Insurance Update

May 2025

This newsletter is produced by Linklaters' insurance sector team and is intended to keep you up to date with current issues in international insurance law, regulation and practice.

Contents

UK PRA consults on 'Matching Adjustment Investment Accelerator'

On 8 April 2025, the UK's Prudential Regulation Authority (the "**PRA**") launched a consultation on proposals to create a new framework – to be known as the 'Matching Adjustment Investment Accelerator' – which is designed to help accelerate capital-efficient investment by UK insurance firms in new assets.

The PRA intends to achieve this by enabling firms to include a limited quantity of self-assessed matching adjustment ("**MA**") eligible assets (with features for which the firm does not already hold an MA permission) in an MA portfolio without needing to first apply to vary the scope of their MA permission. Firms would then have 24 months to submit an MA application to 'regularise' the new assets, during which time they would continue to benefit from the MA capital treatment.

The PRA believes that this will reduce the risk of insurers missing out on time-sensitive investment opportunities.

Read more in our client alert.

UK PRA consults on updates to supervisory statement on climate change

On 30 April 2025, the UK's PRA launched a consultation setting out proposals to update an existing supervisory statement (SS3/19) on enhancing banks' and insurers' approaches to managing the financial risks from climate change. Under the PRA's proposals, a new supervisory statement would replace SS3/19 in its entirety.

The PRA explains that, since it first set expectations for firms on climate change in 2019, firms have begun to build their climate-related risk management capabilities. However, the PRA believes that progress is uneven and more needs to be done to meet its expectations.

The PRA's proposals are designed to facilitate better management of climate-related risk by setting out clearly how firms should assess the risk and helping ensure that these assessments are incorporated into firms' decision-making. The PRA says that its proposed expectations also combine PRA guidance from various letters to firms over recent years and reflect recent international standards for banks and insurers.

The draft supervisory statement which will replace SS3/19 contains considerably greater detail than SS3/19 and covers topics including governance, risk management, climate scenario analysis, data and disclosures and also provides further detail on the specific climate-related issues insurers face.

The consultation closes on 30 July 2025.

The PRA has also published a speech which provides some background to, and highlights certain aspects of, its consultation.

For more information, please see our blog post.

UK FCA sets out proposals to simplify insurance rulebook

On 14 May 2025, the UK's Financial Conduct Authority (the "**FCA**") published a consultation paper (CP25/12) containing proposals that are intended to simplify certain of its rules relating to the insurance sector. The consultation follows the FCA's commitment to withdraw over 100 pages of outdated guidance in an effort to streamline its rules, reduce burdens on businesses and improve outcomes for consumers after the introduction of the Consumer Duty. It also follows the publication in July 2024 by it of a related discussion paper in which it raised several of the matters covered by the current consultation (see our September 2024 edition of Insurance Update for an outline).

Proposals include the following:

- Removing outdated or duplicated requirements from its insurance rulebook.
- Replacing the current 'contracts of large risks' definition with a new definition ('contracts of commercial or other risks') to identify larger commercial insurance customers, along with customers taking out contracts of insurance covering specific large risks (e.g. aircraft, ships). The new definition would be used for determining the contracts and customers that would fall outside the scope of the FCA's conduct rules in ICOBS and PROD and also of the Consumer Duty. The FCA says that this would ease the burden on firms insuring larger businesses that can manage risks independently, while protecting smaller commercial customers.
- Where more than one party is involved in designing an insurance product, giving firms flexibility to appoint one lead insurer to be solely responsible for complying with the FCA's rules for manufacturing insurance products.

- Broadening the scope of an exclusion from product governance requirements which currently applies in relation to “bespoke” contracts. This would extend the bespoke contracts exclusion to both insurers and intermediaries, regardless of whether they are manufacturers (the exclusion currently only applies to intermediary co-manufacturers).
- No longer requiring firms to review their non-investment insurance products at least every 12 months and instead allowing firms to set their own product review frequency based on the risks and characteristics of each product, thereby bringing the requirements for insurance in line with requirements for other financial services sectors.
- Removing duplicative employer’s liability notification and annual reporting requirements. Firms will instead need to notify the FCA of any significant breaches of its rules.
- Removing the specified 15-hour Continuing Professional Development requirement for insurance and funeral plan employees. Instead, firms will be able to determine appropriate employees’ knowledge and training requirements.

