



## Regulatory developments in the global insurance sector

Vol. 52 (October to November 2024)

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

Region	No	Organisation(s)	Date	Regulatory developments
Global	1	International Association of Insurance Supervisors (IAIS)	21 October 2024	<ul style="list-style-type: none"> <li>■ The IAIS published its strategic direction for 2025 to 2029 that set out core objectives and strategic themes, etc., for the next five years, which include the following. <ul style="list-style-type: none"> <li>➤ Core objectives <ul style="list-style-type: none"> <li>• Monitor and respond to key risks and trends in the global insurance sector</li> <li>• Set and maintain its global standards for the supervision of insurance markets</li> <li>• Assess implementation status of these standards</li> </ul> </li> <li>➤ Strategic themes <ul style="list-style-type: none"> <li>• Strengthen supervisory response to climate change</li> <li>• Adapt to increasing digital innovation and cyber risks</li> </ul> </li> </ul> </li> </ul>
Europe	2	European Insurance and Occupational Pensions Authority (EIOPA)	24 October 2024	<ul style="list-style-type: none"> <li>■ The EIOPA issued its draft technical advice on standard formula capital requirements for crypto assets under the Solvency II capital framework.</li> <li>■ Given that insurers' investments in crypto-assets is currently immaterial, the EIOPA proposed to apply 100% stress to all crypto-asset exposures (i.e., direct and indirect) without diversification.</li> </ul>
	3	European Insurance and Occupational Pensions Authority (EIOPA)	17 October 2024	<ul style="list-style-type: none"> <li>■ The EIOPA published its draft of the criteria for selecting insurers to run macroprudential analyses in their ORSA exercises and in their application of the Prudent Person Principle (PPP) processes.</li> <li>■ Insurers and insurance groups with total assets that exceed EUR 12 billion are requested to carry out macroprudential analyses in their ORSA.</li> <li>■ As to the insurers and insurance groups that will be requested to incorporate macroprudential considerations when they decide on their investment strategy as part of the PPP, the supervisory authority will consider several criteria, which include the following. <ul style="list-style-type: none"> <li>➤ The size criteria mentioned above</li> <li>➤ Interconnectedness with other financial institutions</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 52 report. It is advised that you refer to the respective original materials for accurate information.

			<ul style="list-style-type: none"> <li>➤ Material exposure to liquidity risk</li> <li>➤ Duration mismatch between assets and liabilities</li> <li>➤ Use of synthetic leverage</li> </ul>
4	U.K. Financial Conduct Authority (FCA)	16 October 2024	<ul style="list-style-type: none"> <li>■ The FCA issued a draft of the terms of reference for a planned market study on the provision of premium finance, which is a form of credit sold to insurance customers when they buy an insurance policy that allows them to spread the annual upfront cost of the premium over time.</li> <li>■ The scope of the market study is premium finance products sold in relation to motor and home insurance policies.</li> <li>■ The FCA will assess the extent to which the premium finance market is leading to poor customer outcomes and what factors (e.g., a lack of competitive constraints and obstacles to effective customer decision making) could drive that, etc.</li> </ul>
5	European Insurance and Occupational Pensions Authority (EIOPA)	7 October 2024	<ul style="list-style-type: none"> <li>■ The EIOPA published its methodology on setting value-for-money benchmarks for unit-linked and hybrid insurance products. The methodology presents a three-step approach to create reference benchmarks, i.e., (i) clustering products, (ii) defining value-for-money indicators and (iii) setting benchmarks. Indicators to be used for benchmarking purposes include the following. <ul style="list-style-type: none"> <li>➤ Entry costs: Total entry costs / Total premium and Total entry costs / Total costs</li> <li>➤ Reduction in yield (RIY)</li> <li>➤ Surrender: Surrender value / Total premium</li> <li>➤ Insurance benefit: Insurance claims to receive / Total premium</li> </ul> </li> </ul>
6	European Insurance and Occupational Pensions Authority (EIOPA)	1 October 2024	<ul style="list-style-type: none"> <li>■ The EIOPA issued five consultation papers as part of the Solvency II review processes, one of which is a draft of the regulatory technical standards (RST) for liquidity risk management plans. Proposed requirements in the RST include the following. <ul style="list-style-type: none"> <li>➤ Insurers and insurance groups with total assets that exceed EUR 12 billion draw up a liquidity risk management plan covering liquidity analysis over the medium and long term.</li> <li>➤ The liquidity risk management plan contains quantitative and qualitative information on the projections of incoming and outgoing cash flows on an ongoing basis and under stressed conditions.</li> <li>➤ The liquidity risk management plan assesses whether the insurer or insurance group complies with the risk tolerance limits for liquidity, etc.</li> </ul> </li> </ul>

