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Central Bank of Ireland

Eurosystem

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**Settlement Agreement between the Central Bank of Ireland
and
Hitachi Capital Insurance Europe Limited**

The Central Bank of Ireland (“the Central Bank”) has entered into a Settlement Agreement with effect from 27 March 2012 with Hitachi Capital Insurance Europe Limited (“the firm”), a regulated financial services provider, in relation to a breach of section 24(1) of the Insurance Act 1989 (as amended).

The breach relates to a failing by the firm to comply with an undertaking given by the firm to the Central Bank that it would maintain available assets of at least 150% of the total required solvency margin or its minimum guarantee fund of €3.5 million, whichever was the greater. As the solvency margin required to be maintained by the firm was greater than the minimum guarantee fund required, the firm was required to hold available assets to meet its solvency margin of at least €7,650,000.

The firm failed to hold sufficient assets to meet its required solvency margin of at least €7,650,000 from 31 March 2010 to 29 June 2010 inclusive. Throughout the period of non-compliance, the greatest shortfall in available assets amounted to €949,000 and the lowest shortfall in available assets amounted to €620,000.

The Central Bank reprimanded the firm and required it to pay a monetary penalty of €25,000.

The breach was discovered by the firm in early April 2010 and was brought to the Central Bank's attention on 06 April 2010. The actions were not deliberate, and the breach was resolved by the firm's parent making a capital contribution STG £2million.

Notwithstanding that the Central Bank views breaches by firms of undertakings which have been given to the Central Bank as serious, the following mitigating factors have been taken into consideration in deciding the appropriate penalty to impose:

- that there was no loss to policyholders;
- that the firm reported these failures to the Central Bank;
- that the breach is no longer continuing;
- the firm has been closed to new business since July 2009 and is in run-off; and
- the co-operation of the firm during the course of resolution of the matter and in settling at an early stage in the Administrative Sanctions Procedure.

The Central Bank confirms that the matter is now closed.

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The Central Bank of Ireland also issued a general comment from Director of Enforcement, Peter Oakes:

"This is the third settlement with a firm for breaches of solvency requirements in less than two years. The fine imposed on this firm reflects the fact that:

- the firm is no longer writing new business since July 2009 and is in run-off; and
- there was no loss to policyholders as a result.

Failure to comply with undertakings given by a firm is considered very serious by the Central Bank. Failure by firms to comply with the maintenance of prudential capital requirements is regarded by the Central Bank as particularly serious as it puts policyholders at unnecessary risk. Entities which fail to comply with undertakings given to the Central Bank can therefore expect a vigorous application of our enforcement effort.

As stated in our Enforcement Strategy, enforcement action can have a powerful deterrent effect on smaller entities where we do not have a close supervisory relationship. In line with the Central Bank's published risk-approach to supervision and the new framework for the supervision of regulated firms ("PRISM"), enforcement actions should be seen by low impact firms as clear signals of the Central Bank's aim to change behaviours of these firms in a way that improves standards across the industry."