Ireland: Report on Observance of
Standards and codes (ROSC)

IRELAND

REPORT ON OBSERVANCE OF STANDARDS AND CODES (ROSC)

May 2015

The Report on Observance of Standards and codes (ROSC) for Ireland was prepared by a staff team of the International Monetary Fund. It is based on the information available at the time it was completed in December.

Copies of this report are available to the public from

International Monetary Fund • Publication Services
PO Box 92780 • Washington, D.C. 20090
Telephone: (202) 623-7430 • Fax: (202) 623-7201
E-mail: publications@imf.org Web: <http://www.imf.org>
Price: \$18.00 per printed copy

International Monetary Fund
Washington, D.C.

IRELAND

May 2015

REPORT ON OBSERVANCE OF STANDARDS AND CODES

Approved by

José Viñals

Prepared By

**Monetary and Capital
Markets Department**

This report was prepared in the context of an IMF stand-alone Report on the Observance of Standards and Codes (ROSCs) mission in Ireland during November–December, 2014, and overseen by the Monetary and Capital Markets Department.

- The assessment was conducted by Su Hoong Chang and Stuart Wason (both are external experts engaged by the IMF) from November 18 to December 5, 2014. The mission produced a detailed assessment reports for the authorities in addition to the present ROSCs.
- ROSCs assess the extent to which countries observe certain internationally recognized standards and codes. They are intended to help countries identify key areas for improvement and prepare and action plan. They are not intended to represent an analysis of the state of financial institutions and financial sectors, or to identify sources of systemic risk.
- The mission met with Governor Honohan and Deputy Governor Roux. It also engaged extensively with senior officials and technical staff of the Central Bank of Ireland. External meetings were held with Irish Accounting and Auditing Supervisory Authority; the Financial Services Ombudsman; professional and industry associations and insurers. The mission wishes to thank the authorities for their helpful collaboration and thoughtful hospitality. The assessors also benefitted from the valuable inputs and insightful views from industry participants.

CONTENTS

Glossary	3
EXECUTIVE SUMMARY	5
BACKGROUND	8
A. Introduction and Scope	8
B. Overview—Institutional and Macroprudential Setting	8
C. Ongoing Regulatory Initiatives	11
KEY FINDINGS AND RECOMMENDATIONS	12
TABLES	
1. Insurance Market Structure	9
2. Summary of Compliance with the ICPs	12
3. Recommendations to Improve Observance of the ICPs	22

Glossary

AML-CFT	Anti-Money Laundering and Countering the Financing of Terrorism
ASP	Administrative Sanctions Procedure
CBA	Central Bank Act of 1942
CBI	Central Bank of Ireland
CBRA	Central Bank Reform Act of 2010
CBSEA	Central Bank Supervision and Enforcement Act of 2013
CFs	Controlled Functions
CG	Corporate Governance
CG Code	CG Code for Credit Institutions and Insurance Undertakings of 2010
SII CG Guidelines	CBI Guidelines on Preparing for Solvency II – System of Governance
CJA	The Criminal Justice (Money Laundering and Terrorist Financing) Acts of 2010
CoB	Conduct of Business
Commission	Central Bank Commission
CP Code	Consumer Protection Code
ERM	Enterprise Risk Management
ESCB	European System of Central Banks
EU	European Union
F&P	Fitness and Probity
FATF	Financial Action Task Force
FEMPI Acts	Financial Emergency Measures in the Public Interest of 2009 and 2013
FLAOR	Forward Looking Assessment of Own Risks
FOE	Freedom of Establishment
FOS	Freedom of Services
GAAP	Generally Accepted Accounting Principles
G-SIIs	Globally Systemically Important Insurers
IA	Insurance Act, as amended by various amendment Acts
IAIS	International Association of Insurance Supervisors
ICPs	Insurance Core Principles
IFRS	International Financial Reporting Standards
IFSAT	Irish Financial Services Appeals Tribunal
IFSC	Irish Financial Services Centre
MC Code	Minimum Competency Code of 2011
Minister	Minister of Finance
MOCE	Margin Over Current Estimate
MoU	Memorandum of Understanding
PCFs	Pre-Approval Controlled Functions
PRISM	Probability Risk and Impact System _{TM}
RFSPs	Regulated Financial Service Providers
RGP	Risk Governance Panels
ROSC	Reports on the Observance of Standards and Codes
SII	Solvency II - Directive 2009/138/EC of the European parliament and of the Council of

IRELAND

November 25, 2009 on the taking up and pursuit of the business of Insurance and Reinsurance.

TP	Technical Provision
ULPs	Unit Linked Policies
VA	Variable Annuity

EXECUTIVE SUMMARY

The Irish insurance sector—comprising both the domestic industry and a large international market—is highly concentrated, and the majority of Irish (re)insurers are part of large international groups/conglomerates. While total number of insurers declined from 307 in 2009 to 234 at end-June 2014, total assets held by Irish (re)insurers increased from €139.5 billion in 2008 to €210.7 billion at end-2013. The top five life insurers accounted for 91 percent of Irish risks while the largest non-life insurers had a market share of 57 percent in terms of gross written premiums. The top ten reinsurers accounted for 75 percent of premiums written in Ireland in 2012. The majority of the (re)insurers operating in Ireland are part of large international groups or financial conglomerates. In addition, insurers authorized in the European Union (EU) can write business in Ireland on a freedom of establishment (FOE) or freedom of services (FOS) basis.

Life insurers in the Irish international market offer mainly variable annuities (VA) and Italian focused unit-linked policies (ULPs) while captive reinsurers and reinsurers have a significant presence. A significant proportion of the non-life sector is foreign-risk focused.

The prolonged low interest rate environment has been identified as a significant risk for international insurers writing VA business as the products are designed with built-in guarantees. Domestic life insurers are somewhat insulated from interest rate/market risks as their dominant line of business is ULPs, in which policyholders assume the investment risks. Given intense market competition, non-life insurers have been particularly reliant on investment returns, which have been under pressure in recent years. While Irish reinsurers pose a limited domestic financial stability impact, they are expected to manage potential global systemic implications while confronting various global operating challenges.

The Central Bank of Ireland (CBI) is the integrated financial supervisor in Ireland. As the primary regulator of the Irish financial system, CBI has overall responsibility for the supervision of insurers and insurance intermediaries authorized in Ireland. CBI is also responsible for the oversight of the conduct of business (CoB) of insurers authorized in other EU member states, which are providing services in Ireland on a FOS or FOE basis.

