



## Regulatory developments in the global insurance sector

Vol. 37 (July to August 2023)



## Executive summary<sup>1</sup>

Region	No	Organisation(s)	Date	Regulatory developments
Global	1	Financial Stability Board (FSB)	17 July 2023	<ul style="list-style-type: none"> <li>■ <b>The FSB finalised its high-level recommendations for the regulation, supervision and oversight of (i) crypto-asset activities and markets and (ii) global stablecoin arrangements</b>, respectively. The former presents nine principles, including the following.               <ul style="list-style-type: none"> <li>➤ Authorities should apply comprehensive and effective regulation, supervision and oversight to crypto-asset activities and markets in line with the principle ‘<b>same activity, same risk, same regulation</b>’.</li> <li>➤ Authorities should require that crypto-asset issuers and service providers have in place a comprehensive governance framework, effective risk management framework and frameworks for collecting, storing, safeguarding and reporting data.</li> <li>➤ Authorities should require crypto-asset issuers and service providers to disclose comprehensive information on, for example, their risk profiles and financial conditions to relevant stakeholders.</li> </ul> </li> </ul>
	2	Financial Stability Board (FSB)	13 July 2023	<ul style="list-style-type: none"> <li>■ <b>The FSB issued its 2023 progress report on addressing the financial risks from climate change</b>, focusing on (i) disclosures, (ii) data, (iii) vulnerability analyses and (iv) regulatory/supervisory practices as well as tools. Key areas for future work highlighted in the report include the following.               <ul style="list-style-type: none"> <li>➤ <b>Disclosures:</b> Implementation of the ISSB standards, ensuring the interoperability of disclosure frameworks and finalisation of assurance ethics standards for sustainability-related reporting</li> <li>➤ <b>Data:</b> Understanding the necessary forward-looking metrics and identifying data needs for the development of such metrics</li> <li>➤ <b>Regulatory/supervisory practices and tools:</b> Developing regulatory/supervisory approaches to transition planning and transition plans</li> </ul> </li> </ul>
Europe	3	European Insurance and Occupational Pensions Authority (EIOPA)	20 July 2023	<ul style="list-style-type: none"> <li>■ <b>The EIOPA published a peer review report on product oversight and governance (POG)</b>. Recommended actions issued to the supervisory authorities as a result of this review include the following.               <ul style="list-style-type: none"> <li>➤ Organisation of and resources for POG supervision: The authority should have in place a well-defined and comprehensive structure for POG supervision.</li> <li>➤ The authority should have in place a systematic and effective risk-based supervisory framework</li> </ul> </li> </ul>

<sup>1</sup> 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 37 report. It is advised that you refer to the respective original materials for accurate information.

			<p>that relies on quantitative and qualitative measures to assess the impact products will have on consumers.</p> <ul style="list-style-type: none"> <li>➤ Supervisory activities: The authority should carry out systematic supervisory activities, including on-site/off-site inspections and thematic reviews of an adequate number of insurance-based investment products (IBIPs) and manufacturers of IBIPs.</li> </ul>
4	European Banking Authority (EBA)	19 July 2023	<ul style="list-style-type: none"> <li>■ <b>The EBA finalised its guidelines on the overall recovery capacity in recovery planning for banks.</b> Requirements for banks include the following. <ul style="list-style-type: none"> <li>➤ Banks should <b>define (i) a list of credible and feasible recovery options and (ii) a range of scenarios of severe macroeconomic and financial stress</b> for determining their overall recovery capacity (ORC).</li> <li>➤ Banks should calculate the effects of the implementation of their recovery options (i) for an impact on their capital position over an 18-month time horizon and (ii) for an impact on the liquidity position over a 6-month time horizon.</li> <li>➤ When selecting recovery options appropriate to a specific scenario, banks should take into account mutual exclusivity, interdependencies and operational capabilities to, for example, implement a multitude of recovery options simultaneously.</li> </ul> </li> </ul>
5	European Insurance and Occupational Pensions Authority (EIOPA)	11 July 2023	<ul style="list-style-type: none"> <li>■ <b>The EIOPA published methodological principles of insurance stress testing for cyber risks</b> with the aim of enhancing its approach to bottom-up stress testing for cyber risks. The cyber scenarios presented in the principles paper are as follows. <ul style="list-style-type: none"> <li>➤ <b>Cyber underwriting scenarios:</b> Ransomware, power outage, and cloud outage</li> <li>➤ <b>Cyber resilience scenarios:</b> Cloud outage, ransomware, data breach, power outage, and denial of service (DoS)</li> </ul> </li> </ul>
6	European Insurance and Occupational Pensions Authority (EIOPA)	10 July 2023	<ul style="list-style-type: none"> <li>■ <b>The EIOPA released a draft supervisory statement on the supervision of reinsurance concluded with third-country insurers.</b> The objective of this statement is to ensure high-quality and convergent supervision of insurers using reinsurance arrangements with third-country reinsurers.</li> <li>■ Supervisory expectations expressed in the draft statement include the following. <ul style="list-style-type: none"> <li>➤ Supervisors engage in dialogue with an insurer sufficiently before the conclusion of the reinsurance arrangement.</li> <li>➤ Supervisors assess the appropriateness of the insurer’s assessment of risks associated with the</li> </ul> </li> </ul>

