



Preparing for Year-End 2016

DIMA breakfast briefing
13 December 2016

Agenda

1

Overview – what's in store

2

HoAF and External Audit

3

The Director's viewpoint

Looking forward

Getting ready for year end 2016

Year end 2016 - what's on the horizon?

SFCR

QRTs and
NSTs

RSR

Head of
Actuarial
Function

External
audit of
Solvency II

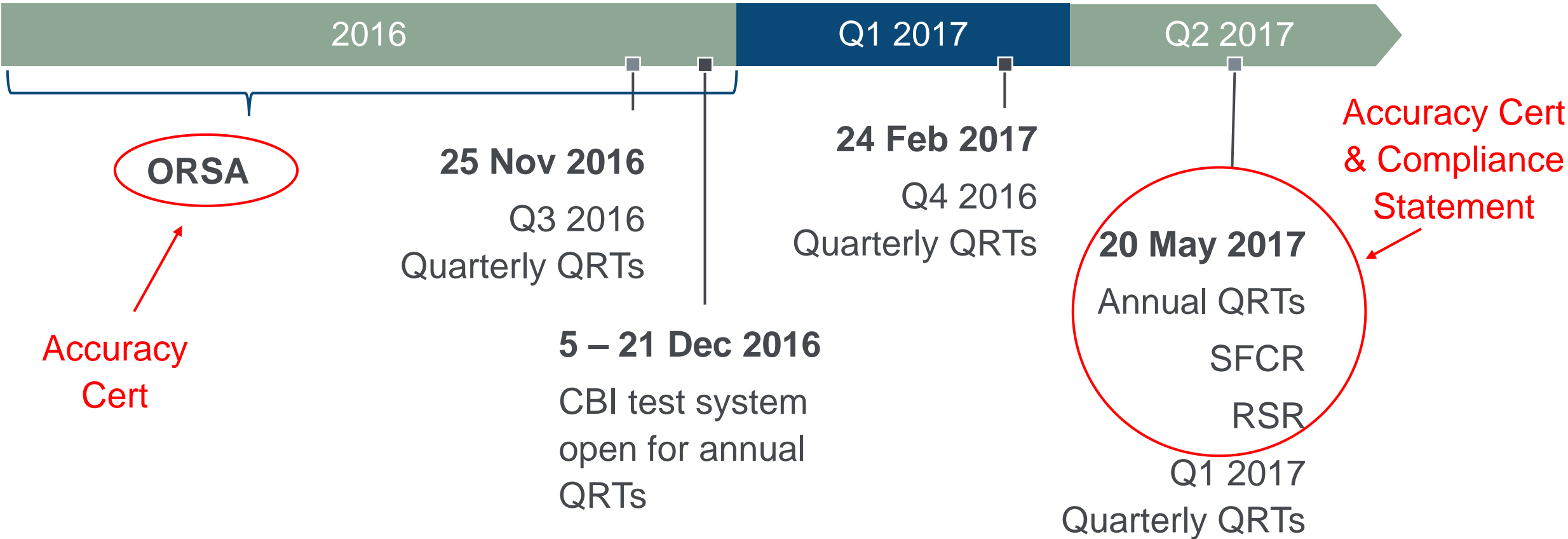
Directors'
Accuracy
Statements

Directors'
Compliance
Statements

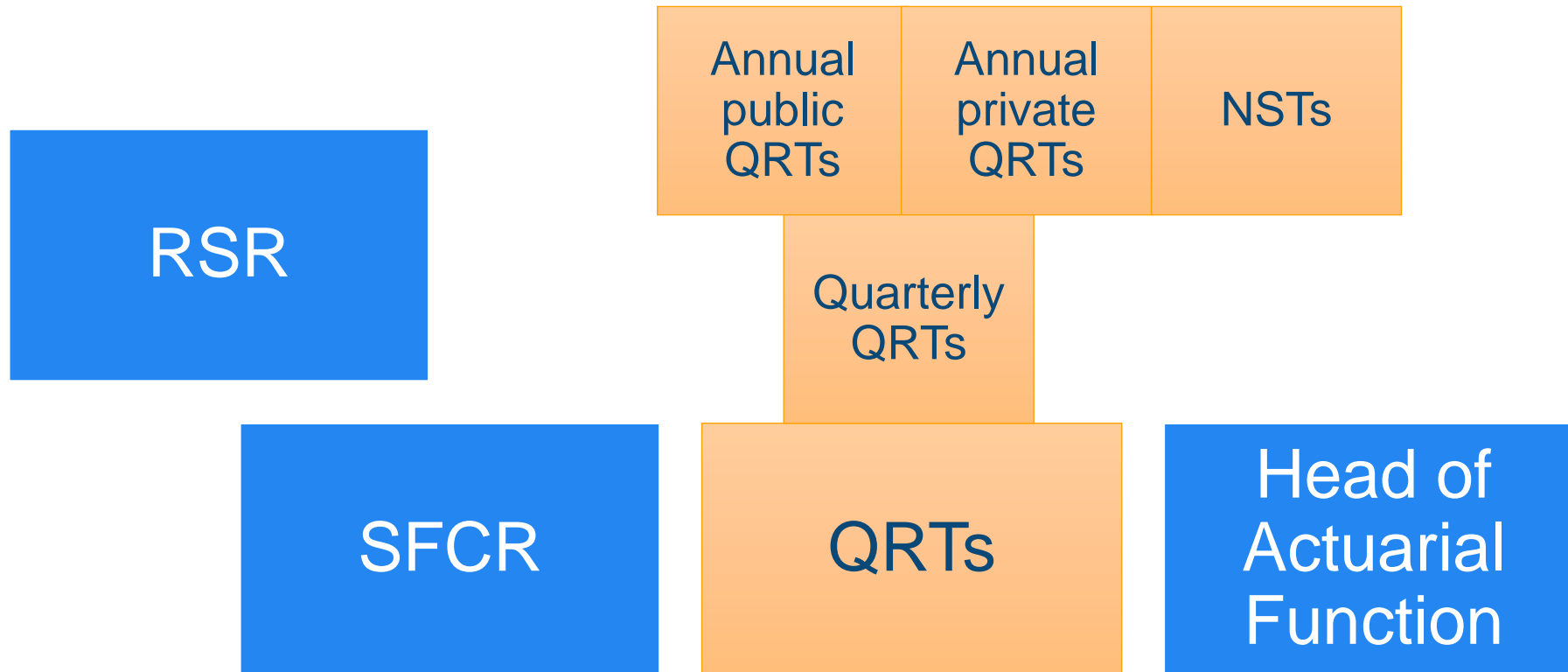
Financial
Statements

And the volume of new information,
requirements, guidelines, reports, ...

