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

- Life insurance
- Life reinsurance
- PRSAs
- Other
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...
Agenda

- Life insurance
- Life reinsurance
- PRSAs
- Other
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
Agenda

- Life insurance
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- PRSAs
- Other
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
Agenda

- Life insurance
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- PRSAs
- Other
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

  - Equal Status Act 2000
  - Test-Achats case
Questions???