



Outsourcing in the insurance sector

CAA Circular letter 22/16 on the outsourcing of critical or important operational functions and activities

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Introduction - What's new?


- Solvency II
 - LSA
 - Commission Delegated Regulation (EU) 2015/35
 - EIOPA guidelines on governance



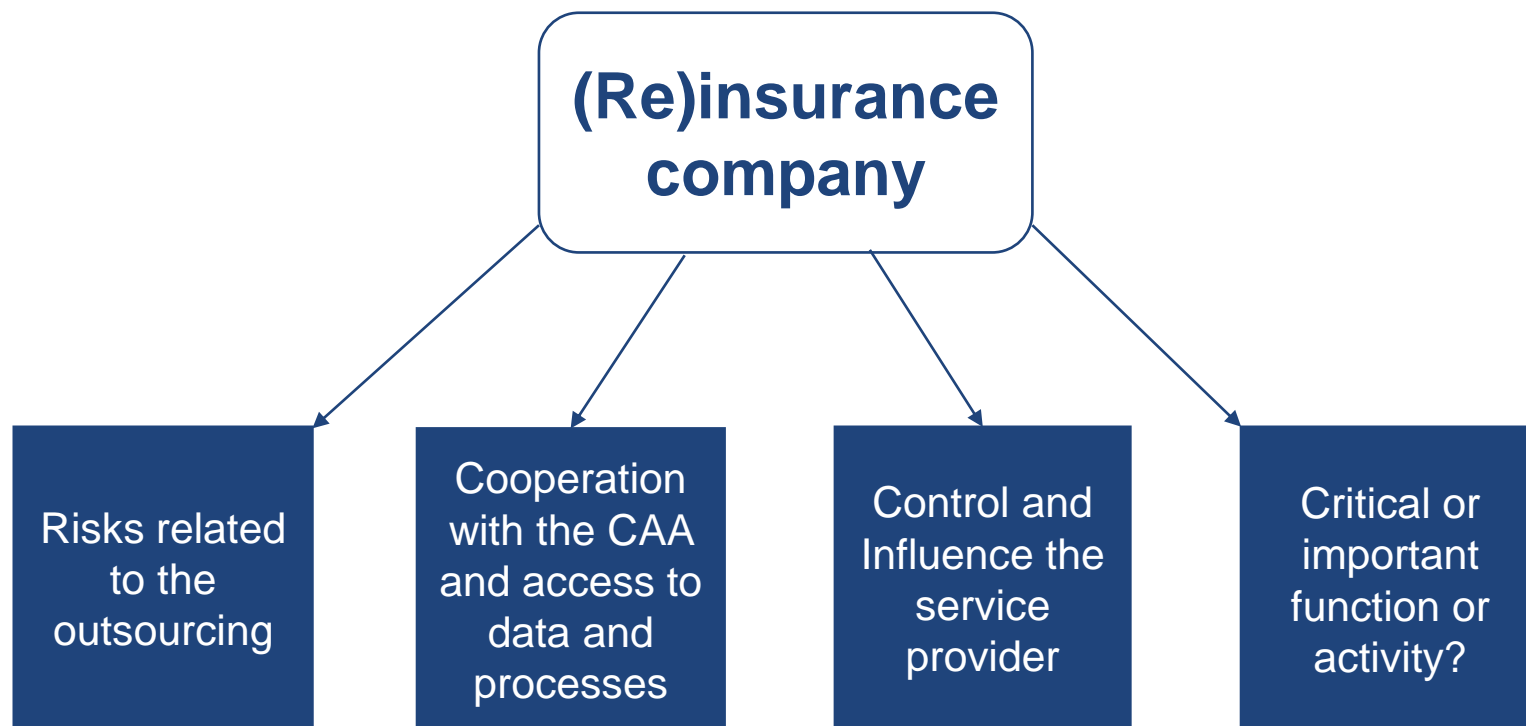
- User manual - written procedure
- Mandatory notification form



I. Scope of the Circular

- Critical or important operational functions and activities
  BUT ALSO PARTIALLY FOR ANY OUTSOURCING
- Outsourcing
 - Arrangement of any form
 - Between a (re)insurance company and a service provider
 - Processes, services or activities which would otherwise be performed by the (re)insurance company itself.
- Not applicable to cloud outsourcing?
- As from 1st November 2022

