

UK

- Dormant assets scheme: HM Treasury and DCMS consult on expansion
- FCA publishes its sector views 2020
- Lloyd's Market Association 2020 priorities
- FCA publishes PS20/3: Signposting to travel insurance for consumers with pre-existing medical conditions

BREXIT

- UK government policy paper on approach to UK-EU future relationship negotiations
- Council of the EU Decision on UK-EU future relationship negotiations
- UK-EU negotiations: European Parliament resolution on mandate
- FCA and BoE publish statements on impact of Brexit transition period on temporary transitional directions
- HM Treasury publishes guidance on UK financial sanctions in transition period
- FCA updates its webpage on considerations for UK firms after the implementation period

INTERNATIONAL

- European Commission report on consumer testing to improve PRIIPs KID
- IAIS insurance capital standard: monitoring period
- IAIS insurance capital standard: EIOPA statement
- EIOPA publishes Supervisory Statement on low interest rate environment
- PEPP Regulation: EIOPA consults on draft ITS on supervisory reporting and co-operation
- EIOPA publishes final guidelines on cloud service provider outsourcing
- EIOPA publishes its strategy on cyber underwriting
- EIOPA publishes discussion paper on IBOR transitions
- EIOPA publishes report on lessons learned from its crisis walkthrough exercise
- EIOPA supervisory technology strategy
- EIOPA publishes its supervisory convergence plan for 2020
- Mortgage life and other credit protection insurance sold through banks: EIOPA thematic review

SOLVENCY II

- Solvency II 2020 review: ESRB report on macro-prudential policy for insurance sector

- **Implementing Regulation on technical information for calculation of technical provisions and basic own funds for Q1 2020 reporting**
- **Solvency II 2020 review: European Commission speech**
- **Solvency II 2020 review: further EIOPA consultation**

UK

Dormant assets scheme: HM Treasury and DCMS consult on expansion

HM Treasury and the Department for Digital, Culture, Media and Sport (DCMS) jointly published on 21 February 2020, a [consultation paper](#) on expanding the dormant assets scheme established under the Dormant Bank and Building Society Accounts Act 2008. The consultation follows an industry-led [report](#) by four business leaders which made a series of recommendations on how to broaden the current scheme beyond bank and building society accounts.

The government is consulting on expanding the scheme to the following sectors:

- insurance and pensions;
- investment and wealth management; and
- securities.

Given the significant changes to the pensions landscape in recent years and the government's commitment to pensions dashboards, it is minded to exclude pensions from an expanded dormant assets scheme at this stage. However, it encourages views on this as part of the consultation process.

Assets proposed to be within the scope of the expansion include:

- dormant insurance policy proceeds;
- dormant share proceeds;
- dormant unit proceeds;
- dormant distributions and proceeds from investment assets; and
- other dormant security distributions.

Customers will always be able to reclaim the same amount they would have had if their assets were never transferred, as they do in the current scheme, and companies would continue to participate on a voluntary basis.

Under the scheme, funds are held by Reclaim Fund Ltd (RFL). RFL is authorised and regulated by the Financial Conduct Authority (FCA), and holds sufficient money to cover any reclaims while distributing the surplus to The National Lottery Community Fund for social or environmental initiatives across the UK. There are currently over 30 participating firms listed on the [RFL website](#).

The consultation ends on 16 April 2020.

FCA publishes its sector views 2020

On 18 February 2020, the Financial Conduct Authority (FCA) published its sector views. These provide the FCA's annual analysis of the changing financial environment and the resulting impact on consumers and market effectiveness.

The sector views are based on the data available as at mid-2019. They enable the FCA to keep its priorities under review and focus its resources effectively for the 2020/21 business plan.

The FCA has identified four common drivers of change emerging across each of the sectors it regulates. These are:

- The macro-economic environment
- Societal changes
- Technology
- Brexit

The main drivers of change in the general insurance and protection sector are technology developments changing how consumers and insurers interact, Brexit and ongoing low interest rates, which continue to put pressure on insurers' margins.

