



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

Insurance Newsletter

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Russian Invasion of Ukraine – Observations from the recent self-assessment questionnaire

Sadly, the tragic events in Ukraine and the humanitarian consequences show no sign of abating, and the economic and financial market effects are reverberating around the world. In our [March 2022 Insurance Newsletter](#) we highlighted some of the issues that (re)insurers would need to consider as they navigate their way through the heightened uncertainty and volatility that the crisis has triggered. This includes the practicalities of complying with relevant sanctions and protecting themselves against non-financial risks, notably cyber-related, as well as any potential criminal liability for a breach of an EU sanctions measure.

Self-assessment questionnaire

As part of our monitoring of the financial and other implications for firms, a comprehensive self-assessment questionnaire¹ was issued to most (re)insurance undertakings prudentially supervised by the Bank.

“The responses to the questionnaire confirmed that the immediate impact of the crisis – and the consequential effects – varies across undertakings.”

The questionnaire posed questions relating to insurers’ asset exposure to Ukraine, Russia and Belarus, and non-life insurance covers offered that could see a material increase in the level of claims because of the crisis. Other topics included firms’ approach to the implementation of sanctions rules, operational impacts, including assessment of the cyber risks they face, and their views on the key potential economic and financial market consequences of the crisis that are most relevant to their business.

1. Ukraine Crisis: (Re)insurance Firms Self-Assessment Questionnaire issued April 2022.

Responses

We were pleased to see the questionnaires completed in a thorough and timely way, and we would like to thank firms for their efforts.

The responses to the questionnaire confirmed that the immediate impact of the crisis – and the consequential effects – varies across undertakings depending on their product and geographical footprint, and complexity of their business model.

Investment exposure

The submissions evidenced that there is little investment exposure to Ukraine, Russia and Belarus (either directly or indirectly via investment funds), and that the vast majority of that exposure is through unit-linked business.



Insurance exposure

A small number of non-life (re)insurers indicated that they would potentially see increases in claims on specific lines of business because of the crisis. Firms noted that whether some claims would prove to be valid was uncertain and depended on the precise nature of the claim and the relevant policy terms and conditions. A clear picture would take time to emerge.

A broad range of different insurance covers were noted, with aviation being the most commonly cited (although Irish (re)insurers do not feature prominently in this market which in Europe is largely dominated by London Market firms), followed by credit insurance and suretyship, marine, and war/terrorism/political violence.

Insurance Insights

Economic and financial market impacts

The responses to the question on the key economic and financial market consequences of the crisis focused on the second round effects, with the following regularly cited: inflation, interest rate increases, economic slowdown and stagflation risks in key economies, and market volatility.

Given the heterogeneous nature of the sector, the impact of all these factors varies depending on a firm's business model and asset-liability profile. Firms noted that relevant scenarios had already been considered in their regular own risk and solvency assessment process (ORSA), although many said they would be re-looking at the range of scenarios considered in light of the crisis as part of their 2022 exercise.

BUSINESS

Insurers sitting on €600m exposure to war in Ukraine

Central Bank flags risk of claims in sectors such as aviation and cybersecurity



Sanctions and operational resilience

No firm reported any significant issues in meeting the sanctions requirements.

The ability of firms to deliver critical services appears not to have been affected by the conflict, although cyber risk was identified as the main threat that may arise. However, firms reported that they were satisfied that their current business continuity plans include responses for any disruption caused by the conflict.

Conclusion

Of course, this was a self-assessment questionnaire, but the picture painted is one of firms being alert to the immediate implications of the crisis and to how the evolving second round economic and financial market impacts may affect their financial position. The individual submissions provide very helpful information that supervisors will incorporate, as appropriate, into their ongoing supervisory work.



Peter Towers,
Manager, Internal Models & Financial Resilience
Insurance Supervision Directorate

Publication of Second Annual Report of the NCID (EL & PL Insurance)

On 22 June 2022 the Bank published the [second annual Employers' Liability, Public Liability and Commercial Property Insurance Report of the National Claims Information Database \(NCID\)](#).

- The Report provides key statistics on Employers' Liability, Public Liability, and Commercial Property Insurance in Ireland; including data on claims costs and settlement channels.
- On average, employers' liability and public liability claims settled through litigation cost more and take longer to settle than claims settled directly or via the PIAB.
- Insurers' income and expenditure on Employers' Liability, Public Liability, and Commercial Property insurance shows an operating loss of 11% of total income in 2020.

Further information on the publication is available [here](#) on our website.

Insurance Updates

Recent Stakeholder Engagement

The Central Bank of Ireland undertakes regular speaking engagements under the "Open & Engaged" theme of our organisational strategy. Such engagements provide an opportunity to meet with our stakeholders, to outline forthcoming regulatory developments and supervisory plans, to highlight emerging risks, and to summarise the key findings and required actions arising from recent review work. Highlights of selected engagements from the first half of 2022 are provided below:

[Insurance Ireland - CRO Forum – 5 April 2022](#)

Tim O'Hanrahan, Head of Insurance Supervision, addressed Insurance Ireland's CRO Forum in April.

