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May 2015

DETAILED ASSESSMENT OF OBSERVANCE ON INSURANCE CORE PRINCIPLES

This Detailed Assessment of Observance on the Insurance Core Principles on Ireland was prepared by a staff team of the International Monetary Fund. It is based on the information available at the time it was completed in December 2015.

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DETAILED ASSESEMENT OF OBSERVANCE INSURANCE CORE PRINCIPLES

May 2015

Prepared By
Monetary and Capital Markets Department

This assessment was prepared in the context of an IMF stand-alone Report on the Observance of Standards and Codes (ROSCs) mission in Ireland during November–December, 2014, and overseen by the Monetary and Capital Markets Department, IMF.

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Glossary

ACA	Assurance Companies Act of 1909
AMLC	Anti-Money Laundering Committee
AML-CFT	Anti-Money Laundering and Countering the Financing of Terrorism
ART	Alternative Risk Transfer
ASP	Administrative Sanctions Procedure
Auditor Protocol	Auditor Protocol between the Central Bank and the Auditors of Regulated Financial Service Providers
CA	Companies Acts
CADM	Case Decision and Allocation Meeting
Captive Code	The Corporate Governance Code for Captive Insurance and Captive Reinsurance Undertakings
CBA	Central Bank Act of 1942
CBI	Central Bank of Ireland
CBRA	Central Bank Reform Act of 2010
CBSEA	Central Bank Supervision and Enforcement Act of 2013
CCPC	Competition and Consumer Protection Commission
CDD	Customer Due Diligence
CFs	Controlled Functions
CG	Corporate Governance
CG Code	CG Code for Credit Institutions and Insurance Undertakings of 2010
CG SII Guidelines	CBI Guidelines on Preparing for Solvency II – System of Governance
CJA	The Criminal Justice (Money Laundering and Terrorist Financing) Acts of 2010
CO Guideline	Appointment of a Compliance Officer to an Insurance Undertaking CO Guideline
CoB	Conduct of Business
Commission	Central Bank Commission
CP Code	Consumer Protection Code
CPA	Client Premium Account
CPD	Consumer Protection Directorate
CRO	Companies Registration Office
DG(FR)	Deputy Governor (Financial Regulation)
DoF	Department of Finance
ED	Enforcement Directorate
EEA	European Economic Area
EIOPA	European Insurance and Occupational Pension Authority
ERM	Enterprise Risk Management
ESCB	European System of Central Banks
EU	European Union
F&P	Fitness and Probity
FATF	Financial Action Task Force
FEMPI Acts	Financial Emergency Measures in the Public Interest of 2009 and 2013
FLAOR	Forward Looking Assessment of Own Risks

FOE	Freedom of Establishment
FOS	Freedom of Services
FRAs	Full Risk Assessments
FRRs	Financial Risk Reviews
FSD	Financial Stability Division
FSSA	Financial System Stability Assessment
GAAP	Generally Accepted Accounting Principles
GBFI	Garda Bureau of Fraud Investigation
G-SIIs	Globally Systemically Important Insurers
HIA	Health Insurance Authority
HOD	Head of Division
IA	Insurance Act, as amended by various amendment Acts
IAIS	International Association of Insurance Supervisors
ICF	Insurance Compensation Fund
ICPs	Insurance Core Principles
ID	Insurance Directorate
IFRS	International Financial Reporting Standards
IFSAT	Irish Financial Services Appeals Tribunal
IFSC	Irish Financial Services Centre
IMD	Insurance Mediation Directive of 2002
IMR	EC (Insurance Mediation) Regulations of 2005
IQ	Individual Questionnaire
ISE	Irish Stock Exchange
KRIs	Key Risk Indicators
MAIs	Multi-Agency Intermediaries
MC Code	Minimum Competency Code of 2011
MCR	Minimum Capital Requirement
Minister	Minister of Finance
ML	Money Laundering
MOCE	Margin Over Current Estimate
PCFs	Pre-Approval Controlled Functions
PCM	Person Concerned in Management
PCR	Prescribed Capital Requirement
PII	Professional Indemnity Insurance
PPI	Payment Protection Insurance
PRISM	Probability Risk and Impact SysteM$_{TM}$
R-CR	Requirements for Composite Reinsurance Undertakings
Reinsurance	Guidelines on the Reinsurance Cover of Primary Insurers & the Security of their Reinsurers Guidelines of 2012
REQ	Risk Evaluation Questionnaire
RFSPs	Regulated Financial Service Providers
RGPs	Risk Governance Panels

RIPID	Retail Intermediaries & Payment Institutions Division
ROSC	Reports on the Observance of Standards and Codes
RTD	Regulatory Transactions Department
SAO	Statement of Actuarial Opinion
SI	Statutory Instrument
SI 168-2003	European Communities (Reorganization and Winding-Up of Insurance Undertakings) Regulations of 2003
SI 206/2009	EC (Assessment of Acquisitions in the Financial Sector) Regulations of 2009
SI 366/2007	EC (Insurance and Reinsurance Groups Supplementary Supervision) Regulations of 2007
SI 359/1994	EC (Non-Life Insurance) Framework Regulations of 1994
SI 360/1994	EC (Life Assurance) Framework Regulations of 1994
SI 380/2006	EC (Reinsurance) Regulations of 2006
SII	Solvency II - Directive 2009/138/EC of the European parliament and of the Council of November 25, 2009 on the taking up and pursuit of the business of Insurance and Reinsurance.
SPRV	Special Purpose Reinsurance Vehicles
SRC	Supervisory Risk Committee
TF	Terrorist Financing
TP	Technical Provision
ULPs	Unit Linked Policies
VA	Variable Annuity
VAR	Value at Risk

EXECUTIVE SUMMARY[1]

The Irish insurance sector—comprising both the domestic industry and a large international market—is highly concentrated, and the majority of Irish (re)insurers are part of large international groups/conglomerates. While the total number of insurers declined from 307 in 2009 to 234 at end-June 2014, total assets held by Irish (re)insurers increased from €139.5 billion in 2008 to €210.7 billion at end-2013. The top five life insurers accounted for 91 percent of Irish risks while the largest non-life insurers had a market share of 57 percent in terms of gross written premiums. The top ten reinsurers accounted for 75 percent of premiums written in Ireland in 2012. The majority of the (re)insurers operating in Ireland are part of large international groups or financial conglomerates. In addition, insurers authorized in the European Union (EU) can write business in Ireland on a freedom of establishment (FOE) or freedom of services (FOS) basis.

Life insurers in the Irish international market offer mainly variable annuities (VA) and Italian focused unit-linked policies (ULPs) while captive (re)insurers and reinsurers have a significant presence. A significant proportion of the non-life sector is foreign-risk focused. The prolonged low interest rate environment has been identified as a significant risk for international insurers writing VA business as the products are designed with built-in guarantees. Domestic life insurers are somewhat insulated from interest rate/market risks as their dominant line of business is ULPs, in which policyholders assume the investment risks. Given intense market competition, non-life, insurers have been particularly reliant on investment returns, which have been under pressure in recent years. In this regard, reserve adequacy and investment risk appetite have been a focus of the Central Bank of Ireland (CBI)'s engagements with insurers. While Irish reinsurers pose a limited domestic financial stability impact, their operations have global systemic implications and they confront various challenges posed by the global economic environment such as low interest rates, price/rate reductions, excess capacity and greater retention rates by primary insurers to contain costs.

The CBI is the integrated financial supervisor in Ireland. CBI was re-structured under the Central Bank Reform Act of 2010 (CBRA) as a single fully integrated supervisor. As the primary regulator of the Irish financial system, CBI has overall responsibility for the supervision of insurers and insurance intermediaries authorized in Ireland. CBI is also responsible for the oversight of the conduct of business (CoB) of insurers authorized in other EU member states, which are providing services in Ireland on a FOS or FOE basis.

It is important that the authorities address the significant challenges faced by CBI in attracting and retaining supervisors and to enhance the CBI's independence. The turnover rates for insurance supervisors in CBI have been high by international standards, largely due to its unattractive remuneration package compared with the market, compounded by the constraints imposed under Financial Emergency Measures in the Public Interest Acts of 2009 and 2013, which

[1] This Detailed Assessment Report has been prepared by Su Hoong Chang and Stuart Wason, IMF experts.

are expected to end in 2016. While there is no evidence of political and commercial interference over CBI's operational autonomy, the legal framework for CBI's governance arrangements may potentially introduce political considerations that could have implications for CBI's independence. Effective supervision hinges on adequate supervisory resources of the right caliber and it is critical that CBI builds on its current technical capacity to conduct quality supervision and to continue its enhanced supervisory approach introduced in 2011. CBI's statutory independence could be enhanced by: (i) reconsidering the composition of the Commission; (ii) the role of the Minister of Finance (the Minister) in approving the appointment the Deputy Governors; (iii) providing more clarity on the grounds for the dismissal of a Commissioner; (iv) legal obligation on public disclosure of the reasons of the removal of a Governor or Commissioners; and (v) reviewing the Minister's statutory power relating to CBI's regulatory functions, including the extent of consultation for rule-making and approval for industry levy structure.

While the Probability Risk Impact Supervisory System (PRISM) has significantly improved supervision of insurers with High/Medium High impact ratings, CBI is advised to review the supervisory risk appetite underpinning PRISM, including potential reputational risks. Since the introduction of PRISM in 2011, CBI strives to promote a culture where supervisors have become more challenging in assessing (re)insurers' risk profiles. PRISM facilitates a systematic and structured supervisory process and sets out the minimum supervisory engagements driven solely by the impact ratings of insurers. Insurers rated Ultra-High/High receive the highest level of supervision under structured engagement plans. While insurers rated Low are supervised reactively, CBI would take targeted enforcement action against insurers across all impact categories where material breaches or significant concerns are found. The reactive supervision mode for Low-impact insurers is reflective of CBI's supervisory risk appetite, including reputational risks. This risk appetite should be informed by a regular review of PRISM, including whether the key objective of the protection of policyholders and beneficiaries is adequately addressed. There are significant merits for a more proportionate and timely risk assessment of insurers according to their risk profiles to enhance the regulatory incentives for improving governance and risk management practices. In addition, a proportionate coverage of Low-rated insurers/intermediaries in terms of independent supervisory verification of their regulatory returns enables supervisors to place reasonable reliance on these returns. PRISM should also be updated to incorporate appropriate risk-based supervision for insurance groups. It is also important to review the adequacy of supervisory resources to support a more proportionate supervisory program and effective supervision of insurance groups.

CBI has made significant progress in updating the regulatory regime and the impending implementation of Solvency II (SII) is expected to address most of the regulatory gaps noted in this assessment. The Central Bank Supervision and Enforcement Act of 2013 (CBSEA) has significantly enhanced CBI's supervision and enforcement powers. CBI's preparation for SII is well advanced and a dedicated SII project has been in place since 2010. In addition, it has since introduced the fitness and propriety regime, the corporate governance (CG) codes, the Consumer Protection Code (CP Code), the Minimum Competency Codes, Guidelines on Preparing for Solvency II – System of Governance, the Reserving Requirements for Non-Life Insurers and Non-Life and Life Reinsurers; and Guidelines on the Reinsurance Cover of Primary Insurers and the Security of their Reinsurers. When implemented, SII is expected to address the regulatory gaps noted in the assessment in the areas of risk management and enterprise risk management (ERM), valuation, capital adequacy and group supervision. Regulatory reporting, both at the entity and group levels, will also be significantly enhanced under SII.

While the regulatory regime has a high level of observance of the ICPs, this could be further enhanced by fine-tuning the regulatory framework and existing supervisory practices. The enhancements should include:

Prudential requirements: insurers to notify CBI of material changes in the suitability of persons appointed to pre-approval control functions (PCFs) and Significant Owners; directors to act in the best interests of the insurer and policyholders; cedents to control their liquidity position arising from reinsurance; reinsurance contract certainty; and policy for more complex and less transparent classes of investments;[2]

CoB requirements: insurers to take into account the interests of different types of customers in developing and marketing insurance products; replacement of policies; insurers to communicate claim procedures to policyholders/claimants; and market conduct requirements at the group level;

Anti-Money Laundering and Countering the Financing of Terrorism (AML-CFT) regime: CBI to issue enforceable rules on AML/CFT obligations consistent with the Financial Action Task Force (FATF) Recommendations and establish guidelines to facilitate compliance by insurers and intermediaries, supported by appropriate risk-based AML-CFT inspections; and

Macro-prudential surveillance framework: requirements for insurers/groups to maintain and test contingency plans and procedures for use in a going- and gone-concern situations; and regular reviews of the existence of practical barriers to efficient and internationally coordinated resolutions and collaborate with the relevant supervisor to resolve these issues.

Going forward, the effective implementation of SII and group-wide supervision, supported by a more proportionate supervisory approach under PRISM hinges on the adequacy and quality of supervisory resources of CBI.

[2] Currently, only the PCF or significant owners are required to notify CBI of changes in the information provided in their applications.

ASSESSMENT OF INSURANCE CORE PRINCIPLES

A. Introduction and Scope

1. This report details the assessment of Ireland's observance with the ICPs issued by the International Association of Insurance Supervisors (IAIS), in the context of the IMF stand-alone Reports on the Observance of Standards and Codes (ROSC).[3] The assessment was conducted by Stuart Wason and Su Hoong Chang (both are external experts engaged by the IMF) from November 18 to December 5, 2014. In 2006, the IMF conducted a Financial System Stability Assessment (FSSA) update on Ireland. The status of implementation of the recommendations arising from the FSSA and the Technical Note on Insurance Regulation and Supervision is provided in Appendix I.

2. The IAIS has significantly enhanced the ICPs in 2011, which was last revised in October 2013. ICP 9 on Supervisory Review and Reporting was revised in October 2012 while ICP 22 on AML-CFT was updated in October 2013. The ICPs apply to all insurers and groups, whether private or government-controlled. Specific principles apply to the supervision of intermediaries.

B. Information and Methodology Used for Assessment

3. The level of observance for each ICP reflects the assessments of its standards. Each ICP is rated in terms of the level of observance as follows:

Observed: where all the standards are observed except for those that are considered not applicable. For a standard to be considered observed, the supervisor must have the legal authority to perform its tasks and exercises this authority to a satisfactory level;

Largely observed: where only minor shortcomings exist, which do not raise any concerns about the authorities' ability to achieve full observance;

Partly observed: where, despite progress, the shortcomings are sufficient to raise doubts about the authorities' ability to achieve observance; and

Not observed: where no substantive progress toward observance has been achieved.

4. The assessment is based solely on the laws, regulations and other supervisory requirements and practices that are in place at the time of the assessment in November 2014.[4]

[3] ROSCs assess the extent to which countries observe certain internationally recognized standards and codes. They are intended to help countries identify key areas for improvement and prepare and action plan. They are not intended to represent an analysis of the state of financial institutions and financial sectors, or to identify sources of systemic risk.

[4] The Reserving Requirements for Non-Life Insurers and Non-Life and Life Reinsurers are effective for financial years ending on or after December 31, 2014 and are considered as requirements in place at the time of assessment.

While this assessment does not reflect ongoing regulatory initiatives such as the impending implementation of SII, the key proposals of these initiatives are noted by way of additional comments in this report. The authorities have provided a comprehensive self-assessment and anonymous examples of actual supervisory practices and assessments, which enhanced the robustness of the assessment. Technical discussions with and briefings by officials from the CBI also enriched this report; as did discussions with industry participants.

5. The assessors are grateful to the authorities for the full cooperation and thoughtful logistical arrangements, particularly the helpful co-coordination of various meetings with industry participants. The assessors also benefitted from the valuable inputs and insightful views from meetings with insurers as well as industry and professional organizations.

C. Overview—Institutional and Macroprudential Setting

Institutional framework and arrangements

6. CBI is the integrated financial supervisor in Ireland. CBI is a body corporate established under the Central Bank Act of 1942 (CBA) and re-structured under the CBRA as a single fully integrated supervisor. The new supervisory structure replaced the previous related entities, the Central Bank and the Financial Services Authority of Ireland and the Financial Regulator. As the primary regulator of the Irish financial system, CBI has overall responsibility for the supervision of insurers and insurance intermediaries authorized in Ireland. CBI is also responsible for the oversight of the CoB of insurers authorized in other EU member states, which are providing services in Ireland on a FOS or FOE basis.

7. CBI is accountable to the Minister in discharging its statutory functions. The Minister is the sole subscriber to and holder of CBI's capital and may request the Governor to consult with the Minister as regards the performance by CBI of any of its functions (except ESCB functions). The Minister appoints the majority of the members of the CBI Commission. CBI shall also consult with the Minister before making regulations, including regulations prescribing the levy to be paid by regulated financial services providers (RFSPs), although the final decision remains with CBI. Subject to the requirements of the Maastricht Treaty and the confidentiality provisions imposed by law, the Governor or the Deputy Governors must appear before Joint Committees of the Oireachtas, upon request.

Ongoing regulatory initiatives

8. SII requirements will come into force on January 1, 2016.[5] In November 2009, the Council of the EU and Parliament adopted the SII Directive, which introduces a common approach to prudential regulation of insurers in EU. Under SII, EU member states shall ensure that the supervisory

[5] Directive 2009/138/EC of the European parliament and of the Council of November 25, 2009, on the taking up and pursuit of the business of Insurance and Reinsurance.

authorities are provided with the necessary means, and have the relevant expertise, capacity, and mandate to achieve *"the main objective of supervision, namely the **protection of policy holders and beneficiaries.**"* CBI shall duly consider the potential impact of its supervisory decisions on the stability of the financial systems in the EU, *without prejudice to the main objective of supervision*. The Omnibus II Directive, which substantially amends SII, was formally adopted by the European Parliament in March 2014.[6]

9. CBI's preparation for SII is well advanced and a dedicated SII project has been in place since 2010.[7] In September 2013, the European Insurance and Occupational Pensions Authority (EIOPA) published final guidelines on preparing for SII.[8] In response, CBI has issued guidelines on preparing for SII, which are generally applicable to insurers from January 1, 2014 with certain provisions applying from later dates. The guidelines cover four key areas: (i) systems of governance, (ii) forward looking assessment of own risks (FLAOR), (iii) pre-application for internal models, and (iv) submission of information. The SII project is led by a Program Board whose members include senior CBI management. CBI engages with industry and monitors industry preparedness for SII through a combination of open dialogue and industry surveys. CBI has held a number of industry seminars on SII and issues a quarterly newsletter covering key areas of interest on SII.

10. CBI's risk-based supervision framework PRISM is closely aligned to the SII Supervisory Review Process, which calls for a prospective and risk-based approach to supervision. PRISM is designed to facilitate a systematic and structured supervisory process that enhances quality/consistency of supervisory assessment and judgment. PRISM sets out the minimum supervisory engagements driven by the impact ratings of insurers. Insurers rated Ultra-High/High receive the highest level of supervision under structured engagement plans while insurers rated Low are supervised reactively. CBI would take targeted enforcement action against insurers across all impact categories where material breaches or significant concerns are found.

Market structure and industry performance

Industry structure and recent trends

11. The insurance sector in Ireland, particularly the life insurance industry, is mature and highly developed (Table 1). Based on Swiss Re's research, the insurance penetration and density

[6] Directive 2014/51/EU of the European Parliament and of the Council of April 16, 2014 amending Directives 2003/71/EC and 2009/138/EC and Regulations (EC) No 1060/2009, (EU) No 1094/2010 and (EU) No 1095/2010 in respect of the powers of the European Insurance and Occupational Pensions Authority and the European Securities and Markets Authority.

[7] CBI's SII project comprises ten workstreams that cover: transposition into Irish law, supervisory processes, internal model approval, IT data and reporting, industry readiness, internal and external communications, training, EIOPA working groups, and project management.

[8] EIOPA is part of the European System of Financial Supervision consisting of three European Supervisory Authorities and the European Systemic Risk Board. It is an independent advisory body to the European Parliament, the Council of the EU and the European Commission.

rates of Irish life insurance industry are significantly higher than the average rates recorded in the EU and advanced markets while the rates for the Irish non-life insurance industry are lower than EU and advanced markets.[9] The penetration and density rates for Ireland are likely to be understated because premiums written by the large international insurance sector are not included in the computation. On the other hand, the Irish rates are likely to be inherently higher than some EU countries with more developed social insurance systems. It is estimated that, the Irish insurance sector employs 14,000 people directly with some 13,000 people employed by third party service providers supporting a total employment of 27,000 in 2013.[10]

Table 1. Insurance Penetration and Density in 2013

	Gross Premiums		**Penetration**	**Density**
	In US$ mn	*% Share*	*As % of GDP*	*US$ per capita*
Life				
Ireland	46,929		6.18	2,931
EU	890,912	*5.3*	4.73	1,620
Advanced Markets	2,200,249	*2.1*	4.73	2,073
Non-life				
Ireland	8,851		1.80	856
EU	603,406	*1.5*	3.09	1,060
Advanced Markets	1,653,018	*0.5*	3.53	1,547
Total				
Ireland	55,780		7.98	3,787
EU	1,494,318	*3.7*	7.82	2,680
Advanced Markets	3,853,267	1.4	8.26	3,620

Source: CBI and Swiss Re Sigma World Insurance in 2013.

12. The Irish insurance sector is diverse in nature, encompassing direct insurers, life and reinsurers operating in the domestic and international markets (Table 2).[11] There is a domestic life and non-life market and a large international sector. Total number of insurers declined from 307 (59 life insurers, 129 non-life insurers and 119 reinsurers) in 2009 to 234 at end-June 2014. There is also a significant drop of 35 percent in the number of reinsurers, partly attributable to the introduction of the reinsurance regulations in 2006, which resulted in reinsurers reviewing their business models in Ireland. In addition, a number of groups merged their insurance and reinsurance operations while some smaller reinsurers decided to exit due to higher compliance costs arising from the impending implementation of SII.

[9] Countries listed in Figure 16 of Swiss Re Sigma No 3/2014.

[10] Source: Insurance Ireland 2014 report prepared by PriceWaterhouse Coopers.

[11] In the past, entities operating in Irish Financial Services Centre (IFSC) enjoyed a lower corporate tax rate of 10 percent. Currently, there is no clear demarcation between the domestic sector and IFSC and the concept of the international sector is based on the risk location of business underwritten by (re)insurers.

13. Insurers authorized by CBI can write business across the EU on an FOE or FOS basis.[12] Similarly, insurers authorized in other EU states can write business in Ireland on a FOE or FOS basis. All insurers operating in Ireland, whether authorized by CBI or a competent authority of another EU state, are subject to CoB supervision by CBI.

Table 2. Insurance Market Structure

	No of insurers as at end-June 2014	of which Captives	No of Employees as at end-2013[13]	Total Assets End-2013 *€ bn*
Life	53	NA	3,252	178.9
Non-life	104	55	5,267	32.2
Reinsurance	77	30	368	41.2
Total	**234**	**85**	**8,887**	**252.4**
Foreign branches	36	NA	Breakdown not available	
Irish branches abroad	82	NA		

Source: Central Bank of Ireland.

14. The insurance sector is highly and increasingly concentrated. In 2013, the top five life insurers accounted for 91 percent of the Irish market in terms of premiums written, an increase from the 82 percent recorded in 2011.[14] Similarly, the top six non-life insurers had 93 percent share of the Irish market, compared to 71 percent in 2011. In particular, one non-life insurer accounted for 57 percent of gross written premiums in 2013. The reinsurance industry is also concentrated with the top ten accounted for 75 percent of premiums written in Ireland in 2012.[15]

15. Ireland has the second-highest number of reinsurers in Europe and the asset size of the Irish reinsurance industry represented over 30 percent of GDP.[15] Reinsurers with a presence in Ireland are subsidiaries of global groups, except one Irish-owned captive reinsurer. In 2013, Irish reinsurers accounted for 4.6 percent of global market share.[16] Some of the reasons quoted for the strong growth of reinsurance business in Ireland include the favorable tax regime and the reform of

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[12] Once an insurance undertaking has been authorized to establish a business within the EU, it is then possible to write business throughout the EU/European Economic Area (EEA) either by: (i) establishing a branch operating on a FOE basis, or (ii) writing business directly on a FOS basis.

[13] The numbers excludes employees of insurance branches in Ireland.

[14] Irish risks representing the business written by Irish authorized insurers only – excludes foreign risks of Irish authorized insurers and Irish risks written by non-Irish authorized insurers.

[15] At end-2012, 19 percent of reinsurers in Europe were based in Ireland while 53 percent were based in Luxembourg. Source: Reinsurance in Ireland: Development and Issues by Anne-Marie Kelly and Brídín O'Leary.

[16] Source: CBI. Estimate of Irish reinsurers' market share is based on reinsurance listings in Standard & Poor's "Global Reinsurance Highlights 2014."

the IFSC regulations in 1999, which no longer require companies to commit to job creation when applying for an IFSC license. Despite its balance sheet size, the reinsurance industry is not a major contributor to employment in Ireland. This is largely due to the wholesale nature of reinsurance operations and the significant presence of captive reinsurers, who typically engage captive management companies to administer their operations.

16. The majority of the insurers operating in Ireland are subsidiaries of large international insurance parents; some of which are part of financial conglomerates domiciled in the EU. In this regard, CBI observed common related party transactions: inter-company loans, fees and charges paid to service companies within the group, reinsurance within group entities, and investments in subsidiary companies.[17] In addition, CBI noted investment of policyholder funds supporting unit-linked policies (ULPs) in related companies as well as liquidity swaps between an insurer and its parent bank.

17. CBI is the lead/group supervisor or has significant college responsibilities for four insurance groups in Ireland. CBI is the lead/group supervisor of XL Group PLC and Beazley Group PLC, whose ultimate parent companies are domiciled in Ireland. CBI is the lead supervisor at the sub-group level for MetLife, Inc. and Zurich, PLC. In addition, CBI is the host supervisors of 25 (re)insurers who are members of foreign insurance groups.

18. The insurance sector is served by 2,979 insurance and reinsurance intermediaries as of September 8, 2014. In aggregate, CBI is responsible for supervising 3,238 retail intermediaries, which vary in size and activity.[18] Retail intermediaries employ over 30,000 employees, and they reported over 5 million policies/financial products held by their clients. Insurance products are sold in Ireland through a variety of distribution channels. The life assurance market is heavily intermediated, with independent brokers and credit institutions being the main sales channels. For the non-life market, there has been a steady increase in the amount of insurance purchased directly from insurers but the use of brokers and branch networks still dominate the distribution landscape with a small portion of business coming through the *bancassurance* channel.

19. The insurance market accounted for approximately 13 percent (€2.39 billion) of national health spending. Approximately 45 percent of the Irish population is enrolled in the private health insurance market. There are four health insurers offering health insurance products on a community rating basis.[19] VHI Healthcare, a state owned undertaking, is the largest with

[17] Inter-company loans are inadmissible for solvency purposes.

[18] This figure excludes RFSPs such as credit institutions, credit unions, etc. which also hold a retail intermediary authorization. In total, there are 3,552 Retail Intermediaries. Source: Report on Retail Intermediaries in Ireland, February 2013.

[19] Community rating is a system where a person's age does not determine a level of premium they pay, subject to certain exceptions.

54 percent market share in 2013.[20] Notably, VHI Healthcare has a much higher proportion of older lives (with higher health claims costs) than the other three insurers.[21] VHI was granted derogation from the authorization and commercial solvency requirements in Article 4 of the First Non-Life Insurance Directive. The European Court of Justice has since stated that as VHI had obtained additional powers and rights, the derogation was no longer applicable. This culminated in VHI submitting an application for authorization by CBI, which is under consideration at the time of assessment.

20. The Health Insurance Authority (HIA) is the independent statutory regulator of the private health insurance market. HIA was established in 2001 under the Health Insurance Acts and reports to the Minister for Health and Children. Besides supervising compliance with the Acts, HIA regulates risk equalizations by insurers and increasing public awareness on the rights as consumers of health insurance and of health insurance services available to them. Risk equalization is a process that aims to equitably neutralize differences in insurers' costs that arise due to variations in the age profile of the insurers and a common mechanism in countries with community rated health insurance systems.[22] Given the community rating system, this assessment does not cover the role of HIA.

Assets and liabilities

21. In contrast to the banking sector, total assets held in the Irish insurance sector have increased from €139.5 billion in 2008 to €210.7 billion at end-2013. Over the same period, the banking sector contracted from €1,622 billion to €791 billion, primary due to the banking crisis. As a result, the banking sector was 3.8 times the size of the insurance sector in 2013 compared to 11.6 times in 2008 when measured by total assets. The insurance sector comprised almost 21 percent of financial system assets (when considering just the banking and insurance sectors) in 2013 compared to about 8 percent in 2008. The life sector's assets totaled €178.4 billion while the non-life sector had total assets of €32.3 billion in 2013.

22. Fixed income securities accounted for about 51 percent of the investment portfolios of Irish insurers (Table 3). Life insurers held more than 50 percent of their assets in government bonds and another 15 percent in bank deposits. Similarly, the largest asset allocation of non-life insurers are to governments bonds (31 percent) although they have a relatively higher level of corporate bonds (24 percent). Other loans and funds withheld (37 percent) are the largest asset category of reinsurers, followed by corporate bonds (24 percent); resulting in higher credit exposures to their business counterparties and the corporate sector. The corporate bonds exposure of Irish insurers is

[20] Since it was established in 1957, VHI was a monopoly insurer until 1997. Currently, only one of the other three health insurers is authorized and supervised in Ireland.

[21] Source: http://www.hia.ie/regulation/risk-equalisation.

[22] Risk equalization involves transfer payments between health insurers to spread some of the claims cost of the high-risk older and less healthy members amongst all the private health insurers in the market in proportion to their market share.

mainly to European (non-Irish) and the financial sectors in the U.S. (Re)insurers have low level of property holdings (1 percent of total assets) and equities (5 percent) and their exposure to the banking sector was immaterial. However, (re)insurers could have indirect exposures to the property sector through investments funds or bonds.

23. **Life companies' policyholder assets are invested predominantly in unit-linked assets at the end of 2013** (approximately 88 percent) followed by government securities (7 percent), with the remaining balance invested in other assets. Life insurers' shareholders assets are invested in cash and bank balances (30 percent), government securities (18 percent), unitized investments (9 percent), equities (3 percent) and the remainder spread over a range of assets including tax recoverables, receivables, and fixed assets.

Table 3. Analysis of Irish Insurance Sector—Asset Portfolios at End-2013

	Life (Exclude ULPs)		Non-life		Reinsurance		Total	
	€ mns	*%*	*€ mns*	*%*	*€ mns*	*%*	*€ mns*	*%*
Government bonds	13,016	*52.5*	9,580	*30.6*	6,490	*15.8*	29,086	*29.9*
Corporate bonds	3,024	*12.2*	7,357	*23.5*	9,889	*24.0*	20,270	*20.8*
Bank deposits	3,789	*15.3*	4,570	*14.6*	1,958	*4.8*	10,317	*10.6*
Shares	1,786	*7.2*	1,716	*5.5*	1,244	*3.0*	4,746	*4.9*
Other loans/funds withheld	468	*1.9*	59	*0.2*	15,019	*36.5*	15,546	*16.0*
Property	261	*1.1*	550	*1.8*	24	*0.1*	835	*0.9*
Investment in related companies	196	*0.8*	1,604	*5.1*	884	*2.1*	2,684	*2.8*
Other assets	2,239	*9.0*	5,906	*18.8*	5,664	*13.8*	13,809	*14.2*
Total	**24,779**	***100***	**31,342**	***100***	**41,172**	***100***	**97,293**	***100***

Source: Central Bank of Ireland.

24. **Overall, the Irish insurance sector reported favorable solvency position, under the current Solvency I regime** (Table 4). The life, non-life and reinsurance industries reported solvency ratios that are much higher than the required solvency margin of 150 percent. The solvency ratios have also improved from those reported at end-2013. The current solvency regime is not fully risk-sensitive (details in ICP 17). EIOPA Insurance Stress Test 2014 reported that the average pre-stress SCR ratio for participating Irish insurers was about 100 percent, with no buffer for stress.[23] Preparation for the implementation of SII by CBI and Irish (re)insurers is well advanced.

[23] Figure 69 "Distribution of SCR Coverage," page 95
https://eiopa.europa.eu/Publications/Surveys/Stress%20Test%20Report%202014.pdf.

Table 4. Solvency Position of Irish Insurance Sector

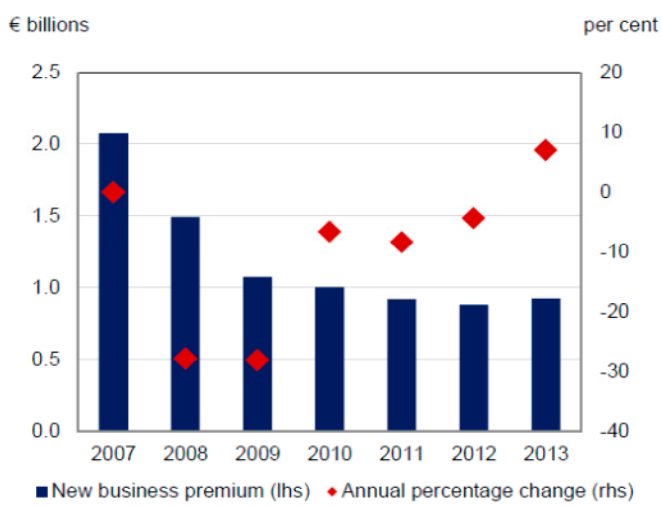
	At end-June 2014			End-2013	Change
	Available Assets *€ mns*	Required Solvency *€ mns*	Overall Solvency Ratio %	%	%
Life	6,390	2,263	282	281	+1
Non-life	6,660	2,034	327	310	+17
Reinsurer	8,941	2,547	351	354	-3

Source: Central Bank of Ireland.

Operating and Financial Performance

25. **While the domestic life market stabilized in 2013, weak economic conditions continue to have a dampening effect**. The major life products were term and mortgage protection products, pension products, and ULPs. There is only one insurer that has a legacy participating policy portfolio. Premium income increased by 7 percent in 2013, although this was 45 percent below its peak value in 2007 (Figure 1). The growth was driven by the changing pension landscape. Due to challenges in meeting future funding commitments, defined benefit schemes engaged in derisking through the purchase of bulk annuities. The retail market remains price sensitive, particularly in the protection line, which declined by 13 percent in 2013. This was in part due to competitive pressures arising from U.K. domiciled insurers selling through Irish branches.

Figure 1. New Business Premium Income: Domestic Life Insurers



Source: CBI, Macro-financial Review 2014:1

26. Partly due to the weak economic conditions, lapse rates of life policies spiked but have since fallen and stabilized, albeit at a level higher than seen pre-crisis.[24] Insurers recoup the set-up costs of a life assurance policy over the life of the policy. The early surrender of policies, therefore, impacts negatively on profitability. In this regard, all domestic life insurers have adjusted their lapse assumptions in recent years so that lapse rates experienced are now below their assumptions. Nonetheless, early lapses are detrimental to policyholders' interests as the bulk of their first years premiums would have been allocated to policy commissions.

27. The international market is concentrated in the variable annuity (VA), Italian focused ULPs, captive and reinsurance businesses, while a significant proportion of the non-life sector is foreign-risk focused. The majority of international life insurance business is investment driven with relatively limited mortality cover. Many of the existing cross-border life insurers were established in Ireland to provide specific products into specific jurisdictions. Although some insurers have matured into more diverse operations, many remain focused on a narrow range of products and business lines.[25]

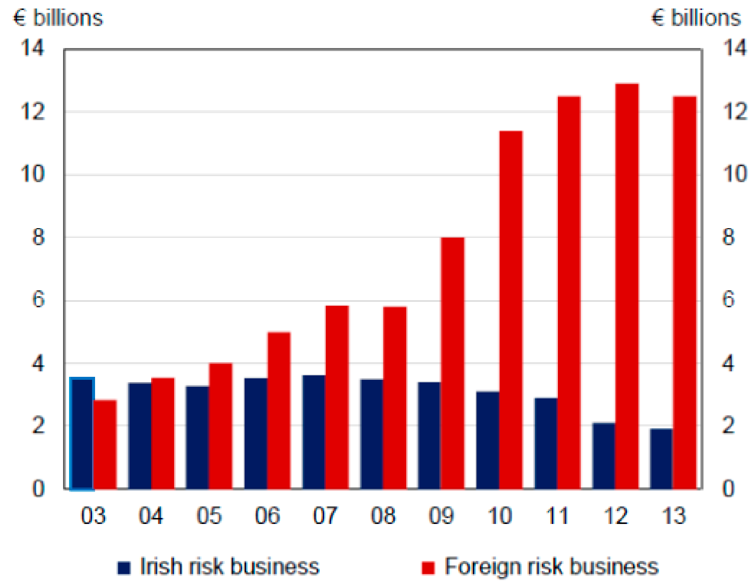
28. Non-life premiums from foreign risk business have increased significantly since 2008, while premiums from Irish risks have been declining for six consecutive years (Figure 2).[26] In 2013, property insurance was the dominant line of business with gross written premiums of €4,446 million (30 percent of the total €14,899 million) followed by motor insurance (25 percent) and liability insurance (21 percent). Accident and health insurance accounted for about 10 percent of total premiums (€1,513 million). The market has seen some increases in premium pricing but the overall market remains very competitive. In addition, non-life insurers continue to confront weak economic climate and low interest rates, which have adverse impact on their underwriting profits and investment income. The severe wind and flood events in late 2013 and early 2014 are estimated to have cost insurers €130 million. Insurers may experience a rise in future reinsurance costs as reinsurers review their pricing in light of increased frequency and severity of weather-related catastrophe domestically and globally.

[24] A policy lapses when the premiums are not paid within the required period of grace and the policy has no cash value.

[25] Strategy for the International Financial Services Industry in Ireland 2011–16.

[26] Foreign risk business includes business written outside of Ireland by branches of Irish insurers. Large increases in foreign risk business in 2009 and 2010 are due to European insurers transferring their head office to Ireland. The decline in the Irish risk business in 2012 is largely explained by a general insurer becoming a branch of its U.K. parent. The data do not include the activities of EEA companies operating in Ireland.

Figure 2. Gross Written Premium: Non-Life Insurers



Source: CBI, Macro-financial Review 2014:1

Key risks and challenges

29. The prolonged low interest rate environment is a significant risk for international insurers writing VA business.[27] The VA portfolio (primarily foreign-risk business) is exposed to interest rate risk as the products are designed with built-in guarantees. Insurers typically use reinsurance or hedge their risk exposure from VA policies. Domestic life insurers are somewhat insulated from interest rate/market risks as their dominant line of business is unit-linked products, where policyholders assume the investment risks.

30. In coordination with the industry, CBI has developed a framework for the quantitative assessment of the scope and scale of the risks posed by a prolonged low interest rate environment. The Stress Testing Framework for the VA Industry was issued in September 2013 and submissions received from industry in December 2013. The Framework focused on firms' ability to meet policyholder claims under highly stressed conditions, having regard to how market, policyholder behavior and other insurance risks interact with one another. Overall, the results across the industry were positive: the seven participating insurers were adequately capitalized to withstand

[27] In addition, elevated interest rate volatility can give rise to material loss for insurers due to the option pricing methodologies used to value VA liabilities i.e., insurers can more readily hedge directional interest rate risk (it impacts on price), but are more exposed to interest rate volatility (or regime change) after point of sale. A sharp increase in interest rates might result in a significant liquidity strain due VA insurers' obligations to post margin/collateral backing exchange traded/OTC derivative positions.

a range of adverse stresses and scenarios; although there were some failures under the more extreme scenarios.

31. Given intense market competition, non-life insurers have been particularly reliant on investment returns, which have been under pressure. From 2010 to 2013, 72 percent of profits before tax of the Irish non-life insurance sector have been accounted for by investment income and gains (both realized and unrealized) and only 28 percent from underwriting income. CBI is mindful that some non-life insurer may be prompted to adopt investment strategies that seek out higher returns but using riskier assets. The combined effect of reduced underwriting profits and lower investment returns may cause some insurers to release technical provisions (TPs) prematurely to shore up profitability.[28] In this regard, reserve adequacy remains a focus of CBI's engagements with insurers. Insurers should also revisit their business model and focus on underwriting discipline.

32. While Irish reinsurers pose limited domestic financial stability impact, their operations have potential global systemic implications and they confront operating challenges that are exacerbated by global financial conditions. The bulk of Irish reinsurers' business relates to foreign risk and some Irish reinsurers are part of global insurance groups identified as Globally Systemically Important Insurers (G-SIIs). The Financial Stability Board expects G-SIIs to be subject to enhanced supervision and appropriate policy measures to manage the systemic externalities. The international operations of Irish reinsurers face various global operating challenges such as low interest rates, price/rate reductions, excess capacity and greater retention rates by primary insurers to contain costs. The inflow of alternative capital seeking non-correlating yield into the reinsurance market, such as hedge funds and pension funds, continues to put pressure on pricing. In addition, most buyers of reinsurance are increasingly focused on a small pool of well-diversified reinsurers, leading to a tiering of the reinsurance market worldwide - the bigger firms continue to grow while smaller firms have to consolidate or leave the industry. Nonetheless, the implementation of SII presents opportunities as primary insurers may be incentivized to reduce their net risk profiles through reinsurance. The global pension crisis may prompt an increase in activity in the area of longevity reinsurance.

D. Preconditions for Effective Insurance Supervision

Sound and sustainable macroeconomic and financial sector policies

33. Ireland completed its EU-IMF Program on December 15, 2013 without a prearranged precautionary credit facility. The financial sector has undergone significant restructuring since the financial crisis in 2008-09, with key reforms taking place in the banking sector. A balanced recovery in gross domestic product growth is expected in 2014 and 2015, with both exports and domestic demand contributing. The robustness of the recovery is dependent on anticipated growth in Ireland's main trading partners and the easing of domestic factors that could constrain consumption

[28] Investment income which averaged 4.27 percent of the insurers' investment portfolios in 2005 fell to 2.56 percent by 2013.

and investment activity. Most recent economic indicators, particularly in the labor market, have been broadly positive.

