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## Corporate Insurance Newsletter

July 2017

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## UK

### **PRA publishes PS16/17: Dealing with a market turning event in the general insurance sector**

On 5 July 2017, the PRA published a policy statement, [PS16/17](#), which provides feedback to responses to its September 2016 consultation paper, [CP32/16](#), on dealing with a market turning event in the general insurance sector. The PRA has also published the final Supervisory Statement [SS5/17](#) on the same topic.

Chapter 3 of the policy statement also provides responses, in the context of the consultation paper proposals and policy on a market turning event (MTE), to recommendations made to the PRA set out in an industry White Paper published in January 2017. This follows an industry-sponsored dry run exercise simulating a \$200 billion catastrophic loss event which took place in November 2016.

The PRA received seven responses to CP32/16. Following consideration of respondents' comments to the consultation paper and the recommendations following the industry-sponsored dry-run exercise, the PRA has made several changes to the supervisory statement consulted on. These changes and feedback to responses are set out in chapter 2 and include:

- further consideration of the characteristics of a MTE and its impact on firms' model change policies;
- addressing concerns over the speed of a regulatory response following a MTE (including the PRA's interaction with Lloyd's and other regulators);
- amendments made to the example loss return template;
- clarification of the application of proportionality and firms' use of existing documentation such as Own Risk and Solvency Assessments;
- amendments to more explicitly draw out the importance of liquidity management following a MTE.

Chapter 2 also confirms that no changes have been made to SS5/17 regarding a breach of minimum capital requirement or solvency capital requirement.

### **PRA publishes PS15/17: Cyber insurance underwriting risk**

On 5 July 2017, the PRA published a policy statement, [PS15/17](#), which provides feedback to responses to its November 2016 consultation paper, [CP39/16](#), on cyber insurance underwriting risk. The policy statement also includes the final version of [Supervisory Statement SS4/17](#) on the same topic, which sets out the PRA's final expectations regarding the prudent management of cyber underwriting risk.

The PRA received thirteen responses to CP39/16 and says that respondents were largely supportive of the proposals. Following consultation, there have been no material changes to the proposals. However, the PRA has made some amendments to the supervisory statement following various responses, in order to clarify issues raised. These amendments are set out in chapter 2 of the policy statement and relate to:

- the definitions of cyber insurance underwriting risk and of silent cyber risk;
- the lines of business to which non-affirmative cyber risk applies;
- the list of potential actions for managing silent cyber risk;

- strategy and board management information.

## **PRA publishes PS14/17: Solvency II: matching adjustment - illiquid unrated assets and equity release mortgages**

On 5 July 2017, the PRA published a policy statement, [PS14/17](#), which provides feedback to responses to its December 2016 consultation paper, [CP48/16](#), "Solvency II: matching adjustment - illiquid unrated assets and equity release mortgages (ERMs)" and provides the final [Supervisory Statement SS3/17](#), on the same topic, setting out the PRA's expectations in respect of firms investing in illiquid, unrated assets within their Solvency II matching adjustment portfolios.

The PRA received twelve responses to CP48/16. Responses focused on the impact on ERMs. The PRA has made changes to the draft supervisory statement after considering responses to the consultation and further analysis. Details of the changes are included in chapter 2 of the policy statement. The PRA says that it does not consider the impact of the changes to firms to be significant nor for that impact to be any different in respect of mutuals.

## **FCA publishes interim findings on retirement income market**

On 12 July 2017, the FCA published an [interim report](#) on the findings of its retirement incomes review, which was launched in July 2016 and examines how the retirement income market is evolving since the pension freedoms were introduced in April 2015. The review has particularly focused on consumers who do not take advice. A [summary](#) of the interim report has also been published.

The FCA has found that consumers have welcomed the pension freedoms. Over one million defined contribution pension pots have been accessed since the reforms. The market is still developing and firms and consumers are continuing to adjust to the reforms. However, the FCA has identified five emerging issues:

- consumers who fully withdrew their pots did so partly because they do not trust pensions;
- most consumers choose the path of least resistance, accepting drawdown from their current pension provider without shopping around;
- many consumers buy drawdown without advice but may need further protection to manage their drawdown effectively;
- annuity providers are leaving the open annuity market;
- product innovation has been limited.

