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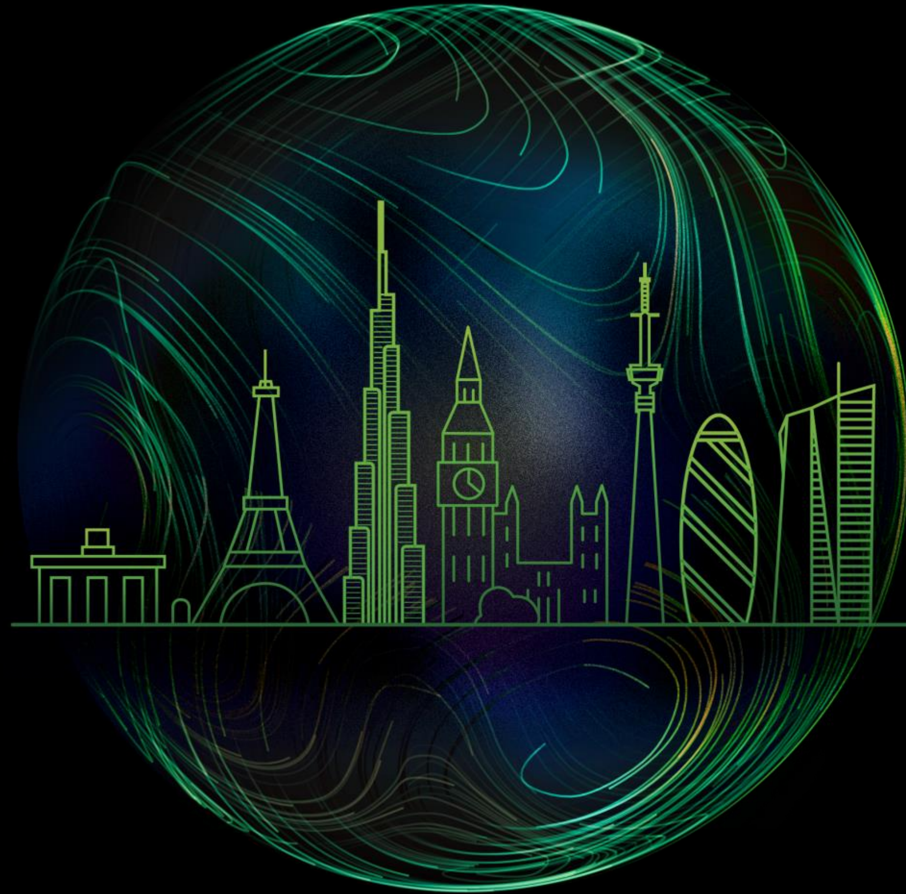

Life Insurance
Financial Markets
Regulatory Outlook 2024

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Regulatory Outlook 2024

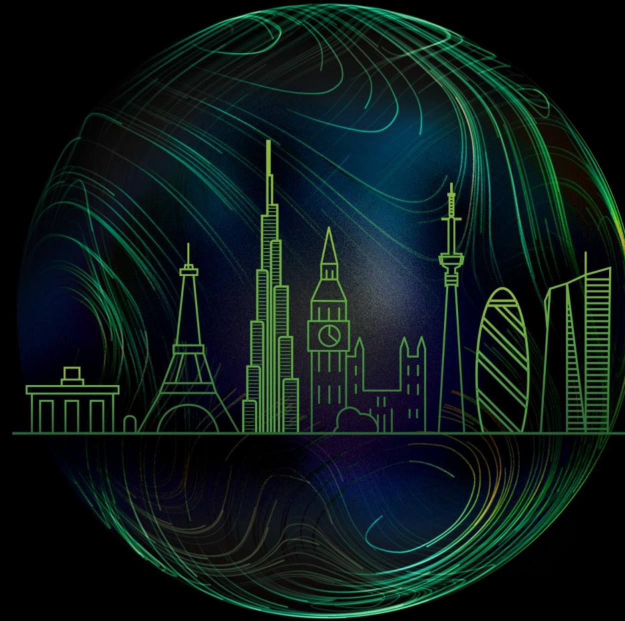
Life insurance – at a glance

Solvency UK and EU
A changing landscape - 3-4

Implementing the Consumer Duty
Firms under intense supervisory scrutiny - 5

Advice-Guidance boundary review
Lowering barriers to delivering good retirement outcomes - 6

