

March 2018

INSURE

InSure

This month's roundup of developments affecting the insurance industry sees the FCA publishing further data from its general insurance value measures pilot, further developments relating to the delay in the implementation deadline and the application date of the Insurance Distribution Directive and the PRA publishing its final response to the Treasury Committee's report on the findings from an inquiry into the Solvency II Directive.

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General Update

FCA's general insurance value measures data – year ending 31 August 2017

The FCA has published general insurance value measures [data](#) for 36 insurers for the year ending 31 August 2017. This follows the first set of data published in January 2017. The pilot data covers claims frequencies, claims acceptance rates and average claim pay-outs whilst the products covered are home insurance, home emergency, personal accident and key cover.

FCA, 1 March 2018

Resolution on bilateral agreement on insurance and reinsurance prudential measures adopted by European Parliament

The European Parliament has published a provisional [resolution](#) it adopted regarding an EU/USA bilateral agreement on prudential measures regarding insurance and reinsurance. A history of the agreement, including a link to the text of the agreement, can be found [here](#)

European Parliament, 1 March 2018

Position paper makes suggestions to reform EIOPA governing structure

A [position paper](#) has been issued by Insurance Europe (IE) responding to the European Commission's proposals regarding the review of the European Supervisory Authorities. The paper welcomes the recognition of the need to maintain the European Insurance and Occupational Pensions Authority (EIOPA) as a stand-alone authority.

Insurance Europe, 26 February 2018

IE feedback raises concerns about EIOPA reporting and disclosure ITS

Insurance Europe (IE) has [responded](#) to the European Insurance and Occupational Pensions Authority (EIOPA) call for input on the inclusion of new data validations and corrections to the reporting and disclosure implementing technical standard (ITS) and harmonisation of the European XBRL filing rules. IE raises concerns in several areas, including on the look-through approach for investment related undertakings, and the reporting of nominated external credit assessment institutions (ECAIs) in several quantitative reporting templates (QRTs).

Insurance Europe, 23 February 2018

LMA consumer wordings guidance v4.0

The Lloyd's Market Association (LMA) has published the latest [version](#) of its consumer wordings guidance (v4.0). The document is published as general guidance and is intended to assist managing agents with the practicalities of drafting new consumer products and/or adapting existing commercial wording to produce consumer versions.

LMA, 14 February 2018

LMA guidance on GDPR information notice

The Lloyd's Market Association (LMA) has [published](#) guidance relating to the provision of a core uses information notice under the General Data Protection Regulation ((EU) 2016/679) (GDPR). The "core uses information notice" is designed to explain to consumers the complexities of the market and how personal data may be processed by the various data controllers. The guidance sets out the background and explains how the notice should be used by insurance market participants.

LMA, 16 February 2018

IAIS consultation on draft application paper on use of digital technology in inclusive insurance

The International Association of Insurance Supervisors (IAIS) has published a consultation on a draft [application paper](#) on the use of digital technology in inclusive insurance.

This seeks to provide guidance to supervisors, regulators and policymakers when considering, designing and implementing regulations and supervisory practices on the use of digital technology in inclusive insurance. It also looks at aspects of FinTech and InsurTech.

IAIS, February 2018

EIOPA decision on annual market and credit risk modelling comparative study

A [decision](#) of EIOPA's board of supervisors on the annual market and credit risk modelling comparative study has been published by EIOPA.

EIOPA, 13 February 2018

Insurance Europe responds to IAIS consultation on revisions to ICP 15 and 16

Insurance Europe has published its [response](#) to the International Association of Insurance Supervisors (IAIS) consultation on revisions to insurance core principles (ICP) 15 (Investment) and 16 (Enterprise Risk Management for Solvency Purposes). Insurance Europe said that the principle of "freedom of investment" should be incorporated in ICP 15 and notes the significant overlap between ICP 8 and 16, which leads to numerous duplications and inconsistencies.

Insurance Europe, 7 February 2018

Proposed trade framework could see insurers expand operations to new countries

The Association of British Insurers (ABI) is proposing a new [template](#) for future trade agreements which intends to pave the way for UK insurers to expand their operations into new countries. The top two priority markets for UK insurers are China and India, territories for which an EU trade agreement does not currently exist.