It is important that the authorities address the significant challenges faced by CBI in attracting and retaining supervisors and to enhance the CBI's independence. The turnover rates for insurance supervisors in CBI have been high by international standards, largely due to its unattractive remuneration package compared with the market, compounded by the constraints imposed under Financial Emergency Measures in the Public Interest Acts of 2009 and 2013 (FEMPI Acts), which are expected to end in 2016. While there is no evidence of political and commercial interference over CBI's operational autonomy, the legal framework for CBI's governance arrangements may potentially introduce political considerations that could have implications for CBI's independence. Effective supervision hinges on adequate supervisory resources of the right caliber and it is critical that CBI builds on its current technical capacity to conduct quality supervision and to continue its enhanced supervisory approach introduced in

2011. CBI's statutory independence could be enhanced by: (i) reconsidering the composition of the Commission; (ii) the role of the Minister of Finance (the Minister) in approving the appointment the Deputy Governors; (iii) removing or providing more clarity on the general ground for the dismissal of a Commissioner; (iv) legal obligation on public disclosure of the reasons of the removal of a Governor or Commissioners; and (v) reviewing the Minister's statutory power relating to CBI's regulatory functions, including the extent of consultation for rule-making and approval for industry levy structure.

While the Probability Risk Impact Supervisory System (PRISM) has significantly improved supervision of insurers with High/Medium High impact ratings, CBI is advised to review the supervisory risk appetite underpinning PRISM, including potential reputational risks.

Since the introduction of PRISM in 2011, CBI strives to promote a culture where supervisors have become more challenging in assessing (re)insurers' risk profiles. PRISM facilitates a systematic and structured supervisory process and sets out the minimum supervisory engagements driven solely by the impact ratings of insurers. Insurers rated Ultra-High/High receive the highest level of supervision under structured engagement plans. While insurers rated Low are supervised reactively, CBI would take targeted enforcement action against insurers across all impact categories where material breaches or significant concerns are found. The reactive supervision mode for Low-impact insurers is reflective of CBI's supervisory risk appetite, including reputational risks. This risk appetite should be informed by a regular review of PRISM, including whether the key objective of the protection of policyholders and beneficiaries is adequately addressed. There are significant merits for a more proportionate and timely risk assessment of insurers according to their risk profiles to enhance the regulatory incentives for improving governance and risk management practices. In addition, a proportionate coverage of Low-rated insurers/intermediaries in terms of independent supervisory verification of their regulatory returns will provide better assurance for reasonable reliance on these returns. PRISM should also be updated to incorporate appropriate risk-based supervision for insurance groups. It is also important to review the adequacy of supervisory resources to support a more proportionate supervisory program and effective supervision of insurance groups.

CBI has made significant progress in updating the regulatory regime and the impending implementation of Solvency II (SII) is expected to address most of the regulatory gaps noted in this assessment. The Central Bank Supervision and Enforcement Act of 2013 (CBSEA) has significantly enhanced CBI's supervision and enforcement powers. CBI's preparation for SII is well advanced and a dedicated SII project has been in place since 2010. In addition, it has since introduced the fitness and propriety regime, the corporate governance (CG) codes, the Consumer Protection Code (CP Code), the Minimum Competency Code (MC Code), Guidelines on Preparing for Solvency II – System of Governance, the Reserving Requirements for Non-Life Insurers and Non-Life and Life Reinsurers; and Guidelines on the Reinsurance Cover of Primary Insurers and the Security of their Reinsurers. When implemented, SII is expected to address the regulatory gaps noted in the assessment in the areas of risk management and enterprise risk management (ERM), valuation, capital adequacy and group supervision. Regulatory reporting, both at the entity and group levels, will also be significantly enhanced under SII.

While the regulatory regime has a high level of observance of the ICPs, this could be further enhanced by fine-tuning the regulatory framework and existing supervisory practices. The enhancements should include:

- *Prudential requirements*: insurers to notify CBI of material changes in the suitability of persons appointed to pre-approval control functions (PCFs) and Significant Owners;¹ directors to act in the best interests of the insurer and policyholders; cedants to control their liquidity position arising from reinsurance; reinsurance contract certainty; and policy for more complex and less transparent classes of investments;
- *CoB requirements*: insurers to take into account the interests of different types of customers in developing and marketing insurance products; replacement of policies; insurers to communicate claim procedures to policyholders/claimants; and market conduct requirements at the group level;
- *Anti-Money Laundering and Countering the Financing of Terrorism (AML-CFT) regime*: CBI to issue enforceable rules on AML/CFT obligations consistent with the Financial Action Task Force (FATF) Recommendations and establish guidelines to facilitate compliance by insurers and intermediaries, supported by appropriate risk-based AML-CFT inspections; and
- *Macro-prudential surveillance framework*: requirements for insurers/groups to maintain and test contingency plans and procedures for use in a going- and gone-concern situations; and regular reviews of the existence of practical barriers to efficient and internationally coordinated resolutions and collaborate with the relevant supervisor to resolve these issues.

Going forward, the effective implementation of SII and group-wide supervision, supported by a more proportionate supervisory approach under PRISM hinges on the adequacy and quality of supervisory resources of CBI.

¹ Currently, only the PCF or significant owners are required to notify CBI of changes in the information provided in their applications.

BACKGROUND

A. Introduction and Scope

1. At the invitation of CBI, an IMF team visited Dublin during November 18 to December 5, 2014, to conduct a full assessment of Ireland's compliance with the Insurance Core Principles (ICPs) issued by the International Association of Insurance Supervisors (IAIS). The assessment was based solely on the laws, regulations and other supervisory requirements and practices that were in place at the time of the assessment.² Ongoing regulatory initiatives, such as the impending implementation of SII, are noted by way of additional comments. The ICPs apply to all insurers and groups, whether private or government-controlled.

B. Overview—Institutional and Macprudential Setting

Institutional Framework and Arrangements

2. CBI is the integrated financial supervisor in Ireland. CBI is a body corporate established under the Central Bank Act of 1942 (CBA) and re-structured under the Central Bank Reform Act of 2010 (CBRA) as a single fully integrated supervisor. The new supervisory structure replaced the previous related entities, the Central Bank and the Financial Services Authority of Ireland and the Financial Regulator. As the primary regulator of the Irish financial system, CBI has overall responsibility for the supervision of insurers and insurance intermediaries authorized in Ireland. CBI is also responsible for the oversight of the CoB of insurers authorized in other EU member states, which are providing services in Ireland on a FOS or FOE basis.

3. CBI is accountable to the Minister in discharging its statutory functions. The Minister is the sole subscriber to and holder of CBI's capital and may request the Governor to consult with the Minister as regards the performance of the CBI of any of its functions, except for European System of Central Banks (ESCB) functions. The Minister appoints the majority of the members of the CBI Commission. CBI shall also consult with the Minister before making regulations, including regulations prescribing the levy to be paid by regulated financial services providers (RFSPs), although the final decision remains with CBI. Subject to the requirements of the Maastricht Treaty and the confidentiality provisions imposed by law, the Governor or the Deputy Governors must appear before Joint Committees of the Oireachtas, upon request.