Climate- & environmental-related financial risk and disclosures
Building a cohesive sustainability risk management and disclosures strategy - 7



Transition planning
Turning ambitions and blueprints into action - 8

Operational resilience
Last year of implementation - 9

Artificial Intelligence and data
Implementation of new AI frameworks gets underway - 10

Solvency UK and EU (1 of 2)

A changing landscape

Impact Areas

- Governance
- Strategy
- Finance
- Operations
- Control functions (Risk/Compliance/IA)

KEY CHALLENGES

- Solvency UK reforms are likely to lead to reduced capital requirements through RM changes and allow life insurers increased flexibility in their MA portfolio investment strategies.
- In addition, the PRA will require life insurers to comply with new requirements such as an MA attestation to maintain high standards of policyholder protection and new and enhanced expectations over risk management of funded reinsurance arrangements (due to come into effect by mid 2024).

WHAT'S HAPPENING THIS YEAR?

- The RM reform includes a reduction in the cost of capital from 6% to 4% as well as risk tapering for long-term liabilities. The changes are effective from 1 January 2024 and are expected to reduce the RM by approximately 65% for life insurers.
- The PRA also proposed to simplify the calculation of the TMTP. Under the new method firms will be able to use Solvency II models alone, removing the need to maintain Solvency I models and obtain PRA approval for recalculations. The main impact of the change is operational but for firms bound by the FRR, it might also lead to a capital reduction.
- The PRA also proposes to amend the IM framework by reducing the number of tests and standards required and grant permissions even where a model has some limitations subject to certain conditions. This flexibility might come at a cost though, with the PRA willing to use capital add-ons as a model permission safeguard.
- Life insurers will likely be required to make the results of their ST exercise public under the new regime. This will put pressure on life insurers' governance and controls around ST.
- In the EU, political agreement on Solvency II reform was reached in December 2023. Key changes affecting life firms include changes to the Volatility Adjustment and the cost of capital for the RM. The reforms are unlikely to come into effect before 2026 but insurers will want to start assessing the practical impact of the changes in the months ahead.

KEY ACTIONS FOR LIFE INSURANCE FIRMS IN 2024

Identifying opportunities within the Solvency UK reforms

- Assess the operational and financial impact of the reform to understand how it will affect business and strategy including the impact of regulatory changes to risk management of funded reinsurance.
- The implementation of the reform will be phased, and its full impact is unlikely to be clear until well into 2025. Firms are likely to need more and better-quality data on the assets in their MA portfolio.
- Consider whether changes to capital requirements affect product offerings including annuities and other guaranteed features.

Understanding the impact of the PRA proposals on Internal Models

- Consider impact of the proposals on IM frameworks and change policies. This should include expected procedures for applying, reviewing and removing model limitation adjustments.
- Prepare to carry out an analysis of change report including a narrative explanation and evidence underpinning the changes from year-end 2024.
- The PRA might use capital add-ons as a *quid pro quo* for having a more flexible approach to model permissions. Firms should consider carefully the potential impact of any such add-on and the timeline for its removal.

Adapting prudential compliance to market changes and preparing for ST

- Consider the role of the three lines of defence and effective Board engagement. Key areas include IM processes, TMPTs, RM calculations and ST exercises. Having enough staff of the right calibre in investments, internal valuations, and IM will be key.
- Prepare for handling the market impact of future publication of individual ST results.

