

Corporate Insurance Newsletter

June 2017

UK

- FCA publishes a Call for Input on access to insurance
- PRA publishes CP7/17 Solvency II: Data collection of market risk sensitivities
- PRA publishes CP8/17: Strengthening accountability in banking and insurance: optimisations to the senior managers insurance regime (SIMR) and changes to senior managers regime (SMR) forms
- The Queens' Speech
- Insurance linked securities: HM Treasury intends regime to come into force in autumn 2017
- FCA information request to with-profits firms

INTERNATIONAL

- Reinsurance and other forms of risk transfer: IAIS consults on revised draft ICP
- IAIS consultation on draft revisions of ICPs 1, 2, 18 and 19
- IAIS publishes draft application paper on product oversight in inclusive insurance
- Insurance Europe publishes templates for PRIIPS information exchange

SOLVENCY II

- Solvency II regulatory reporting: EIOPA publishes first set of statistics on the EU insurance sector
- Solvency II Delegated Regulation: European Commission adopts Delegated Regulation on infrastructure topics

UK

FCA publishes a Call for Input on access to insurance

On 20 June 2017, the Financial Conduct Authority (“FCA”) published a [Call for Input](#) inviting firms (amongst other stakeholders) to submit their views on the challenges they face in providing travel insurance to consumers who have (or have had) cancer (“Relevant Consumers”). The FCA is seeking views, examples and evidence of the challenges firms face when providing travel insurance to Relevant Consumers, and the reasoning for pricing differentiations in quoted premiums.

The FCA has requested input in relation to the following areas:

- challenges for insurers in providing travel insurance for Relevant Consumers;
- challenges for Relevant Consumers in accessing the market and finding suitable travel insurance;

- examples of innovative practices;
- barriers to addressing existing challenges and to innovation; and
- suggestions for what more can be done to improve the ability of Relevant Customers to obtain suitable travel insurance.

Further details are set out in the Call for Input and a comprehensive list of questions is included at Annex 1.

The consultation closes on 15 September 2017.

PRA publishes CP7/17 Solvency II: Data collection of market risk sensitivities

On 12 June 2017, the PRA published a [consultation paper](#) on a supervisory statement setting out the PRA's expectations for the reporting of sensitivities of solvency positions to key markets by firms with material exposure to market risk. The consultation paper will be relevant to insurance and reinsurance firms holding, or intending to hold, material quantities of assets exposed to market risk.

The draft supervisory statement includes a proposal to introduce half-yearly reporting sensitivities in relation to a firm's solvency position.

The consultation closes on 7 August 2017.

PRA publishes CP8/17: Strengthening accountability in banking and insurance: optimisations to the senior managers insurance regime (SIMR) and changes to senior managers regime (SMR) forms

On 13 June 2017, the PRA published a [consultation paper](#) setting out proposed amendments to the SIMR (Chapter 2) and proposals to strengthen governance of insurance firms by requiring insurers to encourage board diversity (Chapter 3). The proposals in Chapters 2 and 3 will be relevant to all Solvency II firms, the Society of Lloyd's, Lloyd's managing agents, third country (re)insurance branches and to large non-Directive firms.

The consultation on the proposals in Chapter 2 and 3 closes on Friday 22 September 2017.

The Queens' Speech

On 21 June 2017, the Government set out details of its legislative proposals for the next two years in the [Queen's Speech](#). Issues to be addressed which are of interest to insurers include the tackling of the "compensation culture" surrounding whiplash claims, the much stricter regulation of the activities of claims management companies, the creation of a new Single Financial Guidance Body and the introduction of an International Sanctions Bill.

Civil Liability Bill

The 2015-2017 Government consulted on possible reforms in its [November 2016 Consultation Paper on Reforming the Whiplash Claims Process](#). The Prisons and Courts Bill (which, amongst other things, included measures to address the issues discussed in the consultation paper) had reached Committee stage before the General Election was announced, but was scrapped during the "wash-up" period prior to the dissolution of Parliament. The new Civil Liability Bill announced by the Government aims to reduce the number and cost of whiplash claims while ensuring that full and fair compensation is paid to claimants who have genuinely suffered an injury. The key proposed measures are:

- a ban on offers to settle claims that are not supported by medical evidence; and
- the introduction of a new fixed tariff of compensation for whiplash injuries with a duration of up to two years.

The Government anticipates that motorists could save an average of £35 per year on insurance premiums if these measures are introduced. If passed, this legislation would apply in England and Wales only.

Financial Guidance and Claims Bill

The Financial Guidance and Claims Bill aims to strengthen the regulation of CMCs by placing them under the supervision of the Financial Conduct Authority. It will also confer wide regulatory powers on the FCA to enforce a “robust regulatory regime” and to cap CMCs’ fees. These measures would apply in England and Wales only.

