National Report
for the
REPUBLIC OF IRELAND

1. BACKGROUND TO THE PROFESSION IN IRELAND

There are now (March 1988) 70 Actuaries in Ireland.

After a rapid build-up during the seventies from 17 actuaries in 1972, the rate of growth has slowed down in recent years. All Irish Actuaries are Fellows of either the Institute or Faculty of Actuaries. Their representative body in Ireland - The Society of Actuaries in Ireland, does not set examinations.

The majority of Irish actuaries are engaged in life office work but there has been a marked growth in the number of actuaries working in or advising on general insurance in the wake of two major general insurance collapses in the last five years. Other principal areas are pension fund and litigation work. The demand for actuaries is very strong and has outpaced the supply of new Fellows. The Government has indicated its intention of setting up a small actuarial capability.

There are five actuaries in Ireland representing three independent consulting firms who are members of the Association of Consulting Actuaries in the U.K. (ACA). A sub-committee of the ACA has been established to monitor developments in Ireland.

2. PENSIONS

(a) There has been a dramatic improvement in the economic conditions most affecting funded pension schemes over recent years. Over the last seven years pension fund assets have typically earned an average annual return of approximately 20 per cent per annum, whilst price inflation has fallen from some 20 per cent per annum in 1981 to just over 3 per cent in the year to mid-November 1987. Wage increases which were averaging 16 per cent per annum in 1981 are now down to approximately 5 per cent per annum.

(b) The majority of Irish Pension Plans are funded with assets held in trust to pay future benefits. The contribution rates are generally based on advice given by an Actuary. The responsibility for monitoring pension plans in Ireland rests with the Retirement Benefits District of the Revenue Commissioners. However, their only concern is to ensure that the benefit levels are within the limits laid down by them and that the level of contribution being set aside to fund the promises made is not excessive. Neither the Revenue Commissioners nor any other statutory authority

currently seek to ensure that the contributions are adequate to fund the promises made.

In spite of the improving economic environment for pension funds many employers, particularly those engaged in the traditional sectors, have continued to experience trading difficulties leading to a significant number of company closures with a resultant wind-up of the pension fund. In a small number of cases the pension fund, on wind-up, was found to have insufficient assets to honour its basic commitments and such cases received considerable media attention. There was, as a result, a growing concern among members and their representatives about the security of employees' pension rights which contributed to the Government's decision in the early part of 1986 to establish a National Pension Board to advise on specific aspects of pension policy.

(c) The Board is comprised of 20 members including representatives of the employer organisations, the trade unions, self-employed, the pensions industry and the professions. There are four Actuaries among its members.

(d) The first Report of the National Pensions Board was published early in 1987 and made recommendations in relation to:

(i) the automatic preservation of pension rights for early leavers and the indexation of those rights before they come into payment;

(ii) the introduction of statutory minimum funding standards;

(iii) the disclosure of information relating to their scheme to pension scheme members;

(iv) the establishment of a statutory body whose responsibility would be to monitor and supervise occupational pension schemes;

(v) the right of members to appoint representatives to the trust boards managing their pension schemes.

The proposals regarding preservation of pension rights and disclosure of scheme information follow closely equivalent U.K. legislation. In general, the proposals were welcomed by interested parties and it was hoped that legislation to give effect to the proposals would be brought forward early in 1988. It now appears that there will be some delay in this legislative process.

(e) The second Report of the National Pensions Board was presented in January 1988 and dealt with the subject of Social Insurance for the self-employed. The self-employed in Ireland are, in general, excluded from the main provisions of the contributory Social Insurance system,

although retired persons who satisfy a means test receive non-contributory State pensions. The Board made proposals relating to the payment of contributions by the self-employed which would automatically qualify them for the long term benefits extended to employed persons under the contributory Social Insurance system. The Irish Finance Minister in his Budget speech in January this year announced that the main recommendations of the Board would be implemented, although the rate of contribution to be levied on the self-employed is likely to fall considerably short of that proposed by the Board.

(f) The third Report of the National Pensions Board was also presented in January 1988 and related to the tax treatment of occupational pension schemes. In general the Board concluded that the present tax treatment of pension schemes was broadly equitable and recognised that it acts as a major encouragement to the establishment of such pension schemes.