The FCA says that to support pension freedoms and get this market on a good footing for the future, it is important that there are appropriate protections for those least able to engage, that the market drives value and innovation, and that consumers can get the right support when they take important and difficult decisions about their pension savings.

The FCA has identified some potential remedies to help tackle all three areas, and would like views on both how urgent and appropriate they are:

- additional protections for consumers who buy drawdown without advice;
- measures to promote competition for consumers who buy drawdown without taking advice, including proposals to allow consumers to take some of their savings early without having to put the rest into a drawdown product and proposals to make it easier for consumers to compare and shop around for drawdown products;
- tools and services to help consumers make good choices.

Comments are requested by 15 September 2017. The FCA is also planning to hold events to obtain stakeholders' views in autumn 2017. It will think further on whether it should intervene at this stage and how it can do this most effectively. The FCA intends to publish its final report in the first half of 2018.

## **Changing risks and the search for yield on Solvency II capital: speech by David Rule**

On 6 July 2017, the Bank of England's Executive director of Insurance Supervision, David Rule, spoke at the Association of British Insurers on changing risks and the search for Solvency II capital.

In his [speech](#) Mr Rule discussed the risks that insurers are taking and, where necessary, they are responding to them as Solvency II becomes business as usual. He then turned his attention to risks in the life and general insurance sectors and described the supervisory work the Bank is doing in response.

## **European Union (Withdrawal) Bill published**

On 13 July 2017, the [European Union \(Withdrawal\) Bill](#), was introduced in the House of Commons and given its first reading. A set of [explanatory notes](#) on the Bill have also been published.

The Department for Exiting the European Union has published a number of publications relating to the Bill:

- a series of [factsheets](#), plus a related [webpage](#) containing guidance for businesses and organisations;
  - a [technical note](#) on implementing the withdrawal agreement;
- three [position papers](#).

## **Society of Lloyd's publishes report on measures to support syndicates following a once-in-a-generation loss**

On 18 July 2017, the Society of Lloyd's published a [report](#) which sets out six guiding principles explaining how Lloyd's would respond to a market turning event, an insurable loss so significant it results in a rapid upturn in pricing.

The six principles are categorised into two areas: crisis management, to ensure the market responds to a crisis effectively, pays claims as quickly as possible and remains solvent, and opportunities to support the market.

Lloyd's recommends that managing agents consider in advance the possible implications of a market turning event and prepare suitably proportionate, robust and well-tested contingency plans. These should reflect Lloyd's approach of reactive and proactive planning following a market turning event.

## **HM Treasury publishes final drafts of regulations on insurance linked securities**

On 20 July 2017, HM Treasury [announced](#) the publication of new regulations to introduce a competitive regulatory and tax regime for insurance linked securities (ILS). The regulations will be laid before Parliament after the summer recess and will come into force in autumn 2017.

ILS allow insurance and reinsurance firms to transfer risk to the capital markets, meaning that risk can be managed more effectively for businesses and consumers.

The following final draft regulations have been published:

- the [Risk Transformation Regulations 2017](#), which will come into force on 31 October 2017;
- the [Risk Transformation \(Tax\) Regulations 2017](#), which will come into force on the day after the day on which they are made.

HM Treasury has also published a [document](#) which sets out the Government's response to the November 2016 [consultation](#) on draft ILS regulations and also sets out the final approach to the tax

and regulation of ILS vehicles in the UK. It contains information on the responses received and further information on:

- the corporate structure for multi-arrangement ILS vehicles to be used in the UK;
- the tax treatment for ILS vehicles and their investors;
- the approach to authorisation and supervision of ILS vehicles by the PRA and the FCA.

