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INTERNATIONAL ASSOCIATION OF CONSULTING ACTUARIES

NATIONAL REPORT FOR IRELAND

The National Report for Ireland which was submitted to the 11th Conference in Munich was dated March 1988 and this current Report (September 1989) describes subsequent developments.

BACKGROUND TO THE PROFESSION IN IRELAND

(1) There are now 99 actuaries in Ireland and a recent report of the Needs and Resources Working Party of the Society of Actuaries in Ireland indicates that there will be continuing rapid growth with the total number of active actuaries projected to rise to perhaps 300 by the year 2000. The report also suggested that the demand for actuaries might fall somewhat short of the supply but as the demand statistics were derived exclusively from a survey of traditional employers of actuaries, it is felt that any temporary over supply will be rapidly absorbed by related employers in the financial services sector such as accountants and investment management houses.

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The employment profile of actuaries in Ireland is similar to that in the UK. The majority of Irish actuaries are engaged in life office work with approximately 25% involved on the consultancy side.

Members of the Society of Actuaries in Ireland took a decision some time ago to reconstitute the Society on a more formal basis and approval has been received from the relevant authorities for a new Memorandum and Articles of Association. As a result, the Society is now registered as a Company limited by guarantee under the Irish Companies Acts with effect from 2 June 1989. Overseas actuaries who have a business involvement in Ireland can apply for membership of the Society.

#### ECONOMIC BACKGROUND

(2) Inflation in Ireland has risen from an annualised rate at mid-February 1988 of 1.9% to 4.5% in the year to mid-August 1989. Nevertheless, a period of relative stability in this regard is expected and price inflation should be restricted to low single figures over the medium term. Real increases in earnings both for salaried and industrial employees have averaged some 3% p.a. over the last 5 years but it is clear that a recently implemented joint programme for national recovery agreed between Government, employers and unions is having a moderating effect.

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Ireland has participated in the European Monetary System (EMS) since 1979 and membership has had a beneficial influence on the level of inflation and interest rates. Short-term interest rates now approximate to 10% p.a. with the yield on longer term Government gilt edge securities averaging some 8.5%.

Participation in the EMS has led to long periods of stability in exchange rates with other participants in the System. Movements in the Irish pound exchange rate relative to sterling and the US dollar during the review period were as follows:-

	UK£	\$
Quarter ended March 1988	.88	1.58
Quarter ended June 1989	.85	1.39

#### CONSULTING ISSUES - PENSIONS

- (3) (a) The Fourth Report of the National Pensions Board was presented in May 1989 and dealt with the subject of equal treatment for men and women in occupational pension schemes. The Board has made recommendations relating to legislative changes in this area which will embrace the requirements of the 1986 Equal Treatment Directive.

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- (b) A new Pensions Bill is promised by the Irish Government for this Autumn which will incorporate the recommendations contained in the Fourth Report of the National Pensions Board and will also give effect to the recommendations made in the Board's First Report. These recommendations related to:-
- (i) The preservation of pension rights for early leavers
  - (ii) The introduction of statutory minimum funding standards
  - (iii) The disclosure of information to pension scheme members.
  - (iv) The establishment of a statutory body with responsibility for the monitoring and supervision of occupational pension schemes.
- (c) The new accounting standard, SSAP 24, relating to the treatment of pension costs in Company accounts came into effect in July 1988 although non quoted companies registered in Ireland can invoke a derogation from the main provisions until 1993. The SSAP 24 provisions have prompted many Irish companies and, particularly, the smaller companies

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to review the funding methods they adopt for their pension schemes.

SSAP 24 has given a further impetus to the development of closer working relationships between actuaries and accountants.

Ireland's beneficial tax regime has encouraged significant numbers of overseas corporations to establish subsidiary operations in Ireland. Actuaries working in the pension consultancy field, therefore, need to be fully conversant with the accounting requirements of the territory in which the parent company is based and, in particular, the provisions of the financial accounting standards FAS 87 and FAS 88 in the US.

- (d) We noted in our previous Report that the Irish Budget of January 1988 contained a proposal to levy a tax on the investment income of occupational pension schemes. Despite strong representations, this tax was implemented for the year 1988. The Government did, however, keep its promise and the tax levy was not repeated in 1989.

