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POLICYHOLDER PROTECTION IN IRELAND

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INTRODUCTION

The purpose of this booklet is to provide you, the Insurance Broker, with an understanding of the protections in place for non-life and life insurance companies under Solvency II in Ireland. The booklet will detail some of the criteria that can be used to assess the strength of insurance companies using the information published by non-life and life insurance companies.

From a positive perspective, there is a good deal of information in the public domain that can help you get a sense of the financial strength of an individual insurer. Unfortunately, however, there are complications that can make it harder in practice to compare different insurers. Insurers can be based in different jurisdictions, which can make accessing consistent information more challenging. In addition, the role of a Managing General Agent ("**MGA**") – a broker with underwriting authority from an insurer (where the insurer is sometimes called the "capacity provider") – can make it less obvious who the underlying insurer is. This document does not discuss how to assess MGAs themselves, as the underlying insurer is responsible for the funding of claims. The role of the MGA may be limited to receiving and managing premiums and handling claims payments between the insurer and policyholder.

Finally it is worth noting that, while publicly available financial information can be helpful in assessing an insurer's strength, it is not possible to anticipate all possibilities. Many of the reasons for insurance company failures relate to issues that can be harder to assess – the company grew too fast, its reinsurer failed, or governance was not as good as it should have been, for example. These may not be reflected in some measures of financial strength like credit ratings or solvency coverage ratio. Governance issues in particular have regularly been cited as the cause of insurer failures such as Quinn Insurance[1]. The Central Bank of Ireland ("**CBI**") publishes enforcement actions on its website[2]. These are the enforcement actions pursued by the CBI against regulated entities established in Ireland. For insurers selling into Ireland from other countries it will be necessary to check the website of the relevant regulatory body that supervises the insurer. For example, the Prudential Regulation Authority in the UK also publishes enforcement actions on its website[3]. A register of insurance undertakings and the relevant supervisor is published on the European Insurance and Occupational Pensions Authority ("**EIOPA**") website[4].

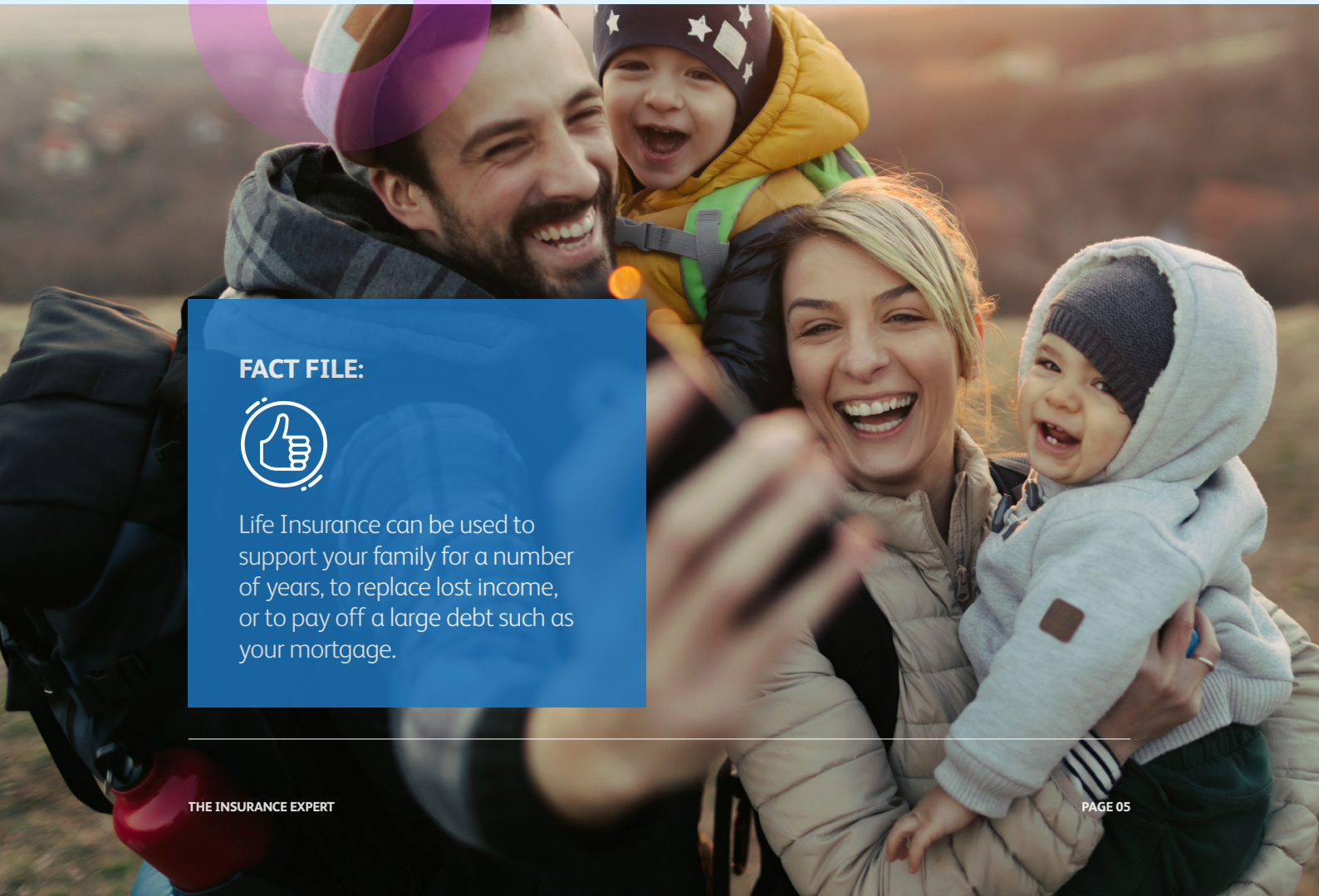
Nevertheless, measures like solvency coverage ratio or credit rating can be useful starting points for assessing the strength of a non-life insurer and this booklet highlights where you can source this information, along with other information that insurers must publish under Solvency II, which can inform your assessment. In a report by EIOPA in 2018 on "failures and near misses in insurance", it stated that the most commonly reported early identification signal is a deteriorating and / or low solvency coverage ratio.

