

July 2017

INSURE

InSure

This month's roundup of developments affecting the insurance industry sees the FCA provide an update on its follow-up work on general insurance appointed representatives, the Council of the European Union adopt a bilateral agreement between the EU and US on prudential measures regarding insurance and reinsurance, and the EIOPA Chair comment on the effect of Brexit on the EU insurance sector, confirming that the UK will no longer benefit from the "EU" passport to the European single market.

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Brexit

[EIOPA Chair comments on the effect of Brexit on the insurance sector](#)

EIOPA has published an [interview](#) given by Gabriel Bernardino, EIOPA Chair, to Insurance Asset Management Europe. In the interview, Bernardino was asked how he sees the effect of Brexit on the insurance sector. He confirmed that EIOPA is keeping a close eye on the Brexit negotiations however, it is too early to make an accurate prediction. What is certain is that the moment the UK leaves the EU, insurers based in the UK will no longer have the benefit of an EU "passport" to the single market. Bernardino also confirmed that EIOPA plans to publish guidance for national competent authorities regarding authorisation and supervision of insurers based in the UK intending to relocate.

EIOPA, 30 May 2017

General Update

[FCA publishes PRA "Dear CEO" letter setting out analysis from the 2017 monitoring-the-market questionnaire](#)

The FCA has published a "Dear CEO" [letter](#), from David Rule, PRA Executive Director, to insurers, setting out observations and analysis based on feedback from the recent "monitoring-the-market" questionnaire. The PRA received responses from most of the London insurers, large UK commercial insurers outside the London market and European insurers. Key headline observations included the continued deterioration of risk-adjusted rates, the widening of terms and conditions and perceptions of rate adequacy.

FCA, 22 June 2017

[EIOPA Chair speaks about regulation and supervision in insurance](#)

Gabriel Bernardino, EIOPA Chair, has given a [speech](#) on the evolving landscape of regulation and supervision in the insurance industry. Key topics discussed included EIOPA's approach towards consistent supervisory practices, development of a successful insurance industry and international capital standards.

EIOPA, 8 June 2017

[Insurance Europe responds to EC consultation on FinTech](#)

Insurance Europe has [responded](#) to the European Commission's consultation on "Fintech: a more competitive and innovative European financial sector". Insurance Europe put forward several recommendations for the Commission on how regulation can guarantee a level of consumer protection, future-proof legislation, support innovation and ensure the highest possible level of cybersecurity.

Insurance Europe, 15 June 2017

[IAIS publishes new webpage to announce it has launched consultation on revised draft ICP](#)

The International Association of Insurance Supervisors (IAIS) has created a new [webpage](#) announcing that it has started reviewing the revised version of the Insurance Core Principle (ICP) 13, on reinsurance and other forms of risk transfer. The IAIS is seeking feedback on the revisions to ICP 13 by way of public consultation. Comments are due by 31 July 2017.

IAIS, 1 June 2017

[ABI Director gives speech on the evolving UK general insurance industry](#)

The Association of British Insurers has published a [speech](#), given by James Dalton, ABI Director, on how the UK general insurance industry is changing. Dalton chooses three areas of focus including industry reputation, the Ogden discount rate and the impact of the general election.

Association of British Insurers, 31 May 2017

ABI and Insurance Europe comment on the new IFRS 17 accounting standard

The [ABI](#) and [Insurance Europe](#) have commented on the new IFRS 17 insurance standard relating to insurance contracts published by the IASB. It was noted that the new standard will significantly change how insurers conduct their financial results reporting from 2021.

ABI, Insurance European 18 May 2017

EIOPA launches EU-wide occupational pensions stress test

EIOPA has [launched](#) its second occupational pensions stress test covering defined benefit, hybrid and defined contribution plans. The test gives an insight into the risks and weaknesses of the European occupational pensions sector and assesses the resilience of Institutions for Occupational Retirement Provision (IORPs).

EIOPA, 18 May 2017

Insurance Europe calls for insurance sector's own regulator

Insurance Europe has [responded](#) to the European Commission's consultation on the operations of the European Supervisory Authorities (ESAs) launched in March 2017. In its response, Insurance Europe has stated that transferring some of the business powers from EIOPA and/or merging it with another ESA, would "reduce the effectiveness of consumer protection and prudential oversight".

Insurance Europe, 16 May 2017

BIBA launches new scheme for members through Direct Insurance London Market

BIBA has [launched](#) a new specialised scheme for businesses working in the environmental contracting sector arranged by Direct Insurance London Market. The new scheme provides several covers for the often complex requirements of this specialist industry under one policy including:

- ▶ Multiple classes of coverage including EL, PL, Plant, Contractors Pollution Liability, Environmental Impairment Liability and Professional Indemnity as well as material damage cover for premises and motor fleet.
- ▶ High limits of indemnity.
- ▶ Worldwide coverage.

