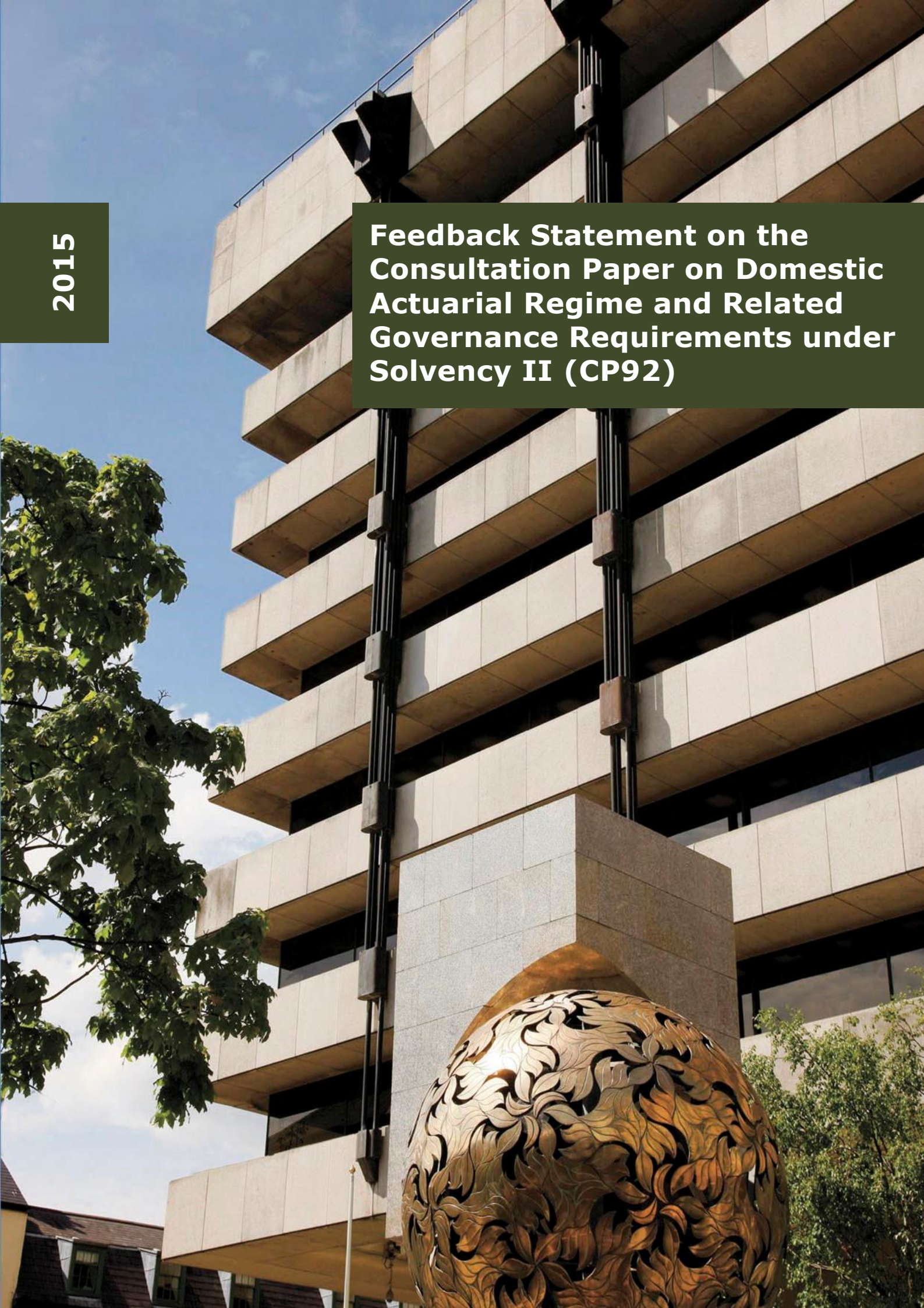


2015

**Feedback Statement on the
Consultation Paper on Domestic
Actuarial Regime and Related
Governance Requirements under
Solvency II (CP92)**



Feedback Statement on the Domestic Actuarial Regime and Related Governance Requirements under Solvency II

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1. Introduction

On 2 April 2015 the Central Bank of Ireland (the "Central Bank") published Consultation Paper CP 92 ("CP 92") on the Domestic Actuarial Regime and related Governance Requirements under Solvency II.

Under Solvency II¹ all (re)insurance undertakings must comply with the requirements related to the actuarial function in line with the relevant national implementing legislation. In addition, the Central Bank is introducing specific domestic requirements regarding the actuarial function and related governance requirements which shall apply to all (re)insurance undertakings subject to Solvency II.

The Central Bank views actuarial reporting as a key tool in its supervision of the insurance industry and it considers the requirements outlined in CP92 (the "Requirements") as appropriate to support the management, oversight and supervision of all Solvency II (re)insurance undertakings. The Requirements maintain a number of the key requirements introduced by the Reserving Requirements for Non-Life Insurers and Non-Life and Life Reinsurers and as such the Central Bank continues to require, under Solvency II, the Actuarial Certification of technical reserves, the Peer Review and the establishment and implementation of a Reserving Policy.

The Role of the Head of the Actuarial Function (the "HoAF") will be a PCF role and the Central Bank is in the process of completing the due requirements to make the HoAF a PCF role. The Chief Actuary and Signing Actuary will no longer be PCF roles and will be removed as part of this process.

While Solvency II is largely a maximum harmonising directive, EIOPA has stated² that this is not the case for the whole Directive and individual Member States may keep or introduce stricter requirements as and where appropriate.

EIOPA has explicitly commented on the fact that a number of Member States already have a form of "responsible/ appointed actuary" which is not foreseen by Solvency II. EIOPA also stated that it is a matter for the Supervisory Authorities concerned to

¹ EU Directive 2009/138/EC – the new harmonised EU insurance regulatory regime

² Final Report on Public Consultation No. 14/017 on Guidelines on System of Governance

decide on the retention of the “responsible/ appointed actuary” role and how it relates to the actuarial function under Solvency II.