Industry Structure and Recent Trends

4. The insurance sector in Ireland, particularly the life insurance industry, is mature and highly developed (Table 1). There is a domestic life and non-life market and a large

² The Reserving Requirements for Non-Life Insurers and Non-Life and Life Reinsurers are effective for financial years ending on or after December 31, 2014 and are considered as requirements in place at the time of assessment.

international sector.³ The total number of insurers declined from 307 in 2009 to 234 as at end-June 2014. The majority of the insurers operating in Ireland are subsidiaries of large international insurance parents; some are part of financial conglomerates domiciled in the EU. Ireland has the second-highest number of reinsurers in Europe and the asset size of the Irish reinsurance industry representing over 30 percent of GDP.⁴

Table 1. Insurance Market Structure

	No. of insurers as at end-June 2014	Of which Captives	No. of Employees as at end-2013⁵	Total Assets End-2013 € bn
Life	53	NA	3,252	178.9
Non-life	104	55	5,267	32.2
Reinsurance	77	30	368	41.2
Total	234	85	8,887	252.4
Foreign branches	36	NA	Breakdown not available	
Irish branches abroad	82	NA		

Source: Central Bank of Ireland.

5. The insurance sector is highly and increasingly concentrated. In 2013, the top five life insurers accounted for 91 percent of the Irish market in terms of premiums written.⁶ Similarly, the top six non-life insurers had 93 percent share of the Irish market. In particular, one non-life insurer accounted for 57 percent of gross written premiums in 2013. The reinsurance industry is also concentrated with the top ten accounted for 75 percent of premiums written in Ireland in 2012.

6. The insurance sector is served by 2,979 insurance and reinsurance intermediaries as of September 8, 2014. In aggregate, CBI is responsible for supervising 3,238 retail intermediaries, which vary in size and activity.⁷ The life assurance market is heavily intermediated, with independent brokers and credit institutions being the main sales channels. For the non-life

³ In the past, entities operating in Irish Financial Services Centre (IFSC) enjoyed a lower corporate tax rate of 10 percent. Currently, there is no clear demarcation between the domestic sector and IFSC and the concept of the international sector is based on the risk location of business underwritten by reinsurers.

⁴ At end-2012, 19 percent of reinsurers in Europe were based in Ireland while 53 percent were based in Luxembourg. Source: Reinsurance in Ireland: Development and Issues by Anne-Marie Kelly and Brídín O'Leary.

⁵ The numbers excludes employees of insurance branches in Ireland.

⁶ Irish risks representing the business written by Irish authorized insurers only – excludes foreign risks of Irish authorized insurers and Irish risks written by non-Irish authorized insurers.

⁷ This figure excludes RFSPs such as credit institutions, credit unions, etc., which also hold a retail intermediary authorization. In total, there are 3,552 Retail Intermediaries. Source: Report on Retail Intermediaries in Ireland, February 2013.

market, there has been a steady increase in direct sales but the use of brokers and branch networks still dominate with a small portion of business coming through the *bancassurance* channel.

7. While the domestic life market stabilized in 2013, weak economic conditions continue to have a dampening effect. The major life products were term and mortgage protection products, pension products, and ULPs. There is only one insurer that has a legacy participating policy portfolio. Premium income increased by 7 percent in 2013, although this was 45 percent below its peak value in 2007. The growth was driven by the changing pension landscape.⁸ Due to challenges in meeting future funding commitments, defined benefit schemes engaged in derisking through the purchase of bulk annuities from insurers. Partly due to the weak economic conditions, lapse rates of life policies spiked but have since fallen and stabilized, albeit at a level higher than seen pre-crisis.⁹

8. The prolonged low interest rate environment is a significant risk for international insurers writing VA business. The international market is concentrated in VA products, Italian focused ULPs, captive and reinsurance businesses, the majority of international life insurance business is investment driven with relatively limited mortality cover. The VA portfolio (primarily foreign-risk business) is exposed to interest rate risk as the products are designed with built-in guarantees. Insurers typically use reinsurance or hedge their risk exposure from VA policies. Domestic life insurers are somewhat insulated from interest rate/market risks as their dominant line of business is unit-linked products, where policyholders assume the investment risks.

9. Given intense market competition, non-life insurers have been particularly reliant on investment returns, which have been under pressure. Non-life premiums from foreign risk¹⁰ business have increased significantly since 2008, while premiums from Irish risks have been declining for six consecutive years. In 2013, property insurance was the dominant line of business with gross written premiums of €4,446 million (30 percent of the total €14,899 million) followed by motor insurance (25 percent) and liability insurance (21 percent). From 2010 to 2013, 72 percent of profits before tax of the Irish non-life insurance sector have been accounted for by investment income and gains and only 28 percent from underwriting income. The market has seen some increases in premium pricing but the overall market remains very competitive. In addition, non-life insurers continue to confront weak economic climate and low interest rates.

10. While Irish reinsurers pose limited risks to domestic financial stability impact, they have implications for global markets. The bulk of Irish reinsurers' business relates to foreign

⁸ Due to challenges in meeting future funding commitments, defined benefit schemes engaged in derisking through the purchase of bulk annuities.

⁹ A policy lapses when the premiums are not paid within the required period of grace and the policy has no cash value. The early surrender of policies impacts negatively on profitability and detrimental to policyholders' interests as the bulk of their first years premiums would have been allocated to policy commissions.

¹⁰ Foreign risk business includes business written outside of Ireland by branches of Irish insurers.

risk and some Irish reinsurers are part of groups identified as Globally Systemically Important Insurers (G-SIIs). The international operations of Irish reinsurers face various global operating challenges such as low interest rates, price/rate reductions, excess capacity and greater retention rates by primary insurers to contain costs.

11. The preconditions for effective insurance supervision in Ireland are favorable.

Ireland completed its EU-IMF Program on December 15, 2013 without a prearranged precautionary credit facility. There is a well-developed and comprehensive legal and institutional framework, availability of information and a highly skilled labor force. Accounting and auditing standards in Ireland are in line with international standards. The Society of Actuaries in Ireland develops, maintains and enforces actuarial standards in Ireland. A wide range of economic, financial and social statistics is readily available to insurance businesses and CBI. Ireland's corporate governance system is in line with the Organization for Economic Cooperation and Development Principles of Corporate Governance, supplemented by CBI's governance requirements for the insurance sector. The Financial Services Ombudsman mediates and adjudicates unresolved individual complaints between consumers and RFSPs (except certain pension matters). Insurers have access to a broad range of financial instruments in the EU, which facilitates their asset liability management.

