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BY EMAIL & REGISTERED POST

Re: Requirements on Reserving and Risk Governance for Variable Annuities – Undertaking pursuant to Section 24 of the Insurance Act 1989

Dear CEO

The Central Bank of Ireland (“Central Bank”) issued a letter to all Variable Annuity companies on 8 November. This letter set out qualitative disclosure requirements required by the Central Bank in respect of regulatory returns for the period ending 31 December 2010. The Central Bank is now formalising this requirement for future reporting periods and is setting out an enhanced capital requirements regime which is applicable from 1 January 2011. Please see enclosed paper entitled “Requirements on Reserving and Risk Governance for Variable Annuities” (the “Requirements”) for further details.

Therefore, pursuant to section 24 of the Insurance Act 1989 (the “Act”), the Central Bank, considering it expedient in the public interest and in the interest of policyholders, hereby requires the Insurer to give an undertaking in writing to adopt these Requirements by close of business on 21 January 2011 and pursuant to Section 24(2) of the Act the Central Bank hereby requires the Insurer to furnish to the Central Bank the returns and documents or other information specified in the Requirements.

The failure by the Insurer, or any person concerned in its management, to give the undertakings required or to furnish the information required, or where such an undertaking is provided failing to comply with that undertaking, constitutes a contravention of section 24 of the Act. Any such contravention may be the subject of an administrative sanction under Part IIIC of the Central Bank Act 1942, and also constitute an offence pursuant to section 3 of the Act.

In addition, where the Insurer, or any person concerned in its management, fail to comply with the above requirements imposed under section 24(1) of the Act, the Central Bank may suspend or revoke the Insurer’s authorisation in any class or part of a class of business.

Donncha Connolly
Head of Retail Insurance Supervision