



# Summary of regulatory developments

## Updates for August 2024

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

The following table summarises the relevant updates identified in August.

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

Date	Description
2-Aug	The European Insurance and Occupational Pensions Authority (EIOPA) <a href="#">launches consultation on the new proportionality framework under Solvency II</a>
7-Aug	The Bank of England (BoE) and the Financial Conduct Authority (FCA) <a href="#">publish a statement on the Memorandum of Understanding (MoU)</a>
8-Aug	FCA <a href="#">publishes CP24/16 – The Value for Money Framework</a>
14-Aug	EIOPA <a href="#">publishes follow-up report to the 2020 Peer Review on EIOPA's decision regarding the collaboration of insurance supervisory authorities</a>
21-Aug	FCA <a href="#">publishes report on information sharing between insurers and brokers</a>
28-Aug	FCA <a href="#">announces market study of pure protection products</a>
31-Aug	EIOPA <a href="#">publishes its Q&amp;As on regulation</a>

## Updates for August 2024

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

### EIOPA

- **EIOPA launches consultation on the new proportionality framework under Solvency II**

The [consultation](#) focuses on the future implementation of the new proportionality framework under Solvency II. This follows on from the concerns regarding the limited and inconsistent application of proportionality principles in the first years of Solvency II. The consultation covers the fine-tuning of the methodology for classifying insurance undertakings as small and noncomplex and the conditions for granting similar proportionality measures to insurers that do not, by default, fall in the small and noncomplex category.

EIOPA believes that the classification of undertakings and groups as small and noncomplex to be clear and comprehensive. It believes no further specification is required. With regard to condition for proportionality measures, EIOPA has proposed three options and proposed a hybrid approach based on both qualitative and quantitative elements.

EIOPA invites feedback via the [online survey](#) by 25 October 2024.

- **EIOPA publishes follow-up report to the 2020 Peer Review on EIOPA's decision regarding the collaboration of insurance supervisory authorities**

The [report](#) is a follow-up on the peer review of EIOPA's decision on the collaboration of the insurance supervisory authorities across the European Economic Area (EEA). The decision concerned the collaboration amongst supervisory authorities in relation to insurance cross-border activities, data storage and portfolio transfer. EIOPA found that, out of the total 50 recommended actions issued to 24 national competent authorities (NCAs), 66% of all actions were fully fulfilled while 10% were partially fulfilled and 24% remain unfulfilled for various reasons.

- **EIOPA publishes its Q&As on regulation**

Updates include the following:

- Revised Guidelines on valuation of technical provisions. Question [2691](#).
- (EU) 2023/894: Intelligent transport systems (ITS) with regard to the templates for the submission of information necessary for supervision. Questions [2773](#), [3107](#), [2951](#), [2975](#) and [3075](#).
- (EU) 2023/895 – ITS for the disclosure of Solvency and Financial Condition Report. Questions [3047](#) and [3095](#).
- (EU) No 2015/35: Supplementing Dir 2009/138/EC – Taking up and pursuit of the business of insurance and reinsurance, Solvency II (SII). Question [3082](#).

### FCA

- **FCA publishes CP24/16 – The Value for Money Framework**

The [consultation paper](#) based on previous work done by the Department for Work and Pensions and the Pensions Regulator, focuses on the rules and guidance for a new value for money (VFM) framework for savers invested in default arrangements of workplace defined contribution (DC) pension schemes. The aim of the consultation is to reduce the number of pensions delivering poor value and to drive better value for money across the DC market through greater scrutiny and competition on long-term value rather than predominantly cost.

The VFM framework introduces the following elements:

- A requirement for consistent measurement and public disclosure of investment performance, costs and service quality by firms against metrics the FCA has approved.
- Allowance for those overseeing and challenging an arrangement's value to assess performance against other arrangements, and to do so on a consistent and objective basis.
- A requirement for public disclosure of assessment outcomes on a red/amber/green VFM rating for each arrangement.
- A requirement for firms to take specific actions where an arrangement has been assessed as not VFM. This would be an outcome of red or amber.

The FCA welcomes feedback via the [online response form](#). The consultation closes on 17 October 2024.

- **FCA publishes report on information sharing between insurers and brokers**

The report follows on from the FCA permitting several guaranteed asset protection (GAP) insurers to recommence sales following changes to their products after a pause on sales was implemented by the FCA due to concerns that the products were not offering fair value. The report outlines the issues with information sharing between insurers and brokers and in identifying target markets. The FCA is now warning insurers that if they cannot demonstrate that their products meet FCA rules and provide fair value then the FCA will take appropriate regulatory action.

- **FCA announces market study into pure protection products**

Following concerns that competition is not functioning well in the pure protection products market, the FCA intends to launch a study on how they are being sold. The FCA is particularly concerned about the design of the commission arrangements encouraging firms to possibly not deliver good outcomes to policyholders. The FCA is also concerned that some products may be providing poor value.

The FCA plans to understand how the market is working by exploring consumers' engagement with firms and their understanding of the products they are purchasing, the competitive constraints on insurers and intermediaries and the potential conflicts of interest in the commission structure. The FCA will primarily focus on term assurance, critical illness cover, income protection insurance and whole of life insurance, including policies for over-50s that offer guaranteed acceptance.

## BOE

- **The BoE and the FCA publish a statement on the Memorandum of Understanding (MoU)**

The BoE and FCA (the authorities) work together on the supervision of the financial market infrastructures (FMIs). The authorities have consulted with FMIs to assess how this cooperation is working and have concluded that the arrangement remains effective and in line with the existing MoU.

The authorities have agreed to have a separate MoU on the operation and supervision of the Digital Securities Sandbox (DSS). The DSS MoU will be published before the supervision of the DSS commences.



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