

# Year-End 2018 Actuarial Function

What's new?

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## What should the actuarial function for Irish (re)insurance undertakings be considering at year-end 2018?

This briefing note summarises some key references and considerations for the actuarial function at year-end 2018.

### Checklist

There is a vast amount of regulation and guidance to be considered by the actuarial function in carrying out its role. Milliman has a checklist and reference manual available for Heads of Actuarial Functions at year-end 2018 to ensure that all applicable aspects of regulation and guidance are considered. Items to consider include:

- the Solvency II Directive and Delegated Regulation;
- EIOPA guidelines;
- the CBI's Domestic Actuarial Regime;
- the CBI's guidance on the Head of Actuarial Function ("HoAF") role;
- CBI letters to industry;
- and relevant actuarial standards of practice.

Note that a peer review by a Reviewing Actuary is required at least every:

- 2 years for high impact undertakings,
- 3 years for medium-high impact undertakings and
- 5 years for medium-low impact undertakings (as per the CBI's PRISM rating system).

This requirement was introduced for all insurers and reinsurers by the CBI's Domestic Actuarial Regime with effect from 1 January 2016. Logically this means PRISM medium-high rated undertakings should therefore be engaging a Reviewing Actuary for this year-end if a peer review has not been carried out to date.

## What's new?

### DOMESTIC ACTUARIAL REGIME

In June 2018 the CBI issued a consultation paper on changes to the Domestic Actuarial Regime proposing amendments relating to:

- the governance of With-Profits funds; and
- the format of the Actuarial Opinion on Technical Provisions ("AOTP").

The revised format of the AOTP allows the HoAF to include the following sections in providing his or her opinion:

- Key reliances;
- Key limitations;
- Recommended improvements;
- Post balance sheet events.

Many HoAFs anticipated these changes in preparing the AOTP at year-end 2017.

The CBI has published the amended Domestic Actuarial Regime (available [here](#)). The CBI received two responses to the consultation paper, one from Insurance Ireland and one from the Society of Actuaries in Ireland. The revised Domestic Actuarial Regime includes the proposed amendments (adjusted to reflect feedback) and also the first addendum to the Domestic Actuarial Regime which clarified the role of the HoAF for third country branches in Ireland (which could also be relevant for UK insurance entities with activities in Ireland post Brexit).

### UNDERWRITING OPINION

The actuarial function is required to provide an annual opinion on the overall underwriting policy. In the CBI's insurance quarterly newsletter from December 2018 (available [here](#)), the CBI includes its observations from a thematic review of underwriting opinions. It states that:

*We expect that firms will take these into consideration, to improve and enhance the controls around pricing and underwriting.*

21 firms were included in the review and two-thirds of these received risk mitigation plans asking for improvements. The CBI notes four observations which state that the opinion should:

- include all the material underwriting and pricing policies and processes;
- be forward looking and take into account planned changes to the business;
- consider the links between underwriting and other aspects of business;
- be based on up to date data.

## SOCIETY OF ACTUARIES IN IRELAND

ASP PA-2 (“General Actuarial Practice”) has been effective since 1 July 2017. This applies to all actuarial services performed by a member of the SAI and sets out appropriate practices in relation to actuarial work including areas such as reliance on others, data quality, assumptions and methodology etc.

On 1 September 2018 the SAI implemented ASP INS-1 on the Actuarial Function Report (“**AFR**”). This adopts the European Standard of Actuarial Practice (“**ESAP**”) 2 published by the Actuarial Association of Europe for members of the SAI.

Note that the HoAF in Ireland does not have to be a member of the Society of Actuaries in Ireland and therefore other actuarial standards may apply. (The Domestic Actuarial Regime states that the HoAF shall be a member of a recognised actuarial association.)

## EIOPA

EIOPA is regularly adding to the logs of questions and answers on its website. There are now over 100 Q&As in relation to the Solvency II Delegated Regulation<sup>1</sup>. Most of these were added during 2018. The responses are worth reviewing as they are causing some debate in the industry, in particular the following questions:

- #1729 in relation to unit-linked expenses included in the Operational Risk module;
- #1678 in relation to expenses in the Mass Lapse Risk module;
- #1037 in relation to expense assumptions in entities that are closed to new business.

We note that the Q&A are not legally binding, however the EIOPA website states “*their application will be rigorously scrutinised and challenged by EIOPA and national supervisory authorities given their practical significance to achieve a level-playing field*”.

