



Society of Actuaries in Ireland

Current Topics Paper 2024

23 June 2025



Disclaimer

The views expressed in this presentation are those of the presenter(s) and not necessarily those of their employer(s) (if any) or the Society of Actuaries in Ireland.



Overview of the report

The report covers key developments across:

- Pensions and Investments
- General Insurance
- Life and Health
- AI in Actuarial Work
- Cross-Practice Regulatory Updates

Today's presentation focusses on two areas – the full report can be found [here](#)



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Current Topics Paper 2024

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Society of Actuaries in Ireland

Pensions and Investments

Aaron Kilboy and Ciara Murphy



Introduction

Defined Contribution Market Update

- Market Statistics
- Pension Coverage
 - Master Trusts
- DC Investment Market Trends

Individual Pensions Update

- Standard Fund Threshold Review
 - Changes to PRSAs
 - Changes to the State Pension
- Progress on Pension Simplification Measures
 - The Gender Pensions Gap
 - In-Scheme Drawdown



Introduction

Defined Benefit Update

- Market Statistics
- Improved funding levels
- Investment de-risking activity
- Cashflow management strategies
- LDI and collateral management
- Bulk annuities and deferred annuity products



Master Trusts

Significant growth of Master Trusts in Ireland over the past two years – as of August 2024 there were 17 Master Trusts operating in Ireland with €29.2 billion in assets.

Benefits

Consolidation

Economies of scale

Compliance

Member outcomes

Governance

Drawbacks

Loss of control

A lack of customisation

Limited fund choices

A conservative default strategy

Cross subsidies arising



Master Trusts – what's next?

Growth and Consolidation

Master Trusts are expected to continue to increase in size.

Anticipated consolidation to fewer, larger Master Trusts (c. 5-6 Master Trusts).

Employer Movement

Movement by employers between Master Trusts is likely to increase.

Oversight and Governance

Growing trend of employers establishing Oversight Committees to ensure proper operation and reassurance for employers and members.

This area is supported by the Pensions Council's guidance emphasising local oversight and engagement.



Standard Fund Threshold

The Standard Fund Threshold (SFT) is the limit, or ceiling, on the total capital value of tax-relieved pension benefits that an individual can draw down, in their lifetime, from all of their pension arrangements.

The SFT was introduced in December 2005 and is currently set at €2 million.

If your pension fund exceeds this threshold, the excess amount is subject to a Chargeable Excess Tax currently set at 40% which is normally deducted from the pension fund.

Total Pension
Fund Value:
€2.5 million

Excess Amount:
€500,000

Chargeable
Excess Tax:
€200,000

Net Excess After
CET: €300,000



Standard Fund Threshold Review

A review of the SFT was announced on 14 December 2023.



A consultation period ran from 14 December 2023 to 11 February 2024.



Over the course of summer 2024, the Minister for Finance considered the consultation results, and updates were announced in September 2024.



Standard Fund Threshold Review - Updates

The SFT will increase on a phased basis from €2.0 million to €2.8 million over the years 2026 to 2029.

From 2030 onwards, the intention is to increase the limit each year in line with an applicable level of wage growth.

Year	SFT Limit
2024	€2.0 million
2025	€2.0 million
2026	€2.2 million
2027	€2.4 million
2028	€2.6 million
2029	€2.8 million
2030+	The limit each year will increase in line with an applicable level of wage growth.



Standard Fund Threshold Review – Benefits?

Who will
these
changes
benefit?

- Individuals who have previously fully utilised their SFT will not be able to avail of the increases in the thresholds.
- For individuals who have partially utilised their SFT then a portion of the increases will be available.
- These changes will create additional pension funding capacity over the medium term for high earning employees who are likely impacted by the current SFT limit.
- Those planning for retirement in the coming years may financially benefit from timing their retirement date to align with an increase in the SFT.



Changes to PRSAs

A Personal Retirement Savings Account (PRSA) is a long-term savings account to help people save for their retirement.

Before Finance Act 2022

- Employer contributions treated as taxable Benefit-in-Kind.

After Finance Act 2022 (from 1 Jan 2023)

- No longer a Benefit-in-Kind.
- Not counted towards employee's age-related contribution limit.
- No limit on employer contributions, subject to €2m SFT.

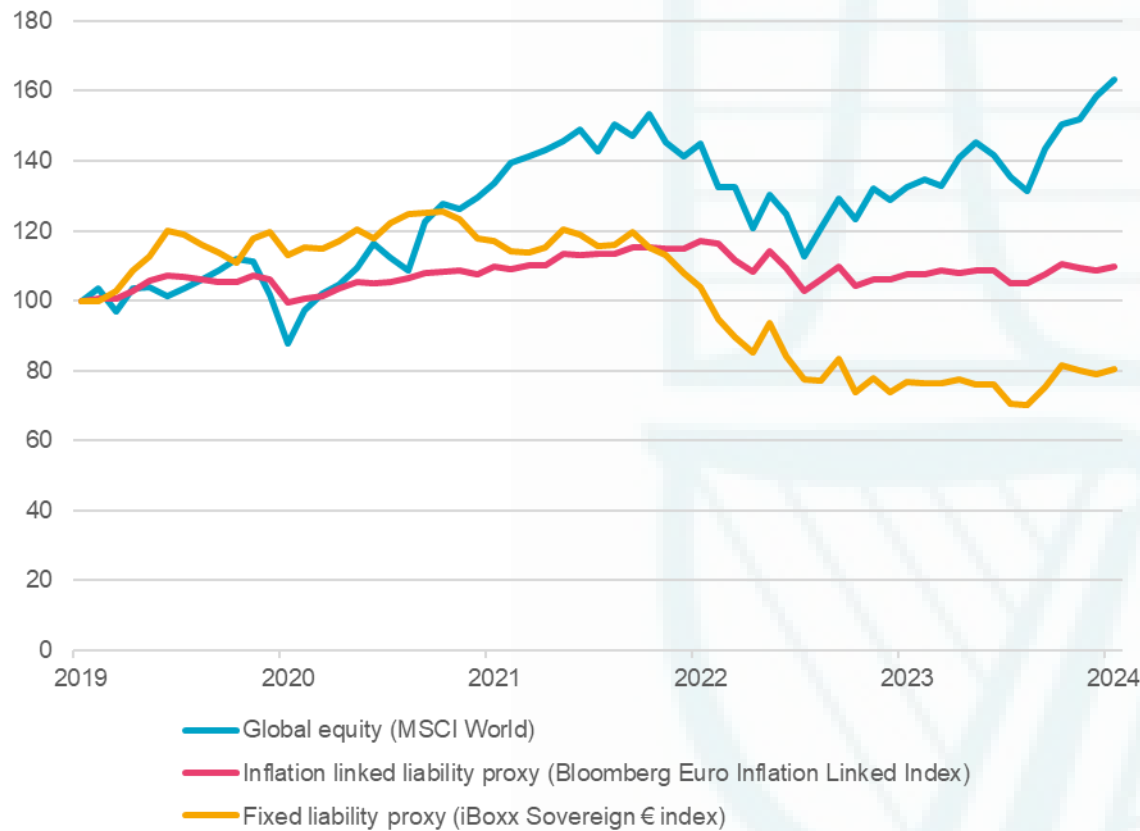
After Finance Act 2024 (from 1 Jan 2025)

