



Groupe Consultatif Annual General Meeting

The annual meeting of the Groupe Consultatif took place in Dublin on 10 October. It was attended by representatives from the eighteen full Member Associations and the three observer associations (Iceland, Norway and Switzerland). The main activities of the Groupe are now co-ordinated by its Committees which, with the exception of the Education Committee, met on the day preceding the Groupe meeting.

The Freedoms and General Purposes Committee:

- Considered the admission criteria for Member Associations. This has been prompted by the application for membership from regional associations in France and Spain. In time honoured fashion a working party has been established to address the issues with the brief to make formal recommendations to the Groupe at its annual meeting next year.
- Agreed an amendment to the Groupe Agreement on the Mutual Recognition of Qualifications which will extend from one to three years the period of practical experience which an Association could require of a migrant actuary before admitting them as a full Member under the Agreement. The amendment was subsequently approved by the full Groupe meeting.
- Reviewed the Groupe's seminar/colloquium activity during the year (a mortality seminar was held in Edinburgh on 4 July; an education seminar in Zandvoort on 10/11 July and a colloquium in Barcelona on 19 September). The 1988 Colloquium will be held on 23 October in Luxembourg and the main topic will be pensions. Whilst there will not be a 1998 Summer School because of the IAA Congress the 1999 Summer School will be hosted by the Swiss Association.

The Pensions, Insurance and Financial Committees met in joint session to consider the Groupe's response to the European Commission Green Paper on Supplementary Pensions in the Single Market. There has been a subsequent flurry of activity in this regard with a final draft submission agreed at a meeting in Utrecht on 3 December.

The formal Groupe meeting on 20 October received written and verbal reports from the Committees. It is, in particular, worth noting the progress the Education Committee has made in formulating and getting general agreement on a core syllabus for actuarial education throughout Europe. The objective is for Associations to implement the core syllabus by 2000 or 2001.

Henri Laurent of the French Association des Actuaire Diplomes de L'ISFA assumed the Chairmanship for the 1997/1998 session. He replaces Dirk Van Berlaer of the Luxembourg Association. The next annual meeting of the Groupe will take place in Stockholm in September 1998 at the invitation of the Swedish Association.

There was a busy and enjoyable round of social events for delegates and their partners - an outing to Powerscourt on Thursday; a session in the Abbey Tavern on Thursday evening and a formal dinner in Dublin Castle on Friday evening. The two days of activity were hugely successful both from the business and social point of view. There is no doubt but that the standing of our Society has been enhanced. The success is due, in no small measure, to the sterling work put in by Mary Butler and Margot Lawlor.

Paul Kelly



L to R - Helga and Peter Prieler from Austria, Peter Johnson, Norbert & Birgit Heinen from Germany

The Society gratefully acknowledges the generous support of the following organisations who all responded willingly to our appeal for financial support to enable us to host the event so successfully. The appeal raised IR£17,500 which just covered the costs incurred.

AGF-Irish Life Holdings plc
Ark Life Assurance Co Ltd
Buck Consultants
Canada Life Assurance (Ireland) Ltd
Coyle Hamilton Limited
Delany Bacon & Woodrow
Eagle Star
Friends Provident Life Assurance
Guardian Life
Hibernian Group plc
Howard Johnson & Co Ltd
Irish Life
IPT Actuarial Services Ltd
Irish Progressive Life Assurance Co
Life Strategies
Lifetime Assurance Co Ltd
Mercer Limited
New Ireland Assurance Co
Norwich Union
NZI Life Ireland Ltd
Scottish Mutual International
Scottish Provident Ireland
Segrave-Daly & Lynch
Standard Life Assurance
Watson Wyatt Partners

Presidential Address

Bruce Maxwell gave his presidential address to a packed house on Tuesday 21 October. Bruce used a number of themes for his address and included a slideshow on Birmingham (location of the 1998 Congress).