[Grant Thornton – Insurance Event – 1 June 2022](#)

Cathal Lafferty, Head of Function Insurance Advisory, alongside Brian Balmforth, addressed a Grant Thornton insurance briefing in June.

At both events, an update was provided on key trends within the sector, areas of supervisory focus, recent and forthcoming changes to regulation.

Key Points

- The Bank's supervisory and regulatory agenda will focus on the implementation of the Individual Accountability Framework, and on Product Oversight & Governance, highlighting a growing focus on 'value for money' in unit linked life products, and on the enhancements that firms are making to outsourcing frameworks and operational resilience, in light of recent cross industry guidance in these areas.
- Attendees were asked to consider the impacts on their respective firms of recent developments including the outbreak of conflict in Ukraine, rises in inflation and cyber risks, including possible 'silent' cyber exposures.

- The Bank's direction and ambition over the coming years is to meet the supervisory challenges associated with longer term shifts in our economy and society, in a manner that is responsive and forward-looking – an important pillar of our Strategy for 2022-2025.

It is also important that firms devote sufficient time and attention to consideration of these changes, in particular the digitalisation of financial services, and efforts to address climate change.

[Insurance Ireland - PwC CFO Forum – 26 April 2022](#)

Lorcan Byrne, Head of Function with the Supervisory Risk Division, provided further details on the recently published [Cross Industry Guidance on Outsourcing](#) at an event organised by PwC & Insurance Ireland. This address provided some context to this work, how it aligns with the Bank's wider focus on operational resilience, as well as key implementation considerations.

Key Points

- The outsourcing guidance seeks to provide clarity to firms and boards around our expectations when it comes to the governance and management of outsourcing risk, whilst taking into proportionality into account – aspects of the Guidance will not be applicable for smaller, less complex firms with limited dependencies on outsourced service providers.
- Firms were reminded that introduction of the Guidelines includes reporting details of critical or important outsourcing arrangements from the second half of 2022, applicable to all firms with a PRISM impact rating of Medium Low or above.
- Looking further forward, the proposed introduction of the Digital Operational Resilience Act (DORA) at EU Level, which is likely to be introduced in 2024-25, will increase oversight of large, critical third party IT service providers.

Insurance Updates



[NAIC International Forum – 12 May 2022](#)

Domhnall Cullinan, Director of Insurance, was a panellist at the National Association of Insurance Commissioners (NAIC) International Forum. The panel discussion was entitled “Big Data and Cyber Security – Ensuring technology and innovation remain an asset, not a liability”.

[Insurance Ireland Annual Industry Lunch – 16 June 2022](#)

The Governor of the Central Bank of Ireland, Gabriel Makhlouf, delivered the keynote speech at the Annual Insurance Ireland Industry Lunch. He acknowledged the important role played by Insurance Ireland in advocating for its members, and in promoting the Irish insurance sector, and he set out a number of current and future challenges for the Irish insurance industry. The full speech is available [here](#) on our website.

Brian Balmforth,
Manager, Insurance Advisory
Insurance Supervision
Directorate



Returns Transformation

In recent months, the Bank has written to insurance undertakings to inform them of additional services that will be made available on the [Central Bank of Ireland Portal](#). The Portal provides a more secure and comprehensive mechanism for institutions and

individuals to engage with the Bank on a range of regulatory and statistical services. Throughout 2022 and 2023, additional services will be made available on the Portal.

The first enhancements will be introduced the week of 27 June 2022. This will include the introduction of Single Sign-On that will give users the ability to use Online Reporting (ONR) services through the Portal. Users will be provided with the option to link their Portal and ONR accounts, and guidance will be provided about this step on our website. We recommend that users complete this step at their earliest convenience.

Other services, including permission management services for administrators will also be introduced to the Portal at this time. Further services are expected to be added later in 2022 and 2023. Users will continue to be able to log in to ONR via their ONR log in credentials for the foreseeable future, and until at least late 2022. Any further changes to ONR will be communicated in advance of such changes. Firms are encouraged to review the guidance material available on the [Portal pages](#) of our website and to submit any queries they have to portalsupport@centralbank.ie.

Central Bank of Ireland Portal – Request Change Permissions

Each insurance undertaking has a Portal Administrator whose role is to manage their user access. Portal Administrators must enable any new Request Change types for their undertaking’s Portal users in order for those users to submit the a Request Change item (e.g. the recent Derogation from Submission of Recovery Plan). Users whom are unable to submit a particular Request Change should contact their Portal Administrator in the first instance. Further information on the Central Bank of Ireland Portal is available [here](#) on our website.

EU & International Updates

Revised EIOPA Guidelines on Technical Provisions & Contract Boundaries

On 21 April 2022, EIOPA published final reports on the revisions to the Guidelines on the valuation of Technical Provisions (TPs) and Contract Boundaries (CBs) following on from EIOPA's 2020 review of Solvency II. The revisions to the Guidelines, available [here](#) on the EIOPA website, will help to ensure a convergent application of the existing regulation.

The revised Guidelines on CBs provide more guidance on how to assess discernibility of financial guarantees and coverage of an uncertain event. There is also a new guideline (Guideline 0) which sets out the appropriate interaction between contract boundaries and cash flow projections.