In contrast to other jurisdictions who are retaining their existing actuarial regime in addition to the Solvency II requirements, the Central Bank, in combining the Requirements with the responsibilities of the Actuarial Function under Solvency II, is simplifying and providing clarity to undertakings regarding the responsibilities of the actuarial function and the role of the HoAF under Solvency II.

1.1 Legal Basis

The Requirements will be imposed on a statutory basis by the end of 2015. (Re)Insurance undertakings are advised to proceed with their planning for this without waiting for the issue of requirements.

1.2 General application and implementation

The Requirements outlined in Appendix 1 will apply from 1 January 2016. The Central Bank will issue the Requirements following the transposition of Solvency II in Ireland.

1.3 Responses

The consultation period for CP92 closed on 29 May 2015 and 11 responses were received. The responses received can be categorised as follows:

- Industry bodies 3
- Insurance firms 4
- Legal/Accountancy firms 2
- Intermediary firms 1
- Individuals/other 1

This paper summarises the responses received to CP92 and outlines the Central Bank’s considered decisions. It addresses the sections on which respondents commented or where a comment was received that has resulted in a change to the text of the Requirements. All responses are available on our website at this [link](#). A copy of CP92 is available for download at this [link](#).

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The respondents commented on all areas of the CP92, particularly in relation to the role of the HoAF as a PCF, Outsourcing, Opinion on the ORSA and clarification around applicability of existing legislation.

Finally, the Central Bank is grateful to all parties who responded to CP92 and wishes to thank them for their contributions.

2. Specific Areas where comments were received			
CP 92 Ref	Original Text	Summary of Comments	Central Bank response
N/A	N/A	A number of respondents queried whether the Reserving Requirements for Non-Life Insurers and Reinsurers would apply in whole or in part from 1 January 2016.	The Reserving Requirements for Non-Life Insurers and Reinsurers (the "Reserving Requirements") will cease to apply to Solvency II undertakings from 1 January 2016. The obligations imposed on the undertaking and Signing Actuary under the Reserving Requirements will however continue to apply for year-end 2015.
N/A	N/A	One respondent requested clarification as to whether current legislative requirements for life assurance companies to appoint or engage an "appointed actuary" will cease to apply for companies that are subject to Solvency II.	This requirement will cease to apply for Solvency II undertakings from 1 January 2016.
3.1	Head of Actuarial Function According to Solvency II all (re)insurance undertakings are required to establish an Actuarial Function as one of their Key Functions. These undertakings are also required to notify the Central Bank of the person with responsibility for that Key Function. Undertakings will do this via the	There was a suggestion to reword the text to clarify the requirement of pre-approval of PCF roles prior to appointment.	The Central Bank has amended the wording to reflect the PCF requirement of pre-approval <u>prior</u> to appointment.

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	Central Bank Fitness & Probity regime (F&P regime) where the position will be a PCF position, called Head of Actuarial Function (HoAF), and as such will require Central Bank pre-approval before any individual can be appointed to the position. In that regard the Central Bank requires the following:	A number of respondents requested clarification on whether reinsurance composites must appoint one HoAF to oversee both Life and Non-Life business or whether two separate HoAF can be appointed.	This will be dealt with on a case by case basis. Before making any application to the Central Bank, the undertaking's Board must satisfy itself that this is appropriate in relation to the nature, scale and complexity of the risks inherent to the business.
3.1 I	The responsibility for the tasks called out for the Actuarial Function under Solvency II and the responsibilities introduced by virtue of "this legislation", shall be held by one individual within the undertaking, i.e. the HoAF, who is suitably fit and proper to hold those responsibilities. That is not to infer that the operational activities to fulfil those responsibilities cannot be spread across a number of individuals or parties but the Central Bank expects there to be one individual within the undertaking with overall responsibility for ensuring compliance with the relevant requirements and answerable to the Board in that regard.	A number of comments were received regarding the requirement that the responsibilities be held by one individual <i>within the undertaking</i> and whether this inferred that the HoAF role could not be outsourced.	The Central Bank has amended the requirement. The HoAF role may be outsourced for low, medium low and medium high undertakings, but for high impact undertakings this must be an internal role. This is consistent with the current Reserving Requirements.
		Some respondents queried whether the role of HoAF must be held by an actuary.	This has been clarified in the amended wording of this section. The Central Bank expects that the HoAF be a member of a recognised actuarial association and have the appropriate level of experience commensurate with the requirements of the role and the sophistication of the methodologies and techniques appropriately employed by the undertaking.

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<p>3.1 II</p>	<p>The undertaking shall ensure that the HoAF provides an actuarial opinion to the Central Bank on an annual basis which addresses the Technical Provisions (TPs) of the undertaking as reported in any annual regular supervisory report (RSR – which contains the narrative report and quantitative reporting templates) to the Central Bank dated on or after 30th June 2016. This shall be referred to as the Actuarial Opinion on Technical Provisions (AO TPs). In addition to and connected with the AO TPs the undertaking shall ensure that the HoAF also provides an Actuarial Report on Technical Provisions (ARTPs) to the board on an annual basis. This report shall also be provided to the Central Bank upon request.</p>	<p>Suggestions were received that the term “RSR” referred to here may be confused with the Regular Supervisory Report, required to be submitted at least every three years and regular supervisory reporting which encompasses annual reporting of QRT’s</p> <p>It was also suggested that the wording be amended in order to provide clarification as to financial reporting date.</p>	<p>The Central Bank has amended the wording of the section.</p>
<p>3.1 III</p>	<p>The undertaking shall ensure that the HoAF provides an actuarial opinion to the Board regarding the range of risks and the adequacy of the scenarios, including financial projections, considered as part of each ORSA process of the undertaking. This opinion will be provided in relation to any ORSA processes conducted in 2016 and onwards. The opinion will be provided to the board at the same time as the results of the ORSA process to which it</p>	<p>There were a number of responses on this questioning the scope of the requirement, whether it goes beyond the scope of the responsibilities of the actuarial function under Solvency II and whether it encroaches on the role of the Risk Function.</p>	<p>The Central Bank has amended the requirement.</p> <p>While the Actuarial Function (the “AF”) must report to the Board on the tasks of the AF outlined in Article 48 - there is also a specific requirement for the AF to contribute to the ORSA process and to provide input as to whether the calculation of TPs would comply with the SII</p>

