



Society of Actuaries in Ireland

Life Insurance Newsletter

October 2021

Life Committee

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Dear All,

We are pleased to bring you the October 2021 edition of the Life Committee newsletter.

Since the last newsletter in April, the Life Committee has been busy supporting the Society's responses to various consultations including EIOPA's Value for Money Consultation, the report of the Interdepartmental Pensions Reform and Taxation Group and the response to a Pensions Authority consultation on fees.

IFRS 17 continues to generate much discussion and so we thought it would be helpful to draw readers' attention to some recent papers issued by different industry stakeholders on various aspects of the topic.

The Life Committee continues to engage with the Central Bank of Ireland (CBI) and we have included a brief summary of recent interactions with the regulator in this newsletter.

The various sub-committees and working parties continue their work and we look forward to sharing the results of the recent survey issued by the Policyholders' Reasonable Expectations (PRE) working party on PRE in due course.

The Committee has recently had some membership changes, with Andrew Kay, Dave O'Shea, Sara Martinez Perez and Derek Ryan stepping down. We thank them all for their contributions to the work of the Committee over the past few years. We were delighted to receive a large number of expressions of interest in joining the Committee and we are pleased that Dasha Douglas, Neil Guinan, Fergal O'Shea and Sarah Teehan have been appointed to the Committee.

The Life Committee

Engagement with CBI

The Chair attended the quarterly meeting with the CBI Actuarial Team in September. In addition to discussing current activities, the CBI outlined the work in relation to the IMF Financial Sector Assessment Program (FSAP) review and advised that the IMF would contact stakeholders for their input. Subsequently, the Society met with the IMF team to discuss issues of relevance to the insurance industry in Ireland.

HOAF Forum

On Wednesday 22 September 2021, the Joint Life and Non-Life HoAF Webinar was held. As part of the HoAF Forum, the CBI presented some insights in respect of the topic “Navigating the COVID-19 Uncertainty”. The focus of the presentation was on the following four key themes:

- Risk Culture
- Insights from the thematic review of AOTPs
- Monitoring & COVID-19
- Emerging Risks

One of the items discussed by HoAFs at the Forum was in relation to having a trusted person to talk through any areas of concern. We would like to highlight the Society’s [Member Support Panel](#) and should you need someone to speak to on a confidential basis please contact info@actuaries.ie.

If you have an issue that you would like raised at the Life Committee or to be raised with the CBI, please contact any Committee member or info@actuaries.ie.

EIOPA Value for Money Consultation

EIOPA has repeatedly highlighted concerns that, while unit-linked products can and often do offer important benefits for policyholders, costs for some unit-linked products continue to remain too high. In response to these

concerns, EIOPA issued a consultation on a framework aiming to address risks of poor value for money in the European unit-linked market.

The proposed framework supports EIOPA’s position of a need for a European approach towards the development of a stronger Capital Markets Union and takes a principled based approach:

- Value offered by unit-linked (and hybrid) products should be assessed both taking into account the product as a whole as well as each product component (investment, insurance and guarantees, if any).
- When products are tested, manufacturers should assess the product features and characteristics, including costs and the reward profile of the products, vis-à-vis the target market characteristics, objectives and needs and they should ensure that no ‘undue’ costs are charged to consumers.
- Products which are difficult for consumers to understand should have more granular target markets and adequate measures in place to mitigate complexity related risks.

The Society response to the consultation can be read [here](#). This submission was endorsed by the Actuarial Association of Europe (AAE) along with the submissions from France and Germany.

The Society submission agreed with the need for unit-linked products to provide value for money. Concerns were highlighted that the framework put forward definitions that were subjective and the difficulty in allowing for different individual customer preferences. The benefits of well regulated, transparent, competitive markets with good advice and with product charges and commission disclosure were highlighted as helping to ensure value for money for consumers.

It also encouraged examining existing regulatory systems across Europe to identify best practices that could be used as a template before attempting to design a new framework.

IFRS 17 Activity

There continues to be lots of IFRS 17 activity across the industry. We have included below links to some recent papers from different organisations on various aspects of IFRS 17.