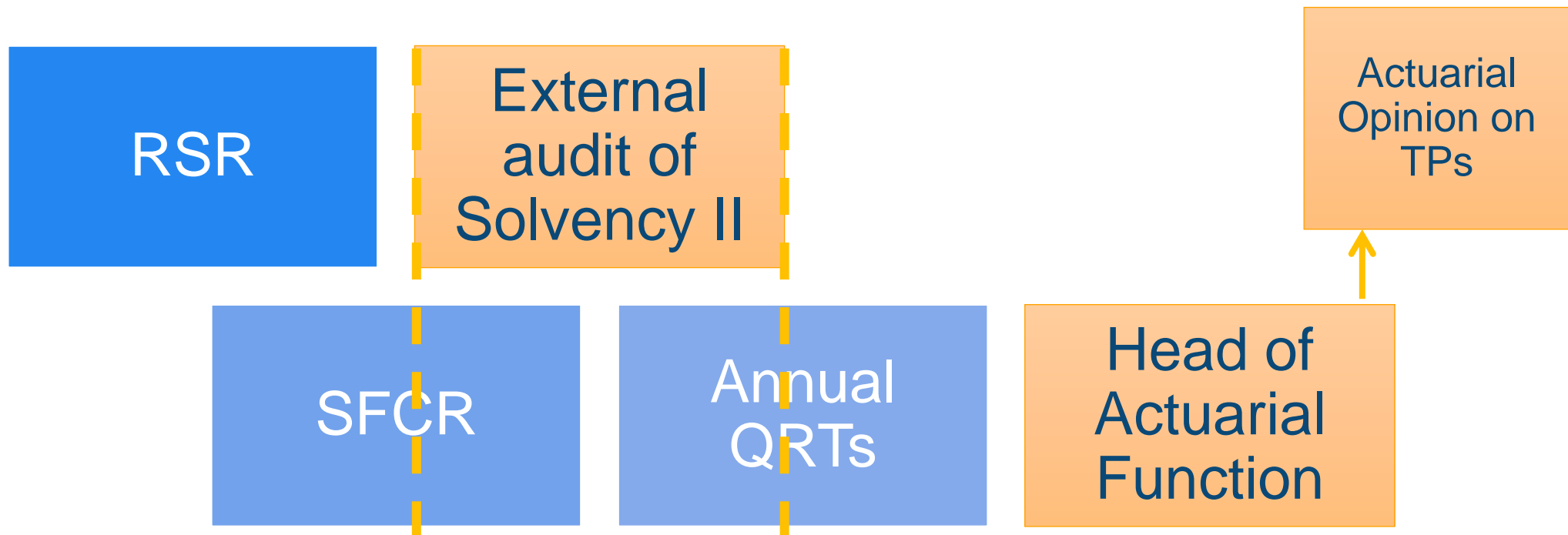
Timeline: Reporting



It's all connected



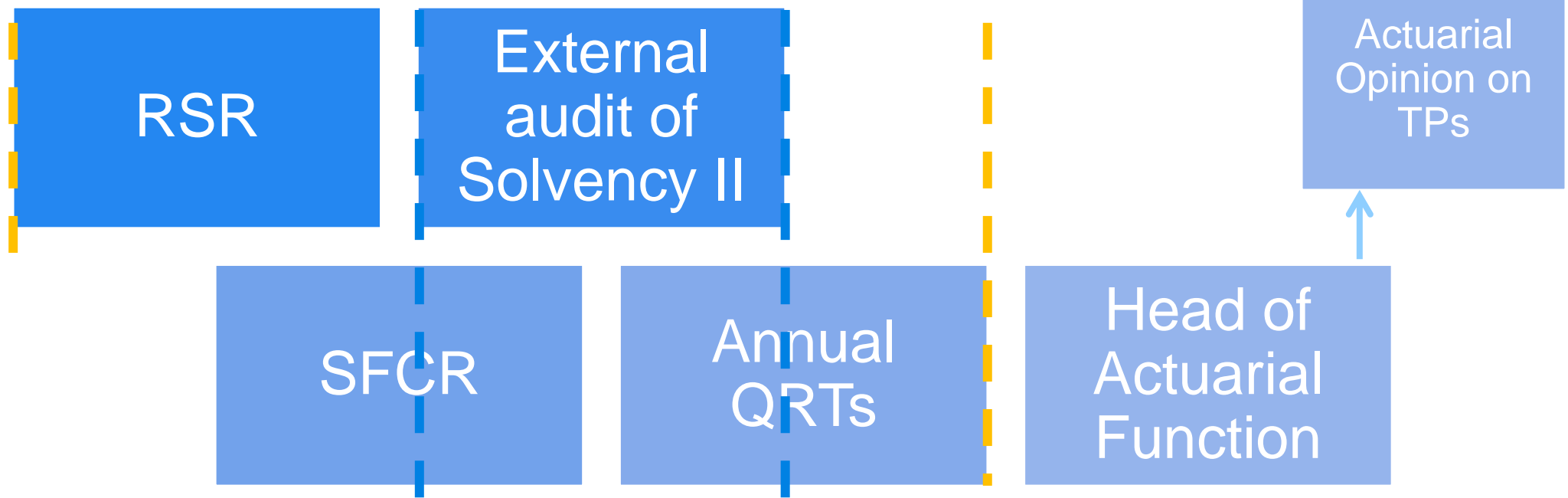
It's all connected



It's all connected

Directors' Compliance Statements

Directors' Accuracy Statements



Key challenges for year end

How to apply proportionality

- Captives – scale of operations
- Reinsurance companies – possible lack of data

Where are the key areas of judgement?

