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## Corporate Insurance Newsletter

July 2018

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### UK

- FCA publishes EP18/1: An evaluation of the FCA's asset protection insurance intervention
- PRA publishes CP18/18: Strengthening accountability: implementing the extension of the SM&CR to insurers
- PRA publishes PS15/18: Strengthening individual accountability in insurance: extension of the SM&CR to insurers
- SM&CR: new FCA publications
- Government publishes response to consultation on secondary regulations and policy statement for transitional provisions for claims management regulation
- Government publishes a white paper on legislating for the withdrawal agreement between the UK and the EU
- Draft EEA Passport Rights (Amendment, etc, and Transitional Provisions) (EU Exit) Regulations 2018
- FCA publishes update on the temporary permissions regime
- Brexit temporary permissions regime and temporary recognition regime: Bank of England and PRA approach
- The FCA's approach to Brexit: speech by Nausicaa Delfas
- Draft Friendly Societies (Amendment) (EU Exit) Regulations 2018
- Government White Paper on the future UK-EU relationship
- European Union (Withdrawal) Act 2018 (Commencement and Transitional Provisions) Regulations 2018
- FCA publishes approach to consumers paper and discussion paper on duty of care
- FCA publishes CP18/18: Guidance on regular premium PPI complaints and recurring non-disclosure of commission

### SOLVENCY II - UK

- PRA modification by consent of group supervision obligations
- PRA publishes PS21/18: Solvency II: changes to reporting format
- PRA publishes PS20/18: Solvency II: internal models update
- PRA publishes PS19/18: Solvency II: internal models - modelling of the matching adjustment
- PRA publishes PS18/18: Solvency II: matching adjustment
- PRA publishes letter to chief actuaries of life insurers
- Solvency II group supervision: PRA policy statement, supervisory statement and consultation paper
- PRA publishes PS16/18: Changes in insurance reporting requirements
- Solvency II reporting obligation: PRA modification by consent
- PRA publishes CP13/18: Solvency II: equity release mortgages

### INTERNATIONAL

- EIOPA publishes the third paper of a series on systemic risk and macroprudential policy in the insurance sector
- IAIS consults on draft version of ComFrame
- IAIS consults on version 2 of the risk-based global insurance capital standard

- IAIS interim response to consultation on integrating ComFrame materials into ICPs 8, 15 and 16
- EIOPA publishes discussion paper on national insurance guarantee schemes
- IAIS and SIF issues paper on climate change risks for the insurance sector
- European Commission Communication on preparing for the withdrawal of the UK from the EU
- IDD: EIOPA publishes two sets of Q&As
- EIOPA publishes report on causes of insurers' failures and near misses
- EIOPA launches EU-wide thematic review on consumer protection issues in travel insurance
- EIOPA launches thematic review on Big Data

## SOLVENCY II

- Commission Implementing Regulation laying down technical information for the calculation of technical provisions and basic own funds for reporting with reference dates from 30 June 2018 until 29 September 2018 published in the Official Journal
- EIOPA amendments to Commission Implementing Regulations

## UK

### **FCA publishes EP18/1: An evaluation of the FCA's asset protection insurance intervention**

On 31 July 2018, the Financial Conduct Authority (FCA) published an [evaluation paper](#) containing an evaluation of its September 2015 add-on guaranteed asset protection (GAP) insurance intervention. The paper is the first of a new series of evaluations of the FCA's past interventions, which it committed to publish in its 2017 Mission. A [technical annex](#) to the evaluation report has also been published, together with a PwC Research consumer [narrative report](#) and [technical annex](#).

The September 2015 intervention required provision of information by vehicle sellers to consumers and a pause in the sale process. The FCA believed that having both time and information would enable consumers to decide whether they needed GAP insurance, and to shop around if they did.

The FCA has identified some lessons that it can apply to current and future work: These are discussed in chapter 8 of the report and include:

- the intervention has had a stronger impact on sales than prices;
- attempts to break the point-of-sale advantage for a "sold" product are likely to reduce total purchases, rather than diverting consumers to the non-point-of-sale market;
- pre-intervention expectations should be based on a range of evidence;
- add-on sellers play an important role in introducing the product to buyers;
- the salesperson still plays an important role in convincing consumers to buy an add-on.

### **PRA publishes CP18/18: Strengthening accountability: implementing the extension of the SM&CR to insurers**

On 31 July 2018, the Prudential Regulation Authority (PRA) published a consultation paper, [CP18/18](#), setting out its proposed rules for a technical correction to rule 2.2 in the Solvency II firms: Insurance General Application Part of the PRA Rulebook. It also includes proposals for technical changes to the rules in the PRA Rulebook for the implementation of the senior managers and certification regime (SM&CR) relating to:

- application of an "overlap" rule for individuals with "FCA responsibilities" (as defined in the Financial Conduct Authority (FCA) Handbook);
- updates to the cross-references in the PRA Rulebook to the FCA's Handbook;
- transitional arrangements for the widening of scope of the application of regulatory reference requirements;

- deletion of some previous transitional rules that are now obsolete; and
- other minor consequential amendments.

The extended SM&CR for insurers will come into effect from 10 December 2018, subject to commencement regulations to be made by HM Treasury for the relevant amendments to the Financial Services and Markets Act 2000 through the Bank of England and Financial Services Act 2016. The PRA proposes that the rule changes in the consultation paper will therefore apply from 10 December 2018.

Comments are requested by 1 October 2018.

### **PRA publishes PS15/18: Strengthening individual accountability in insurance: extension of the SM&CR to insurers**

On 4 July 2018, the PRA published a policy statement, [PS15/18](#), which provides feedback to responses to its July 2017 consultation paper, [CP14/17](#), (see chapter 2) and its December 2017 consultation paper, [CP28/17](#), (see chapter 3) on strengthening individual accountability in insurance by extending the SM&CR to insurers.

The PRA says that responses to the consultation papers were broadly supportive of the policy intent and it has made some minor changes to the policy proposals as a result of feedback.

The policy statement also contains:

- the final rules for the extension of the SM&CR to insurers by amending the senior insurance managers regime. These are contained in the PRA Rulebook: CRR Firms, Non-CRR Firms, Solvency II Firms and Non Solvency II Firms: Senior Managers Regime and Senior Insurance Managers Regime (Amendment) (No 1) Instrument 2018, [PRA 2018/16](#). Chapter 4 of the policy statement contains the timelines and relevant measures for the implementation of the final rules;
- an updated [Supervisory Statement SS35/15](#) on strengthening individual accountability in insurance, which is effective from 10 December 2018;
- terminology updates to other existing Ss: [SS39/15](#) (Whistle-blowing in deposit-takers, PRA-designated investment forms and insurers), [SS5/16](#) (Corporate governance: Board responsibilities), [SS10/16](#) (Solvency II: remuneration requirements), [SS28/15](#) (Strengthening individual accountability in banking) and [SS3/17](#) (Solvency II: matching adjustment - illiquid unrated assets and equity release mortgages), all of which are effective from 10 December 2018;
- a consolidated [Statement of Policy](#) on conditions, time limits, and variations of approval, which is effective from 10 December 2018; and
- the [streamlined set of forms](#) for the SM&CR, and amendments to Part 4A permissions forms, which go live on 10 December 2018.

