

INAUGURAL ADDRESS

At this time each year, as we commence another session of Institute activity, it is appropriate that the President should briefly review what has passed and also look somewhat to the future, with comment on the Institute's contribution to the Insurance Industry.

As we all know, the Institute Movement in this country is this year celebrating its Centenary and, in recognition of that fact, the Chartered Insurance Institute has just held its Annual International Conference in Dublin. We were all pleased to welcome to our City so many visitors from both across the Irish Sea and from all around the World, for what was undoubtedly a very successful Conference. It is our hope that they all enjoyed their brief visit and that many of them will be able to return to our country at some future date for, perhaps, a longer stay.

Professional Institutes, as we have come to know them today, are normally concerned with the professional well-being of their Members and they are spread across many sectors of our business and professional life. One of the first such Institutes to be associated with the Insurance World was the Institute of Actuaries. This was founded in 1848 and it is still going strong as a healthy and active body. The principal initial objectives of that Institute were set out very simply as the "elevation of attainments and promotion of general efficiency with study of actuarial data, doctrine and principles."

The early success of the Institute of Actuaries was the stated inspiration which prompted Members of the Insurance fraternity in Dublin to come together in 1885 and establish what was then called the Insurance Institute of Ireland. It is, perhaps,

significant that the first President of that newly-formed Institute was himself an Actuary - Harold Engelbach, Secretary, National Assurance Company of Ireland.

In his Inaugural Address, delivered on the 6th October 1885 (one hundred years ago yesterday) he referred to the Rules and Objectives adopted by his new Institute. The main aims were expressed as "the promotion of Insurance Studies and the consideration of any purpose necessary for the requirements of the profession". These were broadly comparable to the earlier mentioned aims of the Institute of Actuaries.

From the start, the new Insurance Institute took a deep interest in educational matters, setting up an Insurance Library in its first year of existence. The following year, in 1886, it was decided to hold classes and examinations for Students in Insurance Subjects. This was quite some time before centralised examinations, organised from London, were commenced in 1904. A long-standing association with the College of Commerce, Rathmines, commenced when Insurance Classes were started there in 1903. Oral Tuition has always been seen as a very important aspect of the Insurance Education System and such services are now provided by the Premier College in Dame Street.

Throughout the years, as further local Institutes were founded and the Chartered Insurance Institute came into being as the parent body to which we all subscribe, the aims of the Institute have changed very little. Its primary objective, as restated in the recently published Report of the C.I.I. Constitution Working Party is "to promote the highest standards of professionalism and efficiency in the conduct of all aspects of the Insurance Business." In that one brief sentence, there is provided what I

see as an essential recipe for the success of any organisation in the Insurance Business.

Professionalism involves acquiring a full knowledge and understanding of all aspects of our business and using this knowledge and understanding to an effective degree in our practical day-to-day operations.

There is a major need to revive, and, perhaps, re-establish, professionalism in our business today and I certainly would enjoy a considerable degree of satisfaction if, during the current year, this Institute was able to make some positive contribution towards such a revival.

We have put together a programme for our Winter Meetings which will cover a wide range of important topics materially impacting on our business. We shall be dealing with Fire, Accident, Life, Claims, Reinsurance and Planning. As an Industry providing a service to society, we must always be conscious of our public image which, quite frankly, has suffered much in the past. How we are seen by outsiders can be very important and, at our first Meeting here in November, we shall be considering this topic when we are addressed by Mr. Des O'Malley, T.D. He will be speaking as a member of the public, a lawyer, a politician and a former Government Minister who, for quite a number of years, carried responsibility for the Insurance Industry. So, we are assured of a very interesting evening when he gives an outside view of our Industry.

Last year's innovation by my predecessor in holding a Lunchtime Lecture proved so successful that, in this Session, we are having two such Lunchtime Meetings - one on Wednesday 23rd of this month and the other on Wednesday, 22nd January 1986. These will deal with the very practical problems of Burglary and Consequential

Loss, or, as it is more correctly described today, Business Interruption Insurance.

Our Speakers at all Meetings will be experts of the highest calibre in their respective fields and I am extremely appreciative of the manner in which they so readily and generously responded to my approaches for assistance in putting our Programme together.

Another innovation this year will be a Joint Meeting with the Dublin Solicitors' Bar Association of the Incorporated Law Society. On Wednesday, 20th November at 8 p.m. we shall be coming together at the Law Society Headquarters in Blackhall Place for a Meeting at which the topic will be "**Professional Liability**" - a subject of considerable interest to both the Legal and Insurance Professions.

