



Society of Actuaries in Ireland

Life Insurance Newsletter

February 2022

Life Committee

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Dear All,

We are pleased to bring you this first edition of the Life Committee newsletter for 2022.

Since the last newsletter in October, the Life Committee has been busy supporting the Society's responses to various consultations including the joint Department of Finance / CBI consultation on the development of a resolution framework for (re)insurers and the EIOPA Solvency II review consultations. Further details on each of these are given below.

With the 31 December 2021 transition date for the opening balance sheet for many companies now passed, and with companies in their final year of implementation before go live on 1 January 2023 IFRS 17 continues to generate much discussion. So again, in this newsletter we thought it would be helpful to draw readers' attention to some recent developments from different organisations on various aspects of IFRS 17.

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. In particular the Policyholders' Reasonable Expectations (PRE) working party fed back their findings to members at a webinar in November. The findings are now being considered by the Life Committee and will be discussed at the next HoAF forum.

We hope you find this information useful but if you have any feedback you would like to share or if you have an issue that you would like raised at the Life Committee, please contact any Committee member or info@actuaries.ie.

The Life Committee

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Engagement with CBI

The Chair attended the quarterly meetings with the CBI Actuarial Team in September and December. These meetings provide an opportunity for the CBI to advise us of their current priorities and future activities, and for the Society representatives to give their views. In addition, the Society updates the CBI on its activities, including proposed amendments to ASPs, topics for HoAF Forums etc.

The agenda covers both life and non-life insurance: among the topics discussed which are relevant to life actuaries were the progress on the Solvency II review, the IMF stress tests in relation to climate change and the CBI's involvement in an EU-wide data ethics project.

The next meeting is scheduled for early March.

HOAF Forum

The latest Life HoAF Forum was held on Wednesday 8th December with good virtual attendance. The forum focused on the following areas:

- Feedback from the HoAF survey conducted, with questions focussed on areas of reliance on others; data validation; typical focus areas for the analysis of change; and Covid.
- A presentation on the Reviewing Actuary regime covering “all you need to know” across process, outcomes and opportunities; typical issues identified and good practice; and finishing with feedback on the Reviewing Actuary regime from the HoAF survey.
- A presentation from the PRE Working Party covering insights gathered from the survey conducted and the perspectives of INEDs on the topic of policyholder reasonable expectations.

The meeting finished with a round up on 2021 and possible areas of focus for 2022 based on HoAF suggestions.

PRE for Life Actuaries – update from the PRE Working Party

A working party was established in May 2021 to consider and determine an appropriate approach to PRE for the SAI on behalf of its members working in the area of Life Insurance. The working party presented their findings at a Society webinar on 22nd November '21. The slides are available to members here:

<https://web.actuaries.ie/sites/default/files/FINAL%20-%202021%20SAI%20Presentation%20Slides.pdf>

The findings of the working party are being considered by the Life Committee and will be discussed at the upcoming Life HOAF forum also.

Next steps will then be determined by the Life Committee and will be communicated in future newsletter updates.

Public Consultation on the Development of a National Resolution Framework for (Re)Insurers

In September 2021, the Department of Finance in collaboration with the Central Bank of Ireland (CBI) published a [consultation](#) paper on the development of a National Resolution Framework for (re)insurers. A working group was established by the SAI to respond to the consultation, and the response to the consultation is available on the SAI website [here](#).

The response submitted by the working group on behalf of the SAI draws attention to a number of key points, specifically the proposed scope of the framework, the funding model, the existing corporate insolvency regime and the proposed resolution actions that may be considered.

It is worth noting that on the 22 September 2021 the EU Commission adopted a [proposal](#) for an Insurance Recovery and Resolution Directive (IRR), and the response also notes the risk of developing a domestic framework while the European regulatory agenda is in flux.

On the scope of the proposed framework, the response notes that the most appropriate resolution approach will likely be very different for different forms of insurance and cohorts of policyholders. The response also suggests that using the current PRISM system as a tool for determining which companies are in and out of the pre-planning would not be appropriate, given PRISM was designed for a different regulatory purpose. The response suggests that generic resolution planning, rather than entity specific planning, may be a more cost-effective approach.

The response also sets out that the SAI's view is that any funding provisions for resolution activities will ultimately lead to higher premiums for consumers, either directly or indirectly. Additional levies on insurance

products may also make them unattractive relative to similar products that are not insurance-based, particularly savings-based products.

On the corporate insolvency regime, the Society agrees with some of the concerns raised in the Consultation Paper relating to existing tools available, however the Society is of the opinion that such concerns would be better addressed outside of wider considerations relating to the development of a resolution Framework.

Finally, the Society points out that the need for High Court approval in Ireland for transfers of liabilities should be recognised when considering the use of a bridge insurer in a resolution scenario.

