

# INVESTOR PROTECTION MEASURES IN THE REPUBLIC OF IRELAND

**This article provides an outline of the investor protection measures in Ireland, for policyholders not habitually resident in Ireland, who invest in a life assurance policy.**

Old Mutual International Ireland dac (OMII) is a subsidiary of Old Mutual Plc which is listed on the UK Stock Exchange FTSE® 100.

Investor protection schemes are regarded as a safety net for the policyholders and allow policyholders to claim compensation in the unlikely event the life company becomes insolvent. The rules governing such schemes and specific rights for each policyholder vary from one jurisdiction to another.

In Ireland there is no formal investor protection scheme. However, there are a number of regulatory measures in place to protect the policyholders of an Irish life assurance company.

## PROTECTION OF OMII ASSETS

OMII currently only writes unit-linked business, where the policyholder selects the underlying assets of the policy. Therefore, there is always a close link between the value of OMII's assets and the liabilities to its policyholders. This means that OMII can meet its obligation to pay the relevant policyholder the encashment proceeds from the policy. The nature of the single product type means that OMII's policyholders cannot be exposed to risks of other business lines, for example, investment guarantees or protection business.

As a matter of Irish law and regulation, in the event of a winding up of an Irish-authorized life assurance company, policyholder claims take absolute precedence over any other claims of the life assurance company, the only exception being the cost incurred when winding up the company.

## MONITORING AND REGULATION OF OMII'S BUSINESS

OMII must provide a set of audited accounts, at least annually to the Central Bank of Ireland (the "Central Bank") for inspection. It is the responsibility of OMII's Head of Actuarial Function to certify (based on certain assumptions) that OMII is able to meet its policyholders' claims and has at all times maintained the level of assets it is required to hold as a matter of Irish law and regulation.

Under the Solvency II Directive, the EU sets minimum standards of solvency for all EU-authorized life assurance companies using a risk based approach. The Solvency Capital Requirement ("SCR") is the capital that should be held to ensure that an EU-authorized life assurance company can meet its obligations to its policyholders. The Minimum Capital Requirement ("MCR") is the minimum level of capital which must be held by an EU-authorized life assurance company. OMII consistently exceeds both the SCR and the MCR by a margin in excess of 200%.

The Central Bank has various powers of intervention in the case of doubtful solvency of an Irish-authorized life assurance company. OMII is also subject to regular internal and external audit activity and inspection visits by the Central Bank. This means that OMII is regularly reviewed by the Central Bank to ensure it meets the applicable legal and regulatory requirements in Ireland.

Applicable legal and regulatory requirements, and internal Old Mutual Group policies, dictate how OMII's capital, including the assets used to meet its SCR are invested. These set out cautious criteria which require significant institutional diversification and a high degree of liquidity of deposits.

## EUROPEAN UNION

The EU does not currently have any legislation governing investor compensation schemes for European insurers. The Insurers (Reorganisation and Winding Up) Directive 2001 does provide specific guidance around policyholder assets, in the event of an insurer becoming insolvent. Policyholders' liabilities must be paid ahead of any other creditors of the insurer. Whilst this Directive is not a form of investor protection in the EU, it does give policyholders some comfort in the unlikely event of the insolvency of an insurer occurring, because the policyholder will be treated as a preferential creditor, the only exception being the cost incurred when winding up the company.

## INVESTMENT RISK ASSOCIATED WITH THE UNDERLYING ASSET

Investor protection schemes do not cover the investment risk the policyholder chooses to take in respect of their policy. These risks vary depending on the type of asset selected and can also include, for example, currency fluctuations, counterparty and emerging market risks.

Policyholders can elect to change the underlying assets, within their policy, to reflect their current risk appetite. The value of policyholder's investments can fall as well as rise, will fluctuate daily and OMII cannot guarantee the amount policyholders will receive as a return on the investment.

## UK FINANCIAL SERVICES COMPENSATION SCHEME ('FSCS')

OMII Policyholders who were habitually resident in the UK, at the time of applying for an OMII policy; and provided the policy commenced on or after the 1 December 2001 are likely to be covered by the UK FSCS. Currently, 100% of the value of policy, at the time the insurer goes into liquidation, is covered under the Scheme.

**The information provided in this article is not intended to offer advice.**

**It is based on Old Mutual International's interpretation of the relevant law and is correct as dated 17 June 2016.**

**While we believe this interpretation to be correct, we cannot guarantee it. Old Mutual International cannot accept any responsibility for any action taken or refrained from being taken as a result of the information contained in this article.**

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