



Summary of regulatory developments

Updates for June 2024

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

The following table summarises the relevant updates identified in June.

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

Date	Description
4-Jun	The European Supervisory Authorities (ESAs) publish their final reports on greenwashing in the financial sector.
5-Jun	The ESAs and the European Union Agency for Cybersecurity (ENISA) sign a Memorandum of Understanding (MoU).
5-Jun	The Joint Committee of the ESAs publishes 'Annual Report 2023.'
6-Jun	The Prudential Regulatory Authority (PRA) publishes 'PS10/24—Review of Solvency II: Reform of the Matching Adjustment.'
14-Jun	The European Insurance and Occupational Pensions Authority (EIOPA) publishes 'Annual Report 2023.'
18-Jun	The ESAs publish 'Joint ESAs opinion on the assessment of the Sustainable Finance Disclosure Regulation (SFDR).'
26-Jun	The Financial Conduct Authority (FCA) publishes 'Insurance multi-firm review of outcomes monitoring under the Consumer Duty.'
30-Jun	EIOPA publishes its Q&As on regulation.

Updates for June 2024

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

ESAS

- **The ESAs [publish their final reports on greenwashing in the financial sector.](#)**

The ESAs have coordinated their approach on greenwashing risks, and each has published a report. The reports provide a stock take of the current supervisory response to greenwashing risks under each ESA's remit and notes that national competent authorities (NCAs) are already taking steps in the supervision of sustainability-related claims. The ESAs also provide a forward-looking view of how sustainability-related supervision can be gradually enhanced in the coming years.

See the European Securities and Markets Authority ([ESMA](#)), European Banking Authority ([EBA](#)) and [EIOPA](#) reports. Also, see EIOPA's complementing '[Opinion on greenwashing sustainability claims in the insurance and pensions sectors.](#)'

- **The ESAs [and the ENISA sign a MoU.](#)**

The MoU aims to strengthen cooperation and information exchange with ENISA as a result of the Directive on measures for a high common level of cybersecurity (NIS2 Directive) and the Digital Operational Resilience Act (DORA).

The MoU sets out the framework for cooperation and exchange of information on tasks of mutual interest, including policy implementation, incident reporting and oversight of critical Information Communication Technologies (ICTs) third-party providers. It will also promote regulatory convergence, facilitate cross-sectoral learning and capacity building on areas of mutual interest, and help with information exchange on emerging technologies.

- **The Joint Committee of the ESAs [publishes 'Annual Report 2023.'](#)**

The [2023 annual report](#) provides an account for the joint work completed during 2023 under the EBA's chairpersonship. The main areas of cross-sectoral focus were joint risk assessment, sustainable finance, digitalisation, consumer protection, securitisation, financial conglomerates and central clearing.

The ESAs' main deliverables over the past year were policy products for the implementation of DORA, as well as ongoing work related to the SFDR.

- **The ESAs [publish 'Joint ESAs opinion on the assessment of the SFDR.'](#)**

The [opinion](#) calls for a coherent sustainable finance framework that caters for both the green transition and enhanced consumer protection, taking into account the lessons learned from the functioning of the SFDR.

In this opinion, the ESAs introduce a two-category description for financial products: 'sustainable' and 'transition.' The rules for the categories should have a clear objective and criteria to reduce greenwashing risks. The ESAs also recommend that the European Commission consider a sustainability indicator which would grade financial products such as investment funds, life insurance and pension products.

Additionally, the opinion covers the following areas:

- Appropriate disclosures for products outside the two categories to reduce greenwashing
- Improvements to the definition of sustainable investments
- Simplification of the way disclosures are presented to investors
- Other technical suggestions including which products should fall under the scope of SFDR and how to improve disclosures regarding the negative impact of investments on people and the environment
- The need for conduct consumer testing before putting forward any policy proposals to review the SFDR, such as to introduce a categorisation system and/or an indicator

EIOPA

▪ EIOPA publishes 'Annual Report 2023.'