				<p>reinsurance agreements.</p> <ul style="list-style-type: none"> <li>➤ Insurers assess the existence of retrocessions, side letter agreements, a termination clause, etc.</li> </ul>
	7	U.K. Financial Conduct Authority (FCA)	3 July 2023	<ul style="list-style-type: none"> <li>■ <b>The FCA finalised its guidance for insurers on supporting customers in financial difficulty.</b> The objective of the guidance is to express the FCA’s view on the outcomes that insurers should aim to achieve and actions that they should take to deliver good outcomes for customers experiencing financial difficulties.</li> <li>■ Insurers are required to take reasonable actions, which include the following. <ul style="list-style-type: none"> <li>➤ Consider whether there are other products that provide an appropriate level of insurance cover for the customer in financial difficulty at an affordable price.</li> <li>➤ Adjust cover to take account of the changes in the customer’s financial circumstances.</li> <li>➤ Consider the appropriateness of requiring the customer to pay all contractual fees in certain circumstances.</li> </ul> </li> </ul>
Americas	8	Canadian Office of the Superintendent of Financial Institutions (OSFI)	26 July 2023	<ul style="list-style-type: none"> <li>■ <b>The OSFI published draft guidelines on the regulatory capital (and liquidity) treatment of crypto-asset exposures for banks and insurers,</b> respectively. An outline of the proposed approach for insurers is as follows. <ul style="list-style-type: none"> <li>➤ <b>Simplified approach:</b> Insurers with limited crypto-asset exposures should deduct all such exposures from Gross Tier 1 or capital available.</li> <li>➤ <b>Comprehensive approach:</b> Insurers that do not use the simplified approach should categorise their exposures into one of four categories (Group 1a, 1b, 2a, or 2b) and apply the prescribed rules for each category. (For instance, all exposures classified as Group 2 crypto-assets will be deducted from Gross Tier 1 capital.)</li> </ul> </li> </ul>
	9	U.S. National Association of Insurance Commissioners (NAIC)	17 July 2023	<ul style="list-style-type: none"> <li>■ <b>The NAIC released an exposure draft of the ‘NAIC model bulletin: Use of algorithms, predictive models, and artificial intelligence systems by insurers’.</b> The draft model bulletin presents regulatory guidance and expectations with regard to governance, risk management, internal controls and third-party risk management, which include the following. <ul style="list-style-type: none"> <li>➤ The written programme for the use of AI systems (AIS programme) should address governance, risk management controls and internal audit functions.</li> <li>➤ Governance should prioritise transparency, fairness and accountability in the design and implementation of AI systems.</li> </ul> </li> </ul>

				<ul style="list-style-type: none"> <li>➤ Each AIS programme should address the insurer’s standards for the acquisition, use of, or reliance on AI systems developed or deployed by a third-party.</li> </ul>
Asia Pacific	10	Australian Prudential Regulation Authority (APRA)	20 July 2023	<ul style="list-style-type: none"> <li>■ <b>The APRA, jointly with the Australian Securities and Investments Commission (ASIC), released a draft of the Financial Accountability Regime (FAR) Act for banks, insurers, etc.</b> The draft act requires financial institutions to register the prescribed information of the persons accountable for key functions.</li> <li>■ For banks, key functions include capital management, conduct/credit/operational risk management, data management, financial and regulatory reporting, product design and distribution, etc. Insurers’ key functions will be proposed at a later stage.</li> </ul>
	11	Australian Prudential Regulation Authority (APRA)	17 July 2023	<ul style="list-style-type: none"> <li>■ <b>The APRA finalised a new prudential standard on operational risk for FIs</b>, including banks and insurers. Key principles highlighted in the standard are as follows. <ul style="list-style-type: none"> <li>➤ FIs effectively manage their operational risks and set as well as maintain appropriate standards for conduct and compliance.</li> <li>➤ FIs maintain their critical operations within tolerance levels through severe disruptions.</li> <li>➤ FIs manage the risks associated with the use of service providers.</li> </ul> </li> </ul>