1 https://www.centralbank.ie/docs/default-source/news-and-media/legal-notices/settlement-agreements/quinn-insurance-ltd-(under-admintn).pdf?sfvrsn=8
2 https://www.centralbank.ie/news-media/legal-notices/enforcement-actions
3 https://www.bankofengland.co.uk/prudential-regulation
4 https://register.eiopa.europa.eu/registers/register-of-insurance-undertakings

EXECUTIVE SUMMARY

Solvency II is the regime which regulates the solvency of all insurance companies in the EU. The Solvency II framework is a risk-based regime based on three Pillars:

- **Pillar 1** sets out the quantitative requirements for valuing assets and liabilities, calculating capital requirements and identifying eligible own funds to cover those capital requirements;
- **Pillar 2** sets out the risk management, governance and supervisory review process;
- **Pillar 3** is the disclosure and supervisory reporting regime which defines the reports that are required for regulators and the public. An annual Solvency and Financial Condition Report ("SFCR") is required to be produced and published annually.



FACT FILE:

Life Insurance can be used to support your family for a number of years, to replace lost income, or to pay off a large debt such as your mortgage.

There are many reasons why insurance companies could fail. However, they can be useful for comparison purposes.

Under Solvency II, a company must hold reserves to represent its obligations to policyholders. A company must also hold capital in addition to reserves to ensure it can withstand severe adverse events and still meet its obligations to policyholders. The SFCR is a key document that can be used to understand the financial standing of an insurer as it contains both qualitative and quantitative information from the insurer's annual returns. From the perspective of assessing financial strength of an insurer, the key figures include:

- Technical provisions – the reserves a company must set up to meet its liabilities to policyholders. The company must have sufficient assets to cover its Technical Provisions and any other liabilities.
- Solvency Capital Requirement ("SCR") – the level of additional assets a company must hold in excess of its technical provisions and other liabilities. The SCR is a prescribed calculation which reflects the size of a company, and also the riskiness of its balance sheet.
- Own Funds – in simple terms this is a measure of the total assets of the company net of liabilities. Own Funds should therefore exceed the SCR, and most companies will aim to hold a buffer over SCR to reduce the risk that the SCR exceeds Own Funds.

These are discussed in more detail in the key figures section below.

Every year, insurance companies in the EU must publish (i.e. make publicly available) a Solvency and Financial Condition Report ("**SFCR**") that contains these key figures along with narrative information on how they are calculated, on how the company is run and on business performance. This is a very useful document and should be available in English for any insurers selling into Ireland. It is important to note that the information available in the SFCR may not give you a complete picture of a company and the risks it is exposed to. There are many reasons why insurance companies could fail. However, they can be useful for comparison purposes. Any significant changes in a particular metric (such as the technical provisions, SCR, Own Funds) might be worth investigating.

The CBI supervises companies who are established and have their Head Office in Ireland. Insurers established in other EU countries will be supervised by the national regulators in those territories. Solvency II sets a common set of European rules for the calculation of the value of the assets and liabilities and SCR (capital) requirement which means that the supervision and requirements will be broadly consistent across all EU insurers.

WHO REGULATES THE SOLVENCY OF INSURANCE COMPANIES?

The CBI regulates the solvency of insurance companies who are established and have a Head Office in Ireland. Any company that wishes to set up a Head Office in Ireland must apply to the CBI for authorisation. The CBI maintains a register[5] of such insurance companies. At 6 March 2020 there were 95 non-life insurance companies with a head office in Ireland (and 40 life insurance companies).

Insurance companies established in other EU countries can also sell insurance in Ireland. These insurance companies are authorised and regulated by the authorities in that insurer's home country. Such "cross-border" insurers will either have no permanent presence in Ireland (so sell on a so called "Freedom of Services" model), or they will establish a branch here in Ireland (so called "Freedom of Establishment") where some activities of the branch are regulated by the CBI. The CBI register includes EU insurance companies that may sell in Ireland under a Freedom of Services basis. At 6 March 2020 there were 829 non-life insurance companies listed on this register, noting not all are actively selling insurance. The CBI also has a register of EU insurance companies who established a branch in Ireland. They are listed in the same register as the list of Irish based insurance companies. At 6 March 2020 there were 31 branches in Ireland of EU non-life insurers established in another EU country (and 15 branches of life insurers).