BIBA, 2 May 2017

EIOPA signs memorandum of understanding with IBRD

EIOPA has [published](#) a new memorandum of understanding (MoU) it has entered into with the International Bank for Reconstruction and Development (IBRD) and the International Development Association (together, the World Bank) (EIOPA-17/391). This MoU replaces a previous version signed in 2013 and seeks to strengthen the collaboration between the parties.

EIOPA, 15 June 2017

Council agrees to sign EU/US insurance and reinsurance agreement

The Council of the European Union has adopted a [bilateral agreement](#) between the EU and the US on prudential measures regarding insurance and reinsurance (EIOPA-8065/17). The agreement acknowledges the increasing need for collaboration between EU and US supervisory authorities in an increasingly globalised market, including the transfer of confidential information.

Council of the European Union, 23 May 2017

New Legislation and Consultations

FCA publishes guidance on Part VII insurance business transfers

The FCA has [published](#) a guidance consultation (GC17/5) on its approach to reviewing insurance business transfers under Part VII of the Financial Services and Markets Act 2000 (FSMA). Topics include initial considerations for firms before contacting the FCA, review of the appointment of the Independent Expert and the FCA's overall approach when reviewing the transfer. The consultation closes on 15 August 2017 and the FCA plans to issue finalised guidance in autumn 2017.

FCA, 15 May 2017

BIBA responds to MoJ's Damages Discount Rate consultation

In its [response](#), BIBA outlined current gaps in the law to set the discount rate, called for changes and insisted on the involvement of experts. More specifically, BIBA clarified problems with the existing law including increased risk of under-insurance in liability classes, the need for insurers to change their reserving model, greater pressure on customers' premiums and concerns regarding reduced capacity in the motor insurance market.

BIBA, 15 May 2017

Regulatory Developments

FCA provides update on follow-up work regarding appointed representatives

In its [round-up](#), the FCA provides an update on its follow-up work on appointed representatives in the general insurance sector. The FCA published a report in July 2016, setting out the findings of its thematic review of principals and their appointed representatives. It has conducted follow-up work focusing on insurance intermediaries in the London market, which have diversified and developed networks of appointed representatives, as this was identified as a specific risk in the previous report. It was found that the issues identified in the 2016 report existed in a wider sample of firms in this sector.

The FCA advises that firms may wish to carry out a gap analysis of their current activities against the findings and their regulatory obligations, in order to address any identified inadequacies. The update also suggests that firms should ensure that their customers are at the centre of their business models and are treated fairly.

FCA, 22 June 2017

FCA publishes call for input on access to insurance

The FCA has published a [call for input](#) on access to insurance seeking views from firms on the challenges they face in providing insurance to customers who have, or have had, cancer. The FCA is calling for input on key issues such as challenges consumers face in finding suitable insurance, innovative practices in the market, barriers to dealing with challenges and improving customers' ability to obtain adequate insurance.

FCA, 20 June 2017

FOS consults on amendment to voluntary jurisdiction rules

The Financial Ombudsman Service (FOS) has published a [consultation](#) on proposed amendments to make to its voluntary jurisdiction rules. These changes aim to reflect the FCA's final rules and guidance regarding time limits for PPI complaints.

Financial Ombudsman Service, 16 June 2017

EIOPA responds to Commission's public consultation on FinTech

EIOPA has [responded](#) to the European Commission's consultation on 'FinTech: A more competitive and innovative European Financial Sector'. EIOPA confirmed in its response that it will continue to monitor digitalisation developments and deal with key aspects through its Consumer Trends and Financial Stability reports (EIOPA- BoS/17- 146). It will also continue to focus on supervisory issues such as big data, cyber risks and approaches to financial innovation.

EIOPA, 16 June 2017

FCA publishes its findings into pension lifestyle investment strategies

The FCA has published the [findings](#) from its review into life insurers' pension lifestyle investment strategies. The FCA's findings are grouped into categories such as new business and post-2012 auto-enrolment contracts, existing business pre-2012, legacy business pre-2001 and bespoke lifestyle arrangements. It will discuss its conclusions at a roundtable with firms in the sector.

FCA, 14 June 2017

FCA updates PRIIPs disclosure: Key Information Documents

The FCA has updated its list of products within and outside the definition of PRIIPs (Packaged Retail and Insurance-based Investment Product) for the purposes of the PRIIPs Regulation. The changes will be made to the FCA Handbook in 2018 and firms will be expected to comply with the Regulation from 1 January 2018.

