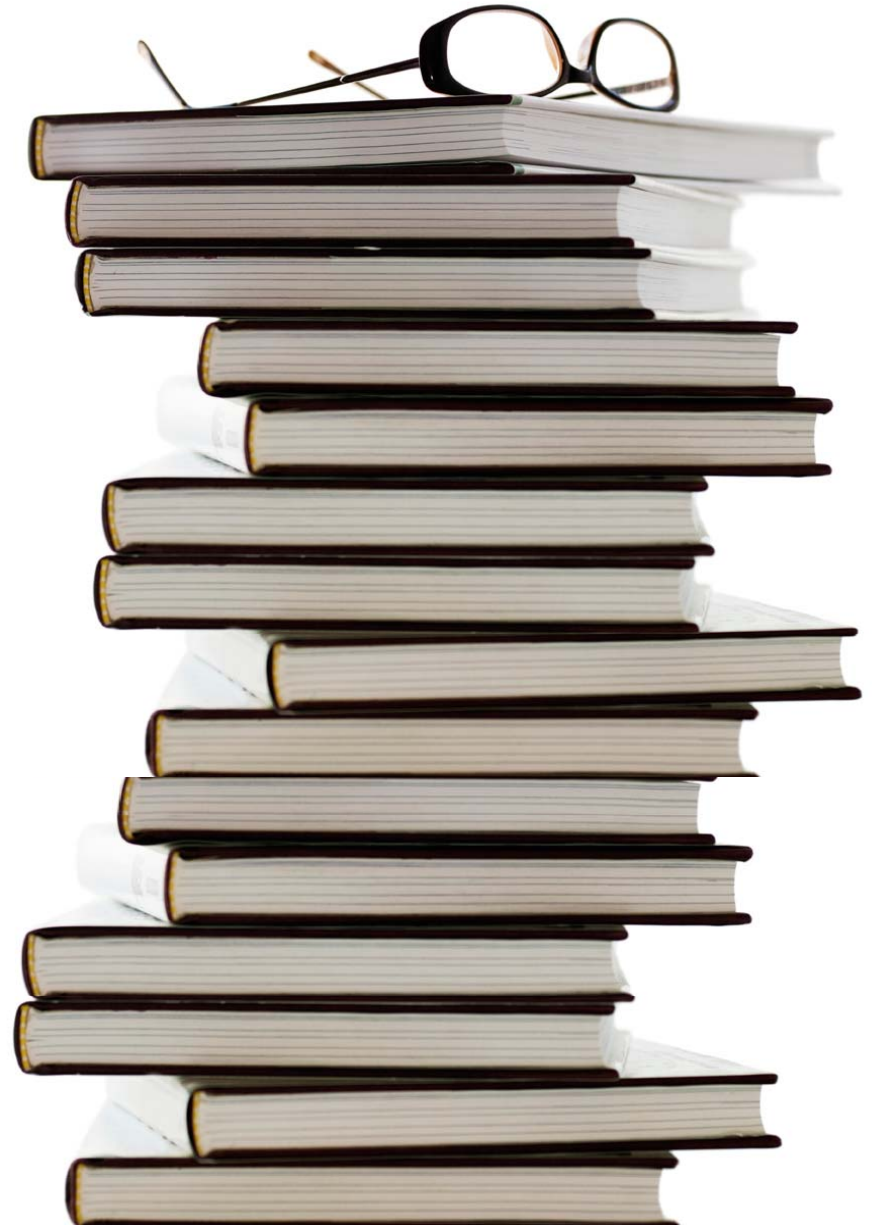


Regulatory Updates for Insurers

Deloitte & Touche House
Thursday, 12 February



Agenda

- Introduction
Glenn Gillard, Partner
- Regulatory Developments
Sinead Ovenden, Director
- Data Protection For the Insurance Sector - Recent Code of Practice
Gary Comiskey, Senior Manager
- Q&A & Close

Regulatory Developments

Sinead Ovenden, Director

Agenda

1. Financial Regulator Activity
2. Consumer Protection Code
3. Review of Intermediary Market
4. Anti Money Laundering 3rd Directive
5. Solvency II
6. Payment Protection Insurance
7. Compliance Framework

1. Financial Regulator Activity

Values

- Set and monitor standards in dealing with customers
- Set and monitor standards in managing your business
- Provide information to customers
- Facilitate innovation and competitiveness
- Maximise operational efficiency and cost effectiveness

Focus

- Monitoring compliance – themed reviews, onsite visits, mystery shopping
- Customers – increase in consumer protection – new Code
- Business – significant increase in prudential reporting requirements
- Information – itsyourmoney.ie
- Competitiveness – publication of cost comparison surveys

1. Financial Regulator Activity

2008 agenda

Inspections target for 2008

- 8 themed inspections in relation to CPC
- 100 on-site inspections

Settlements and fines

- 10 settlements, 8 fines total value €3.63million
- Compare to:
 - 4 settlement in 2007, one fine of €5k
 - 2 settlement in 2006, no fines



1. Financial Regulator Activity

2009 agenda

Expect the trend to continue.....