Solvency UK and EU (2 of 2)

Making the most of the MA and investment flexibility reforms

Impact Areas

- Governance
- Strategy
- Finance
- Operations
- Control functions (Risk/Compliance/IA)

KEY CHALLENGES

- The PRA published its proposals for MA reform in September 2023, with final rules expected in Q2 so that life insurers can implement from mid-2024. This is a very tight timeframe.
- We believe the proposals mark the beginning of the reform journey. Life insurers will need to explore investing in new asset classes while developing methods to capture the new risks involved. Developing a robust attestation framework to underpin their MA benefit and FS calculations will be crucial; without it, life insurers run the risk of having to increase current FS levels, reducing their MA benefit.

WHAT'S HAPPENING THIS YEAR?

- Increased MA **investment flexibility** is expected to be effective from mid-2024. Life insurers may be allowed to include assets with highly predictable cashflows in their MA portfolios subject to meeting certain criteria (such as contractually bound cashflows) and subject to a limit of a maximum of 10% of the MA benefit. In addition, life insurers are expected to consider how to calculate the FS for these assets which could be expected to be larger than the FS calibrated for corporate bonds.
- Given that the reform will reduce the RM significantly, sufficiency of the FS will be at the top of the PRA's concerns. A key safeguard will be the requirement for firms to **attest** annually to the sufficiency of the FS and the quality of the resulting MA to a high degree of confidence. The PRA has confirmed that current FS levels are calibrated using government and corporate bonds. This means that for firms with other asset types in their portfolios, the attestation will require a robust process to determine the FS, regardless of whether a firm decides to invest in highly predictable cashflow assets.
- The proposed changes to the MA and FS will require firms to put in place strong systems, governance and controls to be able to demonstrate they can manage the risks involved in their MA portfolios.
- A few of the proposals also **interact with IM processes** such as the new requirement to introduce notched credit ratings, the removal of the sub-investment grade asset cap and the increase in FS for certain MA portfolio assets. The changes introduced by the MA reforms may trigger a model change application for the credit risk module of the IM currently in use.

KEY ACTIONS FOR LIFE INSURANCE FIRMS IN 2024

Assessing the opportunities of investment flexibility

- Identify assets that could qualify as highly predictable cashflow assets in the most cost-efficient way (unstructured or structured) and consider current structuring strategy of Equity Release Mortgages where material against the reform proposals.
- Identify expertise and capability gaps, for example experts on asset valuation, modelling of credit risk and other related skills.
- Assess the benefit of investing in new asset classes against the need for additional FS, and the impact on IM and SCR which could result in MA benefit reductions.

Preparing for the MA attestation

- For many life insurers, the MA benefit is a very material element of their financial position. The need to attest to the sufficiency of the FS and the quality of the resulting MA may put some of the benefit at risk.
- Firms should consider developing their attestation frameworks early. Key areas for consideration include determining governance and ownership over the process, the materiality and proportionality approach, the level of granularity/unit of analysis (asset class, asset type, individual ISIN asset), and the delta between what insurers do now and the standard required to attest.

Building the right governance and controls strategy

- The reform includes areas where more flexibility will be provided to life insurers such as investments, IM applications and change processes, MA applications and capital add-ons.
- Firms will be expected to set up appropriate governance, controls and risk management to ensure the reforms do not result in lower standards of policyholder protection. Firms need to consider staff roles and responsibilities across all three lines of defence to ensure smooth implementation.

Implementing the Consumer Duty

Firms under intense supervisory scrutiny

Impact Areas

- 🔴 Governance
- 🔴 Strategy
- 🟡 Finance
- 🔴 Operations
- 🟡 Control functions (Risk/Compliance/IA)

KEY CHALLENGES

- The FCA has shown its willingness to use all its supervisory tools to monitor compliance with the Consumer Duty ("Duty"). The value of several products and funds' fees have been in the spotlight. The FCA plans to target outliers first, so firms should consider their metrics and data to help them identify areas where the FCA is likely to challenge and scrutinise them.
- We think that customer support, use of outsourced services providers and approach to value in closed products are most likely to come under scrutiny in the life sector.

WHAT'S HAPPENING THIS YEAR?