- Dealing with missing data
- Setting calculation assumptions
- SCR calculation (e.g. management actions)
- Valuation of assets and liabilities
- Detail of QRTs (e.g. analysis items or further subdivision templates)
- Accuracy of overall reporting process





IT TAKES VISION

Thank you

Mike Claffey
13 December 2016



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Actuarial and Audit requirements for Solvency II

Andrew Kay
13 December 2016

Actuarial Function

Solvency II Directive

Technical Provisions	Opinion	Risk Management
Co-ordinate calculations	Overall underwriting policy	Contribute to effective risk management system (including risk modelling for ORSA, SCR & MCR)
Appropriate methods / models / assumptions		
Assess data quality		
Oversee approximations	Overall reinsurance arrangements	
Compare best estimates versus experience		
Report to Board (at least annually)		

CBI Requirements – Domestic Actuarial Regime

Domestic Actuarial Regime

- HoAF
- AOTPs to CBI
- ARTPs to Board
- Opinion on ORSA
- Written reserving policy
- Reviewing Actuary
- Life ARTPs – HoAF opinion on profit allocation to policyholders, discretionary powers, PRE
- Non-Life – Reserving committee

Areas of judgement for the HoAF

- Exercise of expert judgement in relation to the choice of assumptions
- Loss absorbing capacity of technical provisions and deferred taxes
- Ring-fenced funds, including the treatment of company pension schemes
- Contract boundaries
- Management actions, particularly in relation to the SCR
- Valuation of guarantees and options
- Risk margin approaches
- Data!
- ...