A well-developed public infrastructure

34. Ireland has a well-developed public infrastructure. This includes a comprehensive legal and institutional framework, availability of information and a highly skilled labor force. As part of the EU, financial sector legislation in Ireland is largely driven by EU regulations and EU Directives that are transposed into Irish law through statutory instruments (SI).

35. Accounting and auditing standards in Ireland are geared toward international standards. All publicly quoted EU incorporated companies (including listed insurers) must prepare their consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). Other companies have a choice whether to prepare accounts based on IFRS or U.K. and Irish generally accepted accounting principles (GAAP). In recent years, IFRS and U.K. and Irish GAAP have significantly converged. All statutory audits in Ireland are carried out in accordance with International Standards of Auditing (U.K. and Ireland) as issued by the Financial Reporting Council. These standards are based on the International Standards on Auditing issued by the International Auditing and Assurance Standards Board, supplemented with additional standards and guidance to address specific U.K. and Irish legal and regulatory requirements. The Irish Accounting and Auditing Supervisory Authority oversees how the Prescribed Accountancy Bodies exercise supervision of all their members,[29] including inspecting audit firms and audit work, as well as investigation of complaints and disciplining, where appropriate.

36. The Society of Actuaries in Ireland is the professional body that represents the actuarial profession and develops, maintains and enforces actuarial standards in Ireland. As of October 2014, the Society has 1,505 members, of which 836 members are Fellow members. The Society issues Actuarial Standards of Practice on specific areas of practice, which may be either mandatory or recommended practice. It has established a Disciplinary Scheme to underpin the requirements for members to maintain high standards of behaviour, integrity, competence and professional judgement. At the time of assessment, the Society has not taken any disciplinary actions against its members.

37. A wide range of economic, financial and social statistics is readily available to insurance businesses and CBI. CBI, through its Statistics Division, is the main compiler of Irish financial statistics, which are useful in the decision making process of other policy makers, financial market participants, and the public both at domestic and international level. These statistics are readily available on CBI's website.

[29] There are currently nine prescribed bodies: Association of Chartered Certified Accountants; Association of International Accountants; Chartered Institute of Management Accountants; Chartered Institute of Public Finance & Accountancy; Institute of Chartered Accountants in England & Wales; Institute of Chartered Accountants in Ireland; Institute of Chartered Accountants of Scotland; Institute of Certified Public Accountants in Ireland; and Institute of Incorporated Public Accountants.

Effective market discipline in financial markets

38. Ireland's CG system is in line with the Organization for Economic Cooperation and Development (OECD) Principles of CG. In addition, CBI has issued the Corporate Governance for Credit Institutions and Insurance Undertakings and Corporate Governance Code (CG Code) for Captive Insurance and Captive Reinsurance Undertakings (the Captive Code), which sets higher standards for the insurance sector (ICP 7).

Mechanisms for consumer protection

39. The Financial Services Ombudsman mediates and adjudicates unresolved individual complaints between consumers and RFSPs (except certain pension matters). The Ombudsman was established pursuant to the Central Bank and Financial Services Authority of Ireland Act of 2004. However, unlike the Ombudsman in other jurisdictions, the decisions of the Ombudsman are legally binding on both the complainants and RFSPs. In addition, the Ombudsman is subject to a strict statutory time limit of six years.

Efficient financial markets

40. Insurers have access to a broad range of financial instruments in the EU, which facilitates their asset liability management. Financial instruments are issued by a diverse group of issuers across the financial (banking and non-banking), non-financial and public sectors in Europe. As at September 2014, there were a total of €16.5 trillion of fixed income investments outstanding and equities totaling €5.9 trillion issued by banks and other institutions in Eurozone countries. Overall, Europe accounts for over 38 percent of the global market for exchange traded derivatives at June 2014, as reported by the Bank of International Settlements. The European exchange traded derivatives market is also second only in size to the U.S. derivatives market.

E. Summary of Compliance and Recommendations

Table 5. Summary of Compliance with the ICPs

Insurance Core Principle	Level	Overall Comments
1 - Objectives, Powers and Responsibilities of the Supervisor	O	The CBRA provides clear power and mandate to CBI as the primary regulator of the insurance industry in Ireland. The objectives for insurance supervision are stated in the primary legislation. The passage of the CBSEA in 2013 has enhanced the supervisory and enforcement authority of CBI, including the power to issue regulations in specified areas. CBI opines that the current supervisory objectives apply similarly to group supervision. CBI has sought legislative changes when it identified a regulatory weakness or where a conflict is identified between legislation and supervisory objectives.
2 - Supervisor	PO	The governance structure of CBI is clearly defined and there are adequate accountability mechanisms for checks and balances. Appeals against CBI's decisions may be made to the Irish Financial Services Appeals Tribunal (IFSAT) or the High Court in accordance with clear legislative provisions. CBI is empowered to issue regulations, in consultation with the Minster. CBI has financial autonomy in allocating its resources to discharge its financial regulation function although it needs approval of the Minister in making regulations on the industry levy. CBI has adopted a framework of transparent regulatory requirement supplemented by supervisory guidance to facilitate consistent and equitable application. Material changes to regulatory requirements are subject to public consultations. Both CBI and its employees have legal protection except for acts or omissions in bad faith. While CBI's supervisory resources have increased significantly since 2008, a significant challenge is in attracting and retaining experienced supervisors of high caliber. The remuneration package offered by CBI to experienced staff or staff with specialist expertise such as actuaries is uncompetitive compared with the market. This is compounded by the constraints imposed under the FEMPI Act, which is expected to end in 2016. While there is no evidence of political and commercial interference over CBI's operational autonomy, the legal framework for CBI's governance arrangements may potentially introduce political considerations that could have implications for CBI's independence. The Minister appoints all the non-executive Commissioners and sets the remuneration and allowances of Commissioners. The Secretary General of DOF is one of the Commissioners. In addition, the Governor may be requested to consult the Minister as regards the performance of CBI's functions (except ESCB functions). The CBA stipulates the circumstances in which Commissioners, the Governor and DG(FR) can be removed, including where "*…in the Minister's*

		opinion it is necessary or desirable to do so to enable the Commission to function effectively." The general ground for removal may be open to interpretation and there is no legal obligation to publicly disclose the reasons for removal. The Commission needs the consent of the Minister to appoint the deputy governors. While CBI and its employees are legally obliged to safeguard confidential information, CBI recognizes the scope for enhancing its data protection governance framework including staff training.
3 - Information Exchange and Confidentiality Requirements	O	CBI's legal powers to exchange information with the authorities are specified in the CBA, which is aligned with the relevant EU Directives and protocols. This includes information exchange with relevant financial supervisors and authorities subject to confidentiality, purpose and use requirements. The existence of an agreement or understanding or strict reciprocity is, generally, not a prerequisite for information exchange, including non-EEA supervisors. CBI has exchanged information with relevant supervisors for supervisory purposes and has executed a number of MoUs with both domestic and international counterparties. It is also a signatory to the IAIS Multilateral MoU. CBI also participates actively in relevant supervisory colleges both as group and host supervisor.
4 - Licensing	O	CBI is the sole authority for authorizing (re)insurers to conduct insurance business in Ireland. There are clear and objective criteria and process for assessing applications for authorization, which are publicly available on CBI's website. CBI has also issued supervisory guidance on the licensing criteria. The authorization process is well structured for robust assessment of applications and consistent decisions. CBI makes authorization decisions in line with its service standard commitments and provides reasons for the refusal of authorization.
5 - Suitability of Persons	LO	The F&P regime, introduced in 2010, covers Board Members, Senior Management and Key Persons in Control Functions who are categorized as PCFs. CBI serves as the gatekeeper in approving the appointments of persons in PCFs. Insurers must be satisfied, on reasonable grounds, that a person appointed to the CFs comply with the F&P Standards and they agree to abide by the F&P Standards. This is an ongoing obligation and insurers are also required to maintain proper records of CF/PCFs including the due diligence conducted on persons appointed to PCFs/CFs. Persons appointed in a PCF are required to promptly notify CBI of any changes that materially affect their suitability. CBI has statutory powers to remove individuals from PCF/CF roles by issuing a prohibition notice or a suspension notice. CBI may exchange information on suitability of persons with other supervisors. Significant Owners are not explicitly covered by the F&P regime. CBI requires Significant Owners to provide information in relation to financial soundness and probity as part of the authorization process

		or for the purpose of acquisition of or change in a qualifying shareholdings. However, there is no requirement on the ongoing suitability of Significant Owners.
6 - Changes in Control and Portfolio Transfers	O	A person who intends to acquire/increase a qualifying holding in an reinsurer must notify CBI, who may oppose the acquisition/increase to reach/exceed the prescribed levels (i.e., 20 percent, 33 percent or 50 percent). There is also a notification requirement to CBI for reducing a qualifying holding to below the prescribed levels. (Re)insurers are subject to the same notification requirements and must submit the names of qualifying shareholders and their shareholdings to CBI at least annually. The criteria for assessing acquisition proposals are the same as those applicable for initial authorization. If a person fails to comply with the notification requirements or where the control exercised by a person is prejudicial to the prudent and sound management of an insurer, CBI may apply to the Court for an order to rectify the situation. Portfolio transfers are subject to Court approval and CBI is entitled to raise an objection, if CBI opines that there is detrimental impact on the interest of policyholders of both the transferor and transferee. CBI reserves the right to approve the conversion of a mutual company to a stock company, or vice versa, through the imposition of authorization condition.
7 - Corporate Governance	LO	The CG Code establishes robust CG requirements, which are largely in observance with ICP 7. All (re)insurers are required to submit an annual compliance statement on their complied with the CG Code. Specific areas of current shortfall include: • Certain aspects of the revised 2013 CG Code are applicable only from January 1, 2015. For example, these include the role of the CRO. The CG SII Guidelines are effective (but not legally binding) from January 1, 2014 for all (re)insurers designated as high impact, medium-high impact and groups. Low impact and medium low impact (re)insurers are expected to apply these guidelines from January 1, 2015; • CBI's CG framework regulation is not as explicit as ICP 7.4 in stating the responsibility of individual directors to act in the best interests of both the insurer and policyholders; • With respect to insurance groups, the specificity of outcome expected at the group level is unclear. For example, while the CG Codes are directed at (re)insurers, there is fairly general language with respect to groups (e.g., Section 6.3 of the Code states – "*All institutions shall have robust governance arrangements ....both on a solo basis and at group level*"). In addition, PRISM itself lacks clarity of supervisory outcome expected at the group level. Despite this lack of clarity, actual CBI supervisory practice, especially for Irish based cross-border groups, does include some assessment of CG at the group level for some groups;

		- Apart from the check-list approach to reviewing the Annual Compliance statements, there is no supervisory assessment of the CG practices of Low Impact insurers; and - Despite the presence in Ireland of approximately €6.3 billion of with-profits funds, PRISM and CBI generally assume no role in the assessment of customer fairness for these customers.
8 - Risk Management and Internal Controls	O	The CG Codes and the F&P regime provide a comprehensive legal and supervisory framework on risk management and internal controls, including effective functions for risk management, compliance, actuarial matters, and internal audit. While the assessment identified some weaknesses in observance, the overall rating for this ICP was not reduced to moderate the cumulative adverse impact on the ratings of all ICP's subject to the same weaknesses. The observed weaknesses were: - The F&P regime does not cover the risk management, compliance, actuarial and internal audit functions at the group level, particularly, an insurance group headed by a non-regulated company; and - Supervisory teams assess the risk management and internal control practices of High, Medium-high and Medium-low insurers but for Low impact insurers, reliance is placed on the annual compliance statement submitted by the insurers.
9 - Supervisory Review and Reporting	PO	CBI's current strategic supervisory approach aims to deliver an assertive risk-based supervision system, which is underpinned by a credible enforcement deterrent. The supervisory framework has been significantly enhanced through the introduction of PRISM in 2011 and CBI strives to promote a culture where supervisors have become more challenging in assessing (re)insurers' risk profiles. PRISM facilitates a systematic structured process for supervisors to communicate findings to (re)insurers and follow up on the implementation of the required action until satisfactory conclusion. There are quality assurance mechanisms to promote the robustness of its supervisory process and quality/consistency of supervisory judgment. CBI leverages on the work of external auditors in its supervision. PRISM sets out the minimum supervisory engagements driven solely by the impact ratings of (re)insurers. (Re)Insurers rated Ultra-High/High receive the highest level of supervision under structured engagement plans, aimed at early detection of supervisory concerns and timely interventions. In contrast, 126 (re)insurers rated Low are supervised reactively regardless of their risk ratings - CBI does not assess the probability risk ratings for (re)insurers rated Low. CBI would take targeted enforcement action against (re)insurers across all impact categories where material breaches or significant concerns are found. CBI uses thematic visits as a principal tool to supervise insurers' CoB.

		The implementation of PRISM has improved the robustness and consistency of the supervision for High/Medium High/Medium Low impact (re)insurers. The reactive supervision mode for Low impact insurers is reflective of CBI's supervisory risk appetite, including reputational risks. It is important that this risk appetite is monitored based on adequate information and regularly updated. In this regard, the assessors noted that: a) The PRISM impact assessment is purely quantitative and there is no supervisory assessment of the potential risks (e.g., due to governance lapses) arising from 126 Low rated (re)insurers that could have both prudential and consumer protection implications. Qualitative assessment of the risk probability is an important factor for the ongoing monitoring of CBI's risk appetite, which should encompass Low impact (re)insurers in a proportionate manner rather than a one-size-fits-all exclusion of such insurers. Risks may also accumulate across a number of Low impact (re)insurers that may be significant in aggregate. In addition, a systematic focus on risk assessment would also provide regulatory incentives for (re)insurers to improve their risk management practices; b) While the regulatory returns, including the Compliance Statements submitted by all (re)insurers, including Low rated insurers may trigger supervisory concerns, this operates on the assumption that these (re)insurers do not provide incomplete and inaccurate information, intentionally or otherwise. A proportionate coverage of Low rated (re)insurers in terms of independent supervisory verification of their returns (rather than a complete carve out) will provide better assurance that supervisors may rely on the regulatory returns as a reasonable trigger for reaction; c) The coverage of the summary risk assessment of 74 (re)insurers with Medium-Low impact ratings may take about 10 years to complete one cycle although regular meetings are conducted on a cycle of seven meetings over an 18 month period to provide a continuous level of supervisory attention; d) Insurance group supervision is not embedded in PRISM; e) There was no thematic CoB inspections conducted on Low impact (re)insurers, who are mainly captive (re)insurers as CBI's market intelligence did not trigger any concerns. Out of the 85 captive (re)insurers, 54 transacted business that reinsured the exposure of groups to claims against the groups from third parties who could potentially be considered as beneficiaries. CBI has wide general powers to obtain information from (re)insurers, as part of their regulatory reporting or on an ad-hoc basis at the solo level. However, there are no explicit requirements for (re)insurers to report: off-balance sheet exposures; material outsourcing functions and activities; and material changes or incidents that could affect their condition or customers.
10 - Preventive and	LO	There is no explicit provision and related penalties for unauthorized

Corrective Measures		insurance activities. CBI considers that unauthorized insurance activities constitute a general offence under the insurance Regulations, which is subject summary legal action in the District Court. However, the maximum penalty under such an action is too low to serve as an effective deterrent. CBI has investigated several suspected cases but considered that none merited enforcement actions. The PRISM framework facilitates timely supervisory interventions for High/Medium-high impact insurers. CBI is empowered to take a broad range of preventive and corrective measures, which allow progressive escalation, commensurate with the nature and severity of the misconduct or breaches.
11 - Enforcement	O	CBI's assertive risk-based supervision is intended to be underpinned by a credible threat of enforcement. The reactive supervisory approach for Low impact insurers may lead to a higher risk that serious concerns are not detected or addressed at an early stage to pre-empt further deterioration. This may result in a higher probability of enforcement actions and the effectiveness of such an approach hinges on adequate enforcement resources. CBI has the following enforcement options: taking action under the F&P regime; administrative sanctions procedure (ASP); referrals to other enforcement agencies and summary criminal prosecutions. At present, it is CBI's policy to pursue prescribed contraventions pursuant to the ASP in preference to bringing a summary prosecution. This preference reflects the low penalties attaching to summary proceedings and the significant extra resources required in proving cases to the criminal standard. CBI has a wide range of powers to take enforcement action and impose sanctions, if insurers are unable or unwilling to address supervisory concerns in a timely manner. The ASP regime is supported by a clear structure to ensure proportionate and consistent sanction decisions. CBI takes actions to enforce sanctions imposed and maintains comprehensive records of its enforcement actions and the sanctions imposed.
12 - Winding-up and Exit from the Market	O	The CAs and IAs provide a range of options for the exit of (re)insurers; define insolvency and set out the procedures to be followed in the event of insolvency of a (re)insurer. Policyholders of direct insurers have priority of claims in respect of assets representing technical reserves of an insurer, who must maintain a register of such assets. The ICF provides for the payment of non-life insurance claims arising from eligible Irish risks in the event of insolvency.
13 - Reinsurance and Other Forms of Risk Transfer	LO	CBI uses the authorization conditions to impose the Reinsurance Guidelines. Currently, (re)insurers "shall adopt all of the obligations of the CG Code for Captive Insurance and Reinsurance Undertakings." On the other hand, for other Guidelines, the conditions of authorization less clearly state that a reinsurer's "compliance strategy will make

		provision for adherence to, in addition to all primary and secondary legislation, any and all guidance issued by the CBI and its predecessors to date and any future guidance issued by the CBI." In addition, the Reinsurance Guidelines do not explicitly address liquidity implications arising from reinsurance arrangements and the need for binding documentation in a timely manner. Finally, CBI's assessment of insurers' reinsurance strategy is limited to those rated Medium Low and above.
14 - Valuation	LO	The valuation of assets and liabilities for solvency purposes is based on Irish GAAP or IFRS. Accounting practice allows the use of amortized cost for some fixed income investments held to maturity. The valuation basis for life TP is more market consistent compared to non-life TP as discounting for non-life TP is only allowed under certain conditions. The current non-life reserving method (recently updated by the Reserving Requirements for Non-Life Insurers and Non-Life and Life Reinsurers) requires provisioning for both a current estimate and a margin over current estimate (MOCE). However, the non-life requirements permit broad means of determining the MOCE, on the advice of the Signing Actuary, but subject to management judgement. This approach differs from the approach used for life insurance valuation and also from the specificities detailed in the guidance to ICP 14.9. While each of the methods for valuing the component parts of the balance sheet for solvency purposes can be described as economic, the overall effect of the methods does not enhance a consistent economic view of the solvency position of the insurer. This is expected to be rectified as IFRS for insurers (IFRS 4) and financial investments (IFRS 9) further develops more market based valuation methods for both liabilities and assets, as well as the advent of SII.
15 - Investment	LO	CBI is largely in compliance with the requirements of ICP 15 but the following weaknesses have been observed: • The wording used in CBI's conditions of authorization with respect to CBI Guidelines is not the same for all types of Guidelines (e.g., CG versus others such as the Asset Management Guidelines) – refer to ICP 13 remarks; • Certain areas of the Asset Management Guidelines do not provide direction sufficient for that intended by ICP 15, e.g.,

		standard 15.3 with regards to asset security and diversification; standard 15.4[30] with regards to cash flow matching; and standard 15.6 with regards to the general issue of more complex and less transparent classes of assets (i.e.,, beyond derivatives to other types of complex assets); and • There are no explicit requirements regarding investments at the group level.
16 - Enterprise Risk Management for Solvency Purposes	LO	CBI's compliance with ICP 16 is dependent largely on the passage of time until all the provisions of the FLAOR/ORSA, 2013 CG Code and the SII Governance Guidelines become effective (i.e., various dates between January 1, 2014 and January 1, 2016). As the effective date of this assessment relates to practice observed as of the end of 2013, this ICP is rated as Largely Observed. Some additional areas of weakness are: • ERM requirements are not yet defined at the group level • Standard 16.4 is only partly observed due to the complexity involved with fully exploring the relationships mentioned in this standard. In addition, this standard makes reference to risk tolerance limits. These limits are not covered by the 2013 CG Code but are briefly mentioned in Guideline 13 of the SII Governance Guidelines.
17 - Capital Adequacy	PO	This ICP is assessed as Partly Observed for the following reasons: • Lack of explicit regulatory framework references to the use of a total balance sheet approach; • Lack of a regulatory requirement for a PCR; • Lack of specific regulations pertaining to the solvency levels of groups; and • Lack of sufficient regulatory criteria for the assessment of capital resources. The implementation of SII is expected to improve the observance of the solvency regime with ICP 17.
18 - Intermediaries	O	CBI regulates a large number of insurance intermediaries with a wide range of operations in terms of scale and complexity. The F&P regime requires intermediaries to possess appropriate levels of professional knowledge, experience, integrity and competence in order to carry out insurance mediation. This is complemented by the Minimum Competency Code of 2011 (MC Code), which provides for minimum competency standards including those for retail financial products; and recognized qualifications. The CP Code is comprehensive and prescriptive on disclosure of information to consumers, including remuneration arrangements with product providers. Intermediaries are required to implement conflicts of interest policy appropriate to

[30] 15.4.1 states: "The insurer's investment strategies should take into account the extent to which the cash flows from its investments match the liability cash flows in both timing and amount and how this changes in varying conditions."

		the nature, scale and complexity of their operations. There are adequate legislative safeguards and regulatory requirement on safeguarding client monies. As intermediaries are typically rated Low-Impact under PRISM, CBI adopts a reactive supervisory approach and uses thematic inspection as the principal supervisory tool. CBI has taken enforcement actions on intermediaries.
19 - Conduct of Business	LO	The CoB regime established under the CP Code, MC Code and the insurance regulations is comprehensive; requiring insurers and intermediaries to: a) act honestly, fairly and professionally in the best interests of its customers and the integrity of the market; b) act with due skill, care and diligence; and c) ensure fair treatment of customers in the areas of: promotion and marketing, information disclosures; knowing the customer and suitability; policy servicing; and dealing with claims and complaints. However, there are no explicit requirements relating to group-wide market conduct as well as product development and communication of claims procedures. Compliance with data protection is under the remit of the Office of the Data Protection Commissioner, supported by an industry code on best practices.
20 - Public Disclosure	PO	There are no explicit public disclosure requirements, although (re)insurers have to make disclosures in accordance with IFRS or Irish GAAP. However, IFRS disclosures are not fully aligned with the requirements of the standards of this ICP. The implementation of SII is expected to improve observance of the disclosure regime with ICP 20.
21 - Countering Fraud in Insurance	O	While there is no specific legislation on insurance fraud, there is a broad range of statutory and common law offences under the Irish legal framework that address fraudulent conduct relating to insurance, which are subject to criminal proceedings. Supervisory assessment of insurers' operational controls and CBI's power under the CBSEA allows fraud detection and taking appropriate measures to combat fraud. CBI supervisors have demonstrated a good understanding of insurance fraud risk, which is assessed at various stages of its supervisory process. There has been active industry collaboration in raising awareness of insurance fraud and reporting of fraudulent activities, including the use of an industry database. CBI may cooperate, coordinate and exchange information relating to insurance fraud with other competent authorities, including foreign authorities.
22 - Anti-Money Laundering and Combating the Financing of Terrorism	LO	The legal framework for the AML-CFT regime in Ireland was last updated in 2013. Life insurers and intermediaries are covered under the AML-CFT regime as designated persons. Both the Minister of Justice, Equality and Law reform and the CBI have not approved/issued enforceable rules on AML/CFT. Various sectors of the financial services industry have drafted Core Guidelines on the application of the Criminal Justice (Money Laundering and Terrorist Financing) Acts (CJA), which were published by the DoF. CBI has

		confirmed that it will have regard to these Core Guidelines in assessing compliance by designated persons with CJA. CBI has effective mechanisms to cooperate, coordinate and exchange information with both domestic and foreign supervisors/FIUs. CBI takes a risk-based approach to AML-CFT supervision. Life insurers rated High impact are subject to annual AML-CFT risk assessment and there are four life insurers with a Low impact rating, all of which are in run-off. A reactive approach is adopted for intermediaries (all are rated Low impact) and there is scope for reviewing the AML/CFT inspection cycle, particularly with respect to intermediaries with Low impact under PRISM.
23 - Group-wide Supervision	PO	CBI's approach to supervising groups is in line with supplementary supervision under the EU Directives. In practice, there are gaps in the identification of groups, and the extension of legal entity requirements at the group level including group solvency assessment; and there is a lack of an effective group supervision framework. The key weaknesses of CBI's group supervisory framework are: limited references within PRISM to the supervisory outcomes expected at the group level; lack of market conduct supervision at the group level; limited focus of PRISM on Medium high (or below) rated groups; and inconsistent supervision of non-regulated heads (holding companies) of insurance groups.
24 - Macroprudential Surveillance and Insurance Supervision	O	While the ingredients ICP 24 has been rated as Observed, the assessors note that it was not self-evident that all the sources of risk information available to CBI fed into an integrated CBI ERM process from which risk strategies could be decided upon and activated both at an overall CBI level as well as prudential and market conduct supervision strategies, both at the insurer level and across the industry.
25 - Supervisory Cooperation and Coordination	O	CBI has taken appropriate steps to put in place adequate coordination arrangements, which involve supervisors on cross-border issues on a legal entity and a group-wide basis. It has also implemented written internal procedures for information sharing, including information exchange and cooperation with other regulators, on a routine basis and in crisis management. There are internal procedures related to communication and sharing of information with other supervisory authorities.
26 - Cross-border Cooperation and Coordination on Crisis Management	LO	Through a combination of CBI and EIOPA Guidelines, CBI is prepared for various elements of ICP 26 relating to cross-border cooperation and crisis management. In addition, through its participation in various supervisory colleges, especially those it leads as group-wide supervisor, CBI has demonstrated its attention to the standards of ICP 26. This ICP has been rated as Largely Observed due to the need for further development by CBI in the following areas: • Development within CBI of its own plans and protocols for

		dealing with an insurer cross-border crisis; • Development within CBI of a mock scenario of an insurer in difficulty to test the resilience of the above mentioned plans and protocols; and • Request that the top cross-border (re)insurers complete their own detailed study of their firm and group crisis management and recovery plans.

Table 6. Summary of Observance Level

Observed (O)	11
Largely observed (LO)	10
Partly observed (PO)	5
Not observed (NO)	_
Total	26

Table 7. Recommendations to Improve Observance of the ICPs

Insurance Core Principle	Recommendations
1 - Objectives, Powers and Responsibilities of the Supervisor	It is recommended that the authorities consider establishing explicit objectives for the supervision of insurance groups in the primary legislation.
2 - Supervisor	It is recommended that the Authorities: a) Enhance CBI's statutory independence by • Reconsidering the DoF's involvement in the Commission and the role of the Minister in approving the Deputy Governors; • Removing or providing more clarity on the general ground for the removal of a Commissioner; • Establishing a legal provision on public disclosure of the reasons of the removal of a Governor or Commissioners in the CBA; and • Reviewing the Minister's statutory power relating to CBI's regulatory functions, including the extent of consultation for rule-making and approval for industry levy structure. b) Address the significant challenges of CBI in attracting and retaining skilled; competent and experienced staff. Important considerations include improving the competitiveness of staff remuneration and exempting CBI from the FEMPI Act; and c) Implement measures to enhance CBI's data protection governance framework.
5 - Suitability of Persons	The Authorities are advised to: a) Extend the F&P regime to include Significant Owners; and b) Establish clear requirements for (re)insurers to notify CBI of any

	circumstances that may materially adversely affect the suitability of persons appointed to PCF and Significant Owners.
7 - Corporate Governance	The coming into effect of the revised CG Code and CG SII Guideline will largely address some of the regulatory gaps noted above. To further improve insurers' governance practices, it is recommended that CBI: a) secures the necessary powers to supervise CG at the group level, even for non-regulated holding companies; b) reviews its current checklist approach to reviewing the CG of Low impact (re)insurers; c) enhances the CG framework regulation in accordance with ICP 7.4 to further explicitly state the responsibility of individual directors to act in the best interests of both the (re)insurer and policyholders; and d) defines its role in the assessment of the fair treatment of with-profits customers.
8 - Risk Management and Internal Controls	It is recommended that CBI: a) Establishes clear supervisory expectations of PCFs at the group level; b) Reviews its current checklist approach to reviewing the risk management practices Low impact insurers; and c) Clarifies its expectations for the actuarial function, taking into account the changing nature of the actuarial function (i.e., Appointed Actuary, Signing Actuary, Chief Actuary, SII actuarial function, etc.).
9 - Supervisory Review and Reporting	It is recommended that CBI: a) Reviews the PRISM framework, particularly with respect to the one-size-fits-all reactive approach adopted for Low impact (re)insurers. There are significant merits for a more proportionate and timely risk assessment of these insurers according to their risk profiles and enhance the regulatory incentives for improving governance and risk management practices, e.g. ,,thematic visits covering a sample of Medium/Low impact (re)insurers; b) Updates PRISM to incorporate appropriate risk-based supervision for insurance groups; c) Strengthens regulatory reporting by establishing: - consistent and more comprehensive regulatory reporting by insurance groups; and - explicit requirements for reporting off-balance sheet exposures, material outsourcing functions and activities; and material changes or incidents that could affect their condition or customers. d) Regularly reviews the adequacy of supervisory resources to support a more proportionate supervisory program for (re)insurers with Medium-Low/Low impact and effective supervision of insurance groups.
10 – Preventive and Corrective Measures	It is recommended that CBI seeks legislative amendments to enhance the sanctions available for unauthorized insurance activities.
11 - Enforcement	It is recommended that CBI regularly reviews the adequacy of enforcement resources to support its strategy of credible threat of enforcement.
13 - Reinsurance and Other Forms of Risk Transfer	It is recommended that CBI: a) Establishes enforceable regulatory requirements for reinsurance

	(whether in rules, regulations, etc.). In addition, the wording used in the conditions of authorization with respect to Guidelines should be aligned so that the intent is clear for all Guidelines; b) Establishes clear regulatory requirements on cedants to control their liquidity positions to take account of the structure of their risk transfer contracts and the likely payment patterns arising from them; and the need for timely documentation of reinsurance contracts at time of inception; c) Formulates proportionate (not just reactive) risk-based supervision over Low impact (re)insurers regarding their use of reinsurance due to its importance as a tool in managing risk exposures; and d) Establishes clear regulatory requirements for reinsurance at the group level.
14 - Valuation	The current shortcomings in the valuation of TP are expected to be addressed by SII as from January 1, 2016.
15 - Investment	It is recommended that CBI develops and implements explicit investment requirements both at the insurer and group level.
16 - Enterprise Risk Management for Solvency Purposes	It is recommended that CBI, a) Establishes ERM requirements at the group level; and b) Enhances the CG Code as necessary to reflect the new developments of the SII Governance Guidelines as well as introducing the need for risk tolerance limits.
17 - Capital Adequacy	It is recommended that in preparation for SII (which will bring about a total balance sheet approach and a PCR) that CBI: a) Develops and implements any necessary capital adequacy support processes/tools that CBI will need to put in place in readiness for SII. These may include expectations for regular insurer stress testing, capital target setting, definition of capital resources, etc.; b) Establishes capital adequacy requirements (both quantitative and qualitative) at the group level; and c) Builds supervisory expertise and processes to adequately approve and monitor internal models.
19 - Conduct of Business	It is recommended that CBI establishes clear requirements for: a) group-wide market conduct; b) Insurers to take into account the interests of different types of customers in developing and marketing insurance products to the targeted customers; c) insurers and intermediaries with respect to replacement of policies; and d) Insurers to inform claimants about the claim procedures. In addition, there is scope for fine-tuning the CoB regulatory returns e.g. , persistency rates of insurers and to provide guidance to insurers and intermediaries on their obligations under the Data Protection Act.
20 - Public Disclosure	To improve its assessment against this ICP, CBI should engage with its insurers and their audit firms on possible changes in disclosure, which could be undertaken individually by (re)insurers, collectively as an industry in Ireland and/or through CBI requirements, which would result in more

	meaningful and useful public disclosures by insurers.
22 - Anti-Money Laundering and Combating the Financing of Terrorism	It is recommended that the Authorities: a) Empower CBI to issue enforceable rules on AML/CFT obligations consistent with the FATF Recommendations and establish guidelines to facilitate compliance by insurers/intermediaries; b) Review the AML-CFT inspection approach for retail intermediaries; and c) Periodically analyze the ML/TF risks of the non-life insurance sector and reconsider whether the AML-CFT regime should apply to the non-life sector.
23 - Group-wide Supervision	Going forward, SII will provide a structured group supervision regime including more comprehensive reporting requirements.
24 - Macroprudential Surveillance and Insurance Supervision	It is recommended that CBI better integrates its various internal ERM processes to improve its focus on emerging prudential and market conduct issues, better manage CBI risks and improve CBI planning.
25 - Supervisory Cooperation and Coordination	It is recommended that the CBI, a) Develops and implements a group supervisory framework that (among other things) would identify the various roles and interactions of the group level; and b) Agrees on coordination agreements with the members of colleges led by CBI.
26 - Cross-border Cooperation and Coordination on Crisis Management	It is recommended that CBI: a) Establishes clear requirements for High/Ultra-High (re)insurers/groups to maintain and test contingency plans and procedures for use in a going- and gone-concern situations; and b) Regularly reviews the existence of practical barriers to efficient and internationally coordinated resolutions and collaborate with the relevant supervisor to resolve these issues.

F. Authorities' Response to the Assessment

The Central Bank of Ireland ("Central Bank") would firstly like to express its appreciation to the IMF and the Mission team for their detailed assessment of Ireland's compliance with the ICPs of the IAIS.

The Central Bank welcomes the IMF's acknowledgement that the supervisory framework has been significantly enhanced through the introduction of PRISM, which facilitates a challenging and proportionate risk-based system of supervision.

Specific comments on IMF findings and ratings

The Central Bank is largely in agreement with the findings contained in the report and will review current practices in light of the IMF's recommendations. The Central Bank would like to make the following comments in relation to three key ICPs, which were rated as Partly Observed:

ICP 2 - Supervisor

The Central Bank is aware of and acknowledges the challenges it is facing in the areas of staff recruitment and retention and is taking actions to the extent it can to remedy same and ensure that it can continue to meet its objectives into the future.

The independence of the Central Bank is essential for both the Irish Financial System's effectiveness and its international credibility. For this reason, when introducing reforming legislation following the financial crisis, the Government took measures to reaffirm the Central Bank's independence. While the IMF has expressed some concerns in relation to the Central Bank's independence in the context of potential room for the involvement of the Government in certain regulatory areas, the Central Bank does not see it likely that the current legal framework could lead to political and commercial interference and this view is supported by the fact that the assessors have noted in the report that they found no evidence of political and commercial influence.

ICP 9 – Supervisory review and reporting

The Central Bank believes that it employs an appropriate range of techniques and tools to implement its supervisory approach and that it deploys its resources on a proportionate basis taking into account the risk profile and systemic importance of insurers.

The Central Bank's approach to supervision is risk based, which starts with the premise that not all firms are equally important to the economy and consumers. The Central Bank focuses its energies therefore on those firms whose failure would have a significant impact upon the economy, the taxpayer and the consumer. Low impact insurers account in aggregate for only 3 percent of the total assets of the sector the Central Bank supervises and an insignificant proportion of the regulated industry's consumers.

ICP 23 – Group-wide supervision

The Central Bank accepts that there are certain gaps in relation to the current group supervisory framework and acknowledges that aspects of the current regime do not fully match the standards set out in ICP 23.

The Central Bank's compliance with ICP 23 is soon to be achieved however, as the Central Bank agrees that, upon implementation, SII will provide a structured group supervision regime in line with ICP 23.

Concluding comments

The Central Bank recognises the importance and benefits of an external review of its regulatory performance in the context of continuously improving its regulatory framework and supervisory practices and will commit to review and consider the IMF's recommendations. As acknowledged in the report, the Central Bank is in the process of preparing for the implementation of SII, the implementation of which is expected to bring the Central Bank towards full observance of the ICPs.

DETAILED ASSESSMENT

Table 8. Detailed Assessment of Observance of the ICPs	
ICP 1	**Objectives, Powers and Responsibilities of the Supervisor** The authority (or authorities) responsible for insurance supervision and the objectives of insurance supervision are clearly defined.
Description	**Supervisory Structure** CBI is the integrated financial supervisor in Ireland. As the primary regulator of the Irish financial system, CBI has overall responsibility for the supervision of insurers and insurance intermediaries authorized in Ireland. CBI is also responsible for the oversight of the CoB of insurers authorized in other EU Member States, which are providing services in Ireland on a FOS or FOE basis. The Insurance Directorate (ID) of CBI is responsible for the prudential supervision of insurers authorized in Ireland. The responsibility of consumer protection rests with the Consumer Protection Directorate (CPD). Both directorates are led by Directors who report to the Deputy Governor (Financial Regulation) (DG(FR)); who in turn reports to the Governor of CBI. The two Directorates are supported by Enforcement, and Policy and Risk Directorates as well as the Legal Division of CBI. **Objectives of Insurance Supervision** CBI has the dual mandate of central banking and financial sector regulation. It has eight high level goals as outlined in its Strategic Plan for 2013-2015.[31] Two of which are directly relevant for the insurance sector: proper and effective regulation of financial institutions and markets; and protection of consumers of financial services. CBI's general supervisory objective is to ensure: "*the proper and effective regulation of financial service providers and markets, while ensuring that the best interests of consumers of financial services are protected*." While the CBA does not explicitly state the objectives of group supervision, CBI opines that the stated objective applies similarly to group supervision. *(s6A of CBA)* The key objectives of ID are to contribute to: the orderly and proper functioning of the (re)insurance industry; the protection of consumers' interests; and national and global financial stability. The mission statement of the CPD is: "*Getting it right for consumers. We will work together and with others to strengthen and maintain protection for consumers so that*

[31] The goals are: 1) Euro system effectiveness and price stability through monetary policy formulation; 2) Stability of the financial system; 3) Proper and effective regulation of financial institutions and markets; 4) Resolution of financial difficulties in credit institutions; 5) Protection of consumers of financial services; 6) Independent economic advice and high quality financial statistics; 7) Efficient and effective payment and settlement systems and currency services; and 8) Operational efficiency and cost effectiveness.

	financial services work in the best interests of all consumers, now and in the future." Going forward, the main objective for insurance supervision under SII is "*the protection of policy holders and beneficiaries.*" Without prejudice to this main objective of supervision, CBI shall duly consider the potential impact of their decisions on the stability of the financial systems in the EU, in particular in emergency situations, taking into account the information available at the relevant time. *(Art 27 and Art 28 of SII)* **Legal Powers of CBI** The Constitution of Ireland vests the sole and exclusive power of making laws in the National Parliament (Oireachtas) consisting of the President, a House of Representatives (Dáil Éireann) and a Senate (Seanad Éireann). CBI draws its powers from various financial sector laws including the CBA, the CBRA, the CBSEA, the Assurance Companies Act and various Insurance Acts (IA) as well as from the SI enacted to transpose EU Directives into domestic law. As part of EU, the Irish legislature is limited in its ability to make changes to financial sector legislation unilaterally. The CBSEA was passed to enhance the supervisory and enforcement authority of CBI (refer to ICP 11) and to harmonize requirements across all the financial sectors. It also empowers CBI to make regulations on specified matters, which include: CoB, minimum competency requirements, systems and controls, conflicts of interest, CG, and supervisory reporting. Regulations typically establish detailed rules while the Act under which it is made contains general principles. Generally, it is constitutionally prohibited for secondary legislation to amend, alter or revoke primary legislation.[32] Before making the regulations, CBI shall consult with the Minister. Regulations made by CBI shall be laid before each House of the Oireachtas as soon as may be after they are made. *(s 48 to s51 of CBSEA)* Prior to enactment of CBSEA in 2013, CBI could issue enforceable rules e.g., by way of Codes through the imposition of authorization condition. Failure to comply with such a condition may result in revocation of authorization in any or part of a class of business. CBI may also issue legally binding Requirements under the legal authority specified under the relevant insurance laws. *(s24 of IA 1989)* **Conflicts between Legislation and Objectives** CBI will seek legislative changes when it identifies a regulatory weakness or where a conflict is identified between legislation and supervisory objectives. On occasions, CBI may pursue a unilateral approach to address particular issues e.g., CBI requested for the power to require an insurer to obtain a third party skilled report into a particular matter, which was legislated in CBSEA. Another example was the removal of the promotion of the financial services industry from CBI's statutory objectives in the aftermath of the financial crisis. Currently,[33] CBI does not have any promotional role. *(s5A of CBA was amended by CBRA).*

[32] This prohibition is disapplied in the case of secondary legislation made to give effect to European law.

[33] This arose from the Governor's report to the Minister which highlighted the conflict: *"The FR [Financial Regulator] and the CB [Central Bank] were mandated by legislation to pursue two goals – financial stability and promotion of the financial sector – which may well have been in conflict. The FR was in a difficult position as the possible adverse effects on discouraging inward investment in the IFSC were more immediate and real than what were perceived as more*

(continued)

Assessment	Observed
Comments	The CBRA provides clear power and mandate to CBI as the primary regulator of the insurance industry in Ireland. The objectives for insurance supervision are stated in the primary legislation. The passage of the CBSEA in 2013 has enhanced the supervisory and enforcement authority of CBI, including the power to issue regulations in specified areas. CBI opines that the current supervisory objectives apply similarly to group supervision. CBI has sought legislative changes when it identified a regulatory weakness or where a conflict is identified between legislation and supervisory objectives. It is recommended that the authorities consider establishing explicit objectives for the supervision of insurance groups in the primary legislation.
ICP 2	**Supervisor** The supervisor, in the exercise of its functions and powers: • is operationally independent, accountable and transparent; • protects confidential information; • has appropriate legal protection; • has adequate resources; and • meets high professional standards.
Description	**Governance, independence and accountability** The CBA provides that the activities and affairs of CBI, other than its European System of Central Banks (ESCB) functions, are managed and controlled by the Central Bank Commission (Commission). The Governor is the Chairman of the Commission. The other ex-officio members comprise the Deputy Governor (Central Banking), DG(FR) and the Secretary General of the Department of Finance (DoF). The Minister appoints at least six, but no more than eight, other members of the Commission who typically hold office for a term of five years.[34] The Code of Conduct for the Commissioners, effective since January 1, 2013, is published on CBI's website. *(s18B, s18CA of CBA)* The exercise of most of CBI's statutory functions and powers are delegated to the management members of the Commission. The Commission has approved a delegation of powers framework together with an extensive assignment of responsibilities. This framework clearly sets out the decisions that are permitted to be taken by the specified staff, to facilitate more timely decision making at the appropriate level. A staff with the delegated authority is accountable for the performance of the assigned function to the Governor. *(s 18F and s32A of CBA)* There is a well-structured escalation process adopted by the Supervisory Risk Committee (SRC), one of the key committees established by the Commission. The escalation process

distant concerns about financial stability. While the stability goal was given explicit priority, the potential conflict between the two goals complicated policy choice."

