



Summary of regulatory developments

Updates for October 2023

This memo identifies and summarises any regulatory updates published during October 2023 that may be of relevance to life insurance companies.

The following table summarises the relevant updates identified in October.

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

Date	Description
2-Oct	The Prudential Regulatory Authority (PRA) Director of Insurance Supervision gives speech at the Association of Financial Mutuals (AFM) Annual Conference 2023
4-Oct	The European Supervisory Authorities (ESAs) publish Joint Committee Work Programme for 2024
4-Oct	The PRA publishes consultation paper (CP) 21/23, "The PRA's approach to the authorization and supervision of insurance branches"
5-Oct	The European Insurance and Occupational Pensions Authority (EIOPA) publishes report on the impact of the current inflationary environment on European insurers
6-Oct	EIOPA launches consultation on its Opinion regarding the supervision of captive (re)insurance undertakings
6-Oct	EIOPA publishes strategic priorities for 2024
9-Oct	The Financial Conduct Authority (FCA) welcomes the launch of the Transition Plan Taskforce (TPT) Disclosure Framework
12-Oct	EIOPA publishes digital strategy for 2023 to 2026
18-Oct	The PRA publishes statement on panel appointments
25-Oct	The ESAs publish joint criteria on the independence of supervisory authorities
26-Oct	The PRA and FCA publish feedback statement (FS) 2/23, "Artificial Intelligence and Machine Learning"

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

Date	Description
31-Oct	The EIOPA publishes its Q&A on regulation

Updates for October 2023

This section highlights articles of interest to life companies released in October 2023.

ESAs

- **The ESAs [publish Joint Committee Work Programme for 2024](#)**

The report outlines the ESAs' areas of focus and planned deliverables for 2024, including:

- Consumer and investor protection
- Operational resilience
- Financial conglomerates
- Securitisation

Additionally, the Joint Committee will continue to closely monitor emerging cross-sectoral risks and vulnerabilities in the face of challenging macroeconomic conditions, as well as provide regular updates of its risk assessment to the Economic and Financial Committee.

- **The ESAs [publish joint criteria on the independence of supervisory authorities](#)**

Supervisory independence is key to ensuring that fair, effective and transparent decisions are taken by appropriately resourced supervisory authorities.

This report sets out the ESA's independence criteria, which focus on operational, personal and financial independence as well as accountability and transparency principles. The criteria can be used by supervisory authorities to enhance their independence and may be employed by the ESAs in the future to assess supervisory independence in the EU.

EIOPA

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

Updates include the following:

- (EU) 2023/894 – Implementing technical standards (ITS) with regard to the templates for the submission of information necessary for supervision. Questions [2805](#), [2762](#), [2760](#), [2740](#), [2717](#), [2757](#), [2714](#), [2756](#), [2739](#), [2780](#), [2729](#), [2577](#), [2730](#), [2716](#), [2692](#), [2710](#), [2405](#), [2640](#), [2715](#) and [2587](#).
- (EU) 2023/895 – ITS for the disclosure of Solvency and Financial Condition Report (SFCR). Question [2755](#).

- **EIOPA [publishes report on the impact of the current inflationary environment on European insurers](#)**

The analysis assesses the effects of higher-than-expected inflation and interest rates on insurer's capital position, profitability and liquidity positions. In particular, the report highlights:

- High inflation erodes consumers' savings, impacting the profitability of life insurers as new business decreases and lapse and surrender rates rise. Life insurers are also faced with higher expenses.
- Higher interest rates might compensate for the negative impact of high inflation, but the gradual pass-through to policyholders could lead consumers to consider alternative savings products with higher returns.
- Recent data indicates a deterioration in insurers' overall liquidity positions during 2022 due to the fall in market value of liquid assets and material cash outflows from margin payments on derivative positions.

- **EIOPA launches consultation on its Opinion regarding the supervision of captive (re)insurance undertakings**

The public consultation on the draft Opinion outlines supervisory expectations for competent authorities, focusing on intra-group transactions, the prudent person principle and governance in the context of captive (re)insurers' business models. The aim is to facilitate risk-based and proportionate supervision, ensuring consistency and convergence of supervisory expectations across the EU.

Stakeholders are invited to provide feedback to the online survey by 5 January 2024.

