



1. Introduction

Welcome to the first edition of our insurance newsletter. Our new quarterly publication will provide industry and other interested stakeholders with insurance related information, updates and feedback from the Central Bank.

Included in this edition is an overview of the first wave of Solvency II reporting from Irish undertakings. Over the past year reporting has featured as a key theme in all of our engagement with industry and the submission results from the first wave of Day 1 and Quarter 1 reporting have been very encouraging. Congratulations on the collective industry effort which ensured the success of the initial Solvency II reporting exercise.

Elsewhere we provide a general review of the 2015 Forward Looking Assessment of Own Risk (FLAOR) submissions received from High and Medium High rated undertakings and we highlight specific outcomes in relation to FLAOR reports from a selection of cross-border undertakings. We've also introduced a Policy section in the newsletter where we outline a number of current and forthcoming insurance policy matters.

Finally, in order to improve the format and content of the newsletter, and to ensure we are bringing you relevant information, we are interested in hearing from our readers. If you have any feedback in relation to the newsletter you can send it to insurance@centralbank.ie. We will review all suggestions and where possible we will incorporate them into future editions.



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2. Reporting Update

2.1 Solvency II - Day 1 & Quarter 1 Reporting

The initial iteration of Solvency II reporting in Ireland has been very successful, with the vast majority of expected returns having been received by the Central Bank:

- Day 1 QRTs: 100% completion (96% on time);
- Quarter 1 QRTs: 99% completion (96% on time);
- Quarter 1 NSTs: 99% completion (95% on time).

We would like to thank (re)insurance undertakings for their efforts and for engaging so positively with the test and live reporting processes. We have followed up with the remaining undertakings in respect of any outstanding submissions.

From a systems perspective, the upload times on the Online Reporting (“ONR”) system have been very much within expected limits. This is due in part to the early engagement of undertakings, with a large percentage of those undertakings submitting via ONR ahead of the formal reporting deadline. We encourage undertakings to continue, where possible, to submit and sign-off their Solvency II returns in advance of reporting deadlines.

A common theme from both the live and test reporting environments has been the need for a number of submission attempts before the successful upload of a valid XBRL instance. In light of this experience we advise undertakings to engage early with testing for any of the subsequent return types (e.g. semi-annual NSTs and annual QRT reporting).

Finally, there have been a number of issues in respect of data quality observed in the reporting to date. The Central Bank is actively engaging with undertakings on a bilateral basis to resolve these issues. While in many cases such engagement will result in advice for future submissions, there may also be cases where resubmissions of Day 1 or Quarter 1 returns will be required.

2.2 Changes to wording in technical specification in NST.07

Undertakings are advised that the wording in relation to “Other Expenses” in QRT S.05.01 changed during 2015. The new wording is shown in the table below.

C0200/R1200	Other expenses	Other technical expenses not covered by above mentioned expenses and not split by LoBs. Should not include non-technical expenses such as tax, interest expenses, losses on disposals, etc.
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As the NST templates mirror the QRT templates, this change is now reflected in the technical specification for NST.07 on the CBI website. The technical specification for NST.07 has recently been amended to the following:



C0390/R1100	Other expenses	Other technical expenses not covered by above mentioned expenses and not split by LoBs. Should not include non-technical expenses such as tax, interest expenses, losses on disposals, etc.
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3. In-Situ Applications for PCF48 (Head of Actuarial Function)

Persons occupying the role of Head of Actuarial Function (PCF 48) as of 31 December 2015 were required to submit an In-Situ application via the Central Bank ONR system prior to 31 May 2016. The In-Situ process required confirmation that the (re)insurance undertaking had performed due diligence in respect of the person performing the role of the Head of Actuarial Function (PCF48) in the (re)insurance undertaking. (Re)Insurance undertakings were required to confirm that they were satisfied on reasonable grounds that the appointee was compliant with the Central Bank’s Fitness & Probity Standards, and that they had obtained the appointees written agreement to abide by those standards.

