

## **BW Feedback on CBI Consultation Paper 103 - Guidance for (Re)Insurance undertakings on the Head of Actuarial Function Role**

Barnett Waddingham LLP is a UK based firm of actuaries and consultants. Our clients include (re) insurance companies who are based in Dublin and are regulated by the CBI.

We welcome the CBI's consultation on this topic, and in particular its recognition of the need to give further guidance on the tasks of the actuarial function in respect of expressing opinions on the underwriting policy, reinsurance arrangements and the contribution to the effective implementation of the risk management system. Overall we consider the CBI's guidelines to be well thought out and balanced. We have some comments and suggestions on the details of the guidelines, as set out below.

### **General comments:**

1. There are some 17 and 18 considerations listed under the opinions on underwriting policy and reinsurance arrangements respectively. Is the HoAF expected to comment on all even if to record "not applicable"? This is time consuming and could become a tick box exercise especially for low impact firms. Those considerations taken on by other functions will be recorded elsewhere, we are concerned that it would over burden the HoAF role without adding value to include them in the HoAF opinions again and also we question whether HoAF would have the necessary knowledge to give opinion or interpretation of legal contract wording.
2. We would recommend CBI to separate out the minimum standard for meeting the Solvency II requirements and what are "good to have" analyses.

### **Opinion on UW policy**

#### **General comments:**

3. The CP considers if appropriate for the HoAF to give an opinion on underwriting processes which could be more suited to the Risk Management Function. Also reviewing the processes is not included in the delegated act, we are concern that CBI is going beyond what is required in the Solvency II requirements. This could mean that work is duplicated (even through the HoAF may not do this at such a detailed level as the Risk Management Function).
4. Could include a section on those companies excluded from having to give an underwriting opinion – i.e. those in run-off.

#### **Specific comments:**

5. 3.1.2 and 3.1.3: These are confusing as it is not clear who is expected to perform what out of the HoAF, Risk Management and Internal Audit Functions. This could lead to double counting of work.
6. 3.1.4: Many of the items listed under 3.1.4 could possibly be covered by either the Risk Management Function or the Internal Audit Function and this could be outlined in the guidance rather than let the HoAF decide which will bring about more undue work.
  - e/f: The variability surrounding the estimate of the expected profit would require quantifying and could be better undertaken by another function such as finance. Again, in our view this is going beyond the delegated act requirements.
  - i: Pricing and the frequency at which it is done is not necessarily something the HoAF would undertake.
  - j: Would the terms and conditions of contracts be expected to be reviewed by the HoAF as it would be something that a lawyer could be more qualified to review.

- m: A good to have rather than a requirement of the HoAF?
- o: Again, in our view this is going beyond the delegated act requirements. This is very detailed and would probably be undertaken by another function
- p: Again, reviewing the pricing assumptions would be going beyond the delegated act requirements. We question if this forms part of the opinion.

## Opinion on RI policy

### General comments:

7. Some of the considerations under the reinsurance arrangements may be more appropriately covered by the ORSA. These are looked at under specific comments below.

### Specific comments:

8. 3.2.4: The wording "all known agreements, contracts, letter, understandings, etc" is too wide. A suggestion would be to insert "material" inserted before "reinsurance arrangements".
9. 3.2.5
  - c.ii./iii: could be covered in the ORSA.
  - i: This is something the HoAF would not need to review as cover provided by the reinsurance should match the risks of the underlying policies and this will have been checked when reinsurance was bought.
  - k: This is in respect of contract wording and would have been covered by the legal team when reinsurance was bought. In our view this is going beyond the delegated act requirements
  - m: Secondary services as a factor in setting the reinsurance strategy could be covered in the ORSA. In our view this is going beyond the delegated act requirements
  - o: Please clarify what is meant by "basic risk".
10. 3.2.6: What is meant by the word "typically" as the HoAF would not necessarily be aware of the reinsurance arrangements typically associated with the underwriting risk of the undertaking.
11. 3.2.7: This should be covered by the ORSA and is it necessary for the HoAF to review.
12. 3.2.8: in our opinion, it may be difficult for HoAF to know whether the alternative structure is feasible in current market conditions when giving the opinion. It may be more appropriate to recommend potential improvements or other structures in their opinion and the feasibility to be carried out by the reinsurance department afterwards.

## Contribution to risk management

### General comments:

13. As discussed in points 7. – 12. above some of the considerations under the reinsurance arrangements may be more appropriately covered by the ORSA.
14. 3.3.2.2: This section needs more clarification as it is unclear what is required. In particular what is meant by "any material improvements that, in the opinion of the HoAF, are required to the assessment."
15. 3.3.3.1.d.: An ORSA's timeline is supposed to be the same as the undertaking's business planning horizon, which is expected to be 3-5 years so why would the HoAF be required to opine on the timeline when this is a specified timeline?
  - e: What is meant by "performance" in respect of the method used to calculate the SCR?
  - g: The business plan should already have been reviewed before it was approved by the Board meaning that it would be appropriate for using as the ORSA's base case.