THIS PROHIBITION NOTICE SOLELY RELATES TO THE CONDUCT OF MR. MARTIN RYAN. NO FINDING AND/OR CRITICISM IS MADE IN RESPECT OF ANY OTHER PARTY/PERSON.

Banc Ceannais na hÉireann
Central Bank of Ireland
Eurosystem

Prohibition Notice
Section 43 of the Central Bank Reform Act 2010 (as amended)

TO: Mr. Martin Ryan
c/o Sherwin O'Riordan Solicitors
74 Pembroke Road
Dublin 4

CC: The Governor, Central Bank of Ireland

FROM: Simon Sloan, Head of Investment Banks & Broker Dealers Division, delegate appointed by the Commission of the Central Bank of Ireland to perform certain functions of the Commission under Part 3, Chapter 4 of the Central Bank Reform Act 2010 (as amended)

DATE: 30 August 2022

SUBJECT: Prohibition Notice
Section 43 of the Central Bank Reform Act 2010 (as amended)

Decision

In accordance with my appointed function under Part 3, Chapter 4 of the Central Bank Reform Act 2010 (as amended), I hereby notify **Mr. Martin Ryan** (**Mr. Ryan**) of my decision to issue a prohibition notice under that Act prohibiting Mr. Ryan from performing any controlled functions (including pre approval controlled functions) in relation to all regulated financial service providers for a period of five years for the reasons given in this prohibition notice.

Definitions

The definitions below are used in this prohibition notice:

2012 Regulations means the Central Bank Reform Act 2010 (Procedures Governing the Conduct of Investigations) Regulations 2012;

2010 Act means the Central Bank Reform Act 2010 (as amended);

Case Summary Report means the report dated 30 July 2021 on the fitness and probity of Mr. Ryan prepared for the purposes of Section 43 of the 2010 Act;

Central Bank or **Bank** means the Central Bank of Ireland;

Commission means the Commission of the Central Bank;

Decision Maker means Simon Sloan, Head of Investment Banks & Broker Dealers Division, delegate of the Commission of the Central Bank appointed to perform certain functions of the Commission under Part 3, Chapter 4 of the 2010 Act;

Deputy Governor means the Deputy Governor (Prudential Regulation) of the Central Bank who is the Head of Financial Regulation within the meaning of the 2010 Act;

EID means Euro Insurances DAC trading as Leaseplan Insurances;

ENFI means the Enforcement Investigations Division of the Central Bank;

Governor means the Governor of the Central Bank;

Guidance on the Standards means the Guidance on Fitness and Probity Standards issued by the Central Bank under Section 50 of the 2010 Act;

Investigator means the person appointed by the Deputy Governor, pursuant to Section 52(2) of the 2010 Act to investigate and report through the use of powers contained in Part 3, Chapter 3 of the 2010 Act as supplemented by the 2012 Regulations on the fitness and probity of Mr. Ryan;

Investigation means the fitness and probity investigation into Mr. Ryan in accordance with Section 25 of the 2010 Act;

Prohibition means the terms of the prohibition, as indicated in the section of this notice entitled "Scope of prohibition notice";

Relevant SAO means any of the SAOs for the financial years ending 31 December 2009 to 31 December 2012 inclusive, which Mr. Ryan was responsible for signing on behalf of RSAII;

RSAII means RSA Insurance Ireland Limited;

Statement of Actuarial Opinion or **SAO** means an annual statement required by the Central Bank from non-life insurance companies in Ireland setting out their non-life technical

reserves, both gross and net of reinsurance, for the purposes of complying with their solvency requirements;

Standards means the Fitness and Probity Standards, which is a Code issued under Section 50 of the 2010 Act;

Statement of Undisputed Facts means the statement of facts signed by Mr. Ryan on 11 December 2020; and

Undisputed Facts means the facts as set out in the Statement of Undisputed Facts signed by Mr. Ryan on 11 December 2020.

1. Background

I note from the Case Summary Report, which details the background in this matter, that Mr. Ryan was first employed by RSAII as an Actuarial Pricing Manager in 2002. He was promoted to Reserving Capital Manager in 2007. At the same time, he became a Signing Actuary for RSAII.

A Signing Actuary is an actuary appointed by the company to provide an SAO. Signing an SAO requires the Signing Actuary to certify the adequacy of the total reserves of the company, and confirm that the company's reserves are in compliance with relevant Irish and European legislation.[1]

The nature of the opinion required in an SAO places a high level of responsibility on the Signing Actuary. The Signing Actuary must hold a valid practising certificate issued by the Society of Actuaries in Ireland when signing an SAO consider whether he or she has sufficient knowledge and experience to undertake the assignment, including knowledge of the business procedures of the company, of the markets in which it operates and of types of business similar to those underwritten by the company.

Mr. Ryan was appointed to the Pre-Approval Controlled Function of Chief Actuary (PCF-20) in September 2011. Mr. Ryan continued to act as Signing Actuary until his resignation from RSAII in April 2015.

As Chief Actuary, Mr. Ryan was responsible for the RSAII Reserving Team, Technical Pricing Team and Capital Team. Mr. Ryan was responsible for recommending actuarial reserves and presenting these to the Reserving Committee. He was also responsible for recommending actuarial pricing and overseeing the calculation of RSAII capital and capital modelling.

