



The Actuarial Profession
making financial sense of the future

Annual Research Report 2003

CONTENTS

	Page
EXECUTIVE SUMMARY	1
1 LIST OF ALL RESEARCH GROUPS AND WORKING PARTIES ACTIVE IN 2003	1
2 THE ORGANISATION OF UK ACTUARIAL RESEARCH	4
2.1 Research Strategy	
2.1 The Research Committees	
2.2 Practice Boards	
2.3 Research Staff	
2.4 Research Funding	
3 RESEARCH GRANTS	7
3.1 Research Grants Awarded in 2003	
3.2 Previous Grants Awarded Between 1996 and 2002	
4 FACULTY RESEARCH GROUPS	10
5 FINANCE AND INVESTMENT BOARD WORKING PARTIES	12
6 GENERAL INSURANCE BOARD WORKING PARTIES	15
7 LIFE BOARD WORKING PARTIES	19
8 PENSIONS BOARD WORKING PARTIES	23
9 SOCIAL POLICY BOARD WORKING PARTIES	25
10 UNIVERSITY RESEARCH CONTACTS	35

Executive Summary

This document summarises the research work undertaken in The Actuarial Profession during 2003. A high importance is placed on Research as is demonstrated both through the activities of volunteers in working parties and through the grants awarded to outside researchers such as universities.

The Actuarial Profession is also pleased to be collaborating with the Engineering and Physical Sciences Research Council in the quantitative finance network.

The reports on research in this report are organised by Practice Area.

1 LIST OF ALL RESEARCH GROUPS AND WORKING PARTIES ACTIVE IN 2003

FACULTY RESEARCH GROUPS

Contact: David Hare (tel: 0131 245 0632, email: David_Hare@standardlife.com)

On-going Working Parties

- Health and Care Research Group
- Mortality Statistics Research Group
- Pensions Research Group

Completed Working Parties

- Investment Research Group

FINANCE AND INVESTMENT BOARD WORKING PARTIES

Contact: Mark Symons (tel: 020 7632 2133 email: marks@actuaries.org.uk)

Completed Working Parties

- Applications of Defined Contribution Pension Scheme Strategy
- Applications of Investment and Taxation
- Autoregression and other Artefacts in Stochastic Models
- Modelling Corporate Bonds for ALM work
- Value Measurement Steering Group

GENERAL INSURANCE BOARD WORKING PARTIES

Contact: Catherine Barton (tel: 01372 824012, email: cabarton@bw-deloitte.com)

On-going Working Parties

- Breaking the Reserving Cycle
- Definition and Interpretation of Terminology in Common use
- Developing Relationships with Underwriters
- Fair Value Accounting
- IAS and the Effects of General Insurance Accounting
- Investment Strategies for General Insurance Companies
- Marine Exposure to Natural Catastrophes
- Operational Risk
- Pricing, Management and Control of Extreme Events
- Reliance on Advice from Other Professionals
- Reserving Issues in Ireland
- US Professional Indemnity

Completed Working parties

- Clearer Communication

LIFE BOARD WORKING PARTIES

Contact: Maria Singleton (tel: 020 7632 2173, email: marias@actuaries.org.uk)

On-going Working Parties

- Comparisons of With-Profits Business in Other Countries
- Investment Strategy for With-profits and Non-profit Long-term Business
- Life Office Taxation
- Management of Closed Funds
- Product Reviews
- Risk Management in the Financial Services Industry in Relation to Regulatory Changes on Capital Adequacy
- Risk Management Practices in Life Assurance
- Use of Derivatives in Life Assurance

Completed Working Parties

- Principles and Practices of Financial Management

PENSIONS BOARD WORKING PARTIES

Contact: Hugh Doohan (tel: 01865 268235, email: hughd@actuaries.org.uk)

Planned Working Parties

- Benefit Design

On-going Working Parties

- Retirement Income Reform
- Risk Benefits
- The Management of the Discontinuance of Large Defined Benefit Schemes
- Stochastic Pensions Valuations and the Assessment of Funding Risk

SOCIAL POLICY BOARD WORKING PARTIES

Contact: Martin Hewitt (tel: 020 7632 2185, email: martinh@actuaries.org.uk)

On-going Working Parties

- Consumer Risk
- Environment Research Group
- Equity Release Study Group
- Family Policy Research Group
- Genetics and Insurance – Issues for Social Policy
- Medical Advances
- Pension Provision Taskforce
- State Pension Age Working Party

HEALTH AND CARE COMMITTEE – Health Services Group (leader: John Coss)

On-going Working Parties

- UK Vaccination Programme – Risk and Reward

HEALTH AND CARE COMMITTEE – IP/CI (leader: Sue Elliott)

Planned Working Parties

IP - Trends

On-going Working Parties

CI – Trends

HEALTH AND CARE COMMITTEE – Long Term Care Group (leader: Ian Sissons)

On-going Working Parties

Cash vs Care

Reserving/Valuation

PRE

2 THE ORGANISATION OF UK ACTUARIAL RESEARCH

This section describes how research is currently organised within the UK actuarial profession. In addition to the research described below, the Continuous Mortality Investigation Bureau conducts and publishes research in respect of its work on the preparation of standard mortality and morbidity tables. Further information about any aspect of actuarial research can be obtained from the Secretary to the Research Steering Committee, at Napier House.

2.1 Research Strategy

The UK Actuarial Profession is committed to research to improve understanding of topics of relevance both to actuaries and the public. Since 1848 when the Institute was founded there has been a commitment to research into actuarial science in the public interest.

Research papers are used to inform and shape the programme of the annual actuarial conferences in each practice area. In some areas such as General Insurance, Finance and Investment and Health and Care the working parties set up at one conference report at the conference the following year. In other areas the link is not so direct. Research results thus help develop the continuing professional development (CPD) programme for each individual actuary. In time many of the ideas discussed at CPD events become part of the training syllabus for actuaries.

Increasingly actuaries are looking at work-related disciplines to confirm their own research work. The links with the EPSRC into the wider area of quantitative finance are thus important to the researchers within actuarial thinking.

Research is thus seen as an essential part of training and development within the profession.

2.2 The Research Committees

2.2.1 Research Steering Committee

The Research Steering Committee co-ordinates research activity on behalf of the Faculty and Institute, reporting through the ECPD Board. Key roles of the Research Steering Committee are:

- to encourage and commission further research with an emphasis on research of a practical nature that is expected to be of value to a significant proportion of the profession;
- to provide practical support for researchers, including advice on publication;
- to assist researchers and others by ensuring an adequate exchange of information between those involved in research activities and/or those interested in the results of such research;
- to co-ordinate research and to try to avoid duplication of effort and to highlight gaps;
- to ensure that the resources available for research are used effectively;
- to liaise with overseas actuarial societies, professional bodies, research funding organisations and others on research matters;

- to administer and monitor funding through the profession's annual research grants awards programme and the Memorial Education and Research Fund.

2.2.2 The Faculty Research Committee

The Faculty Research Committee also reports to the ECPD Board as well as to the Faculty Council and oversees the operation of a number of standing Research Groups based in Scotland. The Committee sets the broad terms of reference for these groups and monitors their progress and can form further groups. The Research Groups provide a vehicle to allow individual members to participate in research projects which they could not undertake individually. Each Group aims to produce work which can eventually be published for discussion at a Faculty Sessional Meeting, Student Society Meeting or other forum. Participation in these Groups is a valuable part of the continuing education of members, particularly younger Fellows. Further details of these Groups are given in Section 4.

