



## 1. Introduction

What an extraordinary year it has been and one that will certainly remain in the memory for a long time to come. The key message arising from the outcome of the Brexit Referendum and the US Presidential election is “Uncertainty”. The management of risk is a key focus of insurance and this new era of uncertainty will present many challenges for us all over the coming months and years. However, as 2016 comes to a close I’d like to reflect on some key achievements from the past year and take the opportunity to look forward to 2017.

2016 was a very significant year for Insurance Regulation with the introduction of Solvency II after many years of preparation and planning. Both the Central Bank and the insurance industry invested significant resources into the successful implementation of Solvency II. I would encourage you to continue on this path. Elsewhere, the Bank was subject to an IMF Financial Sector Assessment Program and the findings were broadly positive. Whilst we recognise the continuous need to improve and strengthen the framework, the IMF report was an important endorsement of our Insurance Regulatory Framework. Over the course of 2016 important work was completed by the Oireachtas Finance Committee and the Department of Finance Working Group on Insurance. I would encourage all stakeholders to work together to address the issues raised and we will also play a role as is appropriate to our mandate.

Looking forward to 2017, the on-going implementation and refinement of Solvency II will be necessary to ensure we maintain a robust regulatory framework to protect consumers. One area that has received significant interest is the recent increase in authorisation activity, primarily due to the decision of the United Kingdom to change its relationship with the European Union. We are committed to allocating appropriate resources to ensure authorisations are processed in a timely manner. We will ensure a clear, open and transparent authorisation process which provides a rigorous assessment of the applicable regulatory standards. In closing, I wish you peace and happiness this Christmas and good wishes for 2017.

**Sylvia Cronin**

**Director of Insurance, Central Bank of Ireland**

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## 2. Supervision Update

### 2.1 Appointment – New Head of Division

David Cobley has recently been appointed to the role of Head of Division - Insurance. David took up the role in early October and will lead the Insurance - Actuarial, Analytics & Advisory Division. David is a Fellow of the Institute and Faculty of Actuaries and has held a number of senior management roles in the UK and European insurance industry.

### 2.2 Insurance Directorate – Industry Briefing

A large number of industry executives attended our October briefing for industry and stakeholders. The welcome address from Sylvia Cronin, Director of Insurance, is available [here](#) and the subsequent presentations from Nuala Crimmins, Head of Division Insurance Supervision and Dr. Allan Kearns, Head of Function Prudential Analytics are [here](#).



L to R. Dr. Allan Kearns, David Cobley, Nuala Crimmins,  
Sylvia Cronin & Tim O’Hanrahan



Industry representatives and stakeholders at our October  
briefing event

### 2.3 IT & Cybersecurity

Following the issuance of [Cross Industry Guidance in respect of Information Technology and Cybersecurity](#), we:

- 1) Requested auditors of **High Impact undertakings** to complete work in accordance with the Auditor Assurance framework. Auditor Assurance notification letters were issued in October to relevant undertakings and their auditors. High impact undertakings are required to prepare a report setting out the description of the internal governance arrangement performed by the Board of Directors and Senior Management in place. Their Auditors must undertake an examination and prepare two reports (an assurance report and the “review and recommend” report) under Section 27BA of the Central Bank (Supervision & Enforcement) Act 2013. Both reports should be submitted to the Central Bank by 30 June 2017.



- 2) Issued a questionnaire to **Medium High & Medium Low undertakings**. The questionnaire was based on the Cross Industry Guidance in respect of Information Technology and Cybersecurity and responses were received from undertakings in December. Feedback on the questionnaire will be provided in Q1 2017.

## 2.4 Clarification - Look Through on Collective Investment Undertakings (CIUs)

The Bank issued an information note in April 2016 regarding the look through of Collective Investment Undertakings (CIUs). Further clarification on the subject was sought by some undertakings and we expect that firms will note the following in relation to CIU's:

- Undertakings should be fully compliant with the relevant Solvency II regulations regarding the completion of the CIU reporting template.
- Commission Implementing Regulation (EU) 2015/2450 states that *“the look-through shall be performed until the asset categories, countries and currencies are identified”* ... *“For the identification of countries, the look-through should be implemented in order to identify all countries that represent more than 5 % of each fund being looked-through and until 90 % of the value of each fund is identified by country.”*
- The EIOPA Guidelines on look-through approach advise that undertakings should perform a sufficient number of iterations of the look-through approach to capture all material risks.

## 3. Solvency II Reporting

### 3.1 Data Quality issues with SII Reporting

The usefulness of the Solvency II reporting data is wholly dependent on the quality of the information provided by undertakings. Our own data assessments include the taxonomy validations on the Online Reporting System (ONR), subsequent automated checks of data quality and plausibility and a final supervisory review of individual submissions. These local checks are then supplemented with an EIOPA review which provides cross-country comparisons of the data received.