This Meeting with the Law Society arose from the expressed wish of many of our Members to generate educational liaison with other professional bodies and I am sure that we can rely on a good attendance from this Institute for such an important away fixture. In future years, perhaps we shall be able to extend this form of external contact to take in Meetings with other such bodies.

We see the needs of our younger Members and Students as extremely important. In their early formative years within the business, it is vital that they develop a proper appreciation and understanding of Insurance in all its relevant aspects, and a realisation that it is a technical business which can only be mastered by conscientious application and study. Our Institute has an essential role to play in this development, working in conjunction with the Chartered Institute in London and our own parent body, The Insurance Institute of Ireland.

Working through a very important Group, the Office Representatives' Committee, we, as Members of the Institute Council, are kept informed of the on-going educational needs of Members, particularly those who are Students and we have consulted with that Committee before completing our Programme for the forthcoming Session, as I have described.

This Office Representatives Committee, in conjunction with the Honorary Educational Officers, is doing tremendous work in the promotion of direct services for Students. The now Annual Students' Workshop has just been held very successfully, with increased numbers attending. The Examination Study facilities provided through postal tuition from London are again being backed-up by a series of special lectures in Dublin by Tutors from the Chartered Institute. The Evening Classes held at Premier College will again form a major part of the Institute's Services for Examination Students. In agreeing with a recently published Chartered Institute Report, we see these forms of Oral Tuition as extremely important in the attainment of higher Examination Standards and we are very happy with the level of services being provided at Premier College from whom we receive every co-operation.

The benefit of these improved services for Students, particularly the Oral Tuition, is undoubtedly reflected in the improved Examination Results achieved by Dublin Students. This year we have had the highest number of candidates completing their Diploma Examinations with no fewer than thirty-eight new Associates and seven new Fellows - a tremendous achievement, almost trebling the numbers of the previous year.

A total of 720 Candidates entered this year's Examinations in Dublin for 2,130 individual Papers. These are similar numbers to 1984. Although the number of Papers actually submitted was down

due to higher absenteeism, with an unexplained number of 107 Candidates not appearing for any of the Papers entered, the growing Pass rate seen over recent years has improved still further.

In Associate Subjects, our Pass rate here rose to 41.7% and this is now only marginally worse than the overall C.I.I. average. The standard reached by our Fellowship Students was exceptionally high with a Pass rate of 49.3%. This is considerably above the overall U.K. rate of 41%. These are all very satisfactory results and do indicate that the efforts which are being made are proving worthwhile.

The success of the various services and facilities for Students would not be possible without the co-operation of so many Employers and this co-operation is greatly appreciated.

Our Institute, of course, does not confine its interests and activities to services for Examination Students, even though these may be very important. It is very much concerned with the broader concept of education amongst its overall aims. Education is an on-going process in our profession just as in any other and, in the support for the Institute which is being displayed here this evening, we are acknowledging the part which it has to play in this educational process. We must strive for the attainment of that principal objective which, as I have stated, is to promote the highest standards of professionalism and efficiency.

How professional is our business? How efficient is it? We do not have to look very far to realise that all has not been well in the Insurance World for some time. The malaise which struck

our Industry World-wide clearly indicates that the elementary principles on which Insurance is based have been completely ignored in many instances. Underwriting, as it had been known, became a thing of the past in a variety of areas and lured by the attraction of high interest rates, the only concern of very many so-called Underwriters had been the volume of Revenue and Cash Flow which could be achieved.

In this situation, many new so-called Risk Carriers entered the Market as Insurers and, even more particularly, as Reinsurers. Considerable Market over-capacity emerged and, in the scramble to attract business, with its Cash Flow Appendix, rates were cut severely and, eventually, bore little or no relation to the risks being carried.

We have seen soft Insurance Markets with their considerable over-capacity being exploited by direct Insurers taking business at totally inadequate premiums, holding little, if any, of risks for themselves and preferring to take the benefit of what they saw as risk-free Reinsurance Commissions. Little or no attention was given to the security or lack of it, provided by many of those third or fourth-rate Reinsurers. It was not surprising that when large claims eventually had to be paid, many of those Reinsurers were unable to meet commitments, many just no longer existed.

The overall situation was certainly not enhanced by the various scandals which emerged as financial manipulations masquerading as Reinsurance and other transactions, were uncovered at Lloyds. It has been openly suggested that much of what occurred went deeper than mere incompetence.

