IIMU newsletter
Irish Insurance Market Update
May 2019
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2019 Insurance Industry Outlook
Strategies to stay competitive in the insurance market

As technology innovation, higher customer expectations and disruptive newcomers redefine the marketplace, insurers remain focused on growing top-line sales, bottom-line profitability, addressing challenges, and competing in a dynamic industry. Our 2018 Insurance Industry Outlook pinpoints key opportunities and threats that should demand attention from insurers over the next 12 to 18 months.

- What are insurers expecting in 2019?
- Technology trends
- The future of work
- Product development trends
- Merger and acquisition trends
- Regulatory trends
- Cyber risk trends:
- Privacy trends
- Tax reform
- Where do insurers fit in an evolving economy and society?

Read our report in full to find out more on what 2019 holds for the insurance industry.

Read more
EIOPA reports about its 2018 supervisory activities and sets out the 2019 priorities


EIOPA also concluded three peer reviews on the principle of proportionality when assessing key functions, on the supervisory assessment of fitness and propriety and on the application of the prudent person rule for the supervision of occupational pension funds.

EIOPA calls for consistent application of the proportionality principle for the supervision of Solvency Capital Requirement

EIOPA issued a Supervisory Statement on the application of the proportionality principle in the supervision of the Solvency Capital Requirement (SCR) calculated in accordance with the standard formula. EIOPA identified potential divergences in the supervisory practices concerning the supervision of the calculation of immaterial SCR sub-modules.

To guarantee supervisory convergence and consistent application of the proportionality principle EIOPA considers the following key areas:

• Proportionate approach
• Prudent calculation
• Risk management system and Own Risk and Solvency Assessment (ORSA)
• Supervisory reporting and public disclosure
• Supervisory review process

Read more

EIOPA issues Recommendations to National Competent Authorities to address vulnerabilities identified by the 2018 Insurance Stress Test

EIOPA published its 2018 Insurance Stress Test Recommendations.

The Recommendations consider the risks and vulnerabilities identified through the findings of the 2018 Insurance Stress Test and are addressed to the National Competent Authorities (NCAs). As a first step, EIOPA analysed the 2018 Insurance Stress Test results at individual group level and, as a second step categorised the Recommendations.
ESAs publish Joint Advice on Information and Communication Technology risk management and cybersecurity

The European Supervisory Authorities (ESAs) published two pieces of Joint Advice in response to requests made by the European Commission in its March 2018 FinTech Action Plan:

- Joint Advice on the need for legislative improvements relating to Information and Communication Technology (ICT) risk management requirements in the European Union (EU) financial sector. Advice on ICT legislative improvements.
- Joint Advice on the costs and benefits of a coherent cyber resilience testing framework for significant market participants and infrastructures within the EU financial sector. Advice on a coherent cyber resilience testing framework.

European Supervisory Authorities publish Q&A on the Key Information Document for PRIIPs

The European Supervisory Authorities (ESAs) published additional questions and answers (Q&A) on the Key Information Document (KID) requirements for Packaged Retail and Insurance-based Investment Products (PRIIPs) laid down in the European Commission’s Delegated Regulation (EU) 2017/653.

ESAs propose amendment to PRIIPs Key Information Document to clarify application to investment funds

The European Supervisory Authorities (ESAs) submitted a letter to the European Commission on the draft regulatory technical standards to amend the Delegated Regulation covering the rules for the Key Information Document (KID) for Packaged Retail and Insurance-based Investment Products (PRIIPs).

EIOPA identifies areas for improvement in the supervision of Prudent Person Rule compliance by institutions for occupational retirement provision

The European Insurance and Occupational Pensions Authority (EIOPA) published the findings of its peer review examining how national competent authorities (NCAs) ensure that institutions for occupational retirement provision (IORPs) comply with the Prudent Person Rule.

The review considered the basis for the interpretation of the Prudent Person Rule, legal and regulatory frameworks, information gathered for assessment, assessment methods and supervisory actions taken. The review was conducted among 27 NCAs from 24 European Economic Area countries.

The review found that supervisory approaches are largely determined by the manner in which the Prudent Person Rule is embedded in national legislation. Supervisory approaches also vary according to type of scheme (defined benefit or defined contribution) and maturity of the pension industry.
EIOPA and its Members agree on No-deal Brexit Memoranda of Understanding with the Bank of England and the Financial Conduct Authority

EIOPA and all NCAs of the EEA with competencies in insurance have agreed Memoranda of Understanding (MoUs) with the Bank of England in its capacity as the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) of the United Kingdom (UK).