Changing Times

In to-day's world actuaries cannot be accused of standing still. We are being challenged to review and reappraise the profession's traditional approaches and methodologies. Actuaries need to communicate what we can do for business, to ensure that we do not lose our edge over experts in areas such as risk management. Technical actuarial skills will not be enough in a world where employers require expertise in "Listening, Comprehension and Communication, and Presentation".

The Society

Bruce confirmed that Council had adopted the mission statement presented by the PR Committee last May. In addition, the broad strategic aims will provide a focus for the Society over the coming years. Whilst the Society needs to be continually selling the profession to potential new recruits to ensure essential new life blood, it must also meet the needs of the profession and its members.

The International Scene

Developments in the actuarial profession world-wide including the likely merging of the IAA and IFAA were discussed. The achievements of the Groupe Consultatif, including agreement between all of the EU actuarial associations on mutual recognition of actuarial qualifications and the development of actuarial valuation principals, were noted.

(At this stage Bruce gave a stunning slideshow on the temptations of Birmingham with the aim of luring as many Irish actuaries as possible over to the Congress in 1998.)

Personal Issues

Bruce covered two topics from his own field of expertise namely ownership of the inherited estate and value added reporting. There are issues for the profession in both of these areas that cannot be ignored, even though in the former case, the debates have been going on for over a hundred years.

Conclusion

The address ended with a list of targets for the various committees (to be achieved by y2k) with the underlying aim being more public recognition for the profession. The final statement emphasised the need for us all to ensure that what we do and how we act unites the profession.

Emer Chapman

Student Society

November fell host to the SSAI AGM this year. In true Irish fashion, the heavens opened as several dozen trainee actuaries made their way to the Irish Life offices. However, the poor weather conditions did not deter many, and there was an exceptionally large attendance. A warm cuppa greeted the cold and drenched attendees, and the odd biscuit replaced many a main meal. After several minutes struggling to master the projector, the presentations got underway, more or less as scheduled.

Mr. Bruce Maxwell, the president of the SAI, welcomed the members to the meeting, and went on to speak of the Society, how far it has come and how far we have the potential to go on a global scale. Bruce then introduced the first speaker of the evening, Mr. Pat Ryan, an Associate of the Institute of Actuaries, and Group Treasurer for the AIB Group.

The topic under discussion was "Risks and Rewards of European Monetary Union". (Although, during his speech Bruce Maxwell mentioned that the 'E' in 'EMU' stands for economic!). Mr. Ryan took the first aspect of this topic and gave an overview of the risks associated with the monumental move to monetary union, and in particular how they applied in a banking environment.

Next up was Shane Whelan, a Fellow of the Faculty, and Investment Strategist with Eureka Asset Management, whose 'specialist subject' was the potential for short term profits to be made during the changeover to EMU. Here the message was look at the fundamental economic factors affecting the potential to make supernormal profits and pick stocks accordingly. Time for all present to dust off their subject B1 notes.

Following a short question and answer session, a new committee was elected (see below). As the formalities of the evening drew to a close, the meeting adjourned to the Clifton Court for drink and debate. As it was a Tuesday evening, most had departed by around 10 p.m., although rumour has it a few die-hards were partying until four in the morning.

The following were elected to the 1997/98 committee:

Josephine Galvin, G.R.E.
Barry Cudmore, Irish Life
Martyn Cousins, Mercer
Grainne McManus, UCD
Conor Darcy, DCU
Finbar Cooke, DCU

I am sure the new committee will be organising several events to distract from study in the New Year, and I hope you will all continue to offer your support.

Finally I would like to wish you all a very happy and prosperous New Year.

Fiona Daly

Financial Engineering in General Reinsurance

Financial Engineering in General Reinsurance was the title of the talk given to the Society on 10th November by Colin Garlick of Swiss Re. The main theme of the talk was to outline the developments that have taken place over the last number of years in the non-life reinsurance market and give a critique of these changes.