- Cap on employer contributions at 100% of employee/director income.
- Excess contributions treated as Benefit-in-Kind.



DB schemes - improved funding levels

Relative Asset Class Performance



Aggregate DB scheme funding levels based on CBI pension fund statistics



Rising interest rates in 2022, coupled with strong equity markets have seen Irish DB schemes with materially improved funding positions.



DB investment de-risking

“De-risking” means:

- **Less growth assets**
 - Reduced holdings in volatile assets like equity, property, infrastructure and private assets
- **More liability matching assets**
 - Government bonds, IG corporate bonds, swaps/LDI, cash, bulk annuity (discussed later)
- **Higher levels of interest rate and inflation hedging**
- **Greater resilience to market shocks**

Funding Standard Reserve as % of Total MFS Liability

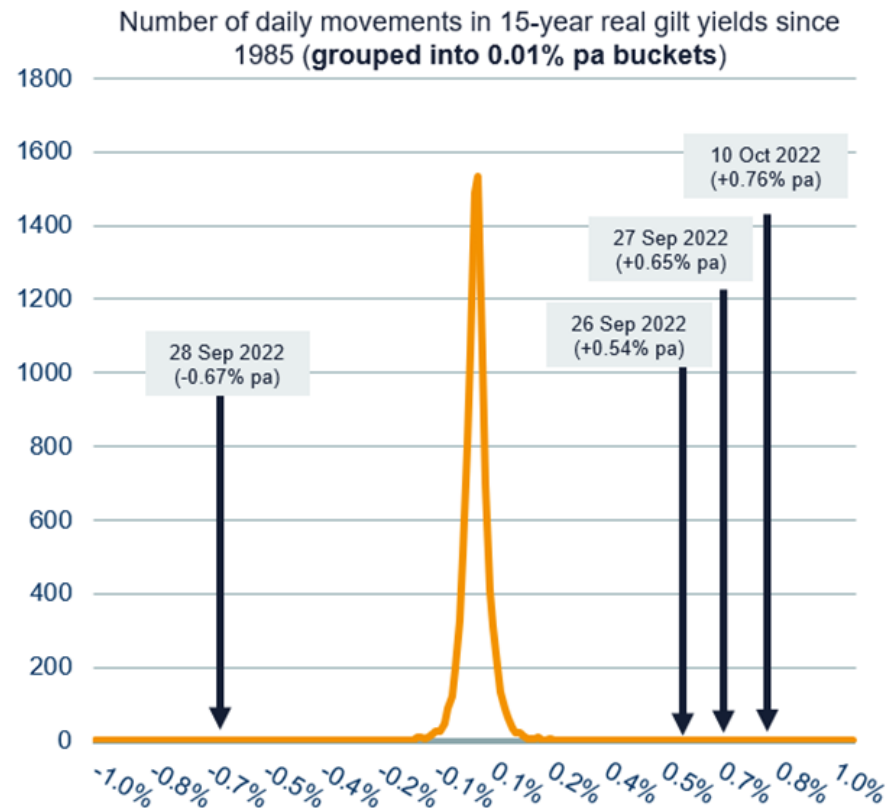


As funding levels have improved, many Irish DB schemes have taken the opportunity to reduce investment risk.




Thinking about liquidity risk and LDI for DB schemes

A crisis in the UK....



.. has meant learnings for us all about managing risks with LDI collateral


An tUdairís Pionas
The Pensions Authority

**Investment strategy (liquidity risk)
guidance for trustees**


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Date published: June 2024

CONSULTATION PAPER

CONSULTATION PAPER
on the draft Opinion on the supervision of
liquidity risk management of IORPs

EIOPA-BoS-24-318
26 September 2024


European Insurance and
Occupational Pensions Authority

The UK gilts crisis of Sept/Oct 2022 has brought liquidity risk management for LDI investment strategies to the front of trustees and regulators' minds.



Thinking about bulk annuities

Deferred annuities are on the way, but require some careful consideration from insurers and trustees...

