



Summary of regulatory developments

Updates for June 2021

This memo identifies and summarises any regulatory updates published during June 2021 that may be of relevance to life insurance companies.

The following table summarises the relevant updates identified in June.

REGULATORY ITEMS IDENTIFIED IN JUNE THAT MAY BE OF RELEVANCE TO LIFE INSURANCE COMPANIES

Date	Description
3-Jun	The Prudential Regulation Authority (PRA) issues a policy statement providing feedback to responses to consultation paper: 'Solvency II: Deep, liquid and transparent assessments, and GBP transition to SONIA'
15-Jun	PRA gives speech on 'Solvency II Review: Protecting Policyholders While Improving the Regime'
17-Jun	PRA publishes its climate-related financial disclosure
17-Jun	European Insurance and Occupational Pensions Authority (EIOPA) publishes report on artificial intelligence governance principles
17-Jun	PRA publishes its Annual Report 2020/21
21-Jun	EIOPA publishes its Annual Report 2020
22-Jun	Financial Conduct Authority (FCA) CEO Nikhil Rathi delivers speech on 'building a regulatory environment for the future'
22-Jun	FCA consults on further climate-related disclosure rules
25-Jun	EIOPA publishes its Q&A on regulation
30-Jun	EIOPA continues to reinforce supervisory cooperation in cross-border activities

Updates for June 2021

This section highlights articles of interest to life companies released in June 2021.

EIOPA

- [EIOPA publishes report on artificial intelligence governance principles](#)

The report, published by EIOPA's consultative expert group, centres on digital ethics setting out artificial intelligence (AI) governance principles for an ethical and trustworthy AI in the European insurance sector. Opportunities and risks associated with the growing use of AI in insurance are identified, including possible limits that might be needed.

The report aims to help insurance companies when putting in place risk-based and proportionate measures, providing guidance on how to implement key principles in practice throughout the life cycle of an AI application. EIOPA will use these findings to identify possible supervisory initiatives in this area.

- [EIOPA publishes its Annual Report 2020](#)

EIOPA publishes its 2020 Annual Report, setting out its activities and achievements of the past year, which include:

- Statement on dividends distribution and various remuneration policies in the context of COVID-19
- Opinion on the review of Solvency II
- Pan-European personal pension product (PEPP) regulation
- Published insurance and occupational pension statistics, the risk dashboard and financial stability reports
- Supported EU taxonomy and activities in the area of sustainable finance
- Conducted research into both the opportunities and detriments of digital technology

- [EIOPA publishes its Q&A on regulation](#)

Updates include the following:

- (EU) No. 2009/138 – Solvency II (SII) Directive (Insurance and Reinsurance). Questions [2081](#), [1894](#), [1863](#), [1543](#), [2026](#), [1852](#), [1706](#) and [2029](#).
- (EU) No. 2015/35, supplementing Dir 2009/138/EC – Taking Up and Pursuit of the Business of Insurance and Reinsurance (SII). Questions [2115](#), [1833](#), [1693](#), [1525](#), [984](#), [1424](#), [1861](#), [1885](#), [1925](#), [1991](#), [1867](#), [1314](#), [2007](#) and [2014](#).
- (EU) No 2015/2011 – Lists of regional governments and local authorities, exposures to be treated as to central government. Questions [1211](#) and [1315](#).
- (EU) No 2015/2451 – Templates and structure of the disclosure of specific information by supervisory authorities. Question [1171](#).
- Guidelines on supervisory review process. Question [2118](#).
- Other. Questions [2089](#) and [1974](#).

- [EIOPA continues to reinforce supervisory cooperation in cross-border activities](#)

EIOPA amended the [Decision](#) on the way the national competent authorities (NCAs) of the Member States in the European Economic Area (EEA) will collaborate. The new Decision will further strengthen and enhance the cooperation between the NCAs in relation to cross-border activities through:

- Three new notification requirements for NCAs: in case of intention to authorise an undertaking with cross-border activities, in case an undertaking carrying out cross-border activity shows deteriorating financial conditions, or other emerging risks, and in the case of concerns with regard to consumer protection.
- A more active role for EIOPA in the information exchange to allow early identification of potential risks as well as to create proactive supervision and timely supervisory actions.
- Clarification of the roles of NCAs and EIOPA in the process of setting up and running cooperation platforms.

The new Decision will apply from 1 July 2021 onwards.