Note MGAs are not insurance companies. They are classified as insurance intermediaries and are therefore listed on the CBI's Insurance Distribution Register.

[5] http://registers.centralbank.ie/

A sum due to a commercial policyholder may not be paid out of the Fund unless the sum is due in respect of a liability to an individual.

Other bodies that provide protection to policyholders

The Insurance Compensation Fund is designed to pay claims in Ireland where an Irish authorised non-life insurer or a non-life insurer authorised in another EU member state that passports into Ireland goes into liquidation. All regulated non-life insurance companies pay contributions into the fund. More details on the fund can be found on the CBI's website[6]. It is important to note that there are limitations on what the fund will pay in the event of a claim. There is a cap on the amount to be paid out of the Fund in the event of a liquidation, of 65% of the claim or €825,000, whichever is the lesser. However, in the case of third-party motor insurance claims, where an insurer is in liquidation the Fund will make a payment of 100% of an award. A sum due to a commercial policyholder may not be paid out of the Fund unless the sum is due in respect of a liability to an individual. In addition, not all policyholder liabilities are covered by the Fund and excluded risks include health, dental and life policies.

In other jurisdictions there may be government bodies that give protection to policyholders of foreign insurers. In some other jurisdictions these protection schemes may only provide protection to policyholders or risks within the relevant jurisdiction. Note that as part of the 2020 review of Solvency

[6] https://www.centralbank.ie/regulation/industry-market-sectors/insurance-reinsurance/solvency-ii/insurance-compensation-fund

WHAT IS SOLVENCY II?

Solvency II is an EU regime which regulates the solvency of all insurance companies in the EU and has been in force since 1st of January 2016. Solvency II sets out requirements for how insurers value their assets and liabilities and how they calculate their capital requirements. It is a risk-based system and so, the capital that insurers must hold should reflect the level of risk they face. In other words, the riskier the business of an insurer (based on a set of prescribed stress tests) the more capital it is required to hold against this risk.

Solvency II is not just about financial calculations. It also places requirements on insurers in relation to their systems of governance and how they are run. In particular, it requires insurers to have risk management systems that can identify, monitor, manage and report all the risks that the company faces. Companies must have a clearly defined risk management strategy that is consistent with their overall business strategy. The risk management system must be well integrated into the organisational structure and in the decision-making processes of the company. This focus on risk governance aims to ensure companies understand and manage the risks they face and are run in a way that protects policyholders.

Solvency II also defines a prescribed public disclosure document with accompanying Quantitative Reporting Templates ("**QRTs**"). This is called the Solvency and Financial Condition Report ("SFCR") and must be produced annually by all insurers in the EU in the same format. Section B of this report includes information on a company's governance and risk management systems. Section C discusses the risk profile. The sections of this report and the financial information disclosed are discussed in more detail below.

Solvency II sets out requirements for how insurers value their assets and liabilities and how they calculate their capital requirements.

WHAT RESERVES DOES AN INSURANCE COMPANY HAVE TO HOLD TO MAKE SURE IT CAN MEET ITS OBLIGATIONS TO POLICYHOLDERS?

Technical provisions
Under Solvency II, the reserves are called the technical provisions. These represent the amount that a company must hold to cover future expenses and claims. The Solvency II regulations specify how companies should calculate the technical provisions. The makeup of the technical provisions is described in further detail in the below section on the Solvency II balance sheet.

