



Summary of regulatory developments

Updates for June 2022

This memo identifies and summarises any regulatory updates published during June 2022 that may be of relevance to life insurance companies.

The following table summarises the relevant updates identified in June.

REGULATORY ITEMS IDENTIFIED IN JUNE THAT MAY BE OF RELEVANCE TO LIFE INSURANCE COMPANIES

Date	Description
2-Jun	The European Supervisory Authorities (ESAs) provide clarifications on the Sustainable Finance Disclosure Regulation (SFDR)
14-Jun	The European Insurance and Occupational Pensions Authority (EIOPA) publishes its Annual Report 2021
15-Jun	EIOPA reacts to stakeholder views on open insurance
15-Jun	EIOPA consults on the review of the securitisation prudential framework in Solvency II
16-Jun	EIOPA consults on the Aggregation Method and Insurance Capital Standard (ICS) comparability
16-Jun	Financial Conduct Authority (FCA) chief executive Nikhil Rathi delivers speech on "Shaping the rules for a data-driven future"
17-Jun	EIOPA consults on exclusions in insurance products arising from systemic events and on the management of non-affirmative cyber exposures
22-Jun	EIOPA publishes its June 2022 Financial Stability Report
23-Jun	The Prudential Regulation Authority (PRA) publishes its Annual Report 2021/22
23-Jun	The Bank of England (BoE) publishes climate-related financial disclosure 2022
24-Jun	The ESAs confirm application date of new packaged retail and insurance-based investment products (PRIIPs) rules
24-Jun	EIOPA publishes its Annual Report on supervisory activities in 2021
29-Jun	EIOPA publishes its Q&A on regulation

Updates for June 2022

This section highlights articles of interest to life companies released in June 2022.

ESAs

- The ESAs [provide clarifications on the Sustainable Finance Disclosure Regulation \(SFDR\)](#)

The ESAs published a statement providing clarification on key areas of the SFDR disclosures, including:

- Use of sustainability indicators
- Principal adverse impact (PAI) disclosures
- Financial product disclosures
- Direct and indirect investments
- Taxonomy-related financial product disclosures
- “Do not significantly harm” (DNSH) disclosures
- Disclosures for products with investment options

The statement is part of the ESAs’ ongoing efforts to promote a better understanding of the disclosures required under the technical standards of the SFDR ahead of the application date of 1 January 2021.

- The ESAs [confirm application date of new packaged retail and insurance-based investment products \(PRIIPs\) rules](#)

A [statement](#) by the European Commission confirms that it is intended for:

- The rules for the key information document (KID) in Delegated Regulation 2017/653 to continue to apply until 31 December 2022
- The new rules included in Delegated Regulation 2021/2268 to amend Delegated Regulation 2017/653 to apply from 1 January 2023.

The ESAs expect National Competent Authorities to take the Statement from the European Commission into account during their supervision of PRIIPs.

EIOPA

- EIOPA [publishes its Annual Report 2021](#)

EIOPA publishes its 2021 Annual Report, setting out its activities and achievements of the past year, which include:

- Framework to address value for money issues
- A set of criteria for the independence of supervisory authorities
- Solvency II review process
- An opinion on the integration of climate risk into the Own Risk and Solvency Assessment (ORSA)
- Insurance stress test exercise that focused on a prolonged COVID-19 scenario
- The European Systemic Risk Assessment Framework (SRAF)
- Pan-European personal pension product (PEPP) regulation
- Advice on setting up pensions dashboards and tracking systems to address pension gaps

- EIOPA [reacts to stakeholder views on open insurance](#)

A [consultation](#) on open insurance occurred in January 2021, in which EIOPA reflected upon the definition of open insurance, analysed existing use cases across the value chain and presented the associated risks and benefits. Following this, EIOPA has published a feedback statement providing a high level summary of stakeholder responses.

Stakeholders highlighted additional use cases including better risk assessment, preventive measures and fraud detection. Respondents noted the potential of open insurance to improve pricing practices and transparency, and to provide supervisors with real-time data to identify poor advice and monitor automatic compliance. Overall, stakeholders agreed with the benefits and risks identified by EIOPA.

In view of the feedback, EIOPA will continue monitoring developments in this area and reemphasises the potential of open insurance for the sector, including in supervision, if managed adequately.

- EIOPA [consults on the review of the securitisation prudential framework in Solvency II](#)

The ESAs are assessing the recent performance of the rules on capital and liquidity requirements relative to the framework's original objective of contributing to the sound revival of the EU securitisation market. This is in response to a [Call for Advice](#) sent by the European Commission on 18 October 2021.

EIOPA has launched a data collection which includes a questionnaire in order to gather information that will be included in the final advice. This consultation paper seeks views from stakeholders on the main components of the call for advice and welcomes comments on the policy options proposed.

