



Regulatory developments in the global insurance sector

Vol. 39 (September to October 2023)



Executive summary¹

Region	No	Organisation(s)	Date	Regulatory developments
Global	1	Financial Stability Board (FSB)	6 September 2023	<ul style="list-style-type: none"> ■ The FSB published a progress report titled ‘Enhancing the Resilience of Non-bank Financial Intermediation’ that presents the FSB’s medium-term NBFi work programme. Key messages in the report include the following. <ul style="list-style-type: none"> ➤ Enhancing non-bank financial intermediation (NBFi) resilience is intended to ensure a more stable provision of financing to the economy and reduce the need for extraordinary central bank interventions. ➤ The functioning and resilience of the NBFi ecosystem depends on the availability of liquidity and its effective intermediation in stress. ➤ ‘Key amplifiers’, such as liquidity mismatches in money market funds (MMFs) and open-ended funds (OEFs) as well as unexpectedly large margin calls for derivatives and securities transactions, may particularly contribute to aggregate liquidity imbalances as well as transmission and amplification of shocks in stress.
	2	Financial Stability Board (FSB)	5 September 2023	<ul style="list-style-type: none"> ■ The FSB sent a letter from its Chair to G20 Leaders ahead of their September 2023 meeting in New Delhi. The letter stated that the FSB has advanced its work to promote global financial stability by (i) addressing existing vulnerabilities in the financial system and (ii) enhancing the resilience of the system to structural change. Key messages expressed in the letter include the following. <ul style="list-style-type: none"> ➤ It is critical for G20 countries to implement the agreed reforms to enhance NBFi resilience given the increased importance of non-bank finance in recent years. ➤ The FSB is working to implement recommendations on crypto-assets, a notable example of digitalisation, so that they can be regulated and supervised based on the principle of ‘same activity, same risk, same regulation’.
Europe	3	European Supervisory Authorities (ESAs)	29 September 2023	<ul style="list-style-type: none"> ■ The ESAs, which are comprised of the European Banking Authority (EBA), European Insurance and Occupational Pensions Authority (EIOPA) and European Securities and Markets Authority (ESMA), submitted their proposal on the assessment process for the identification of critical ICT third-party service providers (CTPPs), including their criteria, to the European Commission. The proposed

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 39 report. It is advised that you refer to the respective original materials for accurate information.

			<p>assessment process is comprised of the following two steps.</p> <ul style="list-style-type: none"> ➤ Step 1: Assessing ICT third-party service providers (TPPs) against a set of minimum relevance thresholds ➤ Step 2: Further (qualitative) assessment of ICT TPPs <p>■ Assessment criteria/thresholds are proposed based on the following aspects.</p> <ul style="list-style-type: none"> ➤ Impact on the provision of financial services ➤ Importance of financial institutions ➤ Critical or important functions ➤ Degree of substitutability
4	U.K. Prudential Regulation Authority (PRA)	29 September 2023	<p>■ The PRA published a consultation paper titled ‘Review of Solvency II: Reform of the Matching Adjustment’. Key elements of the PRA’s proposals for reforms to the Matching Adjustment (MA) include the following.</p> <ul style="list-style-type: none"> ➤ Improve business flexibilities by, for instance, widening the range of investments that insurers may hold in their MA portfolios and expanding the types of insurance businesses that may use the MA. ➤ Be more responsive to the level of risks by establishing a streamlined MA application process and making the regulatory treatment of breaches of MA conditions more proportionate, etc. ➤ Enhance insurers’ responsibility for risk management by, for example, introducing an attestation process for the amount of MA benefit and clarifying supervisory expectations on the risk management of sub-investment grade (SIG) assets.
5	European Supervisory Authorities (ESAs)	27 September 2023	<p>■ The ESAs published a report on the landscape of ICT TPPs in the EU based on the findings from their analysis of ICT TPPs carried out in 2022. Key findings from the analysis include the following.</p> <ul style="list-style-type: none"> ➤ Around 15,000 ICT TPPs are directly serving around 1,600 EU financial institutions. Among these ICT TPPs, around 9,000 ICT TPPs supported critical or important functions of financial institutions. ➤ Most ICT TPPs serve only a small number of EU financial institutions, but some of these institutions may play a significant role in the financial system. ➤ The ICT services supporting critical or important functions of financial institutions are often