As Signing Actuary, Mr. Ryan was responsible for signing SAOs on behalf of RSAII for the financial years ending 31 December 2009 to 31 December 2012 inclusive (the **Relevant SAOs**).

The guidance for a Signing Actuary providing an SAO on technical reserves at that time, included 2008 Guidance issued by the Central Bank on Actuarial Certification, which included requirements for whistle-blowing, data accuracy, integrity and sufficiency, as well as further guidance in the Actuarial Standard of Practice on Non-Life Technical Reserves issued by the Society of Actuaries in Ireland.

On 1 October 2013, the Central Bank informed RSAII that it had identified delays in increasing recommended claim reserve estimates on a sample of large loss claims at RSAII.

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[1] Non-life insurance companies in Ireland are required to provide the Central Bank with a Statement of Actuarial Opinion (SAO) on an annual basis, setting out their non-life technical reserves, both gross and net of reinsurance, for the purposes of complying with their solvency requirements.
Technical Reserves are the amount set aside by an insurance company to cover its liability for claims. Technical Reserves comprise an aggregate of Outstanding Claims Reserve, Unearned Premium Reserve and Unexpired Risk Reserve.

RSAII is wholly owned by RSA Insurance Group plc (**RSA Group**). In 2013, RSA Group commenced an investigation into a number of issues at RSAII. The investigation was referred to as **Project White**.

Project White found that between 2009 and 2013, certain individuals within RSAII were manipulating claim reserve estimates. They did this by recording estimates on the claims database that were significantly lower than claim handlers' recommendations and/or significantly delaying the recording of the claim reserve estimate increases recommended by the claims handlers in relation to certain large loss claims. Project White referred to this process as the **Under-Reserving Practice**.

Project White also found that there was a list (the **List**) that detailed the existing claim reserve estimates for certain large loss claims recorded on RSAII's claims database, as well as the claims handlers' recommended claim reserve estimates for these claims which were not recorded.

In a letter dated 20 June 2014, RSAII informed Mr. Ryan that, following the findings of Project White, a number of allegations of misconduct had been made against him. A date was set for a disciplinary hearing which ultimately did not proceed due to the resignation of Mr. Ryan as set out below.

On 17 February 2015, the Financial Reporting Council (**FRC**), which is the independent disciplinary body for actuarial professions in the UK, commenced an investigation into Mr. Ryan's conduct regarding his actuarial work at RSAII (the **FRC Investigation**). Mr. Ryan was informed of that decision by letter dated 23 March 2015. Mr. Ryan resigned from RSAII on 15 April 2015 as part of a settlement agreement with RSAII.

On 13 December 2016, a Settlement Agreement and "Particulars of Facts" and "Acts of Misconduct" were agreed between Mr. Ryan and the Executive Council of the FRC.

The "Particulars of Facts and Acts of Misconduct" set out the admissions made by Mr. Ryan in respect of his conduct, including the following:

i. He was incompetent in submitting Statements of Actuarial Opinion to the Financial Regulator / the Central Bank, which were based on inaccurate data due to the Under-Reserving Practice; and
ii. He failed to whistle-blow regarding the Under-Reserving Practice or sufficiently challenge his colleagues in relation to it.

As part of his settlement with the FRC, Mr. Ryan agreed not to undertake the performance of any Pre-Approval Controlled Function (**PCF**), or any Controlled Function (**CF**), as defined by the Central Bank, other than a CF-2 under the supervision of an actuary performing a PCF or CF-1 role in the Republic of Ireland for the period of 3 years.

In December 2015, following his resignation from RSAII, Mr. Ryan was engaged as an independent contractor by EID, by way of Supplier Agreements between EID and Mr. Ryan's company, Ballyveelish Analytics Limited.

Mr. Ryan submitted invoices to EID on a monthly basis from September 2016 onwards in respect of actuarial services provided by him. These services included controlled function activities in his role as Actuarial Manager for EID.

EID conducted an assessment of Mr. Ryan's fitness and probity to perform a CF-2 role for the firm in March 2016 (the **F&P Assessment**) and Mr. Ryan was engaged by EID until 10 April 2020.

On 8 January 2017, the Society of Actuaries in Ireland reprimanded Mr. Ryan following an investigation and his acceptance that misconduct had occurred, which was published on the Society's website until 9 January 2020. A number of determinations and recommendations were made, which Mr. Ryan accepted,

On 18 December 2018, following the conclusion of an investigation under the Central Bank's Administrative Sanctions Procedure (**ASP**), RSAII was fined €3.5 million by the Central Bank (the **ASP Investigation**). This followed admissions by RSAII relating to a failure by the firm to maintain technical reserves and its failure to have sound and adequate administrative, accounting and robust governance procedures in place.

The ASP Investigation against RSAII commenced in 2014 and identified extensive issues within RSAII's Claims and Finance functions. The ASP Investigation identified the deliberate and systematic under-reserving of certain large loss claims (the Under-Reserving Practice), which led to an understatement in the RSAII's Technical Reserves as at 30 September 2013.

The Central Bank published a detailed statement following the conclusion of the ASP Investigation against RSAII. The statement described the operation of the Under-Reserving Practice and by way of example, referred to a personal injuries claim that had a recommended claim reserve estimate of €4,750,000, but the amount actually recorded on RSAII's claims database was only €20,000.

