



7 Grand Canal
Grand Canal Street Lower
Dublin 2
D02 KW81
IRELAND

Tel +353 (0)1 647 5900

milliman.ie

12 August 2016

insurancepolicy@centralbank.ie

Consultation Paper 103
Prudential Policy & Governance Division - Insurance
Central Bank of Ireland
PO Box 559
Dame Street
Dublin 2

Re: Response to Consultation Paper 103

Brief background to Milliman

Milliman is among the world's largest providers of actuarial and related products and services. Founded in 1947, Milliman is an independent firm with offices in major cities around the globe. We are owned and managed by our principals—senior consultants whose selection is based on their technical, professional and business achievements.

For more than 20 years our Dublin office has provided actuarial consulting services to a wide range of blue-chip insurance and financial services companies. We have acted as Appointed Actuary, and Signing Actuary and discharge the role of Head of Actuarial Function for a range of life and non-life insurance and reinsurance companies based in Ireland.

General Comments on Consultation Paper 103

As actuaries we are very supportive of the Central Bank's "Domestic Actuarial Regime" that introduced the role of Head of Actuarial Function ("HoAF"). We are also equally supportive of the Central Bank's desire to provide additional clarification, through Consultation Paper 103, Guidance for (Re)Insurance Undertakings on the Head of Actuarial Function Role ("CP103") as this will provide a common and public reference for all insurance and reinsurance undertakings, and additionally for all individuals that discharge the role of HoAF on behalf of insurance and reinsurance undertakings. We welcome the opportunity to submit this response to CP103.

We note from the Central Bank's registers of authorised companies that Ireland has 45 life companies, 89 non-life companies and 67 reinsurance and SPV companies within the scope of Solvency II – all of whom will require a HoAF. We believe one of the greatest challenges is how proportionality can be applied across such a wide range of companies.

We welcome the first sentence of paragraph 1.3.1 which notes that all aspects of the guidance may not be relevant to every undertaking due to the nature, scale and complexity of the undertaking. We also welcome the references to the nature, scale and complexity of the undertaking in paragraph 3.1.4 in relation to the underwriting policy opinion and again in paragraph 3.2.5 in relation to the reinsurance arrangements opinion. However we feel these would benefit further from an additional sentence clarifying that proportionality may be applied in choosing which issues to consider.

Our concern is that the long checklist nature of CP103 may result in opinions that take the form of long reports covering all of the issues listed. It should be made clearer that the HoAF is expected to apply proportionality and professional judgement in determining the key areas to bring to the attention of the Board.

We welcome paragraphs 1.2.3 and 1.2.4 which make it clear that the undertaking should provide the HoAF with access to information and resources necessary to provide opinions and that the HoAF's opinion may be based on work performed by others.

Specific comments on section 3.1 of CP103 - Opinion on Underwriting Policy

- We note that “underwriting” has been interpreted to include pricing and profitability. This is consistent with Articles 260 and 272 of the Delegated Regulation and with guidelines 20 and 50 of the EIOPA guidelines on system of governance (and explanatory text) which include references to pricing and profitability. However it is our understanding that not all undertakings interpret “underwriting” in this way. It may therefore be helpful to include a clearer definition of the scope of the underwriting policy.

Specific comments on section 3.2 of CP103 - Opinion on Reinsurance Arrangements

- In paragraph 3.2.5, we believe the list of issues is too long for consideration by the HoAF alone. Paragraphs 3.2.5 a – d could be considered to be within the remit of the HoAF but the remaining items we consider to be within the remit of the CRO. We believe these items should be covered in the ORSA prepared by the undertaking (if material).
- We believe that the stress tests required in paragraph 3.2.7 and 3.2.8 do not belong in the HoAF's opinion on reinsurance arrangements and should be conducted as part of the ORSA. In particular considering the HoAF will provide an opinion on the ORSA as required by section 3.3.3.
- If the requirements of paragraph 3.2.7 are to be retained, we believe that this paragraph should include a reference to nature, scale and complexity (similar to paragraph 3.2.5). Similarly we suggest only including this assessment where it is material and that a qualitative assessment is possible where it is appropriate to the nature, scale and complexity of the undertaking and its reinsurance arrangements.



11 August 2016

Yours faithfully,

A handwritten signature in blue ink, appearing to read "D. Corry", written on a light-colored background.

Dermot Corry

Principal, Milliman Limited