

Solvency II Directors' Certifications



INTRODUCTION

In August 2016, the Central Bank of Ireland (“CBI”) published a guideline for insurance and reinsurance undertakings on Solvency II Directors’ Certifications ([link](#)). In October 2016 the CBI published a set of Frequently Asked Questions in relation to this guideline ([link](#)).

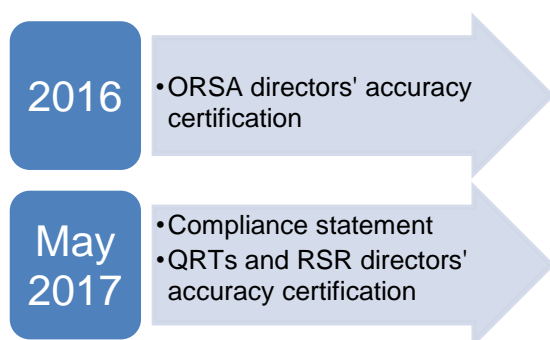
A compliance statement is required to be submitted to the CBI stating that the directors confirm that the undertaking has materially complied with all of the requirements imposed by the Insurance Acts, the Solvency II Directive and Delegated Regulations.

In addition, three named directors are required to submit accuracy certifications in respect of:

- The annual Own Risk and Solvency Assessment (“ORSA”) report;
- The annual Quantitative Reporting Templates (“QRTs”);
- The annual Regular Supervisory Report (“RSR”).

TIMELINES

Assuming a financial year-end of 31 December, the relevant timelines for these certifications are as shown below.



A directors’ accuracy certification must be submitted to the CBI in respect of any ORSA submitted during 2016 at the same time as the ORSA report.

The compliance statement and the directors’ accuracy certification for the QRTs and RSR should be submitted no later than the date of submission of the QRTs and RSR. In 2017 the deadline for the submission of the QRTs and RSR is 20 May 2017.

The CBI’s Frequently Asked Questions clarify the following points (among others):

- The compliance statement should be signed by all persons holding the position of director at the financial year end date and at the time of submitting the compliance statement;
- The directors’ accuracy certifications should be signed by at least 2 persons holding the position of director and the person holding the position of Chief Executive Officer at the time of submitting the certifications;
- Where an undertaking has submitted an ORSA report during 2016, prior to the publication of the guideline, but has not yet provided a directors’ certification of that report, the undertaking is expected to provide a certification in respect of that ORSA report using the format specified in the guideline. This should be submitted as soon as possible and no later than 3 months after publication of the guideline. The guideline was published on 18th August, therefore we assume the 3 month deadline is 18th November 2016.

COMPLIANCE STATEMENT

The compliance statement requires directors to state that the undertaking has materially complied with:

- The Insurance Acts;
- The Solvency II Directive;
- The Solvency II Delegated Regulation and Implementing Regulations;
- The Corporate Governance Requirements for Insurance Undertakings 2015.

The Milliman Solvency II Compliance Assessment Tool enables companies to record their compliance with all of the requirements of Solvency II and also ensures a robust environment for monitoring compliance on an ongoing basis.

ORSA

The European Insurance and Occupational Pensions Authority (“EIOPA”) guidelines on own risk and solvency assessment set out what is to be achieved by the ORSA. The Board should take an active part in the ORSA including steering how the assessment is to be performed and challenging the results. The results of the ORSA should be taken into account, at least, in capital management, business planning and product development and design.

An undertaking should have at least the following documentation on the ORSA:

- ORSA policy;
- Record of the ORSA process;
- Internal report on each ORSA;
- Supervisory report of the ORSA.

The ORSA consists of the following three assessments:

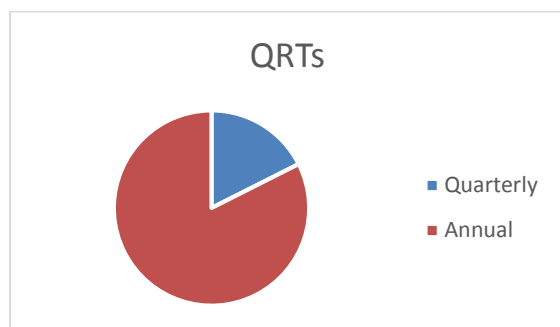
1. Assessment of overall solvency needs
2. Assessment of continuous compliance with regulatory capital requirements and technical provisions
3. Assessment of deviations from assumptions underlying SCR calculation.

These assessments are detailed and complex. An independent review of the ORSA would give comfort to directors who are certifying the accuracy of the information in the ORSA report.

QRTS

The first annual submission of QRTs is due in May 2017 and there is a significant increase in the number of QRTs from a potential 13 quarterly QRTs to a potential 74 annual QRTs for a solo undertaking.