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CONSULTING ISSUES - LIFE ASSURANCE

- (4) (a) As envisaged in our previous Report the long awaited Insurance Act has now been implemented and represents the final step in the progressive strengthening of the supervisory regime for insurers (both life and general) in the light of various EC Directives. The Act also includes provision for the regulation of intermediaries.
- (b) The life assurance industry in Ireland continues to be the primary channel for longer term personal savings and actuaries have traditionally been to the fore in the development and marketing of new contracts. The two major banks in Ireland have established new life assurance subsidiaries - the Bank of Ireland through its Lifetime Assurance Company which has been transacting business for some years and Allied Irish Banks whose life company is expected to commence operations later this year. The access which these two life offices have to the banks' extensive branch network and distribution system has had and will continue to have a major influence on marketing strategies in general.

It is of interest to note that both of the new life companies and a significant number of established offices are looking to outside consultants to supplement their "in-house" actuarial expertise.

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- (c) The UCITS Directive relating to the cross border selling of unit trusts is also expected to have a major impact on the market for investment linked life assurance products. The life assurance industry in Ireland is at a competitive disadvantage vis a vis unit trusts because of the imposition of a Government levy on all new life assurance contracts. Strong representations have been made to the Government for the removal of the levy.

#### CONSULTING ISSUES - GENERAL INSURANCE

- (5) (a) The general upturn in the economy and improved underwriting results gave rise to intense competition in the motor insurance sector as companies sought to maintain or increase market share. Lower premiums have again led to underwriting losses emerging in 1988 but some element of realism has returned to the market place in recent months as companies announced rate increases.
- (b) The long awaited Courts Act which abolished the Jury system for establishing awards in personal injury and fatal cases heard by the High Court became law in July 1988. The expectation that damages awarded by the Courts would, as a consequence, fall has not, however, been realised.

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- (c) Concern is being expressed at the possible effects of the proposed Third Directive on Motor Insurance.
  
  - (d) The establishment of a tax efficient financial services centre in Dublin holds out the prospect of generating more international insurance activity with Ireland as the source.

The insurance industry is concerned about the impact which the "1992" free market proposals may have on the relatively small Irish insurers. The Directive on Freedom of Services in Non life Insurance contains derogation provisions relating to Ireland but it is not clear as yet as to whether the Government will avail of these provisions.

#### CONSULTING ISSUES - LITIGATION WORK

(6) As we have mentioned previously the Jury system for establishing awards in personal injury and fatal cases heard by the High Court has been abolished. There is, however, no evidence that this change will impact on the extensive involvement of actuaries in litigation work.

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SOCIAL INSURANCE BENEFITS

- (7) (a) Ireland has a comprehensive system of State Social Insurance benefits which covers all full-time employees in the State, except people directly employed by the State itself. In the main benefits take the form of flat rate payments to beneficiaries. The State retirement pension is payable from age 65 and currently amounts to IR£3,042 p.a. for a single insured person and £4,982 for an insured person with an adult dependant. These amounts represent some 27% and 45% respectively of the national average industrial wage.

Other long term benefits available include spouses' pensions and pensions on permanent incapacity both payable at slightly lower rates than retirement pensions. In addition to long term benefits the Social Insurance system also provides a wide range of short term benefits, for example payments on sickness or unemployment.

- (b) Employed persons make contributions at the following rates towards the cost of the State Social Insurance benefits. The contributions outlined include a 1.25% health contribution and a special 1.0% employment and training levy.

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Earnings Level	% Contribution
Up to IR £16,000	7.75
Between IR£16,000 and IR£16,700	6.50
Above IR£16,700	1.00

Employer contributions amount to 12.2% of earnings up to a ceiling of IR£18,000 p.a.

- (c) The long term benefits under the State Social Insurance system were extended to the self-employed with effect from April 1988. Contributions for the year 1988/'89 amounted to 3% of reckonable earnings up to a ceiling of £16,200 but this rate is due to rise to 5% of reckonable earnings for the year 1990/'91 and subsequent years. Health contributions and the employment and training levy are payable in addition.
- (d) Proposals have been put forward for the extension of State Social Insurance benefits and the payment of relevant contributions to employees in the State sector commencing in 1990. Precise details of the relevant terms are not yet available.

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- (e) An extensive (but complicated) system of health care services is also provided by the State and is available to all citizens. Persons with income below a specified limit (approximately £5,200 per annum for a married couple) are in effect entitled to free health care both in the form of general practitioner and hospital services. The extent of access to free medical services reduces as income levels rise but all persons are entitled to free hospitalisation in a public ward.

A substantial proportion of the employed and self employed population effect supplementary health care insurance cover through the State sponsored Voluntary Health Insurance Board (VHI). Employer subsidies to VHI group schemes for employees are common place.