



Overview – authorising insurance and reinsurance firms in Ireland

Introduction

Matheson has significant in-depth and practical experience of advising insurance and reinsurance groups on establishing insurance and reinsurance companies in Ireland. This experience means that we are ideally placed to guide our clients through the Central Bank of Ireland's (the "**Central Bank**") authorisation process for such companies. Although the Central Bank has published some helpful guidance on the authorisation process, it is important for an applicant to be aware of practical steps involved and to understand the Central Bank's key concerns.

Applications for Authorisation in Ireland

An undertaking wishing to provide insurance or reinsurance services in Ireland must receive prior authorisation from the Central Bank. Authorisation is granted pursuant to the European Union (Insurance and Reinsurance) Regulations 2015 (the "**2015 Regulations**"). The 2015 Regulations transpose the European Solvency II Directive into domestic Irish law.

What will the Central Bank consider relevant in the authorisation process?

There are a number of factors which the Central Bank will consider in deciding whether to approve an applicant into the Irish insurance and reinsurance market (the "**Applicant**"). These factors, which should be included in the detailed business plan to be submitted by the Applicant to the Central Bank, are as follows:

- the Applicant's key commercial objectives and proposed target markets;
- the ownership structure of the Applicant;
- the Applicant's system of governance, including its compliance with the Central Bank's Corporate Governance Code;
- the Applicant's own risk and solvency assessment, financial information and Solvency II capital and solvency projections for the first three financial years of operation (including actuarial support for projections);
- the Applicant's ability to comply with consumer protection laws; and
- the proposed directors and senior management of the Applicant. These individuals will be required to apply to the Central Bank for individual approval to act as directors and senior managers. The Central Bank will assess whether these individuals are "fit and proper" to act based on its Fitness and Probity.

People and Outsourcing

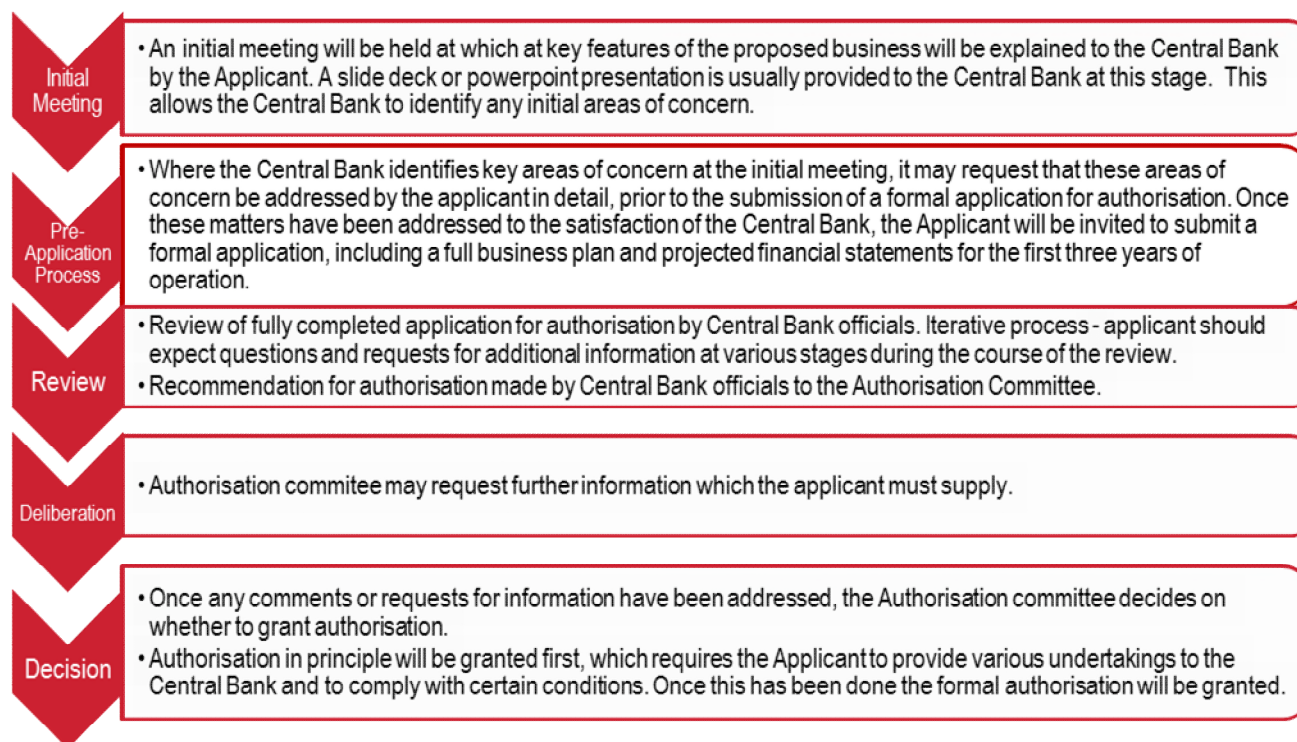
The Central Bank will look very closely at how the Applicant is to be staffed. The Central Bank will be keen to ensure that the 'heart and mind' of the Applicant's business is in Ireland and that all key decisions relating to the business of the Applicant are taken in Ireland. That being said, an insurer is permitted to outsource many of its functions provided that a written outsourcing agreement is put in place and the insurer maintains proper oversight and supervision of the outsource service provider.

The Central Bank's Corporate Governance Code provides that there must be a minimum of five directors on the board of Irish-authorized insurance and reinsurance undertakings. The majority of the board must be comprised of group directors or, alternatively, a combination of group directors and independent non-executive directors, provided that there are always at least two independent non-executive directors on the board. The Central Bank views the independent non-executive directors as its 'eyes and ears' at board level and they have an important role to play on the board and the committees of the board.

The Applicant must allocate responsibility for the four mandatory functions under Solvency II, being the actuarial function, risk, compliance and internal audit functions. To the extent that these functions are outsourced, the Applicant must appoint a person internally who is responsible for supervising the outsource service provider.

The Central Bank will usually require that the senior executives be employed directly by the Applicant. These will include the Chief Executive Officer, Chief Financial Officer, Chief Risk Officer and Chief Underwriting Officer. In some cases, the Central Bank may allow one individual to be responsible for more than one of these senior executive roles. The number of senior executives required to be appointed by the Applicant is a matter for negotiation with the Central Bank and will be influenced by a number of factors including the nature, scale and complexity of the Applicant's business.

How to Apply?



Timeline

Generally speaking, the application process, from the submission of the formal application to the Central Bank to the receipt of final authorisation takes in the region of four to six months. The factors that tend to impact on the timing are; (i) the quality of the application submitted to the Central Bank – it goes without saying that a fully developed and comprehensive application will typically be processed more quickly than an incomplete application; (ii) the ability of the Applicant to respond promptly to any questions or requests for additional information received from the Central Bank.

Capacity to handle a potential increase in demand

We understand that the Insurance Supervision Division of the Central Bank has developed contingency plans to cater for any potential increase in the number of applications for authorisation. The Central Bank is committed to meeting the statutory requirement of processing all completed applications within six months.

Is there an application fee?

The Central Bank does not currently charge an application fee in order to consider applications for authorisation.