By placing CMCs under this new regulatory supervision, the Government intends to make it more difficult for CMCs to engage in malpractice such as nuisance calling and encouragement of fraudulent claims.

The new Bill will also establish a new Single Financial Guidance Body to replace the existing providers of publicly funded financial guidance (currently provided by the Money Advice Service, the Pensions Advisory Service and Pension Wise). By doing this, the Government intends to make it easier for consumers to access financial advice, as well as to improve efficiency and cost-effectiveness.

The new Single Financial Guidance Body would operate in England only, as debt administration is a devolved matter.

International Sanctions Bill

The UK currently implements 34 sanctions regimes, each of which aims to influence a change in unacceptable behaviour, constrain certain activities (such as nuclear weapons programmes) or communicate disapproval. Many of these exist within EU legislation and will therefore need to be transferred into UK law or replaced before Brexit.

On 21 April 2017, the Government published a [white paper](#) seeking views on the legal powers that will be needed if the UK is to retain the ability to impose and implement sanctions after Brexit. In particular, the white paper identified the need for the UK government to:

- remain compliant with its UN sanctions obligations;
- support its wider foreign policy; and
- meet its national security goals.

The Bill aims to ensure that the UK will continue to meet its international sanctions policy obligations and national security objectives after its withdrawal from the European Union.

Insurance linked securities: HM Treasury intends regime to come into force in autumn 2017

On 27 June 2017, HM Treasury published the text of a [letter](#) sent by the Economic Secretary to the Treasury, Stephen Barclay, to the Chairman of the London Market Group, stating the Government's intention to bring the insurance linked securities regime in the UK into force in autumn 2017. Mr Barclay says that the regulations necessary to do this are now being finalised so that they can be laid in Parliament before the summer recess.

FCA information request to with-profits firms

On 30 June 2017, the FCA [announced](#) that it has issued an information request to the majority of firms with with-profits business to help it carry out a multi-firm review of the sector.

The FCA's last full review that focused on with-profits business was in 2010. The forthcoming review into the fair treatment of with-profits customers will allow it to understand further the range of practices that are now being adopted by firms.

The information request is designed to help the FCA identify the most appropriate areas to focus on in the review. The review itself is scheduled to commence in the fourth quarter of 2017 or the first quarter of 2018.

INTERNATIONAL

Reinsurance and other forms of risk transfer: IAIS consults on revised draft ICP

On 1 June 2017, the International Association of Insurance Supervisors (IAIS) published a new [webpage](#) giving the information that it has published a consultation paper on a revised version of the insurance core principle (ICP) 13, on reinsurance and other forms of risk transfer. ICP 13 was last revised in 2011.

The IAIS says that the review of ICP 13 follows on from a peer review assessment of this ICP, which it carried out in 2016. The task force responsible has taken up proposals for improving ICP 13 from the assessment team, and allowed for these, where possible, in the revised draft. The task force has also taken into consideration developments occurring in the market and in supervisory practices since the last revision.

The revised draft also allows for the thematic approach the IAIS adopted in September 2015, which is aimed at ensuring a more efficient process of developing supervisory materials. Under this approach, the management and development of supervisory materials is carried out by theme across the three tiers of standard setting: ICPs, ComFrame and global systemically important insurers policy measures, each building on the previous one.

The IAIS will hold a public background call via teleconference, on 5 June 2017, to discuss the consultation and receive initial public feedback. Comments on the consultation paper are requested by 31 July 2017. The IAIS will use feedback to further develop the revised ICP 13 before its finalisation.

IAIS consultation on draft revisions of ICPs 1, 2, 18 and 19

On 30 June 2017, the International Association of Insurance Supervisors (IAIS) published a [consultation](#) on draft revisions of insurance core principles (ICPs) 1 (objectives, powers and responsibilities of the supervisor), 2 (supervisor), 18 (intermediaries) and 19 (conduct of business).

The consultation follows the thematic approach adopted by the IAIS in September 2015, which is aimed at ensuring a more efficient process of developing supervisory materials, with the management and development of supervisory materials by theme across the three tiers of standard setting: ICPs, ComFrame, and G-SII policy measures, each building on the previous one.

Comments are requested by 29 August 2017.

IAIS publishes draft application paper on product oversight in inclusive insurance

On 30 June 2017, the International Association of Insurance Supervisors (IAIS) published a [consultation](#) on a draft application paper on product oversight in inclusive insurance.

