



Regulatory developments in the global insurance sector

Vol. 44 (February to March 2024)



Executive summary¹

Region	No	Organisation(s)	Date	Regulatory developments
Global	1	Financial Stability Board (FSB)	26 February 2024	<ul style="list-style-type: none"> ■ The FSB released its workplan for 2024. Five core elements presented in the workplan are as follows. <ul style="list-style-type: none"> ➤ Financial system vulnerabilities: Further work will be done on public-sector backstop funding mechanisms, operationalisation of resolution options and the impact of social media and digital innovation on resolution. ➤ Non-bank financial intermediation (NBFI): G20 members are encouraged to endorse the FSB’s revised policy recommendations to address structural vulnerabilities from liquidity mismatch in open-ended funds. ➤ Digitalisation: The FSB will develop reports on the financial stability implications of the tokenisation of assets and of artificial intelligence (AI). ➤ Climate change: The FSB will examine the relevance of transition plans for financial stability. ➤ Cross-border payments: The FSB has strengthened the collaboration between the public and private sectors on cross-border payments.
	2	International Association of Insurance Supervisors (IAIS)	14 February 2024	<ul style="list-style-type: none"> ■ The IAIS updated its list of Internationally Active Insurance Groups (IAIGs). There were 57 insurance groups from 19 jurisdictions named as IAIGs. (As of June 2023, there were 52 IAIGs from 17 jurisdictions.)
Europe	3	European Supervisory Authorities (ESAs)	1 February 2024	<ul style="list-style-type: none"> ■ The ESAs, which are comprised of the European Banking Authority, the European Insurance and Occupational Pensions Authority and the European Securities and Markets Authority, published a report on direct financial service provisions by BigTech companies in the EU. Key messages expressed in the report include the following. <ul style="list-style-type: none"> ➤ BigTechs’ direct financial service provisions and partnerships between BigTechs and financial institutions remain overall limited in the EU, while several supervisors consider that Big Tech financial service activities in the U.S. may be indicators of future trends in Europe. ➤ BigTech intra-group dependencies arising from (i) the common use of technological infrastructures, (ii) intra-group financial dependencies and (iii) structural dependencies, etc., can offer potential opportunities.

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

				<ul style="list-style-type: none"> ➤ Potential risks arising from such intra-group dependencies include (i) operational resilience and cybersecurity risks, (ii) concentration risks within the group and (iii) reputational and intra-group financial contagion risks.
Americas	4	National Association of Insurance Commissioners (NAIC)	21 February 2024	<ul style="list-style-type: none"> ■ The NAIC adopted its statement on ESG for the insurance sector in the U.S. Key messages in the statement include the following. <ul style="list-style-type: none"> ➤ The NAIC does not anticipate developing a regulatory policy to require or prohibit insurers from adopting ESG policies that govern their underwriting, investing or other businesses. ➤ The NAIC encourages insurers, regulatory bodies, standard setters, etc., to consider the impact of ESG policies on the financial condition of insurers and the availability and affordability of insurance products and services. ➤ The NAIC encourages legislators, policymakers and stakeholders to contact state insurance regulators when considering ESG-related legislation, etc.
	5	National Association of Insurance Commissioners (NAIC)	13 February 2024	<ul style="list-style-type: none"> ■ The NAIC announced five strategic priorities for 2024, which include the following. <ul style="list-style-type: none"> ➤ Climate risks, natural catastrophes and resilience: The NAIC will seek to create new resilience tools, advocate for pre-disaster mitigation funding and develop scenario analysis resources for state regulators. ➤ Marketing of insurance products: State insurance regulators will take a multipronged approach to protecting consumers from deceptive and misleading insurance marketing, which includes developing a tool for consumers to check insurance producers' licenses. ➤ Use of AI by insurers and cyber risks: The NAIC will propose a regulatory framework for overseeing third-party data and predictive models.
	6	Office of the Superintendent of Financial Institutions (OSFI)	8 February 2024	<ul style="list-style-type: none"> ■ The OSFI released its new framework for supervision. The framework is the most significant change to the OSFI's supervisory approach in 25 years. Major changes made and key elements in the new framework include the following. <ul style="list-style-type: none"> ➤ An overall risk rating (ORR) of financial institutions has been expanded from 4 categories to 8. ➤ The ORR considers the following risk categories: business risk, financial resilience, operational resilience and risk governance. Climate risk is taken into consideration in determining an ORR. ➤ Financial institutions are divided into 5 stages based on their respective ORRs. The OSFI uses ratings to signal a need for early corrective action.

Asia Pacific	7	Bank Negara Malaysia (BNM)	29 February 2024	<ul style="list-style-type: none"> ■ The BNM issued its Methodology Paper on Climate Risk Stress Testing (CRST). ■ The 2024 CRST exercise aims to enhance financial institutions' capabilities in (i) improving their understanding of the potential impact of climate-related risks on financial institutions, (ii) exploring novel approaches to measuring financial institutions' exposures to climate risks and (iii) identifying gaps in data, measurement and capabilities. ■ Participating financial institutions are requested to assess the impact of climate scenarios on significant financial risk exposures.
	8	Bank Negara Malaysia (BNM)	29 February 2024	<ul style="list-style-type: none"> ■ The BNM issued an exposure draft on product transparency and disclosure. The policy document intends to establish minimum requirements aimed at improving information disclosure on financial products offered by financial service providers (FSPs). General policy requirements are constituted by 10 elements, which include the following. <ul style="list-style-type: none"> ➤ Effective oversight and accountability by the Board and senior management ➤ Key disclosure principles: (i) timely, (ii) clear and simple, (iii) accurate, relevant and sufficient, (iv) highlight important information and (v) consistent and comparable ➤ Timing of disclosure: (i) pre-contractual, (ii) at the point of entering into a contract and (iii) during the term of the contract ➤ Digital disclosure and disclosure of customer information and for advertisements

Sources:

1. FSB 'FSB Chair's letter to G20 Finance Ministers and Central Bank Governors: February 2024'
2. IAIS 'Register of Internationally Active Insurance Groups based on information publicly disclosed by group-wide supervisors'
3. EIOPA 'ESAs recommend steps to enhance the monitoring of BigTechs' financial services activities'
4. NAIC 'NAIC Members Adopt Statement on ESG'
5. NAIC 'NAIC Announces 2024 Strategic Priorities'
6. OSFI 'OSFI releases new Supervisory Framework to modernize financial supervision'
7. BNM 'Exposure Draft on Product Transparency and Disclosure'
8. BNM 'Climate Risk Stress Testing Methodology Paper'

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