2.3 Practice Boards

Identifying potential areas of research and instigating research activity is primarily the responsibility of the Practice Boards. Currently those responsible for research by subject area are:

- Finance and Investment Board;
- General Insurance Research Organising Committee (GIRO);
- Life Research Committee;
- Pensions Technical Support and Research Committee;
- Social Policy Board.

Voluntary Support

Research working parties established by the Practice Boards have historically relied on the voluntary efforts of individual members of the profession. In some cases this means that there is considerable support from the member's firm whereas in other cases the work is carried out in the member's own time. In either case, the role of volunteers is vital to both the organisation of research and in its undertaking.

2.4 Research Staff

Staff support for the profession's research activities is provided by the Learned Society team within the ECPD Division and through the Board secretaries. During the last seven years more staff time has been allocated to research in recognition of its growing importance for the profession.

The role of the Secretary to the Research Steering Committee is to assist the Committee in the formulation of an effective policy for the promotion, co-ordination and promulgation of research and to help to ensure that the policy is put into practice. In addition the Secretary oversees the annual research grants programme, the maintenance of the on-line research database and the production of an annual research report. This work is supported by a half-time administrator.

Secretaries to the Practice Boards' Research Committees assist these committees to implement their research programmes and also work with the Secretary to the Research Steering Committee to co-ordinate research activities. Contact details are included in the relevant sections of this report.

Some of the time of the Staff Actuaries is also allocated to the co-ordination of research activities. Staff members do not undertake research in this role.

This structure has been devised to provide links with the range of activities carried out, both within the Practice Boards and across the profession through the ECPD Board.

2.5 Research Funding

Funding for research within the UK actuarial profession is currently provided through the annual research grants programme and the Memorial Education and Research Fund (MERF). In addition to this funding the profession has, since 2002, been collaborating with the Engineering and Physical Sciences Research Council (EPSRC) on grants under their programme for financial mathematics.

The Memorial Education and Research Fund, which is an amalgamation of various endowments and other grants, has a capital value of around £110,000. Details of awards made from the Memorial Educational and Research Fund since 1998 are given in Section 3.

Since 1996 the Education and CPD Board, with the agreement of FIMC, has allocated part of its annual budget to the funding of actuarial research. The responsibility for recommending applications for funding of projects to the ECPD Board lies with the Research Steering Committee, which administers the grants programme on behalf of both the Faculty and Institute of Actuaries.

The principal criteria applied by the Research Steering Committee in awarding grants from the above two sources of funding are:

- the research is of practical relevance and likely to be of value to a significant proportion of the profession;
- the proposal provides value for money;
- the research results in a paper or other deliverable that will be promulgated widely.

It is the aim of the Research Steering Committee to encourage Practice Boards to sponsor applications for funds in order to ensure that a proportion of research is driven directly by the needs of practising actuaries. The Committee is keen to encourage research in the

application of existing actuarial techniques to new areas as well as the development of new ideas in mainstream actuarial work.

Funds totalling approximately £413,500 have been awarded since 1996, enabling the profession to support 44 small short-term projects of actuarial relevance. Details of the projects supported are set out in Section 3. The vast majority of the funding has been directed at universities and those engaged primarily in more theoretical work. In its policy for awarding research grants the Research Steering Committee aims to encourage an effective bridge between the development of theoretical techniques and their application to solve practical problems.

A similar level of funds is available for awards during the 2004/2005 Session although some of the funding has already been committed to the collaboration with the EPSRC. Further information can be obtained from the Secretary to the Research Steering Committee, at Napier House.

3 RESEARCH GRANTS

3.1 Research Grants Awarded In 2003

2003		
Project title	Applicant(s)	Award (£)
Consumer Understanding of Risk Research Project – second phase	N Chater	15,000
Modelling and Forecasting of Mortality Rates	I Currie	2,500
New Roles and relationships Between Actuaries and Auditors in UK Insurance Supervision	I Dewing	3,500
Research bid for an international comparative study of mortality tables proposed by the Pensions Board of the Actuarial Profession	S Haberman	7,500
An Analysis of Mortality Perceptions and the Factors that Influence them	C O'Brien	15,000
The Optimum Age for Purchasing Long Term Care Insurance	B Rickayzen	15,000
Pensions and Retirement Saving Research Consortium	J Banks	10,000

EPSRC Joint funded grants 2001-2003

1 st Round 2001		
Project title	Applicant(s)	Award (£)
A statistical approach to default correlation	Professor M Davis	161,112
Distributed Risk Management	Dr S D Jacka	156,641
Customer value management and customer lifetime value	Prof SH Thomas	82,274

2 nd Round 2002		
Project title	Applicant(s)	Award (£)
Mathematical Theory of Real Options	Professor LP Hughston	206,261
Optimal Premium Pricing of Non-Life Insurance	Professor S Haberman	133,928

3 rd Round 2003		
Project title	Applicant(s)	Award (£)
Price Dynamics and Risk Management in Financial Markets with Uncertainty and External Constraints	Dr J D Danielsson	179,000
Modern Statistical Approaches to Increment/Decrement Models	Dr C C Holmes	141,000
Pricing Risk In Mixed Insurance and Investment Portfolios	Dr A S McLeod	50,958
Pricing and Hedging with the Potential approach	Professor L C G Rogers	120,000
Modelling the Demographic and Financial Effects of Medical Advances	Professor H R Waters	135,000

Memorial Education and Research Fund (MERF)

Some small awards were made from this fund.

3.2 Previous Grants Awarded Between 1996 and 2002

The following tables summarise the projects which have received funding from the Faculty and Institute since the establishment of the research grants programme in 1996.

2002		
Project title	Applicant(s)	Award (£)
Coherent Risk Measures: Context and Applications	E Desli	9,400
Evaluating the Financing of Long Term Care Systems in Other Countries and Applying the Lessons to the UK Market for Long Term Care	L Mayhew	13,000
Ex-post Analysis of Reserving Decisions in U.K. General Insurance Businesses	C O'Brien	6,880
The Estimation of Risks of Investment of Company's Pension Fund in it's Own Securities	S Spivak	10,200
Consumer Risk	N Chater	20,000
Actuarial Curve Fitting	R Verrall	12,650

2001		
Project title	Applicant(s)	Award (£)
Appraisal of the Methodology and Accuracy of Commercial Property Indices	P M Booth	11,500
Risk Equalisation in Irish Private Health Insurance	G Colgan	5,000
New Approaches to Annuitisation: Optimal Asset Allocation Strategies in Defined Contribution Pensions Post-retirement and Comparisons with Investment-linked Annuities	S Haberman	7,500
Incorporating Risk in the Analysis of PFI/PPP Projects	W Rodney	12,500
Compilation of a Database of UK Gilt Prices	A D Wilkie	4,350

