



An Overview of the Actuarial Profession in Ireland

**Prepared for Sir Derek Morris
and his review team**

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Structure and governance

The Society of Actuaries in Ireland is the professional body for actuaries in the Republic of Ireland. The Society was established in 1972. It is incorporated under the Companies Acts and it is therefore governed by its Memorandum and Articles of Association, which can be obtained from the Society's website: <http://www.actuaries.ie>.

The Society has the following objectives:

- To encourage and promote principles of sound actuarial practice.
- To encourage and assist the study of actuarial science and any other subjects of interest to the actuarial profession.
- To consider the actuarial aspects of legislation, existing and proposed, and to take such action as is considered desirable.
- To exercise professional supervision over the members of the Society and to secure for them such professional standing as may assist them in carrying out their duties and responsibilities.

The Society is managed by its Council, which is loosely the equivalent of a Board of Directors. The Council consists of up to twenty three Fellow Members of the Society, of whom up to six may be co-opted. The majority of Council Members are elected by the membership, with one third of Council Members retiring each year (so that Council Members serve an average of three years). The Society's President is elected by the members attending the Annual General Meeting (in practice for a term of two years). Traditionally, the members elect the Presidential candidate nominated by Council.

Council has full responsibility for the conduct of the business and affairs of the Society. However, any byelaws, rules or regulations made by Council have to be adopted by a special resolution of the Society, which under Irish company law requires a 75% majority in a ballot of the membership.

Beneath Council is a series of committees, for example, the Life Committee and the Pensions Committee, which are responsible for the various practice areas in which actuaries work, and others such as the Professional Affairs Committee and Member Services Committee, which are responsible for various aspects of the management of the profession (as distinct from its areas of practice). Council and the Committees are supported by a staff comprising a Director of Member Services, a Director of Professional Affairs and an administrative assistant.

Regulation

Overview

The Society regulates its members as individuals and has no power to regulate firms or partnerships. The Society's regulation consists of codes or standards, covering both ethical and technical matters. The Society operates a disciplinary scheme, which is currently being reviewed. The range of permitted sanctions includes deprecation of the member's conduct, suspension and expulsion.

Professional standards

The Society's standards comprise:

- A The ethical code, known as the Professional Conduct Standards (PCS). This is a single document, setting out general ethical standards which apply to all actuaries (including students and affiliate members) across all areas of work. It is very similar to the UK actuarial profession's PCS.
- B Technical standards known as Guidance Notes (GNs), of which there are currently twenty three. These apply to specific areas of actuarial work and a number of them correspond directly to equivalent guidance notes for the UK Actuarial Profession.

Almost 99% of the Society's members are also members of the Institute or Faculty of Actuaries and are therefore also bound by relevant guidance issued by the UK actuarial profession, where this has not been superseded by guidance specific to Republic of Ireland practice issued by the Society.

Each new guidance note, or significant change to existing guidance, is exposed for consultation with members and relevant external bodies (for example, in the case of guidance relating to the provision of actuarial advice to pension schemes, the statutory Pensions Board (which has a role equivalent to that of OPRA in the UK). Final approval of new or amended guidance rests with Council.

The PCS and guidance notes can be viewed on the Society's website.

Disciplinary scheme

The Society has had a disciplinary scheme since its inception. The scheme provides a disciplinary investigation whenever there is a complaint –whether by another actuary or by someone outside the profession – making specific allegations against an identified actuary. There is also the power for Council to refer a matter for investigation, if it becomes aware of circumstances deserving such action and there has not been a complaint.

Membership of the tribunal which imposes final sanctions, and of the appeals board, includes both Fellow members and non-members. The tribunal and appeals board operate independently of Council, although Council appoints some of the tribunal and appeal board members.

Possible sanctions, in the event of a finding of unacceptable or unprofessional conduct, include a reprimand, suspension or expulsion from membership. Given the small size of the profession in Ireland, disciplinary cases would not be expected to arise frequently and, to date, no cases have been referred to a tribunal.

The Society is currently reviewing its disciplinary schemes, with a view to, *inter alia*, increasing the range of penalties, to include fines, withdrawal or suspension of practising certificates and the imposition of periods of education or supervised practice.

Practising certificates

The Society issues practising certificates to Fellow members who wish to carry out any of the roles reserved to actuaries and who meet the criteria for a practising certificate. The roles for which practising certificates are required are:

- Appointed Actuary (life assurance)
- Scheme Actuary (pensions)
- Signing Actuary (general insurance)

and are described further in the section on the work that actuaries do.