In the light of this latter Report it was disquieting to find a proposal in the Budget speech to levy a tax on the investment income of occupational pension schemes. The tax would amount to 0.6 per cent of investment income (including capital gains) earned in the calendar year 1988 and was expressed as being "once-off". Strong representations have been made in relation to both the inequity of the tax as a short-term measure and the significant long-term implications for funding levels if it was to be maintained. At the time of writing this Report there is no indication as to whether these representations have been successful.

(g) Because of similarities in legislation and accounting standards it is inevitable that the relationship between actuaries and accountants in Ireland is very similar to that which exists in the U.K. The relative responsibilities of the two professions have come more into focus in recent years as a result of the publication of two documents by the Accounting Standards Committee (covering both the U.K. and Ireland). These documents are SORP 1 - A Statement of Recommended Practice on Pension Scheme Accounts, and ED39 - An Exposure Draft for comments on accounting for pension costs in company accounts. The latter has now been developed into a draft Statement of Standard Accountancy Practice and in response to representations includes a special 5 year derogation for non quoted companies registered in the Republic of Ireland.

3. LIFE ASSURANCE

(a) The majority of actuaries in Ireland continue to be employed in the life assurance industry which has continued to enjoy steady real growth in recent years. The life assurance industry continues to be the primary channel for private longer term risk investment in the Irish economy. Actuaries have had to address significantly changed regulatory requirements due to both European Community harmonisation and the problems experienced by General Insurers outlined elsewhere in this Report.

(b) Recent developments were:

(i) The issue of new statutory Regulations relating to the returns which need to be made to the Supervisory Authorities. The Regulations implement the solvency margin requirements of the EEC Life Directive. The extended information required from Irish insurers is now similar to that applying in the U.K.

(ii) The imminent enactment of the long awaited Insurance Bill which will introduce very much tighter control on the activities of intermediaries.

(iii) The introduction of a Government levy on new single premium and annual premium individual policies. The levy has increased from an initial 1 per cent of premiums to its current level of 3 per cent effective from May 1987. This levy has reduced the competitive status of the insurance companies vis-a-vis other financial institutions.

(iv) The introduction of a once-off tax surcharge of 9 per cent of investment income arising in the 1986 calendar year.

(v) The development of codes of practice relating to maximum commission levels, benefit projection bases and cooling off notice periods.

4. GENERAL INSURANCE

(a) Actuarial involvement in general insurance in Ireland has increased significantly over the past few years. Over this period the market has experienced the collapse of two major General Insurance companies namely PMPA in October 1983 and the Insurance Corporation of Ireland in March 1985. The impact of these widely publicised failures has been significant and has resulted in an increasing awareness of the need to tackle the underlying problems in the industry. The Minister for State made the point that the non-life insurance industry, in general, would benefit from the greater use of actuarial expertise. As a result the use of actuarial techniques to carry out analyses on the adequacy of claim reserves is becoming far more common both by actuaries employed directly by the insurance companies and by consulting actuaries. In-house actuaries, in particular, now also play a major part in determining rating levels.

(b) Recent developments affecting premium rates and reserves were:-

(i) The abolition of price controls in 1986 on motor insurance premiums.

(ii) The enactment of the Health Amendment Act in May 1986 imposing on insurers the

responsibility for hospital expenses of injured plaintiffs.

(iii) The abolition of malicious injury recoveries by insurance companies from the Authorities with effect from July 1986.

(iv) The proposal that judges sitting alone without a jury would in future determine the level of settlements in personal injury and fatal accident cases.

(v) The need to give effect to the second EEC Motor Insurance Directive.

5. LITIGATION WORK

(a) Actuaries and, in particular consulting actuaries, continue to play a major part in relation to litigation. An actuary is normally retained in every case where there is an element of future financial loss in the assessment of damages for injury and fatal accidents. The atuary's role is normally twofold. He will be asked for an actuarial report valuing the future loss of earnings (injury case) and loss of support (fatal case). If the case is not settled beforehand he will also be asked to act as an expert witness in Court.

(b) Recent developments have been:

(i) The adoption of real rates of return for capitalising future loss which more closely reflect yields on index linked securities.

(ii) The proposal to dispense with juries in litigation cases which has been mentioned previously and which is likely to be effective from mid-1988. Whilst the precise role of the actuary in future is still unclear, it is possible that the change will result in greater emphasis being placed on the actuarial evidence.