- Closed products will come under the Duty' scope by July 2024. The FCA expects firms to accelerate their work on value for closed products if they suspect customer harm. This is a complex area where firms will need to consider the impact of vested rights on portfolios and how to deliver good outcomes for these groups of customers. Most life insurers have closed product portfolios, some with complex features, poor data quality and supported by legacy systems. Proving compliance might be challenging, requiring product changes and communicating with customers to provide information or options.
- Duty Board report: firms will be working towards compiling the evidence and engaging with the Board to produce and approve their first Duty compliance report before 31 July 2024. We expect the FCA to scrutinise some reports very closely and challenge weak assumptions, lack of relevant data and evidence.
- Greater data needs ahead: firms have focused on making the most of their existing data to monitor Duty compliance. However, we expect the FCA to challenge firms to expand and extend their data sets to monitor customer outcomes at a more granular level, for example allowing comparison between distinct groups of customers and identification of areas of poor outcomes. The FCA also expects more transparency from firms in their charging process, including for closed book products invested in unit-linked or with-profits funds.
- Embedding the Duty in firms' culture will go up firms' "to do" list in the year ahead. Firms need to consider how their governance structures, training, remuneration and incentives are aligned with the Duty and how all staff understand their role and responsibilities in delivering good customer outcomes.

KEY ACTIONS FOR LIFE INSURANCE FIRMS IN 2024

Assessing the impact of the Duty on the business

- As regulatory expectations around the Duty become clearer, firms should consider what this means for their product portfolio and revenue projections.
- Firms should map their product and customer profitability to identify potential over-reliance on specific products and practices to inform strategic decisions and re-balance portfolios where necessary.

Identifying and reviewing closed products

- Assess changes needed to closed products following completion of fair value assessments and determine changes to customer support and communications required to enable customers to switch products.
- Consider regulatory expectations in defining value in closed products and enlist the right experts to consider the impact of vested rights and other legal considerations in the analysis.

Evidencing compliance and greater data needs ahead

- Firms should review their current data set and conduct MI and evaluate if they are sufficient to evidence compliance with the Duty.
- Engage the Board in the process of evidence gathering and allow sufficient time for Duty champion and the Board to challenge the evidence effectively .

Embedding the Duty into the firm's culture

- Firms need to establish clear accountability and governance frameworks, setting the right "tone from the top" to foster an environment where all staff understand their role in delivering good customer outcomes.
- Firms should review recruitment processes, training, remuneration and incentives programmes to ensure they capture the Duty requirements.

Advice-Guidance boundary review

Lowering barriers to delivering good retirement outcomes

Impact Areas

- Governance (yellow)
- Strategy (red)
- Finance (yellow)
- Operations (red)
- Control functions (Risk/Compliance/IA) (yellow)

KEY CHALLENGES

- Under the Duty, firms are required to enable consumers to pursue their financial objectives and deliver good outcomes. In the last few years, at retirement most consumers have opted for cash or to go into drawdown. This means many customers end up bearing longevity, investment and inflation risks which in turn are likely to lead to poorer retirement outcomes relative to other options available to them
- Higher interest rates alongside SUK reforms provide opportunities for insurers to develop new retirement products which could also help improve retirement outcomes for consumers.

WHAT'S HAPPENING THIS YEAR?

- After the entry into force of the Duty last year, the FCA warned life and pensions insurers offering DC pensions that they should do more to support the financial objectives of their customers without breaching the advice boundary.
- Following regulatory changes and enforcement action in the last ten years, many insurers have steered well clear of providing advice at retirement due to a combination of high risk and weak demand. The Duty requirements need to be factored into the risk assessment going forward as poor retirement outcomes could become a target of supervisory scrutiny before long.
- HMT and FCA have published a Discussion Paper proposing different ways to review the Advice-Guidance boundary. This is to enable firms to improve their support to customers and in some cases to move closer to the advice-guidance boundary. The three core proposals in the review include further clarification of: (i) the meaning of guidance, (ii) a new targeted support framework, (iii) and simplified advice. Some of the proposals are very ambitious, but they will require a long time to implement.
- In the current higher interest rate environment, SUK reforms are likely to lead to better annuity rates for customers. Demand for annuities is increasing and firms need to ensure they are sold in a way that complies with regulatory requirements, including the impact of the Duty on annuity sales journeys. These circumstances are an opportunity for insurers to develop better retirement products that deliver good retirement outcomes while leading to commercial success.

