



Gibraltar Financial Services Commission

Request for Proposal

Quality Assurance on the Solvency II balance sheet, own funds, solvency capital requirement and minimum capital requirement

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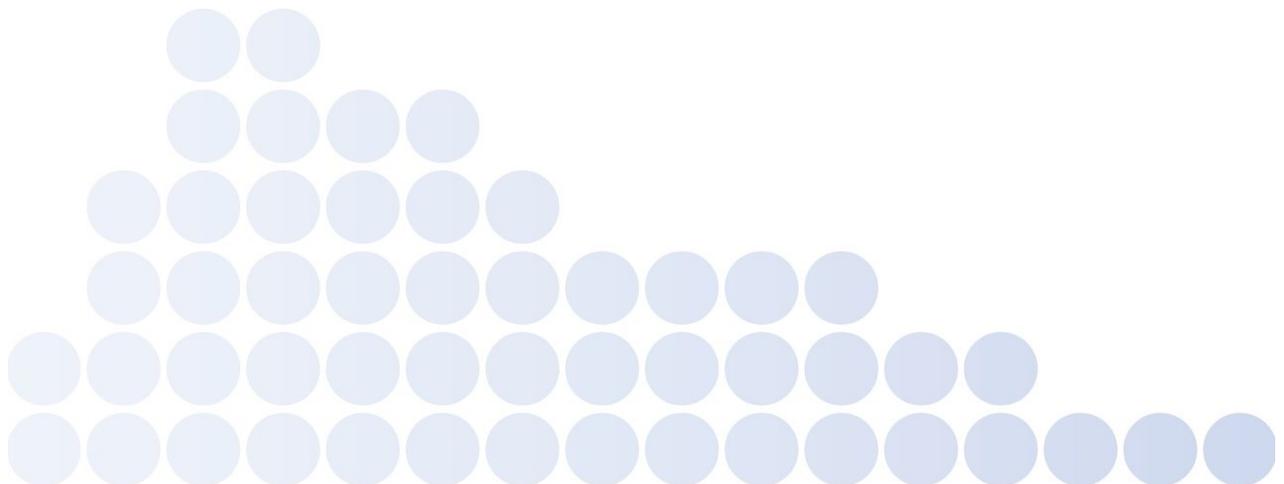




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1. Background

1.1 Gibraltar Financial Services Commission (“GFSC” or “the Commission”)

1.1.1 The Gibraltar Financial Services Commission regulates the financial services industry in Gibraltar.

1.1.2 The GFSC supervises a broad range of firms including auditors, banks, company managers, e-money institutions, professional trustees, payment services providers, funds and fund service providers, insurance companies, managers and intermediaries, investment firms, and insolvency practitioners. Firms that wish to do business in or from within Gibraltar must meet our standards and criteria both at application stage and on an on-going basis. Our supervisory work focuses primarily on the way firms are operated and governed and the identification of risks to consumers and the reputation of the jurisdiction more generally.

1.1.3 Two of the statutory objectives of the Gibraltar Financial Services Commission (“The Commission”) are:

- The protection of policyholders, no matter where they are located;
- The protection of the good reputation of the jurisdiction.

1.1.4 The Commission believes that producing high quality information is central to firms making sound decisions on their capital planning and business strategy. The importance of high quality information is also acknowledged by the European Insurance and Occupational Pensions Authority (“EIOPA”) when it stated the following in its newsletter dated 29 June 2015:

“EIOPA is convinced that only high quality disclosed figures and good public reports can fulfil the goals set out by Solvency II...EIOPA believes that to ensure high quality public disclosure for Solvency II purposes, external audit of that information can certainly be a powerful tool.”

1.1.5 We considered a number of options for obtaining assurance on the quality of public disclosures for solvency II to achieve our statutory objectives and with the aim of providing as much value to the management of insurance companies through the process selected, as well as giving the Commission and other stakeholders the assurance they need.

1.1.6 We set out two proposals for achieving quality assurance for consultation, which closed on 5 December 2016. We invited respondents to choose one of the two proposals or to set out their views on an alternative method of achieving the same goal. Feedback to the consultation will be issued at a later date. However, the feedback received broadly support Proposal 2, with some adjustments. These have been factored into the request for proposal.



