



The Actuarial Profession

making financial sense of the future

Open forum on Irish issues
Karl Murphy



Irish Presentation

23 February 2010

Agenda

- Signing Actuaries Quiz
- Total Irish Risk Market
- Top Players
- Locating to Ireland.

Quiziton

Question 1- Actuarial Standards of Practice

What Society of Actuaries guidance is relevant to an Irish Signing Actuary?

Quiziton

Question 1- Actuarial Standards of Practice

Code	Title	Formally
ASP PA-1	Continuing professional development	GN101(ROI)
ASP GI-1	General insurance business – actuarial reports	GN12(ROI)
ASP GI-2	Statement of actuarial opinion on non-life technical reserves	GN20(ROI)
ASP GI-3	Statements of actuarial opinion on non-life reinsurance business	
GIP-1	General Insurance Practice Note 1 - Deleted 04.12.2002	
GIP-2	General Insurance Practice Note 2	

Quiziton

ASP PA-1

ASP PA-1 – Continuing professional development

Category	Who	Required CPD
Category 4	Actuaries retired or on a career break	Do not need to complete CPD
Category 3	Actuaries working outside category 1 or 2	Sufficient CPD to remain competent – no minimum hours
Category 2	Actuaries working in a practice area but not certificated	>15 hours verifiable activities, of which >10 hours relevant to practice area Learning on designated topics Some CPD from external firm Breadth of activity > 4 distinct entries
Category 1	Hold a practising certificate issued by the Society of Actuaries in Ireland	As Category 2 plus... >10 hours relevant to certificate >3 hours relevant to role >5 hours verifiable to external firm

ASP GI-1 – Actuarial Reports

Purpose:

- Specify the circumstances in which a member should normally prepare a formal report
- Describe the basic elements that should normally be included in such a report
- No change since 30/12/2006.

Reports to contain sections on:

- Definition of terms
- Purposes and scope
- Information and data used
- Analysis of emerging trends
- Methodology and assumptions
- Results
- Uncertainty.

ASP GI-2 – SAO on non-life technical reserves

Changes from v2.2 effective 30/12/2006 to v2.3 effective 30/12/2009

- 1.9 The Signing Actuary must explain in the Report his or her reasons for any non-compliance with any obligations which, under this ASP, he or she “should normally” meet
- 4.2.2 The Signing Actuary must not sign the Data Accuracy Statement (DAS) as, under the Requirements, the Signing Actuary is required to act independently of the Company in providing the SAO
- 6.2 The Report must be prepared in accordance with ASP GI-1
- 6.6 If the Signing Actuary uses industry or benchmark data in the course of estimating the technical reserves, the source and relevance of such data **must** (previously ‘should’) be stated within the Report
- 6.15 Report should normally include a statement of run-off surplus or deficiency, with reasons for the movement estimate between the last and current analysis. Now required even if Actuary is not author of the previous report.

ASP GI-3 – SAO on non-life reinsurance business

Changes from v1.0 effective 30/12/2006 to v1.1 effective 30/12/2009

- 1.8 The Signing Actuary must explain in the Report his or her reasons for any noncompliance with any obligations which, under this ASP, he or she “should normally” meet
- 4.2.4 The Signing Actuary must not sign the DAS as, under the Requirements, the Signing Actuary is required to act independently of the Company in providing the SAO
- 6.6 If the Signing Actuary uses industry or benchmark data in the course of estimating the technical reserves, the source and relevance of such data must (previously ‘should’) be stated in the Report.

GIP-2 – General Insurance Practice Note 2

	Detail
GIP-2...	General Insurance Practice Note 2
Effective...	6th October 2009 to 31st December 2010
Applicable to...	Members of the Society of Actuaries in Ireland holding current Practising Certificates to act as Signing Actuary to a Non-Life Insurance Company.
Reviewed...	At least once every 12 months
Why required...	Practice note required for the determination of reserves for liabilities to the Motor Insurers Bureau of Ireland (MIBI)
Linked to...	Appendix 3 of ASP GI-2: Statement of Actuarial Opinion on Non-Life Technical Reserves

Uncertainty

ASP GI-1 Explicitly says:

“8.1 The report should normally indicate the nature, degree and sources of uncertainty surrounding the results and sensitivities to key assumptions. Uncertainty should normally be quantified where practicable, but otherwise should normally be reported using an appropriate descriptive summary.”

Niamh Gaudin reiterated this point at the General Insurance forum 27th November 2009

“Quantification of uncertainty normally required – Signing Actuaries need to justify exclusion where this is not done.”

On the 4th February 2010, a letter providing feedback from the Financial Regulators review of Financial Condition Reports and Statements of Actuarial Opinion, from Tony Jeffery, Financial Regulator, to Kevin Murphy, in his capacity as President of the Society, highlights the current inadequacy of the quantification of uncertainty:

“We have noted that the quantification of uncertainty is often omitted. This is not acceptable. It is accepted that in many cases there is insufficient data to carry out numerical analysis. In such cases comments on the uncertainty should be provided”

What is the best way to quantify uncertainty?