- More significant legislation:
 - CRD – Capital Requirements Directive
 - AML - Anti Money Laundering Directive
 - CPC – Consumer Protection code Review
 - CCD – Consumer Credit Directive
 - SEPA – Single European Payments Directive
 - PSD – Payments Services Directive
 - Solvency II

- More offices – relocated 7 departments to Spencer Docks

- More staff - Recruitment of 20 new supervisors

- More fines?

2. Consumer Protection Code

2008 Agenda

- 8 themed inspections in 2008
- 5 were in relation to the insurance industry

2009 Agenda

- Review of CPC will include changes in relation to:
 - Recommendations from the Intermediary Review
 - Payment Services Directive
 - Post implementation issues
- Due early 2009 but delays expected

2. Consumer Protection Code

Themed Inspections

Review of sales and claims handling of serious illness policies

6 findings:

- The need to fully inform the consumer of the key aspects of the product;
- Description and understanding by the consumer of the product;
- Misleading advertising and marketing;
- Key points of a product need to be explained at point of sale;
- Customers not disclosing material health issues resulting in declined claims;
- Restrictions on child/children's cover not highlighted at point of sale.

2. Consumer Protection Code

Themed Inspections

Review of third party motor insurance claims

3 findings:

- Two thirds of the claims files reviewed that policy holders were not advised in writing by the regulated entity of the final outcome of the claim. The policy holder must be advised in writing;
- One in six of agreed settlement claims took more than 10 business days to be paid. All proven claims must be paid within 10 days;
- In general the settlement terms with claimants/legal representatives were agreed verbally. This must be advised in writing.

2. Consumer Protection Code

Themed Inspections

Review of charges and premium rebates in the insurance intermediary sector

3 findings:

- Not all charges disclosed to customers;
- Fees charged in excess of those stated in the terms of business document;
- Selling optional extras in conjunction with a product where it did not appear that the consumer had positively indicated that they wished to purchase this optional extra.

2. Consumer Protection Code

Themed Inspections

Travel Insurance Claims for Loss or Damage to Personal Items

4 findings:

- Most insurers indicate in their terms and conditions that receipts / proof of purchase may be required when a claim is made for loss or damage to personal items;
- A number of insurers identify in their terms and conditions that they may request receipts / proof of purchase for items that are valued over a certain amount, typically €100 or over per item;
- Most insurers will accept a claim even if a receipt / proof of purchase is not available. However, insurers may request proof that a loss or damage has occurred and this could be by way of a police report etc;
- A small number of insurers require receipts to be provided in all circumstances.

2. Consumer Protection Code

Themed Inspections

Unit Linked Whole of Life Policies

2 findings:

- Policy reviews not done on time - could lead to policy holder in a worse financial position than if they had done carried out the review on time
- Delays are caused by over reliance on manual processes. Firms should have system functionality in place to deliver on terms and conditions of a policy.

Reminded:

- Suitability statement should include policy review feature, notable the risk of the premium increasing
- All suitable protection products must be considered during the sales process, including guaranteed premiums.
- Firms should ensure customers understand “whole of life” and do not interpret as fixed premium.

3. Review of Intermediary Market

Published December 2008

- Focused mostly on insurance brokers
- The review covered the following 3 topics:
 - Consumer Research – explored the consumers understanding of terms used to describe intermediaries;
 - Intermediary categorisation – the review considered appropriate terms to describe intermediaries, in particular the use of the term broker;
 - Transparency – improving transparency in relation to remuneration, relationships between brokers, consumers and product producers.
- The recommendations will be implemented in the revised CPC.

3. Review of Intermediary Market

Key Findings

1. Definition in the Insurance Mediation Regulations and CCA should be used to describe intermediaries i.e. intermediary versus tied agent.
2. New definition for “broker” and can only be used by those offering a “fair analysis of the market”.
3. Must inform customer of categorisation and precise nature of services to be provided by product in the terms of business.
4. QFA not to be used by a firm but only by individuals designated this award.
5. The word “independent” may only be used in limited circumstances.
6. FR to provide consumers with information in relation to new categories and disclosure requirements.
7. Insurance providers should not terminate an appointment solely based on the volume of new business introduced by the intermediary

3. Review of Intermediary Market

Key Findings related to tied agents

1. A tied agent must inform the customer that it is under a contractual obligation to conduct business exclusively with one or more product providers.
2. A tied agent must specify the relevant product(s) and the provider(s) in respect of which it is tied. This also applies in cases where a broker acts as a tied agent in respect of one or more products or providers.
3. Where an intermediary ties itself to a single provider for a particular product it must disclose this fact in all advertisements and written material for that particular product.

3. Review of Intermediary Market

Key Findings related to non-life insurance

1. Disclose in general terms that it is paid for the service provided to the consumer by means of a remuneration arrangement with the product provider.
2. Disclose in general terms any remuneration arrangements with product providers that are not directly attributed to the service provided to an individual consumer but are based on levels of business introduced by the intermediary to that product provider or that may be perceived as having the potential to create a conflict of interest.
3. Prior to the sale of a product, a non-life insurance intermediary should either inform the consumer of the amount of remuneration receivable in respect of that sale or that details of remuneration are available on request.

The disclosures required above be in the terms of business document or through some other suitable mechanism, and with renewal notices

4. Anti Money Laundering 3rd Directive

Same old story.....