FCA, 12 May 2017

Solvency II

EIOPA publishes Solvency II statistics on EU insurance sector

EIOPA has published its first set of [Solvency II statistics](#) on the EU insurance sector based on regulatory reporting. The statistics will be published on a quarterly basis, beginning with the third quarter of 2016. EIOPA has also published an insurance statistics [FAQ](#) document.

EIOPA, 28 June 2017

PRA publishes consultation on data collection of market risk sensitivities under Solvency II

The PRA has published a [consultation](#) paper on data collection of market risk sensitivities under the Solvency II Directive. The paper sets out the PRA's proposed expectations for the reporting of sensitivities of solvency positions to key market risks by firms with material exposure to market risk. The consultation closes on 7 August 2017.

PRA, 12 June 2017

European Commission adopts Delegated Regulation on infrastructure corporates

The European Commission has adopted a Delegated Regulation amending the Solvency II [Delegated Regulation](#) regarding the calculation of regulatory capital requirements for certain categories of assets held by insurance and reinsurance undertakings (infrastructure corporates). An [impact assessment](#) and [executive summary](#) have been published together with the Delegated Regulation.

European Commission, 8 June 2017

European Commission makes first equivalence decisions under Solvency II

The European Commission has [adopted](#) its first third country equivalence decisions under Solvency II. Once an EU insurer receives equivalence, it is able to use local rules to report on its operations in third countries, while third country insurers are able to operate in the EU without complying with all EU rules. The decisions take the form of delegated acts and concern Switzerland, Australia, Bermuda, Brazil, Canada, Mexico and the US.

European Commission, 5 June 2017

Insurance Europe publishes proposal on alternative treatment of equity risk under Solvency II

Insurance Europe (IE) has published a [paper](#) which sets out comments on the treatment of certain investments in Solvency II. IE states that the current capital requirements for long-term investments in Solvency II are based on an inappropriate view of how insurers carry out their investment activities.

Insurance Europe, 30 May 2017

EIOPA publishes final report on methodology to derive ultimate forward rate under Solvency II

EIOPA has published its [final report](#) on the methodology to derive the ultimate forward rate (UFR) and its implementation under the Solvency II Directive. As a result of the consultation, EIOPA states that it has made changes to the consultation proposal such as lowering the limit to annual changes of the UFR from 20 to 15 basis points, reducing the frequency of UFR changes and changing the average for calculating the UFR's real rate component to a simple average instead of a weighted average.

EIOPA 23 May 2017

Commission Implementing Regulation under Solvency II published in OJ

Commission Implementing Regulation (EU) 2017/812 laying down technical information for calculation of technical provisions and basic own funds for reporting with specific reference dates under the Solvency II Directive (2009/138/EC) has been [published](#) in the EU's Official Journal. The Commission adopted the Implementing Regulation on 15 May 2017. It entered into force on 19 May 2017 and applies from 31 March 2017.

EU, 18 May 2017

PRA issues policy statement on maintenance of transitional measure on technical provisions under Solvency II

The PRA has issued a [policy statement](#) on the maintenance of the "transition measure on technical provisions" under the Solvency II Directive (2009/138/EC) (PS11/17). The statement provides feedback to responses to the Consultation Paper (CP 47/16 entitled 'Maintenance of the 'transitional measure on technical provisions' under Solvency II' and an updated Supervisory Statement (SS) 6/16. The policy statement sets out the final policy, which intends to clarify the PRA's expectations for maintaining the calculation of the transitional measure on technical provisions (TMTP), both at outset and over the transitional period.

PRA, 28 April 2017

EIOPA publishes supervisory assessment of ORSA

The EIOPA has published a [supervisory assessment](#) outlining its analysis of the first supervisory experiences regarding the method by which, European reinsurance companies have implemented their own risk and solvency assessment (ORSA) process under Article 45 of the Solvency II Directive.

EIOPA, 19 June 2017

EIOPA publishes 2.2.0 draft version of Solvency II XBRL Taxonomy

EIOPA has [published](#) the 2.2.0 draft version of the Solvency II XBRL Taxonomy to be applied by insurance companies for reporting with the reference date of 31 December 2017. EIOPA invited all interested stakeholders to provide their feedback on the draft version by 30 June 2017. EIOPA has also updated the list of validations and list of known issues for the 2.1.0 version of Solvency II XBRL Taxonomy.

EIOPA, 7 June 2017

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