Agenda

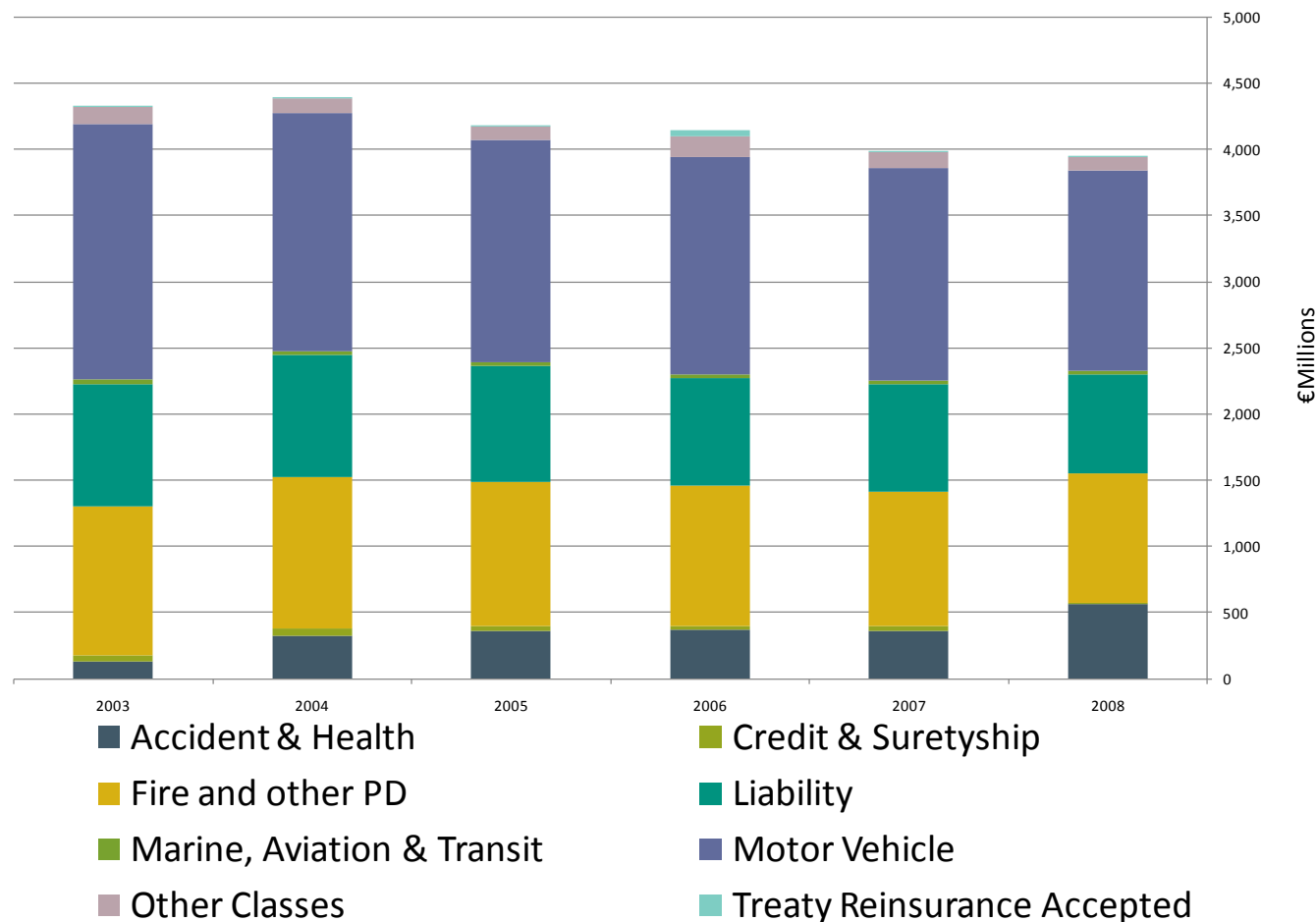
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Total Irish Risk Market

- Every year the Irish Financial Services Regulatory Authority (IFSRA) publishes a set of statistics – ‘**Insurers Statistical Review**’ on the total Irish insurance market.
- The **Insurers Statistical Review** gives detailed statistics and market data on the Insurance Industry in Ireland. The information is primarily sourced from the regulatory returns provided by insurance companies to the Financial Regulator.
- The following high level statistics are extracted from this review.

Total Irish Risk Market Gross Earned Premiums

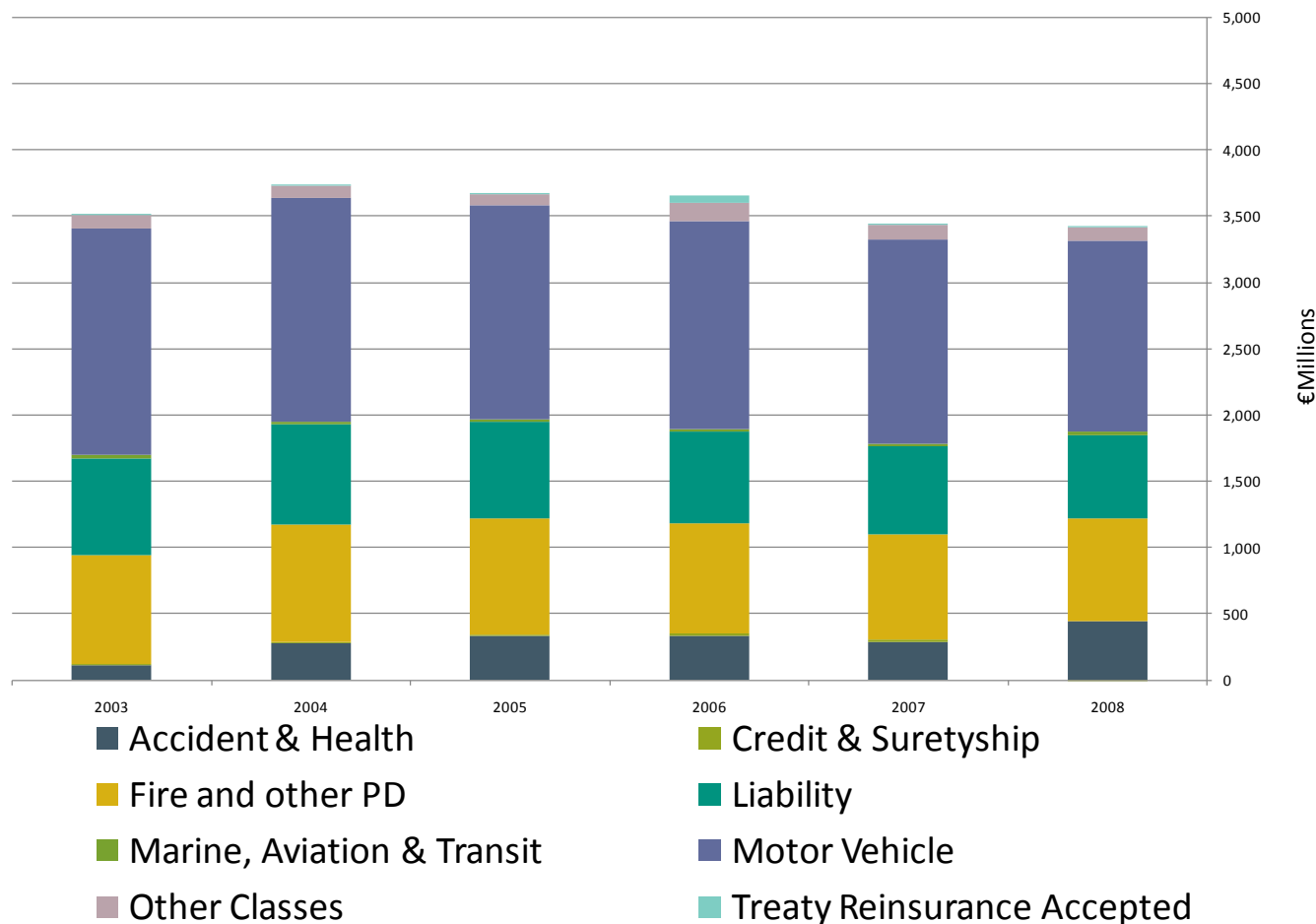
- General decrease in earned premiums
- Increase in accident and health premium.