- | | |
|----------|--|
| Dec 2007 | should have been implemented in accordance with EU |
| Feb 2008 | the General Scheme of the Criminal Justice (Money Laundering) bill 2008 was made available |
| Apr 2009 | consultation was closed |
| Jun 2008 | Commission began infringement procedures against Ireland and 14 other member States for failure to implement 3 rd AML D |

Draft Guidance notes were written by Deloitte in conjunction with representatives from the industry but can go no further until legislation is finalised

FR currently advised that it will be a few more months before legislation is finalised – watch this space!

4. Anti Money Laundering 3rd Directive



Significant changes:

1. Requirement to carry out transaction monitoring.
2. Risk based approach – depending on the type of customer, business relationship, product or transaction.
3. Timing – exceptions to CDD required before transaction:
 - Where there is little risk of money laundering
 - Life assurance can be after relationship established but must be before any payout.
 - Bank accounts can be opened but no transactions can take place
4. Enhanced due diligence for PEPs, not for domestic PEPs.
5. No due diligence required for credit or financial institution from an EEA state.
6. Threshold has increased to €15,000 for occasional transactions.

5. Solvency II

Scope

- Applies to all insurance firms within Europe
- Aims to consolidate and replace existing directives
- Objective is to introduce more risk sensitive solvency regime involving 3 principles:
 - Solvency
 - Supervisory Review Process
 - Market Discipline

Timeframes

July 2007	The Commission published its formal framework Directive
Oct 2009	Level 2 guidance complete
2009	Directive will be finalised
2010	Level 3 guidance complete
2012	Full implementation

5. Solvency II



CEIOPS

- Published its fourth Quantitative impact study

Results showed that measured against the level of stress embedded in the QIS4 simulations, for year end 2007, the European insurance industry appeared to be well capitalised.

- Insurance Group Supervision Committee - published work plan for 2009

Priorities for 2009 include:

1. delivery of Level 2 measures (19 work streams)
2. continue to focus on supervision of cross border insurance groups feeding into supervisory colleges)
3. support CEIOPS training activities

6. Payment Protection Insurance

January 2009

UK Competition Commission
Market investigation into PPI

Findings:

- PPI sales face little competition when sold with credit
- Consumers face higher prices
- Less choice
- Highly profitable product for distributors
- Profitability used to subsidise credit process

Conclusion:

- Prohibition on selling PPI to credit customers within 7 days of credit sale
- Prohibition on single premium PPI
- Requirement to offer PPI separately as opposed to bundled
- Additional information requirements in marketing material



6. Payment Protection Insurance News

20 January 2008



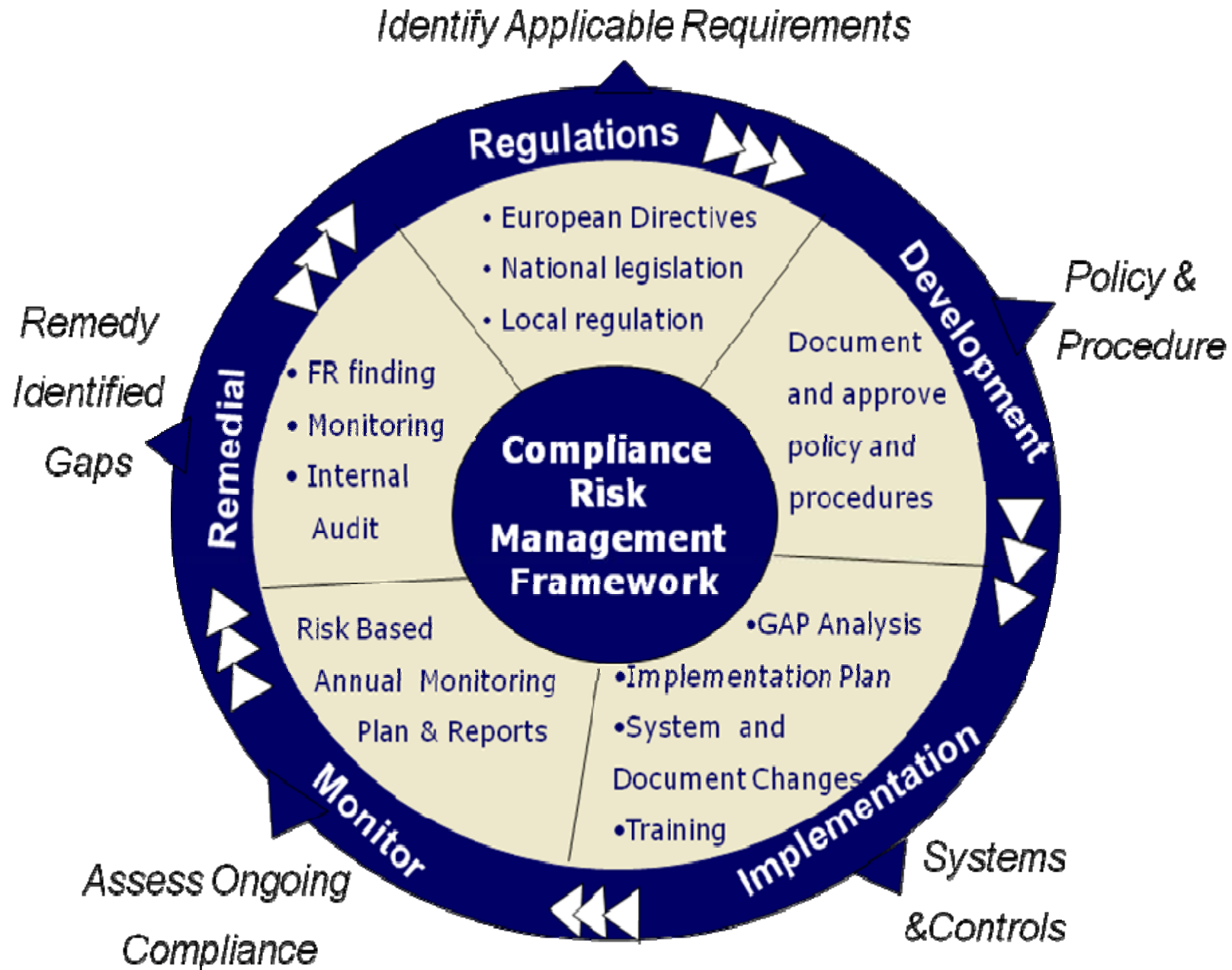
FSA welcomed UK banks move to stop selling single premium payment protection Insurance with unsecured personal loans by end January 2009:

