



Summary of regulatory developments

Updates for May 2022

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

The following table summarises the relevant updates identified in May.

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

Date	Description
2-May	The European Insurance and Occupational Pensions Authority (EIOPA) publishes its Risk Dashboard based on the fourth quarter of 2021 Solvency II data
2-May	The European Supervisory Authorities (ESAs) publish their technical advice to the European Commission on the review of the packaged retail and insurance-based investment products (PRIIPs) Regulation
4-May	The Prudential Regulation Authority (PRA) launches insurance stress test (IST) 2022
6-May	EIOPA publishes its Q&A on regulation
6-May	EIOPA reacts to stakeholders' views on blockchain in insurance
10-May	The ESAs call for improvements in product descriptions intended for retail investors
13-May	The Financial Conduct Authority's (FCA) Sheldon Mills delivers speech on 'Insurance brokers: serving consumers and businesses in times of uncertainty and change'
19-May	The FCA strengthens consumer protection by speeding up removal of firms that do not use their regulatory permission
24-May	The Bank of England (BoE) publishes the 2021 Climate Biennial Exploratory Scenario (CBES) results

Updates for May 2022

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

ESAs

- The ESAs [publish their technical advice to the European Commission on the review of the packaged retail and insurance-based investment products \(PRIIPs\) Regulation](#)

The advice will serve as input for developing the Commission's Retail Investment Strategy, and addresses all the issues requested by the Commission, including how to better adapt the key information document (KID) to the digital age, and whether to extend the scope of the Regulation to other financial products.

The ESAs recommend significant changes to the PRIIPs regulation and encourage the Commission to consider a broad review of the PRIIPs framework, as well as to undertake appropriate consumer testing before formulating proposals for changes. The recommended changes aim to improve the presentation of information provided to consumers and to make it easier for them to compare different products.

- The ESAs [call for improvements in product descriptions intended for retail investors](#)

The ESAs issued a joint supervisory statement regarding the 'What is this product?' section of the KID for PRIIPs. The ESAs have identified a range of poor practices in how PRIIP manufacturers describe products under this section, mostly relating to a general lack of clarity in the text. This makes it difficult for retail investors to understand the key features of products.

This supervisory statement provides an overview of these issues and sets out the authorities' expectations in each area to ensure that information is presented to retail investors in an adequate, clear, and accessible manner.

EIOPA

- EIOPA [publishes its Risk Dashboard based on the fourth quarter of 2021 Solvency II data](#)

The results show that insurers' exposures to macro risks are currently the main concern for the insurance sector. Macro risks remain at a high level together with digitalisation and cyber risks, while the other risk categories, such as insurance, as well as profitability and solvency risks, stay at medium levels.

With regard to macro risks, forecasted GDP growth at global level decreased while inflation forecasts for main geographical areas show an upward trend, reflecting the ongoing Russian invasion of Ukraine and subsequent further increases in energy prices.

- 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 [2351](#) and [2287](#).
- Other. Question [2429](#).

- EIOPA [reacts to stakeholders' views on blockchain in insurance](#)

EIOPA published a Feedback Statement on blockchain and smart contracts in insurance. The statement includes responses received from stakeholders during a public consultation on the topic as well as EIOPA's reactions to them.

EIOPA notes that insurers see potential in blockchain and are exploring possible use cases across the insurance value chain to streamline business and better serve customers. However, the technology's deployment in the European insurance sector is still at an early stage.

Respondents largely agree with the opportunities and risks presented in EIOPA's [consultation](#). They also agreed that there is potential for blockchain to be used in supervisory and regulatory processes and highlighted that efforts should focus on lowering costs and reducing procedural burdens for both the industry and supervisors. EIOPA will continue to assess the use of blockchain in this context.

FCA

- The FCA's [Sheldon Mils delivers speech on 'Insurance brokers: serving consumers and businesses in times of uncertainty and change'](#)

Highlights from the speech include:

- The FCA wants to support competition, innovation, and growth in the insurance sector.
- The FCA regulation takes into account the size and complexity of regulated businesses, but they are mindful of their impact on smaller firms. The regulator is playing close attention to the views of different stakeholders as they review their regulatory and redress framework.
- Insurance brokers have the power to deliver social good through helping consumers and businesses manage risks, supporting the UK's transition to net zero, and fostering a more diverse and inclusive culture to better support customers and the sector.

- The FCA [strengthens consumer protection by speeding up removal of firms that do not use their regulatory permission](#)

The FCA is to use new powers to more swiftly cancel or change what regulated activities firms are permitted to do, also known as permissions. The FCA will provide a firm with two warnings if it believes it is not using its regulatory permission. The FCA will then be able to cancel the permission, or change it, 28 days after the first warning if the firm has not taken appropriate action.

The hope is that this new power will strengthen consumer protection by reducing the risk of consumers misunderstanding or being misled about their exposure to financial risk and how much consumer protection they have. The new power also supports the FCA's existing '[use it or lose it](#)' initiative, which has seen the FCA carry out 1,090 assessments since May 2021 to see whether firms are undertaking the financial activity for which they have permission.

PRA

- The PRA [launches insurance stress test \(IST\) 2022](#)

The PRA has now launched its biennial IST and is asking a number of the largest regulated life and general insurers to provide information about the impact of a range of stress scenarios on their businesses. The objectives of the exercise are to:

- Assess sector resilience to severe but plausible adverse scenarios
- Guide supervisory activity
- Enhance the PRA's and firms' ability to respond to future shocks

The scenario specifications, technical instructions, and templates for recording results are available on the PRA website. For life insurers, the PRA has also provided Solvency II Technical Information to be used. The submission deadline is 28 September 2022. The PRA will publish a summary of the overall results. Individual firm results will not be published, but will inform the PRA's supervisory priorities.

BOE

- The BoE [publishes the 2021 Climate Biennial Exploratory Scenario \(CBES\) results](#)

The banks and insurers participating in the CBES were asked to model three scenarios exploring both transition and physical risk. Two scenarios featured policies to limit global temperature rises (Early Action scenario and Late Action scenario), and the third featured unchecked global warming (No Additional Action scenario). Each scenario examines the climate-related risks that could develop over a period of 30 years. The participating firms then modelled how their businesses could be affected in each scenario. Key findings of the CBES include:

- Projections of climate losses are uncertain and there were several notable data gaps.
- Whilst progress has been made in this area, banks and insurers need to do more to better understand and manage their exposure to climate risks.
- In aggregate, banks and insurers are likely to be able to absorb the costs of transition, with costs being lowest if early and well-managed action to reduce greenhouse gas emissions is observed.
- Some costs that initially fall on banks and insurers will ultimately be passed on to their customers.
- Governments set public climate policy, which will be a key determinant of the speed and shape of changes in the global economy.

These results will inform the Financial Policy Committee's thinking around climate risk policy and their work in supporting the financial system's role in the transition to net zero. Key lessons will be shared with the UK Government and the Bank's international peers.



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