The criteria are primarily experience-related, but applicants are also required to provide references from two other actuaries and must provide a record of their annual CPD (continuous professional development). The Society has recently reviewed the criteria and procedures for practising certificates and will be strengthening these over the coming months.

Compliance monitoring

During 2003, the Society developed a proposal to require compliance monitoring, in the form of mandatory peer review, for statutory actuarial work. In the event, while a significant majority of members voted in favour of the peer review proposals, the Society did not have the requisite 75% majority required, under Irish company law, to change its Memorandum and Articles of Association to provide for peer review.

The Society is subsequently exploring a number of avenues with regard to governance and compliance monitoring:

- Each practice committee is reviewing how best to monitor compliance within the individual practice areas.
- Discussions are taking place with the respective regulators, the Irish Financial Services Regulatory Authority (IFSRA) and the Pensions Board. The Pensions

Board has indicated that it considers some form of compliance monitoring for Scheme Actuaries to be necessary.

- A survey of member views was undertaken over the Summer period and results will be available shortly.
- As noted above, the criteria and procedures for the issue and renewal of practicing certificates are being reviewed.

Education

The Society is not an examining body. Hence, the majority of its members qualify through the professional examinations and experience requirements of the Institute of Actuaries or the Faculty of Actuaries.

The Society runs its own professionalism course (a two-day course in professional ethics) which newly qualified actuaries must attend within a year of fulfilling the other criteria for Fellow membership.

University education

A number of Irish universities offer actuarial degree courses which allow graduates to obtain exemptions from a number of the UK Profession's examinations.

CPD

Once qualified, Society members are expected to continue to study through a programme of continuing professional development (CPD). The Society's CPD Scheme is similar to the scheme operated by the UK Profession. A minimum level of CPD is compulsory for actuaries who hold a practising certificate entitling them to act as an Appointed Actuary (life assurance), Scheme Actuary (pensions) or Signing Actuary (general insurance). The minimum level is 15 hours per year of "Formal CPD" plus one hour per week (on average) of "Informal CPD".

- Formal CPD is participation in courses, professional meetings or other formal events of equivalent standing.
- Informal CPD is any other activity of professional development such as reading, training, teaching etc., not necessarily of a technical nature.

The Society offers a range of CPD opportunities for actuaries including:

- Seminars in each of the main practice areas
- Evening meetings at which topics of current interest are debated.

The Society is currently engaged in a review of its CPD scheme.

Recruitment of actuarial trainees

Trainee actuaries are normally recruited as university graduates either by insurance companies or actuarial consultancies and receive support from their employers in the form of study leave and financial assistance for the professional exams.

Membership categories

The Society has the following categories of membership, equivalent to the categories of membership in the UK Actuarial Profession:

- Fellows
- Associates
- Students
- Affiliates
- Honorary Fellows.

Fellow Membership is available to:

- any Fellow Member of the Institute or Faculty of Actuaries
- any EU actuary who has at least three years' appropriate practical experience including at least one year's experience in the Republic of Ireland
- a Fellow Member of the Canadian Institute of Actuaries, the Institute of Actuaries in Australia or the Society of Actuaries in the US, who satisfies the requirements of the mutual recognition agreement between the Society and his or her "home" professional body.

Finance

The Society is funded primarily by member subscriptions (including fees for Practising Certificates) and income from events. In addition, since 2002, the Society has received an annual grant from the UK Actuarial Profession, of Stg£100 for each full member of the Society, resident in Ireland, who is also a Fellow of the Institute or Faculty (this reflects the fact that Irish resident members of the Institute or Faculty pay the same member subscription to the UK Actuarial Profession as do UK resident members, although the Society, rather than the Institute or Faculty, is responsible for regulating the professional conduct of actuaries resident in Ireland).

The Society and the public interest

The Society's core activities i.e. maintenance of high professional standards, including the ongoing development of professional guidance, the issuance of practising certificates and the promotion of continuing professional development (CPD) are designed to serve the public interest.

The Society's further commitment to serving the public interest is articulated in its Professional Conduct Standards:

Collectively [the profession] seeks to [serve the public interest] by informed contribution to debate on matters of public interest and by influencing those with power to protect and enhance the public interest.