CBI Requirements – HoAF Guidance

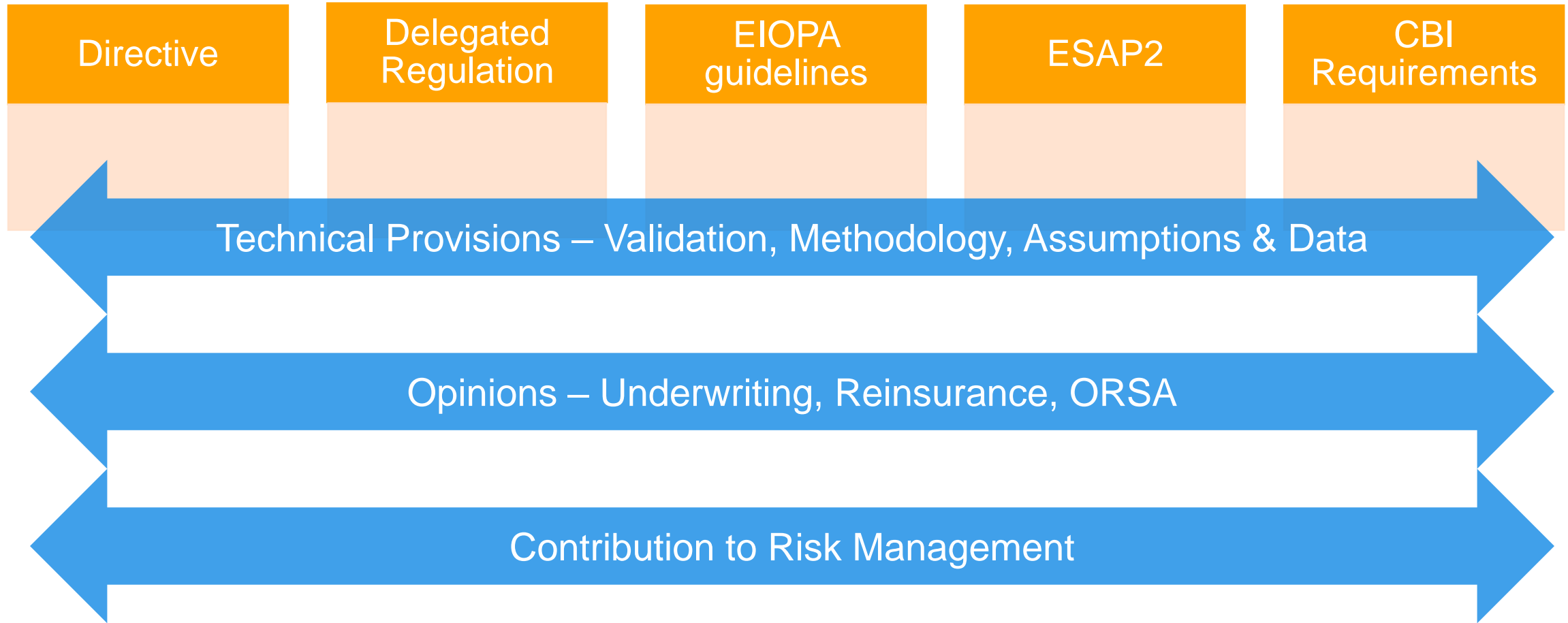
HoAF guidance

- Opinion on underwriting
- Opinion on reinsurance
- Contribution to risk management system
 - Review calculation of SCR & appropriateness (provide perspective to risk management function)
 - Opinion to Board on ORSA

What about the calculation of the standard formula SCR?

- Directive states that internal model is responsibility of risk management function & sets out extensive documentation requirements
- Standard formula is less clear, in practice:
