

Enforcement Action

Central Bank of Ireland

and

Philip Smith

Mr Philip Smith, former Chief Executive Officer (CEO) and Executive Director of RSA Insurance Ireland DAC disqualified for 13 years by the Central Bank of Ireland for his admitted participation in a breach of financial services law by RSAIL

On 1 December 2025 the Central Bank of Ireland reprimanded Mr Smith and disqualified him for 13 years from being a person concerned in the management of a regulated financial service provider for his participation in a breach by RSA Insurance Ireland DAC (**RSAIL or the Firm**) of Article 13(1)(a) of the European Communities (Non-Life Insurance) Framework Regulations 1994, S.I. No. 359 of 1994 (the **1994 Regulations**) (the **Prescribed Contravention**).

Article 13(1)(a) requires insurance undertakings to maintain adequate technical reserves in respect of all underwriting liabilities. RSAIL was previously fined in 2018 for the Prescribed Contravention having admitted that on 30 September 2013, there was a significant shortfall in its technical reserves resulting from the under-reserving of 17 large loss claims.¹

Large Loss Claims, due to the severity, nature and/or extent of the insured event, represent a significant liability for insurance undertakings. RSAIL's procedures required large loss claim reserve estimates to be assessed by claims handlers and the

¹ On 18 December 2018, the Central Bank reprimanded and imposed a fine of €5,000,000 on RSAIL, which was reduced to €3,500,000 with the application of the settlement discount. This related to four breaches of financial services law, including the failure to establish and maintain technical reserves in accordance with Regulation 13(1)(a) of the 1994 Regulations. The settlement with RSAIL can be found [here](#).

recommended claim reserve estimate to be recorded on RSAll's claims database. The accuracy of this information was critical for the proper calculation of RSAll's technical reserves. Instead for certain large loss claims Mr Smith, while CEO, oversaw a process whereby claims handlers were prevented or delayed from recording their recommended estimates on RSAll's database (the **Under-Reserving Process**). As a result of the claims estimates on the database being understated, the technical reserves did not reflect the Firm's estimated liability for certain large loss claims creating a risk that RSAll might not have been in a position to pay claims made by and against its policyholders.

The under-reserving of these large loss claims contributed to RSAll requiring a significant capital injection from RSA Insurance Group PLC in 2013². This included an increase to RSAll's technical reserves to take account of the 17 large loss claims that were subject to the Under-Reserving Process. While RSAll's failure to maintain technical reserves posed a significant risk of loss to policyholders, the investigation did not find evidence of any actual loss.

Maintaining sufficient reserves to meet underwriting liabilities is the cornerstone of conducting business in all insurance entities. The period of disqualification imposed on Mr Smith reflects the seriousness of the breach he participated in and shows that where senior executives break the rules and put policyholders at risk, they will be held accountable.

There are statutory limits on the Central Bank's sanctioning powers. These include that the Central Bank is not allowed to impose a fine that would be likely to make a person bankrupt.³ The Central Bank considers that Mr Smith's participation in this breach also merits a monetary penalty of €120,000. However, as part of the settlement process, Mr Smith submitted sworn information detailing his financial circumstances. Following a thorough analysis of this information, the Central Bank

² Per the settlement concluded with RSAll in 2018, the under-reserving of these large loss claims amounted to €29,300,070.

³ Pursuant to section 33AS(2) of the Central Bank Act 1942 (as amended).

determined that Mr Smith's financial circumstances are such that the Central Bank cannot impose a monetary penalty.

Colm Kincaid, Deputy Governor, has commented as follows:

"The actions of directors and senior executives shape the conduct and operating culture of the firms they lead – none more so than the CEO. For consumers of financial products, including policyholders, to have trust in financial services, they need to be confident that their best interests will be secured. These consumers rely on directors and senior executives to manage their businesses in a way that not only adheres to the rules but builds an effective organisational culture based on standards such as professionalism, integrity and accountability to deliver fair outcomes that have the interests of consumers at heart.

