



Banc Ceannais na hÉireann  
Central Bank of Ireland

Eurosystem

# Insurance Newsletter

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Review of Motor Insurance Pricing & Claims Practices,  
Feedback on Implementation of New Solvency II Taxonomy.

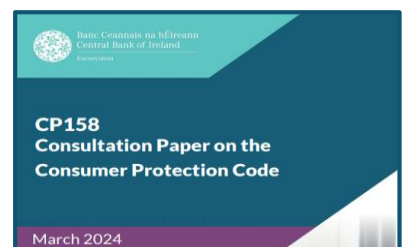
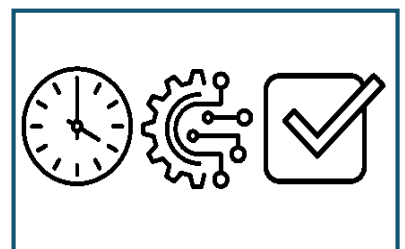
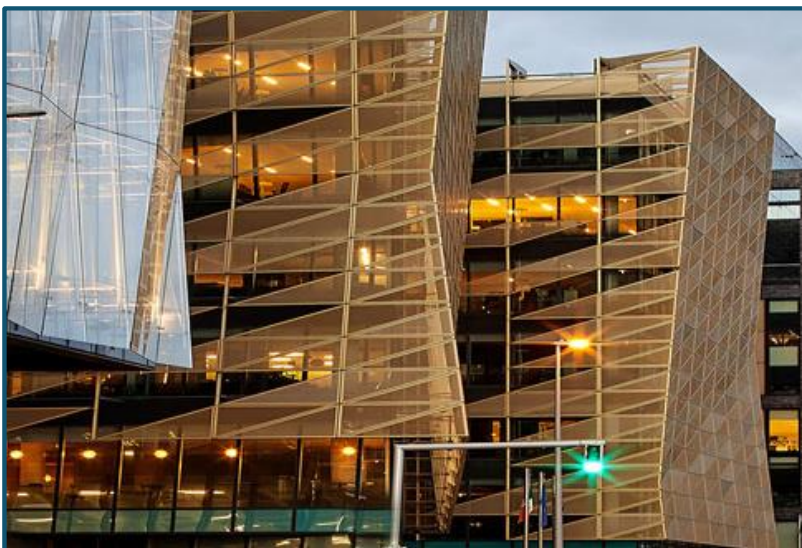
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MARCH 2024



## Motor Insurance – Review of Pricing and Claims Practices

The Central Bank recently completed a review that examined a number of pricing and claims practices adopted by domestic motor insurance providers, as follows:

- i. the impact that the method of payment, as chosen by a policyholder, can have on the premium calculation, and whether or not it is sufficiently clear to consumers;
- ii. the impact that a notified incident/accident, which ultimately does not materialise in a claim, can have on a policyholder's renewal premium and No Claims Discount (NCD); and
- iii. in the current inflationary market, how insurers deal with the valuation of commercial vehicles at renewal, as well as the value used to form the basis of indemnity in the event of a total loss.



### 1. Payment Method

While details on charges and conditions associated with payment options are included by insurers in various formats such as the policy documentation, Terms of Business, policy booklets and the online quotation journey, the information provided is not always clear, or upfront. This is particularly so in cases where the payment method is used by the insurer as a risk rating factor. In such circumstances, and where a policyholder opts to pay by instalments, this can have the effect of increasing the premium charged. Therefore:

- When presenting cost comparisons for full payment versus paying by instalments, insurers must ensure that they do so in a way that seeks to effectively inform the consumer, for example, a clearly presented direct side-by-side comparison. Consumers should be easily able to identify the difference between the total cost of the respective payment options.
- Where insurers use payment method as a risk-rating factor, this key information should be clearly disclosed to consumers during the quotation/renewal journey, as it will have a direct impact on the premium price. This information should be provided to consumers in a manner that allows them to make a more informed decision on the payment method they select.
- Insurers must ensure that, where payment method is used as a risk-rating factor, this rating factor, and the weighting of it when calculating the premium to be paid by policyholders, can be isolated and evidenced by the insurer's pricing models.

Where necessary, insurers should take action(s) to bring existing processes in line with the above requirements, to ensure full transparency in relation to the impact of the payment method chosen.



