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INSURANCE QUARTERLY

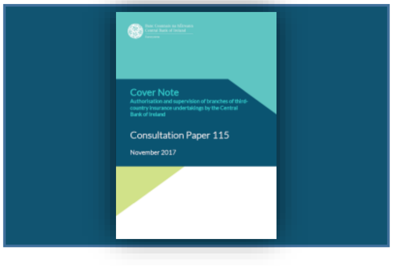
DECEMBER 2017

Focus on Risk Culture – p.3

Introducing our Risk Culture Model. The first in our series of articles on Risk Culture focusses on Leadership.

3rd Country Branch Consultation – p.7

The Central Bank is inviting comments on new requirements and proposed changes to certain existing requirements.



Recent AML/CFT Developments - p.9

Our colleagues from the Anti Money Laundering Division provide an update on some recent developments n the sector.

Foreword

Sylvia Cronin – Director of Insurance, Central Bank of Ireland

Welcome to our last quarterly insurance update for 2017. This has been a challenging and rewarding year for all with the achievement of a number of key milestones and a fair share of significant events. Some of the events that have affected the Insurance sector this year have included the triggering of Article 50 of the Lisbon Treaty on 29 March 2017, thereby initiating the Brexit process; and the first complete suite of annual reporting under Solvency II, Pillar III, which took place in May for the majority of insurance undertakings.

I would like to thank all of you who attended the Insurance Directorate's October briefing for industry and stakeholders, and the more recent Insurance Analytics Solvency II Reporting workshop held on 24 November. It was a pleasure for us to be able to host both events in our new Docklands campus facilities. We are happy that there was a very positive reaction to both initiatives, and we are mindful of all feedback received.

During 2017, we altered the direction of our supervisory focus, in order to execute our PRISM framework to the highest standard. We carried out significant amounts of reviews, through risk assessments, branch inspections and the analysis of the Solvency II reporting received. In an operating environment that is increasingly uncertain, we also significantly enhanced our sectoral analytics capabilities and we have continued to engage on the implications arising from Brexit.

We are operating in challenging times, and with this in mind, we are currently concluding our planning process for 2018, as well as developing our longer-term strategy for 2019 onwards. Our high-level aim is to ensure that we continue to embed Solvency II, support supervisory convergence across Europe, and execute our supervisory approach to the highest standard. We will continue with our open engagement in relation to Brexit and authorisations, and we will increase our supervisory attention in the areas of reporting and disclosure, outsourcing and IT, branch inspections, governance, pricing discipline, adequate reserve monitoring, and the assessment of internal models.

I wish to welcome Andrew Candland who will take up the role of Head of Division – Actuarial, Analytics and Advisory in January 2018. Andrew will bring his industry and supervisory experience to the role, and I am sure this will assist us in fulfilling our mandate and successfully overcoming the supervisory challenges I have outlined above.

I have spoken at a number of events over the past year about the importance of culture, as to what it is and what good culture looks like. We view culture as the personality of an organisation. As supervisors, we are building the assessment of culture into the work that we do. Whether we are assessing capital risk, investment risk or operational risk, we will look at how you make decisions, how you communicate your decisions, how you reflect this in your risk management framework and how you implement actions on the ground. We have developed our supervisory approach to focus on the key influencers of culture, how to identify whether cultures are effective or ineffective and how to form a holistic view of a firm at a point in time. Culture will continue to be an area of focus going forward.

As we approach the year-end, it is an important time for reflection and taking stock for the year ahead. On behalf of the Insurance Directorate, I would like to express my thanks and best wishes to the staff of our supervised undertakings for their cooperation in responding to the significant demands of Solvency II reporting and our other supervisory requirements. I wish you all peace, joy and happiness over the Christmas period and I look forward to engaging with you during 2018.