Since the period to which today's announcement relates, Ireland has enhanced the statutory framework for the accountability of senior individuals in financial services firms through the Central Bank (Individual Accountability Framework) Act 2023. These enhancements support the ultimate goals of better outcomes for consumers and a more sustainable financial system by driving higher standards of behaviour for individuals in financial services firms."

Mr Smith's Role in the Breach

Mr Smith was CEO of RSAIL from 2009 to 2013. The Enforcement investigation identified that:

- From 2009, Mr Smith became increasingly involved in approving changes to claim reserve estimates for certain large loss claims. Prior to Mr Smith's involvement, this activity was typically undertaken by RSAIL's Claims Function. Mr Smith attended, and participated in, frequent and undocumented meetings with certain members of senior management, the purpose of which was to discuss recommended increases to certain large claim reserve estimates and to get Mr Smith's approval for the recording of the recommended increases. There was no governance for these meetings and no record of the discussions that

took place or the decisions made. At Mr Smith's direction, much of the Under-Reserving Process operated through in person meetings and hard copy records only.

- At these meetings, despite being made aware of the reserve estimate recommended by a claim handler, Mr Smith frequently did not approve the recommended amounts.
- As a result, over an extended period, the claim reserve estimates recorded for certain large loss claims were significantly lower than the recommended claim reserve estimates. Further, several large loss claims remained at an initial standard reserve estimate despite Mr Smith being aware that the potential liability far exceeded this amount.
- Mr Smith's participation in this practice contravened RSAIL's standard approach to large loss claim reserve estimation and circumvented RSAIL's policies for claims estimation.

To give an example of how the Under-Reserving Process operated, a claim relating to a serious motor accident had a recommended reserve claim estimate of €2.7 million however, the claim was recorded on the database with a reserve estimate of just €20,001 with the result that RSAIL's potential liability appeared "on paper" to be far less than it was. The under-reserving also contributed to the in the artificial inflation of the Firm's reported profits.

Mr Smith as CEO and an executive director of RSAIL, held a position of significant trust and accountability. He bore ultimate responsibility for driving a culture of good governance and regulatory compliance in RSAIL but he materially failed to discharge that responsibility. Instead, he oversaw an undocumented process which circumvented controls and put policyholders at risk.

Sanctioning Factors

In determining the appropriate sanction for Mr Smith's participation, the Central Bank has considered the guidance on the sanctioning factors set out the ASP Sanctions Guidance (November 2019).⁴ The following factors are relevant in this case:

The nature, seriousness and impact of the contravention:

- Mr Smith actions materially contributed to RSAIL's failure to maintain technical reserves in accordance with the 1994 Regulations.
- Mr Smith's actions constituted a deliberate circumvention of RSAIL's policies for claims estimation.
- Mr Smith's actions represent a significant departure from the standard required of a CEO and executive of the board of a regulated financial service provider. As CEO of RSAIL, Mr Smith had ultimate executive responsibility for ensuring that RSAIL complied with its legal and regulatory obligations, including the requirement to maintain technical reserves in respect of all liabilities assumed by RSAIL. Under RSAIL's Delegated Authority Framework, the Board of Directors delegated the highest level of operational, financial, non-financial and insurance authority to Mr Smith. Mr Smith thereby held the most significant position of responsibility and accountability in RSAIL and materially failed to meet the standard expected of that position.
- RSAIL's failure to maintain technical reserves in accordance with the 1994 Regulations, as a result of the Under-Reserving Process, posed a significant risk of loss to policyholders.
- The under-reserving of large loss claims resulted in a material understatement of RSAIL's liabilities and ultimately contributed to RSAIL requiring a significant capital injection. Had RSAIL been unable to secure capital from RSA Insurance Group PLC to address the shortfall in the technical reserves, the potential impact of the breach on the financial markets and public confidence in those markets was significant given RSAIL's position in the Irish insurance market at the time.

⁴ The Central Bank issued revised Sanctions Guidance as part of the Administrative Sanctions Procedure Guidelines in December 2023. However, the Administrative Sanctions Procedure Sanctions Guidance 2019 continues to apply to this case - see Note 2 in Notes to Editors.

The previous record of the individual:

- No previous enforcement action has been taken against Mr Smith.

