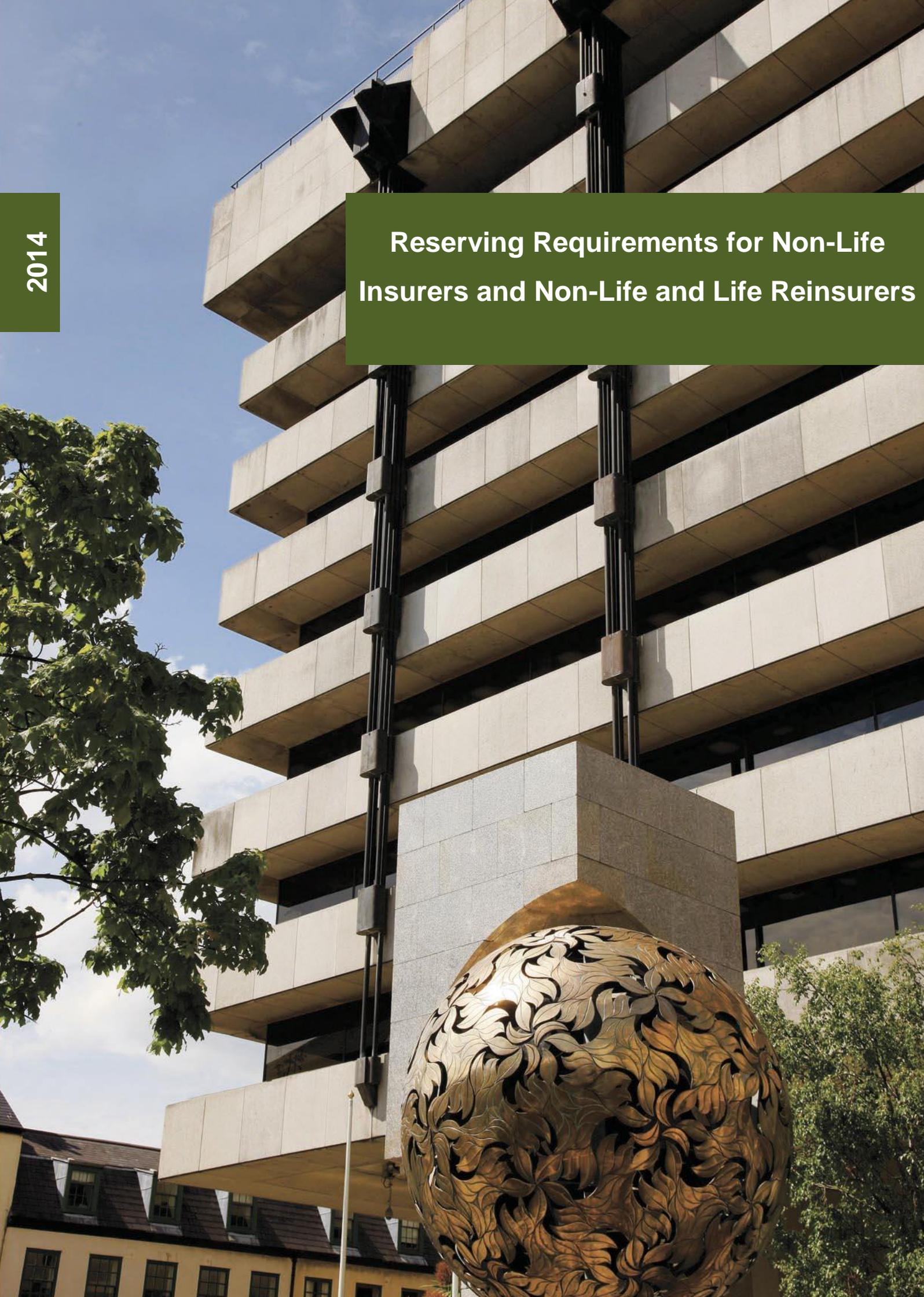


2014

# Reserving Requirements for Non-Life Insurers and Non-Life and Life Reinsurers



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## Introduction

1. The purpose of these requirements (“Requirements”) is to improve the existing regime for reserve adequacy in non-life insurance companies and non-life and life reinsurance companies. Since 2001, this regime has centred on the role of the Signing Actuary. This role involves a Signing Actuary producing a statement of actuarial opinion which certifies that the booked reserves of the company are greater than the Signing Actuary’s Best Estimate of the company’s liabilities, as at the year end.
2. The Requirements set out in this paper are the minimum requirements which companies are required to comply with in relation to reserving and which include the preparation and submission of a statement of actuarial opinion to the Central Bank. While the Signing Actuary is an important source of expert advice on technical matters the company, acting through the Board of Directors, retains primary responsibility for the governance of the company, its viability and its reserves and shall not abrogate its responsibilities in relation to reserving to the Signing Actuary.
3. The Requirements are effective for financial years ending on or after 31 December 2014.

## Definitions

**Annual Accounts** means in this instance the financial statements required under the Companies Acts and which are submitted as part of the Annual Return to the Central Bank.

**Annual Return** means the annual submission to the Central Bank and which includes the year end regulatory returns, financial statements, the SAO etc.

**Best Estimate** means the best estimate of insurance liabilities of a company. Further guidance on the Best Estimate is provided in the Central Bank’s “Guidance on Best Estimate and Margin for Uncertainty”.

**Board** means the board of directors of a company.

**Booked Reserves** means the technical provisions booked in the insurance or reinsurance company’s regulatory return.

**Central Bank** means the Central Bank of Ireland.

**Chief Actuary** means the actuary with expertise in actuarial matters and who is likely to be relied upon by senior management and the Board. The Chief Actuary is a pre-approval controlled function (PCF)

under the Central Bank Reform Act 2010 (Sections 20 and 22) Regulations 2011. The Chief Actuary and Signing Actuary may be one and the same person provided however that the appointment of that person to each such pre-approval controlled function has been approved by the Central Bank.

