



Regulatory developments in the global insurance sector

Vol. 26 (August to September 2022)



Executive summary¹

Region	No	Organisation(s)	Date	Regulatory developments
Global	1	Network of Central Banks and Supervisors for Greening the Financial System (NGFS)	6 September 2022	<ul style="list-style-type: none"> ■ NGFS published its updated climate scenarios (phase III). Major updates from the previous version released in August 2021 are the following. <ul style="list-style-type: none"> ➤ The updated scenarios reflect the new country-level commitments to reach net-zero emissions made at COP26 in November 2021 as well as all commitments made up to March 2022. ➤ The scenarios include data to reflect the latest trends in renewable energy technologies and key mitigation technologies. ➤ Data for GDP and population in scenarios has been updated.
	2	IFRS Foundation	1 August 2022	<ul style="list-style-type: none"> ■ IFRS Foundation announced its completion of the consolidation of the Value Reporting Foundation (VRF) into the IFRS Foundation, following the commitment made at COP26. ■ IFRS Foundation reiterated that the VRF's SASB Standards serve as a key starting point for the development of the IFRS Sustainability Disclosure Standards and that addressing the international applicability of the SASB Standards is a priority.
Europe	3	European Insurance and Occupational Pensions Authority (EIOPA)	6 September 2022	<ul style="list-style-type: none"> ■ EIOPA published a report on data quality in Solvency II reporting. Key messages in the report include the following. <ul style="list-style-type: none"> ➤ Data quality is a major topic for the supervisory community since the implementation of Solvency II. It is a joint effort by insurers, national regulators and EIOPA to improve the quality of data. ➤ The use of Legal Entity Identifier (LEI) code to identify asset issuers, reinsurers and other counterparties significantly increases the usability and value of the information. The use of LEI is increasing constantly, but not all insurers report their LEIs. ➤ It is difficult to define data quality indicators in terms of liability.

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

	4	Central Bank of Ireland (CBI)	3 August 2022	<ul style="list-style-type: none"> ■ CBI commenced its public consultation on proposals to introduce guidance on climate change risks for the insurance sector. The draft guidance presents supervisory expectations on, e.g., governance, materiality assessment, scenario analysis, strategy/business models and risk appetite. ■ CBI expresses its view that climate change is no longer an emerging risk and thus insurers are expected to manage climate change risks by, e.g., integrating those risks into existing risk management frameworks.
Americas	5	Office of the Superintendent of Financial Institutions (OSFI)	18 August 2022	<ul style="list-style-type: none"> ■ OSFI announced its interim approach to cryptoassets in terms of the regulatory capital and liquidity treatment of exposures of banks and insurers to those assets. ■ Cryptoassets are defined as digital assets that depend primarily on cryptograph and distributed ledger or similar technology. In the approach, cryptoassets are divided into two groups: Group 1 cryptoassets that meet certain defined criteria and Group 2 cryptoassets that do not fall under Group 1. ■ For insurers, Group 1 cryptoasset exposures are required to receive a capital treatment consistent with that of comparable traditional assets. Group 2 exposures are required to be deducted from capital available (for P&C insurers) or Tier 1 capital (for life insurers).
Asia Pacific	6	Australian Prudential Regulation Authority (APRA)	6 September 2022	<ul style="list-style-type: none"> ■ APRA released its consultation documents on contingency planning and resolution planning. The respective guidance papers set out principles and examples of better practice to assist financial institutions in meeting their requirements under the proposed standards on contingency planning and resolution planning. ■ The guidance on contingency planning states, for example, that: <ul style="list-style-type: none"> ➤ There are important linkages to the Internal Capital Adequacy Assessment Process (ICAAP), contingency funding plans and risk appetite. ➤ For foreign banks and insurers that have branches or locally-incorporated operations in Australia, it is important that the local financial contingency plan is appropriately integrated with head office or group arrangements.
	7	Australian Prudential Regulation Authority (APRA)	4 August 2022	<ul style="list-style-type: none"> ■ APRA published findings from the latest climate risk self-assessment survey in which 64 medium to large APRA-regulated institutions participated. Major findings include the following. <ul style="list-style-type: none"> ➤ Financial institutions have begun embedding climate risk into elements of the risk management framework and strategic planning, while an area for improvement is metrics and targets. ➤ Most financial institutions are developing quantitative and qualitative climate risk management

				<p>approaches, though there is a considerable range of maturity.</p> <ul style="list-style-type: none">■ 72% of financial institutions undertake climate-related scenario analyses, a majority of which have undertaken three or more climate-related scenario analyses.
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Sources:

1. NGFS 'NGFS publishes the third vintage of climate scenarios for forward looking climate risks assessment'
2. IFRS Foundation 'IFRS Foundation completes consolidation with Value Reporting Foundation'
3. EIOPA 'EIOPA tracks progress on Solvency II data quality'
4. Central bank of Ireland 'Central Bank launches consultation on climate change risk guidance for the insurance sector'
5. OSFI 'OSFI announces interim approach to cryptoassets'
6. APRA 'APRA consults on guidance for financial contingency and resolution planning'
7. APRA 'APRA publishes findings of latest climate risk self-assessment survey'

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