Canada Life
International Assurance (Ireland)

BREXIT - Policyholder Protection Overview

February 2020

In March 2018, the UK and the EU reached an agreement on the terms of an Implementation Period following the UK's withdrawal from the EU with a deal. The Implementation Period will run from exit day until 31 December 2020.

As a result of this agreement existing FSCS protections for eligible policyholders will not change as a result of the UK's withdrawal from the EU until 31 December 2020. After this date it is our current understanding that CLIAI policyholders resident in the UK when their policy started will no longer be covered by the FSCS.

Insurance policyholder protection in Ireland

There is no formal insurance policyholder protection compensation scheme to cover entities operating in Ireland. However, there are comprehensive regulatory measures in place to protect all policyholders of a company such as CLIAI in the event that the company is unable to meet its financial commitments.

Protection in respect of underlying assets within CLIAI's products

CLIAI only writes unit-linked business which means when a policyholder pays a premium to CLIAI, this immediately creates a matching liability – the policyholder is now owed something in return by CLIAI e.g. a death benefit if the life assured dies, or an encashment value if the policyholder encashes their policy. CLIAI is required to hold reserves separately from all other assets of the company to cover the liabilities to policyholders. This means that CLIAI can meet its policyholder obligations.

Irish law and regulation that governs the winding-up of life companies in Ireland means that policyholder liabilities must be paid ahead of any other claims of the life assurance company other than the cost of winding up the company.

Segregation of Assets

CLIAI is an Irish regulated life assurance company and, as such, it is required to segregate policyholder assets from those of shareholders. In this way the shareholder cannot use the policyholder's assets to support its financial position. There are also restrictions on the types of assets the life company can hold to meet its policyholder liabilities. The purpose of these restrictions is to limit exposure to riskier or more volatile assets. The company's Head of Actuarial Function (HOAF) reports to the Central Bank of Ireland (CBI) in this regard on an annual basis and the HOAF is also required to ensure that at all times the policyholder's interests are represented in the company's decision making process.

European Union legislation sets out requirements of EU-authorised life assurance companies to hold a solvency capital requirement (SCR) calculated using a risk based approach. Like other life companies, CLIAI must hold additional assets at least equal to the value of the SCR.

The CBI has various powers of intervention if they become concerned about the solvency of a life assurance company. CLIAI is subject to annual solvency submissions to the CBI, regular internal and external audit activity and inspection by the CBI. This means that CLIAI is regularly reviewed by the CBI to ensure it meets the legal and regulatory requirements in Ireland.

CLIAI is a wholly owned subsidiary of the Canada Life group, one of the UK's leading financial services companies. You can be reassured that CLIAI is a well-capitalised company and benefits from being part of a strong financial services group. Its ultimate parent, the Great-West Lifeco Group, had over £942bn in consolidated assets under administration (as at 30 June 2019), and we are confident that the risk of policyholder loss from being unable to meet our financial commitments is remote.

Additionally, CLIAI is rated as 'very strong' by AKG Financial Analytics in their August 2019 report.

CLIAI is authorised and regulated by the CBI, the supervisory authority for Irish insurance companies.

There will be an implementation period from when the UK leaves the EU to the end of December 2020. During the implementation period, existing UK Financial Services Compensation Scheme (FSCS) protections will not change as a result of EU Exit.

Further information can be found on the following website:
https://www.fscs.org.uk/about-fscs/media-centre/brexit/

Investment in funds

CLIAI's rights to recover losses following a failure by a fund manager to meet their obligations may not be as extensive as those of individuals investing directly in the relevant asset.

In practice, whether or not the investment is through a bond, the assets of the fund may be held separately from the external fund manager's own assets with an independent third-party custodian and should not be threatened by the fund manager's default.

Investments with Discretionary Fund Managers (DFM's)

Should a DFM become unable to meet its liabilities, neither policyholders nor CLIAI will be able to make a claim under the FSCS.

Policyholders do not have the right to claim compensation against CLIAI in relation to the poor performance of any asset. Also, they do not have the right to claim compensation against CLIAI in relation to the default of any external investment managers or deposit account providers.

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For further information about Canada Life International Assurance (Ireland) DAC,
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