# Insurance bulletin

PwC Ireland

Q2 2023

pwc

# Executive summary



We welcome you to the Q2 2023 edition of our Insurance regulatory bulletin which provides key updates and developments in the insurance industry at both domestic and European levels during the first quarter of 2023.

From an Irish perspective, the Individual Accountability Framework continued to be a highlight this quarter with the Central Bank (Individual Accountability Framework) Act 2023 (Commencement of Certain Provisions) Order 2023 signed by the Minister for Finance and the publication of the Central Bank of Ireland ("CBI") amended regulations and guidance for its fitness and probity ("F&P") regime.

The CBI also published a Consultation Paper on Consolidated Guidelines in respect of its Administrative Sanctions Procedure in line with the CBI (Individual Accountability Framework) Act 2023 (the "IAF Act") which was signed into law on 9 March 2023 and partially commenced on 19 April 2023.

This edition of the Insurance Bulletin also contains updates on other CBI publications such as:

- The Private Motor Insurance Mid-Year Report of the National Claims Information Database ("NCID");
- Survey report on the impact of digitalisation on the insurance industry;and
- CBI's June 2023 Insurance Newsletter containing output of its Thematic Inspection of Product Oversight & Governance ("POG") and other updates.

At the European Union level, key updates included the publication of a report from the three European Supervisory Authorities on the risks and vulnerabilities of the EU financial systems.

Also on a European level, was the publication of European Insurance and Occupational Pensions Authority's ("EIOPA") 2022 Annual Report, which outlines many of activities undertaken by EIOPA in 2022.

We hope you enjoy reading this bulletin, which contains further details on the issues outlined above, and more!

**Please remember that clicking on the bold headlines will bring you to the underlying source material in each case.**

**Trisha Gibbons**
**Director, FS Risk & Regulatory Services**

**Ronan Mulligan**
**Partner, FS Actuarial Services**

# Insurance updates and developments



## Conduct

### Publication of the Central Bank (Individual Accountability Framework) Act 2023 (Commencement of Certain Provisions) Order 2023

On 19 April, Parts 1, 3 (other than Section 10), 4, 5, and 7 of the Central Bank (Individual Accountability Framework) Act 2023 came into force, per the Central Bank (Individual Accountability Framework) Act 2023 (Commencement of Certain Provisions) Order 2023 by the Minister for Finance.

Some of the key provisions which are now in force are;

- The inclusion of holding companies into scope of the CBI F&P Regime (Part 3);
- Amendment of the CBI's Administrative Sanctions Procedure ("ASP"), which enables the CBI to pursue individuals for breaches of their obligations as opposed to only for their participation in breaches by the firm (Part 4).

The acts remaining provisions relating to the Senior Executive Accountability Regime ("SEAR"), Conduct Standards and the Fitness and Probity Firm Certification will come in to force later in 2023.

### Central Bank publishes amended regulations and guidance for its fitness and probity ("F&P") regime

On 28 April the Central Bank published amended regulations and guidance for its F&P regime following the implementation of significant portions of the Central Bank (Individual Accountability Framework) Act 2023.

The CBI subsequently published a number of documents relating to the updated F&P regime:

- Guidance (here) outlining transitional arrangements arising from changes to the F&P regime resulting from the IAF Act;
- Guidance (here) outlining F&P investigations, suspensions, and prohibitions, addressing key stages of the investigation process and the decisions that may flow from the process; and
- An industry letter, addressed to a number of representative bodies, outlining the updated F&P procedures (here).

The new F&P application process is summarized in a brief guidance published by the CBI, which is available (here).

### The CBI publishes their Consultation Paper on Consolidated Guidelines in respect of its Administrative Sanctions Procedure

On 22 June the Central Bank published a Consultation Paper on Consolidated Guidelines in respect of its Administrative Sanctions Procedure. This came after the Central Bank (Individual Accountability Framework) Act 2023 (the "IAF Act") was signed into law on 9 March 2023 and partially commenced on 19 April 2023.

The Administrative Sanctions Procedure ("ASP") established by Part IIIC of the 1942 Act is enhanced by a number of significant improvements introduced by the IAF Act. Subject to the transitional arrangements, these changes will apply to the enforcement of any obligations under the ASP, regardless of whether they are connected to current financial services legislation obligations, new obligations added as part of the Individual Accountability Framework, or obligations that otherwise become subject to the ASP.