				not substitutable , which then can exacerbate concerns over concentration risk in the sector.
	6	U.K. Financial Conduct Authority (FCA)	20 September 2023	<ul style="list-style-type: none"> ■ The FCA called on insurers to take action to ensure good consumer outcomes. Key challenges and weaknesses in the entire insurance sector described in a letter sent to insurers include the following. <ul style="list-style-type: none"> ➤ Insurers should put consumers at the centre of their business to ensure good consumer outcomes by implementing the Consumer Duty. ➤ Insurers should assess and address their drivers of culture. ➤ Insurers should implement the FCA’s Operational Resilience Policy (PS21/3) by March 2025.
	7	European Supervisory Authorities (ESAs)	18 September 2023	<ul style="list-style-type: none"> ■ The ESAs issued their report on risks and vulnerabilities in the EU Financial System (Autumn 2023 edition). Key messages in the report include the following. <ul style="list-style-type: none"> ➤ The broader impact on financial institutions and market participants from increases in policy interest rates should be closely monitored. ➤ Financial institutions and supervisors should remain prepared for a deterioration in asset quality in the financial sector. ➤ Recent bank problems in the U.S. and Switzerland highlight the importance of effective risk management and governance arrangements for financial institutions.
Americas	8	Bermuda Monetary Authority (BMA)	27 September 2023	<ul style="list-style-type: none"> ■ The BMA published a discussion paper on disclosures of climate change risks for commercial insurers. The BMA intends to introduce a framework for climate disclosures focusing on the four pillars of the TCFD’s recommendations, i.e., governance, strategy, risk management and metrics and targets. ■ The BMA has decided at this stage to ensure alignment with the TCFD’s recommendations, considering the significant overlap the TCFD’s recommendations have with the ISSB standards. The BMA may, however, consider incorporating elements of the ISSB standards into its regime in the coming years.
Asia Pacific	9	Monetary Authority of Singapore (MAS)	29 September 2023	<ul style="list-style-type: none"> ■ The MAS released a draft of its new regulations on recovery and resolution planning for insurers and resolution powers for the insurance sector. The new regulation on recovery and resolution planning (RRP), once finalised, will initially be applied to domestic systemically important insurers (DSIIs). Key RRP-related requirements proposed include the following. <ul style="list-style-type: none"> ➤ Insurers prepare a recovery plan that includes a framework of recovery triggers, an escalation process upon the occurrence of a trigger event and a list of recovery options.

				<ul style="list-style-type: none"> ➤ Insurers establish a framework to test the feasibility and effectiveness of their recovery plans on a regular basis, which includes scenario analysis and stress testing. ➤ Insurers put in place adequate measures so that their critical functions and critical shared services can be maintained in crisis situations and in resolution.
10	Australian Prudential Regulation Authority (APRA)	6 September 2023	<ul style="list-style-type: none"> ■ The APRA released findings from a review of the implementation of its Prudential Standards on remuneration (CPS 511) finalised in August 2021. Major findings from the review include the following. <ul style="list-style-type: none"> ➤ The APRA was broadly comfortable with financial institutions’ progress in implementation of CPS 511. ➤ Financial institutions, nevertheless, need to consider the gaps observed through this review, such as insufficient controls to manage potential conflicts arising from compensation arrangements of third-party service providers and insufficient processes to ensure remuneration consequences. 	

Sources:

1. FSB 'Enhancing the Resilience of Non-Bank Financial Intermediation: Progress report'
2. FSB 'FSB Chair's letter to G20 Leaders: September 2023'
3. EIOPA 'ESAs specify criticality criteria and oversight fees for critical ICT third-party providers under DORA in response to the European Commission's call for advice'
4. PRA 'CP19/23 – Review of Solvency II: Reform of the Matching Adjustment'
5. EIOPA 'ESAs publish report on the landscape of ICT third-party providers in the EU'
6. FCA 'FCA calls on insurers to take action as it publishes latest fair value data'
7. EIOPA 'ESAs warn of risks resulting from a fragile economic outlook'
8. BMA 'Discussion paper: Disclosure of climate change risks for commercial insurers (September 2023)'
9. MAS 'Consultation Paper on New Notice for Recovery and Resolution Planning for Insurers and Proposed Enhancement of Resolution Powers for the Insurance Sector'
10. APRA 'APRA releases findings on implementation of cross-industry standard on remuneration'

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