



Summary of regulatory developments

Updates for October 2021

This memo identifies and summarises any regulatory updates published during October 2021 that may be of relevance to life insurance companies.

The following table summarises the relevant updates identified in October.

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

Date	Description
1-Oct	European Insurance and Occupational Pensions Authority (EIOPA) comment on Solvency II proposals from the European Commission
5-Oct	EIOPA sets out its strategic priorities for the coming year
8-Oct	EIOPA publishes its second "Failures and near misses in insurance" report
12-Oct	EIOPA publishes its Q&A on regulation
18-Oct	EIOPA welcomes Solvency II proposals from the European Commission on sustainability
21-Oct	European Supervisory Authorities (ESAs) invite stakeholders' input on PRIIPs review
21-Oct	Financial Conduct Authority (FCA) Climate Financial Risk Forum publishes its second set of guides regarding climate-related financial risks
22-Oct	ESAs propose new rules for taxonomy-related product disclosures
25-Oct	FCA finalises rules for a new type of fund designed to invest efficiently in long-term assets
28-Oct	The Prudential Regulation Authority (PRA) publishes Climate Change Adaptation Report 2021
28-Oct	FCA publishes Climate Change Adaptation Report 2021

Updates for October 2021

This section highlights articles of interest to life companies released in October 2021.

ESAs

- ESAs [invite stakeholders' input on PRIIPs review](#)

The ESAs have opened a call for evidence regarding the packaged retail and insurance-based investment products (PRIIPs) regulation. Information on a range of topics is requested, including:

- The practical application of the existing key information document (KID)
- The scope of the PRIIPs regulation
- The degree of complexity and readability of the KID

The call for evidence is open until 16 December 2021. The input provided will feed into the ESAs' technical advice to the European Commission (EC) on a review of the KID for PRIIPs.

- ESAs [propose new rules for taxonomy-related product disclosures](#)

The ESAs have delivered to the EC their Final Report with [draft Regulatory Technical Standards \(RTS\)](#) regarding disclosures under the Sustainable Finance Disclosure Regulation (SFDR). The aim of the draft RTS is to:

- Provide disclosures to end investors regarding the investments of financial products in environmentally sustainable economic activities while providing them with comparable information to make informed investment choices
- Establish a single rulebook for sustainability disclosures under the SFDR and the Taxonomy Regulation.

The EC intends to incorporate all the SFDR RTS, meaning both the original ones submitted to the EC in February 2021 as well as the ones covered in this Final report, in one publication.

EIOPA

- EIOPA [comment on Solvency II proposals from the European Commission](#)

The EC has adopted a comprehensive review package of the Solvency II rules to help enable insurance companies to scale up long-term investment in Europe's recovery from the COVID-19 pandemic. On the whole, EIOPA welcomes the proposals, which largely share the same approach and follow the objectives set in EIOPA's Opinion from December 2020. Areas EIOPA believes need more consideration include:

- A minimum harmonised regime for insurance guarantee schemes
- A more prudent treatment of illiquid liabilities
- The importance of the proportionality principle in the supervisory review process
- EIOPA's role in cross-border supervision, and the extent to which EIOPA has the means to act in cases where problems identified in the market are not being resolved.

- EIOPA [sets out its strategic priorities for the coming year](#)

Under EIOPA's twin objectives of ensuring consumer protection and safeguarding financial stability, the regulator will pursue six strategic areas:

- Integrating sustainable finance considerations across all areas of work
- Supporting the market and supervisory community through digital transformation
- Enhancing the quality and effectiveness of supervision
- Ensuring technically sound prudential and conduct of business policy
- Identifying, assessing, monitoring and reporting on risks to the financial stability and conduct of business and promoting preventive policies and mitigating actions
- Providing effective recruitment, management and development of EIOPA's human capital.

EIOPA's activities take into account the ongoing effects of COVID-19, the market situation and political priorities, in particular supporting the digital and green recovery.

- EIOPA publishes its second “Failures and near misses in insurance” report

The report comprises 219 relevant cases from across the European insurance market and takes stock of the most common courses of action taken by insurers and national competent authorities (NCAs) during the recovery and resolution phases of failures and near misses. The database used for the report collates valuable information about the impact of the various implemented measures, serving to improve supervisory knowledge in the fields of failure prevention and the reduction of eventual losses.