The Society's key activities in this area are as follows:

- Regulatory involvement: The Society engages in ongoing dialogue with government departments and regulators, primarily in relation to the regulation of the insurance and pension markets.
- Communicating our views: The Society contributes to public debate on matters where actuarial input can add value. It does this by:
 - making submissions to government consultations
 - issuing public briefing statements and
 - organising seminars on issues such as the ageing population.

The work that actuaries do

As in the UK, the work for which actuaries in Ireland are most noted is the measurement and management of liabilities in life assurance, pensions and general insurance. These are the three areas where most actuaries work – either as employees or as consultants – and the areas in which there are roles reserved to actuaries by statute or regulation.

There are almost 480 Fellow members of the Society, approximately 330 of whom are based in the Republic of Ireland (ROI), with 149 in roles reserved to actuaries by statute or regulation. The majority of the remaining Fellow members are based in the UK. The Society also has approximately 20 Associate members and 270 Student members.

An approximate split of the ROI-based Fellow members across the various areas of work is as follows:

Life assurance:	50%
Pensions:	30%
General Insurance:	12%
Investment:	4%
Other/Unknown:	4%

Life assurance

There are 51 life assurance companies based in Ireland; this includes both domestic companies and companies based in Dublin's International Financial Services Centre (IFSC) transacting cross-border business only. Around 170 ROI actuaries (i.e. around 50%) work in life assurance, either as employees or directors of a life office or as advisers to life assurance companies. Of these, 43 have a practising certificate entitling them to carry out reserved work as Appointed Actuaries, responsible for reporting to the Irish Financial Services Regulatory Authority (IFSRA) on the solvency of one or more life assurance companies.

The role of the Appointed Actuary

Each life company is required by law to have an Appointed Actuary whose responsibility it is to monitor the financial condition (solvency) of the company and to advise the company's board accordingly. The Appointed Actuary is also responsible for reporting to IFSRA on the valuation of the company's liabilities.

A particular responsibility of the Appointed Actuary is to identify and monitor any risks run by the insurer which may impact on the firm's ability to meet its liabilities to policyholders. As in the UK, this role includes advising the board on the distribution of any surplus between different classes and generations of policyholders. However, only a small number of Irish life assurance companies write with-profits business.

Over the past year, the Society has been considering the future involvement of actuaries in the solvency supervision of life insurers. One of IFSRA's core principles is that the board of directors and senior management of regulated entities should be centrally involved in ensuring the firm's compliance with its regulatory requirements. Life assurance currently differs in this respect from other parts of the financial services industry in that the Appointed Actuary, not the board of directors, has primary responsibility for certifying the insurer's solvency. As the valuation and certification of the liabilities are solely the professional responsibility of the Appointed Actuary, the Appointed Actuary's certificate is not subject to audit.

The Society has made the following proposals to IFSRA:

- The Appointed Actuary should retain a key role in solvency supervision, with responsibility for setting the valuation basis for solvency returns, preparing the Fourth Schedule, providing appropriate sign-off on mathematical reserves, premium rate adequacy, compliance with guidance notes, etc. as required at present under the Schedule 3 of the 1994 Framework Regulations.
- The scope of the Directors' Certificate should include liabilities to policyholders.
- The wording of the auditor's certificate should be changed to encompass certification of the Appointed Actuary's valuation of the liabilities and solvency

margin. It will be up to the auditors to decide the amount and source of actuarial advice they will need to enable them to provide the required certification.

These proposals have been welcomed by IFSRA and it is intended that a working party will be established, comprising representatives from IFSRA, the Society of Actuaries and the auditing profession, to take this forward.

With regard to “whistleblowing”, under the Society’s guidance note, GN1(ROI), which is recognised in statute, the Appointed Actuary has a duty to notify IFSRA “*if there is a material risk that the long-term fund may be insufficient to cover its liabilities or the company may fail to meet its obligations under the law in relation to its long-term business*”, and if the company having had this brought to its attention by the Appointed Actuary, fails to remedy the situation.

A recent paper on the role of the actuary in the regulation of life assurance in Ireland is attached.

General insurance

Around 40 ROI actuaries (i.e. around 12%) work in general insurance. Approximately half of this number works in the direct domestic insurance market, with the other half engaged in the reinsurance and captive markets which operate out of the IFSC. Currently, 30 actuaries have a Signing Actuary practising certificate. Other general insurance actuaries work in roles such as pricing, capital management and business planning.

The role of the Signing Actuary

The Role of the Signing Actuary is to provide a statutory Statement of Actuarial Opinion (SAO), stating whether the actuary considers that the reserves set by the directors are greater than the actuary’s best estimate of the corresponding liabilities as at the reporting date. SAOs are required for approximately 80 of the 137 authorised non-life insurers based in Ireland.