### 2. NCD reinstatement and premium refunds

Typically, a notified incident/accident can lead to an increased renewal premium due to the impact on the policyholder's No Claims Discount (NCD). Where no subsequent claim is made, or a claim is closed at nil/assessor fees only, insurers will provide appropriate premium refunds to policyholders and reinstate the NCD.

However, our review identified instances where such processes did not operate as intended and, in certain instances over a number of years, policyholders did not receive refunds and/or NCDs were not reinstated to the correct levels. Therefore:

- Insurers must ensure the operating effectiveness of such processes and controls i.e. that they have correctly issued refunds to policyholders and reinstated NCDs, where applicable.



While a significant portion of motor policies have full/partial NCD protection, which can insulate a policyholder from the impact of a claim, there may be circumstances in which it is beneficial, or preferable, for a policyholder to repay the claim amount in order to have their NCD reinstated. Our review identified that while insurers will reinstate the NCD if the policyholder reimburses the insurer the cost of the claim that was paid out, most insurers did not have formalised processes in place for this. Therefore:

- Insurers should review and update their existing processes, including staff training, to ensure there is an agreed and documented process in place. Insurers should also ensure they communicate effectively with policyholders in this regard and update their policyholder communications where necessary.

### 3. Settlement and valuation basis

Insurers adopt one of two approaches regarding the basis of indemnity where a total loss materialises i.e. (i) market value at the time of the loss, or (ii) the lower of market value at the time of the loss or the value stated in the policy schedule.



Where insurers base indemnity on the lower of market value or the value stated in the policy schedule, and where a total loss materialises, policyholders may find themselves under-insured, through no fault of their own because of the impact of inflation on the used car market.

- As set out in the Central Bank's 2022 [Review of under-insurance in the home insurance market](#), there is an expectation that insurers adopt a consumer-focussed approach at the point of claim, to ensure that settlement offers made to claimants are fair and reasonable. Insurers should adopt a similar approach in respect of motor insurance claims.

Clive Duignan  
**Supervisor – Non Life Insurance**  
Consumer Protection Division

# Insurance Insights

## Feedback RE: Implementation of SII Taxonomy 2.8.0, Q4 2023 Reporting.

*Below we provide an overview of the Central Bank's quarterly quantitative reporting experience and general feedback, which firms can incorporate into their reporting processes for future regulatory submissions.*

Following the finalisation and publication of [Commission Implementing Regulation \(EU\) 2023/894](#) (covering reporting) and [Commission Implementing Regulation \(EU\) 2023/895](#) (covering disclosure) on 4 April 2023, the implementation of Solvency II Taxonomy 2.8.0 commenced on 31 December 2023. In anticipation of these changes and to support (re)insurance firms meeting their reporting requirements, a number of preparatory measures were undertaken by the Central Bank during 2023:

- Revision of the national specific templates ([NSTs](#));
- [Industry Workshop](#) and Feedback event in October 2023;
- [Data Quality checks](#) published on the Central Bank website.

In February 2024, the Central Bank received Q4 reporting under the new taxonomy for the first time, and we subsequently conducted a data quality review of submissions. Firms have been provided with specific feedback on the data quality of their individual submissions and have been informed if there is a requirement to make a resubmission.



Elements of the regulatory reporting requirements are inherently complex and the introduction of new reporting requirements gives rise to revisions in reporting and validation processes industry wide. The Central Bank expects that all regulatory reporting is submitted in line with the relevant instructions and guidelines. This reporting period, 93% of (re)insurance firms received individualised feedback on their Q4 regulatory submissions and 39% of firms subsequently revised their submission. This compares with 20% of firms resubmitting each quarter in 2023, highlighting the challenges associated with embedding changes to the reporting framework.

*“the increase in the number and complexity of file validations has led to an increase in processing times. As high volumes of returns are usually received close to the return deadline, any early submissions are likely to benefit from faster processing times.”*



From an operational point of view, the increase in the number and complexity of file validations has led to an increase in processing times. As high volumes of returns are usually received close to the return deadline, any early submissions are likely to benefit from faster processing times.

The Central Bank, together with the broader regulatory community, are continually working to identify areas for improvements in our reporting processes.