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	relates.		requirements on a continuous basis (GL11 of the EIOPA Guidelines on ORSA). As such the Central Bank has further clarified its expectations of the role of the HoAF in this regard in CP92.
		A suggestion was made that the Central Bank prescribe the form of the actuarial opinion on the ORSA.	The Central Bank will not prescribe the form of this opinion as each ORSA process is presented by the HoAF to the Board of the undertaking not the Central Bank.
		Some respondents queried whether this requirement relates to "ad-hoc" ORSA's.	This requirement relates to all ORSA's conducted by the undertaking, including "ad-hoc" ORSA's. The Central Bank has clarified the wording to reflect this.
3.2	Actuarial Opinion on Technical Provisions	Some respondents suggested that these Requirements are contrary to one of the main principles of SII which is to ensure harmonisation of (Re) Insurance regulation across the EU.	Noted. EIOPA have confirmed that while Solvency II is to a large extent a maximum harmonization Directive, this is not the case for the whole Directive. There are still a number of areas where Member States may keep or introduce stricter requirements as and where appropriate. For example, currently,

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			<p>the institution of the “responsible/appointed actuary” exists in some Member States. As the “responsible/appointed actuary” is not foreseen by Solvency II, it is up to the supervisory authorities concerned to decide on whether to keep the “responsible/appointed actuary” or not, and how it relates to the actuarial function.</p> <p>The Central Bank, in publishing these Requirements, has sought to retain a number of elements of the existing regime, in particular a number of the requirements introduced by the Reserving Requirements.</p> <p>By combining the domestic requirements with those imposed by Solvency II the Central Bank has provided clarity on the role of the HoAF and related responsibilities of the role.</p>
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		<p>A number of respondents queried whether the person providing the AOTP should be separate to the person calculating the TPs.</p>	<p>The Actuarial Function is responsible for the co-ordination and oversight of the calculation of the technical provisions. The Solvency II Directive does not explicitly include the actual calculation of the technical provisions in the tasks to be performed by the actuarial function. Neither does it include any other operational task. It leaves it up to the undertaking to decide who will effectively perform the calculation (considering also that in many case the calculation can be at least partially performed by IT systems). The Actuarial Function is not excluded from calculating the TPs or from doing any other operational tasks. Whether or not the calculation and validation are performed by the same person, it is mandatory that the process of validation and tests are independent of the calculation process. In cases where both calculation and validation of technical provisions is done by the actuarial function the undertaking should have in place processes and procedures in order to avoid conflicts of interest and ensure appropriate independence.</p>
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3.2 I	<p>The undertaking shall ensure that the HoAF, in their AO TPs, provides an opinion on the compliance of the TPs, as reported in the RSR, with all relevant Solvency II requirements. More specifically the AO TPs shall address;</p> <p>a. the reliability and adequacy of the calculation of TPs,</p> <p>b. the sufficiency and quality, including appropriateness, completeness and accuracy, of data used in the calculation of TPs, and</p> <p>c. the appropriateness of the methodologies, models and assumptions used in the calculation of TPs.</p>	<p>One respondent sought clarification as to what the requirement that the Technical Provisions be adequately calculated meant.</p>	<p>The Central Bank has amended the wording of this requirement.</p> <p>The reliability and adequacy of the calculation of TPs is within the context of the SII requirements, Article 48(e) of the Solvency II Directive.</p>
3.2 II	<p>The AO TPs shall;</p> <p>a. Encompass all classes of business written by the undertaking and reported, in the form of Solvency II Lines of</p>	<p>One respondent suggested that the opinion as to the adequacy/appropriateness of the best estimate should be on an aggregate basis for all lines of business rather than on a</p>	<p>The Central Bank has clarified the wording of this requirement. The Central Bank believes the opinion should be on a Solvency II Line of Business (LOB) level.</p>

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	<p>business, in the annual RSR,</p> <p>b. Apply to gross TPs and recoverables from reinsurance contracts and SPVs,</p> <p>c. Except where the undertaking is permitted to calculate their TPs on a combined basis, cover the following components of TPs:</p> <ul style="list-style-type: none"> i. Gross Best Estimate as defined by Solvency II, ii. Risk Margin as defined by Solvency II, iii. Recoverables from Reinsurance contracts and SPVs as defined by Solvency II. <p>d. Where an undertaking does not calculate the TPs separately (i.e. best estimate and risk margin), cover the combined TPs as defined by Solvency II.</p>	<p>line by line basis.</p>	
3.2 III	<p>The AO TPs shall include any material limitations or reliance's that had to be made in providing the opinion on TPs and any recommendations to address any deficiencies.</p>	<p>A wording change was proposed to add the word "material" in the last sentence.</p>	<p>The Central Bank has amended the wording of the requirement.</p>
3.2 IV	<p>The form that such statement should take shall be prescribed by the Central Bank.</p>	<p>There was some feedback on the form of the AOTPs and whether the Central Bank would publicly consult on the form of the opinion.</p>	<p>The Central Bank will issue the form of the AOTP with the final Requirements.</p>