**Chief Risk Officer** means the person appointed as Chief Risk Officer ('CRO') with distinct responsibility for the risk management function and for maintaining and monitoring the effectiveness of the institution's risk management system.

**Companies/company and insurer/reinsurer** means:

- a. an insurance undertaking holding an authorisation within the meaning of paragraph (a) of the definition of 'authorisation' in Article 2(1) of the European Communities (Non-Life Insurance) Framework Regulations 1994; and
- b. a reinsurance undertaking as defined in Article 3(1)(a) of the European Communities (Reinsurance) Regulations, 2006.

**Corporate Governance Code** means the Central Bank's Corporate Governance Code for Credit Institutions and Insurance Undertakings 2010 or Corporate Governance Code for Captive Insurance and Captive Reinsurance Undertakings 2011, as may each be amended or replaced from time to time.

**External Auditor** means an independent professional person or firm who is a member of a recognised accountancy body, appointed by a company, qualified to perform an audit in accordance with the Companies Acts.

**High Impact, Medium High Impact, Medium Low Impact and Low Impact** mean the four impact categories that are assigned to companies according to their PRISM Rating.

**Internal Audit** means an independent and objective appraisal function which is required to provide audit assurance to the company that the system of risk management and internal control is adequate to manage and control those risks to which the company is exposed.

**Internal Audit Assessment** means an assessment of the company's reserving process conducted by the Internal Audit function.

**Margin for Uncertainty** means the amount by which the booked reserves exceed the Best Estimate of the company.

**Margin for Uncertainty Report** means a report produced by the Chief Risk Officer, Chief Actuary or Signing Actuary for High Impact companies and which contains analysis and discussion of the Margin for Uncertainty booked by the Board.

**Peer Review Report** means a report produced by the Reviewing Actuary which provides the Board with an independent view of the company's reserving and advises the Board on any limitations of the approach used by the Signing Actuary.

**PRISM** means the Central Bank's system for assessing the risk profile of the companies it supervises.

**PRISM Ratings** mean ratings assigned to entities by the Central Bank in accordance with the degree of impact that failure of an entity could have on the financial system, economy and citizens.

**Required Solvency Margin** means the Solvency Margin Requirements set out in Annex II, Part A of the European Communities (Non-Life Insurance) Regulations (S.I No. 359 of 1994) and Schedule 1 of the European Communities (Reinsurance) Regulations 2006 (S.I No. 380 of 2006).

**Reviewing Actuary** means an actuary independent of the Signing Actuary who reviews the company's SAO and the SAO Report and comments on the methodologies, assumptions, uncertainties and other material factors affecting the calculation of the Best Estimate by the Signing Actuary.

**Signing Actuary** means the actuary who signs the SAO and produces the report underlying the SAO, the SAO Report.

**Statement of Actuarial Opinion (SAO)** means a statement provided by a Signing Actuary giving an independent view of the adequacy of a company's reserves.

**SAO Report** means a detailed report prepared by the Signing Actuary reviewing all relevant company data from which the Signing Actuary has come to a determination regarding the adequacy of a company's reserves.

## Legal Basis

4. The Requirements set out herein and which are specified as applicable to a company in accordance with Appendix 2 attached hereto, are imposed as conditions to which companies are subject pursuant to Section 24 of the Insurance Act 1989 and Regulation 12 of the European Communities (Reinsurance) Regulations 2006 (S.I. No. 380 of 2006).
5. In addition, the Central Bank is of the opinion that compliance with these Requirements is necessary to companies' compliance with the following:
  - a. Article 10(3) of the European Communities (Non-Life Insurance) Framework Regulations 1994 (S.I. No. 359 of 1994); and
  - b. Regulation 20 of the European Communities (Reinsurance) Regulations 2006 (S.I. No. 380 of 2006).
6. To the extent that a company is obliged under these Requirements to submit returns and information to the Central Bank, such information and returns are required under Section 22 of the Central Bank (Supervision and Enforcement) Act 2013.
7. These Requirements may be amended or supplemented by the Central Bank from time to time.
8. Companies are required to comply with these Requirements as a condition of authorisation. Where requirements in this paper refer to the Board, such references shall be construed as the Board acting for and on behalf of the Company for the purpose of complying with these Requirements.
9. A contravention of these Requirements may be liable to the Central Bank using any of its regulatory powers, including, but not limited to, any or all of the following:
  - a. The imposition of an administrative sanction under Part IIIC of the Central Bank Act 1942;
  - b. The prosecution of an offence;
  - c. The refusal to appoint a proposed appointee to any Pre-Approval Controlled Function where prescribed by the Central Bank pursuant to Part 3 of the Central Bank Reform Act 2010; and/or
  - d. The suspension, removal or prohibition of an individual from carrying out a Controlled Function where prescribed by the Central Bank pursuant to Part 3 of the Central Bank Reform Act 2010.

These Requirements are imposed in addition to, and shall not affect, any other corporate governance obligations and standards to which an institution is subject otherwise than under these Requirements and these Requirements are imposed without prejudice to the ability of the Central Bank to exercise any of its other powers in respect of non-life insurers and reinsurers.

### The Signing Actuary

10. Companies shall appoint a Signing Actuary.
11. Where a company is designated as a High Impact company, the Signing Actuary shall be an employee of the company. The term “employee” means a direct employee of the company or an employee provided through a group services company on a full-time basis.
12. Save for where the company is a High Impact company, the function of Signing Actuary may be outsourced. However, a company may only outsource the function of Signing Actuary to a Signing Actuary which has been approved as a pre-approval controlled function by the Central Bank for that company.
13. Where the Signing Actuary function is outsourced, and the Signing Actuary and the External Auditor are from the same firm, the company is required to satisfy itself that there is a proper separation of reporting lines, responsibilities etc. in place in that firm.
14. Where the Signing Actuary function is outsourced, the Signing Actuary and Reviewing Actuary of a company shall not be from the same firm.
15. Where the Signing Actuary function is outsourced, a company shall formally review the position of the Signing Actuary where that person has been in the position for nine years, and on an annual basis thereafter. The company shall document its rationale for any continuance of that person’s position and so advise the Central Bank in writing within two months of the completion of the review.
16. Companies that do not carry on any:
  - a. third party business; or
  - b. motor, liability or financial guarantee business

may apply to the Central Bank in writing, on an annual basis, for a derogation from the requirement to comply with these Requirements, or any part thereof.

