



Response from IBA to
Consultation on Requirements for Reserving and
Pricing for Non-Life Insurers and Reinsurers
Consultation Paper CP 73

10 December 2013

The Irish Brokers Association represents the majority of non-life insurance intermediaries in the Irish market and we, like all other stakeholders in financial services sector, welcome any changes designed to improve market stability and rebuild consumer confidence.

Measures such as those suggested in the Consultation Paper, in the areas listed below should assist in establishing a greater degree of oversight, better understanding of and transparency in each layer of the reserving process. The external audit and assessment required should lead to more objective assessment of risk and exposure, improving market confidence in better levels of protection for future.

- The Signing Actuary
- The Statement of Actuarial Opinion
- Additional Governance Requirements
- Periodic Internal Audit Assessment
- Periodic Peer Review and
- Reserving Committees

Although Consultation Paper 73 make reference to Requirements for Reserving and Pricing the bulk of the paper makes reference to the reserving process only. Whilst it is acknowledged that this process is crucial to pricing adequacy there is little other reference to pricing apart from 'Item 25 Governance Requirements page 19'. This makes reference to Pricing Policy, as follows

The Board shall ensure that the Company has a transparent Pricing Policy which includes robust internal procedures for: (a) the setting of technical prices; and (b) any deviation from the technical prices set.

We would have liked to see further details or requirements in relation to the setting of technical prices and in particular to any "deviation from technical prices set". Intermediaries and members of the public find it difficult to understand the concept and practice of 'Dual Pricing' and 'Differential Pricing' that applies across the market particularly for personal insurances. The inability of non-life insurers to provide a clear rationale for this practice, which can result in major price deviation, undermines confidence in both Insurance Intermediaries and Insurance Undertakings and in the market itself.

Whilst we generally welcome the 'Requirements for Reserving and Pricing for Non-Life Insurers and Reinsurers' we would have liked to have seen more examination of the pricing strategy adopted by Insurers and more emphasis on provision of rationales for price deviation leading to Dual and Differential Pricing.

We await the outcome of this consultation in due course

Susan Naughton
ACII
Head of Compliance
Irish Brokers Association

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