2000		
Project title	Applicant(s)	Award (£)
Bayesian Networks for Classification in Insurance	R Cowell	11,000
Modelling Risk by Postcode Area in General Insurance: further research including the consideration of extreme events	M J Dixon, R Verrall	11,500
Penalised goodness of fit functions for inference	D Hand, V Vinciotti	6,500
Stochastic pension valuations and the assessment of the funding risk	S Haberman	7,440
Interest rate modelling using genetic programming	G Kennedy	10,000
Asset-liability matching in complete and incomplete market situations	R K Parchure	5,000
Reserving for Guaranteed Annuity Options: A Stochastic Simulation Approach	S Yang, H Waters, D Wilkie	8,180
General Insurance Working Parties	General Insurance Board	1,000

1999		
Project title	Applicant(s)	Award (£)
Regulation of Pension Provision in the European Union	D Cooper	11,400
Rating by Postcode Area in General Insurance	M J Dixon, R Verrall	11,400
An Assessment of the Suitability of the MFR using Deterministic and Stochastic Scenario Testing Techniques	I D Wright, S Haberman, Z Khorasanee	11,400
Financial Companies in the Stock Market, 1825-1962: A Quantitative Study	C Green, P Maggioni	4,000
An Integrated Approach to Aspects of the Wilkie Model	A D Wilkie, M Omram, A S Macdonald	10,000
Charting the Frontier Between Actuarial Science and Mathematical Finance	S Jacka, J E Kennedy, H P Wynn	9,202
General Insurance Working Parties	General Insurance Board	2,000

1998		
Project title	Applicant(s)	Award (£)
Frailty Models and the Age and Time Dynamics of Mortality	S Haberman	9,000
An Investigation of the Solvency Risks of Insurers with Health Insurance Liabilities Specifically PHI using a Stochastic Simulation Approach	R G Chadburn, B Rickayzen, S Haberman	9,000
Development of Market Valuation Techniques for Pension Funds	A J Cairns	9,000
Actuarial Applications of Econometric Tools	S F Whelan	4,000
General Insurance Working Parties	General Insurance Board	1,000

1997		
Project Title	Applicant(s)	Award (£)
Underwriting and Alzheimer's Disease	A S Macdonald, H R Waters	10,000
Designing a Practical Model to Examine Long-Term Costs in Great Britain	B Rickayzen, S Haberman, P M Booth	8,000
Applying Actuarial Techniques to the Valuation of Implicit Options in Freehold Property	P M Booth, R Gerrard	8,500
Testing the Sensitivity of Model Life office simulation results to variations in asset model structure	R G Chadburn, P P Huber	7,000
Improvements in Mortality at Higher Ages: Prospects and Financial Implications	R G Thomas, J Presnell, N G Rhodes	5,000
To Investigate the Analysis of Claims on an Individual Claim Basis, Using Bayesian Methods	R Verrall	5,500
The Construction of International Bond Yield Indices	A J G Cairns	6,000

1996		
Project title	Applicant(s)	Award (£)
Investment Strategy for Defined Contribution Pension Schemes	Z Khorasanee	10,000
Optimal Funding of Defined Benefit Pension Schemes	S Haberman	10,000
Non-linear Time Series Models for Actuarial Use	R G Thomas, H Tong	7,480
Statistical Analysis of Individual Offices' PHI data and Some Financial Consequences of these Analyses	H R Waters, A A Korabinski, I D Currie	7,000
Analysis of Credit and Default Risk on Bank Lending and Mortgages	P M Booth, R Verrall, I Allan	7,000

1996		
Project title	Applicant(s)	Award (£)
Investigation of Models for the Term Structure of Interest Rates	A J G Cairns	6,000
Reducing the Resilience Reserve of a Life Office	G Kennedy, M Kerr	3,000

4 FACULTY RESEARCH GROUPS

There are several standing research groups within the Faculty Research Committee.

If you are interested in participating in one of these research groups, or have another topic to suggest, please contact the Chairman of the Faculty Research Committee; David Hare (tel: 0131 245 0632, e-mail: David_Hare@standardlife.com).

Health and Care Research Group - On-going

Objectives

Aim of project: To identify the balance between the provision of public and private healthcare in Europe and throughout the rest of the world.

Terms of reference: Research health and care areas including health insurance, income protection, critical illness and long term care insurance.

Expected outcome

A short research paper for presentation at a Faculty Sessional Meeting.

Progress to date

The group has been doing a survey of academic work in the field of Health Care.

Membership

Chairman: Smart, Fraser (fsmart@btinternet.com)

Other members: McCarthy, Rod; Jack, Martin; Paton, Brian; Walker, Alistair; Meldrum, Neil

Mortality Statistics Research Group - On-going

Objectives

Aim of project: The group have decided not to continue their planned Review of Health Economics due to a lack of knowledge in this area amongst the revised membership

Terms of reference: Instead it has been agreed that there is a considerable amount of research needed to aid the understanding of mortality trends. The initial work in this area has involved investigating existing areas of research by the profession in this field to ensure that the group's work is complementary.

Expected outcome

As a result the Group are involved in two separate initiatives - some members are forming part of a wider group aiming to produce a Faculty/Institute Sessional paper on Mortality in 2004.

Progress to date

The group has withdrawn its paper on lapse rates from BAJ, as it has lost its topicality during the four years of the refereeing process. The Mortality Projections Working Party assisted in the organising of a CMIB seminar in Edinburgh in November 2003 where experts from other fields presented relevant work.

Membership

Chairman: Miller, Keith (keith.miller@scottishwidows.co.uk)

Other members: Cairns, Andrew; Gwilt, Philip; Miller, Keith; Pollock, John

Pensions Research Group - On-going

Objectives

Terms of reference: This group is considering various areas of potential research; including the ambition of stripping away the jargon that exists in the pensions arena.

Progress to date

Paper presented at Sessional Meeting in February 2002.

Paper can be found at:

http://www.actuaries.org.uk/files/pdf/sessional/fac_sm1102_notice.pdf

Membership

Chairman: Fleming, Donald (Donald.fleming@hymans.co.uk)

Other members: Bell, Colin; Gourlay, Keith; Taylor, Ronnie

Investment Research Group - Completed 2003

Objectives

Aim of project: Investigating the effects of buybacks on investment trust discounts.

Terms of reference: To summarise the various behavioural finance theories, outline their potential practical applications and their relevance to actuaries working in investment.

Expected outcome

A paper for the Investment Conference, July 2002. Paper for Publication.

Progress to date

Paper presented to the Investment Conference 2002.

Paper can be found at:

http://www.actuaries.org.uk/files/pdf/library/proceedings/fin_inv/2002/Moretta.pdf

Membership

Chairman: Moretta, Brian (brian@scottish-value.co.uk)

Other members: Adams, Andy; Bowie, David; Cresswell, Phil; Devlin, Frank; Macpherson, Roddy

5 FINANCE AND INVESTMENT BOARD WORKING PARTIES

If you are interested in participating in one of the on-going working parties, or have another topic to suggest, please contact the Secretary to the Finance and Investment Board – Mark Symons (tel: 020 7632 2133, e-mail: marks@actuaries.org.uk).

Applications of Defined Contribution Pension Scheme Strategy - Completed 2003

Progress to date

A paper 'Investment strategies for Defined Contribution Pension Schemes' presented at Investment Conference 1998

A paper 'Defined Contribution Pension Schemes' presented at Investment Conference 1999.

Membership

Chairman: Van Bezoooyen, Jeroen

Other members: Exley, Jon; Mehta, Shyam; Smith, Andrew

Applications of Investment and Taxation - Completed 2003

Objectives

Terms of reference: To investigate applications of investment and taxation.