- Alliance & Leicester
- Barclays
- The Co-Operative Bank
- Lloyds Banking Group (incl Lloyds TSB, Halifax, Bank of Scotland)
- RBS/Natwest

“A PPI product can be helpful for customers wanting protection on a specific credit agreement, as long as the policy is sold appropriately. Consumers can

7. Compliance Framework

Our solution



Data Protection For the Insurance Sector – **Recent Code of Practice**

Gary Comiskey, Senior Manager

Overview

Re-Cap on the Eight Rules of Data Protection

Changes in the New Code of Practice

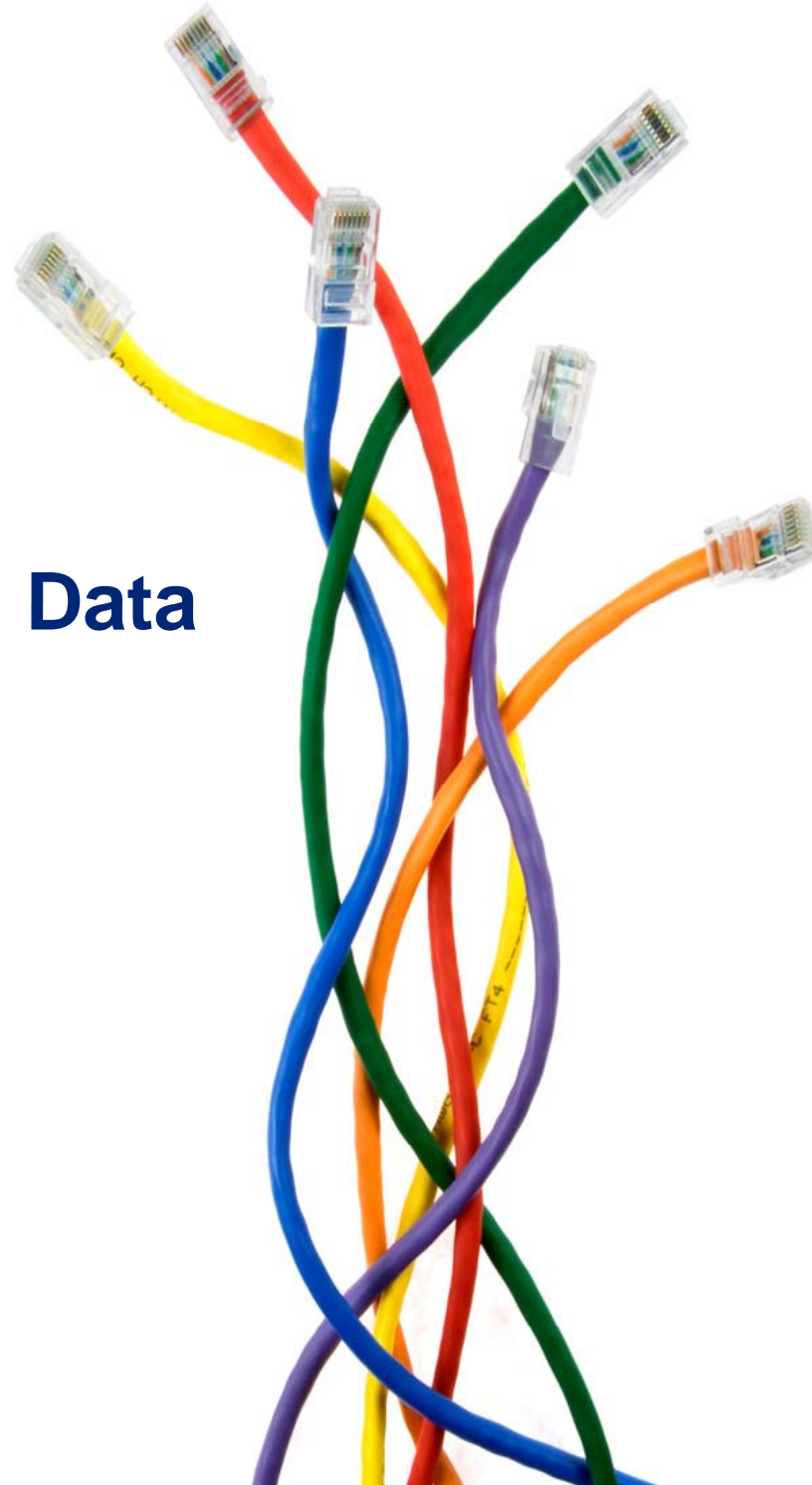
Key Challenges to Compliance

Compliance Tips

Eight Rules of Data Protection

1. Obtain and process information fairly
2. Keep it only for one or more specified, explicit and lawful purposes.
3. Use and disclose it only in ways compatible with these purposes.
4. Keep it safe and secure.
5. Keep it accurate, complete and up-to-date.
6. Ensure that it is adequate, relevant and not excessive.
7. Retain it for no longer than is necessary for the purpose or purposes.
8. Give a copy of his/her personal data to that individual, on request.

Code of Practice on Data Protection for the Insurance Sector



1. Obtain and process information fairly

- Appropriate details on application forms
- Consent from third parties
- Insurance pre-claim data should not be collected
- Develop a written privacy policy
- Provide a privacy statement on websites
- Advise customers in relation to telephone recording
- Explicit consent for sensitive data AND this data must be subject to appropriate security
- Private Investigators should comply with DP rules