[34] The terms of the initial members of the Commission range from three to five years to ensure continuity of knowledge. Ex-officio members of the Commission remain members during their terms of office.

strives to address emerging issues at the lowest appropriate operational level in order to pre-empt significant regulatory consequences. A serious breach or an issue of material concern must be reported immediately to the Head of Division (HOD); who in turn must report directly to the relevant Director and/or the DG(FR). In deciding what constitutes a serious breach or a material concern, supervisors consider the matter in the light of the PRISM impact and probability framework.

The Commission monitors and reviews the performance of management members and examines CBI's internal controls, through three committees i.e., Audit Committee; Budget and Remuneration Committee; and Risk Committee. To coordinate the development and implementation of policies and to advise and inform on major issues, the Commission has also established the following internal committees:

a) The Governor's Committee is established to coordinate activities across CBI. It discusses organizational wide issues and maintains an overseeing role of all activities including provision of final signoff on issues, which have been explicitly escalated from other Committees. It also oversees and leads the development of the organizational culture and ensures that Human Resource strategy supports the continued development of CBI;
b) The Senior Leadership Committee ensures alignment of all activities and the successful execution of CBI's strategy through the development and review of the organizational Balanced Scorecard. The Committee also oversees the implementation of policies having broad organizational impacts;
c) The Financial Stability Committee is responsible for monitoring and assessing domestic international economic and financial developments and for highlighting potential areas of concern in the Irish financial system;
d) The Operations Committee is responsible for formulating and delivering the plans that relate to the efficient functioning of CBI;
e) The Executive Risk Committee oversees the management of CBI's financial risks;
f) The SRC advises the DG(FR) on key supervisory issues considers risk reports escalated to it; and
g) The Policy Committee considers regulatory policy issues and monitors EU and international developments relating to financial regulation.

CBI is required to prepare an annual report on its activities, which shall be presented to the Minister within six months after the end of each financial year. CBI's annual financial accounts are audited and certified by the Comptroller and Auditor General. Its financial accounts are also audited by independent external auditors as required by the ESCB/ European Central Bank statute. Both documents are laid before each House of the Oireachtas. *(s32K & s32J of CBA)*

CBI is required to prepare an Annual Performance Statement for submission to the Minister. The Statement covers:

a) A Regulatory Performance Plan outlining the aims and objectives of regulatory activity planned for the current year;
b) A review of regulatory performance during the preceding year; and
c) A report of any international peer review on CBI's performance of its regulatory functions. *(s32L of CBA)*

The internal audit function of CBI provides independent assurance on its risk management

	and internal controls; and assists CBI in its pursuit of efficiency and effectiveness. Internal Audit Division reports directly to the Governor and has unrestricted access to the Audit Committee and members of the Senior Leadership Committee. A three-year audit plan is prepared on a rolling basis, which is approved by the Audit Committee annually. The Audit Committee meets the Head of Internal Audit regularly. During 2013, an internal audit of insurance supervision was carried out. While the report recommended some improvements, the overall rating assigned was "*sufficiently effective*" (the highest rating is "*effective*"). The High Court in Ireland has a general inherent power of judicial review of public bodies, including CBI.[35] The availability of a statutory appeal and judicial review helps to ensure that CBI's exercise of its statutory functions, including discretionary decision-making, is subject to oversight by an independent judiciary. Subject to the requirements of the Maastricht Treaty and the confidentiality provisions imposed by law, the Governor or the DG(FR) must appear before Joint Committees of the Oireachtas, upon request. In 2013, representatives of CBI appeared at five Oireachtas Committee meetings. *(s33AM of CBA)* There is no provision in Irish law for executive (government) overrides of CBI's decisions. CBI has stated that it operates without political interference on a day-to-day basis. Nonetheless, the Minister has statutory powers in the following regulatory areas: a) The Minister may, from time to time, request the Governor to consult with the Minister as regards the performance by CBI of any of its functions (except ESCB functions; b) CBI shall consult with the Minister before making regulations, including regulations prescribing the levy to be paid by RFSPs, although the final decision remains with CBI*; (s49, s32D and s32I of CBA);* c) The Minister appoints the majority of the members of the Commissioners and is responsible for setting the remuneration and allowances of Commissioners; d) The Minister can remove a Commissioner on specified grounds (see below); and e) The Commission needs the consent of the Minister to appoint the Deputy Governors. Commercial or sectoral interests can lobby and make representations, but CBI is under no obligation to act on those representations. CBI may establish a consumer advisory group to advise on the performance of its functions and exercise of its powers. *(s18E of CBA)* **Appointment and Dismissal Procedures** The Governor of CBI is appointed by the President for a term of seven years, which may be extended by a further seven years. The CBA provides for persons who are not eligible for appointment (e.g., a member of either House of the Oireachtas) and the circumstances under which a Governor ceases to hold office (e.g., convicted of an offence). Holdings of any shares in any financial institution by a Governor is prohibited. The President may, on the advice of the Government, remove the Governor from office on the grounds of ill-health,

[35] This aspect of the High Court's jurisdiction (itself conferred by the Constitution) is governed by Order 84 of the Rules of the Superior Courts and by an established corpus of procedural law.

	permanent incapacity or serious misconduct. A decision removing a Governor from office can be referred to the European Court of Justice. *(s19 to s21 of CBA)* The Minister may appoint a person as a Commission member (Commissioner) if he/she is satisfied that the person has relevant knowledge including accounting, banking, economics, financial control, financial regulation, etc. The Minister is also responsible for setting the remuneration and allowances of a Commissioner. Similarly, the CBA provides for persons who are not eligible for appointment and the circumstances under which a Commissioner ceases to hold office. The Minister can remove a Commissioner for proven misconduct, incompetence or "*if in the Minister's opinion it is necessary or desirable to do so to enable the Commission to function effectively*." The last ground for removal is a general statement that may be open to interpretation. *(s24, s24A, s25 of CBA)* The Commission needs the consent of the Minister to appoint the Deputy Governors. The Minister consents to the duration of such appointment i.e., the appointment can be for up to five years with a maximum term not exceeding 10 years. *(s23B and s23C of CBA)* There is no legal obligation to publicly disclose the reasons for removing a Governor or Commissioner. However, such removal must give due regard to the principles of procedural fairness i.e., a person has a right to know allegations against them and a right to respond to such allegations. To date, no Governor or Commissioner has been removed from office. **Funding and Supervisory Resources** Since 2004, CBI is empowered, with the approval of the Minister, to make regulations prescribing the levy to be paid by RFSPs. Approximately 50 percent of the costs of financial regulation activities have been met by the imposition of an annual funding levy and fees on RFSPs. The balance is provided by CBI through the Exchequer. *(s32D and s32I of CBA)* CBI is required to prepare and submit to the Minister an annual estimate in relation to its financial regulation function, including: its income from levies and fees; any other source of funds, and its expenditure, during the next financial year. CBI's budget has increased substantially since the crisis in 2008 and the Minister has not vetoed the budgets submitted. *(s32C of CBA)* Under the PRISM supervision framework introduced in 2011, the impact categorization of a RFSP determines the minimum supervisory engagement and hence the resources to be allocated to that RFSP as shown in the table below (details in ICP 9). CBI's Supervisory Engagement Plans for 2012 and 2013 required target completion of 80 percent and 90 percent, respectively. These targets were met in both years. In 2013, an impact based approach to the levy calculation process was introduced. Under the revised calculation methodology, insurers will pay a levy based on their PRISM impact ratings. While this is in line with supervisory engagement framework under PRISM, it may not adequately recognize that reacting to significant regulatory breaches by Medium-low/Low impact RFSPs or taking enforcement actions on such entities would likely entail significant supervisory resources.

Impact category of RSFP	Supervisors to be allocated
Ultra-high	Eight supervisors
High	Between two to four supervisors
Medium high	Between 50 to 100 percent of a supervisor
Medium low	Between 10 to 20 percent of a supervisor
Low	A team of fours supervisors for reactive supervision

The number of supervisors (full time equivalent) allocated to prudential supervision more than doubled from a low base of 42 in 2009 to 104 at end-August 2014. Within the CPD, there were five supervisors assigned to the supervision of insurers, 14 for supervision of retail intermediaries and payment institutions, and four for market intelligence and advertising monitoring. The Enforcement Directorate (ED) has 49 staff dedicated to enforcement activities.

Of the 104 ID supervisors, about 51 percent had less than three years of supervisory experience and only 8 percent with more than 10 years of experience. Nonetheless, recent recruitment targeted mid-career intakes with industry experience and about 34 percent of supervisors had more than 10 years of industry experience. CBI may also transfer suitable experienced staff internally or through secondment of industry experts on a contract basis. At the time of assessment, two external specialists were seconded to ID.

Staff turnover and retention has been a significant challenge for CBI. The turnover rates for insurance supervisors in 2012 and 2013 were 20.2 percent and 10.5 percent. At end-July 2014, there were 14 Insurance vacancies out of a staff compliment of 108. The remuneration package offered by CBI to experienced staff or staff with specialist expertise such as actuaries is uncompetitive compared with the market. This is compounded by the constraints imposed under the Financial Emergency Measures in the Public Interest Acts of 2009 and 2013 (collectively, FEMPI Acts). Many CBI staff members were subject to pay cuts and reduced pension levels under the FEMPI Acts.[36] While the FEMPI Acts are temporary and expected to end in 2016, there is no assurance that the FEMPI Act will not be extended.

To partially address the above challenges, CBI appointed a Talent Projects Manager in 2012 to oversee the development of a Talent Management Policy. CBI also continues to focus on and invest in staff capacity. Comprehensive training needs analysis is conducted by all divisions at the start of each year, to ensure staff receive adequate ongoing training. A bespoke modular leadership program was developed and was attended by over 200 staff. In 2013, 122 centrally organized training programs were delivered, which included management development and personal effectiveness training; in total 2,500 training days were delivered. In addition, 145 technical training courses took place in 2013 involving 1,755 participants and 3,300 training

[36] Staff earning more than €65,000 are subject to pay cuts ranging from 5.5 percent to 10 percent in 2013 (8 to 15 percent in 2009 and the threshold was € 125,000). The Public Service Pension Reduction is a tiered reduction of certain public service pension above € 12,000. The reduction ranges from 6 percent to 20 percent (above €100,000) for retirement before end-February 2012 and 2 percent to 8 percent for retirement on or after March 1, 2012.

	days. A new CBI-wide staff mentoring scheme was also launched in November 2013. The training budget is significant – about €1,660 per annum per staff member over the last six years. **Transparency and Consistency of Regulatory Requirements** CBI provides information on the insurance sector through the publication of Insurance Statistics annually. The information includes income and expenditure as well as balance sheets of each authorized insurer and insurers operating in Ireland on a FOE basis. CBI has issued comprehensive regulatory requirements applicable to (re)insurers, supplemented by guidance on its supervisory expectations. These supervisory instruments are publicly available on CBI's website to promote consistency in application and facilitate effective compliance. The PRISM framework provides a systematic approach for applying regulatory requirements and procedures consistently and equitably taking into account the scale, nature and complexity of the (re)insurers (ICP 9). **Review and Consultation** CBI issues consultation papers when it proposes to make material changes to the regulatory framework. The consultation process provides an opportunity to engage with stakeholders and to get comments or suggestions for enhancements. Feedback is encouraged and submissions received are published on CBI's website. In addition to public consultation, CBI may engage informally with selected stakeholders or affected groups, where appropriate. CBI is required to make appropriate arrangements for a review, which may include an international peer review, of the performance of its regulatory functions at least every four years. These reviews provide useful inputs in updating the regulatory regime in line with current international best practices. *(s32M of CBRA)* **Appeals Against Supervisory Decisions** As a public body subject to administrative law and judicial review, CBI is required to give reasons to persons subject to its decision. A person affected by any statutory decision may seek judicial review of that decision in the High Court. The Irish Courts have a curial deference to specialist bodies established by law to do a particular task. In this respect, the focus of the Court at judicial review will be on aspects of process and procedures, including whether CBI is acting ultra vires. Certain decisions of CBI (appealable decisions) are subject to appeal to the IFSAT established under the Central Bank and Financial Services Authority of Ireland Act of 2003. IFSAT is an independent statutory body whose members are appointed by the President. Appealable decisions include those made by CBI at the conclusion of an inquiry (ICP 11). IFSAT aims to provide an accessible, efficient and effective method of appeal in an informal and expeditious manner. *(Part VIIA and s57G of CBA)* At the conclusion of an appeal, IFSAT may affirm the decision, vary the decision, substitute the decision with another or remit the matter for reconsideration to CBI. An appeal to IFSAT is an appeal on the merits: it is open to IFSAT to overturn a decision with which it disagrees without identifying patent unreasonableness or lack of power to make the decision, or similar grounds. *(s57z of CBA)*

	The IFSAT may, on its own initiative or at the request of a party, refer a question of law arising in the appeal to the High Court for opinion. An affected person may also appeal to the High Court against an IFSAT decision. Decisions of the IFSAT are subject to deferential scrutiny in accordance with established legal principles.[37] *(s57AJ and s57AK of CBA)* The appeal processes for supervisory decisions, including judicial review, does not unduly impede the ability of CBI to make timely interventions in order to protect policyholders' interests. Specifically, the lodgment of an appeal with the IFSAT or the High Court does not affect the operation of CBI's decision or prevent the taking of action to implement that decision. *(s45 of CBSEA)* **Confidentiality of Information** The CBA prohibits the disclosure of confidential information except for certain permitted disclosures. It is an offence to contravene the professional secrecy obligations; which on conviction on indictment may lead to a fine not exceeding €30,000 or to imprisonment for a term not exceeding five years, or both, or on summary conviction to a fine not exceeding €3,000 or to imprisonment for a term not exceeding 12 months, or both. CBI employees are bound by their confidentiality obligation after termination of employment with CBI. *(s33AK and s33L of CBA)* CBI's Data Protection Policy sets out both the requirements under the Data Protection Acts applicable to CBI and the responsibility of management and employees in the protection of personal data. CBI recognizes that there is scope for enhancing its data governance framework. **Code of Conduct and Conflict of Interest** All employees of CBI are subject to the Staff Code of Ethics and Behavior (Staff Code). A copy of the Staff Code is provided to all new employees, who must confirm that they have received, read, and understood the document. The trading rules contained in the Staff Code require staff to abstain from being a party to any economic or financial transactions that may hinder their independence and impartiality or give rise to a conflict of interest. Staff must disclose any shareholdings that they have. The Staff Code requires that staff do not put themselves in the position that might give rise to an actual or apparent conflict between the discharge of their official duties and their personal, financial or other interests. There are also extensive guidelines governing the acceptance of gifts and business hospitality. In addition, staff should not be active members of any political party or organization. In the event there is any doubt as to the applicability of the Staff Code, there is redress to the Ethics Officer. CBI retains the right to amend the Staff Code from time to time by virtue of a specific clause in the terms employment. The last amendment was in July 2014 and focused on issues including conflicts of interest, procurement, social media, political activities, gifts and business

[37] The applicable standard of review is the *Orange* standard: named for the leading case of Orange Communications Limited vs. the Director of Telecommunications Regulation & Anor 2000 4 I.R. 159. An appellant must show that the decision is vitiated by a serious or significant error or series of such errors.

	hospitality, publication of articles and speaking engagements. The potential conflicts of interest arising from post-termination of employment is minimized as employees intending to take up alternative employment have an obligation to provide early notification to line managers, which could result in reassignment until the notice period is served. A former employee who wishes to undertake employment in a RFSP would be subject to the fitness and propriety regime. Employees are prohibited from engaging in any activity or employment, which may compromise the position of CBI. **Legal Protection** CBI and its officers and employees are not liable for damages for anything done or omitted in the performance or purported performance or exercise of any of its functions or powers, unless it is proved that the act or omission was in bad faith. *(s33AJ of CBA)* **Outsourcing of Supervisory Functions** CBI may outsource supervisory function if it lacks the resources to complete a required function and appoint non-employees as authorized officers under the CBSEA. *(s24 of CBSEA)* Where CBI outsources supervisory functions to third parties, it sets expectations, monitors their performance, and ensures their independence from the insurer or any other related party. Outside experts hired by CBI are subject to confidentiality rules and professional standards. CBI also operates under public sector procurement rules and is required to execute a service level agreement, which sets out, *inter alia,* the roles and responsibilities of CBI and the service provider. A service provider to whom confidential information is provided shall comply with the provisions on professional secrecy applicable to CBI staff. *(s33AK of CBA)*
Assessment	Partly observed
Comments	The governance structure of CBI is clearly defined and there are adequate accountability mechanisms for checks and balances. Appeals against CBI's decisions may be made to the IFSAT or the High Court in accordance with clear legislative provisions. CBI is empowered to issue regulations, in consultation with the Minister. CBI has financial autonomy in allocating its resources to discharge its financial regulation function although it needs approval of the Minister in making regulations on the industry levy. CBI has adopted a framework of transparent regulatory requirement supplemented by supervisory guidance to facilitate consistent and equitable application. Material changes to regulatory requirements are subject to public consultations. Both CBI and its employees have legal protection except for acts or omissions in bad faith. While CBI's supervisory resources have increased significantly since 2008, a significant challenge is in attracting and retaining experienced supervisors of high caliber. The remuneration package offered by CBI to experienced staff or staff with specialist expertise such as actuaries is uncompetitive compared with the market. This is compounded by the constraints imposed under the FEMPI Act, which is expected to end in 2016. While there is no evidence of political and commercial interference over CBI's operational

	autonomy, the legal framework for CBI's governance arrangements may potentially introduce political considerations that could have implications for CBI's independence. The Minister appoints all the non-executive Commissioners and sets the remuneration and allowances of Commissioners. The Secretary General of DOF is one of the Commissioners. In addition, the Governor may be requested to consult the Minister as regards the performance of CBI's functions (except ESCB functions). The CBA stipulates the circumstances in which Commissioners, the Governor and DG(FR) can be removed, including where "…*in the Minister's opinion it is necessary or desirable to do so to enable the Commission to function effectively*." The general ground for removal may be open to interpretation and there is no legal obligation to publicly disclose the reasons for removal. The Commission needs the consent of the Minister to appoint the deputy governors. While CBI and its employees are legally obliged to safeguard confidential information, CBI recognizes the scope for enhancing its data protection governance framework including staff training. It is recommended that the Authorities: a) Enhance CBI's statutory independence by • Reconsidering the DoF's involvement in the Commission and the role of the Minister in approving the Deputy Governors; • Removing or providing more clarity on the general ground for the removal of a Commissioner; • Establishing a legal provision on public disclosure of the reasons of the removal of a Governor or Commissioners in the CBA; and • Reviewing the Minister's statutory power relating to CBI's regulatory functions, including the extent of consultation for rule-making and approval for industry levy structure. b) Address the significant challenges of CBI in attracting and retaining skilled; competent and experienced staff. Important considerations include improving the competitiveness of staff remuneration and exempting CBI from the FEMPI Act; and c) Implement measures to enhance CBI's data protection governance framework.
ICP 3	**Information Exchange and Confidentiality Requirements** The supervisor exchanges information with other relevant supervisors and authorities subject to confidentiality, purpose and use requirements.
Description	**Legal Framework** CBI is empowered to exchange information with other relevant supervisors and authorities, subject to certain confidentiality safeguards. The legal bases supporting such exchanges of information include section 33AK of the CBA and the EC (Insurance and Reinsurance Groups Supplementary Supervision) Regulations 2007 (SI 366/2007). These legal bases are supported by the frameworks laid down in the Siena Protocol and the IAIS multilateral memorandum of understanding (MoU). A full listing of MOUs to which CBI is a signatory, is published on CBI's website. There are specific provisions in European and domestic legislation, in addition to agreed protocols with some of the authorities, to allow for co-operation and sharing of confidential information. CBI has non-binding MoUs in place with a number of domestic authorities

	including: • Irish Auditing and Accounting Supervisory Authority ("IAASA") (June 2008); • Financial Services Ombudsman and Pensions Ombudsman (April 2006); • Office of the Director of Corporate Enforcement (December 2003); • Irish Stock Exchange (ISE) (October 2001); and • The CCPC (formerly the NCA) (February 2011). **Supervisory Framework** Bilateral and multilateral supervisory co-operation and exchange of information with other regulators and authorities plays a key role in effective supervision of regulated insurers and European and global financial stability. This co-operation and exchange of information takes place as part of group supervision as well as on an ad hoc basis whenever a need arises. As part of the supervision of insurers, which have operations in multiple jurisdictions, CBI participates in supervisory colleges. These are bilateral and multilateral for the exchange of supervisory information, co-ordination of supervisory oversight and, to the extent possible, undertaking joint supervisory work (also refer to ICP 25). Information is also shared with certain domestic authorities including An Garda Síochána, the Revenue Commissioners, the Director of Corporate Enforcement and the CCPC to monitor, detect, and prevent various offences and financial crimes and statistical information with other international authorities such as the OECD.
Assessment	Observed
Comments	CBI's legal powers to exchange information with the authorities are specified in the CBA, which is aligned with the relevant EU Directives and protocols. This includes information exchange with relevant financial supervisors and authorities subject to confidentiality, purpose and use requirements. The existence of an agreement or understanding or strict reciprocity is, generally, not a prerequisite for information exchange, including with non-EEA supervisors. CBI has exchanged information with relevant supervisors for supervisory purposes and has executed a number of MoUs with both domestic and international counterparties. It is also a signatory to the IAIS Multilateral MoU. CBI also participates actively in relevant supervisory colleges both as group and host supervisor.
ICP 4	**Licensing** A legal entity, which intends to engage in insurance activities must be licensed before it can operate within a jurisdiction. The requirements and procedures for licensing must be clear, objective and public, and be consistently applied.
Description	**Regulatory authority** Under EC Regulations transposed into Irish laws, (re)insurers are required to hold an authorization from CBI if they wish to carry on insurance business in Ireland: a) Regulation 6, 7 and 9 of the EC (Non-life Insurance) Framework Regulations 1994 (*SI 359/1994*); b) Regulation 6, 7 and 9 of the EC (Life Assurance) Framework Regulations 1994

	(*SI 360/1994*); and c) Regulation 7, 8, 9 10, 30, 31, 32, 33 and 34 of EC (Reinsurance) Regulations 2006, (*SI 380/2006*). There are no exclusions from authorization in Irish legislation. Failure to comply with the authorization requirements is an offence under the EC Regulations. EC Regulations provide for the following definitions of insurance business: a) Non-life insurance - insurance of a class specified in Part A of Annex I of SI 359/1994 b) Life Insurance - insurance of a class specified in Part A of Annex I to SI 360/1994. Captive insurance is not defined or referred to in the Insurance Acts or regulations and captive insurers are authorized according to the types of business (life, non-life and reinsurance) conducted. Under the CG Code for Captive Insurance and Captive Reinsurance Undertakings (Captive CG Code) captive insurers may only write own risks and cannot write any non-group risks.[38] A captive insurer must notify CBI if it no longer complies with the definition of captive or prior to issuing any policies to joint ventures. *(P4.4 of Captive CG Code)* CBI may impose conditions on an authorization, where appropriate. Common authorization conditions include a higher initial solvency margin requirement of 200 percent in the first three years and the requirement for non-life insurers to seek CBI's prior approval before making any inter-company loan payments. *(s24 of IA 1989 and R12 & R33 of SI 380/2006)* **Forms of Establishment** A direct insurer may be either a joint stock company or a mutual company. Reinsurance business may be conducted in Ireland as a company, a special purpose reinsurance vehicle (SPRV) or an exempt undertaking. In practice, direct insurers in Ireland are either limited liability companies or branches. *(R5 of SI 380/2006)* An insurer authorized in another EU/EEA member state may establish a branch (FOE) or passport its services (FOS) into Ireland, without the need for CBI authorization. EU/EEA regulated entities that provide insurance services on FOE or FOS basis must comply with the General Good Requirements and the CP Code. Foreign branches in Ireland are required to submit annual statistical reports to CBI. *(SI 359/1994 , SI 360/1994, SI 380/2006 and Part III of the Siena Protocol)* A non-EEA insurer may provide insurance by way of services into Ireland in certain classes of insurance relating to the insurance of passengers in marine and aviation vehicles and carrier's liability, provided the specified conditions are met. The conditions are: a) for business written by a branch in EEA, the insurer must comply with solvency margin requirements; b) if

[38] The Captive CG Code defines a captive insurer as "*an insurance or reinsurance undertaking, owned either by a financial undertaking other than an insurance or a reinsurance undertaking or a group of insurance or reinsurance undertakings*....*or by a non-financial undertaking, the purpose of which is to provide insurance or reinsurance cover exclusively for the risks of the undertaking or undertakings to which it belongs or of an undertaking or undertakings of the group of which it is a member.*"

	the business is to be written without physical establishment within EEA, a statement from the home supervisor on its compliance with the applicable solvency requirements; and c) the nature of risks it is proposed to cover shall be disclosed to CBI. *(R6 of SI 359/1994)* A non-EEA insurer may also apply for authorization to establish a branch Ireland. *(R6 and R47 to R56 of SI 359/1994, R63 to R72 of SI 360/1994 and Part V of the Siena Protocol)* **Authorization Criteria and Requirements** The key criteria considered by CBI in assessing an application include: a) Overview of the parent/group to which the applicant belongs; b) Consolidated supervision of parent/group entities; c) Ownership and legal structure; d) Applicant's objectives and proposed operations/business plans; e) Organization of the applicant including CG arrangements, fitness and probity (F&P) of key personnel (details in ICP 5), ,etc. The overall composition of the board of directors should have sufficient experience in finance, actuarial, insurance, general business and risk management; f) Risk oversight (e.g., audit, compliance, risk management, underwriting, reinsurance arrangements, financial control, internal controls, ,etc.); g) Capital and solvency projections. While the SII is not yet in place, applicants are required to demonstrate their projections in relation to SII and demonstrate a credible plan to achieve full compliance with the SII requirements. h) Financial information and three year projections on an optimistic, realistic and pessimistic basis with explanations of the underlying assumptions. i) Actuarial support for projections; and j) Policies and procedures on CoB/consumer protection. CBI requires applicants and newly approved life and non-life insurers to meet 200 percent of their calculated solvency margin. After three years, the requirement may be reduced to 150 percent. The rationale for the higher solvency margin in the first three years includes: lack of company specific, historical premium and/or claims data; higher operational risk posed by new firms; unproven business model; no other retained reserves have been built up; premium collection may be in arrears in comparison with the potential for immediate significant claims; and general concerns in relation to "teething problems" in the early years. CBI considers a proposed captive that has proven risk management and a detailed, credible claims history sufficient to allow for actuarial inferences to be drawn may have greater certainty in its business model than a start-up third party insurer. As from 2009, CBI has reduced the 200 percent solvency margin to 125 percent solvency margin for newly established captives writing pure property and ancillary business interruption classes only and 150 percent solvency margin for all other captive companies. A proposed captive reinsurer must hold at least 100 percent of the applicable solvency requirement. Where an applicant proposes to hold a solvency margin of less than 150 percent; it must provide the rationale for the level of capital proposed. There are specific requirements in respect of SPRV applications; one of which is that the vehicle is fully funded.

	Group and Cross-border Operations An applicant that is part of a group is required to submit its group reporting structure, indicating all entities within the group. Information on the type of related party transactions within the group and any potential conflicts of interest should also be provided. CBI will also ascertain if there is an insurance holding company that is subject to supplementary supervision. CBI will and to assess the board of directors of an insurance holding company and its governance arrangements. *(SI 366/2007)* The General Protocol of the European Insurance and Occupational Pension Authority (EIOPA) governs cross-border activities of EU/EEA insurers. An applicant intending to set up a branch in Ireland or passport its services into Ireland must submit the information outlined in the General Protocol through its home supervisor. The home supervisor must ensure that CBI receives the complete notification within three months of having received all necessary information. *(Part III of EIOPA's General Protocol)* In assessing an application from a non-EU/EEA insurer who wishes to establish a branch in Ireland, CBI must be satisfied that it: is entitled to undertake insurance business in its home jurisdiction; undertakes to maintain accounts and records of its Irish business at the branch in Ireland; designates an authorized agent; it holds certain specified assets in Ireland; undertakes to maintain the required margin of solvency; and submits a scheme of operations. (*R47 to R56 of SI 359/1994 and R63 to R72 of SI 360/1994*). CBI will seek references from relevant supervisory authorities. Enquiries may also be made to overseas supervisory authorities in whose jurisdiction the applicant's parent and/or group has a significant presence. It requires an applicant to furnish a full list of regulated entities within a group in order to contact the appropriate authorities. **Authorization Process** The authorization process is as follows: a) An initial meeting where the applicant will provide an overview of the proposed business model. CBI may follow this up with general concerns, which the potential applicant should address; b) Information required outlined in the relevant application checklist must be provided to CBI. The Authorization Unit will first review the application and accompanying documentation for completeness, within two weeks of initial submission. An incomplete application will be returned to the applicant; c) CBI assessed the application and may raise queries or require additional information. All applications, with the exception of SPRVs, are also reviewed by qualified actuarial resources within CBI; and d) The Authorizations Unit will prepare an Authorization Paper and recommend a decision to Authorization Committee or HOD. CBI's authorization framework sets out different approval levels for two different categories of (re)insurers: a) Category 1 - include life and non-life insurers and are approved by an Authorization Committee. The Committee comprises members from the following panel of officers:

	DG(FR), Directors, Risk Advisors and Special Adviser to DG(FR); and b) Category 2 - include captive insurers and reinsurers (including SPRV) and are approved by the HOD, with delegation permissible to the Deputy HOD in his/her absence. Prior to formal authorization, a successful applicant will be provided with confirmation of "authorization in principle" when the application has been fully examined, reviewed and approved in principle by CBI. At this stage, the applicant will address matters such as the introduction of capital, appointment of directors, finalizing the company's name and objects and confirming that it will be in a position to comply with its conditions of authorization within 21 days of authorization. The "authorization in principle" does not entitle an applicant to write any business. Formal authorization is granted (in the form of a certificate of authorization) after the applicant's capital has been introduced and when all other pre-licensing requirements are met. After licensing, the newly authorized entity has 21 days to agree to its conditions of authorization. A Certificate of authorization is granted for an unlimited period. The applicant is not permitted to carry out the business of (re)insurance until it has received this Certificate. Each Certificate clearly states: the legislation under which authorization was given; the name and address of the reinsurer; the date of authorization; and the classes of insurance authorized. CBI is committed to service standards - the timeline for authorization in 75 percent of complete applications is three months and for 100 percent of applications within six months. The timeline will depend on a number of factors including: the quality and complexity of the initial proposal, the time taken by the applicant to respond to comments issued on each draft, the quality of the responses received addressing all issues raised, any changes made by the applicant during the authorization process, and the time taken by any relevant third parties to respond to queries in relation to the application. **Refusal of Authorization** During the authorization process, if the Authorization Unit forms the view that the application does not meet the relevant licensing requirements, it would inform the applicant. In such instances, the application is usually withdrawn by the applicant. If CBI rejects a reinsurance application, it shall promptly give the applicant a written notice of refusal, which must include a statement setting out the reasons for the refusal. It must also give the applicant an opportunity to make representations in writing as to why the application should be granted. In the case of life and non-life applications, there is no specific requirement for CBI to provide an applicant with an explanation. However, in line with its key value of ethical behavior and transparency, CBI is expected to notify the applicant of the reasons for refusal. *(R10 of SI 380/2006)* Applicants also have a right of appeal to the IFSAT. Appeals can relate to refusal of authorization or the conditions on which an authorization has been granted. Further appeal is available to the Courts.

Assessment	Observed
Comments	CBI is the sole authority for authorizing (re)insurers to conduct insurance business in Ireland. There are clear and objective criteria and process for assessing applications for authorization, which are publicly available on CBI's website. CBI has also issued supervisory guidance on the licensing criteria. The authorization process is well structured for robust assessment of applications and consistent decisions. CBI makes authorization decisions in line with its service standard commitments and provides reasons for the refusal of authorization.
ICP 5	**Suitability of Persons** The supervisor requires Board Members, Senior Management, Key Persons in Control Functions and Significant Owners of an insurer to be and remain suitable to fulfil their respective roles.
Description	**Regulatory Authority** Part 3 of the CBRA empowers CBI to make regulations on and supervise the F&P of controlled functions (CFs) in RFSPs. It authorises CBI to: designate functions as CFs and establish F&P standards; suspend and investigate persons performing CFs; and prohibit certain persons from performing CFs. *(s18 to s53 of CBRA)* Pursuant to the CBRA, CBI has introduced a cross-sectoral F&P regime in October 2010, that establishes: a) *Pre-Approval Controlled Functions (PCFs)* - a CF in which a person may exercise a significant influence on the conduct of an insurer's affairs and for which the prior approval of CBI is required before appointment. CBI has prescribed 41 senior positions, including Board Members, Senior Management and Key Persons in Control Functions. These individuals must complete an online Individual Questionnaire (IQ), which is endorsed by the proposing insurer; and b) *Controlled Functions (CFs)* - includes 11 categories of positions (CF 1 to CF11) that exercise a significant influence on the conduct of the affairs of an insurer, monitor compliance or is responsible for the provision of a financial service involving customers. An insurer is not allowed appoint a person to perform a CF, unless it is satisfied *on reasonable grounds*, that the person complies with the F&P Standards and that the person has agreed to abide by the F&P Standards. *(s20 to s22 of CBRA and SI No 437 of 2011 & SI No 615 of 2011)* A Significant Owner is not subject to regulation under the F&P regime. Nonetheless, CBI requires Significant Owners to provide information in relation to financial soundness and probity as part of applications for new authorizations and acquisition of, or change in a qualifying shareholding under the Acquiring Transaction Regime (refer to ICP 6). In practice, CBI would assess the F&P of a Significant Owner who is an individual using the same standards as PCF/CF.[39]

[39] Significant Owner refer to a person with a qualifying holding (direct or indirect) that represents 10 percent or more of the capital of, or the voting rights in, an insurer; or is able to exercise a significant influence over the management of an insurer.

	The F&P regime does not apply to: a) Call Centre staff, who are subject to the Minimum Competency Code 2011; b) Inward branches / cross border service providers. Individuals performing PCFs/CFs on behalf of a EEA insurer and which provides services in Ireland on a cross border or branch basis; c) Individuals who have functional responsibility at group level and who may be able to exert a significant influence over the performance of CFs or PCFs in the Irish entity; on the basis that they are already required to comply with F&P requirements in their home jurisdictions; and d) Outsourcing arrangements - where that individual is regulated by CBI or a similar authority in another country, and a written agreement is in place between the RFSP and the individual. In November 2011, CBI issued the non-statutory *F&P Guidance*. The F&P Guidance provides that insurers should look beyond the given title of a specific role and should consider the responsibilities of each role within the organization when assessing CFs and deciding the specific competencies, and level of probity that should apply to a CF. Each insurer must identify and maintain a record of persons assessed as performing PCFs/CFs, including the due diligence undertaken. **Suitability Requirements** CBI has issued the *F&P Standards*, which apply to all persons performing CFs or PCFs. The F&P Standards outlines the F&P criteria for PCF and CF: a) Fitness - to "*have the qualifications, experience, competence and capacity appropriate to the relevant function*"; b) Integrity - to act honestly, ethically and with integrity; and c) Financial Soundness - to manage their affairs in a sound and prudent manner. *Competent and Capable* The F&P Standards requires a person to demonstrate, *inter alia,* that he/she has: a) appropriate professional or other qualifications and capability; b) obtained appropriate competence and skills whether through training or experience gained in an employment context; c) competence and proficiency to undertake the relevant function through the performance of: previous functions, current CFs, or any role similar to CF/PCF; and d) a clear and comprehensive understanding of the regulatory and legal environment appropriate to the relevant function. Persons carrying out CF roles, which involve provision of a service directly to consumers are also subject to the Minimum Competency Code (see ICP 18). If a person previously performed a function in an insurer, which is equivalent to CF/PCF and that insurer received government support, CBI will consider the extent to which his/her performance may have contributed to the necessity for State support. *Honest, Ethical and Act with Integrity* The F&P Standards outline certain circumstances that may adversely affect probity, including:

	a) Refusal, prohibition, restriction or suspension from carrying on any trade, business or profession; b) Complaint to CBI, the Financial Services Ombudsman or an equivalent body; c) Disciplinary proceedings, a warning, reprimand or other administrative sanction; d) Dismissal from any position of trust or fiduciary appointment; e) A director of a company that was struck off the register of companies or disqualification or restriction from acting as a director or in a managerial capacity; f) Convictions (e.g. , ML or TF, fraud, misrepresentation, dishonesty or breach of trust, civil penalty enforcement action; and g) Provision of untruthful, false or misleading information to CBI or uncooperative in any dealings with CBI. _Financial Soundness_ Factors considered by CBI include whether the person: a) has defaulted upon any payment due arising from a compromise or scheme of arrangement with his or her creditors or made an assignment for the benefit of his or her creditors; b) is subject to a judgment debt, which is unsatisfied; c) is or has been the subject of a bankruptcy petition or has been adjudicated a bankrupt; or d) was a director of an entity, which has been the subject of insolvency. CBI requires Significant Owners to provide information in relation to financial soundness and probity as part of applications for new authorizations and acquisition of, or change in a qualifying shareholding under the Acquiring Transaction Regime (ICP 6). **Ongoing Suitability** Suitability of PCF/CFs is assessed both at the stage of appointment and on an ongoing basis: a) Gatekeeper role - initial requirement to demonstrate suitability. CBI has a gatekeeper role in respect of initial appointments of PCFs[40] *(s23 of CBRA)*; b) Ongoing requirement by CFs/PCFs to demonstrate suitability. Insurers have an ongoing compliance obligation not to allow persons to perform CF/PCF roles unless it is satisfied *on reasonable grounds*, that the person complies with the F&P Standards and that the person has agreed to abide by the F&P Standards. CBI expects insurers to identify, assess and maintain a record of persons performing CFs/PCFs and may request such records. *(s21 of CBRA);* and *c)* Suitability Requirements - Extent of Review Required. The level of due diligence required may differ depending on the categorization of the CF. Insurers are expected to undertake

[40] Notably, where CBI approves a proposed appointment to a PCF that, in itself, is not a certification of the person's compliance with the F&P Standards. The RFSP is obliged pursuant to section 21 of CBA to satisfy itself on reasonable grounds that the person is compliant with the F&P Standards. *(P2.3 of F&P Guidance)*

	additional due diligence in relation to persons discharging higher CFs (CF1 and CF2) and PCFs.[41] CF1 roles involve an ability to exercise a significant influence on the conduct of the affairs of the insurer while CF2 roles involve ensuring, controlling or monitoring compliance of the insurer. The F&P Guidance highlights that RFSP has a continuing obligation and suggests that RFSPs require persons performing CFs to undertake to notify the RFSP of any material changes in respect of initial due diligence carried out. CBI recommends that RFSPs carry out an audit of persons performing CFs/PCFs on an annual basis by asking persons in CFs/PCFs to confirm whether they are aware of any material developments in relation to their compliance with the F&P Standards. Where a RFSP becomes aware that there may be concerns regarding the F&P of a person performing a CF, CBI expects the RFSP to investigate such concerns and take action as appropriate without delay. In addition, the IQ submitted by PCFs requires persons in PCFs to promptly notify CBI of any changes that materially affect their suitability. *(s21 of CBA and P21 of F&P Guidance)* There is no legal obligation or guidance on the ongoing suitability of Significant Owners other than at the stage of authorization or changes in control. **Supervisory Actions** CBI has statutory power to investigate individuals who perform or who are proposed to be appointed to a CF role. In order for an investigation to be initiated, CBI must apply a preliminary threshold test to form an opinion that: there is reason to suspect a person's F&P to perform the relevant CF; and an investigation is warranted. Following the conclusion of the investigation, a report is prepared for consideration by the Commission and the Governor. CBI has statutory powers to remove individuals from CFs by issuing a prohibition notice and/or a suspension notice. So far, CBI has not issued any prohibition notice and one case was in progress at the time of assessment. *(s25, s26 and s43 of CBRA)* In exceptional circumstances, CBI may proceed to issue a prohibition notice without conducting an investigation. The exceptional circumstances are that: undisputed facts, which in the reasonable opinion of CBI or the Governor render an investigation unnecessary; and the subject performing the CF/PCF role and the relevant insurer have been afforded a reasonable opportunity to make submissions in relation to the matter. **Exchange of Information** The EIOPA General Protocol articulates the reciprocal responsibilities of EU authorities have in sharing available information on the good repute, competence and professional experience of directors, managers, and other persons who effectively run the business of insurers; and the good repute and financial soundness of shareholders/members. Where a person is currently approved for a PCF role in another EEA/EU Member State and proposes to take up a similar role in Ireland, CBI may expedite the application based on a positive reference check

[41] E.g., check the CRO's records for restrictions or disqualifications from acting as a company director instead of relying on declaration from the candidate.

	from the relevant EEA/EU supervisor. *(P4.1 of General Protocol)* CBI's legal powers to exchange information with other relevant supervisors are outlined in ICP 3. If deemed necessary, CBI may request an insurer signs a waiver to enable CBI to discuss the insurer with a named third party. *(s33AK of CBA)* **Supervisory Practice** An initial F&P assessment is completed by the Regulatory Transactions Department (RTD) based on applications from entities, currently regulated or applying to be regulated, proposing candidates for PCF/CF roles.[42] The application form contains questions on professional experience, qualifications, reputation and character, other directorships and shareholdings. A proposed PCF candidate must complete the IQ. Some IQs are approved by the RTD while others are approved by the relevant supervisory division depending on the PRISM impact rating of the proposing entity or whether the IQ forms part of an application relating to authorization. For Low and Medium-low impact insurers, the RTD makes the decision to approve/reject an application. For High, Medium-high and new authorizations the decision is made by ID. For High impact insurers, it is expected that key PCFs will be interviewed prior to a decision being taken to accept/reject the application.[43] On average, about three percent of PCF applications were withdrawn. Upon the receipt of a notification from a reinsurer of an issue pertaining to a CF/PCF's suitability, ID will submit a request to RTD to place a "Notification" on the CBI's Supervision System with information regarding a person. The Supervision System is an in-house database, which contains details of all PCFs persons and certain CF persons in a particular re(insurer). The RTD will place a flag against a named individual. The purpose of this flag is to indicate that the person has either perpetrated an action or been involved in circumstance, which could potentially adversely affect the suitability of the person.
Assessment	Largely observed
Comments	The F&P regime, introduced in 2010, covers Board Members, Senior Management and Key Persons in Control Functions who are categorized as PCFs. CBI serves as the gatekeeper in approving the appointments of persons in PCFs. Insurers must be satisfied, on reasonable grounds, that a person appointed to the CFs comply with the F&P Standards and they agree to abide by the F&P Standards. This is an ongoing obligation and insurers are also required to maintain proper records of CF/PCFs including the due diligence conducted on persons appointed to PCFs/CFs. Persons appointed in a PCF are required to promptly notify CBI of any changes that materially affect their suitability. CBI has statutory powers to remove individuals from PCF/CF roles by issuing a prohibition notice or a suspension notice. CBI may exchange

[42] The RTD is part of CBI's Operations Directorate. The strategy of the RTD is to centralize, streamline and automate supervisory processes thereby freeing up supervisory divisions from administrative tasks.