- **EIOPA publishes strategic priorities for 2024**

EIOPA set out its [strategic priorities](#) for 2024 to 2026, focusing on managing uncertainties in a transforming landscape. The key areas of focus are:

- Integrate sustainable finance and environmental, social and corporate governance (ESG) risks in the frameworks on insurers and pension funds and address protection gaps
- Support consumers, the market and the supervisory community through digital transformation
- Enhance quality and effectiveness of supervision, particularly in view of increased cross-border business
- Ensure technically sound prudential and conduct of business policy
- Identify, assess, mitigate and report on financial stability and conduct of business risks
- Provide effective recruitment, management and development of EIOPA's human capital

- **EIOPA publishes digital strategy for 2023 to 2026**

EIOPA's digital strategy plan focuses on three priorities to support the digitalisation of the insurance and pensions sectors, of the National Competent Authorities (NCAs) and of EIOPA itself. Under the objective of promoting consumer protection and financial stability, the key long-term priorities are:

- Aligning innovation with consumers' best interests considering digital ethics and financial inclusion
- Strengthening business model sustainability and resilience of all insurance market players
- Enhancing supervisory capabilities of EIOPA and NCAs by maintaining efficient prudential and conduct supervision as well as responding to and using technological innovation

FCA

- **The FCA welcomes the launch of the Transition Plan Taskforce (TPT) Disclosure Framework**

The framework aims to provide financial markets with better information on how companies plan to adapt their business models, operations, products and services as we transition to a low emissions economy. In particular, the TPT Framework recommends companies disclose their strategic climate ambition, implementation and engagement approaches, governance arrangement and financial plans. This information will help investors assess companies' prospects.

The TPT Framework is designed to align with the transition planning guidance developed by the Glasgow Financial Alliance for Net Zero and to be consistent with and build on the reporting standards developed by the International Sustainability Standards Board (ISSB).

PRA

- **PRA Director of Insurance Supervision gives speech at the AFM Annual Conference 2023**

The speech discussed the importance of mutual insurers to the PRA's objectives and how it seeks to take a proportionate approach in its supervision of the sector.

Financial resilience and effective risk management frameworks were outlined as some of the PRA's priorities while facing economic challenges. To provide support, decreasing the size of thresholds for entrance into the insurance market, streamlining of reporting requirements and facilitating entry for new insurers under the Solvency II reforms were discussed.

Mutual insurers were also encouraged to engage with the PRA early when facing challenges, to consider plans that would support an orderly exit from the market if needed and to collaborate among themselves on areas of risk such as cyber threats.

- **The PRA publishes CP 21/23, “The PRA’s approach to the authorisation and supervision of insurance branches”**

The CP outlines the proposal to consolidate and formalise existing policy on overseas insurers operating in the UK through third-country branches. The paper aims to provide clarity on the expectations of these branches based on the PRA’s experience after the UK’s withdrawal from the EU. In particular, the PRA proposes to:

- Introduce a new statement of policy (SoP) to replace the existing supervisory statement (SS) 2/18
- Amend (SS) 44/15 to clarify expectations of third-country branches on topics such as: notifications, systems of governance and own risk and solvency assessment (ORSA) reporting
- Amend (SS) 20/16 to clarify that third-country branches are within scope

The proposals apply to all third-country branch and insurance undertakings not headquartered in the UK or Gibraltar seeking authorisation to operate as a branch in the UK.

- **The PRA publishes statement on panel appointments**

The statement sets out the PRA’s approach to appointing members to its statutory panels, including the appointment process and what needs to be considered. The statutory panels for the PRA are external and are not employed by the PRA. They include:

- Cost Benefit Analysis (CBA) Panel
- Practitioner Panel
- Insurance Practitioner Panel

Publishing a statement that guides the PRA’s appointments process reinforces transparency and will allow the PRA to gain access to wide-ranging expertise.

- **The PRA and FCA publish feedback statement (FS) 2/23, “Artificial Intelligence and Machine Learning”**

The supervisory authorities have a close interest in the safe and responsible adoption of artificial intelligence (AI) in UK financial services. This FS is a summary of the responses to discussion paper (DP) 5/22, which was published in October 2022 with the aim of furthering understanding and deepening dialogue with respect to AI and in particular its benefits, risks and regulation.

Responses were received from various stakeholders, including industry bodies and insurers. Key points included:

- A principle-based or risk-based approach to defining AI is more useful than a regulatory definition
- There is a need for “live” regulatory guidance designed and maintained by regulators
- The complex landscape requires more coordination between domestic and international regulators
- More regulatory alignment is required on the current data regulation
- Increasing use of third-party models and data is concerning and more regulatory guidance would be helpful
- A joined-up approach across business units and functions could help to mitigate risks
- AI model risk could be strengthened or clarified to address issues relevant to models with AI characteristics



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