### **FCA publishes CP17/25: Individual accountability - extending the senior managers and certification regime and CP17/26: Individual accountability - extending the SM&CR to insurers**

On 26 July 2017, the FCA published two consultation papers containing proposals to extend the senior managers and certification regime (SM&CR) to almost all regulated firms. The new SM&CR will essentially replace the approved persons regime.

In [CP17/25](#): "Individual accountability: extending the SM&CR to all FCA firms", the FCA is proposing:

- to apply a standard set of requirements to all FCA solo-regulated firms known as the "core regime" for the SM&CR;
- having extra requirements for a small number (fewer than 1%) of solo-regulated firms whose size, complexity and potential impact on consumers warrant more attention, these additions are called the "enhanced regime";
- to apply a reduced set of requirements for a group of firms it is defining as "limited scope".

Firms that are regulated by both the FCA and the PRA have to comply with both regulators' rules. Banking firms are already covered by the SM&CR, but the FCA is proposing a few changes that will affect them (see chapter 10 of the consultation paper). How the SM&CR will be applied to insurers is explained in CP17/26 (see below). The FCA's proposals for UK branches of overseas firms are slightly different and are separately explained in chapter 9 of the consultation paper.

In [CP17/26](#): "Individual accountability - extending the SM&CR to insurers" the FCA says that insurers currently apply a revised version of its approved persons regime and the PRA's senior insurance managers regime. The FCA proposes building on this framework and introducing all elements of the SM&CR. The PRA is consulting simultaneously on similar changes for insurers, for details see item 2.2 below. Table 1 in paragraph 1.19 of the consultation paper provides a high-level overview of the FCA's proposals which are explained in more detail in the remainder of the consultation paper.

The consultation paper also outlines the FCA's proposals for incoming branches of non-UK firms. These comprise both EEA and non-EEA branches. The FCA proposes applying the CR and conduct rules to both EEA and non-EEA branches.

The proposals in the two consultation papers do not affect approved persons or appointed representatives of firms. The FCA intends to confirm its approach to the SM&CR for appointed representatives in a follow-up consultation paper later in 2017. It says that principal firms, including the senior managers of principal firms, remain fully responsible for ensuring that their appointed representatives and networks comply with FCA rules.

Comments on both consultation papers are requested by 3 November 2017. The FCA will publish policy statements in 2018 and says that the regime will not come into effect until it publishes its final rules and sets a date for them to commence.

The FCA will consult separately later in 2017 on changes following the extension of the SM&CR. This will include how firms will transition into the new regime, and any changes the FCA needs to make to its forms and other parts of the Handbook. The FCA says that the same principles of simplicity and proportionality will apply when it considers how to transition firms to the new regime, for example,

minimising the need for firms and individuals to apply for new approval as a senior manager if they are already an approved person.

## **FCA publishes CP17/23: Insurance Distribution Directive implementation - consultation paper II**

On 24 July 2017, the FCA published a consultation paper, [CP17/23](#), which consults on its latest proposals for changes required to comply with the Insurance Distribution Directive (IDD).

This consultation follows on from the FCA's first IDD implementation consultation paper, [CP17/7](#), which was published in March 2017, with further proposals on how the FCA plans to implement the IDD in the UK. The IDD replaces the Insurance Mediation Directive. It aims to enhance consumer protection when buying insurance (including general insurance, life insurance and insurance-based investment products (IBIPs)) and to support competition between insurance distributors by creating a level playing field.

This consultation paper covers changes to the FCA's rules to implement the IDD requirements for life insurance business, including information provision requirements, and additional requirements related to the distribution of IBIPs:

- firms' general obligations (see chapter 4);
- information disclosure to customers (see chapter 5);
- inducements (see chapter 6);
- suitability (see chapter 7);
- appropriateness (see chapter 8).

It also covers changes to the FCA's rules to implement requirements in the IDD that apply to life and non-investment insurance business, including product oversight and governance, and professional and organisational requirements provisions:

- conflicts of interest (see chapter 9);
- product oversight and governance ( see chapter 10);
- organisational requirements relating to the protection of customers' money (see chapter 11);
- professional requirements relating to the good repute of employees of insurance distributors (see chapter 12).

