IIMU newsletter
Irish Insurance Market Update
July 2019
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Despite the Brexit uncertainty in 2018, life insurers remained resilient and continued to implement their change programs, whilst maintaining a focus on balance sheet strengthening and delivering stable shareholder returns.

This year’s report discusses the key topics that have dominated the European life insurance sector in 2018, voluntary Solvency II disclosures at year-end 2018 and the current landscape for supplementary economic value reporting. For the first time, we have also incorporated insurance analysts’ views to provide a different perspective on the level and quality of voluntary solvency and economic value disclosures.

Last, but not least, we consider the opportunities and challenges on the horizon for the insurance sector in 2019 and beyond;

- IFRS 17
- Illiquid assets
- InsureTech
- Climate change

Read more

Solvency II Amendments Published
Regulation update

On 8 July 2019, the majority of a new Regulation (Commission Delegated Regulation 2019/981) came into force. In general, we expect the Basic Solvency Capital Requirement (“BSCR”) to increase for companies writing non-life business – particularly those with material (European) property, marine and aviation portfolios. Meanwhile, the BSCR may reduce for some undertakings – particularly life insurers and companies with material exposures to derivatives or unrated European reinsurers. The direction and size of the impact on the Solvency Capital Requirement (“SCR”) will also depend on changes to the loss absorbing capacity of deferred taxes, which will be implemented from 1 January 2020.

There have been significant changes in the calculation of the underwriting risk charge for undertakings writing non-life or NSLT Health business.

There have also been significant updates to the requirements for calculation and documentation of the loss absorbing capacity of deferred taxes (“LACDT”).

Read more
EIOPA consults on increased proportionality of supervisory reporting and public disclosure

EIOPA launched a consultation package on supervisory reporting and public disclosure in the context of its work linked with the 2020 Solvency II Review. EIOPA is asked to assess:

- The appropriateness of the requirements related to reporting and disclosure in the light of supervisors and other stakeholders' experience
- The appropriateness and proportionality of the volume, frequency and deadlines of supervisory reporting and public disclosure
- The sufficiency of the existing exemption requirements to ensure proportionate application to small undertakings

In addition, EIOPA proposes to introduce an external auditing requirement of the SFCR in the Solvency II Directive limited to the Solvency II Balance-Sheet.

The deadline for submission of feedback is Friday, 18 October 2019.

EIOPA consultation on opinion on sustainability within Solvency II

The draft opinion forms part of EIOPA's strategic activities on sustainable finance and follows a call for opinion from the European Commission. The consultation runs until Friday, 26 July 2019.

The draft opinion aims at integrating sustainability risks, in particular those related to climate change, in the investment and underwriting practices of (re)insurers. The opinion seeks to contribute to the integration of sustainability risks in market risks and natural catastrophe underwriting risks for the solvency capital requirements for standard formula and internal model users.

EIOPA to launch a second consultation on increased proportionality of supervisory reporting and public disclosure in conjunction with other areas of the 2020 Solvency II Review

Later in the year, together with other areas of the 2020 Solvency II Review, EIOPA will launch a second consultation addressing:

- Group Quantitative Reporting Templates (QRTs)
- Regular Supervisory Reporting (RSR)
- Technical aspects of the reporting and disclosure processes
- Data quality
- Reporting and disclosure linked to other areas of the 2020 Solvency II Review, in particular (but not necessarily only) the Long-Term Guarantee templates

EIOPA’s final proposed policy will be included in the 2020 Solvency II Review Opinion.
EIOPA consults on the harmonisation of national insurance guarantee schemes

EIOPA launched a consultation on its Advice on the harmonisation of national insurance guarantee schemes across the Member States of the European Union. This consultation is a draft response to the Call for Advice of the European Commission of 11 February 2019 on the part linked with insurance guarantee schemes.

EIOPA is calling for the establishment of a European network of national insurance guarantee schemes, which are sufficiently harmonised and adequately funded for the protection of policyholders in the event of a failure of an insurer.

EIOPA is proposing a flexible approach as regards the legal structure and set-up of the scheme to avoid excessive burdens on insurers and Member States. The draft Advice addresses areas of an insurance guarantee scheme (IGS).