C. Ongoing Regulatory Initiatives

12. SII requirements will come into force on January 1, 2016.¹¹ Under SII, EU member states shall ensure that the supervisory authorities are provided with the necessary means, and have the relevant expertise, capacity, and mandate to achieve *"the main objective of supervision, namely the **protection of policy holders and beneficiaries.**"* CBI shall duly consider the potential impact of its supervisory decisions on the stability of the financial systems in the EU, *without prejudice to the main objective of supervision.* The Omnibus II Directive, which substantially amends SII, was formally adopted by the European Parliament in March 2014.¹² CBI's preparation for SII is well advanced and a dedicated SII project has been in place since 2010.

13. The supervisory framework has been significantly enhanced through the introduction of PRISM in 2011 and CBI strives to promote a culture where supervisors have become more challenging in assessing risk profiles of (re)insurers. CBI's risk-based supervision framework PRISM is closely aligned to the SII Supervisory Review Process, which calls for a prospective and risk based approach to supervision. CBI's current strategic supervisory

¹¹ Directive 2009/138/EC of the European parliament and of the Council of November 25, 2009 on the taking up, and pursuit of the business of Insurance and Reinsurance.

¹² Directive 2014/51/EU of the European Parliament and of the Council of April 16, 2014 amending Directives 2003/71/EC and 2009/138/EC and Regulations (EC) No 1060/2009, (EU) No 1094/2010 and (EU) No 1095/2010 in respect of the powers of the European Insurance and Occupational Pensions Authority and the European Securities and Markets Authority.

approach aims to deliver an assertive risk-based supervision system that is underpinned by a credible enforcement deterrent. PRISM is designed to facilitate a systematic and structured supervisory process that enhances quality/consistency of supervisory assessment and judgment. PRISM sets out the minimum supervisory engagements driven by the impact ratings of insurers. Insurers rated Ultra-High/High receive the highest level of supervision under structured engagement plans while insurers rated Low are supervised reactively. CBI would take targeted enforcement action against insurers across all impact categories where material breaches or significant concerns are found.

KEY FINDINGS AND RECOMMENDATIONS

14. The rest of this report summarizes the key observations made with respect to each of the ICPs assessed and the recommendations to improve observance of the ICPs.

Table 2. Summary of Compliance with the ICPs	
Insurance Core Principle	Overall Comments
1 - Objectives, Powers and Responsibilities of the Supervisor	The CBRA provides clear power and mandate to CBI as the primary regulator of the insurance industry in Ireland. The objectives for insurance supervision are stated in the primary legislation. The passage of the CBSEA in 2013 has enhanced the supervisory and enforcement authority of CBI, including the power to issue regulations in specified areas. CBI opines that the current supervisory objectives apply similarly to group supervision. CBI has sought legislative changes when it identified a regulatory weakness or where a conflict is identified between legislation and supervisory objectives.
2 - Supervisor	<p>The governance structure of CBI is clearly defined and there are adequate accountability mechanisms for checks and balances. Appeals against CBI's decisions may be made to the Irish Financial Services Appeals Tribunal (IFSAT) or the High Court in accordance with clear legislative provisions. CBI is empowered to issue regulations, in consultation with the Minister. CBI has financial autonomy in allocating its resources to discharge its financial regulation function although it needs approval of the Minister in making regulations on the industry levy.</p> <p>CBI has adopted a framework of transparent regulatory requirement supplemented by supervisory guidance to facilitate consistent and equitable application. Material changes to regulatory requirements are subject to public consultations. Both CBI and its employees have legal protection except for acts or omissions in bad faith.</p> <p>While CBI's supervisory resources have increased significantly since 2008, a significant challenge is in attracting and retaining experienced supervisors of high caliber. The remuneration package offered by CBI to experienced staff or staff with specialist expertise such as actuaries is uncompetitive compared with the market. This is compounded by the constraints imposed under the FEMPI Acts, which is expected to end in 2016.</p>

	<p>While there is no evidence of political and commercial interference over CBI's operational autonomy, the legal framework for CBI's governance arrangements may potentially introduce political considerations that could have implications for CBI's independence. The Minister appoints all the non-executive Commissioners and sets the remuneration and allowances of Commissioners. The Secretary General of Department of Finance is one of the Commissioners. In addition, the Governor may be requested to consult the Minister as regards the performance of CBI's functions (except ESCB functions). The CBA stipulates the circumstances in which Commissioners, the Governor and Deputy Governor (Financial Regulation) can be removed, including where "<i>...in the Minister's opinion it is necessary or desirable to do so to enable the Commission to function effectively.</i>" The grounds for removal may be open to interpretation and there is no legal obligation to publicly disclose the reasons for removal. The Commission needs the consent of the Minister to appoint the deputy governors.</p> <p>While CBI and its employees are legally obliged to safeguard confidential information, CBI recognizes the scope for enhancing its data protection governance framework including staff training.</p>
3 - Information Exchange and Confidentiality Requirements	<p>CBI's legal powers to exchange information with the authorities are specified in the CBA, which is aligned with the relevant EU Directives and protocols. This includes information exchange with relevant financial supervisors and authorities subject to confidentiality, purpose and use requirements. The existence of an agreement or understanding or strict reciprocity is, generally, not a prerequisite for information exchange, including with non-European Economic Area supervisors.</p> <p>CBI has exchanged information with relevant supervisors for supervisory purposes and has executed a number of Memoranda of Understanding (MoUs) with both domestic and international counterparties. It is also a signatory to the IAIS Multilateral MoU. CBI also participates actively in relevant supervisory colleges both as group and host supervisor.</p>
4 - Licensing	<p>CBI is the sole authority for authorizing (re)insurers to conduct insurance business in Ireland. There are clear and objective criteria and process for assessing applications for authorization, which are publicly available on CBI's website. CBI has also issued supervisory guidance on the licensing criteria. The authorization process is well structured for robust assessment of applications and consistent decisions. CBI makes authorization decisions in line with its service standard commitments and provides reasons for the refusal of authorization.</p>
5 - Suitability of Persons	<p>The Fitness and Probity (F&P) regime, introduced in 2010, covers Board Members, Senior Management and Key Persons in Control Functions who are categorized as PCFs. CBI serves as the gatekeeper in approving the appointments of persons in PCFs. Insurers must be satisfied, on reasonable grounds, that a person appointed to the Controlled Functions (CFs) comply with the F&P Standards and they agree to abide by the F&P Standards. This is an ongoing obligation and insurers are also required to maintain proper records of CF/PCFs including the due diligence conducted on persons appointed to PCFs/CFs. Persons appointed in a PCF are required to promptly</p>