Sylvia Cronin
Director of Insurance,
Central Bank of Ireland

Introducing Risk Culture Part 1 - Leadership

Behaviour and culture in the financial services industry, and in particular the risk culture within it, has been up for debate since the fallout from the financial crisis. Bodies such as the Financial Stability Board[(1)] and the G30[(2)] have called for an increased focus on risk culture in financial institutions by supervisors and by the institutions themselves. In the first of a series of articles on Risk Culture, Jenny Minogue, Organisational Psychologist in the Insurance Supervision Directorate, introduces the Risk Culture Model developed in the Directorate and in this edition, expands on the first factor in the model - ***Leadership****.*

Given that the core of the insurance industry is risk, to speak about risk culture can come as no surprise and it is all the more relevant now, almost two full years into the implementation of Solvency II. As Insurance Supervision Director, Sylvia Cronin has stated ''*Solvency II is a risk based regulatory regime. One of the most powerful drivers of setting the benchmark and embedding this regime will be the risk culture that is established within each company.''*[(3)] This sentiment is one that is shared at a European level by EIOPA, with Chair Gabriel Bernardino highlighting the importance of firms promoting strong risk cultures in order to support and embed successful risk management.[(4)]

Since 2016, work has been underway in the Insurance Directorate exploring how the risk culture in firms can be captured and we have been developing and testing ways to integrate it into our supervisory practices. The culmination of this work is the Insurance Supervision Risk Culture Model and an accompanying risk culture assessment tool. This assessment will be rolled out during certain on-site inspections in 2018. This article will concentrate on the Leadership factor of the model, however, first some background on culture and the model will be introduced.

So what is risk culture?
It is widely acknowledged that risk culture as a concept can be abstract, however, also widely acknowledged that there are ways and means of understanding it. A concise but valuable A-B-C model of risk culture is put forth in Figure 1 by Hillson (2013).

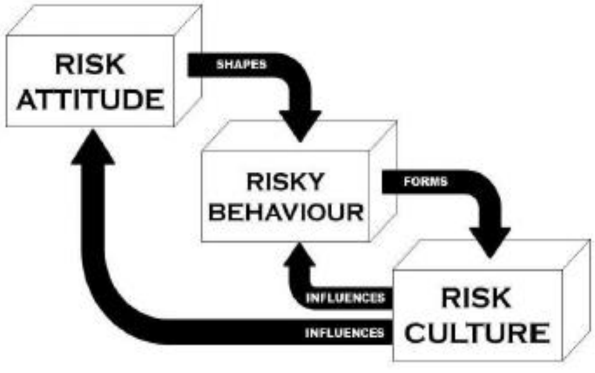


Figure 1. A-B-C Model of Risk Culture (Hillson, 2013)

Culture is captured through a combination of observation, examination and inference. That means there are characteristics of an organisation we can analyse, documents we can interrogate, decision we can investigate, questions we can ask and knowledge and experience that we can employ to form a view on the risk culture of an institution. Note how the term 'measure' is not used. 'Measure' implies precision and exactness and human attitudes and behaviour do not lend themselves to such accurate measurement. Instead, we talk about 'assessing', 'gaining an understanding of', 'forming a view on' etc., therefore, recognising that there will be unknowns and things that are unknowable.

Risk culture has many definitions and the one used by the Insurance Supervision Directorate states that it is '*the system of values and behaviours present in an organisation that consciously and unconsciously shapes the consideration of risk at all levels in the organisation'*. Furthermore, we do not refer to a risk culture being 'good' or 'bad'. These terms are too definite to try describe a concept that is absent of absolutes. Rather, we describe risk cultures as either 'effective' or 'ineffective'. A risk culture can either be **effective,** and assist a firm in its endeavours or it can be **ineffective** and detract from the successful operation of the firm.

An **effective risk culture** supports strong risk management, encourages sound risk taking, creates an awareness of emerging risks and addresses excessive risk taking (as established through a firm's own risk appetite) in line with agreed procedure. An **ineffective risk culture** does not adequately support risk management practices, is naïve to emerging risks and enables risk taking that undermines the stated risk appetite.

Having an effective risk culture does not mean the elimination of risk, rather, it is when an organisation has the self-awareness to really understand their appetite for risk and harness that so that it operates in a manner that fulfils its obligations to all stakeholders including but not limited to the consumer, shareholders and indeed, the regulator.
This model comprises four factors:

- **Leadership -** The commitment to risk management that leaders show through what they say and do.
- **Governance -** The awareness among staff of their responsibilities and accountabilities, the appropriateness of policies and level of adherence to same.
- **Decision Making -** The validity and reliability of information feeding into the decision making process, the aggregation of same and the reward system in place.
- **Competency -** The consideration given to acquiring and developing robust risk skills in the firm and the allocation of resources.

