

The Society of Actuaries in Ireland

Pension Charges to Fall

Pension charges are set to fall following the introduction of the new Personal Retirement Savings Account (PRSA), a Society of Actuaries in Ireland seminar was told today.

Addressing the seminar entitled *Current Issues in Life Assurance* Peter Caslin of Financial Risk Solutions said this was good news for consumers, but would pose considerable challenges for life assurance companies.

Charges on the standard PRSA would be limited to 5% of contributions and 1% of assets he said and no entry or exit charges would be allowed. Cash based charges, such as policy fees, would also be abolished.

“In addition to reduced margins, life assurance companies will also face increased competition from banks and building societies in one of their traditional markets. Companies will need to seek greater efficiencies from automation and will also need to gain greater scale, if they are to compete in the new marketplace,” Mr Caslin added.

Echoing these sentiments, Colin Bell of Scottish Equitable said that the introduction of stakeholder pensions in the UK will have a similar effect. Charges on stakeholder pensions will be limited to 1% of assets, will require dramatic reductions in commissions and 30%-40% reductions in unit costs if they are to be profitable for companies. Improved use of technology and better customer relationship management will be crucial if companies are to be successful.

Welcoming the new Personal Retirement Savings Account, Jimmy Joyce, President of the Society of Actuaries in Ireland, said that more widespread pension provision was desirable. The new contract will facilitate this by providing customers with good value, flexible and transparent products. The Society also welcomed the requirement for a Statement of Reasonable Projection — which will help customers plan for their retirement.

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Further Information

Ronan Cavanagh, Setanta Communications: (01) 668 3844 or (086) 317 9731.

Peter Caslin, Financial Risk Solutions: (01) 632 8815 or (086) 816 7269.

NOTE: **Photographs** are available. Please contact Ronan Cavanagh.

The Society of Actuaries in Ireland

The Society of Actuaries in Ireland is the professional body for actuaries practising in Ireland, many of whom work in the pensions and life assurance industries. The Society aims to develop the role and understanding of the actuarial profession and to enhance its reputation, in particular for serving the public interest.