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3.2 V	The AO TPs shall have the same submission date as that of the annual RSR to which it relates.	One respondent requested that RSR be replaced by QRT to avoid confusion.	The Central Bank has amended the wording of the requirement.
3.3 I	<p>Actuarial Report on Technical Provisions</p> <p>The ARTPs may be combined with the annual written report of the Actuarial Function to the board which is required under Solvency II. However, in such circumstance, the undertaking shall ensure that all elements required by “this legislation” and Solvency II are adequately addressed in the combined report.</p>	<p>A number of respondents queried why the Actuarial Function Report – as required under SII – was not deemed sufficient.</p> <p>One respondent suggested that the words ‘and Solvency II’ are redundant and can be deleted.</p>	<p>This requirement remains unchanged.</p> <p>The HoAF in providing their AOTPs must prepare their ARTP supporting this opinion. As stated the ARTP can be combined with the report required under SII, so it could be in a single document.</p> <p>The Central Bank has amended the wording of this requirement.</p>
3.3 II	<p>The ARTPs shall include at least the following:</p> <p>a. A statement regarding the reliance placed on the undertaking’s calculation of the Solvency Capital Requirement for the purposes of the AO TPs.</p>	A number of respondents sought clarification around the requirement to provide a statement regarding the reliance placed on the undertakings calculation of the SCR.	The Central Bank has amended the requirement.
3.3 II	b. A description of how the HoAF has assessed the reliability and adequacy of the calculation of TPs, the sufficiency and quality of data used and the appropriateness of the methodologies, models and assumptions used in the	A suggestion was made in order to clarify the “open ended” nature of the wording.	The Central Bank has amended the wording of the requirement.

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	calculation of TPs. This may include, where appropriate, providing recommendations on ways to improve the data standards, methodologies, models and assumptions used by the undertaking.		
3.3 II	c. A description of the main risks and uncertainties associated with the TPs reported in the RSR by reference, in particular, to the undertakings reserving policy, its stated risk appetite and the Solvency II rules on the establishment of TPs,	A suggestion was made to change the wording and meaning of "risks and uncertainties".	Noted. Original wording reflects intention, change not made.
3.3 II	d. A description of any data issues encountered by the HoAF which could not be resolved by the undertaking and any consequent limitations or effect on TPs,	One respondent suggested the addition of the word "material" before "issues", and include possible consequences of using simplifications or approximations arising from inadequate data.	The Central Bank has amended the requirement, consequences of case-by case approaches also added.
3.3 II	e. A description of the following; <ul style="list-style-type: none"> i. the undertakings background and its strategy, including experience and operating environment, throughout the year, ii. the HoAF's opinion on the stability of the claims handling process over time, and iii. the external environment and its impact on the TPs of the undertaking 	One respondent suggested a wording change to e.ii for consistency with Reserving Requirements.	The Central Bank has amended the requirement, which has also been made less non-life specific.

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	including any material emerging trends and how these are allowed for.		
3.3 II	<p>f. A commentary on the appropriateness of;</p> <p>i. the segmentation used by the undertaking to group its insurance and reinsurance obligations into homogeneous risk groups,</p> <p>ii. key assumptions used by the undertaking in relation to the calculations of best estimate liabilities and recoveries from reinsurance contracts and SPVs. This should also address the specific uncertainties underlying the assumptions and the sensitivity of the best estimate liabilities to changes in these assumptions,</p> <p>iii. how large claims have been dealt with in the best estimate liabilities,</p> <p>iv. any material uses of expert judgement in the calculation of TPs,</p> <p>v. the calculation of the risk margin.</p>	One respondent suggested a wording change to include commentary on any approximations or simplifications applied.	The Central Bank has amended the requirement.
		One respondent queried whether references to the risk margin are to the SII risk margin.	All references to risk margin in the document are to SII risk margin.
3.3 II	j. An analysis of how prior year claims experience during the year compared to the expected experience, based on the	One respondent commented that the wording of this requirement was very non-life focussed and provided suggested	The Central Bank has amended the wording of this section.

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	assumptions of the undertaking at the time of the last ARTPs, and the effect of this, if any, on the current year's AO TPs.	amendments	
3.3 II	I. Any other information the HoAF believes is material to TPs and relevant to their AO TPs opinion and ARTPs.	One respondent commented that this requirement should reflect the principle of proportionality.	The Central Bank has amended the requirement to reflect this.
3.3 III	The ARTPs shall be prepared and presented to the board by the HoAF, unless exceptional circumstances prevent this, within 2 months of the submission of AO TPs to the Central Bank. It shall be retained by the undertaking for at least 6 years from the date on which it is presented to the board	Two respondents suggested that the Board of the undertaking should have sight of the ARTPs in advance of submitting the AOTPs to the Central Bank.	The Central Bank has amended the requirement. The ARTP should be submitted to the Board at least in summary form at the same time as the AOTPs.
3.4	Reserving Committee	Many respondents commented that this requirement relates to Non-Life undertakings more so than Life undertakings.	The Central Bank acknowledges the issue raised and has moved this Reserving Committee section to Sector Specific Requirements - Non-Life Sector
3.4 I	At least High Impact undertakings shall establish a reserving committee, with powers delegated to it by the Board, which shall meet quarterly.	One respondent suggested that this committee should meet no less frequently than quarterly.	Noted. The Central Bank has amended the requirement.
3.4 II	This committee shall contain all relevant senior staff with input to the reserving process.	One respondent suggested that the HoAF should be included in the Reserving Committee.	Noted. The Central Bank has amended the requirement

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		Another respondent queried the membership and the role of Non-Executive Directors in the Reserving Committee.	The Central Bank has further clarified the membership of the Reserving Committee.
3.4 III	<p>The committee is responsible for, amongst other things:</p> <p>a. overseeing the governance of the setting of TPs and its compliance with the reserving policy,</p> <p>b. where relevant, ensuring that any changes to claims handling practices are documented and communicated to the actuarial function,</p> <p>c. where relevant, opining on whether or not there are actual savings through any changes in practice rather than an acceleration of the time taken to settle claims</p>	One respondent commented that as Art 48 states that the AF is responsible for coordinating the calculation of the TP and ensuring the appropriateness of methods, models and assumptions use, this creates a conflict with the requirement of the Reserving Committee to oversee the governance of the setting of TPs.	The Central Bank does not believe this creates a conflict. The wording of this requirement has been amended in order to provide further clarity.
3.4 IV	The committee shall have terms of reference in place evidencing all responsibilities delegated to it including those mentioned here.	One respondent commented that it is important for the terms of reference of the Reserving Committee to make it clear that responsibility for the AO TPs rests with the HoAF, using his or her professional judgement.	The Central Bank does not believe this is required, it is already stated in 3.1 II.
3.5 I	<p>Reserving Policy</p> <p>The undertaking shall establish, either within its underwriting and reserving risk management policy or separately, a</p>	One respondent sought clarification regarding the 'related objectives' referenced in 3.5 I (a).	The Central Bank has amended the wording of this requirement removing this reference and correcting a typo.

