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Insurance Regulatory eBulletin

Round up of regulatory developments in June 2024

IBDO

WELCOME TO OUR INSURANCE REGULATORY EBULLETIN

Welcome to this June 2024 edition of our Insurance Regulatory eBulletin. This aims to keep you updated with significant regulatory developments, during the month, and their implications across the insurance sector.

The date for the next General Election was announced on 22 May. This has had the effect of ceasing publication of any major regulatory consultations or significant final rules, until after the election. Therefore, with the exception of the EIOPA Section, this month's edition is lighter than normal. One policy statement was issued by the PRA in respect of the Solvency II and the, post-Brexit, reform of the Matching Adjustment. The FCA has now published the results of its insurance related multi-firm review of outcomes monitoring under the Consumer Duty, this review emphasises the need for robust monitoring to ensure good customer outcomes rather than solely placing a reliance on processes. In addition, as noted in previous editions, the extension to the Consumer Duty, is coming into force for closed products and services on 31 July 2024, the FCA have once again reminded the Market of this change.

Heading into the General Election there was a significant degree of high-level policy consensus between the parties in relation to financial services. We will now await the actions of the new government once installed, for confirmation as to the direction of travel and any impact upon the insurance industry.

I hope you will find this edition is helpful in keeping yourself abreast of recent Regulatory activity. Please do not hesitate to contact myself or your usual BDO contact if you have any concerns over any matter highlighted in this update. For more information about our audit, tax and advisory services to the insurance sector, visit our [insurance services](#) page.

I hope you enjoy reading this latest update.



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PRUDENTIAL REGULATION

PS10/24 - REVIEW OF SOLVENCY II: REFORM OF THE MATCHING ADJUSTMENT

On 6 June, the PRA [published](#) a policy statement PS10/24, providing feedback to responses to consultation paper CP19/23. This covers the following areas:

- ▶ a new Matching Adjustment Part of the PRA Rulebook and amendments to the Technical Provisions, Conditions Governing Business and Glossary Parts of the PRA Rulebook (Appendix 1);
- ▶ updated near-final rules amending the Reporting Part of the PRA Rulebook (Appendix 2);
- ▶ updated supervisory statement - SS7/18 'Solvency II: Matching adjustment' (Appendix 3);
- ▶ updated SS8/18 - Solvency II: Internal models - modelling of the matching adjustment (Appendix 4);
- ▶ updated SS3/17 - Solvency II: Illiquid unrated assets (Appendix 5);
- ▶ updated SS1/20 - Solvency II: Prudent Person Principle (Appendix 6);
- ▶ updated SS11/16 - Solvency II: External audit of, and responsibilities of the governing body in relation to the public disclosure requirement (Appendix 7);
- ▶ a new statement of policy (SoP) - Solvency II: Matching Adjustment Permissions (Appendix 8) ('MA SoP'); and
- ▶ minor amendments to the PRA's existing SoP - The PRA's approach to the publication of Solvency II technical information (Appendix 9) ('TI SoP').

members of the Financial Services Regulatory Initiatives Forum will consider the best time to publish an update on the regulatory pipeline and initiatives.

EIGHTH EDITION OF THE REGULATORY INITIATIVES GRID

On 5 June the Bank announced that, following the government's announcement of the General Election to be held on 4 July, the eighth edition of the Grid will be delayed. Later this year,

CONDUCT REGULATION

TEAMWORK: A SMART WAY TO TACKLE FINANCIAL CRIME

Steve Smart, a joint executive director within FCA enforcement and market oversight, delivered a [speech](#) at the Financial Services Investigations and Enforcement Summit on 26 June 2024.

It was emphasised that the FCA functions as both a law enforcement agency and a regulator. He highlighted the importance of collaboration and teamwork, both within the FCA and with external partners, including the industry. Additionally, he stated that the FCA's focus is on accelerating the pace of investigations and improving the integration of its various components, such as enforcement, supervision, and authorisations.

INSURANCE MULTI-FIRM REVIEW OF OUTCOMES MONITORING UNDER THE CONSUMER DUTY

The FCA has published a [report](#) on its Insurance related multi-firm review of outcomes monitoring under the Consumer Duty. The publication reviews how larger insurance firms are complying with Consumer Duty's requirement to monitor customer outcomes.

Key findings revealed a mix of good and poor practices. Some firms demonstrated effective monitoring with clear metrics and actions taken to address poor outcomes. However, many firms focused too much on processes rather than actual outcomes, lacked comprehensive data and analysis, or had poorly set thresholds. The review emphasises the need for robust monitoring to ensure good customer outcomes and urges firms to address any compliance gaps immediately. Smaller firms are expected to apply proportional resources and governance but must still meet the Duty's requirements.