Persons occupying the Head of Actuarial Function role at 31 December 2015, who submitted an in-situ application prior to 31 May 2016, may continue in that role and do not require the pre-approval of the Central Bank. No confirmation of the appointment is required from the Central Bank in such instances. Undertakings who did not submit an In Situ application prior to the 31 May 2016 deadline are required to follow the Central Bank’s IQ process for an appointment to the role of Head of Actuarial Function (PCF48).

4. 2015 FLAOR Review

4.1 General Review of 2015 FLAOR Submissions from High/Medium-High Undertakings

The Forward Looking Assessment of Own Risk (FLAOR) represents the precursor to the Own Risk and Solvency Assessment (ORSA) which is required under Solvency II. The Preparatory Guidelines issued by the Central Bank in late 2013 required all Irish authorised undertakings to engage in the FLAOR process as part of their Solvency II preparations. All undertakings were required to complete a FLAOR submission in respect of 2014 and 2015. Low and Medium Low rated undertakings were required to submit a FLAOR template and Medium High and High undertakings were required to submit their full FLAOR report. The feedback from the 2014 exercise can be found [here](#) on our website.

In relation to 2015 FLAOR reports submitted during 2016 - the Central Bank issued a general feedback letter to (re)insurance undertakings in May 2016, a copy of which is available [here](#) on our website. Individual supervisory teams of High and Medium High impact undertakings will supplement the general feedback with undertaking specific feedback. Any High and Medium High impact firms who have not received specific feedback can expect to receive same during Q3 2016.

4.2 Thematic Review of 2015 FLAOR Submissions from Cross-Border Life Undertakings

One of the key objectives of the FLAOR/ORSA thematic review carried out by the Cross Border Supervision Team in Quarter 1 2016 was to assess the level of progress made by the companies against



the Central Bank's [Guidelines on Preparing for Solvency II](#) and the feedback issued to industry in the [2015 Dear CEO letter](#). The following ranges were considered when ranking information across across the various FLAORs submitted by industry:

Red	0%-40%	A key component is missing or not well evidenced in the FLAOR report.
Amber	40%-70%	Firm meets some of the requirements but there is a need for further improvement.
Green	+70%	Firm addressed most of the requirements outlined in the guidelines but in cases there may be minor areas for improvement.

Using a Heat Map Analysis tool with a RAG Indicator (Red-Amber-Green), the following chart summarises the findings from the exercise:

Progress observed against Central Bank of Ireland Preparatory Guideline			
Guideline 1 – General Provisions	Green	Guideline 10 – Valuation and recognition of the overall solvency needs	Amber
Guideline 2 – Scope and application of the forward looking assessment of own risks	Green	Guideline 11 – Assessment of the overall solvency needs	Amber
Guideline 3 – Proportionality	Green	Guideline 12 – Forward-looking perspective of the overall solvency needs	Amber
Guideline 4 – Role of the board of directors: top-down approach	Green	Guideline 13 – Regulatory capital requirements	Amber
Guideline 5 – Documentation	Amber	Guideline 14 – Technical provisions	Amber
Guideline 6 – Policy on the forward looking assessment of own risks	Amber	Guideline 15 – Deviations from assumptions underlying the SCR calculated with the standard formula	Amber
Guideline 7 – Record of each forward looking assessment of own risks	Amber	Guideline 16 – Link to the strategic management process and decision-making framework	Red
Guideline 8 – Internal report on the forward looking assessment of own risks	Amber	Guideline 17 – Frequency	Green
Guideline 9 – Supervisory report on the forward looking assessment of own risks	Amber		

Individual feedback from the thematic review was issued to each of the sampled undertakings by the Cross Border Supervision Team in May 2016. Many of the lessons from the review are more widely applicable and we recommend that undertakings take note of the outcomes of the cross-border FLAOR review. The findings should be referred to when measuring your undertakings level of progress against the [EIOPA Guidelines on Own Risk and Solvency Assessment](#) (applicable since 1 January 2016).

