



Society of Actuaries in Ireland

Life Insurance Regulations

Everything you need to know*

13.02.2013

*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

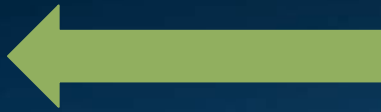
- Guidelines and Requirements
 - Issued by CBI under Acts or Statutory Instruments

- 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
 - Dear CEO letters...

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 (2012)
 - Minimum Competency Requirements (2011)



*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

- Central Bank of Ireland - Guidelines and requirements

- Society of Actuaries in Ireland - ASPs



Life Reinsurance

Prudential supervision (2)

- Guidelines and Requirements...including
 - Life Reinsurance Undertakings
 - Technical provisions
 - Assets
 - TRSM-L
 - Regulatory returns
 - Special Purpose Vehicles
 - Authorisation
 - Systems & Controls
 - Financial Reinsurance
 - Asset Management
 - Reinsurance cover
 - Reserving and Risk Governance for Variable Annuities



European Communities (Reinsurance) Regulations 2006

- Regulations cover
 - Authorisation of new companies and SPRVs
 - Regulation of authorised companies
 - Reserves and capital
 - Reporting requirements
 - Asset register
 - Operation of SPRVs
 - Auditing of accounts
 - Interaction with other regulators
 - Regulator's responsibilities and powers of sanction/intervention
 - Schedule I – solvency margin
 - Schedule II – guarantee funds

European Communities (Reinsurance) Regulations 2006

- Some key points
 - Both Life and Non-life reinsurance
 - Reserve calculations
 - Prudence
 - Lapses
 - Negative reserves
 - Discount rate
 - Expenses
 - “Prudent person” approach
 - DAC asset
 - Format of Annual Returns prescribed by Central Bank



Life Reinsurance

Role of the Signing Actuary

- Statutory role
- Annual sign-off
 - Statement of Actuarial Opinion
 - Report to Board
 - Certify technical reserves and solvency margin calculation
- More limited than Appointed Actuary role
- ASPs
 - LA-11 (SAO) & LA-12 (Board reports)



Life Reinsurance

Financial Statements & Other regulation

- 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



CBI Website (Step 1)

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- Banknotes and Coin
- Mortgage Arrears Information
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- Warnings – Unauthorised Firms
- Key Financial Statistics
- PRISM
- SEPA

Registers
Check if a Firm is Authorised

Central Bank Research Finds High Level of Cheque Usage in Ireland
The research shows that although volumes are declining, Ireland remains one of only a few EU member states that still use cheques for regular payments, ranking as the second most intensive cheque user after France. The research is available [here](#).

Whitaker Lecture 2013 delivered by Prof. Harold James
[Whitaker Lecture 2013](#) delivered by Prof. Harold James, Princeton University entitled: 'Design flaws of the euro'

Introductory remarks by Governor Patrick Honohan at the Whitaker Lecture 2013
[Introductory remarks](#) by Governor Patrick Honohan at the Whitaker Lecture 2013.

Introductory remarks by Deputy Governor Matthew Elderfield
Introductory remarks by Deputy Governor Matthew Elderfield's at the 11th Annual European Financial Services Conference, Brussels. [Click here to view](#).

Quarterly Bulletin 1 2013
The Central Bank of Ireland has published its first [Quarterly Bulletin of 2013](#).

Recent Headlines

- » Central Bank Research Finds High Level of Cheque Usage in Ireland
- » Settlement Agreement between the Central Bank of Ireland and C&C Group Plc.
- » Central Bank of Ireland Issues Warning on Investment Firm
- » Whitaker Lecture 2013 delivered by Prof. Harold James, Princeton University
- » Introductory remarks by Patrick Honohan at the T.K. Whitaker Lecture
- » Address by Mark Burke, Head of Life Insurance Supervision to 'A future for the Life & Pensions Industry' conference

More Headlines...

ECB Interest Rates

Marginal lending facility:	1.5%
Main refinancing operations, fixed rate tender:	0.75%
Deposit facility:	0.00%

Rates effective from: 11/07/2012

Euro Exchange Rates

ECB Reference Rates at 05/02/2013

US Dollar:	\$ 1.3537
UK Pound:	£ 0.85990
Japanese Yen:	¥ 126.33

The Central Bank of Ireland does not buy or sell foreign currency from or to the public

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CBI Website (Step 2)

The screenshot displays the Central Bank of Ireland website. At the top left is the logo and name: Banc Ceannais na hÉireann, Central Bank of Ireland, Eurosystem. The top right contains navigation links: RSS Feeds, Site Map, Glossary, Careers, Contact Us, and an Advanced Search box. A horizontal menu below the header includes: Monetary Policy & Operations, Financial Stability, Financial Regulation (highlighted), Consumer Protection, Economic Policy & Statistics, and Payments Systems & Currency. The main content area is titled 'Financial Regulation' and includes a breadcrumb 'Home > Financial Regulation'. The primary heading is 'Financial Regulation Industry Sectors'. Below this is a section 'Are you looking for regulatory information about:' with a grid of links: Brokers/Retail Intermediaries, Insurance/Reinsurance Undertakings (circled with a dashed line), Investment Firms, Moneylenders, Payment Institutions, Regulated Markets, Funds, and Retail Credit Firms/Home Reversion Firms. To the right is a 'Are you interested in:' section with links: Establishing in Ireland?, Fitness and Probity?, the Authorisation Process?, the Supervision Process?, the Online Reporting Process?, PRISM?, Consumer Protection?, Minimum Competency?, Enforcement?, International Financial Sanctions?, Anti-Money Laundering?, Industry Funding Levy?, and Credit Institutions Resolution Fund Levy?. Below the grid is a section 'Industry Regulation - What's New' with a list of updates from February 2013, including feedback statements on AIFMD implementation, Solvency II matters, Fitness & Probity standards, AML/CFT compliance, and updated consumer protection guidance. The footer contains links for Privacy Statement, Disclaimer, Re-use of Public Sector Information, Accessibility Statement, Legislation, and Links.