The two common drivers for much of the identified harm are poor culture and low consumer engagement. In particular, the FCA's findings on harm relate to the following:

Retail and protection themes:

- Pricing practices in personal lines still penalise loyal customers;
- Add-on prices continue to cause harm to consumers;
- Complex distribution chains and products are contributing to poor value;
- Consumers with specific needs are facing barriers to insurance products; and
- Misuse of customer data can harm consumers, particularly vulnerable consumers.

Wholesale themes:

- Non-financial misconduct in the London market poses a threat to market integrity. The publicised cases of poor non-financial conduct, including cases of bullying and harassment in the London market, pose harm to market integrity. Despite being non-financial misconduct, it raises concerns of whether the broader culture in the London market can proactively identify poor financial conduct leading to other harm, such as managing conflicts of interest; and
- Higher prices from inefficiencies in the London market. The higher expenses of the London market are driven by higher acquisition costs, reflecting the more complex and specialty products being sold in London, but also the slower adoption by these firms of technological solutions that deliver more efficient processes.

Lloyd's Market Association 2020 priorities

The Lloyd's Market Association (LMA) published a [press release](#) on 10 February 2020, indicating its objectives for 2020. Its priorities include:

- the successful delivery of the "Future at Lloyd's";
- addressing the challenges of Brexit;
- the roll-out of underwriting standards for modernised syndication;
- establishing pilot exercises to transform the claims service model and initiate Electronic Claims Files (ECF) replacement;
- supporting the electronic placing platform (PPL) re-platform;
- working with Lloyd's to drive a common set of data standards; and
- exploring the implications for the market of the Bank of England stress test requirements in respect of climate risk.

FCA publishes PS20/3: Signposting to travel insurance for consumers with pre-existing medical conditions

On 5 February 2020, following its consultation in CP19/23, the FCA published a policy statement, [PS20/3](#), introducing new signposting rules and guidance to help customers with pre-existing medical conditions (PEMCs) better navigate the travel insurance market and find affordable cover for their conditions.

Most respondents to the consultation broadly agreed with the concept of signposting. However, most opposed the proposal to signpost all customers who faced additional costs because of their condition (a PEMC loading). Respondents believed that this would capture too many customers who would not benefit from being signposted to providers specialising in cover for more serious medical conditions. The FCA has therefore modified its approach in this area, requiring firms to signpost to the directory where a customer has a PEMC loading of £100 or more.

Also, in response to feedback, the FCA has extended the implementation period from three to nine months. However, firms will have to include details of the directory on their website within 30 days of becoming aware of the directory going live.

Appendix 1 to PS20/3 sets out the FCA Handbook Instrument making these changes: the [Insurance: Conduct of Business Sourcebook \(Access to Travel Insurance\) Instrument 2020 \(FCA 2020/3\)](#). The instrument comes into force on 5 November 2020, with the exception of Annex A and Part 1 of Annex B, which come into force on 1 June 2020.

BREXIT

UK government policy paper on approach to UK-EU future relationship negotiations

On 27 February 2020, the UK government published a [policy paper](#) on its approach to negotiations on the future UK-EU relationship. In the paper, the government sets out its proposals for the contents and structure of a comprehensive free trade agreement (CFTA) between the UK and the EU. In the area of financial services, the agreement states that:

- The agreement should promote financial stability, market integrity, and investor and consumer protection for financial services, providing a predictable, transparent, and business-friendly environment for cross-border financial services business.
- The agreement should include legally binding obligations on market access and fair competition, in line with recent CETA precedent.
- The agreement should also build on recent precedent, such as the EU-Japan EPA and international best practice, by establishing regulatory cooperation arrangements that maintain trust and understanding between our autonomous systems of regulation as they evolve. This could include appropriate consultation and structured processes for the withdrawal of equivalence findings, to facilitate the enduring confidence which underpins trade in financial services.
- The UK and the EU have committed to carrying out unilateral equivalence assessments for financial services, distinct from the CFTA. The fact that the UK leaves the EU with the same rules provides a strong basis for concluding comprehensive equivalence.

