

Life Insurance Regulations

Everything you need to know*

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*not really, but hopefully a good start!

Agenda

- Life insurance
- Life reinsurance
- PRSAs
- Other



“Regulations”

- Acts
 - Primary legislation passed by the Oireachtas

- Statutory Instruments
 - Secondary legislation made by Ministers under powers conferred on them by Acts
 - Some stem from EU Directives

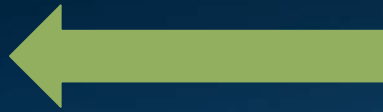
- Guidelines and Requirements
 - Issued by CBI under Acts or Statutory Instruments

- Actuarial Standards of Practice - issued by SAI



Agenda

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Life Insurance

Prudential supervision (1)

- Insurance Act, 1989
 - Principal piece of legislation
 - Gave Regulator extensive powers of intervention and power to make regulations
- Central Bank Reform Act, 2010
 - Builds on previous Acts
- Statutory Instruments
 - S.I. 360 of 1994 - European Communities (Life Assurance) Framework Regulations
 - As amended!



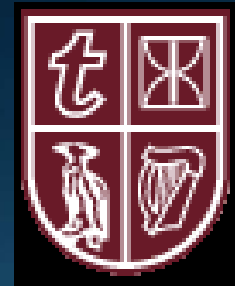
Life Insurance

Prudential supervision (2)

- Guidelines and Requirements...including
 - Risk management of derivatives
 - Asset Management
 - Reinsurance cover
 - Financial Condition Reports
 - Reserving and Risk Governance for Variable Annuities
 - Dear AA letters
 - Circular letters e.g. intra-group lending

Life Insurance

Prudential supervision (3)



- ASPs
 - ASP LA-1 Appointed Actuaries and life assurance business
 - ASP LA-2 Actuarial financial condition reports
 - ASP LA-3 Additional guidance for Appointed Actuaries on valuation of life assurance business
 - ASP LA-4 Additional guidance for Appointed Actuaries on policyholders' reasonable expectations
 - ASP FIRM-1 Investments – derivative instruments

Life Insurance

Role of the Appointed Actuary

- Statutory role – all life companies require an AA

- Annual investigation into financial position
 - Report to Board and Central Bank
 - Certify technical reserves, solvency margin, new business premiums
 - Interpret PRE

- Ongoing solvency monitoring and prepare FCR

- Also:
 - Confirm compliance with LA-8 and LA-9 (where applicable)

European Communities (Life Assurance) Framework Regulations 1994

- Regulations cover four main areas
 - Define classes of business
 - Authorisation of new companies
 - Supervision of authorised companies
 - Regulator's powers of sanction/intervention
- Also prescribes format of Annual Returns
- Some Annexes
 - Annex I – define classes of insurance business
 - Annex II – solvency margin
 - Annex IV – valuation of liabilities
 - Annex V – valuation of assets

European Communities (Life Assurance) Framework Regulations 1994 (2)

- Annex IV - Valuation of liabilities
 - Overriding principle of prudence
 - Allow for all liabilities including options and guarantees
 - Policy-by-policy calculation
 - Take into account nature and term of assets (resilience reserve)
 - Avoidance of future valuation strain
 - Must allow for the possibility of closing to new business (closed fund reserve)
 - No policy treated as an asset (no negative liabilities)
 - No credit for lapses ('zero lapse' requirement)

- Annex V - Valuation of assets
 - Valuation rules vary by asset type
 - Generally market value
 - Asset admissibility

European Communities (Life Assurance) Framework Regulations 1994 (3)

- Annex II – Solvency margin
 - A minimum capital requirement

 - Calculation varies by Class of business
 - % of reserves
 - % of sum at risk
 - % of expenses

 - CBI requires a minimum of 150% coverage (200% for new companies)

Life Insurance

General Good (1)*

- Statutory Instruments
 - S.I. 15 of 2001 - Life Assurance (Provision of Information) Regulations
 - S.I. 13 of 2005 - European Communities (Insurance Mediation) Regulations
- Guidelines and Requirements
 - General Good requirements
 - Consumer Protection Code
 - Minimum Competency Requirements



*only applies to companies writing business in Ireland

Life Insurance

General Good (2)

- ASPs
 - ASP LA-8 Life assurance product information
 - ASP LA-9 Life assurance remuneration information
 - ASP PEN-12 Statements of Reasonable Projection - Occupational Pension Schemes and Trust RACs

Life Insurance Financial Statements

- Statutory Instruments
 - S.I. 23 of 1996 - European Communities (Insurance Undertakings Accounts) Regulations
 - “Irish GAAP” (amended to allow IFRS)
 - Establishes role of Reporting Actuary
 - Different in some areas to prudential rules

- ASPs
 - ASP LA-7 The role of actuaries in relation to financial statements of insurers and insurance groups writing life assurance business and their relationship with auditors



Life Insurance

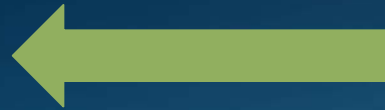
Other

- Acts and Statutory Instruments
 - Assurance Companies Act, 1909
 - Still plays a role in amalgamation of insurers (Section 13, 14)
 - S.I. 366 of 2007 - European Communities (Insurance and Reinsurance Groups Supplementary Supervision) Regulations

- ASPs
 - ASP LA-5 The prudential supervision outside the Republic of Ireland of life assurance business
 - ASP LA-6 Transfer of long-term business of an authorised insurance company – role of the independent actuary
 - Other actuarial standards e.g. UK TAS, IAA standards...

