



The Actuarial Profession

making financial sense of the future

CPD Networking event on Irish Issues: Current developments and challenges in the general insurance market



Regulatory Update

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Aims of Presentation

- Explain “Prism” and its implications
- Round-up of issues from last twelve months
- Solvency II (mandatory)

Any views expressed are personal and are not necessarily those of my employer, the Central Bank of Ireland

Prism

- Prism is an IT system that supports the work of supervisory staff
- More relevantly it is also a framework for supervision placing requirements on supervisory staff that in turn will impact on companies
- Part of Risk Based Supervision

Prism Impact Ratings

- All (Re)Insurance companies have both an Impact rating and a "probability risk" rating
- The Impact rating is based on objective measures of size(as a proxy for potential to damage)
 - High (& Ultra High)
 - Medium High
 - Medium Low
 - Low

Prism Impact Ratings

- The Impact rating determines
 - The resources allocated by the Central Bank
 - The amount of work done by the Central bank
 - The level and frequency of engagement between the Central bank and the Company
- Companies have been informed of their Impact ratings but they are not public domain

Prism Probability Risk Ratings

- At regular intervals formal Probability Risk ratings must be made.
- These are also into
 - High
 - Medium High
 - Medium Low
 - Low
- But each can be “+”, neutral or “-”

Prism Probability Risk Ratings

- Probability Risk Rating is allocated to each of 10 categories some of which have sub-categories
- Prism performs a weighted average to suggest an overall weighting but final choice is at discretion of supervisors

Prism Probability Risk Ratings

- Credit
- Market
- Operational
- Insurance
- Capital
- Liquidity
- Governance
- Strategy & Business Model
- Environmental
- Conduct

Risk Mitigation Program (“RMP”) Actions

- Any Probability Risk Rating at the category level of **Medium High minus** or above must have an RMP Action
- These will usually (but not always) be provided in draft to give company a chance to influence but once finalised they are not optional.

Round Up of Issues

2. The Blue Book

- Neither Blue nor a Book
- 2010 version held up for one company's results
- This may be the last edition (yet to be determined)

Round Up of Issues

3. Risk Appetite Statements

- Sample inspection of companies' RAS revealed less than satisfactory performance by companies
- Letter sent out in December 2011
- *<http://www.centralbank.ie/regulation/industry-sectors/insurance-companies/Documents/RAS%20Letter%20for%20Website.pdf>*

Round Up of Issues

4. Motor Stress Tests

- Survey held of most large domestic insurance companies in Autumn
- Stress tests on claims inflation and personal injuries
- Plus reverse stress test on distribution
- Results not in public domain

Round Up of Issues

5. Sovereign Bonds

- Central Bank has been conducting survey on Sovereign Exposures
- EIOPA has followed

Round Up of Issues

6. Gender Directive

- Test Achat case
- Useful advice published by Commission
- Data “justifying” differences placed on our web site!

Round Up of Issues

7. Insurance Compensation Fund

- 2% ICF levy began from 1st January
- Bill for Quinn ICF was announced as €738m in October 2011

Round Up of Issues

8. Pre Approved Control Functions

- This is now live
- All PCF's have to approved by Central Bank

Solvency II

1. MIBI Reserves

- At present companies have to provide for full share of MIBI claims reserves
- Seems likely that this may be reduced under Solvency II
- SoAI is working on a paper on the subject (release not yet scheduled)

Solvency II

2. Non-Life Standard calibrations

- Presentation given at Solvency II seminar
- Also covers USP
- Nothing particular to Ireland
- *<http://www.centralbank.ie/regulation/industry-sectors/insurance-companies/solvency2/Documents/Standard%20Formula%20Non%20Life%20and%20USP%20v1.0.pdf>*

Solvency II

3. Colleges

- EIOPA much more active in requiring that Colleges take place
- Requiring Internal model Pre-Application plans
- And other work

Solvency II

4. Future of Actuarial Report

- The SAO and supporting report as it stands at present will cease when Solvency II comes in
- Central bank (like several other bodies) is giving consideration to what will replace it

Solvency II

5. Trend to Branches

- No Group Support gives incentive to use branches in Europe rather than subsidiaries
- Perception is that this is slowly happening
- Peer Review group is surveying this at present