For the most recent reporting period, the most common queries related to the new data requests introduced in Taxonomy 2.8.0. Generally, these queries arose due to a misinterpretation of the



# Insurance Insights

reporting requirements - for example, where a field was required to be filled but left blank, or vice versa. Many of the more common ambiguities have already been clarified in the [EIOPA Q&A repository](#). The EIOPA Q&A is maintained to aid supervisory convergence and is a useful resource to clarify any uncertainties with the issued guidance, in the first instance. The Central Bank will endeavour to reference the EIOPA Q&A, where relevant, when issuing a query to firms. Firms are invited to seek clarifications directly from EIOPA through the [‘Submit a Question’](#) facility.



Similarly, common qualitative issues relate to the consistency of Basic Information (S.01) and Contents of Submissions (SE.01) templates. With regard to the latter templates, particular data quality issues arise due to lack of consistency across reporting periods or where there is a misalignment with the filling indicators. For example, unexpected changes to ‘Accounting Standards’ or ‘Type of Undertaking’ and in the same way, where the reason for reporting (or non-reporting) the submissions contents changes inexplicably.

## Conclusion

The Central Bank expects that the volume of data queries issued to (re)insurance firms will decline as Taxonomy 2.8.0 becomes embedded in reporting processes. Notwithstanding the issues identified above, where known data quality issues arise during the reporting process or in advance of submission deadline, it may be useful to proactively identify these with the firm's supervisory team. Where specific reporting issues cannot be resolved from the EIOPA Q&A, firms are welcome to raise them directly with the Central Bank, contacting the regulatory reporting mailbox.

We encourage firms to reflect on these general observations and the specific points identified in their individual feedback communication. We hope these observations are useful in developing reporting and validation processes, particularly with a view to 2023 annual reporting. Queries on regulatory reporting should be sent to:

[InsuranceRegulatoryReportingQueries@centralbank.ie](mailto:InsuranceRegulatoryReportingQueries@centralbank.ie)

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# Insurance Updates

## Stakeholder Engagement

*The Central Bank of Ireland undertakes regular meetings and speaking engagements, providing an opportunity to engage 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.*

The Insurance Supervision Directorate regularly participates in speaking engagements and stakeholder events. INS staff invited to participate in events will a) only accept invitations where the event is held in a location that is disability accessible; b) only participate in a panel discussion where there is

gender representation on the panel; and c) seek to ensure that all (re)insurance firms authorised by the Central Bank are invited to attend.

This approach is consistent with the goals of the Central Bank's [Diversity & Inclusion Strategy 2022-2026](#). Please note, disability access and/or gender representation does not guarantee acceptance of speaking invitations by INS staff – there may be other reasons why it would not be appropriate to accept such invitations.

Below we present a selection of planned engagement activity across the insurance industry in Q2 2024 by the Central Bank. Our hope is that sharing this information sharing will assist regulated firms, and the wider industry, with their planning.

### Insurance Sector Speaking Engagements & Events – Q2 2024

| Date          | Event/Topic/Key Focus   | Speaker                                       |
|---------------|---|---|
| 11 April 2024 | “Use of Big Data” - Insurance Ireland/Milliman, Chief Risk Officer Roundtable.    | Andrew Candland, Head of Division, FRGP       |
| 23 April 2024 | “Consumer Protection Priorities” – Compliance Institute                           | Colm Kincaid, Director of Consumer Protection |
| 24 April 2024 | “New EU AML/CFT Package & AML Transformation” – Insurance Ireland, AML Sub-Group. | TBD   |
| 15 May 2024   | “Consumer Protection Priorities” – Insurance Ireland, CEO Roundtable.             | Colm Kincaid, Director of Consumer Protection |

### Insurance Sector Forthcoming Thematic & Information Requests – Q2 2024

| Date       | Name/Objective  |
|------------|---|
| April 2024 | Pricing Review - Review of the governance, methodology, modelling and monitoring of pricing for a number of Domestic Non-Life and Specialty firms |
| June 2024  | National Claims Information Database – Analysis of the cost of claims, cost of premiums, settlements, etc.  |
| Q2 2024    | Health Insurance: Review of consumer treatment when purchasing/renewing from health insurance providers.  |
| Q2 2024    | Flood Underwriting Data Request – to support our ongoing analysis of the number and location of properties unable to obtain flood risk coverage.  |

