



Summary of regulatory developments

Updates for October 2024

This memo identifies and summarises any regulatory updates published during October 2024 which may be of relevance to life insurance companies.

The following table summarises the relevant updates identified in October.

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

Date	Description
1-Oct	The European Insurance and Occupational Pensions Authority (EIOPA) launches the first batch of consultations on technical standards after Solvency II (SII) review
7-Oct	EIOPA publishes its methodology on setting value-for-money benchmarks for unit-linked and hybrid insurance products
7-Oct	The European Supervisory Authorities (ESAs) publish Joint Committee Work Programme for 2025
10-Oct	The Prudential Regulation Authority (PRA) publishes Insurance Taxonomy v2.0.1
11-Oct	The Financial Conduct Authority (FCA) Head of Department, Advisers, Wealth and Pensions and Consumer Investments delivers speech on the new FCA supervisory strategy for the financial advice sector
15-Oct	PRA publishes Interim update of the Financial Services Regulatory Initiatives Grid
17-Oct	EIOPA launches consultation on criteria for selecting insurers to run macro-prudential analyses
17-Oct	ESAs share highlights from the 2024 Joint Consumer Protection Day
17-Oct	FCA welcomes the report and recommendations from the Transition Finance Market Review (TFMR)
23-Oct	PRA publishes statement on Consultation Paper (CP) 5/24, "Review of Solvency II: Restatement of assimilated law"

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

Date	Description
25-Oct	FCA publishes results of nonfinancial misconduct survey
30-Oct	EIOPA publishes its Risk Dashboard for institutions for occupational retirement provision (IORPs) based on second quarter Solvency II data
30-Oct	ESAs publish Joint Report on principal adverse impacts disclosures under the Sustainable Finance Disclosure Regulation (SFDR) for 2024
31-Oct	EIOPA publishes its Insurance Risk Dashboard based on second quarter Solvency II data
31-Oct	EIOPA publishes its Q&As on regulation

Updates for October 2024

This section highlights articles released in October 2024 of interest to life companies.

ESAs

- **ESAs publish Joint Committee Work Programme for 2025**

The [programme](#) focuses on collaboration to address cross-sectoral risks, promote sustainability and enhance digital resilience in the EU financial system. Key initiatives include:

- Provide further guidance on sustainability disclosures.
- Make progress on financial entities' digital operational resilience by, amongst other things, launching the oversight of critical information and communication technology (ICT) third-party providers and implementing the major ICT-related incident coordination framework in accordance with the Digital Operational Resilience Act (DORA).
- Monitor financial conglomerates.
- Promote coordination and cooperation among national innovation facilitators with a view to facilitating the scaling up of innovative solutions in the financial sector.
- Address other cross-sectoral matters such as retail financial services, investment products and securitisation.

- **ESAs share highlights from the 2024 Joint Consumer Protection Day**

The ESAs held the 11th edition of their annual Consumer Protection Day in Budapest on 3 October. The theme was "Empowering EU consumers: Fair access to the future of financial services." The three panels covered were:

- Artificial intelligence (AI): The benefits, risks and areas for improvement such as better understanding and creation of conditions for innovation to grow.
- Access to consumer-centric financial products and services: Areas for improvement such as better financial education, attention to vulnerable consumers, enabling access to standard financial packages, better understanding of consumer needs and preserving consumer trust.
- Sustainable finance: The challenges for investors and recommendations such as simplification of disclosure requirements and enhancing the financial literacy of retail investors.

The ESAs have made the [recording](#) of the event available.

- **ESAs publish Joint Report on principal adverse impacts disclosures under the Sustainable Finance Disclosure Regulation (SFDR) for 2024**

The [report](#) assessed both entity and product-level Principal Adverse Impact (PAI) disclosures under the SFDR. The findings show that:

- Financial institutions have improved the accessibility of their PAI disclosures.
- There has been positive progress regarding the quality of the information disclosure by financial products and the quality of the PAI statements in general.

