

ARTHUR COX

CBI publishes insurance newsletter for June 2024

1 July 2024

The CBI has published its insurance newsletter for June 2024. The main emphasis of the newsletter was on **Natural Catastrophe (NatCat) modelling**, following a two-phase thematic review of NatCat insurance exposures in Ireland, the modelling practices used and their limitations, as well as governance and risk management practices. The CBI noted that Irish insurers largely rely on group expertise and support when modelling their NatCat risks but recommended more local oversight and involvement.

The CBI also made some **observations and recommendations for good practice** in relation to NatCat modelling:

- most Irish insurers do not track model changes and their impacts locally and should develop this practice;
- the EIOPA [consultation paper](#) on the (re)assessment of the NatCat standard formula under Solvency II has proposed to include flood risk for Ireland in the calculation of the standard formula for the first time. Some Irish insurers with exposures to this risk have not identified this issue;
- to strike the right balance between relying on group expertise for NatCat modelling while maintaining local control, they recommend that Irish insurers challenge and provide direction to their group resources with regards to the Irish entity's specific NatCat risks (for example, through local representation on group NatCat modelling committees);
- board oversight of NatCat risks remains an area for improvement;
- reinsurance is a key method of managing and mitigating NatCat risks for firms. However, firms should model gross NatCat exposure before overlaying the effect of reinsurance, in order to understand the risks and effectiveness of their reinsurance program. Moreover, many Irish insurers rely on internal group reinsurance, making it crucial that local entities have a good idea of group-wide ORSA stresses and scenario tests.

With all this in mind, in September 2024, the CBI will hold a seminar on the flood risk protection gap with the aim of bringing together key stakeholders to better understand the flood risk protection gap in Ireland.

The CBI newsletter also gave some attention to the **Individual Accountability Framework**, given the Senior Executive Accountability Regime (SEAR) is coming into effect on 1 July 2024 for in-scope firms (including Irish insurers). The CBI noted that the initial supervisory focus will be on reviewing the statement of responsibilities for PCFs and will then broaden through the year and 2025.

On other sustainability matters, the newsletter contains an article on the importance of the concept of **double materiality** in both the Corporate Sustainability Reporting Directive and the [CBI guidance](#) on climate change risk, highlighting the areas of overlap between the two and noting the benefits of aligning their requirements in relation to climate change risk. The CBI also refers to the recent EIOPA stakeholder event on bio-diversity loss risk, as well as EIOPA's final report on greenwashing (see our previous article on this [here](#)) and its consultation on the [prudential treatment of sustainability risks](#).

Finally, the CBI notes that (re)insurance firms are no longer obliged to notify the CBI before paying a dividend or to making/increasing inter-company loans. Nevertheless, the CBI will expect insurers to be able to demonstrate compliance with the [Guidance for \(Re\)insurance Undertakings on Intragroup Transactions and Exposures](#), which became effective on 30 January 2023.
