



Summary of regulatory developments

Updates for February 2023

This memo identifies and summarises any regulatory updates published during February 2023 that may be of relevance to life insurance companies.

The following table summarises the relevant updates identified in February.

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

Date	Description
1-Feb	European Insurance and Occupational Pensions Authority (EIOPA) publishes its Supervisory Convergence Plan for 2023
3-Feb	EIOPA publishes Supervisory Statement on the use of governance arrangements in third countries
3-Feb	The Financial Conduct Authority (FCA) supports firms through the transition to implementing the Consumer Duty
7-Feb	EIOPA publishes its Risk Dashboard based on the third quarter of 2022 Solvency II data
8-Feb	The Prudential Regulation Authority (PRA) publishes Consultation Paper (CP) 3/23, "Dealing with insurers in financial difficulties"
10-Feb	The FCA publishes discussion paper on finance for positive sustainable change
17-Feb	EIOPA publishes its Q&A on regulation
28-Feb	The FCA publishes the Regulatory Initiatives Grid

Updates for February 2023

This section highlights articles of interest to life companies released in February 2023.

EIOPA

- **EIOPA publishes its Supervisory Convergence Plan for 2023**

EIOPA's priorities fall, similarly to the previous plan, within the following key areas:

- Implementation of the common supervisory culture and the development of digital supervisory convergence tools including work on the risk assessment framework and its supervisory approach to sustainability risks.
- Identification of risks to the internal market and the level playing field including promoting benchmark studies on internal models and addressing lack of convergence in the way National Competent Authorities (NCAs) treat reinsurance undertakings.
- Supervision of emerging risks including implementation of the new regulation on digital operational resilience, further analysis on cyber underwriting practices and development of supervisory convergence tools to support NCAs in the performance of the digital business model analysis.

- **EIOPA publishes Supervisory Statement on the use of governance arrangements in third countries**

The statement aims to strengthen and clarify the supervision and monitoring of insurance undertakings' and intermediaries' activities when using governance arrangements in third countries.

EIOPA expects undertakings and intermediaries using third country branches to:

- Retain an appropriate level of corporate substance within the European Economic Area (EEA)
- Serve primarily the markets in which they are established, noting that third country branches with the sole objective of supporting EU-based undertakings should be avoided
- Not be disproportionately dependent on these arrangements for activities in the EEA
- Appropriately oversee regulated functions and be in a position to take full responsibility for risk management
- Demonstrate to supervisors that the structuring of their activities can safeguard the ability of the supervisory authority to undertake proper supervision

- **EIOPA publishes its Risk Dashboard based on the third 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 and 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 the global level decreased while inflation forecasts for main geographical areas remain high. Central banks are adjusting their instruments in response to this.

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

Updates include the following:

- (EU) No 2015/2450 – Templates for the submission of information to the supervisory authorities. Questions [2547](#), [2546](#), [2543](#), [2541](#), [2522](#), [2520](#), [2197](#) and [2423](#).
- (EU) No 2009/138 – Solvency II Directive (Insurance and Reinsurance). Question [2385](#).
- (EU) No 2015/35 – Supplementing Dir 2009/138/EC – Taking up & pursuit of the business of Insurance and Reinsurance (SII). Questions [2539](#), [2530](#), [2521](#), [2461](#), [2408](#), [2401](#), [2373](#) and [2317](#).
- (EU) No 2016/97 – Insurance Distribution Directive. Question [2525](#).

FCA

▪ **The FCA supports firms through the transition to implementing the Consumer Duty**

The FCA is arranging a series of regional in-person events to support the implementation transition as well as setting out in sector-specific letters the expectations of the Duty.

The [letter](#) directed at firms in the life insurance sector sets out:

- A reminder of the implementation timeline, key elements of the Duty and how it applies to life insurers
- The FCA's expectations for how firms should embed the Duty, including relevant examples of good practice
- Feedback from the FCA's recent review of firms' implementation plans
- The FCA's approach to supervising the Duty and planned next steps

The FCA expects the Consumer Duty to be a top priority for firms, with good customer outcomes being at the heart of business strategies and objectives.

▪ **The FCA publishes discussion paper on finance for positive sustainable change**

The FCA is asking for views on sustainability-related governance, incentives and competence in regulated firms. The aim is to encourage an industry-wide dialogue to help with highlighting good, evolving practices whilst considering whether there is a case for further regulatory measures in this area.

Responses to the discussion paper will close 10 May 2023.

▪ **The FCA publishes Regulatory Initiatives Grid**

The FCA has published the sixth edition of the Regulatory Initiative Grid, which sets out the regulatory pipeline in order to give firms a clear view of upcoming initiatives. An [interactive dashboard](#) is also available, which allows users to filter initiatives by:

- Sector
- Lead authority
- Expected impact on firms
- Those of interest to consumers and consumer organisations
- Whether consultations are currently planned for the initiative

The Grid is published on a biannual basis.

PRA

▪ **The PRA publishes CP3/23, "Dealing with insurers in financial difficulties"**

Proposed legislative amendments dealing with insurers in financial difficulties are contained in the Financial Service and Markets Bill 2022-23 (FSM Bill). This CP sets out the PRA's proposed rules and policy changes in response to this new regime.

The proposals aim to manage the risks posed by insurers in financial difficulties by allowing a firm to exit the market safely or return to viability, reducing the impact and cost of disorderly failure where an insurer is likely to be unable to pay its debts. These proposals also contribute to policyholder protection by facilitating continuity of cover and the use of Financial Services Compensation Scheme (FSCS) top-up payments.

The proposals in the CP introduce:

- New Policyholder Protection Rules concerning how the FSCS should operate in connection with a write-down
- New rules concerning the notification of affected persons
- A new Statement of Policy (SoP) setting out the PRA's approach and expectations in relation to write-down applications and the appointment of write-down managers

The consultation closes 31 March 2023. The proposed implementation date for the rule changes is July 2023.



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milliman.com

CONTACT

Neil Christy
neil.christy@milliman.com

Isabel Stansfield
isabel.stansfield@milliman.com

Monique Mahabir
monique.mahabir@milliman.com

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