



Regulatory developments in the global insurance sector

Vol. 40 (October to November 2023)



Executive summary¹

Region	No	Organisation(s)	Date	Regulatory developments
Global	1	Financial Stability Board (FSB)	12 October 2023	<ul style="list-style-type: none"> ■ The Task Force on Climate-related Financial Disclosures (TCFD) published its 2023 status report, in which key findings and further work, respectively, are presented. The latter includes the following. <ul style="list-style-type: none"> ➤ To ensure interoperability of the ISSB standards with jurisdictional frameworks. ➤ To develop implementation guidance on certain topics, such as adaptation planning, scenario analysis and Scope 3 GHG emissions measurement. ➤ To continue focusing on decision-useful disclosures on other sustainability topics, such as biodiversity, water and social issues.
	2	Financial Stability Board (FSB)	10 October 2023	<ul style="list-style-type: none"> ■ The FSB published a report titled ‘2023 Bank Failures: Preliminary lessons learnt for resolution’. The report highlighted seven issues that will be further explored, including the following. <ul style="list-style-type: none"> ➤ Effective public sector backstop funding mechanisms: Analyse (i) whether there are design features that present barriers to resolution and (ii) the extent to which the lack of an adequate and explicit public liquidity backstop arrangement could be perceived as making resolution less credible. ➤ Choice of resolution strategies: Discuss the use of the bail-in tool in various scenarios, including liquidity-driven failures, and appropriateness other strategies. ➤ Operationalisation of bail-in: Explore options available to address legal challenges to the use of bail-in powers.
Europe	3	European Insurance and Occupational Pensions Authority (EIOPA)	6 October 2023	<ul style="list-style-type: none"> ■ The EIOPA published its strategic priorities for 2024. Those priorities include the following. <ul style="list-style-type: none"> ➤ Sustainable finance: Integrate ESG risks into the prudential frameworks and address protection gaps. ➤ Digital transformation: Implement the Digital Operational Resilience Act (DORA) and the Artificial Intelligence Act.

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

	4 European Insurance and Occupational Pensions Authority (EIOPA)	6 October 2023	<ul style="list-style-type: none"> ■ The EIOPA launched a public consultation on the supervision of captive (re)insurers. The consultation document aims to facilitate a risk-based and proportionate supervision of captive (re)insurers with a particular focus on (i) intra-group transactions (especially cash pooling), (ii) consistent application of the Prudent Person Principle and (iii) governance-related aspects with regard to key functions and outsourcing requirements. ■ Regarding cash pooling, which can bring some benefits and some disadvantages, the consultation document expressed supervisory expectations, which include the following. <ul style="list-style-type: none"> ➤ Captive (re)insurers recognise and classify assets and liabilities according to the economic substance of the cash pooling arrangement in the Solvency II balance sheet. ➤ Captive (re)insurers consider, e.g., the immediate availability of the assets and deterioration of financial conditions of their counterparty.
	5 European Insurance and Occupational Pensions Authority (EIOPA)	5 October 2023	<ul style="list-style-type: none"> ■ The EIOPA published a report titled ‘Impact of Inflation on the Insurance Sector’. Key messages of the report include the following. <ul style="list-style-type: none"> ➤ In the current macro-economic environment, one of the major concerns for the insurance market is the significant increase in inflation experienced since spring 2021. ➤ Non-life insurers’ expenses and claims increased by 4.3% and 11.3%, respectively, and premiums increased only by 6.4%. The medium- to long-term impact on non-life insurers’ profitability depends on how much these insurers can increase their premiums. ➤ High inflation impacts consumers by eroding the value of their savings and deepens the protection gap.
	6 European Supervisory Authorities (ESAs)	4 October 2023	<ul style="list-style-type: none"> ■ The ESAs, which are comprised of the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA) and the European Securities and Markets Authority (ESMA), published their joint working programme for 2024. ■ Their focus areas for 2024 include (i) consumer protection and financial innovation, (ii) sustainable finance and (iii) digital operational resilience. Key activities related to these respective areas include the following. <ul style="list-style-type: none"> ➤ Consumer protection and financial innovation: Development of Level 3 documents regarding Key Information Documents (KIDs) for packaged retail and insurance-based products (PRIIPs), enhancements to financial education and use of behavioural finance findings for supervisory purposes