Transfer Values

Benefit revaluation

*Death before retirement benefits:
spouse's, dependants, lump sum*

Trustee discretion

Commutation factors

Early / late retirement

Pension Adjustment Orders

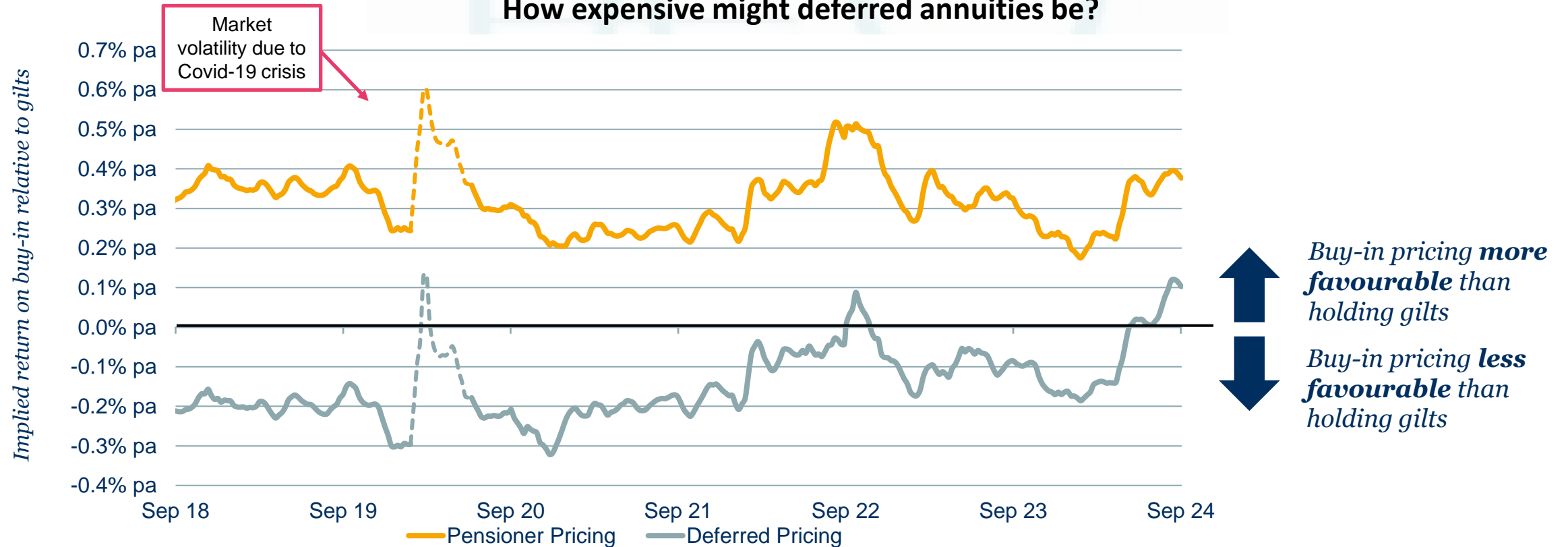
Ill-health retirement

The emergence of deferred bulk annuities and full-scheme solutions in future will allow Schemes to significantly reduce risks. It may also see an acceleration in the pace of Scheme wind-ups in the medium term.



Thinking about bulk annuities

How expensive might deferred annuities be?



UK experience suggests that deferred annuity pricing will be below pensioner pricing, and in line with or marginally below government bond yields.

Source: LCP UK insurer pricing model, which is calibrated against actual UK transaction pricing. The gilts benchmark is illustrative only and intended to capture movements in insurer pricing over time relative to gilts (and is adjusted to remove the impact of changing views on longevity). In practice, insurer pricing depends on a wide range of factors such as transaction size, benefit structure, membership profile and insurer appetite and can differ materially from that shown above for any given scheme.



Society of Actuaries in Ireland

General Insurance

Robin O'Donoghue



General Insurance Agenda

- Legal Environment
 - Injuries Resolution Board
 - Legal Challenge for the PIGs
 - Catastrophic Injuries
 - Occupier's Liability Act
- Private Motor Insurance
- Employer's & Public Liability Insurance
- Flood Risk
- Evolving Transport
 - Electric Vehicles
 - E-Scooters



Injuries Resolution Board (IRB)

- Ireland's independent State body which resolves personal injury claims
- Originally Personal Injuries Assessment Board (PIAB)
- Personal Injuries Guidelines (PIG) introduced in April 2021

Claims Reported to IRB

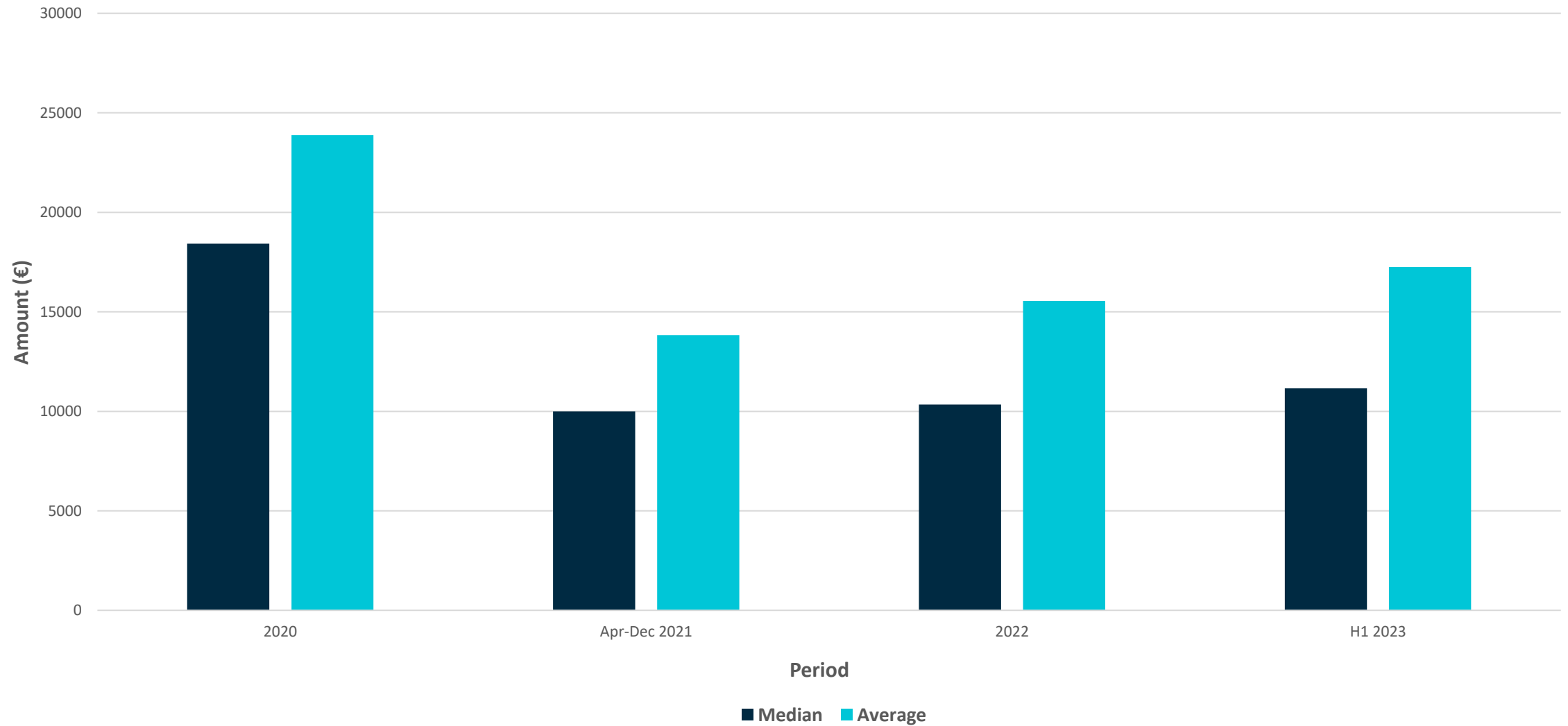
- 2023 H1 seen a 16% rise in claims submitted to the IRB compared to 2022 H1
- Increase in motor liability (+22%), public liability (+12%) and employers liability (+5%)
- Volume of claims submitted to IRB in 2023 35% lower than 2019