Total Irish Risk Market

Net Earned Premiums

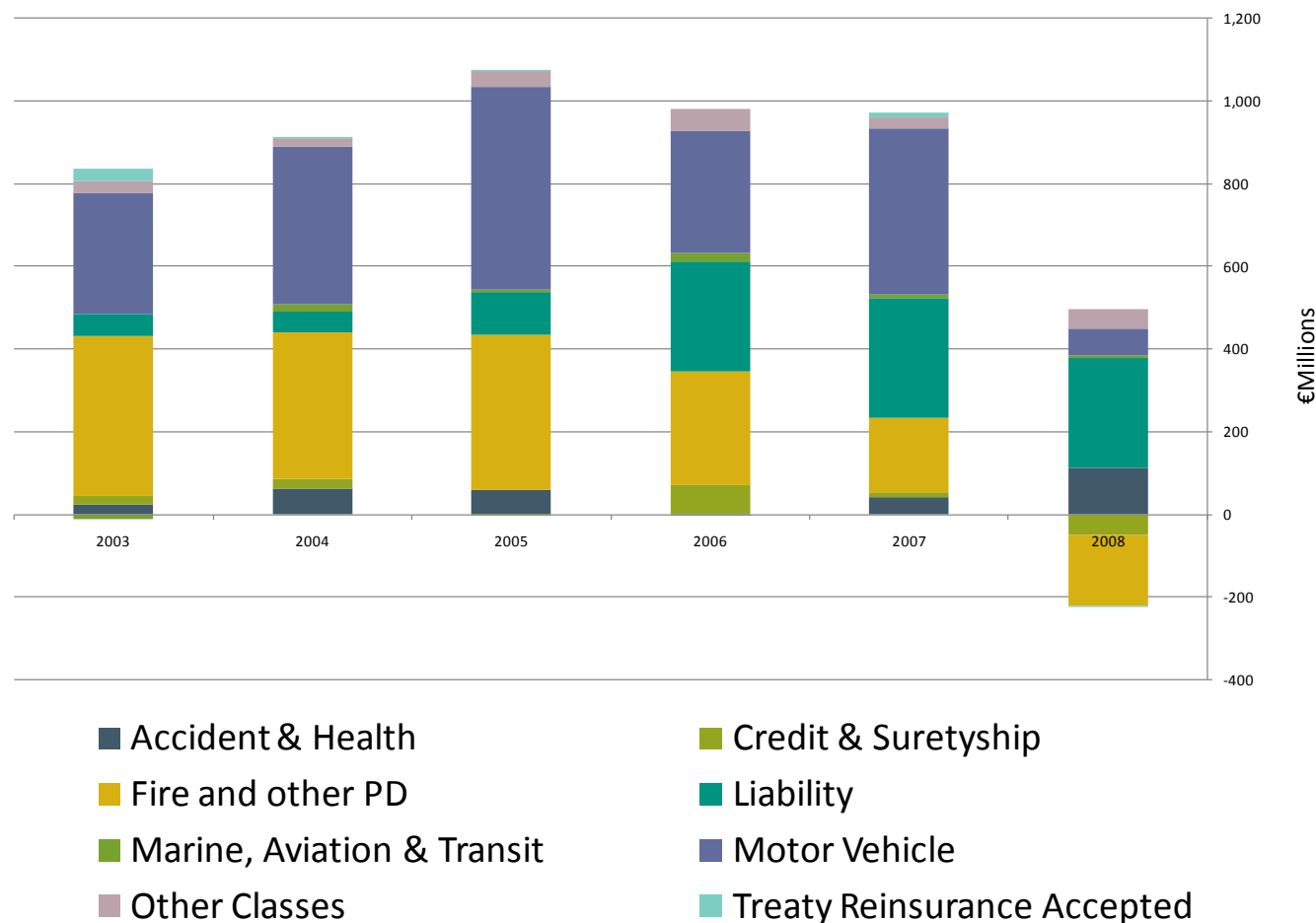
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Total Irish Risk Market

