



## Regulatory developments in the global insurance sector

Vol. 43 (January to February 2024)



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

Region	No	Organisation(s)	Date	Regulatory developments
Global	1	International Association of Insurance Supervisors (IAIS)	25 January 2024	<ul style="list-style-type: none"> <li>■ <b>The IAIS published its roadmap for 2024.</b> Key projects and activities presented in the roadmap include the following. <ul style="list-style-type: none"> <li>➤ <b>Macroprudential analysis:</b> The IAIS will explore the development of additional supervisory materials on asset-intensive reinsurance.</li> <li>➤ <b>Insurance Capital Standard (ICS):</b> The IAIS will finalise the ICS as a PCR.</li> <li>➤ <b>Operational resilience:</b> The IAIS will publish a draft of the application paper on operational resilience.</li> </ul> </li> </ul>
	2	Financial Stability Board (FSB)	24 January 2024	<ul style="list-style-type: none"> <li>■ <b>The FSB publishes its work programme for 2024.</b> Priority areas of work include the following. <ul style="list-style-type: none"> <li>➤ <b>Completing resolution reforms,</b> including (i) follow-up work on public sector backstop funding mechanisms, operationalisation of bail-in and resolution strategies and tools and (ii) publication of a list of insurers subject to the resolution planning standards of the FSB Key Attributes.</li> <li>➤ <b>Enhancing the resilience of NBFIs,</b> including development of recommendations to strengthen the consistency of regulations and supervision of banks and non-banks providing cross-border payment services.</li> <li>➤ <b>Enhancing cyber and operational resilience,</b> including development of a format for incident reporting exchange on cyber incidents.</li> </ul> </li> </ul>
Europe	3	Prudential Regulation Authority (PRA)	23 January 2024	<ul style="list-style-type: none"> <li>■ <b>The PRA published a draft of their supervisory statement on an orderly ‘solvent exit’.</b> A solvent exit means the process through which an insurer ceases its insurance business in an orderly manner while remaining solvent throughout. <ul style="list-style-type: none"> <li>➤ <b>Solvent Exit Analysis (SEA):</b> An insurer should produce an SEA as part of its BAU activities. A solvent exit should include, at a minimum, the following contents. <ul style="list-style-type: none"> <li>- Solvent exit actions</li> <li>- Solvent exit indicators</li> <li>- Potential barriers and risks</li> </ul> </li> <li>➤ <b>Solvent Exit Execution Plan (SEEP):</b> An insurer should produce a SEEP within one month when</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 43 report. It is advised that you refer to the respective original materials for accurate information.

			<p>there is a reasonable prospect that the insurer may need to execute a solvent exit. A SEEP should include the following information.</p> <ul style="list-style-type: none"> <li>- Actions and timelines for the solvent exit</li> <li>- Identification and mitigation (or removal) of barriers and risks to the solvent exit</li> <li>- Communication plan for stakeholders impacted by the solvent exit</li> </ul>
4	European Supervisory Authorities (ESAs)	17 January 2024	<ul style="list-style-type: none"> <li>■ <b>The ESAs</b>, which are comprised of the European Banking Authority, the European Insurance and Occupational Pensions Authority and the European Securities and Markets Authority, <b>published the first set of final draft rules under the Digital Operational Resilience Act (DORA)</b>.</li> <li>■ The package includes a draft of the Regulatory Technical Standards (RTS) on <b>criteria for the classification of ICT-related incidents</b>. The RTS sets out criteria to judge whether ICT-related incidents are ‘major’ incidents or not. These criteria include the following. <ul style="list-style-type: none"> <li>➤ Mandatory condition: Whether the incident has had any impact on critical services.</li> <li>➤ Additional criteria: (i) client, financial counterparties and transactions, (ii) data losses, (iii) reputational impact, (iv) duration and service downtime, (v) geographical spread and (vi) economic impact.</li> </ul> </li> </ul>
5	European Insurance and Occupational Pensions Authority (EIOPA)	15 January 2024	<ul style="list-style-type: none"> <li>■ <b>The EIOPA published its second report on the application of the Insurance Distribution Directive (IDD)</b>. Major findings described in the report include the following. <ul style="list-style-type: none"> <li>➤ Regarding <b>telephone recordings of conversations</b> between insurance intermediaries and customers, consumer associations are concerned about a lack of recording requirements in the IDD, while trade associations are of the view that it is too early to legislate such requirements.</li> <li>➤ Regarding <b>commissions</b>, several Member States have adopted or plan to adopt national legislation to further restrict the payment of commissions or increase transparency about commission payments in order to address the detrimental impact commissions have on consumers.</li> <li>➤ <b>Cross-selling practices</b>, such as mobile phone insurance embedded in mobile phone sales, are potentially a detriment to consumers.</li> </ul> </li> </ul>
6	Prudential Regulation	11 January 2024	<ul style="list-style-type: none"> <li>■ <b>The PRA announced its priorities in insurance supervision for year 2024</b>. These priorities include the following.</li> </ul>

