



What did we learn over Year-End 2016?

Mike Claffey
30 March 2017

Year end topics

Reporting timetable

Public information

Regulatory submissions

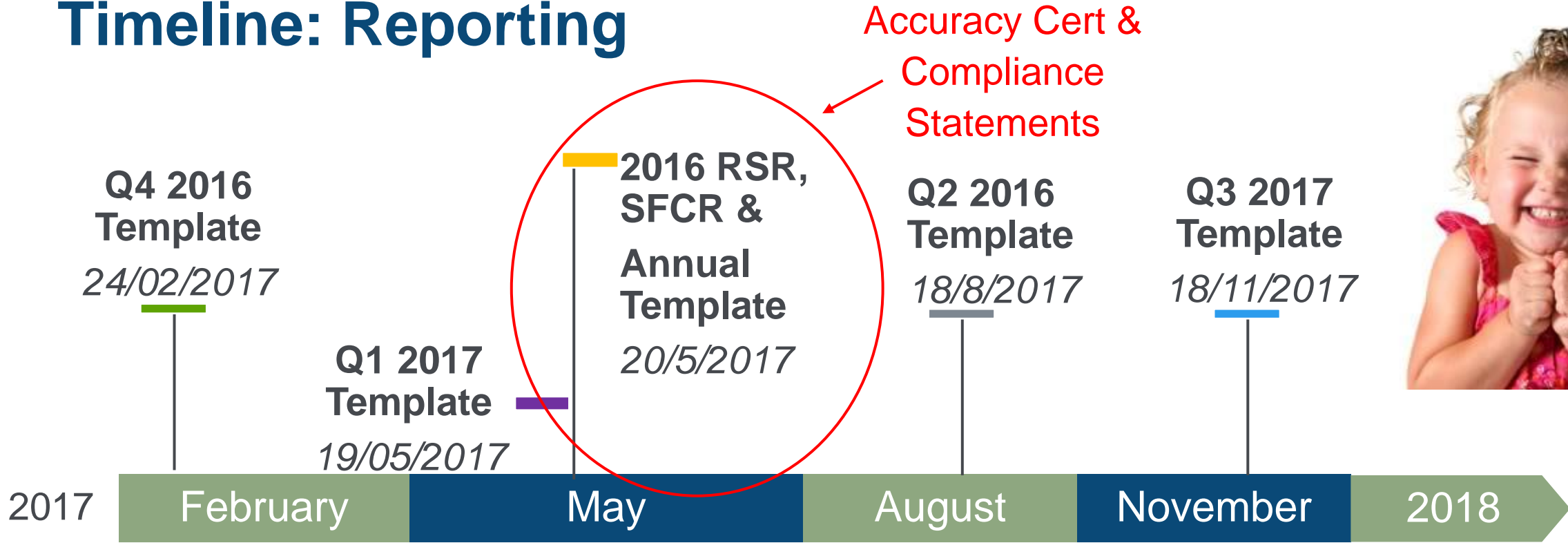
Director certifications

Opinions

Emerging issues

CBI expectations

Timeline: Reporting



- ORSA & Accuracy Cert at some point during 2017

Year end – the key dramatic scenes

Financial Statements

The same as last year, but may be different

You might be missing your Statement of Actuarial Opinion

Capital position note is different

Audit Opinion as in previous years

Solvency II

The new one, but was here last year. Nothing like Solvency I

SFCR

The public one, and the first time.

RSR

The private one to the Regulator

QRTs

Quarterly and Annual
Public and audited
Private to the Regulator

National Specific
Templates

Lots of crowd scenes

Actuarial Opinion on TPs

Audit Opinion on Public
QRTs

Year end – Dramatis Personae

Compliance Function

The invisible narrator

Head of Actuarial Function

Endless soliloquy in surprising places

Risk Function

Not a speaking part

Internal Audit

Behind the scenes

External Audit

Misunderstood – bigger than last year

Reviewing Actuary

Not in all scenes

Directors

Deities

Confirm both compliance and accuracy

Responsible for everything

So what are the emerging topics?

The detail of
Solvency II

CBI
correspondence

Life Assurance
Fund

Certification and
Opinions

No shortage of post from the CBI ...

Name
Title
Address1
Address2
Address3
Address4

December 9th 2016

Re: Review of the standard formula

Dear Title Surname,

The Central Bank of Ireland ("Central Bank") initiated a review of key Life Insurance capital requirement ("SCR") calculations. Our review highlighted some key control issues relating to the number of instances where the model brought these issues to your attention so present within your own firm. The general findings of our review are as follows:

Inadequate controls: Our review has identified that spreadsheets used in the SCR calculations contained a number of instances where the model also been examples of wrong currency results.

Not meeting Solvency II regulations: Some Solvency II regulations were not applied correctly. Our review identified governance structures to review and challenge by the principle of proportionality. Some contracts did not correctly include contract boundary conditions. Some Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 excluded from expenses stresses and risks with those applied to the firm as a whole.