Figure 2. – Insurance Directorate Risk Culture Model

While each factor is presented in isolation, there is inevitable overlap and interdependencies between them. For this reason, any assessment of culture, regardless of the model used should look at all aspects in a holistic manner.

Leadership of culture in general
The leaders in an organisation are those who have responsibilities for steering an organisation's agenda and promoting its values. Another characteristic of leaders is that they hold positions which allow them to influence others. At a high level, they can be broken down into senior leaders (board members and execs) and mid-level leaders (department heads, team leaders). At first glance it could seem that all the power rests with the senior leaders and their 'tone at the top' however, each group has a distinct and essential role.

Senior leaders are indeed, at the top deciding core values, directing the organisation, and they are responsible for actively monitoring how messaging is cascaded down through the layers. Active monitoring involves having two-way communication channels open. On the one hand, communicating a unified and coherent message down the line and on the other hand, creating an environment where people feel safe in delivering feedback and querying the status quo. Furthermore, if the organisation is a subsidiary of a group, senior leaders must also ensure that the approach they are taking towards risk and risk management is in the best interests of their entity and resist against undue influence from the group. Mid-level leaders are responsible for translating the messaging from the top into relevant and meaningful actions for their teams. They act as the conduit between those on the front line and those at the top. They too need to create the conditions for honest feedback and require the skills to convey that feedback and influence upwards.

Risk culture leadership
All leaders, whether senior or mid-level, need to demonstrate through their words and actions that risk management is a priority. A fundamental competency that leaders of effective risk cultures must have is self-awareness. That is, being aware of how they offer support to practices pertaining to risk management, explicitly (e.g. formal or informal rewards) or tacitly (e.g. turning or appearing to be turning a blind eye), and how their reaction to risk events (e.g. losses/near misses) can influence the behaviour of those around them. Leaders may not think that people are paying attention but when you are in a position of power, people are watching your every move, watching so they can learn the 'actual' way of doing things. If the 'actual' way of doing things differs to what is documented in a vision or mission or goals statement then you can be assured that the former will supersede the latter. The priorities for senior leaders need to be:

- Establishing/maintaining a risk committee that is staffed by members with adequate expertise
- Developing a strategy that has given due consideration to the management of risk and executing that strategy accurately
- Appointing a CRO who can challenge and offer independent viewpoints – and allowing them to do so.

They also need to adopt a broad outlook and should look beyond the insurance industry and indeed beyond the financial services industry for lessons and guidance. One particular group of industries that will provide ample guidance on how to develop and nurture effective risk culture are high reliability organisations (HROs) involved in aviation, nuclear power, oil extraction etc. HROs operate in consistently high risk environments requiring mature risk cultures. These have been developed over time and have been shaped in part by regulation but also by major accidents and systems failures (e.g. Tenerife Airport disaster in 1977, the Deepwater Horizon oil spill in 2010). Senior leaders in the insurance industry have the opportunity to draw on the experiences of these organisations to ensure that the risk cultures they are cultivating are fit for purpose and can adequately manage the risks they are exposed to.

Interestingly however, a recent study of the risk climate in three large financial institutions (Sheedy, Griffin & Barbour, 2017)[(5)] found that when asked about the risk culture in their organisation, the leaders held a more favourable view of it than the staff. This supports the notion that the 'tone at the top' from senior leaders can only do so much. In the same study, it was found that within organisations, the perceptions of risk culture varied according to business unit, indicating that local, mid-level, management hold a powerful moderating effect. This makes them equally as important as senior leaders however, they will have different priorities such as:

- Explaining to staff how the risks that they control on a daily basis contribute to the overall risk management in the firm
- Having a sufficient understanding of the status of the risks in their area so they can accurately update senior management
- Communicating urgency and importance up and down the organisation.