The aim of the application paper is to provide guidance to supervisors, regulators and policymakers when considering, designing and implementing regulations and supervisory practices on product oversight in inclusive insurance markets. The IAIS says that the insurance industry may also want to take note of the paper as it is expected to design products that are suitable for their target customers.

The paper builds on the IAIS' 2015 issues paper on conduct of business in inclusive insurance which deals more broadly with the fair treatment of customers in inclusive insurance markets.

Comments are requested by 29 August 2017.

Insurance Europe publishes templates for PRIIPS information exchange

On 30 June 2017, Insurance Europe [announced](#) that it has published two templates that aim to facilitate the exchange of information between insurers and asset managers, which is required under the Regulation on key information documents (or KIDs) for packaged retail and insurance-based investment products (PRIIPs) (PRIIPs Regulation), in relation to multi-option products.

The templates provide a functional description of the set of data to be exchanged from asset managers and banks to insurers to help them fulfil their PRIIPs regulatory obligations. They are:

- the European PRIIPs [template](#) (EPT), which includes the minimum data necessary for insurers to produce a key information document according to the provisions of the PRIIPs Regulation. Asset managers will deliver these files for free;
- the “Comfort” [EPT](#), which includes more data, so its delivery depends on ad hoc bilateral agreements between insurers and asset managers.

The use of the templates is not compulsory. They are also free of use, intellectual property and copyright.

SOLVENCY II

Solvency II regulatory reporting: EIOPA publishes first set of statistics on the EU insurance sector

On 28 June 2017, the European Insurance and Occupational Authority (EIOPA) [published](#) its first set of comprehensive statistical information on the EU insurance sector based on Solvency II regulatory reporting. [A set of frequently asked questions has also been published.](#)

The statistics contain up-to-date and high-quality data, including country breakdowns and distributions of key variables, providing a comprehensive picture of the EU insurance sector, allowing comparability.

The statistics will be published on a quarterly basis, starting with the third-quarter of 2016. They include aggregated country-level information about the balance sheet, own funds, capital requirements, premiums, claims and expenses based on regulatory reporting of close to 3,000 insurance undertakings operating in Europe. Every publication will be accompanied by a description of key aspects linked with the published statistics.

Over time EIOPA will gradually increase the scope and level of detail of the statistics. Future releases will also provide end-year information and key profitability and financial stability indicators for the largest EU insurance groups and undertakings on an aggregated level.

Solvency II Delegated Regulation: European Commission adopts Delegated Regulation on infrastructure topics

On 8 June 2017, the European Commission adopted a [Delegated Regulation](#) amending the [Solvency II Delegated Regulation](#) concerning the calculation of regulatory capital requirements for certain categories of assets held by insurance and reinsurance undertakings (infrastructure corporates). A related [impact assessment](#) (and [summary](#) of the impact assessment) have also been published.

The Delegated Regulation reduces the capital charges attached to investment by insurance companies in infrastructure corporates and will remove regulatory barriers to investment opportunities in infrastructure fulfilling a number of criteria and therefore considered as having a better risk profile.

The Council of the European Union and the European Parliament must now consider the Delegated Regulation. If neither of them objects, it will be published in the Official Journal of the European Union. It will enter into force on the day following that of its publication in the Official Journal.

Hogan Lovells has offices in:

Alicante	Dusseldorf	London	Northern Virginia	Silicon Valley
Amsterdam	Frankfurt	Los Angeles	Paris	Singapore
Baltimore	Hamburg	Luxembourg	Perth	Sydney
Beijing	Hanoi	Madrid	Philadelphia	Tokyo
Brussels	Ho Chi Minh City	Mexico City	Prague	Ulaanbaatar
Budapest*	Hong Kong	Miami	Rio de Janeiro	Warsaw
Caracas	Houston	Milan	Riyadh*	Washington DC
Colorado Springs	Jakarta*	Moscow	Rome	Zagreb*
Denver	Jeddah*	Munich	San Francisco	
Dubai	Johannesburg	New York	São Paulo	
			Shanghai	

"Hogan Lovells" or the "firm" is an international legal practice that includes Hogan Lovells International LLP, Hogan Lovells US LLP and their affiliated businesses. The word "partner" is used to describe a partner or member of Hogan Lovells International LLP, Hogan Lovells US LLP or any of their affiliated entities or any employee or consultant with equivalent standing. Certain individuals, who are designated as partners, but who are not members of Hogan Lovells International LLP, do not hold qualifications equivalent to members.

For more information about Hogan Lovells, the partners and their qualifications, see www.hoganlovells.com.

Where case studies are included, results achieved do not guarantee similar outcomes for other clients. Attorney Advertising.

©Hogan Lovells 2016. All rights reserved.

*Associated offices