



Summary of regulatory developments

Updates for November 2023

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

The following table summarises the relevant updates identified in November.

REGULATORY ITEMS IDENTIFIED IN NOVEMBER WHICH MAY BE OF RELEVANCE TO LIFE INSURANCE COMPANIES

Date	Description
1-Nov	The Financial Conduct Authority's (FCA's) director of cross cutting policy and strategy gives speech on 'Consumer Duty: not once and done'
6-Nov	The Prudential Regulatory Authority (PRA) publishes Insurance Taxonomy v2.0.0 Public Working Draft (PWD)
6-Nov	The European Insurance and Occupational Pensions Authority (EIOPA) publishes its Insurance Risk Dashboard based on second quarter of 2023 Solvency II data
13-Nov	The European Supervisory Authorities (ESAs) publish two amended implementing technical standards (ITS) on the mapping of External Credit Assessment Institutions (ECAIs)
15-Nov	The PRA publishes statement on the recalculation of the transitional measure on technical provisions (TMTP) as at year-end 2023
16-Nov	The PRA publishes Consultation Paper (CP) 24/23, 'Funded reinsurance'
16-Nov	The FCA finds further work is required to fully embed guiding principles for environmental, social and governance (ESG) and sustainable investment funds
21-Nov	EIOPA Chairperson Petra Hielkema gives keynote speech at the EIOPA 2023 Conference

REGULATORY ITEMS IDENTIFIED IN NOVEMBER WHICH MAY BE OF RELEVANCE TO LIFE INSURANCE COMPANIES

Date	Description
22-Nov	The FCA publishes notice to consult on a new value for money (VFM) framework for defined contribution (DC) workplace pensions
23-Nov	FCA's chief operating officer and executive director gives speech on 'How to flex your organisation's power through culture and conduct'
29-Nov	The FCA publishes Policy Statement (PS) 23/16, 'Sustainability Disclosure Requirements (SDR) and investment labels'
30-Nov	The ESAs publish an interactive factsheet on most frequently asked questions about sustainable finance
30-Nov	The PRA publishes seventh edition of the Regulatory Initiatives Grid
30-Nov	The EIOPA publishes its Q&A on regulation

Updates for November 2023

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

ESAs

- **The ESAs publish two amended ITS on the mapping of ECAI.**

The amendments reflect the outcome of a monitoring exercise on the adequacy of existing mappings. The ESAs are proposing to alter the credit quality step (CQS) allocation for four ECAIs and to introduce new or amended credit rating scales for seven ECAIs. In addition, the amended ITS no longer contains mapping tables for three ECAIs whose licenses have been revoked since the previous amendment.

The ESAs have published individual draft mapping reports illustrating how the methodology was applied to produce the amended mappings in line with the Capital Requirements Regulation (CRR) mandate.

- **The ESAs publish an interactive factsheet on most frequently asked questions about sustainable finance.**

The factsheet provides tips and answers to frequently asked questions and is directed at consumers considering buying financial products with sustainability features, including loans, savings, investments, insurances and pensions. In particular, the factsheet outlines four key tips consumers should consider:

- Decide on the level of importance sustainability is for you and consider what financial goals you want to achieve.
- Pay attention to the conditions and sustainability of financial products to avoid being misled by 'greenwashing.'
- Keep in mind that financial products with sustainability are not risk-free.
- Take the time to decide and if needed, seek further clarification from the firm or advisers, particularly regarding investments and life insurance policies.

The factsheet has been translated into all European languages and any financial jargon has been explained.

EIOPA

- **EIOPA publishes its Insurance Risk Dashboard based on second quarter of 2023 Solvency II data.**

The results show that insurers' exposures to the following risks are currently the main concern for the insurance sector:

- Macro risks remain most relevant as forecasts for global gross domestic product (GDP) deteriorated for the next four quarters and the credit-to-GDP gap turned more negative.
- Market risks remain prominent given heightened volatility in bond and equity markets.
- Digitalisation and cyber risks increased to a high level and are expected to further increase according to supervisors.

All other risk categories, such as credit, liquidity and funding, profitability and solvency, and ESG-related risks, remain at medium levels.

- **EIOPA Chairperson Petra Hielkema gives keynote speech at the EIOPA 2023 Conference.**

The speech, themed 'hidden risks and new horizons,' discussed the current global uncertainties and future transitions whilst stressing the vital role insurers and pension providers must play. The chairperson highlighted the challenges faced with horizontal regulation and updates to current regulation. She also advocated for closing/narrowing protection gaps by enhancing financial literacy and data sharing.

The speech further tackled pension systems, advocating for accurate measurement of the pension gap, development of tracking systems and dashboards, and simplified, accessible products to ensure a secure retirement for individuals. She stressed the importance of value for money in financial products and the role of retail investors in bolstering the EU economy.

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

Updates include the following:

- (EU) 2023/894: ITS with regard to the templates for the submission of information necessary for supervision. Questions [2690](#), [2611](#), [2761](#), [2778](#), [2796](#), [2777](#), [2776](#), [2644](#), [2808](#), [2741](#), [2791](#), [2709](#), [2708](#), [2707](#), [2706](#), [2721](#), [2802](#), [2801](#), [2815](#), [2814](#), [2764](#), [2759](#), [2705](#), [2704](#), [2703](#), [2684](#), [2638](#) and [2742](#).
- (EU) 2023/895: ITS for the disclosure of solvency and financial condition report (SFCR). Question [2785](#).
- Guidelines on reporting for financial stability purposes. Questions [2837](#) and [2835](#).
- Guidelines on financial stability reporting. Questions [2779](#) and [2788](#).
- Revised guidelines on valuation of technical provisions. Question [2738](#).
- (EU) No 2015/35, supplementing Dir 2009/138/EC: taking up & pursuit of the business of insurance and reinsurance (Solvency II (SII)). Questions [2635](#), [2763](#), [2688](#), [2766](#) and [2770](#).