Injuries Resolution Board (IRB)

Median and Average Awards 2020 – June 2023

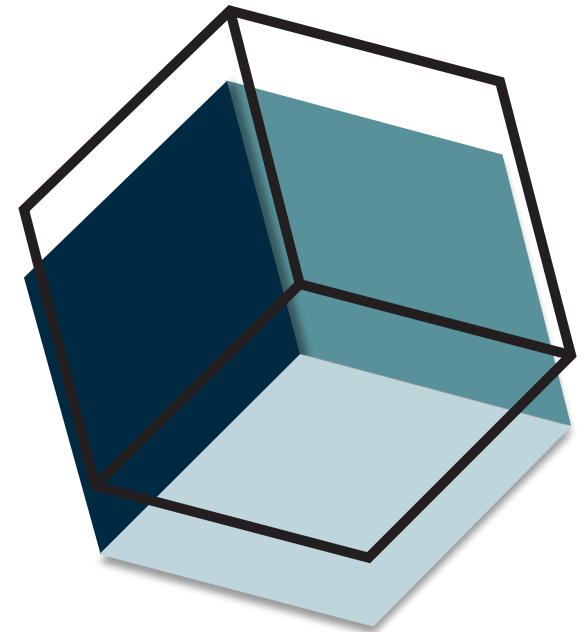




Legal Challenge for the PIGs

Delaney Case

- Ms Delaney suffered knee injuries and an ankle fracture in April 2019
- Book of Quantum would have provided an award of up to €34k
- IRB valued the general damages at €3k with reference to the PIGs
- High Court Ruled against Ms Delaney and she appealed to the Supreme Court
- Supreme Court ruling was made on 9th April 2024
- PIGs are here to stay

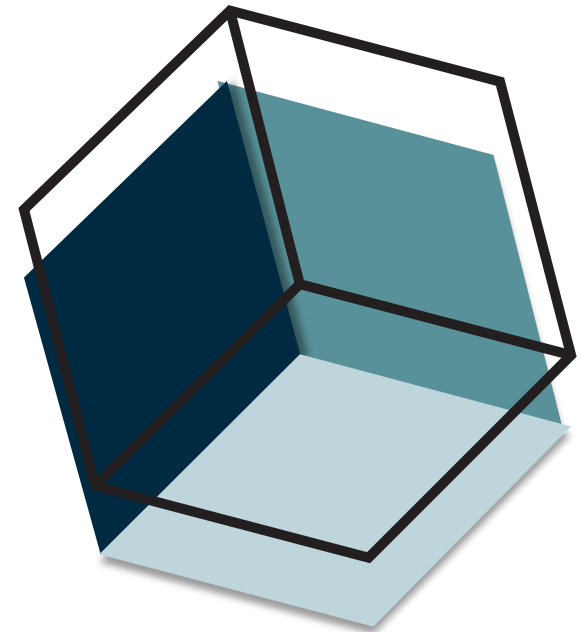




Updates to the PIGs

Judicial Committee's review of the Guidelines

- Recommended to adjust the values in the Guidelines to account for HICP index since 2021
- Final figure proposed was an increase of 16.7%
- New guidance encourages holistic approach on multiple injuries and consider impact of all injuries
- Draft amendments were approved and submitted to the Minister for Justice
- Now need to be laid before the Oireachtas and approved
- PIGs will then be legally binding





Catastrophic Injuries and Occupier's Liability Act

Periodic Payment Orders

- Alternative to lump sum
- IDWG: Provided short term and long term recommendations

Discount Rate for Catastrophic Injuries

- Currently 1.0% for future care costs and 1.5% for other economic or pecuniary losses
- No change to discount rates recommended but they should be kept under review
- Assume Plaintiff has risk averse investment profile