Expected outcome

A paper 'Taxation - allowing for tax in modern statistical models' to be presented at the Finance and Investment Conference 2001

Progress to date

A paper 'Taxation and Investment' was presented at the Investment Conference, September 1998. A further paper, 'Taxation effects on Cost of Capital' was presented at the 2000 Investment Conference.

Membership

Chairman: Exley, Jon (jon.exley@mercer.com)

Other members: Armitage, Seth; van Bezoooyen, Jeroen; Mehta, Shyam; Smith, Andrew; Wilson, Robert

Autoregression and Other Artefacts in Stochastic Models - Completed 2003

Objectives

Terms of reference: Use actuarial techniques to prove that even a random walk is likely to show mean reversion as defined by actuaries. Demonstrate alternative calibration tools which avoid this bias.

Progress at date

A Paper 'Autoregression and other artefacts in stochastic models' was presented at the Finance and Investment Conference 2002.

Paper can be found at:

http://www.actuaries.org.uk/files/pdf/library/proceedings/fin_inv/2002/Smith.pdf

Membership

Chairman: Smith, Andrew (andrewsmith8@deloitte.co.uk)

Other members: Exley, John; Wright, Tom

Modelling Corporate Bonds for ALM work - Completed 2003

Objectives

Terms of reference: What models are currently in use? Is it possible to model corporate bonds stochastically without introducing arbitrage? How big are tax and liquidity effects?

Progress to date

A Paper 'Modelling corporate bonds for ALM work' was presented at the Finance and Investment Conference 2002.

Paper can be found at:

http://www.actuaries.org.uk/files/pdf/fin_inv_2002/Exley.pdf

Membership

Chairman: Exley, Jon (jon.exley@mercer.com)

Other members: Smith, Andrew

Value Measurement Steering Group - Completed 2003

Objectives

Terms of reference: To explore and make recommendations upon the opportunities for the use of value based methods within the actuarial profession and for further investigation. To establish, oversee and co-ordinate Practice Board working parties and evaluate their work.

Expected outcome

An 'understanding' paper explaining terminology and what actuaries do differently. Write-ups of one or more field studies looking at problems and why methodologies achieve different outcomes. A discussion paper including critiques and criticisms of what actuaries/others do. Suggestions as to areas of further work/changes to the Education syllabus and appropriate CPD. Interim report to the Finance and Investment Board by August 2001.

Progress to date

Initial survey undertaken of Value Approaches. Practice Boards asked to undertake research into the way EVA-type Value Measurement Methods might be used within specific practice areas. SIAS paper, 'Do actuaries know how to measure value?' February 2001.

Paper can be found at:

http://www.actuaries.org.uk/files/pdf/fin_inv_2002/McLean.pdf

Membership

Chairman: McLean, Colin (colin@scottish-value.co.uk)

Other members: Dixon, Sally; Massey, Chris; Pemberton, John; Pike, Martin; Sheldon, Tim; Silverman, Tony; Waites, Chris; Wilson, Colin

Retirement Income Reform - On-going

Objectives

Terms of reference: 1)To consider what obstacles need to be removed to give the annuities market the flexibility to design a range of products of the type covered in Extending Choices distinguishing between those parts which are fundamental to legislation and those to Inland Revenue practice. 2)To consider how those buying annuities could obtain information. 3)To consider the need for education and advice on annuities and whether this would be helped through the provision of decision tress or a clearing house. 4)To provide simple modelling illustrations of the effect of alternative annuity scenarios over the past thirty years. 5)To illustrate how the introduction of a new annuity regime could be designed to be tax neutral. 6)To consider the implications of removing the age-related compulsory buying of an annuity. 7)To consider the implications of inheritability. 8)To recommend to the Pensions Board practical ways forward and to discuss these where appropriate with the Faculty and Institute advisers.

Expected outcome

This project has been handed over by the Pensions Board to the Finance and Investment Board to take forward. Working Party produced the Choices Report.

Membership

Chairman: Riddington, David (riddind@norwich-union.co.uk)

Other members: Boardman, Tom; Bodie, Nigel; Challis, Paul; Gray, Leslie; Poulding, Mike; Wadsworth, Mike

Managing Liability-Related Risks - Discontinued 2003

Objectives

Terms of reference: To prepare a paper incorporating research in the following areas: comparison of models, fat tail dependencies, capital requirements, implementation and Pillar 2.

Expected outcome

Paper due to be presented to 2004 Finance and Investment Conference

Progress to date

Sufficient results - November 2003

Membership

Chairman: Joubert, Philip (phjoubert@deloitte.co.uk)

Other members: Aitchison, Michael; Alleyne, Jason; Beukes, Leon; Bowie, David; Connolly, Gareth; Ettles, Kenneth; Holtzhausen, Nicky; Howie, Robert; Hunnisett, Stephen; O'Flynn, Brendan; O'Sullivan, Nigel; Porteous, John; Swanepoel, Johann; Tadros, Ramy; Tay, Annie; Taylor, Roy; Versey, Mark

Performance Measurement - Discontinued 2003

Objectives

Terms of reference: To produce a paper incorporating research into some or all of the following areas: risk and return, fund of funds, trading, drawdown in mutuals, do performance related fees provide right incentives, communication of deferment

Expected outcome

To produce a paper/presentation for the 2004 Finance and Investment Conference

Progress to date

Sufficient results - November 2003

Membership

Chairman: Howie, Robert (Robert.howie@merc.com)

Other members: Gill, Alasdair; Pendleton, Alan; Roberts, Duncan; Swanepoel, Johann; Sykes, Ian

Supply and Demand for Government Debt and Finance - Discontinued 2003.

Objectives

Terms of reference: To produce a paper through research into the supply and demand for government debt and finance, incorporating related life office issues.

Expected outcome

To produce a paper/presentation for the 2004 Finance and Investment Conference

Progress to date

Abandoned, November 2003

Membership

Chairman:

Other members: Bowie, David; Crouch, Sara; Hewitt, Tony; Sweeting, Paul

The Future Demands of Equities - Discontinued 2003

Objectives

Terms of reference: To produce a paper from a UK view but taking into account the global perspective which addresses: where demand has come from in the past and why; where the supply has come from in the past and why; future demand from institutions e.g. pension funds, life offices; future demand for individuals.

Progress to date

Draft abstract submitted.

Membership

Chairman: McElvanney, Robert (robert.i.mcelvanney@uk.pwcglobal.com)

Other members: Delvin, Peter; Hurt, Andy; McLean, Derek; Mollan, Marcus

6 GENERAL INSURANCE BOARD WORKING PARTIES

If you are interested in participating in one of the on-going working parties, or have another topic to suggest, please contact the Secretary to the General Insurance Research Organising Committee (GIRO): Chairman - Catherine Barton (tel: 01372 824 012, e-mail: cabarton@bw-deloitte.com).

Breaking the Reserving Cycle - On-going Renamed – The cycle survival kit

Progress to Date Presented to GIRO 2003, Membership

Chairman: Line, Nicholas (nicholas.line@markelintl.com)

Clearer Communication Working Party - Completed

Objectives

Terms of reference: Identifying situations where the same words are used to mean different things. How do actuaries justify the terms that they use. What problems can this cause in practice. Should the profession develop clear definitions, or is it up to individual actuaries to explain what they mean better? What insight can we get from other countries?

