



Summary of regulatory developments

Updates for April 2023

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

The following table summarises the relevant updates identified in April.

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

Date	Description
3-Apr	European Insurance and Occupational Pensions Authority (EIOPA) publishes year-end 2021 study on market and credit risk modelling
5-Apr	The Financial Conduct Authority (FCA) sets clear plan for the next 12 months
11-Apr	The FCA to lead the Global Financial Innovation Network (GFIN) Greenwashing TechSprint
11-Apr	The Prudential Regulation Authority (PRA) undertakes critical third-party survey
12-Apr	The European Supervisory Authorities (ESAs) propose amendments to extend and simplify sustainability disclosures
24-Apr	EIOPA and the European Central Bank (ECB) publish joint discussion paper on better climate catastrophe insurance
25-Apr	The ESAs issue Joint Committee Report on risks and vulnerabilities in the EU financial system
27-Apr	The PRA publishes Occasional Consultation Paper (CP) 8/23
28-Apr	EIOPA publishes its Q&A on regulation

Updates for April 2023

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

ESAs

- **The ESAs propose amendments to extend and simplify sustainability disclosures**

The ESAs have published a consultation paper with amendments to the Delegated Regulation of the Sustainable Finance Disclosure Regulation (SFDR). The proposed changes are to address issues that have emerged since the introduction of the SFDR and include:

- Extending the list of universal social indicators for the disclosure of adverse impacts of investment decisions on the environment and society, such as earnings from noncooperative tax jurisdictions or interference in the formation of trade unions
- Refining the content of other indicators and their respective definitions, applicable methodologies and formulae for calculation
- Adding product disclosures regarding de-carbonisation targets

The ESAs also propose further technical revisions to the SFDR by:

- Improving disclosures on how sustainable investments “do not significantly harm” the environment and society
- Simplifying pre-contractual and periodic disclosure templates for financial products
- Making other technical adjustments concerning the treatment of derivatives, the definition of equivalent information and provisions for financial products with underlying investment options

- **The ESAs issue Joint Committee Report on risks and vulnerabilities in the EU financial system**

While noting that EU financial markets remained broadly stable despite the challenging macro environment and recent market pressure in the banking sector, the three Authorities are calling on national supervisors, financial institutions and market participants to remain vigilant in the face of mounting risks.

The ESAs advise the following policy actions:

- Remain prepared for a deterioration in asset quality
- Consider and account for the impact of policy rate increases and sudden rises in risk premia
- Monitor the impacts of liquidity and inflation risks
- Maintain strong regulatory frameworks
- Enhance risk management capabilities and disclose for environmental, social and governance (ESG) risks

EIOPA

- **EIOPA publishes year-end 2021 study on market and credit risk modelling**

Market and credit risk contribute significantly to the Solvency Capital Requirement (SCR) of insurance undertakings and are also of material importance for the majority of internal model undertakings. Consequently, the EIOPA Board of Supervisors decided to perform an annual European-wide comparative study on the modelling of market and credit risks.

The 2021 study involved 20 participants from seven Member States amounting to nearly 100% of the EUR investments held by all undertakings with approved internal models covering market and credit risk in the European Economic Area (EEA). Whilst the study focuses on EUR-dominated instruments, it also analysed selected GBP- and USD-dominated instruments and the corresponding foreign exchange rate indices.

The results show moderate to significant dispersion in some asset model outputs. Although this dispersion may in part be attributable to certain model and business specificities that supervisors are conscious of, it also indicates the need for continued supervisory attention, including at the European level.

- **EIOPA and the ECB publish joint discussion paper on better climate catastrophe insurance**

As the potential impact of climate change grows, so do risks to the economy and financial stability. In order to curtail potential climate-related catastrophe losses, EIOPA and the ECB have published a discussion paper outlining policy options to better insure households and businesses in the EU against such events. These policy options are focused on boosting the uptake and efficiency of climate catastrophe insurance in addition to setting up incentives to adapt to and reduce climate risks.