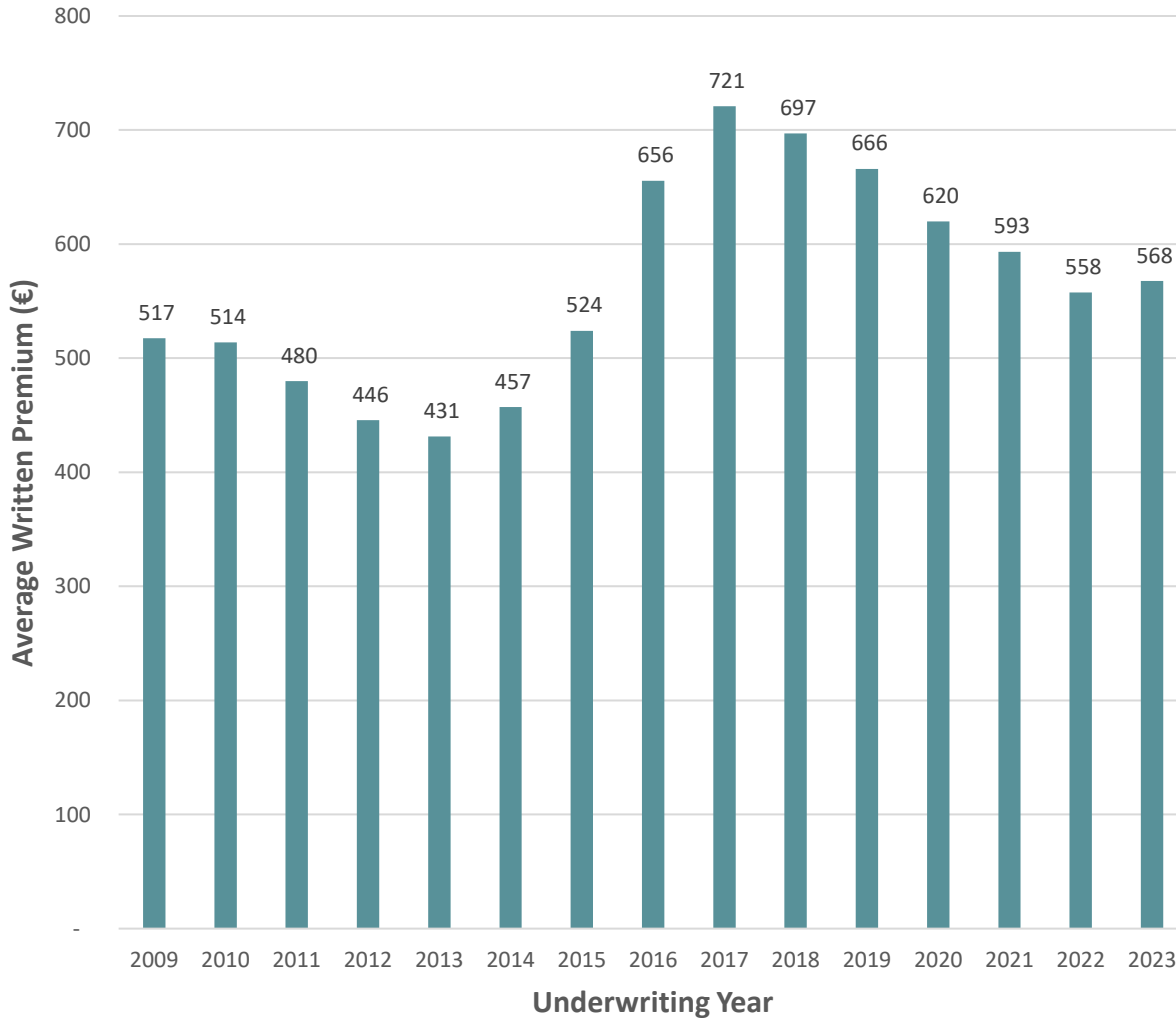
Occupiers Liability Act

- Courts and Civil Law Act 2023
- The duty of care on occupiers has been reduced
- The reforms also make it easier for occupiers to argue that individuals have voluntarily assumed certain risks, even without explicit agreements