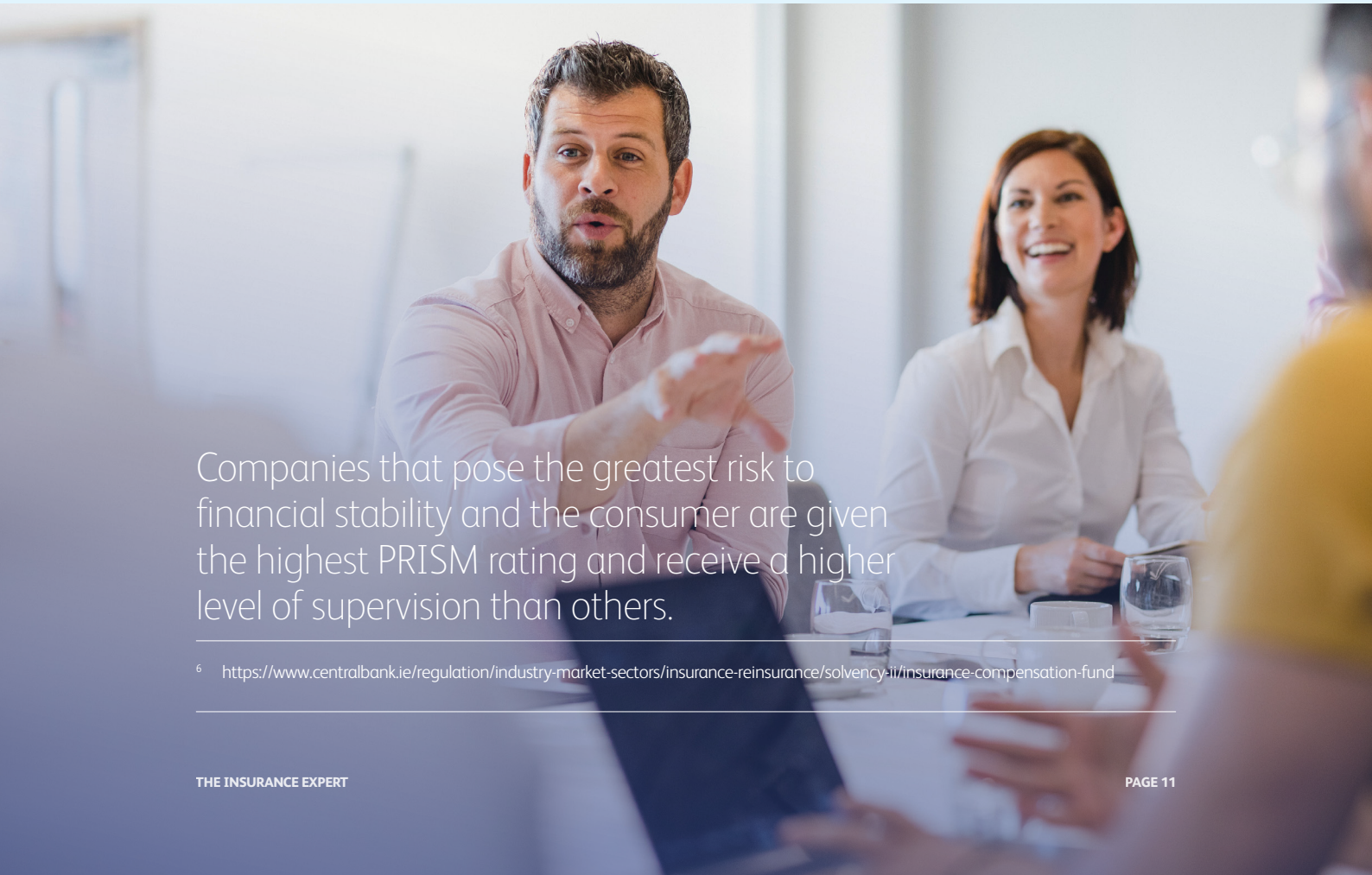
Capital requirements
As well as the technical provisions, companies must also hold an additional layer of assets to protect against insolvency. This is called the Solvency Capital Requirement ("SCR"). It is calibrated so that the insurer could withstand a 1 in 200 year negative event and still be able to meet their obligations to policyholders or, in other words, so that the company has a 99.5% chance of surviving the most extreme losses over the next year. The solvency coverage ratio is the ratio of an insurer's available capital to its SCR. This is a key figure and must be more than 100%. The SCR and where you can find it for a company is discussed in further detail below in the section on the Solvency II balance sheet. There is a lower capital requirement known as the Minimum Capital Requirement ("MCR"). This is calibrated at the amount a company needs to hold in order to be 85% confident that it can meet its obligations to policyholders over the coming year. If a company's capital falls below their MCR, the CBI may withdraw the company's authorisation to sell business. The solvency coverage ratio can be seen in the SFCR. We show how this can be found within the key figures section. A company is required to produce an update to the SFCR if there has been a breach in the SCR or MCR since the previously published information.

Own funds
A company's available capital with which it covers the SCR is called its Own Funds. These are the excess of assets over liabilities and are described in more detail in the section below on the Solvency II balance sheet.

As well as the technical provisions, companies must also hold an additional layer of assets to protect against insolvency.

HOW DO I KNOW THAT THE COMPANY HAS CALCULATED THE RESERVES AND CAPITAL REQUIREMENTS APPROPRIATELY?

The CBI uses a risk-based framework called Probability Risk and Impact System (PRISM) to identify the companies with head offices in Ireland that require the highest level of supervision. Companies that pose the greatest risk to financial stability and the consumer are given the highest PRISM rating and receive a higher level of supervision than others. The CBI uses this system to ensure that it uses its resources efficiently and it targets the risks that pose the greatest threat to financial stability and consumers. The PRISM ratings system does not apply to insurers that do not have head offices in Ireland.



Companies that pose the greatest risk to financial stability and the consumer are given the highest PRISM rating and receive a higher level of supervision than others.

[6] https://www.centralbank.ie/regulation/industry-market-sectors/insurance-reinsurance/solvency-ii/insurance-compensation-fund

As well as the requirements of the Domestic Actuarial Regime, the CBI also requires that the technical provisions along with the rest of the Solvency II balance sheet

The CBI has introduced additional requirements for Irish insurance companies called the "Domestic Actuarial Regime". This regime adds extra layers of scrutiny to the technical provisions for companies which are headquartered in Ireland including:

- Companies must appoint a Head of Actuarial Function ("HoAF"). The CBI must approve the person appointed to this role. The HoAF is responsible for signing off that the calculation of the technical provisions is compliant with the Solvency II requirements. They also must provide a report to the Board on the technical provisions. Similar roles have been introduced in some other European countries.