Progress to Date

Some work was done on communications for GIRO 2003.

Membership

Chairman: Cresswell, Catherine (catherine.cresswell@eu.watsonwyatt.com)

Developing Relationships with Underwriters - On-going

Objectives

Aim of project: To produce paper for GIRO

Terms of reference: To consider the current relationships between actuaries and underwriters.

To explore reasons why these are important.

To suggest actions actuaries can take to improve these relationships.

Expected outcome

Paper for GIRO 2003 meeting

Progress to date

Working Party reported to GIRO 2003

Membership

Chairman: Wrenn, Stuart (Stuartwrenn@hotmail.com)

Other members: Couper, Andrew; Harris, Tom; Hart, David; Grealy, Patrick; Ley, Susan

Fair Value Accounting - On-going

Objectives

Aim of project: To consider implications and implementation of IASC proposals for insurance accounting as it relates to general insurance.

Terms of reference: Increase awareness of the IASB's proposals within the actuarial profession. Consider how proposals will effect the GI accounts. Suggest how proposals could be implemented. Consider how actuaries can contribute to preparing accounts. Give practical examples of accounts.

Expected outcome

Paper for GIRO 2002, and continuing work with focus on Phase II

Progress to date

Paper presented to GIRO 2002, GIRO 2003 and Institute Sessional Meeting, March 2003.

Paper can be found at:

<http://www.actuaries.org.uk/files/pdf/sessional/sm030324.pdf>

Membership

Other members: Brockman, Michael; Cresswell, Catherine; Hinton, Peter; Monk, Richard; Nicholson, Erica; Silverman, Tony; Storey, Liam; Wells, Gary; White, Martin

Operational Risk - On-going

Objectives

Aim of project: To develop a more detailed understanding of operational risk and the actuarial role (particularly as it applies to general insurance companies).

Terms of reference: We believe that Operational Risk is capable of the same rigorous treatment (quantitative and qualitative) as other forms of risk (ref Bank of International Settlements July 2002) and with this in mind we aim to advance the depth of thinking and provide an illustrative structure that companies could use. In particular we will:

- 1) Complete a case study: to explore data issues and requirements. To find an example data set. To explore methods listed, their applicability and the implications and limitations of any results. To set out a typical report (headings, content and caveats). To consider lessons learned and linkages between operational and other forms of risk.
- 2) Continue developing our understanding of related work: to map out approaches taken in other financial services organisations to consider what other professions operate in this area, their skills and how we can work together.

Expected outcome

A report (paper) for GIRO 2003, and Sessional Meeting paper.

Progress to date

Contact list and interview programme developed; initial contacts made; causal modelling investigated; case study started; soft issues discussed; general methodology discussed; outline report discussed. Institute Sessional Meeting paper - March 2004

Paper can be found at:

<http://www.actuaries.org.uk/files/pdf/giro2002/Orr.pdf>

Membership

Chairman: Tripp, Michael (michael.tripp@eu.watsonwyatt.com)

Pricing, Management and Control of Extreme Events - On-going
Renamed Extreme Events II. Financial catastrophes. The overthrow of Modern Financial Theory

Objectives

Terms of reference: Events and realistic disaster scenarios. Extreme Value Theory (and applications). Catastrophe Models. Pricing/Reserve assessment/Management.

Progress to date

Paper presented to GIRO 2003.

Paper can be found at:

<http://www.actuaries.org.uk/files/pdf/giro2002/Sanders.pdf>

Membership

Chairman: Sanders, David (david.sanders@millimanuk.com)

Reliance on Advice from Other Professionals - On-going

Objectives

Terms of reference: Draft guidance for consideration as advisory note.

Progress to date

Presentation to GIRO 2002; presentation to Professional Standards and Guidance Committee of the General Insurance Board on 2 April 2003.

Paper can be found at:

<http://www.actuaries.org.uk/files/pdf/giro2002/Newman.pdf>

Membership

Chairman: Newman, Andrew (andrew.newman@aleagroup.com)

7 LIFE BOARD WORKING PARTIES

If you are interested in participating in one of the planned or on-going working parties, or have another topic to suggest, please contact the Secretary to the Life Board - Maria Singleton (tel: 020 7632 2173, e-mail: (marias@actuaries.org.uk)).

Comparisons of With-Profits Business in Other Countries - On-going

Objectives

Aim of project: At least initially, the research will focus on the EU (but including Switzerland).

There are three broad areas:

Terms of reference:

a) The Customer Proposition: The customer need the product is designed to meet - any analogies to the historic UK debt repayment vehicle, utilisation of lump sum investments for general investment, impact on pension provision etc. Forms of fiscal subsidy, particularly bench marked against competing savings media. Availability of investment guarantees, disclosed smoothing policy etc. Market share, both to other forms of insurance provision, as the profession's Sandler response envisages, but also to other forms of savings, cash and mutual funds. Market dominance of largest players. Current or historic impact of controlled pricing mechanisms. Distribution, actual and anomalies (for instance, the business mix of bancassurance against IFA equivalents/controlled sales forces). Actual commission and cost bases.

b) The underlying investment vehicles. Asset Allocation of underlying fund, including standards of disclosure. Impact on capital markets-for instance, belief that some European bond markets are more strongly influenced by the policy of insurers than the more liquid UK market. Impact of common Euro interest rate base. Interaction with Shareholder funds (the UK 90/10 structure is quite unique.) Governance and transparency of investment decisions. Governance and transparency of payout mechanisms.

c) Technical reserving bases. Leading to a conclusion on the practicality of cross border arbitrage

Progress to date

A draft report framework has been produced, report to be produced towards the middle of 2003.

Paper can be found at:

Not yet available

Membership

Chairman: Bradshaw, Paul (brdshwpl@aol.com)

Investment Strategy for With-profits and Non-profit Long-term Business - On-going

Objectives

Aim of project: To consider, research and report on investment strategy issues for life offices

Terms of reference: Specifically an initial project to consider an investment strategy to achieve an appropriate match to liabilities for a with profits fund with liabilities subject to guarantees and smoothing. The work would consider the risks and rewards offered by a range of asset classes. The main focus will be fundamental economic criteria in decision making but consideration will be given to regulatory aspects, accounting and other issues From the Life Board perspective results might be delivered via the Annual Life Board Convention, but also via sessional or other papers and other possibilities to be explored from time to time.

Progress to date

One meeting held; a further meeting planned for autumn 2003

Paper can be found at:

Not yet available

Membership

Chairman: Spiers, Tony (tony.spiers@norwich-union-life.co.uk)

Other members: Exley, Jon; Harris, Tim; Maynard, Trevor; Wilson, Colin

Life Office Taxation - On-going

Objectives

Aim of project: To keep the profession informed of developments in the field of Life Office Taxation.

Terms of reference: 1) To keep abreast of new developments 2) To analyse their impact 3) To inform the profession as appropriate 4) As a subsidiary objective, to consider the impact of some of the more complex aspects of UK life office taxation on actuarial work.

Expected outcome

Articles on different aspects of life office taxation in The Actuary magazine.

Progress to date

Sessions at 2000 & 2001 Life Conventions; a number of articles and columns published in The Actuary.