	<p>notify CBI of any changes that materially affect their suitability. CBI has statutory powers to remove individuals from PCF/CF roles by issuing a prohibition notice or a suspension notice. CBI may exchange information on suitability of persons with other supervisors.</p> <p>Significant Owners are not explicitly covered by the F&P regime. CBI requires Significant Owners to provide information in relation to financial soundness and probity as part of the authorization process or for the purpose of acquisition of or change in a qualifying shareholdings. However, there is no requirement on the ongoing suitability of Significant Owners.</p>
6 - Changes in Control and Portfolio Transfers	<p>A person who intends to acquire/increase a qualifying holding in an (re)insurer must notify CBI, who may oppose the acquisition/increase to reach/exceed the prescribed levels (i.e., 20 percent, 33 percent, or 50 percent). There is also a notification requirement to CBI for reducing a qualifying holding to below the prescribed levels. (Re)insurers are subject to the same notification requirements and must submit the names of qualifying shareholders and their shareholdings to CBI at least annually. The criteria for assessing acquisition proposals are the same as those applicable for initial authorization. If a person fails to comply with the notification requirements or where the control exercised by a person is prejudicial to the prudent and sound management of an insurer, CBI may apply to the Court for an order to rectify the situation.</p> <p>Portfolio transfers are subject to Court approval and CBI is entitled to raise an objection, if CBI opines that there is detrimental impact on the interest of policyholders of both the transferor and transferee. CBI reserves the right to approve the conversion of a mutual company to a stock company, or vice versa, through the imposition of authorization condition.</p>
7 - Corporate Governance	<p>The CG Code establishes robust CG requirements, which are largely in observance with ICP 7. All (re)insurers are required to submit an annual compliance statement on their complied with the CG Code.</p> <p>Specific areas of current shortfall include:</p> <ul style="list-style-type: none"> • Certain aspects of the revised 2013 CG Code are applicable only from January 1, 2015. For example, these include the role of the CRO. The CBI Guidelines on Preparing for Solvency II – System of Governance (CG SII Guidelines) are effective (but not legally binding) from January 1, 2014 for all (re)insurers designated as High impact, Medium-High impact and groups. Low impact and Medium Low impact (re)insurers are expected to apply these guidelines from January 1, 2015; • CBI's CG framework regulation is not as explicit as ICP 7.4 in stating the responsibility of individual directors to act in the best interests of both the insurer and policyholders; • With respect to insurance groups, the specificity of outcome expected at the group level is unclear. For example, while the CG Codes are directed at (re)insurers, there is fairly general language with respect to groups (e.g., Section 6.3 of the Code states – “<i>All institutions shall have robust governance arrangementsboth on a</i>

	<p><i>solo basis and at group level</i>"). In addition, PRISM itself lacks clarity of supervisory outcome expected at the group level. Despite this lack of clarity, actual CBI supervisory practice, especially for Irish based cross-border groups, does include some assessment of CG at the group level for some groups;</p> <ul style="list-style-type: none"> • Apart from the check-list approach to reviewing the Annual Compliance statements, there is no supervisory assessment of the CG practices of Low Impact (re)insurers; and • Despite the presence in Ireland of approximately €6.3 billion of with-profits funds, PRISM and CBI generally assume no role in the assessment of customer fairness for these customers.
8 - Risk Management and Internal Controls	<p>The CG Codes and the F&P regime provide a comprehensive legal and supervisory framework on risk management and internal controls, including effective functions for risk management, compliance, actuarial matters, and internal audit. The observed weaknesses were:</p> <ul style="list-style-type: none"> • The F&P regime does not cover the risk management, compliance, actuarial and internal audit functions at the group level, particularly, an insurance group headed by a non-regulated company; and • Supervisory teams assess the risk management and internal control practices of High, Medium-high and Medium-low insurers but for Low impact insurers, reliance is placed on the annual compliance statement submitted by the insurers.
9 - Supervisory Review and Reporting	<p>CBI's current strategic supervisory approach aims to deliver an assertive risk-based supervision system, which is underpinned by a credible enforcement deterrent. The supervisory framework has been significantly enhanced through the introduction of PRISM in 2011 and CBI strives to promote a culture where supervisors have become more challenging in assessing (re)insurers' risk profiles. PRISM facilitates a systematic structured process for supervisors to communicate findings to (re)insurers and follow up on the implementation of the required action until satisfactory conclusion. There are quality assurance mechanisms to promote the robustness of its supervisory process and quality/consistency of supervisory judgment. CBI leverages on the work of external auditors in its supervision.</p> <p>PRISM sets out the minimum supervisory engagements driven solely by the impact ratings of (re)insurers. (Re)insurers rated Ultra-High/High receive the highest level of supervision under structured engagement plans, aimed at early detection of supervisory concerns and timely interventions. In contrast, 126 (re)insurers rated Low are supervised reactively regardless of their risk ratings - CBI does not assess the probability risk ratings for insurers rated Low. CBI would take targeted enforcement action against (re)insurers across all impact categories where material breaches or significant concerns are found. CBI uses thematic visits as a principal tool to supervise insurers' CoB.</p> <p>The implementation of PRISM has improved the robustness and consistency of the supervision for High/Medium High/Medium Low impact insurers. The reactive supervision mode for Low impact (re)insurers is reflective of CBI's supervisory risk appetite, including reputational risks. It is important that this risk appetite is monitored based on adequate information and regularly</p>

	<p>updated. In this regard, the Assessors noted that:</p> <ul style="list-style-type: none"> a) The PRISM impact assessment is purely quantitative and there is no supervisory assessment of the potential risks (e.g., due to governance lapses) arising from 126 Low rated (re)insurers that could have both prudential and consumer protection implications. Qualitative assessment of the risk probability is an important factor for the ongoing monitoring of CBI's risk appetite, which should encompass Low impact (re)insurers in a proportionate manner rather than a one-size-fits-all exclusion of such (re)insurers. Risks may also accumulate across a number of Low impact (re)insurers that may be significant in aggregate. In addition, a systematic focus on risk assessment would also provide regulatory incentives for (re)insurers to improve their risk management practices; b) While the regulatory returns, including the Compliance Statements submitted by all (re)insurers, including Low rated (re)insurers may trigger supervisory concerns, this operates on the assumption that these (re)insurers do not provide incomplete and inaccurate information, intentionally or otherwise. A proportionate coverage of Low rated (re)insurers in terms of independent supervisory verification of their returns (rather than a complete carve out) will provide better assurance that supervisors may rely on the regulatory returns as a reasonable trigger for reaction; c) The coverage of the summary risk assessment of 74 (re)insurers with Medium-Low impact ratings may take about 10 years to complete one cycle although regular meetings are conducted on a cycle of seven meetings over an 18 month period to provide a continuous level of supervisory attention; d) Insurance group supervision is not embedded in PRISM; e) There was no thematic CoB inspections conducted on Low impact (re)insurers, who are mainly captive (re)insurers as CBI's market intelligence did not trigger any concerns. Out of the 85 captive (re)insurers, 54 transacted business that reinsured the exposure of groups to claims against the groups from third parties who could potentially be considered as beneficiaries. <p>CBI has wide general powers to obtain information from (re)insurers, as part of their regulatory reporting or on an ad-hoc basis at the solo level. However, there are no explicit requirements for (re)insurers to report: off-balance sheet exposures; material outsourcing functions and activities; and material changes or incidents that could affect their condition or customers.</p>
10 - Preventive and Corrective Measures	<p>There is no explicit provision and related penalties for unauthorized insurance activities. CBI considers that unauthorized insurance activities constitute a general offence under the insurance Regulations, which is subject summary legal action in the District Court. However, the maximum penalty under such an action is too low to serve as an effective deterrent. CBI has investigated several suspected cases but considered that none merited enforcement actions. The PRISM framework facilitates timely supervisory interventions for High/Medium-high impact insurers. CBI is empowered to take a broad range of preventive and corrective measures,</p>

