



Regulatory developments in the global insurance sector

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Executive summary¹

Region	No	Organisation(s)	Date	Regulatory developments
Global	1	Financial Stability Board (FSB)	5 December 2024	<ul style="list-style-type: none"> ■ The FSB published its 2024 Resolution Report. The report contains a list of 13 insurers that are subject to resolution planning standards consistent with the FSB Key Attributes. The list informs market participants that these insurers and their supervisors are better prepared to address the significant stress from the failure of an insurer. ■ Regarding the status of resolution frameworks in the FSB member jurisdictions, the report says that: some jurisdictions have advanced regimes that include comprehensive planning requirements and tools for supervisors to resolve failed insurers, while several jurisdictions lack resolution planning requirements or powers and tools needed to operationalise resolution plans.
Europe	2	Swiss Financial Market Supervisory Authority (FINMA)	18 December 2024	<ul style="list-style-type: none"> ■ The FINMA published its guidance on governance and risk management for the use of artificial intelligence (AI). The guidance describes the FINMA’s observations on the use of AI through on-going supervision, which include the following. <ul style="list-style-type: none"> ➤ Governance: Financial institutions focus primarily on data protection risks, but less on model risks, such as lack of robustness and correctness, bias, lack of stability and explainability. ➤ Inventory and risk classification: Some financial institutions define AI narrowly in order to focus on supposedly large or new risks. Not all financial institutions have established consistent criteria for identifying applications that require special attention in risk management. ➤ Data quality: Some financial institutions have not defined any requirements or controls to ensure data quality for AI applications.
	3	U.K. Prudential Regulation Authority (PRA)	18 December 2024	<ul style="list-style-type: none"> ■ The PRA finalised its supervisory statement on solvent exit planning for insurers. A solvent exit means the process through which an insurer ceases its insurance business while remaining solvent. Key requirements include the following. <ul style="list-style-type: none"> ➤ Solvent exit analysis (SEA): An insurer should produce an SEA that covers, for example, solvent exit actions, solvent exit indicators, potential barriers and risks, resources and costs, communications and governance and decision-making. The insurer must update the SEA at least once every three years.

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

			<ul style="list-style-type: none"> ➤ Solvent exit execution plan (SEEP): An insurer should produce an SEEP when there is a reasonable prospect that the insurer may need to execute a solvent exit or when the insurer is requested by the PRA to do so. The SEEP should cover actions and timelines for the solvent exit, identification and mitigation of barriers and risks to the solvent exit, communication plans for stakeholders impacted by the solvent exit, etc.
4	U.K. Prudential Regulation Authority (PRA)	13 December 2024	<ul style="list-style-type: none"> ■ The PRA published a draft of the regulatory requirements on operational incident and outsourcing and third-party reporting. Key requirements proposed include the following. <ul style="list-style-type: none"> ➤ Operational incident reporting: Financial institutions are requested to report an incident to the PRA when the incident poses a risk to the stability of the U.K. financial sector, the safety and soundness of the financial institution and/or the appropriate degree of policyholder protection. ➤ Outsourcing and third-party reporting: Financial institutions are required to submit a register of information on all its material third-party arrangements to the PRA.
5	European Insurance and Occupational Pensions Authority (EIOPA)	12 December 2024	<ul style="list-style-type: none"> ■ The EIOPA issued its financial stability report that assesses the risks and vulnerabilities European insurers are facing. Key messages in the report include the following. <ul style="list-style-type: none"> ➤ The EIOPA has paid attention to potential vulnerabilities stemming from exposures to alternative assets, such as real estate investments and the use of funded reinsurance (asset intensive reinsurance). ➤ Regarding asset intensive reinsurance, the risks to the financial stability of the European insurance market seems low for now due to the limited use of such reinsurance transactions. Nevertheless, because of potential risks of such reinsurance transactions, the EIOPA continues to monitor developments in the use of asset intensive reinsurance and will seek to improve the Solvency II reporting requirements on reinsurance transactions. ➤ The EIOPA is watching other risks, such as climate-related risks, risks stemming from disruption in IT systems, cybersecurity risks, etc.
6	European Insurance and Occupational Pensions Authority (EIOPA)	4 December 2024	<ul style="list-style-type: none"> ■ The EIOPA released a draft of its report on biodiversity risk management and of the regulatory technical standards on management of sustainability risks in the context of its reform of Solvency II. ■ Once the technical standards are finalised, insurers will be required to establish a sustainability risk plan that covers the following elements. <ul style="list-style-type: none"> ➤ Governance arrangements and policies to identify, assess, manage and monitor material