Additional Handbook changes relating only to non-investment insurance business, including product information are contained in chapter 13 of the consultation paper and consequential amendments to other parts of the Handbook are contained in chapter 14.

Comments are requested by 20 October 2017. The FCA says that it will publish a policy statement in December 2017. It will be consulting separately, probably in late September 2017, on its remaining proposals for implementing the IDD.

The FCA also says that given the timeframe for implementation set out in the IDD, and the timing of the adoption of the delegated acts, it is likely that the next consultation will be issued while this consultation remains open for comments. To assist firms, it indicates in this paper its current intentions regarding its approach to reflecting the final content of the delegated regulations in the Handbook. These proposals will be included in the third consultation paper, by which time the FCA will have conducted a full analysis of the content of the level 2 delegated regulations, including the extent to which it proposes to align requirements with those of MiFID II.

## **PRA publishes CP14/17: Strengthening individual accountability in insurance: extension of the senior managers and certification regime to insurers**

On 26 July 2017, the PRA published a consultation paper, [CP14/17](#), setting out its proposals for the extension to all insurers of the senior managers and certification regime (SM&CR), that will be

introduced by amendments to Financial Services and Markets Act 2000 (FSMA) through the Bank of England and Financial Services Act 2016 (the 2016 Act).

A key objective for the proposals in the paper is to strengthen the PRA's regulatory regime for insurers to ensure there is an effective governance system with a clear allocation of responsibilities within firms; as well as to ensure the individual accountability of senior managers and directors for:

- their own conduct in relation to their responsibilities within their firm;
- overseeing the business conduct of the key individuals reporting to them (including in respect of the business risks taken or managed by these individuals); and
- the ongoing safety and soundness of their firms, and the adequate protection of the firm's policyholders.

The proposals are also intended to align more closely the individual SM&CR accountability regimes for banking and insurance, while continuing to respect the different business models in the two sectors, as well as the requirements of EU legislation.

Chapter 2 of the consultation paper sets out the PRA's proposals to extend the SM&CR to Solvency II insurers (that is, UK Solvency II firms, the Society of Lloyd's and Lloyd's managing agents, and third country (re)insurance branches), insurance special purpose vehicles and large non-Directive firms (NDFs).

Chapter 3 sets out the PRA's proposals to extend the SM&CR to small NDFs. It is relevant to small NDFs (which are defined as insurance firms that are out of scope of Solvency II, and are not large NDFs).

The PRA's consultation paper should be read in conjunction with FCA's consultation paper CP17/26 (see above).

Comments are requested by 3 November 2017. The PRA proposes to publish final rules in a policy statement during 2018. The extended SM&CR for insurers will not come into effect until a commencement date has been set by HM Treasury for the relevant amendments to FSMA in the 2016 Act.

The PRA intends to publish a further consultation paper in the third or fourth quarter of 2017 containing proposals for aligning some of the terminology more closely with the current SM&CR for banking firms, and for updating the forms that enable the application of the SM&CR to both insurance and banking firms. The consultation paper will also include proposals for the relevant transitional measures for the commencement of the new regime. A separate consultation on other consequential changes to the rules may follow in the first quarter of 2018.

## **House of Lords EU Financial Affairs Sub-Committee launches new inquiry into financial regulation and supervision post Brexit**

On 24 July 2017, the House of Lords EU Financial Affairs Sub-Committee [announced](#) the launch of a new inquiry into the future of financial regulation and supervision following Brexit. A [call for evidence](#) has also been published.

The Committee will consider, in particular, the following areas:

- the scope for the UK to adapt its own regime to new circumstances post-Brexit and foster innovation, while still maintaining market access;
- whether equivalence is the best means to achieve continued cooperation, and what other forms of alignment could exist;
- differences between the UK, EU and international regimes in financial regulation and where gaps exist;

- whether there are areas in which it could be beneficial for the UK to deviate from the EU's current framework in future;
- how any regulatory divergence, and shared supervisory concerns, can best be managed, including mechanisms for dispute resolution.