KEY ACTIONS FOR LIFE INSURANCE FIRMS IN 2024

Improving retirement outcomes: meeting the Duty requirements

- Improve customer engagement and empowerment for decision-making - testing how to move closer to the advice boundary without breaching it.
- Analyse current retirement outcomes to determine if specific cohorts of customers are receiving poorer outcomes – consider the use of AI for advice-guidance models and outcome management.
- Consider reviewing current compliance models to ensure implementation of the Duty rules and principles are given enough weight in risk assessments.

Innovating to improve retirement outcomes and commercial success

- Assess capital needs to develop and launch new blended products following the SUK reforms.
- Develop more robust risk management processes to manage increased risks.
- Consider the need to partner with distributors to channel new retail products to customers and consider whether and how they can be distributed on a guidance or advice basis.

Looking for opportunities in the market

- Engage with the proposals around the advice-guidance boundary review to ensure the industry view is reflected in future consultations.
- Consider how to use technology to test new distribution arrangements to capture underserved markets such as the self-employed and build a proposition that meets the needs of this growing segment.
- Establish relationships with employers/scheme trustees and regulators to promote better retirement outcomes.

Climate- & environmental-related financial risk and disclosures

Building a cohesive sustainability risk management and disclosures strategy

Impact Areas

- Governance
- Strategy
- Finance
- Operations
- Control functions (Risk/Compliance/IA)

KEY CHALLENGES

- Supervisors will continue to scrutinise to what extent life insurers can demonstrate that they integrate climate-related financial risk into their risk management and decision-making in 2024.
- In 2024, life insurers also have to prepare for incoming corporate sustainability reporting requirements in the UK and the EU. Many life insurers will need to do a lot of work to meet key reporting deadlines beginning in 2025, with lack of data a particular challenge.

WHAT'S HAPPENING THIS YEAR?

- EU and UK life insurers still have some way to go to embed climate risk fully into their risk management frameworks (and, for environmental risk, even further) . Life insurers should prepare to demonstrate that they meet supervisory expectations. In our experience, life insurers need to do more to evidence that they integrate climate stress and scenario analysis into Board and executive decision-making.
- While EIOPA will continue to explore a dedicated prudential treatment of sustainability risks, we do not expect any significant revision of the insurance capital frameworks in 2024 to capture climate risks. Regardless, climate-related financial risks should now be a "BAU" component of the ORSA.
- At the same time, we expect several developments on sustainability disclosures in 2024. Larger EU life insurers must prepare reports for the first time in FY2024 (for publication in 2025) under CSRD sector-agnostic standards. Additional insurance-specific standards have been delayed by the European Commission by two years to reduce the reporting burden on firms, but in practice this does not make the immediate task simpler.
- The UK Government has committed to implementing ISSB standards through the SDS framework and will detail its approach in 2024. We expect the FCA to consult in H1 2024 on making SDS disclosures mandatory for listed life insurers from 1 January 2025, and on disclosure of transition plans prepared under the TPT framework.
- Life insurers should provide customers with appropriate information and options about the risks they face in their unit-linked pensions, and ways to manage them going forward. Disclosures provide one avenue for firms to communicate this to customers, although life insurers should remain alert to potential greenwashing risk..

KEY ACTIONS FOR LIFE INSURANCE FIRMS IN 2024

Integrating climate risk management across the business

- Join up discrete initiatives related to developing climate risk capabilities and integrate them across the business, including e.g. integrating climate modelling into strategy planning and the ORSA.
- Conduct a gap analysis in terms of evidencing compliance with climate risk management expectations - in the UK, this includes the PRA's SS3/19.
- Review Board MI to ensure it includes appropriate climate-related information and metrics to support Board decision-making and challenge.
- Scrutinise data used as inputs for climate risk modelling to ensure that it meets the high standards needed to generate senior management confidence and buy-in across the business.