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	<p>written policy which includes at least the following:</p> <p>a. The undertakings approach to calculating TPs and the related objectives,</p> <p>b. An overview of the reserving process including key roles, responsibilities and controls within the process.</p>		
3.6	Peer Review	<p>The majority of respondents commented on this point and their feedback has been summarised as follows:</p> <p>The peer review requirements are over and above those required under Solvency II.</p> <p>Suggestion that a restriction of 3 consecutive peer reviews would be appropriate - which is consistent with the 2014 Reserving Requirements.</p>	<p>The Central Bank has amended the requirement of this section to incorporate comments received and to bring these requirements in line with existing 'Reserving Requirements'</p>
		<p>Suggestion that a peer review of the ORSA opinion is appropriate.</p>	<p>The Central Bank has currently no plans to include the ORSA opinion within the scope of the peer review.</p>

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		One Respondent queried whether the Central Bank plans to create a panel of RA's. This panel would be established and approved by the Central Bank and should comprise individuals with the relevant knowledge and experience to fulfil the role effectively.	The Central Bank has currently no plans to create a panel of reviewing actuaries.
3.6 III	The RA shall not be an employee of the undertaking.	Some respondents sought clarification as to the independence of the Reviewing Actuary. One respondent provided suggested additional wording in order to assess independence of the Reviewing Actuary.	The Central Bank has amended the requirement and included additional wording in order to assess independence of the RA
3.6 IV	Where some or all of the Actuarial Function activities are outsourced, the RA shall not be from the same firm as that to which those responsibilities are outsourced.	One respondent requested that 'actuarial function activities' be made more specific.	Noted. The Central Bank has amended the wording of the requirement.
3.6 VII	The RA shall produce a Peer Review Report which shall provide the undertaking with an independent view of their TPs and the approach taken by the HoAF in reaching their opinion in the AO TPs, including any limitations therein.	A number of respondents sought clarification on whether an independent calculation of TPs is required here.	The Central has amended the wording of the requirement.
3.6 VIII	A peer review shall be conducted: a. For High Impact undertaking at least	Clarity sought on the start date of the requirement for H MH and ML to have a	The current Peer Review cycle will not recommence on implementation of these requirements. It is

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	<p>every 2 years,</p> <p>b. For Medium High Impact undertaking at least every 3 years,</p> <p>c. For Medium Low Impact undertaking at least every 5 years.</p>	peer review.	expected that undertakings will comply with the Peer Review timelines set out in these requirements going forward.
3.7 II	<p>Peer Review Report</p> <p>The Peer Review Report shall be provided to the board within 1 month of the board receipt of the ARTPs to which it relates, and to the Central Bank upon request,</p>	One respondent queried the 1 month time frame, advising this was a challenging schedule.	<p>The Central Bank has retained this requirement without amendment.</p> <p>The one month period is not envisaged as the time during which the peer review work is carried out but just additional time to produce the report.</p>
3.8 II	Assess material sensitivities of the results to key assumptions and address same in the Peer Review Report.	One respondent suggested the RA should review the sensitivities prepared within the ARTP and comment on them, noting in particular whether they are sufficient in terms of the range of outcomes and the impact on TPs.	Noted. The Central Bank has amended the requirement – to reflect that an independent view on the sensitivities to key assumptions is required.
3.8 III	Assess material uncertainties and key sources of potential deteriorations in TPs, identifying the main business lines that are most subject to uncertainty and address same in the Peer Review Report.	One respondent queried whether the requirement was to assess the adequacy of what the HoAF has done.	<p>Noted. The Central Bank has amended the requirement.</p> <p>The RA is required to comment on whether the uncertainty analysis carried out by the HoAF is materially complete and robust.</p>
3.9	Other relevant changes to the Central Bank F&P Regime	The majority of respondents commented on this section.	

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<p>3.9 I</p>	<p>The new PCF position of Head of Actuarial Function will be introduced in the Central Bank F&P regime from 1st January 2016, requiring the necessary preapproval before that date. The existing PCF positions of Chief Actuary and Signing Actuary will no longer exist from 1st January 2016.</p>	<p>Many respondents queried whether the existing roles of Chief Actuary or Signing Actuary can be 'grandfathered' into the new HoAF role.</p>	<p>The current PCF roles of PCF20 Chief Actuary and PCF44 Signing Actuary do not align directly to the role of the HoAF as there are responsibilities of the HoAF role which currently fall outside of the common understanding of the role of Chief Actuary and Signing Actuary. As such, the Central Bank does not propose that individuals currently performing these roles can automatically become the HoAF</p> <p>Where a person in situ in an insurance undertaking (on or before 31 December 2015) is performing the role of HoAF (irrespective of the title provided to that role) then, as per the Central Bank Reform Act 2010, that person will not have to apply for approval for that PCF role upon the commencement of the amending F&P Regulations. The Central Bank will issue guidance regarding F&P changes under Solvency II.</p>
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		Some respondents also noted that as the Signing and Chief actuary roles are ceasing on 1 January 2016 what implications does this have for the Solvency I submissions with respect to the year ending 31 December 2015?	The Central Bank is of the view that submissions re year end 2015 will not be affected and expects all undertakings to comply with the Solvency I 2015 year end reporting.
4.1 I	<p>Sector Specific Requirements</p> <p>Life (Re)Insurance Sector</p> <p>Additional responsibilities for the Actuarial Function in Life undertakings;</p> <p>a. Advising the board on appropriateness of allocation of surplus of assets over liabilities to policyholders.</p> <p>b. Monitoring the undertaking's compliance with requirements relating to disclosure of information to policyholders.</p>	A number of respondents questioned whether this section was relevant for Life Reinsurance undertakings.	Noted. The Central Bank has amended the requirement.
4.1 II	<p>The Actuarial Function report to board shall, along with the information required under Solvency II, include:</p> <p>Where any rights of life assurance policyholders entitle them to participate in profits related to a particular fund or part of a fund, a specification of the undertakings obligations related to those policyholder rights,</p> <p>Where policy conditions confer</p>	One respondent requested clarity on the discretionary powers of 'the actuary'.	The Central Bank has amended the requirement. Where, for Life undertakings, policy wording refers to 'the actuary' the Central Bank envisages the HoAF carrying out these responsibilities.

