



# Revitalising Ireland as a home for (Re)insurers

Creating a welcoming environment and promoting Irish excellence

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# 1 Objective and Rationale

## 1.1 Refining Ireland's USP

Ireland is the 4th largest market for (re)insurance in the EU and the largest provider of cross-border life and non-life insurance services. Irish reinsurers rank 3rd in the EU and Ireland is home to more than 60 captives. The Irish (re)insurance industry employs more than 35,000 people and it contributes more than 2.7 bn Euros to the Exchequer annually. In 2023, Irish insurers generated 103 bn Euros in gross written premiums and paid out claims worth more than 70 bn Euros. Irish insurers held 483 bn Euros in assets covering liabilities worth 431 bn Euros. This performance makes Irish (re)insurers core investors in the Irish, European and global economies, and major risk takers enabling businesses to flourish and providing peace of mind to citizens.

However, the position of the Irish market is eroding. In 2023, the Irish market grew by only 1.1% compared to 3.6% growth across the European Economic Area. Notably, these results do not reflect the relocation of major insurance groups from Ireland which will negatively impact growth statistics in 2024.

In 2023, Milliman presented an Economic and Social Report on the Irish insurance industry at the European Insurance Forum (EIF). The report confirmed that (re)insurers see increasing challenges to the competitive position of Ireland compared to other jurisdictions, particularly concerning decisions on, Foreign Direct Investment (FDI) and securing the commitment of increased investment by undertakings already located here. The main reasons identified for this development were the challenges with attracting and retaining talent, and the regulatory environment.

The factors which were considered important for establishing undertakings in Ireland in the early 2000s became less important, e.g., the English language is not a unique characteristic of Ireland in the EU, due to the development of English language skills in many EU countries, and the EU-wide prudential regulatory regime for (Re)insurers, Solvency II, enhanced regulatory convergence and created incentives for the consolidation of organisational structures.

The number of insurance and reinsurance undertakings based in Ireland has been on a downward trajectory since the peak in 2009. Overall, the number of entities has reduced by 39% since then, with the number of life companies down 42%, the number of non-life companies down 29%, and the number of reinsurers down by 47%. Notwithstanding the number of entities reducing, some large insurance groups have also relocated operations to other EU countries over this period.

Against this background, Insurance Ireland encourages the Government to lead a strategy to revitalise Ireland's offering as a home for (re)insurers. To facilitate the discussion, Insurance Ireland suggests the following five actions.

# 5 Key Actions

To enhance Ireland's competitiveness as a leading global hub for (re)insurance services, Government should work the industry to implement streamlined processes that attract international investment, regulatory improvements, greater transparency and support the sustainable growth of the industry.

## ONE-STOP-SHOP FOR INVESTMENTS

A Welcoming Culture



Create a one-stop-shop for the establishment and investment of reinsurance services



Establish clear KPIs to ensure the one-stop-shop is working



Explicitly include captives and the wider (re)insurance ecosystem in the initiative

## ADDRESS THE TALENT CRISIS

Short, medium and long-term action



Develop a clear framework for PCFs where such roles can be based outside of Ireland



Implement a Cross-Border Taxation Scheme for Teleworkers



A cross-border taxation scheme should form the basis for double-taxation agreements

## ATTRACT INVESTMENTS IN (UNREGULATED) SERVICES

Leveraging Ireland's excellence across sectors



Attract not only regulated financial entities but also unregulated services that support the ecosystem



Support regionalisation by encouraging investment outside of major urban centres



Assess how additional unregulated services could reinforce the tax position of regulated service providers

## INCLUDE (RE)INSURANCE IN FTAs & MOUs

Strengthen Ireland as the EU's gateway to the world



Inclusion of (re)insurance services and operation of third-country branches in future FTAs



Enhance cooperation and explore partnerships and cooperation with countries outside the EEA



Work with the CBI to establish MoUs with regulators and supervisors in other countries

## ENHANCE REGULATORY EFFICIENCY

Increasing predictability transparency and accountability



Address divergences and administrative burden in the ongoing review of Solvency II



Build on CBI progress, to further improve predictability, transparency, and accountability



Support the CBI's PRISM Review, with a focus on improving transparency and predictability

## 2 Five Actions

### 2.1 Create and promote a one-stop-shop for Foreign Direct Investment (FDI) into the (re)insurance market, supported by Industry

#### 2.1.1 A Welcoming Culture

In the competition to attract FDI, the general openness to engage is crucial.