As Insurance, by its nature, is a world-wide business, it was inevitable that some impact of the ills of other markets would be

felt here. However, what has happened in Ireland cannot be attributable totally to external influences. Whilst some more disciplined markets have come through these difficulties with a minimum adverse effect, we in Ireland have suffered badly and for this we have only ourselves to blame. To have over 30% of our General Non-Life Insurance Market either in Administration or Receivership is a clear indication that something has been radically wrong and is a poor reflection on our Industry.

Some steps have been taken to face up to these problems but it is going to need more positive and wider action to restore to our Industry the confidence and stability which are essential to survival as a private enterprise structure.

This Institute, in the furtherance of its objectives, must promote the attainment of professionalism and efficiency. We encourage our Students to understand and appreciate the basis of our business but, alas, whilst such theories may seem ideal in an Examination context, they are so frequently lost or ignored in practical business dealings. There is a crying need to come right back to basics, to realise that we are in a risk-taking business and to understand the nature and extent of the risks which we are assuming on behalf of others. Unless we do this, how can we call ourselves Underwriters. The reality is that the science of Underwriting has been pushed into the background or totally ignored in so many instances by all sections of our Industry - risk-carriers and intermediaries alike. We have seen far too frequently premiums rates being cut to totally inadequate levels solely to hold or acquire business. Such an approach can only add to our problems and jeopardise still further market stability.

In very simple terms, we are in business to pay claims. If there were no claims, there would be no need for Insurance. The problem, of course, is in evaluating the risk of claims so that we can know what is an appropriate premium to charge.

This is a task which demands a degree of specialised skill and experience. Unfortunately, these Underwriting skills have been suppressed over recent years with the push for revenue growth at any cost and, as a result, they are in short supply in many areas.

It is essential that the science of Underwriting should be cultivated. The abilities are there when we look at the increased numbers of Students graduating through the Insurance Examination process. What is needed is opportunity to develop these skills and acquire the necessary experience. It falls to Management to provide these opportunities in setting out planning requirements and business philosophy.

If we are to be professional in our approach to Underwriting, we must ensure that adequate back-up facilities are available to Underwriters. These facilities should include proper and sufficiently wide statistics either on a Market or, for larger Insurers, on a Company basis. There is a strong need for greater co-operation between Insurers in the compilation of Market Statistics for the various classes of business.

We must readily acknowledge that the Life Assurance Market has made the fullest use of statistics and, by combining these with considerable actuarial skills, has managed to confidently steer a reasonably safe course through difficult economic conditions. On the Life side, of course, we are dealing with more predictable issues of risk.

Matters on the general side are a little more complex but there is tremendous scope for far greater use of actuarial assistance in providing back-up for Underwriters. This can be very useful in most classes of business, but, particularly, in those Accounts such as Motor and Liabilities which provide cover for Liability

Risks of any sort. I would go as far as saying that it is virtually impossible to adequately rate long-term Liability Business without the assistance of actuarial information. In my view, the failure to use such actuarial guidance has contributed to the serious Underwriting Losses which have bedevilled the Liability Market over recent years. How many Underwriters, even today, have, for example, adequate information to indicate with any degree of accuracy the future development rate of Liability Claims from current or past years. Would they be surprised if the Actuary demonstrated to them that the claims cost showing under an Employers Liability Account for the year just ended should be loaded by at least 75% to allow for inevitable development.

The professional Underwriter should also have available to him adequate facilities for the surveying and inspection of risks. It is essential that the nature of risks should be fully understood and inspection can provide additional information on many aspects of risks being presented - information on construction, security and protection, the nature of contents and materials, work processes and other aspects. It will also provide an opportunity to assess the need for and recommend the introduction of risk control or improvement measures. Whilst total elimination of risk cannot be expected - we are in a business of covering risk - its control should always be sought as an essential element of good Underwriting.

Society needs protection against the risks of loss, damage or death and we are in business to meet those needs. Our task is primarily to serve society through individual policyholders but as we heard discussed at the recent C.I.I. Conference, society also expects the Insurance Industry to have a broader role in managing Policyholders Funds to develop the economy for the wider good of society as a whole. At the same time, we have a responsibility to shareholders and to fellow employees.

All these needs depend on the maintenance of a strong, healthy and co-ordinated Industry backed by the security of financially-sound Insurers. This security must keep pace with expanding financial needs and with the needs of society. It can only do this if premiums are adequate to meet the cost of claims and expenses and to provide a reasonable degree of profit without which our Industry cannot survive.

The real strength of the Insurance Industry lies in its people - in their ability to manage - in their ability to understand and appreciate all aspects of the risk business - in their ability to achieve professionalism and efficiency.

This Institute will continue to provide every possible assistance in developing these talents.