				<ul style="list-style-type: none"> ➤ Sustainable finance: Monitoring of implementation of the SFDR (Sustainable Finance Disclosure Regulation) ➤ Digital operational resilience: Finalisation of Level 3 guidelines, etc., on the Digital Operational Resilience Act (DORA)
Americas	7	Canadian Office of the Superintendent of Financial Institutions (OSFI)	16 October 2023	<ul style="list-style-type: none"> ■ The OSFI released its draft Standardised Climate Scenario Exercise (SCSE) methodology to encourage the building of financial institutions' capacity to assess the impact of climate-related catastrophic events, etc. ■ The SCSE is supposed to be implemented using a combination of two approaches, i.e., (i) a top-down approach where the OSFI defines and develops the methodology, scenarios, parameters, etc., and (ii) a bottom-up approach where financial institutions identify exposures, classify them into relevant segments, etc. ■ The scope of the SCSE is as follows. <ul style="list-style-type: none"> ➤ Impact of climate transition on market and credit risks for commercial exposures ➤ Assessment of transition and physical risks on real estate exposures
	8	Canadian Office of the Superintendent of Financial Institutions (OSFI)	13 October 2023	<ul style="list-style-type: none"> ■ The OSFI released two draft guidelines related to non-financial risks: (i) Integrity and Security Guideline and (ii) Operational Resilience and Operational Risk Management Guideline. ■ The draft guideline on integrity and security proposes four integrity-related principles (character, culture, governance and compliance) and six security-related principles (physical premises, people, technology assets, data and information, third-party risks and undue influence as well as interference and malicious activities). ■ The draft guideline on operational resilience and operational risk management presents eight principles, including the following. <ul style="list-style-type: none"> ➤ Governance: The operational resilience approach and operational risk management framework are implemented, governed and reported through the appropriate structures, strategies and frameworks. ➤ Operational resilience: The financial institution identifies its critical operations and maps internal and external dependencies. ➤ Operational risk management: The financial institution establishes an enterprise-wide operational risk management framework.

Asia Pacific	9	Monetary Authority of Singapore (MAS)	18 October 2023	<ul style="list-style-type: none"> ■ The MAS released a consultation paper that presents guidelines on transition planning for insurers. The draft guidelines express supervisory expectations on transition planning in the areas of (i) governance and strategy, (ii) risk management, (iii) underwriting, (iv) investment and (v) disclosure. ■ Expectations related to transition planning for insurers include the following. <ul style="list-style-type: none"> ➤ Insurers play the role of an effective steward of their customers, asset managers and investees via a robust engagement and stewardship process. ➤ Insurers take a multi-year risk perspective for the sustainability of their business models. ➤ Insurers have clear, actionable and decision-useful risk appetite statements when implementing transition planning.
	10	Australian Prudential Regulation Authority (APRA)	3 October 2023	<ul style="list-style-type: none"> ■ The APRA and the Australian Securities and Investments Commission (ASIC) published a joint administration agreement between themselves with regard to the administration of the Financial Accountability Regime (FAR) established in September 2023. The agreement defines the roles of the authorities, etc. ■ The Banking Executive Accountability Regime (BEAR) that took effect in July 2018 will be replaced by the FAR in March 2024. Moreover, the FAR will be applied to insurers from March 2025.

Sources:

1. TCFD '2023 TCFD Status Report: Task Force on Climate-related Financial Disclosures'
2. FSB '2023 Bank Failures: Preliminary lessons learnt for resolution'
3. EIOPA 'EIOPA sets out its strategic priorities for 2024'
4. EIOPA 'EIOPA consults on the supervision of captive (re)insurers with a focus on intra-group transactions, the prudent person principle and governance'
5. EIOPA 'EIOPA takes stock of inflation's impact on insurers and assesses potential future risks'
6. EIOPA 'ESAs publish Joint Committee Work Programme for 2024'
7. OSFI 'OSFI seeks feedback on its draft standardized climate scenario exercise'
8. OSFI 'OSFI addresses non-financial risks for financial system resiliency'
9. MAS 'Consultation Paper on Guidelines on Transition Planning for Insurers'
10. APRA 'APRA and ASIC commence joint administration of the new Financial Accountability Regime'

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