EIOPA issues opinions on governance and risk management of pension funds

EIOPA published four Opinions to assist National Competent Authorities (NCAs) in the implementation of the Institutions for Occupational Retirement Provisions - the IORP II Directive:

• The Opinion on the use of governance and risk assessment documents in the supervision of Institutions for Occupational Retirement Provisions (IORPs)
• The Opinion on the practical implementation of the common framework for risk assessment and transparency for Institutions for Occupational Retirement Provisions (IORPs)
• The Opinion on the supervision of the management of operational risks faced by Institutions for Occupational Retirement Provisions (IORPs)
• The Opinion on the supervision of the management of environment, social and governance risks faced by Institutions for Occupational Retirement Provisions (IORPs)

ESAs publish recommendations on the supervision of retail financial services provided across borders

The Joint Committee of the European Supervisory Authorities (EBA, EIOPA and ESMA - ESAs) published a Report on the cross-border supervision of retail financial services.

In this report, the ESAs identified the main issues that national competent authorities (NCAs) face when supervising financial institutions that provide cross-border retail financial services within the EU and make recommendations to both NCAs and EU institutions on how to address them.

In particular, the Report calls for more clarity on when activities carried out through digital means fall under passporting rules, and for considering the identified high-level principles on cooperation as the basis for any new legislation or possible amendment to current legislation.
CBI Insurance Quarterly – June 2019

The CBI have released their latest quarterly newsletter which takes a look at the most topical areas in the industry. This edition focuses on three key pieces:

**Evolution in Insurer’s Asset Allocations** - Insurance Analytics provide some insight into the development of asset allocations under Solvency II.

**Solvency II – Public Disclosures** - Some tips to ensure transparent, timely, and reliable information for analysts and the general public.

**Funding the Cost of Regulation** - Mapping the expected path towards 100% industry funding over the next five years.

Additional topics discussed include:

- Diversity
- Operational resilience
- Sustainability

Publication of Annual Report and Annual Performance Statement 2018

The Central Bank of Ireland has published its 2018 Annual Report and Annual Performance Statement. The reports provide an overview of the key activities and work undertaken by the Central Bank, working in the public interest to safeguard monetary and financial stability and to ensure that the financial system operates in the best interests of consumers and the wider economy.

The CBI makes reference to an increased focus on cyber risk, culture and recovery and resolution and how it has taken measures to prohibit two individuals from holding any role in the financial services sector indefinitely.

At the launch of the Report and Statement, Governor Philip R. Lane reiterated the CBI’s resolve to strengthen consumer protection, have strong contingency plans in place for Brexit and ensure resilience.

"We strongly support moves towards enhanced supervisory convergence" – Director General, Financial Conduct Derville Rowland

Speaking at the joint ESAs Consumer Protection Day 2019 hosted by the Central Bank of Ireland at the Mansion House in Dublin, Derville Rowland, Director General, Financial Conduct, set out the Central Bank’s strong support for enhanced supervisory convergence across Europe.

Speakers on the day were EIOPA chair Gabriel Bernardino, European Ombudsman Emily O'Reilly and Executive Director of the Federation of European Consumer Organisations, Klaus Mueller.

Echoing the sentiments of the Annual Report and Annual Performance Statement, Derville Rowland voiced the need for increased consumer protection especially in a post-Brexit environment, improved disclosures and touched on sustainable finance and taking steps to tackling climate change.
Motor Insurance

Government accused of ‘washing its hands’ of pledge to publish insurance claims database

Fianna Fáil has criticised the government for not giving a specific date for the set up of a database that would map trends of motor insurance claims.

The Cost of Motor Insurance Report recommended establishing a National Claims Information Database (NCID) to allow for an in-depth analysis of annual trends in car insurance claims.

In response to a query from Fianna Fáil’s Michael McGrath, the Department of Finance said that the database would include details such as where claims are settled and the various costs associated with the claims process, but said that it wouldn’t aggregate the data on a claim-by-claim basis as there would be “major data protection implications” including GDPR issues, among other problems.

