



Summary of regulatory developments

Updates for December 2022

This memo identifies and summarises any regulatory updates published during December 2022 that may be of relevance to life insurance companies.

The following table summarises the relevant updates identified in December.

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

Date	Description
1-Dec	▪ The Financial Conduct Authority (FCA) sets out plans to improve engagement with pensions
5-Dec	▪ The European Insurance and Occupational Pensions Authority (EIOPA) publishes “Discussion paper (DP) on the Prudential Treatment of Sustainability Risks”
13-Dec	▪ The FCA sets out ideas to improve information provided to retail investors
13-Dec	▪ The FCA announces Environmental, Social and Governance (ESG) Advisory Committee to its board
15-Dec	▪ EIOPA’s financial stability report zeroes in on key risks
16-Dec	▪ The Prudential Regulation Authority (PRA) publishes Policy Statement (PS) 12/22, “Insurance special purpose vehicles (ISPVs): Further updates to authorisation and supervision”
21-Dec	▪ EIOPA publishes its Q&A on regulation
22-Dec	▪ EIOPA publishes supervisory statement on inflation

Updates for December 2022

This section highlights articles of interest to life companies released in December 2022.

EIOPA

- **EIOPA publishes “DP on the Prudential Treatment of Sustainability Risks”**

EIOPA is taking a step-by-step approach to assessing whether a dedicated prudential treatment of assets and activities associated with environmental or social objectives under Solvency II would be warranted. The European Commission’s proposals for the Solvency II Directive included a mandate for EIOPA to produce a report in this area.

The DP outlines the intended scope, methodologies and data sources for this assessment exercise and focusses on three distinct areas of analysis:

- Asset and transition risk exposures
- Underwriting risk and climate change adaptation
- Social risks and objectives

EIOPA welcomes comments until 5 March 2023.

- **EIOPA’s financial stability report zeroes in on key risks**

EIOPA published its December 2022 Financial Stability Report, which sheds light on key developments and risks in the European insurance and pension sectors.

Over recent years, EU economies have faced a sequence of exceptional shocks related to the global pandemic and the effects of the war in Ukraine, which aggravated inflationary pressures and dampened growth prospects. Despite the challenging environment, insurers have so far weathered the shocks well. Entities have sought to adapt to the changing landscape and reduced their vulnerabilities, for instance by optimising risk management processes via portfolio transfer and product design.

Nevertheless, EIOPA believes that risks connected to claims inflation, the potential widening of corporate and sovereign spreads, the deteriorating macroeconomic outlook and liquidity management in a period of rapidly rising interest rates remain and require monitoring.

- **EIOPA publishes its Q&A on regulation**

Updates include the following:

- (EU) No 2015/35 – Taking-up and pursuit of the business of Insurance and Reinsurance (SII). Questions [2480](#), [2353](#), [2330](#), [2251](#) and [2200](#).
- (EU) No 2015/2450 – Templates for the submission of information to the supervisory authorities. Questions [2507](#), [2503](#), [2483](#), [2448](#), [2413](#), [2398](#), [2390](#) and [2297](#).
- Guidelines on reporting and public disclosure. Question [2473](#).

- **EIOPA publishes supervisory statement on inflation**

The statement raises awareness of the main impacts of higher inflation that (re)insurance undertakings should consider. It is issued to support the year-end Solvency II calculations by taking into account the current economic environment and market risks.

The statement focusses on the direct and indirect effects of inflation on:

- Technical provisions
- Investments
- Solvency capital requirements
- Other elements such as risk management systems

FCA

- **The FCA sets out plans to improve engagement with pensions**

The FCA consults (CP22/25) on a proposed regulatory framework for pensions dashboard service firms. The proposals set out the FCA's approach to supervision for dashboard operators, including fees, regulatory reporting, record keeping, prudential requirements and conduct rules. The aim is to provide consumers with easier access to information about their pension savings. The consultation is open until 16 February 2023.

The FCA has also set out final rules (PS22/15) requiring non-workplace pension providers to offer consumers a default investment option, to support those struggling to make a choice. Providers can continue to offer wider options for more engaged consumers. Firms will have 12 months to implement these rules but, given the current levels of inflation, the FCA is encouraging providers to send cash warnings now.

These publications are the FCA's latest steps to make sure savers are able to access value for money pension products and are supported in their decision-making.

- **The FCA sets out ideas to improve information provided to retail investors**

The standards for the information disclosed to potential investors are included in rules known as the packaged retail investments and insurance products (PRIIPs) regime and the Undertaking of Collective Investment in Transferable Securities (UCITS) rules, which were created while the UK was in the EU.

The FCA is now responsible for designing and developing new disclosure rules which meet the needs of the UK market. The regulator is therefore seeking views on when and in what format information can be delivered to consumers to ensure that what is provided is useful and supports informed investment decisions. This will include how much information to include about costs, charges and levels of investment risk. The FCA is also considering who should have responsibility for producing disclosure.

Comments are welcome by 7 March 2023. Firms will still be required to follow PRIIPs and UCITS disclosure requirements until the new regime comes into effect.

- **FCA announces ESG Advisory Committee to its board**

The FCA board has established a new ESG Advisory Committee to help execute its ESG-related responsibilities and provide advice to the board. This includes meeting the government's expectation that the FCA "have regard" to the UK's commitment to achieving a net zero economy by 2050, when considering how to advance and achieve their objectives and functions.

The committee's membership includes six external experts who have in-depth knowledge of ESG issues in the financial sector. It also includes the FCA's chair, other non-executive directors and the director of ESG.

PRA

- **The PRA publishes PS 12/22, "ISPVs: Further updates to authorisation and supervision"**

This PS provides feedback to the responses to Consultation Paper (CP) 10/22 as well as the PRA's final changes to Supervisory Statement (SS) 8/17, "Authorisation and supervision of insurance special purpose vehicles" (Appendix 1). The PS is relevant to firms that wish to apply for, or have obtained authorisation as, an ISPV. It is also relevant to (re)insurers seeking to use UK ISPVs as risk mitigation in accordance with the UK's on-shored Solvency II framework.

The PRA considers that the final proposals, such as clarifying the number of senior management function (SMF) holders needed for an ISPV and the requirement for written policies in some cases, will not just promote the safety and soundness of firms, but will also assist parties to better understand the PRA's approach and expectations in relation to the authorisation and supervision of ISPVs.

The policy will take effect from 23 December 2022.



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