2. Keep it only for one or more specified, explicit and lawful purposes

- Keep data for purposes that are specific, lawful and clearly stated.
- New guidance in relation to the collection of data for “secondary purposes”.
- None incepted quotes only kept for 15 months

3. Use and disclose it only in ways compatible with these purposes

- Data should only be disclosed to authorised persons.

4. Keep it safe and secure

- Appropriate security measures should be in place - Particular focus on portable devices
- Appropriate procedures in relation to back-up of data
- Logging and auditing of access to data
- An appropriate external access policy
- Implement a confidentiality policy

5. Keep it accurate, complete and up-to-date

- _____
- Ensure that all data kept is accurate, complete and up-to-date
- Have appropriate procedures in place to check the accuracy of information following its entry.

6. ~~Ensure that it is adequate, relevant and not excessive~~

- Ensure that only relevant information is sought and provided.
 - ~~Medical information provided will only be used to underwrite the proposer's application.~~
- _____
- _____

6. Retain it for no longer than is necessary for the purpose or purposes

- Insurers will have a written data retention policy.
- Policyholder information will be held for 6 years after the ending of the relationship.
- Limited policyholder information may be held for longer periods
- Non incepted life policies may be for 6 years.

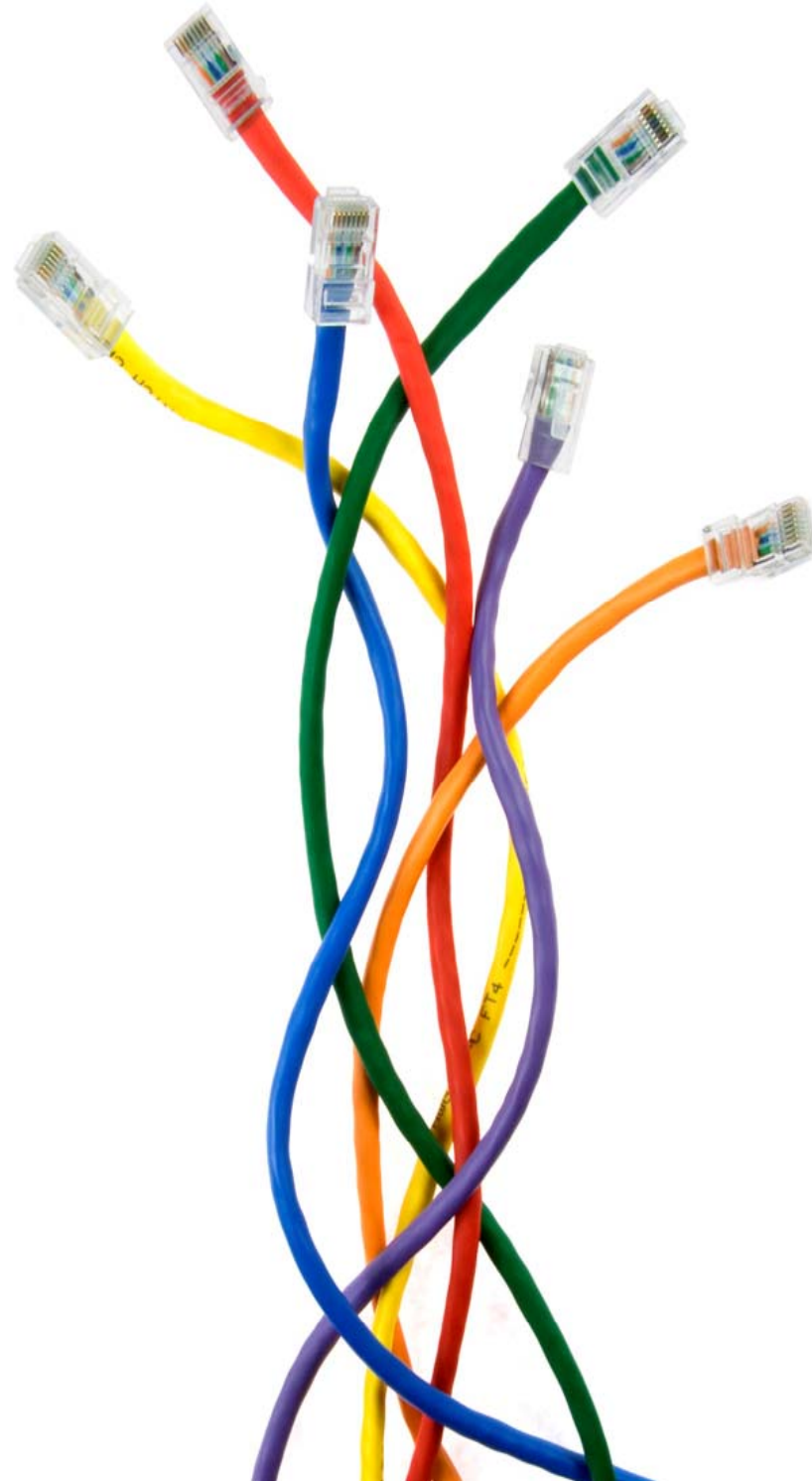
8. Give a copy of his/her personal data to that individual, on request