Americas	7	Canada Office of the Superintendent of Financial Institutions (OSFI)	16 October 2024	<ul style="list-style-type: none"> <li>■ The OSFI, together with the Financial Consumer Agency of Canada (FCAC), issued a report on AI uses and risks at Canadian financial institutions. The report summarises AI use cases by financial institutions and internal/external risks associated with the use of AI as well as concluding messages to financial institutions. These messages include the following. <ul style="list-style-type: none"> <li>➤ Financial institutions need to not only conduct risk identification and assessment, but also to establish multi-disciplinary and diverse teams with regard to AI (adoption) risks.</li> <li>➤ Financial institutions should plan and define an AI strategy even if they do not plan to adopt AI in the short term.</li> <li>➤ Financial institutions' boards and oversight bodies must be engaged with the adoption of AI to ensure their institutions are properly prepared for AI outcomes.</li> </ul> </li> </ul>
Asia Pacific	8	Monetary Authority of Singapore (MAS)	18 October 2024	<ul style="list-style-type: none"> <li>■ The MAS published a draft of the capital treatment for structured products and infrastructure investments under their risk-based capital framework (RBC 2 framework) for insurers. Proposed requirements include the following. <ul style="list-style-type: none"> <li>➤ Structure products <ul style="list-style-type: none"> <li>• Recognise the credit rating assigned by recognised external credit assessment institutions to the tranche of securitised assets</li> <li>• Differentiate capital charges based on the types of securitised assets (e.g., 50% capital charge for rated debt-based securitised assets, with 300% for investment grade non-debt-based ones and 500% for non-investment grade non-debt-based ones)</li> </ul> </li> <li>➤ Infrastructure investments <ul style="list-style-type: none"> <li>• Infrastructure equity risk charge factors: 35 to 50%</li> <li>• Infrastructure debt securities credit spread risk adjustment factors: 228 to 260 bps</li> <li>• No look-through collective investment schemes (CIS): 50% risk charge to the market value of the CIS</li> </ul> </li> </ul> </li> </ul>
	9	Australian Prudential Regulation Authority (APRA)	17 October 2024	<ul style="list-style-type: none"> <li>■ The APRA released a material service provider register template that helps financial institutions meet the requirements of the Prudential Standard on Operational Risk Management (CPS 230). Information that needs to be submitted to the APRA include the following. <ul style="list-style-type: none"> <li>➤ Details of material service providers (MSPs): Legal entity identifier (LEI), name and title of the accountable person, etc.</li> </ul> </li> </ul>

				<ul style="list-style-type: none"> <li>➤ Critical operations and tolerances: Identified critical operations, maximum time tolerance, data loss tolerance, minimum service level tolerance, etc.</li> <li>➤ Material arrangements: Whether arrangements expose the financial institution to a material operational risk and/or is relied upon for critical operations, etc.</li> </ul>
10	Bank Negara Malaysia (BNM)	8 October 2024	<ul style="list-style-type: none"> <li>■ The BNM issued an exposure draft on complaints handling that sets out proposed requirements and expectations aimed at ensuring that complaints handling mechanisms of financial service providers (FSPs) remain relevant, accessible and timely. Proposed requirements include the following. <ul style="list-style-type: none"> <li>➤ The board of an FSP shall be responsible for ensuring complaints are handled fairly, transparently and on a timely basis.</li> <li>➤ An FSP shall formulate and implement effective and transparent complaints handling policies, procedures and processes.</li> <li>➤ An FSP shall inform financial consumers of its decision on a received complaint no later than 5 working days for simple cases and 20 working days for complex cases from the date of receipt of the complaint.</li> </ul> </li> </ul>	

## Sources:

1. IAIS 'IAIS sets strategic direction for 2025-2029'
2. EIOPA 'EIOPA's draft advice calls for one-to-one capital weight for EU insurers' crypto holdings'
3. EIOPA 'EIOPA opens consultation on criteria for selecting insurers to run macroprudential analyses'
4. FCA 'FCA launches premium finance market study alongside new Government insurance taskforce'
5. EIOPA 'EIOPA presents its value for money benchmark methodology for unit-linked and hybrid insurance products'
6. EIOPA 'EIOPA opens first batch of consultations on technical standards after Solvency II Review'
7. OSFI 'OSFI-FCAC Risk Report - AI Uses and Risks at Federally Regulated Financial Institutions'
8. MAS 'Consultation Paper on Capital Treatment for Structured Products and Infrastructure Investments for Insurers'
9. APRA 'APRA releases material service provider register template'
10. BNM 'Exposure Draft on Complaints Handling'

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