Insurance Ireland is fully supportive of IDA Ireland in its efforts to promote Ireland as a jurisdiction globally. Insurance Ireland supports these efforts through its promotional mandate and regularly engages with foreign (re)insurers and supports existing players in the Irish market when assessing future investment opportunities. Ireland's sophisticated and well-developed professional services industry is perfectly placed to assist interested undertakings in investing in Ireland. A recent success of these efforts in the insurance sector was OUTsurance's choice of Ireland for their first operation in the EU and the commitment expressed by Generali to the Irish market following the acquisition of a portfolio in Ireland.

Nonetheless, Insurance Ireland believes that more can be done to promote Ireland and its excellence in the (re)insurance sector, including its supervisory standards and attract business and investment into Ireland. A strong regulatory and supervisory environment maintained by the Central Bank of Ireland (CBI) is recognised as a key trademark for Ireland as a jurisdiction. While standards should not be undermined, there should be clear, transparent, efficient and pragmatic processes to meet the expectations and requirements of interested investors. Insurance Ireland acknowledges the CBI's recent publication of updated guidance on the authorisation and approval process, and the checklist for the submission of material changes of business plans. The industry considers these publications very valuable and encourages the CBI to further evaluate where clarity of supervisory expectations can be enhanced.

Bringing together the positive engagement and commitment from all stakeholders, the Government, supported by IDA Ireland, the Office to Promote Competition in the Insurance Market within the Department of Finance, the CBI and the industry should create a one-stop-shop for the establishment and enhancement of (re)insurance services in Ireland. The process should also include clear measures and KPIs on how the one-stop-shop is performing and how it facilitates a welcoming culture to effectively attract FDI and investments in incumbents into the market for (re)insurance in Ireland.

It is important to note that this initiative should explicitly include captives and unregulated support services which support the wider (re)insurance industry ecosystem, such as back office service centres, as well as R&D, innovation and technology centres.

## **2.2 Address the talent crisis effectively**

### **2.2.1 A mix of short, medium and long-term action**

The severe shortage of talent is a challenge for many sectors, including the (re)insurance industry. A survey commissioned by Insurance Ireland showed Ireland is seen as less attractive for undertakings due to labour market challenges and high operational costs. Respondents highlighted concerns over rising costs affecting both employees and consumers, hindering recruitment and retention efforts. Skill shortages, especially in IT, Compliance & Risk pose significant challenges for insurance undertakings in their efforts to grow their operations.

The industry reacted to this development with several initiatives including new apprenticeship programmes, i.e., “earn and learn” and a dedicated talent roadmap presented by Insurance Ireland. Insurance Ireland also supported a targeted Skills and Talent Framework for Financial Services as a whole to encourage participation in the financial sector across all levels. These initiatives present notable investments into the future and the further development of the already well-educated Irish market. Insurance Ireland believes that these initiatives should be accompanied by further measures to make Ireland more attractive for foreign talent and build on the existing talent available. Traditionally, Ireland attracts highly skilled talent from across the EU and worldwide. The cost-of-living challenges, housing shortages, and challenges with access to schools and childcare have made it more difficult for Irish undertakings to attract talent from abroad.

The Covid-19 pandemic changed our ways of working substantially. One way which this could be capitalised on is regarding an appropriate framework for Pre-Approved-Control Functions (PCF) for undertakings where their PCFs are based outside of Ireland. Remote working and working from abroad have become a substantial part of people’s work lives. Insurance Ireland strongly suggests embracing this situation to the benefit of Ireland as a place to do business.

A comprehensive scheme for the fair taxation of cross-border teleworkers and extended working from abroad as well as a reflection on cross-border corporate taxation can give Ireland a competitive advantage when attracting international talent. This scheme should form the basis for future double-taxation agreements.

## 2.3 Attract investments in (unregulated) services

### 2.3.1 Leveraging Ireland's excellence across sectors

Similar to the wider economy and society, the (re)insurance industry is subject to major transformation. New technologies, data usage and general business consolidation drive the industry. In addition, increased needs for training and development, upskilling and reskilling present challenges and opportunities for the industry. As part of the IFS 2025 strategy, the Government, the CBI, and other stakeholders have taken steps to support innovation in the financial services sector and promote diversity and talent in Ireland. These initiatives should be further built out under the new Revitalising Ireland strategy. Insurance Ireland is particularly supportive of the efforts by the CBI in establishing an innovation sandbox programme, with the first iteration of the sandbox programme launched at the end of September.

The consolidation we see across many industries also affects the insurance industry. Service supply, training and innovation hubs are centralised, with streamlined investments. These developments present a challenge but also an opportunity for small open and highly developed jurisdictions, like Ireland. Attracting not only regulated financial services entities investing in innovation and transformation (i.e., fintech and Insurtech) to Ireland but also putting a strong focus on attracting unregulated services supporting the industry ecosystem can create momentum and a significant competitive advantage for Ireland as a place to do business.