1.2 Gibraltar Insurance Market

- 1.2.1 Gibraltar has a large insurance market with 50 open market insurers. The largest insurance class of business is motor insurance and Gibraltar insurers underwrite approximately 20% of the gross written premium of the entire UK motor market.
- 1.2.2 As at the date of this paper, there are 39 insurance companies within the scope of Solvency II reporting that are active open market insurers, or are reinsurance captives to open market insurers. These have been listed in Appendix 1.
- 1.2.3 In line with the rest of Europe, the Gibraltar Finance Services Commission has been responsible for its insurers implementing Solvency II. Transposition of the Solvency II Directive by the Government of Gibraltar into national legislation occurred in Q1 2015. There has been engagement with EIOPA during the implementation to ensure that the rules are being applied in a proportionate manner for the Gibraltar market.



2. Services Requested

2.1 Overview

2.1.1 We require a 'review and recommend' exercise to be undertaken across the firms included in Appendix 1. This review should cover the following:

- extraction of the source data from the relevant systems, and how it is used in formulating the Solvency II balance sheet and the SCR calculation;
- the underlying assumptions, accounting policies, and the judgements made in the calculation of the Solvency II balance sheet;
- the underlying assumptions, accounting policies, and the judgements made in the calculation of the own funds;
- the underlying assumptions, accounting policies, and the judgements made in the calculation of the minimum capital requirement;
- the underlying assumptions, accounting policies, and the judgements made in the calculation of the solvency capital requirement.

2.1.2 The review will be at the solo entity level only and the templates in scope will be:

Template	Title
S.02.01	Balance Sheet
S.23.01	Own Funds
S.25.01	Solvency Capital Requirement
S.28.01	Minimum Capital Requirement

2.1.3 Following the completion of the review of the individual firms, we will require report to be produced for the Commission at an overall market level on the state of Solvency II implementation in Gibraltar and identification of the key market-wide themes identified from the reviews of the individual firms to help support the design of the Commission's future supervisory activities. This should include a benchmarking exercise of all firms.

2.2 Timing

2.2.1 Our goal is to have the entire review completed by 15 April 2017. At this date, we would expect that draft findings will have been discussed and agreed with the firms reviewed. We have selected this date to ensure that firms will be able to include any adjustments arising from the review in their annual quantitative reporting templates (QRTs) and Solvency and Financial Condition Report (SFCR).

2.2.2 We recognise that the timelines set are very tight, and if those proposing for this work believe that the timescales are unachievable, we would welcome suggestions on alternative timelines. These recommendations should consider the Gibraltar insurance market, and the risks posed to the GFSC's statutory objectives outlined in section 1.1.3.

2.2.3 The benchmarking report for the insurance industry would need to be completed by no later than 30 June 2017.



2.3 Involvement by the Commission in the reviews

2.3.1 The Commission will want two of our own full time employees to be involved in and form part of the team conducting the reviews. These two individuals will be:

- **One Technical Specialist:** Technical specialists in the prudential supervision team are individuals who are specialists in insurance, either through a background in actuarial or audit/accounting disciplines.
- **One Regulatory Officer/Senior Regulatory Officer:** Regulatory officers/ senior regulatory officers are trainee or fully qualified accountants who have a minimum of a year's involvement in the supervision of insurance companies.



3. Tender Instructions

3.1 Overview

3.1.1 The tender process will be conducted in two stages. The first stage will comprise the submission of a written proposal document. These submissions will be considered by a committee and successful applicants will proceed to the second stage of the process. This will consist of a presentation of your proposal to a panel comprised of at least the Director of Regulatory operations, the Head of Prudential Supervision, and a Prudential Technical Specialist.

3.2 General instructions

3.2.1 Your proposal should be no more than 12 pages including appendices.

3.2.2 We require your proposal to be submitted by no later than 4pm (GMT+1) on 13 January 2017. Please submit your proposal by email to Monika Samtani, msamtani@fsc.gi

3.2.3 A number of shortlisted firms will be asked to present to a panel on 23 January 2017.

3.2.4 We expect that this project will commence on 1 February 2017 and complete by 15 April 2017. If this is unachievable, we would expect interested firms to propose an alternative timeline identifying which insurance company reviews would be complete prior to 15 April 2017.

