

By email: solvencyii@centralbank.ie

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

28 May 2015

Re: Consultation Paper CP92 – Domestic Actuarial Regime and Related Governance Requirements under Solvency II

Dear Sirs,

Introduction

We welcome the publication of the *Consultation Paper on the Domestic Actuarial Regime and Related Governance Requirements under Solvency II* and the invitation to comment on its content. This submission is made on behalf of Zurich Insurance plc.

We are grateful for the opportunity to provide feedback on the proposals, and we have tried to highlight areas where in our opinion further clarification would be helpful.

Actuarial regime under Solvency II

We welcome the clarification of the Central Bank's proposed approach to actuarial requirements under Solvency II, and we note that the proposed requirements set out in CP92 are in addition to the overall requirements set out in the Solvency II texts.

Our understanding is that the existing requirements introduced in the Reserving Requirements for Non-Life Insurers and Non-Life and Life Reinsurers ("The Requirements") will therefore still apply to annual returns as at 31 December 2015, but will be superseded by the proposed new Solvency II requirements at subsequent year ends. However, we suggest that it would be helpful if this were explicitly stated in the final document.

Section 3.1: Head of Actuarial Function (HoAF).

We note that CP92 envisages a new PCF role of HoAF, replacing the current Chief Actuary and Signing Actuary roles. In cases such as ours, where one individual currently holds both PCF roles, we think it would make sense for there to be transition arrangements for the current PCF to become the HoAF. There is currently no reference to any "grandfathering" in CP92 and we would welcome clarification of any such arrangements.

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We note that CP92 includes a new requirement that:-

"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"

The scope of this opinion is somewhat unclear, particularly with regard to "financial projections", and clarification of what is expected here would be helpful. Potentially this item raises questions of the allocation of responsibilities between the Risk Function and the Actuarial Function. We would expect actuaries to have input to the ORSA in respect of actuarial risk types, but not to be responsible for wider aspects outside their area of expertise.

Section 3.3: Actuarial Report on Technical Provisions.

We note that under Solvency II the TPs include the Risk Margin, and that there is a new requirement for the AR TPs to include:-

"A statement regarding the reliance placed on the undertaking's calculation of the Solvency Capital Requirement for the purposes of the AO TPs"

We would appreciate clarification of the intended interpretation of this requirement. In order to avoid overlap with the Risk Function, we would expect that this means that the HoAF should carry out such review of the SCR for relevant risk types as they consider appropriate but should nonetheless be able to rely on the work done by other functions.

Concluding Remarks

We would of course 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,

Dr. Brian Hunt
Head of Government & Industry Affairs, Zurich