According to the CBI, the ASP has undergone procedural changes to accommodate the larger population and include additional safeguards. The CBI has again evaluated and updated processes, creating draft composite guidelines combining the ASP Outline 2018, Inquiry Guidelines 2014 and Sanctions Guidance 2019.

The CBI is thus requesting stakeholder views on its proposed approach with respect to the ASP as set out in the consultation paper and the draft consolidated ASP Guidelines. The consultation closes on 14 September 2023.

### EIOPA to undertake the first joint mystery shopping exercise across several EU Member States

On 28 June, the Board of Supervisors of EIOPA agreed that EIOPA will coordinate the first joint mystery shopping exercise on sales of insurance. The exercise will be conducted in 8 Member States and will follow a common methodology and criteria developed by EIOPA and its members. The results of the exercise will be available in the first half of 2024.

Mystery shopping is a technique that involves the use of trained "mystery shoppers" acting as potential customers. It allows the experience of customers in practice to be assessed. This typically involves physical visits to distributors' premises but can also be conducted via digital channels, phone calls or similar methods.

The "mystery shoppers" act as any potential customer might (for instance, they may ask for information about a product, request advice, explain their situation). While doing so, they gather detailed information on how providers or distributors sell the products and provide services to consumers, in order to report back comparable and statistically relevant observations on consumers' outcomes in a structured, detailed and systematic manner.

# Supervision



### ESAs call for vigilance in the face of mounting financial risks

On 25 April the three European Supervisory Authorities (EBA, EIOPA and ESMA, together ESAs) published their Spring 2023 Joint Committee Report on risks and vulnerabilities in the EU financial system. While noting that EU financial markets remained broadly stable despite the challenging macro environment and recent market pressure in the banking sector, the three Authorities are calling on national supervisors, financial institutions and market participants to remain vigilant in the face of mounting risks.

According to the ESAs, the macro environment worsened in the second half of 2022 due to high inflation and tighter financial conditions, leaving economic outlook uncertain. Moderate inflation, price growth, market pressure, and low interest rates impact the situation. Again, volatility in asset prices causes liquidity strains, hindering financial system resilience against external shocks, geopolitical tensions, environmental threats, and cyberattacks.

Against the backdrop of these risks and vulnerabilities, the Joint Committee of the ESAs advises national supervisors, financial institutions and market participants to take the following policy actions:

- monitor asset quality and loan loss provisioning;
- consider impact of policy rate increases and sudden rises in risk premia in risk management;
- monitor liquidity risks arising from investments in leveraged funds and the use of interest rate derivatives;
- monitor inflation risk, considering asset valuation, quality, and borrower debt servicing, and raising awareness of inflation's impact on real returns;
- banks should pursue prudent capital distribution policies;
- maintain strong regulatory frameworks for financial sector resilience;
- enhance risk management capabilities and disclosures for environmental, social and governance (“ESG”); and
- allocate adequate resources and skills to ensure the security of their information and communication technology (“ICT”) infrastructures.

### EIOPA publishes the Ultimate Forward Rate (UFR) for 2024

On 27 April, EIOPA published the calculation of the Ultimate Forward Rate (“UFR”) for 2024. The UFR is a calculated sum of expected real rate and expected inflation rate and is applicable for the calculation of risk-free interest rates. The details of the calculation of the UFR for 2024 are available in the report on the calculation of the UFR for 2024.

## ESAs publish Joint Annual Report for 2022

On 23 May, the Joint Committee of the ESAs published its 2022 Annual Report, which provides an account of its joint work completed over the past year.

In 2022, under EIOPA's chairmanship, the Joint Committee continued to play a coordinating role to facilitate discussions and the exchange of information across the three ESAs, the European Commission and the European Systemic Risk Board ("ESRB").

The Joint Committee focused on issues of cross-sectoral relevance, such as joint risk assessment, sustainable finance, digitalisation, consumer protection, securitisation, financial conglomerates, and central clearing. The Committee's main deliverables concerned the Sustainable Finance Disclosure Regulation ("SFDR") and the Digital Operational Resilience Act ("DORA").

## ESAs launch discussion on criteria for critical ICT third-party service providers and oversight fees)

On 26 May the ESAs published a Joint Discussion Paper seeking stakeholders' input on certain aspects of the DORA.

