



Regulatory developments in the global insurance sector

Vol. 19 (January to February 2022)



Executive summary¹

Region	No	Organisation(s)	Date	Regulatory developments
Global	1	IFRS Foundation	31 January 2022	<ul style="list-style-type: none"> ■ IFRS Foundation has completed consolidation of the Climate Disclosure Standards Board (CDSB). This consolidation is part of the commitments made by the IFRS Foundation Trustees in November 2021. The commitments include the following. <ul style="list-style-type: none"> ➤ To form a new International Sustainability Standards Board (ISSB). ➤ To consolidate the CDSB and the Value Reporting Foundation into the IFRS Foundation by June 2022. ➤ To publish prototype climate and general disclosure requirements. (These requirements have already been published.) ■ The CDSB materials will remain relevant until IFRS Sustainability Disclosure Standards are developed by the ISSB.
	2	International Association of Insurance Supervisors (IAIS)	18 January 2022	<ul style="list-style-type: none"> ■ IAIS published its roadmap for year 2022 to 2023. Major items in the roadmap include the following. <ul style="list-style-type: none"> ➤ To finalise the development of liquidity metrics as an ancillary indicator for the individual insurer monitoring in 2022. ➤ To submit a comprehensive report on the review of the IAIS Holistic Framework to the Financial Stability Board (FSB), which will serve as an input for the FSB to make a decision on the annual designation of G-SIIs in November 2022. ➤ To consult on a draft of the ICS as PCR in Q3 2023.
Europe	3	European Insurance and Occupational Pensions Authority (EIOPA)	9 February 2022	<ul style="list-style-type: none"> ■ EIOPA published its Supervisory Convergence Plan for 2022. Key items in the plan include the following. <ul style="list-style-type: none"> ➤ To conclude the work on EIOPA Supervisory Handbook addressing the supervision of climate-related risks under Pillar II of Solvency II. ➤ To finalise the methodology to address value for money risks in the context of conduct risks. ➤ To publish Guidelines on Best Estimate Valuation as well as Guidelines on contract boundaries to

¹ Volumes 1 to 12 of the report 'Regulatory developments in the global insurance sector' are available only in Japanese. This executive summary is a summary of the Japanese version of the Volume 19 report. It is advised that you refer to the respective original materials for accurate information.

			ensure a level playing field.
4	European Commission	2 February 2022	<ul style="list-style-type: none"> ■ European Commission approved in principle a Complementary Climate Delegated Act that allows specific nuclear and gas energy activities that meet the screening criteria to be classified as activities that ‘substantially contribute to climate change mitigation’.
5	European Systemic Risk Board (ESRB)	27 January 2022	<ul style="list-style-type: none"> ■ ESRB recommends establishing a pan-European systemic cyber incident coordination framework (EU-SCICF), together with a report that presents detailed strategies for addressing systemic cyber risks. Key elements of the recommendation include the following. <ul style="list-style-type: none"> ➤ ESAs to establish EU-SCICF jointly with the European Central Bank, ESRB and relevant national authorities, etc. ➤ ESAs to designate a point of contact to facilitate co-ordination among relevant bodies. ➤ Commission to consider appropriate measures to ensure effective co-ordination of responses to systemic cyber incidents.
6	European Insurance and Occupational Pensions Authority (EIOPA)	24 January 2022	<ul style="list-style-type: none"> ■ EIOPA issued the Consumer Trends Report 2021. Key findings presented in the report include the following. <ul style="list-style-type: none"> ➤ Unit-linked products showing high costs and complex structures with high commissions increase concerns relating to possible mis-selling and ‘value for money’. ➤ Increased evidence of fraud and scams targeting both consumers and insurers in the context of digitalisation has been reported. ➤ Supervisors have concerns over lower payments of claims than expected and a lack of adequate justification for claim refusals in relation to, in particular, motor, travel and household insurance.
7	U. K. Prudential Regulation Authority (PRA)	20 January 2022	<ul style="list-style-type: none"> ■ PRA released a draft of the scenario specifications and instructions for Insurance Stress Test 2022 for consultation. Major changes from the previous Insurance Stress Test conducted in 2019 include the following. <ul style="list-style-type: none"> ➤ To use a staged approach for the scenario and setting out the permitted management actions at each stage in order to achieve greater consistency [life]. ➤ To focus only on the liability risks and to re-classify the cyber scenario from exploratory to core [non-life]. ➤ To request insurers to submit qualitative information on, e.g., governance process and quality