II. Pre-assessment for any outsourcing



Compliance with any applicable laws and regulations

III. Critical or important operational functions and activities(1/2)

Key factor: Inability to deliver its services to policyholders without the outsourcing

Other useful factors:

Impact on business plan	Impact on control and supervision	Impact on brand and public perception
<ul style="list-style-type: none"> - key function or main activity - size, nature, importance and complexity - contributions to revenues or profit - cost vs general expenses - business continuity and resilience 	<ul style="list-style-type: none"> - right to issue guidelines and instructions - control and supervision - global exposure to a single service provider 	<ul style="list-style-type: none"> - reputational risks - data protection and professional secrecy

Solvency II key functions  **ALWAYS CRITICAL OR IMPORTANT**

III. Critical or important operational functions and activities(2/2)

Illustrative examples (case-by-case assessment)

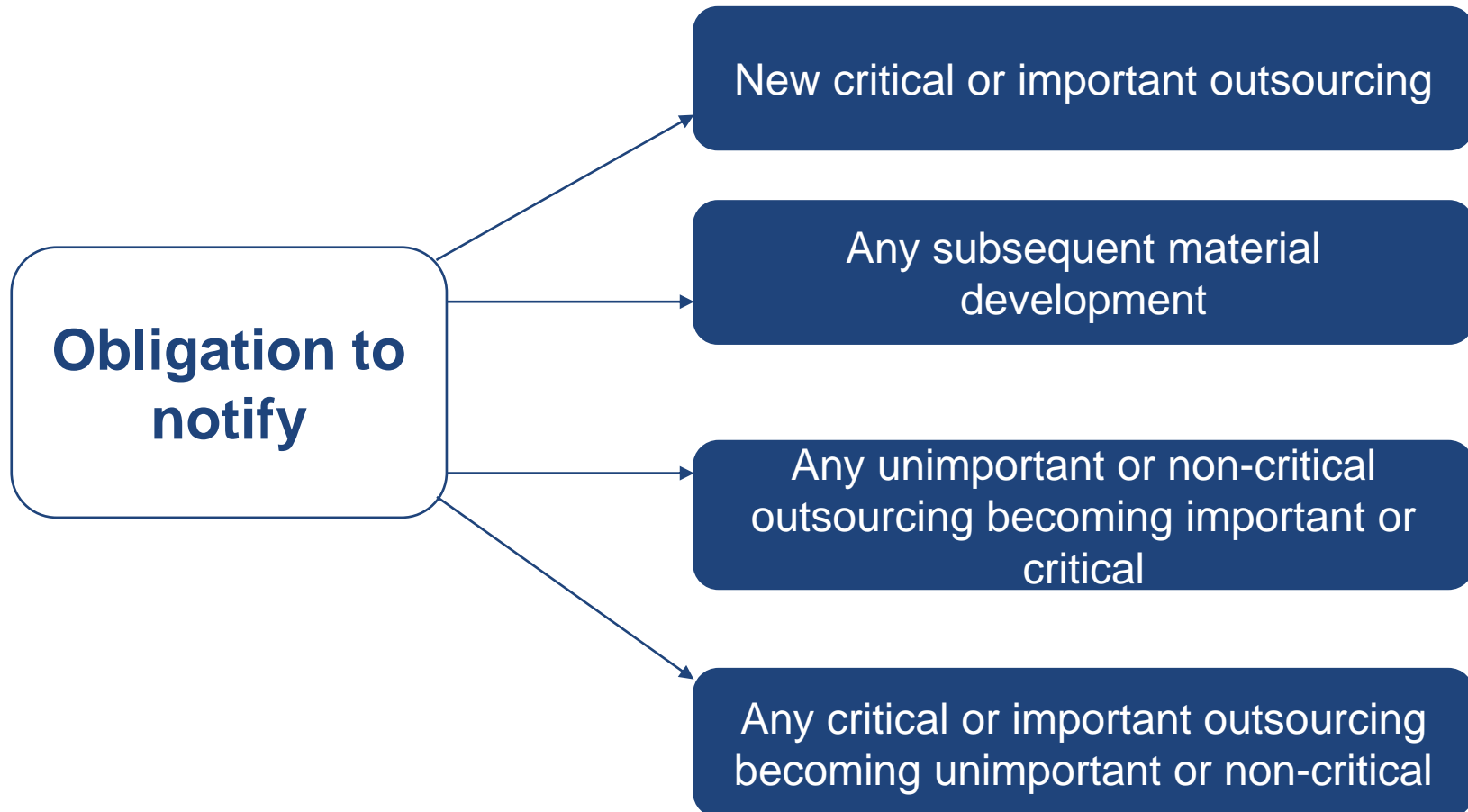
Critical or important	Non-critical or unimportant
<ul style="list-style-type: none"> • core activities • operational tasks of a key function (unless no negative impact on the effectiveness) • underwriting and claim management • regular or constant compliance, internal audit, accounting, risk management or actuarial support • investment of assets and portfolio management • data storage • ongoing, day to day, systems maintenance or support • ORSA process • design and pricing of insurance products 	<ul style="list-style-type: none"> • the provision of distribution services by intermediaries • advisory services, legal advice, training of personnel... • the purchase of standardised services • the provision of logistic support (cleaning and catering) • the provision of elements of human resources support (temporary employee, processing of payroll ...)