[43] CBI Interviewed an applicant for a PCF role. The Applicant was questioned in relation to governance and internal controls errors committed in a previous PCF role. Arising from the interview CBI issued a "minded to refuse" letter to the proposing insurer and the Applicant. The proposing insurer withdrew its application in relation to the Applicant.

	information on suitability of persons with other supervisors. Significant Owners are not explicitly covered by the F&P regime. CBI requires Significant Owners to provide information in relation to financial soundness and probity as part of the authorization process or for the purpose of acquisition of or change in a qualifying shareholdings. However, there is no requirement on the ongoing suitability of Significant Owners. The Authorities are advised to: a) Extend the F&P regime to include Significant Owners; and b) Establish clear requirements for insurers to notify CBI of any circumstances that may materially adversely affect the suitability of persons appointed to PCF and Significant Owners.
ICP 6	**Changes in Control and Portfolio Transfers** Supervisory approval is required for proposals to acquire significant ownership or an interest in an insurer that results in that person (legal or natural), directly or indirectly, alone or with an associate, exercising control over the insurer. The same applies to portfolio transfers or mergers of insurers.
Description	**Legal Authority** Any person who proposes to acquire, either directly or indirectly, a qualifying holding in an insurer, shall first notify CBI. A "qualifying holding" means a direct or indirect holding, which represents 10 percent or more of the capital or of the voting rights or which makes it possible to exercise a significant influence over the management of an insurer. In addition, a person shall notify CBI for an increase in qualifying holding to reach or exceeds the prescribed percentage (i.e., 20 percent, 33 percent or 50 percent) or resulting in the insurer becoming the proposed acquirer's subsidiary. *(R2(1) & R20A of SI 359/1994, R2(1) & R40A of SI 360/1994 and R2(1) & R40A of SI 380/2006)* "Control" is defined as the relationship between a parent and a subsidiary, or a similar relationship between any natural or legal person and an insurer. *(R20(9) of SI 359/1994, R40(9) of SI 360/1994 and R3 of SI 380/2006)* The information to be provided in a notification should be provided using the Acquiring Transaction Notification Form. The information required includes the identity of the proposed acquirers, the individuals to be responsible for management, how the proposed acquisition is to be financed and the structure of the resulting group. *(R20A(3)&(4) of SI 359/1994, R40A(3)&(4) of SI 360/1994 and R40A(3)&(4) of SI 380/2006)* A person who proposes to dispose a qualifying holding in an insurer, shall first notify CBI indicating the size of the proposed holding and if the disposal would decrease the qualifying holding to fall below the prescribed percentage or resulting in the insurers ceases to be a subsidiary of that person. *(R20A (5)&(6) of SI 359/1994, R40A (5)&(6) of SI 360/1994 and R40A(5)&(6) of SI 380/2006)*

	An insurer, which becomes aware of any acquisitions (or disposals) of holdings in its capital so that such holdings reach/exceed (or fall below) any of the prescribed percentage shall inform CBI of such acquisitions or disposals. *(R20B of SI 359/1994, R40B of SI 360/1994 and R40B of SI 380/2006)* The objective of the assessment of a proposed acquisition is to ensure the sound and prudent management of the insurer concerned. In assessing a proposed acquisition, CBI: a) shall have regard to the likely influence of the proposed acquirer on the insurer; and b) shall appraise the suitability of the proposed acquirer and the financial soundness of the proposed acquisition against all of the following criteria: • the reputation of the proposed acquirer; • the reputation and experience of the individuals who will direct the business of the insurers as a result of the proposed acquisition; • the financial soundness of the proposed acquirer; • whether the insurer will be able to comply and continue to comply with the prudential requirements; • whether the group of which it will become a part has a structure that makes it possible to exercise effective supervision; and • potential risk of ML or TF. CBI shall not examine a proposed acquisition in terms of the economic needs of the market. *(R20D of SI 359/1994, R40D of SI 360/1994 and R41A of SI 380/2006)* Where CBI does not oppose a proposed acquisition, it may fix a maximum period within which the transaction must be completed and may impose conditions or requirements, if necessary. Where CBI is opposed to a proposed acquisition, it must inform the proposed acquirer and set out the reasons for its opposition. Subject to any other law, CBI shall publish an appropriate statement of the reasons for the decision if the proposed acquirer concerned so requests. CBI may in its discretion publish such a statement even without any request by the proposed acquirer. *(R20F & R20G of SI 359/1994, R40F &40G of SI 360/1994 and R42A & R43 of SI 380/2006)* If a proposed acquirer purports to complete a proposed acquisition in contravention of the Regulations: a) the purported acquisition is of no effect to pass title to any share or any other interest, and b) any exercise of powers based on the purported acquisition of the holding concerned is void. *(R20J of SI 359/1994, R40J of SI 360/1994 and R44A of SI 380/2006)* An insurer shall inform CBI of the names of shareholders or members possessing qualifying holdings and the size of such holdings, at least once a year. *(R20L of SI 359/1994, R40L of SI 360/1994 and R45A of SI 380/2006)* If CBI reasonably believes that: the control exercised by a person would be inconsistent with the prudent and sound management of a reinsurer or SPRV, or there is a breach of the notification requirement, it may apply to the Court for an order. The Court may make an order: directing the disposal of the holding; suspending the exercise of the voting rights attached to the relevant shares; or invalidating votes already exercised. *(R20N of SI 359/1994,*

	R40N of SI 360/1994 and R45B of SI 380/2006) **Demutualization and Conversion of Companies** As a precondition to granting an authorization, CBI must be satisfied that the applicant has the required legal form (ICP 4). As part of an application for authorization, an applicant is required to submit a copy of its Memorandum and Articles of Association to CBI. The requirement to seek prior consent from CBI for any proposed alterations to those documents is a condition of authorization. This implicitly subjects a fundamental change in an insurer's legal form to prior approval by CBI. CBI views a change from a mutual company to a stock company (and *vice versa*) as a change in ownership and is subject to the requirements applicable to acquiring transactions. **Portfolio Transfers** The Assurance Companies Act, 1909 (ACA) requires that a proposed portfolio transfer of insurance policies must be approved by the High Court. CBI is not a party to any High Court hearing but in practice is often a notice party to the proceedings. A number of documents must be lodged by the petitioner, including an independent actuarial report. The need to preserve equity amongst different sets of policyholders is a key consideration for the High Court. *(s13 of ACA)* In addition, the following legal requirements apply: a) A transfer all or part of a portfolio of insurance contracts concluded under the FOE or FOS basis in Ireland to a EU insurer is subject to an Court order sanctioning the scheme; b) An Irish insurer may, after prior consultation with CBI, assign all or part of its portfolio of insurance policies to another Irish/EU insurer. The assignment shall not be effected unless the relevant home supervisor certifies solvency of that EU insurer after taking the assignment into account; c) Where an Irish branch proposes to assign all or part of its portfolio of insurance policies carried on either by way of FOE or FOS in another EU State, CBI shall consult the supervisory authority of that EU State; and d) An Irish insurer may not assign all or part of its portfolio of insurance policies to an insurer established in another EU State whose head office is not situated in EU. *(R12(1) of SI 359/1994 and R35(1) of SI360/1994)* For *b*) and *c*) above, the assignment shall not be effected without obtaining the agreement of the relevant supervisor of the branch and the supervisors of the relevant EU States in which the risks are situated. Where the supervisors have not given a response indicating consent to or an opinion on the proposed assignment within three months of receiving notification of the assignment, the assignment shall be deemed to be agreed. Similarly, CBI shall issue a response within three months or the assignment shall be deemed to be agreed *(R12(2)-(4) of SI 359/1994 and R35 (2)-(4) of SI360/1994)* An Irish reinsurer shall not acquire a portfolio of reinsurance contracts held by another reinsurer (whether or not established in Ireland) unless it has obtained from CBI a certificate to the effect that, after taking the acquisition into account, the reinsurer will meet the

	required solvency margin. (*R22 of SI 380/2006)* A transfer must be published in Iris Oifigiuil (Irish Official Gazette) and once in each of two daily newspapers published in Ireland and in any EEA member state where a risk is situated. In Ireland, it is the responsibility of the transferring insurer to arrange this. Existing policyholders of the transferor must be made aware of the material facts of the transfer and must be given the option of cancelling their policy if they so wish. *(R12(5) of SI 359/1994 and R35 (5)of SI360/1994)* The Society of Actuaries in Ireland has issued an Actuarial Standard of Practice in relation to the role of the an actuary in ensuring equity between three sets of policyholders, i.e., a) those remaining in the transferring insurers; b) those transferred to the accepting insurer; and c) existing policyholders of the accepting insurer at the time of the transfer. This Standard covers only transfers of life business portfolios in light of the long-term nature of life policies. **Supervisory Practices** The details prescribed in the Acquiring Transaction Notification Form and the assessment of the suitability of a proposed acquirer is fundamentally the same as that required from new applicants seeking authorization for a new insurer. For both cases, the information required on qualifying shareholders includes legal and regulatory status, financial position and strength, sources of revenue, assets and liabilities, pledges and guarantees. Details of any financial or non-financial interests or relationships the proposed acquirer has with any parties related to the target insurer must also be provided. CBI adopts the same requirements for all proposed acquirers of (re)insurers whether they are inside or outside Ireland. CBI consults the relevant authorities of other EU States if the proposed acquirer concerned is a regulated entity, the parent of a regulated entity, or a person who controls such an entity. CBI will also liaise with regulators in non-EU jurisdictions where the proposed acquirer is regulated in that jurisdiction, or where the proposed acquirer is part of a group regulated in that jurisdiction. Approval of the proposed acquisition by the relevant home supervisor is a prerequisite to the granting of approval by CBI. CBI will also seek to identify all proposed/intended beneficial owners by seeking details of shareholdings in proposed acquiring entities. CBI has the legal power to oppose a proposed acquisition if the information provided by the proposed acquirer is incomplete, or the proposed acquirer has not provided further information in response to a request from CBI. While the ACA does not provide for CBI expressing a view to the High Court on whether a transfer should proceed, the High Court will typically only sanction the transfer if it is satisfied that no objection from CBI. In forming its view on the proposed transfer, CBI will consider the impact on the transferring policyholders and any remaining policyholders of the transferor and will seek assurance that their reasonable benefit expectations, and their existing policy values, will not be lessened as a result of the transfer. The independent actuarial report and the provision of a solvency certificate from the transferee's home regulator, will inform CBI's consideration. CBI deals with several portfolio transfers on an annual basis and has established procedure on

	portfolio transfers.
Assessment	Observed.
Comments	A person who intends to acquire/increase a qualifying holding in an (re)insurer must notify CBI, who may oppose the acquisition/increase to reach/exceed the prescribed levels (i.e., 20 percent, 33 percent or 50 percent). There is also a notification requirement to CBI for reducing a qualifying holding to below the prescribed levels. (Re)insurers are subject to the same notification requirements and must submit the names of qualifying shareholders and their shareholdings to CBI at least annually. The criteria for assessing acquisition proposals are the same as those applicable for initial authorization. If a person fails to comply with the notification requirements or where the control exercised by a person is prejudicial to the prudent and sound management of an insurer, CBI may apply to the Court for an order to rectify the situation. Portfolio transfers are subject to Court approval and CBI is entitled to raise an objection, if CBI opines that there is detrimental impact on the interest of policyholders of both the transferor and transferee. CBI reserves the right to approve the conversion of a mutual company to a stock company, or vice versa, through the imposition of authorization condition.
ICP 7	**Corporate Governance** The supervisor requires insurers to establish and implement a CG framework, which provides for sound and prudent management and oversight of the insurer's business and adequately recognizes and protects the interests of policyholders.
Description	**Legal Framework** The CG requirements are contained in: a) the 2013 Corporate Governance Code for Credit Institutions and Insurance Undertakings (CG Code); and b) the 2011 Corporate Governance Code for Captive Insurance and Captive Reinsurance Undertakings (the Captive Code). The 2013 CG Code replaces and enhances the existing 2010 CG Code and is effective January 1, 2015. The CG Codes are imposed as authorization conditions. As a result, CBI may enforce the CG Codes under its preventive and corrective powers and to impose sanctions (ICP 10 and ICP 11). The CG Codes are applicable to (re)insurers but not non-regulated holding companies of insurance groups. For these holding companies, CBI uses an indirect supervisory approach through the regulated reinsurer. In order for CBI to extend its information gathering power to governance information at the group level, CBI would have to demonstrate that the information required is for the purpose of supplementary supervision. *(R9 of SI 366/2007)* Insurers are required to submit an annual compliance statement specifying whether they have complied with the relevant CG Code. CBI has also issued guidelines for insurers in relation to the compliance statements. *(s25 of the 2010 CG Code, s26 of the 2013 CG Code , s22 of Captive Code and s27A of CBA 1997)*

	In addition, a listed company is required to include a CG statement in the report by the directors or in a separate report, which shall accompany the financial statements. However, this requirement does not apply to insurers that are not listed. *(s158(6C) of CA 1963)* The CG Codes were supplemented in 2013 with the CBI Guidelines on Preparing for – System of Governance (CG SII Guidelines). The CG SII Guidelines are based on the EIOPA Guidelines on System of Governance and are more explicit on group level requirements than the CG Codes. They are effective (but not legally binding) from January 1, 2014, for all (re)insurers designated as High impact, Medium-high impact and groups. Low impact and Medium-low impact insurers are expected to apply these guidelines from January 1, 2015. The CG Code requires the Board to set the business strategy, understand the risks to which the insurer is exposed and establish a documented risk appetite. The Board is also responsible for the effective, prudent and ethical oversight of the entity and ensuring that risk and compliance are properly managed in the insurer. *(Sections 6, 12, 13, 14, 22 of the 2010 CG Code and sections 6, 13, 14, 15, 23 of the 2013 CG Code)*. The CG Code states that the Board retains primary responsibility for CG within the institution at all times. Senior management plays an important part in ensuring effective governance and is therefore responsible for operating effective oversight consistent with Board policy. Sections 6.3 to 6.6 of the CG Code specifically deal with robust governance arrangements, clear organizational structure and oversight along with requirements on articulation of the policy and structures in place. Section 14 of the 2010 CG Code and Section 15 of the 2013 CG Code requires the Board to ensure it receives timely, accurate and detailed information from risk and Control Functions along with ensuring adequate arrangements for regular reporting to the Board. Through its F&P regime, CBI requires Boards to have an appropriate number and mix of individuals to ensure that there is an overall adequate level of knowledge, skills and expertise at the Board level commensurate with the governance structure and the nature, scale and complexity of the insurer's business. Various sections of the CG Code (e.g. „Sections 7-13 of the 2010 CG Code and sections 7-14 of the 2013 CG Code) detail Board requirements in the areas of size, composition, roles, authorities, performance, etc. Individual directors have a general obligation under the CA to act in good faith, honestly and reasonably; and exercise due care and diligence. While (re)insurers are required to establish and implement effective conflict of interest policy, CBI's CG framework regulation is not as explicit as ICP 7.4 in stating the responsibility of individual directors to act in the best interests of both the insurer and policyholders (e.g. „putting those interests of the insurer and policyholders ahead of his/her own interests; and exercising independent judgment and objectivity in his/her decision making, taking due account of the interests of the insurer and policyholders, etc.). The CG Code requires an insurer's Board to provide oversight in respect of the design and implementation of sound risk management and internal control systems and functions. The Board should establish strong governance arrangements, which include ensuring the business has effective risk management processes and internal control mechanisms. There must also

	be a documented risk appetite, which allows the Board to track performance and is supported by a risk management framework and strong internal controls. Some of these are additional requirements to the 2010 CG Code and will be fully effective as from January 1, 2015. *(Sections 6 and 15 of the 2013 CG Code)* The CG Code requires an insurer's Board to adopt and oversee the effective implementation of a remuneration policy, which does not induce excessive or inappropriate risk taking, is in line with the identified risk appetite and long term interests of the insurer, and has proper regard to the interests of its stakeholders; and ensures that such a remuneration policy, at a minimum, covers those individuals who are members of the Board, Senior Management, Key Persons in Control Functions and other employees whose actions may have a material impact on the risk exposure of the insurer. *(Sections 14, 18 and 23 of the 2010 CG Code; sections 13, 15, 19 and 24 of the 2013 CG Code)* An insurer's Board is required to ensure there is a reliable financial reporting process for both public and supervisory purposes, which is supported by clearly defined roles and responsibilities of the Board, Senior Management and the external auditor. The auditor of a company shall make a report to shareholders on the company and consolidated group accounts. One of the specific duties of the Audit Committee of an insurer is to monitor the statutory audit of the annual and consolidated accounts. *(SI 359/1994, SI 360/1996, SI 380/2006, s193(1)&(2) of CA 1990, s21 of the 2010 CG Code and s22 of 2013 CG Code)* The CG Code requires an insurer's Board to have systems and controls to ensure the promotion of appropriate, timely and effective communications with the supervisor and relevant stakeholders on the governance of the insurer. An insurer must notify the CBI of any material deviations from the CG Code and to submit an annual compliance statement. Insurers shall also disclose in their annual report that they are subject to the CG Code and whether they are required to comply with the additional requirements for major insurers. *(S4, s6.7, s13.7 and s25 of the 2010 CG Code and s4, s6.7, s14.8 and s26 of the 2013 CG Code)* The CG Code requires an insurer's Board to have appropriate policies and procedures to ensure that Senior Management carries out the day-to-day operations of the insurer effectively and in accordance with the insurer's strategies, policies and procedures; promotes a culture of sound risk management, compliance and fair treatment of customers; provides the Board adequate and timely information to enable the Board to carry out its duties and functions including the monitoring and review of the performance and risk exposures of the insurer, and the performance of Senior Management; and provides to the relevant stakeholders and the supervisor the information required to satisfy the legal and other obligations applicable to the insurer or Senior Management. The CG Code sets requirements in relation to the role of the CEO and the responsibilities of the Board in respect of appointments, removing heads of control and succession planning; to carry out an annual review of the performance of the Board and its members. With effect from January 1, 2015, additional requirements apply in relation to the role of the CRO and the requirement for the system of governance to promote and communicate an appropriate risk and compliance culture at all levels of the insurer. *(s6, s9, s13 of the 2013 CG Code)* CBI has the power to require an insurer to demonstrate the adequacy and effectiveness of its CG framework. An insurer is required to report a material deviation from the CG Code, along

	with the proposed remedial action, to CBI within five business days. All (re)insurers are required to submit an annual compliance statement; and to specify if they have complied with the Code. (*s4 and s25 of the 2010 CG Code, s4 and s26 of the 2013 CG Code and s.25 and s.27A of CBA 1997)* **Supervisory Framework** To assess an insurer's CG framework and to ensure sound and prudent management and oversight of the insurer's business, CBI applies the PRISM methodology, which includes: • Governance assessments, which include an assessment of the Board and committee quality, management quality, internal audit quality, culture and compensation (pay and reward), supervisibility and structural complexity and risk management quality; • Conducting meetings with members of the Board and Heads of CFs, which provide supervisors with a view on the suitability and competence of the insurer's leadership; • Reviewing minutes and papers of Board and committee meetings. This enables supervisors to opine on the processes, structures and information flows, which are used by both the Board and senior management to satisfy themselves that effective control mechanisms are in place protecting all stakeholders including policyholders, investors, shareholders and employees; • Reviewing and testing the Board approved policies and procedures to ensure they meet all the requirements of the CG Code. This includes remuneration and nomination policies and any group policies adopted by the Board; • Conducting FRRs such as a review of the risk management framework to assess the quality and effectiveness of the risk management function; • PRISM requires that in High impact insurers a full governance review should be conducted at least every two years and in Medium-high impact insurers it should be reviewed at least once every two to four years; • Reviewing an insurer's Annual Compliance Statement, which is signed by all Board members, stating whether the insurer has materially complied with the relevant CG Code and includes details of any material deviations from the CG Code and the remedial action taken or proposed to be taken; and • For Low impact insurers (such as captives), CBI reviews their Compliance Statements and ascertain the need for reactive measure including appropriate enforcement action. Where an insurer reports a material breach of the Code, CBI may take the necessary supervisory measures e.g. „require changes in the composition of the Board. Not currently a part of PRISM or the CG Code is the responsibility for the fair treatment of with-profits policyholders. The insurers subject to CBI's prudential supervision manage a total of €6.3 billion in with-profits funds. The CBI relies on the work of the insurer's actuary for the fair treatment of the with-profits policyholders (e.g., allocation of profits to policyholder bonuses in accordance with Policy holders Reasonable Expectations – PRE).
Assessment	Largely observed
Comments	The CG Code establishes robust CG requirements, which are largely in observance with ICP 7. All (re)insurers are required to submit an annual compliance statement on their complied with the CG Code.

	Specific areas of current shortfall include: • Certain aspects of the revised 2013 CG Code are applicable only from January 1, 2015. For example, these include the role of the CRO. The CG SII Guidelines are effective (but not legally binding) from January 1, 2014, for all (re)insurers designated as high impact, medium-high impact and groups. Low impact and medium low impact (re)insurers are expected to apply these guidelines from January 1, 2015; • CBI's CG framework regulation is not as explicit as ICP 7.4 in stating the responsibility of individual directors to act in the best interests of both the (re)insurer and policyholders; • With respect to insurance groups, the specificity of outcome expected at the group level is unclear. For example, while the CG Codes are directed at (re)insurers, there is fairly general language with respect to groups (e.g., Section 6.3 of the Code states – "*All institutions shall have robust governance arrangements ….both on a solo basis and at group level*"). In addition, PRISM itself lacks clarity of supervisory outcome expected at the group level. Despite this lack of clarity, actual CBI supervisory practice, especially for Irish based cross-border groups, does include some assessment of CG at the group level for some groups; • Apart from the check-list approach to reviewing the Annual Compliance statements, there is no supervisory assessment of the CG practices of Low Impact (re)insurers; and • Despite the presence in Ireland of approximately €6.3 billion of with-profits funds, PRISM and CBI generally assume no role in the assessment of customer fairness for these customers. The coming into effect of the revised CG Code and CG SII Guideline will largely address some of the regulatory gaps noted above. To further improve (re)insurers' governance practices, it is recommended that CBI: • secures the necessary powers to supervise CG at the group level, even for non-regulated holding companies; • reviews its current checklist approach to reviewing the CG of Low impact (re)insurers; • enhances the CG framework regulation in accordance with ICP 7.4 to further explicitly state the responsibility of individual directors to act in the best interests of both the (re)insurer and policyholders; and • defines its role in the assessment fair treatment of with-profits customer.
ICP 8	**Risk Management and Internal Controls** The supervisor requires an insurer to have, as part of its overall CG framework, effective systems of risk management and internal controls, including effective functions for risk management, compliance, actuarial matters, and internal audit.
Description	**Legal Framework** The requirements for risk management and controls are principally stated in the CG Code, the Captive Code and CG SII Guideline. (Please refer to ICP 7). The 2013 CG Code, which becomes effective from January 1, 2015, sets out additional

	requirements relating to risk management and internal control in comparison with the current CG Code. The F&P regime (ICP 5) covers risk management, compliance, actuarial matters, and internal audit, which are categorized as PCFs. The requirement for insurers to establish, and operate within, effective systems of risk management and internal controls is provided for in the 2013 CG Code, which states that the Board is responsible for: • The strategy for the managing material risks *(s13.1.c of 2013 CG Code);* • Overseeing an adequate and effective internal control framework *(s13.1.f of 2013 Code);* and • Identifying risks that require contingency plans *(s15.8 of 2013 Code)*. The CG Codes require insurers to have effective CF's with the necessary authority, independence and resources and both set out a number of requirements that ensure that this standard is met. The Board must ensure that: • All key CFs are independent of business units and have adequate resources and authority in order to operate effectively *(s14.5 of 2010 CG Code, s13.5 of Captive Code, s 15.5 of 2013 CG Code);* • It receives accurate, detailed and timely information from CFs *(s14.6 of 2010 CG Code, s13.6 of Captive Code, s 15.6 of 2013 CG Code);* and • There is prior Board approval for the removal of the head of a CF and that the reason for removal is notified to CBI within five working days. No agreement should be entered into with a Head of CF that would impede the provision of information by that Head to CBI *(s13.72010 CG Code, s12.7 Captive Code of 14.8 of 2013 CG Code)*. Insurers should have robust governance structures, which include effective processes to identify, manage, monitor and report the risks to which it is or might be exposed and remuneration policies and practices that are consistent with and promote sound and effective risk management *(s6.3 of 2010 CG Code & Captive Code)*. An insurer must establish a risk committee to advise the board on risk appetite and tolerance. (s22 of 2010 CG Code) Insurers are required to appoint a CRO under s12 of the 2013 CG Code. The Captive Code sets out more proportionate requirements - the Board to consider establishing a risk committee and there is no explicit requirement to have a CRO. *(s17 of Captive Code)* The Board shall establish a documented risk appetite for the insurer. The appetite shall be expressed in qualitative terms and also include quantitative metrics to allow tracking of performance and compliance with agreed strategy. The Board shall ensure that the risk management framework and internal controls reflect the risk appetite and that there are adequate arrangements in place to ensure that there is regular reporting to the Board on compliance with the risk appetite. The risk appetite should be subject to annual review by the Board. *(s14 of 2010 CG Code and s15 of 2013 CG Code)* The Board is responsible for setting and overseeing a well-functioning compliance framework. *(s12 of 2010 CG Code & s13 of 2013 CG Code)* CBI guidance on the Appointment of a Compliance Officer to an Insurance Undertaking (CO Guideline) notes that the appointment of a Compliance Officer is designed to supplement and not supplant the role of the board. The CO Guideline provides practical examples of the role that the compliance function

encompasses in order to promote a corporate culture of compliance. This includes monitoring and implementing compliance reporting to the CEO and the board, reviewing products, procedures and systems on a planned basis from the viewpoint of effective compliance and advising as to the steps necessary to ensure compliance, reviewing staff training to ensure appropriate compliance competencies.

The Board should ensure that key CFs such as the actuarial function have adequate resources and authority to operate effectively:

- Life insurers are required to have an Appointed Actuary to carry out a number of statutory functions. These include carrying out investigations into the financial condition of an insurer annually. The investigation should include a valuation of the liabilities, consistent with the prescribed valuation rules. In producing the investigation the appointed actuary must consider all aspects likely to affect the financial position of the insurer; and *(s14.5 of 2010 CG Code and R15 & 19 of SI360/1994)*
- Non-life (re)insurers must submit a Statement of Actuarial Opinion (SAO) according to the content specified by CBI. The SAO regime has been significantly strengthened with the introduction of the 2014 Reserving Requirements for Non-Life Insurers and Non-Life and Life Reinsurers. The Reserving Requirements are effective for financial years ending on or after December 31, 2014 *replacing The 2008 Guidelines on the Actuarial Certification of Non-Life Technical Reserves.*

CBI requires (re)insurers to have an effective internal audit function capable of providing the Board with independent assurance in respect of the insurer's governance, including risk management and internal controls. The Board should establish an Audit Committee with written terms of reference. The CG Code sets out general requirements for Board Committees including certain specific requirements for an Audit Committee. Members of the Audit Committee can request the attendance of the Head of Internal Audit at meetings. The Audit Committee is responsible for monitoring the effectiveness and adequacy of internal audit and internal control. The Head of Internal Audit (PCF13) is designated as a PCF role. *(Section 2, s18.1, s21 of 2010 CG Code)*

CBI requires (re)insurers to retain at least the same degree of oversight of, and accountability for, any outsourced material activity or function (such as a control function) as applies to non-outsourced activities or functions. The F&P Guidelines set out the specific requirements where the outsourcing is to another regulated entity or where the outsourcing is to an unregulated entity. For example, prior approval is required for outsourcing to an unregulated entity. Where an insurer applies group policy or uses a group function, the Board should satisfy itself that this is appropriate for the company. *(s5 F&P Guidelines, s12.5 of 2010 CG Code and s13.5 of 2013 CG Code)*

However, the F&P regime does not cover the risk management, compliance, actuarial and internal audit functions at the group level, particularly, an insurance group headed by a non-regulated company.

Supervisory Practices

Supervisory teams assess the risk management and internal control practices of all High, Medium-high and Medium-low insurers under the PRISM framework. For Low impact insurers, reliance is placed by supervisors on the annual compliance statement submitted by

	the insurers. PRISM provides guidance to supervisors for assessing risk management and internal controls under a number of sub-categories and includes key questions to consider and sample characteristics of probability risk ratings. Risk Management Quality and Internal Audit Quality are two of the sub-categories within Governance Risk. Supervisory teams are required to meet with the CRO, the Actuary, Head of Internal Audit, External Audit and members of the Board on a regular basis. The frequency of these meetings is determined based on the impact rating of the insurer. PRISM provides guidance to supervisors for preparing for and conducting each of these engagement tasks. The supervision team will also assess the embeddedness of an insurer's ERM framework. This assessment is undertaken both through governance reviews and as part of the ongoing engagement (including FRRs) with an insurer. The CBI receives and reviews an insurance undertakings risk register, risk appetite statement and risk tolerances of High impact insurers to determine whether all risks to which the insurer is exposed to have been have been identified and quantified. CBI reviews Board and Board Committees' meeting packs and minutes on a regular basis. The assessment of risk management and internal controls occurs not only for insurers but also at the group level. CBI group supervision includes the effective use of supervisory colleges and the inclusion of the topics of risk management and internal controls as appropriate on the college agenda. Outsourcing arrangements within undertakings are assessed by supervisors as part of PRISM engagement for High, Medium High and Medium Low insurers. PRISM gives examples of structural complexity, which includes: • situations where key operational units (branches or subsidiaries) or the parent company are based in other jurisdictions; and • where critical CFs are outsourced.
Assessment	Observed
Comments	The CG Codes and the F&P regime provide a comprehensive legal and supervisory framework on risk management and internal controls, including effective functions for risk management, compliance, actuarial matters, and internal audit. While the assessment identified some weaknesses in observance, the overall rating for this ICP was not reduced to moderate the cumulative adverse impact on the ratings of all ICP's subject to the same weaknesses. The observed weaknesses were: • The F&P regime does not cover the risk management, compliance, actuarial and internal audit functions at the group level, particularly, an insurance group headed by a non-regulated company • Supervisory teams assess the risk management and internal control practices of High, Medium-high and Medium-low insurers but for Low impact insurers, reliance is placed on the annual compliance statement submitted by the insurers. It is recommended that CBI: a) Establishes clear supervisory expectations of PCFs at the group level;

	b) Reviews its current checklist approach to reviewing the risk management practices Low impact insurers; and c) Clarifies its expectations for the actuarial function, taking into account the changing nature of the actuarial function (i.e., Appointed Actuary, Signing Actuary, Chief Actuary, SII actuarial function, etc.).
ICP 9	**Supervisory Review and Reporting** The supervisor takes a risk-based approach to supervision that uses both offsite monitoring and onsite inspections to examine the business of each insurer, evaluate its condition, risk profile and conduct, the quality and effectiveness of its CG and its compliance with relevant legislation and supervisory requirements. The supervisor obtains the necessary information to conduct effective supervision of insurers and evaluate the insurance market.
Description	**Legal Powers** The CBSEA enacted in July 2013 has significantly enhanced the capacity of CBI to supervise insurers and enforce financial services legislation, particularly by: a) Increasing its powers to investigate, give directions and make regulations; b) Consolidating and augmenting the authorized officer role; c) Providing protection for whistle-blowers; and d) Increasing the level of sanctions it may impose. CBI may appoint any of its officers or employees or other suitably qualified persons to be authorized officers. An authorized officer may at all reasonable times enter the business premises of an insurer. The powers of authorized officer include: search and inspect premises; require an insurer to provide records; summon an insurer to give information, provide records or provide explanations; inspect records; take copies of or extracts from records; require a person to make a declaration. An authorized officer may also attend any meeting relating to the business of a RFSP, if necessary for the performance of CBI's functions. *(s24, s26, s27 and s29 of CBSEA).* For Irish branches operating in EU, CBI may (after having informed the relevant EU supervisor) carry out on-the-spot verification of the information required to ensure the financial supervision of the Irish insurer. *(R11 of SI 359/1994 and R11 of SI 360/1994)* CBI has general powers to require insurers to submit returns and accounts in the prescribed form and information as specified by CBI. In addition, CBI may obtain information in relation to any connected body of an insurer, which the insurer "*may reasonably be expected to provide.*[44]" While reinsurers are required to lodge annual return and other statistical

[44] A connected body shall include:
- The holding company or a subsidiary of an insurer; persons with effective control of the management of the insurer and of the body; or persons who significantly influence the effective management and control of either the insurer or the body;
- A body in which an insurer is entitled to control 20 percent or more of the voting rights;
- A body which is entitled to control 20 percent or more of the voting rights of an insurer;
- A fellow subsidiary of an insurer; and
- A body which is connected to a connected body.

"Body" means a body corporate or an unincorporated body of persons.

documents, there is no provision on information related to a connected party of a reinsurer. *(s16 of IA 1989, s4 of IA 1983 and R21 of SI 380/2006)*

CBI has legal authority and has conducted inspections of the outsourced activities of (re)insurers. When a supervision team conducts a governance review on an insurer that outsources key functions, attention is given to: the nature of the various services and functions outsourced and the due-diligence done on outsourcing arrangements; the ability, capacity and authorization of the service provider to perform the outsourced functions; the documentation related to outsourcing e.g., service agreement; and the governance structure for outsourcing.

Risk-based Supervision Approach

In line with CBI's strategic plan, the supervisory approach aims to deliver an assertive risk-based supervision system, which is underpinned by a credible enforcement deterrent. Under this supervisory framework, CBI promotes a culture where supervisors have become more challenging. This challenge extends to business models as well as controls.

Probability Risk and Impact SysteM$_{TM}$ (PRISM)

CBI adopted the PRISM risk-based supervision framework in 2011. PRISM is designed to:

- Adopt a consistent way of thinking about risk across all RFSPs;
- Allocate resources based on impact and probability;
- Undertake a sufficient level of engagement with all High Impact RFSPs;
- Assess firm risks in a systematic and structured fashion;
- Ensure that action is taken to mitigate unacceptable risks in firms;
- Provide RFSPs with clarity around CBI's view of the risks they pose; and
- Use quality control mechanisms to encourage challenge and sharpen the supervisory approach
- Provide improved management information about the risk profiles of RFSPs.

PRISM facilitates supervisory assessment comprising two components:

a) *Impact categories* - each insurer is categorized based on the impact metric data (see table below) as: Ultra-High/High, Medium-High, Medium-Low, and Low. The impact assessment is purely quantitative. Impact classifications are a matter of supervisory judgment and are not subject to appeal; and
b) *Probability risk* - the likelihood of a firm failing. PRISM requires supervisors to challenge insurers and form judgments about the risks each insurer presents. Risk rating categories are High, Medium-High, Medium-Low, and Low.

In launching PRISM, CBI recognizes that RFSPs will and must be allowed to fail in a functioning market economy as the supervisory costs of a no-failure regime would be prohibitive. PRISM focuses attention on RFSPs with the highest impact (irrespective of the likelihood of failure), making it materially less likely that they will fail in a disorderly fashion. These RFSPs receive the highest level of supervision under structured engagement plans, facilitating early interventions to mitigate potential risks. Conversely, those RFSPs, which have the lowest potential adverse impact are supervised reactively (their risk ratings are not assessed as part of the minimum engagement), with CBI taking targeted enforcement action against RFSPs across all impact categories whose poor behavior risks jeopardizing its statutory objectives.

Non-Life	Life	Reinsurance
Gross Written premiums	Reserves	Gross Written premiums
Net Written premiums	Total Assets	Net Written premiums
Gross TPs	Total required solvency margin	Gross TPs
Net TPs	Total liabilities	Net TPs
Total required solvency margin	Annual premium equivalent	Total required solvency margin
Total liabilities		
Dominance index[45]		

Supervisors must provide a rationale to support their probability risk rating. There are 10 probability risk categories (capital, conduct, credit, market, insurance, governance, environmental, liquidity, operational and business model/strategy) and 24 sub-categories. The 12 point risk rating scale is non-numeric (ranging from Low- to High+) and supports the philosophy of judgment based supervision. However, insurers rated Low are not subject to probability risk assessment.

PRISM Engagement Model

The PRISM engagement model is a ***minimum*** *engagement model*. Based on impact assessment, each insurer is assigned to one of four minimum engagement categories as illustrated in the table below. Supervisory teams can decide to conduct additional tasks to address specific concerns. Supervisors also have the flexibility to schedule tasks in a manner, which ensures that areas of particular concern can be prioritized. CBI has stated that supervisory engagement routinely takes place at levels well in excess of the minimum engagement as set out by PRISM.

[45] The measure of total premium per insurer proportionate to the size of the whole non-life market.

Ultra High/High Impact Firms		Medium Low Impact Firms	
Supervisory Task	**Frequency**	**Supervisory Task**	**Frequency**
Business model analysis	Every two years	Summary risk assessment	10% sample each year
Governance reviews	Every two years		
Financial risk reviews ("FRRs")	Approximately Six every two years	Regular meetings with key firm officers	Every eighteen months to two years
Regular meetings with key firm officers and directors	At least annual	Semi-automated returns analysis	All quarterly and annual returns
Regular returns analysis	All quarterly and Annual returns	Skilled persons deployed to deal with problematic firms with supervision oversight	As required
Annual Risk Governance Panel ("RGP")	At least annual		
Medium High Impact Firms		**Low Impact Firms**	
Supervisory Task	**Frequency**	**Supervisory Task**	**Frequency**
Full risk assessment ("FRA") incorporating analysis of business model, governance and finances	Once every two to four years	Reactive supervision	N/a
Regular meetings with key firm officers and directors	Annual to two years	Skilled sector focussed teams	A team of four in place
Regulatory return analysis	All quarterly and Annual returns	High appetite for enforcement to deter poor behaviour	N/a
RGPs	Post FRA	Regular consumer focussed thematic work (as with other impact categories)	As appropriate

As at June 2014, 10 insurers and one reinsurer were classified as ***Ultra-High/High***. These insurers are subject to ongoing Financial Risk Reviews (FRRs), which covers six areas: asset-liability management and liquidity management; asset quality; capital management; premium and reserving, risk transfer; and underwriting concentration and risk appetite. Business model analysis and governance reviews are conducted every two years.