The PRA intends to publish a further consultation paper with some consequential amendments to its rules prior to the policy commencement date, so as to ensure that the rules in the PRA Rulebook are suitably cross-referenced and aligned to those in the FCA Handbook. It says that these consequential changes are not intended to make any substantive change to the final policy and rules in this policy statement.

The PRA says that this policy statement should be read in conjunction with the FCA's policy statements (see below) containing the FCA's equivalent policy to implement the extension of the SM&CR to insurers.

### **SM&CR: new FCA publications**

On 4 July 2018, the FCA published three policy statements (containing near-final rules and guidance) and other documents on the extension of the SM&CR.

The documents are as follows:

**PS18/16: The duty of responsibility for insurers and FCA solo-regulated firms: final guidance**

[PS18/16](#), summarises and responds to feedback received to its December 2017 consultation paper [CP17/42](#), which summarised the origin, scope and features of the SM&CR, including the duty of responsibility, and how it will be extended to cover insurance and reinsurance firms regulated by the FCA (insurers) and firms regulated only by the FCA rather than also by the PRA (FCA solo-regulated firms).

Chapter 2 of the policy statement gives detail of the feedback received to CP17/42 and the FCA's response to this. The FCA says that having considered the feedback, it remains of the view that no amendments to the Decision Procedure and Penalties manual, or the rest of the FCA Handbook, relating to the duty of responsibility are necessary other than, for the avoidance of doubt, the definitional changes which will come into effect when the SM&CR extension is brought into force by HM Treasury for insurers on 10 December 2018 and for FCA solo-regulated firms on 9 December 2019.

The FCA has published a [guide](#) to the SM&CR for FCA solo-regulated firms. It has also published a [webpage](#) containing a firm-checker tool to help firms identify the category which they fall into.

**PS18/15: Extending the SM&CR to insurers - feedback to CP17/26 and CP17/41 and near-final rules**

In July 2017, the FCA published a consultation paper, [CP17/26](#), asking for views on its proposal to extend the SM&CR to insurers. In December 2017, the FCA published a second consultation paper, [CP17/41](#), setting out how it proposed to move insurers and individuals from the revised approved persons regime (revised APR) to the SM&CR.

[PS18/15](#), sets out its response to the feedback received to these consultation papers. The PRA has published a related policy statement, [PRA PS15/18](#), (see above) and the FCA says its policy statement should be read in conjunction with this.

The FCA says that most of the responses to the consultation papers supported its proposals and it intends to implement the proposals in CP17/26 and CP17/41 as consulted on.

The legal instrument in appendix 1 to the policy statement, the Individual Accountability (Dual-Regulated Firms) Instrument 2018, contains near-final rules. Although they are near-final in most respects, they may be amended by subsequent Handbook changes and are subject to commencement regulations to be made by HM Treasury.

Insurers will move to the new regime on 10 December 2018. The FCA refers firms to chapter 9 of the policy statement where it describes transitional arrangements for insurance firms.

Firms should check whether they have the appropriate people in the correct approved functions before the move of approved individuals from the revised APR to the SM&CR takes place. This will help to make the transition to the new regime as effective as possible.

The FCA has also published a [guide](#) to the SM&CR for insurers.

**PS18/14: Extending the SM&CR to FCA firms - feedback to CP17/25 and CP17/40, and near-final rules**

In July 2017, the FCA published a consultation paper, [CP17/25](#), on extending the SM&CR to almost all firms regulated only by the FCA and not the PRA (solo-regulated firms). A second consultation paper, [CP17/40](#), published in December 2017, set out how the FCA proposed to move FCA firms and individuals from the approved persons regime (APR) to the SM&CR.

[PS18/14](#), summarises the feedback it received to CP17/25 (see part 1 of the policy statement) and CP17/40 (see part 2 of the policy statement), and its response to the feedback received. The FCA says that the vast majority of respondents supported its proposals. In general, it intends to implement the proposals it consulted on, but it has made some changes in response to the feedback.

As a result of the responses received, the FCA has made the following changes to its proposals in CP17/25:

- removed the prescribed responsibility (that only applied to core firms) to inform the governing body of their legal and regulatory obligations;
- provided an easy process for firms to tell it they wish to voluntarily apply a higher regime tier;
- amended three of the enhanced criteria to smooth single-year anomalies;
- lengthened the time period from six to 12 months for a firm to implement the enhanced tier, once they have met relevant criteria.

The FCA has made two changes to the proposals consulted on in CP17/40:

- it has aligned the REP008 reporting period for limited permission consumer credit firms with their annual return;
- it has adjusted a number of regulatory forms following specific feedback.

The legal instrument in appendix 1 to the policy statement, the Individual Accountability (FCA-Authorised Firms) Instrument 2018, contains near-final rules. Although they are near-final in most respects, they may be amended by subsequent Handbook changes and are subject to commencement regulations to be made by HM Treasury. They are not near-final in respect of benchmark activities as the FCA intends to consult separately on its approach to these.

Firms affected by these changes will move to the new regime on 9 December 2019. The FCA says that firms should check they have the appropriate people in the correct approved functions before approved individuals are converted from the APR to the SM&CR. This will help to make the move to the new regime as effective as possible.

The FCA has provided a separate [guide](#) to the SM&CR for FCA solo-regulated firms. This sets out the main features of the regime and gives the details of how the move to the SM&CR will happen. The FCA recommends that firms preparing for the SM&CR, read the guide.

### **Government publishes response to consultation on secondary regulations and policy statement for transitional provisions for claims management regulation**

In April 2018, HM Treasury published a [technical consultation](#) on the [draft secondary regulations](#) that will enable the transfer of claims management regulation to the FCA, with a focus on the scope of regulation and the FCA's consultation requirements. On 27 July 2018, HM Treasury published the Government's [response](#) to the consultation.

There was broad agreement to the Government's proposals. Chapters 2 to 4 of the response document set out some of the key themes through the consultation responses and confirm the final approach to defining the scope of claims management activities for the purposes of FCA regulation and the temporary permissions regime. Chapter 5 sets out the Government's policy intent for transitional provisions.

A [draft](#) of the Financial Services and Markets Act 2000 (Claims Management Activity) Order 2018 including transitional and consequential provisions has also been published. This will be subject to further amendment, legal checks and parliamentary approval.