Regardless of status, all leaders need to be accountable and be shown to be accountable. They need to empower those around them and lead by example. Leaders must understand that they are fallible and be aware of some of the common mistakes they are prone to making, such as:

- Assuming no news is good news
- Being too accepting of good news
- Assuming staff understand the strategy and vision of the firm
- Allowing power to get concentrated in a few people
- Allowing knowledge to get concentrated in a few people
- Moving the goal posts too often e.g. strategy, risk appetite etc.
- Assuming that change is embedded when a formal change programme is concluded
- Neglecting to adequately examine and query anomalies e.g. high/unexpected turnover

Conclusion

Leaders do not always have the answers and that's ok, but they need to create a safe environment so that honest feedback can be expressed. If something is not working, it's ok to press pause but they must ensure that lessons are learned from past errors and mistakes so the chances of reoccurrence are minimized as much as possible. Fundamentally, leaders need to have the courage to listen to what they are being told - the good, the bad and the ugly – and act on it.

The next article in our series on Risk Culture will focus on Governance. This will appear in the March 2018 edition of our Insurance Quarterly Newsletter.

By **Jenny Minogue**,
Supervision Strategy Team,
Insurance - Actuarial, Analytics and Advisory Division

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4) https://eiopa.europa.eu/Publications/Speeches%20and%20presentations/2017-06-08%20GoldmanSachsEuropeanFinancialsConference.pdf
5) Sheedy, E., Griffin, B., & Barbour, J. (2017). A Framework and Measure for Examining Risk Climate in Financial Institutions. Journal Of Business & Psychology, 32(1), 101-116. doi:10.1007/s10869-015-9424-7

CBI Updates

Annual Insurance Industry Briefing

On 24 October 2017 the Insurance Directorate hosted its annual industry briefing. Sylvia Cronin, Director of Insurance, provided an introductory address covering recent industry developments and outlining some of the strategic challenges facing both supervisors and industry. Marie Louise Delahunty, Head of Insurance Supervision, outlined a number of the challenges facing both Irish and EU supervisors and also set out a number of our cross-sector themes for 2018 including; Brexit and its impact on firms business strategy and their target operating model, Branch Inspections across Reinsurance, Life and Non Life portfolios and the cross-sectoral assessment of internal models. The final presentation was provided by Dr Allan Kearns, Head of Insurance Analytics, who highlighted a number of illustrative insights gleaned from the Solvency II data that we have received to date.

The opening address and the presentations from the event are available on the Central Bank website or can be accessed via the following links: Opening Address by Sylvia Cronin & Slides from Presentation

Solvency II Reporting Workshop

On 22nd November 2017 the Insurance Directorate hosted a technical workshop on Solvency II regulatory reporting. The workshop provided us with a forum to share the lessons learned from the first round of annual reporting. The main purpose of the workshop was to help reduce the level of remediation and resubmission required for next year's reporting submissions. The interactive workshop allowed us to share issues that are arising with respect to the annual reporting, to outline the data checks that are being completed internally by the Central Bank and to provide our perspective on the reporting changes that will be introduced for year-end 2017. The presentations from the event are available to view or download here.

Review of Actuarial Opinions

The Central Bank recently conducted a review of Actuarial Opinions on Technical Provisions (AOTPs) and Actuarial Reports on Technical Provisions (ARTPs), both of which are requirements under the Domestic Actuarial Regime. The objectives of this review were:

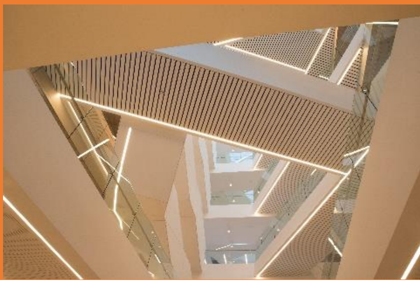
- To assess whether Heads of Actuarial Functions (HoAF) had complied with the regulations in the Domestic Actuarial Regime in the preparation of AOTPs and ARTPs; and
- To provide feedback which might contribute to the improvement of future AOTPs and ARTPs.

A 'Dear Head of Actuarial Function' letter (available here) sets out more detail on the scope of the review and a summary of the outcomes. The appendix to the letter outlines a number of observations from our review and we encourage HoAFs to consider these when preparing AOTPs and ARTPs in the future.