## SAO

17. Companies shall ensure that where the Signing Actuary is satisfied that the company's booked reserves are greater than the Signing Actuary's Best Estimate of the company's liabilities, the Signing Actuary prepares an SAO. The SAO shall provide the independent view of the Signing Actuary on the adequacy of the company's reserves. The SAO shall inform and assist the Board in its running of the company.
18. For the purposes of preparing the SAO, companies shall ensure that the Signing Actuary calculates the Best Estimate<sup>1</sup>.
19. Companies shall ensure that the SAO prepared by the Signing Actuary is submitted to the Central Bank in the relevant format set out in Appendix 1 save, however, that all paragraphs in italics shall be omitted from the SAO for High Impact companies.
20. The SAO shall be provided as part of the company's Annual Return to the Central Bank and shall be provided no later than four months after the end of the financial year.
21. The SAO shall:
  - a. Encompass all classes of business written by the company;
  - b. Apply to the company's technical reserves, both gross and net of reinsurance;
  - c. Cover the following components of the technical reserves:
    - i. Outstanding claim reserves;
    - ii. Unearned premium reserves;
    - iii. Additional amounts to cover unexpired risks, also referred to as an Additional Unexpired Risk Reserve;
    - iv. Future claims handling expense reserves; and
    - v. MIBI (Motor Insurance Bureau of Ireland) reserves and any equivalent reserve in other jurisdictions.
22. The SAO shall exclude:
  - a. Future reinsurance bad debt reserves<sup>2</sup>; and
  - b. Claims equalisation reserves.

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<sup>1</sup> Guidance on the calculation of the Best Estimate is set out in the Central Bank's "Guidance on Best Estimate and Margin for Uncertainty".

<sup>2</sup> Where a company has booked a future reinsurance bad debt reserve, the Signing Actuary may include this reserve within the SAO and SAO report. However, the Signing Actuary is not required to opine on this reserve or to evaluate the credit risk due to the reinsurer(s) involved.

## Role of the Signing Actuary

23. The Board shall ensure the following in respect of the Signing Actuary:

- a. The Signing Actuary acts independently of the company in providing the SAO;
- b. The Signing Actuary does not solely rely on data quality assurances made by other individuals in the company, particularly if those individuals do not possess the actuarial knowledge of how that data is to be used and processed for the purpose of reserving. The Signing Actuary shall perform comprehensive data checks in order to be satisfied that the data used for reserving is appropriate, reliable, reasonable and complete; and
- c. Where the Signing Actuary has any material concerns in respect of data accuracy, integrity and sufficiency or any material concerns in relation to any other matter with the potential to affect the sufficiency of the company's reserves, he/she shall notify the company of those concerns. The company shall take such action as it considers necessary to remedy the Signing Actuary's concerns without delay. Where the company's actions have failed to achieve an outcome satisfactory to the Signing Actuary and the Signing Actuary has informed the company that he/she continues to have such material concerns, the company shall ensure that the Signing Actuary's concerns are notified to the Central Bank at the earliest opportunity.

24. Where the Signing Actuary:

- a. is unable to give an unqualified SAO to the Central Bank; or
- b. refuses to provide an SAO,

the Signing Actuary shall inform the Central Bank and the External Auditor of the reason for this as soon as possible. Irrespective of whether or not the Signing Actuary has so informed the Central Bank, the company shall also inform the Central Bank, as soon as possible, that the Signing Actuary is unable to give an unqualified SAO or refuses to provide an SAO.

## Information to be provided to the Signing Actuary

25. Companies shall provide the Signing Actuary with the data and information required for the preparation of the SAO and the SAO Report. A company shall ensure that:

- a. The Signing Actuary has been granted access to the company's staff, Board, Board Committees and Executive Committees;

- b. No relevant information that would materially affect the company's reserves has been knowingly withheld from the Signing Actuary;
- c. The data provided to the Signing Actuary and underlying the reserves is accurate and complete and has been reconciled to the data used in preparation of the Annual Accounts and regulatory returns for the period;
- d. The Signing Actuary has been informed of any internal reports, such as Internal Audit Assessments, internal information or data which may be relevant to the company's reserves;
- e. The Signing Actuary is notified of any developments after the year end (up to the signing of the SAO for the following year) which have the potential to materially affect the Best Estimate. Should such developments occur, the company shall ensure that the Signing Actuary considers whether a supplementary report ought to be produced detailing any effects on the Best Estimate as at the last valuation date. Such a report should identify the causes of the variance, the updated Best Estimate and Margin for Uncertainty over same as at the last valuation date, and any proposed changes to the process used to produce the previous Best Estimate. Where a supplementary report is produced, companies shall ensure that this report is submitted to the Board within one month of its preparation. This supplementary report shall be submitted to the Central Bank within one month of being presented to the Board. Companies shall ensure that a supplementary report, where prepared, is retained by the company for a period of six years from the date on which that report was prepared; and
- f. Save where the company is a high impact company, a company shall designate an appropriate PCF of the company as the person responsible for, on behalf of the company:
  - i. Overseeing the preparation of the data to be provided by the company to the Signing Actuary in accordance with these Requirements;
  - ii. Providing the Signing Actuary with a statement affirming the accuracy and completeness of the data provided to him/her; and
  - iii. Preparing and providing a report to the Signing Actuary, to accompany the SAO, specifying how that PCF holder is satisfied that it is reasonable and appropriate for him/her to provide such a statement. This should make particular reference to the policies and procedures pertaining to the provision

of data (with particular emphasis on case estimate data) to the Signing Actuary and the documentation of any amendments to claims procedures during the year.