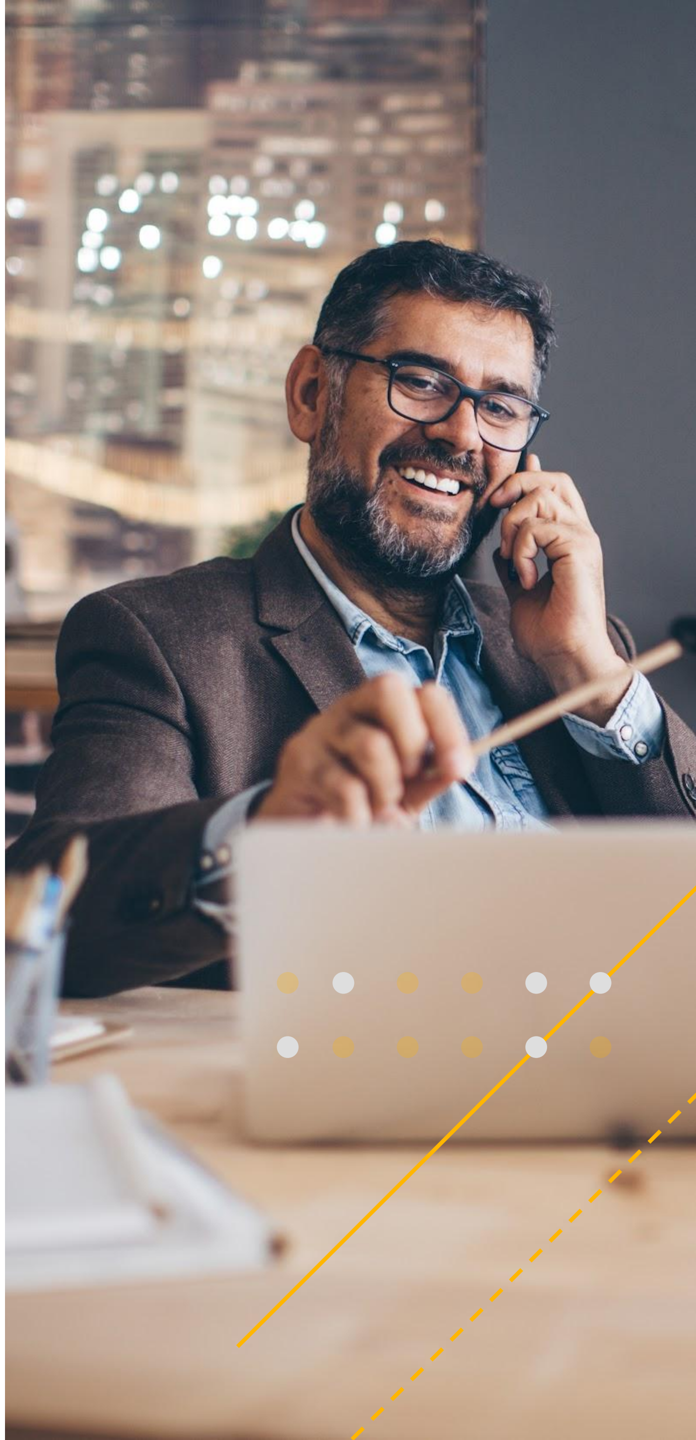
The Discussion Paper follows the European Commission's request for technical advice on the criteria for critical ICT third-party providers ("CTPPs") and the oversight fees to be levied on them.

The Discussion Paper is separated into two parts:

1. Proposals covering the criteria to be considered by the ESAs when assessing the critical nature of ICT third-party service providers, in particular, a number of relevant quantitative and qualitative indicators for each of the criticality criteria, along with the necessary information to construct such indicators.
2. Proposals in relation to the amount of the fees levied on CTPPs and the way in which they are to be paid, in particular the types of expenditure that shall be covered by fees as well as the appropriate method, basis and information for determining the applicable turnover of the CTPPs, which will form the basis of fee calculation.

The ESAs are also seeking input on the fee calculation method and other practical issues regarding the payment of fees.

The ESAs invited interested stakeholders to provide their input by 23 June 2023.



### EBA and EIOPA publish Data Point Modelling Standard 2.0 to foster collaboration and harmonisation in the field of supervisory reporting

On 13 June EBA and EIOPA published Data Point Modelling ("DPM") Standard 2.0 to foster collaboration and harmonisation in the field of supervisory reporting. The DPM Standard 2.0 enhances the methodology that is at the core of the EBA and EIOPA's reporting process, creating a fully consistent approach for modelling reporting requirements. The new DPM supports the whole reporting lifecycle, from data definition to data exploration, and aims to reap the benefits of stronger collaboration and harmonisation while also improving the digital processing of regulatory data required by the authorities.