On 17 October 2018, Mr. Ryan was notified that the Central Bank was minded to commence an investigation into his fitness and probity by way of the Notice of Intention.

On 22 February 2019, the Central Bank issued the Notice of Commencement to Mr. Ryan, informing him of the decision to commence the Investigation. Mr. Ryan provided submissions in response to the Notice of Intention, dated on 8 November 2018.

The Notice of Commencement was also issued to his employers at EID. At the time of the commencement of the F&P Investigation Mr. Ryan was performing a controlled function for the firm in his role as Actuarial Manager.

On 14 March 2019, EID suspended the performance of actuarial services provided to the firm by Mr. Ryan pending the outcome of the Central Bank's F&P Investigation. Mr. Ryan formally ended his engagement with EID on 10 April 2020. In an email dated 24 April 2020, EID's Head of Legal, Risk and Compliance informed the Central Bank that Mr Ryan had resigned.

On 11 December 2020, Mr. Ryan signed a Statement of Undisputed Facts with the Central Bank detailed in the Prohibition section below.

The Investigator prepared a Case Summary Report dated 30 July 2021. The contents of the Case Summary Report were sent (in draft form) to Mr. Ryan's solicitors, Sherwin O'Riordan, by letter dated 21 May 2021 for their submissions. Submissions were received in reply from Mr. Ryan's solicitors on 22 July 2021 (the **submissions**). The Case Summary Report requested the Decision Maker to consider the facts and matters agreed in the Statement of Undisputed Facts, any submissions provided by Mr. Ryan, and to make a decision in relation to the following issues:

Issue 1 Does the Decision Maker agree that no further investigation is necessary?

Issue 2 Does Mr. Ryan lack sufficient fitness and probity to carry out a controlled function?

Issue 3 Is it necessary to issue a prohibition notice?

Submissions in response to the Case Summary Report were provided by Mr. Ryan by his solicitor, Sherwin O'Riordan, in a letter dated 22 July 2021.

I was appointed by the Commission of the Central Bank to perform the functions of the Central Bank under Part 3 Chapter 4 of the 2010 Act (including under Section 43). The Case Summary Report and associated documents, including the correspondence with and submissions made by or on behalf of Mr. Ryan, have been furnished to me. On 21 December 2021, I decided that there were undisputed facts that rendered the continuation of the Investigation unnecessary and a copy of this decision was sent to Mr. Ryan's solicitors Sherwin O'Riordan solicitors on that date. I have now considered the remaining issues.

On 10 June 2022, a Notification of Proposed Prohibition Notice (the **NPPN**) was delivered to Sherwin O'Riordan solicitors. The NPPN allowed for the making of submissions in relation to this prohibition on or before 5pm on 15 July 2022. Sherwin O'Riordan solicitors requested an extension of time of four weeks for submissions by email dated 14 July 2022 and on my behalf, the Regulatory Decisions Unit (**RDU**) of the Central Bank wrote to Sherwin O'Riordan indicating my agreement to extend the time for submissions to 12 August 2022. By email dated 12 August 2022, Sherwin O'Riordan Requested a further one week extension of time

to 19 August 2022, to which request RDU indicated my agreement by email dated 16 August 2022. On 18 August 2022, Sherwin O'Riordan emailed RDU setting out that Mr. Ryan "will not be lodging any further Submissions" in relation to this notice and no such submissions were received.

2. Consideration of Key Statutory Requirements

Section 43(1) of the 2010 Act provides:

> *"Subject to subsection (4), if the Bank or Governor has reasonably formed the opinion that a person is not of such fitness and probity as is appropriate to perform a particular controlled function, a specified part of a controlled function or any controlled function, the Bank or Governor, as the case may be, may issue a notice in writing (in this Part called a "prohibition notice") forbidding the person -*
>
> *(a) to carry out the controlled function, the specified part of a controlled function or any controlled function, as the case requires, or*
> *(b) to carry out the controlled function, the specified part of such a function or any controlled function, as the case requires, otherwise than in accordance with a specified condition or conditions,*
>
> *either for a specified period or indefinitely."*

Section 43(2) of the 2010 Act sets out a list of broad categories which may constitute a lack of fitness and probity. These include Section 43(2)(b) where "*the person does not satisfy an applicable standard of fitness and probity in a code issued pursuant to section 50*" (i.e. the Standards] and Section 43(2)(c) which refers to the person having "*participated in serious misconduct in relation to the business of a regulated financial service provider*".

Section 43(3) of the 2010 Act sets out that the Bank or the Governor shall not issue a prohibition notice, unless certain criteria are met. Specifically, section 43(3)(a)(ii) provides that:

> *"The Bank or the Governor shall not issue a prohibition notice in relation to a person unless there are undisputed facts that in the reasonable opinion of the Bank or the Governor render an investigation unnecessary, and the person and any regulated financial service provider concerned have been afforded a reasonable opportunity to make a submission in relation to the matter."*

Section 43(3)(b) of the 2010 Act provides that the Bank or the Governor shall not issue a prohibition notice in relation to a person unless "*the person and the regulated financial service provider have been afforded such a hearing in relation to the proposed issue of the prohibition notice as is necessary to do justice in the circumstances...*".