				<p>sustainability risks</p> <ul style="list-style-type: none"> ➤ A sustainability risk assessment with a materiality assessment and a financial risk assessment ➤ Quantifiable targets over the short, medium and long term to address material sustainability risks
Americas	7	Financial Stability Oversight Council (FSOC)	6 December 2024	<ul style="list-style-type: none"> ■ The FSOC released its 2024 annual report that discusses vulnerabilities in the U.S. financial markets together with its recommendations. Key insurance sector-related messages in the report include the following. <ul style="list-style-type: none"> ➤ In response to rising insured losses, some insurers are requesting significant rate increases, increasing policy exclusions and avoiding renewals in unprofitable markets. Higher insurance costs could drive homeowners to underinsure against growing climate-related financial risks. ➤ Life insurers’ holdings of non-traditional assets grew rapidly, and life insurers are increasingly using offshore reinsurers due in part to their less stringent regulatory requirements. These changes carry financial stability concerns.
	8	Bermuda Monetary Authority (BMA)	4 December 2024	<ul style="list-style-type: none"> ■ The BMA proposed to enhance its insurance group supervision framework. Regulatory requirements proposed include the following. <ul style="list-style-type: none"> ➤ An insurance group headed by an insurer and an ultimate parent company incorporated in Bermuda is subject to group supervision by the BMA. ➤ The BMA is granted the power to (i) issue penalties against a designated insurance holding company, (ii) object to an appointment or removal of officers and controllers of the designated insurance holding company, (iii) require a designated insurance holding company to submit a remediation plan, etc. ➤ The BMA is notified prior to new or increased control by shareholder controllers of designated insurance holding companies.
Asia Pacific	9	Bank Negara Malaysia (BNM)	19 December 2024	<ul style="list-style-type: none"> ■ The BNM published a draft of the regulatory requirements on prudent and professional conduct of insurance brokers. Key requirements proposed include the following. <ul style="list-style-type: none"> ➤ Company: An approved broker must be a company incorporated under the Companies Act 2016. The minimum capital funds of an applicant and an approved broker is RM 1,000,000 (around JPY 35M). An approved broker must maintain a professional indemnity insurance with a minimum limit of indemnity of at least RM 1,000,000.

			<ul style="list-style-type: none"> ➤ Board: The Board must have at least three directors, at least one of whom need to be an independent director. ➤ Business conduct: An approved broker shall provide suitable product options to meet customers' needs from at least three different licensed insurers.
10	Australian Prudential Regulation Authority (APRA)	5 December 2024	<ul style="list-style-type: none"> ■ The APRA released details on the insurance Climate Vulnerability Assessment (CVA) in which five major non-life insurers in Australia are participating. Key elements of the insurance CVA include the following. <ul style="list-style-type: none"> ➤ Objectives of the insurance CVA: To understand future changes in the affordability of general insurance over the medium term under two potential climate change scenarios, etc. ➤ Climate scenarios: (i) High emission scenario that is aligned to the NGFS Current Policies Scenario, (ii) lower emission scenario that is aligned to the NGFS Delayed Transition Scenario and (iii) a baseline scenario that assumes no further physical climate change or climate-related policy changes. ➤ Next steps: Participating insurers submit the results of the assessment to the APRA in the first half of 2025, which will be followed by a publication of a report later in 2025.
11	Monetary Authority of Singapore (MAS)	5 December 2024	<ul style="list-style-type: none"> ■ The MAS published a report on artificial intelligence (AI) model risk management by banks, conducting a thematic review of banks' AI model risk management practices. Major findings from the review include the following. <ul style="list-style-type: none"> ➤ Governance and oversight: Most banks have updated governance structures, roles and responsibilities, as well as policies and processes to address AI risks. ➤ Risk management: Most banks have recognised the need to establish or update key risk management systems and processes for identifying AI usage and risks, ensuring the completeness of AI inventories and assessing the materiality of AI risks. ➤ Development and deployment: Most banks have established standards and processes for development, validation and deployment of AI to address key risks. ➤ Generative AI: Banks generally try to apply existing governance and risk management structures and processes to generative AI.

	12	Bank Negara Malaysia (BNM)	3 December 2024	<ul style="list-style-type: none"> ■ The BNM finalised its policy document on product transparency and disclosure. The policy document sets forth minimum requirements to improve information disclosure on financial products offered by financial service providers (FSPs). General policy requirements are constituted by ten elements, which include the following. <ul style="list-style-type: none"> ➤ 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 ➤ Product Disclosure Sheet (PDS) that provides product-related information to consumers
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Sources:

1. FSB '2024 Resolution Report: "From Lessons to Action: Enhancing Resolution Preparedness"'
2. FINMA 'FINMA guidance on governance and risk management when using artificial intelligence'
3. PRA 'SS11/24 – Solvent exit planning for insurers'
4. PRA 'CP17/24 – Operational resilience: Operational incident and outsourcing and third-party reporting'
5. EIOPA 'EIOPA's financial stability report sees insurers and pension funds weathering a complex and uncertain risk landscape'
6. EIOPA 'EIOPA opens second batch of consultations on legal instruments after Solvency II review'
7. FSOC 'FSOC 2024 Annual Report'
8. BMA 'Consultation Paper - Proposed Enhancements to the Insurance Group Supervision Framework'
9. BNM 'Exposure Draft on Prudent and Professional Conduct of Insurance and Takaful Brokers'
10. APRA 'APRA releases details on insurance Climate Vulnerability Assessment'
11. MAS 'Artificial Intelligence (AI) Model Risk Management'
12. BNM 'Product Transparency and Disclosure'

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