Status of EU endorsement of IFRS 17

The European Commission recently published its legislative text for the endorsement of IFRS 17, along with the results of the recent Accounting Regulatory Committee (ARC) meeting which voted on 16 July to support the Commission's proposals concerning annual cohorts. The Commission will review the exemption from the annual cohort requirement for intergenerationally-mutualised and cash flow matched contracts by 31 December 2027, taking into account the outcome of the IASB's post-implementation review of IFRS 17. Final endorsement is currently expected in the fourth quarter of 2021, with an effective date of 1 January 2023.

See link (4 pages): <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32002R1606&from=EN>

IASB proposed amendment to IFRS 17 for comparative information

On 28 July 2021, the IASB published its exposure draft on its proposed narrow-scope amendment to the transition requirements in IFRS 17. The proposed amendment aims to address the temporary accounting mismatches on initial application by giving an option to present comparative information for certain financial assets in a manner consistent with IFRS 9. The IASB plans to finalise any resulting amendment by the end of 2021.

See link (18 pages):

<https://www.ifrs.org/news-and-events/news/2021/07/iasb-proposes-minor-amendment-ifrs-17-and-ifrs-9>

IAA IAN 100 on the Application of IFRS 17 Insurance contracts

On 31 August, the International Actuarial Association (IAA) announced the publication of International Actuarial Note (IAN) 100 on

the Application of IFRS 17 Insurance Contracts.

IAN 100 is based on IFRS 17 as issued in May 2017 and the amendments published in June 2020. It also reflects some of the discussions at the Transition Resource Group (TRG) meetings held in 2018 and 2019. The IAA will review the IAN periodically and may revise it in the future to reflect any future changes to IFRS 17 by the IASB.

See link (255 pages):

<https://web.actuaries.ie/international-actuarial-note-ifrs-17-insurance-contracts>

The Auditor's Response to the Risks of Material Misstatement arising from estimates made in applying IFRS 17 Insurance Contracts

The Global Public Policy Committee (GPPC) brings together senior partners from the six large international accounting networks (BDO, Deloitte, EY, Grant Thornton, KPMG and PwC) and has a public interest objective to enhance quality in auditing and financial reporting. In a paper published at the beginning of 2020, the GPPC addressed the implementation of IFRS 17 Insurance Contracts. The paper suggested a number of questions for those charged with governance of insurance entities to pose to management and their auditors about implementation plans, progress and accounting policy decisions.

On 30 June 2021, the GPPC published a paper designed to help audit committee members in oversight of their auditor's approach to auditing estimates and associated judgements made in the application of IFRS 17.

See link (40 pages):

<https://www.ifac.org/knowledge-gateway/supporting-international-standards/discussion/auditor-s-response-risks-material-misstatement-arising-estimates-made-applying-ifrs-17-insurance>

SAI IFRS 17 webpage:

<https://web.actuaries.ie/press-publications/committee-working-group-outputs/ifrs-17-working-group>

Cross Border Committee

The Cross-Border Life Committee recently welcomed new members to the committee increasing the diversity of the committee's membership. In addition, we reviewed and updated the committee's terms of reference to remove a reference to the Appointed Actuary and include a reference to risk management and the issues relevant to Chief Risk Officers.

Of particular interest to committee members are the market updates. These are opportunities for sharing and understanding trends in other jurisdictions. In the UK, the regulator is doing a review of the solvency regulations so there could be some divergence in the future from Solvency II (the materiality of which is unknown). The UK Regulator sent a letter "Strategy for Life Insurance" to Boards of Directors in August. This sets out its key areas of focus that include pricing and product governance practices, management/execution of migration programmes, management of operational risk, exiting from outsourcing arrangements and scams. The regulator in Italy is focused on how companies are dealing with Product Oversight and Governance. In Germany certain major companies are offering guarantees of 80-90% return of premium, rather than the previously higher levels of guarantee. There has also been an increase in launches of ESG related funds.

The committee discussed the EIOPA Q&A (question 2058) relating to valuing withholding tax assets which states it should be held at face value. The committee discussed current market practices and plans to review this in more detail.

On Packaged Retail Investment and Insurance Products (PRIIPs), the EU Commission adopted the RTS on 7th September with an application date of 1 July 2022. This will lead to changes in the way forward looking projections are calculated. The UCITs

exemption will be removed from the same date.

There was some relief among the committee that the CBI's Recovery Planning Regulations did not include a requirement for written confirmation of a Group's intention to provide support which was in the consultation document. It was replaced with a requirement that, where a recovery option involves provision of financial support from another undertaking within a group, the insurer shall include a confirmation from its Board that it has carried out, in consultation with the other undertaking, a realistic assessment of the other undertaking's willingness and ability to provide such financial support in the scenarios contemplated together with the key points from that assessment.