ABI, 8 February 2018

PRA policy statement on SIMR optimisations

The PRA has published a [policy statement](#) (PS1/18) on strengthening individual accountability in insurance: optimisations to the Senior Insurance Managers Regime (SIMR). It provides feedback to responses to Chapters 2 and 3 of Consultation Paper (CP) 8/17, final rules amending the Senior Insurance Managers Regime (SIMR) (Appendix 1); and an updated Supervisory Statement (SS) 35/15 'Strengthening individual accountability in insurance' (Appendix 2).

PRA, 7 February 2018

EIOPA paper on systemic risk and macroprudential policy in insurance sector

A [paper](#) has been published by EIOPA on systemic risk and macroprudential policy in the insurance sector, which aims to identify and analyse the sources of systemic risk in insurance.

EIOPA, 6 February 2018

PRA publishes letter on general insurance actuarial function reports

The PRA has [published](#) a "Dear Chief Actuary" letter on general insurance actuarial function reports (AFRs). Article 272(8) of the Solvency II Delegated Regulation requires firms' actuarial functions to produce the AFR, an annual report that should document all tasks that have been undertaken by the actuarial function and their results. The report should also clearly identify any deficiencies and give recommendations on how they will be remedied. The PRA's letter sets out comments following its review of AFRs including:

- ▶ identifying areas where Solvency II requirements are not being met
- ▶ providing details of emerging good practice
- ▶ observations on how actuarial functions can be more engaged with firms' boards and risk management.

Bank of England, PRA, 5 February 2018

HM Treasury statement about extension of SM&CR to insurers

HM Treasury has published a [statement](#) about the extension of the senior managers and certification regime (SM&CR) to insurers from 10 December 2018.

HM Treasury, 29 January 2018

Insurance Distribution Directive

LMA guidance for UK coverholders on IDD

Lloyd's Market Association (LMA) published [guidance](#) for UK coverholders on the Insurance Distribution Directive (IDD). The guidance is intended to highlight certain important aspects of the IDD. It covers:

- ▶ Product oversight and governance, including product manufacture and product distribution. In particular, the guidance discusses when coverholders will be considered to be manufacturers and stresses the importance of all parties agreeing who is the manufacturer of a particular insurance product and that this is agreed and documented upfront.
- ▶ Product information, including the insurance product information document (IPID). The LMA has discussed the IPID requirements with the FCA and sets out a list of Q&As.
- ▶ Identifying client needs and advising, including statements of demands and needs and personalised explanations.
- ▶ Information about the firm and its services, including remuneration disclosure and means of communication to customers.
- ▶ Other requirements, including in relation to the customer's best interest rule, conflicts of interest, knowledge, competence and good repute, organisational requirements and complaints.

LMA, 28 February 2018

IDD delay

It is proposed that the application date of the IDD will be delayed until 1 October 2018. Various institutions have responded to the proposals and we have summarised the main points of note below.

- ▶ [European Parliament publishes the provisional text of the legislative resolution to extend implementation and application dates of the IDD](#)

The European Parliament has published the provisional [text](#) of the legislative resolution of 1 March 2018 on the proposed Directive amending the Insurance Distribution Directive with regards the date of application of member states' transposition measures. The main points are that (a) "By 1 July 2018, Member States shall adopt and publish the measures necessary to comply with this Directive. They shall immediately inform the Commission thereof." and (b) "Member States shall apply the measures referred to in the first subparagraph [(a)] from 1 October 2018 at the latest."

European Parliament, 2 March 2018

- ▶ [PRA consults on and publishes near-final rule changes to reflect IDD delay](#)

The Prudential Regulation Authority (PRA) has [published](#) a consultation paper (CP4/18) on amendments to the effective date of its rules relating to the Insurance Distribution Directive (IDD). The PRA published a policy statement late last year, containing revisions to its rules and forms relating to the IDD. The PRA consultation sets out proposals for updates to the IDD-related rules in PS31/17 to be effective from 1 October 2018, although minor non-IDD related changes will still be made on 23 February 2018. Following this consultation, the PRA has [updated](#) Policy Statement (PS) 31/17, 'Responses to CP18/17 Occasional Consultation Paper—Chapters 7 and 8', to reflect the proposed delay of the commencement date of the Insurance Distribution Directive (IDD) from 23 February 2018 to 1 October 2018.