The revised Guidelines on TPs cover a range of areas where a divergence of approach had been identified by EIOPA. A new Guideline 0 is incorporated which emphasises that proportionality should be taken into account when considering the Guidelines on TPs. Guidance on expert judgements which was part of the Guidelines on Internal Models, have now also been brought explicitly into the Guidelines on TPs.

Other topics covered by the revised Guidelines on TPs are the use of future management actions, the modelling of expenses, the valuation of options and guarantees by economic scenarios generators, and the modelling of policyholder behaviour. It also clarifies the calculation of expected profits in future premiums.

We would like to remind the industry that the purpose of EIOPA Guidelines is to provide more clarity as to how the existing legislation and regulation should be interpreted. This means that lack of coverage within the Guidelines does not indicate that a part of the existing legislation is no longer in effect.

Revisions to the Guidelines should be taken into account by firms as soon as possible and no later than 1 January 2023.

If there are aspects of the existing legislation on TPs and CBs that need clarification but are not covered by the revised Guidelines, please get in touch with your usual supervisory contact, send an email to insurancepolicy@centralbank.ie, or submit a question to EIOPA.

- [Revised EIOPA Guidelines on TPs and CBs](#)
- [EIOPA Q&A](#)

Joseph Collins,
Senior Policy Specialist,
Financial Risks, Governance &
Policy Division



Publication of EIOPA Annual Report 2021

On 14 June 2022, EIOPA published its [Annual Report 2021](#). The report sets out the activities and achievements of EIOPA over the past year.

Further information is available [here](#) on the EIOPA website.

Publication of 2021 IAIS Year in Review

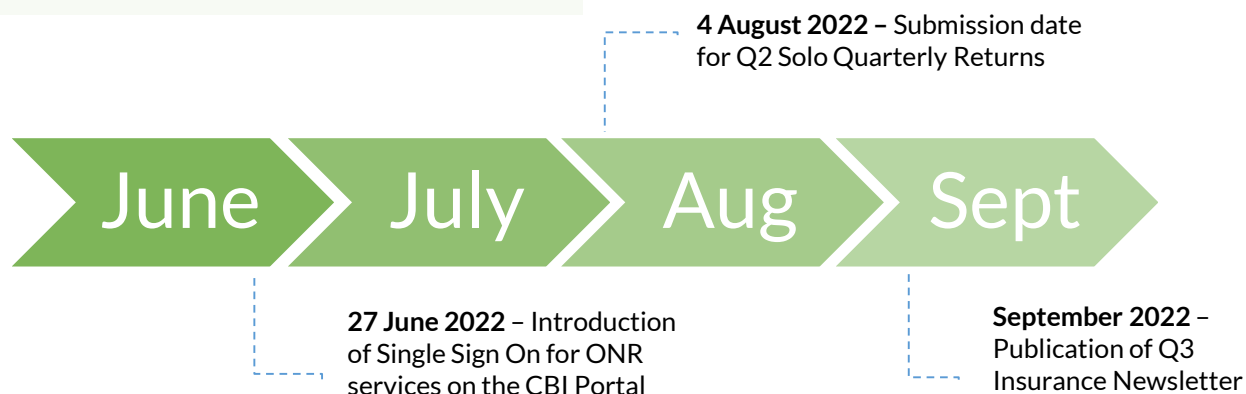
The [2021 IAIS Year in Review](#) provides an overview of the progress and key achievements of the IAIS over the last year.

The publication has a special focus on IAIS efforts on climate, with a two-page overview of the IAIS' climate work and reporting on achievements against the IAIS' own Environmental Policy. The publication also looks ahead at what's next for the IAIS, outlining the key projects in the 2022-2023 Roadmap, and how they align with the IAIS' high-level goals.

Further information is available [here](#) on the IAIS website.

Forward Planner

Upcoming Dates



Upcoming Stakeholder Engagement

Event	Location & Date	Speaker
Association of Bermuda Insurers and Reinsurers – 15th Annual Dialogue	Brussels, 8-9 September	Domhnall Cullinan, Director of Insurance
Erin Research Event	Dublin, 15 September	Domhnall Cullinan, Director of Insurance
Financial Services Ireland Conference	Dublin, 6 October	Domhnall Cullinan, Director of Insurance

Upcoming Surveys/Information Requests

Topic	Details/Purpose	Expected to Issue
Outsourcing Register Submission	To enable identification of critical and important service providers.	Early Q3 2022
Operational Resilience Maturity Assessment	To assess the levels of operational resilience maturity throughout all sectors in the financial services industry.	Early Q3 2022
Digitalisation Survey	To collect information on the extent to which Irish insurers are adopting innovative technologies, managing associated risks.	Consultation – Early Q3 2022 Survey Issues – Early Q4 2022

Contact Us

Queries on insurance supervision matters should be sent to: insurance@centralbank.ie

Queries on insurance policy matters should be sent to: insurancepolicy@centralbank.ie

Queries on regulatory reporting should be sent to: InsuranceRegulatoryReportingQueries@centralbank.ie