More generally, the government states that it will not agree to any obligations for the UK's laws to be aligned with the EU's or for the EU's institutions to have any jurisdiction in the UK. It also reiterates that it will not apply to extend the transition period.

Council of the EU Decision on UK-EU future relationship negotiations

On 13 February 2020, the Council of the EU adopted a [Decision](#) authorising the opening of negotiations on the future UK-EU relationship. An [Annex](#) published alongside the Decision contains negotiating directives setting the scope of the negotiating mandate and constitutes a finalised mandate to the European Commission to be the EU's official negotiator. In the financial services section, the EU mandate states:

- The envisaged partnership should reaffirm the parties' commitment to preserving financial stability, market integrity, investor and consumer protection and fair competition, while respecting the parties' regulatory and decision-making autonomy, and their ability to take equivalence decisions in their own interest. This is without prejudice to the parties' ability to adopt or maintain any measure for prudential reasons. The key instrument the parties will use to regulate interactions between their financial systems will be their respective unilateral equivalence frameworks.
- The cooperation on financial services should establish close and appropriately structured voluntary cooperation on regulatory and supervisory matters, including in international bodies. This cooperation should preserve the EU's regulatory and supervisory autonomy. It should allow for informal exchange of information and bilateral discussions on regulatory initiatives and other issues of interest. It should ensure, where possible, appropriate transparency and stability of the cooperation.
- Equivalence mechanisms and decisions remain defined and implemented on a unilateral basis by the EU. In this framework, transparency and appropriate consultation between the EU and the UK in relation to equivalence decisions is important, while preserving the EU's regulatory and supervisory autonomy.

Separately, Michel Barnier, the EU's chief negotiator on its future relationship with the UK, has given a [speech](#) on cooperation in the age of Brexit. In his speech, Mr Barnier states that the EU will make equivalence determinations when it is in the interest of the EU, its financial stability, its investors and its consumers. He warns that equivalence decisions will never be global or permanent and that they are, and will remain, unilateral decisions. He rejects the idea that these determinations will be subject to joint management with the UK.

UK-EU negotiations: European Parliament resolution on mandate

The European Parliament has adopted a [resolution](#) on the proposed mandate for negotiations for a new partnership with the UK, setting out its position on the draft negotiating directives proposed by the European Commission on 3 February 2020.

The European Parliament broadly supports to the position set out in the Commission's draft negotiating directives. It wants an association agreement with the UK to be as deep as possible, based on three main pillars: an economic partnership, a foreign affairs partnership and specific sectoral issues. However, the European Parliament emphasises that a non-EU country cannot enjoy the same rights as a member state and the integrity of the Single Market and the customs union must be maintained. Specifically, it believes that future competition with the EU must be kept open and fair through a "level playing field". This would include guarantees for equal rules on, among other things, social, environmental, tax, state aid, consumer protection and climate matters.

In the area of financial services, the European Parliament states that:

- in any free trade agreement (FTA) with the UK, commitments on services should be made with the aim of delivering a level of liberalisation in trade in services well beyond the parties' World Trade Organization commitments, building on recent EU FTAs;
- the FTA should include a prudential carve-out and limitations in the cross-border provisions of financial services, as these are a customary feature of EU trade agreements;
- market access should be based on equivalence decisions, which should be provided if the EU is satisfied that the UK regulatory and supervisory regime and standards are and continue to be fully equivalent to those of the EU, reflecting the provisions agreed upon for a level playing field;

- once equivalence has been granted towards the UK, an effective mechanism should be put in place to guarantee that equivalence is maintained over time (noting that that the EU can withdraw the status of equivalent unilaterally at any moment); and
- any future framework should safeguard financial stability in the EU and respect its regulatory and supervisory regime and standards and their application, while maintaining the EU regulatory and decision-making autonomy.

