



Society of Actuaries in Ireland

Life Committee Newsletter

July 2024

Foreword

Dear Member

It has been a busy first 6 months to the year for the Life Insurance committee. The committee has met 5 times so far this year to discuss issues relevant to Life Insurance actuaries. Members of the committee meet regularly with the Central Bank of Ireland and other external stakeholders to discuss areas of mutual interest. The committee has fed into a number of consultations in the last number of months including the Department of Finance's Fund Sector 2030 and the CBI's Review of the Consumer Protection Code (further detail of these below).

The Life committee held its annual Life Forum in the Aviva Stadium on 28th May. Dr. Jack Halligan provided the keynote for the plenary session on **Innovation in Healthcare: What is the impact on mortality?** This was followed by a number of very interesting topics from which members could select, including, Solvency II amendments, PRSA's, Climate risk scenarios, Back book optimisation, Regulatory updates and Covid 19 excess mortality. In addition to the forum, we held a number of other CPD events for our members and are looking forward to the Annual Convention later in the year.

As Life actuaries got through their first full year end under IFRS 17, changes in Solvency II regulations were also a focus for the committee. The committee has three sub-committees which report directly to it: the Cross Border life committee, the Life Re. and Innovation committee and the PRSA committee. There is an update from the Cross Border committee below as well as an update from the Right to be Forgotten working group.

The Life HOAF forum has met twice this year and provides a good forum for life HOAFs to exchange views and discuss important topics. We are conducting our own review of the Domestic Actuarial Regime (DAR) to identify improvements with a view to sharing these with the CBI in time (further detail below).

We have a number of experienced members stepping down from the committee and will be doing a call for volunteers soon. We strive to ensure the make-up of the Committee is appropriate and that there is a good diversity of members across a number of areas. If you are interested in joining a very active committee please consider volunteering.

We hope you find that this newsletter provides valuable insights to the work done by the Committee. We are constantly striving to improve on how we communicate with members in order to support you on what is an ever-changing world. If you have any feedback on this, or suggestions for other areas of focus, please do not hesitate to contact any of the Committee members or email the Society directly at info@actuaries.ie.

Committee Members

Fergal O'Shea (Chair)
Aoife Quinn (Secretary)
Eoghan Burns
Davide Casinelli
Shane Fahey
Francis Furey

Neil Guinan
Niall Mulvey
Niall Naughton
Viviana Pascoletti
Eamonn Phelan
Sarah Teehan

Michael Sharpe (Exec. Support)

SAI Response to Department of Finance Consultation on Funds Sector 2030

The Society responded to a consultation on the regulation of the funds sector in Ireland in late 2023. The results of the consultation and government plans are expected to be announced over the summer ahead of the budget.

The Society response focused on questions where we can offer expertise and experience and in particular on life fund taxation and comparability with other investment options. The Society recommended that the key principles of **equality, simplicity, and incentivizing better investing behaviour**, should inform changes in the current approach.

We believe there should be equal taxation for different forms of investment and savings. There should be a level playing field for direct investment and investment via a collective investment fund. We also proposed the 1% levy on single premium life assurance policies should be reviewed.

The Society believes in harmonizing taxation rates for different forms of investment returns to achieve equality and simplify the system. It was proposed that taxes be deducted at source and represent a final liability tax with no requirement for a return. This would simplify administration for both Revenue and taxpayers. We also recommend that the "old basis" taxation regime for life products remains unchanged.

The Society notes that the average retail investor can achieve diversification by investing in a collective investment vehicle such as a UCITS, unit-linked life fund, or ETF. However, the differential taxation treatment between holding securities directly or via a collective investment vehicle (CIV) is a barrier to achieving a diversified portfolio with the same tax treatment as wealthier individuals.

The Society believes that the differential treatment between direct investment and investment via a collective investment vehicle gives an advantage to wealthier individuals while disadvantaging regular retail investors.

The Society notes that investing in unit-linked funds or UCITS can allow individuals to invest in a diversified portfolio of assets, leading to higher returns for a given level of risk. Simplifying the tax system could lead to more optimal investment decisions.

The Society proposed an alternate option for achieving equitable treatment between direct investment and investment via a unit-linked life fund or UCITS-type CIV. This involves requiring CIVs to notionally distribute all income at least annually, deducting tax at a rate consistent with the DIRT tax rate, and bringing the rate of taxation on gains in line with the CGT rate applicable to direct holdings of securities. The eight-year deemed disposal rule would cease.