FCA

- **FCA's director of cross cutting policy and strategy gives speech on 'Consumer Duty: not once and done.'**

Highlights from the speech include:

- Good practices have already been seen three months on from the Duty coming into force. Continuing this momentum will realise more benefits to consumers, firms and the UK as a whole.
- The Duty is not a once and done exercise. Firms need to make sure they are learning and improving continuously and must be able to evidence this in their annual board report.
- Those with closed products and services should check they are on track to meet the 31 July 2024 implementation deadline.
- The Consumer Duty remains a top priority for the FCA, which will continue work across all sectors to test firms' implementation and embedding and will share good practice to support the industry.

- **FCA finds further work is required to fully embed guiding principles for ESG and sustainable investment funds.**

The FCA published a review ahead of its final rules and guidance on the SDR and investment labels regime. The review found evidence of good practice, such as the development and use of appropriate ESG and sustainability scoring systems and benchmarks. It also highlighted good practice where authorised fund managers (AFMs) conducted thorough due diligence on third-party data providers.

However, whilst progress has been made, the FCA found that many firms still have further to go to meet expectations, particularly around the disclosure and clarity of information being given to retail investors and consumers. Other examples of poor practice include products being inconsistently aligned with sustainability goals and key information not being immediately or clearly accessible to investors.

The FCA will continue to monitor the market and expects firms to address the poor practice outlined in the report to meet the SDR and Consumer Duty.

- **FCA's chief operating officer and executive director gives speech on 'How to flex your organisation's power through culture and conduct'**

Highlights from the speech include:

- As firms look to raise the bar under the Consumer Duty, they need to consider how their own culture can help to drive better outcomes.
- New, flexible proposals on diversity & inclusion will help firms drive changes which are ultimately beneficial, but it's important that the purpose of this is understood and the right policies and procedures are in place to ensure an inclusive culture with the right incentives.
- Enabling people to contribute, challenge and add value means listening, looking at processes and making changes to ensure people can perform at their best.

- **The FCA publishes notice to consult on a VFM framework for DC workplace pensions**

Following joint papers with the Department for Work and Pensions (DWP) and The Pensions Regulator (TPR) on a new VFM framework for DC workplace pensions, the FCA plans to open a consultation in spring 2024. The VFM framework has been designed to deliberately shift the focus from cost to longer-term value whilst ensuring transparency and delivery of VFM in the market. The FCA believes that all pension savers should be confident that their scheme delivers value regardless of where they're invested.

- **The FCA publishes PS23/16, 'SDR and investment labels'**

The PS introduces a package of measures to support the UK's position in asset management and sustainable investment. It also aims to protect consumers by helping them make more informed decisions when investing and to enhance the credibility of the sustainable investment market. The comprehensive set of measures include:

- An anti-greenwashing rule
- The introduction of four investment labels
- Naming and marketing rules
- Product-level disclosure requirements
- Entity-level disclosure requirements

Milliman has produced a more detailed [summary](#) of these new measures on our LinkedIn page if you wish to see further details.

PRA

- **The PRA publishes Insurance Taxonomy v2.0.0 PWD**

Following the publication of CP14/22, 'Review of Solvency II: Reporting phase 2,' and CP12/23, 'Review of Solvency II: Adapting to the UK insurance market,' the PRA has published a PWD of the Bank of England Insurance Taxonomy. This PWD sets out the technical implementation of the proposals outlined in the consultation papers.

The PRA welcomed feedback by 1 December 2023.

- **The PRA publishes statement on the recalculation of the TMTP as at year-end 2023**

The PRA invites firms to apply for permission to undertake a recalculation of the deduction applied pursuant to the TMTP in line with the expectations set out in Supervisory Statement (SS) 6/16 'Maintenance of the transitional measure on technical provisions' under SII. The process takes place every 24 months or less if there has been a material change to a firm's risk profile. Firms are asked to submit an application by email.

- **The PRA publishes CP24/23, 'Funded reinsurance'**

The PRA proposes a new draft of the SS outlining the expectations of life insurers entering into or holding funded reinsurance arrangements as cedants. The new draft SS reflects the PRA's assessment of potential risks from excessive concentrated exposures to correlated, credit-focused counterparties.

The PRA aims to advance safety and soundness and policyholder protection whilst allowing the life insurance sector to continue contributing to productive investment in the UK economy. Therefore, the SS would cover expectations on:

- The ongoing risk management of funded reinsurance arrangements
- The modelling of the solvency capital requirement associated with funded reinsurance arrangements
- How firms should consider the structuring of funded reinsurance arrangements

▪ **The PRA publishes seventh edition of the Regulatory Initiatives Grid**

The biannual publication of the Grid sets out the regulatory pipeline in order for the financial services industry and other stakeholders to understand and plan ahead for the timing of initiatives.

The seventh edition follows the passing of the Financial Services and Markets Act (FSMA) 2023. The 'Smarter Regulatory Framework' provided by the FSMA 2023 is now included in the Grid in response to stakeholder feedback.

An interactive dashboard is also available, which allows users to filter initiatives by:

- Sector
- Lead authority
- Expected impact on firms
- Those of interest to consumers and consumer organisations
- Whether consultations are currently planned for the initiative



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