A Full Risk Assessment (FRA) will be conducted on ***Medium-High*** impact insurers (23 insurers as at June 2014) every two to four years. A FRA incorporates a business model analysis, governance review, and FRR. Going forward, Medium-high impact insurers are required to conduct Own Risk and Solvency Assessments under the SII Directive. Approximately 10 percent of ***Medium-low*** impact insurers (74 insurers as at June 2014) will be subject to proportionate FRA each year. While this sampling basis means that it will take 10 years to conduct summary risk assessment for all Medium-low insurers, regular meetings are

	conducted on a cycle of seven meetings over an 18 month period to provide a continuous level of supervisory attention. Onsite meetings involve significant preparation by supervisors, who will request data for analysis, assessment and verification in advance of the meetings (e.g., Board and Board sub-committee meeting minutes, terms of reference, management information pertaining to underwriting, capital, liquidity, credit positions, etc.). The outcome of the FRRs and full risk assessments (FRAs) assists in shaping the Risk Mitigation Program (RMP) for each insurer (except those rated low). The PRISM facilitates CBI's proactive monitoring of insurers' implementation of their RMPs. There will also be a regular program of interaction with directors and senior management for supervisors to better understand their strategic developments and emerging risks. These proactive and forward looking supervisory assessment does not apply to insurers rated as Low-impact. As at June 2014, there were 126 insurers (including 84 captive insurers/reinsurers) rated as ***Low-impact***, which accounted for 3 percent of total assets of the insurance industry and 4 percent of gross premiums written. The supervision of the low rated insurers are driven solely by their impact rating and there is minimal prudential risk assessment by a team of four prudential supervisors; mainly to monitor triggers arising from their regulatory returns or financial statements on a purely reactive manner. There is a higher level of supervisory engagements with respect to their CoB; through thematic visits by CPD (see CoB Supervision section below). CBI will increasingly use technology to improve supervisory efficiency e.g., automating the receipt and the analysis of financial returns with automatic alerts when a Low-impact insurer fails key financial health checks. To assess current and emerging risks, the macro-economic environment, CBI's Financial Stability Division (FSD) and Risk Division work with ID, as part of their monitoring of environmental risk. The environmental assessments are updated at least twice-yearly, augmented where circumstances have changed sufficiently. In their assessment of probability risk categories, supervisors take account of the macro-economic environment in their FRR. As a member of EIOPA, CBI interacts with other EEA supervisors and undertakes ad hoc projects such as stress tests. This provides another means to identify potential new risks and emerging market trends for the insurance sector. Supervisory engagement under PRISM also provides an opportunity for dialogue, which enables CBI to be satisfied that concerns expressed are taken seriously by insurers. Any risk category, which is probability rated as Medium-high or High must be mitigated. If a supervisor rates an insurer as medium-high or high probability in any risk category, he/she will be prompted by the PRISM application to open a RMP issue, explaining the nature of the risk and setting out one or more outcome-focused actions to reduce the risk to an acceptable level by a given deadline. **Quality Assurance of the Supervisory Framework** To enhance consistency and robustness of supervisor, supervisory teams have access to guidance material on PRISM in determining the appropriate level of engagement, i.e.,,, the Risk Guidance Materials and Engagement Task Guidance. The results and findings from previous supervisory engagements will also direct the focus of future engagements.

	PRISM incorporates quality assurance processes to ensure high quality supervisory judgments and appropriate outcome-focused RMP for insurers rated Medium-Low or higher. These include: a) Risk Governance Panels (RGPs) meetings – bring together senior staff and risk advisors outside the supervisory chain of command to scrutinize a supervision team's strategy, judgments and RMP for an insurer. Such meetings are normally held directly after a significant inspection visit and RGPs may suggest amendments to RMPs; b) Annual Risk Rating Meetings - this process consists of challenge to the data input of PRISM by peer supervisory teams. The objective is to ensure all relevant information is being appropriately assessed and analyzed and to highlight any potential new risks or emerging market trends; c) Management oversight – any draft RMP action, which is not scrutinized by a RGP is reviewed and approved by senior divisional management; d) Management Information – The PRISM system will deliver regular, focused, qualitative and quantitative information on RFSPs and supervisors' activity to the leadership team in CBI; and e) Supervisory Risk Committee – chaired by the DG(FR) and meets every week to review significant risk issues arising at the industry and insurer level and to evaluate the approaches put forward by supervisory staff to resolve those issues. For Low impact insurers, senior management oversight includes: a) Weekly team meeting with Deputy HOD; b) Quarterly solvency report with details of those close to the minim solvency requirements c) Regulatory applications e.g., voluntary revocation, extension of authorization, mergers or derogations from CP Code; and d) Matters escalated to SRC. **Regulatory Reporting and Ongoing Supervision** CBI has legal authority to require insurers to submit regulatory returns and other supervisory information under the following Regulations: • SI 202 of the EC (Non-Life Insurance Accounts) Regulations 1995; • EC Framework Regulations, i.e., SI 359/1994, SI 360/1994. SI 380/2006; and • Requirements for Composite Reinsurance Undertakings (R-CR) Insurers are subjected to ongoing supervision via regulatory reporting and a mix of offsite and onsite supervision, in line with the priorities determined accordance with PRISM. The quarterly and annual returns submitted by insurers through the Online Reporting System update the key risk indicators (KRIs) in PRISM. Significant changes in quantitative data are flagged through alerts, which the supervisor must close after review. There are written procedures on the analysis of regulatory returns. All insurers/reinsurers must submit *annual* returns in the prescribed format electronically using the Online Reporting System and also in hard copies, within four months of the financial year. Direct insurers must file *quarterly* returns within one-month of end-of-quarter. Reinsurers, except captive reinsurers, that have total assets in excess of €20 million, are required to submit a quarterly return. All other reinsurers must submit a quarterly return where their available solvency margin falls below 150 percent of their required solvency

	margin. Branches, both headquartered in EEA or outside EEA, are also required to submit the relevant annual returns and statistical information in the interest of general good. *(SI 202, R41 & R53 of SI 359/1994, Schedule 1, R58 & R 59 of SI 360/1994 and R12, R21 of SI 380/2006, Chapter 5 of R-CR)* The annual returns include: • On-line forms -17 forms for non-life insurers and 30 forms for life insurers, which include their reinsurance programs; • Signed Directors Compliance Statement; • Auditor's Report on Statutory Insurance Returns; • Full set of audited Financial Statements. Insurers' financial statements should be prepared in accordance with IFRS or Irish/UK GAAP;[46] • Statement of Intra-Group Transactions or confirmations that none exist. The scope of the intra-group transactions is limited to those where the regulated insurer is a party to the transaction; • Statement of Actuarial Opinion (SAO) -non-life insurers and reinsurer; • Abstract of Valuation Report - life insurers only; • Statement of Compliance with the Criminal Justice (Money Laundering and Terrorist Financing) Act of 2010 - life insurers only; and • Retrocession Strategy, Strategic Solvency Target and information on finite/financial reinsurance or reinsurance in relation to VA products of reinsurers only. Additionally, supervisory teams may request additional *ad hoc* information as required. This generally consists of board pack, board minutes, additional committee minutes, key risk indicators (KRIs), etc. In addition, the CG Code requires insurers to report a material deviation from the Code within five business days to CBI, advising of the background and the proposed remedial action. However, there are no explicit regulatory reporting requirements on the following: a) Insurance Groups – there is no established routine regulatory returns e.g., covering group reporting structure, material changes in group structure, material incidents that could affect the soundness of the group. Nonetheless, CBI has required two groups to provide ad-hoc group information for the purpose of supervision; b) Off-balance sheet exposures – there is no quarterly reporting of off-balance sheet items. Insurers' financial statements must be prepared in accordance with IFRS or Irish/UK GAAP, which provides for such exposures although this may not fully address supervisory requirements; c) Material outsourcing functions and activities. Nonetheless, CBI supervisors would review an insurer's outsourcing activities as part of its Governance Review; and d) Material changes or incidents that could affect their condition or customers except for

[46] For reinsurers that report financial statements on a basis other than Irish GAAP, CBI reserves the right to apply prudential filters, particularly in relation to the valuation of assets. Information submitted as part of the annual returns must be consistent with audited financial statements (reconciliations and/or explanations must be provided for inconsistencies).

	acquisition of qualifying holdings and portfolio transfers (ICP 6). Reinsurers are required to notify CBI of significant changes in business plan. This general requirement may be open to interpretation by (re)insurers, particularly with respect to events that may have implications for customers. *(S5.3.3 of R-CR)* CBI requires certain returns, accounts or information to be certified or attested as to their correctness by nominated persons. There are online validation checks and triggers for unusual trends. CBI supervisors would require the reinsurer to remedy identified inaccuracies, which are logged in a spreadsheet that must be closed by the supervisor after correction. CBI reviews its reporting requirements on a periodic basis and has amended several of its reporting requirements, although there are no formalized processes in place to carry out the review. For example, following a review, Compliance Statements were consolidated into a single statement in January 2014 and non-life branches in Ireland are required to submit additional statistical information since May 2014. <u>Role of External Auditors</u> Insurers' financial statements are subject to external audit, in accordance with the International Standards on Auditing (UK & Ireland). External auditors are required to submit the Statutory Duty Confirmation to CBI stating that there is no matter that has come to the attention of the auditor during the ordinary course of the audit that gives rise to a duty to report to CBI. Matters previously reported to CBI should be referred to in the Confirmation. If an auditor makes a report to an insurer on matters covered by the Confirmation, the auditor must provide CBI with a copy of that report. CBI may, by notice, require an auditor to conduct an examination to provide a statement as to the extent to which an insurer has met its compliance obligations as specified in the notice. *(s27B, s27C and s27BA of CBA 1997)* External auditors have whistle blowing obligations where: a) there are circumstances, which are likely to affect materially an insurer's ability to fulfil its obligations to policyholders or meet prudential requirements; b) there are material defects in the financial systems and controls or accounting records; c) a qualified audit opinion is proposed; d) a decision to resign or not seek re-election as auditor is made; or e) there are facts or decisions, which are likely to affect materially an insurer's ability to fulfil its obligations to policyholders or meet any of its prudential requirements in the course of conducting an audit in an entity in a control relationship with the insurer. Auditors have legal immunity for acting in compliance with the whistle obligation imposed. So far, there was only one whistle-blowing notification by the external auditor. *(s35 of IA 1989)* The "Auditor Protocol between the Central Bank and the Auditors of Regulated Financial Service Providers" (the Auditor Protocol) provides a framework for exchanging information between CBI and external auditors to improve the supervisory and statutory audit process. The Protocol covers all meetings between auditors and CBI. The Protocol was also updated to reflect recent changes in legislation relating to the legal immunity of auditors.

	The meetings between CBI and external auditors are governed by the following principles: a) CBI shall endeavor to share all information, which it believes would lead to higher quality audits, with the auditor; b) The auditing firm shall endeavor to share with CBI any information that it believes may assist CBI in the exercise of its supervisory functions; and c) All communications between CBI shall be deemed confidential under the CBA. Specifically, the terms of the audit engagement shall include a provision that acknowledges that CBI and auditors can discuss any issue that is of relevance to their oversight of an insurer and that this communication will not be determined to be a breach of duty by either party. **Onsite Reviews and Meetings** Regular meetings with insurers (except those rated Low impact) are an integral part of the PRISM engagement program. Prior to commencing a FRA, of which an onsite review is part, the supervision team will notify the insurer in writing of its intention to perform a FRA. Matters covered during the onsite meetings include strategic direction, strengths and vulnerabilities, governance, and risk profile. The meetings also provide supervisors with a view on the suitability and competence of (re)insurers' leadership. CBI communicates the findings of its onsite analyses through written reports (including a RMP) and discussions or meetings with the insurer's board and/or management. It undertakes appropriate and timely follow-up to check that insurers have addressed supervisory concerns or implemented requirements communicated to them. Supervisors discuss the outcome of the engagement tasks with insurers in a close out meeting with the relevant insurer. The discussion would include the risks identified, rectifications required and the proposed deadlines. For insurers rated Medium Low or above, this will be followed by a documented RMP. PRISM facilitates the supervisory team in monitoring, tracking and closing RMP actions. Supervisors follow up on the implementation of RMPs through desk top analysis and onsite inspections, dependent on the nature of the particular mitigation required. During 2013, CBI conducted thematic reviews of: a) The pricing, claims and reserving practices of non-life insurers; b) The assets quality of reinsurer and their strategic asset allocations; and c) The use of derivatives by High and Medium-High Impact (re)insurers to establish whether the use of derivatives was for efficient investment portfolio management. **Conduct of Business (CoB) Supervision** CBI is responsible for supervising over 3,400 retail intermediaries, which are considered Low impact under the PRISM model. Of which, there were 2,979 (re)insurance intermediaries as of September 8, 2014. Intermediaries are regulated using a combination of reactive and thematic measures as well as enforcement actions where non-compliance is identified. CBI uses thematic visits as a principal tool to understand consumer conduct risk. For High, Medium-High and Medium-

	Low impact insurers, CPD provides inputs into PRISM FRAs through the assessment of Conduct Risk. Following the completion of a thematic inspection, a close out meeting is held with the insurer where the initial findings are presented. This is followed up with a letter setting out findings and recommendations. A letter containing overall industry findings and recommendations is also issued to the industry. Issues are referred to the ED, where there are significant breaches. The CBI conducted following thematic inspections in 2013: a) Sales incentives and remuneration paid to direct employees of life insurers. The inspections identified a number of risks that may encourage short term sales behaviors that may not be in the best interest of consumers. Consequently, the CBI required all insurers to review their remuneration arrangements, and to take any remedial action necessary during 2014; b) Handling of household property claims resulting from water damage to assess whether fair claim settlements had been made; c) Financial position and professional indemnity insurance (PII) requirements for retail intermediaries. The majority of the firms (97 percent) rectified their financial position as directed by the CBI and in some cases, voluntarily seeking to have their authorizations/registrations revoked. The CBI reprimanded and imposed financial penalties to seven insurance intermediaries who had a gap in their PII cover; and d) Pension Sales Processes focused on the sales advisors' compliance with the relevant provisions of the CP Code of 2012. CBI informed that there was no thematic CoB inspections conducted on Low impact (re)insurers as theses insurers did not trigger concerns based on CBI's market intelligence. **Insurance Groups supervision** Both the SI 359/1994 and SI 360/1994 require that, before an insurer enters into a transaction of a material nature with a related company (including loans to or from a related company), the insurer provide CBI with a copy of the draft contract or agreement. Under EC (Insurance and Reinsurance Groups Supplementary Supervision) Regulations 2007 (SI 366/2007), an Irish reinsurer, which is part of an insurance group is subject to reporting requirements in respect of intra-group transactions or a series of transactions, which exceeds 5 percent of the available solvency margin. This requirement applies to a transaction between reinsurer and: [47] a) a group company (a subsidiary of the reinsurer or an entity in which the reinsurer holds a participation), an entity that holds a participation in the reinsurer, a subsidiary of the participating entity in the reinsurer/entity in which the participating entity holds a participation; and b) a natural person who holds a participation in the insurer, in any of its subsidiaries, in entities holding a participation in the reinsurer or in their subsidiaries.

[47] This means that the reporting of intra-group transactions covers only transactions in which a reinsurer is a party but not a transaction between two related entities within a group e.g., a non-regulated holding company providing a guarantee to a non-regulated subsidiary within the group, which may significantly raise the risk profile of the entire group.

	The scope of the intra-group transactions includes the following: loans; guarantees and off-balance-sheet transactions; elements eligible for calculating the solvency margin; investments; reinsurance and retrocession operations; and agreements to share costs. *(R4 of SI366/2007)* An Irish reinsurer must provide CBI with information required for the purpose of supplementary supervision. Such information include, depending on the group structure: internal control mechanisms, intra-group transactions, adjusted solvency calculations and fitness of directors of an insurance holding company. Where the reinsurer fails to provide the information, CBI may seek the information from a group company. In order for CBI to extend its information gathering power to an intra-group transaction, which does not involve the Irish established reinsurer, CBI would have to demonstrate that the information in relation to the transaction is required for the purpose of supplementary supervision. *(R9 of SI 366/2007)* Similarly, the CBSEA empowers CBI to require a range of persons including, *inter alia*, a reinsurer and a related entity of a reinsurer to provide information specified in a notice. However, it is a condition of using this power that it be necessary to do so for the purpose of CBI's proper and effective regulation of RFSPs, including for the purpose of supplementary supervision. *(s22 of CBSEA)* The PRISM framework does not cover insurance groups in terms of impact/risk ratings and the minimum level of supervisory engagements. While there are no regulatory returns for insurance groups, CBI has been obtaining group information on an ad-hoc basis, tailored to each of the groups. CBI is the lead/group supervisor of XL Group PLC and Beazley Group PLC, whose ultimate parent companies are domiciled in Ireland and the lead supervisor at the sub-group level for Metlife Inc and Zurich PLC.
Assessment	Partly observed
Comments	CBI's current strategic supervisory approach aims to deliver an assertive risk-based supervision system, which is underpinned by a credible enforcement deterrent. The supervisory framework has been significantly enhanced through the introduction of PRISM in 2011 and CBI strives to promote a culture where supervisors have become more challenging in assessing (re)insurers' risk profiles. PRISM facilitates a systematic structured process for supervisors to communicate findings to (re)insurers and follow up on the implementation of the required action until satisfactory conclusion. There are quality assurance mechanisms to promote the robustness of its supervisory process and quality/consistency of supervisory judgment. CBI leverages on the work of external auditors in its supervision. PRISM sets out the minimum supervisory engagements driven solely by the impact ratings of (re)insurers. (re)insurers rated Ultra-High/High receive the highest level of supervision under structured engagement plans, aimed at early detection of supervisory concerns and timely interventions. In contrast, 126 (re)insurers rated Low are supervised reactively regardless of their risk ratings - CBI does not assess the probability risk ratings for insurers rated Low. CBI would take targeted enforcement action against (re)insurers across all impact categories where material breaches or significant concerns are found. CBI uses thematic visits as a principal tool to supervise insurers' CoB.

	The implementation of PRISM has improved the robustness and consistency of the supervision for High/Medium High/Medium Low impact (re)insurers. The reactive supervision mode for Low impact (re)insurers is reflective of CBI's supervisory risk appetite, including reputational risks. It is important that this risk appetite is monitored based on adequate information and regularly updated. In this regard, the Assessors noted that: a) The PRISM impact assessment is purely quantitative and there is no supervisory assessment of the potential risks (e.g., due to governance lapses) arising from 126 Low rated (re)insurers that could have both prudential and consumer protection implications. Qualitative assessment of the risk probability is an important factor for the ongoing monitoring of CBI's risk appetite, which should encompass Low impact (re)insurers in a proportionate manner rather than a one-size-fits-all exclusion of such (re)insurers. Risks may also accumulate across a number of Low impact insurers that may be significant in aggregate. In addition, a systematic focus on risk assessment would also provide regulatory incentives for (re)insurers to improve their risk management practices; b) While the regulatory returns, including the Compliance Statements submitted by all (re)insurers, including Low rated (re)insurers may trigger supervisory concerns, this operates on the assumption that these (re)insurers do not provide incomplete and inaccurate information, intentionally or otherwise. A proportionate coverage of Low rated (re)insurers in terms of independent supervisory verification of their returns (rather than a complete carve out) will provide better assurance that supervisors may rely on the regulatory returns as a reasonable trigger for reaction; c) The coverage of the summary risk assessment of 74 (re)insurers with Medium-Low impact ratings may take about 10 years to complete one cycle although regular meetings are conducted on a cycle of seven meetings over an 18 month period to provide a continuous level of supervisory attention; d) Insurance group supervision is not embedded in PRISM; e) There was no thematic CoB inspections conducted on Low impact (re)insurers, who are mainly captive (re)insurers as CBI's market intelligence did not trigger any concerns. Out of the 85 captive (re)insurers, 54 transacted business that (re)insured the exposure of groups to claims against the groups from third parties who could potentially be considered as beneficiaries. CBI has wide general powers to obtain information from (re)insurers, as part of their regulatory reporting or on an ad-hoc basis at the solo level. However, there are no explicit requirements for (re)insurers to report: group information; off-balance sheet exposures; material outsourcing functions and activities; and material changes or incidents that could affect their condition or customers. It is recommended that CBI: a) Reviews the PRISM framework, particularly with respect to the one-size-fits-all reactive approach adopted for Low impact (re)insurers. There are significant merits for a more proportionate and timely risk assessment of these insurers according to their risk profiles and enhance the regulatory incentives for improving governance and risk management practices, e.g. ,thematic visits covering a sample of Medium/Low (re)insurers; b) Updates PRISM to incorporate appropriate risk-based supervision for insurance groups; c) Strengthens regulatory reporting by establishing: - consistent and more comprehensive regulatory reporting by insurance groups; and

	- explicit requirements for reporting off-balance sheet exposures, material outsourcing functions and activities; and material changes or incidents that could affect their condition or customers. d) Regularly reviews the adequacy of supervisory resources to support a more proportionate supervisory program for (re)insurers with Medium-Low/Low impact and effective supervision of insurance groups.
ICP 10	**Preventive and Corrective Measures** The supervisor takes preventive and corrective measures that are timely, suitable and necessary to achieve the objectives of insurance supervision.
Description	**Unauthorized Insurance Activities** CBI considers that individuals or entities that conduct insurance activities without the necessary authorization as a general offence of the EC Framework Regulations, which is subject to summary legal action i.e., dealt with by the District Court in Ireland. The maximum penalties that are generally permitted following summary trial are capped at €5,000. There is no explicit provision and related penalties for unauthorized insurance activities. *(R59 of SI 359/1994, R73 of SI 380/1994 and R71-R80 of SI 380/2006)* CBI has investigated several instances of suspected provision of insurance in the absence of an appropriate authorization. To date, no instances of unauthorized provision of insurance have emerged, which would merit CBI invoking the powers under the Regulations. **Power to Take Corrective and Preventive Measures** PRISM facilitates supervisors in executing structured engagement plans, which allows early interventions to mitigate potential risks. CBI has a broad range of legislative powers to take timely preventive and corrective measures that allow progressive escalation measures be taken, including enforcement actions (ICP 11), where necessary. These powers include: f) Extensive powers of information gathering or making inquiries*(S16 of IA 1989 and R53 of SI 380/2006)* • Directing an Investigation *(S17 of IA 1989 and R53 of SI 380/2006);* • Require that an appropriately qualified person prepare a Skilled Person's Report on any matter specified in a notice *(Part 2 of CBSEA)*; • Require an insurer to provide information and records specified in a notice including forecasts, plans and accounts *(s22 and s23 of CBSEA);* • Appoint authorized officers with extensive powers of investigation and inspection, including powers to search premises, inspect records and require persons to answer questions *(s24 to s29 of CBSEA);* g) Issuance of a RMP and requiring insurers to take certain mitigating action; h) Giving enforceable directions (details in ICP 11); i) Require an insurer to give undertakings or impose authorization condition as to the manner in which its business shall be conducted, where CBI considers it expedient in the public interest or in the interest of policyholders (s24 of IA 1989 and R12 of SI 390/2006); and j) Apply to the High Court for an order restraining an insurer from engaging in conduct in contravention of insurance legislation or compelling a person to do certain act *(s52 of CBSEA)*.

	Supervisory Practices CBI communicates corrective actions in the RMP letter to an insurer's Board and/or Senior Management at an early stage and requires supervisory concerns be addressed in a timely manner. Where there are material concerns, face to face meetings with the Chairman of the Board may be conducted. Following the issuance of a RMP letter, authorization conditions or a direction Letter, CBI requires an insurer to submit regular written progress reports and checks that corrective actions are completed satisfactorily. CBI would follow through conclusively and in a timely manner on matters that are identified through desk-top analysis and onsite engagement with the insurer, supported by the PRISM engagement model. For Group Holding Companies residing in Ireland, CBI communicates with the Holding Company's Board and Senior Management to ensure that Group-wide concerns are addressed in a timely manner. CBI categorizes all insurance groups as High Impact.
Assessment	Largely observed
Comments	There is no explicit provision and related penalties for unauthorized insurance activities. CBI considers that unauthorized insurance activities constitute a general offence under the insurance Regulations, which is subject summary legal action in the District Court. However, the maximum penalty under such an action is too low to serve as an effective deterrent. CBI has investigated several suspected cases but considered that none merited enforcement actions. The PRISM framework facilitates timely supervisory interventions for High/Medium-high impact insurers. CBI is empowered to take a broad range of preventive and corrective measures, which allow progressive escalation, commensurate with the nature and severity of the misconduct or breaches. It is recommended that CBI seeks legislative amendments to enhance the sanctions available for unauthorized insurance activities.
ICP 11	**Enforcement** The supervisor enforces corrective action and, where needed, imposes sanctions based on clear and objective criteria that are publicly disclosed.
Description	**Enforcement Strategy and Options** CBI's assertive risk-based supervision is intended to be underpinned by a credible threat of enforcement. In particular, CBI considers enforcement as a key support for the supervision of RFSPs with lower impact where CBI does not have an active supervisory relationship. For accountability, CBI ensures that the results of enforcement actions are transparent and publicly available. CBI has the following enforcement options taking action under: a) the F&P regime (ICP 5);

b) the ASP regime described below;

c) Referrals to other enforcement agencies[48] *(s33AK of CBA)*; and

d) Summary criminal prosecutions. Most criminal offences under financial services legislation are hybrid offences. This means that the offences can be tried summarily in the District Court (lower court) or on indictment in the higher criminal courts in a jury trial. The penalties attaching to summary prosecutions are capped at €5,000.

In certain circumstances a breach of a regulatory requirement by a RFSP will constitute both a prescribed contravention and a criminal offence for which CBI may commence summary prosecutions. CBI's current policy is to pursue prescribed contraventions pursuant to the ASP in preference to bringing a summary prosecution. This preference reflects the low penalties attaching to summary proceedings and the significant extra resources required in proving cases to the criminal standard (beyond all reasonable doubt). In exceptional circumstances, CBI will pursue a prescribed contravention via the criminal courts e.g., where the facts of a case point to an act of willful or reckless non cooperation.

Notably, no criminal prosecution may be brought if the prescribed contravention(s) in question has already been the subject of an Inquiry under the ASP Regime. Similarly, if a criminal prosecution has been brought in respect of an offence that also involves a prescribed contravention, and an insurer is found either guilty or not guilty, then no monetary penalty may be imposed pursuant to the ASP Regime.

Formal Directions

CBI has legal authority to issue formal directions:

a) Direct an insurer to take certain measures: refrain from taking on new business; limit its premium income to a specified amount, refrain from making certain investments; realize certain investments; maintain assets equal to the whole or a specified proportion of liabilities in Ireland and such further measures as may be specified. This powers may be exercised on specified grounds e.g., solvency concerns or where CBI would be prohibited from issuing an authorization to the insurer; *(S18 of IA 1989)*

b) Direct an insurer to, *inter alia*: suspend business or payments; to dispose assets; raise and maintain capital; modify systems/controls or business practices, etc. This power may be exercised on both prudential as well as CoB concerns. CBI may apply to the High Court for an order requiring a person to comply with a direction; (*s45 & s47 of CBSEA)*

c) Prohibit an insurer from disposing off its assets where the insurer fails to comply with its obligation to maintain adequate technical reserves and solvency margin; *(R 16(1) of SI 359/1994, R36(1) of SI 360/1995 and R58(1) of SI 380/2006)*

d) Direct an insurer to submit a plan for restoring the insurer to a sound financial position. Where it appears that the financial position of the insurer is likely to deteriorate further, CBI may restrict or prohibit the insurer from disposing of assets; *(R 16(2) of SI 359/1994, R36(2) of SI 360/1995 and R58(2)&(3) of SI 380/2006)*

e) Further direction requiring an insurer to submit a short-term finance scheme if its solvency margin falls below the guarantee fund; *(R 16(5) of SI 359/1994, R36(5) of SI*

[48] In 2010, 2011, 2012 and 2013, CBI submitted 689 referral reports, of which referral reports to An Garda Síochána were 118, 61, 84 and 40 matters, respectively.

	360/1995 and R58(5) of SI 380/2006) f) Further directions as it thinks necessary to safeguard the interests of policyholders; and *(R 16(7) of SI 359/1994, R36(7) of SI 360/1995 and R58(7) of SI 380/2006)* g) Require an insurer to provide a financial recovery plan where it believes that the rights of policyholders are threatened. *(R 16A of SI 359/1994, R36A of SI 360/1995 and R59 of SI 380/2006)* A failure to comply with any such direction issued by CBI is a prescribed contravention, which is enforceable by CBI under the ASP regime. **Administrative Sanctions Procedure (ASP) Regime** <u>Inquiry</u> Where a concern arises that a prescribed contravention has been or is being committed by an insurer or person concerned in management (PCM), CBI may investigate the matter. Following any investigation, an Inquiry may be held where there are reasonable grounds to suspect that a prescribed contravention has been or is being committed.[49] The Inquiry shall decide if the prescribed contravention has occurred and determine the appropriate sanctions.[50] The final decision of an Inquiry may be appealed to the IFSAT and subsequently to the High Court. In 2013, CBI issued the *Inquiry Guidelines published pursuant to section 33BD of the Central Bank Act 1942* as a publicly available and binding document. *(Part IIIC of CBA)* <u>Settlement</u> As an alternative to a referral to Inquiry, the matter may be resolved by the parties entering into a Settlement Agreement at any time before the conclusion of an Inquiry. The settlement procedure was designed: • to achieve timely sanctioning of prescribed contraventions; • as a cost effective and efficient use of CBI's resources; and • to facilitate early implementation of preventative and corrective measures. *(s33AV of CBA)* Settlement is a voluntary process. The purpose of the settlement option is to negotiate terms that are fair i.e., proportionate and complying with all legal principles. However, only sanctions commensurate with those, which would likely be imposed by an Inquiry or by a court will form the basis of settlement. A Settlement Agreement must be in writing and is binding on both CBI and the insurer. It is CBI policy to publicize all settlements reached.[51]

[49] A prescribed contravention is a breach of: a provision of a designated enactment or a designated SI (both listed in Schedule 2 of CBA); or a code made, or a direction given, under such a provision; or any condition or requirement imposed under a provision of a designated enactment, designated SI, code or direction; or any obligation imposed on any person under Part IIIC of the CBA.

[50] CBI may conduct an inquiry as to sanctions only where the insurer (or PCM) acknowledges commission (or participation) in the contravention and the insurer (or PCM) consents to the omission of an inquiry into conduct. *(s33AR of CBA).*

[51] During 2013, CBI entered into 16 settlement agreements, of which 15 were entered into under the ASP.

Available Sanctions and Powers

CBI has a broad range of available sanctions and corrective powers:

a) Private Supervisory Warnings. This is a non-SI used where the breach is relatively minor in nature, it has a low regulatory impact and the insurer/management has cooperated and remedied the breach in a timely manner. Supervisory Warnings are not published but they do form part of an insurer's compliance record;
b) Sanctions against PCM - a caution or reprimand; a monetary penalty; or disqualification for a specified period *(s33AQ of CBA)*;
c) A direction to refund or withhold money charged or paid *(s33AQ of CBA)*;
d) Issue Suspension Notice or Prohibition Notice on individuals who are in (or who are proposed to be appointed to) CFs in insurers. This power does not apply to Significant Owners and external auditors and CBI does not have the power to object to the appointment of external auditors by an insurer. However, CBI may take supervisory actions against Significant Owners as outlined under ICP 6; *(s26 and s43 of CBRA)* [52]
e) A caution or reprimand; *(s33AQ of CBA)*
f) Issuance of a formal direction; (see above)
g) Monetary penalties; *(s33AQ of CBA)*
h) Suspension of authorization for a period not exceeding 12 months; *(s33AQ of CBA)*
i) Revocation of its authorization; *(s22A &s34(3) of IA 1989, R15 of 380/2006 and (s33AQ of CBA)*
j) A direction to the insurer to cease committing the contravention; *(s33AQ of CBA)*
k) A direction to reimburse CBI the costs incurred in investigation and holding an Inquiry; *(s33AQ of CBA)*
l) Petition the High Court for an order for the administration of an insurer and the appointment of an administrator; and *(s2 of IA 1983)*[53]
m) Criminal prosecution - CBI's power to prosecute criminal offences is confined to summary prosecution in the District Court but the maximum penalties are capped at €5,000. The sole power to prosecute on indictment at the discretion of the Director of Public Prosecutions.

The monetary penalties available under the ASP are higher, subject to the following limits:

a) For a body corporate or an unincorporated body - not to exceed the greater of €10,000,000 or 10 percent of the turnover of the RFSP for its last complete financial year before the finding is made; and
b) For a natural person - €1,000,000.

In addition, the sanctions imposed at Inquiry are subject to an overriding requirement that any monetary penalty imposed will not cause an insurer to cease business or cause an individual to be adjudicated bankrupt. *(s33AQ and s33AS of CBA)*

[52] There are certain safeguards under the CA regarding the removal of external auditors. There must be substantial grounds and the removal must be in the best interests of the company. Agencies responsible for the supervision of auditors are the office of the Director of Enforcement, ODCE, the IAASA and the Recognized Accountancy Bodies.

[53] On March 30, 2010, the Irish Financial Regulator (the precursor to CBI) applied to the Irish High Court for the appointment of two joint administrators to an insurer under this section.

	Failure to Provide or Provision of False/Misleading information Failure to provide information as required by CBI or knowing provision of false or misleading information in purported compliance with such a requirement is an offence, liable: *a*) on summary conviction, to a fine not exceeding €5,000 or imprisonment for a term not exceeding 12 months, or both; or b) on conviction on indictment, to a fine not exceeding €250,000 or imprisonment for a term not exceeding five years, or both. *(s31 & s32 of CBSEA)* The provision of false or misleading information to CBI by a person performing a CF may result in CBI commencing an investigation into the F&P of such person. An adverse finding on investigation as to F&P may result in the removal or suspension of such individual. *(s25 of CBRA)* **Supervisory Practices** Since 2011, CBI has published its annual Enforcement Priorities, outlining the priority areas for its enforcement activities. Those priority areas consistently focus on systems and controls issues and prudential requirements. Besides these core focus, the priority areas largely align with the program of themed reviews and inspections to be carried out in that year, reflecting the activities and practices of greatest concern to the supervisory divisions. The ED, established in June 2010, has the following core responsibilities: • ASP cases; • Advising on and assisting with potential actions on F&P grounds; • Refusals of applications for, and revocations of existing, authorizations; and • Summary criminal prosecutions. As at August 2014, the ED has 49 officers including lawyers, accountants and investigation experts, who were organized into multi-disciplinary teams. The ED has established the Enforcement Referral Process and a series of standardized Enforcement Referral Documents to assist supervisory divisions. Each supervisory division is assigned a dedicated Enforcement Relationship Manager as the primary point of contact. In addition an Enforcement Relationship Manager has been appointed for F&P referrals from all sectors. Informal meetings (Case Clinic) are held between the ED and supervisory division to reduce the risk of supervisors dedicating significant resources to the investigation of matters that are unlikely to result in a successful referral. An Enforcement Relationship Manager presents a proposed enforcement case at the formal Case Decision and Allocation Meeting (CDAM) for consideration. CDAMs are held on a monthly basis and as required. A CDAM is chaired by a member of management from the ED. The CADM's decision to accept, reject or defer a referral in principle, and the basis upon which that decision was made, will be communicated to the referring supervisory division. The exception is F&P referrals, which will automatically be accepted by the ED. An accepted referral will be assigned to a case manager within the ED. The ED will take responsibility for the progression of the case through to closure, with assistance, as necessary, from the referring supervisory division.

	If the ED determines that enforcement action is appropriate, the ED will become CBI's point of contact with the insurer concerned. In enforcing corrective action, ED ensures that sanctions are based on clear and objective criteria that are publicly disclosed in the outline of the ASP, which is available on CBI's website. The ED also represents CBI in appeals, which are taken against decisions under the ASP. Between 2011 and mid-2014, the ED has: • settled 50 cases with RFSPs/PCM and imposed fines of €21,706,755 (27 of these cases related to insurers and totaled €10,237,815 in fines); • issued 48 supervisory warnings (12 related to insurers); • procured the agreed disqualification of three individuals (one related to his management of insurance business clients' funds); • refused three authorizations managed by the ED; and • revoked six authorizations for cause (three related to insurers). In 2013, 86 percent of the insurance cases accepted by the ED were classified as low impact rated entities (66 percent for first half of 2014). The ED and the supervisory divisions work closely to ensure that actions taken, be they remedial measures, directions or sanctions, are complied with and effect a culture change (refer to ICP 9 on supervisory follow through). To date, all sanctions on insurers (or PCM) have been imposed by way of agreed settlement. The ED checks compliance with the imposed sanctions. The template settlement agreement contains a clause specifying that CBI has the right to set aside the settlement agreement if the terms are not met by a specified date. The ED also regularly liaises with the supervisors to assess the effectiveness of sanctions imposed. The ASP Procedure Outline sets out a number of factors to be considered in each case to ensure consistency in sanctions imposed. These factors include: the nature, seriousness and impact of the contravention; the conduct of the RFSP after the contravention; the previous record of the RFSP; and other general considerations such as the appropriate deterrent impact, action taken by CBI in previous similar cases; and the level of turnover of the RFSP. Further, the proposed sanctions go through a number of levels of review (including by a reviewer who has not been involved in the case) to check for consistency.
Assessment	Observed
Comments	CBI's assertive risk-based supervision is intended to be underpinned by a credible threat of enforcement. The reactive supervisory approach for Low impact (re)insurers may lead to a higher risk that serious concerns are not detected/addressed at an early stage to preempt further deterioration. This may result in a higher probability of enforcement actions and the effectiveness of such an approach hinges on adequate enforcement resources. CBI has the following enforcement options: taking action under the F&P regime; ASP; referrals to other enforcement agencies and summary criminal prosecutions. At present, it is CBI's policy to pursue prescribed contraventions pursuant to the ASP in preference to bringing a summary prosecution. This preference reflects the low penalties attaching to summary proceedings and the significant extra resources required in proving cases to the criminal standard.

	CBI has a wide range of powers to take enforcement action and impose sanctions, if (re)insurers are unable or unwilling to address supervisory concerns in a timely manner. The ASP regime is supported by a clear structure to ensure proportionate and consistent sanction decisions. CBI takes actions to enforce sanctions imposed and maintains comprehensive records of its enforcement actions and the sanctions imposed. It is recommended that CBI regularly reviews the adequacy of enforcement resources to support its strategy of credible threat of enforcement.
ICP 12	**Winding-up and Exit from the Market** The legislation defines a range of options for the exit of insurance legal entities from the market. It defines insolvency and establishes the criteria and procedure for dealing with the insolvency of insurance legal entities. In the event of winding-up proceedings of insurance legal entities, the legal framework gives priority to the protection of policyholders and aims at minimizing disruption to provision of benefits to policyholders.
Description	**Winding up and Exit of an Insurer** The procedures for the winding-up of an insurer are set out in the Companies Acts (CA), providing for two main types of winding-up: a) <u>Voluntary Liquidation</u> • Members' voluntary liquidation (solvent liquidation) on expiry of the period fixed in the articles. The directors of the company must make a statutory declaration of solvency i.e., the company will be able to pay its debts in full within 12 months. *(s251 and s256 of CA 1963)* • Creditors' Voluntary Liquidation (insolvent liquidation). A company may be wound up if it resolves that it cannot, by reason of its liabilities, continue its business, and that it be wound up voluntarily. This may be converted to a creditors' liquidation on petition by its creditors to the court or its appointed liquidator forms the view that it is unable to pay its debts. *(s251(1)(c), s256(5) and s261 of CA 1963)* b) <u>Compulsory Liquidation</u> The Irish High Court has jurisdiction to wind up any company, including an insurer, under specified circumstances including that the company is unable to pay its debts. The persons who may petition the Court include a company's members, creditors and the company itself. CBI may apply to the High Court for the winding-up of an insurer on the grounds that the insurer is unable to pay its debts. CBI shall receive a copy of a petition for winding up filed by any other person and be entitled to be heard on the petition. *(s212 to s215 of CA 1963, s45 of IA 1936 and s30 of IA 1989)* **Definition of Insolvency** The point at which it is no longer permissible for an insurer to continue its business is deemed to be insolvency of the insurer. Under the CA, a company shall be deemed to be unable to pay its debts: a) if a creditor has served a demand in writing requiring repayment of a sum due, which is not met by the company; or

	b) if a judgment, decree or order of any court in favour of a creditor is returned unsatisfied in whole or in part; or c) if it is proved to the satisfaction of the court that it is unable to pay its debts, taking into account the contingent and prospective liabilities of the company. *(s214 of CA 1963)* Consistent with the CA, an insurer shall be deemed to be or have been insolvent if its circumstances are/were such that the Court could hold it to be unable to pay its debts. (*s44 of IA 1936)* Going forward, SII Directive, which is to be transposed into Irish law provides that a supervisor to withdraw the authorization of an insurer where the insurer does not comply with the Minimum Capital Requirement (MCR) and that the finance scheme submitted is inadequate or the insurer fails to comply with an approved finance scheme within three months of non-compliance with the MCR. *(Art 144 of Directive 2009/138/EC)* **Entitlement of Policyholders** S.I. No. 168/2003 - European Communities (Reorganization and Winding-Up of Insurance Undertakings) Regulations of 2003 (SI 168/2003) establish the priority of policyholders in the event of a winding up. This Regulation does not address the entitlement of insurers under reinsurance policies. Insurance claims shall, with respect to assets representing technical reserves, take absolute precedence over any other claims on the insurer including preferred debts under the CA. The only exception is winding-up expenses, which would take precedence over insurance claims. *(R 9 of SI 168/2003 and s285 of CA 1963)* Insurers must keep a register showing the assets representing the technical reserves. The register shall be maintained at the principal office of the insurer and contain up-to-date details of the assets representing its technical reserves. The total value of the assets entered in the register shall at no time be less than the value of the required technical reserves. Where an asset entered in the register is subject to a right in rem in favor of a creditor or a third party, that fact shall be recorded in the register and the amount shall not be admissible as assets for solvency computation. *(R9(3) to R9(f SI 168/2003)* **Insurance Compensation Fund (ICF)** ICF, established under IA 1964, covers non-life policyholders in relation to *Irish risks* in the event that an Irish or EU non-life insurer goes into liquidation. It facilitates payments to policyholders upon approval of the High Court or where an administrator has been appointed and the approval of the High Court has been obtained. The total amount that may be paid out of ICF in respect of any sum due to a person under a policy (whether as one payment or a series of payments) is capped at 65 percent of the sum due to the policyholder or €825,000, whichever is the less. ICF does not cover a commercial policyholder unless the sum is due in respect of a liability to an individual. ICF does not cover all non-life policies are covered and the exclusions include health, dental and life policies. *(s3, s3A and s3B of IA 1964)*

	ICF is financed through contributions from non-life insurers up to a maximum of 2 percent of the aggregate of their gross premiums written in respect of Irish risks covered. Maintenance and administration of ICF is under the control of the President of the High Court acting through the Accountant of the High Court. The income from the levy, investment income, borrowings and any repayments or dividends on the winding up of an insurer are paid into ICF. The role of CBI includes performing an annual assessment of the financial position of ICF and determining an appropriate contribution to be paid by non-life insurers (maintained at 2 percent in 2014). The Minister may make an advance to ICF to enable expeditious payments, on such terms as to repayment, interest and other matters as may be determined by the Minister after consulting CBI. *(s5 of IA 1964)* Arising from the insolvency/liquidation of Quinn Insurance Limited, ICF has compensated eligible policyholders totaling approximately €1.4bn since 2011. There is no ICF for life insurance liabilities, largely due to historical reason. In addition, the bulk of life insurance in Ireland is in the form of ULPs where policyholders assume the investment risks.
Assessment	Observed
Comments	The CAs and IAs provide a range of options for the exit of (re)insurers; define insolvency and set out the procedures to be followed in the event of insolvency of a (re)insurer. Policyholders of direct insurers have priority of claims in respect of assets representing technical reserves of an insurer, who must maintain a register of such assets. The ICF provides for the payment of non-life insurance claims arising from eligible Irish risks in the event of insolvency.
ICP 13	**Reinsurance and Other Forms of Risk Transfer** The supervisor sets standards for the use of reinsurance and other forms of risk transfer, ensuring that insurers adequately control and transparently report their risk transfer programmes. The supervisor takes into account the nature of reinsurance business when supervising reinsurers based in its jurisdiction.
Description	Many Irish insurers are part of large global groups who purchase reinsurance centrally or on a cross jurisdictional basis. Ireland historically has also been a location for many cross border insurers and reinsurers who sell risk transfer products across multiple jurisdictions. CBI also licenses approximately 77 reinsurers (30 of whom are captive reinsurers who rely on retrocession arrangements). (Re)insurers are required to have an appropriate and robust governance structure in place with adequate internal control mechanisms, which CBI considers as covering controls over reinsurance strategy implicitly. These legislative requirements are supported by detailed requirements as set out in the CG Code and the Captive Code. *(R10 of SI 359/1994, R10 of SI 360/1994 and R 12 & R20 of SI 380/2006* Insurers are required to have a documented risk appetite approved by the Board, which is reviewed at least annually and compliance with the agreed risk strategy should be monitored. An important part of any insurer's net risk profile is their risk transfer/mitigation strategy, which CBI expects insurers to detail in their risk appetite statements. *(s25 & s14 of CG Code*

	and s18 of Captive Code) CBI has published Guidelines on the Reinsurance Cover of Primary Insurers & the Security of their Reinsurers (Reinsurance Guidelines) in 2012. The Reinsurance Guidelines set out CBI's supervisory expectations. Generally, Guidelines are not legally enforceable (they are intended to guide and not to compel). CBI uses its conditions of authorization to compel (re)insurers to adopt CBI Guidelines. However, even if the authorization conditions are used in this way, they may be subject to legal challenge. Legally enforceable requirements would make use of rules, regulations, etc. Further, the wording used in CBI's conditions of authorization to compel (re)insurers to adopt CBI Guidelines is not the same for all types of Guidelines. Currently, (re)insurers "shall adopt all of the obligations of the CG Code for Captive Insurance and Reinsurance Undertakings." On the other hand, for other Guidelines, the conditions of authorization less clearly state that a reinsurer's "compliance strategy will make provision for adherence to, in addition to all primary and secondary legislation, all and any guidance issued by the CBI and its predecessors to date and any future guidance issued by the CBI." Turning to the content of the Reinsurance Guidelines, they explicitly state that CBI "*expects all insurance companies to have a fully documented reinsurance strategy in place*." The Board of an insurer must approve a reinsurance strategy appropriate to its risk profile as a part of its overall underwriting strategy. The reinsurance strategy defines and documents the strategy for reinsurance management including the types of reinsurance, selection criteria, and monitoring processes. Certain mandatory contract clauses (e.g., insolvency clause) should be included in all reinsurance policies to reduce legal risk. An insurer's senior management is held responsible for ensuring that policies and procedures are documented and implemented, including those relating to facultative reinsurance; and that there is a sufficient flow of management information to the Board along with an adequate system of control. The established strategy should include evaluation of reinsurance cover, reinsurer security and collateral that may be posted. The strategy will also include evaluation of: • the prudence of an insurer's risk profile including any risk concentration; • compliance with the reinsurance strategy and risk appetite statement; • the sufficiency of the reinsurance cover and the insurer's financial strength, in particular under extreme, but plausible loss scenarios; • the sufficiency of the reinsurance security; • the appropriateness of any alternative risk transfer (ART) techniques (such as securitization) used; and • the frequency and appropriateness of internal monitoring and reporting of reinsurance exposures, credit ratings, ,etc. *(s4 and s5 of Reinsurance Guidelines)* In addition, CBI has issued a number of requirements papers relating to non-life finite, life finite and financial reinsurance. These requirements include mandatory policy conditions relating to disclosure and transparency of such contracts and required sellers of the products are to have a Classification Policy on risk transfer. These requirement papers apply to reinsurers carrying on financial reinsurance but not to ceding insurers.