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	discretionary powers on "The Actuary" in reviewing certain charges or product features, the HoAF shall provide his or her opinion on any such matters to the Board.		
5.1	<p>Exemptions from requirements arising from this paper</p> <p>Life (Re)Insurance Sector</p> <p>Not applicable</p>	One respondent suggested there are companies with no third party life business, for example within a captive for internal employees only and propose these should be excluded as for non-life captives with no third party business.	This requirement remains unchanged.
5.2 I	<p>Non-Life (Re)Insurance Sector</p> <p>Undertaking that do not carry on:</p> <ul style="list-style-type: none"> • Third party business, • Motor, liability and financial guarantee business <p>may apply to the Central Bank for an annual exemption from all except Section 3.1.I of the requirements that arise from this paper (but not the requirements arising from Solvency II which may be referred to in this paper).</p>	One respondent requested that this exemption be extended to companies in run-off.	The Central Bank does not agree with expanding the scope of the exemption.
		One respondent sought clarification whether this exemption applies only where neither of these types of business is carried on.	The Central Bank has amended the wording of this requirement for clarification.

Appendix: Requirements

General Requirements

Under Solvency II all (re)insurance undertakings are required to have in place an effective actuarial function. Undertakings are required to notify the Central Bank of the person proposed to take responsibility for that key function. Undertakings will do this via the Central Bank Fitness & Probity regime (the "F&P Regime") where the position will be a PCF position, called Head of Actuarial Function (the "HoAF"), and as such, will require Central Bank pre-approval before the proposed individual can be appointed to the position.

In that regard, the Central Bank requires the following:

- I. Undertakings shall appoint a HoAF.
- II. The responsibility for the tasks called out for the actuarial function under Solvency II and the responsibilities introduced by virtue of these Requirements, shall be held by one individual, i.e. the HoAF, who is suitably fit and proper to hold those responsibilities. While the operational activities to fulfil those responsibilities can be spread across a number of individuals the Central Bank requires there to be one individual with overall responsibility for ensuring compliance with the relevant requirements and answerable to the Board, in that regard. That individual shall have the prerequisite level of experience commensurate with the requirements of the role and the sophistication of the methodologies and techniques appropriately employed by the undertaking. The HoAF shall be a member of a recognised actuarial association, for example one that is a member of the Actuarial Association of Europe.
- III. Where an undertaking is designated as a High Impact undertaking, the HoAF shall be an employee of the undertaking. The term "employee" means a direct employee of the undertaking or an employee provided through a group services company on a full-time basis.
- IV. The undertaking shall ensure that the HoAF provides an actuarial opinion to the Central Bank on an annual basis. Responsibility for the actuarial opinion rests with the HoAF, using his or her professional judgement. The opinion shall address the Technical Provisions³ (the "TPs") of the undertaking as reported in any annual quantitative reporting templates ("QRTs") to the Central Bank with a financial reporting date on or after 30th June 2016. This shall be referred to as the Actuarial Opinion on Technical Provisions (the "AO TPs").

In addition to, and connected with the AO TPs, the undertaking shall ensure that the HoAF also provides an Actuarial Report on Technical Provisions (the

³ For the rest of this document any reference to TPs shall be taken to mean the Gross TPs (either the Best Estimate Liability and Risk Margin or calculated as a whole) and the recoverables from Reinsurance contracts and SPV's, all as defined in Solvency II.

“ARTPs”) to the Board on an annual basis, which supports the AO TPs. This report shall also be provided to the Central Bank upon request.

- V. The undertaking shall ensure that the HoAF provides an actuarial opinion to the Board in respect of each own risk and solvency assessment (“ORSA”) process of the undertaking.

The opinion will address, at a minimum and having regard to the undertaking’s individual risk situation, the following:

- a) The range of risks and the adequacy of stress scenarios considered as part of the ORSA process;
- b) The appropriateness of the financial projections included within the ORSA process;
- c) Whether the undertaking is continuously complying with the requirements regarding the calculation of TPs and potential risks arising from the uncertainties connected to this calculation.

This opinion will be provided in relation to any ORSA process conducted in 2016 and onwards. The opinion will be provided to the Board at the same time as the results of the ORSA process to which it relates.

Actuarial Opinion on Technical Provisions

- I. The undertaking shall ensure that the HoAF, in his or her AO TPs, provides an opinion on the compliance of the TPs, as reported in the annual QRTs, with all relevant Solvency II requirements. More specifically, within the context of the Solvency II requirements, the AO TPs shall address;
 - a) the reliability and adequacy of the calculation of TPs,
 - b) the sufficiency and quality, including appropriateness, completeness and accuracy, of data used in the calculation of TPs, and
 - c) the appropriateness of the methodologies, models and assumptions used in the calculation of TPs.

- II. The AO TPs shall be at the level of segmentation used by the undertaking in calculating its TPs and shall;
 - a) Encompass all classes of business written by the undertaking and reported, in the form of Solvency II lines of business, in the annual QRTs,
 - b) Except where the undertaking is permitted to calculate its gross TPs on a combined basis, cover the following components of TPs:
 - i. Gross Best Estimate as defined by Solvency II,
 - ii. Risk Margin as defined by Solvency II,
 - iii. Recoverables from Reinsurance contracts and SPVs as defined by Solvency II.