Written evidence is requested by 29 September 2017. Public hearings are expected to begin in September 2017. The Committee's report will receive a response from the Government, and may be debated in the House.

## **LMA publishes guidance on the General Data Protection Regulation**

On 31 July 2017, the Lloyd's Market Association (LMA) published [guidance](#) for underwriters on the General Data Protection Regulation (GDPR). The GDPR becomes effective on 25 May 2018, replacing the current Data Protection Act 1998 and will take direct effect in UK law before Brexit.

## **INTERNATIONAL**

### **PRIIPs Regulation: European Commission publishes guidelines on application**

On 4 July 2017, the European Commission adopted [guidelines](#) on the application of the Regulation on key information documents (KIDs) for packaged retail and insurance-based products (PRIIPS) (PRIIPS Regulation).

The PRIIPS Regulation sets out uniform rules on the format and content of the KID to be drawn up by PRIIP manufacturers and on the provision of the KID to retail investors and those selling or advising on the products. The guidelines cover 19 issues, which include:

- products covered by the PRIIPS Regulation;
- products made available to retail investors against no consideration;
- multi-option PRIIPs;
- insurance-based investment products with PRIIPs and non-PRIIPs as underlying investment options;
- territorial application;
- use of KIDs by UCITS;
- PRIIPs only sold by intermediaries;
- distribution of a PRIIP without a KID;
- a non-PRIIP product offered alongside a PRIIP.

### **PRIIPs KID: Joint Committee of ESAs publish Q&As**

On 4 July 2017, the Joint Committee of the three European Supervisory Authorities (ESAs) (that is, the European Banking Authority, the European Insurance and Occupational Pensions Authority and the European Securities and Markets Authority) published a set of [questions and answers](#) (Q&As) on the key information document (KID) requirements for packaged retail and insurance-based investment products (PRIIPs) laid down in the European Commission Delegated Regulation (EU) 2017/653.

The aim of the Q&As is to promote common supervisory approaches and practices in the implementation of the KID. The Q&As include answers to questions linked with the presentation, content and review of the KID, including the methodologies underpinning the risk, reward and costs information. These questions were raised by different stakeholders, such as product manufacturers and distributors. The ESAs will continue to answer further questions and will subsequently publish them.

### **EIOPA publishes opinion on recovery and resolution framework for insurers**

On 5 July 2017, the European Insurance and Occupational Pensions Authority (EIOPA) published an [opinion](#) on the harmonisation of the recovery and resolution framework for (re)insurers across the EU

addressed to the European Parliament, the Council of the European Union and the European Commission.

EIOPA calls for a minimum degree of harmonisation in the field of recovery and resolution for (re)insurers with the objective to increase policyholder protection and financial stability in the EU. To achieve this objective EIOPA proposes the following four building blocks where the definition of a common approach is key:

- preparation and planning;
- early intervention;
- resolution;
- cross-border co-operation and co-ordination.

EIOPA says that the harmonised recovery and resolution framework should cover all (re)insurers subject to the Solvency II framework and be applied in a proportionate manner. The proportionality principle should guide and allow Member States to waive certain requirements of the framework such as developing and maintaining pre-emptive recovery and resolution plans for specific insurers.

### **EIOPA publishes opinion on supervisory approach to the relocation of (re)insurance undertakings from the UK**

On 11 July 2017, EIOPA published an [opinion](#) on supervisory convergence in light of the UK withdrawing from the EU.

Solvency II allows (re)insurance undertakings to pursue business in the EU, only if the undertaking is authorised in the EU. Based on this authorisation undertakings may do business on a freedom of establishment and freedom to provide services basis in other Member States. Upon withdrawal from the EU, UK (re)insurance undertakings lose their right to conduct business across the EU Member States by way of freedom of establishment and freedom to provide services.

The opinion is addressed to the national competent authorities of the EU Member States and applies to authorisation processes and on-going supervision of undertakings falling under the Solvency II framework.

The opinion sets out principles in the areas of authorisations and approvals, governance and risk management, outsourcing of critical and important activities and on-going supervision of UK-based insurers and reinsurers falling under the Solvency II Directive framework.