FCA and BoE publish statements on impact of Brexit transition period on temporary transitional directions

The FCA and the Bank of England (BoE) have published information on the status of the temporary transitional directions made, or to be made, by the FCA, the Prudential Regulation Authority (PRA) and the BoE in preparation for a no-deal Brexit.

The FCA has revised the [webpage](#) on its February 2019 policy statement on the transitional directions (PS19/5) to state that the directions made by the FCA were not required, given that EU law continues to apply during the transition period. Consequently the directions did not come into force at 11pm on 31 January 2020. The FCA states that it will update firms on the position for the period after the transition period "in due course".

The BoE has revised its [webpage](#) on transitioning to post-exit rules and standards to confirm that it has not made final versions of the BoE and PRA transitional directions or published updated transitional guidance materials. The BoE and PRA intend to communicate on the status of the transitional directions before the end of the transition period. The BoE and/or PRA may issue further statements or updates in relation to this topic, including in relation to any EU materials that begin to apply during the transition period. It has also published a [new webpage](#) on the European Union (Withdrawal Agreement) Act 2020 (WAA).

The BoE and the FCA have confirmed that the deferral mechanisms in the European Union (Withdrawal Agreement) Act 2020 has the effect of deferring the entry into force of EU Exit Instruments and rulebook instruments until the end of the transition period.

HM Treasury publishes guidance on UK financial sanctions in transition period

HM Treasury has published "[UK financial sanctions: general guidance](#)", describing the process of sanctions implementation during the transition period.

The guidance reminds practitioners that the Sanctions and Anti-Money Laundering Act 2018 (SAML) will allow sanctions to continue uninterrupted on 1 January 2021 and that secondary legislation under SAML will transfer existing EU-derived sanctions into UK law. During the transition period, the UK also has the power to implement its own autonomous sanctions by the laying of regulations under SAML, but where these regulations have been laid, they will not come into force fully until 11.00 pm on 31 December 2020.

FCA updates its webpage on considerations for UK firms after the implementation period

The FCA has updated its webpage, "[Considerations for UK firms after the implementation period](#)". The webpage covers the following topics:

- questions to help firms assess whether their business might be affected at the end of the transition period;
- ways firms may be able to access the EEA which may not be affected by the end of the transition period;

- servicing EEA customers;
- outsourcing;
- payments to and from the EEA; and
- engaging with non-UK regulators.

INTERNATIONAL

European Commission report on consumer testing to improve PRIIPs KID

On 27 February 2020, the European Commission published a final report (FISMA/2019/016/C) on consumer testing of the key information document (KID) under the PRIIPs Regulation ((EU) 1286/2014).

The report sets out the findings from an online consumer testing exercise involving over 7,600 participants in five countries using ten different versions of the KID for three different types of PRIIPs (investment funds, structured products and insurance-based investment products (IBIPs)). The versions included potential future performance scenarios, past performance information and illustrative scenarios.

The exercise tested the effectiveness of presented information to retail investors within the PRIIPs framework. In particular, it gathered evidence on how retail investors interpret the figures presented to them and the most appropriate ways to communicate the limitations of, or assumptions underlying, these figures. The overall aim is that the information provided in the KID should be well understood by retail investors and allows them to compare and select among different investment products.

Generally, the results of the testing suggest that the final investment decision is not affected by the version of the KID. However, the results also show that the KID design can play an important role in helping consumers understand the features of retail investment products and can also contribute to better informed decision making. The detailed findings and conclusions are set out in section 7 of the report.