- c) Where an undertaking does not calculate the gross TPs separately (i.e. best estimate and risk margin), cover the combined gross TPs and combined recoverables from reinsurance contracts and SPVs as defined by Solvency II.
- III. The reliability of the calculation of the TPs depends on the sufficiency and quality of data and the appropriateness of the methodologies, models and assumptions used in the calculation of TPs. Therefore the AO TPs shall include any material limitations or reliance's that were made in providing the opinion on TPs and convey recommendations on improvements to be made, where appropriate.
- IV. Undertakings shall ensure that the AO TPs prepared by the HoAF is submitted to the Central Bank in the relevant format as prescribed by the Central Bank.
- V. The AO TPs shall have the same submission date as that of the annual QRTs to which it relates.

Actuarial Report on Technical Provisions

- I. The ARTPs may be combined with the annual written report of the actuarial function to the Board which is required under Solvency II. However, in such circumstance, the undertaking shall ensure that all elements of these Requirements are adequately addressed in the combined report.
- II. The ARTPs shall include at least the following:
 - a) A description of how the SCR, as calculated by the undertaking, has been adjusted and projected in order to calculate the Risk Margin, including a justification of any approximation methods used in the projection,
 - b) A description of how the HoAF has assessed the reliability and adequacy of the calculation of TPs, the sufficiency and quality of data used and the appropriateness of the methodologies, models and assumptions used in the calculation of TPs. This may include, where appropriate, providing recommendations on ways to improve the data standards, methodologies, models and assumptions used by the undertaking in the calculation of the TPs.
 - c) A description of the main risks and uncertainties associated with the TPs reported in the QRTs by reference, in particular, to the undertaking's reserving policy, its stated risk appetite and the Solvency II rules on the establishment of TPs,
 - d) An overview of the review undertaken of the data used to perform the calculation of the TPs
 - e) A description of any material data issues encountered by the HoAF which could not be resolved by the undertaking and any consequent

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- uncertainties, limitations or effect on TPs, including consequences of data simplifications, approximations and case-by-case approaches,
- f) A description of the following, in the context of calculating the TPs;
 - i. the undertakings background and its strategy, including experience and operating environment, throughout the year,
 - ii. the impact of the stability of the business processes or claims handling practices over time, and
 - iii. the external environment and its impact on the TPs of the undertaking including any material emerging trends and how these are allowed for.
 - g) A commentary on the appropriateness of;
 - i. the segmentation used by the undertaking to group its insurance and reinsurance obligations into homogeneous risk groups,
 - ii. key assumptions used by the undertaking in relation to the calculations of best estimate liabilities and recoveries from reinsurance contracts and SPVs,
 - iii. how large claims have been dealt with in the best estimate liabilities,
 - iv. any material use of approximations and simplifications,
 - v. any material uses of expert judgement in the calculation of TPs,
 - vi. the calculation of the risk margin.
 - h) A commentary, where relevant, on the use and effect of a matching or volatility adjustment by the undertaking in calculating the best estimate liabilities and the compliance of these with the relevant supervisory approval received.
 - i) A commentary, where relevant, on the use of transitional measures with respect to TPs and Risk Free Rates (RFRs) and the compliance of these with the relevant supervisory approval received.
 - j) A discussion on the nature and extent of any reliance placed or not placed on information or reports received, from within the undertaking or any other source, in forming their opinion on TPs.
 - k) A description of those areas where actual experience has demonstrated that the undertaking's risk profile has materially deviated from the assumptions underlying the TPs and an explanation and quantification of these deviations, including the provision of information on any revisions made to the assumptions underlying the TPs. In this regard, the ARTPs should distinguish between deviations which are judged to arise from volatility of the underlying experience and those which are viewed as impacting on the appropriateness of the data, methodologies or assumptions used.
 - l) Where appropriate, and noting that the technical provisions should not contain any prudence, a description of any concerns held with respect to the undertaking's reliance on perceived prudence within the technical provisions, for example in the calculation of the SCR or within the ORSA.
 - m) A description of the reasons and rationale for reaching the opinion on the TPs as stated in the AO TPs
 - n) Any other information the HoAF believes is material to TPs and relevant to his or her AO TPs and ARTPs.

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- o) The level of detail provided should reflect the nature, scale and complexity of the underlying risks of the undertaking

III. The ARTPs shall

- a) be prepared and presented to the Board by the HoAF, unless exceptional circumstances prevent this,
- b) be presented to the Board, at least in summary form at the same time , as the AO TPs to which it relates;
- c) In any case be presented, in full, to the Board within 2 months of the submission of AO TPs to the Central Bank.
- d) Be retained by the undertaking for at least 6 years from the date on which it is presented to the Board.

Reserving policy

- I. The undertaking shall establish, either within its underwriting and reserving risk management policy or separately, a written policy which includes at least the following:
 - a) The undertaking's approach to calculating TPs,
 - b) An overview of the reserving process including key roles, responsibilities and controls within the process.

Peer Review

- I. All High, Medium High and Medium Low Impact Solvency II undertakings shall engage a reviewing actuary (the "RA") to conduct a peer review of the TPs of the undertaking and the related AO TPs and ARTPs.
- II. The RA shall not be a PCF position but the undertaking must be satisfied, and in a position to demonstrate, that the RA is suitably fit and proper and has the appropriate experience and expertise to perform the role they are engaged to perform. Undertakings should refer to the Central Bank Fitness and Probity Standards when satisfying themselves as to the suitability of the RA to perform the role.
- III. The RA should not be involved in the preparation of the TPs in question.
- IV. The RA shall not be an employee of the undertaking.
- V. The Board of the undertaking shall be satisfied, and be in a position to demonstrate, that the RA is appropriately independent to perform the role. In making a determination on the RA's independence, and in addition to the requirements of sections 2.5.VI-2.5.IX, the Board shall consider at least the following:

