



Regulatory developments in the global insurance sector

Vol. 61 (July to August 2025)



Executive summary¹

Region	No	Organisation(s)	Date	Regulatory developments
Global	1	International Association of Insurance Supervisors (IAIS)	2 July 2025	<p>■ The IAIS finalised the high-level principles (HLPs) for the development of the Insurance Capital Standard (ICS) implementation assessment methodology. There are 6 principles, which include the following.</p> <ul style="list-style-type: none"> ➤ These HLPs apply only to the development of the methodology for the implementation assessment of the ICS. ➤ The assessment should examine deviations based on a qualitative textual comparison between the ICS and its local implementation. When identifying deviations, offsets may be recognised. ➤ The overall observance rating for the ICS implementation is derived by aggregating the ratings of individual components, such as Valuation, Capital requirement and Capital resources.
Europe	2	European Insurance and Occupational Pensions Authority (EIOPA)	24 July 2025	<p>■ The EIOPA published a report on its 2nd peer review on outsourcing under the Solvency II framework. The review covered, for example, supervisory frameworks on outsourcing, including supervisory processes, such as notification/documentation requirements and on-going supervision. Key findings from the review include the following.</p> <ul style="list-style-type: none"> ➤ A number of supervisors have significantly improved their regulatory and supervisory frameworks for outsourcing activities by insurers. ➤ Supervisors tend to focus on preventive and risk-based supervision of outsourcing by insurers. ➤ There has been considerable evolution in the approaches supervisors take to supervise outsourcing activities and their risks on an on-going basis.
	3	European Insurance and Occupational Pensions Authority (EIOPA)	23 July 2025	<p>■ The EIOPA issued its statement on the findings from a monitoring exercise that explored how insurers have integrated climate change-related risks in their Own Risk and Solvency Assessment (ORSA). Major findings and challenges identified include the following.</p> <ul style="list-style-type: none"> ➤ Most insurers now include climate change scenarios in their ORSA. Many insurers apply quantitative approaches and climate change risk assessments are being linked to

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

				<p>management actions.</p> <ul style="list-style-type: none"> ➤ There is a significant variance in the assessment of climate change risks across jurisdictions and insurers, which include differences in materiality assessments and scenario analysis. ➤ Performing analyses with long-term scenarios remains challenging due to data gaps, modelling uncertainties and mis-alignment with business planning practices.
	4	European Insurance and Occupational Pensions Authority (EIOPA)	22 July 2025	<ul style="list-style-type: none"> ■ The EIOPA released its draft of the Regulatory Technical Standards on the functioning of the resolution colleges under the Insurance Recovery and Resolution Directive. Proposed requirements include the following. <ul style="list-style-type: none"> ➤ Resolution college members and observers: The group-level resolution authority decides members and observers of the resolution college. Resolution authorities in non-EU member jurisdictions may be observers of the college. ➤ Resolution plans: In principle, the group resolution plan and the assessment of resolvability are subject to a joint decision among the college members. ➤ Resolution of cross-border groups: The group-level resolution authority organises a process for deciding on the need for a group resolution scheme in cases where it receives a notification from a resolution authority.
	5	European Supervisory Authorities (ESAs)	15 July 2025	<ul style="list-style-type: none"> ■ The ESAs, which are the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA) and the European Securities and Markets Authority (ESMA), published a guide on oversight activities under the Digital Operational Resilience Act (DORA) aiming at providing an overview of the processes to oversee critical information and communication technology (ICT) third-party service providers (CTPPs). ■ DORA oversight activities are comprised of the following processes. <ul style="list-style-type: none"> ➤ Annual designation of CTPPs ➤ Risk assessment of the CTPPs and development of annual oversight plans ➤ Examinations, including off-site monitoring and on-site inspections ➤ Recommendations and follow-ups
	6	U.K. HM Treasury (HMT)	15 July 2025	<ul style="list-style-type: none"> ■ The HMT proposed to change the risk transformation regulations with the aim of ensuring that market participants have a range of risk transfer options to manage their risks through, for example, insurance-linked securities (ILS) and captives. Proposed measures

