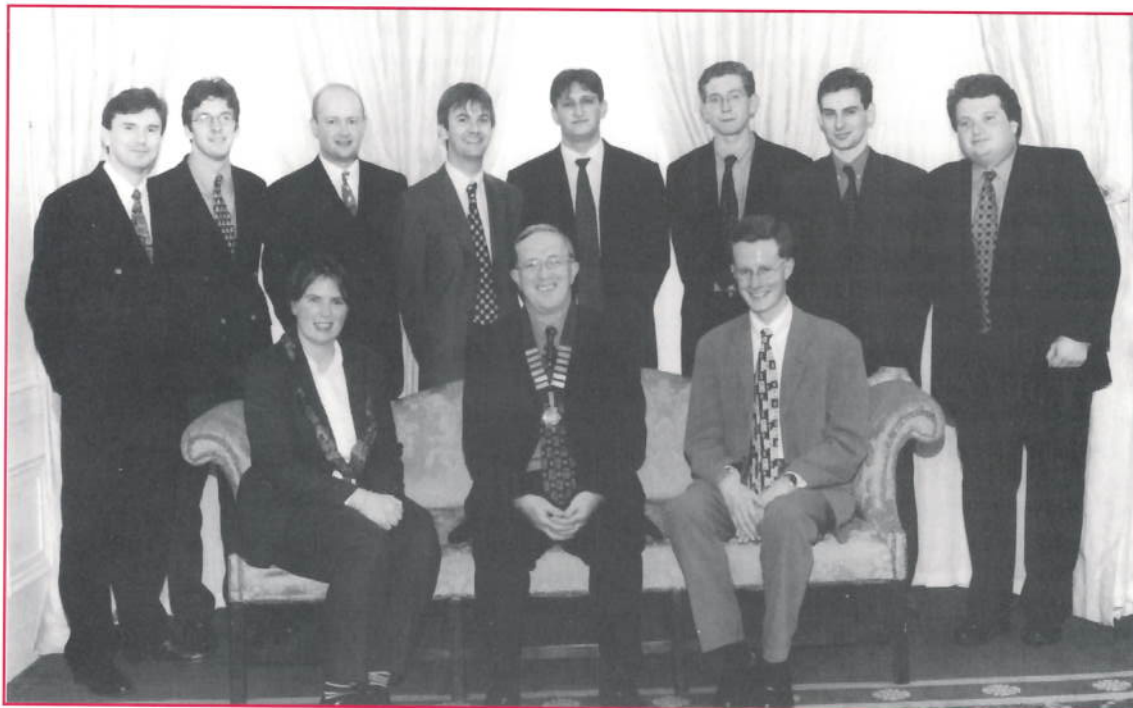
Evening Meeting/Dinner

"Transfer Values"

Pensions Committee

All meetings take place in Stephen's Green Club, 9 St. Stephen's Green, Dublin 2, unless otherwise stated.
Tea/Coffee served at 6.00p.m., meetings start at 6.30p.m. with dinner, where stated, at 8.30p.m. approx.

New Qualifiers



A reception was held for new qualifiers, prior to Sinead Kiernan's presentation to the Society on 10th September last. Standing (left to right) Martin Ryan, Eoghan Burns, Joseph O'Dea, Michael Claffey, Shane Wall, Niall Kavanagh, Mark Maguire, Kieran Manning. Seated (left to right) Suzanne Macauley, Bruce Maxwell (President), Alan Grant. (absent from photo: Ciaran Fitzpatrick, Brian Heffernan, James Hehir and Paul Walsh)

LUXEMBOURG

The 11th Colloquium of the Groupe Consultatif was held in Luxembourg on 23 October with the theme of privatisation of compulsory state pension schemes in Europe. Three brave souls subjected themselves to the ordeal of an all-expenses paid trip to Luxembourg to fly the flag for the Society.

Events kicked off the previous evening with a reception at the Museum of the History of Luxembourg. Much drink was consumed. The official proceedings began the following morning with presentations on the state pension systems in Germany, France, UK and Sweden. Basically, these countries have several 'pillars' which are all rapidly falling into condemned building status under the strain of ageing demographics. Creeping privatisation of these state pension systems is becoming the inevitable response.

The afternoon session was probably the most interesting presentation. Luxembourg is currently passing a bill that will introduce a pan European pension scheme. It will have one fund of assets; be a separate legal entity from the employer to enhance security; have an independent regulatory authority; integrate with state benefits in each country; give tax-free investment growth and allow benefits to be paid tax-free (i.e. equivalent to our deferred taxation basis). Besides the tax-free lump sum, Irish members would not be worse off in such a scheme. They are aiming this at multi-nationals who will get economies of scale in investment and administration, harmonised and much less complicated pension arrangements across Europe and less hassle in transferring employees between countries.