## SAO Report

26. The Board shall ensure that where the Signing Actuary has provided an SAO, he/she prepares an SAO Report and that the SAO Report includes, at a minimum, the following:

- a. Any information which the Signing Actuary reasonably believes may have a material impact on its reserves. Information is material if, in circumstances where the information is misstated or omitted, it would cause the results, opinions and conclusions of the SAO and/or the SAO Report to be misleading;
- b. A description of how the Signing Actuary assessed the quality of the data used by them in producing the Best Estimate. This may include, where appropriate, documentation of any recommendations the Signing Actuary may have on ways in which the company can improve its data standards;
- c. A description of any data issues encountered by the Signing Actuary which could not be resolved with the company, and any consequent limitations or effects on the Best Estimate calculation;
- d. A description of:
  - i. The company background and strategy throughout the year;
  - ii. The stability of the claims handling process over time; and
  - iii. The external environment and its impact on the reserves of the company, including any material emerging trends and how these are allowed for;
- e. An analysis of how actual prior year claims experience during the year compared to the expected experience, based on the assumptions of the last SAO Report. This analysis shall be quantified where appropriate and shall consider any implications for the preparation of the current SAO;
- f. Documented reasons and rationale for the models, methodologies and assumptions selected by the Signing Actuary to produce the Best Estimate and the quantification of uncertainty. The reasons and rationale should demonstrate how and why the Signing Actuary came to his/her decision that the approach chosen is the most appropriate approach and should include sufficient detail to enable the readers of the report to understand the reasons for the selections made. This should include a summary

discussion of how the data was segmented and how large claims were incorporated into the projections. For example, where a number of different development triangles were looked at, or a number of different methodologies used, the rationale for the chosen method should be included;

- g. A discussion of the nature of key assumptions made in relation to future claims costs (including claims inflation, changes in court awards, medical inflation, wage inflation etc.), loss ratio assumptions (including the rationale for any material adjustments made to loss ratios and where appropriate, the rationale for not adjusting loss ratios) and any other assumptions;
- h. A summary discussion of the overall approach to the choices of development patterns made and the reasons for these choices;
- i. A discussion of the sensitivity of results to a change in assumptions. If the results are particularly sensitive to a change in an assumption, this sensitivity should be discussed and where feasible, quantified. A description of any sensitivity analysis carried out should be included;
- j. Documented reasons for any differences between the assumptions used for calculating the outstanding claims liabilities and those used for calculating any Additional Unexpired Risk Reserve;
- k. A discussion of the main risks and uncertainties which should inform the Board's consideration of the Margin for Uncertainty. This description shall be sufficiently prospective in nature and not simply based upon methods that examine historic variability of reserves. Where practical, these uncertainties shall be quantified. The possible practical consequences of the uncertainties described in the report should also be clear. The report shall describe the rationale for the methodologies used to quantify uncertainty and how the Signing Actuary determined the main risks and uncertainties;
- l. Documentation and justification for any material uses of expert judgement; and
- m. A discussion of the nature and extent of any reliance placed or not placed on information or reports provided by the company, or any other source, and of the testing of the data or other information by the company's internal or external auditor. Any consequences of this reliance or non-reliance should be discussed and documented in the report.

27. The Board shall ensure that the SAO Report is prepared within six months of the company's year end. That report shall be made available to the Central Bank upon request. The company shall retain the SAO Report for a period of six years from the date on which it is prepared.

### Claims Management

28. The Board shall ensure that appropriate governance arrangements are put in place and complied with in respect of the setting of claims estimates; such arrangements shall include internal control mechanisms to ensure the regular review and quality assessment of all claims and procedures for the escalation of large claims within the company.

29. The Board shall ensure that there are appropriate processes in place to periodically reconcile claims data between the claims function and the actuarial function. This reconciliation shall be performed at least annually.

### Reserving Policy

30. The Board shall establish and implement a clear Reserving Policy which shall set out, at a minimum, the following:

- a. The Company's approach to reserving and the reserving objectives;
- b. An overview of the company's reserving process, including key roles and responsibilities;
- c. Key controls for reserving; and
- d. The purpose of the Margin for Uncertainty and how it is calculated.

### Margin for Uncertainty

31. In considering the Margin for Uncertainty booked by the company, the Board shall consider the following:

- a. The Reserving Policy, as may be amended from time to time;
- b. The company's Risk Appetite Statement as required by the Corporate Governance Code;
- c. The accounting requirements that must be satisfied in the preparation of the Annual Accounts; and
- d. The main risks and uncertainties as outlined in the Margin for Uncertainty Report and/or the SAO Report as appropriate.

32. In determining the Margin for Uncertainty, the Board shall do the following:

- a. Analyse the material risks to reserve adequacy. This analysis shall cover at least such risks as would lead to the reserves being understated by a material amount relative to the solvency margin held. Details of the analysis performed to reach this conclusion should be documented. Where possible, the distribution of reserves, and the percentile at which reserves are booked, should be included in this analysis;
  - b. Analyse any implications which the variance between actual and expected claims experience during the year may have for pricing adequacy, and for reserving going forward;
  - c. Review the method used to calculate the booked reserve. This review shall include the process followed in producing the reserved amount and any improvements recommended; and
  - d. Enumerate, justify, quantify and document the Margin for Uncertainty booked by the Board, including a discussion of how the Margin for Uncertainty is sufficient to address the risks and uncertainties identified by the Signing Actuary.
33. For High Impact companies, the Board shall ensure that the Chief Risk Officer, Chief Actuary or Signing Actuary prepare and produce a Margin for Uncertainty Report to the Board. The items set out in Requirement 31 above should be documented in that report to the Board. This report shall be produced within six months of the financial year end and shall be provided to the Central Bank upon request. Companies shall ensure that the Margin for Uncertainty Report shall be retained for a period of six years from the date of its preparation.

