



Regulatory developments in the global insurance sector

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Executive summary¹

Region	No	Organisation(s)	Date	Regulatory developments
Global	1	International Association of Insurance Supervisors (IAIS)	19 March 2024	<ul style="list-style-type: none"> ■ The IAIS proposed to include additional guidance materials on climate-related risks in its Insurance Core Principles 15 (Investments) and 16 (ERM for Solvency Purposes), respectively. Proposed guidance materials include the following. <ul style="list-style-type: none"> ➤ ICP 15: Insurers should consider the potential effects of climate change in their investments and assess how such risks may affect their investments. The supervisor should assess how the insurer identifies, analyses, monitors and controls risks arising from its investments. ➤ ICP 16: For climate-related risks, scenario analyses may be considered as an approach to measure to what extent the insurer is at risk and whether the insurer is able to absorb possible shocks.
Europe	2	European Insurance and Occupational Pensions Authority (EIOPA)	27 March 2024	<ul style="list-style-type: none"> ■ The EIOPA published the Ultimate Forward Rates (UFRs) applicable as of 1 January 2025. The UFRs for major currencies, such as the Euro, GBP, JPY and USD, will decrease by 0.3% compared to those in 2021. The gap in expected real interest rates, which constitute the UFR, between 2021 and 2025 is equal to 0.3%. ■ In addition, a rate of 3.80% was used for the purpose of the Financial Services Agency’s 2023 field testing.
	3	U.K. Financial Conduct Authority (FCA)	19 March 2024	<ul style="list-style-type: none"> ■ The FCA released its business plan for 2024 and 2025. In this plan, the FCA identified the following three challenges for the year ahead: (i) higher interest rates and persistent inflation; (ii) global financial risks associated with higher interest rates and (iii) geopolitical risks. ■ The FCA also sets out its focus areas for the next two years, which include the following. <ul style="list-style-type: none"> ➤ Protecting consumers: The FCA will seek to support long-term financial wellbeing for consumers. ➤ Ensuring market integrity: The FCA will continue to invest in its data and technology to support rigorous market oversight. ➤ Promoting effective competition: The FCA will identify where more effective competition can better deliver fair value outcomes for consumers.
	4	U.K. Prudential Regulation	12 March 2024	<ul style="list-style-type: none"> ■ The PRA finalised its Supervisory Statement (SS) that sets out the PRA’s expectations for an orderly ‘solvent exit’ of non-systemic banks in the U.K. A solvent exit is defined as the process through which

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

		Authority (PRA)		<p>a bank ceases its regulated activities while remaining solvent. Requirements for such a solvent exit stipulated in the SS include the following.</p> <ul style="list-style-type: none"> ➤ A bank should produce a ‘solvent exit analysis’ document that includes, e.g., solvent exit actions, solvent exit indicators, potential barriers and governance. ➤ A bank should produce a detailed solvent exit execution plan when there is a reasonable prospect that the bank may need to execute a solvent exit.
	5	European Insurance and Occupational Pensions Authority (EIOPA)	11 March 2026	<ul style="list-style-type: none"> ■ The EIOPA published its supervisory priorities for 2024 to 2026, in which it stated that financial robustness of insurers and consumer protection in a disruptive environment are two key focus areas for the next three years. ■ The EIOPA’s focus for 2024 includes the following. <ul style="list-style-type: none"> ➤ Continuous monitoring of the impact of the macroeconomic environment: Insurers should consider inflation assumptions properly in pricing and reserving processes. Robust scenario analysis needs to be incorporated in insurers’ ORSA. ➤ Risk transfer: Supervisors will focus on the supervision of reinsurance arrangements and try to achieve further convergence in the treatment of reinsurance arrangements for solvency purposes. ➤ Value for money: Insurance product manufacturers and distributors should ensure that vulnerable consumers are treated fairly.
Americas	6	Canadian Office of the Superintendent of Financial Institutions (OSFI)	20 March 2024	<ul style="list-style-type: none"> ■ The OSFI updated its guidelines on climate risk management to ensure that ‘minimum mandatory climate-related financial disclosures’ are in line with the International Sustainability Standards Board’s final IFRS S2 Climate-related Disclosures standard. ■ A high-level summary of the minimum mandatory disclosures is as follows. <ul style="list-style-type: none"> ➤ Most of the disclosure elements (such as those related to Governance, Strategy, Risk Management and Metrics and Targets) are expected to be disclosed in 2024 for D-SIBs and IAIGs (hereinafter referred to as ‘large financial institutions’) and in 2025 for other financial institutions. ➤ Disclosures of Scope 3 GHG emissions are expected in 2025 for large financial institutions and in 2026 for others. ➤ Target dates for disclosures on climate transition plans and the resilience of financial institutions’ strategies have not been determined yet.