Publication of SFCRs

In accordance with Commission Delegated Regulation (EU) 2015/35 all (re)insurance undertakings and/or groups are required to make their SFCR available to the public. The Central Bank has created a repository to facilitate access by interested parties to publicly disclosed SFCRs. We believe that this initiative supports the core intention of Pillar 3 Reporting, which is to bring greater transparency and accountability to the industry. The 2016 repository (containing 183 SFCR reports) was published here on our website on 30 November 2017.

Central Bank Updates



CP115 – 3rd Country Branches

On 13 November, the Central Bank published CP115 - Consultation on the authorisation and supervision of branches of third-country insurance undertakings. Solvency II requires that a third-country insurer seeking authorisation to pursue insurance business in the EU through a branch, must establish a branch in the territory of the Member State in which it is seeking authorisation. It may not operate in other EU Member States on a freedom of establishment or a freedom of services basis.

The Solvency II requirements address the application for authorisation to establish a third-country branch, the need for certain representatives to be appointed, branch records to be maintained related to Solvency Capital Requirement, Minimum Capital Requirement, Technical Provisions and governance within third-country branches. EIOPA has published Guidelines on the supervision of branches of third-country insurance undertakings, which include requirements on the authorisation and ongoing supervision of third-country branches including supervisory reporting by third-country branches.

The documents being consulted on are:

- **Policy Notice on branches of third-country insurance undertakings authorised by the Central Bank -** This document highlights the Central Bank's position and expectations in relation to the authorisation of third-country branches, taking into account the Central Bank's objectives of safeguarding stability and protecting consumers.

- **Handbook of Requirements for branches of third-country insurance undertakings authorised by the Central Bank -** This document incorporates the relevant EIOPA Guidelines on third-country branch requirements along with applicable domestic requirements issued by the Central Bank. The Handbook will be imposed on third-country branches as a condition of authorisation and along with other guidance and requirements applicable to regulated financial service providers (RFSPs), will form the supervisory framework for third-country branches.

- **Addendum to the Domestic Actuarial Regime and Related Governance Arrangements under Solvency II -** The Domestic Actuarial Regime and Related Governance Requirements under Solvency II (Domestic Actuarial Regime) was published by the Central Bank in 2015. This introduced specific domestic requirements regarding the actuarial function and related governance arrangements within an (re)insurance undertaking and applies to all (re)insurance undertakings subject to Solvency II. It is proposed to impose the Domestic Actuarial Regime on third-country branches; as such, it was necessary to amend the requirements in order to apply to third-country branches.

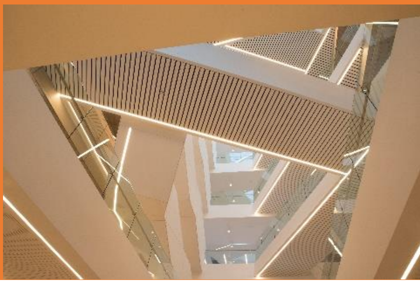
- **Guidance and Checklist for Completing and Submitting Applications for Authorisation of a Branch of a Third-Country Insurance Undertaking -** This document provides guidance in relation to the information requirements of the Central Bank in assessing an application for the establishment of a third-country branch within the State.

The consultation remains open until the 5 February 2018. Submissions should be headed "Consultation Paper 115" and ideally sent by email to "insurancepolicy@centralbank.ie".

The documents relating to the consultation and the process for responding can be found here on our website.

By **Olivia Rouse** – Insurance Policy, Financial Risks and Governance Policy Division

Central Bank Updates



CP114 – Renewal of Policy of Insurance

In November 2017, the Central Bank issued a consultation on potential amendments to S.I. No. 74 of 2007 (Non-Life Insurance (Provision of Information) (Renewal of Policy of Insurance)Regulations 2007. These regulations specify the minimum level of information that must be included in motor insurance renewal notices. The regulations also require insurers to issues renewal notices for non-life insurance policies within a specified timeframe.

The purpose of this consultation is to seek views from interested stakeholders on two recommendations from the Action Plan contained in the Government's Cost of Insurance Working Group Report on the Cost of Motor Insurance. These proposals include requiring insurers to provide additional information on the premium breakdown to consumers and extending the current renewal notification period, in respect of motor insurance, from 15 working days to 20 working days.