# Insurance Updates

## Insurance Sector Bilateral Engagements & Publications – Q2 2024

| Date  | Engagement Name/Type  |
|-------|---|
| April | Publication of Findings from Thematic Review on Professionalism in Retail Intermediary Sector |
| May   | Bilateral Meeting between Consumer Protection Division and Brokers Ireland                    |
| May   | Publication of EIOPA Greenwashing Report  |
| June  | 7 June – Closing Date for Consultation on Consumer Protection Code Review                     |
| Q2    | EIOPA Consultation on (Re)Assessment of the Nat Cat Standard Formula                          |

## EIOPA Strategic Supervisory Priorities 2024-2026

Part of EIOPA’s role, in cooperation with the various national competent authorities, is to identify supervisory priorities of Union-wide relevance which shall reflect future developments and trends. These priorities are set every three years and are revised where needed. Across 2024 – 2026, EIOPA has identified two strategic objectives to be monitored in cooperation with the national competent authorities; namely, the Financial Robustness of Insurance Undertakings, and Consumer Protection in a Disruptive Environment. Considering both objectives, EIOPA then identifies three specific areas to be considered as supervisory priorities in each year of the 3-year cycle.

For 2024, EIOPA will focus on:

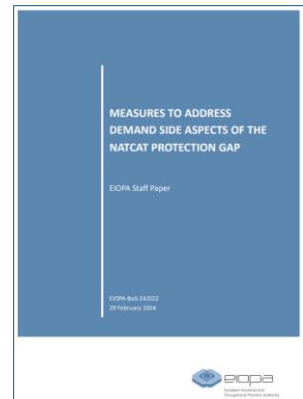
1. Continuous monitoring of the impact of the macroeconomic environment.
2. Risk Transfers, including the capacity and appropriateness of risk transfers.
3. Value for money, including in relation to inflation and current macro-economic trends.

Further information can be found [here](#) on the EIOPA website.

## EIOPA Staff Paper – Barriers to purchasing Nat Cat Insurance

On 29 February 2024, EIOPA published a Staff Paper on demand-side factors contributing to the low uptake of natural catastrophe insurance across Europe. The Paper explores the barriers that keep consumers from buying insurance against natural catastrophes. The Paper also proposes a number of consumer-tested solutions to overcome these challenges and in so doing, bolster European households’ and businesses’ resilience to extreme weather events.

The Staff Paper benefited from the feedback received during an EIOPA Public Consultation in the second half of 2023. The revised paper can be found [here](#) on the EIOPA website.



## EIOPA Consumer Trends Report

On 23 January 2024, EIOPA published its [Consumer Trends Report 2023](#). The latest report examines the financial well-being of consumers amid the ongoing cost-of-living crisis. The report highlights that a significant portion of EU consumers have seen their insurance premiums and/or deductibles increase since last year, prompting some to suspend, surrender or cancel their insurance and pension products. The report also highlights that EU consumers now have lower confidence in achieving a financially comfortable retirement compared to last year, and that sales of insurance products via digital channels has surged in recent years.

# Central Bank Updates

## CP158 – Consumer Protection Code

On 7 March 2024, the Central Bank launched a Consultation Paper on the revision of the Consumer Protection Code. This consultation forms part of a broader process to modernise, clarify and integrate the Code, as well as to enhance its accessibility.

**Consumer Protection Code Review**

Central Bank of Ireland is conducting a comprehensive review of the Consumer Protection Code.

The Review brings forward proposals for a modernised Code centred on firms' obligations to secure their customers' interests.

These proposals are combined with an important package of updated protections that reflect how consumers access financial services today.

**Securing Customers' Interests:**

- Digitalisation**  
Firms deploy a consumer focus in the design & implementation of digital services & delivery channels.
- Informing effectively**  
Firms inform customers in a way that supports them to make informed choices.
- Mortgages & switching**  
Firms support customers who want to switch their mortgage.
- Climate**  
Firms consider consumers' sustainability preferences and avoid 'greenwashing'.
- Unregulated activities**  
Clarity for customers on regulatory status and protections they have.
- Frauds & scams**  
Firms protect consumers from evolving frauds and scams.
- Vulnerable consumers**  
Firms support consumers in vulnerable circumstances.