Management actions not approved: Future management actions assumed in the technical provision and SCR calculations, which reduced a firm's expenses, were not supported by a Board approved management action plan. Such a plan is required under Article 23 of Commission Delegated Regulation (EU) 2015/35 of 10 October 2014. The Central Bank requires that future management actions are approved by the Board before inclusion within the technical provision and SCR calculations. The Central Bank also requires that future management actions related to expenses in the SCR calculations are subject to the full expense stresses detailed in Article 140 of Commission Delegated Regulation (EU) 2015/35 of 10 October 2014.



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07th February 2017

Re: Board Oversight of Key Assumptions

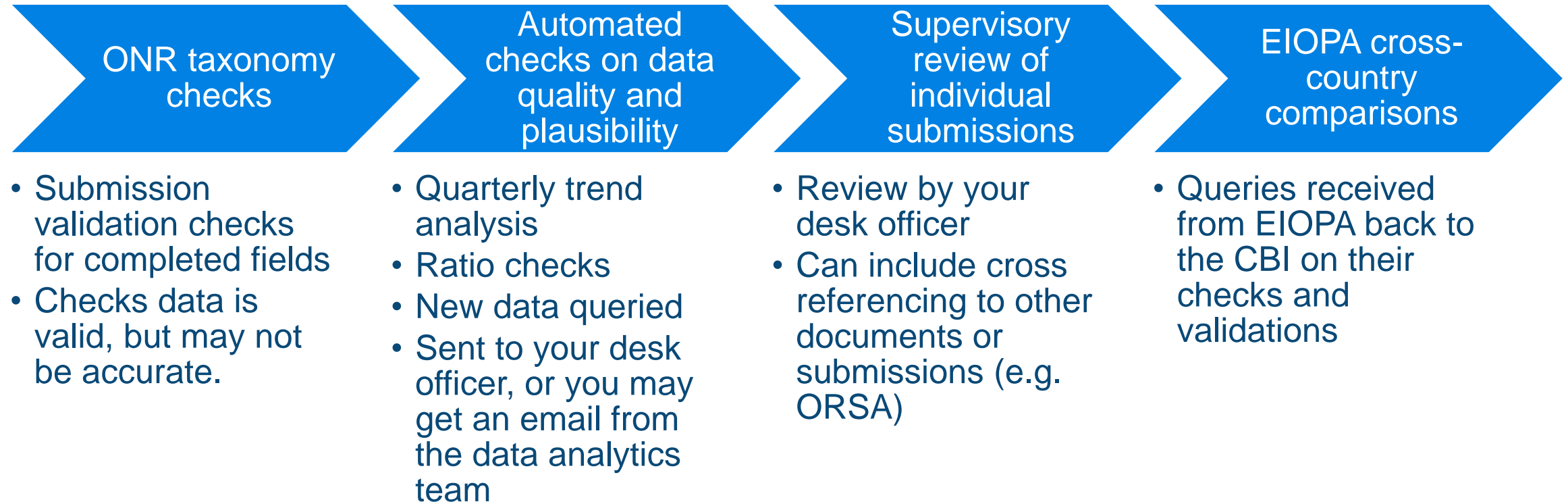
Dear Title Surname,

The Central Bank of Ireland ("the Central Bank") initiated a review of key Life Insurance pricing and reserving assumptions ("the review") in June 2016. As a result of this review we have found that Boards are generally not fulfilling their role in relation to oversight and governance of the assumptions. Therefore, we would like you to ensure that you and your Board Members are properly undertaking this role in relation to your entity.

In a Solvency II environment the Board is ultimately responsible for oversight of the assumptions and ensuring compliance with the regulations in accordance with Regulations 43 and 44 of the European Union (Insurance and Reinsurance) Regulations 2015 (S.I. No. 485 of 2015). It is not possible for the responsibility for the assumptions to be delegated to the Head of Actuarial Function ("HoAF"). Therefore, as firms move to embed the new regulatory regime we expect Boards to request sufficient information to be provided in order to be in a position to adequately challenge the key assumptions, expert judgements and results relating to the experience analysis and assumption setting process.

- SCR memo in December
 - Feedback following a review of SCR submissions
- Life assumptions memos in February
 - Dear Board Chair – oversight of assumptions
 - Dear HoAF – assumption setting
- And some individual RMP letters
 - Cultural profiles
 - Thematic reviews – pricing, ORSA reviews, ERM reviews

What happens your QRTs within the CBI



Companies must also have their own controls and checks on the accuracy of all data submitted to the CBI

Reminder – Life Assurance Fund

- ‘Life Assurance Fund’ still exists under Articles 14 and 15 of the Insurance Act 1989
- Assets may only be taken out of the Life Assurance Fund following an actuarial investigation “in accordance with any applicable valuation regulations”. No mention of Life Assurance Fund in Solvency II
- You need to track the value of your Life Assurance Fund (old Form 1 and Form 28) and the Asset Register (Winding up Directive)
- FYI if you have Irish “I-E” business, Revenue also published an e-Brief which states:
“it is expected that the Head of Actuarial Function will make a recommendation to the Board of Directors in relation to the amount of the surplus to be transferred to shareholders and this will be considered by the Board for its approval”

Relevant for all life companies but particularly relevant for anyone thinking of paying dividends.

