



Summary of regulatory developments

Updates for January 2024

This memo identifies and summarises any regulatory updates published during January 2024 which may be of relevance to life insurance companies.

The following table summarises the relevant updates identified in January.

REGULATORY ITEMS IDENTIFIED IN JANUARY WHICH MAY BE OF RELEVANCE TO LIFE INSURANCE COMPANIES

Date	Description
8-Jan	The European Supervisory Authorities (ESAs) consult on draft implementing technical standards (ITSs) regarding the tasks of collection bodies and certain functionalities of the European Single Access Point (ESAP)
11-Jan	The Prudential Regulatory Authority (PRA) publishes letter on insurance supervision priorities for 2024
15-Jan	The European Insurance and Occupational Pensions Authority (EIOPA) publishes second report on the application of the Insurance Distribution Directive (IDD)
17-Jan	The ESAs publish first set of final rules under the Digital Operational Resilience Act (DORA)
23-Jan	EIOPA publishes Consumer Trends Report 2023
23-Jan	The PRA publishes consultation paper (CP) 2/24 – Solvent exit planning for insurers
23-Jan	The Financial Conduct Authority (FCA) Chief Executive delivers speech on consumer-facing technology keeping consumer markets honest
24-Jan	EIOPA publishes study on diversification modelling in internal models
30-Jan	The PRA publishes statement of policy on allocation of decision making and approach to supervisory decisions
31-Jan	EIOPA publishes its Q&A on regulation

Updates for January 2024

This section highlights articles of interest to life companies released in January 2024.

ESAs

- **The ESAs consult on draft ITSs regarding the tasks of collection bodies and certain functionalities of the ESAP**

These ITSs and the requirements they set out are designed to enable future users to be able to effectively harness the comprehensive financial and sustainability information centralised on the ESAP. The ESAP has been established by the Capital Markets Union Action Plan with the aim to facilitate access to publicly available information of relevance to financial services, capital markets and sustainability. The ESAP is expected to become operational in July 2026 and will begin publishing information by July 2027.

This CP is giving interested parties the opportunity to provide their views on the tasks of collection bodies and the functionalities of the ESAP. The consultation closes 8 March 2024 and after considering all feedback the ESAs will submit a draft ITS to the European Commission by 10 September 2024.

- **The ESAs publish first set of final rules under the DORA**

The final draft technical standards are aimed at enhancing the digital operational resilience of the EU financial sector by strengthening financial entities' information and communications technology (ICT) and third-party risk management and incident reporting frameworks.

The technical standards include:

- Regulatory Technical Standards (RTS) on ICT risk management framework and on simplified ICT risk management framework
- RTS on criteria for the classification of ICT-related incidents
- RTS to specify the policy on ICT services supporting critical or important functions provided by ICT third-party service providers (TPPs)
- ITS to establish the templates for the register of information.

EIOPA

- **EIOPA publishes second report on the application of the IDD**

The IDD regulates how insurance products are designed and distributed in the EU. This report examines and summarises findings on:

- Any changes in the insurance intermediaries' market structure
- Any changes in the patterns of cross-border activity
- The improvement of quality of advice and selling methods and the impact of the IDD on insurance intermediaries which are small and medium-sized enterprises
- Whether competent authorities are sufficiently empowered and have adequate resources to carry out their tasks

Key findings include:

- Numbers of registered intermediaries have further decreased.
- The quality of advice and selling methods have improved in some Member States. However, in others mystery shopping activities have revealed significant shortcomings.
- There are challenges with consumers understanding the disclosures and complex concepts introduced by the new sustainability rules as well as with insurers having difficulty finding the necessary knowledge to understand the framework.
- There are shortcomings in the application of the rules on remuneration and conflicts of interest.
- The presence of cross-selling practices are potentially causing detriment to consumers.

- **EIOPA publishes Consumer Trends Report 2023**

The report examines the financial well-being of consumers amid the ongoing cost-of-living crisis and whether all consumers, regardless of their characteristics, are treated fairly. Key findings include:

- A third of the EU consumers saw their insurance premiums rise for selected lines while deductibles increased for 17% of consumers. This led to consumers suspending, surrendering or cancelling their insurance and pension products, leaving them exposed to future risks.
- A clear gender gap exists regarding access to insurance and pension products. Women in the EU are 10% less financially confident about retirement.
- Some financial products do not sufficiently consider diverse consumer characteristics in their design and distribution and were found to contribute to instances of financial exclusion.
- A third of EU consumers believe their insurance-based investment products do not offer value for money. National supervisors across Europe continue to highlight the ongoing issues in certain unit-linked and hybrid insurance products due to high costs, complexity and, at times, poor performance.
- More consumers are considering insurance and pension products with sustainability features.