The results of the exercise will feed into the European Supervisory Authorities' (ESAs) review of the PRIIPs Delegated Regulation ((EU) 2017/6532), which sets out the content and format of the KID. Among other things, it specifies the format of the performance scenarios and the methodology to be used to generate the figures presented. There are concerns the existing performance scenarios may provide retail investors with inappropriate expectations about the possible returns they may receive. As a result, the ESAs are assessing if changes to the content and format of the performance scenarios are necessary. They are also assessing how, and the extent to which, including information on past performance in the KID can be relevant for retail investors when making investment decisions.

IAIS insurance capital standard: monitoring period

On 21 February 2020, the IAIS published a [statement](#) on the five-year monitoring period for version 2.0 of the ICS. During the monitoring period, the ICS will be used for confidential reporting and discussion among supervisors in supervisory colleges. The IAIS does not have legal power to directly mandate IAIGs to report ICS results during the monitoring period. However, IAIS member supervisors have collectively agreed to make participation as large as possible across different jurisdictions and business models to ensure the ICS captures risk appropriately.

The purpose of the monitoring period is to monitor the performance of the ICS over a period of time, and not the capital adequacy of IAIGs. For this purpose, the monitoring period is intended to be a period of stability for the reference ICS. This does not preclude possible clarifications, refinements and correction of major flaws or unintended consequences identified during the monitoring period to improve the ongoing development of the ICS.

For this reason, the active participation of IAIGs in the monitoring period is very important to provide effective feedback on the ICS. The feedback received during the monitoring period will be used to further improve the ICS. In addition to the feedback from supervisors, the IAIS will consider feedback from stakeholder engagement, a public consultation and the results of an economic impact assessment, all of which could result in changes to ICS version 2.0.

IAIS insurance capital standard: EIOPA statement

On 20 February 2020, EIOPA published a [statement](#) by Gabriel Bernardino, EIOPA Chair, on the global insurance capital standard (ICS) being developed by the International Association of Insurance Supervisors (IAIS). Mr Bernardino explains that EIOPA's priority at the moment is reviewing the Solvency II Directive. However, in parallel it remains strongly committed to developing the ICS. EIOPA will continue working with its international peers to ensure that the final ICS standard is based on a market-adjusted valuation, that capital requirements are sufficiently robust and risk-sensitive, and that internal models are allowed to be used under sound and prudent criteria. In these circumstances, EU legislators should be happy to endorse the ICS and make any necessary adjustments to the Solvency II Directive regime to ensure that European internationally-active insurance groups (IAIGs) are required to use only one capital framework that meets the IAIS' standards.

From EIOPA's perspective, the main objective is the setting up of one single risk-based ICS that would promote a level playing field between IAIGs headquartered in different parts of the world, reducing arbitrage opportunities and supporting financial stability. While recognising that only the future implementation of the ICS throughout the world will bring the necessary convergence to the supervision of IAIGs, Mr Bernardino says it could be possible to imagine a situation where a different capital calculation methodology would deliver substantially the same outcomes as the ICS. The recognition of this comparability could help the path towards convergence. It is in this spirit that EIOPA is approaching the assessment of comparable outcomes of the aggregated method (AM) currently under development by the US supervisors. The assessment needs to be based on data showing that the AM and the ICS produce similar results and trigger similar supervisory action.

EIOPA publishes Supervisory Statement on low interest rate environment

On 20 February 2020, EIOPA published a [Supervisory Statement](#) on the impact of the ultra-low/negative interest rate environment on the insurance sector in the EU. EIOPA says that this environment is significantly impacting the sector, in terms of asset allocation, reinvestment risk, profitability and solvency. It constitutes one of the most important sources of systemic risk for insurers for the coming years.

In publishing the Supervisory Statement, EIOPA aims to raise awareness of the risk and inform consumers and policyholders about supervisory measures and actions taken to protect their interest. EIOPA encourages national supervisory authorities (NSAs) and undertakings in the EU to continue taking actions to mitigate the impact of the ultra-low/negative interest rate environment on the EU insurance sector.