- A few National Competent Authorities (NCAs) reported slight improvements in the compliance with the SFDR disclosures in their national markets.

The report also includes recommendations to the NCAs on ensuring convergent supervision of financial market participants' practices, and recommendations to the European Commission (EC) on a comprehensive assessment of the SFDR.

EIOPA

▪ **EIOPA launches the first batch of consultations on technical standards after Solvency II review**

As part of the Solvency II review process, five consultations were launched by EIOPA. The first batch consists of four consultations on Regulatory Technical Standards (RTS) and one on Implementing Technical Standards (ITS). In particular, the consultations are on:

- **Liquidity risk management:** Sets out criteria defining which undertakings and groups should include medium- and long-term analyses in their liquidity risk management plans, the content of the plans and the frequency at which they should be updated.
- **Exceptional sector-wide shocks:** Provides criteria to supervisory authorities for identifying such shocks.
- **Undertakings under dominant/significant influence or managed on a unified basis:** Specifies factors for identifying insurance undertakings that are under dominant or significant influence as well as those managed on a unified basis.
- **Scenarios for best-estimate valuations for life insurance obligations:** This ITS sets out the methodology for deriving technical information that insurers will need when applying the simplification.
- **Enhancing the supervision of cross-border activities:** Sets out the conditions and criteria that need to be considered by host supervisors when determining the relevance of cross-border activities for their markets.

EIOPA invites feedback via online surveys no later than 2 January 2025.

▪ **EIOPA publishes its methodology on setting value-for-money benchmarks for unit-linked and hybrid insurance products**

EIOPA's initiative aims to enhance data-driven and risk-based supervision, helping identify products with high value-for-money risks and ensuring insurance products are consumer-centric. Supervisors have reported issues in the unit-linked and hybrid markets, such as mismatches between expected and actual returns, and unjustified costs. Although not widespread, these issues can significantly impact consumer trust based on [EIOPA's Eurobarometer Data](#). EIOPA has prioritised value-for-money since 2020 to address these concerns.

The [methodology](#) involves a three-step approach:

- **Product clusters:** To bring comparability to products distributed across Europe. The step involves categorising products with similar features into groups based on policyholders' needs.
- **Value-for-money indicators:** Defining indicators for costs and returns around which value-for-money benchmarks are calculated.
- **Setting benchmarks:** EIOPA will use data collected for the "Costs and Past Performance" report to calculate benchmarks.

▪ **EIOPA launches consultation on criteria for selecting insurers to run macro-prudential analyses**

EIOPA has launched a [consultation](#) on criteria for national supervisors to request (re)insurers and insurance groups to conduct macro-prudential analysis in their Own Risk and Solvency Assessments (ORSAs) and application of the Prudent Person Principle (PPP).

The proposed criteria includes:

- **Quantitative criterion:** A threshold of €12 billion in total assets, aligning with financial stability reporting criteria.
- **Qualitative criteria:** Allowing supervisory judgement and risk-based considerations to add or remove (re)insurers from the list required to perform macro-prudential analyses.

Stakeholders are invited to provide feedback via online surveys by 9 January 2025.

- **EIOPA publishes its Risk Dashboard for institutions for occupational retirement provision (IORPs) based on second quarter Solvency II data**

The [dashboard](#) shows that European IORPs' exposures to market volatility is currently the main concern for the European IORP sector. All other risk categories, such as macro, credit, reserve and funding and digitalisation and cyber risks remain at medium levels.

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

The [dashboard](#) shows that insurers' exposures to market volatility and real estate price risks are currently the main concern for the insurance sector. All other risk categories remain at medium levels.

Macro, credit, liquidity and funding and market perception risks remain largely unchanged and steady. With regard to solvency and profitability risks, the solvency ratios for insurance groups and life solo undertakings fell slightly in the second quarter of the year. However, recent data points to a stable profitability outlook.