- Companies must engage a Reviewing Actuary to conduct a further peer review of the technical provisions. The Reviewing Actuary must not be employed by the company and must not have been involved in the preparation of the technical provisions. The peer review report produced by the Reviewing Actuary gives the company an independent view of its technical provisions. Companies must engage a Reviewing Actuary every 2 to 5 years depending on their PRISM rating, with the exception of Low rated companies. The Reviewing Actuary must not be the same person for more than three consecutive peer reviews.

- Boards of non-life insurance companies with a High impact PRISM rating must establish a reserving committee which will meet at least quarterly. This committee must include all relevant senior staff who input to the reserving process. It must contain at least one Independent Non-Executive Director. The committee is responsible for overseeing the governance of the setting of the technical provisions and ensuring that any changes made to business practices which may impact the technical provisions are discussed with the actuarial function.

As well as the requirements of the Domestic Actuarial Regime, the CBI also requires that the technical provisions along with the rest of the Solvency II balance sheet, Own Funds and capital requirements (see section below on the Solvency II Balance Sheet for detail of these items) are subject to external audit. The requirements and guidance issued by the CBI is available on its website[7].

[7] https://www.centralbank.ie/regulation/industry-market-sectors/insurance-reinsurance/solvency-ii/requirements-and-guidance

WHERE CAN I FIND INFORMATION ABOUT A COMPANY?

Under Solvency II, all insurance companies in the EU must produce a Solvency and Financial Condition Report ("SFCR") annually. The SFCR must be disclosed publicly on the company's website and is likely to be available in English for all companies selling in Ireland. The SFCR is required to be published within 20 weeks from the end of the reporting year. The CBI publishes a list of publication deadlines on its website each year and includes information on any deadlines that have been extended[8].

The CBI has created an SFCR repository[9] where all SFCRs can be accessed in one place for insurers with a head office in Ireland. (The CBI repository is published with a time lag so more up to date SFCRs may be available on the company's website.) The CBI also produces a summary report (available at the same link) of the tables of figures included in the SFCR for all insurers and reinsurers with a head office in Ireland. This may be useful for comparison purposes.

The SFCR provides information to stakeholders. It contains narrative detail on how the company is run including the risk management systems and ORSA process discussed above. Governance issues have often been cited as the cause of insurer failures. The sections in the SFCR on governance and risk may be useful to give comfort that governance risks such as key person risk are limited. In addition the CBI has published corporate governance requirements for insurers[10] which impose minimum standards on insurers with head offices in Ireland. The risk based focus of Solvency II and the CBI's requirements aims to address these governance issues and risks that have arisen in the past.

[8] For example following the outbreak of Covid-19 the CBI introduced some flexibility in relation to the 31 December 2019 reporting deadlines.

[8] https://www.centralbank.ie/regulation/industry-market-sectors/insurance-reinsurance/solvency-ii/solvency-and-financial-condition-report-repository

[9] https://www.centralbank.ie/docs/default-source/regulation/insurance-reinsurance/solvency-ii/requirements-and-guidance/corporate-governance-2015.pdf?sfvrsn=10

This focus on risk governance aims to ensure companies understand and manage the risks they face and are run in a way that protects policyholders.

The SFCR also discloses the key quantitative figures for the insurer in the Quantitative Reporting Templates ("QRTs"). The content and format of the QRTs is specified by Solvency II allowing them to be easily compared between companies. The QRTs are included as an appendix to the SFCR, but the key figures from them will often be referenced in the body of the SFCR as well.

The structure of the SFCR is also specified under Solvency II which improves the comparability of the narrative information between companies. The SFCR is expected to be understandable by policyholders and so the reports should use clear language. They usually contain a glossary to explain key technical terms.

SFCRs are structured as follows:

A. Business and Performance
- This section contains a description of the business and its financial performance over the last year. This can provide a useful overview of the company and its performance.

B. System of Governance
- This section outlines the governance structures of the company including its risk management and internal control systems.

C. Risk Profile
- In this section, the risks faced by the company are described focusing on the most material risks. It includes any material changes in risk exposures.

D. Valuation for Solvency Purposes
- This section details the assets, technical provisions and other liabilities (i.e. the Solvency II balance sheet) and describes how they are calculated.

E. Capital Management
- The company's Own Funds position is detailed in this section. Breakdowns of the SCR and MCR are given. The SCR ratio or solvency coverage ratio will also be included in this section.

Appendix: Quantitative Reporting Templates (QRTs)