 - Responsibility of risk function?
 - Calculations by actuarial function?
- No explicit requirement for report or policy
- Likely to be increased focus at this year end, particularly given external audit covers SCR

HoAF Checklist



Peer Review / Reviewing Actuary

Scope: TPs, AOTPs, ARTPs

Applies to: High – at least every 2 years;
Medium High - at least every 3 years;
Medium Low - at least every 5 years

Additional requirements for High
and Medium High companies

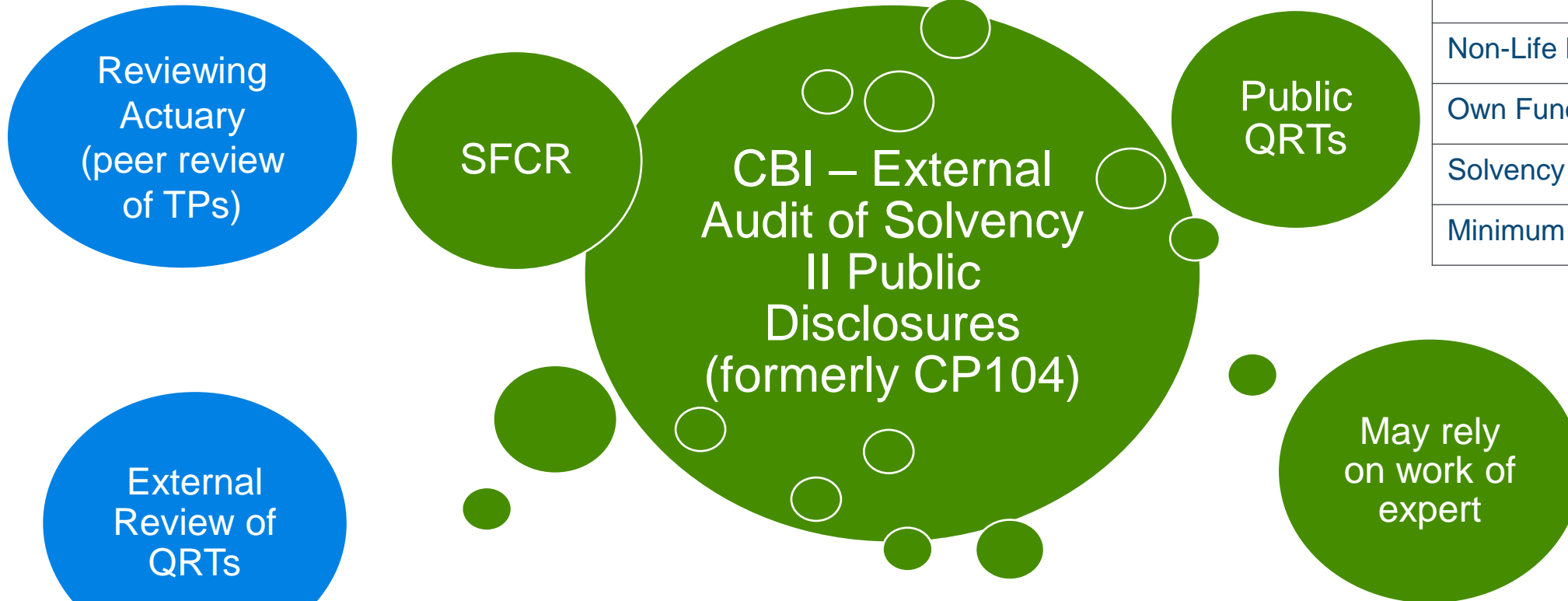
Review of:

