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Regulatory developments in the global insurance sector

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Executive summary[1]

Region	No	Organisation(s)	Date	Regulatory developments
Global	1	Financial Stability Board (FSB)	12 April 2023	■ **The FSB sent its Chair's letter to G20 Finance Ministers and Central Bank Governors** ahead of the G20 meeting in April. Key messages in the letter include the following. ➢ Recent events in the banking sector had its origins within the financial system, which differentiates these events from most other recent shocks in the global financial markets. The FSB works closely with the Basel Committee on Banking Supervision (BCBS), etc. to draw out lessons and consequent priorities for future work. ➢ Despite these events, **work in the areas of crypto-assets, non-bank financial intermediation (NBFI), climate change and cross-border payments remains a high priority** for the FSB.
	2	International Monetary Fund (IMF)	11 April 2023	■ **The IMF released its Global Financial Stability Report,** subtitled 'Safeguarding Financial Stability amid High Inflation and Geopolitical Risks'. Highlights of the report include the following. ➢ Financial stability risks have increased rapidly. The impact of tighter monetary and financial conditions could be amplified due to financial leverages, mismatches in asset and liability liquidity, and a high degree of interconnectedness within the NBFI sector and with traditional banking institutions. ➢ Policymakers need appropriate tools to tackle the financial stability consequences of NBFI stress. NBFI's direct access to central bank liquidity could prove necessary, while implementing appropriate guardrails is absolutely necessary. ➢ Financial fragmentation induced by geopolitical tensions could have important implications for global financial stability. Financial institutions may need to hold adequate capital and liquidity buffers to mitigate the adverse consequences of geopolitical risks.
	3	Financial Stability Board (FSB)	30 March 2023	■ **The FSB released its work programme for 2023**. High priority areas of work include the following. ➢ **Enhancing the resilience of NBFI** by, for example, assessing vulnerabilities associated with non-bank leverages and undertaking policy work to enhance market participants' liquidity preparedness for margin calls. ➢ **Harnessing the benefits of digital innovation** through, for instance, assessing the implications

[1] Volumes 1 to 12 of the report 'Regulatory developments in the global insurance sector' are available only in Japanese. This executive summary is a summary of the Japanese version of the Volume 33 report. It is advised that you refer to the respective original materials for accurate information.

				of crypto-assets for financial stability and finalising recommendations on global stablecoin arrangements. ➢ **Addressing financial risks from climate change** by, e.g., enhancing climate-related data infrastructure to support relevant analysis and analysing the relevance of transition plans from the perspective of financial stability.
Europe	4	U.K. Department of Science, Innovation and Technology (DSIT)	29 March 2023	■ **The DSIT released a draft of its framework for the regulation of artificial intelligence (AI)** for consultation purposes. ■ The proposed approach, i.e., a context-specific approach, is to regulate the outcomes that AI is likely to generate, rather than the technologies themselves, on a principle basis. The principles include the following. ➢ Safety, security, and robustness: AI systems should function in a robust, secure and safe manner throughout their life cycle. ➢ Appropriate transparency and explainability: AI systems should be appropriately transparent and explainable. ➢ Contestability and redress: Users, impacted third parties, and actors in the AI life cycle should be able to contest an AI decision or outcome that is harmful.
	5	U.K. Prudential Regulation Authority (PRA)	29 March 2023	■ **The PRA published the results of its 2022 cyber stress test**. Major findings include the following. ➢ Industry coordination: Financial institutions should make decisions taking into account the potential consequences of their actions on others and work to understand the actions that others might take. ➢ Communication: Communication with a wide range of stakeholders through multiple channels should be consistent. ➢ Contingencies: Financial institutions should explore what contingencies are available and consider how different contingencies could work together in a potential incident.
	6	European Insurance and Occupational Pensions Authority (EIOPA)	16 March 2023	■ **The EIOPA published a supervisory statement on differential pricing practices with the aim of eliminating premium setting that potentially leads to the unfair treatment of customers**. The supervisory expectations expressed include the following. ➢ Differential pricing practices (i.e., pricing practices that charge different premiums for the same product offered to customers with a similar risk profile and a similar level of service costs) must

				not result in the unfair treatment of customers. ➢ Product oversight and governance (POG) measures and procedures should ensure that differential pricing practices are not a detriment to customers. ➢ Supervisors should oversee the market to ensure that differential pricing practices do not lead to the unfair treatment of customers.
	7	European Central Bank (ECB)	13 March 2023	■ **The ECB published a joint statement on climate-related disclosures for structured finance products together with the European Supervisory Authorities (ESAs)**, which comprises the European Banking Authority (EBA), the EIOPA and the European Securities and Markets Authority (ESMA). Key messages include the following. ➢ The ESAs and the ECB share the view that the reporting on existing climate-related metrics needs improvement and that additional metrics are necessary for structured finance products. ➢ While mandatory disclosure requirements are not yet in place, the ECB and the ESAs ask originators to collect, at the time of loan origination, the data that investors need to assess the climate-related risks of the underlying assets.
	8	Bank of England (BoE)	13 March 2023	■ **The BoE published a report that sets out the Bank's latest thinking on climate-related risks and regulatory capital frameworks**. Highlights include the following. ➢ Existing capability and regime gaps create uncertainty over whether banks and insurers are sufficiently capitalised for future climate-related losses. ➢ Effective risk management controls over financial institutions can reduce the quantum of capital required. Financial institutions are encouraged to make progress in improving their capabilities of identifying, measuring, and managing climate risks. ➢ Due to the unique characteristics of climate risks, a more forward-looking approach will be required to capture those risks. To that end, scenario analysis and stress testing will play a key role.
Americas	9	Canadian Office of the Superintendent of Financial Institutions (OSFI)	20 March 2023	■ **The OSFI issued a statement on Additional Tier 1 and Tier 2 Capital Instruments**. Key messages include the following. ➢ Canada's capital regime preserves creditor hierarchy. ➢ In a breach of the point of non-viability (PONV), AT 1 and AT 2 capital instruments will be converted into common shares in a manner that respects the hierarchy of claims in liquidation.

				➢ AT 1 and AT 2 capital instruments will remain an important component of the capital structure of Canadian banks.
Asia Pacific	10	The State Council of China	7 March 2023	■ The State Council of China provided an update on its plan to establish a national financial regulatory administration. ■ According to the update, the new organisation, which will be placed under the State Council, will replace the China Banking and Insurance Regulatory Commission (CBIRC) and will be in charge of regulating the financial industry (except for the securities sector). Some of the functions of the People's Bank of China and the China Securities Regulatory Commissions are planned to be transferred to the new authority.

Sources:

1. FSB ‘FSB Chair’s letter to G20 Finance Ministers and Central Bank Governors: April 2023’
2. IMF ‘Global Financial Stability Report: Safeguarding Financial Stability Amid High Inflation And Geopolitical Risks’
3. FSB ‘FSB Work Programme for 2023’
4. Department for Science, Innovation & Technology ‘Policy paper: A pro-innovation approach to AI regulation’
5. PRA ‘Thematic findings from the 2022 cyber stress test’
6. EIOPA ‘EIOPA supervisory statement takes aim at unfair ‘price walking’ practices’
7. EIOPA ‘ECB and the ESAs call for enhanced climate-related disclosure for structured finance products’
8. BoE ‘Bank of England report on climate-related risks and the regulatory capital frameworks’
9. OSFI ‘OSFI reinforces guidance on Additional Tier 1 and Tier 2 Capital Instruments’
10. The State Council of China ‘China to set up national financial regulatory administration’

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