## Sources:

1. FSB 'FSB Global Regulatory Framework for Crypto-asset Activities'
2. FSB 'FSB Roadmap for Addressing Financial Risks from Climate Change: 2023 Progress Report'
3. EIOPA 'Supervisors across Europe continue to strengthen POG supervision'
4. EBA 'The EBA publishes final guidance on the overall recovery capacity in recovery planning'
5. EIOPA 'EIOPA publishes paper on methodological principles of insurance stress testing of cyber risks'
6. EIOPA 'EIOPA consults on supervisory expectations regarding the supervision of reinsurance concluded with third-country reinsurers'
7. FCA 'FCA warns insurers about support provided to struggling customers'
8. OSFI 'OSFI launches consultation on regulatory capital and liquidity treatment of crypto-asset exposures'
9. NAIC, 'NAIC MODEL BULLETIN: USE OF ALGORITHMS, PREDICTIVE MODELS, AND ARTIFICIAL INTELLIGENCE SYSTEMS BY INSURER'
10. APRA 'APRA and ASIC commence early consultation on FAR'
11. APRA 'APRA finalises new prudential standard on operational risk'

**Contact:**

**Shinya Kobayashi**

Managing Director

Financial Services

Risk Advisory

Deloitte Touche Tohmatsu LLC

# Deloitte.

デロイト トーマツ

Deloitte Tohmatsu Group (Deloitte Japan) is a collective term that refers to Deloitte Tohmatsu LLC, which is the Member of Deloitte Asia Pacific Limited and of the Deloitte Network in Japan, and firms affiliated with Deloitte Tohmatsu LLC that include Deloitte Touche Tohmatsu LLC, Deloitte Tohmatsu Consulting LLC, Deloitte Tohmatsu Financial Advisory LLC, Deloitte Tohmatsu Tax Co., DT Legal Japan, and Deloitte Tohmatsu Corporate Solutions LLC. Deloitte Tohmatsu Group is known as one of the largest professional services groups in Japan. Through the firms in the Group, Deloitte Tohmatsu Group provides audit & assurance, risk advisory, consulting, financial advisory, tax, legal and related services in accordance with applicable laws and regulations. With more than 15,000 professionals in about 30 cities throughout Japan, Deloitte Tohmatsu Group serves a number of clients including multinational enterprises and major Japanese businesses. For more information, please visit the Group's website at [www.deloitte.com/jp/en](http://www.deloitte.com/jp/en).

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities (collectively, the "Deloitte organization"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) to learn more.

Deloitte Asia Pacific Limited is a company limited by guarantee and a member firm of DTTL. Members of Deloitte Asia Pacific Limited and their related entities, each of which are separate and independent legal entities, provide services from more than 100 cities across the region, including Auckland, Bangkok, Beijing, Hanoi, Hong Kong, Jakarta, Kuala Lumpur, Manila, Melbourne, Osaka, Seoul, Shanghai, Singapore, Sydney, Taipei and Tokyo.

Deloitte provides industry-leading audit and assurance, tax and legal, consulting, financial advisory, and risk advisory services to nearly 90% of the Fortune Global 500® and thousands of private companies. Our professionals deliver measurable and lasting results that help reinforce public trust in capital markets, enable clients to transform and thrive, and lead the way toward a stronger economy, a more equitable society and a sustainable world. Building on its 175-plus year history, Deloitte spans more than 150 countries and territories. Learn how Deloitte's more than 345,000 people worldwide make an impact that matters at [www.deloitte.com](http://www.deloitte.com).

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, or their related entities (collectively, the "Deloitte organization") is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication. DTTL and each of its member firms, and their related entities, are legally separate and independent entities.

Member of  
**Deloitte Touche Tohmatsu Limited**

© 2023. For information, contact Deloitte Tohmatsu Group.



**IS 669126 / ISO 27001**