



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

Ms. K. Keane
Meetings Secretary,
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14 September 2018

Re: Motion from Kildare County Council

Dear Ms. Keane,

I refer to your letter dated 26 July 2018 in relation to the debate at the June meeting of Kildare County Council and the motion that was agreed:

“That the Council write to the insurance regulator and all home insurance providers who offer policies within County Kildare voicing our concern, disappointment and opposition to the apparent misinterpretation of the current Catchment Flood Risk Assessment and Management Studies (CFRAMS) maps by the insurance industry and the fact that this misinterpretation is now affecting house sales within County Kildare”.

The Central Bank of Ireland (the Central Bank) is supportive of efforts to improve access to flood insurance for property owners and engages as appropriate to its mandate. The Central Bank works in the public interest to safeguard the stability of the financial services system and protect consumers. The Insurance Supervision Directorate is responsible for the prudential supervision of insurance and reinsurance undertakings authorised in Ireland, and its overarching mission statement is to protect consumers through effective supervision that supports the sustainability of the insurance sector.



The Central Bank's role as a prudential regulator is to ensure firms assess risks appropriately and offer insurance at a price that adequately takes into account the risks and conditions prevailing in the market. This ensures firms have the ability to pay all policyholders' claims in full without recourse to public or consumer funds. Individual insurers will make decisions on whether to offer insurance, such as home insurance, the specific policy terms and whether any exclusions apply, taking into account the risks and conditions prevailing in the market. The Central Bank does not have a role in mandating that insurance undertakings provide insurance cover in specific circumstances. It should also be noted that the Central Bank cannot intervene in the pricing of insurance products, as it is prohibited from doing so by the legislative framework with regard to the prudential supervision of insurance undertakings.

In its consumer protection role, the Central Bank aims to ensure that the best interests of consumers are protected and that regulated firms, including insurers are fully compliant with their obligations and treat customers in a fair and transparent way. The Central Bank has issued requirements to regulated firms, which are set out in a number of Codes and Regulations. In particular, the Consumer Protection Code sets out detailed requirements relating to the manner in which regulated firms must engage with consumers. The Central Bank uses a number of methods to monitor compliance with consumer protection requirements, such as inspections and thematic reviews on specific topics.

On the specific issue raised in your letter, insurance companies assess risk using specialist models and methodologies and the Central Bank cannot mandate that insurance undertakings use specific maps as input into these assessments. Regarding "the apparent misinterpretation" of the CFRAMS maps, we note that the OPW has explained the background to, and limitations of, the maps. As you will be aware, the Department of Finance is responsible for Government policy on insurance and engages with the OPW and Insurance Ireland in relation to flood insurance cover.



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The Central Bank has previously engaged with the Oireachtas Committee on Finance, Public Expenditure and Reform in relation to flood insurance. A copy of the Central Bank's correspondence on this matter is enclosed and is available on the Central Bank's website¹.

Yours sincerely,

A handwritten signature in blue ink that reads "Sylvia Cronin".

Sylvia Cronin
Director of Insurance

¹ <https://www.centralbank.ie/docs/default-source/publications/correspondence/oireachtas-correspondence/correspondence-with-the-oireachtas-finance-committee-re-the-flood-insurance-bill-2016.pdf?sfvrsn=4>