

Our Ref: CIR/SK

28 May 2015

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Consultation Paper 92
Prudential Policy Division - Insurance
Central Bank of Ireland
PO Box 559
Dame Street
Dublin 2

CONSULTATION ON DOMESTIC ACTUARIAL REGIME AND RELATED GOVERNANCE REQUIREMENTS UNDER SOLVENCY II

Dear Sir/Madam

Thank you for your invitation to submit comments on the draft requirements for the Domestic Actuarial Regime and Related Governance under Solvency II ("Requirements").

In our response, we firstly set out comments that relate to specific Requirements followed by general comments.

Head of Actuarial Function (HoAF)

We note that Section 3.1 states the HoAF shall be "one individual within the undertaking". This could imply that the HoAF must be an employee of the undertaking. We would contend that certain undertakings may not have a suitably fit and proper individual for this role within the organisation. We would therefore recommend that outsourcing of the HoAF role is allowed, subject to Guideline 14 – Outsourcing of key functions of the EIOPA Guidelines on system of governance. We would also suggest that an individual may hold the HoAF role for multiple companies.

The current wording in relation to the ORSA opinion is open to wide interpretation which runs the risk of inconsistency in the opinions provided across the market. We would welcome further detail on what is within the scope of the opinion. For example, we seek clarification of:

- the depth and nature required of the review of the adequacy of the scenarios
- what specifically would be involved in the financial projection review

We note that the Central Bank intends to indicate the form of the actuarial opinion on the technical provisions. Please confirm whether there an intention that the Central Bank will prescribe the form of the ORSA opinion.

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As the consultation paper mentions “each ORSA process” we would welcome clarification on whether an opinion is required for Ad-hoc ORSAs.

Actuarial Opinion on Technical Provisions

We believe the extent to which the opinion includes the calculation of the SCR is not clear. While section 3.3 states the AR TPs shall include a statement regarding the reliance placed on the undertaking’s calculation of the SCR we would welcome clarification on the required level of review of the SCR by the HoAF for the purpose of providing the AO TP. If it is the intention that the HoAF can rely upon the undertaking’s SCR calculation then it may be clearer to state that the AO is on the Best Estimate Liabilities and the projection of the SCR for the purposes of calculating the Risk Margin.

We note that Section 3.2.IV indicates the form of the AO TPs will be prescribed by the Central Bank. However, we suggest that the adequacy of the calculation of TPs is assessed in relation to a reasonable range of best estimates.

Actuarial Report on Technical Provisions

Again we would welcome clarity in this section on the extent to which the SCR calculation needs to be included when considering appropriateness of methodologies, models, data issues etc.

We note from section 3.3 II e an additional requirement for the HoAF to provide an opinion in relation to the stability of the claims handling process over time. We suggest it would be more appropriate if this was rephrased to require a “description of the stability of the claims handling process over time”, to be consistent with the wording in the current Reserving Requirements for Non-Life Insurers and Non-Life and Life Reinsurers.

We anticipate that in many undertakings the HoAF will be involved in the calculation of the TPs. However section 3.3.II b states the AR TP may include where appropriate, recommendations on ways to improve methodologies, models and assumptions used by the undertaking. Furthermore section 3.3.II f refers to a commentary on the appropriateness of the segmentation, key assumptions, how large claims are dealt with and material uses of expert judgement. We suggest that it is open to interpretation from the wording of these sections whether the HoAF can be involved in the calculation of the TPs or whether he/she should perform an independent review of the process. As such, we would welcome clarification of this point.

Reserving Policy

We would welcome clarification on the definition of “related objectives” mentioned under 3.5 I a.

Peer Review

Section 3.6 addresses the peer review of both the Technical Provisions of the undertaking and the related AO TPs and AR TPs. It further states that the reviewing actuary shall provide an independent view of the TPs. Please confirm whether an independent calculation of the best estimate reserves and risk margin is required.

Our understanding of 3.6 V is that for Medium High and Medium Low Impact undertakings the HoAF may be an employee and the RA may be from the same group. This differs from the current reserving requirements for Non-Life Insurers and Non-Life and Life Reinsurers which require at least one of the roles of Signing Actuary and Reviewing Actuary to be external to the group. We would suggest the wording is revised for consistency with the current Reserving Requirements for Non-Life Insurers and Non –Life and Life Reinsurers.

We would welcome clarity on the start date of the requirement for High, Medium High and Medium Low Impact companies to have a Peer Review performed at least every 2, 3 and 5 years and whether there will be transitional arrangements between this and the existing peer review requirements under the current reserving requirements for Non-Life Insurers and Non-Life and Life Reinsurers. For example, by when will companies (medium high and lower) which have not had a peer review of their 2014 or 2015 reserves require a Solvency II peer review?

Other Relevant Changes to the Central Bank F&P Regime

Given the HoAF position will be introduced from 1st January 2016 with the necessary preapproval required before that date we suggest grandfathering in of existing Chief Actuaries and Signing Actuaries appointed to the HoAF role would be appropriate.

Other Comments

The Consultation paper includes no restriction on the number of years the same Reviewing Actuary or another actuary from the same firm may be commissioned. We suggest a restriction of three consecutive peer reviews may be appropriate, consistent with the 2014 Reserving Requirements for Non-Life Insurers and Non –Life and Life Reinsurers.

Peer Review of the ORSA opinion is not discussed in the consultation paper. Where the CRO and HoAF roles are held by the same individual or where the HoAF is involved in the ORSA process we would suggest that a peer review of the ORSA opinion may be appropriate.

CP 92 is not as prescriptive as the current reserving requirements for non-life insurers with regard to data, both in terms of the data to be provided to the HoAF and the reliance he/she can make on data quality assurances made by other individuals in the company. While we acknowledge that the EIOPA Guidelines on the valuation of technical provisions include a section on data quality we would welcome clarification on whether the current requirements including the designated PCF with responsibility for data will continue to apply after 1st January 2016.

On a broader point we seek confirmation of whether the current Reserving Requirements for Non-Life Insurers and Non –Life and Life Reinsurers will continue to apply in whole or part after 1st January 2016.

We note that the document refers to a number of actuarial opinions. We would welcome confirmation therefore that the HoAF role must be held by an actuary.

Yours faithfully



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