#### Internal Audit

34. Companies shall ensure that their internal audit function conducts an Internal Audit Assessment of the company's reserving process. The Internal Audit Assessment shall include a review of the processes around the preparation and submission of the data provided to the Signing Actuary and around the production of the booked reserves. The purpose of this assessment is to provide reasonable assurance that the data is accurate and complete.
35. Companies shall prepare a report on the Internal Audit Assessment. This report shall be reviewed by the Audit Committee or Board. This report shall be submitted to the Central Bank within one month of this review. At a minimum, this report shall cover the following:
- a. Overall audit opinion;
  - b. Details of audit scope and procedure;

- c. Assessment of governance and control framework for reserving, including details of any controls not operating or designed effectively;
  - d. Detailed findings and recommendations; and
  - e. Status of previous findings.
36. Companies shall retain the report on the Internal Audit Assessment for a period of six years from the date of its preparation.
37. Companies designated as High Impact companies shall perform an Internal Audit Assessment at least once every two years. This should be done in the alternate years to the Peer Review detailed in Requirements 42 to 55 below unless the Internal Audit Assessment is carried out on an annual basis.
38. Companies designated as Medium High Impact companies shall perform an Internal Audit Assessment at least once every three years.
39. Companies designated as Medium Low Impact companies shall perform an Internal Audit Assessment at least once every five years.

#### **External Audit**

40. The Board must be satisfied that the External Auditor has the requisite experience and knowledge to adequately assess key areas including claims paid, the case estimates and the internal controls associated with the production of the data submitted to the Signing Actuary.
41. The Board or the Audit committee of High Impact companies shall meet with the External Auditor's actuary on an annual basis in order to assess his/her understanding of the company. This meeting may be conducted by the Board or the Audit Committee of the Board.

#### **Peer Review**

42. Companies shall engage a Reviewing Actuary to conduct a Peer Review of their SAO and the SAO Report and to produce a Peer Review Report. This report shall provide the company with an independent view of the company's reserving and shall advise the Board on any limitations of the approach used by the Signing Actuary.
43. The Peer Review Report shall, at a minimum, include the following:
- a. A description of the scope of the review, including details of the work completed and the processes followed in the review and the extent to which the Reviewing Actuary had access to relevant data, information, reports and staff of the company;

- b. Commentary on the methodologies, assumptions, main uncertainties etc. in the SAO and the SAO Report; and
  - c. An assessment of the reasonableness of the Signing Actuary's conclusions in the SAO and the SAO Report.
44. Companies designated as High Impact companies and Medium High Impact companies shall ensure that, in addition to the tasks outlined above, the Reviewing Actuary shall independently:
- a. Review all classes of business which have a significant impact on the company's reserves, including but not limited to, large classes, classes with a high level of volatility, new or growing lines of business, lines which have had significantly worse experience than expected etc. The Peer Review Report should document the reasons for the choice of classes reviewed;
  - b. In general, calculate a Best Estimate for the company. This Best Estimate should include all reserves considered material by the Reviewing Actuary, both gross and net. The details of this calculation, including a description of the data checks performed, methodology used and assumptions made should be included in the Peer Review Report. If a Best Estimate is not calculated as part of the Peer Review Report for a particular class, the justification for this should be included in the Peer Review Report;
  - c. Assess the material sensitivities of the results to key assumptions, including overall assumptions (e.g. methodological assumptions) and assumptions by reserving class (e.g. choice of development factors and expected loss ratios);
  - d. Assess the material uncertainties and the key sources of potential deterioration in the Best Estimate, including an outline of the key business lines that are most subject to uncertainty;
  - e. Assess the appropriateness or otherwise of the use of expert judgement throughout the SAO Report, including *inter alia* the use of judgement in relation to the choice and appropriateness of the data used; and
  - f. For High Impact companies, assess the company's governance in relation to the production of the Margin for Uncertainty Report, its consistency with the SAO Report and the completeness of the report.
45. The points in Requirement 43 above shall be fully documented and detailed in the Peer Review Report of Medium Low Impact companies. The points in Requirements 43 and 44

above shall be fully documented and detailed in the Peer Review Report of High Impact companies and Medium High Impact companies.

46. Companies designated as High Impact companies shall perform a Peer Review at least once every two years. The Peer Review Report shall be put before the Board. That report shall be made available to the Central Bank upon request. For companies writing non-life insurance and reinsurance business:
  - a. This should be carried out in the alternate year to the Internal Audit Assessment outlined in Requirements 34 to 37 above, unless the Peer Review is carried out annually.
  - b. Unless the Peer Review is carried out annually, the year that the Peer Review is to be completed shall be agreed with the Central Bank.
47. Companies designated as Medium High Impact companies by the Central Bank shall have a Peer Review performed at least once every three years. The Peer Review Report shall be put before the Board. That report shall be made available to the Central Bank upon request.
48. Companies designated as Medium Low Impact companies by the Central Bank shall have a Peer Review performed at least once every five years. The Peer Review Report shall be put before the Board. That report shall be made available to the Central Bank upon request.
49. For High Impact companies, the Reviewing Actuary may be from the same firm as the External Auditor. In such cases, the Board shall ensure that the Reviewing Actuary has independent reporting lines from the External Auditor and the External Auditor's actuary.
50. For Medium High companies, if the Signing Actuary is outsourced, the Reviewing Actuary may be from a group company.
51. For Medium High companies, if the Signing Actuary is outsourced, the Reviewing Actuary may not be from the same firm as the Signing Actuary. The Reviewing Actuary may be from the same firm as the External Auditor. In such cases, the Board shall ensure that the Reviewing Actuary has independent reporting lines from the External Auditor and the External Auditor's actuary.
52. Companies shall be in a position to demonstrate to the Central Bank that the Reviewing Actuary selected to conduct the Peer Review has the requisite skills, qualifications and experience appropriate to the role.
53. Companies shall not commission the same Reviewing Actuary, or another actuary from the same firm, for more than three consecutive peer reviews.

