

Insurance Regulatory News Alert

New CAA Circular 22/15

8 August 2022

Overview

The Commissariat aux Assurances (CAA) recently published a new circular letter (Lettre Circulaire 22/15 du Commissariat aux Assurances) regarding the roles and responsibilities of the Board of (re)insurance undertakings and any holding companies under their supervision.

The instructions included in this circular are organised around 8 pillars:

1. Qualities and behaviour of the directors
2. Composition of the Board of Directors
3. Legal entity as a Board member
4. Notification to the CAA of the Board composition
5. Operation of the Board of Directors
6. Documentation of Board Meetings
7. Committee structure and key functions
8. Other missions of the Board of Directors

These instructions are all based on the Solvency II Framework (Directive, Delegated Acts and related guidelines), the Audit Directive, and related local transposition (Loi modifiée du 7 décembre 2015 sur le Secteur des Assurances, Règlement du Commissariat aux Assurances n° 15/03 du 7 décembre 2015 and the Loi Audit). Thus, some of these instructions are a reminder of existing requirements.

In particular, the CAA requires the Board of Directors to regularly:

- Evaluate its operation to make improvements, verify its effectiveness and ensure that each director has a clear understanding of their role and responsibility.
- Assess or ask for an assessment of the system of governance of the undertaking or group, including day-to-day management and the key functions defined by Solvency.
- Document the frequency and outcomes of these regular assessments.

These instructions result from the role of the Board within the overall governance system of the (re)insurance undertakings, as it has the primary responsibility to:

- Implement an effective risk governance system which provides for a sound and prudent management of potential risks.
- Build an effective risk management system comprising strategies, processes and reporting procedures necessary to identify, measure, monitor, manage and report on a continuous basis the risks to which they are or could be exposed and their interdependencies

- Provide qualitative information allowing competent authorities to evaluate the quality of the system of governance.

Timeline

Undertakings within the scope of this new circular will need to be compliant by September 30, 2022, considering that:

- Instructions relating to Board composition and to articles of association are applicable as from March 31, 2023;
- By March 31, 2023, the assessment of the governance system must be documented.

How Deloitte can help

Deloitte can help you along the journey towards compliance with the new regulations outlined in this circular by assessing your current readiness, thanks to an exhaustive list of questions already available to be deployed. We can more specifically assist you in proposing measures to set up or strengthen your framework for assessing your governance system or in carrying out this assessment in an independent manner, based on our proven experience regarding governance compliance. Deloitte can guide you through different activities allowing you to improve your current governance system and compliance towards Solvency II Pillar II requirements

Deloitte can also help you to stay on top of the regulatory agenda with its Regulatory Watch service which will keep you up to date on all relevant regulation changes.

Your Contacts

Michael Cravatte

Partner – Insurance Leader

Tel: +352 45145 4758

mcravatte@deloitte.lu

Ronan Richard

Partner – Audit

Tel: +352 45145 4210

ronrichard@deloitte.lu

Ludovic Bardon

Partner – Audit

Tel: +352 45145 2367

lbardon@deloitte.lu

Alexandre Schneider

Senior Manager – Insurance

Tel: +352 45145 3658

alschneider@deloitte.lu

Deloitte Luxembourg
20 Boulevard de Kockelscheuer
L-1821 Luxembourg
Grand Duchy of Luxembourg

Tel: +352 451 451

Fax: +352 451 452 401

www.deloitte.lu