The Society notes that investments in single premium life assurance policies are subject to a 1% levy, whereas other lump sum investments in CIVs do not incur such a levy. The rationale behind this is not clear and suggested gaining clarity on the underlying reasons for these differences.

The Society recommends conducting a comprehensive impact assessment of any potential changes to prevent unforeseen consequences. We believe that simplification and equal treatment could have positive behavioural consequences and lead to more optimal investment decisions. We also indicated our willingness participate in further consultations on any options being considered.

Update from Cross Border Life Committee

The Cross Border Life Committee is a subcommittee of the Life Committee which provides a formal consultative and discussion forum for actuaries involved in cross border business being transacted from Ireland, enabling knowledge sharing and open debate on cross border life assurance issues.

Of particular interest to committee members are the market updates. These are opportunities for sharing and understanding trends in other jurisdictions (including the growth / contraction of markets and the impact of regulatory / legislative change).

In the UK, we discussed the implementation of Consumer Duty regulations and continue to monitor regulatory divergence from the EU, as the changes arising from 'Solvency UK' are embedded, for example, changes in the prescribed cost of capital used in the risk margin. The

Committee has discussed the implications of this, including the potential requirement for 'dual reporting' across both Solvency II and Solvency UK for insurers domiciled in Ireland but with a UK-based parent/group.

With regards to the **Italian cross border market**, the Committee discussed the recent Financial Services Ireland and Insurance Ireland response to a consultation by the Italian Supervisory Authority (IVASS) on a draft regulation limiting the freedom of investment for certain life insurance products in the Italian market, and the impact passing of such regulation may have on the ability of Irish insurers to compete in this market.

Other relevant updates from **Italy** include a more prescriptive approach from the regulator to assessing value for money being offered to policyholders and new

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Update from Cross Border Life Committee continued

legislation being introduced to facilitate a policyholder guaranteed fund in the life insurance sector (to be funded by industry participants). This arises following the collapse and placing into special administration of Eurovita in 2023 with the likely intention being to reduce the risk of a sector-wide mass lapse event.

Other markets actively monitored by the Committee and of relevance to Irish cross-border insurance business are **Germany and Sweden/Scandinavia**.

The Committee also discusses recent developments at a European level.

EIOPA recently concluded a consultation on its methodology for setting **value-for-money benchmarks** for unit-linked products. This was discussed at recent committee meetings, and the Committee set up a sub-working group to provide feedback on behalf of the SAI by inputting to feedback from the AAE.

The Committee discussed the potential implications of recommendations arising from a recent EIOPA Peer Review on the supervision of the **Prudent Person Principle** under Solvency II.

The review focussed primarily on the supervision of investments in non-traditional / complex assets and the use of such assets in unit-linked contracts where market risk is borne by the policyholder.

Recommendations issued to the CBI included ensuring a common understanding / application by insurers of the use of derivatives for efficient portfolio management and formulating / communicating to insurers expectations regarding assessment of whether investments backing unit-linked contracts are made in the best interests of policyholders.

As a key element of the Committee's 2024 work plan, we are brainstorming appropriate content of interest and relevance to the wider Society membership to present at a CPD event.

Finally, the Committee are currently looking for experienced and newly-qualified actuaries who would like to play a role in shaping the Society's activity in this area and have issued a call for volunteers through the Society. We are interested in improving the gender diversity of the Committee and the diversity of work experience and areas of expertise which members have.

Update from the Right to be Forgotten Working Group

Initiatives linked to Right to be Forgotten (RTBF) for Cancer Survivors when applying for insurance products continue to gather pace, with Greece becoming the latest country in Europe to advocate for a RTBF with legislation now under consideration ([The right to be forgotten: protecting people who have experienced cancer from discrimination | UICC](#)). Colombia has become the second country in Latin America (following Chile) to introduce a framework (on 23 April 2024, in the seventh commission of the Senate of the Republic, the 201 Draft Law was approved in the first debate, which *"establishes and guarantees the right to oncological oblivion in Colombia and establishes other provisions"*.)

Since the beginning of the year the European Commission has been facilitating a discussion between the European Insurance industry and patient representation groups to explore the introduction of an EU-level Code of Conduct on fair access of cancer survivors to financial services. The AAE has been a strong contributor to the roundtable discussions. While the SAI RTBF Working Group largely completed its' work with the publication of their report in April 2023 ([Paper - Right to be Forgotten framework for Cancer Survivors | Society of Actuaries in Ireland](#)), members of the group have been supporting the AAE in their

preparation for the roundtables. An outline of the SAI report was presented at a roundtable in February. The European Commission hosted an update event stocktaking on progress and challenges on 14th May attended by Commissioner Mairead McGuinness and Commissioner Stella Kyriakides. Further information is available here: [Cancer survivorship: advancing the right to be forgotten - European Commission \(europa.eu\)](#). We anticipate further roundtables will be held in the Autumn.