Section 43(3)(c) of the 2010 Act provides that the Bank or the Governor shall not issue a prohibition notice in relation to a person unless satisfied that the issue of a prohibition notice is necessary in the circumstances.

Section 43(4) of the 2010 Act provides that when considering whether to issue a prohibition notice, the Bank (or the Governor, as the case may be) shall have particular regard to the need

to prevent potential serious damage to the financial system in the State and ensure the continued stability of that system and the need to protect users of financial services.

Section 43(12)(a) of the 2010 Act provides that a prohibition notice should not continue for longer than is necessary to achieve the purposes of Part 3 of the 2010 Act.

The **Standards** as issued by the Central Bank require as follows:

> *"2.1. A person to whom this Code applies shall comply with these Standards at all times.*
>
> *2.2. In order to comply with Section 2.1, a person is required to be:*
> - *a) competent and capable;*
> - *b) honest, ethical and to act with integrity; and*
> - *c) financially sound."*

The **Guidance on the Standards** provides that in determining the standard of probity, individuals must be "*honest, diligent and independent-minded and must act ethically and with integrity*".

3. Prohibition

In determining whether a prohibition was necessary in this case, the following factors were considered in formulating my decision:

Such hearing as is necessary to do justice in the circumstances

I am satisfied that Mr. Ryan has been afforded such hearing in relation to the proposed issue of the prohibition notice as is necessary to do justice in the circumstances and I confirm that I have considered all of the submissions made by Mr. Ryan. There were no submissions received to the NPPN dated 10 June 2022. I have also considered that Mr. Ryan signed a Statement of Undisputed Facts and therefore made substantial admissions in this case.

The fitness & probity of Mr. Ryan

Having carefully considered all aspects of this matter, I have formed the view that Mr. Ryan is not of such fitness and probity as is appropriate to carry out any controlled function in accordance with Section 43(1) of the 2010 Act for the reasons as set out below.

As noted above, Mr. Ryan signed a Statement of Undisputed Facts on 11 December 2020, confirming that:

i. He facilitated the wrongful Under-Reserving Practice at RSAII for a period in excess of three years by making various actuarial adjustments which were not documented or reported;
ii. He failed to demonstrate proper regard for key governance procedures at RSAII;
iii. He signed and submitted inaccurate Statements of Actuarial Opinion to the Central Bank on behalf of RSAII for the years 2009-2012;
iv. He failed to comply with his whistle-blower obligations and make a report in respect of the Under-Reserving Practice at RSAII or the issues in relation to the inaccurate Statements of Actuarial Opinion;
v. He made false statements during the Project White interview on 31 October 2013; and
vi. He made false and misleading statements and failed to disclose material information during his fitness and probity assessment at EID.

I confirm that I have considered Section 43(2) of the 2010 Act, which sets out a list of circumstances which may constitute a lack of fitness and probity. I note in particular that Section 43(2)(b) provides for where "*the person does not satisfy an applicable standard of fitness and probity in a code issued pursuant to section 50*" (i.e. the Standards).

Specifically, I note that paragraph 2.2 of the Standards provide that a person is required to be, *inter alia*, honest, ethical and to act with integrity. In this regard, I am satisfied that Mr. Ryan's failure to act honestly, ethically and with integrity, is in breach of the Standards for the reasons set out in detail below.

I have also considered Section 43(2)(d) of the 2010 Act which refers to a person "*directly or indirectly provided information that the person knew or ought to have known was false or misleading to another person in order for it to be provided to the Bank, the Governor or the Head of Financial Regulation*". Based on the considerations detailed below, I am satisfied that Mr. Ryan's conduct fell far short of the standards expected by the Fitness & Probity Regime.

In addition, Section 43(2)(c) of the 2010 Act refers to the person having "*participated in serious misconduct in relation to the business of a regulated financial service provider*". I am satisfied that knowingly submitting inaccurate returns to the Central Bank over a protracted period and facilitating the continuation of the Under-Reserving Practice amounts to serious misconduct based on the following facts:

i. *Facilitation of the Under-Reserving Practice*

I have considered that Mr. Ryan was aware of the Under-Reserving Practice from 2009 onwards, participated in meetings at which the List was discussed between 2009 and 2013 and that he failed to sufficiently challenge his colleagues in relation to the Under-Reserving Practice. By so failing to sufficiently challenge his colleagues and in making adjustments to take account of the under-reserved claims, he facilitated the continued operation of the Under-Reserving Practice for a period in excess of three years.

As set out above and detailed in the Case Summary Report, RSAII was fined €3.5 million by the Central Bank in respect of breaches of financial services legislation (including a breach of the requirement to maintain technical reserves in accordance with regulatory requirements). The Central Bank's investigation found that the deliberate and systematic under-reserving of large loss claims (i.e. the Under-Reserving Practice) directly contributed to the firm's breach. Mr. Ryan has admitted that his actions facilitated the continued operation of the Under-Reserving Practice for over three years. As a result, I have considered **Section 43(2)(c)** of the **2010 Act** which refers to a person having "*participated in serious misconduct in relation to the business of a regulated financial service provider*" and am of the opinion that Mr. Ryan participated in serious misconduct in relation to the business of RSAII.

