been identified as the most relevant and potentially most disruptive on European property insurance portfolios.

The report looks at the consequences of major European natural catastrophes and finds that companies included in the sample have historically been well placed for handling the pursuing claims.

The findings of the report indicate that a lot of work still needs to be done to prepare for climate change. Climate risks are long-term and a standardised methodology for assessment is not yet widely developed.

Clarifications on Regulatory Technical Standards (RTS) under the Sustainable Finance Disclosure Regulation (SFDR)

On 2 June, the three European Supervisory Authorities (EIOPA, EBA & ESMA) published a joint statement providing clarity on the draft RTS under the SFDR. The clarifications include areas such as:

- sustainability indicators;
- financial product disclosures;
- direct and indirect investments;
- products with investment options;
- principal adverse impact disclosures;
- 'do not significantly harm' disclosures.

The application of the RTS are expected to apply from January 2023.

Blockchain in insurance

EIOPA has recently released a feedback statement following on from the April 2021 discussion paper on blockchain and smart contracts in insurance. In short, many insurers see potential value in blockchain but are still exploring use cases in the insurance value chain.

While the emerging technology may present future opportunities to speed up transactions and lower costs, most insurers recognise that new cyber and operational risks must be tackled. The high energy consumptions rate of blockchain also raises ethical concerns.

EIOPA will continue to assess the use of blockchain in the supervisory and regulatory process.

Consultation Papers: Exclusions in insurance products arising from systemic events and management of non-affirmative cyber exposures

On 17 June, EIOPA published two consultation papers:

i. The supervisory statement on exclusions related to systemic events such as pandemics, natural catastrophes or large cyber-attacks and
ii. The supervisory statement on the management of non-affirmative cyber exposures.

The Covid-19 pandemic had brought insurance policy terms and conditions, and extreme event exclusion clauses, into sharp focus. The rapidly evolving cyber exposure landscape further highlights the need for clearer policy wording definitions.

EIOPA expects insurers to appropriately consider these risks throughout the product design process and policy lifecycle. Clarity to policyholders is a key priority.

The consultation on both papers is open until 18 July 2022.

Risk Free Rate ("RFR")

As required, EIOPA continue to publish monthly RFRs across a range of different currencies and term durations. But the end May spot rates certainly provide extra food for thought for insurers.

The Euro one-year spot rate now stands at 0.38% (-0.61% in May 2021), the ten-year rate is 1.78% (0.20%), and twenty-year rate 1.87% (0.41%).

With the current inflationary and economic growth uncertainty, many insurers are experiencing volatility in their Technical Provisions and Solvency Capital calculations. It will no doubt continue to be a key area of focus in the coming months.

Ultimate Forward Rate

Also in April, EIOPA published the calculation of the ultimate forward rate for 2023. As of 1 January 2023, the applicable Ultimate Forward rate for the Euro will remain unchanged at 3.45%.

EIOPA Q&A on regulation

EIOPA continue to publish responses to queries on regulation, particularly in relation to Solvency II.

Responses in recent months included clarification on the treatment of investments Special Purpose Acquisition Companies (“SPACs”) – which are expected to be treated as equities in the Standard Formula. EIOPA also commented on the treatment of foreseeable dividends within SII returns.

Readers are encouraged to view to full log to analyse the Q&A most relevant to their specific firms.

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Other Industry News

Ombudsman Complaints 2021

The Financial Services and Pensions Ombudsman (FSPO) recently published an overview of complaints for 2021, of which insurance accounted for 27% of all complaints received.

Motor, health, life, and travel insurance were the leading insurance classes for complaints lodged. Complaints related to claims accounted for 51% of the total, compared to 37% in the prior year.

The FSPO acknowledged that the 2020 and 2021 statistics were both heavily influenced by Covid-19. Business interruption insurance in particular has been a contentious issue and the Ombudsman has highlighted the importance of clarity within policy wordings.

