Summary of regulatory developments

Updates for February 2025

This memo identifies and summarises any regulatory updates published during February 2025 which may be of relevance to life insurance companies.

The following table summarises the relevant updates identified in February.

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

Date	Description
3-Feb	The European Insurance and Occupational Pensions Authority (EIOPA) launches consultation on Guidelines for market shares for limited reporting requirements under Solvency II.
4-Feb	The Financial Conduct Authority (FCA) chief operating officer delivers speech on culture.
20-Feb	EIOPA publishes Supervisory Statement on deduction of foreseeable dividends from insurers' own funds under Solvency II.
20-Feb	The Prudential Regulation Authority (PRA) publishes policy statement PS3/25, 'The Prudential Regulation Authority's approach to policy.'
26-Feb	The FCA executive director of consumers, competition and international delivers speech.
27-Feb	The FCA chief executive delivers speech at the Association of British Insurers roundtable.

Updates for February 2025

This section highlights articles released in February 2025 of interest to life companies.

EIOPA

- **EIOPA launches consultation on Guidelines for market shares for limited reporting requirements under Solvency II**.

  The consultation aims to review previous Guidelines on the methods for determining the market share of undertakings that can make use of limited reporting requirements under Solvency II. EIOPA is clarifying the roles of supervisory authorities and undertakings in the process to inform the insurance and reinsurance undertakings about any limitations, and to promote the use of exemptions or reduced reporting requirements to ensure fairness.

  EIOPA invites feedback via the online survey by no later than 28 April 2025.

- **EIOPA publishes Supervisory Statement (SS) on deduction of foreseeable dividends from insurers' own funds under Solvency II**.

  The SS aims to provide initial guidance to supervisory authorities on the supervision of foreseeable dividends with a view to enhance supervisory convergence and achieve a level playing field. EIOPA notes that although Commission Implementing Regulation (EU) 2023/894 on supervisory reporting instructs (re)insurers and groups to deduct their annual foreseeable dividend in full, various approaches have emerged over time to deduct foreseeable dividends from own funds. These include the annual full deduction approach, the quarterly accrued deduction approach and the approach where foreseeable dividends are deducted after administrative, management or supervisory body (AMSB) approval.

  EIOPA is currently reviewing Commission Implementing Regulation (EU) 2023/894 to reflect the changes stemming from the Solvency II review and to consider other changes relevant for supervisory purposes, including the reduction of the reporting burden.

  EIOPA expects supervisory authorities not to prioritise supervisory actions in case an undertaking or group uses the quarterly accrued approach for the deduction of foreseeable dividends. However, if undertakings or groups operate in a stable and predictable environment, or if there is a history of fixed dividends, EIOPA considers the annual full deduction method a feasible option. In cases where there are objective difficulties hindering the estimation of foreseeable dividends, EIOPA considers the deduction of dividends after the formal approval of the ASMB a feasible option.

FCA

- **The FCA chief operating officer delivers speech on culture.**

  Highlights from the speech include:

  - Culture continues to be a regulatory concern as it drives conduct and decision-making, which directly impacts outcomes for consumers, markets and the economy.
  - The FCA notes that the root cause of failures related to consumer protection or market conduct continues to be culture and governance.
  - A strong foundation of healthy firm cultures is required for long-term economic growth from informed and responsible risk-taking.
  - The FCA is actively working with stakeholders to drive up culture and conduct standards and encourages firms to work with the FCA and others to spread a healthy culture.

- **The FCA executive director of consumers, competition and international delivers speech on managing systemic risk.**

  Highlights from the speech include:

  - Leverage is essential for non-bank financial intermediation (NBFI) entities, boosting returns, enhancing efficiency and managing risks. However, when it is concentrated or crowded, leverage can become a vulnerability and source of systemic risk.
  - The UK non-bank finance sector manages approximately £14.3 trillion in assets, and this continues to grow.
  - The build-up of systemic risk from NBFI leverage can be mitigated by targeted improvements to public and private disclosures.
  - The FCA notes that the presence of NBFI leverage, the interconnectedness between leveraged NBFI entities and important institutions, and market crisis are key characteristics of the most recent events where NBFI leverage use contributed to market disruption and amplified instability.
  - Regulators need to have the necessary data, systems and tools in place to effectively monitor NBFI leverage use and identify systemic risk.
  - The FCA notes the key lines of defense against leverage-related risks are: NBFIs' risk management, counterparty credit risk management and regulatory oversight.
  - The FCA is playing a leading role and co-chairing a working group to support the ongoing Financial Stability Board (FSB) consultation on a suite of proposals for monitoring and addressing systemic risk arising from NBFI leverage.

- **The FCA chief executive delivers speech at the Association of British Insurers roundtable.**

  Highlights from the speech include:

  - Firms are now able to choose whether to have a Consumer Duty board champion.
  - The FCA is aware of concerns about the pace of regulatory change and is aiming for fewer large-scale changes in their next five-year strategy.
  - The FCA has made approximately 50 growth proposals to the prime minister, and swift action will be taken in the coming weeks.
  - The upcoming new five-year strategy will include the following key themes: supporting customers, supporting economic growth, tackling financial crime and enhancing FCA effectiveness. More information on the strategy will be released next month.

PRA

- **The PRA publishes policy statement PS3/25, 'The Prudential Regulation Authority's approach to policy.'**

  The PS provides feedback to the responses received by the PRA on consultation paper CP27/23, 'The Prudential Regulation Authority's approach to policy' and includes the following changes to the approach document:

  - Updated approach to secondary objectives, specifically the secondary competitiveness and growth objective (SCGO), in response to feedback to the CP and recommendations from the Bank's Independent Evaluation Office (IEO)
  - Several changes throughout the document that further elaborate on or clarify the approach in response to feedback to the CP, including on the approach to stakeholder engagement and implementing international standards
  - Updated description on 'regulatory principles' to reflect a new recommendations letter from HM Treasury since the publication of the CP
  - Other clarification changes, as well as minor amendments

  The Final Approach document took effect on 20 February 2025.

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