



Regulatory developments in the global insurance sector

Vol. 50 (August to September 2024)

Disclaimer: Any opinions expressed in this paper are those of the authors, and not the official opinions of the Deloitte Tohmatsu Group.

Executive summary¹

Region	No	Organisation(s)	Date	Regulatory developments
Global	1	International Association of Insurance Supervisors (IAIS)	8 August 2024	<ul style="list-style-type: none"> ■ The IAIS published a draft of the Application Paper on operational resilience objectives. Those ‘objectives’ are intended to provide an outcome-based articulation of the application of the IAIS’s existing Insurance Core Principles (ICPs) in the context of operational resilience. These objectives include the following. <ul style="list-style-type: none"> ➤ The insurer implements and oversees an effective approach to operational resilience that is supported by its governance framework. ➤ The insurer effectively identifies and maintains an up-to-date inventory of its critical services and interdependencies and effectively manages operational incidents affecting critical services. ➤ The insurer effectively manages relationships with third-party service providers.
Europe	2	European Commission (EC)	2 September 2024	<ul style="list-style-type: none"> ■ The EC welcomed a final report on the Climate Resilience Dialogue (the Dialogue) that was set up by the EC in 2021. The objective of the Dialogue is to narrow the climate protection gap and to find ways to increase climate resilience with a focus on adaptation. ■ The report proposed multiple actions to address the climate protection gap and build climate resilience, which includes the following. <ul style="list-style-type: none"> ➤ Public authorities are to (i) further develop tailored approaches to resilience, including investments in disaster risk management, (ii) regularly review and update hazard maps and (iii) continue to integrate hazard information into planning, zoning and permitting processes. ➤ The insurance industry is to (i) communicate regularly on prevention and on the role of insurance against climate-related perils, (ii) cooperate with public authorities to increase awareness about climate risk and (iii) enhance natural catastrophe risk modelling and risk assessment capabilities.
	3	U.K. Financial Conduct Authority (FCA)	28 August 2024	<ul style="list-style-type: none"> ■ The FCA announced that it will launch a market study into the distribution of pure protection products to individuals with the aim of understanding whether the market is functioning well and whether consumers are receiving good outcomes. This is because the FCA has the following concerns about the pure protection insurance market.

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

			<ul style="list-style-type: none"> ➤ The design of commission arrangements may not always support the delivery of fair value. ➤ Some pure protection products may not provide fair value to consumers. ➤ Competitive pressures in the market may be weakening due to the recent exit of several insurers that provided pure protection products. <p>■ The focus will be primarily on the distribution of protection products, which include the following: term assurance, critical illness coverage and income protection insurance.</p>
4	U.K. Financial Conduct Authority (FCA)	21 August 2024	<p>■ The FCA requested general insurers to ensure they demonstrate fair value and good customer outcomes, reviewing their status of compliance with the Product Governance requirements. The scope of the review was 28 product manufacturers and 39 distributors covering 10 general insurance/pure protection products. Key findings from the review include the following.</p> <ul style="list-style-type: none"> ➤ Many product manufacturers did not adequately assess and evidence that their products deliver fair value and good outcomes to customers. For example, most manufacturers did not adequately assess the impact of their distribution arrangements, including the remuneration paid to distributors, on the product's value. ➤ Only a few of the manufacturers had appropriate control and oversight during the product approval process. ➤ Only a few of the distributors assessed whether the remuneration they receive was consistent with the product providing fair value.
5	European Insurance and Occupational Pensions Authority (EIOPA)	2 August 2024	<p>■ The EIOPA issued a draft of its technical advice on the implementation of the new proportionality framework under Solvency II in response to a request from the European Commission (EC).</p> <p>■ The European Parliament politically agreed on the amendments to the Solvency II Directive in April 2024 in which a new framework for proportionality in Solvency II is included. The EC requested the EIOPA to do the following:</p> <ul style="list-style-type: none"> ➤ (i) assess the methodology for the classification of insurers and insurance groups as small and non-complex from the aspects of clarity and comprehensiveness; and ➤ (ii) provide for conditions for granting or withdrawing supervisory approval to insurers and insurance groups that are not classified as small and non-complex. <p>■ Regarding the second point, the EIOPA proposed that the application of proportionality measures may be allowed only where the insurer does not have any weakness in its financial soundness and governance and meets certain conditions, such as a size threshold.</p>