## **Government publishes a white paper on legislating for the withdrawal agreement between the UK and the EU**

On 24 July 2018, the Government published a [White Paper](#) on how it will legislate for the withdrawal agreement between the UK and the EU.

The White Paper confirms that the forthcoming European Union (Withdrawal Agreement) Bill will:

- be the primary means by which the rights of EU citizens will be protected in UK law (see chapter 2);
- legislate for the time-limited implementation period (see chapter 3); and
- create a financial authority to manage the specific payments to be made under the financial settlement, with appropriate Parliamentary oversight (see chapter 4).

Chapter 5 of the White Paper sets out the procedures for approval and implementation of the withdrawal agreement and the framework for the future relationship between the UK and the EU.

The European Union (Withdrawal Agreement) Bill will only be introduced once Parliament has approved the final deal under the terms of the European Union (Withdrawal) Act 2018. The Bill will be a necessary step in implementing the referendum result, the outcome of the Government's negotiations with the EU and Parliament's approval of the final deal. The Bill must pass before the UK leaves the EU on 29 March 2019 in order for the withdrawal agreement to have domestic legal effect.

## **Draft EEA Passport Rights (Amendment, etc, and Transitional Provisions) (EU Exit) Regulations 2018**

On 24 July 2018, HM Treasury published a [draft version](#) of the above Regulations, together with [explanatory information](#).

The draft Regulations will amend references to EEA passporting rights in domestic legislation, which will become deficient as a result of the UK's exit from the EU. They will also implement a temporary permissions regime.

In the draft Regulations:

- Part 1 makes general provision as to citation, commencement and interpretation;
- Part 2 amends Part 3 of the Financial Services and Markets Act 2000 (FSMA) (authorisation and exemption) to repeal authorisations to carry on regulated activities, within the meaning of Part 2 of that Act, granted to EEA firms (Schedule 3 to that Act) and Treaty firms (Schedule 4 to that Act). The Schedule to the draft Regulations makes amendments consequential upon these repeals;
- Part 3 Chapter 1 makes modifications to Part 4A of FSMA for the purposes of the transitional provisions that follow;
- Part 3 Chapters 2 and 3 make provision for a person authorised to carry on regulated activities before exit day by virtue of the provisions repealed by Part 2 to continue to do so, by treating the person as having the requisite permission under Part 4A of FSMA, pending the determination of an application for permission, or variation of a permission, under that Part;
- Part 3 Chapter 4 provides the procedure by which a person may be so treated;
- Part 3 Chapter 5 provides for the period during which a person may be so treated;
- Part 3 Chapter 6 provides a power for HM Treasury to amend certain time limits set by the Regulations;
- Part 3 Chapter 7 provides saving provision;
- Part 3 Chapter 8 provides general and interpretative provision;
- Part 4 makes miscellaneous transitional provision in respect of other areas of financial services legislation which have a bearing on the provisions in Part 3.

HM Treasury says that it intends to lay the Regulations before Parliament in autumn 2018. The Regulations will come into force on the day after the day on which they are made, except for Regulations 2, 3 and 23 which will come into force on exit day.

### **FCA publishes update on the temporary permissions regime**

On 24 July 2018, the FCA published an [update](#) setting out more detail on how the temporary permissions regime will operate including its initial views on the FCA rules it proposes will apply to firms while they are in the regime.

The temporary permissions regime will enable relevant firms and funds which passport into the UK to continue operating in the UK if the passporting regime falls away abruptly when the UK leaves the EU.

The FCA's update contains sections on:

- the current situation;
- what will change post-Brexit;
- inbound firms and funds who can use the regime;
- the notification process for firms;
- rules which will apply to firms in the regime;
- the notification process for funds;
- temporary permissions regime funding;
- next steps.

The FCA says it will consult in autumn 2018 on the detail of the rules that it proposes should apply to firms and funds while they are in the regime, including fees and levies. The consultation paper will also set out further details of how the regime will operate. The FCA will then publish a policy statement and final rules early in 2019.

If there is no implementation period and the regime is required, the FCA would expect to open the notification window in early 2019.

Firms and fund managers should complete the FCA's short [online survey](#) for inbound firms and funds, if they have not already done so. No further action is required at this stage. The FCA will contact those firms and fund managers that have completed the survey directly when the consultation paper is published.

### **Brexit temporary permissions regime and temporary recognition regime: Bank of England and PRA approach**

On 24 July 2018, the Bank of England [announced](#) details of it and the PRA's approach to the temporary permissions and recognition regimes.

The aim of the temporary permissions and recognition schemes will be to allow firms who wish to continue carrying out business in the UK in the longer term to operate in the UK for a limited period after withdrawal while they seek authorisation or recognition from UK regulators.

Firms are encouraged to continue engaging with the Bank and PRA on their authorisation and recognition processes, including on how to make best use of the additional time provided by the implementation period in their planning. The Bank and PRA expect to publish further guidance to relevant firms on the temporary permissions and recognition regime in due course, including the notification process for entry. As [noted](#) by the PRA on 27 June 2018, it expects to consult, in co-ordination with the FCA, where appropriate, on proposed changes to its broader rules in autumn 2018.

### **The FCA's approach to Brexit: speech by Nausicaa Delfas**

On 19 July 2018, the FCA published a [speech](#) given by its Executive Director of International, Nausicaa Delfas, on the FCA's approach to Brexit.

Among other things Ms Delfas discussed:

- “cliff edge” risks relating to contract continuity;
- amendments to the FCA Rulebook necessary to reflect changes in UK legislation following the enactment of the European Union (Withdrawal) Act 2018. The FCA aims to consult on these changes in the autumn of 2018;
- the temporary permissions regime for EEA firms and funds using a UK passport. Ms Delfas said that the FCA will be issuing more communications on what firms will need to do in order to register for temporary permission, and will be consulting on the related rules;
- the FCA's expectations of firms. Ms Delfas set out some of the areas that the FCA has been discussing with firms and she announced that it has also published a new webpage: "[Preparing your firm for Brexit](#)". Among other things, this contains a set of questions to help firms decide if they conduct business in the EEA or if Brexit might affect their business;
- the FCA's future vision.

### **Draft Friendly Societies (Amendment) (EU Exit) Regulations 2018**

On 16 July 2018, HM Treasury published a [draft version](#) of the Friendly Societies (Amendment) (EU Exit) Regulations 2018, together with a related [explanatory memorandum](#).

The draft Regulations amend the Friendly Societies Act 1992 (the Act) and the Friendly Societies (Accounts and Related Provisions) Regulations 1994 to address failures of retained EU law to operate effectively, and other deficiencies arising from the UK's withdrawal from the EU.