Colin started by outlining some of the factors influencing the developments in the market. The first of these was that insurance companies were now looking for greater financial efficiency particularly in regard to their use of capital. Closely tied to this idea of optimal use of capital and driving the changes in the products on the market were other factors such as reinsurance buyers looking for stable reinsurance rates from year to year, reinsurance companies looking for an alignment of interest between reinsurer and reinsured and companies taking a 'holistic' approach to risk management.

The new reinsurance products to meet these needs come under the generic name of Alternative Risk Transfer (ART) and most reinsurance companies now have a department by the same title. These ART products include finite risk, reinsurance derivatives, securitisation of risk, contingent capital and dual trigger contracts and Colin gave a brief description of each.

Finite risk has achieved the most widespread use to date of these ART products. These are typically multi-year multi-line contracts with limited risk transfer to the reinsurer but a high profit commission where experience is favourable. They allow the reinsured to spread the cost of their own claims over time with the reinsurer absorbing any unexpected volatility in losses. Capacity with these products is available for a number of years at stable rates and they align interests between reinsurer and reinsured through the profit commission mechanism.

The other ART products mentioned are more recent innovations and although a number of high profile transactions have been completed, they have yet to be used widely. What they do demonstrate, and this is a point Colin emphasised a number of times during the talk, is that the reinsurance and capital markets are moving closer together.

One final point regarding the 'holistic' approach to risk management was that companies are now looking to manage the asset and liability side together through improved asset liability modelling or dual trigger contracts. Companies can find that an optimal investment strategy devised from looking at the asset and liability risk together can appear more 'risky' than just looking at the asset and liability side separately.

All in all a very interesting evening and particularly useful for anyone involved in non-life insurance and reinsurance.

Brian Heffernan

Risk Adjusted Investment Performance Measures

CPD Talk by Peter Lockyer

The CPD sessions for 1997/98 began with Peter Lockyer, Head of U.K. Investment Practice at a well-known consulting group, lecturing a full house. He gave an overview of risk measures and risk-adjusted return figures to help identify the better performing fund managers of tomorrow. The concepts and measures proposed for this purpose were claimed to be both stable and have reasonable predictive ability, at least when applied to those fund managers registering outlier scores. To apply the techniques, data over a minimum of five years is needed, in quarterly divisions, and checked qualitatively to ensure that there was no discontinuity in either senior personnel or process in the investment organisation over the period.

He first briefly treated standard measures of volatility of returns - absolute deviation, relative deviation from the benchmark returns, R^2 and tracking error. Absolute deviation was dismissed as failing to give sufficient separation of fund managers. Relative deviation measures were favoured. At this point, two explanatory variables were introduced - the α and β - with α giving a measure of the investment manager's ability to add-value and β giving the gearing to the benchmark return. These were found deficient for the task at hand due to lack of stability.

The heart of the talk was the risk-adjusted return measures of which he briefly treated four: rate of return divided by standard deviation, the Sharpe statistic, rate of return divided by beta, and an adjusted Sharpe statistic defined as actual return less benchmark return divided by the standard deviation of actual return from benchmark return. The latter one was preferred.

Finally, Peter gave an overview of three basic measures of downside risk - downside probability, downside Sortino ratio, and relative downside deviation. Downside probability is simply the relative frequency of disappointing quarterly returns. The other two were one-sided versions of the Sharpe ratio and the relative standard deviation.

The question and answer session that followed brought out some doubts as to whether the simple statistics could have much predictive power, although they do offer another dimension in analysing stylistic characteristics of fund management groups.

Shane Whelan

Financing Health Care - Actuarial and Economic Perspectives

The seminar was held in the Stakis Hotel on Thursday morning 4th December.

A general theme of the seminar was the lack of discussion to date on the broad issue of the provision of health care, especially considering that the 1998 budget for health care expenditure is nearly £2.8 billion. Brian Duncan asked if our current system for financing health care would be chosen again if we could start with a clean slate. Dr. FitzGerald commented that the current economic boom offered an opportunity for a fundamental review of the health care system, and Bruce Maxwell called for a green paper on the issue.

