



Summary of regulatory developments

Updates for October 2022

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

The following table summarises the relevant updates identified in October.

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

| Date | Description |
|--------|---|
| 11-Oct | The Prudential Regulation Authority (PRA) publishes DP5/22, “Artificial Intelligence and Machine Learning” |
| 21-Oct | The PRA publishes letter to CEOs, “Thematic feedback on the PRA’s supervision of climate-related financial risk and the Bank of England’s Climate Biennial Exploratory Scenario exercise” |
| 25-Oct | The Financial Conduct Authority (FCA) launches discussion on competition impacts of Big Tech on financial services industry |
| 25-Oct | The FCA proposes new rules to tackle greenwashing |
| 31-Oct | The European Insurance and Occupational Pensions Authority (EIOPA) issues its methodology for assessing value for money in the unit-linked market |
| 31-Oct | EIOPA publishes its Q&A on regulation |

Updates for October 2022

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

EIOPA

- EIOPA [issues its methodology for assessing value for money in the unit-linked market](#)

The methodology outlines a common European approach on how to identify unit-linked products which may offer poor or no value for money and require a close monitoring by national competent authorities (NCAs) to ensure risks are sufficiently identified, monitored and mitigated.

It follows a top-down process based on three layers of analysis including a market-wide assessment, an enhanced product analysis and an assessment of the product oversight and governance (POG) process and documentation. For each layer, the methodology indicates different tools and provides information on how to perform the analysis.

EIOPA will continue addressing the emerging risks and challenges affecting unit-linked products and will eventually revise the methodology to reflect further the supervisory experience.

- 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 [2484](#), [1996](#), [2431](#), [2387](#), [2380](#), [2367](#) and [2354](#).
- (EU) No 2015/2450 – Templates for the submission of information to the supervisory authorities. Questions [2481](#), [2476](#), [2475](#), [2414](#), [2356](#), [2232](#), [2215](#) and [2182](#).
- (EU) 2020/852 – Taxonomy regulation. Questions [2512](#) and [2501](#).
- Risk-free rate (RFR). Question [2453](#).

FCA

- The FCA [launches discussion on competition impacts of Big Tech on financial services industry](#)

Big Tech firms' presence in UK financial services markets has been steadily increasing. By combining financial services with their existing business, Big Tech firms can bring benefits to consumers. They might include innovative new offers with competitive pricing driven by increased efficiency. On the other hand, Big Tech firms could pose competition risks if they rapidly gain market share and are able to exploit market power.

Therefore, the FCA is seeking views on the potential competition benefits and harms from Big Tech firms' entry into a range of sectors, including insurance. The FCA hopes that this discussion will inform its regulatory approach to Big Tech firms as part of the new UK pro-competitive regime for digital markets.

The discussion period will end on 15 January 2023.

- The FCA [proposes new rules to tackle greenwashing](#)

There has been growth in the number of investment products marketed as “green” or making wider sustainability claims. Exaggerated or misleading claims about environmental, social and corporate governance (ESG) credentials damage consumer confidence and trust in these products.

In a bid to tackle this greenwashing, the FCA is proposing to introduce a number of new measures, including:

- Sustainable investment product labels
- Restrictions on how terms such as “ESG,” “green” or “sustainable” can be used in marketing
- Consumer-facing disclosures to highlight the key sustainability-related features of a product
- More detailed disclosures for institutional investors or retail investors
- Requirements to ensure these labels and disclosures are accessible and clear via investment platforms

PRA

- The PRA publishes [DP5/22, “Artificial Intelligence and Machine Learning”](#)

Artificial intelligence (AI) and machine learning (ML) are rapidly developing technologies that have the potential to transform financial services, enabling firms to offer better products, improve operational efficiency and drive innovation. However, AI can pose novel challenges, as well as create new regulatory risks or amplify existing ones.

The supervisory authorities (collectively the Bank of England, PRA and FCA) have a close interest in the safe and responsible adoption of AI in UK financial services. They have published this joint discussion paper (DP) to share and obtain feedback on:

- The potential benefits, risks and harms related to the use of AI
- How the current regulatory framework could apply to AI
- Whether additional clarification may be helpful
- How policy can best support further safe AI adoption

The supervisory authorities invite feedback on the DP by 10 February 2023.

- The PRA publishes [letter to CEOs, “Thematic feedback on the PRA’s supervision of climate-related financial risk and the Bank of England’s Climate Biennial Exploratory Scenario exercise”](#)

Supervisory Statement (SS) 3/19 was first published in April 2019, detailing the PRA’s supervisory expectations for firms’ management of climate-related financial risks. This letter outlines the capabilities firms are expected to demonstrate by now, observations on firms’ levels of embeddedness and examples of good practice and areas where more work is needed.

Milliman has created a [graphic](#) summarising the PRA’s observations into four categories:

- Governance
- Risk management
- Scenario analysis
- Disclosure
- Data

Compliance with the expectations in SS3/19 will be assessed on an ongoing basis. Firms judged not to have made sufficient progress in embedding the PRA’s expectations will be asked to provide a road map explaining how they intend to overcome the gaps.



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