The [2023 annual report](#) outlines EIOPA's activities and achievements over the past year, which include:

- Sustainable finance: measuring and closing protection gaps, developing work relating to greenwashing and work on the disclosure requirements in the SFDR
- Digitalisation: together with the ESAs, production of various policy mandates within DORA and adoption of a new digital strategy
- Supervision: active engagement with NCAs and third-country parties to enhance the quality and effectiveness of supervision
- Policy: continued review of Solvency II, discussions on recovery and resolution, and technical advice on the review of the IORP II Directive
- Risks and financial stability: continued assessment of risks and vulnerabilities including how high inflation and interest rates affected the market and consumers
- Governance: chairing the EU Agencies Network

▪ EIOPA publishes its Q&As 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 (SII), questions [2836](#), [2797](#), [2134](#) and [2619](#)
- (EU) No 2016/97: Insurance Distribution Directive, question [1794 - 1869 - 2440 - Definition of 'customer' in the context of insurance distribution](#)
- (EU) 2022/2554: Digital Operational Resilience Act (DORA); questions [2734 - DORA003](#), [2750 - DORA006](#), [2749 - DORA005](#), [2787 - DORA011](#) and [2790 - DORA012](#)
- (EU) 2023/894: ITS with regard to the templates for the submission of information necessary for supervision, questions [3022](#), [3037](#), [3035](#), [3034](#), [2935](#), [3041](#), [3040](#), [3014](#), [3039](#), [2983](#), [3032](#) and [3079](#)

FCA

▪ The FCA publishes 'Insurance multi-firm review of outcomes monitoring under the Consumer Duty.'

The FCA requested the most recent board and/or committee reporting from 20 large insurance firms in December 2023. The firms had to show how they monitor, assess and test the outcomes customers are receiving, along with any actions taken after identifying poor outcomes.

The submissions were assessed against the monitoring requirements set out in [PRIN 2A.9](#) of the FCA Handbook, as well as Chapter 11 of [FG22/5: Final non-Handbook Guidance for firms on the Consumer Duty](#). The FCA's aim was to determine themes in firm approaches, identify the good practices firms have employed to be consistent with the Duty, and assess whether there are areas of improvement needed.

The FCA found a wide variety in the quality of responses by firms. Some showed good progress in developing a clear and comprehensive firm-wide approach to monitoring customer outcomes. However, many firms need to make improvements.

The FCA found the following to be examples of poor practice:

- Overly focused on processes being completed rather than on outcomes delivered
- Board or committee reporting containing limited insight into actual customer outcomes, often due to incomplete metrics/data, data lacking analysis and explanation, and thresholds/standards in place which were not appropriately set and/or communicated
- Inability to provide clear evidence of where the monitoring of outcomes had directly led to proactive action being taken to improve outcomes

The FCA encourages firms to use these findings when considering approaches to monitoring outcomes. The FCA also encourages firms to use the findings to support them in the development of their first Consumer Duty annual report, due by 31 July 2024.

PRA

- **The PRA publishes PS10/24—Review of Solvency II: Reform of the Matching Adjustment.**

The policy statement (PS) provides the PRA's feedback to responses received to the consultation paper (CP) 19/23 as well as the final policy. The CP set out the PRA's proposed reforms that aim to enable broader and quicker investment by insurers in their matching adjustment (MA) portfolios, while improving responsiveness to risk and enhancing firms' responsibility for risk management. For further information on the MA proposals, Milliman consultants have summarised them on LinkedIn.

Respondents were generally supportive of the PRA's proposals; however, some respondents raised concerns about the tight timelines for implementation.

The implementation date for final rules is 30 June 2024, unless otherwise stated. The PRA considers that implementation of the MA reforms on 30 June 2024 will mean that firms which use the MA will be able to take advantage of these MA reforms in advance of the remainder of the Solvency II reforms, which will be implemented on 31 December 2024.

This means that from 30 June 2024:

- Firms can apply for permission to include assets and liabilities in MA portfolios based on an expanded asset and liability eligibility criteria.
- Firms can remove the sub-investment grade (SIG) MA cap.
- The PRA expectations on internal credit assessments come into effect.
- The changes to the MA permissions and breaches come into effect.
- Firms can choose to implement notching.
- Firms may at their own discretion start to apply voluntary fundamental spread (FS) additions, although the PRA notes that firms are likely to need to take account of their attestation processes, which are not required to be in place until the first MA attestation date. Furthermore, given the short timescale, the PRA understands that firms are unlikely to be in a position to apply any voluntary FS additions to the 30 June 2024 balance sheet.



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