Concern was expressed regarding the emergence of a two-tier system of access to care. Dr. FitzGerald questioned whether ability to jump queues by those who can afford insurance, would continue to be tolerated by society. Daniel Whitaker asked which was more equitable - the UK system where 10% of the population have preferential access, or the Irish system where 40% have?

Dr. FitzGerald questioned the vulnerability of our health care system, and in particular the stability of the public private mix. Australia also has universal access to public care and a voluntary community rated private system, and the position of private health insurance there was described as ambiguous. Donald Duval described the crisis in private health insurance in Australia, where numbers opting for private insurance have dropped dramatically, particularly amongst the young. The recommended approach there is a move to lifetime community rating. Brian Duncan questioned the long term sustainability of community rating in Ireland.

The need to control the rapid rise in cost of health care provision was a common theme of the speakers, and they generally agreed that the structure of payment systems for the providers of health care was crucial to controlling costs. Daniel Whitaker commented that it was essential to structure the remuneration of providers so that there is an incentive for efficiency. The need to place less emphasis on volumes was recognised. Donald Duval cited the fee for service remuneration system as one of the causes of real premium inflation of c7%p.a. in Australia. Brian Duncan drew attention to the benefits of a fixed salary remuneration basis for providers of care. He also suggested that a more integrated approach to care might be considered, with GP's remunerated on a capitation basis. The use of managed care initiatives such as pre-authorisation and co-payments were also discussed as a means of controlling utilisation.

Brian Duncan raised a social insurance system as an option for consideration, whereby health insurance is compulsory, and financed through PRSI. Daniel Whitaker described the emergence of this system in Eastern Europe, where commonly the provision of care under the social insurance system is 'contracted out' to insurers who write common policies and compete for members. He and Brian Duncan emphasised the need for a fair risk adjustment system in this scenario, in order to discourage cherry picking and redistribute underwriting risk between insurers. Competition would be on the grounds of efficiency. Donald Duval drew attention to the inaccuracies in the Australian risk adjustment system, which perversely gives insurers a disincentive to recruit members under age 65.

Alex Isted spoke on the fascinating issue of genetic testing and commented that anti-selection could emerge from people who having had a genetic test, sought health insurance or critical illness insurance with knowledge of their propensity for certain illnesses. He emphasised the importance of regulation of the use of tests by insurers. The positive use of testing in preventative medicine, was also discussed.

The seminar was certainly a starting point for stimulating debate on the wide issue of the provision and financing of health care, and as Bruce Maxwell pointed out, there is significant opportunity for actuaries to bring analytical skills to this area.

Joyce Brennan



*Dr Garret FitzGerald
Chairman*

Calendar of Events - January to March 1998

	Date	Status	Topic	Speaker
January	Monday 26	CPD	Life Disclosure	Bill Hannan
February	Monday 2	Evening Meeting	Critical Illness Policies	Neil Hilary
	Thursday 12	CPD	The Actuary in Injury & Fatal Compensation Cases	Piers Segrave-Daly
	Monday 23	Evening Meeting	Recent developments in General Insurance	Sean McGrath
March	Tuesday 3	Evening Meeting	Presidential Address	Duncan Ferguson
	Wednesday 11	CPD	Healthcare Issues	Ian Moran
	Monday 23	Evening Meeting	Statutory role for Non Life Actuaries	Conor Malin

Joycean Reflections

What a pleasure it was to be with the Society of Actuaries in Ireland for their splendid dinner on the 18th September. As I sat in the great dining hall of Trinity College at a very lively and delightful table discussing among other things what seemed to be a pretty widespread delight in the works of James Joyce, something which I had not suspected of actuaries previously, my mind went back to earlier occasions in the same room.

I remember in particular sitting in almost the same place during a banquet in 1977 which formed the highlight of the International James Joyce Symposium which I had organised in that year and in which both Trinity and UCD participated fully although it was decided that the environs of the dining hall in Trinity would be the best location for the banquet.