- Procedures to deal with subject access requests
- Special provision for medical information requests
- Limited circumstances where persons will not be permitted to see information

9. Special provisions relating to genetic test results

- The processing of genetic data in relation to insurance is prohibited
- An Insurer will not request an applicant to have a genetic test
- Forms which ask health questions directly of the individual must include a form of words bringing to his/her attention the fact that he/she should not disclose a genetic test result
- In the event of a genetic test result coming into the possession of an insurer, the genetic test result must be ignored and not taken account of by the insurer

Key Compliance Challenges

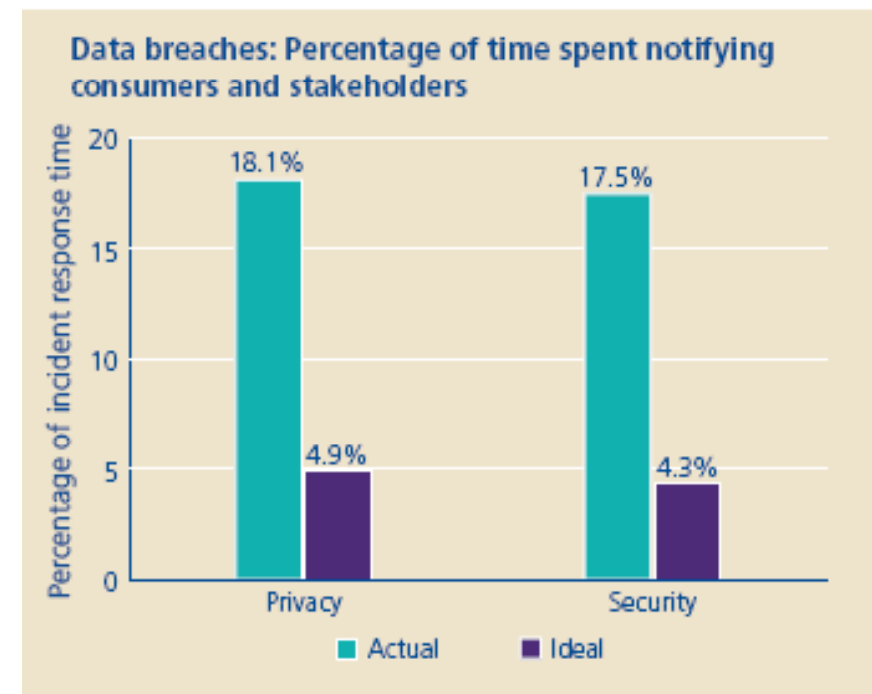
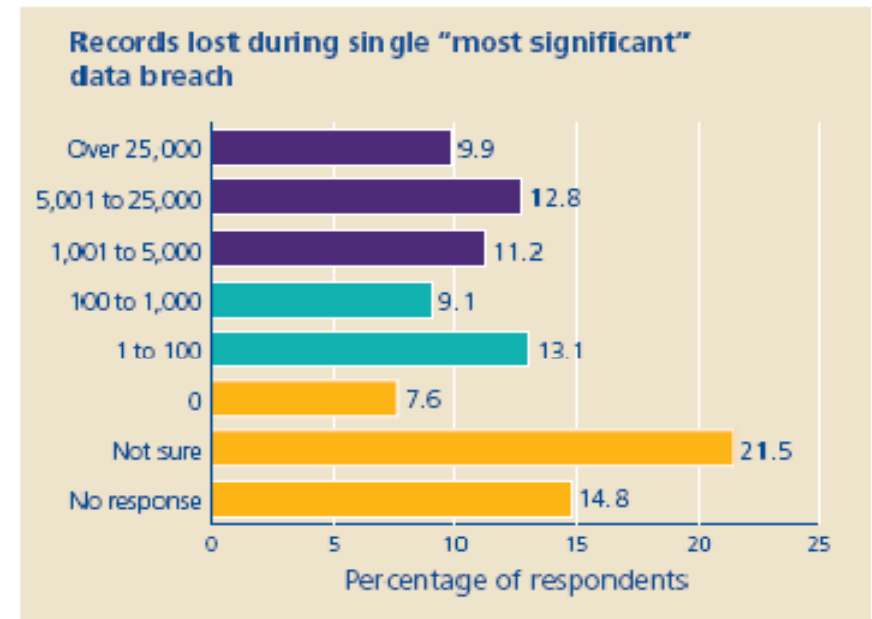