Insurance Ireland believes that attracting investment in (unregulated) services and attracting service centres to Ireland can also support the regionalisation and decentralisation objectives of the Ireland for Finance Strategy. Therefore, it should be assessed how investment in such services in Ireland can be made more attractive. Amongst other measures, an assessment should be conducted on whether locating additional unregulated services in Ireland could reinforce the tax position of groups carrying out other (regulated) services from Ireland.

## 2.4 Include (Re)Insurance in Free Trade Agreements and complementary supervisory Memorandum of Understanding

### 2.4.1 Strengthen Ireland as the EU's gateway to the world

Ireland is the EU's gateway to the world, and the world's gateway to the EU, particularly in the insurance sector. Ireland is home to many EU subsidiaries from the major (re)insurance markets outside the EU, e.g., Bermuda and the USA, as well as highly specialised subsidiaries of major EU (re)insurance groups. Strengthening Ireland's leading role as an international hub for (re)insurance services should be assessed further. The



ability to include (re)insurance services in Free-Trade Agreements (FTAs) and encourage supervisory Memoranda of Understanding (MoUs) can be of particular value.

Ireland's initiative to include aircraft leasing in FTAs is a great success. To further develop the (re)insurance market, enhancing cooperation with countries outside the EEA should be considered. A clear commitment to enhance the access to markets for Irish (re)insurers worldwide could be a strong competitive advantage across the EU but also in competition with other (re)insurance markets, like the UK. This can allow Ireland to attract investment into existing Irish businesses and bring additional international investments into the Irish market to operate globally through third-country branches abroad.

Insurance Ireland considers the following steps as a starting point to embrace this opportunity and gain an advantage over other jurisdictions: First, prominently include (re)insurance and the operation of third-country branches and market access into FTAs. Secondly, work closely with the CBI to develop MoUs with respective regulatory and supervisory authorities of other countries to ensure effective and efficient cooperation for authorisation and supervision of third-country branches and data exchange. Leveraging both CBI and industry expertise can also enhance regulatory and supervisory quality in the partnering countries.

## **2.5 Enhance Regulatory Efficiency**

### **2.5.1 Increasing predictability transparency and accountability**

The Irish insurance market predominantly consists of subsidiaries of EU and international (re)insurance groups authorised by the CBI. The common EU prudential supervisory regime, Solvency II, provides the most advanced supervisory system for (re)insurance groups worldwide. Consistency with the common framework is essential for the Irish-authorized entities to operate efficiently. Solvency II is currently under review. The national transposition and implementation of Solvency II and the new EU-wide recovery and resolution regime are outstanding opportunities to address any inconsistencies and divergence (e.g., regarding the currently required actuarial review report or the consistent implementation of group recovery regimes) and offers the opportunity to build upon the streamlining of EU Regulations in line with the European Commission's ambition to reduce the administrative burden resulting from regulation by 25%.

In addition, the Solvency II transposition project also creates momentum to further enhance predictability, transparency and accountability in the Irish regulatory and supervisory regime for (re)insurance. We greatly appreciate the steps already undertaken by the CBI to enhance the processes surrounding material changes of business plans and the updated guidance on authorisations and approvals. This type of regulatory guidance forms an essential element of the one-stop-shop mentioned above.

We also consider the improvements to the Fitness & Probity regime recommended by the Enria Report as improvements. Nonetheless, we strongly believe that additional measures are necessary. One example is the risk classification of individual undertakings. Similar to other national competent authorities, the CBI has a risk rating mechanism (PRISM). This rating determines the level of supervision and is used for determining the scope of regulatory and supervisory measures. In contrast to other jurisdictions, PRISM is not transparent and changes in the rating cannot be predicted by the undertakings. As the changes in the individual rating can have a significant impact on insurance undertakings, the transparency of the rating methodology should be enhanced and changes should be communicated, at least 12 months before entering into effect. Insurance Ireland understands that the CBI plans to review and consult on the PRISM system in 2025 and this is a welcome development.

### 3 Conclusion

Insurance Ireland is confident that the outstanding expertise and excellence in the Irish (re)insurance industry and its supervisor provide an outstanding opportunity to revitalise Ireland's role as an international hub for (re)insurance.

Against the background of domestic challenges, like the talent crisis, as well as external pushback by increasing protectionism, Ireland can renew its competitive offering. Ireland's (re)insurance industry can play a key role for the economy and society by providing effective and efficient risk management and risk transformation connecting risk and capacity in Ireland; Europe and globally.

The five actions outlined above would send a strong signal to (re)insurers around the globe that Ireland is a market for investments and growth, enhancing the Irish economy in a long-term and sustainable way.

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