5. Policy Update

5.1 Central Bank publishes Consultation Paper on External Audit of Solvency II Regulatory Returns / Public Disclosures

On Wednesday 1 June 2016, the Central Bank published a Consultation Paper (CP 104) on External Audit of Solvency II Regulatory Returns / Public Disclosures. This Consultation Paper sets out the Central Bank's proposed approach, scope, and application of the requirement in Regulation 37 of S.I. No. 485 European Union (Insurance and Reinsurance) Regulations of 2015 with regard to the external audit of elements of Solvency II regulatory returns/public disclosures. It is proposed that all (re)insurance undertakings will be in



scope, and, in the case of groups headquartered in Ireland, the consolidated solvency calculations are to be included. It is also proposed that the requirement will be implemented in respect of reports for financial years ending on or after 31 December 2016.

In line with Regulation 37 the audit report should include a reasonable assurance opinion on elements of the report on the solvency and financial condition of the undertaking (“the SFCR”) relevant to the balance sheet, own funds and capital requirements.

Submissions are invited from interested parties by 29 July 2016 by email to CP104@centralbank.ie.

5.2 Central Bank publishes Consultation Paper (CP103) on Guidance for (Re)Insurance undertakings on the Head of Actuarial Function Role

On 20 May 2016, the Central Bank published a Consultation Paper (CP 103) on Guidance for (Re)Insurance undertakings on the Head of Actuarial Function Role. This Consultation Paper deals with proposed guidance in relation to certain tasks of the Head of Actuarial Function which have been introduced either by SI 485 of 2015 or by the 2015 Domestic Actuarial Requirements. A copy of the Consultation Paper can be accessed via the Consultation Papers section of our website.

Submissions are invited from interested parties by 12 August 2016. Any queries in relation to this Consultation Paper should be directed to insurancepolicy@centralbank.ie

5.3 Information Note on Collective Investment Undertakings (CIUs) – Look Through

The Central Bank issued an [information note](#) in April 2016 regarding the Q1 2016 completion of reporting template S.06.03 which is concerned with the look through of Collective Investment Undertakings (CIUs). The information note suggested that where undertakings were experiencing difficulty in providing a full look through of their CIUs they should provide the Central Bank with a narrative submission along with their Q1 QRTs. Approximately 10 such narrative submissions have been received and the relevant supervision teams are currently considering those submissions.

5.4 Survey on External Credit Ratings Information under Solvency II

Since the introduction of Solvency II EIOPA has been made aware that undertakings may be experiencing increased difficulty in obtaining some of the required information related to the ratings of investments. This information is required by undertakings for a variety of purposes including for the calculation of figures required for regulatory reporting (e.g. solvency capital requirements, matching adjustments, recoverables from reinsurance and SPVs) and for risk management purposes.

In order to understand more about the nature and extent of any difficulties being experienced by undertakings EIOPA requested NCAs to gather information on the issue within their national market. The Central Bank sent a survey on the topic to Compliance Officers at the beginning of May to determine if this was an issue for undertakings in the Irish market. 25 undertakings responded to the survey and no major



issues were identified by those that responded. We would like to thank those undertakings for their participation in the survey. The results of the survey will be used by the Joint Committee of the European Supervisory Authority's to inform any amendments to the draft Implementing Technical Standards (ITS) on the mapping of External Credit Assessment Institutions' (ECAIs).

5.5 Discretions and Options on Submission of Information to the Central Bank under Solvency II Accident year or underwriting year reporting of claims

In accordance with the Implementing Technical Standards (ITS) on the templates for the submission of information to the supervisory authorities (ITS on Supervisory Reporting), unless otherwise specified by the Central Bank, undertakings have the option to report claims data in the templates below, either by accident year (AY) or by underwriting year (UY):

- S.16.01.01 - Information on annuities stemming from Non-Life Insurance obligations
- S.19.01.01 - Non-life insurance claims
- S.20.01.01 - Development of the distribution of the claims incurred
- S.21.01.01 - Loss distribution risk profile

Similarly, in accordance with the ITS on the procedures, formats and templates of the solvency and financial condition report (ITS on Public Disclosure), unless otherwise specified by the Central Bank, undertakings have the option to publicly disclose claims data in template S.19.01.21 ('Information on annuities stemming from Non-Life Insurance obligations'), either by AY or UY.

