



Society of Actuaries in Ireland

Life Insurance Newsletter

October 2020

Life Committee

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Welcome

Welcome all to the first edition of the Life Committee's newsletter.

The main aim of the newsletter is to provide updates to members on the activities of the Life Committee (in response to feedback provided by members in the survey we ran at the end of 2019 (more on this below)).

Currently, the Life Committee's main areas of focus include:

- Ensuring that Actuarial Standards of Practice pertaining to Life Insurance are developed and kept up to date;
- Organising CPD events for Life members;
- Regulatory topics e.g. developing responses to consultation papers from CBI, EIOPA etc, organizing Life HoAF forums, CBI engagement etc.;
- Overseeing various Life Insurance related working parties;
- Certain sectors of the Life Insurance market for which specific subcommittees have been set up (the cross-border market, reinsurance and life insurance innovation, PRSAs).

By providing updates on the above topics, we hope this helps members better understand the activities of the Life Committee. We also hope that the focus areas of the Life Committee align with the expectations of the members of the Society with an interest in life insurance. In this regard, feedback is always very welcome and so please do not hesitate to contact any of the Life Committee members (or alternatively email the Society directly at info@actuaries.ie) to share your thoughts on where the Committee should be directing its efforts.

In this first edition of the Life Insurance Newsletter, we will look at:

- Results of the recent Life Committee survey of "life" members of the Society
- Updates from the Society's COVID-19 Action Group
- Supervisory updates including highlights from the CBI's September 2020 Insurance Newsletter, information on PRISM changes and EIOPA's recent paper on product supervision and governance
- Updates from the Life Committee's three standing sub-committees: Cross-Border, PRSA, Reinsurance and Life Innovation
- Recent and upcoming highlights of the CPD calendar

We would also like to remind members that the recent consultation on changes to ASPs LA-8, PRSA-2 and PEN-12 has concluded, and the revised versions of the ASPs are [here](#). A [consultation](#) has also been opened in relation to the proposal to withdraw ASP LA-5.

On a final note, there has been a recent changing of the guard on the Life Committee with John Coggins, who has served as Deputy Chair for the previous 3 years, assuming the role of Chair from Mike Claffey. I think most members know Mike through his eloquent hosting of Society events and we would like to thank Mike for his unstinting efforts and enthusiasm in maintaining momentum over the last 3 years and we look forward to continuing to benefit from his knowledge and insight in the years to come.

Life Committee Survey

We were delighted to receive 270 responses to the Life Committee's survey which was designed to get feedback on where the Committee should be directing its efforts and how we should be communicating with members. The key results from the survey are as follows:

Focus Areas

According to the responses, the top three key focus areas for the Committee should be:

- Organizing CPD events;
- Providing feedback on consultation papers from EIOPA/CBI/AAE/IAA; and
- Building and maintaining a good relationship with the regulator.

A fourth topic worthy of an honourable mention as it received a significant number of votes (although not as many as the top three) is organizing working parties to produce more technical papers.

In terms of technical areas of focus, IFRS 17 and the impact of technology on Life Insurance were selected nearly twice as much as other options such as Solvency II, consumer issues relating to Life Insurance and developments in the Irish Life Insurance market.

CPD

Approximately 50% of the respondents thought that the current number of Life Insurance specific CPD events were adequate and approximately 30% thought that more Life Insurance specific events should be organized to allow them to meet their CPD requirements.

There was also a very strong preference for in-person CPD events (noting that the survey was issued before Covid 19).

Communication

Approximately 80% of respondents opted for a quarterly update by email which was significantly higher than the other options (annual update by email or the current approach where an update is posted to the Updates from Practice Committees section of the SAI website). As a result of the response to this question, we have decided to issue a Life Committee update newsletter on a regular basis of which this is the first edition. We will check in with members at a future date to see if this new approach is meeting expectations.

Approximately 40% of respondents already follow the [SAI on LinkedIn](#) but more would follow if there was more Life Insurance specific content on the SAI's feed. In particular respondents would be keen to see more information on CPD events, industry related news and regulation updates on LinkedIn.