	7	U.S. Securities and Exchange Commission (SEC)	6 March 2024	<ul style="list-style-type: none"> ■ The SEC adopted rules on the Enhancement and Standardization of Climate-Related Disclosures for Investors. ■ Major changes from the proposed rules are (i) to eliminate the requirement on Scope 3 emissions disclosures, (ii) to limit the scope of registrants that are required to disclose Scopes 1 and 2 emissions only to large accelerated filers (LAFs) and accelerated filers (AFs) and (iii) to extend the reasonable assurance phase-in period for LAFs and require only limited assurance for AFs. ■ Information that must be disclosed per the final rules include the following. <ul style="list-style-type: none"> ➤ Climate-related risks and their impact on the registrant in the short-term (next 12 months) and in the long-term (beyond the next 12 months) ➤ A description of a transition plan, if a registrant has adopted such a plan ➤ Use of scenario analysis, if a registrant uses scenario analysis ➤ Climate-related targets and goals, if a registrant has set such targets and goals
Asia Pacific	8	Bank Negara Malaysia (BNM)	27 March 2024	<ul style="list-style-type: none"> ■ The BNM updated its Policy Document ‘Fair Treatment of Financial Consumers,’ which was initially published in November 2019. A major update is the inclusion of Principle 7 on vulnerable consumers as the 7th principle in the Policy Document. ■ Vulnerable consumers are defined as a financial consumer who may face challenges in accessing financial services or may require assistance to engage in financial services, etc. Principle 7 states that a financial service provider must take appropriate actions to ensure that vulnerable consumers are treated fairly and equitably.
	9	Australian Prudential Regulation Authority (APRA)	14 March 2024	<ul style="list-style-type: none"> ■ The APRA and the Australian Securities and Investments Commission (ASIC) released a draft of the descriptions of 17 key functions of insurers that are subject to the Financial Accountability Regime (FAR). The FAR will be applied to insurers that meet a certain threshold in March 2025, and these insurers will be required to register an accountable person for each key function with the supervisor. ■ Key functions of insurers include the following. <ul style="list-style-type: none"> ➤ Capital management function (including the Internal Capital Adequacy Assessment process and stress testing) ➤ Conduct risk management function (including the identification and monitoring of inappropriate, unethical or unlawful behaviour of employees) ➤ Product design and distribution obligations function

Sources:

1. IAIS 'Public consultation on climate risk supervisory guidance – ICP guidance and supporting material'
2. EIOPA 'EIOPA publishes the Ultimate Forward Rate (UFR) for 2025'
3. FCA 'FCA sets out plan for the year ahead'
4. PRA 'SS2/24 – Solvent exit planning for non-systemic banks and building societies'
5. EIOPA 'Union-wide Strategic Supervisory Priorities 2024-2026'
6. OSFI 'OSFI continues building climate resilience'
7. SEC 'SEC Adopts Rules to Enhance and Standardize Climate-Related Disclosures for Investors'
8. BNM 'Policy Document on Fair Treatment of Financial Consumers'
9. APRA 'APRA and ASIC release a cross-industry information package on the Financial Accountability Regime'

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