Developing a sustainability disclosures strategy

- Set holistic disclosure strategy, including reporting ambition and vision.
- Assess scope of requirements, considering all disclosures life insurers must make.
- Establish a framework for collecting relevant data to be able to disclose mandatory metrics.
- Assess specialist skills needed for actuarial, sustainability and finance functions to support reporting.
- Consider whether the existing range of sustainable life insurance and pension products and firm-level net zero commitments and disclosures continue to be reasonable and viable.
- Review pension product labels, communications, and disclosures to ensure these include relevant information to policyholders about, and options around how to manage, potential climate and environmental risk exposures.

Transition planning

Turning ambitions and blueprints into action

Impact Areas

- Governance (red)
- Strategy (red)
- Finance (amber)
- Operations (red)
- Control functions (Risk/Compliance/IA) (amber)

KEY CHALLENGES

- Life insurers should step up their efforts on transition planning and ensure they have plans that drive the business and can be published with confidence.
- There are still significant uncertainties for firms about the direction and pace of the economy-wide transition heightened by EU Parliamentary and UK general elections later in the year. Life insurers will need to consider how their transition plans should be adjusted to balance broader risks to society and to nature, particularly as recommendations from the TNFD are taken forward.

WHAT'S HAPPENING THIS YEAR?

- In the UK, we expect life insurers to **progress transition planning, looking to ISSB standards and TPT recommendations** in advance of the FCA updating its disclosure requirements – which we expect to enter into force for accounting periods on or after 1 January 2025 (reporting in 2026).
- In the EU, CSRD includes **transition plan disclosures** and will apply to larger EU life insurers from FY2024 (reporting in 2025). CSDDD is also likely to be agreed in 2024, introducing additional expectations on **transition planning and transition plan disclosures** that will take time to implement.
- We expect policymakers to start to focus on how the regulatory framework constrains **transition finance**. There are concerns that, under current rules, as firms seek to manage transition risk and meet climate targets, they may reduce funding and investment for areas that need it to transition. We anticipate that progress to balance that need alongside tackling climate risks will be slow.
- As transition planning knowledge and skills mature, policymakers will likely move their focus to, for example, how to assess **transition plan credibility**, and who is best placed to assess it. Validation of targets will also increase in importance as some firms choose to set or update targets in line with the new SBTi FINZ framework, expected to be finalised in 2024.
- The **quality of transition planning** will increasingly inform the PRA's assessment of life insurers' overall risk management, and prudential supervision more broadly.

KEY ACTIONS FOR LIFE INSURANCE FIRMS IN 2024

Enable an organisational mindset shift

- Ensure the transition plan is a living document covering both risks and opportunities and is appropriately considered and challenged by the Board.
- Incorporate transition planning into strategy and embed it across the organisation, including into financial planning.
- Identify and assess the impact of key assumptions and external factors that the life insurer relies on to achieve its transition plan, using TPT guidance.
- Identify short-, medium- and long-term actions to change investment portfolios in line with the transition plan.

Take a strategic and rounded approach to transition planning

- Use the transition planning process to explore potential tensions between transition risk, transition ambitions and the economy-wide transition and how to navigate them.
- Identify interconnections with related regulatory initiatives, including e.g., the UK Consumer Duty, to avoid undermining the transition plan or broader strategic ambitions.

Set out an implementation and engagement strategy

- Identify and secure the skills and resources required for transition plan implementation, with a focus on investments and risk.
- Define the incremental steps and delivery teams needed to achieve the targets.
- Where life insurers outsource their asset management, establish appropriate oversight and a control framework to ensure investment strategy aligns with the overall transition ambition and plan.