As usual we had arranged a menu with a Joycean flavour, 'kidneys a la Bloom' I recall were featured. I had also secured the services of Bill Golding and Ann Makower to regale the banquetees with Joycean melodies over coffee. A programme was selected of Victorian drawing room ballads and operatic arias. Early on in the programme there was to be a rendition of that song so fateful in the triangular relationship of Leopold Bloom, Molly and Blazes Boylan 'Loves Old Sweet Song'. The first chords had just been struck and the singers were embarking on the deliciously sentimental opening "Just a song at twilight", when some of the academics including our American cousins began to titter audibly. Evidently they thought the music was beneath them intellectually.

I was sitting next to a doughty dame, Madame Maria Jolas originally from Louisville, Kentucky. She had been a boon

companion and good friend to James Joyce in the 20's and 30's in Paris and had published early drafts of 'Finnegans Wake' in her magazine 'Transition' with her husband Eugene Jolas. As the tittering increased she started to vibrate gently with indignation. but then to my delight she rose to a commanding height, struck the table in front of her with her stick and quelled the hubbub saying in a carrying voice "You will not insult this beautiful music that Mr. Joyce and I sang so many times in Paris with tears in our eyes. You will sing it once more and this time with the respect and the feelings which are its due". She then led them in a chorus of 'Loves Old Sweet Song' which has now been adopted internationally thanks to her intervention as the national anthem of Joyceans all over the world.

I remember another banquet in the same place some years later. This time I was sitting beside Lennie Collinge. I had exhumed him from retirement with great delight some months previously and invited him to the banquet as my guest. Mr. Collinge had been the projectionist in Joyce's cinema 'The Volta' in Mary Street, opened in 1909 as Dublin's first cinema. When I asked him about his recollections of James Joyce he said "Ah, poor Mr. Joyce, he was a gentleman. But he certainly wasn't a business man. Them Italian electricians ran rings around him. At the end he was nearly bankrupted". However both Joyce and Lennie continued on to greater things as I have no doubt will the genial members of the Society of Actuaries.

Senator David Norris

Editorial Notes

The PR/Communications Committee would like to wish all the members of the Society a very happy and prosperous New Year and we look forward to hearing from you again over the coming months.

Following the celebrations during the Society's 25th Anniversary year, we hope to continue to raise the profile and awareness of the Society in the months ahead. Our first priority is to organise a series of breakfast meetings with each of the Society's committees (Life, Pensions, General Insurance, Investment, Healthcare and Education) where representatives from relevant government bodies, the media and other professions will be invited to attend and meet the members of the Society.

Many thanks to all those who sent in details of the goings-on at the recent Life and General Insurance conferences. Unfortunately, some of the details were too "colourful" to publish - but maybe next time!

Michelle Roche, Editor

Copies of the Society of Actuaries Submission to the Advisory Group on Risk Equalisation Scheme are now available from the Society's Office

New Qualifiers December 1997

Congatulations to all those who qualified on December 5th

Brian Grimes - Lifetime
Thomas Bashford - Guardian
Ian Carey - Midland Life International
Mary Coghlan - Norwich Union
Thomas Murphy - Friends Provident
Alex Amberson - Sun Life, London
Peter Gough - Eagle Star
Patrick Kelliher - Standard life
Mary Kerrigan, Watson Wyatt, Reigate

People on the Move

Ann Dalton has moved from Irish Life to Eagle Star International

Derek Ryan has moved from Irish Life to Tillinghast, London

David O'Brien has moved from Irish Life to Munich Re, Cape Town

Brid Horan has moved from KPMG to ESB

Ian Veitch has moved from NZI to Norwich Union



New Qualifiers June 1997



*Back Row left to right
Christine Murphy, David O'Brien, Brid Quigley, Martina Walsh, Bruce Maxwell, Ann Muldoon, Frances O'Shea, Ivor O'Shea and Neil Guinan*

*Front Row left to right
Sinead Kieman, Jim Murphy, Derek Ryan and Rosemary Commons
(absent from photo Rita-Anne Keyes, Martin Kyne, Shauna Whelan and Richard Willerts)*