Key Challenges

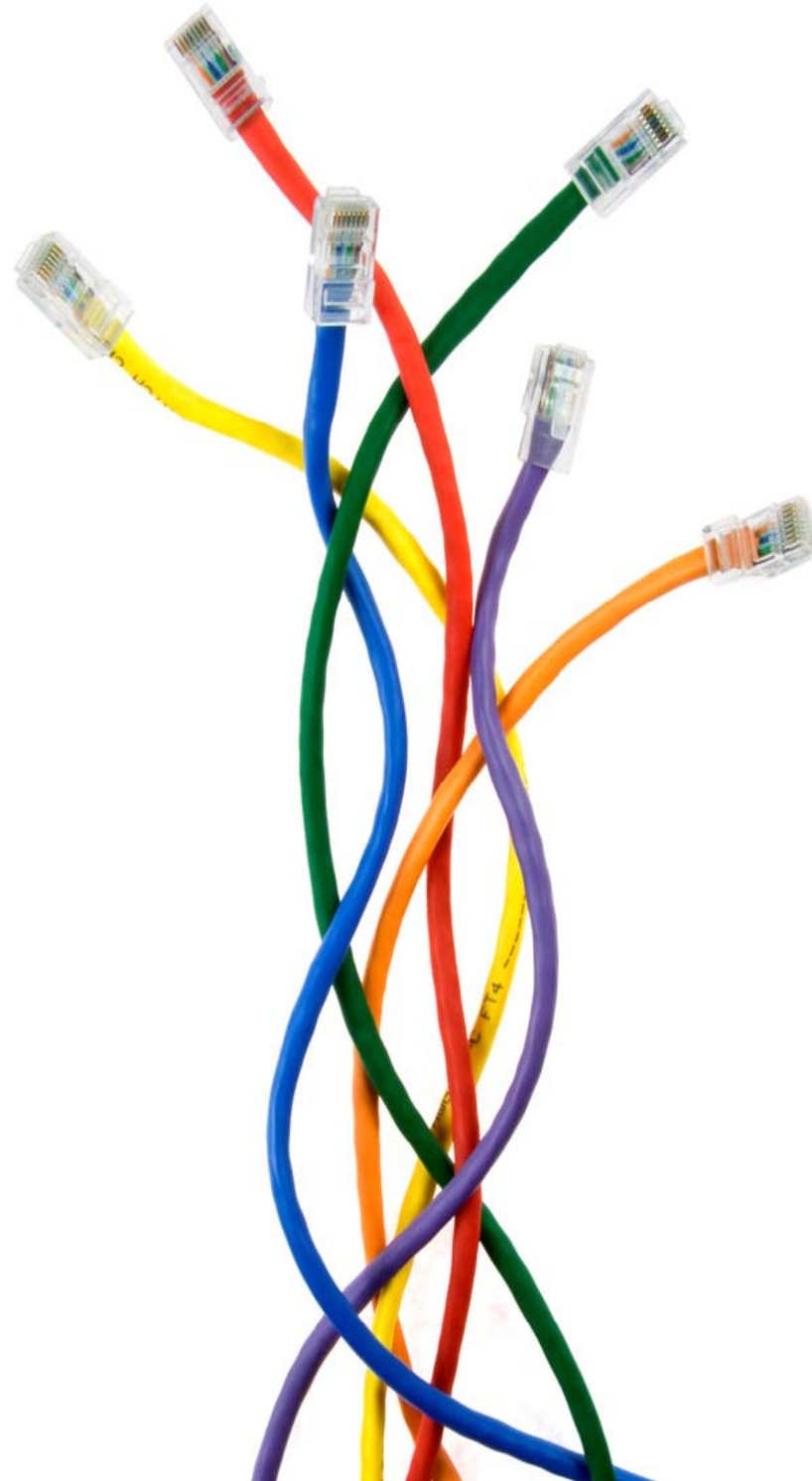
- Securing “buy-in” from senior management
- The need to understand the data held within the organisation
- Training and awareness for staff
- Using the right technology solutions
- Embedding Data Protection into the organisation

Recent Deloitte Survey

- 66.4% of respondents experienced between 6 and 20 incidents and 12.3% indicated more than 20 events.
- Respondents indicated they were spending most of their time on the following activities;
 - Detect, verify, investigate facts and categorize incidents (22.74%)
 - Notify parties/communicating with consumers, employees, stakeholders and other (18.11%)
 - Remediation activities (14.64%)