				assurance in completing the exercise [both life and non-life].
	8	European Insurance and Occupational Pensions Authority (EIOPA)	6 January 2022	<ul style="list-style-type: none"> ■ EIOPA published a report on the application of the Insurance Distribution Directive. Key messages regarding impacts of the new regulatory framework in the report include the following. <ul style="list-style-type: none"> ➤ While most supervisors are of the view that the way insurance is distributed has improved, some supervisors have concerns about, e.g., insufficient demands-and-needs test. ➤ Further training for insurance distributors is needed for, in particular, complex products such as insurance-based investment products. ➤ Additional guidance may be needed in applying the IDD rules on the form and timing of disclosures in a digital context.
Americas	9	Office of the Superintendent of Financial Institutions (OSFI)	14 January 2022	<ul style="list-style-type: none"> ■ OSFI and the Bank of Canada released the results of a pilot project on climate scenario analysis. Six financial institutions (banks and insurers) participated in the exercise. <ul style="list-style-type: none"> ➤ The scope of the exercise was (i) credit risks of wholesale loan portfolios (for banks) and (ii) credit risk to bonds and corporate loan portfolios and market risk to equity portfolios (for insurers). ➤ The scenarios were: (i) baseline (2019 policies); (ii) below 2 degrees with an immediate action; (iii) below 2 degrees with delayed actions; and (iv) net-zero 2050 (1.5 degrees). ■ Major findings from the exercise include the following. <ul style="list-style-type: none"> ➤ Significant negative financial impacts emerged for, e.g., fossil fuels sectors, and benefits emerged for, e.g., the electricity sector. ➤ Financial institutions are in the early stages of building climate-related risk assessment capacities.
Asia Pacific	10	Monetary Authority of Singapore (MAS)	8 February 2022	<ul style="list-style-type: none"> ■ MAS set its expectations on non-face-to-face customer due diligence (CDD). Financial institutions are expected to, for example: <ul style="list-style-type: none"> ➤ Put in place appropriate controls for non-face-to-face CDD processes such as video-conferencing process to verify the identity of customers; ➤ Regularly review technology solutions, such as biometrics technologies, to ensure their continued effectiveness; and ➤ Conduct an internal assessment of the effectiveness of those solutions in mitigating impersonation and fraud risks prior to implementing them.

	11	Australian Prudential Regulation Authority (APRA)	1 February 2022	<ul style="list-style-type: none"> ■ APRA released its policy and supervision priorities for 2022, which include the following. <ul style="list-style-type: none"> ➤ Contingency and resolution planning: To finalise the standards for contingency and resolution planning in 2022. ➤ Operational risk management: To consult on enhanced requirements for operational risk management in 2022, including business continuity and arrangements with third parties. ➤ Solvency requirements for insurers: To finalise the integration of AASB 17 into insurance capital standards in the second half of 2022.
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Sources:

1. IFRS Foundation 'IFRS Foundation completes consolidation of CDSB from CDP'
2. IAIS 'IAIS Roadmap sets workplan for the next two years'
3. EIOPA 'EIOPA publishes its Supervisory Convergence Plan for 2022'
4. EC 'EU taxonomy: Commission presents Complementary Climate Delegated Act to accelerate decarbonisation'
5. ESRB 'ESRB recommends establishing a systemic cyber incident coordination framework'
6. EIOPA 'Consumer Trends Report: The pandemic has fast-forwarded digitalisation, raising opportunities but also risks for consumers'
7. PRA 'Insurance Stress Test 2022 – Request for technical input'
8. EIOPA 'EIOPA publishes report on the application of the Insurance Distribution Directive'
9. OSFI 'Bank of Canada/OSFI pilot helps Canadian financial sector assess climate change risks'
10. MAS 'AMLD 01/2022: Circular on Non-Face-to-Face Customer Due Diligence Measures'
11. APRA 'APRA releases its policy and supervision priorities for 2022'

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