The FCA is also seeking views on whether it should further disapply certain rules that apply where customers and insured risks are both located outside the UK.

Next steps

The consultation closes on 2 July 2025. The FCA is proposing that the rule changes come into force immediately after its related policy statement is published so that firms are able to use the added flexibilities as soon as possible.

UK FCA lays out more detail for how CCIs will replace PRIIPs

On 16 April 2025, the UK’s FCA opened a second consultation (CP25/9) on the new product information regime for Consumer Composite Investments (“**CCIs**”) which will replace the existing Packaged Retail and Insurance-Based Investment Products (PRIIPs) regime.

Its latest proposals build on a first consultation on the CCI framework which the FCA published in December 2024 (see our previous client alert).

In CP25/9 the FCA’s proposals include:

- removing rules on disclosing implicit transaction costs,
- changing Markets in Financial Instruments Directive costs and charges rules, and
- de-scoping certain UK schemes from the requirements for CCIs.

The consultation closes on 28 May 2025. See our client alert for further information.

EIOPA consults on revised level 3 materials following Solvency II review

On 3 April 2025, the European Insurance and Occupational Pensions Authority ("**EIOPA**") launched a series of public consultations as part of ongoing work by it, the European Commission and the EU's co-legislators to review and reform the EU's Solvency II framework.

The latest major development in the reform process was the publication in the Official Journal of the European Union on 8 January 2025 of a Directive (Directive (EU) 2025/2) (the "**Amending Directive**") amending the Solvency II Directive (2009/138/EC) (the "**Solvency II Directive**") (see our previous report). The Amending Directive will make numerous changes to the Solvency II Directive, which will be implemented by Member States in January 2027. Some of these changes will require EIOPA first to develop various technical standards and guidelines to ensure the proper implementation by Member States of the Amending Directive. EIOPA is now consulting on some of those supporting materials.

The three consultations opened by EIOPA focus on guidelines on exclusions from group supervision, revised guidelines on the treatment of related undertakings and a revised opinion on the use of volatility adjustments. A brief summary of each consultation can be found in EIOPA's related press release. Feedback is requested by no later than 26 June 2025.

EIOPA consults on materials required to implement the EU's new insurance recovery and resolution framework

On 29 April 2025, EIOPA launched a package of six consultations on various guidelines and technical standards that will be required to implement the EU's Insurance Recovery and Resolution Directive (the "**IRRD**").

The IRRD, which is due to become operational in 2027, introduces a new recovery and resolution framework for (re)insurers in the EU. It puts the focus on the importance of pre-emptive planning and effective crisis management and aims at maintaining the stability of the EU's insurance sector while also allowing for the orderly wind-down of failing undertakings and groups. For more on the IRRD, see our previous client alert.

This package of six consultations launched by EIOPA will form the basis for the practical implementation of the IRRD. The consultations propose draft guidelines and technical standards covering key aspects such as pre-emptive recovery plans, resolution plans, resolvability assessments and the criteria to identify critical functions.

An overview of, and links to, the various consultations are set out in EIOPA's press release. The deadline for feedback on each of the consultations is 31 July 2025.

EU: Omnibus "Stop-the-Clock" Directive published in Official Journal of the EU

The EU's "Stop-the-Clock" Directive was published in the Official Journal of the EU on 16 April 2025.

The Stop-the-Clock Directive – which forms part of the first Omnibus package to simplify EU sustainability legislation – delays:

> the entry into application of the Corporate Sustainability Reporting Directive (CSRD) requirements for large companies that have not yet started reporting, as well as listed SMEs, by two years; and

> the transposition deadline and the first phase of the application (covering the largest companies) of the Corporate Sustainability Due Diligence Directive (CSDDD) by one year.

Member States must transpose the Stop-the-Clock Directive into national law by 31 December 2025.

Read more here.