“Qualifications” – many ways these can arise

External Audit qualifications

- Different grades of opinion (on Public QRTs)
- Emphasis of Matter, Qualified Opinion, Disclaimer of Opinion, or Adverse Opinion.

Actuarial Opinion qualifications and recommendations

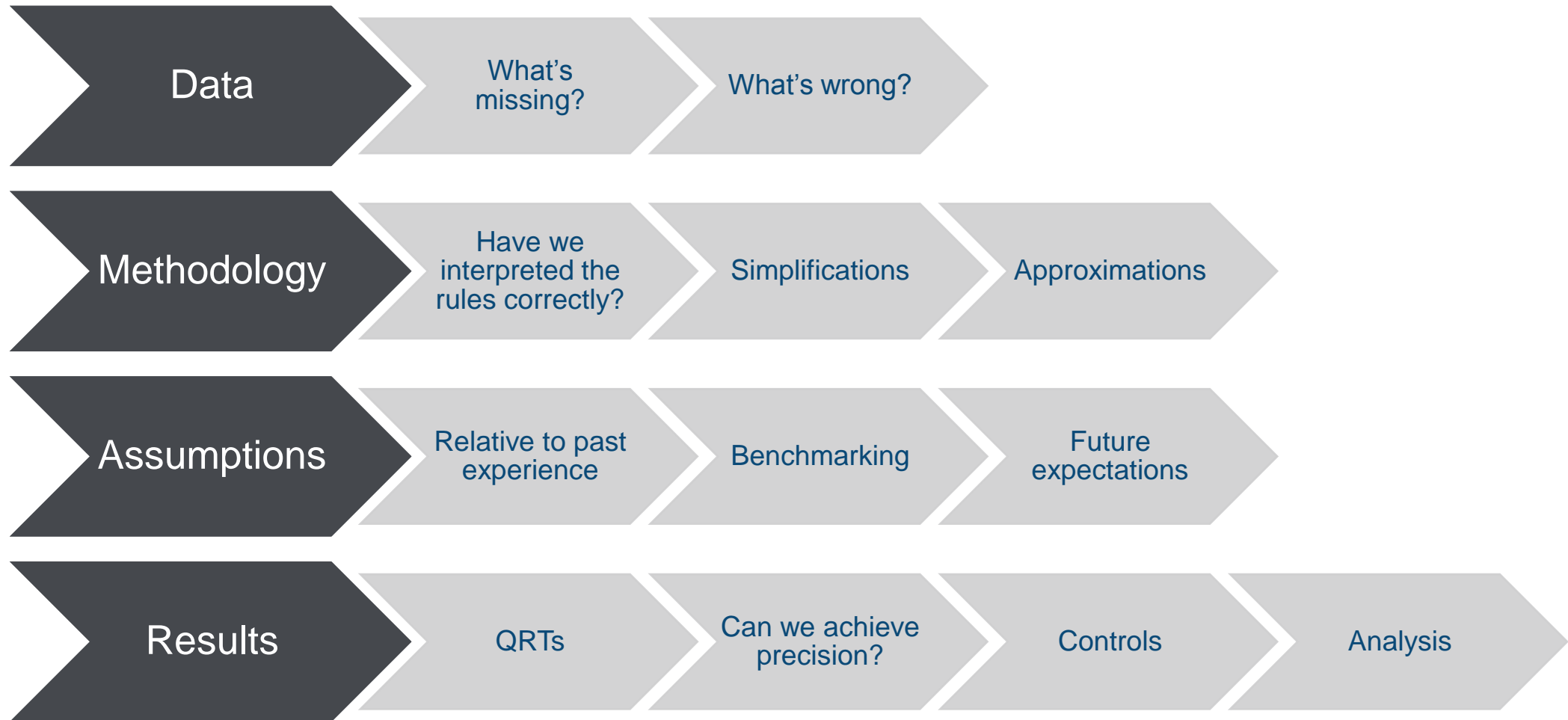
- Applies to the reliability and adequacy of TPs – private submission to CBI.

Director Compliance qualifications

- All regulations including Corporate Governance Code, Solvency II
- And a separate one for Companies Act
- And in addition to Accuracy Statements on QRTs and RSR.

Good questions to ask during year end process

Where are the key judgements, expert opinions, and reliances on others?



More questions to ask during year end process

How reliable is the SCR result?

Who validates the methodology and application of the regulations?

Can we “review, challenge and remediate inaccuracies”?

Complicated calculation – is it accurate?

Do we have any board approved management actions?

Might impact on TPs – e.g. small policies forced to surrender

Might impact on SCR – e.g. reviewable charges actually reviewed

Don't forget to describe them in your RSR (Article 310 of DA)

Who's key here?

Balance detail with oversight and challenge

What topics and results matter?

Who am I relying on?



IT TAKES VISION

Thank you

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30 March 2017



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