ii. *Failure to have proper regard for governance procedures*

Mr. Ryan failed to demonstrate proper regard for key governance procedures and controls. As outlined in the Case Summary Report, Mr. Ryan made actuarial adjustments in relation to RSAII's "Incurred But Not Reported" claims. This is a figure calculated in respect of insurance claims where liability has arisen but the claim has not yet been reported to the insurer, or it has been reported but there is insufficient information to reliably estimate the ultimate cost. The adjustments were not documented nor were they shared via official reporting channels. In that regard, I am of the view that Mr. Ryan failed to demonstrate proper regard for key governance procedures. The importance of the adherence to strong governance procedures and controls by those in senior management, a role that Mr. Ryan held, is critical to the proper function and effective operation of regulated entities to ensure compliance with all appropriate rules, regulations and requirements.

iii. *Inaccurate Statements of Actuarial Opinion*

The submission of regulatory information to the Central Bank is an important responsibility of regulated entities. In carrying out its statutory responsibilities of safeguarding financial stability and protecting consumers, the accurate and timely submission of regulatory returns is of critical important in the discharge of its responsibilities.

I note that Mr. Ryan was appointed to the Pre-Approval Controlled Function of Chief Actuary (PCF-20) in September 2011. Mr. Ryan continued to act as Signing Actuary until his resignation from RSAII in April 2015. As Chief Actuary, Mr. Ryan was responsible for the RSAII Reserving Team, Technical Pricing Team and Capital Team. Mr. Ryan was also responsible for recommending actuarial reserves and presenting these to the Reserving Committee. He was also responsible for recommending actuarial pricing and overseeing the calculation of RSAII capital and capital modelling. As Signing Actuary, as noted above, Mr. Ryan was responsible for signing SAOs on behalf of RSAII for the financial years ending 31 December 2009 to 31 December 2012 inclusive (the **Relevant SAOs**).

Mr. Ryan was aware of the Under-Reserving Practice at RSAII from 2009 onwards and participated in meetings at which the List was discussed between 2009 and 2013. The Relevant SAOs submitted by him on behalf of RSAII for years ending 2009-2012 inclusive, were based on information that was inaccurate and included a statement which had the effect of being misleading.

In signing the Relevant SAOs, which Mr. Ryan accepts contained inaccurate information, I am satisfied that Mr. Ryan knew or ought to have known that the information he was providing to the Central Bank was misleading. Regulatory returns are a tool used by the Central Bank to monitor the financial position of credit institutions and the risks to which they are exposed. The submission of inaccurate information undermines the Central Bank's ability to properly supervise firms. I have given further consideration to the additional expectation on Mr. Ryan, due to the seniority of the role held by him as the Pre-Approval Controlled Function of Chief Actuary (PCF-20). In respect of his fitness, Mr. Ryan admits that he demonstrated significant incompetence in his role as Chief and Signing Actuary at RSAII, by submitting the Relevant SAOs on behalf of RSAII for years ending 2009-2012 using data that were inaccurate. In knowingly facilitating the submission of inaccurate data to the Central Bank on behalf of RSAII for years ending 2009-2012, I have concluded that Mr. Ryan's actions had the potential to undermine the ability of the Central Bank to discharge its statutory responsibilities.

iv. *Failure to comply with whistle-blower obligations*

While acknowledging Mr Ryan's submissions regarding the evolution of the legal protections for whistle-blowers, I am satisfied that there were appropriate channels open to Mr. Ryan (through his employer at Group level and to the Central Bank) to report on the observed stated practices. While legislation has subsequently provided for greater protection for whistle-blowers, I have not seen evidence of Mr. Ryan seeking to inform his employer (through the group reporting mechanisms) or the Central Bank (via the supervisory team) of the wrongdoing and I consider that a senior executive would have sufficient experience to

understand and make use of the avenues of reporting available to Mr. Ryan, irrespective of legislative provisions.

v. *Project White Interview - false statements*

I note that during and internal investigation (Project White) at RSAII regarding the Under-Reserving Practice that Mr. Ryan made false and misleading statements during an interview on 31 October 2013. In seeking to engage in a manner that lacked full honesty, integrity and transparency, I am satisfied that Mr. Ryan acted in a manner that falls far short of what is expected in such circumstances. Mr. Ryan had a duty of care to his employer to engage in an honest, open and truthful manner in his engagement on this investigation.

vi. *EID F&P assessments*

I note that during an assessment of his fitness and probity at EID in respect of a role that included the performance of a controlled function, Mr. Ryan made false declarations, failed to provide material information, and made misleading statements in respect of matters relevant to his fitness and probity. In the Statement of Undisputed Facts, Mr. Ryan admits to providing false and misleading statements during the F&P Assessment carried out by EID in 2016.

I have concluded that in taking such actions, Mr. Ryan did not demonstrate that he had understood the importance of acting with integrity in the completion of reporting to be submitted to the Central Bank. By not submitting accurate and complete information in an application form submitted to EID demonstrates a failure to display the required degree of honesty, integrity, competence and capability. As outlined in the Statement of Undisputed Facts, it was preceded by a pattern of behaviour which failed to meet the expected standards of fitness and probity. I am satisfied, therefore that the provision of false and misleading information by Mr. Ryan during the F&P Assessment does not appear to be an isolated once-off error or occurrence.

