

# Brokers Ireland's comments on Regulations for pre-emptive recovery planning for (re)insurers – CP 131

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**BROKERS**  
I R E L A N D

Brokers Ireland is Ireland’s representative body for Insurance and Financial Brokers, with a combined strength of over 1,225 firms. Of Brokers Ireland’s members, around 900 are Financial Brokers, selling financial products, including life assurance, pensions, investment products and mortgages. Around 350 are either Insurance Brokers selling non-life insurance, or “composites”, selling both general insurance and financial products. We believe we represent substantially all the Insurance and Financial Brokers currently trading in Ireland.

Whilst the proposed guidelines and regulations will apply to insurers directly, Brokers Ireland welcomes the opportunity to comment on the Central Bank’s consultation on Regulations for pre-emptive recovery planning for (re)insurers, as it is of vital importance to Brokers’ customers that insurers be financially secure and able to meet all valid claims.

Brokers play an important role in the insurance process.

For clients, Brokers:

- ✓ identify the risks clients face;
- ✓ ensure that clients make informed decisions about the risks they wish to insure;
- ✓ design new and innovative solutions;
- ✓ reduce the clients’ search costs;
- ✓ put their knowledge at the service of the clients;
- ✓ assist their clients with claims-related services and policy administration services.

For insurers, Brokers:

- ✓ facilitate entry into the market by new insurance companies, by providing them with a wide client base, without having to incur the costs of building a distribution network, which is important in terms of the development of a European Single Market;
- ✓ assist insurers with claims-related services and policy administration services;
- ✓ are key providers of risk data and advice to underwriters.

In November 2019 at its Intermediary Roadshows, the Central Bank outlined its “expectations” of Brokers regarding their assessing the financial soundness in the insurers with which they place business. Brokers Ireland believes that the financial soundness of insurers is a matter for the regulator.

We believe supervision, based on effective prudential standards, is vital to ensure that insurers are able at any moment to fulfil their obligations as they fall due and that the interests of the policyholders are sufficiently safeguarded.

Brokers Ireland welcomes the proposed guidelines in respect of the structure and content of the pre-emptive recovery plan.

Outlined below are Brokers Ireland's comments on the questions posed:

## 6.2 Questions

### 1. What, if any, other areas should be covered in the Guidelines or in future guidance?

- We note that it is proposed under the Communication Plan section that:

*“an external communication plan for the insurer’s communication of the implementation of recovery options to shareholders and other investors, the Bank, counterparties, financial markets, reinsurers, policyholders and the public, as appropriate, including an analysis of how the external communication plan would be implemented when a recovery option is implemented”*

Brokers Ireland has considered the recovery plan and the requirement for a communication plan in the context of the CBI's expectations of Brokers regarding the assessing of the financial soundness of the insurers with which the Brokers place business. It should be clearly specified that the recovery plan should be made available to Brokers and that Brokers may rely on this plan in meeting the Central Bank's expectations in respect of assessing financial soundness.

Given the proposed requirements for domestic insurers and third country branches to have this recovery plan in place with regulatory oversight, Brokers Ireland proposes that clarification be issued to Brokers to confirm that the focus of the Central Bank's assessing financial soundness expectations is not domestic insurers or third country branches but entities trading in Ireland on a FOS basis.

- From a European perspective, Brokers Ireland is of the opinion that all undertakings with cross-border activity, whether active in multiple EU countries or not, should be subject to pre-emptive recovery planning.

It is clear that greater regulatory/policy co-ordination is required between EU regulators and governments. It is crucial that Brokers can have trust in the supervisory authorities and in equal client protection from the Member State where the insurer is based. This would greatly assist Brokers who should then be able to access these recovery plans and rely on them as part of their financial soundness due diligence.

### 2. Are there any areas where the application of proportionality can be improved or clarified?

No comment.