Following the Day 1 and Q1 2016 reporting exercises we engaged with a number of undertakings to query the quality of the data we had received. In a number of cases we requested a review and resubmission of the data. The evident improvement in Q2 2016 reporting was very encouraging but fundamental questions remain about the underlying reporting processes within undertakings. In this context, we are asking undertakings to consider three important questions in relation to their data governance:

- What controls are in place in your undertaking to mitigate risks to the quality of reporting?
- To what extent has the review and governance process within your undertaking been either validated or shown to be ineffective?
- To what extent is there certainty of the integrity of the data from its origin to final reporting?



Further insights into data quality issues in Solvency II reporting are provided in Dr. Allan Kearns presentation to the recent industry briefing event which is available [here](#).

### 3.2 ONR Testing for Annual Returns

The first set of Solvency II Annual Returns for the reporting period ended 31/12/2016 are due in May 2017. The purpose of testing with Insurance undertakings is to both assist the Central Bank to test our ONR collection system and for undertakings to test that a valid file can be uploaded correctly into the Central Bank system. The first user acceptance testing (UAT) cycle took place between 5 – 12 December 2016 and the second UAT Cycle takes place between 15 – 23 December 2016.

Undertakings can continue to use the test environment after the above dates but we will not have dedicated resources continually monitoring the system so there may be a delay in logging and fixing any defects.

The XBRL returns covered by this test cycle are:

- Annual Solvency II Reporting (Individual and Group as relevant) - under taxonomies 2.0.1 & 2.1.0 - this incorporates ECB Add-ons – please use the .AES.XSD return type for Individual undertakings
- Quarterly Solvency II Reporting (Individual and Group as relevant) under new taxonomy 2.1.0 - this incorporates ECB Add-ons – please use the .QES.XSD return type for Individual undertakings
- Quarterly Financial Stability Reporting (if relevant to your organisation) - under new taxonomy 2.1.0
- Annual Financial Stability Reporting (if relevant to your organisation) - under new taxonomy 2.1.0
- Quarterly National Specific Template (NST) - under new NST taxonomy version 1.1.0
- Bi-Annual National Specific Template (NST) - under new NST taxonomy version 1.1.0
- Annual National Specific Template (NST) - under new NST taxonomy version 1.1.0

### 3.3 ONR System - Test Information

- The link to the Test ONR System is available [here](#)
- Any undertaking that has not yet signed-up for ONR testing for the annual returns should do so by emailing: [SIITestReturns@centralbank.ie](mailto:SIITestReturns@centralbank.ie). If your undertaking has already registered for quarterly testing, there is no need to re-register, you will automatically be set up for annual testing.
- If your ONR administrator or your test users have changed since the last quarterly testing process please send any updated contact details to the [SIITestReturns@centralbank.ie](mailto:SIITestReturns@centralbank.ie) mailbox. These updates will ensure that we are contacting the right people about testing.
- The Annual Returns and Q4 2016 returns for taxonomy version 2.1.0 will be available in the ONR live system from mid-January 2017 (as per the current planned project dates).



### 3.4 Publication of Taxonomy Hotfix

On 10 November 2016, the Central Bank published a hotfix to the NST taxonomy version 1.1.0 (originally published 5 October). There are some minor updates to the taxonomy that affect NST.13 but all other templates are unaffected. The full detail of changes to the hotfix are included in a separate [release note](#) published on our website. Some taxonomy files have changed, have been marked as updated and are now available [here](#) on our website. Please ensure that you use the latest updated NST taxonomy files from the website for your Quarter 4 2016 NST return, H2 bi-annual NST return, and Annual NST Return 2016 (if applicable).

## 4. Policy Update

### 4.1 Requirement for External Audit of Solvency II Regulatory Returns/Public Disclosures

The Central Bank's Requirement for External Audit of Solvency II Regulatory Returns/Public Disclosures (as outlined in Section 3 of the [Feedback Statement to Consultation Paper CP 104 - External Audit of Solvency II Regulatory Returns / Public Disclosures](#)) was published on 28 September 2016. The requirement will apply to all undertakings subject to Solvency II and for periods ending on or after 31 December 2016.

Regulation 37 of S.I. No. 485 of 2015 - European Union (Insurance and Reinsurance) Regulations 2015 ("Regulation 37") enables the Central Bank, by notice in writing, to require that elements of the quantitative information submitted by insurance and reinsurance undertakings be audited, and that the audit report should include a reasonable assurance opinion on the elements of the SFCR relevant to the balance sheet, own funds and capital requirements as described in Regulation 52 of S.I. No. 485 of 2015. In accordance with Regulation 37, the audit report shall be made to the Central Bank.

On 11 November 2016, notice was provided to Solvency II undertakings and their auditors by email (in accordance with the requirements of Regulation 309 of S.I. No. 485 of 2015).

