Consultation Paper 92,

Solvency II Data & Reporting Project Manager,

Prudential Policy Division - Insurance,

Central Bank of Ireland,

PO Box 559,

Dame St,

Dublin 2.

29 May 2015

Re: Consultation Paper 92

Dear Sir/Madam,

IPB Insurance ("IPB") welcomes the publication of the Consultation Paper on Domestic Actuarial Regime and Related Governance Requirements under Solvency II (CP92 or the Paper).

IPB supports the underlying objective of maintaining effective supervision of insurance undertakings and ensuring that reserving frameworks continue to reflect domestic experience. As such IPB supports the integration of the initiatives outlined in the Reserving Requirements, and the current certification of reserves as part of the Solvency II framework.

Following consideration of CP92 IPB would like to make the following comments;

Actuarial Opinion and the calculation of reserves

Section 3.1 subsection II and III outlines that the Head of Actuarial Function (Head of Actuarial) will provide an Actuarial Opinion (Opinion) on the Technical Provisions as well as complete the Actuarial Report on Technical Provisions (the Report).

It was not clear to IPB whether the Head of Actuarial that provides Actuarial Opinion could also be the person that calculates the provision or whether the Central Bank are requesting that the person providing the Opinion be independent.

Should there be a requirement for the person providing the Opinion to be separate from those calculating the technical provisions, this would provide three levels of actuarial sign-off. Notably that an actuarial sign-off would be required in addition to the person calculating the reserves and the reviewing actuary.

Suggestion

IPB suggest that the wording be clarified to allow for the individual calculating the technical provisions to also provide the Opinion. This would permit insurers the flexibility to have the Opinion provided by the individual that calculates the technical reserves or to have an independent opinion.

IPB also suggests that the requirement for the peer review remain.

Risk Margin

Section 3.2 sub-section II refers to opining on the technical provisions and, therefore, the Solvency II Risk Margin. In cases where the Solvency II Risk Margin is calculated in line with the Delegated Regulation, and where this calculation is not an appropriate reflection of the reserving risk profile, this could be difficult for the Head of Actuarial to sign the Opinion.

Suggestion

That the Central Bank provide guidance on how issues should be resolved if either the Risk Margin is not appropriate or if some parts of the AO TP are not able to be signed.

Peer Review

The commentary on the peer review (RA) outlines that the RA shall not be an employee, and notes that the RA can come from the same firm as the External Auditor (3.6 VI). The paper is silent on whether the RA can be from the same firm as the Internal Auditor, particularly where the Internal Audit function is outsourced. IPB has presumed that this can occur, however it may be of benefit to make this explicit.

The paper also outlines that the Peer Review Report should be provided to the Board within 1 month of the Board receiving the Report. IPB is concerned that a 1 month timeframe may materially limit the scope of the Peer Review.

Suggestions

To include explicit commentary as to whether the internal auditors, where outsourced, can also act as RA.

That a period of three months be allowed as the period for the finalisation of the AO TP and the Peer Review Report.

Comments on phrasing

risk margin

Section 3.3 sub-section II f: outlines that commentary should be provided on the appropriateness of the 'risk margin'. Where the Solvency II Risk Margin is referred to in other parts of the document, the 'Risk Margin' is capitalised. Clarification regarding whether this is the Solvency II Risk Margin or a more general risk margin/margin for uncertainty would assist in the consistent application of this term.

The Report to be provided to the Central Bank before to the Board

Section 3.3 sub-section III outlines that the Report should be 'provided to the board… within two months of the submission… to the Central Bank'. Clarification regarding the intention for the report to be submitted to the Central Bank before it has been through the Board and the insurer's full internal governance processes would assist in understanding this proposed requirement. Industry standard practice would normally require that company documents and reports are approved by the Board of the company before being submitted to the Central Bank.

<u>Harmonisation and Solvency II</u>

One of the objectives of Solvency II is to ensure maximum harmonisation across Europe. IPB is mindful of whether these additional requirements are consistent with Solvency II and whether they place insurers regulated in Ireland at a comparative disadvantage to insurers competing locally but regulated in other countries.

Suggestion

Section 1.2 note that there are certain elements of the proposed requirements which are not provided for within the Solvency II framework. Consequently, the proposed requirements should be subject to review in due course should other Member States not implement similar requirements.

In summary

IPB agrees with the principles of continuing the reserving practices currently implemented by the Reserving Requirements into the Solvency II framework. Overall IPB has no serious concerns regarding the proposals outlined in CP92. IPB is of the view that the reserving and actuarial functions could be enhanced by the suggestions outlined in this letter.

We would be happy to meet with you to elaborate on the points which we have made in this submission. In the event that you have any questions or require further information arising from our submission, please do not hesitate to contact me.

Yours sincerely,

Julia Carmichael

Chief Compliance Officer

IPB Insurance