The analysis also looks at cross-border issues and finds that while they account for only a small number of failures, losses suffered by policyholders seem to occur more often than in domestic insurance failures.

Findings lend further support to EIOPA’s views on the need for a common recovery and resolution framework at the EU level and for a minimum degree of harmonisation across insurance guarantee schemes to minimise the impact of failures and better protect policyholders.

- EIOPA publishes its Q&A on regulation

Updates include the following:

- (EU) No. 2015/35, supplementing Dir 2009/138/EC – Taking Up and Pursuit of the Business of Insurance and Reinsurance (SII). Questions [1953](#), [1837](#), [1841](#), [1990](#) and [1995](#).
- (EU) No 2009/138 – Solvency II Directive (Insurance and Reinsurance). Questions [1955](#) and [2039](#).
- Risk-Free Interest Rate – General questions. Question [2339](#).
- (EU) No 2015/2450 – Templates for the submission of information to the supervisory authorities. Question [2099](#).

- EIOPA welcomes Solvency II proposals from the European Commission on sustainability

The EC’s review proposes to give mandates to EIOPA for further action on sustainable finance. EIOPA believes that these proposals would contribute positively to a transition into a more sustainable economy and that insurers, in their role as investors and risk managers, can facilitate it. In particular, these mandates include:

- Prudential treatment of exposures related to assets or activities associated substantially with environmental or social objectives
 - A regular review of the scope and calibration of parameters of the standard formula’s natural catastrophe risk
- EIOPA is also positive about the inclusion of climate change scenarios in the Own Risk and Solvency Assessment (ORSA), which reflects a previously published [EIOPA opinion](#).

PRA

- PRA publishes Climate Change Adaptation Report 2021

This report is part of a joint regulatory statement with the FCA’s Climate Change Adaptation report. It sets out the response of the PRA to the risks posed by climate change to its operations and policy functions. The report includes:

- The climate risks posed to firms and the progress they have made in their management of these risks
- The PRA’s response to climate risks
- The PRA’s supervisory strategy from 2022
- The relationship between climate change and regulatory capital regimes and whether there are any gaps that need to be addressed

The report concludes that firms have made tangible progress against the PRA’s expectations. However, some firms are materially more advanced than others, and there is still much further to go. As we move into 2022, the PRA will actively supervise to ensure firms meet expectations, and will provide the necessary assurance or remediation where appropriate.

FCA

- FCA's [Climate Financial Risk Forum publishes its second set of guides regarding climate-related financial risks](#)

The Climate Financial Risk Forum (CFRF) has been running since March 2019 and is chaired jointly by the PRA and the FCA, reflecting the importance of climate change to the regulators' respective strategic objectives.

This second set of guides build on those published in July 2020 and will help firms respond effectively to climate-related financial risks. These guides focus on:

- Risk management
- Scenario analysis
- Disclosure
- Innovation
- Climate data and metrics

- FCA [finalises rules for a new type of fund designed to invest efficiently in long-term assets](#)

The FCA has confirmed that it will take forward proposals to create a new type of open-ended authorised investment fund; the Long-Term Asset Funds (LTAFs). The aim of launching the LTAFs is to provide a fund structure through which investors can invest efficiently and more confidently in less liquid assets, such as infrastructure and private equity.

Investment in these assets has the potential to generate better returns for investors, including those saving for retirement in defined contribution (DC) pension schemes. It could also benefit the wider economy, supporting economic recovery from COVID-19.

- FCA [publishes Climate Change Adaptation Report 2021](#)

This report is part of a joint regulatory statement with the PRA's Climate Change Adaptation report. The assessment comes within the context of the FCA's developing strategic approach to climate change issues. Going forward, the FCA sees climate considerations embedded in everything it does, from how it operates, to policy choices, to how it supervises and enforces requirements with firms.

The report sets out steps the financial sector has taken to mitigate climate risks and identify areas, such as retail investments and mortgages, where more needs to be done. Additionally, the report examines how the industry is making commitments to reach net-zero.



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CONTACT

Claire Booth
claire.booth@milliman.com

Neil Christy
neil.christy@milliman.com

Oliver Gillespie
oliver.gillespie@milliman.com

Isabel Stansfield
isabel.stansfield@milliman.com

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