One example of a deficiency that is being corrected is reference in the Act to Schedule 3 to the Financial Services and Markets Act 2000, which makes provision in domesticated law for the EEA financial services passport. The plan is to revoke Schedule 3 on the basis that the passport will be unworkable without a negotiated agreement with the EU. Consequently, the draft Regulations revoke any reference to the use and operation of the passport in the friendly societies legislation it amends. Other deficiencies being corrected in the Act are described in the explanatory memorandum as being mostly minor and technical. They include, for example, an amendment to a reference to "the law of any EEA State other than the United Kingdom" as the UK will no longer be an EEA state, and an amendment to the phrase "friendly society to which the Audit Directive applies" as that Directive will no longer apply when the UK leaves the EU. The legislation will now treat EEA states as third countries.

The draft Regulations, which have been made in exercise of the powers in sections 8(1) and 23(1) of the European Union (Withdrawal) Act 2018, will come into force on exit day.

### **Government White Paper on the future UK-EU relationship**

On 12 July 2018, the UK Government published a [White Paper](#) on the future relationship between the UK and the EU, which reiterates that the UK will leave the EU on 29 March 2019.

The White Paper contains chapters on the following aspects of the future UK-EU relationship:

- **economic partnership** (see chapter 1), including proposals for a free trade area for goods (with a facilitated customs arrangement), new arrangements on services and investment, including financial services (see section 1.3.4), and new arrangements on digital trade, including e-commerce. The new economic and regulatory arrangements for financial services would preserve the mutual benefits of integrated markets and protect financial stability while respecting the right of the UK and the EU to control access to their own markets, noting that these arrangements will not replicate the EU's passporting regimes;
- **security partnership** (see chapter 2), including law enforcement and criminal justice co-operation;
- **cross-cutting and other co-operation** (see chapter 3), including data protection;
- **institutional arrangements** (see chapter 4), which includes the idea of an association agreement which would support the smooth functioning of the relationship, provide for regular

dialogue and underpin the various forms of regulatory co-operation agreed between the UK and the EU.

### **European Union (Withdrawal) Act 2018 (Commencement and Transitional Provisions) Regulations 2018**

The above Regulations, [SI 2018/808](#), were made and published on 3 July 2018. The Regulations establish dates for the coming into force of certain provisions of the [European Union \(Withdrawal\) Act 2018](#) which did not come into force when the Act received Royal Assent on 26 June 2018.

### **FCA publishes approach to consumers paper and discussion paper on duty of care**

On 17 July 2018, the FCA published its [approach to consumers](#) document, which it had [consulted](#) on in November 2017, together with a [discussion paper](#) on the FCA's duty of care.

The approach to consumers document sets out:

- the FCA's vision for well-functioning markets that work for consumers;
- its relevant regulatory and legal framework;
- when and how it will act to protect consumers;
- its policy positions on key issues;
- its strategy for ensuring it advances its consumer protection objective with the greatest impact.

The discussion paper explores if there is a need for a specific duty of care requirement for firms in financial services. It explores if a new duty of care could enhance good conduct and culture and provide additional protections for consumers. The FCA says that it has published the discussion paper to:

- help it better understand whether there is a gap in its regulatory and legal framework, or the way it applies it in practice, that could be addressed by introducing a new duty;
- assess whether change is desirable and, if so, what form it could take, how it would work in practice alongside its current framework, and what consequences it would have for consumers, firms and the FCA;
- better understand and consider possible alternative approaches that might address stakeholders' concerns;
- understand what a new duty for firms might do to enhance good conduct and culture in financial services, and how this could influence consumer outcomes, alongside the senior managers and certification regime.

The discussion paper gives an overview of the existing regulatory and legal framework within which the FCA operates, and seeks views on potential changes through a new duty. It illustrates how the FCA applies this framework in practice using its suite of powers and tools and asks whether this is being effective in preventing harm to consumers.

The FCA also explains the various routes by which consumers can currently obtain redress when harm does occur, such as the Financial Ombudsman Service. It considers whether a new duty would provide an additional route by which consumers could secure redress, and whether that is needed.

Comments on the discussion paper are requested by 2 November 2018.

In order to clarify its expectations of firms and ensure good outcomes for consumers, particularly the vulnerable, the FCA plans to consult early in 2019 on guidance for firms on the identification and treatment of vulnerable consumers.

## **FCA publishes CP18/18: Guidance on regular premium PPI complaints and recurring non-disclosure of commission**

On 4 July 2018, the FCA published a consultation paper, [CP18/18](#), on proposed new guidance about the handling of certain regular premium payment protection insurance (PPI) complaints.

In March 2017, the FCA made rules in relation to the Supreme Court [judgment](#) in Plevin, which say that a lender's failure to disclose at point of sale a large commission payable out of the PPI premium can make the lender's relationship with the consumer unfair under the Consumer Credit Act 1974.

The FCA says that recent discussions with stakeholders have shown it that there is uncertainty about some complaints about regular premium PPI. Specifically, the FCA has become aware that some firms are rejecting, or intend to reject, any complaint involving undisclosed commission for restricted credit PPI sold before 6 April 2007.

The proposed new guidance clarifies that firms should assess commission disclosures not only at the point of sale but on an on-going basis, and that this should be assessed under the FCA's general (non-PPI specific) complaint handling rule (DISP 1.4.1R).

Comments are requested by 4 September 2018. If the FCA decides to proceed, it will issue a policy statement with finalised guidance in late autumn 2018, with an immediate implementation date.

Until the outcome of the consultation, the FCA asks firms not to reach or send reject decisions concerning PPI complaints that its proposed guidance would apply to.

## **SOLVENCY II – UK**

### **PRA modification by consent of group supervision obligations**

On 27 July 2018, the PRA published a [direction](#) in relation to a modification by consent of the Solvency II group supervision rules 20.1 and 20.2 with reference to US-parented undertakings. The PRA has also published a [document](#) containing information on the modification by consent

The PRA says that the group supervision provisions of the covered agreement signed by the EU and the US in September 2017 came into effect on 8 April 2018 and as a result, provisions of article 4 dealing with group supervision for US-parented groups are fully applicable.

The Solvency II Directive, as transposed in the UK by the Solvency 2 Regulations 2015, requires the PRA to achieve the objectives of group supervision through other methods if not by imposing the Solvency II group capital requirement and other group requirements at the level of the head of the insurance group.

The PRA is inviting firms with US-parented groups to apply a rule modification to reflect the covered agreement. The Solvency 2 Regulations 2015 are modified to align the Solvency II framework with the provisions of the covered agreement. The application process is standardised and this should improve the administrative efficiency for US-headed insurance groups in meeting UK regulatory requirements.