The Society recently prepared a paper, at the request of IFSRA, on the potential future role for actuaries in the regulation of general insurance. This paper, a copy of which is attached, also provides an overview of actuarial involvement in the management of non-life business.

Pensions

Approximately 90 ROI actuaries (i.e. around 30%) work in pensions, the majority as consultants to occupational pension schemes and the remainder as employees of insurance companies. A majority of pension actuaries (currently 78) are Scheme Actuaries, responsible for carrying out various duties prescribed in legislation in respect of defined benefit schemes. There are approximately 19,000 group occupational pension schemes in Ireland, of which approximately 1,600 are of the defined benefit type.

The role of the Scheme Actuary

The Scheme Actuary is responsible for several tasks set out in the Pensions Act 1990, including:

- Triennial valuations of the assets and liabilities (reporting to the scheme's trustees)
- Statutory certification of a scheme's funding position relative to the statutory minimum funding standard and, where a scheme fails to meet the funding standard, the scheme actuary is required to certify a funding proposal designed to eliminate the funding deficit over a specified period of time.
- Calculating certain benefit terms (e.g. in relation to transfer values).

The role of the Scheme Actuary differs from the UK, in that schemes are not required to appoint an individual Scheme Actuary, who holds that appointment on a continuous basis; rather, the scheme is required to have the various tasks carried out by an appropriately qualified actuary.

With regard to "whistleblowing", there are no obligations that apply solely to actuaries. However, they and others are required to notify the Pensions Board if they become aware of any fraud or misappropriation of pension scheme funds.

PRSAs and the role of the PRSA Actuary

With the objective of substantially increasing current levels of pension coverage, the Irish Government recently decided to set up a much-simplified regime of Personal Retirement Savings Accounts (PRSAs) for people to save for their retirement. PRSAs are broadly similar to stakeholder pensions in the UK. PRSAs first became available during 2003.

Legislation requires that each PRSA provider should nominate an actuary responsible for certifying the provider's compliance with all aspects of the legislation. The PRSA Actuary must comply with Guidance Notes issued by the Society or any other guidance specified in regulations. To date, the Society has issued five guidance notes in relation to the role of the PRSA Actuary. It is also envisaged that practising certificates will be introduced for this role, in line with the Society's practice for other reserved roles.

Investment

A number of Irish actuaries work in the investment area. Areas noted for actuarial involvement include:

- Investment management and strategy, including asset-liability matching
- Managing investment managers, including manager selection and performance measurement.

Health care

In recent years, health care has become an important new practice area for actuaries, reflecting increased awareness of its economic impact and following the ending of the State monopoly in private medical insurance. The Society has an active health care committee and a number of actuaries are now working in the health care field. These include actuaries employed by private health insurance companies and actuaries providing advice on a consultancy basis to employers, health insurers and health providers.

Under Irish legislation, private health insurers are required to operate on the basis of community rating and open enrolment, and health insurance contracts must cover prescribed minimum benefits.

Litigation work

A number of consulting actuaries engage in litigation work, which involves the assessment of damages for personal injuries or fatal accidents in cases brought before the courts. The Society issued Guidance Note GN24 (ROI) on the actuary as expert witness in 2001. The actuary's function in such cases is to advise on the assessment of the capital value of future financial loss. The role of the profession has long been recognised by the courts, as noted in a Supreme Court judgement in 1968:

"It has been decided by this court in many cases that where there is a substantial element of future loss of earnings involved with any claim the evidence of an Actuary is not merely desirable but necessary. It is immaterial whether the prospective loss is in respect of a long period and whether the period has already commenced or whether it will arise at some stage in the future. The appropriate actuarial evidence is necessary in all these cases to enable the Jury to arrive at a reasonably accurate mathematical computation of the present value of the actual loss which they find will be incurred."

This contrasts with the position in the UK, where actuarial advice is not sought in damages cases.

Role of actuaries in regulation

The Irish Financial Services Regulatory Authority (IFSRA) employs a consulting actuary, whose responsibilities include reviewing actuarial valuations and certificates submitted to the Authority by Appointed Actuaries in life assurance and Signing Actuaries in non-life assurance. IFSRA plans to recruit additional actuaries.

The Pensions Board, which is the supervisory body for occupational pension schemes and PRSAs, is in the process of recruiting a permanent actuarial adviser.