Firms must incorporate customers' interests into their decision making, to deliver positive consumer outcomes.

### Respond to the Consultation

Full details on the proposal can be found in the [consultation paper](#). To make your submission to the consultation, please visit [this page](#) on our website. The closing date for responses is 7 June 2024.

## Demographic Analysis Report

The Central Bank considers a lack of diversity and inclusion at senior management and board level in organisations to be a leading indicator of elevated behaviour and culture risks. Each year we report on demographics of the applications received from firms for Central Bank approval for certain senior roles in financial firms in Ireland. This is part of our commitment to monitor and report on the level of diversity in the sector. The latest report (along with those from prior years) can be viewed [here](#) on our website.

**Gender Balance** in senior financial sector roles

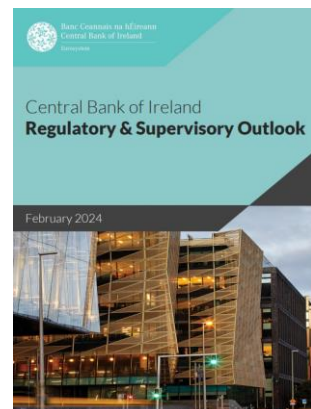
In 2023 the percentage of women being put forward by firms for senior roles was 68%, compared to 32% in 2012.

## Regulatory Risk Report

On 29 February 2024, the Central Bank published its Regulatory and Supervisory Outlook 2024 – the first of what will be an annual report setting out the Central Bank's view on the key trends and risks facing the financial sector, along with the regulatory and supervisory priorities it has set in the context of those risks.

The report sets out six overarching supervisory priorities, including our focus on achieving proactive risk management and a consumer-centric approach by the leadership of firms.

The Report can be found [here](#) on the Central Bank website.





# Forward Planner

## Upcoming Dates

**7 April 2024** – Submission deadline for Solo Annual Solvency II Returns

**7 June 2024** – Closing date for responses to CP158



**20 June 2024** – Publication of next Insurance Newsletter

## Central Bank of Ireland – Recent Speeches/Publications

| Date            | Topic   | Link  |
|-----------------|---|---|
| 15 March 2024   | Governor's Blog – The Economic Outlook for the Irish and Euro Area Economies  | <a href="https://www.centralbank.ie/news/article/blog-the-economic-outlook-for-the-irish-and-euro-area-economies">https://www.centralbank.ie/news/article/blog-the-economic-outlook-for-the-irish-and-euro-area-economies</a>   |
| 7 March 2024    | Deputy Governor, Derville Rowland, Opening Remarks for Launch of Consultation Paper on Review of the Consumer Protection Code | <a href="https://www.centralbank.ie/news/article/speech-deputy-governor-derville-rowland-opening-remarks-for-launch-of-consultation-paper-on-review-of-the-consumer-protection-code-07-mar-2024">https://www.centralbank.ie/news/article/speech-deputy-governor-derville-rowland-opening-remarks-for-launch-of-consultation-paper-on-review-of-the-consumer-protection-code-07-mar-2024</a> |
| 7 February 2024 | "Innovation and Trust – Regulating in the interests of us all" Remarks by Deputy Governor, Sharon Donnery, at the Milano Hub  | <a href="https://www.centralbank.ie/news/article/innovation-and-trust---regulating-in-the-interests-of-us-all-remarks-by-deputy-governor-sharon-donnery-at-the-milano-hub">https://www.centralbank.ie/news/article/innovation-and-trust---regulating-in-the-interests-of-us-all-remarks-by-deputy-governor-sharon-donnery-at-the-milano-hub</a>   |

## Contact Us

Queries on insurance supervision matters should be sent to: [insurance@centralbank.ie](mailto:insurance@centralbank.ie)

Queries on insurance policy matters should be sent to: [insurancepolicy@centralbank.ie](mailto:insurancepolicy@centralbank.ie)

Queries on regulatory reporting should be sent to: [InsuranceRegulatoryReportingQueries@centralbank.ie](mailto:InsuranceRegulatoryReportingQueries@centralbank.ie)