The report also highlights that a high volume of complaints continue to be resolved by mediation through the Dispute Resolution Service with such settlements exceeding €4.6m cumulatively. However, some notable compensation payments were also made during the FSPO's formal investigation process and through legally binding decisions following investigation.

Personal Injuries Assessment Board (PIAB) award values

The PIAB recently released statistics on award values up to end December 2021. Average awards to date under the guidelines are 42% lower than the average for 2020 under the old Book of Quantum. The drop in value has been consistent across motor, public, and employer's liability classes.

49% of awards were for amounts of less than €10,000 during the period spanning late April 2021 to end December 2021. This compares to just 12% in 2020.

Overall average awards are now under €14,000 as outlined in the report.

High court judgement on Personal Injuries guidelines

In June 2022, the High Court made two judgements in favour of the Personal Injuries guidelines constitutionality and their application by PIAB.

PIAB believes this removes uncertainty and provides clarity on the application of the guidelines. PIAB anticipates these judgements will result in more claims being resolved through PIAB, removing avoidable costs and delivering for awards faster than litigation.

Health Insurance – Risk Equalisation Scheme ("RES")

On 31 March 2022, the European Commission issued a decision of "no objection" in relation to Ireland's RES. This decision allows for the continuation of the RES which underpins the community rating feature of the health insurance market.

From April 2022, RES now includes a High Cost Claims Pool ("HCCP") feature, in addition to the two existing credits; age-related credits, and hospital utilisation credits.

The HCCP is a mechanism to share the cost of high severity claim costs across health insurers.

The Risk Equalisation Fund is funded by stamp duty levies paid on health insurance policies sold domestically.

Health Insurance – Market Statistics

As of end-March 2022, the Health Insurance Authority reports that 2.4 million people in Ireland, or 47.5% of the population, hold private health insurance. The proportion of the population with health insurance has been steadily rising over the last few years, increasing from 44% in 2014. VHI Healthcare remains the largest provider with 49% market share, followed by Laya Healthcare at 27% and Irish Life Health with 20%.

The average adult premium paid across the market is €1,450 per year, a slight reduction from the 2021 average of €1,466.

Consumer Price Index ("CPI")

Domestic prices, as measured by CPI, were 7.8% higher in May 2022 compared with May 2021. Unsurprisingly, energy and oil prices were a major driving factor, consistent with trends being observed across Europe.

The 'Housing, Water, Electricity, Gas & Other Fuels' grouping was up 20.9% while 'Transport' was up 16.5%.

ECB Key Interest Rate

After a long-running stimulus package, the ECB will deliver its first-rate hike in over a decade and cease bond buys. The key interest rate is expected to increase by 0.25% in July with potential for a larger increase in September. The move comes as little surprise as the Eurozone grapples with inflation rates exceeding 8%.

UK – Solvency II Reforms

UK regulators continue to consider changes to the insurance market with HM Treasury ("HMT") releasing a consultation on potential Solvency II changes. Overall, there appears to be focus on reducing regulatory burden for firms. One of the more notable proposed reforms includes Risk Margin reductions of up to 70% for life insurers and circa 30% for non-life firms.

Government and PRA consultations remain open with responses from firms due in the summer months.

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- Data analytics;
- Portfolio transfers, mergers and acquisitions.

Assurance

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- Internal Audit support;
- Outsourced Head of Internal Audit;
- Tax;
- IT.

IFRS 17

- Transition support;
- Systems development;
- PAA eligibility testing;
- Yield curve assessment;
- Disclosures advice;
- Training programmes.

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- Board training and governance;
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- GDPR compliance;
- ESG gap analysis;
- CBI licence applications.

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- Risk framework and internal control reviews;
- ORSA support;
- Recovery & Resolution;
- Outsourced Risk Function Services.

Solvency II

- Capital management;
- Pillar II governance;
- Pillar III support (QRTs, NSTs, SFCR, RSR);
- Third-country branch services.

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