To foster and support insurance coverage, EIOPA's suggestions include:

- Designing insurance policies to encourage households and firms to reduce risks, e.g., by granting discounts for implementing effective mitigation or adaptation measures
- Increasing the use of catastrophe bonds to pass on part of the risk to capital market investors
- Governments providing incentives to reduce risks and setting up public-private partnerships and backstops to partly cover the costs that insurers could incur in the event of a major disaster
- Complementing national-level insurance schemes with EU-wide public schemes to ensure adequate funds are accessible to EU countries in need of reconstruction after a rare and large-scale climate-related catastrophe

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

Updates include the following:

- (EU) No 2015/2450 – Templates for the submission of information to the supervisory authorities. Questions [2570](#), [2586](#), [2588](#), [1574](#), [2604](#), [2612](#) and [2550](#).
- (EU) No 2015/35 – Supplementing Dir 2009/138/EC – Taking up & pursuit of the business of insurance and reinsurance (SII). Questions [2578](#), [2560](#), [2545](#), [2544](#), [2394](#) and [2362](#).
- (EU) No 2017/2358 – Product oversight and governance requirements for insurance. Question [2479](#).
- (EU) No 2016/97 – Insurance Distribution Directive. Question [2564](#).
- (EU) No 2015/2452 – Procedures, formats and templates of the Solvency and Financial Condition Report. Question [2599](#).
- Guidelines on valuation of technical provisions. Question [2548](#).

FCA

- **The FCA sets clear plan for the next 12 months**

The FCA's [Business Plan 2023/24](#) aims to achieve better outcomes for consumers and markets over the next 12 months, in line with their three-year strategy. Further investment and increased resources will be provided to tackle the following areas:

- Putting consumers' needs first through the Consumer Duty applicable from July 2023
- Preparing financial services for the future through continued work with the Future Regulatory Framework (FRF) and Edinburgh Reforms whilst also supporting innovative and high growth firms
- Strengthening the UK's position in global wholesale markets by setting out further proposals to reform the listing regime to attract world-leading firms and encourage competition, whilst improving asset management regulation and the cost and quality of wholesale data
- Reducing and preventing financial crime by strengthening authorisation processes, improving assessments of regulated firms and continuing machine learning analysis to find scam sites

- **The FCA to lead GFIN Greenwashing TechSprint**

The number of investment products marketed as "green" or making sustainability claims is growing. Exaggeration, misleading or unsubstantiated claims about ESG credentials decrease the confidence in these products and the FCA wants to ensure that consumers and firms can trust that products have the sustainability characteristics they claim to have.

In response to this, the FCA along with 12 other international regulators will be taking part in a GFIN Greenwashing TechSprint. The aim is to address sustainable finance as a collective priority and ultimately develop a tool or solution to assist regulators and the market in dealing with the risks of greenwashing. The TechSprint will kick off in June and run until the showcase day in September 2023. All UK-based firms interested in participating should apply by 21 May 2023.

PRA

- **The PRA undertakes critical third-party survey**

In Discussion Paper (DP) 3/22 the supervisory authorities (Bank of England, PRA, FCA) collectively set out potential measures to oversee and strengthen the resilience of services provided by critical third parties (CTP) to the UK financial sector.

As part of the ongoing work, the supervisory authorities have now issued a survey to aid analysis into the costs and benefits of a potential CTP regime in the UK. Respondents are asked to provide cost estimates for implementing and ensuring ongoing compliance with potential minimum resilience standards along the lines of those set out in DP3/22.

The survey is voluntary and open until 17 May 2023.

- **The PRA publishes Occasional Consultation Paper (CP) 8/23**

The CP proposals result in minor amendments to PRA rules, including:

- Small changes to the PRA's approach to the publication of Solvency II technical information, fulfilling its obligation to publish technical information necessary for the valuation of insurance liabilities for each relevant currency
- Inserting the definition of "participating Solvency II undertaking" in the Group Supervision part of the PRA Rulebook
- Updating the definition of "accounting principles" in the Glossary of the PRA Rulebook
- Correcting the reference number of the form used to notify the PRA of an auditor appointment in the Auditors part of the PRA Rulebook.

This consultation paper closes 22 June 2023. The PRA intends to publish a policy statement in Q4 2023 pending consideration of any responses.



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