The effect of the modification is that rules 20.1 and 20.2 are amended to incorporate the "other methods". The modification takes effect on 1 October 2018, and ends on the earlier of the date rules 20.1 and 20.2 are revoked or no longer apply to a firm (in whole or in part) or 1 October 2021.

Firms who wish to take advantage of the modification should contact the PRA's assessment and monitoring team with a suitable request. The PRA will confirm in writing whether any requests have been granted, and will publish approved modification directions on the financial services register.

## **PRA publishes PS21/18: Solvency II: changes to reporting format**

On 26 July 2018, the PRA published a policy statement, [PS21/18](#), which provides feedback to responses to its April 2018 consultation paper, [CP11/18](#), on changes to the Solvency II reporting format.

In the consultation paper the PRA proposed to change the reporting format from Microsoft Excel workbooks to XBRL (eXtensible Business Reporting Language) standards for National Specific Templates, internal model outputs, market risk sensitivities and the standard formula reporting for firms with an approved internal model.

The policy statement also contains the PRA's final policy, as follows:

- the PRA Rulebook: Solvency II: Reporting Amendments Instrument (No 2) 2018, [PRA 2018/19](#), which comes into force on 31 December 2018;
- an [updated version](#) of Supervisory Statement SS25/15 "Solvency II: regulatory reporting, internal model outputs";
- an [updated version](#) of Supervisory Statement SS26/15 "Solvency II: ORSA and the ultimate time horizon - non-life firms";
- an [updated version](#) of Supervisory Statement SS7/17: "Solvency II: Data collection of market risk sensitivities"; and
- an [updated version](#) of Supervisory Statement SS15/16 "Solvency II: Monitoring model drift and standard formula SCR reporting for firms with an approved internal model.

All of the updated supervisory statements will come into effect on 31 December 2018. The changes to the reporting format will be effective for submissions of year-end 2018 information, from 31 December 2018 onwards.

## **PRA publishes PS20/18: Solvency II: internal models update**

On 13 July 2018, the PRA published a policy statement, [PS20/18](#), which provides feedback to its December 2017 consultation paper, [CP27/17](#), on Solvency II: internal models update. The policy statement also gives the PRA's final updated expectations of firms in respect of the model change process set out in [Supervisory Statement](#) (SS)12/16 "Solvency II: changes to internal models used by UK insurance firms", and internal model change policies set out in [Supervisory Statement](#) SS17/16 "Solvency II: internal models - assessment, model change and the role of non-executive directors".

As a result of requests from the respondents to the consultation paper the PRA has made a number of minor changes to the draft supervisory statements to provide greater clarity on the PRA's expectations.

The PRA proposes that the updates to the minor model change accumulation process and reporting processes would take effect from the day of publication of the policy statement, that is, 13 July 2018. Changes to the model change policy are subject to supervisory approval in accordance with Regulation 48 of the Solvency II Delegated Regulation and the PRA's expectations of that procedure, which are set out in paragraph 2.14 of the updated Supervisory Statement SS12/16.

## **PRA publishes PS19/18: Solvency II: internal models - modelling of the matching adjustment**

On 13 July 2018, the PRA published a policy statement, [PS19/18](#), which provides feedback to responses to its November 2017 consultation paper, [CP24/17](#), "Solvency II: internal models - modelling of the matching adjustment". It also provides the final version of [Supervisory Statement](#) [SS8/18](#) of the same title and an updated version of [Supervisory Statement](#) [SS17/16](#) "Solvency II: internal models - assessment, model change and the role of non-executive directors".

The PRA says that respondents generally welcomed the additional clarity on its expectations regarding the modelling of the matching adjustment (MA) for the purpose of calculating the solvency

capital requirement. However, respondents also raised several specific issues regarding the details of the proposals, particularly in respect of the risks that need to be allowed for when modelling the MA and considerations to be taken into account when rebalancing MA portfolios in order to maintain MA compliance in stress. There were also a number of points on which further clarification was requested.

The PRA has made changes to the draft supervisory statements after considering the responses to the consultation and further analysis. The PRA considers that these changes make the final policy clearer. Details of the responses and the PRA's feedback and final decisions are set out in chapter 2 of the policy statement.

The PRA says that the expectations set out in Supervisory Statement SS8/18 primarily apply to the risks arising from corporate bond assets within firms' MA portfolios. However, much of the supervisory statement could also be applied to other assets held in the MA portfolio and the PRA therefore expects firms to consider its content to be more widely applicable unless specifically stated otherwise. The PRA may issue further, more bespoke, expectations for the treatment of other assets within the MA portfolio as required. These will also be open to consultation and may be implemented as a new supervisory statement or as an amendment to Supervisory Statement SS8/18.

The expectations set out in Supervisory Statement SS8/18 will come into effect on the publication of the policy statement, that is, 13 July 2018.

### **PRA publishes PS18/18: Solvency II: matching adjustment**

On 13 July 2018, the PRA published a policy statement, [PS18/18](#), which provides feedback on responses to its October 2017 consultation paper, [CP21/17](#), "Solvency II: matching adjustment" and provides the final [Supervisory Statement SS7/18](#) of the same title, which sets out the PRA's expectations in respect of firms seeking to apply the matching adjustment (MA) to an eligible portfolio of assets and liabilities.

In the consultation paper, the PRA proposed to consolidate and update material previously set out in letters from directors and executive directors, and feedback statements published in the period 1 April 2013 to 15 February 2016, and also proposed some areas of updated guidance in light of experience following the introduction of Solvency II for UK firms. The consultation paper proposed to incorporate all the guidance in a draft supervisory statement.

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 does not consider that these change the substance of the guidance, but rather provide additional clarification where requested.

The expectations set out in the supervisory statement come into effect on the publication of the policy statement, that is, 13 July 2018.

### **PRA publishes letter to chief actuaries of life insurers**

On 13 July 2018, the PRA published the text of a [letter](#) sent by its Head of Division, Life Insurance and Pensions Risk Division, Sid Malik, to chief actuaries of life insurers relating to the first two and a half years of the Solvency II regime.

The purpose of the letter is to share some of the PRA's learnings and observations from its regulatory activities under the Solvency II regime, and to reiterate some of the expectations the PRA has published during that time.

Mr Malik says that there has been significant focus on the matching adjustment (MA), which is not surprising given the material benefit it provides to firms. The PRA sees this is an area where further embedding is necessary to streamline application processes and improve capital modelling in internal models.

Internal models remain at the forefront of the PRA's attention, in particular in areas of longevity risk, credit risk and dependency modelling. The efficiency of the PRA's assessment of firms' internal model applications relies on the quality of the application, model validation and the internal model documentation.

The PRA has also considered other aspects of regulatory requirements introduced by Solvency II, including observations from its thematic reviews on the projection periods for calculating the technical provisions for unit linked products, and firms' approaches to stress testing in their own risk and solvency assessments.