		Authority (PRA)		<ul style="list-style-type: none"> <li>➤ Economic environment: Credit risk, liquidity risk, operational resilience and orderly solvent exit</li> <li>➤ Life insurance sector: Risk management capabilities, funded reinsurance, stress testing and Solvency II reforms</li> <li>➤ General insurance sector: Cyber underwriting risk, claims inflation and internal models</li> </ul>
	7	European Insurance and Occupational Pensions Authority (EIOPA)	4 January 2024	<ul style="list-style-type: none"> <li>■ <b>The EIOPA published the results of a comparability study on non-life underwriting risk in internal models.</b> The study aimed to identify dominating factors that have an impact on levels of insurers' SCR. 75 insurers from 31 insurance groups were in the scope of this study.</li> <li>■ Major findings include the following. <ul style="list-style-type: none"> <li>➤ Capital intensity: At the level of total non-life underwriting risk, the average of changes in capital intensity, which is defined as SCR/risk exposures, over the past five years was around 17%. That means that insurers did not increase or reduce risk capital per amount of risk exposure.</li> <li>➤ Differences in risk measurements: The SCR of the insurers who take into account expected future profits in the calibration of premium risk for future business tends to be lower than that of insurers who do not.</li> <li>➤ Standard formula comparison: Insurers who use internal models tend to have lower capital intensity for premium risk and reserve risk, compared to standard formula calculations.</li> <li>➤ Diversification: There was a significant variation in diversification benefits between premium risk and reserve risk. internal models gave rise to higher diversification benefits than the standard formula.</li> </ul> </li> </ul>
Americas	8	Canadian Office of the Superintendent of Financial Institutions (OSFI)	31 January 2024	<ul style="list-style-type: none"> <li>■ <b>The OSFI finalised its guideline on integrity and security of financial institutions.</b> Financial institutions are expected to consider their susceptibility to undue influence, foreign interference and malicious activity when applying the expectations in this guideline.</li> <li>■ The guideline sets out the following two outcomes and related principles on integrity and security. <ul style="list-style-type: none"> <li>➤ Integrity: Actions, behaviours and decisions are consistent with the intent of regulatory expectations, laws and code of conduct.</li> <li>➤ Security: Operations, physical premises, people, technology assets and data and information are resilient and protected against threats.</li> </ul> </li> </ul>
	9	New York Department of Financial Services	17 January 2024	<ul style="list-style-type: none"> <li>■ <b>The NYDFS issued for public comment a proposed circular letter on the use of artificial intelligence by insurers,</b> which identifies NYDFS's expectations on the development and use of external consumer data and information sources (ECDIS), artificial intelligence systems (AIS) and other predictive models</li> </ul>

		(NYDFS)		<p>in insurance underwriting and pricing.</p> <ul style="list-style-type: none"> <li>■ The circular letter is comprised of three sections: (i) fairness principles, (ii) governance and risk management and (iii) transparency. Supervisory expectations include the following. <ul style="list-style-type: none"> <li>➤ <b>Fairness principles:</b> An insurer should not use ECDIS or AIS for underwriting or pricing purposes if such use would result in or permit any unfair discrimination.</li> <li>➤ <b>Governance and risk management:</b> An insurer should have a corporate governance framework that provides appropriate oversight of the insurer’s use of ECDIS and AIS.</li> <li>➤ <b>Transparency:</b> Where an insurer uses ECDIS or AIS, the reason provided to the insured or a medical professional designee should include details about all information upon which the insurer based any declination, limitation, rate differential or other adverse underwriting decisions.</li> </ul> </li> </ul>
Asia Pacific	10	Australian Prudential Regulation Authority (APRA)	31 January 2024	<ul style="list-style-type: none"> <li>■ <b>The APRA published its supervision and policy priorities for the first half of 2024.</b> These priorities include the following. <ul style="list-style-type: none"> <li>➤ <b>Cyber resilience:</b> Financial institutions (FIs) meet the requirements under Prudential Standard CPS 234 on information security.</li> <li>➤ <b>Operational resilience:</b> Prudential Standard CPS 230 on operational resilience will become effective in July 2025.</li> </ul> </li> <li>■ <b>Climate risk:</b> FIs will be asked to participate in the next climate risk self-assessment survey in 2024 on a voluntary basis.</li> </ul>
	11	Insurance Regulatory and Development Authority of India (IRDAI)	24 January 2024	<ul style="list-style-type: none"> <li>■ <b>The IRDAI updated its regulations on expenses of management of insurers, which includes commission,</b> to simplify its regulation. Major requirements in the updated regulations include the following. <ul style="list-style-type: none"> <li>➤ <b>Board approved policy and business plan:</b> An insurer shall have a well-documented policy approved by its Board on an annual basis for expenses of management, including commissions to be paid to insurance agents/intermediaries.</li> <li>➤ <b>Limit of expenses of management:</b> No insurer shall incur expenses of management beyond the limit specified in the regulations. These limits include the following. <ul style="list-style-type: none"> <li>- General insurer: 30% of gross premiums written</li> </ul> </li> </ul> </li> </ul>

				<ul style="list-style-type: none"><li>- Health insurer: 35% of gross premiums written</li><li>- Life insurers: 5 to 14% of single premiums received, etc. (depending on types of products)</li></ul>
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## Sources:

1. IAIS 'IAIS Roadmap outlines key deliverables for 2024'
2. FSB 'FSB Work Programme for 2024'
3. PRA 'CP2/24 – Solvent exit planning for insurers'
4. EIOPA 'ESAs publish first set of rules under DORA for ICT and third-party risk management and incident classification'
5. EIOPA 'EIOPA publishes second Report on the application of the Insurance Distribution Directive (IDD)'
6. PRA 'Letter from Charlotte Gerken and Shoib Khan 'Insurance Supervision: 2024 priorities''
7. EIOPA 'EIOPA analyses internal models for non-life underwriting risk'
8. OSFI 'OSFI releases final Integrity and Security Guideline'
9. NYDFS 'DFS Superintendent Adrienne A. Harris Proposes Artificial Intelligence Guidance to Combat Discrimination'
10. APRA 'APRA outlines 2024 supervision and policy priorities'
11. IRDAI 'Press Release - Moving towards principle based regulations'

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