The Central Bank is providing undertakings with a choice of whether to report claims data in templates S.16.01.01, S.19.01.01, S.19.01.21, S.20.01.01 by AY or by UY, and disclose the information in S.21.01.01 by AY or by UY. The option chosen must be consistent with how undertakings manage each of their lines of business and must be applied consistently over time. Any changes to the chosen approach of using AY or UY must be discussed with the Central Bank prior to making the change.

Currency of claims data

In accordance with the ITS on Supervisory Reporting, where undertakings are required to report information by currency in templates S.16.01.01 and S.19.01.01, undertakings must report that information in the original currency of the contracts, unless the Central Bank requires them to report that information in the reporting currency.

5.6 Directors' Certification for Solvency II Undertakings

Work is underway within the Central Bank to develop the draft templates for Directors' Certification for Solvency II undertakings. An update on this work will be provided in the September 2016 edition of this newsletter.



6. EIOPA Update

6.1 EIOPA Insurance Stress Test 2016

On 24 May 2016 the European Insurance and Occupational Pensions Authority (EIOPA) launched an EU-wide stress test for the European insurance sector. The exercise aims to assess insurers' vulnerabilities and is designed to assess the resilience of the European insurance sector to severe adverse market developments based on a common analytical framework. The 2016 Stress Test focuses on two major market risks:

- The prolonged low yield environment ;
- The so-called “double-hit”, i.e. a negative market shock to asset prices combined with a low risk free rate.

In advance of the exercise EIOPA mandated the Central Bank to identify a relevant sample of Irish firms vulnerable to a low-interest environment, including those offering any type of interest-guaranteed products. Participant selection was completed in May 2016 based on the quantitative analysis of SII Preparatory Returns and feedback from supervisory teams. The selected firms were contacted and have been advised of their participation in the Stress Test exercise.

During the exercise EIOPA will publish an updated Questions & Answers each week addressing any queries from the participating companies. The deadline for submission of results to the national competent authorities (NCAs) is 15 July 2016. The results of the stress test will be published in December 2016. Further details can be found [here](#) on the EIOPA website.

6.2 EIOPA Solvency II Guidelines

EIOPA has a mandate to issue guidelines and recommendations addressed to competent authorities or financial institutions. On 1 February 2015 EIOPA issued its first set of Guidelines relating to the Solvency II Directive. These were addressed to National Competent Authorities (NCAs), including the Central Bank. A second set of Guidelines was subsequently issued by EIOPA in October 2015.

NCAs are required to make every effort to comply with EIOPA Guidelines and this obligation is also contained in Article 71(2)(b) of the Solvency II Directive. The Central Bank has recently updated its response to EIOPA that it will comply with Set 1 of the Solvency II Guidelines and will be incorporating them into its supervisory practice as appropriate. The Central Bank expects insurance and reinsurance undertakings to comply with the provisions set out in Set 1 of the Guidelines. Further information on the Guidelines and their application is available at the following links:

- [EIOPA - Solvency II Guidelines](#)
- [Central Bank – Information Note on Set 1 of the Solvency II Guidelines](#)
- [Central Bank – Information Note on Set 2 of the Solvency II Guidelines](#)



6.3 Publication of Public Working Draft of the Solvency II Taxonomy 2.1.0

On 1 June 2016 the Public Working Draft of the solvency II Taxonomy 2.1.0 was published on the EIOPA website. Any feedback on the Public Working Draft should be sent to xbri@eiopa.europa.eu before 30 June 2016 in order to have time to incorporate it for the final release.

6.4 EIOPA Preparatory Guidelines on Product Oversight and Governance

On 13 April 2016 EIOPA published Preparatory Guidelines on Product Oversight and Governance arrangements to be followed by insurers (manufacturers of insurance products) and distributors. The Guidelines provide guidance and support national authorities and market participants with the implementation of Product Oversight and Governance requirements in preparation for formal requirements provided for in the Insurance Distribution Directive. The Final Report containing the Guidelines and the Impact Assessment can be viewed [here](#) on EIOPA's website.