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- a) the nature of the services currently or previously provided by the RA, or his or her firm;
 - b) where the RA was previously a HoAF, or a direct employee, of the undertaking, the extent to which this might compromise the RA's independence; and
 - c) whether any circumstances exist that may create a conflict of interest for the RA.
- VI. Where the role of HoAF, or the calculation of the TPs, is outsourced⁴, the RA shall not be from the same firm as that to which those responsibilities are outsourced.
- VII. For Medium High and Medium Low Impact undertakings, the RA may be from the same group as the undertaking subject to the independence requirements in section 2.5.V.
- VIII. The RA may be from the same firm as the External Auditor but in such cases the undertaking must be satisfied that there is appropriate segregation of duties and reporting lines between these positions within the External Auditor.
- IX. Undertakings shall not commission the same Reviewing Actuary, or another actuary from the same firm, for more than three consecutive peer reviews.
- X. Where the Central Bank is not satisfied that the Board has sufficiently demonstrated the independence of the RA, the Central Bank may require the undertaking to appoint an alternative RA.
- XI. The RA shall produce a Peer Review Report which shall provide the undertaking with an independent view of its TPs. An independent view of the approach taken by the HoAF in reaching his or her opinion on the AO TPs, shall also be included within the report along with any limitations or reliance's that were made in providing the report. An independent view of the TPs does not necessarily require an independent recalculation of the TPs, however a justification should be provided if a recalculation is not performed. For material non-life Lines of Business a recalculation of the TPs is expected.
- XII. A peer review shall be conducted:
- a) For High Impact undertaking at least every 2 years,
 - b) For Medium High Impact undertaking at least every 3 years,
 - c) For Medium Low Impact undertaking at least every 5 years.

⁴ Where an undertaking is designated as a High Impact undertaking, the HoAF shall be an employee of the undertaking.

Peer Review Report

- I. The Peer Review Report shall include at least;
 - A description of the scope of the review conducted including details of;
 - i. the work completed,
 - ii. the processes followed,
 - iii. the extent to which the RA had access to relevant data, information, reports and staff of the undertaking,
 - A commentary on assumptions, methodologies, and main uncertainties in the calculation of TPs as addressed in the AO TPs and ARTPs,
 - An assessment of the reasonableness of the HoAF's conclusions within the AO TPs and ARTPs.

- II. The Peer Review Report shall be provided to the Board within 1 month of the Board receipt of the ARTPs to which it relates, and to the Central Bank upon request.

- III. The Board shall consider the results of the report in a timely manner and, where necessary, take appropriate action thereon.

- IV. The Board should notify the Central Bank when it has considered the report, highlighting any material issues raised by the report and, where necessary, setting out a plan of appropriate action or justifying why no action is to be taken.

Additional Peer Review requirements for High and Medium High Impact Undertakings:

The RA shall also:

- I. Review all lines of business which have a significant impact on the undertakings TPs, including but not limited to; large lines of business, lines with a high level of volatility, new or growing lines of business, lines with significantly worse experience than expected, etc. The peer review report should document the reasons for the choice of lines of business reviewed.

- II. Assess material sensitivities of the TPs to key assumptions and address same in the Peer Review Report. The RA's assessment should address whether the sensitivity analysis carried out by the HoAF is materially complete and robust.

- III. Assess material uncertainties and key sources of potential deteriorations in TPs at the level of segmentation used by the undertaking in calculating the TPs and address same in the Peer Review Report. The RA's assessment should address

whether the uncertainty analysis carried out by the HoAF is materially complete and robust.

- IV. Assess the appropriateness of the use of expert judgement in calculating TPs and address same in the Peer Review Report.

Other relevant changes to Central Bank F&P Regime

- I. The new PCF position of Head of Actuarial Function will be introduced in the Central Bank F&P Regime from 1st January 2016, requiring the necessary pre-approval for persons appointed to the role of HoAF after that date. The existing PCF positions of Chief Actuary and Signing Actuary will no longer exist from 1st January 2016.

Sector Specific Requirements

Life (Re)Insurance Sector

- I. Additional responsibilities for the HoAF in Direct Life undertakings;
 - a) Monitoring the undertaking's compliance with requirements relating to disclosure of information to domestic policyholders.

- II. The ARTPs shall include:
 - a) Where any rights of life assurance policyholders entitle them to participate in profits related to a particular fund or part of a fund, a recommendation on any allocation of profits related to those policyholder rights,
 - b) Where policy conditions confer discretionary powers in reviewing certain charges or product features, the HoAF's opinion on any such matters,
 - c) The HoAF's interpretation of "Policyholders' Reasonable Expectations" and how these have been considered in establishing the TPs.

Non-Life (Re)Insurance Sector

Reserving Committee

- III. (Re)Insurance undertakings designated as High Impact shall establish a Reserving Committee, with powers delegated to it by the Board, which shall meet no less frequently than quarterly.

- IV. This Committee shall include all relevant senior staff who input to the reserving process. The Committee shall include at least one Independent Non-Executive Director, the member of the executive committee responsible for claims, the HoAF, the Head of Underwriting and the Head of Finance.

- V. The Committee is responsible for, amongst other things:
- a) overseeing the governance of the setting of TPs and its compliance with the reserving policy,
 - b) where relevant, ensuring that any changes to the business processes or claims handling practices or target market profile that may impact on TPs are documented and discussed with the actuarial function,
 - c) where relevant, documenting its views on whether or not any such changes will impact on the quantum of TPs required, for example that there are actual savings arising from any such changes rather than just changes in the timing of claims paid.
- VI. The Committee shall have terms of reference in place evidencing all responsibilities delegated to it including those mentioned here.

Exemptions from the Requirements

Life (Re) Insurance Sector

Not applicable

Non-Life (Re)Insurance Sector

Undertakings that do not carry on any:

- Third party business, or
- Motor, liability and financial guarantee business

may apply to the Central Bank for an annual exemption from all except Section 2.1.I and 2.1 II of the Requirements (but not the requirements arising from Solvency II which may be referred to in this document).



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