Powered by the IoT, auto insurance is poised for a revolution

Connected cars promise to make car insurance more precise, personalised and convenient.

Until now, insurers’ ability to capture driving behaviour insights for UBI, or telematics, programmes faced constraints: technology costs; dependence on the insured to install a device, download an app or otherwise provide data; and intelligence gathering that begins after a policy issuance.

New data sources such as connected cars, consumer-purchased devices and location-based apps are starting to break down these barriers (Figure 1). This is happening quickly. The vast majority of insured drivers already have smartphones. And by 2020, analysts expect 150 million connected cars to be in circulation globally.

UK drivers would need ‘Green Card’ to drive in EU after hard Brexit, insurers warn

An agreement struck between UK and EU insurance bodies last May to waive the need for Green Cards has yet to be ratified by the European Commission. Unless it is ratified, or alternative transitional arrangements are made, before Brexit on 29 March, UK drivers will have to present the Green Card as proof of insurance.

Huw Evans, director general of the Association of British Insurers (ABI), said: “As it looks increasingly possible that a no-deal Brexit may happen, we want all insurance customers to know the facts about what this means for them.”
Insurance IFRS webcasts

Deloitte’s counting down to IFRS 17 webcasts hosted by Francesco Nagari, Global IFRS Insurance Leader. These webcasts focus on issues relevant to the insurers’ journey to IFRS 17 implementation.

The IASB has published an Exposure Draft Amendments to IFRS 17 to address concerns and implementation challenges identified following the publication of IFRS 17 Insurance Contracts in 2017. The publication of the Exposure Draft follows an assessment of 25 concerns, identified during the IASB’s meeting in October 2018, of areas of the standard that global stakeholders recommended to the IASB for potential improvement. Following its assessment, the IASB has proposed a number of targeted amendments, including a one-year deferral of the IFRS 17 effective date to 1 January 2022.

Francesco Nagari, Deloitte’s Global IFRS Insurance Leader and Sue Lloyd, Vice Chair of the IASB, discussed the Exposure Draft, ‘Amendments to IFRS 17’ in our webcast on 8 July. Watch the webcast for a summary of the key highlights and outcomes.

IFRS 17 video series 2019

We are delighted to share with you our IFRS 17 video series for 2019, which discusses a range of topics taking you from implementation right through to your financial reporting disclosures.

Our most recent videos are:

Paul Connellan, Manager – Consulting, discusses the vision for the operating modelling in an IFRS 17 world.

Colin Murphy, Senior Manager – Actuarial, gives an insight to what the variable fee approach is. The types of policies to which it applies and risk mitigation under the VFA.

Evan Kennedy, Manager – Audit and Assurance, outlines two of the proposed amendments to IFRS 17, the separate presentation of groups of assets and groups of liabilities on the SOFP and the measurement of acquisition cash flows for renewals outside the contract boundary.

Thomas Fallows, Consultant – Actuarial, examines some of the changes and challenges for both cedants and reinsurers.

Upcoming events

Keep up to date with our upcoming series of Deloitte events:

• Breakfast Briefing: IFRS 17 accounting standard. The road to successful implementation - 21 August
• Breakfast Briefing: IFRS 17 accounting standard. The road to successful implementation - 2 October
• Breakfast Briefing - recent events, key milestones and hot topics - 19 November

To register for any of the above events contact us using the link below.

Contact us
Beyond Brexit – ‘Day 2’ Tax Considerations

As the Brexit paralysis in Westminster continues unabated the timing and nature of the withdrawal of the UK from the EU remains as unclear now as it did following the referendum in June 2016. Given the fundamental uncertainties this political paralysis has caused for companies operating in the UK, many have already implemented changes in order to ‘Brexit proof’ their corporate structures. In particular many of those companies operating on a cross border freedom of services (FOS) basis and also those operating on a freedom of establishment (FOE) basis have implemented changes to their operating models to centralise their EU business, with many choosing Ireland as a location of choice.

Some key considerations are:

• VAT on Cross Border Services
• Transfer Pricing
• Employment Tax

Indirect Tax Matters

June 2019

In this edition of Indirect Tax Matters, we provide you with Deloitte commentary on topical Indirect Tax issues which we hope you find insightful. The first article is a call to action explaining how VAT incurred in other EU Member States can be reclaimed, what the process is and when these claims should be submitted.