PRSA Committee

The PRSA Committee's main focus in recent months has been on providing input to various Society responses including the response to the report of the Interdepartmental Pensions Reform and Taxation Group and the response to a Pensions Authority consultation on fees. The Committee also helped the Society prepare for a recent meeting with the Department of Finance.

The Committee's focus for the remainder of 2021 will include identification of any PRSA specific CPD events required, a review of PRSA specific ASPs and a follow up on any actions arising from the engagement with the Department of Finance.

Life Reinsurance and Innovation Committee

Following on from the very well attended series of Innovation themed CPD events in April (all available on Actview), the Life Reinsurance and Innovation Committee are already planning for our 2020/2021 events. We are also exploring how we can work more closely with other SAI committees to provide support to the wider membership, as well as keeping a watching brief on some potential regulatory changes that could impact the Life

Insurance industry in coming years including: The Right to be Forgotten for Cancer patients, Dying with Dignity legislation along with application data retention rules.

If you are interested in joining the committee, or contributing on any of these topics, please email info@actuaries.ie.

Other Life Committee Activity

With-Profits Forum

The Life Committee runs a With-Profits Forum that meets quarterly. It is a forum for discussion, for members to share questions and practical experience on with-profits matters, and to support members in the understanding and interpretation of Central Bank requirements in relation to with-profits business.

The Forum is primarily aimed at HoAFs or members supporting HoAFs, but any member that has an interest in with-profits matters is welcome to join. If interested in joining, please email info@actuaries.ie.

Policyholders' Reasonable Expectations Working Party

The PRE working party, which was established earlier this year, recently issued a survey for the purpose of assisting the working party in understanding the scope of involvement of Life Insurance Actuaries in PRE matters and to explore these members' views in relation to PRE topics that have been discussed by the working party. The closing date for responses was 7th October.

The working party will present the findings from the survey to the Society's members at a [webinar](#) on 22nd November.

Solvency II Working Party

Over the past number of months, a Society working group led by Eoin King has been reviewing the most recent set of EIOPA consultations. The Society's response on the issues raised are being issued directly to the AAE, who are compiling perspectives from actuarial associations across Europe. The Society's responses to the first two consultations (Consultation on the amendments of supervisory reporting and public disclosure documents, and Consultation on Supervisory Statement on supervision of run-off undertakings) were submitted to the AAE in September. The AAE's aggregated response has already been published and many of the SAI's observations were captured in the submission to EIOPA. The AAE submissions can be viewed at the following locations:

<https://actuary.eu/aae-responds-to-eiopa-consultation-on-the-amendments-of-supervisory-reporting-and-disclosure-requirement>

<https://actuary.eu/aae-responds-to-eiopa-consultation-on-the-approach-to-the-supervision-of-run-off-undertakings/>

The SAI's proposals on the remaining consultations (Consultation on the revision of the Guidelines on Contract Boundaries and Consultation on the revision of the Guidelines on Valuation of Technical Provisions) have been submitted to the AAE which will make its submission to EIOPA by 12th November.

National Resolution Framework

The Government has published proposals on the Development of a National Resolution Framework for (re)Insurers. A Working Group has been established to develop the Society's submission, which must be submitted by 30 November.

ASP Update

Since the last newsletter in April, Council has approved [ASP LA-5 The Prudential Supervision outside the Republic of Ireland of Life Assurance Business](#) and [ASP LA-6 Transfer of Insurance Portfolio of a Life Insurance Company – Role of the Independent Actuary](#) which came into effect on 1 September 2021.

In the case of ASP LA-6, some minor changes were made, to improve clarity, to the version exposed for member consultation. The final version of ASP LA-5 is identical to that issued for member consultation.

CPD

The updated version of [Actuarial Standard of Practice PA-1 Continuing Professional Development](#) is in effect since 1 September 2021.

There are a number of upcoming life-focused CPD events available to book, including the [webinar](#) from the PRE working group on 22nd November. At this session, the working group will present their findings, including highlights from their recent survey and insights from discussions with INEDS.

The life committee is planning a number of other events over the coming months, which will be available to book on the SAI events page:

<https://web.actuaries.ie/events/upcoming>