	For transparency, the Reinsurance Guidelines expect an insurer to maintain an up-to-date list of reinsurers that it has approved. For each approved reinsurer the appropriate level of exposure should be specified. A ceding insurer should also ascertain whether a proposed reinsurer intends to retrocede any of the assumed business and be satisfied as to the quality of the retrocessionaires used. If an insurer is part of a global insurance group, the reinsurance strategy should include information on the global reinsurance strategy. The strategy should also include the reporting arrangements between Irish and foreign operations, the monitoring of the Irish insurer's operations by the foreign parent and the home regulator's supervisory arrangements regarding reinsurance. Any elements of the strategy that are controlled by the parent company or group should be identified and detailed. *(s4 of Reinsurance Guidelines)* (Re)insurers are only allowed to deduct reinsurance/retrocession recoveries from TPs if such recoveries derive from arrangements that are acceptable to CBI. The criteria taken into account are based upon size, rating, ownership, service, and relationship. EU supervisors are not allowed to apply trade restrictions to EEA reinsurers, including collateral requirements. For non-EU reinsurers, backup security can take several forms, including letters of credit, funds withheld, and trust funds. CBI considers the stated Reinsurance Strategy of each insurer and the supervisory framework under which reinsurers operate to be an important input into the assessment of acceptability. *(SI 380/2006)* There is no provision on finalizing the formal reinsurance contract in a timely fashion.[54] This may be party addressed by the expectation insurers are to make available sufficient and relevant information on the reinsurers used and the reinsurance cover arranged, on a timely basis, such as: • reports prepared by the ceding insurer describing the reinsurance cover, reinsurance program or treaties; • the ceding insurer's financial statements, detailing the result of reinsurance, any amounts outstanding from reinsurers and the effect of the ART techniques, including financial reinsurance; • copies of contracts and amendments; • copies of slips and cover notes; • financial statements of reinsurers used; or • written contract descriptions and summaries. *(s5 of Reinsurance Guidelines)* While liquidity risk is a specific module in PRISM, that module focuses on a reinsurer's general liquidity profile, not the specifics arising from the structure of risk transfer contracts. In practice, supervisors review cash-flow statements of an insurer and the liquidity of assets but this has no direct connection to the liquidity position arising from reinsurance arrangements. Furthermore, the Reinsurance Guidelines also lack specificity as they state the need to assess (in part):

[54] The wording of the related standard (13.4) has a slightly different focus than the above mentioned extract from the Reinsurance Guidelines. The IAIS standard states "…*finalise the formal reinsurance contract in a timely fashion*." Related IAIS guidance 13.4.1 also states "*it would normally be desirable for contract documentation to be finalized prior to the inception of coverage and if not, as soon as possible thereafter*."

	• the sufficiency of the reinsurance cover and the insurance company's financial strength, in particular under extreme, but plausible loss scenarios; and • the sufficiency of the reinsurance security, taking into consideration a wide range of factors including financial strength, whether reinsurers are properly supervised and whether or not collateral is posted. EU regulations provide for the authorization of SPRVs in Ireland. In addition, CBI issued a Special Purposes Reinsurance Guidance Paper, which outlines the detailed requirements for SPRV authorizations. To date, no Irish insurers have been the beneficiary or sponsor of a capital market instrument. *(SI 380/2006)* **Supervisory Practices** A supervisor's understanding of how an insurer's reinsurance strategy fits into its overall strategy is conducted within the PRISM framework and professional judgment is used to rate the various risks modules within PRISM. For example, a supervisor's assessment of the extent of counterparty risk may also influence the assessment of capital risk or a supervisor's assessment of the security criteria may influence the assessment of the quality of the reinsurance asset. Under PRISM, all 85 captive (re)insurers are assigned a Low impact rating and as such receive only reactive supervisory attention. Some examples of reinsurance related supervisory actions taken include: • CBI has exercised supervisory discretion on the acceptability of reinsurance arrangements on more than one occasion; • CBI noted one reinsurance arrangement that demonstrated a lack of transparency resulting from a change in the reinsurer/retrocessionaire, which was not properly communicated to the cedant; and • CBI has taken supervisory action to address liquidity issues arising from a proposed reinsurance contract.
Assessment	Partly observed
Comments	CBI uses the authorization conditions to impose the Reinsurance Guidelines. Currently, (re)insurers "shall adopt all of the obligations of the CG Code for Captive Insurance and Reinsurance Undertakings." On the other hand, for other Guidelines, the conditions of authorization less clearly state that a reinsurer's "compliance strategy will make provision for adherence to, in addition to all primary and secondary legislation, all and any guidance issued by the CBI and its predecessors to date and any future guidance issued by the CBI." In addition, the Reinsurance Guidelines do not explicitly address liquidity implications arising from reinsurance arrangements and the need for binding documentation in a timely manner. Finally, CBI's assessment of (re)insurers' reinsurance strategy is limited to those rated Medium-Low and above. It is recommended that CBI: a) Establishes enforceable regulatory requirements for reinsurance (whether in rules,

	regulations, etc.). In addition, the wording used in the conditions of authorization with respect Guidelines should be aligned so that the intent is clear for all Guidelines; b) Establishes clear regulatory requirements on: cedants to control their liquidity positions to take account of the structure of their risk transfer contracts and the likely payment patterns arising from them; and the need for timely documentation of reinsurance contracts at time of inception; c) Formulates proportionate (not just reactive) risk-based supervision over Low impact (re)insurers regarding their use of reinsurance due to its importance as a tool in managing risk exposures; and d) Establishes clear regulatory requirements for reinsurance at the group level.
ICP 14	**Valuation** The supervisor establishes requirements for the valuation of assets and liabilities for solvency purposes.
Description	**Legal/Regulatory Framework** The recognition, de-recognition and measurement of insurance assets and liabilities (e.g. ,insurance contracts liabilities and contracts for ceded reinsurance) are defined in accounting and actuarial standards, which support legislation and regulatory guidance. Under current Irish legislation (SI No. 116/2005), IFRS are deemed GAAP and practice and these standards are followed by companies in the valuation of assets and liabilities for statutory and Central Bank regulatory reporting. IFRS sets out in detail the rules for recognition, derecognition and measurement of assets and liabilities The valuation of assets and liabilities is undertaken on a consistent basis in that all elements of the balance sheet are valued in accordance with GAAP – either Irish or IFRS. The valuation of assets and liabilities is undertaken in a reliable, decision useful and transparent manner. The methods and bases for determining the values of assets and liabilities have been set according to a combination of accounting and actuarial standards that have been developed to meet the needs of both financial statement users and the prudential regulator CBI. Furthermore, financial statements are subject to independent audit in accordance with Section 193 of the Companies Act 1990. The bases for the determination of liabilities and the valuation of assets for life insurers, non-life insurers and reinsurer are prescribed under the relevant regulations. Insurers are also required to prepare financial statements using GAAP and practice and use recognized actuarial methods. *(Annex III of SI 359/1994, Annex IV and V of SI 360/1994, SI 23/1996 and Companies Amendment Act 1986)* In its original drafting, the IAIS standard, which refers to "the valuation of assets and liabilities is an economic valuation," had in mind a unified valuation of all assets and liabilities using a common economic approach. Such an approach as originally envisioned is used in some jurisdictions, with Switzerland being the first to use a fully market consistent approach. SII is an adaptation of that original approach. Unfortunately, common interpretation of this IAIS standard has been to allow for the use of a variety of valuation approaches within a balance sheet as long as the approaches are at least as economic as amortized cost (accounting practice allows the use of amortised cost for some fixed income investments held to

	maturity*)(Para 8, 20 of IFRS 7)*. On this basis, the Irish regime uses an economic valuation for prudential supervision as well as financial reporting. A number of actuarial standards of practice published by the Society of Actuaries in Ireland address the valuation principles to be applied by actuaries in valuing and measuring liabilities. *(ASP GI-2 (Section 5), ASP GI-3 (Section 5) and ASP LA -3)* <u>Non-Life technical provision (TP)</u> The most pertinent valuation topic relates to discounting. Explicit discounting is permitted in certain situations for non-life insurers; however permission must be sought from CBI and subject to certain conditions. *(R14.2 of SI 359/1994)*. Discounting is only allowed in relation to investment income arising from assets invested for the provision of claims, provided certain factors are taken into account. These factors as stated in the legislation are *inter alia:* a. the expected date for the settlement of claims is on average at least four years after the accounting date; b. the discounting or deduction is calculated on a recognized prudential basis; any change in that basis must be notified, in advance, to CBI; c. when calculating the total cost of settling claims, an insurer shall take account of all factors that could cause increases in that cost; d. An insurer shall have adequate data at its disposal to construct a reliable model of the rate of claims settlements; and e. the rate of interest used for the calculation of present value does not exceed a prudent estimate of the investment income from assets invested as a provision for claims during the period necessary for the payment of such claims. Furthermore, an insurer must disclose in the notes to the accounts the total amount of claim provision before discounting, the categories of claim, which are discounted and the methods used to calculate the discounts including the rates applied to estimates and the criteria applied in estimating the period of time that will elapse before the claim is settled. *(SI 359/1994)* As with non-life insurers, reinsurers (composite/non-life) can only carry out explicit discounting of reserves in limited circumstances, such as where the expected date for the settlement of claims is on average at least four years and the insurer has adequate data at its disposal to construct a reliable model of the rate of claims settlements. Implicit discounting of TPs by composite reinsurers is prohibited. Instead, permission to discount reserves must be sought in advance from CBI and this permission is at the discretion of CBI. *(Annex IV of SI 359/1994,, s2.3.1 of Requirements for Non Life Reinsurance Undertakings 2012, s2.3.2 of Requirements for Composite Reinsurance Undertakings 2012).* The current non-life reserving method (recently updated by the Reserving Requirements for Non-Life Insurers and Non-Life and Life Reinsurers) requires provisioning for both a current estimate and a MOCE. However, the non-life requirements permit broad means of determining the MOCE, on the advice of the Signing Actuary, but subject to management judgement. This approach differs from the approach used for life insurance valuation and also

	from the specificities detailed in the guidance to ICP 14.9. Both of these non-life reserving matters (lack of discounting and explicit provision for MOCE) will be addressed as part of both the 2014 Reserving Requirements for Non-Life Insurers and Non-Life and Life Reinsurers and the move to SII more generally by January 1, 2016. <u>Life TP</u> Life insurers are required to report life assurance provisions based on the "*present value of future payments*." Further, a "*prudent valuation is not a "best estimate" valuation but shall include an appropriate margin for adverse deviation of the relevant factors.*" In addition, "*proper provision shall be made for all liabilities on prudent assumptions having regard to the relevant factors and using a sufficiently prudent prospective actuarial valuation and taking account of the liabilities as determined by the policy conditions for each existing contract, including the following contract boundaries…all guaranteed benefits, including guaranteed surrender values, bonuses to which policyholders are already either collectively or individually entitled, however those bonuses are described (vested, declared or allotted), all options available to the policyholder under the terms of the contract, expenses, including commissions, taking credit for future premiums due*." *(Paragraph 2(a), 2(f), 7(1) of Annex IV of SI 360/1994)* In addition, the valuation of TPs is required to make appropriate allowance for embedded options and guarantees (not applicable to non-life reserving). Specifically, "*proper provision shall be made for all liabilities on prudent assumptions having regard to the relevant factors and using a sufficiently prudent prospective actuarial valuation and taking account of the liabilities as determined by the policy conditions for each existing contract, including…. all guaranteed benefits, including guaranteed surrender values….. all options available to the policyholder under the terms of the contract." (Paragraph 2 (a) of Annex IV of SI 360/1994)* These requirements are supplemented by guidance documents issued by the CBI to insurers, and supported by actuarial standards. For example, the CBI's guidance, Requirements on Reserving and Risk Governance for Variable Annuities - December 2010 (Section 6) sets out a minimum standard to be applied in the calculation of reserves, including the boundaries to be examined such as Lapse risk and Path dependency. For life insurance business, the discount rate is capped at a maximum of 7.5 percent. *(Paragraph 7 of Annex IV, SI 360/1994)*. Paragraph 7 of Annex IV, SI 360/1994 of the Life Framework Regulations states that in determining the rates of interest to be used in calculating the present value of future payments, "*the yield assumed on any investment to be made more than three years after the valuation date shall not exceed 7.5 percent per annum (before any adjustment to take account of the effect of taxation) or such other lower percentage as the Central Bank may from time to time determine.*" Actuarial standards require that, "*the Appointed Actuary must decide the rates of interest to be used in the valuation of the liabilities*" as applies to cashflows and "*where an option offers a choice between two non-discretionary financial benefits and where there is a wide range of possible outcomes, the required reserves and the adequacy of reserves should be assessed by modelling such liabilities stochastically together with matching assets*." *(Actuarial Standard ASP LA-3, Section 3.3, 3.6.5)*

	Furthermore, the Appointed Actuary must consider the resilience of the valuation to changes in circumstances (which would include changes in circumstances pertaining to embedded options and guarantees), with special reference to more extreme changes to which the office may be vulnerable, and provide appropriate margins in the valuation basis. *(Actuarial Standard ASP LA-3, Section 2.6)* Life insurers have legacy with-profits business backed by assets totaling €6.3 billion as the time of assessment. However, there is no CBI practice at this time to monitor the fair treatment of with-profits policyholders despite the substantive reliance on the work of the Appointed Actuary to treat these policyholders fairly in their bonus allocations and in the proper provisioning for policyholder reasonable expectations (PRE) in the TP. For all insurers (life and non-life, the credit standing of an insurer is not a factor in determining the value of the TPs. **Supervisory Practices** CBI has adequate systems in place to facilitate the monitoring of adherence to legislation, regulatory guidance and standards relating to the recognition, de-recognition and measurement of assets and liabilities. The systems, including PRISM and internal procedures (e.g., SAO report review, review of annual return – reinsurance), aid the identification of areas requiring follow-up action. Where there are breaches of legislation and regulatory guidance, CBI has the power to pursue enforcement and disciplinary action (ICP 11). The 2014 Reserving Requirements for Non-Life Insurers and Non-Life and Life Reinsurers necessitate that insurers appoint a signing actuary. The signing actuary is required to produce an SAO within four months and a SAO report within six months of the year end. The SAO report should be made available to CBI upon request. The key enhancements under the 2014 Reserving Requirements are as follows: • Appropriate governance arrangements including regular reconciliation of claims data, processes to ensure data submitted to the signing actuary is complete and accurate and requirements to establish a Reserving Committee by High Impact undertaking; • The Signing Actuary is to be a PCF role under the F&P regime; • The SAO shall provide an independent view of the adequacy of an insurer's reserves and shall assist the Board in its running of the insurer. The SAO report provided to the CBI shall be based on a comprehensive report to the Board; • Guidance on the Best Estimate issued - including the proposed information required to be disclosed in relation to risk and uncertainties; • Internal Audit must conduct an assessment of the company's reserving process; • Requirement to organize a peer review of the methodologies, assumptions, uncertainties, ,etc. used in the SAO and Actuarial Report; and • Specific requirements in relation to margin for uncertainty. Both the CBI and the ASPs require the Appointed Actuary to carry out investigations into the financial condition of the life insurer annually. The investigation should include a valuation of the liabilities, consistent with the valuation rules detailed in Annex IV of SI 360/1994 of the

	Life Framework Regulations. In producing the investigation the appointed actuary must consider all aspects likely to affect the financial position of the insurer. The ASPs provide guidance on areas that need to be considered to complete the financial investigation, including: • The investment policy; • The reinsurance, underwriting and claims handling arrangements; • The terms on which new and existing business has been written; • Certify that premiums are sufficient; • The current and future solvency position of the insurer including the possibility of insolvency; • The material correctness of the valuation data (additional reserves may need to be considered for shortcomings in the valuation data); and • Recommendations on allocation of profits. *(Article's 15 & 29 SI 360/1994 of the Life Framework Regulations)*
Assessment	Largely observed
Comments	The valuation of assets and liabilities for solvency purposes is based on Irish GAAP or IFRS. Accounting practice allows the use of amortized cost for some fixed income investments held to maturity. The valuation basis for life TP is more market consistent compared to non-life TP as discounting for non-life TP is only allowed under certain conditions. The current non-life reserving method (recently updated by the Reserving Requirements for Non-Life Insurers and Non-Life and Life Reinsurers) requires provisioning for both a current estimate and a MOCE. However, the non-life requirements permit broad means of determining the MOCE, on the advice of the Signing Actuary, but subject to management judgement. This approach differs from the approach used for life insurance valuation and also from the specificities detailed in the guidance to ICP 14.9. While each of the methods for valuing the component parts of the balance sheet for solvency purposes can be described as economic, the overall effect of the methods does not enhance a consistent economic view of the solvency position of the insurer. This is expected to be rectified as IFRS for insurers (IFRS 4) and financial investments (IFRS 9) further develops more market based valuation methods for both liabilities and assets, as well as the advent of SII. The current shortcomings in the valuation of TP are expected to be addressed by SII as from 1 January 2016.
ICP 15	**Investment** The supervisor establishes requirements for solvency purposes on the investment activities of insurers in order to address the risks faced by insurers.
Description	**Legal/Regulatory Framework** The requirements on the investment activities of insurers for solvency purposes are reflected in Irish legislation supplemented with guidance issued by CBI. The most relevant sets of Guidelines related to the investment activities of insurers are the Guidelines for Insurance

Undertakings on Asset Management (2010) and the Guideline on the Risk Management of Derivatives (2010). *(SI 360 of 1994, Annex V, 2.1 & 2.2)*

Similar to the comments made with respect to ICP 13, generally Guidelines are not legally enforceable (they are intended to guide and not to compel). CBI uses its conditions of authorization to compel (re)insurers to adopt CBI Guidelines. However, even if the authorization conditions are used in this way, they may be subject to legal challenge. Legally enforceable requirements would make use of rules, regulations, etc.

Further, the wording used in CBI's conditions of authorization to compel (re)insurers to adopt CBI Guidelines is not the same for all types of Guidelines. Currently, (re)insurers "shall adopt all of the obligations of the CG Code for Captive Insurance and Reinsurance Undertakings." On the other hand, for other Guidelines, the conditions of authorization less clearly state that a reinsurer's "compliance strategy will make provision for adherence to, in addition to all primary and secondary legislation, all and any guidance issued by the CBI and its predecessors to date and any future guidance issued by the CBI."

The Asset Management Guidelines supplement prudent person principles by describing additional elements of a sound asset management system and reporting framework. For example,

- *"The undertaking must take account of the profile of its liabilities and, indeed, the complete risk-return profile. The risk-return profile should result from an integrated view on product policy, underwriting policy, reinsurance policy, investment policy and solvency level policy";*
- *"an undertaking must ensure that it holds sufficient assets of appropriate nature, term and liquidity to enable it to meet liabilities as they become due"; and*
- *Other guidance relates to the definition of the investment policy and procedures and provides guidance on asset allocations in terms of security, liquidity and diversification.*

(Asset Management Guidelines, Section 2, 2.1, 4)

However, the Guideline requirements on the topics of security of assets (credit/counterparty risk) and diversification (for example) are fairly limited in their scope. The ICP 15.3 guidance (while not assessed, the guidance still informs the intent of the underlying standard) indicates that much more depth is expected on these topics than is provided by the Guidelines.

Similarly, with respect to asset/liability management, the Asset Management Guidelines simply state the need for "*testing the resilience of the asset portfolio to a range of market scenarios and investment conditions and the impact these scenarios may have on the undertakings solvency position*." Guidance supporting IAIS standard 15.4 (and also standard 16.6) indicates that the insurer's investment strategies should also take into account the extent to which its investments match the liability cash flows.

CBI controls an insurer's investment in assets whose risks it can properly assess and manage through guidance that an insurer develop an investment policy, which (among other things) includes "t*he extent to which the holding of some types of assets is ruled out or restricted where, for example, the disposal of the asset could be difficult due to the illiquidity of the market or where independent (i.e.,, external) verification of pricing is not available." (Asset Management Guideline, 4.1)*

	SI 359/1994 and SI 360/1994 set out valuation rules for assets and state that a nil value must be assigned to the asset where a valuation rule is not explicitly stated in SI 359/1994 and SI 360/1994. This is monitored by the CBI through inspections and review of regulatory financial statements and returns submitted by insurers. CBI has established quantitative and qualitative requirements on the use of derivatives as this is important in the management of VA risks. However, this guidance is non-binding and is fairly limited in scope in establishing requirements for the broader range of complex and less transparent assets available in the marketplace (e.g., collaterized assets, off balance sheet asset, etc.). The CBI does not currently have a set of investment requirements at the group level. **Supervisory Framework** CBI assesses compliance with this standard through the application of the PRISM methodology, which depending on the impact rating of the firm, includes a review of the requirements, which are set out in the legislation, regulations, and guidance materials as described below, limiting/regulating the investment risks that are taken by an undertaking: • ALM and Liquidity Management review – The purpose of this task is to assess the adequacy of the policies, systems and procedures in place relating to asset liability matching and liquidity management; • Asset Quality review - The objective of a review of the asset quality of an insurer is to monitor, review, challenge and report on the investment of the firm's assets including an assessment of the appropriateness of the investment strategy in relation to the firm's liability profile. A review of asset quality also considers other material items in the balance sheet and includes DAC, reinsurance recoverables, technical debtors and goodwill; • Stress Testing - Stress testing aims to test various aspects of an firm's operations against a range of extreme but plausible events; • Governance reviews every two years (High Impact only); • FRAs (Medium High/Medium Low); and • Regular meetings with Board members. CBI self-assessment included several useful examples of supervisory practice relating to the topic of investment. The CBI was observed in these cases to have exercised good judgement in taking appropriate enforcement actions with the affected insurers.
Assessment	Largely observed
Comments	The CBI is largely in compliance with the requirements of ICP 15 but the following weaknesses have been observed: • Generally, Guidelines are not legally enforceable (they are intended to guide and not to compel). CBI uses its conditions of authorization to compel (re)insurers to adopt CBI Guidelines. However, even if the authorization conditions are used in this way, they may be subject to legal challenge. Legally enforceable requirements would make use of rules, regulations, etc. Further, the wording used in CBI's conditions of authorization to compel (re)insurers to adopt CBI Guidelines is not the same for all types of Guidelines (e.g., CG versus others such as the Asset Management Guidelines) – refer to ICP 13 remarks;

	• Certain areas of the Asset Management Guidelines do not provide direction sufficient for that intended by ICP 15, e.g., standard 15.3 with regards to asset security and diversification; standard 15.4 with regards to cash flow matching; and standard 15.6 with regards to the general issue of more complex and less transparent classes of assets (i.e., beyond derivatives to other types of complex assets); and[55] • There are no explicit requirements regarding investments at the group level. It is recommended that CBI develops and implements explicit investment requirements both at the insurer and group level.
ICP 16	**Enterprise Risk Management for Solvency Purposes** The supervisor establishes ERM requirements for solvency purposes that require insurers to address all relevant and material risks.
Description	**Legal/Regulatory Framework** The requirements for risk management and controls are principally stated in the CG Code, the Captive Code and CG SII Guideline. The 2013 CG Code, which becomes effective from 1 January 2015, sets out additional requirements relating to risk management and internal control in comparison with the current CG Code. The F&P regime (ICP 5) covers risk management, compliance, actuarial matters, and internal audit, which are categorized as PCFs. The requirement of standard 16.1 that the insurer's ERM framework provide for the identification and quantification of risk is provided for as follows *(references provided to 2013 CG Code)*: • The strategy for the managing material risks by the Board *(13.1.c);* • CRO responsibility for ensuring effective ERM processes are in place *(12.4);* • Board responsibility for risk appetite *(15.1, 15.8*); and • Risk Committee provides oversight on ERM to Board *(23.6)* The requirement of standard 16.2 to document the ERM framework is provided as follows *(references provided to 2013 CG Code):* • CRO to provide comprehensive and timely risk information *(12.8); and* • Board ensures risk management systems and controls are aligned with risk appetite and there is adequate reporting to Board *(15.3).* The requirement of standard 16.3 for the insurer to have a risk management policy for ERM is provided for as follows (*references provided to 2013 CG Code*): • CRO shall be responsible for ERM processes *(12.4); and* • Board is responsible for setting and overseeing the strategy for risk management *(13.1.c).*

[55] 15.4.1 states: "The insurer's investment strategies should take into account the extent to which the cash flows from its investments match the liability cash flows in both timing and amount and how this changes in varying conditions."

	The requirement of standard 16.4 that the insurer has a risk management policy that describes the relationship between the tolerance limits, regulatory capital requirements, economic capital and methods for monitoring risk is provided for as follows (*references provided to 2013 CG Code):* • CRO reports to the Board on various risk matters *(12.7-9);* • Risk Committee responsible for advising Board on risk appetite/ tolerance for future strategy as well as distribution of internal capital and own funds *(23.6, 8 in part); and* • Guideline 13 of the SII Governance Guidelines. The requirements of standards 16.5 (ALM policy), standard 16.6 (investment policy) and 16.7 (underwriting policy) will be met as insurers observe the (non-binding) CBI Guidelines on Preparing for SII – System of Governance (SII Governance Guidelines). The respective references in the SII Governance Guidelines are #19, 20 and 15. The requirement of standard 16.8 that the insurer establish a risk tolerance statement is not provided for in the 2013 CG Code but is contained in the SII Governance Guidelines #13. The requirement of standard 16.9 that the insurer's ERM framework be responsive to changes in its risk profile is covered by *(references provided to 2013 CG Code):* • CRO responsible for identifying and managing risks to which institution is exposed *(12.4); and* • Risk Committee to advise Board on effectiveness of strategies to cover the risks of the insurer *(23.8).* The requirement of standard 16.10 that the insurer's ERM framework provide a feedback loop is covered by *(references provided to 2013 CG Code):* • CRO responsible for providing comprehensive and timely information on an insurer's risks, which enables Board to understand overall risk (12.8); and • Risk Committee to liaise with CRO and also to advise Board on risk matters (23.7, 8). The requirements of standards 16.11 to 16.16 will be met as the CBI has introduced FLAOR for all insurers (a pre-cursor to ORSA, which will be introduced along with SII on January 1, 2016 – FLAOR and ORSA are identical in many respects) with effect in 2014. The first FLAOR reports are now being reviewed by CBI supervision staff. **Supervisory Framework** CBI conducts supervisory tasks, which enable it to make a detailed assessment of each reinsurance undertaking's ERM framework. In particular: • On a regular basis, CBI will meet with key individuals with responsibility for management of the ERM framework, including, the CEO and CRO, as well as the Chairman of the Board and a senior non-executive directors, such as the Chairman of the Risk Committee. The frequency of these meetings is determined based on the impact rating of the insurer; • Reinsurance undertakings are subject to regular risk reviews by the CBI, which includes detailed FRRs focused on the ERM framework, and the management of material risks, such as investment or underwriting risk management. The frequency of reviews is

	determined based on the impact rating of the insurer, with ultra-high/high impact firms subject to four reviews a year. This includes three FRRs and either a governance review or a business model analysis, both of which should be undertaken once every two years. Medium-high impact firms are subject to a FRA every 2-4 years with medium-low impact firms subject to a FRA on a sample basis of 10% per year; • A RGP is held on an annual basis for high impact firms. The supervision team is challenged by CBI senior staff and risk advisors from both within and outside the Insurance division on their supervisory approach, strategy and judgments. Proposed actions are also presented at the RGP and discussed and agreed. RGPs take place for medium-high/medium low impact firms following the completion of a FRA; • CBI reviews Board and Risk Committee meeting agendas, presentations and minutes on a regular basis, to determine the quality of oversight of the ERM framework. • CBI obtains and inspects documentation related to (re)insurance undertaking's ERM framework, including the risk appetite statement, risk tolerances, risk management policies and risk reporting, with reference to the requirements of the Code, and Guidelines on Preparing for SII – System of Governance; • As part of its PRISM reviews, CBI reviews the financial condition reports prepared by (re)insurers in accordance with the standards of practice of the Irish Society of Actuaries; and • CBI requires (re)insurance undertakings to submit a FLAOR/ORSA report at least annually beginning with 2014.
Assessment	Largely observed
Comments	CBI's compliance with ICP 16 is dependent largely on the passage of time until all the provisions of the FLAOR/ORSA, 2013 CG Code and the SII Governance Guidelines become effective (i.e., various dates between January 1, 2014 and January 1, 2016). As the effective date of this assessment relates to practice observed as of the end of 2013, this ICP is rated as Largely Observed. Some additional areas of weakness are: • ERM requirements are not yet defined at the group level; and • Standard 16.4 is only partly observed due to the complexity involved with fully exploring the relationships mentioned in this standard. In addition, this standard makes reference to risk tolerance limits. These limits are not covered by the 2013 CG Code but are briefly mentioned in Guideline 13 of the SII Governance Guidelines. It is recommended that CBI: a) Establishes ERM requirements at the group level; and b) Enhances the CG Code as necessary to reflect the new developments of the SII Governance Guidelines as well as introducing the need for risk tolerance limits.
ICP 17	**Capital Adequacy** The supervisor establishes capital adequacy requirements for solvency purposes so that insurers can absorb significant unforeseen losses and to provide for degrees of supervisory intervention.

Description	**Total Balance Sheet Approach** The current Solvency I calculation adopts a simple factor-based approach for insurance entities that does not explicitly recognize the risks relating to assets side of the balance sheet. For life insurance valuation and financial condition reports, actuaries are required by actuarial standards of practice (e.g., ASP-LA 1, 2 and 3) to use the total balance sheet approach. However, general insurance actuarial standards provide no direction to actuaries with respect to the use of a total balance sheet approach. **Regulatory Capital Requirements** (Re)insurers are required to maintain a minimum solvency margin, as well as a guarantee fund in respect of their entire business: *a)* The minimum solvency margin for non-life insurers is calculated as the higher of premiums or claims basis, based on the specified factors; *b)* The minimum solvency margin for life insurers is the sum of 4 percent of mathematical reserves and 0.3 percent pf the total capital at risk retained; and c) The minimum solvency margin for reinsurers is the higher of the premiums or claims basis, according to the specified computation. Composite reinsurers shall maintain an available solvency margin to cover the total sum of required solvency margins in respect of non-life and life reinsurance activities. In addition, (re)insurers must maintain guarantee funds equal to at least one-third of the required solvency margin. There are specified floors for the guarantee fund: a) ranging from €2.5 million to €3.7 million for non-life insurers depending on the class of business conducted; b) €3.7 million for life insurers and reinsurers; and c) €1.1 million for captive reinsurers. *(s13(1) & Annex II of SI 359/1994; s12(1) & Annex II of SI360/1994 and s23(1), Schedule 1 and Schedule 2 of SI 380/2006)* (Re)insurers are required to maintain 200 percent of their required minimum solvency margin for the first three years following their authorization (ICP 4). The requirement is reduced to 150 percent after three years of operations. Non-life captive insurers are required to maintain the solvency requirement of 150 percent except where a captive is writing pure property and ancillary business interruption classes only and, in such cases, they must hold the higher of 125 percent of the required minimum solvency margin or the minimum guarantee fund. CBI is empowered to give direction to an insurer (refer to ICP 11) who is not maintaining or is unlikely to be in a position to maintain adequate capital or other financial resources having regard to the volume and nature of its business. *(s45(3) of CBSEA)* It is CBI's policy to ensure that regulatory capital requirements, and the bases for these requirements, are set in an open and transparent process. These requirements are established in and described by the publically available Sis, which have transposed relevant EU directives into Irish law, as well as publically available guidelines and regulations. Furthermore, decisions with respect to increased regulatory capital requirements and the reasoning behind them are communicated directly to insurers via the CBI's engagement with undertakings as part of the PRISM supervision framework. **Solvency Control Levels**

	There is no explicit solvency control level in the current solvency regime. Nonetheless, CBI may issue a direction requiring an insurer who breached the minimum solvency margin requirement to take the following measures: a) refrain from taking on new business, or new business of a specified type or class; b) limit its premium income to a specified amount; c) refrain from making investments of a specified class or description; d) realize, within a specified period, investments of a specified class or description; e) maintain in Ireland assets of a value equal to the whole or a specified proportion of its liabilities; and f) take such further measures as may be specified in the direction. *(s18(1) of IA 1989)* CBI shall require an insurer whose solvency margin fall below the minimum requirement to submit a plan for CBI's approval for the restoration of a sound financial position. If the insurer complies with this requirement satisfactorily, restrictions imposed by way of direction will be lifted and it will be allowed to continue to operate. However, it is highly likely that the insurer will be sanctioned at a later date by CBI for the breach. *(S16(2) of SI 359/1994, s36(2) of SI360/1994 and s59(2) of SI 380/2006)* With the exception of the strategic solvency target for reinsurers, a breach of the established solvency targets would lead to CBI invoking its strongest regulatory response. The CBI's power to given directions allows CBI to adopt a more graduated approach to address solvency concerns. However, this approach is less transparent than a clearly established solvency control level, which is readily explainable to a court. (see 17.3.4) **Prescribed Capital Requirement (PCR) and Minimum Capital Requirements (MCR)** CBI considers that the solvency requirement imposed as a condition of authorization constitutes the MCR. An explicit PCR will only come into effect with the introduction of SII. **Capital Resources** The solvency margin shall correspond to the assets of an insurer, free of all foreseeable liabilities, less any intangible items and may include the following: a) paid up share capital or (effective initial fund for mutual insurers); b) one-half of the unpaid share capital (or the initial fund), once the paid-up part reaches 25 percent of that share capital (or fund); c) reserves (including both statutory reserves and free reserves) not corresponding to underwriting liabilities; d) any carry-forward of profits; e) cumulative preferential share capital and subordinated loan capital that meet specified minimum criteria and up to specified limits; f) securities with no specified maturity date and other instruments that fulfil certain conditions; and g) other items (e.g. ,future profits of life insurer) with the consent of the Minister (but CBI for reinsurers). (*Annex II of SI 359 of 1994, Anne II of SI 360/1994 and Schedule 1 of SI 380/2006)* While the above statutory provisions address the quality and suitability of capital resources partly, there is scope for establishing clear criteria for eligible capital resources taking into account their ability to absorb losses on both a going concern and wind-up basis. CBI supervision teams apply professional judgment as to the quality and suitability of the

	capital resources as part of Capital Management FRRs, as well as on an ongoing basis via through the monitoring of KRIs and through other supervisory engagements with insurers. **Use of Internal Models** The use of internal models is not currently permitted by CBI. As from 2016, SII allows the use of internal models and identifies different levels of regulatory capital requirements for which the use of internal models is allowed. The SII Directive states that the modelling criteria shall correspond to the value at risk (VAR) of the basic own funds of an (re)insurer subject to a confidence level of 99.5 percent over a one-year period. In preparation for the implementation of SII, the EIOPA has published "Guidelines on the pre-application of internal models." CBI is currently in the process of implementing these guidelines, which state that national competent authorities are expected to form a view on how prepared an insurer or reinsurer is to submit an application for the use of an internal model for the calculation of the Solvency Capital Requirement. CBI has released "Guidelines for Preparing for SII – Pre-Application of Internal Models" based upon this EIOPA guidance. **Capital Adequacy for Insurance Groups** CBI supervises insurance groups on a legal entity basis and there is no explicit group-wide capital adequacy requirement. CBI considers an insurance group primarily as a single integrated entity for which a separate assessment is made for the group as a whole on a consistent basis, including adjustments to reflect constraints on the fungibility of capital and transferability of assets among group members. Consequently, there is no specific regulation pertaining to the solvency control levels for groups, including those with a group level entity not regulated by the CBI.
Assessment	Partly observed
Comments	This ICP is assessed as Partly Observed for the following reasons, • Lack of explicit regulatory framework references to the use of a total balance sheet approach; • Lack of a regulatory requirement for a PCR; • Lack of specific regulations pertaining to the solvency levels of groups; and • Lack of sufficient regulatory criteria for the assessment of capital resources. The implementation of SII is expected to improve the observance of the solvency regime with ICP 17. It is recommended that in preparation for SII (which will bring about a total balance sheet approach and a PCR) that CBI: a) Develops and implements any necessary capital adequacy support processes/tools that CBI will need to put in place in readiness for SII. These may include expectations for regular stress testing, capital target setting, definition of capital resources , etc.; b) Establishes capital adequacy requirements (both quantitative and qualitative) at the group level; and c) Builds supervisory expertise and processes to adequately approve and monitor internal models.

ICP 18	**Intermediaries** The supervisor sets and enforces requirements for the conduct of insurance intermediaries, to ensure that they conduct business in a professional and transparent manner.
Description	CBI is responsible for supervising 2,979 insurance and reinsurance intermediaries as of September 8, 2014. The operations of these intermediaries vary widely in size and activity ranging from subsidiaries of large multinationals/insurers/credit institutions to one-person operations. Based on the Report on Retail Intermediaries in Ireland issued by CBI in February 2013: • Gross income/turnover (from regulated and unregulated activities) of retail intermediaries ranged from less than €10,000 to more than €1 million. Income from regulated activities ranges from €0 to over €7.5 million, with over 4 percent earning in excess of €1 million. • 17 percent of intermediaries reported a loss in financial year 2012, with over 3 percent reporting a loss in excess of €100,000. • Almost 24 percent reported that they engaged in one or more unregulated business activities.[56] **Regulatory Authority** The regulatory requirements applicable to insurance intermediaries are set out in: • SI 13 of 2005 - the EC (Insurance Mediation) Regulations 2005 (IMR); • CP Code of 2012 - a set of rules and principles that all insurance intermediaries must follow when providing financial products and services to consumers;[57] • The MC Code - brings into Irish law the requirements of the Insurance Mediation Directive of 2002 (IMD) and sets out minimum professional standards for persons providing certain financial services, in particular when dealing with consumers; and • The F&P regime for persons performing CFs or PCFs in insurance intermediaries. In general, agents and brokers are subject to the same conduct rules and code. The MC Code applies to insurers and persons carrying out CF/PCF roles, which includes: a) providing advice to consumers on a retail financial product; b) arranging or offering to arrange a retail financial product; and c) carrying out one of the specified functions set out in Appendix 2 of the MC Code. **Registration of Insurance Intermediaries** It is an offence to undertake insurance mediation unless a person is registered under the IMR or is exempted from registration. An insurance intermediary is defined as "a person who, for remuneration, undertakes or purports to undertake insurance mediation.[58]" Insurance

[56] E.g., garages, auctioneer/estate agent and accountant/auditor.

