



Regulatory developments in the global insurance sector

Vol. 59 (May to June 2025)



Executive summary¹

| Region | No | Organisation(s) | Date | Regulatory developments |
|--------|----|--|-------------|--|
| Global | - | | | - |
| Europe | 1 | European Insurance and Occupational Pensions Authority (EIOPA) | 19 May 2025 | <p>■ The EIOPA released its report entitled ‘Natural catastrophes, is your home covered?’ that presents findings from its analysis of Insurance Product Information Documents (IPIDs) and terms and conditions of 29 insurers from the perspective that these documents provide consumers with appropriate information on coverage and exclusions of household NatCat insurance products. Major findings include the following.</p> <ul style="list-style-type: none"> ➤ The degree and quality of information presented in IPIDs are unclear, vague or inconsistent. ➤ Coverage limitations are not clearly presented to consumers. ➤ Target markets are not identified and determined in a detailed and granular manner. ➤ IPIDs are rarely reviewed and updated in response to significant events, such as NatCat events. |
| | 2 | U.K. Financial Conduct Authority (FCA) | 14 May 2025 | <p>■ The FCA published its draft policies that propose to simplify conduct regulations for commercial insurance aiming at promoting innovation and competitiveness in the U.K. commercial insurance market. Major revisions proposed include the following.</p> <ul style="list-style-type: none"> ➤ A new definition of ‘contracts of commercial or other risks’ is introduced to identify larger commercial insurance customers. These contracts include those covering railway rolling stock, aircraft, ships, goods in transit, aircraft liability and liability of ships. ➤ Regarding product governance of co-manufacturing arrangements, insurers may choose whether all the involved insurers should be responsible for the manufacturing of insurance products or if only one firm should take responsibility for product manufacturing. ➤ In terms of product monitoring, the current rule that requires insurers to review their non-investment insurance products at least every 12 months is removed and, instead, insurers are required to determine the frequency of reviews by themselves. |
| | 3 | European Systemic Risk | 5 May 2025 | <p>■ The ESRB published a report on synthetic securitisation titled ‘Unveiling the impact of STS on-balance-sheet securitisation on EU financial stability’ that describes the ESRB’s assessment of the financial stability implications of introducing simple, transparent and</p> |

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 59 report. It is advised that you refer to the respective original materials for accurate information.

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| | | Board (ESRB) | | <p>standardised (STS) criteria for on-balance-sheet securitisations in the European Union. Key outcomes from their assessment include the following.</p> <ul style="list-style-type: none"> ➤ Extending the STS framework to synthetic securitisation has not, to date, resulted in significant risks to financial stability in the EU. ➤ The relaunch of the securitisation market must be accompanied by close risk monitoring and assessment of the risks from procyclical effects and interconnectedness. ➤ Future regulatory changes to the STS framework, such as allowing (re)insurers to act as eligible providers of unfunded credit protection under the STS framework, should be thoroughly evaluated from a financial stability perspective. |
| | 4 | European Securities and Markets Authority (ESMA) | 2 May 2025 | <ul style="list-style-type: none"> ■ The ESMA released a draft of the Regulatory Technical Standards (RTS) under the ESG Rating Regulation. ■ The draft RTS covers (i) the information that should be provided in the applications for authorisation and recognition, (ii) the measures and safeguards that should be put in place to mitigate risks of conflicts of interest within ESG rating providers that carry out activities other than the provision of ESG ratings and (iii) the information that ESG rating providers should disclose to the public. ■ Regarding safeguards, ESG rating providers are required, for example, to put in place decision-making procedures and organisational structures which specify reporting lines and allocate functions and responsibilities in a manner that ensures that employees directly involved in the assessment process of a rated item are not involved in other activities, such as consulting and issuance of credit ratings. |
| Americas | 5 | Bermuda Monetary Authority (BMA) | 30 May 2025 | <ul style="list-style-type: none"> ■ The BMA issued the instructions on their 2025 Global Financial Crisis Stress Test for commercial insurers. The instructions provide stress scenarios on market risk and credit risk. Insurers are required to submit the results to the BMA by 16 June 2025. |
| Asia Pacific | 6 | Reserve Bank of New Zealand (RBNZ) | 6 May 2025 | <ul style="list-style-type: none"> ■ The RBNZ published the results of its 2024 General Insurance Stress Test. The objectives of the stress test were to (i) assess the resilience of the insurance sector to severe seismic and cyber risk scenarios, (ii) identify and test insurers' management recovery and mitigation plans and (iii) build industry capability. ■ Major findings from the stress test include the following. <ul style="list-style-type: none"> ➤ Seismic scenario: The aggregated solvency ratio fell from 168% to 11%, given the severity of the scenario that assumes a 1-in-1,200-year event. Insurers made 62 billion NZD losses, |

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| | | | | <p>around half of which were covered by the government-guaranteed Natural Hazards Commission and 39% which were covered by reinsurance arrangements.</p> <p>➤ Cyber scenario: The effect on profitability of insurers was significant, which reduced annual aggregate profit by one-third in the cloud-down scenario. Reinsurance covered a large portion of cyber claims on insurers.</p> |
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Sources:

1. EIOPA 'Natural catastrophes, is your home covered?'
2. FCA 'CP25/12: Simplifying the insurance rules'
3. ESRB 'The impact of EU STS securitisations'
4. ESMA 'ESMA consults on rules for ESG Rating Providers'
5. RBNZ '2024 General Insurance Stress Test results published'
6. BMA 'Notice: 2025 GFC Stress Test'

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