



Summary of regulatory developments

Updates for November 2022

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

The following table summarises the relevant updates identified in November.

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

Date	Description
4-Nov	The European Insurance and Occupational Pensions Authority (EIOPA) publishes its Risk Dashboard based on the second quarter of 2022 Solvency II data
7-Nov	The Prudential Regulation Authority (PRA) publishes CP14/22, "Review of Solvency II: Reporting Phase 2"
10-Nov	EIOPA issues two staff papers related to the Insurance Recovery and Resolution Directive (IRRD) proposal
15-Nov	The European Supervisory Authorities (ESAs) launch joint Call for Evidence on greenwashing
17-Nov	The PRA publishes FS1/22, "Potential Reforms to Risk Margin and Matching Adjustment within Solvency II"
18-Nov	EIOPA underlines its commitment to supporting the insurance and pensions sectors in tackling climate change
23-Nov	The Financial Conduct Authority (FCA) publishes further consultation and announcements on the wind-down of LIBOR
24-Nov	EIOPA consults on cyber component in its insurance stress testing framework
25-Nov	EIOPA publishes its Q&A on regulation

Updates for November 2022

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

ESAs

- The ESAs [launch joint Call for Evidence on greenwashing](#)

The ESAs intend to gather inputs from stakeholders on how to understand the key features, drivers and risks associated with greenwashing and to collect examples of potential greenwashing practices.

Due to the growing demand for sustainability-related products and the rapidly evolving regulatory regimes and product offerings, the call is also motivated by the need to better understand which areas may become more prone to greenwashing risks.

The hope is that obtaining a more granular understanding of greenwashing will help inform policy making and supervision and will help foster the reliability of sustainability-related claims.

Responses are welcome by 10 January 2023.

EIOPA

- EIOPA [publishes its Risk Dashboard based on the second quarter of 2022 Solvency II data](#)

The results show that insurers' exposures to macro and market risks are currently the main concern for the insurance sector. All other risk categories, such as profitability, solvency and climate, as well as digitalisation and cyber risks, stay at medium levels.

With regard to macro risks, forecasted gross domestic product (GDP) growth at global level decreased while inflation forecasts for main geographical areas remain high. Central banks are adjusting their instruments in response to this.

- EIOPA [issues two staff papers related to the IRRD proposal](#)

The IRRD was put forward by the European Commission in September 2021. This publication provides more clarity on recovery and resolution within insurance, with particular focus on the Directive.

In the first paper, EIOPA answers stakeholders' most frequently asked questions relating to IRRD. This covers a wide range of topics such as preemptive actions, exemption from planning requirements for specific undertakings, cross-border insurers, EIOPA's role in the process and the question of funding.

In its second paper, EIOPA conducted a comparative analysis of IRRD and the Bank Recovery and Resolution Directive (BRRD). This confirmed that the IRRD proposal has some common elements with the BRRD while also differing from it significantly. The differences are important in areas where there is a need to reflect the specificities of the insurance section, such as when considering resolution tools and preparation.

- EIOPA [underlines its commitment to supporting the insurance and pensions sectors in tackling climate change](#)

EIOPA considers sustainability to be a key pillar in future work, with the regulator moving from considering what should be done to defining how it should be done.

Over the past year, EIOPA has provided guidance on the own risk and solvency assessment (ORSA), so that insurers adopt a forward-looking approach to the management of sustainability risk. Guidance has also been published on the application of the Sustainable Finance Disclosures Regulation.

On top of this, EIOPA is currently assessing the extent to which a dedicated prudential treatment of environmental or social objectives under Solvency II might be warranted and expects to launch a consultation before the end of this year.

EIOPA will present a full overview of the latest developments in its work on sustainable finance at its Sustainable Finance Conference on 7 December 2022.

- EIOPA [consults on cyber component in its insurance stress testing framework](#)

EIOPA published a discussion paper containing a set of theoretical and practical approaches to support the design phase of insurance stress tests with a focus on cyber risk.

The paper elaborates on two main aspects:

- Cyber resilience, understood as the capability of an insurance undertaking to sustain the financial impact of an adverse cyber event.
- Cyber underwriting risk, understood as the capability of an insurance undertaking to sustain—from a capital and solvency perspective—the financial impact of an extreme but plausible adverse cyber scenario affecting underwritten business.

Feedback is welcome until 28 February 2023 and will be considered in preparation of a final methodological paper.

- 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 [2104](#), [2066](#), [2466](#), [2460](#), [2451](#), [2410](#), [2393](#), [2370](#), [2368](#) and [2277](#).
- (EU) No 2015/2450 – Templates for the submission of information to the supervisory authorities. Questions [2506](#), [2490](#), [2470](#), [2458](#), [2457](#), [2456](#), [2412](#), [2407](#), [2375](#), [2365](#), [2328](#) and [2327](#).
- (EU) No 2016/97 – Insurance Distribution Directive. Questions [2324](#) and [2218](#).
- Guidelines on reporting and public disclosure. Question [2318](#).
- (EU) No 2017/1469 – Guidelines on classification of own funds. Question [2196](#).

FCA

- FCA [publishes further consultation and announcements on the wind-down of LIBOR](#)

The FCA is consulting on proposals to continue publishing the 1-, 3- and 6-month US dollar LIBOR settings under an unrepresentative "synthetic" methodology until end-September 2024. After this, publication will cease permanently. For sterling LIBOR, intentions are to publish the 3-month synthetic sterling LIBOR setting until end-March 2024, after which it will cease permanently.

This consultation will remain open until 6 January 2023, with the FCA expecting to announce its final decision in late Q1/early Q2 2023.

PRA

- The PRA [publishes CP14/22, "Review of Solvency II: Reporting Phase 2"](#)

The Consultation Paper (CP) details the PRA's proposals regarding the second-phase review of the Solvency II reporting requirements. This builds upon the previous Phase 1 completed in December 2021 and detailed in Policy Statement (PS) [29/21](#).

The changes set out include:

- Removal of the requirement to report certain Quantitative Reporting Templates (QRTs) and the PRA's National Specific Templates (NSTs)
- Reduction to the reporting frequency of certain QRTs
- Changes in application threshold of certain QRTs and NSTs
- Amendments to existing Solvency II reporting, including edits to existing templates and the consolidation of multiple templates into new reporting within existing areas
- Areas for new reporting including excess capital generation, cyber underwriting risk and non-life obligations analysis

This consultation is open until 8 May 2023, with a proposed implementation date of 31 December 2024.

- The PRA publishes FS1/22, “Potential Reforms to Risk Margin and Matching Adjustment within Solvency II”

This Feedback Statement (FS) provides a summary of responses to the PRA’s Discussion Paper (DP) 2/22, which set out the regulator’s views on some of the key aspects of the Solvency II reform, and in particular the Risk Margin (RM) and Matching Adjustment (MA).

Respondents were generally supportive of modifying the existing cost-of-capital approach. Reasons for this included: ease of implementation; maintaining comparability with the EU regime; and the reasonableness of outcomes. Views were split on the appropriate reduction in the RM, and the impact it would have on policyholder protection.

Opinions regarding the reassessment of the Fundamental Spread (FS) used in the calculation of the MA were divided. Some respondents agreed with the PRA’s concerns regarding the current approach and its proposed methods to address them. Others, particularly those from UK life insurance firms, were generally opposed to reform of the FS, with many arguing that the PRA had not provided sufficient evidence to support its concerns.



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