### **IDD: European Commission consults on a draft Delegated Regulation on distribution of insurance-based investment products**

On 20 July 2017, the European Commission published for consultation a [draft Delegated Regulation](#) supplementing the Insurance Distribution Directive (IDD) with regard to information requirements and conduct of business rules applicable to the distribution of insurance-based investment products.

The IDD provides a specific chapter with additional conduct of business requirements for the sale of insurance-based investment products. These rules are necessary to guarantee a consistent standard of protection for retail investors. Insurance-based investment products are often sold as potential alternatives or substitutes to retail investment products sold under the MiFID II Directive. To avoid regulatory arbitrage, the IDD contains specific provisions on preventing and managing conflicts of interests, disclosing costs and charges for the customers, accepting commissions and other third party payments (inducements) and providing investment-related advice. These provisions are largely aligned with the standards set under MiFID II.

The draft Delegated Regulation is based on three empowerments in the chapter on additional conduct of business requirements for the sale of insurance-based investment products. It aims at specifying the criteria and practical details for the application of the rules on conflicts of interest, on inducements

and on the assessment of suitability and appropriateness. To ensure coherence and facilitate a comprehensive view of the rules applicable to insurance-based investment products, it appears appropriate to combine the delegated acts under the three empowerments in the present Delegated Regulation.

The draft Delegated Regulation is based on technical advice provided by EIOPA to the Commission on 1 February 2017. The Commission says that it deviates from EIOPA's advice in the following ways:

- in the indicative list of situations to be taken into account as minimum criteria for the assessment of conflicts of interest (Article 3(3)) it omits a point mentioning specifically the reception of monetary or non-monetary benefits, in order to better reflect differences in the treatment of inducements in the IDD and the MiFID II Directive;
- in the provision on inducements (Article 8) it differs from the technical advice in the form of presentation of the non-exhaustive list of criteria deemed relevant for the assessment of a possible detrimental impact on the quality of the service to the customer and by omitting a provision on organisational requirements. This is due to the limitation of the Commission's empowerment in Article 29(4) of the IDD.

Comments on the draft Delegated Regulation are requested by 17 August 2017. Comments should be provided via the feedback link on this [webpage](#). The Delegated Regulation will enter into force on the twentieth day following that of its publication in the Official Journal of the European Commission. It will apply from 23 February 2018.

### **IDD: European Commission consults on a draft Delegated Regulation on product oversight and governance arrangements**

On 20 July 2017, the European Commission published for consultation a [draft Delegated Regulation](#) supplementing the Insurance Distribution Directive (IDD) with regard to product oversight and governance requirements for insurance undertakings and insurance distributors.

Article 25 of the IDD introduces generalised product oversight and governance (POG) into EU insurance distribution law, with the aim of ensuring that all insurance products for sale to customers meet the needs of their specific target market in order to avoid and reduce from an early stage risks of failure to comply with customer protection rules. The POG rules will be mainly addressed at manufacturers of insurance products and oblige them to maintain, operate and review a POG policy in order to ensure on a continuous basis that all insurance products marketed are appropriate for their specific target market. Insurance distributors have to support this by operating product distribution arrangements to ensure that they have all the information needed to sell the product in line with the POG policy set by the manufacturer.

The draft Delegated Regulation specifies the criteria and practical details for the application of the POG rules. It is based on technical advice provided by EIOPA to the Commission on 1 February 2017.

Comments on the draft Delegated Regulation are requested by 17 August 2017. Comments should be provided via the feedback link on this [webpage](#). The Delegated Regulation will enter into force on the twentieth day following that of its publication in the Official Journal of the European Commission. It will apply from 23 February 2018.

### **IAIS releases ICS version 1.0 for field testing**

On 21 July 2017, the International Association of Insurance Supervisors (IAIS) [announced](#) the release of a [report](#) (zip file) containing version 1.0 of insurance capital standard (ICS) for extended field testing. The IAIS says this represents an important step towards the development of ICS version 2.0 by late-2019.