3.3.5 The industry wide benchmarking report should be completed by no later than 30 June 2017.

3.3 Proposal document expected contents

3.3.1 As a minimum, we would like to see the following as part of the approach:

- a) Executive summary
- b) Your proposed approach and your planned methodology with specific reference to the areas identified in section 2.2.
- c) Key risks identified and how these will be managed
- d) Delivery timeline, with an outline of which firms you will review and when
- e) Where all firms will not be reviewed prior to 15 April 2017, an assessment of how you will segment the market and which firms you will prioritise for review and finalise prior to this date.
- f) Your credentials
- g) CVs of proposed team
- h) Fee estimate, allocated between firms.
- i) Your proposed mechanism for allocating the overall fee to individual firms for the review
- j) Your assessment of the conflicts of interest arising from your firm undertaking the market wide review, and how these will be managed



- k) How you will maintain confidentiality and manage the data received
- l) An engagement plan with the insurance industry, which covers, at a minimum, how you plan to communicate your expectations of deliverables with the industry, how you will explain your approach, the documentation you will require and the level of involvement you will require from the senior management at insurance companies
- m) Where firms intend on undertaking a full audit of the SFCR, or have had an in-depth review and recommend piece of work completed on the relevant elements of the quarterly or day 1 Solvency II submissions, please include an explanation of how will you use this information
- n) How you intend to involve both GFSC members in the team
- o) How you intend to transfer the knowledge of conducting the review to the GFSC team
- p) An example of the format of the report to each firm
- q) An example of the format of the industry-wide benchmarking report
- r) The value added services you can provide to the firms under review, and to the Commission

3.4 Queries on the scope or content of the proposal

3.4.1 We would welcome engagement with interested parties to answer any queries or provide clarity on the scope of the review. Please contact Monika Samtani on msamtani@fsc.gi

3.5 Confirmation of interest

3.5.1 I should be grateful if you could confirm by 30 December 2016 whether your firm would like to submit a proposal. Please respond by email to msamtani@fsc.gi

Kind regards,

Kathryn Morgan
Director of Regulatory Operations
For and on behalf of the Gibraltar Financial Services Commission



Appendix 1 – list of insurance companies in scope

1. AA Underwriting Insurance Company Limited
2. Acasta European Insurance Company Limited
3. Acromas Insurance Company Limited
4. Admiral Insurance (Gibraltar) Limited
5. Advantage Insurance Company Limited
6. Alwyn Insurance Company Limited
7. Argus Insurance Company (Europe) Limited
8. Brit Insurance (Gibraltar) PCC Limited
9. Calpe Insurance Company Limited
10. Carraig Insurance Company Limited
11. Casualty & General Insurance Company (Europe) Limited
12. Collingwood Insurance Company Limited
13. EFlow Insurance Limited
14. Elite Insurance Company Limited
15. Evolution Insurance Company Limited
16. Haven Insurance Company Limited
17. Horizon Insurance Company Limited
18. LAMP Insurance Company Limited
19. Lighthouse General Insurance Company Limited
20. Lighthouse Life Assurance Company Limited
21. London & Colonial Assurance plc
22. Markerstudy Insurance Company Limited
23. MCE Insurance Company Limited
24. Millennium Insurance Company Limited
25. Mulsanne Insurance Company Limited
26. Nelson Insurance Company Limited
27. Petrus Insurance Company Limited
28. Premier Insurance Company Limited
29. Quick-Sure Insurance Limited
30. Red Sands Insurance Company (Europe) Limited
31. Red Sands Life Assurance Company (Europe) Limited
32. Skyfire Insurance Company Limited
33. Southern Rock Insurance Company Limited
34. St Bernard Assure Limited
35. STM Life Assurance PCC plc
36. The Care Insurance Company Limited
37. Tradewise Insurance Company Limited
38. Watford Insurance Company Europe Limited
39. Zenith Insurance Public Limited Company



Published by:

Gibraltar Financial Services Commission

PO Box 940

Suite 3, Ground Floor

Atlantic Suites

Europort Avenue

Gibraltar

Tel: (+350) 20040283

Fax: (+350) 20040282

www.fsc.gi