



Summary of regulatory developments

Updates for July 2023

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

The following table summarises the relevant updates identified in July.

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

Date	Description
6-Jul	The Prudential Regulatory Authority (PRA) publishes Annual Report 2022/23
5-July	The Financial Conduct Authority (FCA) consults on a new Code of Conduct for Environmental, Social and Governance (ESG) data and ratings providers
10-Jul	The European Insurance and Occupational Pensions Authority (EIOPA) consults on supervision of reinsurance concluded with third-country reinsurers
11-Jul	EIOPA publishes paper on methodological principles of insurance stress testing of cyber risks
13-Jul	EIOPA publishes Report on Colleges Activities 2022
17-Jul	The PRA publishes statement on the recalculation of the transitional measure on technical provisions (TMTP)
20-Jul	EIOPA publishes peer review report on product oversight and governance (POG)
20-Jul	The FCA and Practitioner Panel 2022/23 survey findings
24-Jul	EIOPA consults on an open insurance use case: An insurance dashboard
31-Jul	EIOPA publishes its Risk Dashboard based on first quarter of 2023 Solvency II data

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

Date	Description
31-Jul	The PRA publishes approach document on insurance supervision
31-Jul	The FCA's Consumer Duty comes into force
31-Jul	EIOPA publishes its Q&A on regulation

Updates for July 2023

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

EIOPA

- **EIOPA consults on supervision of reinsurance concluded with third-country reinsurers**

To ensure high-quality and convergent supervision of insurers with reinsurance arrangements with third-country reinsurers, EIOPA has published a consultation on a draft supervisory statement outlining expectations of national supervisors and the industry. The statement sets out expectations and considerations in several areas, including:

- Assessment of the business context when using reinsurance from third countries
- The importance of early dialogue
- How to assess reinsurance agreements and undertakings' risk management systems
- Tools to help mitigate any additional risks that might arise from arrangements

The consultation closes 10 October 2023.

- **EIOPA publishes paper on methodological principles of insurance stress testing of cyber risks**

This is the fourth in a series of papers EIOPA has published on methodological principles of insurance stress testing and is a further step in enhancing EIOPA's bottom-up insurance stress testing framework.

The paper aims to set the ground for an assessment of insurer's financial resilience under severe but plausible cyber incident scenarios and should help in the design phase of future insurance stress tests focusing on cyber risks. The methodological principles cover insurers' own cyber resilience and vulnerabilities related to cyber underwriting risk.

- **EIOPA publishes Report on Colleges Activities 2022**

Colleges of Supervisors are cooperative frameworks to enhance coordination among National Competent Authorities (NCAs) in Europe. It facilitates the exchange of information, coordination of supervisory activities and adoption of common approaches for overseeing insurance groups operating across borders.

This report analysed 64 colleges and found that:

- Inflation remains a key focus although it had a limited impact in 2022.
- The value of fixed income assets dropped due to rising interest rates. For groups offering long-term insurance products, these losses were offset by the decrease in liabilities.
- The average Solvency Capital Requirement (SCR) ratio at the end of 2022 increased slightly on a year-on-year basis while some groups in particular saw their SCR ratios drop due to valuation losses and/or higher SCR requirements.
- Given the rapid increase in interest rates, mass lapse risk has become more relevant in terms of capital requirement increase.

Other topics discussed included group-specific risks, ESG-related aspects, conduct of business issues and reinsurance as well as the activities related to financial conglomerates and internationally active groups.

- **EIOPA publishes peer review report on POG**

The review report is the first of its kind and focusses on conduct of business supervision to assess how national supervisors in the European Economic Area (EEA) are supervising the application of POG requirements by insurance manufacturers. The report found that:

- Most NCAs have adapted their supervisory approaches and processes to the supervision of POG requirements in line with the provisions introduced by the Insurance Distribution Directive (IDD) and the POG Delegated Regulation
- Several NCAs were in the process of improving their supervisory POG frameworks during the review's reference period, while some NCAs were still building their framework
- Although there were significant differences between NCAs as to the level of maturity of POG supervision, sound progress has been made in laying the necessary foundations

As a result, EIOPA has issued a set of recommended actions to national supervisors. EIOPA will also be considering how to best reflect the findings in its work on consumer protection and supervisory convergence.

- **EIOPA consults on an open insurance use case: An insurance dashboard**

The consultation is a follow up to an initial discussion paper (DP) on open insurance, after which EIOPA concluded that more detailed open insurance use cases might facilitate a better understanding of implications for consumers, the industry and supervisors.

The insurance dashboard use case-selected aims to give consumers an overview of all their policies in one place, while allowing providers to present information about their products so that consumers can compare offers and prices. This paper investigates the operational aspects of such a dashboard, including:

- Data flows
- Stakeholder roles and responsibilities
- Standardisation and Interoperability
- Data protection and ethical considerations
- Applicable legal frameworks
- Implementation challenges regarding data sharing
- Identifying benefits and risks

Responses to the consultation close 24 October 2023.