After the close of formal proceedings, the real work began. We were whisked off to the nearby town of Echternach for a great night out. It started off with a wine reception

hosted by the local mayor. He gave a long speech but it was in French so he could have been telling nothing but derogatory actuarial jokes for all I know.

The dinner was held in a splendid chateau in the town where we were subjected to the torture of a 6 course meal. My memory of how much drink was consumed is vague but I'm sure it was a lot.

The following day was an optional tour of Luxembourg. The highlight was a tour of a rebuilt castle in Vianden which has a spectacular mountain-top setting. We then faced another gruelling 3 hour lunch. The afternoon was spent shopping in the heritage town of Clervaux.

The remaining two-thirds of the Society's contingent made their way home on Sunday - to be greeted on the way in Heathrow by the bizarre sight of Christmas decorations (in October) all over the place.

Ivor O'Shea

**FPC (ROI)
NEW QUALIFICATION FOR
PERSONAL FINANCIAL
ADVISERS**

On 21st October 1998, the Insurance Institute of Ireland announced a plan to shorten the long winter nights: they unveiled a new qualification for personal financial advisers in Ireland, the Financial Planning Certificate. This is an Irish version of an internationally recognised qualification which indicates the holder's knowledge of the financial services industry in Ireland and the ability to apply this knowledge for the benefit of clients. The designatory letters are FPC(ROI).

Irish actuaries are exempted from the first two stages (FPCI & 2) but will be examined at the third and final stage, "Identifying and Satisfying Client Needs". So, if this winter you find the nights a tad long, you might wish to contact the Insurance Institute of Ireland at 01 6772582 for further details on their plans to shorten them.

BRINGING HOME THE BRONZE

There was no cheering crowd at Dublin Airport when they alighted from the plane. Just a few proud parents and siblings dotted around the arrivals terminal. Yet this Irish youth team also did the business this summer at the highest level of international competition.

The Irish Mathematical Olympiad team are back from Taipei, Taiwan. The long year of weekends devoted to studying, examination and still harder study, which culminated in a gruelling two 4½ hour papers of mind-bending abstraction, is over. Only one among the team of six, Raja Mukherji, has a memory of the ordeal cast in metal. Raja has come home with a bronze medal for himself, for the team, and for Ireland. This brings to three the number of medals won by Irish team members since they began participating in the International Mathematical Olympiad a decade ago. And the signs are good for next year too: at just 15 years of age, Raja qualifies for the team again.

It is not in the style of many, and certainly neither mathematicians nor actuaries, to study and submit to examination for other than self-interest. These six youths, and the larger number who did not quite make the team, did so for their country. Nor is it the style of either mathematicians or actuaries to cheer at airports. But we do cheer nonetheless: hurray for David Conlon, hurray for Ciaran Flynn, hurray for Oliver Nash, hurray for Darren O'Driscoll, hurray for Brendan Quigley, and, drawing a deep breath, hurray for Raja Mukherji.

Shane Whelan

MEMBERS SURVEY

171 responses from members are being collated and currently analysed and the results will be published in the near future. Many thanks to all those who completed the questionnaire and sent in additional comments. While it would be premature to announce any findings at this stage, there are interesting differences in replies between the various practice areas and year of qualification bands.

The questions have been grouped into various topics such as Objectives of the Society, Professional Issues, etc. (9 in all) but were scattered throughout the survey using a very complex algorithm. The bright sparks within the Society membership who are experts in Cluster Analysis and Random Walk theory can amuse themselves for the next few weeks by trying to identify the 9 topics and questions pertaining to each topic.

On a serious note, we hope that the results of the survey will assist the Society in structuring itself and planning its future activities.

Paul Duffy



"The Irish Mathematical Olympiad Team"

DEFINING AN ACTUARY AT DCU

Dublin City University played host this summer to a two day conference for actuarial teachers. Michael Marsh, the event organiser, ensured the conference and its night entertainments went off with aplomb. The Society helped out the excellent event by sponsoring an afternoon reception at the close of the conference.

DCU, again through the efforts of Michael Marsh, also played host to a Group Consultatif Education Meeting to which the Society was pleased to sponsor a fine lunch. Representatives from many of the actuarial bodies across Europe (and observers from even further afield) met to reach agreement on a common education syllabus that would be used for mutual recognition of actuaries in the EC. We were, in a sense, defining the essence of the technical competency of an actuary. However, despite the considerable preparatory work of the Committee, it soon became apparent that we would not reach agreement that day. An abstract of the view of the Society, made in writing to the Committee, is given below.