Actuarial Standards of Practice

Only 10% of respondents thought that the Actuarial Standards of Practice required significant updates (but worth noting that 45% of respondents had no view on this question).

Head of Actuarial Function Forums

Of those who responded to this question, approximately 90% thought the frequency of these forums was about right and found the forums useful for their work.

The Life Committee has considered all of the output from the survey in detail. As noted above, this newsletter is one new development arising from the survey and other elements of the output will influence the Committee's action during the coming months.

COVID-19 Action Group

The Society has established a COVID-19 Action Group (CAG) comprising representatives from the Practice Committees and members who had expressed an interest in getting involved. It was agreed to set up two separate subgroups initially: the Members Interest Group (“MIG”) and the Public Interest Group (“PIG”).

The primary objectives of the MIG were to collate and share with members relevant information on the implications of COVID-19, with a particular focus on matters in the Irish market and Irish context, including the impact on healthcare, mortality and morbidity, insurance, pensions and investment.

The primary objective of the PIG was to consider what actions the Society could take to contribute to the response to COVID-19 including:

- Analysis of data, modelling of mortality and morbidity.
- Offering assistance and expertise to public bodies to help with the national response to the pandemic.

The secondary objectives were:

- Consider the medium and longer term impacts of the pandemic on society, the economy, mortality, morbidity etc.
- Direct action in terms of charitable donations, e.g. computer equipment to DEIS schools.

The group has collated “**COVID-19 - Useful Links & Wider Perspectives**” for members’ benefit – these are available [here](#). You can also access our **COVID-19 Action Group Blog** [here](#).

The two groups have recently merged together again to consider next steps at an overall Society level.

Supervisory updates

CBI

The CBI's September 2020 Insurance [Newsletter](#) included a comprehensive article on how best to address the additional uncertainties created by Covid 19:

Navigating Covid-19 Uncertainty

This article by Peter Towers, Snr Actuarial Advisor, Insurance Supervision Directorate, considers four areas:

1. Solvency measurement and monitoring;
2. Adequacy of Technical Provisions;
3. Importance of ORSA as a management decisions making tool; and
4. Realism in setting business planning assumptions.

With Year End fast approaching, this guidance from the CBI will be welcome by actuaries involved in basis setting, reserving, business planning and ORSA activities, along with those on Boards and in Reviewing Actuary roles.

The newsletter also includes articles on:

(a) CP131 Regulations for Pre-emptive Recovery Planning for (re)insurers

The public consultation process on CP131 runs until 30th October 2020. The article provides information on the background to the proposed regulations and details of the consultation process.

The Society is preparing a response to the consultation and there are two members of the Life Committee on the working group responsible.

(b) Actuaries Creating Transparent and Open Cultures

The article explains how the DAR creates a good framework for actuaries to contribute to insurance company culture.

PRISM Changes

Further to a review of their Prudential Impact Models earlier this year, the CBI has advised a number of insurers of changes to their PRISM ratings.

The July edition of Finance Dublin included a very informative article by John Lyons FSAI. He noted that the revised models include new metrics that better represent the actual impact of the failure of a financial services provider. Previously the key driver in the models was size. The new models incorporate a broader range of metrics. The new metrics in comparison with the old are shown in the table below:

Sector	New Prudential Impact Model	Old Model
Non-Life Insurance	Non-Technical Provision Liabilities Gross Technical Provisions Gross Written Premiums Market Share	Total Required Solvency Margin Gross Technical Provisions Net Technical Provisions Gross Written Premium: Irish Risk Net Written Premium: Irish Risk Total Liabilities Dominance Index
Life Insurance	Gross Technical Provisions Market Share	Total Required Solvency Margin Gross Reserves Total Assets Total Liabilities Annual Premium Equivalent
Reinsurance	Gross Technical Provisions Gross Written Premiums	Total Required Solvency Margin Net Technical Provisions Gross Technical Provisions Net Written Premiums Gross Written Premiums
Health Insurance	Incurred Claims Gross Technical Provisions Risk Equalisation Scheme Number of Policyholders/Customers Market Share	
Captive Insurance	Total Assets	

PRISM ratings are not published and so we do not have full sight of the impact of these changes. However, the Finance Dublin article suggests that a number of companies have had their PRISM ratings reduced.