Gross Profitability

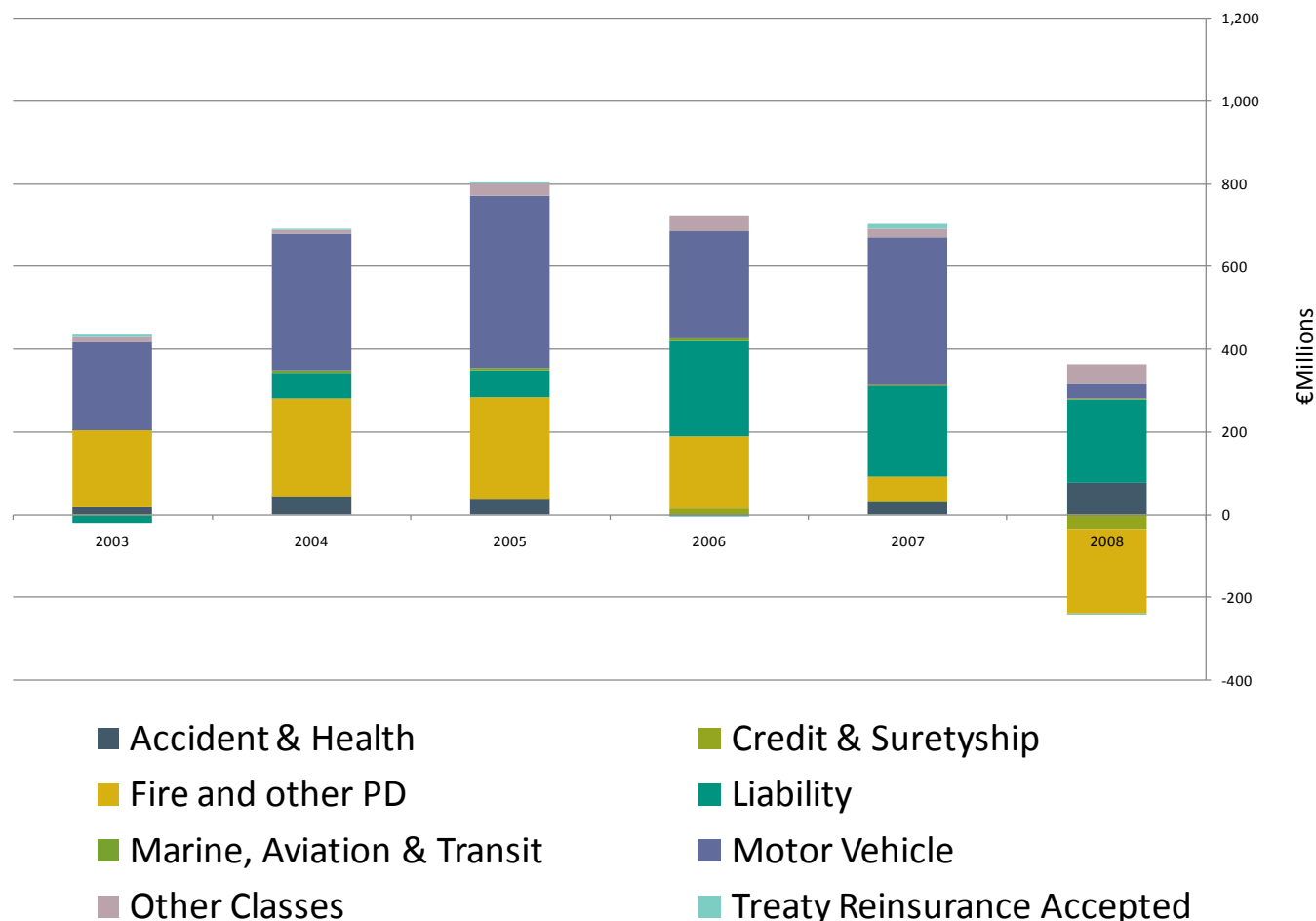
- Marked downturn in overall profitability
- Profitability of liability insurance has increased.
- Total motor profits considerably reduced in 2008. 2008 Fire and PD adversely effected by flash floods.