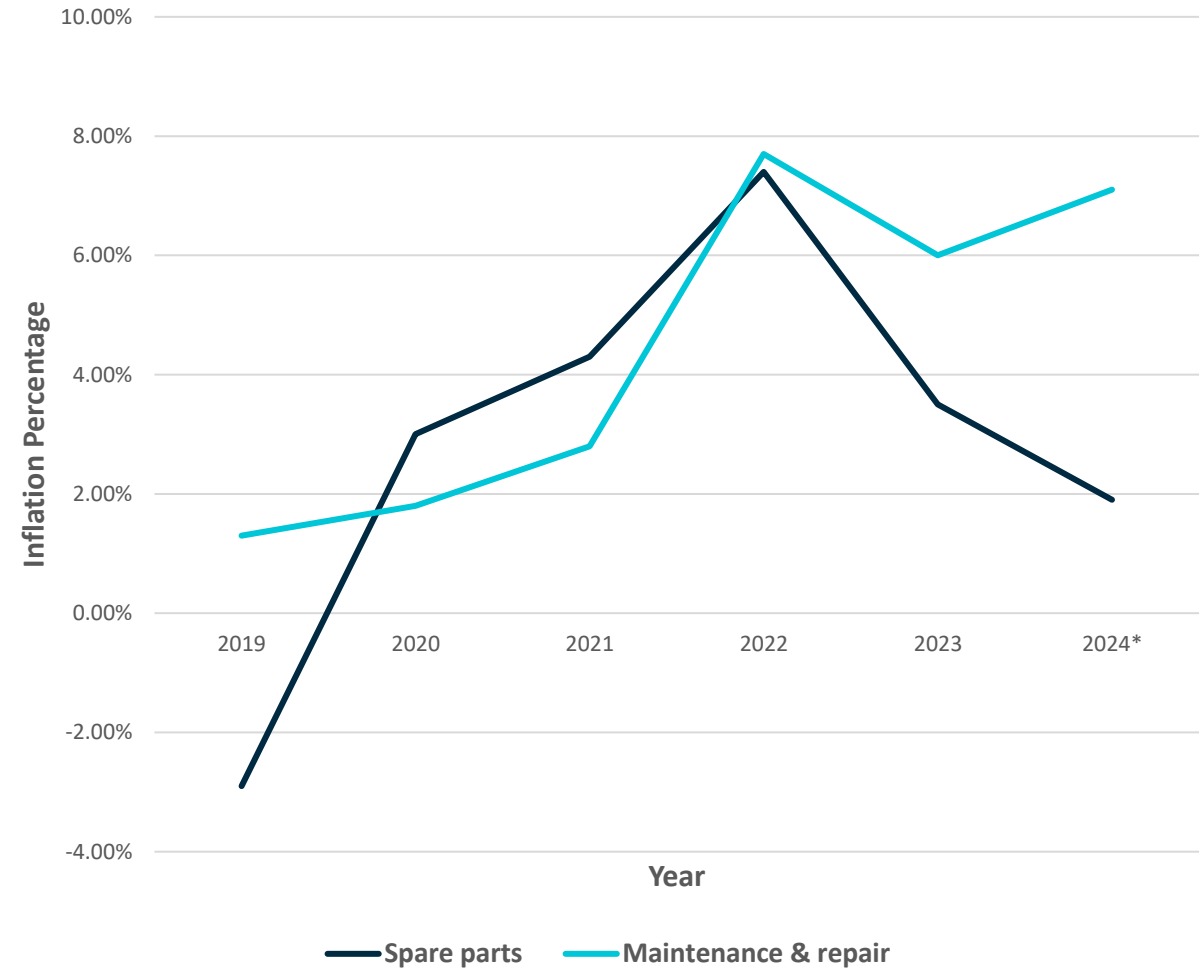


Private Motor Insurance

Average Written Premium (€)



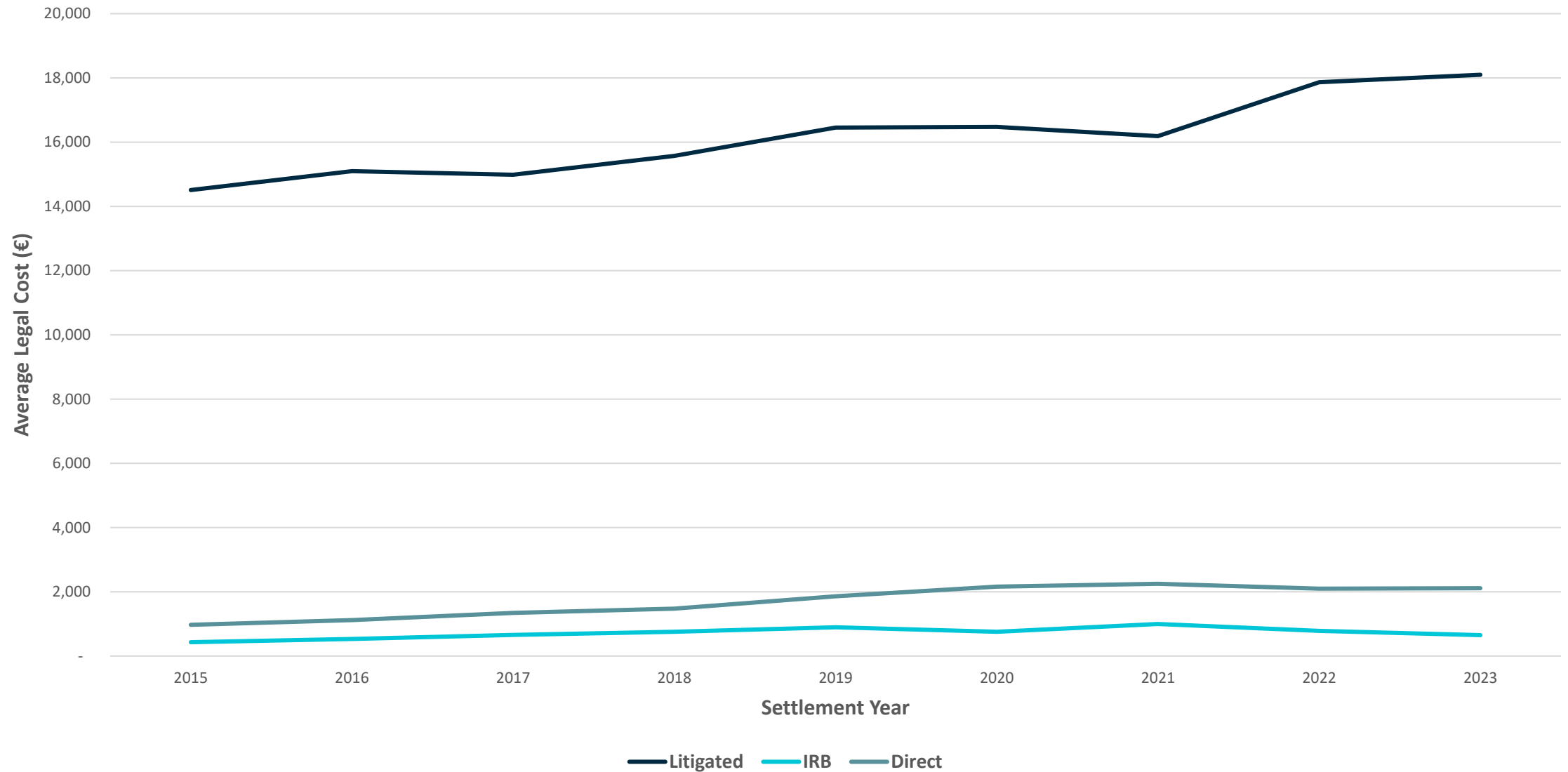
Annual Inflation for Spare Parts and Maintenance & Repair