We, (*The Society of Actuaries in Ireland*) take a rather different view of the core syllabus to that of Den Norske Aktuarforening, expressed at the last meeting by Pål Lilløvold and previously by correspondence. They argue against the co-ordination of actuarial education at a European level. Given a standard is to be adopted for mutual recognition then, consistently, they argue that it should be close to the lowest common denominator of the existing local education systems so that the primary need of education tailored to the very different local practicing traditions is not overlooked in the interests of the few actuaries moving between the different traditions. In particular, they stress the inevitable difficulties that a pan-European standard would have in evolving to keep up with best practice.

We, on the other hand, argue that if European actuaries want to continue to share the common name then there should be some minimum standard of technical competence. If we pitch the common standard at a relatively high level then we can expect a convergence of both function (statutory and non-statutory) and esteem of the profession across Europe. The relatively high level envisaged could include certain elective topics - an a la carte menu that captures the best features of individual systems until there is sufficient congruence of tastes for a satisfying carte d'hôte. All participating societies would then be enriched by the cross-fertilisation.

The proposed syllabus that goes too far for Den Norske Aktuarforening does not go far enough for us. Of course, it is difficult to judge a study programme from a syllabus but we are safe in saying that the proposal as it stands is a proper subset of our current syllabus. So there is no enrichment for us and yet we know we lag some societies in our treatment of, say, econometrics, risk theory, credibility theory, and stochastic processes. As Hans Buhlmann remarked "it is well known that the examination content in the US and Great Britain for example is set by the professional bodies, which meant that until only 20 years ago actuarial exams contained little on mathematics from the 20th century".

With further trimming the proposed syllabus may not be just a lost opportunity, it may pose a threat to the profession. Let us suppose that the syllabus eventually adopted is the common denominator of all existing actuarial courses. What is to stop the forming of an actuarial body in Europe, the qualification based solely on the syllabus agreed for mutual recognition? The qualification from this body could be exchanged for the most demanding in Europe after the minor localisation requirement. It is difficult to imagine that such a body would have a problem in recruiting students. This arbitrage-type problem

is, of course, of our own making. By describing the minimum educational level, we are in a sense defining the essence of an actuary.

We are opposed to a substantive further dilution of the core syllabus. Should agreement not be found on this draft then we suggest going a la carte, choosing the elective topics so that they represent the most promising spheres of future influence for the profession in Europe.

We do share Den Norske Aktuarforening's concern that the syllabus, however it ends up, will have an inertia inhibiting the evolution of the discipline. The problem is not, we believe, insurmountable. Evolution would be helped by the elective system proposed which could well lead to the survival of the fittest. In any event, the Committee can address the mechanism for altering the syllabus as soon as it is completed.

Shane Whelan

ON THE MOVE

Kathy Murphy has moved from New Ireland to IPT Actuarial Services

Graham Cherry has joined Canada Life from Norwich Union

*Paul Walsh has started Ireland's only actuarial recruitment agency 'Acumen Resources'.
He is also working with Canada Life having moved from Friends Provident.*

Michael Culligan has joined Life Strategies from New Ireland

Carmel Brennan has moved from Hansard International, Isle of Man to Hansard Europe Ltd., Dublin

Michael Claffey has moved from Eagle Star to Scottish Amicable International

Gerry Jordan has moved from Hibernian Life to Midland Life International



Golf Outing



Woodbrook Golf Club is normally a nice place. The course is interesting. The greens, after huge investment, are among the best around. There are great views of the sea and of Bray Head.

But you wouldn't have realised that on Friday, September 4th last which unfortunately was the date of the Society's annual Golf Outing. It started out misty and wet. You couldn't see the sea. And it just got progressively worse. Never did a group of 34 golfers enjoy their showers so much!

The winner, with a very creditable score of 31 points in the conditions,

was Martin Keane. Second on 30 points was Duncan Robertson. David Harney was 3rd on 29, and Brian Farrell was 4th on 27. Front 9 and back 9 prizes were won by Donal Casey and John White, with 14 and 16 points respectively.

Visitors' prizes were won by Brendan McCarthy and Gary Bass. There was also a small prize in honour of the first ever lady participants in the competition (three took part), which was won by Brid Quigley. Also, the old actuarial tradition of having an odd ball prize was restored, with Elaine Fennessy collecting the chocolates for registering the greatest difference between front nine and back nine scores.

The final of the Matchplay Competition was also held during the outing. (You switch the outing to September to give people a chance to complete the Matchplay, and the outcome is still not determined until the very last day - actuaries obviously just work to a deadline!). Micheal O'Briain emerged victorious over Maurice Whymys, and so claimed Piers Segrave-Daly's Perpetual Trophy.

Well done to all who took part. Next year's Captain is John Feely. Better luck with the weather, John!

Michael Madden

SOCIETY OF ACTUARIES IN IRELAND

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