- **EIOPA publishes its Risk Dashboard based on first quarter of 2023 Solvency II data**

The results show that insurers' exposures to macro risks are currently the main concern for the insurance sector. All other risk categories, such as profitability and solvency, climate and digitalisation remain at medium levels.

With regard to macro risks, forecasts for global gross domestic product (GDP) further increased whilst consumer price index (CPI) forecasts slightly decreased for the next four quarters.

- **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 [2668](#), [2667](#), [2665](#), [2662](#), [2633](#), [2653](#), [2697](#), [2661](#), [2669](#), [2666](#), [2663](#), [2660](#), [2590](#), [2555](#), [2655](#), [2652](#), [2681](#), [2634](#), [2609](#) and [2642](#).
- (EU) No 2016/97 – Insurance Distribution Directive. Question [2602](#).
- (EU) 2023/894 – Implementing technical standards (ITS) with regard to the templates for the submission of information necessary for supervision. Questions [2693](#) and [2426](#).

- (EU) No 2015/2452 – Procedures, formats and templates of the Solvency and Financial Condition Report. Questions [2723](#) and [2626](#).
- (EU) No 2009/138 – Solvency II Directive (Insurance and Reinsurance). Question [2454](#).
- (EU) No 2015/35 – Supplementing Dir 2009/138/EC – Taking up and pursuit of the business of insurance and reinsurance (SII). Questions [2549](#) and [2308](#).

FCA

▪ **The FCA consults on a new Code of Conduct for ESG data and ratings providers**

In 2022, the FCA appointed the International Capital Market Association and the International Regulatory Strategy Group to convene an industry group to develop a voluntary code of conduct. As part of the Code's development, the group engaged with standard-setters in other jurisdictions to ensure international consistency.

As firms grow increasingly reliant on third-party ESG data and ratings products, the FCA supports this industry-led solution to increase transparency and trust in this growing market.

The Code consultation will run until 5 October 2023. The Code will be updated and finalised by the end of 2023.

▪ **The FCA and Practitioner Panel 2022/23 survey findings**

The survey aims to help the FCA gain a better understanding of the issues affecting firms and how they can help. The results indicated that the majority of responding firms have a positive view of the FCA's performance over the last year. However, some firms want the FCA to further consider:

- Proportionality so that the costs imposed are proportionate to the benefits gained
- Responding efficiently to innovation and new challenges
- Improving trust and confidence
- Ensuring there are ongoing improvements in the authorisations process
- Looking at how the use of data requests is fed back to firms

The FCA is already working to improve some of the above in its three-year strategy, but will also take forward several specific actions, including establishing a new panel to provide advice on cost/benefit analysis and improving the authorisation processing times by making internal processes more efficient.

▪ **The FCA's Consumer Duty comes into force**

The Consumer Duty aims to ensure that consumers receive communications they can understand and products and services that meet their needs and offer fair value and the customer support they need, when they need it.

On 31 July 2023 the rules and guidance came into force for new and existing products and services that are currently on sale. For older products that are no longer on sale, the rules will apply from 31 July 2024.

The FCA is closely monitoring how firms are putting the new rules into place and will take action against those that aren't following them.

PRA

▪ **The PRA publishes Annual Report 2022/23**

This PRA report includes information on its activities for the year ended 28 February 2023. The report provides examples of how the PRA has delivered its 2022/23 strategic goals, including:

- Retaining and building on the strength of the banking and insurance sectors delivered by the financial crisis reform
- Identifying new and emerging risks, and developing international policy
- Supporting competitive and dynamic markets
- Running an inclusive, efficient and modern regulator within the central bank

- **The PRA publishes statement on the recalculation of the TMTP**

The movements in risk-free rates during the first half of 2023 met the threshold for a material change in market conditions as set out under the Supervisory Statement 6/16 "Maintenance of the transitional measure on technical provisions" under Solvency II and could lead to a change in the risk profile for firms.

The PRA is accepting applications from firms to recalculate TMTP from 30 June 2023 and expects firms to be able to demonstrate that a material change in risk profile has occurred.

To expedite the application process, the PRA would expect applications at this time to use firms' existing TMTP calculation methodologies.

- **The PRA publishes approach document on insurance supervision**

The approach document covers the PRA's objectives in insurance supervision, including:

- Ensuring safety, soundness and stability in the UK's financial system
- Facilitating effective competition and growth, including international competitiveness
- Appropriate protection of policyholders

To advance its objectives, the PRA's supervisory approach follows three key principles. It is: (1) judgement-based; (2) forward-looking; and (3) focussed on key risks.

This document also describes how the PRA supervises insurers in practice, including the tools used and the legal and enforcement powers available. This is to aid accountability to the public and Parliament.



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