



## Regulatory developments in the global insurance sector

Vol. 31 (January to February 2023)



## Executive summary<sup>1</sup>

Region	No	Organisation(s)	Date	Regulatory developments
Global	-	-	-	-
Europe	1	European Insurance and Occupational Pensions Authority (EIOPA)	7 February 2023	<ul style="list-style-type: none"> <li>■ <b>The EIOPA released a Risk Dashboard of Q3 2022.</b> Key observations on the Risk Dashboard include the following. <ul style="list-style-type: none"> <li>➤ Insurance underwriting risks have been increasing. The growth of life insurance premiums decreased compared to the same period of the previous year, while general life insurance premiums increased in Q3 2022.</li> <li>➤ Life insurers' SCR ratio decreased over two consecutive quarters.</li> </ul> </li> </ul>
	2	European Insurance and Occupational Pensions Authority (EIOPA)	6 February 2023	<ul style="list-style-type: none"> <li>■ <b>The EIOPA released a report that summarised the results from a pilot exercise on the implementation of climate-related adaptation measures in general insurance products.</b> 31 volunteer insurers from 14 jurisdictions participated in the exercise. Key findings from the exercise include the following. <ul style="list-style-type: none"> <li>➤ <b>Policyholders' awareness</b> of climate change and related adaptation measures is very limited.</li> <li>➤ Standardised insurance products for retail insurance businesses cannot necessarily be adapted to reflect risk-based adaptation measures.</li> <li>➤ <b>The costs for such adaptation measures tend to be material</b>, which would not provide incentives to policyholders.</li> </ul> </li> </ul>
	3	U.K. HM Treasury (HMT)	26 January 2023	<ul style="list-style-type: none"> <li>■ <b>The HMT proposed to introduce an Insurer Resolution Regime (IRR).</b> Key elements of the proposed regime include the following. <ul style="list-style-type: none"> <li>➤ Resolution authority: The Bank of England will be the dedicated Resolution Authority under the IRR.</li> <li>➤ Stabilisation options: Transfer to a private sector purchaser or bridge institution, bail-in and temporary public ownership, etc. will be used as stabilisation options. <b>Insurance liabilities may be bailed in.</b></li> <li>➤ Pre-resolution planning: <b>Only a small number of systemically important insurers are expected</b></li> </ul> </li> </ul>

<sup>1</sup> 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 31 report. It is advised that you refer to the respective original materials for accurate information.

			<b>to be subject to the resolution planning led by the Resolution Authority.</b>
4	U.K. Financial Conduct Authority (FCA)	25 January 2023	<p>■ <b>The FCA published a summary of the findings obtained through a review of large financial institutions' Consumer Duty implementation plans</b> conducted in October 2022. Key findings include the following.</p> <ul style="list-style-type: none"> <li>➤ <b>Governance and oversight:</b> Most firms have developed robust governance frameworks for their implementation work, which includes the appointment of a Consumer Duty board champion. Some firms' plans, however, provided limited details on implementation.</li> <li>➤ <b>Culture and people:</b> Some firms' plans have confirmed to review whether reward and incentive structures as well as performance management frameworks reflect the Consumer Duty, while other plans lacked details about how the Consumer Duty will be embedded in the firms' culture.</li> <li>➤ <b>Third parties:</b> Some firms have an understanding of the implementation dependencies with third party providers. Other firms did not identify key third party relationships or the nature of these dependencies, although they recognised the necessity to work with third parties.</li> </ul>
5	Swiss Financial Market Supervisory Authority (FINMA)	24 January 2023	<p>■ <b>The FINMA finalised its guidance on the management of climate risks.</b> The objective of this guidance is to raise awareness among banks and insurers on climate-related financial risks. Supervisory expectations and supervisory approaches expressed in the guidance include the following.</p> <ul style="list-style-type: none"> <li>➤ Financial institutions are expected to take into account the guidance and recommendations issued by international organisations on climate risks and their management as well as best practices in the market.</li> <li>➤ The FINMA will evaluate international practices and recommendations and decide to what extent these should be put into effect in its supervisory work.</li> <li>➤ The FINMA will issue detailed specifications when deemed necessary.</li> </ul>
6	U.K. Prudential Regulation Authority (PRA)	23 January 2023	<p>■ <b>The PRA published the results of its 2022 Insurance Stress Test</b> in which 54 insurers (16 life, 17 general, and 21 Lloyd's syndicates) participated. Major findings from the test include the following.</p> <ul style="list-style-type: none"> <li>➤ <b>Life insurers' Matching Adjustment (MA)</b> does not automatically take into account market signals relating to elevated credit risk at the point where these risks start to come through.</li> <li>➤ Several life insurers planned to sell liquid 'BBB' rated assets following their downgrade to sub-investment grade as part of their management action. This could, however, be overly optimistic. <b>Insurers need to consider market liquidity and potential stress amplification arising from</b></li> </ul>