The MoUs take effect should the UK leave the European Union (EU) without a withdrawal agreement, the so-called “No-deal” Brexit scenario.

The following MoUs were agreed:

- A Multilateral Memorandum of Understanding (MMoU) on supervisory cooperation, enforcement and information exchange between the EEA NCAs and the UK Authorities.
- A Bilateral Memorandum of Understanding (MoU) between EIOPA and the UK Authorities on information exchange and mutual assistance in the field of insurance regulation and supervision.

EIOPA calls for improvements to the assessment of the propriety of board members and qualifying shareholders of insurance companies

On 25th January, EIOPA published the findings of its peer review examining how national competent authorities (NCAs) assess the propriety of administrative, management or supervisory body (AMSB) members and qualifying shareholders.

The Review highlighted the following:

- The primary responsibility for completing robust F&P assessments rests with insurance undertakings.
- F&P should be a continuous process rather than considering it as a one-off task.
- A robust legislative and regulatory framework, sound supervisory practices and effective cross border cooperation among supervisory authorities ensure the proper functioning of the European single market for insurance.
- F&P, when conducted properly, is an important supervisory tool.

EIOPA publishes monthly technical information for Solvency II Relevant Risk Free Interest Rate Term Structures – end-February 2019

The European Insurance and Occupational Pensions Authority (EIOPA) published technical information on the relevant risk free interest rate term structures (RFR) with reference to the end of February 2019.

The RFR information reflects the content of the Technical Documentation published on 14 August 2018.
Central Bank of Ireland ("CBI")

Dear CEO Letter on Fitness and Probity

On 8 April 2019, the Central Bank of Ireland ("CBI") published a "Dear CEO Letter" addressing firms' obligations under the Fitness and Probity Regime (the "F&P Regime") which became effective in 2012 under the Central Bank Reform Act 2010 (the "2010 Act"), and provided recommendations in this regard.

The CBI explicitly states in the "Dear CEO Letter" that it expects:

• CEOs and the boards of firms to be in a position to explain how the issues raised in the Letter have been considered; and
• demonstrate the steps taken to address any shortcomings.

"Thriving in Challenging Times" - Central Bank Insurance Conference

The Central Bank hosted a conference for the insurance industry with the theme "Thriving in Challenging Times". The conference brought together domestic and international thought-leaders and policy makers to discuss issues facing the insurance industry.

Opening the conference Deputy Governor Ed Sibley spoke about the upcoming review of the Solvency II and Brexit.

Also speaking at the conference Gabriel Bernardino, Chairman of the EIOPA spoke about the challenges and opportunities for the insurance industry from an European perspective. Professor Karel Van Hulle, Associate Professor at the Economics and Business Faculty of the KU Leuven, talked about Solvency II and Paul Stanley, Managing Director & UK Insurance Lead, Accenture looked to the future of the insurance industry.

Sylvia Cronin, Director of Insurance Supervision at the Central Bank closed the conference, by informing delegates of the Central Bank's priority outcomes for the insurance industry in 2019.

Opportunities, risks and challenges: considering financial regulation and technological innovation

In an address to the Funds Europe European FundTech Lab event, Gerry Cross outlined the CBI's objectives and perspectives with regards to the impact of new technologies on financial regulation.

Specifically discussed was the impact of technology on responsible selling to consumers, data analytics being used to increase access to credit and ways new entrants to the market are improving consumer choice and competition. Mr Cross emphasised that the CBI is openly and actively engaged with innovation.

Mr. Cross also spoke about the risks and opportunities presented by outsourcing IT functions and said that outsourcing continues to be an important area of focus for the CBI.
Over 9,000 Irish motor insurance policies were issued through “ghost brokers”

More than 9,000 motor insurance policies in the Republic have been issued through seven so-called “ghost brokers”, an anti-fraud conference in Galway has heard.

These seven ghost brokers have diverted more than €23 million in revenue away from insurance companies, according to the Garda Síochána’s special investigations unit (SIU) of the Dublin area Roads Policing Division.

Motor Insurance: Consumer Research on Attitudes and Behaviours

The purpose of this research was for the Central Bank of Ireland (Central Bank) to gain an insight into consumer understanding of the identity and location of their motor insurer (including where motor insurance may have been bought through a retail intermediary acting on behalf of a Managing General Agent (MGA). The research also looked at drivers of motor insurance purchases more generally, as well as information on consumer satisfaction with the service received. This work was undertaken to support and inform the work of the thematic inspection of retail Intermediaries acting as MGAs.

Deloitte Motor Insurance Event

The 2019 Deloitte Motor Insurance Seminar took place on Thursday the 7th March.