IV. Professional secrecy

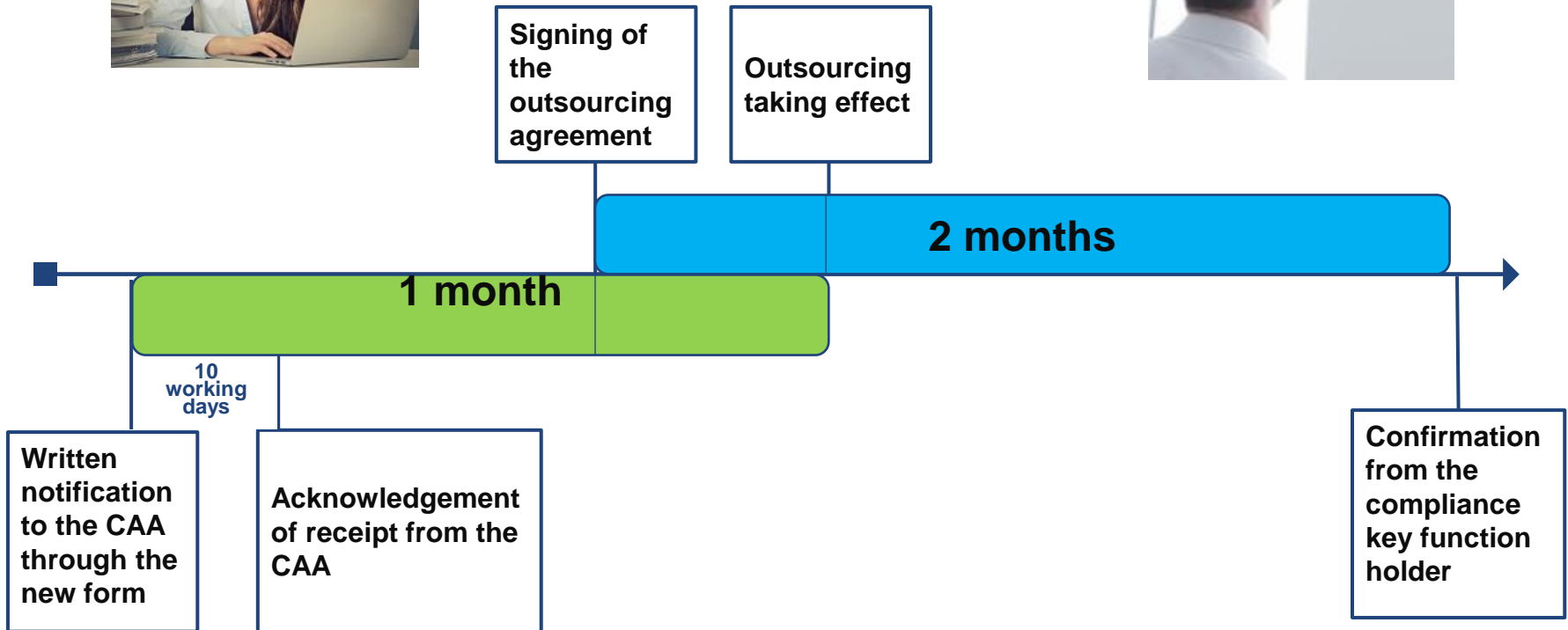
1. Legal analysis as to the necessity to obtain consent
2. Document and update of the analysis
3. No access to personal data without explicit consent of the (re)insurance company
4. Restricted access and preventive and detection measures
5. Safeguarding measures prohibiting unauthorized access