The PRA reminds chief actuaries that their role is a senior insurance management function within the senior insurance managers regime (SIMR). It expects chief actuaries to keep up-to-date with their duties under the SIMR.

The letter explores the above topics in detail and concludes by alerting firms to a number of initiatives the PRA is embarking on. These include:

- a review of its internal guidance to assess proxy models as part of firms' applications for internal model approval or changes to an existing internal model. As part of this process, the PRA is conducting a survey with firms that seeks to capture, at a high level, firms' approach to proxy modelling;
- the PRA further developing its views on the modelling of less liquid assets, in particular the treatment of these assets and their associated MAs within firms' internal models.

### **Solvency II group supervision: PRA policy statement, supervisory statement and consultation paper**

On 12 July 2018, the PRA published a policy statement, [PS17/18](#), which provides feedback on the responses to its November 2016 consultation paper, [CP38/16](#), on amendments to Supervisory Statement (SS) 9/15 on Solvency II group supervision, and also contains the final [Supervisory Statement SS9/15](#). The policy in the revised supervisory statement takes immediate effect.

After considering the responses to the consultation paper, the PRA has made changes to the draft SS9/15 consulted on. Details of these changes are given in paragraphs 1.8 to 1.12 and chapter 2 of the policy statement. The supervisory statement sets out the PRA's updated expectations for group supervision and incorporates the PRA's July 2014 letter "Solvency II: an update on implementation" which will be archived following the publication of the updated supervisory statement.

The PRA has also published a consultation paper, [CP15/18](#), on Solvency II group own fund availability which sets out its proposals to further amend SS9/15 for its expectations for assessments of the availability of own funds to cover the group solvency capital requirement. The proposals in the consultation paper provide details on certain aspects of how own funds should be assessed as available, and to address responses to CP38/16 on this aspect of the PRA's proposed policy. The further consultation covers only material in section 5A (availability of group own funds) of the supervisory statement.

Comments are requested by 12 November 2018.

### **PRA publishes PS16/18: Changes in insurance reporting requirements**

On 6 July 2018, the PRA published a policy statement, [PS16/18](#), which provides feedback to responses to its January 2018 consultation paper, [CP2/18](#), on changes in insurance reporting requirements.

After considering the responses, the PRA has made minor amendments to the draft rules and LOG files to provide further clarity on completion of the relevant national specific templates. The PRA considers that the changes enhance the clarity of the final rules and will therefore reduce the burden

on firms relative to the original proposal in the consultation paper. Chapter 2 of the policy statement summarises the issues raised by respondents and provides further details of the changes.

The PRA's final policy has also been published as follows:

- amendments to the Reporting Part of the PRA Rulebook made by the PRA Rulebook: Solvency II Firms: Reporting Amendments (No 1) Instrument 2018, [PRA 2018/17](#), which comes into force on 31 December 2018;
- amendments to the Change in Control Part of the PRA Rulebook, made by the PRA Rulebook: Change in Control Amendment (No 1) Instrument 2018, [PRA 2018/18](#), which comes into force on 1 September 2018;
- [Supervisory Statement SS6/18](#): "National specific templates LOG files", which comes into effect on 31 December 2018;
- an updated version of [Supervisory Statement SS11/15](#): "Solvency II: Regulatory reporting and exemptions", the changes to which will apply from the third quarter of 2018 onwards.

### **Solvency II reporting obligation: PRA modification by consent**

On 6 July 2018, the PRA published a [direction](#) relating to a modification by consent of the Solvency II reporting obligation set out in rule 2.2(1) of the Reporting Part of the PRA Rulebook, together with a related explanatory [document](#).

This modification will exempt category 4 and 5 insurance firms from reporting to the PRA the solo and group templates provided in the Solvency II Regulations with a frequency of less than one year (that is, quarterly reporting), subject to the table outlined in [Supervisory Statement SS11/15](#) on Solvency II: regulatory reporting and limitations.

The PRA has previously stated that category 4 and 5 firms may meet the eligibility criteria for the limitation of regular supervisor reporting with a predefined period of less than one year. It invited these firms to make a formal application for a quarterly reporting waiver after discussing eligibility with their usual supervisory contacts. The PRA has now revised the expectations in SS11/15 regarding the application process for category 4 and 5 firms, both solo and/or part of a group, to replace the application with a modification by consent, unless specifically instructed by a firm's supervisory contact. This is intended to reduce the reporting burden on smaller firms.

The modification takes effect from 30 September 2018, and ends on the date rule 2.2(1) is revoked or no longer applies to a firm (in whole or in part).

The direction says that the PRA has identified those firms it believes meet the criteria outlined in the modification, and has contacted them directly to offer the modification. Firms that have not been contacted directly but believe they meet the requirements and should be able to take advantage of the modification should read the direction and contact the PRA's assessment and monitoring team with a suitable request. The PRA will confirm in writing whether requests have been granted and will publish the approved modification direction on the financial services register.

### **PRA publishes CP13/18: Solvency II: equity release mortgages**

On 2 July 2018, the PRA published a consultation paper, [CP13/18](#), setting out further details on its expectations in respect of firms investing in equity release mortgage (ERMs) portfolios, as set out in chapter 3 of [Supervisory Statement \(SS\) 3/17](#). The PRA has also published a [Dear CEO letter](#) from its Executive Director, Insurance Supervision, David Rule, which highlights some of the key points in the consultation paper.

SS3/17 sets out the PRA's expectations in respect of firms investing in illiquid, unrated assets within their Solvency II matching adjustment (MA) portfolios.

The purpose of the proposals is to ensure that, where firms have invested in ERMs and have approval to use the MA or transitional measure on technical provisions (TMTP), their technical provisions (TPs) are not understated and that their Solvency II and individual capital adequacy standards (ICAS) balance sheets include appropriate allowance for the risks to which they are (directly or indirectly) exposed.

The proposals included in the consultation paper are:

- firms using the approach and minimum calibration proposed would meet the PRA's expectations for assessing the allowance for no negative equity guarantee NNEG risk for the purposes of the effective value test (EVT);
- firms holding ERMs should include an explicit allowance for "other risks" within the EVT;
- where firms holding restructured ERMs in their MA portfolio cannot meet the EVT then this suggests that they may be taking an inappropriately large MA benefit. Accordingly, they will need to review their current approach and consider making changes to the structure, valuation or rating of restructured ERMs to ensure that they are able to calculate their MA benefit consistently with Solvency II requirements;
- firms holding ERMs that benefit from the TMTP should adopt the same approach to an assessment of NNEG and other risks for their ICAS TP calculations as they do for Solvency II TP calculations for the purposes of calculating TMTP to ensure consistency between the calculation bases; and
- firms should consider whether they need to revise their internal models in response to any changes as above.