54. Companies shall submit a copy of the Peer Review Report prepared by the Reviewing Actuary to the Central Bank at its request. This report should be available no later than seven months after the financial year end.
55. Companies shall ensure that a Peer Review Report is retained by the company for a period of six years from the date of its preparation.

### Reserving Committee

56. Companies designated as High Impact companies shall establish a Reserving Committee. This Committee shall meet at least quarterly. This Committee shall contain all relevant senior staff with significant input into the reserving process. The Committee shall include at least one Independent Non-Executive Director, the member of executive management with responsibility for Claims, the Signing Actuary (and Chief Actuary where different), the Head of Underwriting and the Head of Finance.
57. The purpose of this Committee is to oversee the governance of the setting of reserves at the company and its compliance with the Reserving Policy set by the Board. This oversight shall include ensuring that any changes to claims handling practices are documented and communicated to the actuarial function.
58. The Reserving Committee shall opine on whether or not there are actual savings through any changes in practices rather than an acceleration of the time taken to settle claims.
59. The Reserving Committee shall ensure that the Signing Actuary has been advised of all known internal methods or procedures, or changes in these methods or procedures over time, which could materially affect the determination of reserves.
60. Notwithstanding the above, the booking of reserves remains the responsibility of the Board of the company.
61. The Reserving Committee shall have terms of reference evidencing all functions delegated to that committee including the requirements imposed herein on the Reserving Committee.
62. Companies shall ensure that the Reserving Committee of the company complies with the requirements imposed upon that committee by these Requirements.

## Appendix 1

### Format of Opinion on Non-Life Insurance Technical Reserves

**To: Central Bank of Ireland**

**Statement of Actuarial Opinion – [Name of Non-Life Insurance Company]**

#### Identification

I, [Name of Actuary], am an actuary employed by [Name of Non-Life Insurance Company] ("the Company").

#### Or

I, [Name of Actuary], am associated with [Name of Actuarial Firm] who have been retained by [Name of Non-Life Insurance Company].

#### Qualification

I was approved by the Central Bank of Ireland on [date of approval] to act in the Pre-Approval Controlled Function of Signing Actuary for [Name of Non-Life Insurance Company].

#### Or

I was appointed by [Name of Non-Life Insurance Company] as the Signing Actuary on [date of appointment]. I am approved to the role of Pre-Approval Controlled Function of Signing Actuary for [Name of Non-Life Insurance Company].

#### Scope

I have examined the reserves listed below for [Name of Non-Life Insurance Company] as at [year ending], as reported in the Company's returns to the Central Bank.

	Gross of Reinsurance €'000	Net of Reinsurance €'000
Outstanding Claims Reserves		
Future claims handling expenses		
Unearned premium reserves		
Additional amounts to cover unexpired risks		
MIBI (Motor Insurance Bureau of Ireland)		
<b>Total reserves</b>		

The preceding total reserves are for indemnity amounts and claims handling expenses (both allocated and unallocated) and include provision for future claims arising from unexpired periods of risk. They are net of salvage and subrogation and of anticipated future premiums (net of acquisition expenses) on past and current business. They are not discounted for the time value of money. The net reserves exclude any allowance for reinsurance bad debts.

[In cases where the Company is permitted to discount reserves for the time value of money, the Signing Actuary should replace the words "They are not discounted for the time value of money" with "A credit of €.... has been taken for the time value of money, based on a rate of discount of..% per annum.]

*I have relied upon data and information prepared under the direction of a responsible Pre-Approval Controlled Function holder of the Company<sup>3</sup>. I have completed reasonable checks on the accuracy and completeness of this data and the Company has confirmed that the data and information supplied to me are accurate and complete. I have not encountered anything during the course of my work that gives me material concern in this respect. I consider that the data and information are an appropriate basis for the purposes of this Opinion.*

My examination included the use of such actuarial assumptions and methods and such tests of the calculations as I considered necessary.

### **Solvency margin**

I am aware that the Total Required Solvency Margin of the Company as at (year ending) reported in the Company's returns to the Central Bank of Ireland was €.....

### **Opinion**

In my opinion, subject to the above comments (and except for the qualifications stated below), the total reserves identified above, gross and net of reinsurance, comply with applicable Irish legislation (including legislation transposing relevant European Union insurance directives) and are greater than

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<sup>3</sup> Where the paragraph in italics is included, the report underlying the SAO should be accompanied by a statement signed by the relevant PCF holder affirming the accuracy and completeness of the data prepared under his/her direction. This statement should be based on a report setting out how the PCF holder is satisfied that it is reasonable and appropriate for him/her to provide such a statement. This should make particular reference to the policies and procedures pertaining to the provision of data (with particular emphasis on case estimate data) to the reserving actuary and the documentation of any amendments to claims procedures during the year.

the sum of expected future liabilities plus the expected profit margin in the unearned premium reserves of [Name of Non-Life Insurance Company] as at [year ending].

I have performed comprehensive data checks in order to be satisfied that the data used in the context of the work undertaken is appropriate, reasonable and complete, such that it has enabled me to form the above opinion on the sufficiency of [Name of Non-Life Insurance Company]'s reserves.

**[Qualifications on Opinion –**

*Other comments at the discretion of the Signing Actuary]*

I am satisfied that the Total Required Solvency Margin identified above has been calculated based on the applicable data in the Company's returns to the Central Bank of Ireland and is in accordance with applicable Irish legislation (including legislation transposing relevant European Union insurance directives) and any relevant regulatory requirements.

An actuarial report, supporting the findings expressed in this statement of opinion, has been [will be] provided to the Company.

**Signed:**

**Name:**

**Date:**

**Address:**

## Format of Opinion on Non-Life Reinsurance Technical Reserves

**To: Central Bank of Ireland**

**Statement of Actuarial Opinion – [Name of Non-Life Reinsurance Company]**

### Identification

I, [Name of Actuary], am an actuary employed by [Name of Non-Life Reinsurance Company] ("the Company").