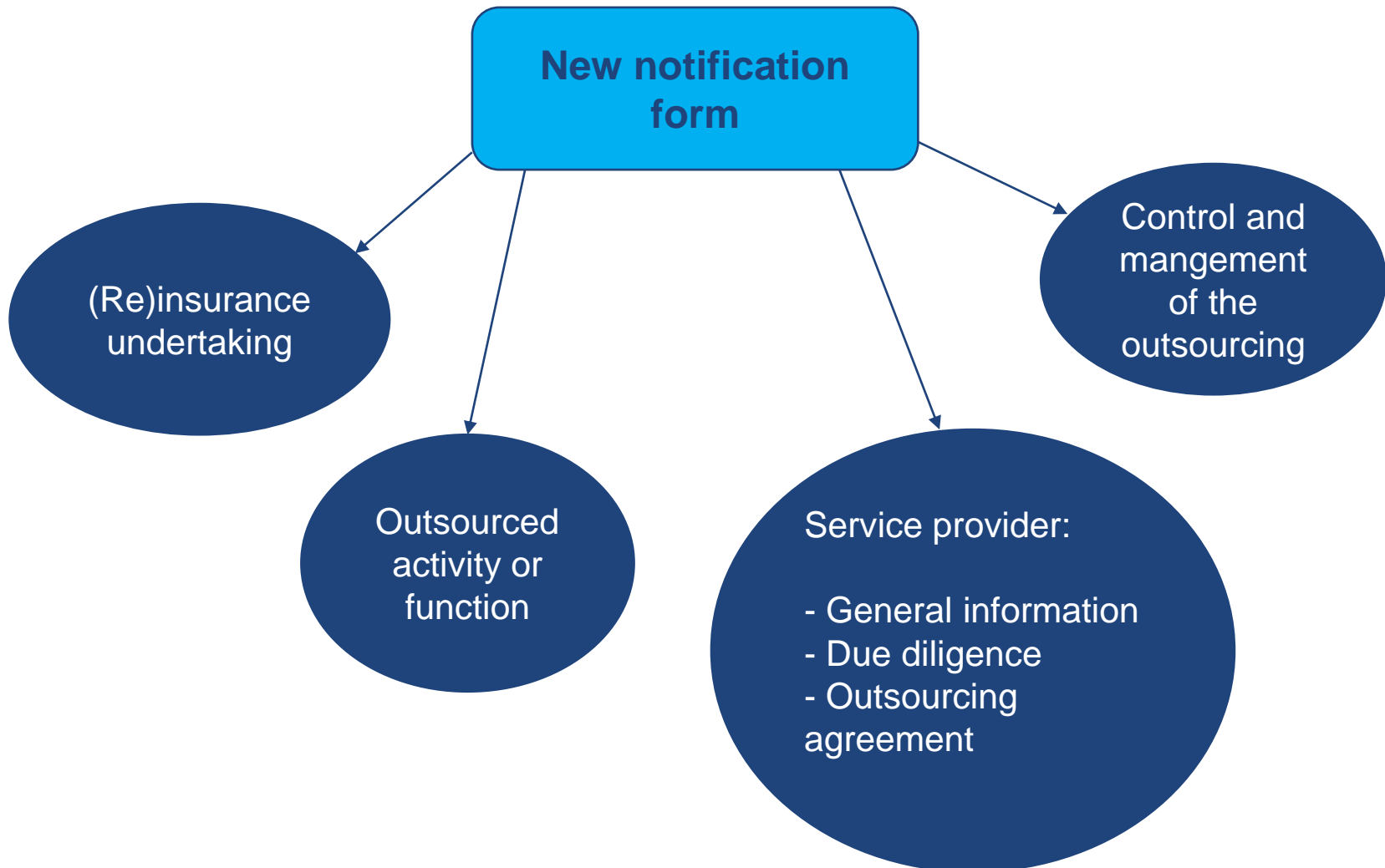
V. Notification (1/3)



V. Notification (2/3)



V. Notification(3/3)



VI. Documentation

- Outsourcing register :
 - Outsourcing critical or important activities
 - Other type of outsourcing

- Importance of documenting and record-keeping



Contact



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CAA Circular 22/16

Q&A Session

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