

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

29 May 2015

Re : CBI Consultation Paper 92: Consultation on Domestic Actuarial Regime and Related Governance Requirements under Solvency II

Dear Sirs,

We welcome the opportunity to participate in the consultation process regarding the "*Consultation on Domestic Actuarial Regime and Related Governance Requirements under Solvency II*" as set out in the Central Bank of Ireland ("CBI") Consultation Paper ("CP92").

Overall, we concur with the broad intent of the paper. We have a number of high level observations which we consider may enhance the proposals made in CP92.

One of the requirements under Solvency II ("SII") is that (re) insurance undertakings establish an Actuarial Function as a Key Function. Under the CBI's Fitness & Probity regime, this Pre-approved Controlled Function ("PCF") is referred to as the Head of Actuarial Function ("HoAF").

It would appear that under CP92 that the HoAF is considered central to the (re) insurance undertaking and as a consequence, viewed as potentially having greater importance than either Chief Actuary or Signing Actuary. We consider in this regard that the CBI considers amending the proposals made to reflect that:

- the PCF approval by the CBI for a particular HoAF should be for a defined period of say three years, with the renewal approval process based on the level of independence demonstrated in the previous engagement period and also the accuracy of the actual versus expected developments experienced as referred to in Section 3.3 II j;
- since the Society of Actuaries Ireland ("SAI") will no longer be responsible for the accreditation of Signing Actuaries, the CBI should clearly specify the level of experience deemed appropriate for a person to be considered "Fit & Proper" to fulfil the HoAF role and additionally, to specifically address whether this PCF could be held by a non Actuary;
- the application of this proposal may at least initially result in there being an insufficient number of adequately experienced actuaries currently in situ in "High Impact" (re) insurance undertakings. We would suggest that the CBI consider a grace period of potentially two years effective 1 January 2016, to allow designated external consultants the opportunity to fulfil the HoAF role;

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- historically, there would have been an expectation that the HoAF (or equivalent) would have played a central role in preparing the ORSA, which is now a requirement as set out in Section 3.1 III. This could present potential difficulty insofar that the HoAF may not be viewed as sufficiently independent of the process; and
- the effectiveness of this PCF is significantly challenged in the scenario where the new HoAF appointee held a similar PCF role under the previous regime, such as Chief Actuary, Signing Actuary or CRO for a number of years. In such a situation, the new HoAF would have invariably been intimately involved in the original decision making process, upon which they now required to independently comment.

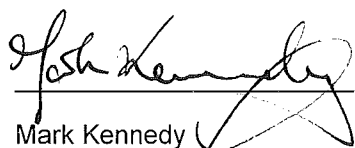
Accordingly, we consider that the initial period of implementation of this proposal may potentially diminish the overall effectiveness and objectivity of the HoAF's contributions, particularly in terms of the commentary required by Section 3.3. We therefore consider that the Reviewing Actuary ("RA") should also comment on the individual items referred to in Section 3.3 when completing the Peer Review Report described in Section 3.7 I.

We consider the role of Peer Review to be of significant importance in the overall proposal and have set out below our observations on how this aspect of the paper could be enhanced further:

- the RA should not be directly employed by the (re)insurance undertaking, but rather an individual / firm determined by the CBI based on a panel of RA's to be established and approved. This panel should comprise individuals with the relevant knowledge and experience to fulfil the role effectively;
- the RA will be limited to a maximum engagement duration of five successive review periods for any one particular (re) insurance undertaking; and
- in addition to the proposed requirement of the HoAF performing an analysis of TP, we consider that the RA should also opine on the ORSA as specified in Section 3.1 III.

As indicated, we support the principles as set out in CP92, and consider that the above observations may serve to enhance the final guidance. Should you wish to discuss any of the above mentioned points, we would be delighted to meet with you.

Yours faithfully



Mark Kennedy

Partner