The CBI has published its requirements in relation to external audit of Solvency II public disclosures. Publicly disclosed QRTs are subject to external audit. There are 13 templates that are publicly disclosed (7 of these overlap with the set of 13 QRTs that are reported quarterly) and the CBI has included 11 of these in the external audit requirements (internal models and the impact of transitional measures are excluded).



The directors' accuracy certification refers to all annual QRTs submitted to the CBI and not just the publicly disclosed (and therefore externally audited) QRTs.

A Milliman survey of Irish companies in July 2016 indicated that 70% of companies intend to get some

form of external review of QRTs. This will give comfort to directors, particularly in preparation for the first directors' accuracy certification of the annual QRT submission.

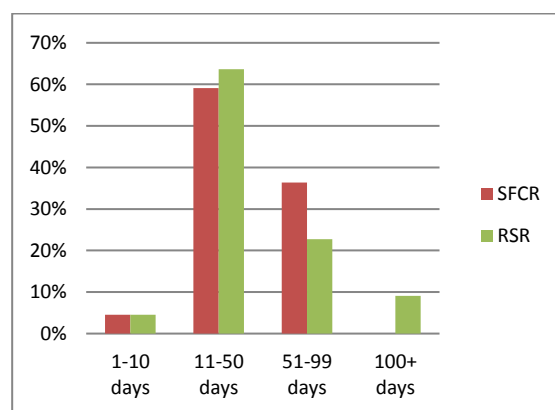
RSR

The RSR is a document submitted by undertakings to the supervisor. It follows the same structure as the publicly available Solvency and Financial Condition Report ("SFCR") but contains more detail.

The elements of the SFCR directly relating to the balance sheet, own funds and capital requirements are subject to external audit. Audit scope is therefore restricted to certain sections of the SFCR only.

The RSR is required at least every three years. The CBI has indicated that it will communicate the frequency required to undertakings following the submission of the first RSR in May 2017. However a summary report is required annually on any material changes over the financial year including an explanation of the causes and effects of these changes. A directors' accuracy certification must accompany this summary report also.

A Milliman survey of Irish companies in July 2016 indicated that 48% of companies had not yet started drafting the RSR and SFCR. The Milliman survey asked companies what was the estimated time required to complete these reports. The responses are shown below (days spent on RSR are in addition to those spent on the SFCR).



There is a significant amount of work required to complete these reports and much of it can be completed prior to year-end. Milliman can help to prepare or review these reports for undertakings.

HOW MILLIMAN CAN HELP

Our consultants have been involved in advising our clients on Solvency II issues since its conception. We have undertaken a range of work for clients across all three Pillars of Solvency II. Our services include:

- Independent review of Solvency II balance sheet, technical provisions and SCR;
- Independent review and gap analysis of ORSA;
- Preparation and review of SFCR and RSR;
- Independent review of QRTs;
- Solvency II training.

Milliman has a range of software available to support companies in the ongoing Solvency II requirements. In particular, Milliman has developed a Solvency II Compliance Assessment Tool ([link](#)). The tool enables both life and non-life insurance and reinsurance companies to easily monitor and assess their level of compliance across all three pillars of Solvency II while simultaneously creating an audit trail of completed work and a development plan for future actions.

Key features of the Solvency II Compliance Assessment Tool include:

- Detailed assessment of Solvency II requirements with links to all relevant legislation;
- Easy to use interface;
- Workflow functionality;
- Cloud-based platform;
- Reporting functionality;
- Audit functionality.

ABOUT MILLIMAN

Milliman is among the world's largest providers of actuarial and related products and services. The firm has consulting practices in healthcare, property & casualty insurance, life insurance and financial services, and employee benefits. Founded in 1947, Milliman is an independent firm with offices in major cities around the globe. For further information, visit milliman.com.

MILLIMAN IN EUROPE

Milliman maintains a strong and growing presence in Europe with 250 professional consultants serving clients from offices in Amsterdam, Brussels, Bucharest, Dublin, Dusseldorf, London, Madrid, Milan, Munich, Paris, Warsaw, and Zurich.

www.milliman.ie



CONTACT

If you have any questions or comments on this briefing paper or any other aspect of Solvency II, please contact any of the consultants below or your usual Milliman consultant.

Aisling Barrett
aisling.barrett@milliman.com
+353 (0)1 647 5511

Ciarain Kelly
ciarain.kelly@milliman.com
+353 (0)1 647 5520

Milliman does not certify the information in this update, nor does it guarantee the accuracy and completeness of such information. Use of such information is voluntary and should not be relied upon unless an independent review of its accuracy and completeness has been performed. Materials may not be reproduced without the express consent of Milliman.

Copyright © 2016 Milliman, Inc.