	which allow progressive escalation, commensurate with the nature and severity of the misconduct or breaches.
11 - Enforcement	<p>CBI's assertive risk-based supervision is intended to be underpinned by a credible threat of enforcement. The reactive supervisory approach for Low impact (re)insurers may lead to a higher risk that serious concerns are not detected or addressed at an early stage to pre-empt further deterioration. This may result in a higher probability of enforcement actions and the effectiveness of such an approach hinges on adequate enforcement resources.</p> <p>CBI has the following enforcement options: taking action under the F&P regime; administrative sanctions procedure (ASP); referrals to other enforcement agencies and summary criminal prosecutions. At present, it is CBI's policy to pursue prescribed contraventions pursuant to the ASP in preference to bringing a summary prosecution. This preference reflects the low penalties attaching to summary proceedings and the significant extra resources required in proving cases to the criminal standard.</p> <p>CBI has a wide range of powers to take enforcement action and impose sanctions, if (re)insurers are unable or unwilling to address supervisory concerns in a timely manner. The Administrative Sanctions Procedure (ASP) regime is supported by a clear structure to ensure proportionate and consistent sanction decisions. CBI takes actions to enforce sanctions imposed and maintains comprehensive records of its enforcement actions and the sanctions imposed.</p>
12 - Winding-up and Exit from the Market	The Company Acts and Insurance Act (IAs) provide a range of options for the exit of (re)insurers; define insolvency and set out the procedures to be followed in the event of insolvency of a(re)insurer. Policyholders of direct insurers have priority of claims in respect of assets representing technical reserves of an insurer, who must maintain a register of such assets. The Insurance Compensation Fund provides for the payment of non-life insurance claims arising from eligible Irish risks in the event of insolvency.
13 - Reinsurance and Other Forms of Risk Transfer	CBI uses the authorization conditions to impose the Reinsurance Guidelines. Currently, (re)insurers "shall adopt all of the obligations of the CG Code for Captive Insurance and Reinsurance Undertakings." On the other hand, for other Guidelines, the conditions of authorization less clearly state that a reinsurer's "compliance strategy will make provision for adherence to, in addition to all primary and secondary legislation, any and all guidance issued by the CBI and its predecessors to date and any future guidance issued by the CBI." In addition, the Reinsurance Guidelines do not explicitly address liquidity implications arising from reinsurance arrangements and the need for binding documentation in a timely manner. Finally, CBI's assessment of (re)insurers' reinsurance strategy is limited to those rated Medium Low and above.
14 - Valuation	The valuation of assets and liabilities for solvency purposes is based on Irish Generally Accepted Accounting Principles (GAAP) or IFRS. Accounting practice allows the use of amortized cost for some fixed income investments held to maturity.

	<p>The valuation basis for life Technical Provision (TP) is more market consistent compared to non-life TP as discounting for non-life TP is only allowed under certain conditions.</p> <p>The current non-life reserving method requires provisioning for both a current estimate and a margin over current estimate (MOCE). However, the non-life requirements permit broad means of determining the MOCE, on the advice of the Signing Actuary, but subject to management judgement. This approach differs from the approach used for life insurance valuation and also from the specificities detailed in the guidance to ICP 14.9.</p> <p>While each of the methods for valuing the component parts of the balance sheet for solvency purposes can be described as economic, the overall effect of the methods does not enhance a consistent economic view of the solvency position of the insurer. This is expected to be rectified as IFRS for insurers (IFRS 4) and financial investments (IFRS 9) further develops more market based valuation methods for both liabilities and assets, as well as the advent of SII.</p>
15 - Investment	<p>CBI is largely in compliance with the requirements of ICP 15 but the following weaknesses have been observed:</p> <ul style="list-style-type: none"> • The wording used in CBI's conditions of authorization with respect to CBI Guidelines is not the same for all types of Guidelines (e.g., CG versus others such as the Asset Management Guidelines); • Certain areas of the Asset Management Guidelines do not provide direction sufficient for that intended by ICP 15, e.g., standard 15.3 with regards to asset security and diversification; standard 15.4¹³ with regards to cash flow matching; and standard 15.6 with regards to the general issue of more complex and less transparent classes of assets (i.e., beyond derivatives to other types of complex assets); and • There are no explicit requirements regarding investments at the group level.
16 - Enterprise Risk Management for Solvency Purposes	<p>CBI's compliance with ICP 16 is dependent largely on the passage of time until all the provisions of the Forward Looking Assessment of Own Risks (FLAOR), 2013 CG Code and the SII CG Guidelines become effective. Some additional areas of weakness are:</p> <ul style="list-style-type: none"> • ERM requirements are not yet defined at the group level • Standard 16.4 is only partly observed due to the complexity involved with fully exploring the relationships mentioned in this standard. In addition, this standard makes reference to risk tolerance limits. These limits are not covered by the 2013 CG Code but are briefly mentioned in Guideline 13 of the SII CG Guidelines.

¹³ 15.4.1 states: "The insurer's investment strategies should take into account the extent to which the cash flows from its investments match the liability cash flows in both timing and amount and how this changes in varying conditions."