The changes were consulted on in the PRA's Consultation Paper (CP) 4/18, which was published on 5 February 2018.

PRA, 23 February 2018

► **ECON endorses delay of IDD**

The European Parliament's Committee on Economic and Monetary Affairs (ECON) has published a [report](#) on the legislative proposal to postpone the application date of the Insurance Distribution Directive (IDD) to 1 October 2018.
ECON, 16 February 2018

► **Council of EU agrees to delay application date of IDD and invites COREPER to approve final compromise text of proposed Directive delaying application of IDD**

The Council of the EU has [agreed to delay the transposition](#) deadline of the Insurance Distribution Directive (IDD) to 1 July 2018 and the application date to 1 October 2018. The press release explains that the delay will help the insurance industry to prepare for the IDD and the changes necessary to comply with implementing rules.
Council of EU, 14 February 2018

► **IDD delayed implementation 'not guaranteed', FCA says**

The Financial Conduct Authority (FCA) has [stressed](#) there is no guarantee yet that there will be a delay in implementation of the Insurance Distribution Directive (IDD). This information comes as part of the FCA's response to questions raised on the IDD. The FCA says that, until the European Commission finalises changes, firms should continue to work to the 23 February 2018 implementation date.
FCA, 12 February 2018

► **HM Treasury confirms delay to Insurance Distribution (Regulated Activities and Miscellaneous Amendments) Order 2018**

HM Treasury has [announced](#) that it will delay making the Insurance Distribution (Regulated Activities and Miscellaneous Amendments) Order 2018 until the outcome of the European Commission's legislative proposal to delay the application date for the Insurance Distribution Directive ((EU) 2016/97) (IDD) has been confirmed.
HM Treasury, 2 February 2018

FCA responses to AFM questions on impact of IDD

The Association of Financial Mutuals (AFM) has published a [document](#) containing the FCA's responses to questions on the Insurance Distribution Directive ((EU) 2016/97) (IDD) and the impact on its members.
FCA, 9 February 2018

EIOPA consults on draft RTS adapting base euro amounts for PII and financial capacity of intermediaries under IDD

EIOPA has published a [consultation](#) paper on draft regulatory technical standards (RTS) adapting the base euro amounts for professional indemnity insurance (PII) and for financial capacity of intermediaries under the Insurance Distribution Directive ((EU) 2016/97) (IDD).
EIOPA, 1 February 2018

Solvency II

BoE speech on looking out for the policyholder and Solvency II reform

The BoE has published a [speech](#) by Sam Woods, BoE Deputy Governor, Prudential Regulation, and Chief Executive Officer of the PRA, that among other things, considers the reform of the Solvency II Directive.
BoE, 27 February 2018

PRA final response to Treasury Committee report on Solvency II

The PRA has published its [final response](#) to the Treasury Committee's October 2017 report on the findings from an inquiry into the Solvency II Directive and its impact on the UK insurance market. In the report, the PRA considers the Committee's recommendation on the PRA's secondary competition objective and points raised by the Committee about the PRA's engagement with industry and its skills and experience in insurance. The PRA argues that giving it a primary competition objective would dilute its focus and would probably create significant overlaps with the activities of the existing competition regulators.

PRA, 27 February 2018

Implementing Regulation on technical information for calculation of technical provisions and basic own funds for Q1 2018 reporting under Solvency II

Published in the [OJ](#), the Commission Implementing Regulation laying down technical information for the calculation of technical provisions and basic own funds for reporting with reference dates from 31 December 2017 until 30 March 2018 under the Solvency II Directive (2009/138/EC). The Solvency II Directive requires that technical information on relevant risk-free interest rate term structures, fundamental spreads for the calculation of the matching adjustment (MA) and volatility adjustments (VA) must be laid down for every reference date in order to ensure uniform conditions for the calculation of technical provisions and basic own funds by insurance and reinsurance undertakings. Technical information is based on market data related to the end of the last month preceding the first reporting reference date to which the relevant Implementing Regulation applies.

OJ, 3 February 2018

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