

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

6 May 2014



On the 2<sup>nd</sup> May, the Central Bank of Ireland published Reserving Requirements for Non-Life Insurers and Non-Life and Life Reinsurers having run a consultation process with consultation paper (CP73).

## INTRODUCTION

Extract from consultation paper:

*"The purpose of these Requirements is to improve the existing regime in non-life insurance companies and non-life and life reinsurance companies."*

## CHANGES SINCE CP73

- The Pricing Policy requirement has been removed (with a corresponding change of name)
- The peer reviewer can be from Group or from the same firm as External Auditor in certain circumstances
- Guidance on %Best Estimate+ explicitly allows for judgement to be employed, if deviation from the definition is envisaged as necessary
- The data responsibilities of the actuary are explicitly addressed (see 17(b) of feedback statement).

## GOVERNANCE REQUIREMENTS

- An appropriate governance structure must be in place in respect of the setting of claim estimates
- Internal controls on data submitted to the Signing Actuary are required
- High impact companies shall have a reserving committee, to meet at least quarterly, containing at a minimum: one INED; the member of the executive management team responsible for Claims; the Signing Actuary (and Chief Actuary if

different); the Head of Underwriting and the Head of Finance

- The Board shall ensure that companies have a clear Reserving Policy.

## ROLE OF THE SIGNING ACTUARY

- The Signing Actuary should be a PCF, and for High Impact companies must be an employee
- Grandfathering is envisaged for existing Signing Actuaries
- If the Signing Actuary is external and from the same firm as the auditor, the company is required to ensure that there is proper separation of responsibilities within the firm
- If external, the Signing Actuary shall not be from the same firm as the reviewing actuary (see Peer Review section below)
- The company shall formally review the position of the external Signing Actuary where they have been in place for nine years or more.

## SCOPE OF THE STATEMENT OF ACTUARIAL OPINION

- The SAO report should contain recommendations on ways to improve company data standards, if appropriate.
- It should also contain a description of the quantification of uncertainty.
- The Signing Actuary is not required to examine case estimates.

### INTERNAL AUDIT REQUIREMENTS

- High Impact companies must perform an internal audit of the reserving process at least once every two years, and less frequently for others
- Findings must be provided to the Central Bank

*“It is proposed that non-life insurers and reinsurers will be required to be in full compliance with the Requirements for Financial Years ending 31 December 2014 and thereafter*

*Companies are required to provide an undertaking to the Central Bank of Ireland by 30<sup>th</sup> June that they will comply.”*

### MARGIN FOR UNCERTAINTY REPORT

- To be produced by the CRO, Chief Actuary or Signing Actuary for High Impact companies
- Contains an explicit enumeration and justification of the Margin for Uncertainty booked by the Board

This consultation paper applies to Life and Non-Life Reinsurers, Composite Reinsurers, and to Non-Life Direct Writers.

### PEER REVIEW

- To be performed every other year for high impact companies, and less frequently for others
- High Impact: reviewing actuary can be from the same firm as the External Auditor . onus on Board to ensure independence of reporting lines between External Auditor and External Auditor’s actuary
- Medium/High: reviewing actuary may be from a group company if Signing Actuary is outsourced
- Will assess the governance around the production of the Risk Margin report, and its consistency with the SAO report

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