In consideration of the behaviours that lack sufficient 'fitness', I note the continuation of breaches of the expected standards. Mr. Ryan engaged in a pattern of providing false/misleading information even after the under-reserving was uncovered such that:

1. RSAII commenced an internal investigation (Project White) in 2013
2. Mr. Ryan made false statements in interviews during this investigation (Oct 2013)
3. Mr. Ryan was notified of allegations of wrongdoing on 20 June 2014
4. FRC commenced an investigation in February 2015 and notified Mr Ryan on 23 March 2015
5. Mr. Ryan resigned from RSAII on 15 April 2015 by way of a settlement agreement before a scheduled disciplinary hearing
6. Mr. Ryan gave incomplete/misleading/false information to EID during 2016

In December 2016, Mr. Ryan signed a settlement with FRC acknowledging wrongdoing.

Previous regulatory decisions

a. *Settlement agreement with the UK Financial Reporting Council (FRC)*

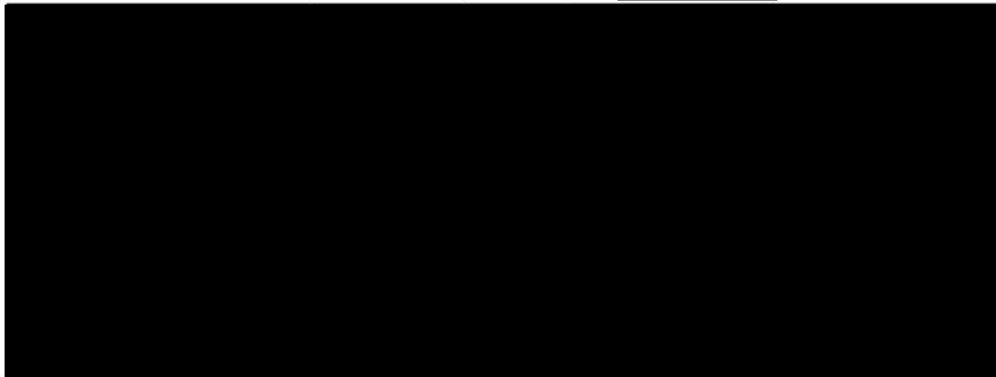
As referenced above, I note that an independent investigation was conducted by the UK FRC, which is the independent disciplinary body for actuarial professions, concluded by way of Settlement Agreement, on 16 December 2016. The investigation was regarding Mr. Ryan's conduct during his actuarial work at RSAII. In that case, the admitted acts of misconduct, as detailed in the Settlement Agreement related to his:

i. Incompetence in submitting SAOs to the Central Bank / Financial Services Regulatory Authority that were inaccurate due to the Under-Reserving Practice; and
ii. Failure to whistle-blow regarding the Under-Reserving Practice, or sufficiently challenge his colleagues in respect of it.

- As part of his settlement with the FRC, Mr. Ryan agreed not to undertake the performance of any, PCF or any CF, as defined by the Central Bank, other than a CF-2 under the supervision of an actuary performing a PCF or CF-1 role in the Republic of Ireland for a period of 3 years.

b. *Reprimand issued by the Society of Actuaries in Ireland*

- On 8 January 2017, the Society of Actuaries in Ireland reprimanded Mr. Ryan following an investigation and his acceptance that misconduct had occurred, which was published on the Society's website until 9 January 2020. A number of determinations and recommendations were made, which Mr. Ryan accepted



4. **Necessity**

I have concluded that it is necessary in the circumstances of this case to issue a prohibition notice. In coming to this conclusion, I have:

i. Had regard to the requirements of Section 43(4) of the 2010 Act;
ii. Given particular consideration to the need to prevent potential serious damage to the financial system in the State and ensure the continued stability of the system and to the need to protect users of financial services;
iii. Considered the Statement of Undisputed Facts dated 11 December 2020, the submissions and the Case Summary Report dated 30 July 2021;
iv. Considered Section 43(2) of the 2010 Act, in particular Section 43(2)(b), and paragraph 2.2. of the Standards in considering the admitted facts of this case, as noted above;
v. Considered the contextual issues raised in Mr. Ryan's submissions dated 22 July 2021. In particular, I note that he advised that he was aware of and facilitated the Under-Reserving Practice at RSAII but he had no part in the compilation or design of that practice;
vi. Noted that Mr. Ryan also states that he did raise concerns with members of the Senior Management Team [redacted] and noted the difficult and oppressive nature of the working environment;
vii. Noted that Mr. Ryan cooperated with the Central Bank during the investigation;
viii. Considered Mr. Ryan's submissions regarding the evolution of the legal protections for whistle-blowers;
ix. Carefully considered the significance and outcomes of previous investigations into Mr. Ryan, including the previous FRC reprimand of three years in respect of the two grounds of misconduct identified in that case. I also considered how Mr. Ryan agreed not to undertake the performance of any **PCF**, or **CF**, other than a CF-2 under the supervision of an actuary performing a PCF or CF-1 role in the Republic of Ireland for the period of 3 years.

I conclude that it is necessary in the circumstances of this case to issue a prohibition notice for the reasons set out below, having had regard to the requirements of Section 43(4) of the 2010 Act. In particular, I have given consideration to the need to prevent potential serious damage to the financial system in the State and ensure the continued stability of the system and to the need to protect users of financial services.