- EIOPA [consults on the Aggregation Method and Insurance Capital Standard \(ICS\) comparability](#)

The development of the ICS by the International Association of Insurance Supervisors (IAIS) has been recognised by EIOPA as a key step for the enhancement of global financial stability as well as policyholder protection. The journey towards the finalisation of the ICS is still ongoing, as the monitoring period approaches its defining stage.

In parallel to the development of the ICS, the United States and other interested jurisdictions are developing an Aggregation Method (AM) approach to a group capital calculation. This consultation, published by EIOPA, aims to evaluate whether the AM and the ICS produce similar results over time and under different economic and market conditions. An essential requirement is that the AM delivers outcomes which are at least as prudent as the ICS.

- EIOPA [consults on exclusions in insurance products arising from systemic events and on the management of non-affirmative cyber exposures](#)

EIOPA publishes supervisory statement (SS) on exclusions in insurance products in relation to risks arising from systemic events. The aim of the SS is to promote supervisory convergence in how such exclusions are assessed and treated, which should ultimately follow a customer-oriented approach. EIOPA recommends contract clarity for policyholders and consideration of the target market's needs when developing new products with exclusions.

EIOPA also published a SS on the management of nonaffirmative cyber exposures, which can relate to insurance policies designed without explicitly taking cyber risk into consideration. The SS focuses on supervisory expectations and emphasises the importance of cyber underwriting risk management and risk mitigation and the need for a top-down strategy and risk appetite definition for undertakings to underwrite cyber risk.

- EIOPA [publishes its June 2022 Financial Stability Report](#)

EIOPA notes that the European economy is in a phase of heightened uncertainty. Macroeconomic conditions have deteriorated as a result of Russia's invasion of Ukraine. The ensuing sanctions have caused further disruptions to supply chains already strained by the pandemic, resulting in higher prices for fossil fuels and imported commodities. This supply shock is adding to inflationary pressures and reducing economic growth at the same time.

Volatility has returned to financial markets and has been accompanied by rising interest rates as markets expect monetary tightening to head off inflation.

European insurers entered 2022 in good financial conditions with solid capital buffers and a median Solvency Capital Requirement (SCR) ratio of 216% after gross written premiums for both the life and non-life business grew throughout 2021. However, the sharp increase in energy prices and slowing economic growth could negatively affect new business and premiums paid.

- EIOPA [publishes its Annual Report on supervisory activities in 2021](#)

This report highlights EIOPA's priorities and most important deliverables over the year, which include:

- Reprioritising and carrying out extraordinary activities in response to COVID-19
- The Solvency II Review
- The review of guidelines on Technical Provisions and Contract Boundaries
- Continued oversight activities on conduct of business
- Research into emerging areas such as environmental, social and governance (ESG) risks, supervisory technology and supervision of runoff portfolios

- EIOPA [publishes its Q&A on regulation](#)

Updates include the following:

- (EU) No 2015/35 – Taking up and pursuit of the business of Insurance and Reinsurance (SII). Questions [1996](#), [2428](#), [2422](#), [2409](#), [2406](#), [2384](#), [2357](#), [2352](#), [2314](#) and [2302](#).
- Risk-Free Interest Rate – VA calculations. Question [2400](#).
- (EU) No 2015/2450 – Templates for the submission of information to the supervisory authorities. Question [2369](#).
- Guidelines on reporting and public disclosure. Question [2206](#).

FCA

- The FCA's [Nikhil Rathi delivers speech on "Shaping the rules for a data-driven future"](#)

Highlights from the speech include:

- The value of consumer data has soared and we often trade privacy for expediency
- The FCA has had constructive engagement with Google on promotional adverts of nonregulated firms and is hopeful other technology giants will follow
- Data is the lifeblood of a modern regulator and in the next five years, the FCA expects to become as much a regulator of data as finance
- While data can help institutions identify risk, it can also entrench bias and make it more difficult for consumers to access loans or products such as insurance
- International coordination will be increasingly vital with the rise in risk associated with digitalisation
- Investment in tech and skills is the key to staying ahead

PRA

- The PRA [publishes its Annual Report 2021/22](#)

This PRA report includes information on its activities for the year ended 28 February 2022. The report provides examples of how the PRA has delivered its 2021/22 strategic goals, including:

- Robust prudential standards
- Adaptation to changes in the external market
- Ensuring that firms are adequately capitalised
- Supervision of operation resilience
- Credible plans
- Competition
- EU withdrawal transition

BoE

- The BoE [publishes climate-related financial disclosure 2022](#)

This report sets out the BoE's approach to managing the risks from climate change across its policy functions and operations.

Over the past year, the BoE's key activities concerning climate change include:

- Climate Biennial Exploratory Scenario (CBES) exercise
- Reporting on the progress banks and insurers have made against its climate-related supervisory expectations
- Setting out initial views on the relationship between climate change and regulatory capital requirements
- Publishing a comprehensive framework to green its corporate bond holdings

Looking inwards, emissions from the BoE's own physical and financial operations have continued to reduce as a result of actions it has taken and lower carbon usage in the UK economy.



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