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Life Reinsurance

Prudential supervision (1)

- Statutory Instruments
 - S.I. 380 of 2006 - European Communities (Reinsurance) Regulations
 - S.I. 23 of 1996 - European Communities (Insurance Undertakings Accounts) Regulations
 - As amended

- Guidelines and Requirements...including
 - Life Reinsurance Undertakings
 - Corporate Governance
 - Special Purpose Vehicles



Life Reinsurance

Prudential supervision (2)

- Guidelines and Requirements...continued
 - Financial Reinsurance
 - Asset Management
 - Reinsurance cover
 - Reserving and Risk Governance for Variable Annuities

- ASPs
 - ASP LA-11 Statements of Actuarial Opinion on Life Reinsurance Business
 - ASP LA-12 Life Reinsurance Business: Actuarial Reports

Life Reinsurance

Role of the Signing Actuary

- Statutory role – all reinsurance companies need a Signing Actuary
- Annual sign-off
 - Statement of Actuarial Opinion
 - Report to Board
 - Certify technical reserves and solvency margin calculation
- More limited than Appointed Actuary role

European Communities (Reinsurance) Regulations 2006

- Regulations cover
 - Authorisation of new companies and SPRVs
 - Regulation of authorised companies and SPRVs
 - Regulator's responsibilities and powers of sanction/intervention
- Schedules
 - Schedule I – solvency margin
 - Schedule II – guarantee funds
- Format of Annual Returns prescribed by Central Bank

European Communities (Reinsurance) Regulations 2006

- Some highlights
 - Both Life and Non-life reinsurance
 - Reserves may be less prudent than under Life Assurance regulations
 - Lapses
 - Negative reserves
 - Discount rate
 - ...
 - “Prudent person” approach to assets
 - DAC

Life Reinsurance Financial Statements & Other

- Statutory Instruments
 - S.I. 23 of 1996 - European Communities (Insurance Undertakings Accounts) Regulations
 - S.I. 366 of 2007 - European Communities (Insurance and Reinsurance Groups Supplementary Supervision) Regulations



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PRSAs

Supervision

- Prudential supervision - as for life business

- Acts and Statutory Instruments
 - Pensions Act 1990, Part X
 - S.I. 501 of 2002 - Personal Retirement (Disclosure) Regulations
 - S.I. 503 of 2002 - Personal Retirement (Operational Requirements) Regulations
 - S.I. 506 of 2002 - Personal Retirement (Fees) Regulations
 - Other regulations applicable to PRSA e.g. transfers
 - As amended...

PRSAs

Role of the PRSA Actuary

- Statutory Role

- Responsibilities include:
 - Annual report to the Pensions Board
 - Compliance with legal obligations relating to operation of PRSA business (“Annual Determination”)
 - Including certification of charges deducted (“Certification of Charges”)

 - Advising PRSA provider regarding information to be provided to customers

 - Advising PRSA provider on the appropriateness of Default Investment Strategies

 - Certification of applications for Pensions Board approval of new products

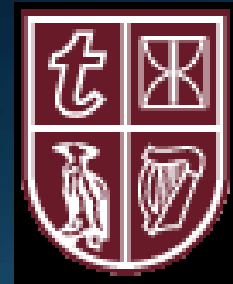
PRSAs

Role of the Pensions Board

- Jointly responsible (with Revenue) for approval of PRSA products
- Supervises activities of PRSA providers & compliance with legislation
- Specific duties as set out in section 117 of Part X of Pensions Act include:
 - To keep a register of PRSA providers and products (available on their website)
 - To maintain a database of statistics in respect of PRSA assets, contributions, contributors, etc
 - To conduct reviews from time to time of actual charges made and to monitor promotional & other material to ensure charges are expressed clearly

PRSAs

General good



- ASPs
 - ASP PRSA-1 Annual certification of Personal Retirement Savings Accounts providers
 - ASP PRSA-2 Personal Retirement Savings Accounts product information
 - ASP PRSA-3 Personal Retirement Savings Accounts remuneration information
 - ASP PRSA-4 PRSA Actuaries and Personal Retirement Savings Accounts investment
 - ASP PRSA-5 Personal Retirement Savings Accounts and transfers from occupational schemes

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Other regulations, guidelines & requirements

- Statutory Instruments
 - S.I. 168 of 2003 - European Communities (Reorganisation and Winding – up of Insurance Undertakings) Regulations
- Guidelines and Requirements
 - Corporate Governance Code for Credit Institutions and Insurance Undertakings
 - Fitness and Probity Regulations and Standards

Future developments

- Solvency II - Directive 2009/138/EC
 - Omnibus II
 - 3 Pillars
 - Level 1/2/3

- Gender Directive - Gender Non-Employment Directive (2004/113/EC)
 - Equal Status Act 2000
 - Test-Achats case



Questions???