In the short term, EIOPA recommends that:

- NSAs should intensify the monitoring and supervision of insurers identified as facing greater exposure to the low interest rate environment;
- NSAs should engage with undertakings to explore actions they could take to improve their financial resilience;
- within the context of improving financial resilience and in particular sound capital planning, undertakings should exercise caution in distributing dividends and NSAs should consider whether it is necessary to restrict the distribution of dividends;
- NSAs and undertakings should pay special attention on pre-emptive recovery and resolution planning to reduce the likelihood and impact of insurance failures; and

- NSAs should broaden the analysis of the low interest rate environment and also consider the potential build-up of systemic risk.

In the medium to long term, NSAs should identify whether there are any tools or powers missing in their current toolkit. Where a gap is identified, NSAs should request the missing powers.

PEPP Regulation: EIOPA consults on draft ITS on supervisory reporting and co-operation

EIOPA published on 20 February 2020, a [consultation paper](#) on draft implementing technical standards (ITS) relating to the format of supervisory reporting and the cooperation and exchange of information between competent authorities and EIOPA under the Regulation on a pan-European personal pension product (PEPP Regulation).

The text of the draft ITS is set out in the paper. The annexes to the ITS include reporting templates, and EIOPA has also made [draft annotated templates](#) available in an online format. An impact assessment of the draft ITS on reporting for PEPP providers is set out in Annex I to the paper.

The proposals specify the annual supervisory reporting requirements on PEPP and formalise the notifications required by the PEPP Regulation to facilitate efficient processes in the cooperation between competent authorities and EIOPA.

The consultation ends on 20 May 2020. EIOPA is required to submit the draft ITS to the Commission by 15 August 2020.

EIOPA publishes final guidelines on cloud service provider outsourcing

On 31 January 2020, EIOPA published a [final report](#) setting out its guidelines on outsourcing to cloud service providers. The guidelines are made under Article 16 of the EIOPA Regulation to provide guidance on how the provisions in the Solvency II Directive and the Solvency II Delegated Regulation should be applied when outsourcing to cloud service providers. In preparing this guidance, EIOPA considered the most recent guidance published by the European Banking Authority.

EIOPA's Guidelines cover the following areas:

- criteria to distinguish whether cloud services should be considered within the scope of outsourcing;
- principles and elements of governance of cloud outsourcing, including documentation requirements and the notification requirements to supervisory authorities;
- re-outsourcing analysis, including a set of criteria to be followed to assess whether a cloud outsourcing arrangement relates to an operational function or activity that is critical or important;
- principle-based instructions on how the risk assessment of the cloud outsourcing and the due diligence on the cloud service providers should be performed;
- contractual requirements;
- management of access and audit rights; security of data and systems; sub-outsourcing of critical or important operational functions or activities, monitoring and oversight of cloud outsourcing and exit strategies; and
- principle-based instructions for the national supervisory authorities on the supervision of cloud outsourcing arrangements including, where applicable, at group level.

The guidelines apply from 1 January 2021 to all cloud outsourcing arrangements entered into or amended on or after that date.

Undertakings should review and amend existing cloud outsourcing arrangements related to critical or important operational functions of activities with a view to ensuring compliance with the guidelines by 31 December 2022.

Any required update of an undertaking's policies and processes should be done by 1 January 2021, and documentation requirements for cloud outsourcing arrangements relating to critical or important operational functions or activities should be implemented by 31 December 2022.

Competent authorities must confirm if they comply or intend to comply with the guidelines within two months of their publication. If a competent authority does not comply, and does not intend to do so, it must inform EIOPA and give the reasons for non-compliance.

EIOPA publishes its strategy on cyber underwriting

EIOPA has published its [strategy](#) on cyber underwriting (that is, insurance undertakings' acceptance of cyber risks from their policyholders). The strategy note puts EIOPA's cyber underwriting strategy into context, discusses the work undertaken so far by EIOPA and outlines its future priorities in this context.