Submissions to the consultation paper, or related comments and queries on the consultation, can be emailed to consumerprotectionpolicy@centralbank.ie. The closing date for submissions is 9 February 2018.

Regular Supervisory Reports

The first Regular Supervisory Reports (RSR) required under Article 304(1)(b) of the Delegated Regulations were submitted by firms in May 2017. These new reports are a key aspect of regulatory reporting under Pillar 3. The RSR is a private report to the supervisor and, unlike the Solvency and the Financial Condition Report (SFCR), is not disclosed publicly. The RSR must be forward looking and must include a comprehensive description of the risks and challenges facing the business over the planning horizon. A firm's approach to the RSR will inform our view on the strength of their risk management systems and overall risk culture and will also inform PRISM engagement going forward. We have recently performed a review of a sample of RSRs to identify any issues or common themes and a copy of our feedback letter to industry can be found here on our website.

The review did not attempt to check compliance with every disclosure requirement but a number of areas were highlighted for improvement. These include:

- Basic structure and formatting (such as incorrect use of headings, reliance on cross referencing etc.),
- Lack of required disclosures (for example, no comparison with prior period, not including future projections, not providing a list of branches or other specific disclosure requirements), and
- Inadequate information being provided (for example, ignoring known or expected developments from discussion of future risk profile or business performance, not addressing emerging risks such as Brexit, providing insufficient information on the rationale and oversight of outsourcing or not fully describing the ORSA result and related stress tests).

The review also informed our view on the frequency of future submissions of the RSR. Our conclusions in this regard are that a 3-year cycle is generally appropriate. We will request certain firms submit a RSR in 2018 or 2019 either to address material shortcomings in the report submitted in 2018 or to stagger submissions across the 3-year cycle.
Firms should note that where there is no requirement for a RSR to be submitted in relation to a given financial year, they are still required to submit a report setting out any material changes that have occurred in their business and performance, system of governance, risk profile, valuation for solvency purposes and capital management over the given financial year and provide a concise explanation about the causes and effects of such changes.

Central Bank Updates

Developments in AML & CFT

Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) continue to be a key area of focus for the Central Bank. In March 2016, the Central Bank published its 'Report on Anti-Money Laundering/ Countering the Financing of Terrorism and Financial Sanctions Compliance in the Life Insurance Sector in Ireland'. The Report set out the observations and expectations of the Central Bank in relation to AML/CFT and Financial Sanctions ("FS") compliance by life insurance firms in Ireland and highlighted that further enhancements could be made by firms to strengthen their existing AML/CFT and FS frameworks.

The Central Bank expects all life insurance firms to have reviewed and considered the issues raised in the Report, and to use the Report to inform the development of their AML/CFT and FS frameworks. 2017 has seen a number of further developments in the area of AML/CFT both at a domestic and international level. Information in relation to some of these key developments is set out below:

Financial Action Task Force (FATF) Mutual Evaluation Report (MER) of Ireland

The Irish MER was published by FATF on its website on 7 September 2017. Firms should review the entire report and where necessary update money laundering and terrorist financing (ML/TF) risk assessments, policies and procedures and systems and controls as appropriate. Firms should also take the opportunity to review other publications on FATF's website and should regularly monitor the website, as it is a useful source of information. The Mutual Evaluation Report on Ireland can be accessed here on the FATF website.

Risk Factor Guidelines

On 26 June 2017 the Joint Committee of the European Supervisory Authorities published joint guidelines on simplified and enhanced due diligence. The guidelines also outline the factors that credit and financial institutions should consider when assessing the ML/TF risk associated with individual business relationships and occasional transactions. Chapter 7 of the Joint Committee Guidelines specifically relates to life insurance undertakings.

The guidelines will apply by 26 June 2018 and we expect that life insurance undertakings will comply with the guidelines by that date. The Risk Factor Guidelines are available to view or download here.

National and Supranational Risk Assessments

On 26 June 2017, the European Commission published its Supranational Risk Assessment, which assesses at EU level the vulnerability of financial products and services to ML/TF risks. Firms should consider this report and the results of the National Risk Assessment published by the Department of Finance and the Department of Justice in October 2016, and review and update group and firm level ML/TF risk assessments as appropriate.