Comments are requested by 30 September 2018. The proposed implementation date for the proposals in the consultation paper is 31 December 2018.

## INTERNATIONAL

### **EIOPA publishes the third paper of a series on systemic risk and macroprudential policy in the insurance sector**

On 31 July 2018, the European Insurance and Occupational Pensions Authority (EIOPA) published the third in a series of papers with the aim of contributing to the debate on systemic risk and macroprudential policy.

In the [first paper](#), "Systemic risk and macroprudential policy in insurance", EIOPA identified and analysed the sources of systemic risk in insurance and proposed a specific macroprudential framework for the sector. In the [second paper](#), "Solvency II tools with macroprudential impact", EIOPA identified, classified and provided a preliminary assessment of the tools or measures already existing within the Solvency II framework, which could mitigate any of the systemic risk sources that were previously identified.

The [third paper](#), "Other potential macroprudential tools and measures to enhance the current framework" builds on and supplements the previous ones. EIOPA carried out an analysis focusing on four categories of tools:

- capital and reserving-based tools;
- liquidity-based tools;
- exposure-based tools;
- pre-emptive planning.

The paper focuses on whether a specific instrument should or should not be further considered. EIOPA says that this is an important aspect in light of future work in the context of the Solvency II review.

### **IAIS consults on draft version of ComFrame**

On 31 July 2018, the International Association of Insurance Supervisors (IAIS) published a [consultation](#) on the draft overall common framework for the supervision of internationally active insurance groups (ComFrame).

The IAIS says that only ComFrame material is subject to consultation. The insurance core principle text is not subject to consultation and is published only for information purposes as context for ComFrame material.

Detailed background information on the content of the material published for consultation and the process of ComFrame development is provided in a cover note, available on the above webpage. A comparison table is also provided for information, to enable respondents to better understand the changes made in the previous versions of particular parts of the ComFrame material. A set of questions has also been published.

The IAIS is holding a public background session on the consultation on 29 August 2018. Comments on the draft ComFrame are requested by 30 October 2018.

### **IAIS consults on version 2 of the risk-based global insurance capital standard**

On 31 July 2018, the IAIS published a [consultation](#) on version 2.0 of its risk-based global insurance capital standard (ICS).

The purpose of this consultation is to solicit feedback from stakeholders on the ICS ahead of the completion of ICS version 2.0, scheduled for late-2019, before the monitoring period begins on 1 January 2020. The consultation covers both issues related to the ICS version 2.0 monitoring period and the technical aspects of the design and calibration of ICS version 2.0.

The IAIS is holding a public background session on the consultation on 29 August 2018. Comments on the consultation are requested by 30 October 2018.

### **IAIS interim response to consultation on integrating ComFrame materials into ICPs 8, 15 and 16**

In November 2017, the IAIS published a [consultation](#) on integrating ComFrame material into insurance core principles (ICPs) 8, 15 and 16. On 31 July 2018, the IAIS published a [document](#) containing its interim response to the comments made on the consultation.

The draft overall ComFrame, which it published for consultation on 31 July 2018 (see item 6.3 above), also reflects comments received to the November 2017 consultation.

The draft revised ICPs 8, 15 and 16 will be published for information purposes only following their endorsement by the IAIS Executive Committee in November 2018. Both the revised ICPs and the overall ComFrame are expected to be adopted in 2019.

### **EIOPA publishes discussion paper on national insurance guarantee schemes**

On 30 July 2018, EIOPA published a [discussion paper](#) on resolution funding and national insurance guarantee schemes as a follow-up to its July 2017 [opinion](#) on the harmonisation of recovery and resolution frameworks for (re)insurers across EU Member States.

EIOPA says that in the EU there are different sources of resolution funding available for failing insurers and the landscape for insurance guarantee schemes is also significantly fragmented. EIOPA proposes a minimum degree of harmonisation in the EU which would benefit policyholders, the insurance market and more broadly financial stability in the EU.

EIOPA is seeking feedback from stakeholders regarding this assessment and the potential design features of insurance guarantee schemes such as their scope, funding and coverage.

Comments are requested by 26 October 2018.

### **IAIS and SIF issues paper on climate change risks for the insurance sector**

On 27 July 2018, the IAIS and the Sustainable Insurance Forum (SIF) published the final version of an [issues paper](#) on climate change risks to the insurance sector. The IAIS and SIF had consulted on the paper in March 2018.

The aim of the issues paper is to raise awareness for insurers and supervisors of the challenges presented by climate change, including current and contemplated supervisory approaches for addressing these risks. It provides an overview of how climate change is currently affecting and may affect the insurance sector now and in the future, provides examples of current material risks and impacts across underwriting and investment activities, and describes how these risks and impacts may be of relevance for the supervision and regulation of the sector. The paper explores potential and contemplated supervisory responses, and reviews observed practices in different jurisdictions, in doing so, it identifies gaps and emerging areas which need to be resolved to allow for effective supervision. Finally, the paper offers preliminary insights from practice, and initial conclusions relating to the supervision of climate change risks to the insurance sector.

The issues paper is intended to be primarily descriptive, and is not meant to create supervisory expectations.

### **European Commission Communication on preparing for the withdrawal of the UK from the EU**

On 19 July 2018, the European Commission [announced](#) the publication of a [Communication](#) on preparing for the withdrawal of the UK from the EU. An [annex](#) to the Communication and a [factsheet](#) "Seven things businesses in the EU27 need to know in order to prepare for Brexit" have also been published.

On 30 March 2019, the UK will leave the EU and become a third country. The Communication says that this will have repercussions for citizens, businesses and administrations in both the UK and the EU. These repercussions range from new controls at the EU's outer border with the UK, to the validity of UK-issued licences, certificates and authorisations and to different rules for data transfers. The Commission says that preparing for the UK's withdrawal is not only the responsibility of the EU institutions, it is a joint effort at EU, national and regional levels, and also includes in particular economic operators and other private parties. Everyone must now step up preparations for all scenarios and take responsibility for their specific situation.

Stakeholders, as well as national and EU authorities, need to prepare for two possible main scenarios:

- if the Withdrawal Agreement is ratified before 30 March 2019, EU law will cease to apply to and in the UK on 1 January 2021, that is, after a transition period of 21 months;
- if the Withdrawal Agreement is not ratified before 30 March 2019, there will be no transition period and EU law will cease to apply to and in the UK as of 30 March 2019. This is referred to as the "no deal" or "cliff-edge" scenario.

The Communication summarises possible preparedness challenges and actions in various sectors, including financial services, and refers to the preparedness notices already prepared by the Commission services

The Commission invites the European Parliament and the Council of the European Union to give priority treatment to the legislative proposals that relate to Brexit, so that they can enter into force by the withdrawal date.