Other general considerations:

- The imposition of sanctions in this case is designed to have a deterrent effect on Mr Smith and on others holding senior positions in the regulated financial services sector.

The Inquiry Into Mr Smith's Participation

The Enforcement investigation in respect of Mr Smith commenced in 2014 in parallel with the investigation into RSAI and certain other persons. This comprehensive review of RSAI and certain of its senior leaders required the analysis of significant volumes of hard copy and electronic data and extensive interviews with RSAI staff to fully understand the operation of the Under-Reserving Process which, by its nature, was not documented and was in conflict with normal operations and controls in RSAI.

This investigation culminated in a concluded Administrative Sanctions Procedure (ASP) against RSAI in 2018 and against RSAI's former Chief Financial Officer in 2020.⁵ Separately, a five-year prohibition was imposed on RSAI's former Chief and Signing Actuary. As part of a wider set of facts, he accepted that he facilitated an undocumented practice during his time at RSAI, which resulted in a significant shortfall in the firm's reserves in 2013.⁶

Where wrongdoing is identified, the Central Bank will use the full extent of its powers to pursue cases to their conclusion and to hold relevant individuals to account. Consequently, in November 2022, the Central Bank decided to hold an Inquiry to

⁵ The settlement with Mr O'Connor can be found [here](#)

⁶ The prohibition notice in respect of Mr Ryan can be found [here](#)

determine whether Mr Smith had participated in the commission of a breach of Article 13(1)(a) of the 1994 Regulations by RSAIL.

The Hon. Mr Justice Iarfhlaith O'Neill, Dame Elizabeth Neville and Mr Graham O'Brien were appointed to the Inquiry panel. Between February 2023 and October 2025, the Inquiry held 10 Inquiry Management Meetings to address legal and procedural issues, including whether the Inquiry would proceed in public or in private, the role of RSAIL in the Inquiry, the scope of the Prescribed Contravention and the disclosure of documents. The substantive Inquiry hearing was scheduled to commence in January 2026.

The Inquiry had been proceeding in private but recently directed that it would move to public hearing. Further details of this Inquiry are available [here](#). This settlement concludes the Central Bank's Inquiry into Mr Smith under Part IIIC of the Central Bank Act 1942. The Central Bank wishes to thank the Inquiry Members for their dedicated work throughout the course of this Inquiry.

Details of the costs incurred by the Central Bank in connection with this Inquiry can be found [here](#).

Notes to Editors

1. This is the Central Bank's 163rd enforcement outcome to date.
2. This case followed the settlement process for ASPs in place prior to the amendments made to Central Bank Act 1942 by the Central Bank (Individual Accountability Framework) Act 2023 (the **IAF Act**). In accordance with the transitional provisions in section 94 of the IAF Act, the sanctions imposed on Mr Smith do not require the confirmation of the High Court to take effect. The period of Mr Smith's disqualification therefore takes effect from 1 December 2025.
3. While the settlement procedure offers an alternative, efficient means to conclude ASP cases, the Inquiry is the key statutory ASP mechanism by which the Central Bank can assess suspected breaches, make relevant determinations and impose sanctions. The Inquiry is comprised of one or more impartial decision-maker(s), appointed by the Central Bank to hear evidence. The Inquiry's function is ultimately to determine whether the suspected breach(es) occurred or is/are occurring and, if so, to determine the appropriate sanction(s). Further information on Inquiries, and Inquiries to date, is available on the [Central Bank's website](#).
4. Article 13(1)(a) of the 1994 Regulations required all insurance undertakings to establish and maintain technical reserves in respect of all underwriting liabilities assumed by it.
5. The Solvency II Directive was transposed into Irish Law as the European Union (Insurance and Reinsurance) Regulations 2015 (S.I. 485 of 2015) and the legislation entered into force on 1 January 2016. The Solvency II framework sets out strengthened requirements around capital, governance and risk management in all EU authorised (re)insurance undertakings. Solvency II also introduces increased regulatory reporting requirements and public disclosure requirements. These requirements are intended to reduce the likelihood of an insurer failing and should also provide policyholders with increased protection. Further information on Solvency II can be found [here](#).