### 4.2 Guideline for Solvency II (Re)Insurance Undertakings on Directors' Certifications

On 25 November the Central Bank issued an updated version of the [Guideline for Solvency II \(Re\)Insurance Undertakings on Directors' Certifications: Frequently Asked Questions](#). The updated version provides additional detail on how directors' certifications are expected to be submitted to the Central Bank. Please note that all directors' certifications due to be submitted in 2016 and directors' certifications on ORSA report completed in 2016 but due for submission in 2017 are expected to be submitted in hard copy format. All other directors' certifications due to be submitted from 2017 onwards are to be submitted via the ONR reporting system. Steps describing how to submit the directors' certificate via ONR are outlined within the FAQ document as referred to above.



## 5. EU & International Insurance Updates

### 5.1 Commission adopts Implementing Regulation (EU) 2016/1976

On 10 November 2016 the European Commission adopted [Implementing Regulation \(EU\) 2016/1976](#). The regulation lays down the technical information for the calculation of technical provisions and basic own funds for reporting with reference dates from 30 September until 30 December 2016.

### 5.2 Publication of Discussion Paper on Recovery & Resolution Frameworks

On 2 December 2016 EIOPA published a Discussion Paper on Potential Harmonisation of Recovery and Resolution Frameworks for Insurers. In its discussion paper EIOPA recommends a minimum degree of harmonisation applied in a proportionate manner with the objective to avoid fragmentation and to facilitate cross-border cooperation and coordination. EIOPA invites views on the discussion paper by 28 February 2017. The Discussion Paper and the template for comments can be accessed [here](#).

### 5.3 EIOPA consults on the SCR standard formula under Solvency II

On 8 December 2016, EIOPA published a [discussion paper](#) (dated 5 December 2016) on its review of specific items in the Solvency II Delegated Regulation ((EU) 2015/35) (EIOPA-CP-16/008). The paper addresses overarching aspects of the SCR standard formula, such as simplified calculations, reducing reliance on external credit ratings, treatment of guarantees, and risk mitigation techniques. The consultation period ends on 3 March 2017 and EIOPA will submit its final advice to the Commission by February 2018.

### 5.4 EIOPA's financial stability report

On 8 December EIOPA published its [December 2016 Financial Stability Report](#) in the (re)insurance and occupational pensions sectors of the European Economic Area (EEA).

### 5.5 EIOPA Stress Test

On 15 December EIOPA published the results of the 2016 Insurance Stress Test. Further detail can be found [here](#) on the EIOPA website.

## 6. Forward Planner

Date	Topic
January 2017	Live ONR system will be updated to include all Annual Returns.
31 January 2017	Annual Return submissions due for undertakings with a 30 June 2016 year end
20 May 2017	Submission of the 2016 solo annual Solvency II returns and annual NST returns (for those undertakings with YE Reporting Date of 31 December 2016)



## 7. Recent Publications

27 September 2016	Central Bank Insurance Statistics 2015
5 October 2016	Opening remarks by Deputy Governor (Financial Regulation) Cyril Roux at the Oireachtas Committee on Finance, Public Expenditure & Reform
25 October 2016	Press Article by Deputy Governor (Financial Regulation) Cyril Roux on Insurance Premiums
26 October 2016	Opening Address by Director of Insurance, Sylvia Cronin, at Industry Briefing Event together with Presentations by Nuala Crimmins and Dr. Allan Kearns
28 October 2016	Guidance for (Re)Insurance Undertakings on Head of Actuarial Function Role
8 November 2016	Address by Director of Policy and Risk, Gerry Cross, to the ACOI Annual Conference
17 November 2016	Address by Director of Insurance Supervision, Sylvia Cronin, at the Irish brokers Association Annual General Conference
25 November 2016	Guideline for Solvency II (Re)Insurance Undertakings on Directors' Certifications: Frequently Asked Questions (Updated version)
01 December 2016	Address by Deputy Governor (Financial Regulation) Cyril Roux, at the Institute of International and European Affairs (IIEA)
13 December 2016	Address by Director of Insurance Supervision, Sylvia Cronin, at Deloitte

## 8. Contact Us

- Queries specific to your undertaking should be sent to your usual supervisory contact.
- General insurance queries should be sent to [insurance@centralbank.ie](mailto:insurance@centralbank.ie)
- Queries on regulatory returns should be sent to [insuranceregulatoryreportingqueries@centralbank.ie](mailto:insuranceregulatoryreportingqueries@centralbank.ie)
- Queries on insurance policy matters should be sent to [insurancepolicy@centralbank.ie](mailto:insurancepolicy@centralbank.ie)
- **We're moving!**



In Q1 2017 the staff of the Central Bank's Insurance Directorate will relocate to our new offices on North Wall Quay.