### Or

I, [Name of Actuary], am associated with [Name of Actuarial Firm] who have been retained by [Name of Non-Life Reinsurance Company].

### Qualification

I was approved by the Central Bank of Ireland on [date of approval] to act in the Pre-Approval Controlled Function of Signing Actuary for [Name of Non-Life Reinsurance Company].

### Or

I was appointed by [Name of Non-Life Insurance Company] as the Signing Actuary on [date of appointment]. I am approved to the role of Pre-Approval Controlled Function of Signing Actuary for [Name of Non-Life Insurance Company].

### Scope

I have examined the reserves listed below for [Name of Non-Life Reinsurance Company] as at [year ending], as reported in the Company's returns to the Central Bank.

	Gross of Retrocession €'000	Net of Retrocession €'000
Outstanding Claims Reserves		
Future claims handling expenses		
Unearned premium reserves		
Additional amounts to cover unexpired risks		
<b>Total reserves</b>		

The preceding total reserves are for indemnity amounts and claims handling expenses (both allocated and unallocated) and include provision for future claims arising from unexpired periods of risk. They are net of salvage and subrogation and of anticipated future premiums (net of acquisition expenses) on past and current business. They are not discounted for the time value of money. The net reserves exclude any allowance for retrocession bad debts.

[In cases where the Company is permitted to discount reserves for the time value of money, the Signing Actuary should replace the words "They are not discounted for the time value of money" with "A credit of €.... has been taken for the time value of money, based on a rate of discount of..% per annum.]

*I have relied upon data and information prepared under the direction of a responsible Pre-Approval Controlled Function holder of the Company<sup>4</sup>. I have completed reasonable checks on the accuracy and completeness of this data and the Company has confirmed that the data and information supplied to me are accurate and complete. I have not encountered anything during the course of my work that gives me material concern in this respect. I consider that the data and information are an appropriate basis for the purposes of this Opinion.*

My examination included the use of such actuarial assumptions and methods and such tests of the calculations as I considered necessary.

### **Solvency margin**

I am aware that the Total Required Solvency Margin of the Company as at (year ending) reported in the Company's returns to the Central Bank of Ireland was €.....

### **Retrocession Programme**

For the purpose of this Opinion, I have reviewed the application of the retrocession programme put in place by the Company.

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<sup>4</sup> Where the paragraph in italics is included, the report underlying the SAO should be accompanied by a statement signed by the relevant PCF holder affirming the accuracy and completeness of the data prepared under his/her direction. This statement should be based on a report setting out how the PCF holder is satisfied that it is reasonable and appropriate for him/her to provide such a statement. This should make particular reference to the policies and procedures pertaining to the provision of data (with particular emphasis on case estimate data) to the reserving actuary and the documentation of any amendments to claims procedures during the year.

**Opinion**

In my opinion, subject to the above comments (and except for the qualifications stated below), the total reserves identified above, gross and net of retrocession, comply with applicable Irish legislation (including legislation transposing relevant European Union insurance directives) and are greater than the sum of expected future liabilities plus the expected profit margin in the unearned premium reserves of [Name of Insurance Company] as at [year ending].

I have performed comprehensive data checks in order to be satisfied that the data used in the context of the work undertaken is appropriate, reasonable and complete, such that it has enabled me to form the above opinion on the sufficiency of [Name of Non-Life Insurance Company]'s reserves. Where this has not been possible, I have reflected this in my discussion of uncertainty in the report underlying the SAO.

**[Qualifications on Opinion –**

*Other comments at the discretion of the Signing Actuary]*

I am satisfied that the Total Required Solvency Margin identified above has been calculated based on the applicable data in the Company's returns to the Central Bank of Ireland and is in accordance with applicable Irish legislation (including legislation transposing relevant European Union insurance directives) and any relevant regulatory requirements.

An actuarial report, supporting the findings expressed in this statement of opinion, has been [will be] provided to the Company.

**Signed:****Name:****Date:****Address:**

## Format of Opinion on Life Reinsurance Technical Reserves

**To: Central Bank of Ireland**

**Statement of Actuarial Opinion – [Name of Life Reinsurance Company]**

### Identification

I, [Name of Actuary], am an actuary employed by [Name of Life Reinsurance Company] ("the Company").

**Or**

I, [Name of Actuary], am associated with [Name of Actuarial Firm] who have been retained by [Name of Life Reinsurance Company].

### Qualification

I was approved by the Central Bank of Ireland on [date of approval] to act in the Pre-Approval Controlled Function of Signing Actuary for [Name of Life Reinsurance Company].

**Or**

I was appointed by [Name of Non-Life Insurance Company] as the Signing Actuary on [date of appointment]. I am approved to the role of Pre-Approval Controlled Function of Signing Actuary for [Name of Non-Life Insurance Company].

### Scope

I have examined the reserves listed below for [Name of Life Reinsurance Company] as at [year ending], as reported in the Company's returns to the Central Bank.

#### Life Reinsurance Reserves

	Gross of Retrocession €'000	Net of Retrocession €'000
Gross reserves in respect of life reinsurance business before Deferred Acquisition Costs ("DAC") : [A]		
Deferred Acquisition Costs : [B]		
Total reserves in respect of life reinsurance business : [A]- [B]		

*I have relied upon data and information prepared under the direction of a responsible Pre-Approval Controlled Function holder of the Company<sup>5</sup>. I have completed reasonable checks on the accuracy and completeness of this data and the Company has confirmed that the data and information supplied to me are accurate and complete. I have not encountered anything during the course of my work that gives me material concern in this respect. I consider that the data and information are an appropriate basis for the purposes of this Opinion.*

My examination included the use of such actuarial assumptions and methods and such tests of the calculations as I considered necessary.

### **Solvency margin**

I am aware that the Total Required Solvency Margin - Life of the Company in respect of life reinsurance business as at (year ending) reported in the Company's returns to the Central Bank of Ireland was €.....