According to the publication, the DPM methodology has successfully supported the EBA and EIOPA in integrating their respective regulatory reporting frameworks in the last decade. After all these years, the DPM Standard 1.0 required enhancements to still fit the purpose of responding to changes in reporting and reducing costs. DPM Refit was born as the joint response to evolve the authorities' DPM and address the challenges of increased volume, granularity, and complexity of the data. The enhanced DPM standard 2.0 is made available as a public good for the benefit of all stakeholders involved in the reporting process.

In the longer term, the DPM Standard should play a key role in the construction of a single cross-sectoral dictionary for the whole financial sector. By providing a consistent approach for modelling reporting requirements, the Standard should facilitate the future integration of concepts and definitions (semantic integration) in a common data dictionary.

As the work progresses, the EBA and EIOPA will share more information on next steps and organise specific events.

### Publication of EIOPA's 2022 Annual Report

On 14 June, EIOPA published its Annual Report for 2022, setting out its activities and achievements of the past year.

According to the report, 2022 was a year of uncertainties in Europe: the outbreak of a war in Ukraine, the resulting energy crisis and rising inflation have had far-reaching impacts on citizens and businesses in Europe. These global developments informed the way in which EIOPA worked to meet its strategic objectives.

In 2022, consumer protection remained a priority. EIOPA responded to concerns surrounding bancassurance by issuing a warning to insurance product manufacturers and banks acting as insurance distributors in relation to the sale of credit protection insurance products to identify potential sources of conduct risk and consumer detriment.

To enhance the quality and effectiveness of supervision, EIOPA made good use of its supervisory and oversight tools, including active engagement with and visits to national competent authorities (NCAs) and third-country parties.

From a financial stability perspective, EIOPA continued to identify trends and potential risks and vulnerabilities of the industry in the context of a higher cost of living and slow economic growth. EIOPA published a supervisory statement on inflation, focusing on how inflation affects technical provisions, investments, and solvency capital requirements.

EIOPA carried out its first IORP climate stress test to gain insights into the effects of environmental risks on the European occupational pension sector and developed a set of risk indicators for physical climate change risk for non-life businesses.

As part of its work supporting the transition to a more sustainable economy, EIOPA published the first Europe-wide dashboard on natural catastrophe insurance protection gaps, as well as a number of other publications in this area.

In the area of digital innovation, EIOPA kept abreast of new developments as well as furthering work on, for example, open insurance, the use of blockchain and machine learning.

Looking ahead, as the uncertainty continues, EIOPA will continue to deliver effective supervision, so that the insurance and pensions sectors can continue to deliver for policyholders and beneficiaries, business and the economy.

## ESAs consult on the first batch of DORA policy products

On 19 June the ESAs launched a public consultation on the first batch of policy products under the DORA.

This included four draft regulatory technical standards ("RTS") and one set of draft implementing technical standards ("ITS"). These technical standards aim to ensure a consistent and harmonised legal framework in the areas of ICT) risk management, major ICT-related incident reporting and ICT third-party risk management.

DORA, which entered into force on 16 January 2023 and will apply from 17 January 2025, aims to enhance the digital operational resilience of entities across the EU financial sector and to further harmonise key digital operational resilience requirements for all EU financial entities. This regulatory framework covers key areas such as ICT risk management, ICT-related incident management and reporting, digital operational resilience testing and the management of ICT third-party risk.

The consultation is currently open and runs until 11 September 2023.

## European insurers and pension funds hold up well despite elevated financial stability risks

On 22 June EIOPA published its June 2023 Financial Stability Report which takes stock of the key developments and risks in the European insurance and occupational pensions sectors.

EIOPA notes that the European economy is currently experiencing a new period of high uncertainty and elevated financial stability risk. Persistent inflation, the fraught geopolitical landscape and rising financing costs – also in the wake of the recent financial turmoil – pose challenges to growth prospects in Europe and the business conditions of financial institutions. Despite the challenging environment, insurers and pension funds have remained resilient.

European (re)insurers entered 2023 with robust solvency positions even in the face of sizeable natural catastrophe losses, weaker investment returns, higher-than-expected inflation and continued economic uncertainties. Premiums grew for non-life business but stagnated for life business. Underwriting profitability varied greatly across segments and declined overall. Despite challenging renewal negotiations at the beginning of 2023, which lasted longer than usual and saw substantial price increases,insurers were able to obtain the reinsurance cover they sought.