EIOPA's approach to supervision of product oversight and governance

EIOPA released a [document](#) earlier this month which aims at providing more clarity for insurance manufacturers and distributors on the supervisory approach to Product Oversight and Governance (POG) requirements. This paper may be helpful for companies when implementing their own POG policies and in particular when engaging with their supervisors on these policies.

The paper sets out the supervisory approach for assessing a number of areas in the product development process including systems and controls, target market assessment, product testing and assessment of customers' needs, distribution strategy and product monitoring and review.

The paper is for information purposes only and is not binding on insurance manufacturers or distributors.

Sub-Committee updates

Cross Border Committee

With members representing insurers who operate across Europe, the agenda for this sub-committee of the Life Committee includes market updates from UK, Italy, Sweden, and Germany, and recent topics discussed include Covid 19, Brexit, DAC6 (described below) and Pan European Personal Pensions (PEPPs).

The impact of COVID-19 has varied by country, with some markets (e.g. Germany) faring better than others. In most markets sales took a hit in Q2 but with signs of recovery in Q3. Overall, it is felt that the High Net Worth market – a core sector served by cross-border insurers - has been quite resilient, though some companies have faced distribution challenges during lockdown periods. There has also been increased policyholder activity in the areas of premium holidays, switching and partial surrenders. COVID-19 may also result in further consolidation in some markets. Sustainability and Environment, Social and Governance considerations are coming more into focus also, on the back of COVID-19.

On the topic of Brexit, attention is now turning to areas where UK regulators may diverge from the EU post Brexit. Recently the FCA announced that planned EIOPA guidelines for outsourcing to cloud providers with a 1/1/2021 go live date will not apply for the UK.

PEPPs are another area of interest. The European Commission, based on EIOPA's Advice on the development of a European Union single market for personal pension products, proposed a regulation for PEPPs that would foster the development of a large and competitive European personal pensions market. Further information on this can be found [here](#).

DAC6 came into operation on 1st July 2020. This refers to a new EU mandatory disclosure regime for certain cross-border transactions that could potentially be used for aggressive

tax planning. These are referred to as reportable cross-border arrangements.

In light of the restrictions imposed on businesses during the COVID-19 pandemic, Ireland is exercising an option given to Member States to postpone by six months the filing dates for the first returns of information in relation to reportable cross-border arrangements. This means that reporting to Revenue will not commence until January 2021 at the earliest. This [note](#) released by the Revenue Commissioners may be of interest to members.

The committee members are Andrew Kay (Chair), John Bolger, Olive Gaughan, Neil Guinan, Martin Kyne, Mark Maguire, Brendan McCarthy, Brian Morrissey, Frank O'Callaghan, Duncan Robertson, Ciaran Durcan, Roger Ryan, Tomas Scullion, Ciaran O Suilleabhain, Cian O'Toole and Rory Coffey.

PRSA Committee

The PRSA Committee is a sub-committee of the Life Committee and is focused on issues relating to PRSAs and the role of the PRSA Actuary as set out in the Pensions Act.

The primary purpose of the committee is to facilitate a coming together of PRSA Actuaries to discuss relevant issues, and all PRSA Actuaries are active participants in the committee.

As well as meeting to discuss issues of relevance to PRSA Actuaries, and facilitating PRSA-specific CPD, the committee has contributed to SAI responses to a number of consultations in recent years.

Over the last year, the primary additional areas of focus have been reviewing and providing feedback on proposed changes to ASP PRSA-2 (which governs elements of the disclosure to PRSA holders, and is the PRSA equivalent of ASP LA-8) and ongoing engagement with the Pensions Authority on potential changes to primary and secondary legislation as well as potential areas where Pensions Authority

guidance could help improve outcomes for PRSA holders.