Mr. Ryan occupied a senior position in a significant insurance undertaking. He had a particular onus to ensure that the affairs of such a significant undertaking were conducted properly and in accordance with regulatory requirements. The maintenance of confidence in financial services is vital, particularly where other significant entities have collapsed due to failures to comply with regulatory obligations along these lines. Such conduct could potentially cause seriously damage or destabilise the financial system. It is vital therefore that users of financial services and the financial system have confidence that such behaviour will not be accepted.

5. Mitigating / Aggravating Factors

Mr. Ryan has been afforded an opportunity to make submissions on the matters under investigation and as noted above I confirm that I have considered his submissions of 22 July 2021. In particular, I note that Mr. Ryan cooperated with the Central Bank during the investigation. While I would expect such cooperation to be forthcoming of all persons engaging with all regulatory bodies, it is important for me to note this cooperation. It should be stated that failure to cooperate fully with the Central bank would not be in keeping with the expectations under the Fitness & Probity Standards.

I have given full consideration to the contextual matters (both professional and personal) raised in the submissions, and also to the actions and inactions of Mr. Ryan against that backdrop of information.

I have however concluded that Mr. Ryan's conduct at issue goes to the heart of the Fitness and Probity Standards and that it is vital, that users of financial services have confidence that such behaviour will not be accepted. In order to comply with the Fitness and Probity Standards, a person to whom the Code applies is required to be '*honest, ethical and act with integrity*'. The stability of the financial system is based on trust and when undesirable conduct is identified, it is critical that all persons in roles of responsibility act with honesty in stopping such conduct from continuing at the earliest possible opportunity.

In reaching this conclusion, I have considered certain issues raised by Mr. Ryan in the submissions as set out below.

The impact of the FRC sanction

i. I note Mr. Ryan's submissions on the FRC sanction (where he contends it is not necessary to issue a prohibition notice as the FRC has already imposed sanctions applicable in Ireland and which addressed the public interest in full).

ii. I note that the FRC sanction did not cover all of the grounds of misconduct present in this case. I further note that Mr. Ryan provided misleading information to EID and the Central Bank after the Project White internal RSAII investigation and after the FRC investigation commenced (*Mr. Ryan was made aware of the FRC investigation by letter dated 23 March 2015).* I am satisfied that these actions go beyond what could be considered 'oversight' and Mr. Ryan was aware of his actions not being in compliance with behaviours expected.

iii. The Central Bank is not restricted from imposing a prohibition against Mr. Ryan in circumstances where the FRC has already imposed a sanction. The Central Bank has appropriate jurisdiction to impose prohibitions in order to protect the stability of the Irish financial system and users of financial services.

iv. I have however taken into account the FRC sanction in reaching my decision on the prohibition and have reflected the time-period of the three year suspension on My Ryan through the FRC sanction.

The assertion of an oppressive work environment

i. I have considered Mr. Ryan's submissions on the oppressive work environment and as presented, are not as an excuse for Mr. Ryan's actions, but rather as context to them (para. 4 of the submissions). The points made are as follows:
   - While he did not report or directly challenge the Under-Reserving Practice, he was not responsible for it; [redacted]
   - He did raise concerns about the practice with members of the EMT and [redacted] and his view that any attempt to report the Practice to RSA UK and Western Europe would lead to his dismissal (paras. 6-10 of the submissions);
   - While he was responsible for a failure of judgment and significant incompetence in signing the SAOs, he placed reliance on data and assurance from the CFO as to the materiality threshold (paras. 11-13 of the submissions).

   In considering this position, I have concluded that Mr. Ryan's awareness of the practice before becoming signing actuary should have been such a material red flag to him in accepting the role and/or seeking to ensure a discontinuation of the practice before the acceptance of the role.

ii. The core function of the Fitness and Probity Regime is to ensure that individuals in key and customer facing positions (referred to in the legislation as CFs and PCFs) within a Regulated Financial Service Provider (Regulated Firm) are competent and capable, **honest, ethical and of integrity** and also financially sound. The protection of consumer is critically dependent on the actions by senior individuals (CFs & PCFs) to ensure that no action is taken that could undermine this key objective. I am satisfied that the standards of the Fitness and Probity Regime are such that Mr. Ryan was acutely aware of the actions (incepted by others) being undertaken in RSAII prior to his acceptance of the Head of Actuary Role. In accepting the more senior role and continuing the conduct at issue, Mr. Ryan's direct actions had a negative impact on the protection of consumers by RSAII and undermined the integrity of the financial system (through the misreporting of the financial statements of a significant insurance entity in the State). Working in an oppressive environment was clearly a notable challenge for Mr. Ryan. However in choosing to be a party to the continuation of the poor behaviours in RSAII, Mr. Ryan's selected career progression over selecting a course of action to seek to stop the poor and inappropriate behaviours giving rise to the Under-Reserving Practice.

   I consider it to be a reasonable expectation of senior roles holders (PCF and CF) to act as an additional layer of protection against wrongdoing for the financial

system and users of financial services. I am of the view that in not acting to stop the wrong-doing that Mr. Ryan did not fulfil the reasonable exception of such a senior role.

