

ARTHUR COX

# CBI Insurance Newsletter – September 2024

02 October 2024

---

The Central Bank of Ireland (CBI) recently published its [insurance newsletter for September 2024](#). The main points of interest were:

## **Thematic Review of Climate Change Risk Materiality Assessments**

Climate change risk is a continuing strategic priority for the CBI, and on foot of this the CBI recently completed a thematic review of the materiality assessment of 29 (re)insurance firms. The CBI noted that the majority of firms have made efforts to meet the CBI's [Guidance for \(Re\)Insurance Undertakings on Climate Change Risk](#) (the Climate Change Guidance) and acknowledged that there is no “one size fits all” approach and that compliance with the Climate Change Guidance will be an iterative process as firms build capacity, expertise and experience.

The CBI highlighted certain strengths and weaknesses in the materiality assessments which it had observed in the course of its review. Three key elements were identified:

- Choosing **the right baseline scenario** for the materiality assessment (and explaining why it was chosen, in sufficient detail).
- **Analysing potential exposures to climate change risk**, given the firm's business model and strategy, in all risk categories and over all relevant time horizons. Firms could leverage group-level analysis but this should be appropriately adapted for the exposures of the Irish business.
- Coming to **clear conclusions on the materiality of those risks**, including both first and second order impacts, to show a holistic consideration of the impact of climate change.

Some identified areas for improvement were to consider the known limitations of certain publicly available baseline scenarios in the assessments, to improve the analysis of second order or indirect impacts (e.g. counterparty risk for material reinsurance arrangements, as reinsurers could also be impacted by climate change risks) and internal challenges to the reasonableness of conclusions reached.

## **Workshop on Big Data and Related Technologies (BD&RT)**

The newsletter includes a summary of the discussions and key themes from the CBI's workshop on BD&RT in June 2024.

Key points from the workshop are that:

- the use of BD&RT (which includes the increasingly widespread use of AI across the insurance value chain) remains **subject to the existing regulatory regime**;
- the existing **governance and risk management frameworks within insurers can be used and adapted** for governance and risk management of AI systems;
- the AI Act specifies certain high-risk use cases for insurers (pricing and risk assessment for life and health insurance), so there will be additional specific requirements for insurers using AI systems for those use cases; and
- there is a **lack of a shared understanding within the industry** as to what is meant by AI and “big data”, and developing a shared understanding of the scope of data that it can be collected by insurers in a responsible and ethical manner is a key challenge.

### **Authorisation timelines**

The CBI newsletter also draws attention to the average processing times for authorisation of (re)insurance undertakings based on the CBI’s first [Authorisations and Gatekeeping Report](#). Based on the 2 applications for (re)insurance authorisations received in 2023, the average processing time from receipt of a complete application by the CBI to issue of the certificate of authorisation was 109 days (approximately 3 and a half months). However, the average time from receipt of the original application (which the CBI deemed to be incomplete) to receipt of a complete application was 98 days, meaning a total average processing time of 206 days (or approximately 7 months).

SPV authorisation applications (for ILS/cat bond SPVs) were notably faster, at a total average processing time of 88 days (or just under 3 months). Average processing times from receipt of complete applications to issue of the certificate of authorisation was 58 days (or just under 2 months).

These figures once again highlight that the timeline to authorisation is strongly influenced by the quality of the application submitted, the complexity of the proposed business model and the time taken to respond to CBI queries.

### **Personal Injuries Guidelines inspections and observations**

Following a recent thematic claims inspection of a sample of domestic non-life insurers, the CBI observed that the full impact of the Guidelines on reserves has yet to emerge. Firms reported that they were experiencing an overall reduction in awards for general damages in cases under the Guidelines. Although there was an increase in claims with a psychiatric element, more data is needed to determine if this is a developing trend. Firms reported litigation costs had not decreased in line with the reduction in awards and that costs associated with repairing damaged vehicles and buildings had increased due to inflation.

The newsletter also mentions the recent targeted assessment of Consumer Protection Risk Management Frameworks and the Dear CEO Letter which followed – see our previous [article](#) for details of the expectations, findings and notable practices identified.