The Commission says that it will continue and increase its preparedness work, and will review the situation after the European Council meeting in October 2018.

## **IDD: EIOPA publishes two sets of Q&As**

On 19 July 2018, EIOPA published its second set of questions and answers (Q&As) providing practical guidance on the application of the Insurance Distribution Directive (IDD) and its implementing regulations.

The Q&As are as follows:

- [Q&As on insurance distribution](#);
- [Q&As on information requirements and conduct of business rules applicable](#);
- [Q&As on product oversight and governance requirements for insurance](#);
- [Q&As on lists of regional governments and local authorities exposures](#).

EIOPA published its first set of Q&As on 12 July 2018. The Q&As are:

- [Q&As for requirements for the product oversight and governance arrangements](#);
- [Q&As on the additional regulatory requirements for insurance-based investment products](#).

## **EIOPA publishes report on causes of insurers' failures and near misses**

On 17 July 2018, EIOPA published a [report](#): "Failures and near misses in insurance: overview of the causes and early identification". The focus of the report is the examination of the causes of failure in insurance, as well as the assessment of the reported early identification signals.

The report is the first of a series aimed at enhancing supervisory knowledge of the prevention and management of insurance failures. The findings are based on information contained in EIOPA's database of failures and near misses, which covers the period from 1999 to 2016, and use sample data of 180 affected insurance undertakings in 31 European countries.

In the first part of the report the framework underlying the concepts of "failure" and "near miss" and the construction process of EIOPA's database are explained, followed by an overview of the stylised facts and statistics.

Among other things, the report says that the two most common general causes of failure and near miss reported in the EIOPA database are linked to underlying internal risks of the insurer, that is, the risk that management or staff lack the necessary skills, experience or professional qualities and the risk of inadequate or failed systems of corporate governance and overall control.

On early identification of failures and near misses in insurance, EIOPA says that the most commonly reported early identification signal, by a significant margin, is the deteriorating capital strength and/or low solvency margin of the undertaking. This is followed by poor management, and then high expenses and low profitability.

## **EIOPA launches EU-wide thematic review on consumer protection issues in travel insurance**

On 17 July 2018, EIOPA [announced](#) the launch of a thematic review on consumer protection issues in travel insurance. The purpose of the review is to identify consumer protection issues in travel insurance and possible actions to ensure better consumer protection.

Through the review, EIOPA will assess potential sources of consumer detriment stemming from how travel insurance products are designed, distributed and sold within the EU. In particular, EIOPA will consider the impact of emerging distribution and business models on consumers and, more broadly, on the insurance industry. Where the impact results in consumer detriment, EIOPA intends to identify the steps needed to ensure that consumers are treated fairly.

Given that travel insurance is frequently sold through cross-selling as an ancillary product, EIOPA will pay special attention to these distribution practices. The aim is to identify best practices to provide

guidance to insurance undertakings in implementing national provisions of the Insurance Distribution Directive for the distribution of travel insurance as well as other types of insurance products.

The thematic review will be conducted in close co-operation with national competent authorities who will identify and gather data from participating insurance companies. EIOPA plans to publish the key findings from the review in the first quarter of 2019.

### **EIOPA launches thematic review on Big Data**

On 6 July 2018, EIOPA [announced](#) the launch of an EU-wide thematic review on Big Data as a follow-up to the European Supervisory Authorities' cross-sectorial [review](#) of the use of Big Data which was published in March 2018.

The purpose of the review is to gather empirical evidence on the use of Big Data by insurance undertakings and intermediaries along the whole insurance value chain, that is, in pricing and underwriting, in product development, in claims management, as well as in sales and marketing. The review specifically focuses on the motor and health insurance markets.

The review will analyse the potential benefits and risks arising from Big Data for both the industry and consumers to determine what, if any, supervisory and regulatory actions are needed. It will assess new business models and data quality issues arising from Big Data, including implications for consumers. It will also enhance the understanding of new types and sources of data and data analytics tools used by insurance undertakings and intermediaries.

The review will be conducted in close co-operation with national competent authorities (NCAs) with a view to covering at least 60% of the motor and health insurance markets in each Member State.

EIOPA has sent the following quantitative and qualitative questionnaires to NCAs, consumer associations and representative sample of insurance undertakings:

- [consumer associations survey](#);
- [NCA survey](#);
- [insurance industry survey](#).

EIOPA will collect the data during July and August 2018, and plans to publish the key findings of the review in the first quarter of 2019.

## **SOLVENCY II - EU**

### **Commission Implementing Regulation laying down technical information for the calculation of technical provisions and basic own funds for reporting with reference dates from 30 June 2018 until 29 September 2018 published in the Official Journal**

On 31 July 2018, the text of [Commission Implementing Regulation \(EU\) 2018/1078](#) of 30 July 2018 laying down technical information for the calculation of technical provisions and basic own funds for reporting with reference dates from 30 June 2018 until 29 September 2018 in accordance with the Solvency II Directive was published in the Official Journal of the European Union.

In order to ensure uniform conditions for the calculation of technical provisions and basic own funds by insurance and reinsurance undertakings for the purposes of the Solvency II Directive, technical information on relevant risk-free interest rate term structures, fundamental spreads for the calculation of the matching adjustment and volatility adjustments should be laid down for every reference date.

Insurance and re-insurance undertakings should use the technical information, which is based on market data related to the end of the last month preceding the first reporting reference date to which this Regulation applies. On 5 July 2018, EIOPA provided the European Commission with the technical information related to end of June 2018 market data. That information was published on 5 July 2018 in accordance with Article 77e(1) of the Solvency II Directive.

The Implementing Regulation entered into force on the day following that of its publication in the Official Journal. It applies from 30 June 2018.

### **EIOPA amendments to Commission Implementing Regulations**

On 16 July 2018, EIOPA published the text of a [letter](#) sent by its Chairman, Gabriel Bernardino, to the European Commission's Vice President, Valdis Dombrovskis, submitting for Commission endorsement the following draft implementing technical standards (ITS) proposing amendments and corrections:

- a [draft amendment](#) to the Commission Implementing Regulation (EU) 2015/2450 of 2 December 2015 laying down ITS with regard to the templates for the submission of information to the supervisory authorities in accordance with the Solvency II Directive;
- a [draft amendment](#) to the Commission Implementing Regulation (EU) 2015/2452 of 2 December 2015 laying down ITS with regard to the procedures, formats and templates of the solvency and financial condition report in accordance with the Solvency II Directive.

The aim of the amendments is to provide legal certainty and facilitate correct reporting as well as the disclosure process for insurers. EIOPA had [consulted](#) on the amendments in March 2018.

The Commission will now consider the draft Implementing Regulations with a view to endorsing the ITS.

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