Total Irish Risk Market

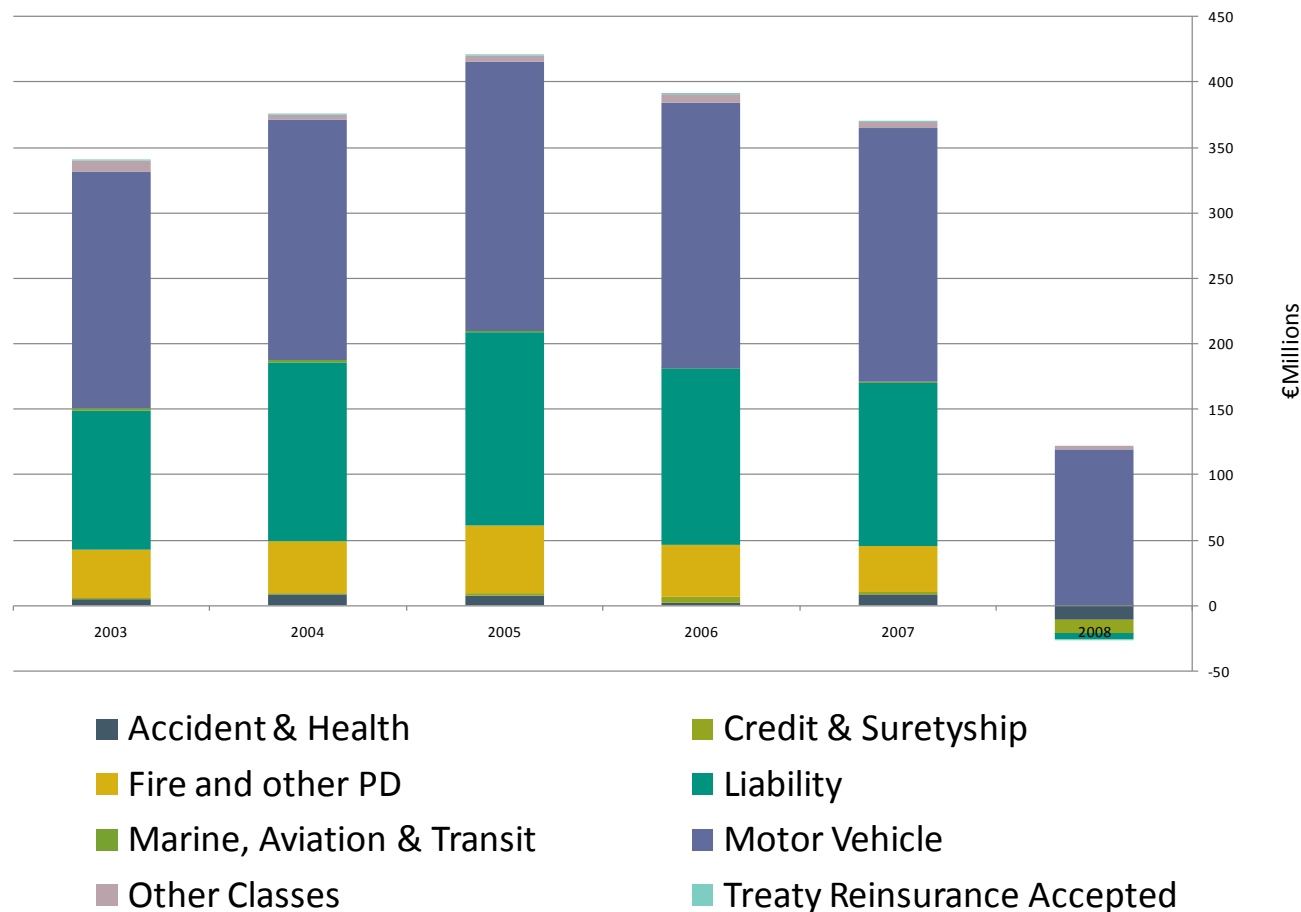
Net Profitability

- The 2008 Irish flash floods were a series of flash floods that occurred across the island in August 2008.
- Rainfall in Cork for the month of July 2008 was the heaviest recorded since 1975. The combined total for June and July was more than twice the normal level of rainfall expected for that period.
- “The final costs (of the 2009 floods) are likely to be higher than the almost €100 million record paid out following floods in August 2008” IrishTimes.com November 21, 2009.



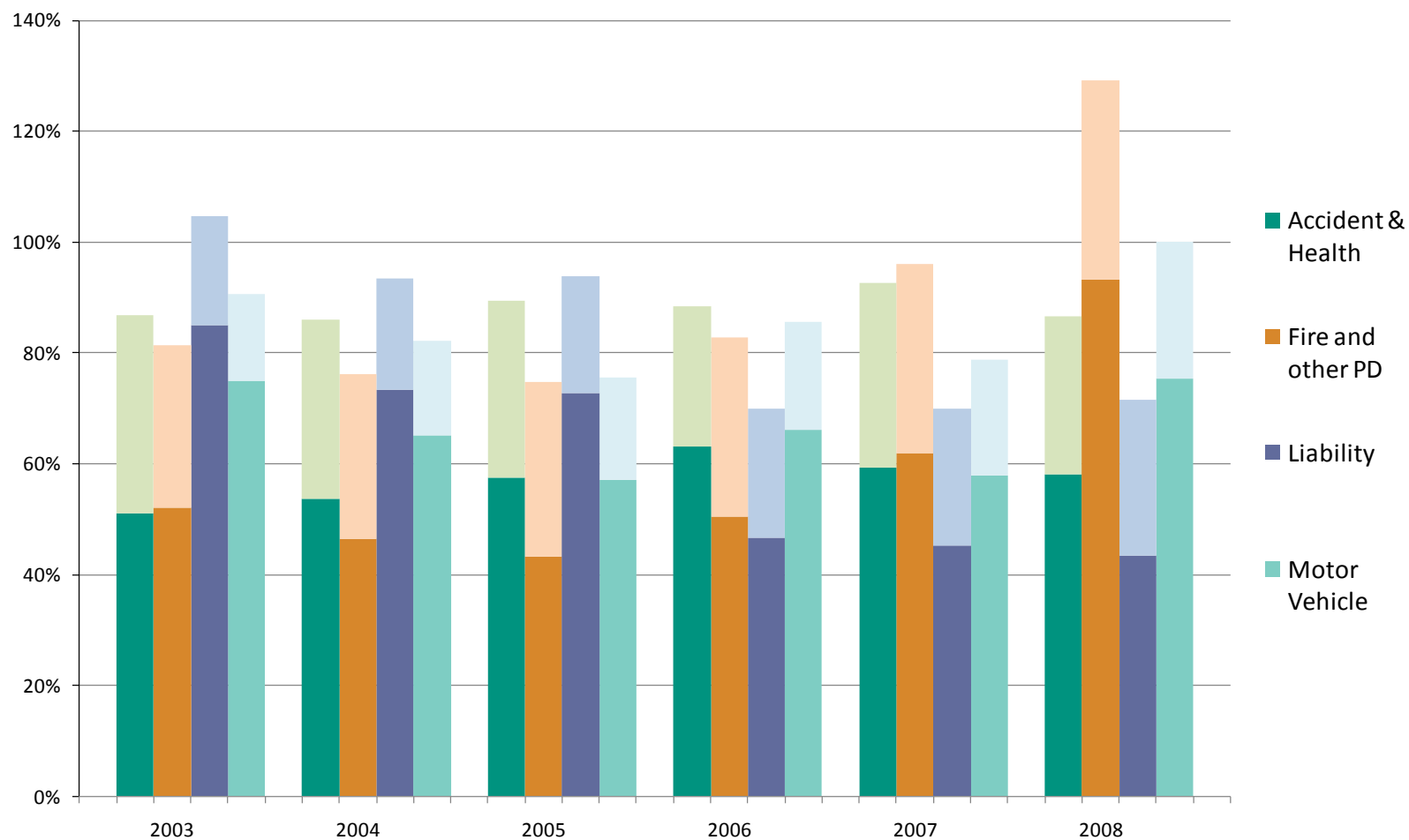
Total Irish Risk Market Gross Investment Returns

- Investment returns hit badly by 2008 economic climate.