The different legislative landscape for whistle-blower protection

i. I note that Mr. Ryan has stated that there was a different legislative landscape for whistle-blower protection at the time, which I fully accept. I do however note that there was strong precedence for the importance of whistle-blowing that Mr. Ryan has not referenced, including the guidance for a Signing Actuary providing an SAO on technical reserves at that time (included 2008 Guidance issued by the Central Bank on Actuarial Certification) included requirements for **whistle-blowing, data accuracy, integrity and sufficiency**, as well as further guidance in the Actuarial Standard of Practice on Non-Life Technical Reserves issued by the Society of Actuaries in Ireland. Mr. Ryan accepted promotions during the period he was aware of the Under-Reserving Practice, which is an action that shows at a minimum a tacit acceptance of the practice.

ii. I am satisfied that the fact that the legislation evolved does not retrospectively negate obligations to whistle-blow and that the knowledge of wrong-doing could have been brought forward within the RSA group or to the Central Bank anonymously.

Mr. Ryan was not involved in the compilation or design of the Under-Reserving Practice

i. I have reflected on the assertion that Mr. Ryan stated that he was not involved in the compilation or design of the Under-Reserving Practice. It is a point I fully accept and it is my option that had Mr. Ryan been involved in this action that my consideration of the sanction would be more stringent. I am however satisfied that, in enabling the Under-Reserving Practice, and instead supporting it that Mr. Ryan demonstrated judgment that fell far short of what is expected of a person in his position. The protection of consumers is critically dependent on having people in senior roles in regulated entities that act in a fit and proper manner at all times.

Mr. Ryan's evidence that he did raise concerns about that practice with members of the EMT

i. I note that Mr. Ryan detailed the fact that he did raise concerns about the practice with members of the EMT. I do consider that this demonstrates an awareness, by Mr. Ryan that that actions/activities in RSAII were not in keeping of the legislative requirement or expected good practice. I consider these actions taken by Mr. Ryan positively.

ii. I am satisfied that in not pursuing this further with EMT, and in subsequently knowingly acting in a manner that Mr. Ryan clearly knew to be wrong does demonstrate that Mr. Ryan did not seek to influence a cessation of the negative actions. I have therefore concluded also that Mr. Ryan was an integral actor in the

continuation of the wrong behaviours/actions that had the potential to cause significantly negative outcomes for the firm, the customers of RSAII and the financial system.

It is not apparent how it can excuse or mitigate any aspect of the conduct with which this notice is concerned.

6. **Scope of prohibition notice**

In accordance with Section 43(12)(a) of the 2010 Act I am cognisant of the requirement that a prohibition notice should not continue for longer than is necessary to achieve the purposes of Part 3 of the 2010 Act and of the requirement that the prohibition notice should be proportionate in all the circumstances.

I consider it imperative that holders of controlled functions understand their roles and responsibilities and can demonstrate honest and ethical behaviour. I am of the view that Mr. Ryan has not demonstrated honest and ethical behaviour nor has he acted with the integrity expected of a person in a senior PCF role for the reasons set out above in section 3. Probity applies to all functions. For the following reasons, I have concluded that the prohibition notice should apply as follows:

i. Mr. Ryan should not act as a CF for the period of five years.

In coming to this conclusion, I have had regard to:

(a) The level of seriousness of the admitted misconduct my Mr. Ryan;

(b) The fact that the misconduct is below the standard expected of persons performing controlled functions;

(c) The fact that the misconduct demonstrates a fundamental lack of judgment required and expected of persons undertaking 'CF' and 'PCF' roles;

(d) The fact that the misconduct came to light despite no actions been taken by Mr. Ryan to notify his employer or the Central Bank of the serious misconduct he was aware of in RSAII;

(e) The fact that provision of false and misleading information, as overseen by Mr. Ryan, was not an isolated incident but a practice that he permitted to continue for a prolonged period;

(f) Mr. Ryan facilitated the Under-Reserving Practice in RSAII over a prolonged period of time and did not seek to notify his employer or the Central Bank of Ireland of these practices, which Mr. Ryan knew to be misleading;

(g) The FRC prohibition already imposed and served by Mr. Ryan for a period of three years;

(h) The fact that any such prohibition should allow for an individual to learn from their mistakes and be able to apply for a CF role at a future point in time (*should they so choose to do so*) and that Mr. Ryan has a working career ahead of him.

I am satisfied that a core element of the Standards states that *"a person is required to be competent and capable;* ***honest, ethical and to act with integrity****; and financially sound."* I have come to the opinion that Mr. Ryan's conduct does not demonstrate compliance with these standards for the reasons set out above. In the operation of the Fitness and Probity Regime, which seeks to protect the public and ensure trust in the financial system, honesty and integrity are explicit requirements for all persons holding controlled functions.

Public trust in the financial system is not simply achieved through rules and regulations but by the fitness and probity of those persons working in the system to do the right thing at the right time. I am satisfied that Mr. Ryan is not of such fitness and probity as is appropriate to perform any controlled function and, that it is necessary in the circumstances, to issue a prohibition notice against him. My decision is that the prohibition should be for a five year period to reflect the seriousness of the fitness and probity issues.

The issue of publication of this prohibition notice will be considered separately by the Central Bank.

In accordance with Section 43(7) of the 2010 Act, the terms of this prohibition notice take effect on the date of service on Mr. Ryan.

Signed:

Simon Sloan
Central Bank of Ireland