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Monetary Policy & Operations | Financial Stability | **Financial Regulation** | Consumer Protection | Economic Policy & Statistics | Payments Systems & Currency

Home > Financial Regulation > Industry Sectors > Insurance / Reinsurance Undertakings

Insurance Supervision Directorate Overview

The Life & General Insurance Supervision Divisions of the Central Bank of Ireland are responsible for the ongoing supervision of three types of insurance undertaking. Information on each type of insurance undertaking is available by clicking on the appropriate link below:

- > [Life Insurance Undertakings](#)
- > [Non-Life Insurance Undertakings](#)
- > [Reinsurance Undertakings](#)
- > [Solvency II](#)

For information on Solvency II, please click on the following link:

- > [Solvency II](#)

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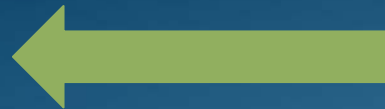
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Available in this section:

- > Introduction
- Legislation
- Regulatory Requirements / Guidance
- Authorisation Process
- Supervision Process
- Reporting Requirements
- Forms
- Passporting In / Out
- Amendments Processing
- Regulatory Actions / Administrative Sanctions
- Industry Funding Levy
- Contact Us
- Links

Agenda

- Life insurance
- Life reinsurance
- PRSAs
- Other



PRSAs

Pensions Act 1990, Part X

- Main provisions
 - Ownership of assets
 - Reporting obligations
 - Charges
 - Contributions
 - Investment
 - Marketing & sale
 - Preliminary Disclosure Certificate
 - Statement of Reasonable Projection
 - Transfers
 - Functions of Pensions Board/Auditor/PRSA Actuary



PRSAs

Supervision

- Statutory Instruments (as amended)
 - 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
- Prudential supervision



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:
 - Register of PRSA providers & products
 - Database of statistics (PRSA assets, contributions, etc.)
 - Conduct reviews
 - Actual charges deducted
 - Promotional & other material (to ensure charges are expressed clearly)
- Provide clarification on specific issues

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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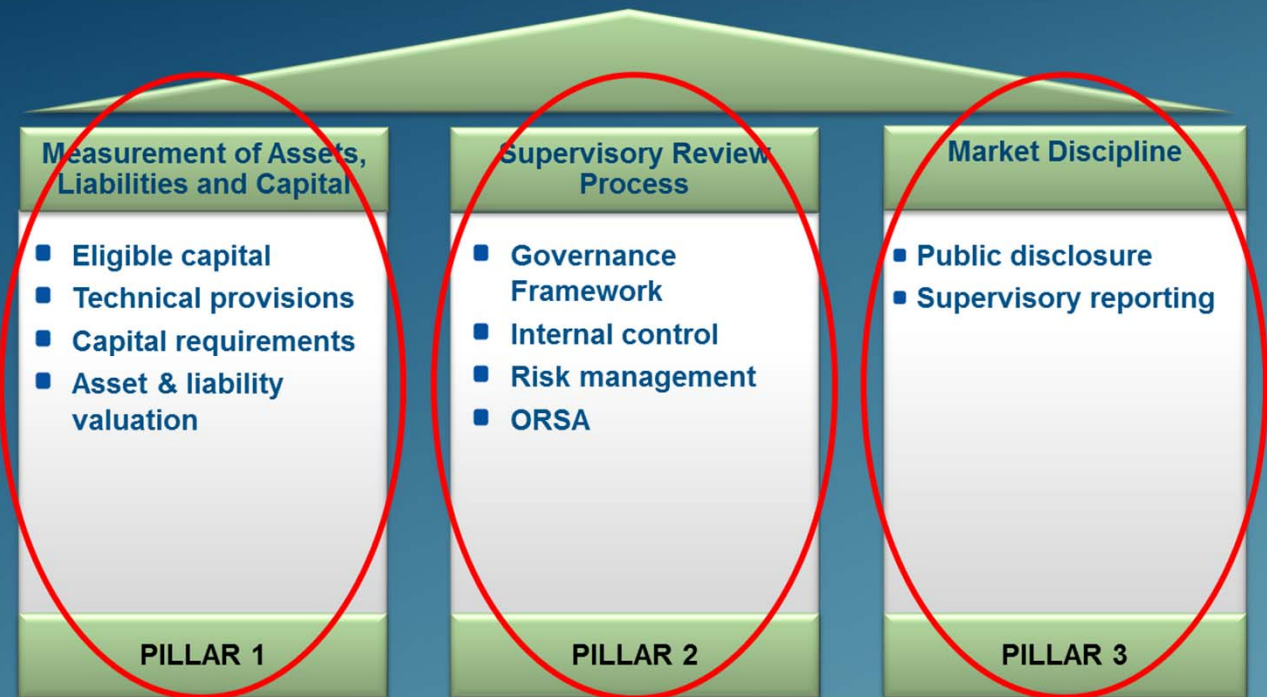


Other regulations, guidelines & requirements

- 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 & the LTGA
 - Level 1/2/3 regulations
- 3 Pillars



Questions???