17 - Capital Adequacy	<p>The following gaps were noted:</p> <ul style="list-style-type: none"> • Lack of explicit regulatory framework references to the use of a total balance sheet approach; • Lack of a regulatory requirement for a prescribed capital requirement; • Lack of specific regulations pertaining to the solvency levels of groups; and • Lack of sufficient regulatory criteria for the assessment of capital resources.
18 - Intermediaries	<p>CBI regulates a large number of insurance intermediaries with a wide range of operations in terms of scale and complexity. The F&P regime requires intermediaries to possess appropriate levels of professional knowledge, experience, integrity and competence in order to carry out insurance mediation. This is complemented by the MC Code, which provides for minimum competency standards including those for retail financial products; and recognized qualifications. The CP Code is comprehensive and prescriptive on disclosure of information to consumers, including remuneration arrangements with product providers. Intermediaries are required to implement conflicts of interest policy appropriate to the nature, scale and complexity of their operations. There are adequate legislative safeguards and regulatory requirement on safeguarding client monies.</p> <p>As intermediaries are typically rated Low-Impact under PRISM, CBI adopts a reactive supervisory approach and uses thematic inspection as the principal supervisory tool. CBI has taken enforcement actions on intermediaries.</p>
19 - Conduct of Business	<p>The CoB regime established under the CP Code, MC Code and the insurance regulations is comprehensive; requiring insurers and intermediaries to: a) act honestly, fairly and professionally in the best interests of its customers and the integrity of the market; b) act with due skill, care and diligence; and c) ensure fair treatment of customers in the areas of: promotion and marketing, information disclosures; knowing the customer and suitability; policy servicing; and dealing with claims and complaints. However, there are no explicit requirements relating to group-wide market conduct as well as product development and communication of claims procedures. Compliance with data protection is under the remit of the Office of the Data Protection Commissioner, supported by an industry code on best practices.</p>
20 - Public Disclosure	<p>There are no explicit public disclosure requirements, although (re)insurers have to make disclosures in accordance with IFRS or Irish GAAP. However, IFRS disclosures are not fully aligned with the requirements of the standards of this ICP.</p>
21 - Countering Fraud in Insurance	<p>While there is no specific legislation on insurance fraud, there is a broad range of statutory and common law offences under the Irish legal framework that address fraudulent conduct relating to insurance, which are subject to criminal proceedings. Supervisory assessment of insurers' operational controls and CBI's power under the CBSEA allows fraud detection and taking appropriate measures to combat fraud. CBI supervisors have demonstrated a good understanding of insurance fraud risk, which is assessed at various stages of its supervisory process. There has been active industry collaboration in raising awareness of insurance fraud and reporting of fraudulent activities, including the use of an industry database. CBI may</p>

	cooperate, coordinate and exchange information relating to insurance fraud with other competent authorities, including foreign authorities.
22 - Anti-Money Laundering and Combating the Financing of Terrorism (AML-CFT)	<p>The legal framework for the AML-CFT regime in Ireland was last updated in 2013. Life insurers and intermediaries are covered under the AML-CFT regime as designated persons. Both the Minister of Justice, Equality and Law reform and the CBI have not approved/issued enforceable rules on AML/CFT. Various sectors of the financial services industry have drafted Core Guidelines on the application of the Criminal Justice (Money Laundering and Terrorist Financing) Acts (CJA), which were published by the Department of Finance. CBI has confirmed that it will have regard to these Core Guidelines in assessing compliance by designated persons with CJA. CBI has effective mechanisms to cooperate, coordinate and exchange information with both domestic and foreign supervisors and financial intelligence units.</p> <p>CBI takes a risk-based approach to AML-CFT supervision. Life insurers rated High impact are subject to annual AML-CFT risk assessment and there are four life insurers with a Low impact rating, all of which are in run-off. A reactive approach is adopted for intermediaries (all are rated Low impact) and there is scope for reviewing the AML/CFT inspection cycle, particularly with respect to intermediaries with Low impact under PRISM.</p>
23 - Group-wide Supervision	CBI's approach to supervising groups is in line with supplementary supervision under the EU Directives. In practice, there are gaps in the identification of groups, and the extension of legal entity requirements at the group level including group solvency assessment; and there is a lack of an effective group supervision framework. The key weaknesses of CBI's group supervisory framework are: limited references within PRISM to the supervisory outcomes expected at the group level; lack of market conduct supervision at the group level; limited focus of PRISM on Medium high (or below) rated groups; and inconsistent supervision of non-regulated heads (holding companies) of insurance groups.
24 - Macroprudential Surveillance and Insurance Supervision	It was not self-evident that all the sources of risk information available to CBI fed into an integrated CBI ERM process from which risk strategies could be decided upon and activated both at an overall CBI level as well as prudential and market conduct supervision strategies, both at the insurer level and across the industry.
25 - Supervisory Cooperation and Coordination	CBI has taken appropriate steps to put in place adequate coordination arrangements, which involve supervisors on cross-border issues on a legal entity and a group-wide basis. It has also implemented written internal procedures for information sharing, including information exchange and cooperation with other regulators, on a routine basis and in crisis management. There are internal procedures related to communication and sharing of information with other supervisory authorities.
26 - Cross-border Cooperation and Coordination on Crisis Management	Through a combination of CBI and European Insurance and Occupational Pension Authority Guidelines, CBI is prepared for various elements of ICP 26 relating to cross-border cooperation and crisis management. In addition, through its participation in various supervisory colleges, especially those it leads as group-wide supervisor, CBI has demonstrated its attention to the standards of ICP 26. There is scope for further development in the following:

	<ul style="list-style-type: none"> • Development within CBI of its own plans and protocols for dealing with an insurer cross-border crisis; • Development within CBI of a mock scenario of an insurer in difficulty to test the resilience of the above mentioned plans and protocols; and • Request that the top cross-border (re)insurers complete their own detailed study of their firm and group crisis management and recovery plans.
--	--

Table 3. Recommendations to Improve Observance of the ICPs

Insurance Core Principle	Recommendations
1 - Objectives, Powers and Responsibilities of the Supervisor	It is recommended that the authorities consider establishing explicit objectives for the supervision of insurance groups in the primary legislation.
2 - Supervisor	<p>It is recommended that the Authorities:</p> <ul style="list-style-type: none"> a) Enhance CBI's statutory independence by <ul style="list-style-type: none"> • Reconsidering the Department of Finance's involvement in the Commission and the role of the Minister in approving the Deputy Governors; • Removing or providing more clarity on the general ground for the removal of a Commissioner; • Establishing a legal provision on public disclosure of the reasons of the removal of a Governor or Commissioners in the CBA; and • Reviewing the Minister's statutory power relating to CBI's regulatory functions, including the extent of consultation for rule-making and approval for industry levy structure. b) Address the significant challenges of CBI in attracting and retaining skilled; competent and experienced staff. Important considerations include improving the competitiveness of staff remuneration and exempting CBI from the FEMPI Acts; and c) Implement measures to enhance CBI's data protection governance framework.
5 - Suitability of Persons	<p>The Authorities are advised to:</p> <ul style="list-style-type: none"> a) Extend the F&P regime to include Significant Owners; and b) Establish clear requirements for (re)insurers to notify CBI of any circumstances that may materially adversely affect the suitability of persons appointed to PCF and Significant Owners.
7 - Corporate Governance	<p>The coming into effect of the revised CG Code and CG SII Guideline will largely address some of the regulatory gaps noted. It is recommended that CBI:</p> <ul style="list-style-type: none"> a) secures the necessary powers to supervise CG at the group level, even for non-regulated holding companies; b) reviews its current checklist approach to reviewing the CG of Low impact (re)insurers; c) enhances the CG framework regulation in accordance with ICP 7.4 to further explicitly state the responsibility of individual directors to act in the best interests of both the (re)insurer and policyholders; and d) defines its role in the assessment of the fair treatment of with-profits customers.
8 - Risk Management and Internal Controls	<p>It is recommended that CBI:</p> <ul style="list-style-type: none"> a) Establishes clear supervisory expectations of PCFs at the group level; b) Reviews its current checklist approach to reviewing the risk