The VAT exemption for payment processing has been the subject of many cases over the last 20 years. It continues to be litigated at EU level and we consider how the latest AG’s opinion builds on the existing cases.

With the Tax Appeals Commission now in its third year we explore some of the frequently asked questions that clients raise with us.

As the UK introduces ‘Making Tax Digital for VAT’, we consider how some other jurisdictions are employing technology solutions to manage VAT compliance and what options are open to Ireland in the move to digitisation. As Irish Revenue yields from ‘inventions’ continue to increase we highlight some VAT complexities providing 10 top tips for VAT compliance.

Our regular update on recent decisions in Irish and EU VAT cases includes comments as to their implications for business and articles on recent EU VAT cases. We also note and comment on recent updates issued from the Irish Revenue Commissioners on VAT and RCT matters.

Our Indirect Tax team in Deloitte Ireland are acutely aware of the complex issues challenging businesses domestically and globally. Indirect Tax Matters is designed to provide insights to assist you in meeting those ever evolving challenges.

Read more
Tencent to Team Up with BMW on Self-Driving Cars in China

Tech-giant Tencent Holdings Ltd. will partner with BMW AG to help develop self-driving vehicles in China.

The pair began collaborating on what they called BMW Group China High Performance D3 Platform, which is scheduled to begin operations by the end of the year, according to a statement on Friday. Tencent operates one of the largest cloud platforms in China, providing services from data storage to online computing.

Read more

Insurers’ automation spending to more than treble in five years

Insurance firms will spend more than three times as much on automation in five years than they do today, according to an analysis by Juniper Research.

In a report published this week, the researchers predict that insurers’ spending on robotic process automation will increase from $184m (£148m) to $634m by 2024.

They also expect that 65% of insurance providers will have adopted the technology by that time, with North American and European companies leading the way.

These regions are likely to be most active due to saturated markets and flat premium growth, with automation offering an opportunity to cut costs and remain competitive.

Read more

Traditional insurance and insurtechs

According to a recent Willis Towers Watson report on insurtech, 2017 funding for insurtech ventures totalled US$2.3bn, a 36% increase on 2016. In addition, 83% of 2017 insurtech ventures had an insurer or reinsurer as investor. However, with very few exceptions, the insurance industry has so far proved quite resilient to disruptors, despite the best efforts of venture capitalists.

The insurance value chain is made up of hundreds of dynamic moving parts: marketing, lead generation and sales; underwriting and risk; customer service; claims management, and customer retention. Each of these areas has experienced innovations that have caught the industry’s attention and imagination because of their simplicity. Some are high-tech, some low-tech and some are no-tech. The ideas seem to have plenty of upsides and limited downsides, and some of these concepts may be able to be imported into traditional insurers.

Read more
Insurance Europe 2018-2019 has published its annual report which sets out the European insurance industry's positions on the main insurance issues of the day.

Topics in this year's Report include: Solvency II, climate change, sustainable finance, pensions, cyber risk and data protection.

Guest contributors include: Denis Kessler, chairman & CEO, SCOR; Alison Martin, group CRO, Zurich Insurance Group and Christian Mumenthaler, CEO, Swiss Re and chair, Insurance Europe Reinsurance Advisory Board.

How insurers can proactively assess, manage and report the financial risks from climate change

The Prudential Regulation Authority (PRA) became the first regulator in the world to publish their expectations for financial services firms relating to climate change, when it published a supervisory statement in April 2019 (SS3/19).

It is clear that regulatory and societal scrutiny is increasing regarding the impact that individual firms make on the planet, and how individual firms are affected. The large-scale Extinction Rebellion protests, which targeted financial services firms in the City of London attracting the attention of the global media, is testament to it.

Insurers, as key economic actors can be affected by climate change in a number of ways. How insurers can show their Boards and regulators that they are proactively assessing, managing and reporting on the financial risks from climate change they are exposed to is paramount in meeting the regulatory expectations.
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