Private Motor Insurance

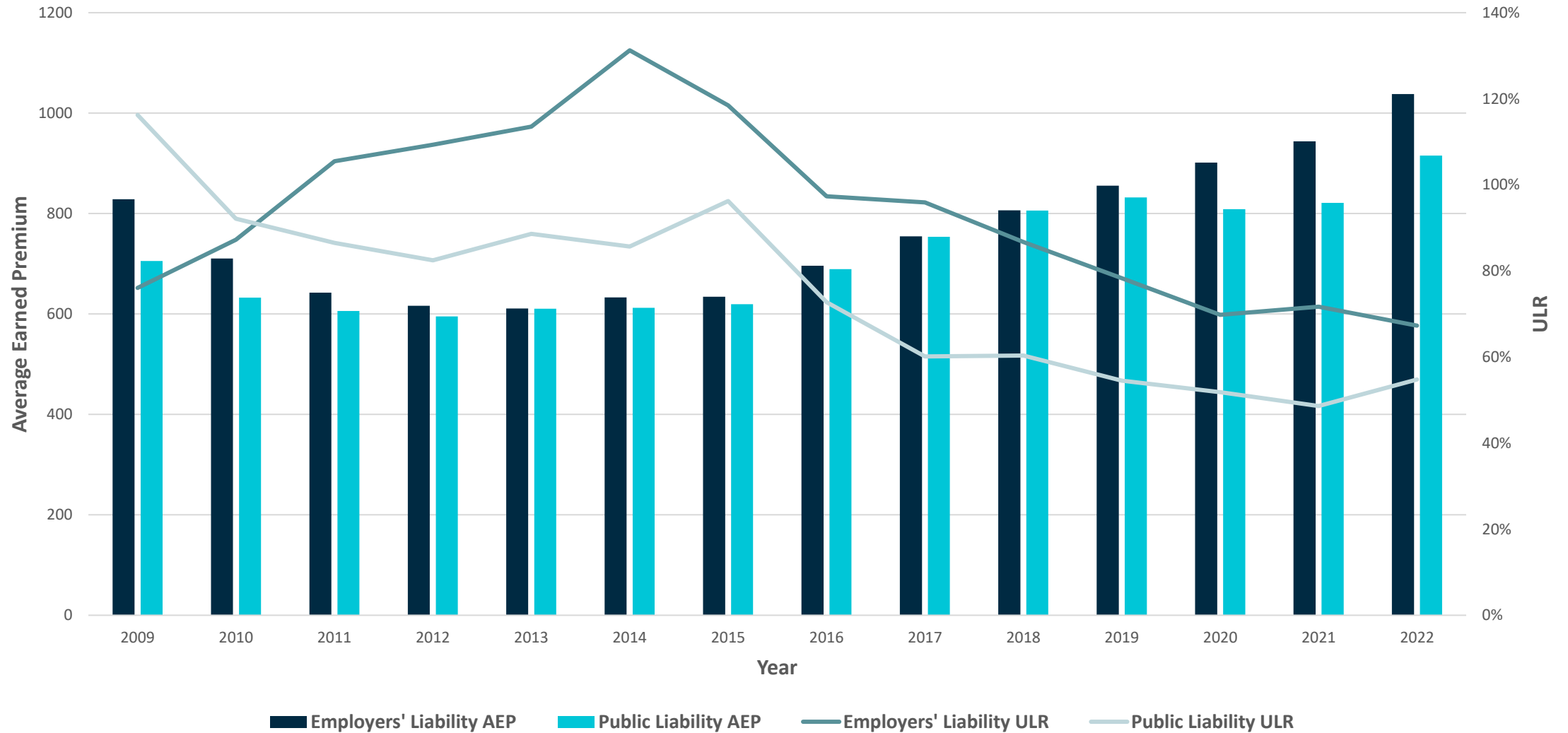
Average Legal Costs by Settlement Channel for Motor Claims (<€100k)