It is now seven months since Insurance Ireland members implemented their new Code of Practice for Underwriting Mortgage Protection Insurance for Cancer Survivors (which took effect on 6 December 2023). The SAI Working Group are exploring the potential to use the data collected as part of the research work to do a back-testing exercise to estimate the number of people who may have benefited from the Code had it been in place in the past. The intention of the Working Group is to publish a short update to the report after the summer.

Review of the Domestic Actuarial Regime

The Society has formed a Working Group to contribute to a review of the Domestic Actuarial Regime ('DAR'). This review is being carried out in advance of a review of the DAR which the CBI has indicated is planned for later this year.

Society representatives have had some engagement with the CBI prior to the commencement of the Working Group's review and will engage further with the CBI prior to the preparation of a formal submission to the CBI on the DAR.

The Working Group consists of representatives from the Life and Non-Life communities and there is good representation from both direct writers and consultancies as well as an INED member.

The Working Group is considering all aspects of the DAR (issued in 2018), the Guidance on the Head of Actuarial Function role (issued in 2016) and potential interactions of these guidelines for HoAFs with other guidance and advice issued by the CBI (via Dear HoAF letters, other guidance notes and CBI newsletters) and the SEAR prescribed responsibilities.

The Working Group is making good progress in gathering input across the key areas of the DAR and is preparing for engagement with the CBI as part of the next phase. Key topics under consideration by the Working Group include:

- pros and cons of prescriptive guidelines relative to a more principles-based approach,
- the appropriate frequency and scope of Peer Reviews,
- the role of HoAFs in relation to PRE,
- the appropriateness of the allocation of certain responsibilities to the HoAFs which could potentially be fulfilled by other functions,
- areas where the current guidelines have scope to be interpreted differently by different HoAFs,
- the impact of SEAR prescribed responsibilities which is a key change since the DAR and 2016 guidance was drafted and other relevant regulatory developments,
- the impact of emerging risks and trends, new technologies and ways of workings, and ensuring that the DAR remains current to reflect those items.

The Working Group aims to conclude its initial review by September. Engagement with the relevant SAI Committees and Council will take place thereafter prior to preparing a submission to the Central Bank.

CBI Consumer Protection Code Review

The CBI originally introduced the [Consumer Protection Code](#) in 2006 and revised it in the Consumer Protection Code 2012 which came into effect on 1st Jan 2012. It is in the process of conducting a comprehensive review of the code. This has culminated in a [consultation paper](#) that was published in March 2024 and closed on June 7th 2024. Following consideration of stakeholder feedback on the proposed changes, the Central bank will publish the final regulations in early 2025 followed by a 12 month implementation period.

The CBI aims to deliver an updated and modernised Code that reflects the constantly changing financial environment, to ensure that firms incorporate customers' interests as a central part of decision making in order to deliver positive consumer outcomes. The review aims to enhance consumer protections across the following areas:

- Digitisation – deploy consumer focus in design and implementation of these services.
- Informing effectively – Inform customers in a way that supports them to make informed decisions.
- Mortgage credit and switching – Support and transparency for customers in switching mortgage and insurance products.
- Unregulated activities – Provide clarity to customers on regulatory status and protection they have
- Frauds and scams – Protection for customers from evolving frauds and scams.
- Vulnerability – Support customers in vulnerable circumstances.
- Climate risk – Consider consumer sustainability preferences.

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CBI Consumer Protection Review continued

The SAI submitted a [response](#) to the CBI consultation, the key points of this were:

- There are many areas of overlap between the CPC and other EU regulations for example, DORA, IDD, evolving sustainability regulations, etc. Where possible we feel that CPC should not seek to replicate these regulations but to make reference to them where appropriate.
 - In the spirit of standardisation and informing effectively, the principles of the CPC should apply consistently to all relevant financial products such as occupational pensions not directly in scope of CPC. It is important that consumers receive similar protection across all financial products.
- Informing consumers effectively suggests that companies may need to adopt a more succinct and targeted approach to consumer communication. This proposal may be at odds with meeting current regulatory requirements, resulting in additional rather than simplified communications. Defining what is 'important' for different consumers and products will be a challenging task.