Operational resilience

Last year of implementation

Impact Areas

- Governance (red)
- Strategy (red)
- Finance (amber)
- Operations (red)
- Control functions (Risk/Compliance/IA) (red)

KEY CHALLENGES

- As operational resilience rules approach their final implementation year, UK and EU insurers will have to move from embedding and building compliance with these regimes to demonstrating resilience in practice to the supervisors. The new rules will require life insurers to reach a new level of maturity in their resilience capabilities compared to what they are used to, mainly around scenario testing and vulnerability remediation.
- The DORA's challenging implementation timeline may add a further layer of complexity, as insurers will likely need to begin implementation work before full ratification of secondary standards.
- Finally, new CTP regimes will provide more supervisory oversight but will not replace existing and new TPRM duties for life insurers, which will still require significant effort.

WHAT'S HAPPENING THIS YEAR?

- The UK's operational resilience regime will become fully applicable in March 2025. This means 2024 will be the last year for life insurers to embed their new target operating models, remediate major vulnerabilities, and address any regulatory feedback. Firms recording significant deviations from peers in their impact tolerances will likely need to revisit their framework. The FCA has notably raised concern about life insurers' level of governance, oversight and contingency planning on outsourced services in its 2024 letters to firms. It has also stressed cyber risk and data losses as priority issues.
- The BoE, FCA and the PRA will use the feedback gathered during the relevant consultation to finalise their proposed oversight regime for CTPs to the FS sector and will also consult on a framework for incident, outsourcing and third-party reporting.
- The EU's DORA will fully apply in January 2025. Similar to its UK counterpart, 2024 will also be the final implementation year, during which secondary standards providing key technical detail will be finalised. The ESAs will submit their final drafts to the Commission in two main batches, due respectively in January and July 2024. The Commission will then review and ratify each standard.
- The EU's Cyber Resilience Act is expected to be finalised by H1 2024. Its applicability to Financial Services is under discussion, but chances are that it will complement the DORA, setting minimum cyber resilience standards for digital products.

KEY ACTIONS FOR LIFE INSURANCE FIRMS IN 2024

Demonstrate resilience maturity in different contexts

- Involve Board/top management as early as possible, as they will have to steer and approve ambitious policies and hold ultimate accountability.
- Focus on how to demonstrate the effectiveness of plans in real life (e.g., through risk-scenario simulation testing) as the testing of this dimension will rise in importance relative to other priorities such as mapping.

Focus on TPRM

- New CTP oversight regimes will contribute to generating a more secure outsourcing environment, but regulators have been very clear that these new rules will not in any way detract from the FS firms' own TPRM duties.
- Map out supply chains (including n^{th} parties, focusing on their criticality) and work towards strengthening supply chain resilience as if n^{th} parties were part of the firm/group itself.
- Move from preliminary evaluation to detailed discussions with third parties on practical arrangements to ensure their inclusion in key resilience activities, such as participation in testing.

Keep engaging with regulators and the industry

- Maintain an ongoing dialogue with supervisors to reach an understanding of what "good" looks like, in relation to firms' size and operational arrangements. As stressed in EIOPA's 2024 workplan, implementing FS operational resilience principles will not only be a new task for firms but for supervisors as well.
- Work with industry peers (e.g., through trade organisations) to develop a sector-wide approach to shared implementation challenges, such as negotiating third-party participation in firms' own resilience testing.

Artificial Intelligence and data

Implementation of new AI frameworks gets underway

Impact Areas

- Governance (red)
- Strategy (red)
- Finance (amber)
- Operations (red)
- Control functions (Risk/Compliance/IA) (red)

KEY CHALLENGES

- The EU's AIA, the first comprehensive AI-specific legislative framework, will become law. Compliance requirements for high-risk use cases will affect the cost-benefit analysis for current or future use. Strict requirements for AI developers will increase the strategic importance of buy or build decisions.
- Global insurers must choose between developing EU-specific AI offerings or applying EU standards universally. UK life insurers may choose to adopt specific AIA elements, where detailed guidance on implementing the UK outcome-focused framework is lacking.

WHAT IS HAPPENING THIS YEAR?

