



February 2016

## Central Bank's programme of themed inspections for 2016

### Introduction

On 3 February 2016, the Insurance Supervision Directorate of the Central Bank of Ireland (the "**Central Bank**") published its programme of themed inspections (the "**Programme**"), reflecting its supervisory priorities for 2016 and anticipating areas of emerging risk.

The Programme highlights the areas identified by the Central Bank where it feels supervised entities may need to raise compliance standards.

### Overview of the proposed themes

The Programme, which supplements the Central Bank's day to day supervisory work, will be a mixture of company focused inspections combined with thematic reviews. Some of the themes which are to be covered include the following:

-  **Risk Management and Capital Planning** – Evidence based assessment of risk management frameworks and risk culture within firms including an assessment of whether the Own Risk Solvency Assessment is embedded in the risk management and decision making process of insurance companies as well as Own Solvency Need assessments and the appropriateness of the standard formula, where relevant;

For further information on any of the issues discussed in this article please contact:



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- **Motor Insurance Pricing Oversight and Governance Review** – Focusing on the adequacy of pricing risk assessment carried out by firms and the sustainability of premium levels within the market. It is hoped that this review will provide insights which will then feed into assessments of product oversight and product governance planned for later this year;
- **Claims Management and Underwriting Discipline** – This inspection will look at the policies, procedures and internal control frameworks within the claims and underwriting divisions of companies across the domestic non-life sector and will also assess the maintenance of underwriting discipline and governance arrangements in relation to existing books of business; and
- **Less Complex Companies** – This review will look at the governance and risk management frameworks of a sample of low impact designated firms under PRISM, focusing on reinsurance and outsourcing arrangements. Inspection of outsourcing arrangements and the internal controls put in place to mitigate inherent operational risks arising from outsourcing arrangements will be the focus of the Central Bank for medium low impact firms.

The Central Bank has indicated that the underlying theme for many of these areas will be “cultural awareness”, covering board-room dynamics, risk culture and conduct culture to enable supervisors to form a clearer picture of the effectiveness of governance, controls and risk management within supervised insurance companies. The programme of inspections reflects the full implementation of the Solvency II regime and will build on the supervisory work done in 2015.

## Next Steps

We would advise insurance companies to bear the above areas in mind when designing their compliance plans.

Dillon Eustace is available to assist in drafting, reviewing or updating companies’ policies and procedures in relation to the areas above. For further information please contact a member of our Regulatory and Compliance Team or your usual Insurance contact.

A copy of the Programme is available via the following link:

<http://www.centralbank.ie/press-area/press-releases/Pages/CentralBankpublishesprogrammeofthemedinspectionsinInsuranceSupervision.aspx>

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