Environmental, social and corporate governance (ESG) risks and digitalisation and cyber risks show worsening risk outlooks for the next 12 months based on the assessment of the national supervisors.

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

Updates include the following:

- (EU) 2023/894 – ITS with regard to the templates for the submission of information necessary for supervision. Question [3125](#), [3126](#), [3145](#), [3131](#), [3134](#), [3011](#), [3113](#), [3083](#), [2925](#) and [2860](#).
- (EU) No 2015/35 – Supplementing Dir 2009/138/EC – Taking up and pursuit of the business of insurance and reinsurance (SII). Questions [3150](#) and [3099](#).
- Guidelines on financial stability reporting. Questions [3121](#), [2821](#) and [2849](#).

FCA

- **FCA's Head of Department, Advisers, Wealth and Pensions and Consumer Investments delivers speech on the new FCA supervisory strategy for the financial advice sector**

Highlights from the speech include:

- The FCA continues to focus on good client outcomes, taking a less prescriptive and, through Consumer Duty, a more outcomes-based approach to regulation.
- The FCA wants to give firms the flexibility to innovate in the service of their clients in ways that fit their size and client base more easily.
- The strategy has three buckets: reduce and prevent serious harm, test and monitor under the Consumer Duty and the Advice Guidance Boundary Review.

- **FCA welcomes the report and recommendations from the Transition Finance Market Review (TFMR)**

The FCA welcomes the [report](#) and also recognizes the concerns some have raised to the TFMR about being accused of greenwashing when making claims about future decarbonisation. The FCA encourages firms to read the [TFMR's recommendations](#) and requests feedback emails to sustainablefinance-intelligence@fca.org.uk.

- **FCA publishes results of nonfinancial misconduct survey**

The survey involved over 1,000 investment banks, brokers and wholesale insurance firms and found that the number of allegations reported increased between 2021 and 2023. Bullying and harassment (26%) and discrimination (23%) were the most recorded concerns. A large "other" group of concerns (41%) indicates how difficult it can be to categorise issues of personal misconduct.

The findings will be shared to enable firms to benchmark their own reporting against their analysis and consider whether their processes for reporting and investigating possible nonfinancial misconduct remain appropriate.

PRA

- **PRA publishes Insurance Taxonomy v2.0.1**

The taxonomy should be used for reporting with a reference date of 31 December 2024 onwards. The instructions will be published as part of the policy statement in response to [CP5/24 – Review of Solvency II: Restatement of assimilated law](#).

The PRA is planning for an [industry roundtable](#) to discuss the taxonomy.

- **PRA publishes Interim update of the Financial Services Regulatory Initiatives Grid**

The [interim regulatory initiatives grid](#) sets out the regulatory pipeline over a 24-month horizon which is meant to be published twice a year. Following the announcement of the general election in the UK, the eighth edition of the Grid was postponed. Due to the replanning required, the Forum will not be able to provide a complete Grid this year and an interim update has been given.

The Forum is comprised of the Bank of England (including the PRA), the FCA, the Payment Systems Regulator, the Competition and Markets Authority, the Financial Reporting Council, the Pensions Regulator and the Information Commissioner's Office, with HM Treasury attending as an observer member.

The interim update follows the last full Grid published in November 2023 and covers known upcoming publications impacting firms in the period from October 2024 to March 2025.

- **PRA publishes statement on Consultation Paper (CP) 5/24, "Review of Solvency II: Restatement of assimilated law"**

The PRA's statement follows on from [CP5/24 – Review of Solvency II: Restatement of assimilated law](#), which introduces a permission requirement in respect of the recognition of an increase in deferred tax assets by firms in their calculations of the loss-absorbing capacity of deferred taxes (LACDT). The PRA is considering whether it is appropriate to introduce a temporary delay in implementing this requirement to allow firms additional time to submit relevant applications.

The PRA will publish its final policy on CP5/24 proposals in mid-November.

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