2023/24 WIDER IMPLICATIONS FRAMEWORK ANNUAL REPORT 2023/24

The FCA, the Financial Ombudsman Service (UK) (FOS), the Financial Services Compensation Scheme (FSCS), the Money and Pensions Service (MaPS), and the Pensions Regulator have published their [Wider Implications Framework Annual Report for 2023/24](#). This report details the regulators' work on motor finance commission, Consumer Duty, and redress for British Steel Pension Scheme members from January 2023 to March 2024. It also addresses compliance with new cooperation duties under the Financial Services and Markets Act 2023, introduces revised terms of reference, and invites stakeholder feedback.

REGULATION ROUND UP

On 27 June, the FCA published its monthly Regulation Round-up. In addition to various topics, noted either last month or above, this noted, the following:

- ▶ The FCA has announced actions to enable it better to act proportionately to balance the costs and benefits of proposed financial regulations. This is an area regularly identified by firms for improvement.

It has established a new independent Cost Benefit Analysis (CBA) Panel to enhance the standard of policymaking. From 1 August, the new Panel will provide advice and recommendations about preparing and improving CBA, before the publishing of policy proposals. Led by Dr Felix Martin, it will review CBA for policies with the biggest direct proposed costs to industry. The FCA recognises that the approach to policymaking and measuring impact must remain evidence-based and proportionate.

- ▶ There was a reminder that the Consumer Duty comes into force for closed products and services on 31 July. Firms need to make sure they are taking the necessary steps to ensure they are compliant by the deadline.

▶ A [page for principal firms](#) with overseas appointed representatives (OARs) has been published. The information covers additional challenges that principals may face, and outlines expectations and practical considerations for overseeing OARs.

▶ [Whistleblowing quarterly data](#): 2024 Q1.

Data for this period shows:

- 298 reports were received, an increase on recent quarters.
- The FCA took direct action to reduce harm in 59% of reports, including writing, or visiting a firm.
- half of reports used the FCA's online form.
- 69% of whistleblowers shared their contact details with the FCA.

801 allegations were received, the top 4 being:

- Compliance.
- Culture of organisation.
- Fitness and propriety.
- Consumer detriment.

EIOPA

We continue to monitor EIOPA's activity and draw your attention to it, where we believe it to be necessary or helpful. This will, we hope, assist those firms operating in the EU.

Items of possible interest this month are as follows:

EIOPA ANNUAL REPORT 2023

On 18 June, EIOPA published its [annual report](#) for 2023, providing a thorough overview of the actions taken by EIOPA in 2023. Despite challenges such as geopolitical conflicts, high interest rates, inflation, and market volatility, EIOPA successfully met its strategic goals over the past year. Key achievements included advancing sustainable finance initiatives, monitoring digital technology adoption, strengthening supervision and supervisory convergence, supporting policy reviews and technical advice, assessing risks and financial stability, and chairing the EU Agencies Network. EIOPA remains committed to ensuring industry stability and robust regulation for the benefit of all stakeholders.

EIOPA FINANCIAL STABILITY REPORT JUNE 2024

On 28 June, EIOPA [published](#) its Financial Stability Report, detailing key developments and risks in Europe's insurance and occupational pensions sectors. The report highlights the resilience of Europe's insurance and occupational pensions sectors amid high geopolitical tensions, economic uncertainties, and reduced support for globalisation. Despite challenges such as subdued growth and cautious consumer spending, the sectors remain robust. The insurance sector, in particular, is well-capitalised, with improved median SCR ratios and profitability levels for life insurers and composite undertakings as interest rates have risen.

JC 2024 16 JOINT COMMITTEE - ANNUAL REPORT 2023

On 11 June, the European Banking Authority (EBA), EIOPA, and the European Securities and

Markets Authority (ESMA), collectively known as the European Supervisory Authorities (ESAs), have published a [joint committee Annual Report](#) for 2023, focused on issues of cross-sectoral relevance, including joint risk assessments, sustainable finance, operational risk and digital resilience, consumer protection and financial innovation, securitisation, financial conglomerates, central clearing, and the European Single Access Point.

EIOPA-BOS-24-159 ADVICE TO THE EUROPEAN COMMISSION ON GREENWASHING RISKS AND THE SUPERVISION OF SUSTAINABLE FINANCE POLICIES: FINAL REPORT

On 4 June, EIOPA [published](#) its final report on the advice to the European Commission on greenwashing risks and the supervision of sustainable finance policies. In May 2022, the European Commission (EC) asked EIOPA to provide advice on greenwashing risks and the supervision of sustainable finance policies. This Final Report serves as EIOPA's final input to the EC's Call for Advice on Greenwashing and complements EIOPA's Progress Report on greenwashing published in June 2023.