Total Irish Risk Market

Net Loss Ratios

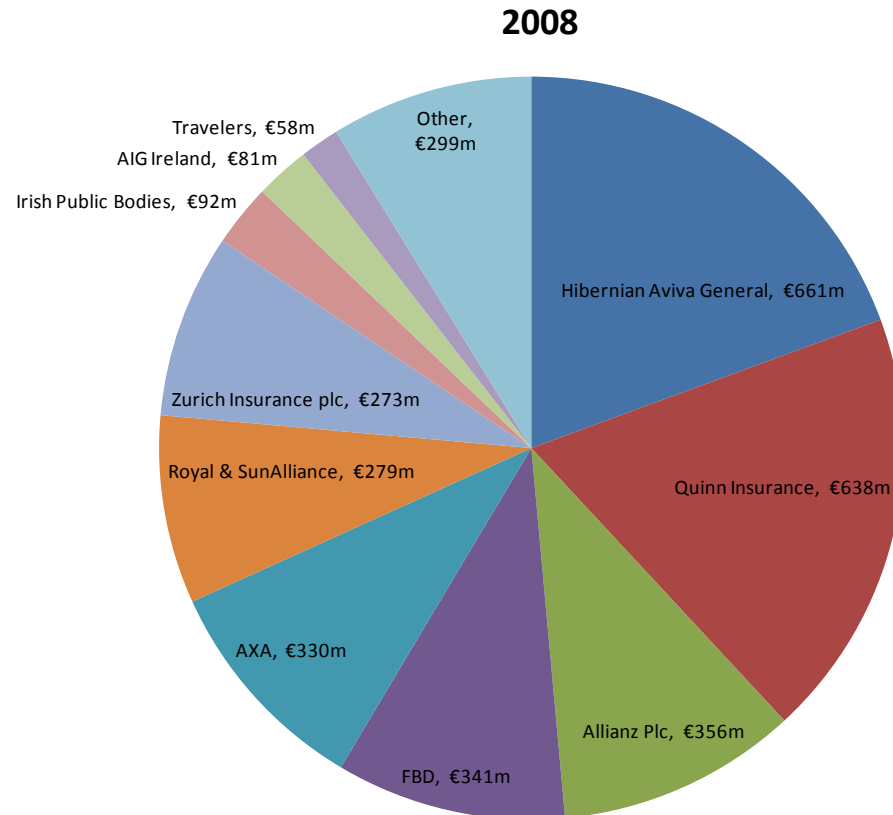


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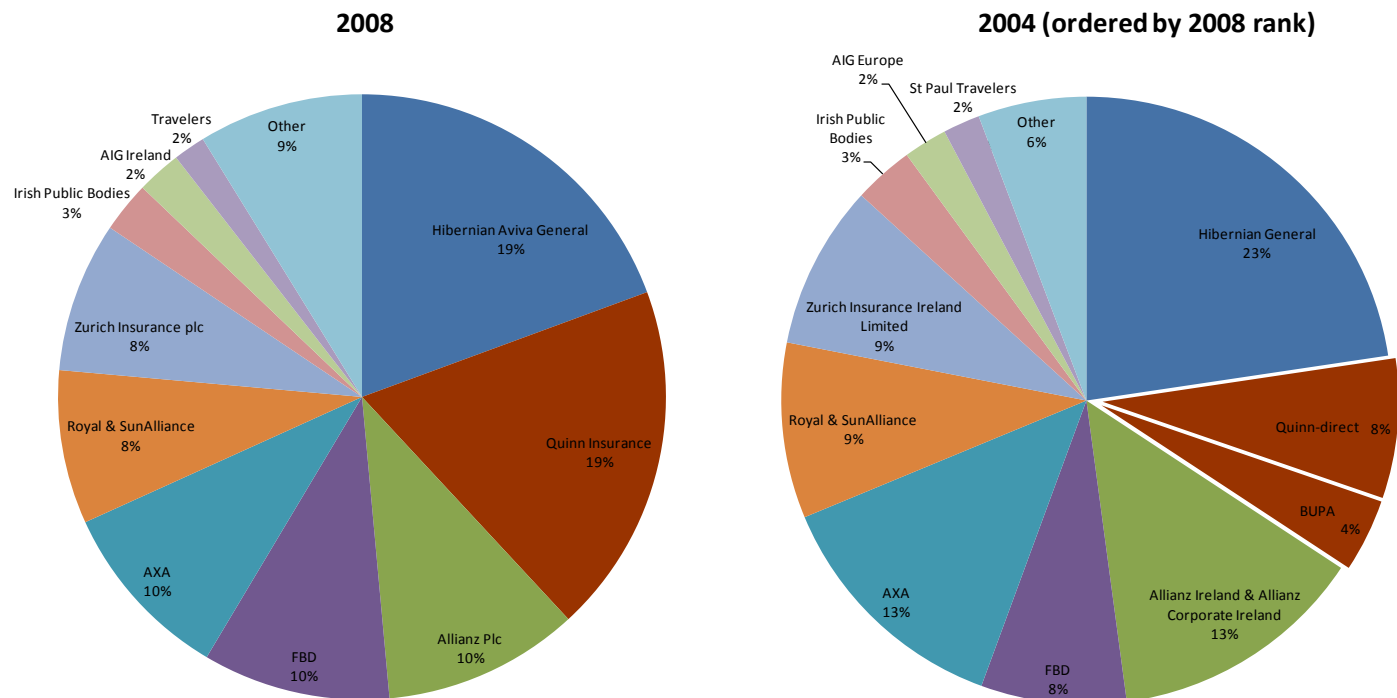
Top Players – 2008

- Hibernian Aviva General earned the most premium (€661m)
- This amounts to roughly 20% of the total Irish market (€3,409m)