Italy: Extended deadline for taking out catastrophic risk insurance policies

The deadline by which Italian companies must take out insurance contracts to cover risks caused by natural disasters and catastrophic events has been extended to 1 October 2025 for medium-sized enterprises and to 31 December 2025 for small and micro enterprises. For large enterprises, the deadline remains unchanged at 31 March 2025.

Read more in our client alert.

IAIS publishes application paper on the supervision of climate-related risks in the insurance sector

On 16 April 2025, the International Association of Insurance Supervisors (the "**IAIS**") published an application paper (together with a related press release) on the supervision of climate-related risks in the insurance sector, following four consultations in this area. The application paper provides an overview of how the IAIS' existing Insurance Core Principles can be applied to address climate-related risks. It builds on and replaces an earlier application paper published in 2021 on climate-related risks.

The paper does not contain any new requirements, but is intended to support supervisors in effectively integrating climate-related risks into their supervisory practices, thereby strengthening the resilience of the global insurance sector. It outlines good practices and guidance for supervisors on several areas, including:

> the role of supervisors in assessing climate-related risks;

> integration of climate-related risks into supervisory frameworks with respect to corporate governance, risk management and internal controls;

- the impact of climate-related risks on valuation and investment practices;
- supervisory reporting, public disclosure and macroprudential supervision of climate-related risks;
- group supervisory issues; and
- the role of climate-related risk scenario analysis and important considerations for the impact of climate-related risks on market conduct.

Update on IAIS draft issues paper on structural shifts in the life insurance sector

On 19 March 2025, the IAIS published, for consultation, a draft issues paper on structural shifts in the life insurance sector. Please see the March edition of Insurance Update for further details.

Feedback was previously invited by the end of 19 May 2025. Given what the IAIS says is extensive stakeholder interest in this consultation, the IAIS has now extended the consultation period until 2 June 2025 at 24:00 CEST.

Recent Deals

Our recent deal experience in the sector (details of which we are able to disclose) includes:

- Advising Ageas SA/NV, a Belgian multinational insurance company, in raising €550m through the issuance of new shares in a private placement to certain institutional and professional investors through an accelerated bookbuilding process. This was completed on the back of the announcement of it reaching an agreement to acquire esure, a UK-based comprehensive insurance cover company, for £1.295bn in cash.
- Advising the managers on the new issuance by Allianz SE of its €1.25bn Subordinated Fixed to Floating Rate Notes with scheduled maturity in 2055, and cash tender offer for €1.5bn existing Subordinated Fixed to Floating Rate Notes with scheduled maturity in 2045.
- Advising Citigroup Global Markets Limited as Sole Structuring Advisor and Barclays Bank PLC, HSBC Bank plc, J.P. Morgan Securities plc, Lloyds Bank Corporate Markets plc, NatWest Markets plc, together with Citigroup Global Markets Limited, as the Joint Lead Managers on Aviva plc's Restricted Tier 1 issuance of £500m RT1 convertible bonds.
- Advising Ethias SA in connection with a cash tender offer for its outstanding €402.7m 5 per cent. dated Subordinated Notes due 2026 and the concurrent issue of new T2 securities for a total amount of €300m, the proceeds of which will be used to (re)finance green and/or social assets or projects.
- Advising the joint lead managers and dealer managers on the issuance by Legal & General Group Plc of £600m Fixed Rate Reset Subordinated

Notes due 2055 and a related cash tender offer for its £600m Fixed Rate Reset Subordinated Notes due 2045.

> Advising TONGYANG Life Insurance Co. Ltd., a life insurance and pensions provider headquartered in Seoul, South Korea, on its issuance of US$500m 6.250 per cent. Tier II Subordinated Securities due 2035.

> Advising the Joint Lead Managers on the new issuance by Vienna Insurance Group AG Wiener Versicherung Gruppe of its €300m Subordinated Fixed to Floating Rate Sustainability Tier 2 Notes with scheduled maturity in 2045 and cash tender offer for €400m Subordinated Notes due 2 March 2046 (currently outstanding amount of €214.4m) and €200m Subordinated Notes due 13 April 2047.

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