Membership

Chairman: Allan, Graham (grahamjallan@aol.com)

Other members: Forbes, Morris; Taylor, Matthew; Turnbull, Paul; Wild, Keith

Management of Closed Funds - On-going

Objectives

Aim of project: To identify risk areas and issues relating to the management of closed funds and to identify some possible solutions.

Terms of reference: In progress.

Expected outcome

Currently drafting report with intention of publishing later in 2003/early 2004.

Progress to date

Presentation given on progress to date at the Life Convention in November 2002.

Membership

Chairman: Pallister, Julie (juliepallister@centurylife.plc.uk)

Other members: Burke, Andy; Holtham, Andrew; Morris, Peter; Pindar, Tim; Ross, Geoff; Smith, Alastair; Walton, Andrew; Wells, Andrew; Wilkinson, Stuart

Product Reviews - On-going

Objectives

Aim of project: To review current practice with regard to product reviews and, to the extent considered appropriate, to make recommendations as to best practice.

Terms of reference: The objective of the Working Party is to review current practice with regard to product reviews and, to the extent considered appropriate, to make recommendations as to best practice. The scope of the Working Party's review is to include consideration of:

1) individual life and pensions products where either the original premium was chosen with the intention of achieving a certain target level of benefits on maturity or retirement or for a period of time and/or the terms of the product (e.g. expense or risk charges) can be varied

2) the timing of reviews

3) assumptions made regarding future experience

4) policyholders' reasonable expectations

5) policyholder communications

6) remedial action taken or offered to policyholders.

Expected outcome

Report to CILA or similar Faculty/Institute event.

Progress to date

Session at Life Convention 2000.

Membership

Chairman: Turnbull, Paul (paul.turnbull@eu.watsonwyatt.com)

Other members: Gracie, Stuart; Lewis, Chris; Maddock, Geoffrey; Potten, Tim; Wood, Charles

Risk Management in the Financial Services Industry in Relation to Regulatory Changes on Capital Adequacy - On-going

Objectives

Terms of reference: - to review the methodologies available in other industries, especially those adopted in the banking industry;
- to identify whether any of these methodologies could potentially be applied in the insurance industry;
- to combine the results of this working party with the working party on risk management practices in the life assurance industry;
- to take the combined findings of both working parties forward in identifying opportunities for actuaries to remain at the forefront of risk management techniques in life companies.

Membership

Chairman: Train, Mark (mark.train@uk.pwc.com)

Risk Management Practices in Life Assurance - On-going

Objectives

Terms of reference: - Establish what risk management practices are used by UK life assurance companies;
- Analyse the differences between firms that are part of a banking group and by others;
- Analyse the differences between listed companies and others; and
- Establish which are the practices that actuaries have found most effective.

Membership

Chairman: O'Brien, Chris (Christopher.o'brien@nottingham.ac.uk)
Other members: Bartlett, David; Chaplin, Mark; Dowd, Kevin; Ewing, Jim

Use of Derivatives in Life Assurance - On-going

Objectives

Aim of project: To analyse examples of derivatives use.

Terms of reference: The aim of the working party is to consider examples where life assurance companies are currently utilising derivatives, or might like to use derivatives, and to establish if companies believe their use of derivatives is constrained.

Expected outcome

Presenting a SIAS paper on 15 June 2004.

Progress to date

Session at 2000 Life Convention.

Membership

Chairman: Muir, Martin (martin.muir@eu.watsonwyatt.com)
Other members: Brindley, Rupert; Cooper, Paul; Finkelstein, Gary; Pearson, Jeff; Rear, Andy; Turley, Frank

Principles and Practices of Financial Management - Completed 2003

Objectives

Aim of project: To arrive at initial views of the profession on the proposed Principles and Practices of Financial Management (PPFM) of with profit business and feed these to the FSA. Terms of reference: As part of its with profits review, the FSA has consulted on requiring companies to produce a "Principles and Practices of Financial Management" in order to address concerns over use of discretion in with profits business and transparency issues. There are many concerns within the actuarial profession that, if this is overly prescriptive, companies may be forced into financial difficulties in times of poor financial conditions. There is also the view that current FSA thinking may be to expect a very prescriptive form of documentation though they have commented on the risks of such an approach. The Working Party will work from the premise that the profession believes that some sort of documentation (that demonstrates that there are rigorous management activities to determine a policy that will be fair to all policyholders) is something to be supported. But it should be illustrative, not prescriptive. The main focus of work is to attempt to demonstrate (if true!) that too rigid a document may lead to financial distress (statutory and realistic) with a high probability and to present the results to the FSA. The working party originally intended also to look at the principles and practices already used in the industry and the aspirations of companies going forward but the publication of FSA CP167 in January 2003 included a review of existing PPFMs in the industry. In the light of this, the working party did not continue with this strand of work.

Expected outcome

Presentation to FSA/CILA/other events as appropriate

Paper can be found at:

http://www.actuaries.org.uk/files/pdf/life_insurance/ppfmrepjune03.pdf

Membership

Chairman: Kerry, Rob (Rob.kerry@norwich-union-life.co.uk)

Other members: Carr, Andy; Coetzee, Jan; Fraser, Simon; Maynard, Trevor

Selection in the Annuity Market - Discontinued 2003

Objectives

Aim of project: To consider the implications for life offices and policyholders of recent developments in the annuity market regarding impaired life annuities and income drawdown. Terms of reference: To investigate the impact of changes in the annuity market on reserving and life company profitability (specifically, impaired life annuities and income drawdown schemes) and to develop a model to measure profitability under different scenarios.

Expected outcome

Sessional meeting paper.

Progress to date

Session at 2000 Life Convention, Session at 2001 Life Convention.

Paper can be found at:

<http://www.actuaries.org.uk/library/proceedings/life/life2000/mpoul-c02.pdf>

<http://www.actuaries.org.uk/library/proceedings/life/life2000/slides-c02.pdf>

Membership

Chairman: Poulding, Michael (mike.poulding@talk21.com)

Other members: Burgess, Stephen; Jackson, Lawrence; Latto, Phillip; O'Regan, Kevin; Summerfield, Andrew; Willetts, Richard

8. PENSIONS BOARD WORKING PARTIES

If you are interested in participating in one of the planned or on-going working parties, or have another topic to suggest, please contact the Secretary to the Pensions Boards Research and Technical Support Committee - Georgina Warren (tel: 01865 268235, e-mail: georginw@actuaries.org.uk)

Benefit Design - Planned

Objectives

Terms of reference: To consider alternatives for benefit design in the light of the changes taking place in the pensions industry. To consider the implications for members and sponsors.

Membership

Chairman: Hammer, Mike (hammerm@towers.com)

Other members: Claringbold, Andrew

Risk Benefits - On-going

Objectives

Terms of reference: To determine the extent of self-insurance of risk benefits of occupational pension schemes. To analyse schemes that self insure by: a)size of scheme b)size and rating of employer. To determine types of risk benefit insurance effected by schemes, analysed by: a)size of scheme b)size and rating of employer. To determine optimal risk-benefit insurance strategy for schemes differentiating by size of scheme, size of employer and rating of employer.

Membership

Chairman: Cowell, John (John.Cowell@mercer.com)

Other members: Cowell, Deborah; Gilling, Martin; Mailander, Suzanne; Mittal, Vijay; Wilson, Brian

The Management of the Discontinuance of Large Defined Benefit Schemes - On-going

Objectives

Terms of reference: To consider the issues faced on the discontinuance of large defined benefit schemes.