- The EU AIA will take effect in H1, beginning a phased two-year implementation. It imposes strict requirements on the use of high-risk systems – including AI risk assessments for life and health insurance – and General Purpose AI models. However, AIA technical standards will not emerge until later in 2024/25, making impact assessments and compliance more complex. AI developers face more substantial obligations than firms that solely deploy AI, including pre-market conformity assessments. Defining the firm's role(s) for each AI use case, and navigating any grey areas, will be a priority.
- AIA requirements will intersect with existing regulatory frameworks, such as GDPR and DORA. Identifying and addressing tensions and synergies between cross-sectoral and FS rules and the AIA will require careful consideration, and the overlaps will vary depending on the specific use cases at hand.
- The UK Government is expected to confirm its proposed non-statutory principle-based AI regulatory approach which will rely heavily on existing technology-neutral rules. To scrutinise AI risks, the FCA, BoE, and ICO will leverage key frameworks such as the Consumer Duty, operational resilience, and UK GDPR. Insurers must ensure full compliance with these rules through their AI governance and RMFs. For example, life insurers must consider the implications of AI on pricing, value, and financial advice provision under the Consumer Duty.
- UK regulators plan to publish AI guidance in 2024, which should help insurers interpret existing requirements in an AI context, but exact details/timings are not available yet. In the EU, EIOPA will analyse insurance-specific AI use cases to identify potential discrimination risks by the end of 2024 and may also develop guidelines.

KEY ACTIONS FOR LIFE INSURANCE FIRMS IN 2024

Governance and strategy

- Understand exposure to new and existing AI-relevant requirements by creating an inventory of current and planned AI use cases, focusing on high-risk ones.
- Determine role in value chain for each use case (developer vs deployer). Investigate grey areas resulting from significant customisation of third-party AI systems.
- Create a strategic response plan and clear accountability lines for AI use cases affected by the new AIA requirements. If operating globally, decide whether to develop EU-specific solutions or apply EU AI governance standards globally.
- Assess the impact of AI-driven insurance pricing on product value, transparency, and fairness. Consider potential effects on different consumer categories to avoid unfair inadvertent or indirect bias.

Operations

- Ensure that AI systems, IT architecture, and operations comply with regulatory requirements for AI. Focus on data governance, model risk management, human oversight, transparency, operational resilience, monitoring, and reporting.
- Design or adopt AI systems that support adequate interpretability and review by actuarial and underwriting functions. Embed baseline AI knowledge and skills for actuaries and underwriters into hiring and training strategies.

Control functions

- Enhance RMFs, policy and procedures to align with AI-specific and technology-neutral rules. Address potential tensions and interaction between requirements. E.g., AI-specific rules vs data and consumer protection or outsourcing rules.
- In the absence of granular regulatory guidance, UK life insurers can look to the EU AIA – e.g., concerning data quality and or accuracy - as a benchmark for AI risk management frameworks, albeit allowing for tailoring as appropriate.

Glossary

AIA
Artificial Intelligence Act

BoE
Bank of England

CTP
Critical Third Parties

CSRD
Corporate Sustainability Reporting Directive

DORA
Digital Operational Resilience Act

EIOPA
European Insurance and Occupational Pension Authority

FCA
Financial Conduct Authority

FMIs
Financial Market Infrastructures

FRR
Financial Resource Requirement

FS
Fundamental Spread

GAP Insurance
Guaranteed Asset Product

GDPR
General Data Protection Regulation

GI firms
General Insurance firms

HMT
His Majesty's Treasury

IA
Internal Audit

ICO
Information Commissioner’s Office

IM
Internal Models

ISSB
International Sustainability Standard Board

MA
Matching Adjustment

MOB
Multi-occupancy Building

MI
Management Information

ORSA
Own Risk and Solvency Assessment

PRA
Prudential Regulation Authority

PIM
Partial Internal Models

POG
Product Oversight Governance

RM
Risk Margin

RMF
Risk Management functions

SDS
Sustainability Disclosures Standards

ST
Stress Test

SUK
Solvency UK

TCB
Third-Country Branch

TMTP
Transitional Measure on Technical Provisions

TNFD
Taskforce on Nature related Financial Disclosure

TPT
Transition Plan Taskforce

TPRM
Third-Party Risk Management

VA
Volatility Adjustment

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