Further information on the work of the Anti-Money Laundering Division can be found here in the AML section of our website.

EIOPA Updates

EIOPA SCR Review/Consultation

Review of the SCR Standard Formula

Recital 150 of the Solvency II Delegated Regulation requires the European Commission to "review the methods, assumptions and standard parameters used when calculating the Solvency Capital Requirement (SCR) with the standard formula" before December 2018. In July 2016 the European Commission sent a formal request to EIOPA for technical advice, and a second, subsequent, call for advice in February 2017. The SCR Review project has 3 key priorities, as detailed in the European Commission's calls for advice:

- Simplifications and proportionality,
- The removal of technical inconsistencies; and
- The removal of unjustified constraints to financing

The review of the SCR standard formula has represented a significant body of work and necessitated the response to the European Commission being delivered by way of 2 sets of advice, in order to ensure relevant annual reporting data would be available. On 30 October 2017, EIOPA reached a key project milestone with the provision of the first set of advice to the European Commission. The provision of the advice follows an extensive process incorporating an initial discussion paper, meetings with stakeholders, interaction with NSAs and undertakings, and public consultation on the draft advice. The Consultation Paper for the second, and final, set of advice was published by EIOPA on 6 November 2017, and will remain open for comment until 5 January 2018. The second set of advice is to be provided to the European Commission by the end of February 2018.

Solvency II Statistics

On 13 November 2017 EIOPA published a new set of Solvency II statistics on the European insurance sector. These statistics are based on the Solvency II regulatory reporting received from the various National Competent Authorities. This new set continues the series of quarterly statistics on solo undertakings which originally launched on 28 June 2017. The latest statistics contain country breakdowns and distributions of key variables based on reporting from solo insurance and reinsurance undertakings for the first quarter of 2017. The publication also includes the first set of statistics based on solo annual data with the reference to year-end 2016.

Links to Recent EIOPA Publications

29 September 2017	EIOPA published their work programme for 2018. The program highlights and specifies the activities and tasks of the Authority for the coming year.
26 October 2017	EIOPA published its Q2 2017 Risk Dashboard
30 October 2017	EIOPA recommended simplifications to the calculation of capital requirements.
6 November 2017	EIOPA published a consultation paper on a second set of Advice for the review of the Solvency Capital Requirement of Solvency II
14 November 2017	EIOPA published a new set of statistical information on the European insurance sector based on Solvency II regulatory reporting.

EU & International Updates

European Commission publishes new ITS

On 25 November 2017, the European Commission published two new Solvency II Implementing Technical Standards (ITS) in the Official Journal.

- The first set of ITS relate to the procedures, formats and templates of the solvency and financial condition report.
- The second set relate to the templates for the submission of information to the supervisory authorities.

The relevant extract from the Official Journal of the European Union can be accessed here.

EU-US Covered Agreement

In November 2015, the US Treasury Department and US Trade Representative commenced discussions with the European Commission with the aim of reaching a Bilateral Agreement on prudential measures regarding insurance and reinsurance. The negotiations concluded on 13 January 2017 and the agreement was signed on 22 September 2017. More recently, the EU Council confirmed 7 November 2017 as the date of the provisional application of the agreement. The agreement covers three areas of prudential insurance supervision:

1. **Group supervision** – in accordance with the provisions of the agreement any EU (re)insurance undertakings belonging to US groups will be subject to group supervision carried out by the US supervisors at the level of worldwide (ultimate) parent based in the US. Similarly, US (re)insurers belonging to an EU group with an ultimate parent based in any Member State will be subject to group supervision carried out by EU supervisors.

2. **Reinsurance** – the agreement eliminates, subject to meeting certain conditions, collateral and local presence requirements for the US, which relieves the US reinsurers from the obligation to establish a local presence (i.e. a branch or subsidiary) in the EU. Similarly, collateral and local presence requirements will no longer apply for EU reinsurers operating in the US insurance market.