The agenda included:
- Keynote address - Michael D’Arcy, Minister of State at the Department of Finance
- Checking the Fuel Gauge: Irish motor insurance trends – Paul Connor, Deloitte Ireland
- Future of Work - Valarie Daunt, Deloitte Ireland
- Motor Claims Disrupted – Mark Patterson, Deloitte UK
- Ditching the Silos: what’s next for insurers? – Nigel Walsh, Deloitte UK
- Disruption on Consumers – Sean Smith, Deloitte Ireland
- UK Motor Insurance: Regulating from a price and fairness perspective – Andrew Bulley, Deloitte UK
- Panel discussion with Q&A

Contact us
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.

Francesco Nagari summarized the outcomes of the Board meeting in our webcast on 21 February. The Board tentatively agreed to amend IFRS 17 on the concern arising from the accounting under IFRS 17 of loans that also transfer significant insurance risk. The Board also introduced one additional simplification for the modified retrospective approach. All of the other concerns resulted in no amendments to IFRS 17

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.

The first video of the series sees David Walsh speaking on the impact of IFRS 17 on data and systems.

This is closely followed by Paul Connor speaking on transition. Paul outlines the various options to Insurance Companies on transition to IFRS 17 and discusses the potential challenges with each option.

Carla Dunne speaks about “IFRS 17 delay and the impact on implementation”.

Coming shortly: Thomas Fallows 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 - 19 June
- 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.
Real-time payroll reporting is now Live!

From 1 January 2019, you must make a submission to Revenue on or before making a payment to an employee. After the end of each calendar month, Revenue will issue a statement based on submissions received, which sets out the tax due for the period. The statement is deemed a statutory return by the 14th day after month end.

- What about benefits-in-kind and notional payments?
- Does this also apply to taxable expenses?
- What about company credit cards?
- What is the impact of non-compliance?

Insurance Tax update

Globally, there is no question that tax is more in focus now than ever before. With the BEPS Agenda at a global level, the Anti-Tax Avoidance Directive at an EU level and the Coffey report at a local level to name but a few, there have been many changes and updates, both made to Irish law and expected to be made in the near future to enact the recommendations of such reviews/directives. We've provided a round-up of some of the more key updates regarding transfer pricing and CFC Rules affecting the insurance industry.

Read more
Insurtech

“The use of cloud computing by (re)insurance undertakings”

On 11 April 2019, EIOPA hosted its Fourth InsurTech Roundtable on “the use of cloud computing by (re)insurance undertakings”.

The aim was to discuss with the different market participants views and approaches to cloud outsourcing in a Solvency II and post-European Banking Authority Recommendations environment and determine best practises for the development of an informed decision of a principle based guideline.

EIOPA continues dialogue with stakeholders on Cyber Insurance

On 1 April 2019, EIOPA hosted a Workshop on Cyber Insurance.

The goal of the workshop was to discuss and identify possible solutions to address the challenges facing the European cyber insurance market.

Specifically, the workshop focused on two main challenges: covering cyber risks and quantifying cyber risks.

Outsourcing to the cloud: EIOPA’s contribution to the European Commission Fintech Action Plan

The report provides an overview of cloud computing and the market practices on cloud computing, focusing on how it is used by the financial services industry.
Insurers demand talks with minister over his accusations of ‘sharp practice’

Representatives of the insurance sector have demanded a meeting with Minister of State Michael D’Arcy after he accused companies of “sharp practice” in the wake of recent weather events.

The concern centres on findings that insurers took advantage of the crisis situation some people found themselves in after the heavy snow last March and freak winds in October 2017.

He wants to introduce a voluntary code of practice as part of a bid to stamp out cash payments or partial payments.

Promised reform in insurance sector is ‘incomplete’ - Insurance Ireland

The insurance industry in Ireland has expressed concern about what it calls a lack of urgency in delivering key reforms in the sector that are aimed at reducing claims costs.

Insurance Ireland says promised reform is incomplete and inaction is costing policy-holders.

The call for progress comes exactly two years on from the publication of the first Cost of Insurance Working Group Report.

The calls for action have been supported by members of the insurance industry, including Liberty Insurance.

Deloitte Events

Deloitte’s Brexit Insurance Breakfast Briefing took place on the 27th of March in our Deloitte Dublin office. The agenda included:

- Introduction - Eimear McCarthy
- Brexit Overview - David Carson
- Data & GDPR - Nicola Flannery
- Employment Services and Tax Considerations - Jonathan Warnes
- Tax impacts - Conor Hynes
- Regulation - Sean Smith
- Conclusion - Eimear McCarthy

If you wish to attend this or any future insurance events then please contact us directly.
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