IFRS 17 Activity

The transition date for the opening balance for many companies of 31 December 2021 has now passed, with companies now in their final year of implementation before IFRS 17 goes live on 1 January 2023. We have included below links to some recent developments from different organisations on various aspects of IFRS 17.

EU endorsement of IFRS 17

In November 2021 the European Commission published its legislative text adopting IFRS 17 (and the June 2020 amendments), which includes the option to exempt intergenerationally-mutualised and cash flow matched contracts from the annual cohort requirement of IFRS 17.

See <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R2036&from=EN>

Status of UK endorsement of IFRS 17

The UK Endorsement Board (UKEB) published its draft Endorsement Criteria Assessment for IFRS 17 on 11 November 2021. The consultation period ends 3 February 2022.

See <https://www.endorsement-board.uk/endorsement-projects/ifrs-17>

Initial application of IFRS 17 and IFRS 9 – comparative information

In December 2021 the IASB issued an amendment to IFRS 17, 'Insurance Contracts', relating to the presentation of comparative information of financial assets on initial application of the standard.

See (premium content):

<https://www.ifrs.org/content/dam/ifrs/publications/amendments/english/2021/initial-application-of-ifrs-17-and-ifrs-9-comparative-information.pdf>

IAA IAN 100 on the Application of IFRS 17 Insurance contracts

The International Actuarial Association (IAA) held webinars on IAN 100 in October 2021.

See: <https://www.actuaries.org/iaa/IAA/Publications/IANs/IAA/Publications/international-actuarial-notes.aspx?hkey=d03a8eec-38fe-4d76-80b0-e0ed1e4e538b>

SAI IFRS 17 webpage

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

Cross Border Committee

One of the main activities of the Committee over the last few months was the consideration of some recent EIOPA Q&As, and in particular whether they impacted the treatment of Italian Substitute Tax for companies transacting business in Italy. The Committee set up a sub-working group to facilitate discussion amongst interested parties. Also related to Italy, it was noted that the Italian regulator, IVASS, had introduced conduct of business supervisory fees for cross border companies selling into Italy.

In UK market developments, the PRA has introduced regulatory requirements on climate risk. There was also a consultation issued by HM Treasury, proposing secondary objectives for the PRA and the FCA in the areas of economic growth and competitiveness.

In Germany, the German Actuarial Society published a new table of incidence and recovery rates for occupational disability liabilities.

Also, at our last meeting, the Committee considered Diversity & Inclusion. We identified some quick win actions and agreed that D&I should be considered in all areas of the committee work, with regular reflection points.

Life Reinsurance and Innovation Committee

The Life Reinsurance and Innovation Committee are busy preparing for their 2022 annual series of virtual innovation themed events. In addition to this we are working with the Data Analytics committee on a life focused data analytics event (more details will be available on SAI website soon).

At the end of the year the committee produced a reading list of useful papers and articles for actuaries working in Life Pricing and product development roles. The reading list is available on the SAI website [here](#). If there are papers or articles you think it would be good to add please do not hesitate to send links to info@actuaries.ie

Finally, we are exploring the Right to be Forgotten for Cancer patients initiative under discussion at EU Commission level and what that might mean for Irish consumers and for the work of actuaries in Ireland.

Other Life Committee Activity

Solvency II Working Party

Over the past number of months, a life working group reviewed the most recent set of EIOPA consultations that form part of the Solvency II 2020 Review. There was also a separate non-life working group. Whilst the groups met and compiled initial responses independently of one another, the leads did liaise to ensure that feedback was consistent.

In total, the working groups reviewed four consultations across September and October:

- [Consultation on amendments to supervisory reporting and disclosure](#)
- [Consultation on supervisory statement on supervision of run-off undertakings](#)
- [Consultation on the revision of the Guidelines on Contract Boundaries](#)
- [Consultation on the revision of the Guidelines on Valuation of Technical Provisions](#)

The Society's responses on the issues raised were issued directly to the AAE, who compiled perspectives from member bodies across Europe. The AAE's aggregated responses have already been published and submitted to EIOPA, with many of the SAI's observations captured in the submission. 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/wp-content/uploads/2021/10/AAE_response_EIOPAStatement-supervision-of-run-off-undertakings_Contributionbf4f33b1-0620-46a1-af18-5640e7080e67.pdf
- https://actuary.eu/wp-content/uploads/2021/11/AAE-response_GuidelinesContractBoundaries_Contribution1301f224-ff2d-477f-bc04-ad038209d6d2.pdf
- https://actuary.eu/wp-content/uploads/2021/11/AAE_Response_ValuationTechnicalProvisions_Contribution4a48e79c-48e1-4968-8b6d-095b58b5098e.pdf

CPD

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>