ICS Version 1.0 for extended field testing has been shaped by the extensive feedback received by the IAIS through multiple public consultations, volunteer field testing exercises and stakeholder sessions.

Industry participation continues to grow, with around 50 of the largest insurance groups in the world now involved in the extended field testing process.

Although the report is not a formal consultation document, the IAIS says that feedback is welcome, and it will consider any it receives while it develops ICS version 2.0.

Other related materials can be found on this IAIS [webpage](#).

### **PRIIPs with environmental or social objectives: ESAs technical advice**

On 28 July 2017, the Joint Committee of the European Supervisory Authorities (ESAs) published [technical advice](#) to the European Commission on the procedures used to establish whether a packaged retail and insurance-based investment product (PRIIP) targets specific environmental or social objectives pursuant to Article 8 (4) of the Regulation on key information documents for PRIIPs.

The manufacturer of an EOS PRIIP is required to install specific governance measures to ensure that environmental or social objectives of the product are met on an ongoing basis. Furthermore, the product has to demonstrate to retail investors throughout the investment process the relevance of these objectives. In the advice, the ESAs address four areas with regard to PRIIPs with environmental or social objectives and included the following recommendations:

- the PRIIP manufacturer targeting environmental or social objectives has to clearly specify these objectives, together with an appropriate and proportionate strategy on how to achieve them;
- the PRIIP manufacturer should disclose to the retail investors the objectives and how these will be achieved;
- the PRIIP manufacturer has to install and well document governance and monitoring measures, where the latter need to be proportionate to the objectives and strategy how to achieve the objectives;
- the PRIIP manufacturer should conduct regular reviews on the progress made in achieving the specified and disclosed objectives.

The ESAs [consulted](#) on the technical advice in February 2017 and a [summary of comments](#) on the consultation paper has been published, with the ESAs' comments.

## **SOLVENCY II**

### **Solvency II Delegated Regulation: EIOPA consults on first set of technical advice**

On 4 July 2017, the European Insurance and Occupational Pensions Authority (EIOPA) published a [consultation paper](#) on its first set of advice to the European Commission on specific items in the Solvency II Delegated Regulation.

The consultation paper includes EIOPA's advice on a number of items that are in the scope of the two calls for advice received from the European Commission:

- simplified calculations;
- reduction in reliance on external credit ratings;
- treatment of guarantees, exposure guaranteed by a third party and exposures to regional governments and local authorities;
- risk-mitigation techniques;
- look-through approach on investment related vehicles;
- undertaking specific parameters; and
- loss-absorbing capacity of deferred taxes.

EIOPA published a [discussion paper](#) on its review of the Delegated Regulation in December 2016 and the consultation paper includes feedback on comments received to this.

Comments are requested by 31 August 2017. EIOPA intends to finalise its advice in October 2017 and it will then be sent to the Commission.

EIOPA is planning to publish a further consultation paper by the end of 2017 on other issues relating to the Delegated Regulation. Its second, and final, set of advice will then be sent to the Commission by February 2018.

## **EIOPA publishes final amended draft ITS on reporting and disclosure**

On 17 July 2017, EIOPA [published](#) amendments and corrections to the following implementing technical standards (ITS) made under the Solvency II Directive:

- ITS on the templates for the submission of information to the supervisory authorities (ITS on reporting); and
- ITS with regard to the procedures, formats and templates of the solvency and financial condition report (ITS on disclosure).

These amendments concern the guidelines on reporting for financial stability purposes and the guidelines on the supervision of branches of third-country insurance undertakings. The aim of the amendments is to provide legal certainty and to facilitate correct reporting as well as disclosure process for insurance undertakings. The publication is the outcome of EIOPA's analysis and stakeholders' feedback received from its April 2017 call for comments.

In order to align the legal basis and the taxonomy release, EIOPA has also released the final taxonomy version 2.2.0 including all the relevant amendments and the feedback received to the 2.2.0 public working draft (see section on webpage headed DPM and taxonomy 2.2.0).

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