Progress to date

First meeting held on 20 November 2002. Reporting deadline 30 April 2003.

Paper can be found at:

Not yet available

Membership

Chairman: Booth, Geoff (gbooth@highamnobbs.co.uk)

Other members: Agius, Russell; Canham, Dennis; Frankland, Ralph; Jackson, Lawrence; Miller, James; Wharmby, Neil; Wilson, Brian; Yiasoumi, Costas

Stochastic Pensions Valuations and the Assessment of Funding Risk - Completed 2003

Objectives

Aim of project: To investigate the use of Stochastic Processes in the provision of advice to pension funds. To find common ground on the approaches adopted and to disseminate information to a wider audience.

Terms of reference: To investigate the application of stochastic processes to the provision of advice on the valuation of pension funds. To address the ways in which actuaries can and should communicate degrees of funding risk to the sponsors of schemes. To find common ground on the approaches adopted and to disseminate ideas to a wider audience. To make

recommendations about the assumptions which should be included in reports to clients on valuations which have adopted a stochastic approach in their assessment.

Expected outcome

Paper for consideration by the Pensions Board.

Progress to date

The working party has met and been awarded research funding from the Education and CPD Boards' Research Steering Committee. Reported to the Pensions Conference in June 2001. A Sessional Paper was presented in January 2003.

Paper can be found at:

<http://www.actuaries.org.uk/files/pdf/sessional/sm0301.pdf>

Membership

Chairman: Haberman, Steve (s.haberman@city.ac.uk)

Other members: Day, Christopher; Fogarty, David; Khorasanee, Zaki; Lawrence, Adrian; McWhirter, Martin; Nash, Nichola; Speed, Cliff; Wright, Douglas; Yakoubov, Yakoub

9 SOCIAL POLICY BOARD WORKING PARTIES

If you are interested in participating in one of the planned or on-going working parties, or have another topic to suggest, please contact the Secretary to the Social Policy Board - Martin Hewitt (tel: 020 7632 2185, e-mail: martinh@actuaries.org.uk).

Consumer Risk - On-going

Objectives

Aim of project: The Actuarial Profession has commissioned this project from Professor Nick Chater as part of its consumer support programme of activities.

Terms of reference: • Identify consumers' risk preferences

- Identify consumers' perceptions of risk
- Identify factors producing risk aversion and risk-taking behaviour and where possible measure these factors
- Identify time frames within which consumers exercise preferences
- Understand and apply the implications of findings for financial services practitioners.

Expected outcome

Identify and review research literature and outline different theoretical perspectives on risk behaviour. Identify research on how contextual factors and the presentation of information influence the behaviour of financial consumers. Design and apply experiments in two stages to test financial consumer behaviour, first using pilots and secondly a larger sample of subjects similar to financial consumers. Provide research reports for the Advisory Group.

Progress to date

The research was commissioned to Professor Nick Chater, Decision Technologies Group, Department of Psychology, University of Warwick, who has completed the field work. The Summary report is being written up by the Consumer Risk Working Party and will be available on line. Five research reports have been issued by December 2003; one summary report jointly written by the researchers and advisory group to be completed and distributed to interested parties. Completion: April 2004.

Membership

Chairman: Goodwin, Alan (alan.goodman@yours4money.com)

Other members: Marray, Brian; Taylor, John; Woods, Ian

Environmental Research Group - On-going

Objectives

Terms of reference: 1) To identify and research areas in which actuaries can become, or will need to become, involved in environmental issues.

2) To identify environmental factors connected to fields in which actuaries are already engaged, the potential of environmental change on these areas, and the factors that actuaries should consider when giving advice.

Paper can be found at:

not yet available

Membership

Chairman: Czapiewski, Colin (colin.czapiewski@lcp-actuaries.co.uk)

Other members: Cornall, Monica; Dickinson, Paul; Hewitt, Martin; Jackson, Lawrence; Manning, Keith; Silver, Nicholas; Warren, Paul

Equity Release Study Group - Ongoing

Objectives

Terms of reference: • To identify the barriers preventing the development of equity release provision

- To review progress in developing equity release provisions, especially since January 2001 - the date when the profession's Equity Release Mechanisms Report was launched
- To promote wider public interest in equity release, including developing a programme of public relations to inform the public of the role of equity release provision
- To collect data to support wider understanding of equity release - including data on mortality and surrender rates, mortgage statistics and trends, and other financial information reflecting market trends - and make this available to interested parties
- To identify impediments to the development of equity release and the risk factors involved
- To promote greater understanding of the role that regulation can play in the product market
- To clarify the implications of equity release for actuarial practice and knowledge, for example with regard to product pricing and reserving

Expected outcome

Report expected in October 2004.

Progress to date

Interim report issued in January 2004.

Paper can be found at:

Not yet available

Membership

Chairman: Hosty, Ged (ged.hosty@inretirementservices.co.uk)

Other members: Gardner, Caroline; Le Grys, Des; Hancock, Ruth; McAteer, Mick; MacDonald, Alisdair; Osgood, Glenn; Smeed, Paul; Wright, Bob

Family Policy Research Group - On-going

No update on the 2002 information has been received for the 2003 Report.

Objectives

- Terms of reference: 1) Produce leaflet for public on family policy options, fertility and longevity
2) Produce longer paper
3) Establish profession's authority on family policy

Progress to date

Produced booklet More Babies? Who Needs Them in May 2004. Article published in The Actuary, July 2004. Group considering next steps.

Paper can be found at:

Not yet available

Membership

Chairman: Lewis, David (david.lewis@gad.gov.uk)

Other members: Coleman, David; Gresham, Dermot; Hobro, Clare; Lewin, Chris

Genetics and Insurance - Issues for Social Policy - On-going

Objectives

Terms of reference: Drawing on expertise of the Group to inform the profession of: current knowledge about actuarial research, social policy issues, issues on pooling, philosophical issues on equity, fairness, moral hazards and so forth, and future implications.

Progress to date

The Genetics Group has written a Sessional Paper which was presented to the Institute on 24 February 2003 and the Faculty on 17 March 2003.

Membership

Chairman: Daykin, Chris (chris.daykin@gad.gov.uk)

Other members: Akers, Debbie; Brett, Paul; Brown, Geoff; Hewitt, Martin; McGleenan, Tony; Macdonald, Angus; Paul, David; Turvey, Peter

Medical Advances - On-going

Objectives

Aim of project: This project is a partnership between the Actuarial Profession and members of the Actuarial Mathematics & Statistics, Department, Heriot-Watt University.

Terms of reference: Identify medical conditions to be studied; initially coronary heart disease with other conditions to follow. Review the literature on each condition. Identify appropriate data sets. Build a mathematical/stochastic model of the epidemiology of the condition. Quantify, either demographically and/or financially, the effects of new treatments or trends relating to the condition.

Expected outcome

Secure funding from EPSRC by December 2003. Recruit research assistant to undertake actuarial modelling skills. Publish academic papers and disseminate findings at conferences.

Progress to date

EPSRC awarded grant of £135k in December 2003. Full time research assistant joining in October 2004

Membership

Chairman: Waters, Howard, Professor (h.r.waters@ma.hw.ac.uk)

Other members: Macdonald, A S; Wekwete, C T Dr

Pension Provision Taskforce - Completed 2003

Objectives

Terms of reference: 1) To produce papers on the age of state retirement. 2) To contribute a distinctive actuarial view to the debate on what the State Pension Age should be and what needs to be changed before it can be raised.