Employer's and Public Liability Insurance

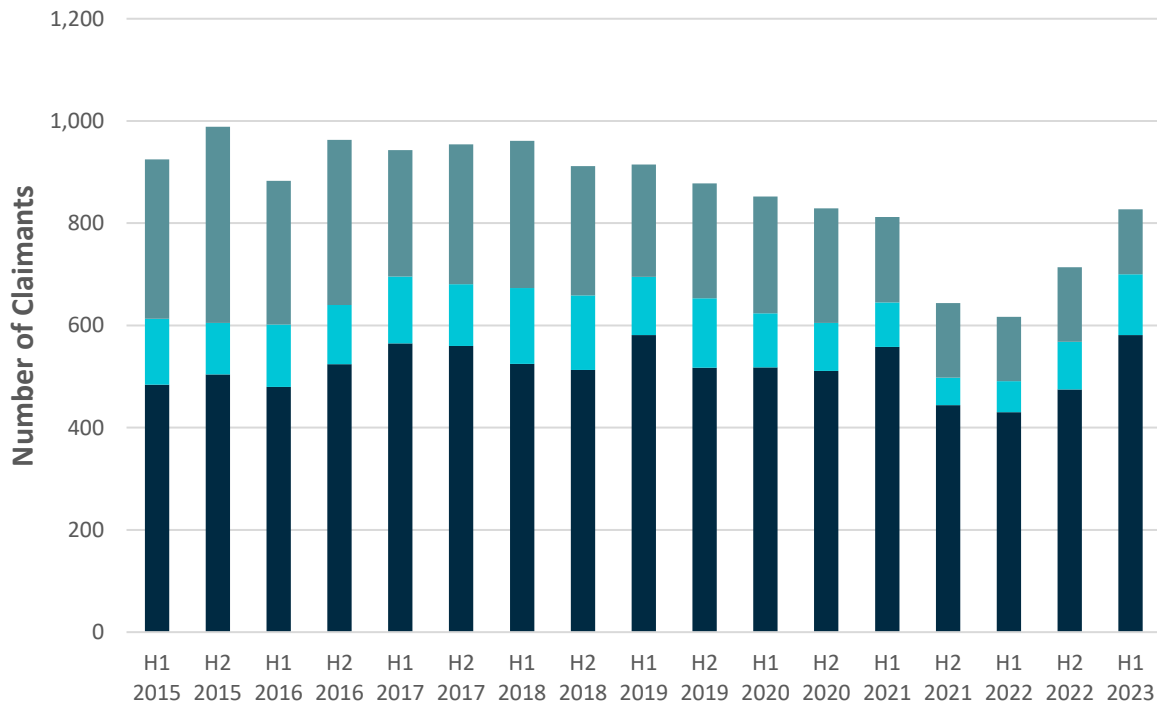
EL & PL Average Earned Premium and ULR





Employer's and Public Liability Insurance

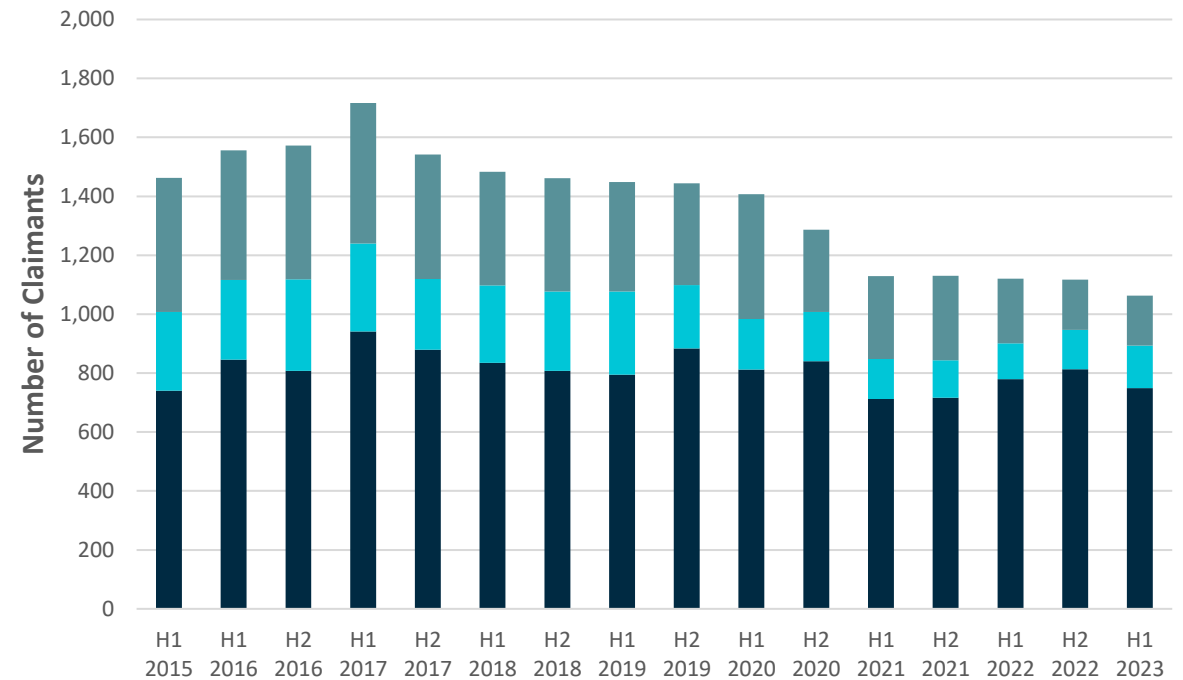
Number of Employers Liability Claims Settled via each Settlement Channel



Settlement Half Year

■ Litigated ■ IRB ■ Direct

Number of Public Liability Claims Settled via each Settlement Channel



Settlement Half Year

■ Litigated ■ IRB ■ Direct



Flood Risk

Storm Babet

- Occurred on 17th and 18th October 2023
- Fluvial flooding
- Midleton, Co. Cork
- 36 hours of rainfall
- Return period: 1/227 year event
- Estimated impact between €63m-€68m





Flood Risk – Irelands Approach

3 main principles

- Prevention
- Protection
- Preparedness

€1.3bn committed over the lifetime of the National Development Plan to 2030

OPW schemes protect against

- Fluvial flood: 1 in 100 year event
- Coastal flood: 1 in 200 year event

Storm Bert: Government providing support via Emergency Humanitarian Flooding Scheme for small businesses





Flood Risk - Other EU and Non-EU Countries Approach

UK

- Introduction of Flood Re in 2014 – lasts 25 years
- Scheme allows insurers to transfer highest flood risk elements at set premium
- Entirely funded by UK insurance industry
- Not compulsory to transfer risks to Flood Re

Netherlands

- Highly sensitive to flood risk
- Limburg Floods 2021 – Disaster Compensation Act
- Flood victims receive financial compensation
- Flood insurance is not compulsory

Germany

- Severe floods in Germany's Ahr Valley in July 2021
- Flood insurance is not compulsory

Spain

- Extraordinary Risk Insurance (ERI) offered by CCS – compulsory
- Aim – mitigate insurance protection gap
- CCS recently provided compensation for the Valencia floods in October 2024 - \$3.5bn damages





Electric vehicles

Environmental impact

- EVs emit around 60g of CO₂ per km travelled versus 130g of CO₂ for a petrol engine
- Zero tailpipe emissions

Safety Concerns

- General concern around fire risk
- Lower frequency but higher severity than ICE vehicles

Driving Behaviour

- University of Limerick Study – 3.2% increase in collisions when compared to traditional vehicles

Repair Costs

- Costs are reportedly higher than ICE vehicles
- Giga casting





E-Scooters

New Laws introduced in Ireland, May 20th 2024

An e-scooter user must:

- Be a minimum of 16 years old
- Obey a speed limit of 20km/h
- Have lights, a bell or other audible warning device, reflectors and brakes on their e-scooter
- Keep their e-scooter in a roadworthy condition at all times
- Abide by the same rules of the road as cyclists, including traffic lights and road signs

There is no requirement for any of insurance, tax or vehicle registration





Thank You!