The Committee members are: Carmel Brennan, Sinead Clarke, Fergus Collis, Dermot Corry, John Lynch, Kevin Manning (Chair), John O'Connell, Ann O'Regan and Paola Zaccaria.

Life Reinsurance & Innovation Committee

The Life Reinsurance Committee has been a standing sub-committee of the Life Committee for many years. One of the primary roles of this committee had been to maintain the Life Reinsurance specific ASPs but with the advent of Solvency II these ASPs were no longer relevant and have been withdrawn. In 2019 the committee completed a review of our Terms of Reference and particularly challenged ourselves as to how we might better serve the wider SAI life membership.

Following this review, the Terms of Reference of the Committee were expanded to include a focus on Innovations in the Life Insurance Market (both in Ireland and globally) and the Committee was renamed. While maintaining a strong focus on Life Reinsurance (both for members working in Life Reinsurance and users / purchasers of Life Reinsurance) the intention is that the Committee will look to provide CPD events and other supporting materials to the wider membership covering new innovations such as InsurTech, Use of Data, enhancements to the Customer Experience and Underwriting as well as traditional reinsurance topics.

With this in mind the 2020 Life Reinsurance Forum focused on the 'Future of Underwriting' and was held as a webinar in two parts on 25th of June and 2nd July. In this we heard a UK perspective on some of the challenges that exist placing cases for Lives assured with existing conditions as well as speakers as speakers focusing on some of the new innovations in Life Insurance Underwriting. Both sessions are available on Actuvue [here](#).

The Committee continue to explore topics that we believe could be interesting to the wider membership. If you are interested in getting involved please contact one of the committee members.

The Committee members are: Aisling Bradfield, Ciaran Belton, Cillian Ryan, Clara Leahy, Julie McCarthy, Gavin Maguire (Chair), Michael Culligan, Niall Mulvey, Sarah Lynch, Sean Nagle and Thomas Moran.

CPD

At the moment the Society is focusing on delivering online CPD. There were a number of interesting events in September which can still be viewed (see below). With the annual convention taking place on 8th December, this means the Life forum will not take place until 2021.

Consumer Insurance Contracts Act – Deep Dive Event **23rd September 2020**

The Life Committee helped to organise a deep dive Cross-Practice event looking at some of the practical issues facing insurers as a result of the Consumer Insurance Contracts Act. The speakers were Naoise Harnett (Pinsent Masons), Adrian Leonard (IPB), Edel O’Connell (Irish Life) and Ciara O’Grady (Deloitte). The event is available on Actuvivew [here](#).

Working with Auditors **11th September 2020**

This was a panel discussion covering ways in which auditors engage with actuaries, what they are looking for, why they are looking for it, and how we, as actuaries, can make the process easier for ourselves.

The speakers were Aileen Murphy (Deloitte), Eimear McCarthy (Deloitte), Emer Daly (INED) and Pdraig Osbourne (PWC). The event is available on Actuvivew [here](#).

Excess mortality in Ireland during the COVID-19 pandemic **3rd September 2020**

During the COVID-19 pandemic, countries around the world have been analysing death data in ways they never did before. In Ireland, where state death data has a longer time lag than some comparable countries, many analysts have turned to public data sources to provide insight into how Ireland is faring during the pandemic.

In this session, some of those that have been driving the work in this area presented their analysis and discussed the challenges this sort of data analysis presents as well as the insights it provides.

The speakers were John Flanagan (CSO), John Nolan (Hannover Re), Andrew Smith (UCD), Dr. Gerard McCarthy (Maynooth University). The event is available on Actuvivew [here](#).

Upcoming Events

[IFRS 17 Panel discussion webinar – 27th November](#)

[HoAF Forum – Online - 1st December](#)

[Annual Convention – Online - 8th December](#)

Keep an eye out for the new reading list for HoAFs which will be posted to the Society’s website before the end of this year.