Expected outcome

In addition to above and earlier projects, the Task Force has, together with the Pensions Board, contributed to submissions to the House of Commons Committee on Work & Pensions Inquiry on the Future of UK Pensions and the DWP Pension Green Paper, and, in its own capacity, to the House of Lords Economic Affairs Committee Inquiry on the economics of the UK's ageing population.

Progress to date

Papers produced .

Papers can be found at:

http://www.actuaries.org.uk/files/pdf/state_pensions/age.pdf

http://www.actuaries.org.uk/files/pdf/state_pensions/size.pdf

http://www.actuaries.org.uk/files/pdf/state_pensions/means.pdf

Membership

Chairman: Lewis, David (david.lewis@gad.gov.uk)

Other members: Cooper, Deborah; Smith, Aidan

State Pension Age Working Party - Completed 2003

Objectives

Terms of reference: To consider the impact of the following on the state pension age:

- * Effects of increasing state pension age on various social groups
- * The demand for employment at older ages
- * The interaction between state pension age and private pension benefits
- * Potential transfers of expenditure from state pensions to welfare benefits for people at working ages.

Expected outcome

Presentation of SIAS Paper in 2003

Progress to date

W(h)ither State Pension Age?, SIAS Paper: 17 June 2003.

Paper can be found at:

<http://www.sias.org.uk/papers/whitherSPA.pdf>

Membership

Chairman: Lewis, David (David.Lewis@gad.gov.uk)

Other members: Cooper, Deborah; Smith, Aidan

The Potential for Insurance Companies Developing Provisions in Care Rather than Cash - Discontinued 2003

Objectives

Terms of reference: To develop the work of actuaries working as consultants. To develop the role of actuaries in the NHS, using their expertise.

Progress to date

Produced a paper at the Social Policy and Public Interest Conference in June 2003 and Health & Care Conference 2004.

Membership

Chairman: Sissons, Ian (isissons@munichre.com)

Health and Care Committee - Health Services Group

Leader: John Coss

Contact: Martin Hewitt (tel: 020 7632 2185, e-mail: martinh@actuaries.org.uk).

UK Vaccination Programme - Risk and Reward - On-going

Objectives

Aim of project: To identify what actuaries can contribute to the study of the balance of risks (probability of experiencing adverse effect of vaccination versus risk of contracting illness by refusing vaccination) associated with vaccination programmes.

Terms of reference: To investigate, and hence stimulate informed debate and possible further studies on the balance between risk and reward in the current UK vaccination programme from an independently informed viewpoint. We do not aim to carry out any new investigations or studies but to interpret and assimilate existing data and studies. As part of our fact-finding we will try to discover whether any organisation currently monitors the trade-off between risk and reward and what mathematical or statistical models are used.

Progress to date

The Working Party has been in existence since 2001. Workshops at 2001 and 2003 Health & Care Conferences 'UK Vaccination Programme: Risk & Reward' SIAS Paper

Paper can be found at:

<http://www.actuaries.org.uk/library/proceedings/health2001/Cornall.pdf>

<http://www.sias.org.uk/papers/Vaccination.pdf>

<http://www.actuaries.org.uk/files/pdf/proceedings/health2003/Cornall.pdf>

Membership

Chairman: Cornall, Monica (monica.cornall@kpmg.co.uk)

Other members: Chan, Margaret; Sparks, Jan

Health and Care Committee – Income Protection/Critical Illness Group

Leader: Sue Elliott

Martin Hewitt (tel: 020 7632 2185, e-mail: martinh@actuaries.org.uk).

Income Protection – Trends by cause and terminations – currently with CMI - Planned

Objectives

Investigate trends in IP and recovery experience by cause of disability.

Expected outcome

Presented at Health Conference 2001.

Membership

Chairman: Wilkie, David (david.wilkie@inqa.com)

Critical Illness Trends Working Party - Ongoing

Objectives

To examine underlying trends in the factors influencing UK insured CI claims rates and from these to assess 1) the historic trend in incidence and death rates for the major critical illnesses and 2) any pointers for future trends in stand alone and accelerated CI.

Expected outcome

Presented at Health Conference 2001, 2002 and 2003.

Two articles in The Actuary.

Critical Illness Seminar at Staple Inn, May 2003.

Ultimate goal is to produce a SIAS paper in 2004/5.

Membership

Chairman: Robjohns, Neil (nrobjohns@munichre.com)

Other members: Dinani, Azim; Elliott, Sue; Gallway, Hamis; Wells, Joanne; Reid, Scott; Morris, Richard; Dr Croxon, Richard

Health and Care Committee - Long Term Care Group

Leader: Ian Sissons

Contact: Martin Hewitt (tel: 020 7632 2185, e-mail: martinh@actuaries.org.uk).

Care Vs Cash Working Party – On-going

Objectives

- To explore the health and care insurance issues associated with giving policyholders care rather than cash benefits.
- To prepare a paper and presentation for the actuarial health and care conference 2003.
- To review product development potential of Care not Cash as a guiding principle for health insurance products in UK and Ireland.

Progress to Date

The working party has assembled a research database of over 30 health and care insurance products and prepared a product comparison template for recording their insurance benefit components. "Care not cash" benefit components were identified and investigated. The products reviewed covered the full range of health and care insurance products, including private medical insurance, health cash plans, long term care, critical illness, income protection and major medical expenses.

Outcomes

Workshop at Health & Care Conference 2003 on "Private Medical Insurance – UK Versus the Republic of Ireland"

Presentation at Profession's Social Policy & Public Interest Conference 9 June 2003 on "Care not Cash".

Membership

Chairman: Orros, George, (uhc.email@virgin.net)

Other members: Loughlin, Aongus; Cross, Sue; Gatenby, Peter; Moliver, MR

Reserving/Valuation - On-going

Objectives

Aim of project: To make recommendations on the statutory valuation basis for long term care business in the UK.

Terms of reference: In particular to consider the sources and credibility of data; methods of modelling; changes in demographic assumptions; valuation issues arising from guarantees and policy reviews; PRE issues.

Progress to date

Presentation at 2001 Healthcare Conference.

Membership

Chairman: Laurie, Stephen (100336.3635@compuserve.com)

Other members: Baxter, David; Cook, Andy; Kipling, Robert; Smith, Martin

Policyholders Reasonable Expectations (PRE) On-going

Objectives

To present a Sessional Meeting paper in 2005. To update earlier work on PRE and to contribute to a reassessment of acceptable interpretations of PRE.

Outcomes

Sessional Meeting paper in 2005.

Membership (sub-group of Cash vs Care Working party)

Chairman: Orros, George, (uhc.email@virgin.net)

Health and Care Committee – Multi-Disciplinary Group
Contact: Martin Hewitt (tel: 020 7632 2185, e-mail: martinh@actuaries.org.uk).

Health and Care Committee – PMI Group

Leader: Neil Hilary

Contact: Martin Hewitt (tel: 020 7632 2185, e-mail: martinh@actuaries.org.uk)

10 UNIVERSITY RESEARCH CONTACTS

Details of actuarial research activities in the following universities can be obtained from the addresses given.

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