EIOPA-BOS-24/160 OPINION ON SUSTAINABILITY CLAIMS AND GREENWASHING IN THE INSURANCE AND PENSIONS SECTORS

On 4 June, EIOPA [published](#) an Opinion on sustainability claims and greenwashing in the insurance and pensions sectors. The EIOPA is of the belief that it is important to develop a common approach to supervise sustainability claims and greenwashing in the insurance and pensions sectors as a way to ensure consistent outcomes across the EU. To do this, the Opinion sets out a framework designed to assist competent authorities in the monitoring of insurance and pension providers' adherence to the common principles when making sustainability claims about themselves or their products or schemes.

This document is dated 30 April 2024, but was published on the EIOPA website on 4 June 2024.

JC 2024 06 ON THE ASSESSMENT OF THE SUSTAINABLE FINANCE DISCLOSURE REGULATION (SFDR)

On 19 June, the ESAs published a [joint opinion](#) on the assessment of the Sustainable Finance Disclosure Regulation (SFDR). ESAs' Opinion to the Commission included:

- ▶ A system of product classification;
- ▶ Sustainability indicator;
- ▶ Sustainable investment definition; and
- ▶ Relevant documentation for product disclosures.

They emphasise consumer testing and stakeholder feedback to refine these recommendations, aiming to enhance investor protection and support the transition to sustainable finance.

ESAS PUBLISH TEMPLATES AND TOOLS FOR VOLUNTARY DRY RUN EXERCISE TO SUPPORT THE DORA IMPLEMENTATION

The ESAs have published templates, technical documents, and tools for the [dry-run exercise](#) on the reporting of registers of information in the context of Digital Operation Resilience Act (DORA), announced in April 2024. The materials published include:

- ▶ templates for the registers of information with example (in Excel);
- ▶ draft technical package for reporting, including data point model (DPM), annotated table layout and validation rules;
- ▶ optional tool (VBA macro) to assist with the conversion of Excel templates into .csv files and .zip files for their submission; and
- ▶ frequently asked questions regarding the exercise.

They have also issued [guidance](#) on the process.

EIOPA MONTHLY TECHNICAL INFORMATION FOR SOLVENCY II RELEVANT RISK-FREE INTEREST RATE TERM STRUCTURES - END-MAY 2024

On 5 June, EIOPA [published](#) technical information on the relevant risk-free interest

rate term structures (RFR) with reference to the end of May 2024. The RFR information has been calculated on the basis of the Technical Documentation and is available on the RFR dedicated section of the EIOPA website.

MONTHLY UPDATE OF THE SYMMETRIC ADJUSTMENT OF THE EQUITY CAPITAL CHARGE FOR SOLVENCY II - END-MAY 2024

On 5 June, EIOPA [published](#) the technical information on the symmetric adjustment of the equity capital charge for Solvency II with reference to the end of May 2024.

CORPORATE GOVERNANCE

We continue to monitor the Financial Reporting Council announcements and other sources for relevant developments in relation to Corporate Governance. There have been no significant developments to report during June.

INFORMATION COMMISSIONER'S OFFICE

We continue to monitor material being issued by the Information Commissioner's Office with a view to highlighting high-level matters that may be relevant to readers.

JOINT INVESTIGATION WITH THE OFFICE OF THE PRIVACY COMMISSIONER OF CANADA

On 10 June, the ICO announced that it had launched a joint investigation with the Office of the Privacy Commissioner of Canada (OPC) into the data breach in October 2023 at the global direct-to-consumer genetic testing company 23andMe. This will be leveraging the combined resources and expertise of their two offices.

23andMe is a custodian of highly sensitive personal information, including genetic information which does not change over time. It can reveal information about an individual and their family members, including about their health, ethnicity, and biological relationships. This makes public trust in these services essential.

The joint investigation reflects the regulators' commitment to collaborate on protecting the fundamental right to privacy of individuals across jurisdictions.

It will examine:

- ▶ the scope of information that was exposed by the breach and potential harms to affected people;
- ▶ whether 23andMe had adequate safeguards to protect the highly sensitive information within its control; and
- ▶ whether the company provided adequate notification about the breach to the two regulators and affected people as required under Canadian and UK data protection laws.

ENFORCEMENT ACTION

PRA / FCA REGULATORY FINES ROUND-UP

We have reviewed key relevant enforcement action announced by the PRA / FCA during June and there were no significant matters to report.

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