- Data
- Assumptions
- Methodology
- Results
- Uncertainties
- Recalculation?
- Reasonableness of conclusions of AOTPs, ARTPs



Peer Review Report

Solvency II External Audit



QRTs
Balance Sheet
Technical Provisions Life
Technical Provisions Non-Life
Non-Life Insurance claims
Own Funds
Solvency Capital Requirement
Minimum Capital Requirement

Milliman review of Irish companies indicated that 70% of respondents intend to get some form of external review of QRTs



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Thank you

Andrew Kay
13 December 2016



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Directors' Certifications

Ramona Dolan
13 December 2016

Solvency II Directors' Certifications

- Guidelines issued in August 2016 setting out requirements in relation to Solvency II Directors' Certifications
- As Mike mentioned the guidelines introduce a requirement for:
 1. **Directors' Compliance Statement**
 2. **Director's Accuracy Certifications**

1	Annual Quantitative Reporting Templates (" Annual QRTs ")
2	Regular Supervisory Report (" RSR ")
3	Own Risk And Solvency Assessment (" ORSA ")

Directors' Compliance Statement

PART A

“has materially complied with all of its obligations and requirements imposed by or under the following”

- European Union (Insurance and Reinsurance) Regulations 2015 (S.I. 485 of 2015);
- The Insurance Acts, as defined in the European Union (Insurance and Reinsurance) Regulations 2015;
- Applicable European Commission Delegated Regulations and European Commission Implementing Regulations designated as designated enactments in section 2(2A) of the Central Bank Act 1942.

PART B

“has materially complied with all of its obligations and requirements under the Corporate Governance Requirements for Insurance Undertakings 2015”

Directors' Compliance Statement

Some Observations:

- Definition of “*materially complied*”?
- Change from “*confirm that to the best of our knowledge*” to simply “*confirm that*” in respect of Corporate Governance Code

Directors' Compliance Statement

Submission:

- Must be signed by all directors in place at end of financial year and who continue to hold that place at the date of submission
- To be submitted in hard copy in respect of Year-end 2016 and via ONR for future years
- Deadlines are in line with those for annual QRTs and RSR and hence will reduce from 20 weeks from year-end 2016 to 14 weeks by year-end 2019.

Directors' Accuracy Certificates

Annual QRTs

“Subject to permitted estimations and approximations, we the Directors and Chief Executive of [Name of Undertaking] certify to the Central Bank of Ireland the accuracy of the information contained in the annual quantitative templates dated [date report made up to] as submitted to the Central Bank of Ireland on [submission date].”

- Wording is the same for RSR and ORSA but clearly changing to refer to the relevant document
- Deadlines for Annual QRT and RSR certificates and the means of submission are as per the compliance statement
- The ORSA certificate is to be submitted at the same time as the ORSA report

Key Challenges for the Board in certifying accuracy and compliance

- **Volumes of legislation** – difficulty in ensuring all requirements are known and recorded
- **Changes to legislation** – difficulty keeping on top of changes
- **Reliance on key individuals** – removed from the day-to-day operations
- **Relevant and timely reporting to Board**



How can the Board gain comfort?

- **Review of Compliance Program**
 - Compliance policy
 - Compliance plan
 - Evidencing the control processes in place
- **Leverage off work done by Internal and External Audit**
- **Attestations from key staff**
- **Other?**





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Thank you

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13 December 2016



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