[57] The CP Code 2006 came into effect on July 1, 2007. CBI revised the CP Code which came into effect from January 1, 2012.

[58] Insurance mediation is defined as any activity involved in proposing or undertaking preparatory work for entering into insurance contracts, or of assisting in the administration and performance of insurance contracts including dealing with claims, but does not include such an activity that: a) is undertaken by an insurer or an employee of an insurer, or b) involves the provision of information on an incidental basis in conjunction with some other professional

(continued)

	Intermediaries can either be a limited company, a partnership or a sole trader. Banks who distribute insurance products are required to be registered as insurance intermediaries.[59] There is a limited exemption from registration under specified conditions *(R2, R5 & R6 of IMR)* Applicants for registration must submit the Retail Intermediaries/Brokers Application Form – Authorization. Relevant persons in PCFs are required to complete an IQ (ICP 5). The form requires information on: general details, applicant details, authorization details, governance and staff, financial information, compliance and regulatory background. There is no capital requirement for insurance intermediaries; however they are expected to be solvent and they must maintain separate CPA (see section below). All applicants must have PII against liability arising from professional negligence in place prior to authorization. The insurance cover must not be less than €1,000,000 for each claim received and in aggregate not less than €1,500,000 for all claims received within a year. These amounts may be adjusted by CBI as specified. *(R17 of IMR)* CBI registers an insurance intermediary only where: a) CBI is satisfied that the applicant is capable of complying with the IMR *(R8 of IMR);* b) All persons directly involved in insurance mediation in the applicant have the requisite knowledge and ability to undertake insurance mediation *(R15 of IMR);* and c) Staff performing PCFs/CFs meets the F&P Standards (ICP 5). If CBI refuses to grant an authorization, it must give the applicant written notice setting out the reason for the refusal. Such a refusal is an appealable decision. *(R8(5) and R40 of IMR)* **Ongoing Supervision** Retail intermediaries are ranked as low impact firms by CBI on the basis that there are regulatory safeguards for client money and the failure of any one intermediary would not cause economic or systemic problems. However, it is also recognized that intermediaries have the propensity to cause consumer detriment e.g., through mis-selling, overcharging or poor systems and controls. While supervisory teams do not conduct regular face-to-face meetings with every insurance intermediary, they continuously monitor the sector through desk-based analysis of financial returns, thematic reviews, and reactive supervision. The reactive approach deals with regulatory issues arising from information provided by both internal and external sources, e.g. ,members of the public, consumers, ex-employees of intermediaries, other regulated entities, etc. Due to the large number of retail intermediaries regulated and the limited resources, CBI has implemented a one-size-fits-all triage/filtering template to assess all triggers/referrals in relation to intermediaries. The inputs to the triage include: trigger source/type; description of the issues, risk/breaches; and issue evaluation. Based on the evaluation results, each case receives a ranking of high, medium or low risk. In 2013, 46 issues were assessed under this process and each issue was investigated and

activity, or c) involves the management of claims of an insurer on a professional basis, or d) involves loss adjusting or expert appraisal of claims for reinsurers.

[59] As at the time of assessment, there were nine banks registered as insurance intermediaries.

	followed up, resulting in two enforcement actions. At the time of assessment, CPD was contemplating adjusting the triage/filtering process to reflect a more proportionate supervisory approach, which takes into account the conduct risk probability of intermediaries. Intermediaries are required to submit annual returns comprising four sections: general information, financial information, ownership information and CoB information. A large number of insurance intermediaries are also authorized under the Investment Intermediaries Act 1995 and they have to maintain sound financial position. CBI considers that a firm that is insolvent or otherwise in financial difficulty has a higher likelihood of mis-selling or other conduct detrimental to consumers. Insurance intermediaries who do not conduct investment business are not subject to financial soundness requirement, on the basis that client premiums received by insurance intermediaries is deemed to be paid to insurers. Given the large number of intermediaries regulated, CBIs leverages on the use of technology to enhance supervisory efficiencies. For instance, supervisors are automatically alerted when an intermediary fails key financial health checks, which facilitates appropriate targeted regulatory action to resolve the issues. Since 2011, CBI conducted three themed inspections on intermediaries' PII covering a total of 160 firms. As a result of these inspections, 56 insurance intermediaries voluntarily cancelled their registration and 33 cases were referred to the ED. This has resulted in six involuntary cancellations, 10 administrative sanctions and five Supervisory Warnings. A further 10 cases are at various stages of the enforcement process. Arising from the thematic inspection on financial condition, which covered 195 insurance intermediaries, CBI directed those that had negative financial position (net assets less intangible assets) to submit confirmation from their PII provider that, although they were in a negative financial position, their PII cover was valid. They were also requested to confirm that they were able to meet their debts as they fell due. **Competence and Integrity** CBI utilizes the F&P regime (see ICP 5) to establish whether intermediaries possess appropriate levels of professional knowledge, experience, integrity and competence in order to carry out insurance mediation. This is complemented by the MC Code. The minimum competency Standards under the MC Code apply to persons in CF/PC, whose role includes: providing advice to consumers on retail financial products;[60] arranging or

[60] Retail financial products include:

a) Life Assurance - temporary assurance policies; whole life policies; life assurance savings and investment policies; tracker bond policies; permanent health insurance policies; or industrial assurance business policies;
b) Pensions - occupational pension schemes, additional voluntary contributions, and approved retirement funds approved minimum retirement funds (all with liabilities are fully secured by one or more contracts of assurance); personal pension plans; personal retirement savings accounts; annuities; and buy-out bonds; and

(continued)

	offering to arrange retail financial products for consumers; or the exercise of a specified function, which have a potentially high impact on consumers. [61] To meet the Standards, a person must: a) have completed the recognized qualification(s) that are relevant to the function to be exercised; b) comply with the standards relating to a prescribed script function, where applicable; and c) meet the continuing professional development requirements of 15 hours per year. *(P1.2 & P1.3 and Appendices 1 to 4 of MC Code)* To comply with the general principles of the CP Code, intermediaries (and insurers) must: a) act honestly, fairly and professionally in the best interests of customers and the integrity of the market; b) act with due skill, care and diligence in the best interests of customers; and *c)* do not recklessly, negligently or deliberately mislead a customer as to the real or perceived advantages or disadvantages of any product or service. The CP Code sets out comprehensive provisions to support these principles. *(P2.1 to P2.3 of CP Code)* **Corporate Governance** CBI supervises intermediaries' CG through: a) Intermediaries' obligations to ensure the ongoing suitability of CFs/PCFs; and b) The CoB requirements under the CP Code. In particular, intermediaries should have and employ effectively the resources, policies and procedures, systems and control checks, including compliance checks, and staff training that are necessary for compliance with the CP Code. *(p2.4 of CP Code)* In 2013, CBI imposed a monetary penalty of €65,000 on an intermediary for breaches of the CP Code, including failure to have adequate systems and controls. The related Settlement Agreement was published on CBI's website. **Disclosure and Conflict of Interest** Intermediaries must draw up a terms of business and provide it to the consumer prior to providing a service. The CP Code is prescriptive as to the content of the terms of business document. For example: if an intermediary is tied for any of the regulated activities it provides, it must specify the name of each of the product(s) and/or service(s) for which it is tied and the name of the regulated entity to which it is tied for those product(s) and/or service(s). *(P4.12, 4.13 of CP Code)*

c) Personal General Insurance - non-life insurance policies (other than health insurance contracts) effected by individuals for their personal insurance needs.

[61] The specified functions are: assisting consumers in the making of a claim; determining the outcome of claims; reinsurance mediation; management or supervision of persons who provide advice on or arrange retail financial products; and adjudicating on any complaint from consumers.

	Prior to providing a product or service to a consumer, an intermediary must: a) disclose the breakdown of all charges, including third party charges, which will be passed on to the consumer; and b) where such charges cannot be ascertained in advance, notify the consumer that such charges will be levied as part of the transaction. An intermediary must also display in its public offices, in a manner that is easily accessible to consumers, a schedule of its fees and charges. *(P4.54 and P4.56 of CP Code)* Where remuneration is to be received from a product producer on an ongoing basis the intermediary must disclose to the consumer, prior to the provision of that product, the nature of the service to be provided to the consumer in respect of this remuneration. Prior to the sale of a non-life insurance product, an intermediary must: disclose the remuneration arrangement and any remuneration that are based on levels of business introduced by the intermediary to that product producer or that may be perceived as having the potential to create a conflict of interest. Where an intermediary allows the option to pay for its services by means of a fee, the option must be explained in advance to the consumer. Where an intermediary charges a fee and also receives commission, it must explain whether the commission will be offset against the fee, either in part or in full. *(P4.59 to P4.61 of CP Code)* The term "independent" may only be used by an intermediary in its legal name, trading name or any other description of the firm where: a) the principal regulated activities of the intermediary are provided on the basis of a fair analysis of the market; and b) the intermediary allows the consumer the option to pay in full for its services by means of a fee. The term 'broker' may only be used where the principal regulated activities of the intermediary are provided on the basis of a fair analysis of the market.[62] *(P4.16 and 4.18 of CP Code)* Where an intermediary does not provide a product or service on the basis of a fair analysis of the market, it must clearly disclose to the consumer the names of those product producers whose products or services it intends to consider as part of its analysis. Where an intermediary is tied to a single product producer for a particular product or service, it must disclose this fact to the consumer in all communications with the consumer. *(P4.19 and 4.20 of CP Code)* Intermediaries must have in place and operate in accordance with a written conflicts of interest policy appropriate to the nature, scale and complexity of its regulated activities. The conflicts of interest policy must identify the circumstances, which may give rise to a conflict of interest; and specify procedures and measures to manage such conflicts. Where conflicts of interest arise and cannot be reasonably avoided, an intermediary must: a) disclose the nature and/or source of the conflicts of interest to the consumer. In this situation, an intermediary may only undertake business with or on behalf of a consumer where that consumer has acknowledged that he/she is aware of the conflict of interest

[62] "*Fair analysis of the market*" means providing services on the basis of a sufficiently large number of contracts and product producers available on the market to enable the intermediary to make a recommendation, in accordance with professional criteria, regarding which contract would be adequate to meet the consumer's needs.

	and still wants to proceed; and b) ensure that the conflict does not result in damage to the interests of the consumer. *(P3.28 and 3.29 of CP Code)* **Client Monies** The IMR deems that premiums paid by a customer to an intermediary are taken to have been paid to an insurer and money paid by an insurer to an intermediary for a customer are taken not to have been paid to the customer until the customer actually receives it. *(R16.2 of IMR).* In addition, an insurance intermediary must lodge money it receives in respect of a premium or a premium rebate to a segregated bank account. Each such account must be designated CPA. There should be separate CPAs in respect of life and non-life business. All payments from a CPA must clearly state that the payment emanated from a CPA. An intermediary must ensure that a CPA is never overdrawn. The CP Code prescribes the payments and receipts that are allowed to pass through a CPA. An intermediary must carry out and retain monthly bank reconciliation of each CPA it operates. *(P3.46 to 3.51 of CP Code)* **Unauthorized Entities Acting as Insurance Intermediaries** The IMR allow CBI to take summary criminal prosecutions against individuals and/or entities that conduct insurance mediation without the necessary registration. CBI will first engage the individual/entity in correspondence setting out the alleged regulatory offence(s) and the opportunity to respond. This will allow the individual/entity to regularize its position, by applying for registration or immediately cease all unregulated activities. Should the individual/entity become uncooperative, CBI will issue a formal request that individual/entity immediately cease all unregulated activities and provide a written confirmation to that effect along with a written undertaking not to engage in any future unauthorized activity. If the individual/entity continues to be uncooperative, CBI may: a) Issue a notice to the general public warning about the unauthorized activities; b) Issue a direction to the individual/entity to immediately cease all unregulated activities; and/or c) Initiate a summary criminal prosecution against the individual/entity. CBI has posted warning notices on its website to inform the public about unauthorized entities operating in Ireland. **Supervisory Practices** All retail intermediaries, including insurance intermediaries are supervised by the Intermediaries & Payment Institutions Division (RIPID) of CPD. An integrated approach is adopted whereby authorization, prudential supervision, conduct-of-business supervision, revocations and general policy matters relating to all intermediaries are under the charge of RIPID. An intermediary application is reviewed by the authorization team. Once all issues raised by the team are dealt with appropriately by the applicant, the application is reviewed by the authorization team leader to ensure that applications are subject to a "four eyes" review. The

	power to grant an authorization for retail intermediaries has been delegated by DG(FR) to the section head/manager. CBI publishes the Intermediary Times, a newsletter that is published three times a year. The newsletter highlights topics of interest and raise awareness of pertinent items on CBI's website. Special Editions of the Intermediary Times are also published and may include for example, the findings of themed inspections, new authorization processes and forms, ,etc. There were six publications in 2013. In 2013, CBI hosted three regional road shows in Letterkenny, Kilkenny and Wexford, which were attended by almost 300 firms. The opportunity to interact directly with retail intermediaries and industry representatives enables CBI to outline and discuss compliance requirements, and to listen to views and feedback.
Assessment	Observed
Comments	CBI regulates a large number of insurance intermediaries with a wide range of operations in terms of scale and complexity. The F&P regime requires intermediaries to possess appropriate levels of professional knowledge, experience, integrity and competence in order to carry out insurance mediation. This is complemented by the MC Code, which provides for minimum competency standards including those for retail financial products; and recognized qualifications. The CP Code is comprehensive and prescriptive on disclosure of information to consumers, including remuneration arrangements with product providers. Intermediaries are required to implement conflicts of interest policy appropriate to the nature, scale and complexity of their operations. There are adequate legislative safeguards and regulatory requirement on safeguarding client monies. As intermediaries are typically rated Low-Impact under PRISM, CBI adopts a reactive supervisory approach and uses thematic inspection as the principal supervisory tool. CBI has taken enforcement actions on intermediaries.
ICP 19	**Conduct of Business** The supervisor sets requirements for the conduct of the business of insurance to ensure customers are treated fairly, both before a contract is entered into and through to the point at which all obligations under a contract have been satisfied.
Description	**Supervisory Strategy** "*Getting it right for consumers"* is the fundamental objective of CBI's CoB (CoB) strategy, based on the five "C"s framework: consumer, confidence, challenge, culture and compliance. Put simply, the goal is to protect consumers by challenging RFSPs and CBI; improving compliance by RFSPs; promoting a better culture in the financial sector; and helping consumers to have more confidence in financial services. While the primary method of consumer protection supervision is via themed inspections, CBI also supervises insurers and intermediaries on a reactive basis on key points of consumer concern, for example, withdrawal of services, mis-selling, monitoring of overcharging and other errors, advertising, etc. CBI reacts to a range of indicators such as consumer complaints, media issues, parliamentary questions, whistle-blowers and contacts from other government

	agencies and non-governmental bodies. **Regulatory Authority** The regulatory requirements on CoB are established under: a) The CP Code – sets out rules that insurance intermediaries and insurers comply with in their dealings with consumers, except for reinsurance business. The CP Code cover all areas of interaction with consumers, from before a contract is entered into through to the point at which all obligations under a contract have been satisfied;[63] b) The MC Code ensures that consumers obtain a minimum acceptable level of competence from individuals acting for or on behalf of RFSPs in the provision of advice and associated activities in connection with retail financial products; c) Life Assurance (Provision of Information) Regulations 2001; and d) Non-Life Insurance (Provision of Information) (Renewal of Policy of Insurance) Regulations, 2007. Insurers and intermediaries must comply with the letter and spirit of the CP Code and MC Code. CBI is empowered to administer sanctions for a contravention of the CP Code and MC code under the ASP regime. Compliance with both Codes is one the considerations in determining the F&P of persons. In addition, the following EU Directives were transposed into Irish laws and form part of the CBI's CoB regime: a) EC (Unfair Terms in Consumer Contracts) Regulations of 1995 - the overall aim is to ensure that when consumers are required to enter into standard form contracts, that the terms of any such contract are fair and do not create a significant imbalance in the parties' rights and obligations under the contract, to the detriment of the consumer. Contract terms are also required to be expressed in plain and intelligible language. b) EC (Distance Marketing of Consumer Financial Services) Regulations of 2004 - provides for: the provision of certain information to consumers before entering into the contract; a cooling off period; and restrictions on the use of distance communications in making unsolicited contact with consumers. c) Consumer Protection Act of 2007- contains provision on: unfair commercial practice which would be contrary to the principle of good faith and standard of skill and care; misleading commercial practice e.g., provision of false information; and aggressive commercial practice which relates to harassment, coercion or undue influence. d) SI 360/1994 - provide for a 30 day statutory cooling off period. However, there are no explicit group-wide market conduct requirements.

[63] Unless specified otherwise, consumer means: a) a person or group of persons but not an incorporated body with an annual turnover in excess of €3 million. A group of persons includes partnerships and other unincorporated bodies such as clubs, charities and trusts; or b) incorporated bodies having an annual turnover of €3 million or less.

	Dealing with Customers and Establishing Fair Treatment of Customers The general principles of the CP Code require that insurers: a) act honestly, fairly and professionally in the best interests of its customers and the integrity of the market; b) and act with due skill, care and diligence and in the best interests of its consumers. *(P2.1 and P2.2 of CP Code)* The MC Code sets out a minimum level of professionalism, expertise and qualifications that are expected from individuals acting for or on behalf of insurers. It also obliges insurers to ensure that qualified persons and persons grandfathered under the new regime comply on an ongoing basis with their continuing professional development requirements. While there no explicit requirement for insurers and intermediaries to establish and implement policies and procedures on the fair treatment of customers that are an integral part of their business culture, this is implied under the various requirements of the CP Code. Specifically, insurer and intermediaries should have the resources and effective policies and procedures, systems and control checks that are necessary for compliance with the CP Code. *(P2.4 of CP Code)* For new investment product, the product producer must provide the following details to an intermediary: the key characteristics and features of products, the target market of consumers; the nature and extent of the risks inherent in the product; and the level, nature, extent and limitations of any guarantee attaching to the product and the name of the guarantor. This requirement applies only to investment products and not life insurance policies that offer protection only. However, there is no explicit requirement that insurers would have to take into account the interests of different types of customers in developing and marketing insurance products to the targeted customers. Nonetheless, insurers are required to provide vulnerable customers with reasonable assistance and CBI has issued guidance (2010) to insurers on how they should treat elderly consumers. *(P3.1 and P3.52 of CP Code)* **Promotion of Products** A RFSP must ensure that: a) the design, presentation and content of an advertisement is clear, fair, accurate and not misleading; b) an advertisement does not seek to influence a consumer's attitude to the advertised product or service or the regulated entity either by ambiguity, exaggeration or omission; and c) the nature and type of the advertised product or service is clear and not disguised in any way. In addition, the CP Code contains 52 rules regarding advertising and includes the requirements on: various warning statements in advertisements and promotional material; the presentation and design of advertisements and promotional material; information that must be included in an advertisement or promotional materials, ,etc. *(Chapter 9 of CP Code)* **Disclosure Requirements at Point of Sale** An insurer to make full disclosure of all relevant material information including charges in a way that seeks to inform the customer. A RSFP is required to provide a customer: a) Prior to providing the first service - a copy of its terms of business that contains certain information prescribed including the regulatory status of the RFSP *(p4.12 of CP Code);* b) Prior to offering, recommending, arranging or providing a product – information about

	the main features and restrictions of the product. *(p4.21 of CP Code);* c) Before the consumer enters into a contract for that product or service - the terms and conditions attaching to a product or service *(p4.22 of CP Code);* d) Prior to a consumer completing a proposal form for a permanent health or a serious illness policy insurance policy- certain information about these polies including the benefits, conditions and exclusions that apply to the policy *(p4.37 of CP Code);* e) At the proposal stage – explanation on the consequences of failure to make full disclosure of relevant facts *(p4.35 of CP Code);* f) Making an insurance quotation - the premium quoted; the validity period of the quotation; the full legal name of the relevant underwriter; and any warranties or endorsements that apply to the policy *(p4.30 and P4.31 of CP Code);* g) Before an insurance contract is concluded – non-life insurers must notify the proposer of the law applicable to the contract and b) the complaint handling arrangements. A life insurer must notify of the 30-day cooling-off period *(R27 of SI 359/1994 and R45 of SI 360/1994)*; and h) Issuance and renewal of policy - the full legal name of the relevant underwriter *(p4.34 of CP Code).* Specifically, prior to offering, recommending, arranging or providing an investment product, a RFSP must provide a consumer with information on the following, where relevant: capital security; the risk that some or all of the investment may be lost; effect of leverage; any limitations on the sale or disposal of the product; restrictions on access to funds invested; restrictions on the redemption of the product; the impact of exiting the product early; the minimum recommended investment period; the risk that the estimated or anticipated return will not be achieved; the potential effects of volatility in price, fluctuation in interest rates, and/or movements in exchange rates on the value of the investment; and the level, nature, extent and limitations of any guarantee and the name of the guarantor. *(P4.46 of CP Code).* **Knowing the Customer and Suitability** An insurer is required to gather and record sufficient information to know its consumer and to assess the suitability of a product for the consumer, having considered the information gathered. The level of information required is dependent on the complexity of the product/service that the consumer seeks. Specific areas of information that must be gathered include the consumer’s needs and objectives; personal circumstances; financial situation and attitude to risk, specifically the level of importance that the consumer places on capital security. Where a consumer refuses to provide information required and as a result an insurer cannot assess the suitability of a product/service, then the insurer cannot offer that product/service to the consumer. An insurer must endeavor to have the consumer certify the accuracy of the information provided. *(p5.1 to 5.5 of CP Code)* In assessing suitability, an insurer must consider and document: whether the product or service meets the consumer’s needs and objectives; that the consumer is likely to be able to meet the ongoing financial commitment of the product/service; that product is consistent with the consumer’s attitude to risk. *(p5.16 of CP Code)* Prior to providing or arranging a product or service, an insurer must prepare a written Statement of Suitability setting out: a) the reasons why a product/service is considered to be

	suitable to the consumer concerned; b) the reasons why the product options contained in a selection of product options offered to a consumer are considered to be the most suitable to that consumer; or c) the reasons why a recommended product is considered to be the most suitable product for that consumer. *(p5.19 of CP Code)* The CP Code includes some exemptions from the information gathering and suitability requirements. The requirements do not apply where the consumer specified both the product and product producer by name and has not received any assistance from a RFSP in the choice or product of product producer. *(p5.24 of CP Code)* **Conflict of interest** The General Principles of the CP Code places a requirement on all insurers to seek to avoid conflicts of interest. Additionally, an insurer must put in place a conflicts of interest policy and must operate in accordance with that policy. Specific requirements are prescribed for the conflicts of interest policy for example, information with regard to remuneration arrangements (see ICP 18). An insurer is prohibited from requiring an intermediary to reach a specified level of business to retain his appointments. (*p2.7 and P3.28 to 3.36 of CP Code and s15.4 of the 2010 CG Code)* **Service of policy** The CP Code requires insurers to: a) Ensure that all instructions from or on behalf of the consumer are processed properly and promptly *(P 3.3 of CP Code)*; b) Inform affected consumers at least one month in advance where it intends to amend or alter the range of services it provides *(P 3.10 of CP Code)*; c) Notify consumer if they intend to cease operating, merge with another, or transfer all or a part of their regulated activities to another entity *(P 3.11 of CP Code)*; d) Provide information to consumers, including post-sale information, in a timely manner. Insurers must provide an annual benefit statement in respect of an investment product(s) held by a consumer *(P6.13 to 6.16 of CP Code);* e) Handle premium rebates as required *(P7.1 to P7.5 of CP Code); and* f) Deal with claims and complaints effectively and fairly. However, CBI has not established clear regulatory policy and requirements relating to replacement of policies by intermediaries and the role of insurers in ensuing that policyholders are not compromised due to unnecessary replacement of policies. **Claims Handling and Complaints Management** Insurers must have a written claims handling procedure in place and notify a consumer if a loss adjustor will be engaged. The CP Code does not expressly impose an obligation on insurers to inform claimants about the procedures, formalities and common time frames for claims settlement. However, insurers are required to make full disclosure of all relevant material information in a way that seeks to inform the consumer. Based on CBI's inspection experience, insurers provide information in Policy Booklets on how to make a claim. Most insurers also provide information on how to make a claim on their websites and issue a "next steps" letter at the claims notification stage. While an insurer is not subject to a time limit

	within which to make its decision, it is required to inform claimants of its decision within 10 business days. A consumer should be given at least 10 business days to accept or reject the offer. Insurers are also required to ensure that any claim settlement offer made is fair, taking into account all relevant factors, and represents the best estimate of the claimant's reasonable entitlement under the policy. Where claims are declined, the reasons for declining must be given to the consumer. Claims accepted by insurers must be discharged within ten business days from the date the claimant has agreed to accept the offer. *(P 2.6, P7.6 to P7.21 of CP Code)* An insurer must handle complaints quickly, efficiently and fairly and have written procedure for complaints handling, which should be easily accessible to all consumers. Consumers who make oral complaints should be invited to have their complaints handled in accordance with the complaints policy. A complaint must be acknowledged within five business days and if it is not resolved within 20 business days of receipt, the consumer should be updated on the progress of the complaint. Complaints that are resolved within five business days of receipt do not need to be processed in adherence to the complaints policy, provided proper records are maintained. *(P2.8 and P10.7 to P10.12 of CP Code)* Insurers must attempt to investigate and resolve a complaint within 40 business days of receipt. Within five business days of the completion of an investigation, an insurer must advise the consumer of the outcome of the investigation; the terms of any offer/settlement (if applicable); and that he/she can refer the matter to the Financial Services Ombudsman. If a complaint is not resolved within 40 business days, an insurer must inform the complainant of the anticipated timeframe for resolution and that the consumer can refer the matter to the Ombudsman. *(P10.9 of CP Code)* An insurer must undertake an appropriate analysis of the patterns of complaints from consumers on a regular basis including investigating whether complaints indicate an isolated issue or a more widespread issue for consumers. This analysis of consumer complaints must be escalated to its compliance/risk function and senior management. *(P10.12 of CP Code)* **Privacy Protection** The Data Protection Acts (DPA) of 1988 and 2003 bought Irish law in line with the EU Data Protection Directive 95/46/EC. In addition, the ePrivacy Regulations of 2011 deal with data protection for phone, e-mail, SMS and internet use. The DPA prohibits the transfer of personal data to third parties unless such consent is obtained from customers. Compliance with data protection is under the remit of the Office of the Data Protection Commissioner and is not a function of CBI. There are eight principles of data protection, which must be complied with: obtain and process information fairly; keep it only for specified, explicit and lawful purposes; use and disclose it only in ways compatible with these purposes; keep it safe and secure; keep it accurate, complete and up-to-date; ensure that it is adequate, relevant and not excessive; retain it for no longer than is necessary for the purpose or purposes; and give a copy of personal data to information owner, on request. The Data Protection Commissioner has a wide range of enforcement powers in ensuring compliance with the DPA. These powers include the serving of legal notices compelling data

	controllers to provide information needed to assist enquiries, and compelling a data controller to implement the DPA in a prescribed manner. In 2012, the Commissioner took action against three insurers for leakage of personal data to a private investigator. Pursuant to the DPA, the Data Protection Commissioner shall encourage trade associations to prepare codes of practice in dealing with personal data. In this regard, Insurance Ireland and the Office of the Data Protection Commissioner have agreed on the CP Code of Practice on Data Protection for the Insurance Sector, which provide guidance on the industry's obligations to treat personal information fairly and in accordance with the DPA. *(s13 of DPA 1988)* **Supervisory Practices** CBI uses a number of methods to monitor compliance with consumer protection requirements, such as; routine regulatory returns; inspections; general reviews on a particular topic; mystery shopping; monitoring the advertising of financial services. However, there has not been any thematic inspection conducted on banks in their role as insurance intermediaries, except for the inspection on their sales practices relating to payment protection insurance (PPI). Examples of supervisory actions taken by CBI on conduct issues in 2013/2014 include: a) Required a life insurer to refund around €14m to consumers when a change in the objectives of an investment fund was not communicated to consumers; b) Instructed 11 credit institutions to undertake a review of PPI sales made since July 2007, which resulted in approximately €67 million identified for refund to 77,000 policyholders; c) Investigated 182 advertising issues (nine related to insurers). As a result of the investigations, 128 advertisements were withdrawn and amended, 26 were withdrawn immediately; d) Published the findings of a themed inspection into the provision of annual statements by life insurers and identified that a small number of insurers failed to produce new format statements for pension policies; and e) Conducted a themed inspection into the handling of property claims where the claims occurred due to water damage. CBI regularly publishes warning notices to consumers in national newspapers and on its website about unauthorized activities. In addition, CBI publishes all settlement agreements and the results of thematic inspections on its website. The disclosure of such information by CBI supports consumer protections and enhances market discipline. **Other Relevant Bodies** The Financial Services Ombudsman was established pursuant to the Central Bank and Financial Services Authority of Ireland Act 2004. Its function is to independently mediate and adjudicate unresolved individual complaints between consumers and RFSPs (except certain pension matters). It is a free service to the complainants. However, unlike the Ombudsman in other jurisdictions, the decisions of the Irish Financial Services Ombudsman are legally binding on both the complainants and RFSPs. In addition, the Ombudsman is subject to a strict statutory time limit of six years. Consequently, no complaint can be made on mis-selling

	that occurred more than six years before the complaint is made. The Competition and Consumer Protection Commission (CCPC) is the competent authority established by the Irish Government to enforce consumer law and promote consumer rights in Ireland pursuant to the Consumer Protection Act 2007. In the area of financial services, the Agency's primary function relates to the provision of information to and the education of consumers of financial services.
Assessment	Largely observed
Comments	The CoB regime established under the CP Code, MC Code and the insurance regulations is comprehensive; requiring insurers and intermediaries to: a) act honestly, fairly and professionally in the best interests of its customers and the integrity of the market; b) act with due skill, care and diligence; and c) ensure fair treatment of customers in the areas of: promotion and marketing, information disclosures; knowing the customer and suitability; policy servicing; and dealing with claims and complaints. However, there are no explicit requirements relating to group-wide market conduct as well as product development and communication of claims procedures. Compliance with data protection is under the remit of the Office of the Data Protection Commissioner, supported by an industry code on best practices. It is recommended that CBI establishes clear requirements for: g) Group-wide market conduct; h) Insurers to take into account the interests of different types of customers in developing and marketing insurance products to the targeted customers; i) insurers and intermediaries with respect to replacement of policies; and j) Insurers to inform claimants about the claim procedures. In addition, there is scope for fine-tuning the CoB regulatory returns e.g., persistency rates of insurers and to provide guidance to insurers and intermediaries on their obligations under the Data Protection Act.
ICP 20	**Public Disclosure** The supervisor requires insurers to disclose relevant, comprehensive and adequate information on a timely basis in order to give policyholders and market participants a clear view of their business activities, performance and financial position. This is expected to enhance market discipline and understanding of the risks to which an insurer is exposed and the manner in which those risks are managed.
Description	For Irish insurers, the combination of the lodgement at the Companies Registration Office (CRO) of: (a) the annual statutory returns by the CBI, and (b) the lodgement by each reinsurance undertaking, of its annual financial statements produced in accordance with the specified accounting standards, ensures that detailed quantitative and qualitative information is disclosed in a way that is accessible to market participants. Access to the CRO data, while available online, requires a fee of about €3 per file. For this reason the assessors judge that such data is not totally "public." The information provides the following details in relation to (re)insurers: their profile, governance and controls, financial position, technical performance, and the risks to which they are subject.

	Irish insurers are required to publish consolidated accounts in accordance with the IFRS. The scope of disclosure on consolidated information has also been significantly extended. Many Irish insurers are subsidiaries of listed groups, which are required to provide additional information to comply with group disclosures. Annual audited financial statements must be published at both the solo and consolidated levels. Annual disclosures required of Irish insurers include: quantitative and qualitative information on their financial position and performance as well as on developments in their business environment; description of the main risks and uncertainties; and the use of financial instruments. However, only basic disclosures are required on governance and controls. The disclosures are made through annual accounts and management reports via the CRO, which is accessible to the public for a fee as noted above. In accordance with IFRS 4 on insurance contracts, disclosures on TPs are made on a consolidated basis. At the solo level, insurers disclose quantitative information related to TPs by appropriate segments. Disclosures on financial instruments apply at the consolidated level as required under IFRS 7 (Financial instruments: Disclosure). Disclosures on the objective, policies and risk exposures in relation to financial instruments apply at both the solo and consolidated levels. At present, CBI has no requirements for insurer disclosures. However, at the consolidated level, disclosures are required under IFRS 4, Insurance Contracts. Insurers are required to disclosure their governance framework including *inter alia*, key information on the executive management, members of the Board and Board committees and the external auditor. However, there are gaps in the disclosures requirements compared to the expectations under ICP 20: a) TPs—no requirement to disclose the future cash flow assumptions rationale for the choice of discount rates, risk adjustment methodology or other relevant information, such as a description of the method used to determine the TPs; b) Capital adequacy. At the consolidated level, the application of IFRS will strengthen disclosures on capital adequacy (e.g., objectives, policies and processes for managing capital as well as observance of capital requirements); c) No requirement to disclose ERM including asset-liability management; d) Segmented financial performance—only some information is to be provided in the notes to the annual accounts at the solo level. At the consolidated level, the application of IFRS will enhance disclosures; and e) Company profile – contents of fee for access CRO database are not as robust as those required by ICP 20.8. CBI self-assessment provided some sample insurers for review of their public disclosure practices. In addition, the assessors examined additional sample insurers from the CRO database for review. The Assessors' consistent view across the insurers reviewed was that the standards of ICP 20 were only partly observed.

Assessment	Partly observed
Comments	There are no explicit public disclosure requirements although (re)insurers have to make disclosures in accordance with IFRS or Irish GAAP. However, IFRS disclosures are not fully aligned with the requirements of the standards of this ICP. The implementation of SII is expected to improve observance of the disclosure regime with ICP 20. To improve its assessment against this ICP, CBI should engage with its (re)insurers and their audit firms on possible changes in disclosure, which could be undertaken individually by insurers, collectively as an industry in Ireland and/or through CBI requirements, which would result in more meaningful and useful public disclosures by insurers.
ICP 21	**Countering Fraud in Insurance** The supervisor requires that insurers and intermediaries take effective measures to deter, prevent, detect, report and remedy fraud in insurance.
Description	**Legal and Institutional Framework** The term “fraud” refers to a broad range of statutory and common law offences under the Irish legal framework. There is no specific offence defined as “fraud”; the term appears to capture a variety of acts including theft, deception, forgery, false accounting, and unlawful or unauthorized use of computers and possession of certain articles. The most common breaches or fraud in insurance are established under the Civil Liability and Courts Act of 2004 (CLCA) and the Criminal Justice (Theft and Fraud Offences) Act of 2001 (CJTFA). The CJTFA provides for; *inter alia*, the offences of theft, making gain through loss or deception and forgery. It prohibits the obstruction or prejudicing of an investigation. The CLCA effectively introduces a specific offence of insurance fraud in relation to personal injury actions and offenders face a fine of up to €100,000 and/or up to 10 years in prison. The key objective of this specific offence is to contain claims costs. CBI has specific powers to seek and obtain information from insurers, which facilitates fraud detection. These powers include the right to: search and inspect the premises of insurers; demand documentation from insurers; inspect documentation; take copies of or extracts from records so provided or found; and summon and question a person employed by an insurer. *(s22, s26 and s27 of CBSEA)* An Garda Síochána pays a role in relation to fraud, with extensive liaison with CBI on insurance fraud. The Garda Bureau of Fraud Investigation (GBFI) is mandated with investigating and prosecuting cases of fraud. The primary responsibilities of the GBFI are to: a) investigate serious cases of commercial fraud, check and credit card fraud, computer fraud, ML and counterfeit currency; b) collate information and intelligence; c) act as a resource centre on fraud related matters; and d) play a pro-active role in the prevention and detection of fraud. **Understanding and Supervision of Fraud Risk** Based on the technical discussions with Assessors, CBI supervisors have demonstrated good understanding of fraud risk, which is assessed at various stages of CBI’s supervisory process: a) Authorization - as part of the assessment of insurers internal control framework,

	governance structure, resourcing , etc. Furthermore, the F&P Standards states specifically that a person applying for a PCF role who has been convicted of or is subject to any current proceedings in relation to an offence involving fraud, misrepresentation, dishonesty or breach of trust must be able to demonstrate that his or her ability to perform the relevant function has not been adversely affected. b) Ongoing supervision - fraud is specifically addressed within the Financial Crime Controls module of operational risk within PRISM. Financial crime controls relate mainly to the risk of fraud, both internal and external to insurers, but also include fiduciary breaches as a result of fraud. CBI assesses whether insurers are appropriately resourced and have effective internal controls that help deter, prevent, detect and report fraud and the extent to which such systems are subject to review. Fraud issues may be reviewed as a stand-alone item or on conjunction with other areas such as the claims or reserving risk; and c) Preventive/corrective measures and enforcement - Significant or material deficiencies or breaches relating to fraud are escalated to ED under the ASP (ICP 11). CBI has reviewed all of the high-risk category non-life insurers within the last 18 months and the areas covered include: review of anti-fraud policies and procedures; review of reporting lines staffing and structure of fraud function; review of the data collected to combat fraud; method and initiatives used to measure fraudulent activities and the detection of fraud; trends evident in the fraud area, for example claims; and recent issues arising in the area of fraud including employee and policyholder fraud. A reactive approach is adopted for Low impact insurers/intermediaries in line with the PRISM Framework. **Industry Collaboration** Insurance Ireland has set up a dedicated website (Insurance Confidential) and publishes a regular newsletter on insurance fraud prevention to increase public awareness and facilitate reporting of suspected fraud cases.[64] It reported that as a result of information provided to Insurance Confidential, thousands of cases of suspected insurance fraud have been investigated. These include cases that involve non-disclosure at proposal stage, alteration of claims to fraudulently obtain compensation or even cases that involved crime gangs. In conjunction with An Garda Síochána, Insurance Ireland have put in place “Guidelines for the reporting of suspected Insurance Fraud” to assist insurers in the referral of cases of suspected insurance fraud to the GBFI for criminal investigation. Insurance Ireland also maintains the “InsuranceLink,” an anti-fraud claims matching search engine that allows insurers to cross reference individual claims with other insurers.[65] In addition, Insurance Ireland and the larger domestic insurers have been collaborating to highlight the effects of claimant fraud, by using advertising campaigns and other media opportunities. Their information campaign has encouraged information on alleged fraudulent claims to be provided via a hotline. Insurance Ireland has also worked closely with the GBFI, in launching a number of initiatives and documents in relation to fraud prevention. **Cooperation, coordination and exchange of information**

[64] http://www.insuranceconfidential.ie.

[65] http://www.inslink.ie/default.htm.

