



# REGULATORY ENFORCEMENT: THE VALUE OF PREPAREDNESS

As the Irish insurance industry settles into the new world that is Solvency II, many companies are hoping that an effective Solvency II compliance programme will deliver important business benefits. These may include improving their risk management capabilities and, ultimately, enabling a more efficient use of capital.

While the Solvency II lead-in was long in coming, it's not always easy to get it all right from day one. For this reason, the industry hopes for a degree of forbearance from the Central Bank of Ireland (CBI) as both regulators and businesses make the necessary adjustments. Many insurers benefitted from meaningful and co-operative engagement with the CBI in the lead up to 1st January 2016, including (for those who opted for it) on the internal model approval process. They hope that this will continue, but some are concerned.

One outcome of the Insurance Supervision Directorate's recent

internal restructuring was the creation of a dedicated on-site inspections team. The role of this team isn't new - carrying out both focussed and thematic inspections have been among the CBI's regulatory tools for a number of years. Having a dedicated inspections team shouldn't mean that the risk of enforcement for perceived regulatory breaches is any greater than before, but the CBI has signalled its intention to carry out more inspections and for those inspections to be carried out over a longer period of time than previously. It may be that the outcome of increased inspections will be more enforcement.

Broad-based thematic reviews can throw up issues in even the best managed insurer. We hope that the CBI will show pragmatism and a proportionate approach to its inspections.

It is true that in recent years there has been increased enforcement activity. The potential for an even

greater level of activity increases with the complexity and multiplicity of regulations applying to insurers.

Therefore we recommend that insurers consider how best to respond to a formal investigation by the CBI's enforcement division. Some companies may have a feeling of "how and why did we get here?" when this happens. Rather than focus on the how and the why, we say be ready in case it comes.

Take any allegations made seriously and let the CBI know you take them seriously. Be prepared to correct inaccuracies in those allegations - the CBI is not aiming to enforce based on inaccurate information. Always deal with questions as comprehensively and logically as you can. Don't rush your responses. Take advice from experts.

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