				<p>include the following.</p> <ul style="list-style-type: none"> ➤ Risk transformation <ul style="list-style-type: none"> - Clarifying funding requirements: To have more flexibility in a requirement for transformation vehicles to be ‘fully funded’. - Opening up the market to non-insurers: To define the assumption of risks from non-insurers as insurance risk transformation. - Extending the uses of cells in protected cell companies: To allow a cell of a protected cell company to assume risk from more than one entity and under more than one risk transformation transaction. ➤ Protected cell companies as insurance companies: To allow PCCs to effect and carry out contracts of insurance to some extent.
	7	European Insurance and Occupational Pensions Authority (EIOPA)	15 July 2025	<ul style="list-style-type: none"> ■ The EIOPA released two sets of additional guidance for supervising (i) mass-lapse reinsurance and (ii) reinsurance termination clauses. ■ The former provides guidance from the perspective of whether the mass-lapse reinsurance (MLR) treaty provides an effective transfer of risk that is commensurate to the capital relief or instead creates material basis risk. Detailed guidance provided includes the following. <ul style="list-style-type: none"> ➤ Clarity: Insurers should ensure that the terms and conditions of the MLR treaty are clear and incontrovertible to avoid any legal risk. ➤ Lapse definition: Insurers should carefully consider the use of a definition of lapse when assessing the risk-mitigating effect in cases where the definition in the MLR treaty is not aligned with the Solvency II definition of discontinuance. ➤ Measurement period: Real mass-lapse events are not instantaneous events as in the mass-lapse standard formula under the Solvency II. Therefore, measurement periods should be adequately defined.
	8	Prudential Regulation Authority (PRA)	4 July 2025	<ul style="list-style-type: none"> ■ The PRA reminded life insurers of potential risks arising from the use of solvency-triggered termination rights clauses (STTRs) in bulk purchase annuity (BPA) transactions, given that there has been a growing demand for STTRs to be included in the terms of BPA buy-in transactions. Potential risks pointed out by the PRA include the following. <ul style="list-style-type: none"> ➤ Liquidity and asset concentrations: In cases where a Termination Payment is disproportionately comprised of liquid assets or particular asset classes, liquidity risks

				<p>might arise for the insurer. This could also make the insurer's residual assets' balance become more concentrated.</p> <ul style="list-style-type: none"> ➤ Contractual uncertainty: Ambiguity in STTR contractual terms could lead to dispute about asset valuation and quality, etc. ➤ Operational challenges in stress: In times of stress, dealing with STTR terminations could complicate an insurer's ability to execute any planned recovery options.
	9	European Insurance and Occupational Pensions Authority (EIOPA)	2 July 2025	<p>■ The EIOPA released a draft of its revised Guidelines on the Supervisory Review Process that is used by supervisors to assess insurers' exposure to risks and the effectiveness of the controls they have in place. The revised version includes 5 amended and 15 new guidelines and provides around 50 guidelines in total. The new guidelines proposed include the following.</p> <ul style="list-style-type: none"> ➤ Conduct of business: Supervisors should take into consideration how conduct risks are managed within insurers. ➤ ICT risks: Supervisors should integrate the assessment of ICT-related risks within their supervisory review processes. ➤ Climate change and other sustainability risks: Supervisors should integrate the assessment of climate change and other sustainability risks within their supervisory review processes.
Americas	-	-	-	-
Asia Pacific	10	Monetary Authority of Singapore (MAS)	24 July 2025	<p>■ The MAS proposed to change its group capital framework for Designated Financial Holding Companies (Licensed Insurer) (DFHC) mainly to align its group capital framework with the Insurance Capital Standard (ICS) developed by the International Association of Insurance Supervisors (IAIS).</p> <p>■ Major changes proposed are the following.</p> <ul style="list-style-type: none"> ➤ The introduction of an explicit risk charging approach for non-insurance entities of a DFHC ➤ Revisions related to the capital treatment for joint ventures (JV) of a DFHC (Consolidated JVs that conduct insurance business are subject to the insurance capital requirement; otherwise, the equity method continues to be applied.) ➤ Limitation of the recognition of capital from non-controlling interests

Sources:

1. IAIS 'High-level principles for the development of the ICS implementation assessment published'
2. EIOPA 'EIOPA highlights progress in follow-up to peer review on outsourcing'
3. EIOPA 'EIOPA monitoring exercise marks progress in the integration of climate change considerations into insurers' risk assessments'
4. EIOPA 'EIOPA opens consultation on rules for resolution colleges and reporting requirements under IRRD'
5. EIOPA 'ESAs publish guide on DORA Oversight activities'
6. HMT 'Changes to the Risk Transformation Regulations'
7. EIOPA 'EIOPA sets out guidance for supervising mass-lapse reinsurance and reinsurance termination clauses'
8. PRA 'Solvency-triggered termination rights clauses in bulk purchase annuity transactions'
9. EIOPA 'Consultation on the proposal for revised Guidelines on supervisory review process - Solvency II Review'
10. MAS 'Consultation Paper on Proposed Changes to the Group Capital Framework for Designated Financial Holding Companies (Licensed Insurer)'

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