	CBI refers suspected cases of fraud to the relevant competent authorities for further investigation – e.g., An Garda Síochána, Revenue Commissioners, and the Directorate of Corporate Enforcement, the CCPC, any other body whether within the State or otherwise charged with the detection or investigation of a criminal offence. In addition, CBI is empowered to share information with other supervisors in Ireland and EU accordance with under the CBA and EC Directives. With respect to non-EU supervisors, CBI is permitted to do so "if the information disclosed is subject to guarantees of professional secrecy at least equivalent" to those referenced in the EC Directives. *(s33AK of CBA, Art16 of Third Non-life Insurance Directive (92/49/EEC) and Art16 of Life Insurance Directive (2002/83/EC)*
Assessment	Observed
Comments	While there is no specific legislation on insurance fraud, there is a broad range of statutory and common law offences under the Irish legal framework that address fraudulent conduct relating to insurance, which are subject to criminal proceedings. Supervisory assessment of insurers' operational controls and CBI's power under the CBSEA allows fraud detection and taking appropriate measures to combat fraud. CBI supervisors have demonstrated a good understanding of insurance fraud risk, which is assessed at various stages of its supervisory process. There has been active industry collaboration in raising awareness of insurance fraud and reporting of fraudulent activities, including the use of an industry database. CBI may cooperate, coordinate and exchange information relating to insurance frauds with other competent authorities, including foreign authorities.
ICP 22	**Anti-Money Laundering and Combating the Financing of Terrorism** The supervisor requires insurers and intermediaries to take effective measures to combat ML and the financing of terrorism. In addition, and the supervisor takes effective measures to combat ML and financing of terrorism.
Description	**Legal and Institutional Framework** The legislation pertaining to AML-CFT in Ireland are: a) The CJA of 2010, enacted to transpose EU's Third Money Laundering Directive and its implementing directive into Irish Law. CJA 2010 addressed deficiencies in Ireland's AML-CFT regime identified in the 2006 FATF Mutual Evaluation Report, and consolidated existing AML-CFT legislation; b) CJA 2013, which further strengthened AML-CFT legislative provisions; and c) the Criminal Justice (Terrorist Offences) Act 2005 CJA 2010 require designated persons to comply with the following AML-CFT obligations: a) Customer due diligence (CDD) - identify and verify customers and beneficial ownership, apply enhanced CDD to higher risk relationships (e.g. ,politically exposed persons); and monitor dealings with customers *(Chapter 3)*; b) Reporting of suspicious transactions and designated places having inadequate AML-CFT procedures *(Chapter 4)*; c) AML-CFT policies and procedures for: assessment of ML/TF risks, internal controls to manage of ML/TF risks, monitoring compliance with policies and procedures, record keeping, AML-CFT training *(Chapter 6)*; and

	d) Other miscellaneous obligations e.g., systems in place to enable full and prompt response to enquiries from the Garda Síochána, prohibition of anonymous accounts *(Chapter 7)*. The AML-CFT regime in Ireland covers designated persons, which includes life insurers and insurance intermediaries. Non-life insurer and captive (re)insurers are not covered by the AML-CFT regime. The relevant authorities in Ireland have not assessed the potential ML/TF risks arising from the non-life insurance sector. *(s24(1) of CJA 2010)* The Minister for Justice, Equality and Law Reform, after consulting with the Minister for Finance, is empowered to make regulations under CJA. Designated persons are required to report suspicious transactions directly to the financial intelligence units of An Garda Síochána and the Revenue Commissioners. In 2013, insurers files 251 suspicious transactions reports. CBI is the competent authority for supervising insurers' compliance with CJA. *(s3, s42, s60 and s62 of CJA 2010)* While CJA 2010 provides for the approval of guidelines by the Minister for Justice, Equality and Law Reform, to date no such guidelines have been approved. Various sectors of the financial services industry have drafted Core Guidelines on the application of CJA 2010, which were published by the DoF. These industry Guidelines are not enforceable rules although CBI has confirmed that it will have regard to these guidelines in assessing compliance by designated persons with CJA. *(s107 of CJA 2010)* **Coordination, Cooperation and Exchange of Information** CBI has the authority and has established a number of mechanisms to cooperate, coordinate and exchange information with other authorities. <u>Domestic cooperation</u> The Money-Laundering Steering Committee is a coordination committee of government departments/agencies dealing with AML/CFT issues. Chaired by the DoF, it includes CBI, Department of Justice, An Garda Síochána and the Revenue Commissioners. In particular, the competent authorities are required to report to An Garda Síochána or the Revenue Commissioners knowledge or suspicion of (designated) persons' involvement in ML/TF. CBI meets regularly with the DoF, the Financial Intelligence Unit, Department of Justice and the Criminal Assets Bureau on relevant issues as they arise. *(s63 of CJA 2010)* <u>International cooperation</u> CBI is a member of the Anti-Money Laundering Committee (AMLC), which is a sub-committee of the Joint Committee (which consists of the EBA, EIOPA, and ESMA) in carrying out its work program in areas related to AML/CFT. In particular, AMLC act as a forum for the exchange of supervisory experiences and practices between supervisory authorities in relation to AML/CFT. In addition, CBI participates in a number of supervisory colleges that facilitate exchange of information including on AML-CFT matters. **Supervisory Practices** CBI takes a risk-based approach to AML-CFT supervision. It assesses the AML-CFT systems and controls of insurers as part of the operational risk sub-category of financial crime controls under the PRISM framework. Life insurers rated High impact are subject to annual AML-CFT

	risk assessment and there is no life insurer with a Low impact rating. A reactive approach is adopted for intermediaries (all are rated Low impact) e.g., referral from prudential supervisors. To assist supervisors, PRISM provides guidance on how ML/FT risks of High/Medium-High impact insurers may be assessed by supervisors. The guidance addresses: a) Firm risk profile - assessing the ML/FT vulnerabilities inherent within the business. Specifically this includes evaluating the risks arising from: country/geographic exposure; product type; channel of distribution; customer exposure (e.g., low/high volume of customers, business/personal customers, correspondent banking relationships, ,etc); b) AML/CFT Control Framework – including whether and to what extent an insurer has adopted a risk based approach to managing its AML/CFT risks; and c) Adequacy of the quality of risk management controls Based on the above assessment, the supervisors assign a rating to the ML/TF risks, of High, Medium High, Medium Low or Low. The rating assigned will determine the course of action to be taken, such as further investigation through an AML/CFT inspection, issuing RMP and/or enforcement action for breaches identified. The number of AML/CFT inspections on the more than 3,000 retail intermediaries since 2010 were: one in 2010 and 2011; three in 2012 and 2013; and four in 2014. This population largely consists of the smaller retail intermediaries. The larger Investment intermediaries (including banks) are supervised under the Markets in Financial Instruments Directive regime and 398 are tied agents of insurers. In practice, life insurers do not rely on insurance intermediaries for AML/CFT purposes and conduct their own CDD and transaction monitoring activities regardless of the intermediary's own processes. In this regard, CBI's inspection of a life insurer could provide an opportunity to detect due diligence failures at multiple intermediaries. Nonetheless, CBI will continue to review the AML/CFT approach for retail intermediaries. CBI supervisors obtain information on ML/TF risks in the insurance sector through its supervisory activities: a) AML-CFT Risk Evaluation Questionnaire (REQ), which facilitates an analysis of AML-CFT risk through an evaluation of the inherent risk posed by an insurers' business model; its AML-CFT systems and controls; and its track record in managing operational risks.[66] The REQ is requested as part of the PRISM engagement program, as determined by an insurer's PRISM risk rating. The REQ information is used to assign a risk rating for AML-CFT on PRISM that informs any further action to be taken, e.g., a RMP, enforcement action, or onsite inspection, etc.: b) AML-CFT inspections – CBI performs approximately 25 to 30 AML/CFT onsite inspections each year including lower impact firms. The inspections include a review of AML-CFT policies and procedures, sample testing of files, interviews with the Money-Laundering Reporting Officer and other relevant personnel. A post inspection letter is issued to the firm outlining areas of weaknesses requiring remediation. Such letters provide insurers with feedback on required corrective action and on CBI's expectations on appropriate AML/CFT practices; and

[66] These include country/geographic scope, product type, distribution channels and customer base.

	c) Communications - Through a combination of industry presentations and publications on its website, CBI engages with industry to set out its role, approach and expectations in supervising compliance with CJA. In addition, CBI may receive AML-CFT assessments carried out by either insurers' internal audit function or external consultants. Such assessments can inform the supervisors' AML-CFT risk assessment of insurers. Referrals from external parties e.g., whistleblowers, other domestic agencies or overseas regulators is another source of supervisory inputs. To assist supervisors in monitoring AML/CFT compliance, insurers must provide an annual statement (signed by the chair of the board) to CBI confirming that in the period stated, the insurer has complied with the CJA 2010. There are mechanisms in place to help ensure that the PRISM engagement model for AML/CFT is reviewed and remains appropriate: a) Internal audit assurance e.g. ,on AML-CFT inspection program; b) RGPs (ICP 9); c) Risk Division in CBI reviews a sample of the actual supervisory processes against the required level of engagement PRISM framework; d) Ongoing training provided by the AML Division; e) Ongoing interaction with ED e.g. ,on the quality and quantity of information required to successfully take AML-CFT enforcement action; f) Monitoring international developments in AML/CFT Supervision and best practice visits with overseas regulators; and g) SRC - the AML Division presents to the SRC twice a year. In 2012, CBI entered into a settlement agreement with an insurer relating to lapses of its AML-CFT policies and procedures and the insurer was fined €65,000. CBI also published a "Dear CEO" letter highlighting a number of developments in the AML/CFT area, such as the revised FATF recommendations; the Core Guidelines and the issues that CBI had noted while carrying out its inspections.
Assessment	Largely observed
Comments	The legal framework for the AML-CFT regime in Ireland was last updated in 2013. Life insurers and intermediaries are covered under the AML-CFT regime as designated persons. Both the Minister of Justice, Equality and Law reform and the CBI have not approved/issued enforceable rules on AML/CFT. Various sectors of the financial services industry have drafted Core Guidelines on the application of CJA 2010, which were published by the DoF. CBI has confirmed that it will have regard to these Core Guidelines in assessing compliance by designated persons with CJA. CBI has effective mechanisms to cooperate, coordinate and exchange information with both domestic and foreign supervisors/FIUs. CBI takes a risk-based approach to AML-CFT supervision. Life insurers rated High impact are subject to annual AML-CFT risk assessment and there are four life insurers with a Low impact rating, all of which are in run-off. A reactive approach is adopted for intermediaries (all are rated Low impact) and there is scope for reviewing the AML/CFT inspection approach, particularly with respect to intermediaries with Low impact under PRISM.

	It is recommended that the Authorities: a) Empower CBI to issue enforceable rules on AML/CFT obligations consistent with the FATF Recommendations and establish guidelines to facilitate compliance by insurers/intermediaries; b) Review the AML-CFT inspection approach for retail intermediaries; and c) Periodically analyze the ML/TF risks of the non-life insurance sector and reconsider whether to the AML-CFT regime should apply to the non-life sector.
ICP 23	**Group-wide Supervision** The supervisor supervises insurers on a legal entity and group-wide basis.
Description	(Re)insurers that belong to an insurance group are subject to supplementary supervision. Such entities would therefore be subject to supervision on a legal entity and also on group basis. Going forward, SII provides more comprehensive supervision of insurance groups. *(R 4 of SI 366/2007)* In line with the Guidelines on Preparing for SII, CBI assesses that (re)insurers and groups are complying with the following starting January 1, 2014: • FLAOR (equivalent to ORSA); • System of Governance; and • Submission of information (qualitative and quantitative information to be submitted by groups). Under PRISM, group supervision consists of offsite/onsite reviews and also colleges of supervisors. CBI has documented supervisory guidance (link) to assist with these reviews. Where CBI is the group supervisor, it is responsible for generating an assessment of the overall group structure, governance and interdependencies. In addition, it would keep the supervisory teams of all group entities informed of developments through colleges or regular contacts. Examples of CBI group supervision were observed to adhere to the EIOPA Guidelines on The Operational Functioning of Colleges of Supervisors, which include guidance on the following: • Establishment of the College of Supervisors; • Ongoing functions of the College of Supervisors; • Joint and local examinations; • Sharing and delegation of tasks; and • Connection between prudential supervision and macro surveillance. CBI identifies the groups (including the scope) that are subject to group supervision, in cooperation with other supervisors as necessary. Specifically: • The definition of a group includes a parent, its subsidiaries and entities in which the parent or its subsidiaries holds significant influence as well as entities linked to each other. • CBI is required to conduct group supervision covering at least group solvency (financial position), risk concentration, intra-group transactions, risk management (risk transfers, risk exposures), internal controls, depending on structure of the group; and

	• CBI is required to exercise supplementary supervision, irrespective of whether the reinsurer is carrying on (re)insurance business in the EEA or in non EEA country. *(R3- R6 of SI 366/2007 and art 212 to 214 of SII).* CBI in consultation with other supervisory authorities may decide, on a case by case basis, to exclude an undertaking from scope where: a. An insurer is situated in third country with legal impediments to the transfer of necessary information. Note in such cases, the book value of that insurer shall be deducted from the own funds available to cover group solvency; b. An insurer is of negligible interest with respect to objectives of group supervision; and c. Inclusion of the insurer would be inappropriate or misleading with respect to objectives of group supervision. CBI ensures that the scope of supervision takes account of all material and relevant changes impacting the group. CBI assesses the scope of group supervision on an annual basis as part of the process surrounding the annual college of supervisors meeting. For the groups supervised by CBI, there is active engagement with involved supervisors on the scope of supervision. Insurance groups are required to have an adequate transparent organizational structure with clear allocation and appropriate segregation of responsibilities and an effective system of ensuring transmission of information. *(R7 of SI 366/2007 and art 41 of SII)* There is no explicit provision extending entity-level requirements to the group level on matters such as solvency assessment (group-wide solvency); governance, risk management and internal controls and group market. Supplementary supervision of insurance groups entails verification of any supervisory information required, including onsite of the parent entity, if necessary. As an example, CBI is the lead supervisor of a large multinational insurance group, whose parent company is incorporated in Ireland. In this role, CBI is responsible for ensuring that adequate reporting is in place to meet supervisory demands. As the Head of the group, whilst incorporated in Ireland, is not a regulated (re)insurer, it is not subject to prudential reporting requirements. Nonetheless, CBI requires the insurance group to submit details of financial performance on a quarterly basis. In particular: • Income Statement and Balance Sheet split by line of business and legal entity; • Intragroup balances; • CAT losses; and • Investment portfolio details. **Supervisory Practices** PRISM does not provide for group supervision e.g., there are no risk ratings assigned to the groups, although identified groups are considered as High impact. There are no standardised regulatory returns for groups although CBI obtains ad-hoc information through the regulated reinsurer. The references within PRISM to specific aspects of group supervision are fairly

	limited. Many of the examples provided point to information sharing among supervisors. Supervisory college practices for the groups in which CBI has participated or led appear to have been well conducted. The assessors note that the process for identifying all insurance groups by the CBI could be improved.
Assessment	Partly observed
Comments	CBI's approach to supervising groups is in line with supplementary supervision under the EU Directives. In practice, a gap in the identification of groups (domestic group) was identified; the need to extend legal entity requirements to the group level including group solvency assessment was identified; and a lack of an effective group supervision framework was observed. The key weaknesses of CBI's group supervisory framework are: limited references within PRISM to the supervisory outcomes expected at the group level; lack of market conduct supervision at the group level; and inconsistent supervision of non-regulated heads (holding companies) of insurance groups. Going forward, SII will provide a structured group supervision regime including more comprehensive reporting requirements.
ICP 24	**Macroprudential Surveillance and Insurance Supervision** The supervisor identifies, monitors and analyses market and financial developments and other environmental factors that may impact insurers and insurance markets and uses this information in the supervision of individual insurers. Such tasks should, where appropriate, utilize information from, and insights gained by, other national authorities.
Description	CBI collects data from a variety of sources (e.g., statutory returns, horizontal reviews of insurers, PRISM, Macro-Financial Review, insurance groups as part of supervisory college participation, etc.) in order to identify underlying trends within the insurance sector. In order to identify trends and developments that might negatively impact the risk profile of insurers, CBI has designed a macro-prudential surveillance system using a multi-disciplinary and cross sector team approach involving: • Risk, Governance and Accounting Policy Division – The Cross Sector team monitors the global and domestic insurance industry in order to identify and assess current and developing risks and trends; • FSC of the CBI; • FSD who prepare the Macro-Financial Review; • SRC of the Central Bank; and • Insurance Supervision Divisions including Life and General Supervision teams, Prudential Reporting team and Actuarial teams. CBI performs both quantitative and qualitative analysis and makes use of both public and other sources of information, including horizontal reviews of insurers and relevant data aggregation. For example, the CBI, • Conducts the 'Macro-Financial Review' carried out by FSD. A series of indicators for the life, non-life and reinsurance sectors of the Irish insurance market are compiled by FSD

	which are analysed for the purposes of completing the macro-financial risk assessment. Indicators such as premium income growth, solvency, asset holdings, investment income and profitability are derived from the statutory returns. Market information such as data from Bloomberg on CDS spreads, return on equity, returns on sovereign bonds, catastrophe bonds and other asset classes are also utilised; • Reviews and reports on the statutory returns; and • Produces through its Insurance Supervision Division a number of reports including the ISQR, as well as macro prudential assessments, stock lending practices and use of derivatives. The CBI makes use of both public sources (e.g., Broker Reports and insurance industry news) and internal sources of information in producing these reports (e.g., Statutory Returns) in carrying out the assessments. These reports and assessments contain a number of horizontal reviews of (re)insurers and relevant data aggregation (e.g., VA reserving, stress tests, etc.). CBI uses market-wide data to analyse and monitor the actual or potential impact on the financial stability of insurance markets in general and of insurers in particular. For example, the analysis of the Irish insurance sector in the Central Bank's Macro-Financial Review considers the impact of developments in the macro-financial environment on the stability of the insurance sector and highlights any vulnerabilities in the sector. The Review and the Central Bank's "Insurance Statistics" Report serve to make aggregate data of the sector available to the public. In addition, the CBI publishes a detailed aggregated non-life and life market data report on an annual basis. The report is published on the CBI`s website. CBI assesses the extent to which macro-economic vulnerabilities and financial market risks impinge on prudential safeguards or the financial stability of the insurance sector through: • The FSD engages in bi-lateral contact with members of the Insurance Supervision Division, attends the monthly non-life and reinsurance forums and internal supervisory colleges at which financial stability risks to the insurance sector are presented and discussed; • The Minister also has legislative responsibility for financial stability, in terms of proposing legislation and Government policy that promotes financial stability. CBI and the DoF have an agreed MoU in this area; • A member of the Insurance Supervision Directorate also sits on the FSC of EIOPA and, where appropriate, utilises information from other members and the papers EIOPA publishes, e.g., EIOPA's opinion on the low yield environment. • CBI also has a number of non-binding regulatory agreements with a number of domestic authorities, e.g., DoF; and • The environmental risk within PRISM and macroeconomic vulnerabilities also inform CBI's supervisory plan. Also useful are the results of sector-wide and EIOPA stress testing. CBI uses the results of its macro-prudential surveillance to better inform its supervision of Irish insurers.
Assessment	Observed
Comments	While the ingredients ICP 24 has been rated as Observed, the Assessors note that it was not self-evident that all the sources of risk information available to CBI fed into an integrated CBI

	ERM process from which risk strategies could be decided upon and activated both at an overall CBI level as well as prudential and market conduct supervision strategies, both at the insurer level and across the industry. It is recommended that CBI better integrates its various internal ERM processes to improve its focus on emerging prudential and market conduct issues, better manage CBI risks and improve CBI planning.
ICP 25	**Supervisory Cooperation and Coordination** The supervisor cooperates and coordinates with other relevant supervisors and authorities subject to confidentiality requirements.
Description	CBI has taken appropriate steps to put in place adequate coordination arrangements, which involve supervisors on cross-border issues on a legal entity and a group-wide basis under existing requirements and SII. Both the existing requirements SI 366 of 2007 paragraph 10, Helsinki Protocol DT/NL/194/00 articles 2.2 and SII Directive article 248 require the Central Bank to take steps to put in place such coordination arrangements to facilitate the comprehensive oversight of these legal entities and groups. The Central Bank co-operates with all the relevant supervisory authorities. Comprehensive written internal procedures for information sharing exist, which include information sharing with other regulators, cooperation and exchange of information in crisis management and sharing confidential information with non-EEA Supervisory Authorities. The CBI has introduced three key procedures related to communication and sharing of information with other supervisory authorities: • Procedure 26 – Information sharing with other regulators; • Procedure 36 – Cooperation and exchange of information in crisis management; and • Procedure 63 - Sharing of Confidential Information with Third Country Supervisory Authorities. CBI is subject to EIOPA SII Guidelines on Operational Functioning of Colleges of Supervisors Guideline 8: The coordination arrangement should establish procedures for cooperation with members of the college, for example: the list of the members of the college and their roles, information exchange and professional secrecy, communication with parent company and other college members, frequency of the meetings, supervisory review and risk assessment of the group. In addition the CBI is a signatory to the General Protocol on Collaboration (Revised 2008 Siena Protocol), which provides guidance on collaboration on a number of issues, including: • Authorization of domestic undertakings; • Cross border activities; • Exchange of information on Directors, Managers, Shareholders/ Members; • Establishment of a branch by an Insurance Undertaking; • Ongoing supervision of undertakings engaged in business; • Branches of undertakings of third countries; • Handling of policyholder complaints; and • Exchange of statistical information and complementary information.

	In accordance with Helsinki Protocol DT/NL/194/00 on collaboration of the supervisory authorities with regard to the application of Directive 98/78/EC (transposed as SI 366 in Ireland) on the supplementary supervision of insurance groups, the CBI is subject to Article 2.2, which requires that a lead supervisor should be identified from other supervisory authorities. The lead supervisor is responsible for conducting supervision of the group and assigning tasks to the other supervisory authorities, including chairing the colleges. There is appropriate flexibility in that existing requirements SI 366 of 2007 paragraph 10, Helsinki Protocol DT/NL/194/00 article 2.2 and SII Directive article 248 (3) provide for flexibility in the establishment of a supervisory college and also on the co-ordination mechanism. The membership of the college of supervisors is flexible, to include the group supervisor and all relevant supervisory authorities (EEA/non-EEA), subsidiaries and also significant branches and related undertakings. If required to be the group-wide supervisor, CBI establishes the key functions of the supervisory college and other co-ordination mechanisms under existing requirements and SII. Existing requirements SI 366 paragraph 6 and 10, Helsinki Protocol DT/NL/194/00 paragraph 2.2 and SII Directive article 248 require supervisory colleges to be set up to facilitate the exercise of group supervision. The colleges are chaired by the group supervisor who sets up key functions and coordination mechanisms during regular and emergency/crisis situations. The supervisory college supports the role of a group-wide supervisor, and assists that party in undertaking its functions including facilitating information sharing and analysis of risks at the group level. Supervisory college enhances cooperation between the college members and is generally established as a permanent, integral part of the group-wide supervision process and is required to meet at least annually. Existing requirements Helsinki Protocol DT/NL/194/00 paragraph 2.2 and Draft EIOPA SII Guidelines on Operational Functioning of Colleges of Supervisors (link), Guideline 1, require the CBI as group supervisor to map all the related undertakings of the group in order to determine the group structure and identify all members and participants of the College. Existing requirements SI 366 of 2007 paragraph 5 and SII Directive article 214 require the group supervisor and other supervisors to understand the structure and operations of the group. This includes identifying all the entities of the group, how they are linked/connected to each other and then determine the scope of application of group supervision. They are also required to consider the extent of how operations in their jurisdictions could be affected and how operations in their jurisdictions may affect the group. This process also assists in identification and determination of the members of the college. SI No. 366 of 2007 Reinsurance Groups Supplementary Supervision Regulations 2007: • Paragraph 4 requires the Central Bank to supervise groups by assessing compliance with the requirements of SI 366/2007 - EC (Insurance and Reinsurance Groups Supplementary Supervision) Regulations 2007; • Paragraph 6 indicates that the Central Bank will enter into an agreement with other supervisory authorities as to which of them will be responsible for exercising supplementary supervision;

	• Paragraph 7 requires the Central Bank to assess that the group has adequate internal control mechanisms; and • Paragraph 10 requires the Central Bank to co-operate and exchange information with other supervisory authorities to facilitate efficient group supervision,
Assessment	Largely observed
Comments	CBI has taken appropriate steps to put in place adequate coordination arrangements, which involve supervisors on cross-border issues on a legal entity and a group-wide basis. It has also implemented written internal procedures for information sharing, including information exchange and cooperation with other regulators, on a routine basis and in crisis management. There are internal procedures related to communication and sharing of information with other supervisory authorities. It is recommended that the CBI: a) Develops and implements a group supervisory framework that (among other things) would identify the various roles and interactions of the group level; and b) Agrees on coordination agreements with the members of colleges led by CBI.
ICP 26	**Cross-border Cooperation and Coordination on Crisis Management** The supervisor cooperates and coordinates with other relevant supervisors and authorities such that a cross-border crisis involving a specific insurer can be managed effectively.
Description	The Helsinki Protocol was entered into force in 2000 pursuant to the Insurance Groups Directive (Directive 98/78/EC) and states that cooperation between insurance supervisors should be facilitated through the organization of Coordination Committees or as now referred to as College of Supervisors. The CBI hosts (if it is the group supervisor), or attends regular College of Supervisors meetings held in respect of specific firms and also attends EIOPA hosted meetings, which provide a forum for national supervisory authorities to share information and experiences on how they are dealing with particular issues. CBI leads supervisory Colleges in respect of three High Impact international insurance groups based in Ireland. These Colleges have been in operation since 2011 and comprise both EU and non-EU supervisors. The relevant EU supervisors concerned are subject to the provisions of the Siena Protocol, in addition to a Multilateral Cooperation Agreement being in place. MoUs and confidentiality agreements have been agreed with in respect to the relevant non-EU supervisors. Key topics for discussion at the Colleges have included the group's business continuity plan and fungibility of capital issues for each group. The CBI in its role as a group supervisor is guided by the steps and procedures as outlined in the EIOPA "Guidelines on preparation for and management of a financial crisis." CBI has developed a specific procedure entitled Co-operation and Exchange of Information in Crisis Management, which outlines the procedures to be adopted in the event of a crisis. The basis for the ability to share information and the confidentiality around that information emanates from the strict confidentiality obligations in section 33AK of the Central Bank Act 1942 and the relevant EU Supervisory Directives – the obligations in section 33AK are subject

	to the provisions in the relevant EU Supervisory Directives. The relevant Supervisory Directives pertaining to information relating to insurance companies are the Third Non-life Insurance Directive (92/49/EEC) and the Life Insurance Directive (2002/83/EC). Article 16 of both these directives facilitates the exchange of information between the competent authorities of other Member States. In a financial crisis, the CBI will meet with the Board of Directors of the undertaking concerned, as it is the Board who has the ultimate responsibility to manage a crisis. Section 7.5 of the Code requires insurance undertakings to ensure a majority of its directors are reasonably available to the CBI at short notice, if so required. Section 15.8 of the CG Code for Credit Institutions and Insurance Undertakings 2013 requires identification of the risks of the institution to be addressed by contingency plans based on, inter alia: • The areas where it considers the institution be especially vulnerable; • The risk appetite of the institution; and • The risk management system of the institution. Accordingly, contingency plans are required to be reviewed, updated and tested on a regular basis. In addition, Guideline 10 of the CBI Guidelines on Preparing for SII – System of Governance states that "the undertaking should identify risks to be addressed by contingency plans covering the areas where it considers itself to be vulnerable, and review, update and test these contingency plans on a regular basis." On October 5, 2012 the Central Bank wrote to the CEOs of all high-impact companies requesting that they should carry out an assessment to ensure that appropriate business continuity plans are in place. The Central Bank required the insurers to ensure that any gaps or weaknesses identified in the business continuity process be mitigated. The combination of the EIOPA "Guidelines on preparation for and management of a financial crisis" and the CBI developed procedure entitled Cooperation and Exchange of Information in Crisis Management are available to assist the CBI in its duties as a supervisor/group-wide supervisor during a crisis.
Assessment	Largely observed
Comments	Through a combination of CBI and EIOPA Guidelines, CBI is prepared for various elements of ICP 26 relating to cross-border cooperation and crisis management. In addition, through its participation in various supervisory colleges, especially those it leads as group-wide supervisor, the CBI has demonstrated its attention to the standards of ICP 26. This ICP has been rated as Largely Observed due to the need for further development by CBI in the following areas: • Development within CBI of its own plans and protocols for dealing with an insurer cross-border crisis;

	• Development within CBI of a mock scenario of an insurer in difficulty to test the resilience of the above mentioned plans and protocols; and • Request that the top cross-border (re)insurers complete their own detailed study of their firm and group crisis management and recovery plans. It is recommended that CBI: a) Establishes clear requirements for High/ Ultra-High (re)insurers/groups to maintain and test contingency plans and procedures for use in a going- and gone-concern situations; and b) Regularly reviews the existence of practical barriers to efficient and internationally coordinated resolutions and collaborate with the relevant supervisor to resolve these issues.

Appendix I. Status of Implementation of the Recommendations Arising from the 2006 FSAP

Recommendations	Status of Implementation
1. FSSA: Continue to develop the necessary expertise and ensure adequate staff resources for supervising an increasingly sophisticated financial system, especially taking into account ongoing regulatory developments (Basel II, SII and the regulation of reinsurance). Technical Note: Continuously review the adequacy of regulatory resources, including actuarial expertise for supervision of the direct insurance and reinsurance industries.	**Training** Over the last number of years, bespoke training has been provided to staff of the Insurance Divisions on various insurance topics, in order to continue to develop the necessary expertise for supervising an increasingly sophisticated financial system. Staff of the Insurance Divisions are required to undertake a minimum of six days training per year, in order to ensure they are up to date on all matters that have arisen and continue to arise in the financial sector. The Central Bank has engaged various external contractors to provide training on the following topics: Insurance Company Analysis (Fitch); Risk of material misstatement; Role and effectiveness of Internal Audit; Outsourcing; Features of a good Operational risk and internal control framework; Evaluating risk management systems; Analysis of corporate bonds and how the 'search for yield' manifests itself in firms decision making; and Investments - the language of performance measurement. Additionally, the Central Bank has used internal experts to provide training on the following topics: Introduction to Insurance Company Financial Statements, Risk Transfer; Statement of Actuarial Opinion ("SAO") and Reserving Requirements; Business Model Analysis; Investments/Asset Quality; Introduction to Derivatives. External training providers are also used for keeping staff of the Insurance Divisions up to date with new enhancements to the regulatory regime. Insurance staff have undergone training from EIOPA, Insurance Institute of Ireland, Litmus training, the Insurance Management Institute, Compliance Ireland,, etc. in addition to various members of staff continuing to partake in extracurricular study e.g., insurance exams, compliance qualifications, accounting qualifications, actuarial studies, etc. Human Resources have a Learning and Development ("L&D") team who assist in facilitating the courses above and also offer comprehensive soft skills training, which members of staff participate in.

Recommendations	Status of Implementation
	An example of how the Central Bank develops its staff in relation to ongoing regulatory developments is the bespoke training programme developed for the staff of the Insurance Divisions on the requirements of the SII Directive ("SII"). The Central Bank's training program in relation to the incoming SII requirements has been developed specifically to reflect the extended timelines of implementation of SII and to ensure awareness of the preparatory guidelines. The SII training program has been delivered using a blend of classroom training and eLearning. SII training is mandatory and a log of attendees is maintained. During 2013 all members of Insurance staff were required to carry out refresher training on SII training, which had been carried out in 2012, with newly developed tests on each classroom module and rolled out via the Central Bank's eLearning platform. All of this training is available to staff to refer to at any time, through the eLearning training tool within MyCareer. **Staff Resources** The staff numbers in the Insurance Divisions has increased significantly since the completion of the previous Financial Sector Assessment Program ("FSAP"). As outlined in the Introduction section of the self-assessment, the Insurance Divisions had 42 staff members in May 2009, which had increased to 96 staff members between the two Insurance Divisions (GEN and LIFE), as of December 31, 2013. The total compliment at the end of 2013 was 104 staff. A number of dedicated directorates were also established, and staff recruited, since the last FSAP. For example the ED was established in June 2010 and currently has 49 staff dedicated to enforcement related activities. The Insurance Divisions have, and continues to, actively recruit staff from the private sector, such as those who have held senior positions in insurance undertakings, to fill supervisory positions. Some of the new staff recruited have qualifications in specialities such as chartered or certified accountancy, actuarial, chartered financial analysis, and compliance

Recommendations	Status of Implementation
	and risk management. The Central Bank now also has in-house underwriting and claims.
2. FSSA: Enhance the current scope and intensity of the onsite supervisory program, in particular to strengthen the assessment of the risk management and CG of insurers. Technical Note: Review the scope and intensity of the onsite supervisory program to enable an independent assessment of the risk management and CG practices of insurers.	Since the completion of the previous FSAP, the Central Bank has implemented a number of measures to enhance the supervisory regime of insurers. The most significant of these are: (1) The introduction in 2011, of a risk-based supervisory approach for financial institutions (including insurers), based on the risk and impact of failure of the institution, which is known as PRISM. An explanation of PRISM is included in the Central Bank publication entitled "PRISM Explained"; and (2) The introduction of the CG Code for Credit Institutions and Insurance Undertakings in 2010. This Code, which, as a legislative basis, sets out the minimum standards an insurance undertaking authorised by the Central Bank must meet in relation to issues of CG. A separate Code for captive insurance undertakings was introduced in 2011, which is the "CG Code for Captive Insurance and Captive Reinsurance Undertakings." While the majority of requirements in both Codes are identical, the requirements in some areas, e.g. ,number of board meetings to be held each year, are less onerous for captives. The Codes set out requirements in relation to role and responsibilities of the board of directors, Board Committees, risk appetite, control functions ("CFs") such as actuarial and risk management. Under the PRISM engagement model, the Central Bank regularly assesses the risk management processes and CG arrangements of insurance undertakings. PRISM provides guidance to supervisors for assessing the quality of both internal audit and risk management, and includes key questions to consider and sample characteristics of probability risk ratings. High impact insurance undertakings are subject to four reviews a year, which include an onsite element. This includes three FRRs on a range of topics such as assets quality, Asset Liability Management ("ALM"), risk transfer, pricing, reserving, ,etc., and either a governance review or a business model analysis, both of which should be undertaken once every two years. During a FRR, the supervisory team reviews the risk management processes and internal controls, internal

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	reporting lines, related to the area/topic, which is the focus of the FRR. Medium-high impact firms are subject to a FRA every two to four years with Medium-low impact firms subject to a FRA on a sample basis of 10 percent per year. A governance review is typically included in the FRA. Where the supervision team identifies a weakness regarding the risk management process or CG framework during its engagement with the company, a RMP is issued to the company, outlining the steps that the insurer is required to take to address the issues within a specified timeframe. Every year since 2012, the Central Bank has published its 'Enforcement Priorities' for the relevant year, outlining the priority areas for its enforcement activities (see link for 2014). System and Controls, covering governance and risk management, has been a priority in all years and a number of enforcement cases have been concluded, by way of settlement, since 2012.
3. FSSA: Implement enhanced public disclosures by insurers, in line with the best practices established by the IAIS to allow for effective market discipline. Technical Note: Implement enhanced public disclosures by insurers, in line with the international best practices established by the IAIS to allow for effective market discipline.	Due to the impending implementation of SII, the Central Bank has not introduced requirements for public disclosure of information by insurers, beyond what is contained in their audited financial statements. However, the Central Bank currently makes aggregate market information for life and non-life companies publicly available in the Insurance Statistical Review, which it publishes each year. Under SII, which will come into effect on 1st January 2016, insurers will be required to disclose certain information publicly, which will bring in market discipline. In addition, insurers will be required to report a greater amount of information to their supervisory bodies. Notwithstanding the implementation of SII, the accounting standards have significantly evolved and their disclosure requirements significantly increased. Details of these enhancements are discussed in the section on ICP 20 in this FSAD.
4. FSSA: Consider upgrading the position of the Prudential Director as regard Irish Financial Services	Since the completion of the previous FSAP, the Central Bank Reform Act 2010 was introduced, with effect from October 1, 2010. This Act, which amended

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Regulatory Authority ("IFSRA") Board Membership, on par with the Consumer Director	the CBA, created a new single unitary body – the Central Bank – responsible for both central banking, which reports to the Deputy Governor (Head of Central Banking) and financial regulation, which reports to the Deputy Governor (HOFR). The Governor and both Deputy Governors sit on the Commission (i.e., Board) of the Central Bank – all other Commission members are appointed by the Minister. The current membership of the Board of the Central Bank (known as the Commission), is available here on the Central Bank's website.
5. <u>FSSA</u>: Have a full re-assessment of the IAIS Core Principles undertaken, once sufficient time has passed so that transposition of the EU Reinsurance Directive can be effectively assessed.	A Review of the Central Bank's compliance with the IAIS ICPs is being undertaken by the IMF during 2014.
6. <u>FSSA</u>: Review the current regulatory requirements for the SAO on technical reserves of non-life insurers and consider appropriate measures to strengthen the oversight and independence of actuaries. <u>Technical Note</u>: Review the current regulatory requirements for the SAO to be provided by non-life insurers on their technical reserves: a) Consider the desirability of keeping the current options for actuarial certification and/or appropriate public disclosures on the basis of calculation including whether the reserves are actuarially determined; and b) Greater clarity on the Board's responsibility for approving the technical reserves certified in the SAO. <u>Technical Note</u>: Consider appropriate measures to strengthen the oversight and independence of actuaries.	In 2014, the Central Bank published the Requirements. The purpose of the Requirements is to improve the existing regime for reserve adequacy in non-life insurance companies and life and non-life reinsurance companies. The Requirements set out the minimum requirements, which insurance companies are required to meet, in relation to reserving, including the preparation and submission of a SAO to the Central Bank. **Key Components of the Requirements** The Role of the Signing Actuary - The Signing Actuary role is being prescribed as a PCF and therefore will be subject to all of the Central Bank's F&P powers, including suspension and prohibition notice. Candidates must demonstrate to the Central Bank the necessary experience, knowledge and competencies required to carry out this role. The Requirements also stipulate that, for companies, which are designated as High Impact under the Central Bank's PRISM ratings, the Signing Actuary must be an in-house actuary. SAO - The Requirements outline a number of enhancements to the current scope of the SAO and the circumstances under which the Signing Actuary should make disclosures to the Central Bank on issues noted in completing the SAO. The SAO should give an independent view of the adequacy of a company's reserves. Governance Structures - The Requirements include a number of measures impacting on the following: Boards: • must ensure regular reconciliation of claims data between the actuarial and claims functions; • ensure that External Auditors have sufficient

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	expertise and understanding of the business; and • of High Impact companies must establish a Reserving Committee (the Committee does not have to be a Board sub-committee).
7. Technical Note: Consider appropriate public disclosure of distressed or failed insurers without compromising prudential concerns and confidentiality considerations	Section 33AK of the Central Bank Act 1942 places strict confidentiality obligations on the Central Bank. The Central Bank takes these obligations seriously, however, in the event a failing insurer or an insurer being subject to considerable financial distress the Central Bank would make certain public disclosures including information on official actions taken by the Central Bank. Any disclosures would be made keeping in view the Central Bank's statutory objectives and subject to the legislative constraints and permissions contained in Section 33AK. Examples of such public disclosures can be found here and here on the Central Bank website.
8. Technical Note: Build capacity on investigations/enforcement and assess the need for a separate unit staffed with the appropriate skill set.	Since the Technical Note was issued in 2006, the Central Bank has established a dedicated ED, staffed by appropriately skilled personnel. This Directorate is dedicated to implementing the enforcement powers of the Central Bank against regulated firms found to be in breach of regulatory requirements. More details on the ED are provided in the Institutional Framework and Arrangements Institutional and Market Structure section.
9. Technical Note: Establish clear authority and decision-making processes under the Administrative Sanctions regime, particularly on deciding on administrative route or criminal prosecutions.	The Central Bank's ED is responsible for prosecuting enforcement cases under the ASP. In certain circumstances a breach of a regulatory requirement by a regulated entity will constitute both a prescribed contravention and a criminal offence for which the Central Bank may commence summary prosecutions. At present, it is the Central Bank's policy to pursue prescribed contraventions pursuant to the ASP in preference to bringing a summary prosecution. In exceptional circumstances, the Central Bank will pursue a prescribed contravention via the criminal courts. Where such circumstances arise, we are also committed to pursuing criminal prosecutions through to conviction. More details on the ED are provided in the Institutional Framework and Arrangements Institutional and Market Structure section.
10. Technical Note: Consider explicit legal provision on public disclosure of the reasons for removing a Chief Executive of the Financial Regulator.	The Central Bank Act, of 1942 as amended by the CBRA sets out the circumstances in which the Governor, Head of Central Banking or Head of Financial Regulation may be suspended or removed from office. Where a decision to suspend or remove an individual from one of the offices named above is taken, the reason has to be given in advance to the individual. By tradition, the Central Bank makes a

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	public disclosure where an individual holding one of the offices named above leaves the office. This disclosure includes a public statement from the concerned individual. Please see an example at the following link.
11.Technical Note: Provide explicit legal powers to the Financial Regulator: a) To require significant owners, who no longer meet fit and proper requirements, to dispose their interests; and b) To disqualify key functionaries who are not fit and proper.	a) The Central Bank (Supervision and Enforcement) Act of 2013 has provided legal powers to the Central Bank to take action against significant owners. b) Since the 2006 review, the Central Bank has introduced a new Fitness & Probity regime, which applies to all control functions (i.e., pre-approval functions and control functions) within an insurer. The positions of Chief Actuary and Signing Actuary of an insurance undertaking are PCF roles under the Central Bank's new F&P regime and the Central Bank has the power to suspend, remove or prohibit an individual from carrying out a Controlled Function pursuant to Part 3 of the Central Bank Reform Act 2010. External auditors are not subject to the Central Bank's F&P regime, so the Central Bank does not have any powers to remove them on the basis that they no longer meet the Central Bank's fit and proper requirements. However, if necessary the Central Bank may make a complaint to the Chartered Accountants Regulatory Board ("CARB") of the Institute of Chartered Accountants.
12 Technical Note: Consider appropriate regulatory measures to ensure proper segregations of assets and liabilities attributable to the life and non-life business if existing composite reinsurers are to be allowed to conduct both types of businesses within a single legal entity.	For life reinsurance business, composite reinsurance undertakings must have TPs determined on the basis of recognized actuarial methods annually by a Fellow Member of the Society of Actuaries in Ireland. For non-life reinsurance business, composite reinsurance undertakings must have TPs determined with due regard to the requirements of the Insurance Accounts Regulations. The Central Bank Requirements for Composite Reinsurance Undertakings recognize that there may be reinsurance contracts that contain elements of both non-life and life reinsurance business. For such contracts, composite reinsurance undertakings must determine based on an appropriate actuarial methodology, the TPs in accordance with the requirements for each of the non-life and life reinsurance elements separately. This determination must be consistent with the prudent person approach and the Signing Actuary must be able to demonstrate

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	that the TPs represents a prudent view of future liabilities given the nature, risk and uncertainty of future cash flows. Reinsurance undertakings must adopt a prudent person approach when determining the assets covering TPs. Composite reinsurance undertakings must consider their entire business from acceptance through to retrocession when deciding the asset mix (and investment) strategy best suited to match all of the liabilities of their business. As part of this approach, consideration must be given to the claims pay-out patterns of their TPs and the potential volatility of these patterns with a view to projecting liquidity requirements and ensuring that the assets selected provide the degree of liquidity required by this analysis. The issue of segregating the assets and liabilities of life and non-life reinsurance business was not explicitly provided for in the Reinsurance Directive (Directive 2005/68/EC) and imposing such a requirement was deemed to be contrary to the goal of harmonized European legislation. Finally, Composite Reinsurers are required to follow the Prudent Person Approach, which ensures that the assets are secured and reflect the profile of the reinsurance undertaking's liabilities. This negates the need for segregations of assets and liabilities attributable to the life and non-life business if composite reinsurers are allowed to conduct both types of businesses within a single legal entity.