	<p>management practices Low impact insurers; and</p> <p>c) Clarifies its expectations for the actuarial function, taking into account the changing nature of the actuarial function (i.e., Appointed Actuary, Signing Actuary, Chief Actuary, SII actuarial function, etc.).</p>
9 - Supervisory Review and Reporting	<p>It is recommended that CBI:</p> <p>a) Reviews the PRISM framework, particularly with respect to the one-size-fits-all reactive approach adopted for Low impact (re)insurers. There are significant merits for a more proportionate and timely risk assessment of these insurers according to their risk profiles and enhance the regulatory incentives for improving governance and risk management practices, e.g. „thematic visits covering a sample of Medium/Low impact (re)insurers;</p> <p>b) Updates PRISM to incorporate appropriate risk-based supervision for insurance groups;</p> <p>c) Strengthens regulatory reporting by establishing:</p> <ul style="list-style-type: none"> - consistent and more comprehensive regulatory reporting by insurance groups; and - explicit requirements for reporting off-balance sheet exposures, material outsourcing functions and activities; and material changes or incidents that could affect their condition or customers. <p>d) Regularly reviews the adequacy of supervisory resources to support a more proportionate supervisory program for (re)insurers with Medium-Low/Low impact and effective supervision of insurance groups.</p>
10 – Preventive and Corrective Measures	<p>It is recommended that CBI seeks legislative amendments to enhance the sanctions available for unauthorized insurance activities.</p>
11 - Enforcement	<p>It is recommended that CBI regularly reviews the adequacy of enforcement resources to support its strategy of credible threat of enforcement.</p>
13 - Reinsurance and Other Forms of Risk Transfer	<p>It is recommended that CBI:</p> <p>a) Establishes enforceable regulatory requirements for reinsurance (whether in rules, regulations, etc.). In addition, the wording used in the conditions of authorization with respect to Guidelines should be aligned so that the intent is clear for all Guidelines;</p> <p>b) Establishes clear regulatory requirements on cedants to control their liquidity positions to take account of the structure of their risk transfer contracts and the likely payment patterns arising from them; and the need for timely documentation of reinsurance contracts at time of inception;</p> <p>c) Formulates proportionate (not just reactive) risk-based supervision over Low impact (re)insurers regarding their use of reinsurance due to its importance as a tool in managing risk exposures; and</p> <p>d) Establishes clear regulatory requirements for reinsurance at the group level.</p>
14 - Valuation	<p>The current shortcomings in the valuation of TP are expected to be addressed by SII as from January 1, 2016.</p>

15 - Investment	It is recommended that CBI develops and implements explicit investment requirements both at the insurer and group level.
16 - Enterprise Risk Management for Solvency Purposes	It is recommended that CBI, <ul style="list-style-type: none"> a) Establishes ERM requirements at the group level; and b) Enhances the CG Code as necessary to reflect the new developments of the SII CG Guidelines as well as introducing the need for risk tolerance limits.
17 - Capital Adequacy	It is recommended that in preparation for SII (which will bring about a total balance sheet approach and a PCR) that CBI: <ul style="list-style-type: none"> a) Develops and implements any necessary capital adequacy support processes/tools that CBI will need to put in place in readiness for SII. These may include expectations for regular stress testing, capital target setting, definition of capital resources, etc.; b) Establishes capital adequacy requirements (both quantitative and qualitative) at the group level; and c) Builds supervisory expertise and processes to adequately approve and monitor internal models.
19 - Conduct of Business	It is recommended that CBI establishes clear requirements for: <ul style="list-style-type: none"> a) group-wide market conduct; b) Insurers to take into account the interests of different types of customers in developing and marketing insurance products to the targeted customers; c) insurers and intermediaries with respect to replacement of policies; and d) Insurers to inform claimants about the claim procedures. <p>In addition, there is scope for fine-tuning the CoB regulatory returns e.g., persistency rates of insurers and to provide guidance to insurers and intermediaries on their obligations under the Data Protection Act.</p>
20 - Public Disclosure	CBI should engage with its insurers and their audit firms on possible changes in disclosure, which could be undertaken individually by (re)insurers, collectively as an industry in Ireland and/or through CBI requirements which would result in more meaningful and useful public disclosures by insurers.
22 - Anti-Money Laundering and Combating the Financing of Terrorism	It is recommended that the Authorities: <ul style="list-style-type: none"> a) Empower CBI to issue enforceable rules on AML/CFT obligations consistent with the FATF Recommendations and establish guidelines to facilitate compliance by insurers/intermediaries; b) Review the AML-CFT inspection approach for retail intermediaries; and c) Periodically analyze the ML/TF risks of the non-life insurance sector and reconsider whether the AML-CFT regime should apply to the non-life sector.
23 - Group-wide Supervision	Going forward, SII will provide a structured group supervision regime including more comprehensive reporting requirements.
24 - Macroprudential Surveillance and	It is recommended that CBI better integrates its various internal ERM processes to improve its focus on emerging prudential and market

Insurance Supervision	conduct issues, better manage CBI risks and improve CBI planning.
25 - Supervisory Cooperation and Coordination	<p>It is recommended that the CBI,</p> <ul style="list-style-type: none"> a) Develops and implements a group supervisory framework that (among other things) would identify the various roles and interactions of the group level; and b) Agrees on coordination agreements with the members of colleges led by CBI.
26 - Cross-border Cooperation and Coordination on Crisis Management	<p>It is recommended that CBI:</p> <ul style="list-style-type: none"> a) Establishes clear requirements for High/Ultra-High (re)insurers/groups to maintain and test contingency plans and procedures for use in a going- and gone-concern situations; and b) Regularly reviews the existence of practical barriers to efficient and internationally coordinated resolutions and collaborate with the relevant supervisor to resolve these issues.