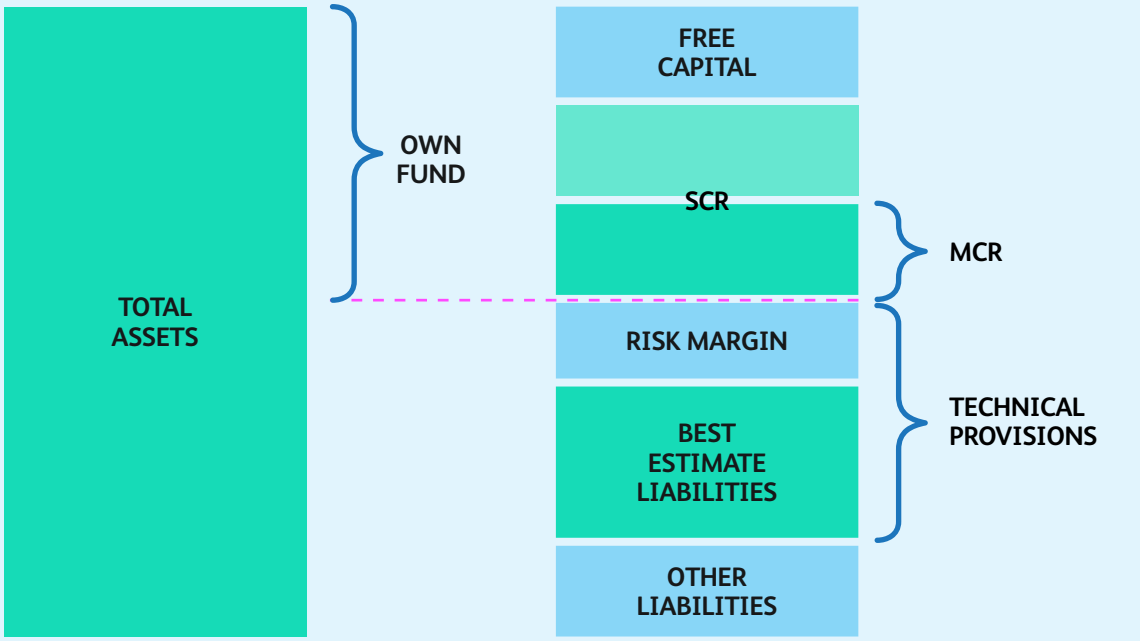
- The QRTs contain quantitative information about a company in a prescribed format.

Sections D and E are the most relevant for assessing the solvency of the company but Sections A to C may provide some useful context and information on how the company is run.

As well as what the company must publicly disclose, it must also send another more detailed report, the Regular Supervisory Report, and a larger number of QRTs to the CBI. The CBI uses these to monitor how the companies are being run and their solvency.

WHAT ARE THE KEY FIGURES AND WHERE DO I FIND THEM?

The Solvency II balance sheet



Technical provisions – what are they?
The best estimate liabilities are based on realistic assumptions about the future i.e. it is a company's best estimate of what their future cashflows (future claims and expenses) will be in respect of the insurance policies they have written. The risk margin is the cost of holding the capital to support the risks of the company which cannot be hedged. It is added to the best estimate liabilities so that the technical provisions are equal to the amount that an insurance company would need to hold to take on the insurance obligations. The technical provisions are the reserves the company holds to meet its obligations to policyholders. The other liabilities include items like payables and loans that are not connected to the policyholders.

Technical provisions – where do I find them?
The technical provisions can be found in the Balance Sheet QRT S.02.01. We have shown part of this QRT for Zurich Insurance at 31 December 2019 below as an example. This QRT is produced in the same format by all insurers in the appendix to the SFCR. The technical provisions appear at the start of the liabilities section as shown below. The full QRT is shown in an Appendix to this booklet below with this section highlighted.

Liabilities		
Technical provisions - non life (excluding health)	R0510	16,524,474
Technical provisions - non life (excludinh health)	R0520	16,254,867
Technical provisions calculated as a whole	R0530	-
Best estimate	R0540	15,978,108
Risk Margin	R0550	276,759
Technical provisions - health (similar to non-life)	R0560	269,607
Technical provisions calculated as a whole	R0570	-
Best estimate	R0580	263,141
Risk Margin	R0590	6,465

Narrative information in relation to the calculation of the technical provisions is in Section D of the SFCR. The CBI's summary report includes a table showing summary figures for all insurers and reinsurers with a head office in Ireland from the Balance Sheet QRT S.02.01.

There is a detailed Non-life Technical Provisions QRT S.17.01 where the non-life technical provisions are shown split by line of business (e.g. between motor insurance and property insurance). Companies may use reinsurance where they pass some risk on to a reinsurance company. In the Non-life Technical Provisions QRT S.17.01, you will see the best estimate of liabilities with and without the effect of this reinsurance. (In the balance sheet, the technical provisions are shown gross of reinsurance in the liabilities and the reinsurance impact is shown as an asset.) If an insurer has reinsured a significant portion of its liabilities, it may be worth checking the financial condition of the reinsurer. This is likely to be discussed in section C.3 of the SFCR in relation to credit risk. The CBI's summary report also includes a table of summary figures for all insurers and reinsurers with a head office in Ireland from the Non-life Technical Provisions QRT S.17.01.

Own Funds – what are they?
The Own Funds are the available assets or capital the company has with which it can meet its SCR. The Basic Own Funds are the amount of assets that the company has in excess of the technical provisions and other liabilities with some adjustments. Companies may also use Ancillary Own Funds subject to approval from the CBI. These are off-balance-sheet items that could be used to absorb losses (for example, unpaid share capital).

The Own Funds are divided into three tiers based on their quality. Tier 1 is the highest quality and tier 3 is the lowest quality. Solvency II sets out criteria for each of the tiers covering availability and subordination of the capital. The SCR must be met by at least 50% tier 1 capital and no more than 15% tier 3 capital. The MCR must be met by at least 80% tier 1 capital and no tier 3 capital at all.