Top Players – 2008

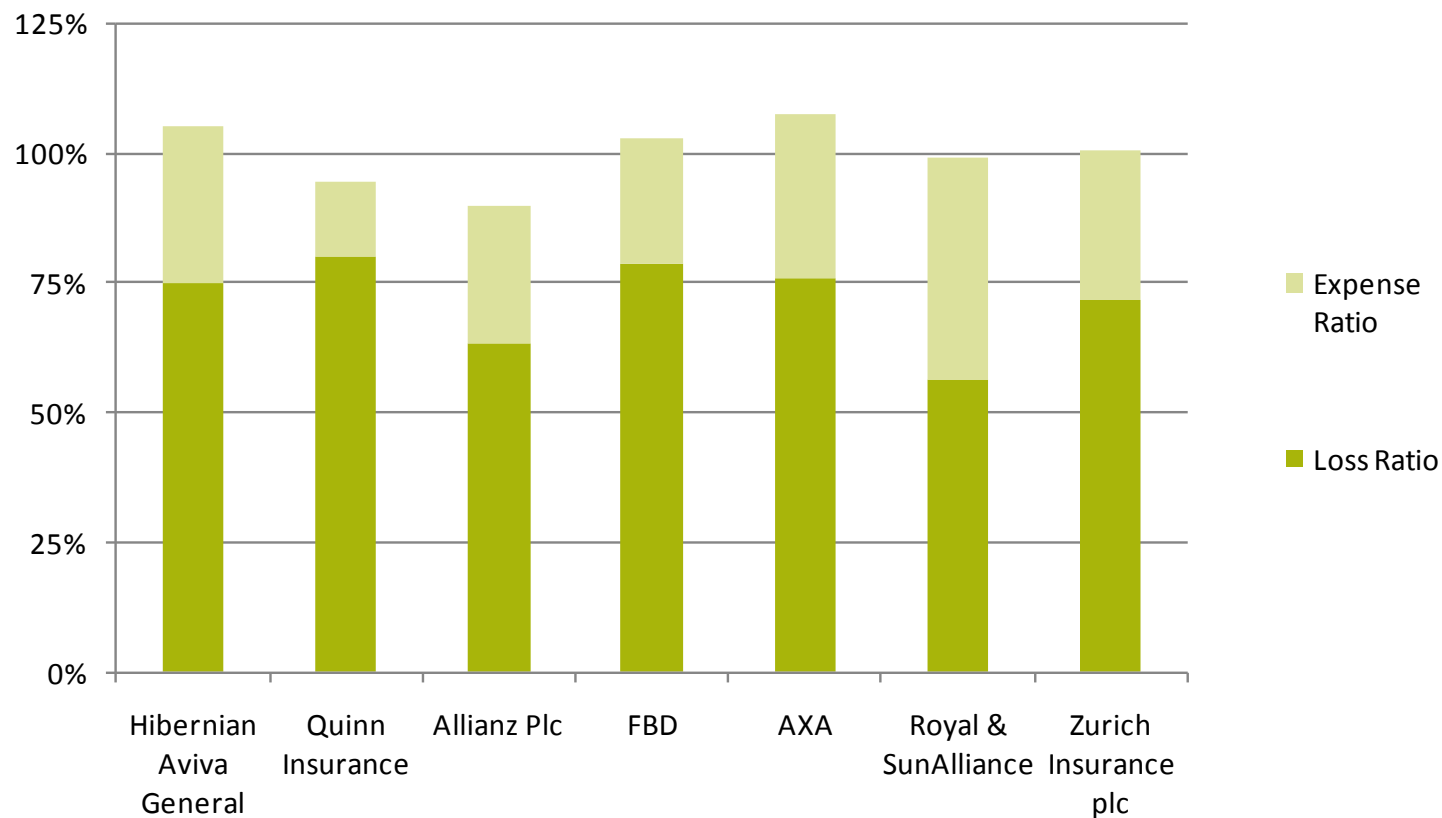
Change from 2004



- The above charts show how the major insurers' market share has changed since 2004
 - St Paul International became Travelers in 2004
 - Eagle Star Ireland became Zurich Insurance plc in 2008
- It can be seen then that the same insurers who dominated in 2004 continued to dominate in 2008