[In cases where the Company also writes non-life reinsurance business, the following should be added: I am aware that the Company's returns to the Central Bank of Ireland also include total reserves of €.... and a Total Required Solvency Margin – Non-Life of €.... in respect of non-life reinsurance business.]

### **Retrocession Programme**

For the purpose of this Opinion, I have reviewed the application of the retrocession programme put in place by the Company.

### **[Additional Comments**

Other comments may be added at the discretion of the Signing Actuary]

These additional comments do not constitute a qualification of my opinion.

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<sup>5</sup> Where the paragraph in italics is included, the report underlying the SAO should be accompanied by a statement signed by the relevant PCF holder affirming the accuracy and completeness of the data prepared under his/her direction. This statement should be based on a report setting out how the PCF holder is satisfied that it is reasonable and appropriate for him/her to provide such a statement. This should make particular reference to the policies and procedures pertaining to the provision of data (with particular emphasis on case estimate data) to the reserving actuary and the documentation of any amendments to claims procedures during the year.

**Variability**

The future life reinsurance liabilities have been assessed in accordance with the relevant regulatory requirements. Thus, the calculation of the liabilities has taken into account best estimate projections of future premiums, claims, expenses and investment returns in addition to appropriate margins for adverse deviation of the relevant factors affecting these projections. Actual experience will not develop exactly as projected and may, in fact, vary significantly from the projections. I have not anticipated the emergence of major new types or classes of claims.

**Opinion**

In my opinion, subject to the above comments [*include if applicable*: and except for any qualifications stated below], the total reserves identified above, gross and net of retrocession, comply with applicable Irish legislation (including legislation transposing relevant European Union insurance directives) and any other relevant regulatory requirements.

Except for any qualifications stated below, I am satisfied that the Total Required Solvency Margin – Life, after allowing for retrocessions, identified above, has been calculated based on the applicable data in the Company’s returns to the Central Bank of Ireland and in accordance with applicable Irish legislation (including legislation transposing relevant European Union insurance directives) and any other relevant regulatory requirements.

**[Qualifications on Opinion –**

*Other comments at the discretion of the Signing Actuary]*

An actuarial report, supporting the findings expressed in this statement of opinion, has been [will be] provided to the Company.

**Signed:**

**Name:**

**Date:**

**Address:**

## Appendix 2 (a) PRISM Impact Rating Summary

The following table outlines the requirements applicable to non-life insurers and non-life business written by reinsurers, including composite reinsurers.

Paragraphs applicable	PRISM Impact Rating			
	High	Medium High	Medium Low	Low
Introduction (paragraphs 1-3)	1,2,3	1,2,3	1,2,3	1,2,3
Definitions	Apply	Apply	Apply	Apply
Legal Basis (paragraphs 4-9)	4,5,6,7,8,9	4,5,6,7,8,9	4,5,6,7,8,9	4,5,6,7,8,9
The Signing Actuary (paragraphs 10-16)	10,11,16	10,12,13,14,15,16	10,12,13,14,15,16	10,12,13,14,15,16
SAO (paragraphs 17-22)	17,18,19,20,21,22	17,18,19,20,21,22	17,18,19,20,21,22	17,18,19,20,21,22
Role of the Signing Actuary (paragraphs 23-24)	23,24	23,24	23,24	23,24
Information to be provided to the Signing Actuary (paragraph 25)	25	25	25	25
SAO Report (paragraphs 26-27)	26,27	26,27	26,27	26,27
Claims Management (paragraphs 28-29)	28,29	28,29	28,29	28,29
Reserving policy (paragraph 30)	30	30	30	30
Margin for Uncertainty (paragraphs 31-33)	31,32,33	31,32	31,32	31,32
Internal Audit (paragraphs 34-39)	34,35,36,37	34,35,36,38	34,35,36,39	Not Applicable
External Audit (paragraphs 40-41) <sup>6</sup>	40,41	40	40	40
Peer Review (Paragraphs 42-55)	42,43,44 (a-f),45,46,49,52,53,54,55	42,43,44 (a-e),45, 47,50,51, 52,53,54,55	42,43,45,48, 52,53,54,55	Not Applicable
Reserving Committee (Paragraphs 56-62)	56,57,58,59,60,61,62	Not Applicable	Not Applicable	Not Applicable

<sup>6</sup> Requirement in relation to internal controls associated with production of the data submitted to the Signing Actuary in paragraph 40 does not apply in cases where companies have obtained exemption to appoint a Signing Actuary.

## Appendix 2 (b) Life Reinsurance Business

Notwithstanding the information contained in Appendix 2 (a), the following table outlines the requirements for reinsurers writing life reinsurance business. For composite reinsurers, the requirements outlined below will be in addition to the requirements applicable to their non-life business as specified in appendix 2 (a).

<b>Paragraphs</b>	<b>Paragraphs applicable to Life Reinsurance entities</b>
Introduction (paragraphs 1-3)	1,2,3
Definitions	Apply
Legal Basis (paragraphs 4-9)	4,5(b),6,7,8,9
The Signing Actuary (paragraphs 10-16)	10,11,12,13,14,15
SAO (paragraphs 17-22)	19, 20
Role of the Signing Actuary (paragraphs 23-24)	23(a),24
Information to be provided to the Signing Actuary (paragraph 25)	25(a)(b)(d)
SAO Report (paragraphs 26-27)	26(a),(d)(i)(iii),(l)(L)(m),27
Claims Management (paragraphs 28-29)	Not Applicable
Reserving policy (paragraph 30)	30(a)(b)(c)
Margin for Uncertainty (paragraphs 31-33)	Not Applicable
Internal Audit (paragraphs 34-39)	Not Applicable
External Audit (paragraphs 40-41)	41
Peer Review (Paragraphs 42-55)	42,43,45,46,47,48,49,50,51,52, 53,54,55
Reserving Committee (Paragraphs 56-62)	Not Applicable

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