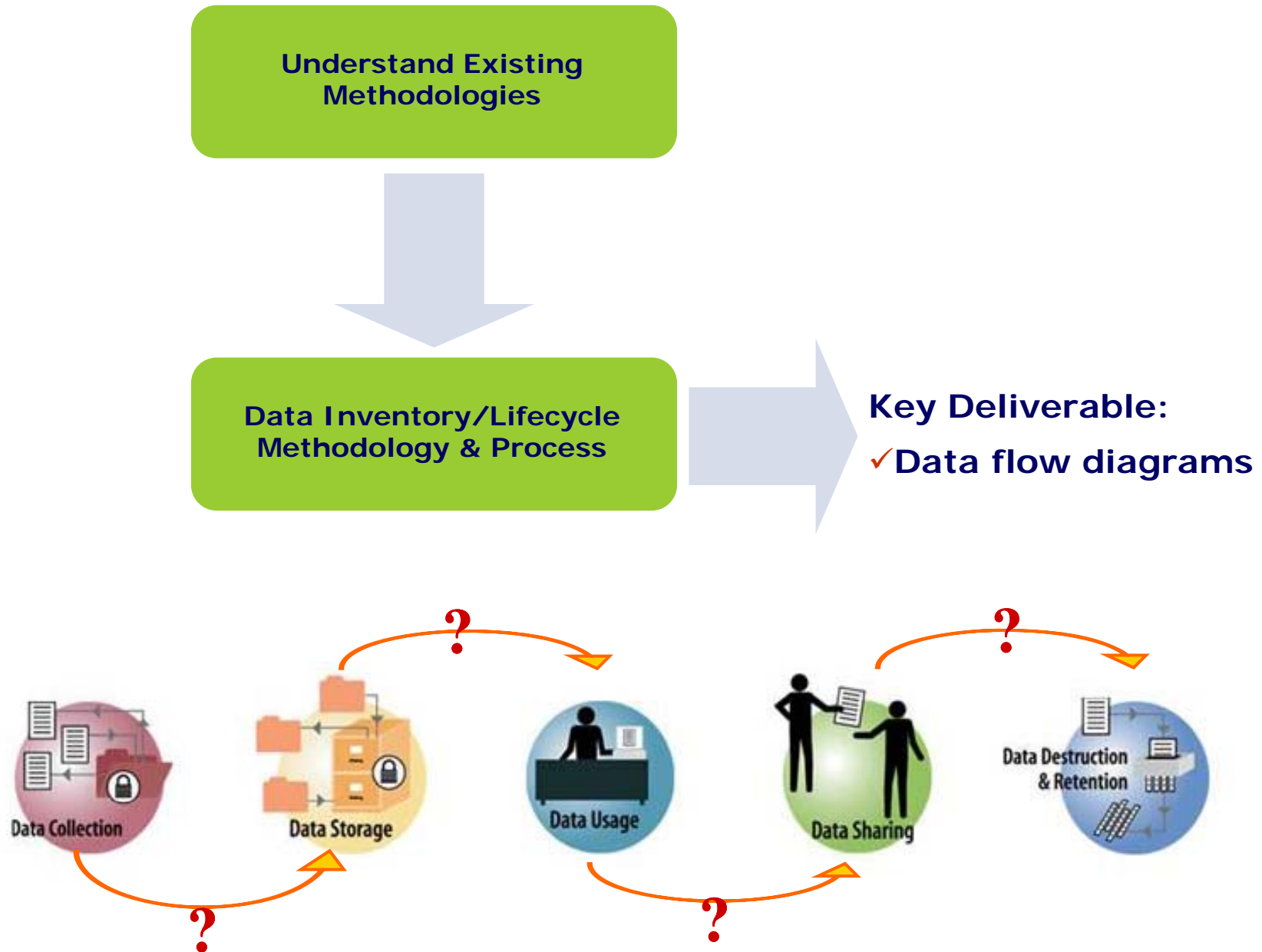
Compliance Tips



10 Steps to Data Protection Compliance

1. Develop a Strategy
2. Understand where your data is
3. Understand the Requirements
4. Conduct a Risk analysis
5. Develop a Data Protection Policy
6. Implement Data Protection Procedures
7. Identify Data Management Controls
8. Use Technology where possible
9. Roll out Training & Awareness
10. Monitor, Update & Report

Understand where your data is



Use Technology Where Possible

Where is sensitive data located?

- Discovery**
 - Desktops
 - Servers
 - Storage
- Classification**
 - Tagging
- Content**
 - Similarity
 - Keyword
 - Dictionary
- Context**
 - Server
 - Application
 - File Type
 - User

What is the user doing with it?

- Unstructured Data**
 - Read
 - Write
 - Copy/Paste
 - Move
 - Print
 - Burn
 - Upload
- Structured Data**
 - View
 - Modify
 - Delete
 - Extract

Where is the data going?

- E-mail**
- Applications**
- Devices**
- Networks**

Apply DP Policy and Actions?

- Alert**
 - Detection
- Notify**
 - Awareness
- Prompt**
 - Intent
- Encrypt**
 - Protection
- Block**
 - Protection
- Mask**
 - Need to know

Audit Logging

Deloitte Data Protection Approach



2009 Insurance Briefing Series

Keeping you up to date



Month	Topic
February 12 th	Regulatory Updates for insurers
March 10 th	Hot topics for audit committees
April	Anti Money Laundering
September	Regulatory updates for insurers
October 20 th	Motor insurance survey briefing
October	Annual financial reporting seminar
December	Finance Bill for financial services

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