6.5 Consultation Paper on amendments to the Implementing Technical Standards on the templates for the submission of information to the supervisory authorities

On 05 April 2016 EIOPA published the Consultation Paper on the proposal for amendments to Implementing Technical Standards on the templates for the submission of information to the supervisory authorities following the amended Commission Delegation Regulation (EU) 2015/35 and to EIOPA Guidelines on Reporting and disclosure ([EIOPA-CP-16/004](#)). The consultation period ended on 03 May 2016. On 31 May 2016 EIOPA published the resultant Final Report containing EIOPA's feedback statement and the draft amending Regulation [here](#) on their website.

6.6 Solvency II amending Regulation – Infrastructure assets

[Commission Delegated Regulation \(EU\) 2016/467](#) of 30 September 2015 amending Commission Delegated Regulation (EU) 2015/35 concerning the calculation of regulatory capital requirements for several categories of assets held by insurance and reinsurance undertakings, entered into force on 2 April 2016.

6.7 EIOPA Guideline on third-country branches

On 30 March 2016 EIOPA published the Guidelines on the supervision of branches of third-country insurance undertakings in all EU official languages and launched the Comply and Explain procedure. The Guidelines as well as each Member State's reply are available in the EIOPA website [here](#). Ireland replied that it intends to comply with the Guidelines.



7. Forward Planner

Date	Topic
15 July 2016	Deadline for submission of EIOPA Stress Test results to the Central Bank
29 July 2016	Closing date for submissions on CP 104 - External Audit of Solvency II Regulatory Returns / Public Disclosures
20 August 2016	Closing date for submissions on CP 103 - Guidance for (Re)Insurance undertakings on the HoAF Role
25 August 2016*	Submission deadline for Q2 Solvency II Reporting
September 2016	Publication of next edition of the Central Bank's Insurance Quarterly
Q4 2016	Industry Breakfast Briefing hosted by the Insurance Supervision Directorate
25 November 2016*	Submission deadline for Q3 Solvency II Reporting

*For (re)insurance undertakings with a financial year end of 31 December

8. Recent Central Bank Publications & Speaking Engagements

- 13 April 2016 - The Central Bank published legislation ([S.I. 159 of 2016](#)) requiring the collection of certain supervisory information via National Specific Templates.
- 15 April 2016 - Central Bank published an [Information Note](#) on its position on the look-through of Collective Investment Undertakings in reporting template S.06.03.
- 19 April 2016 – Ms. Marie Louise Delahunty & Ms. Gillian Kelly of the Insurance Directorate delivered a [presentation](#) to members of Chartered Accountants Ireland
- 5 May 2016 - Central Bank issued a [voluntary survey on external credit ratings information](#).
- 10 May 2016 - [Address](#) by the Director of Policy & Risk, Gerry Cross to the Ernst & Young Non-Executive Director Breakfast Forum.
- 13 May 2016 - Central Bank issued correspondence on [Day 1 Reporting](#) and on the [Review of 2015 FLAOR submissions](#)
- 25 May 2016 - [Address](#) by Governor Lane to Insurance Europe's 8th Annual Conference
- 2 June 2016 – Ms Grace von Offenbergl Sweeney and Mr TJ Bourke of the Insurance Directorate delivered an [Update on Current Issues in Ireland's General Insurance market](#) to the annual forum of the Society of Actuaries
- 20 June 2016 – Mr Graham Cherry of the Insurance Directorate gave a [presentation to the Society of Actuaries on CP103](#).

9. Contact Us

- Queries specific to your undertaking should be sent to your usual supervisory contact.
- General queries should be sent to insurance@centralbank.ie
- Queries on regulatory returns can be sent to InsuranceRegulatoryReportingQueries@centralbank.ie
- Queries on insurance policy matters can be sent to insurancepolicy@centralbank.ie