EIOPA publishes discussion paper on IBOR transitions

EIOPA has published a [discussion paper](#) addressing the ongoing changes to the new interbank benchmark rates (IBOR transitions). The focus of the paper is to address issues identified within the EIOPA Risk free rate (RFR) environment.

EIOPA invites feedback on its paper by 30 April 2020. Based on this feedback, EIOPA will produce a consultation paper, which will include specific policy recommendations on the subject of IBOR transitions.

EIOPA publishes report on lessons learned from its crisis walkthrough exercise

On 7 February 2020, EIOPA published a [report](#) on its approach and lessons learned from its first crisis walkthrough exercise.

EIOPA sets out its findings from its walkthrough exercise conducted in June 2019 with a national supervisory authority that related to a specific insurance group. The main objective of the exercise was to test crisis processes and procedures in a severe but plausible stress scenario and assess the way in which participants interacted in terms of exchanging information, cooperating and adopting decisions.

The report includes detailed lessons learned and emphasises that authorities in charge of financial stability need to develop very flexible crisis management procedures in order to deal with unexpected events and to mitigate as quickly as possible the consequences of a developing crisis.

EIOPA supervisory technology strategy

EIOPA has published a [document](#) aiming to define its supervisory technology (SupTech) strategy, which will cover prudential and conduct of business supervision, policy, and interaction with entities, for the insurance and occupational pensions sectors.

EIOPA defines SupTech as "the use of technology by supervisors to deliver innovative and efficient supervisory solutions that will support a more effective, flexible and responsive supervisory system". EIOPA discusses the current status of its and national competent authorities' use of technology and assesses current data availability and data quality. It then sets out its SupTech strategy.

EIOPA publishes its supervisory convergence plan for 2020

On 12 February 2020, EIOPA published its [supervisory convergence plan](#) for 2020 for the insurance sector, which sets out its priority areas for supervisory convergence work for this year.

The priorities identified for 2020 are largely the same as those identified for 2019, some of which require further work. In addition, EIOPA has identified three new priority areas: supervisory technology, pensions issues, and cyber underwriting. Finally, as part of EIOPA's advice to the European Commission on the Solvency II review, it has added some further new priorities.

The plan covers the priorities for the three building blocks of supervisory convergence:

- **Practical implementation of the common supervisory culture and further development of supervisory tools.** This includes work on the risk assessment framework and application of proportionality, common benchmarks for the supervision of internal models, supervisory assessment of conduct risks, group supervision and supervisory technology.
- **Risks to the internal market and the level playing field that may lead to supervisory arbitrage.** This includes work on the calculation of technical provisions, cross border business, assessment of internal model outcomes, authorisations, fitness and propriety and pensions issues.
- **Supervision of emerging risks.** This includes work relating to the supervision of data management and IT security and governance related risks (including cyber risk), InsurTech, Brexit, interbank lending rate transition and cyber underwriting.

Mortgage life and other credit protection insurance sold through banks: EIOPA thematic review

On 6 February 2020, EIOPA [launched](#) a thematic review on consumer protection issues relating to mortgage life and other credit protection insurance sold through banks. Despite their benefits, national competent authorities have reported issues and risks related to these types of insurance products that may lead to consumer detriment, as reported in EIOPA's 2019 Consumer Trends Report. These risks include unmitigated conflicts of interests, aggressive sales techniques and high commissions.

ESMA is organising a roundtable with external stakeholders, which will take place on 5 March 2020.

EIOPA is seeking input on:

- issues and risks with the insurance products within scope;
- business models used to manufacture and distribute these products and underlying conduct risks, including the different corporate arrangements arising between insurers and banks;
- potential benefits for consumers, insurers and banks;
- market practices that could lead to consumer detriment; and
- developments and trends in recent years.

EIOPA intends to identify and assess the risks and the potential detriment that consumers face and take the necessary steps to address them.