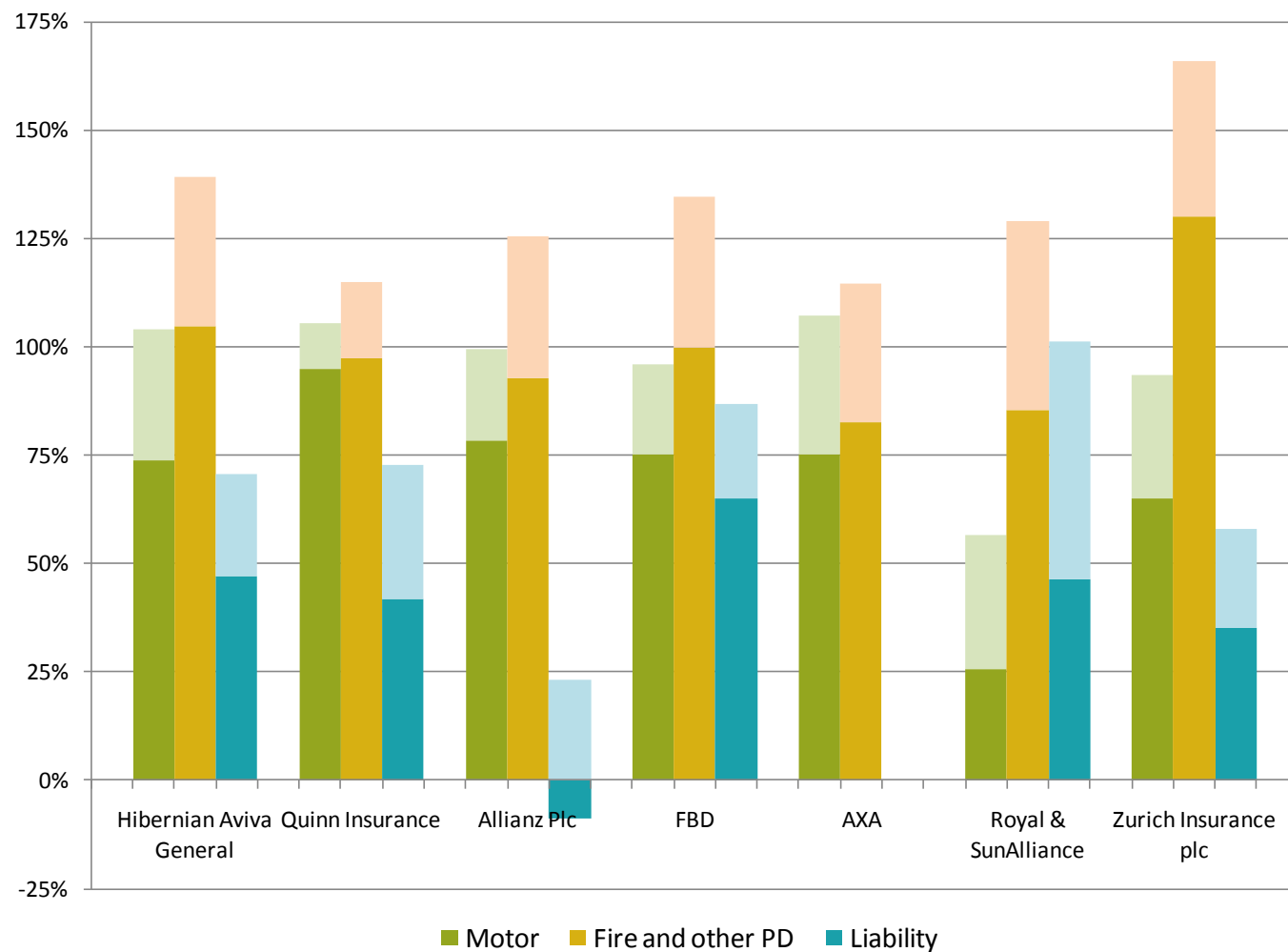
Top Players – 2008

Loss Ratios



Top Players – 2008

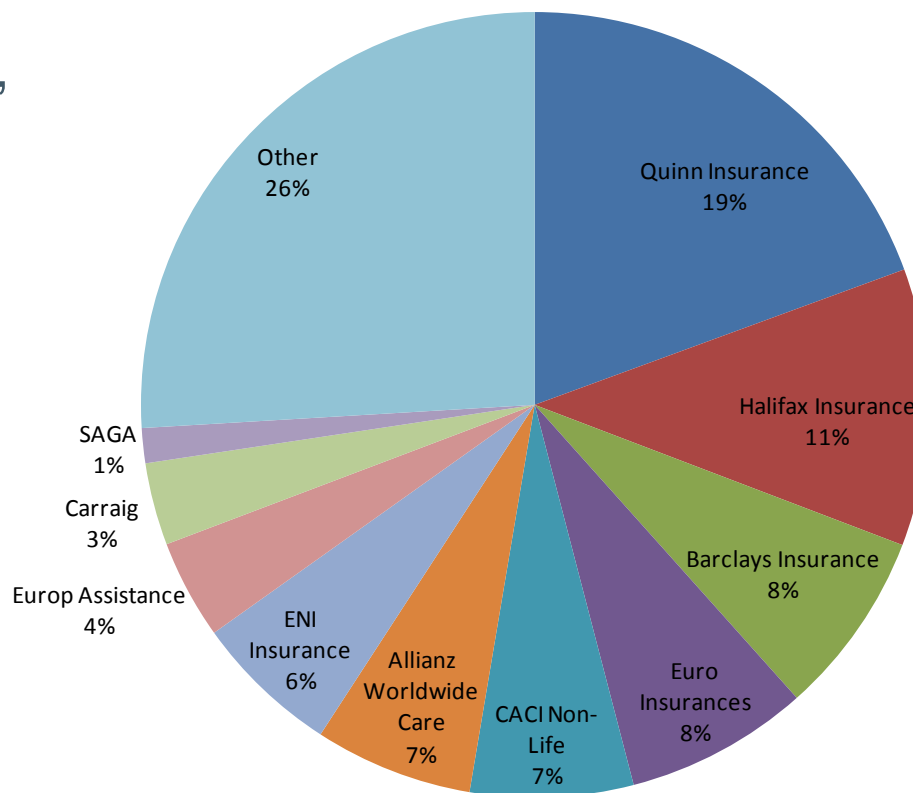
Loss Ratios



Top Players – 2008

Foreign Risks

- Unlike the Irish risk market, the foreign risk market is not clearly dominated by the top players.
- Total Foreign market is €2,359m



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Relocating to Ireland

- **Insurer Beazley** said “its bottom line got a 14 million pound boost as a result of the company's relocation to Ireland in March, which cut its tax rate for the year to 12 percent from 26 percent in 2008” (Reuters February 9 2010)
- **Willis Group Holdings** announced plans in 2009 to relocate its headquarters from Bermuda to Ireland. Reorganisation completed December 2009. (Broking.co.uk 21 September 2009)
- Bermuda-based insurer **XL Capital** is to move from the Cayman Islands to Ireland and will be called XL Group. (Insurance Times 13 January, 2010)
- **Zurich** is to make most of its remaining EU general insurance portfolios in Italy, Portugal and Spain local branches of its EU-based risk carrier in Ireland, as it did the UK operation. The move is effective from 1 January 2010 and a similar transfer is planned for Zurich's general insurance business in Germany later this year. (Insurance Times 12 January, 2010). Zurich Insurance (ZIP) said: “Upon completion of all transfers, **ZIP is expected to generate revenues of about €11bn**”. (Markus Hongler, chief executive officer Western Europe and Zurich Insurance (ZIP))
- **Aviva** has announced it is to centralise all of its European operations through a single holding company in Ireland. As part of this development, Aviva said it has established a single holding company for its European operations in Ireland. “By moving to a pan-European operating model Aviva will make significant efficiency gains and build competitive advantage in the region,” the group said of the move in a statement today. **Aviva's European operations form a major part of the group's business, contributing 44% to the group's operating profits during the first half of 2009.** (Businessandleadership.com 22 October 2009)
- **RSA has dropped plans to move to Ireland.** RSA has agreed a deal with HM Revenue and Customs, which it says will help it save almost as much money as if it had relocated to Ireland. The deal will see RSA set up an Irish reinsurance company next year, through which it will channel its non-UK risks which will result in RSA being taxed at 12.5 per cent. (Express.co.uk 16 August 2009)



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