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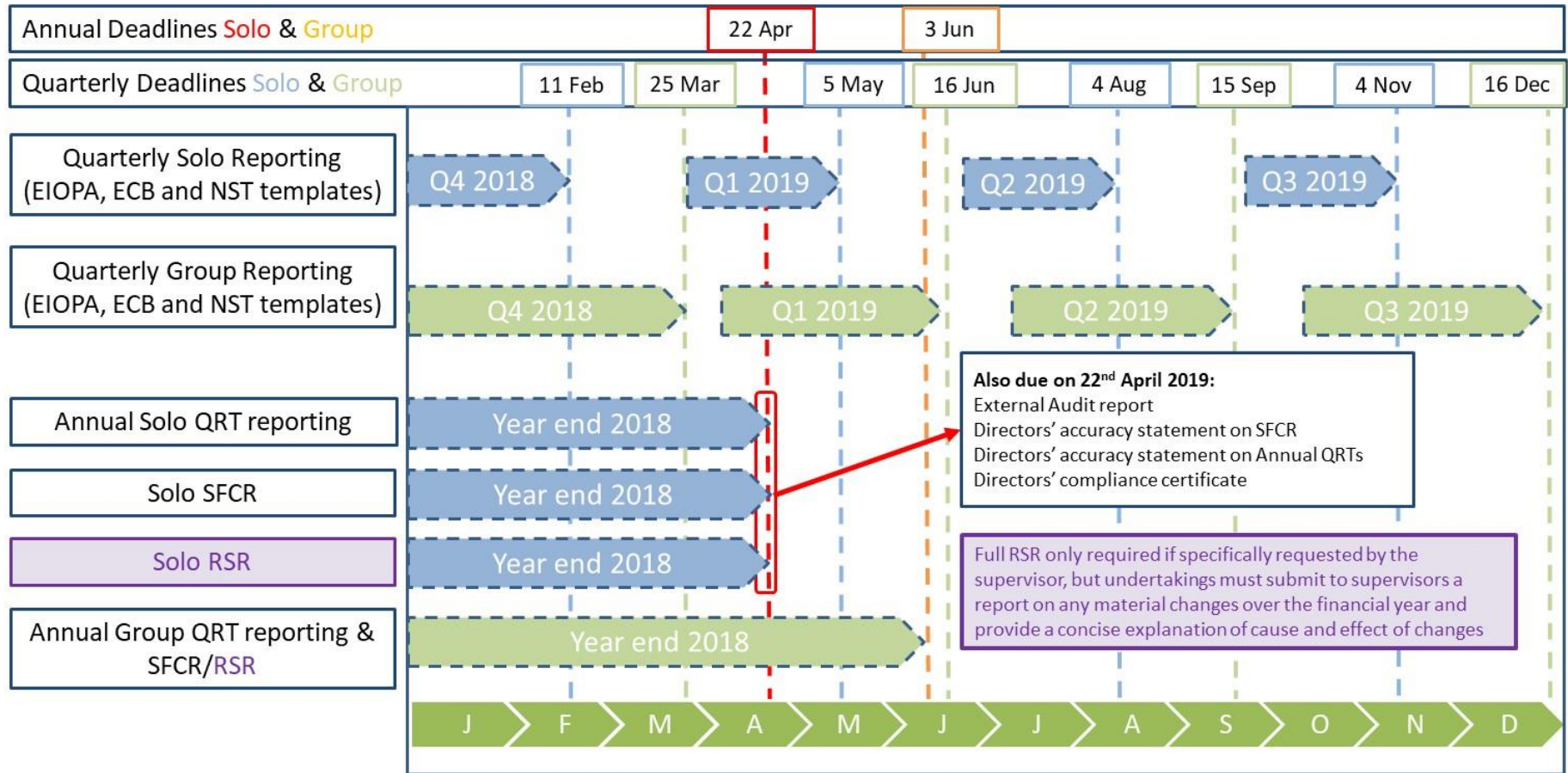
<sup>1</sup> <https://eiopa.europa.eu/Pages/Guidelines/Q-and-A-on-Regulation-Answers-Delegated-Regulation.aspx>

## Reporting Deadlines

This year, the deadline for submission of the quarterly QRTs is a week earlier than the equivalent deadline in 2018 and the deadline for submission of the annual reporting requirements is 2 weeks earlier. Note that the annual reporting deadline of 22 April is Easter Monday and therefore a bank holiday in Ireland.

We have prepared the timeline overleaf summarising the reporting requirements in 2019 for both solo entities and groups (assuming a year-end reporting date of 31 December).

SOLVENCY II REPORTING TIMELINES 2019



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