SOLVENCY II

Solvency II 2020 review: ESRB report on macro-prudential policy for insurance sector

On 26 February 2020, the European Systemic Risk Board (ESRB) published a [report](#) on enhancing macro-prudential policy for the insurance sector. The report has been published to inform the European Commission's ongoing review of the Solvency II Directive.

In line with its strategy for expanding macro-prudential policy beyond banking, the ESRB believes that the review of the Solvency II regulatory regime for insurance in the EU, which is envisaged to be completed by the end of 2020, should result in a revised framework that better reflects macro-prudential considerations, thereby reducing systemic risk in the financial sector.

To deal with systemic risk in the insurance sector, the report considers three types of tool that competent authorities should be able to use:

- solvency tools for preventing and mitigating procyclical investment behaviour of insurers;
- liquidity tools for addressing risks stemming from specific activities, such as hedging with derivatives and selling insurance products with redemption features; and
- tools for addressing risks stemming from the provision of credit to the economy, for example, when insurers originate mortgage loans or invest in corporate bonds, with a view to ensuring consistency in macro-prudential policy across sectors.

Implementing Regulation on technical information for calculation of technical provisions and basic own funds for Q1 2020 reporting

On 13 February 2020, [Commission Implementing Regulation \(EU\) 2020/193](#), made under Article 77e (3) of the Solvency II Directive, was published in the Official Journal of the EU. The Implementing Regulation sets out the technical information to be used by reinsurers and insurers when calculating technical provisions and basic own funds for reporting with reference dates in Q1 2020.

The Implementing Regulation entered into force on 14 February 2020 and applies from 31 December 2019.

Solvency II 2020 review: European Commission speech

The European Commission has published a [speech](#), given by Valdis Dombrovskis, Commission Executive Vice President, on the review of the Solvency II Directive.

In his speech, Mr Dombrovskis explains that the 2020 review of Solvency II is being carried out to ensure that the regime is fit for purpose in all economic environments. He notes the importance of the regime being regularly evaluated and updated, especially given the challenges faced, including climate change and sustainability, digitalisation, new technologies and cybersecurity.

Among other things, the Commission will:

- consult on a renewed sustainable financing strategy later this year;
- propose measures in the EU's Non-Financial Reporting Directive to ask companies to give sufficient and reliable information on their sustainability risks and opportunities;
- ask the European Financial Reporting Advisory Group to start work on relevant standards as quickly as possible;
- assess how insurers integrate climate and environmental risks, and how best to reflect that in EU rules;
- continue to look at how insurers can strengthen resilience to risks and natural disasters caused by climate change;
- continue to explore ways to remove barriers to insurers wanting to invest in companies that create jobs and growth;
- consider the Solvency II long-term guarantee measures. In particular, whether these measures still work well in an extended period of low interest rates, and whether they could work better to remove disincentives to long-term investment;

- consider whether supervisors really use the extensive data made available to them and whether reporting burdens could be lightened; and
- look at gaps in EU insurance law. There is no EU-wide resolution regime for insurers in the event of distress, and no minimum EU rules on insurance guarantee schemes (IGS). It is "testing the water" with a proposal for dealing with insolvency in the motor insurance sector (which is at the trialogue stage) and has asked EIOPA for advice on insurance recovery and resolution.

Solvency II 2020 review: further EIOPA consultation

EIOPA is consulting on proposals for the Solvency II 2020 review, which will examine the technical implementation means for the package on Solvency II supervisory reporting and public disclosure. The review of the technical means for the supervisory reporting is primarily being considered in the context of Solvency II. However, to keep the current harmonisation (single dictionary, taxonomy, etc.) any review will also be applied by analogy to the EIOPA pension funds.

The consultation closes on 20 April 2020.

Hogan Lovells has offices in:

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

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

For more information about Hogan Lovells, the partners and their qualifications, see www.hoganlovells.com. Where case studies are included, results achieved do not guarantee similar outcomes for other clients. Attorney Advertising.

©Hogan Lovells 2016. All rights reserved.

*Associated offices