Own Funds – where do I find them?
A company's Own Funds are discussed in section E.1 of the SFCR. In addition the Own Funds QRT S.23.01 shows the split of Own Funds between tiers 1, 2 and 3. The Own Funds that are available and eligible for meeting the SCR and MCR are shown in this QRT. We show part of this QRT below for Zurich Insurance as at 31 December 2019.

The SCR can be calculated by a company using a standard formula prescribed under Solvency II or by using an internal model.

		Total	Tier 1 Unrestricted	Tier 1 Restricted	Tier 2	Tier 3
Available and elegible own funds						
Total available own funds to meet th SCR	R0500	2,562,045	2,453,081	-	-	108,964
Total available own funds to meet th MCR	R0510	2,453,081	2,453,081	-	-	-
Total available own funds to meet th SCR	R0540	2,562,045	2,453,081	-	-	108,964
Total available own funds to meet th MCR	R0550	2,453,081	2,453,081	-	-	
SCR	R0580	1,943,872				
MCR	R0600	817,274				
Ratio to Eligible own funds to SCR	R0620	132%				
Ratio to Eligible own funds to MCR	R0640	300%				

For most companies we would expect most of the Own Funds to be Tier 1. Where this is not the case the reasons should be discussed in section E.1 of the SFCR.

The full Own Funds QRT S.23.01 for Zurich Insurance at 31 December 2019 has been included in an appendix to this booklet with the section shown above highlighted. This QRT is produced in the same format by all insurers in the appendix to the SFCR.

Solvency capital requirement (SCR) – what is it?
The SCR is a risk-based capital requirement which must be held in addition to the technical provisions. It is the amount of capital which insurance companies are required to hold under Solvency II. It is calibrated so that a company could withstand a 1 in 200 year event. This means that the company has a 99.5% chance of surviving the most extreme losses over the next year. The types of risks assessed are listed below in relation to the standard formula.

The SCR can be calculated by a company using a standard formula prescribed under Solvency II or by using an internal model (if the risks the company faces are not adequately reflected in the standard formula). The internal model may be a full internal model or a partial internal model (i.e. a combination of the standard formula and an internal model) and its use must be approved by the regulator.

The regulator may decide that a company must hold additional capital (a capital add-on) if they do not think the risks of the company are adequately modelled by the SCR. Capital add-ons have not been made public to date. The CBI's aggregate statistical data indicates that only one insurer (with a head office in Ireland) had a capital add on at 31 December 2018.

Companies which sell a broader range of products will benefit more from diversification than those which sell just one product.

Under the standard formula, the SCR is calculated by applying shocks to the Solvency II balance sheet in relation to a list of risks prescribed under Solvency II. These include:

- A mass discontinuance of 40% of the insurance policies;
- Different types of catastrophe risk including natural, man-made and other;
- Parameters applied to the volumes of premiums and reserves (the parameters vary depending on the type of business);
- Shocks applied reducing the value of market assets held depending on types of asset.

These are then aggregated to give an overall SCR. The aggregation allows for diversification between risks with the overall SCR being less than the sum of the SCR for each risk. This reflects that all of these risk events are unlikely to happen at the same time. Companies which sell a broader range of products will benefit more from diversification than those which sell just one product; and they may pass the benefit of lower capital requirements on to consumers through lower prices.

Solvency capital requirement (SCR) – where do I find it?

The SCR is shown in the Own Funds QRT S.23.01 beneath the eligible Own Funds. The relevant part of this QRT is shown below for Zurich Insurance at 31 December 2019.

		Total	Tier 1 Unrestricted	Tier 1 Restricted	Tier 2	Tier 3
Available and elegible own funds						
Total available own funds to meet th SCR	R0500	2,562,045	2,453,081	-	-	108,964
Total available own funds to meet th MCR	R0510	2,453,081	2,453,081	-	-	-
Total available own funds to meet th SCR	R0540	2,562,045	2,453,081	-	-	108,964
Total available own funds to meet th MCR	R0550	2,453,081	2,453,081	-	-	
SCR	R0580	1,943,872				
MCR	R0600	817,274				
Ratio to Eligible own funds to SCR	R0620	132%				
Ratio to Eligible own funds to MCR	R0640	300%				

Under the standard formula, the main risk groups you will likely see for a non-life insurance company are market risk, counterparty default risk and non-life underwriting risk.

The full Own Funds QRT S.23.01 for Zurich Insurance at 31 December 2019 has been included in an appendix to this booklet with the section shown above highlighted.

There is a separate SCR QRT that shows a breakdown of the SCR. Insurers using the standard formula will disclose SCR QRT S.25.01, insurers using a partial internal model will disclose SCR QRT S.25.02, and insurers using a full internal model will disclose SCR QRT S.25.03.

The top section of this SCR QRT shows the figure broken down by risk groups. Under the standard formula, the main risk groups you will likely see for a non-life insurance company are market risk, counterparty default risk and non-life underwriting risk. The benefits of diversification are deducted and some adjustments are made for items such as operational risk to give the final SCR.

Narrative information in relation to the SCR is included in Section E.2 of the SFCR. The CBI's summary report also includes a table showing summary figures for all insurers and reinsurers (with a head office in Ireland) from the SCR QRTs S.25.01, S.25.02 and S.25.03.