FCA

- FCA CEO [Nikhil Rathi delivers speech on 'building a regulatory environment for the future'](#)

Highlights from the speech include:

- Leaving the EU allows the FCA to tailor its rules to better suit UK markets, while ensuring appropriate safeguards and upholding high standards
- The FCA will rigorously review all firms seeking UK authorisation
- The FCA is working to deepen existing partnerships and forge new ones
- The FCA is proposing to extend its climate-related financial disclosure requirements to issuers of standard listed equity shares
- The FCA wants views on selected environmental, social and corporate governance (ESG) topics in UK capital markets and, separately, it is proposing new disclosure requirements for asset managers, life insurers and FCA-regulated pension providers

- FCA [consults on further climate-related disclosure rules](#)

The proposals in the consultation follow the introduction of climate-related disclosure rules for the most prominent listed commercial companies in December 2020 which are aligned with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). In the consultations the FCA is proposing:

- To extend the application of its TCFD-aligned Listing Rule for premium-listed commercial companies to issuers of standard listed equity shares
- To introduce TCFD-aligned disclosure requirements for asset managers, life insurers and FCA-regulated pension providers, with a focus on the information needs of clients and consumers

The FCA invites feedback by 10 September 2021 and intends to confirm its final policy on climate-related disclosures before the end of 2021. The FCA will separately consider stakeholder views on the ESG-related discussion topics in capital markets, with a view to publishing a Feedback Statement in the first half of 2022.

PRA

- PRA [issues a policy statement providing feedback responses to consultation paper: 'Solvency II: Deep, liquid and transparent assessments, and GBP transition to SONIA'](#)

This Policy Statement (PS) provides feedback to responses to Consultation Paper 1/21, as well as the PRA's final policy, 'The PRA's approach to the publication of Solvency II technical information' (Appendix 1).

Respondents generally welcomed the PRA's proposals. Some noted the financial impact of the GBP risk-free rate (RFR) transition to SONIA overnight indexed swap (OIS), and asked the PRA to consider smoothing this impact, suggesting:

- Giving firms a window of time to make the change
- Introducing a new transitional measure
- Adding an 'upwards adjustment' to the SONIA OIS curve
- Allowing an immediate recalculation of the transitional measure on technical provisions (TMTP) at the transition date, regardless of whether the usual criteria for a recalculation were met

This policy will take effect on 3 June 2021, except for the transition to the new GBP RFR, which will take effect in technical information published from 31 July 2021.

- PRA [gives speech on 'Solvency II Review: Protecting Policyholders While Improving the Regime'](#)

The PRA's Anna Sweeney delivered a speech on the UK review of Solvency II which highlighted that policyholder protection is at the heart of the Solvency II regime. The review is being led by HM Treasury with collaboration from the UK regulators.

The PRA's Quantitative Impact Study (QIS) exercise is designed to test a number of designs and gather the potential impacts from firms. It will not be compulsory for firms to complete the QIS. However, the data will be public to allow all firms that wish to submit a response.

The QIS is likely to focus on potential areas of change which are easiest to quantify and will include possible changes to:

- The Risk Margin
- The Matching Adjustment (MA)
- The TMTP

The QIS will not look at changes to the Standard Formula at this stage, but the PRA does encourage Standard Formula users to partake in the exercise.

The QIS exercise will begin during the summer with the initial data request on the MA review already available to firms.

▪ [PRA publishes its climate-related financial disclosure](#)

The PRA publishes its second annual climate-related financial disclosure report, which sets out the Bank of England's approach to managing the risks from climate change across its entire operations. This year's report builds on the first by reflecting on:

- Progress made on the climate work plan over the year
- Changes in the remits and recommendations to the Bank's policy committees
- Advances in climate data and modelling applied to financial asset portfolios
- Progress on reducing emissions from physical operations
- Movement in the domestic and international climate agenda

In response to these developments, the Bank has refreshed its climate strategy and further embedded climate change into its internal governance and risk management frameworks. It has continued work to reduce emissions from its physical operations and is proceeding with plans to adopt a new approach to its holdings of corporate bonds in its financial operations that takes account of the climate impact of issuers.

▪ [PRA publishes its Annual Report 2020/21](#)

The PRA report includes information on its activities for the year ended 28 February 2021. The report provides examples of how the PRA has delivered its 2020/21 strategic goals, including:

- Robust prudential standards
- Adaptation to changes in the external market
- Ensuring that firms are adequately capitalised
- Supervision of operation resilience
- Credible plans
- Competition
- EU withdrawal transition
- Temporary measures in response to COVID-19



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