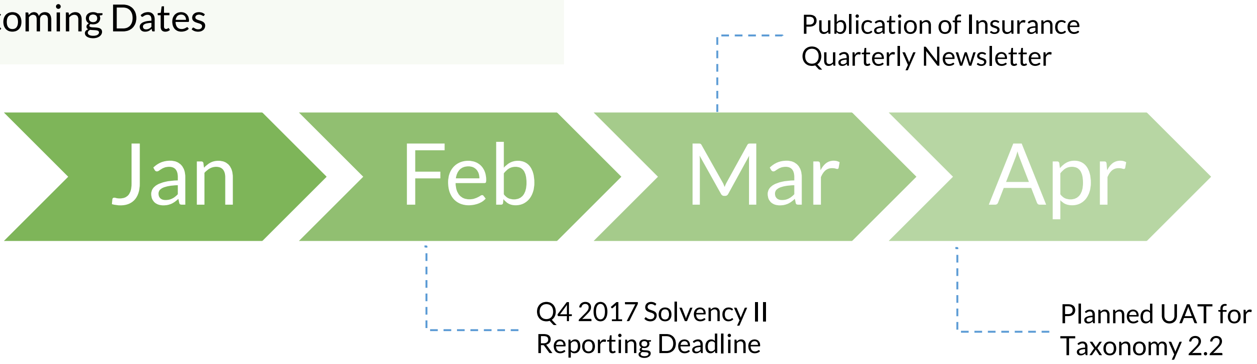
3. **Exchange of information between supervisory authorities** - the agreement encourages the EU and US supervisory authorities to cooperate and regularly share information on (re)insurers that operate in both markets, while maintaining confidentiality. This is with a view to strengthen the supervision of cross-border insurance groups with operations in both jurisdiction.

While some provisions of the agreement (e.g. group supervision provisions) apply from the date of the provisional application, the full application will take place over the period of 60 months from the date of provisional application. In light of the obligations arising from the provisional application of the Covered Agreement, the Central Bank will directly notify affected (re)insurance undertakings of the relevant implications.

By **Ewelina Belina**,
Insurance Policy,
Financial Risks and Governance Policy Division

Publications & Forward Planner

Upcoming Dates



Recently Published

Date	Publication/Communication	Link
13 October 2017	Brexit – The drive for supervisory convergence - Sylvia Cronin, Director of Insurance Supervision	https://www.centralbank.ie/news/article/13Oct2017-sylvia-cronin
24 October 2017	Address by Sylvia Cronin to Annual Insurance Industry Briefing	https://www.centralbank.ie/news/article/annual-insurance-briefing-2017-sylvia-cronin
9 November 2017	CP114 - Consultation on Amendments to the Non-Life Insurance (Provision of Information) (Renewal of Policy of Insurance) Regulations 2007	http://www.centralbank.ie/publication/consultation-papers/consultation-paper-detail/cp114-consultation-paper-on-non-life-insurance-amendments-to-the-non-life-insurance-(provision-of-information)-(renewal-of-policy-of-insurance)-regulations-2007
13 November 2017	CP115 - Consultation on 3rd Country Branches	http://www.centralbank.ie/publication/consultation-papers/consultation-paper-detail/cp115-consultation-on-the-authorisation-and-supervision-of-branches-of-third-country-insurance-undertakings-by-the-central-bank-of-ireland
14 November 2017	Ed Sibley Speech on Culture	https://www.centralbank.ie/news/article/is-it-legal-a-question-of-culture---deputy-governor-ed-sibley
17 November 2017	Solvency II Information Note 10 - Major Changes to Internal Models	https://www.centralbank.ie/docs/default-source/Regulation/industry-market-sectors/insurance-reinsurance/solvency-ii/communications/solvency-ii-information-notes/solvency-ii-information-note-10-major-changes-to-internal-models.pdf?sfvrsn=4
29 November 2017	Ed Sibley Address to Insurance Ireland President's Conference	https://www.centralbank.ie/news/article/innovation-and-insurance-in-ireland-ed-sibley
8 December 2017	Insurance Directorate issues a 'Dear Head of Actuarial Function' letter .	https://www.centralbank.ie/regulation/industry-market-sectors/insurance-reinsurance/solvency-ii/requirements-and-guidance

Contact Us

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