Solvency coverage ratio – what is it?
The solvency coverage ratio is a key metric for assessing the solvency of the company. It is the ratio of eligible Own Funds to the SCR. It must be greater than 100% to avoid regulatory intervention. Most companies will have a target range for their solvency coverage ratio.

At year-end 2018, typical solvency coverage ratios were in the range of 155% to 315%. Half of all companies fell within this range at year-end 2018. Some companies have solvency coverage ratios higher than this range. A company might hold high levels of capital to protect against volatility in their available capital or for liquidity reasons.

Solvency coverage ratio – where do I find it?
As shown above, the solvency coverage ratio is shown in the Own Funds QRT S.23.01 which is included in the appendix to the SFCR. There is also narrative information in relation to this ratio in Section E of the SFCR. The CBI's summary report includes a table of summary figures from the Own Funds QRT S.23.01 for all insurers and reinsurers with a head office in Ireland. (This includes the Own Funds and SCR figures only but not the actual ratio which would need to be calculated as the Own Funds divided by the SCR.)

[6] https://www.centralbank.ie/regulation/industry-market-sectors/insurance-reinsurance/solvency-ii/insurance-compensation-fund

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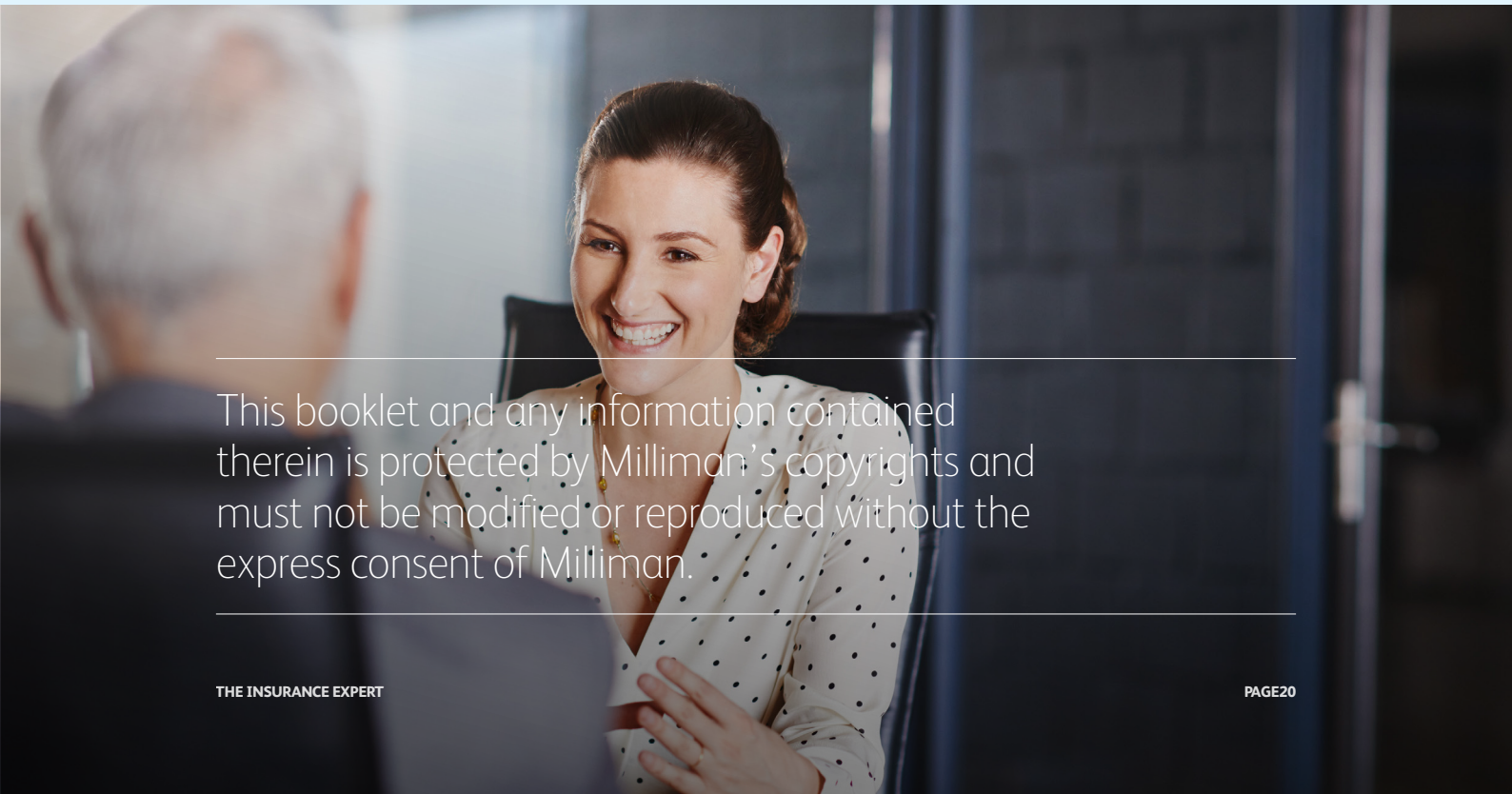

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