				<p><b>actions taken by other investors in a stressed situation.</b></p> <ul style="list-style-type: none"> <li>➤ General insurers' primary mitigant for losses is reinsurance. The test highlighted the need for insurers to have robust and effective reinsurance management and governance procedures in place to manage counterparty concentrations, etc.</li> </ul>
	7	European Insurance and Occupational Pensions Authority (EIOPA)	18 January 2023	<ul style="list-style-type: none"> <li>■ <b>The EIOPA issued its Consumer Trends Report 2022</b> that summarises the outcomes from a survey on the financial health of consumers and small business owners through the use of savings-type insurance and pension products. Major findings from the survey include the following. <ul style="list-style-type: none"> <li>➤ The current macro-economic trends have an adverse impact on, in particular, vulnerable consumers. Consumers might delay the purchase of necessary insurance coverage or have difficulty in paying premiums regularly.</li> <li>➤ An increase in systemic events, such as natural catastrophic events and cyber incidents, has led to an increase in risks that cannot be insured or can only be insured at higher prices.</li> <li>➤ Ensuring that 'sustainability claims' are substantiated is important to avoid loss of trust and broader societal impact as well as contribute to consumers' financial health.</li> </ul> </li> </ul>
	8	U.K. Financial Conduct Authority (FCA)	11 January 2023	<ul style="list-style-type: none"> <li>■ <b>The FCA published a draft of its guidance on supporting customers in financial difficulty.</b> This guidance proposes that in a case where, for example, a customer contacts the insurer or an insurer has identified that a customer is in or likely to be in financial difficulty, the insurer should take actions, including the following. <ul style="list-style-type: none"> <li>➤ Reassessing the risk profile of the customer</li> <li>➤ Considering alternative products that the insurer can offer to the customer</li> <li>➤ Adjusting insurance coverage</li> <li>➤ Providing temporary forbearance</li> </ul> </li> </ul>
Americas	-	-	-	-
Asia Pacific	9	Australian Prudential Regulation Authority (APRA)	2 February 2023	<ul style="list-style-type: none"> <li>■ <b>The APRA released its policy and supervision priorities for 2023.</b></li> <li>■ Key policy priorities include the following. <ul style="list-style-type: none"> <li>➤ <b>Recovery and resolution planning:</b> To finalise its prudential standards on recovery and exit planning in H1 2023.</li> <li>➤ <b>Operational risk management:</b> To finalise prudential standards on operational risk management</li> </ul> </li> </ul>

				<p>in H1 2023.</p> <ul style="list-style-type: none"><li>■ Key supervision priorities include the following.<ul style="list-style-type: none"><li>➤ <b>Cyber, operational and climate resilience:</b> To require financial institutions to comply with prudential standards on information security. To conduct Climate Vulnerability Assessments for general insurers.</li><li>➤ <b>Availability, affordability and sustainability of insurance:</b> To address challenges related to the affordability of homeowners and business-owners insurance, sustainability of Individual Disability Income Insurance (IDI), the affordability of private health insurance, etc.</li></ul></li></ul>
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## Sources:

1. EIOPA 'Risk Dashboard points to overall resilience in insurance despite high macro and market risks'
2. EIOPA 'Impact underwriting: EIOPA reports on insurers' use of climate-related adaptation measures in non-life underwriting practices'
3. HM Treasury 'Insurer Resolution Regime: Consultation'
4. FCA 'FCA highlights areas of focus for firms implementing the Consumer Duty'
5. FINMA 'FINMA Guidance 01/2023: Developments in the management of climate risks'
6. FCA 'Financial watchdog consults about protections for insurance customers in financial difficulty'
7. PRA 'Insurance Stress Test 2022 feedback'
8. EIOPA 'Consumer trends report sees progress on consumer-centric products with room for further improvement'
9. APRA 'APRA releases policy and supervision priorities for 2023'

**Contact:**

**Shinya Kobayashi**

Managing Director

Financial Services

Risk Advisory

Deloitte Touche Tohmatsu LLC

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