Americas	6	Canada Office of the Superintendent of Financial Institutions (OSFI)	22 August 2024	<ul style="list-style-type: none"> ■ The OSFI finalised its guidelines on operational risk management and resilience. The finalised guidelines provide 10 principles, which include the following. <ul style="list-style-type: none"> ➤ An effective operational risk management framework and approach to operational resilience are properly governed, documented and implemented. ➤ A risk appetite for operational risks is defined and adhered to. ➤ Critical operations are identified and assessed, and internal and external dependencies are mapped.
Asia Pacific	7	Australian Prudential Regulation Authority (APRA)	28 August 2024	<ul style="list-style-type: none"> ■ The APRA outlined its regulatory/supervisory priorities in its Corporate Plan 2024 to 2025 (the Plan). The Plan sets out three strategic objectives, and key initiatives are specified for each initiative. The objectives and some of the key initiatives are as follows. <ul style="list-style-type: none"> ➤ Maintain financial and operational resilience: To conduct a cyber operational resilience stress exercise to test industry preparedness in responding to cyber incidents and to conduct a comprehensive survey for large insurers to assess their risk culture. ➤ Respond to significant and emerging risks: To incorporate climate risk in the prudential framework and to undertake a Climate Vulnerability Assessment for the five largest household insurers. ➤ Address industry-specific challenges: To review reinsurance prudential requirements to consider options available to improve access to alternative reinsurance arrangements for general insurers.
	8	Australian Prudential Regulation Authority (APRA)	15 August 2024	<ul style="list-style-type: none"> ■ The APRA encouraged regulated financial institutions to review their control environment related to (i) cyber weaknesses observed in the security in configuration management, (ii) privileged access management and (iii) security testing. The APRA’s messages to these financial institutions include the following. <ul style="list-style-type: none"> ➤ Security in configuration management: Not all IT assets have a baseline level of security configuration when implemented and are not re-assessed when new vulnerabilities emerge. ➤ Privileged access management: Privileged access to information assets is not always approved and granted based on a valid business need and for a specified time. ➤ Security testing: Inadequate and insufficient testing coverage, often with repeated testing of the same limited set of IT assets, are observed.

Sources:

1. IAIS 'Public consultation on the draft Application Paper on Operational Resilience Objectives [and Toolkit]'
2. EC 'How to build climate resilience and narrow the climate protection gap: conclusions from the Climate Resilience Dialogue'
3. FCA 'FCA announces work into pure protection market'
4. FCA 'FCA calls on insurers to ensure they demonstrate fair value and good customer outcomes'
5. EIOPA 'EIOPA consults on new proportionality regime under Solvency II'
6. OSFI 'OSFI announces public consultation along with other guidance in its first quarterly release'
7. APRA 'APRA outlines new priorities in 2024-25 Corporate Plan'
8. APRA 'Additional insights on common cyber resilience weaknesses'

Contact:

Shinya Kobayashi

Managing Director

Financial Services

Deloitte Tohmatsu Risk Advisory LLC

Deloitte.

デロイト トーマツ

Deloitte Tohmatsu Group (Deloitte Japan) is a collective term that refers to Deloitte Tohmatsu LLC, which is the Member of Deloitte Asia Pacific Limited and of the Deloitte Network in Japan, and firms affiliated with Deloitte Tohmatsu LLC that include Deloitte Touche Tohmatsu LLC, Deloitte Tohmatsu Consulting LLC, Deloitte Tohmatsu Financial Advisory LLC, Deloitte Tohmatsu Tax Co., DT Legal Japan, and Deloitte Tohmatsu Corporate Solutions LLC. Deloitte Tohmatsu Group is known as one of the largest professional services groups in Japan. Through the firms in the Group, Deloitte Tohmatsu Group provides audit & assurance, risk advisory, consulting, financial advisory, tax, legal and related services in accordance with applicable laws and regulations. With more than 15,000 professionals in about 30 cities throughout Japan, Deloitte Tohmatsu Group serves a number of clients including multinational enterprises and major Japanese businesses. For more information, please visit the Group's website at www.deloitte.com/jp/en.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities (collectively, the "Deloitte organization"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte Asia Pacific Limited is a company limited by guarantee and a member firm of DTTL. Members of Deloitte Asia Pacific Limited and their related entities, each of which are separate and independent legal entities, provide services from more than 100 cities across the region, including Auckland, Bangkok, Beijing, Hanoi, Hong Kong, Jakarta, Kuala Lumpur, Manila, Melbourne, Osaka, Seoul, Shanghai, Singapore, Sydney, Taipei and Tokyo.

Deloitte provides industry-leading audit and assurance, tax and legal, consulting, financial advisory, and risk advisory services to nearly 90% of the Fortune Global 500® and thousands of private companies. Our professionals deliver measurable and lasting results that help reinforce public trust in capital markets, enable clients to transform and thrive, and lead the way toward a stronger economy, a more equitable society and a sustainable world. Building on its 175-plus year history, Deloitte spans more than 150 countries and territories. Learn how Deloitte's more than 345,000 people worldwide make an impact that matters at www.deloitte.com.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, or their related entities (collectively, the "Deloitte organization") is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication. DTTL and each of its member firms, and their related entities, are legally separate and independent entities.

Member of
Deloitte Touche Tohmatsu Limited

© 2024. For information, contact Deloitte Tohmatsu Group.



IS 669126 / ISO 27001



BCMS 764479 / ISO 22301

IS/BCMS それぞれの認証範囲はこちら
をご覧ください
<http://www.bsigroup.com/clientDirectory>