- **EIOPA publishes study on diversification modelling in internal models**

This publication is part of EIOPA's wider bid to efficiently compare outputs from internal models, further develop supervisory tools and foster common supervisory practices across Europe.

EIOPA's analysis highlighted that the diversification in internal models is determined by at least four main factors: the delineation of the risks that are to be aggregated, the risk profile, the aggregation approach and the way that dependencies between risks are determined to set up the aggregation approach.

EIOPA observed multiple approaches, in particular regarding aggregation methods and the way dependencies between risks are determined. The study also highlighted that different models of aggregation of risks lead to a sizeable dispersion in the capital requirements even for undertakings with similar business profiles. The overall findings confirm the need for continuous supervisory scrutiny both at the local and European levels.

- **EIOPA publishes its Q&A on regulation.**

Updates include the following:

- (EU) No 2015/35, supplementing Dir 2009/138/EC: Taking up and pursuit of the business of insurance and reinsurance (Solvency II [SII]). Questions [2799](#) and [2853](#).
- (EU) No 2015/2450 – Templates for the submission of information to the supervisory authorities. Question [2848](#).

FCA

- **FCA's Chief Executive delivers speech on consumer-facing technology keeping consumer markets honest**

Highlights from the speech include:

- The financial services sector must use and adapt existing regulatory tools to protect consumers and markets while ensuring innovation continues to be embraced.
- Continued monitoring of competition impacts: A digital identity authentication system and a commitment to open data could boost productivity and consumer confidence in how their data is used.
- A wider debate among policymakers, industry and consumers is needed to discuss what they are willing to risk in search of innovation and better products and services. Honesty on limitations to mitigate all risk that arises from rapid adoption of new technologies is required.
- Consumer-facing technology in financial services should be used to boost financial inclusion and security of data and services, or the industry risks triggering a "Techlash."

PRA

- **The PRA publishes letter on insurance supervision priorities for 2024**

The PRA identified the following key areas of focus relevant to life insurers:

- Credit and liquidity risk: The PRA will continue to focus on insurers' liquidity and credit risk management. The Bank of England will run a system-wide exploratory scenario (SWES) exercise in 2024 to examine how the behaviour of insurers and other financial institutions might interact in a stressed economic environment.

- Operational resilience: By March 2025, insurers are required to set and demonstrate that they can remain within impact tolerances for all their important business services; as set out in Supervisory Statement (SS) 1/21.
- Funded reinsurance: The PRA will continue to monitor the use of funded reinsurance in the UK life insurance market and firms' management of the associated risks.
- Ease of exit: The PRA is to consult on requirements for insurers to prepare orderly solvent exit plans.
- Solvency UK: In 2024, the PRA plans to publish its final policy statements on Solvency UK regulatory reforms with enough time for remaining changes to be implemented by year-end 2024.
- Life Insurance Stress Test (LIST) 2025: The next LIST exercise prescribed by the PRA will take place in 2025. The PRA plans to publish individual firm results.
- Climate risk: The PRA will be looking at how firms continue to progress in closing any "capability gaps," with a particular focus on climate-based scenario analysis and on embedding climate risk into risk appetite frameworks.
- Cyber underwriting risk: The PRA will focus on ensuring firms' capital and exposure management for this risk remains appropriate for insurers that have experienced recent growth in cyber risk exposure.

▪ **The PRA publishes CP2/24 – Solvent exit planning for insurers**

The CP outlines the PRA's proposals for insurers to prepare for an orderly "solvent exit" as part of business-as-usual (BAU) activities and to be able to execute a solvent exit if needed. The CP follows on from the PRA's [business plan for 2022/23](#), outlining how the regulator would do more to increase confidence that firms can exit the market with minimal disruption, in an orderly manner, and without relying on the backstop of an insolvency or resolution process. In particular, the CP proposes:

- New rules and expectations that firms must prepare for a solvent exit as part of their BAU activities and that firms must document those preparations in a solvent exit analysis (SEA).
- New expectations, which would apply only if a solvent exit became a reasonable prospect for a firm, on how firms should: (a) prepare a detailed Solvent Exit Execution Plan (SEEP), and (b) monitor and manage a solvent exit.

The consultation closes 26 April 2024.

▪ **The PRA publishes statement of policy on allocation of decision making and approach to supervisory decisions**

The PRA's approach to policy is evolving because it is taking on wider rule-making responsibilities and enhanced accounting requirements. The UK's regulatory framework is adapting for the future, and in particular to reflect the UK's position outside of the EU.

This statement of policy sets out the PRA's final rules with regard to:

- Allocation of decision-making regarding statutory notices—warning notices, decision notices and supervisory notices
- Approach to decision-making on statutory notices in relation to supervisory decisions under the Financial Services and Markets Act 2000
- Approach to publication of decisions in supervisory cases



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