Concerning investments, fixed income assets remain the dominant category for insurers, although the share of government and corporate bonds in their investment portfolios declined. In 2022, insurers notably emerged as net sellers of corporate bonds and government bonds as they moved from more interest rate sensitive assets towards other, sometimes less liquid investment options. Both insurers and occupational pension funds carry material direct exposures to the banking sector with 13% and 6% of their respective total investments exposed, albeit with a steadily falling trend since Q2 2019.

Occupational pension funds and insurers alike make use of derivatives to hedge against interest rate risk. EIOPA's analysis included in this report has shown that insurers have enough liquid assets to cover potential margin calls resulting from a 100bps shift in the yield curve in either direction.

### The CBI publish the Private Motor Insurance Mid-Year Report of the National Claims Information Database ("NCID").

On 25 April, the CBI published the Private Motor Insurance Mid-Year Report of the NCID. The report which collects data up to 30 June 2022 was established in order to improve transparency in the Irish insurance claims environment and to support data driven policy. The NCID was a recommendation of the Cost of Insurance Working Group ("CIWG"). Private motor insurance is one of two classes of non-life insurance in scope of the NCID, along with liability insurance.

Some of the key figures within report include:

- The average earned premiums per policy stood at €578 in H1 2022 which is 17% increase from 2009 but 5% lower than in 2021;
- The total cost of settled claims for the reporting period was €278m, of which 55% related to injury claims and 45% damage claims;
- The total cost of settled claims was made up of 67,000 claims, of which 6% related to injury claims and 94% related to damage claims.

The report contains data on several other claims and premiums metrics, including;

- A breakdown on the method of injury claims settlements (PIAB, litigation,etc.);
- Analysis on claims settled under the Personal Injuries Guidelines versus the Book of Quantum.

### The CBI publishes output of its Thematic Inspection of Product Oversight & Governance ("POG")

On 27 June, the CBI published the output of its Thematic Inspection of POG as part of its Insurance Quarterly Newsletter.

The thematic inspection which was conducted on selected non-life undertakings, by the Governance & Operational Risk Division of the Central Bank, assessed the level of controls, processes and systems in place in relation to product oversight and governance arrangements as required by the Insurance Distribution Directive ("IDD") 2016, the Solvency II Directive, related regulations and EIOPA guidelines.

The review centred on POG Policies & Procedures,Underwriting Controls, Post Implementation Reviews, Risk Management Oversight and Board Oversight.

The report outlines the following poor practices uncovered as part of their review:

- Weaknesses in some undertaking's processes to ensure they are continuously aware of the cover they provide and to have a full understanding of their exposures;
- Weaknesses in second line and board involvement and oversight in terms of new products and material changes to existing products;
- Poor integration of POG process in some undertaking's emerging risk and ORSA processes; and
- Weaknesses in some undertaking's policy wording/coverage and coordination between the risk function and the Underwriting functions in terms of the emerging risk and ORSA processes.

The report highlights a number of good practices which the CBI identified during it's reviews which include;

- The CRO performing the role of a "gatekeeper" with responsibility for considering the materiality of product changes;
- Ensuring there is technical insurance expertise on the Board by ensuring at least one member of the Board and BRC has a general insurance background;
- Establishment of Customer Forums and dedicated Product Wordings Committee;
- Development of formal product reviews/wording schedule with defined timelines and reporting trackers; and
- Strong system controls in place whereby current, approved versions of policy wordings are embedded in the underwriting system and coded to relevant customer categories, preventing frontline underwriters from selecting incorrect or unapproved policy words.

# Prudential

### EIOPA's year-end 2021 study on market and credit risk modelling reveals continuing dispersion

On 3 April, EIOPA published the results of its comparative study on the modelling of market and credit risk in internal models based on year-end 2021 data.

The study focuses on EUR denominated instruments while also analysing selected GBP and USD denominated instruments as well as the corresponding foreign exchange rate indices. The 20 participants from 7 different Member States cover close to 100% of the EUR investments held by all undertakings with approved internal models covering market and credit risk in the EEA.

The overall results show moderate to significant dispersion in some asset model outputs. Although this dispersion may in part be attributable to certain model and business specificities that supervisors are conscious of, it also indicates the need for continued supervisory attention, including at the European level.

### Risk Dashboard shows macro and market risks as top concern for insurers

On 15 May EIOPA published its Risk Dashboard based on Q4 2022 Solvency II data.

The analysis shows that insurers' exposures to macro and market risks are currently the main concern for the insurance sector, while all other risk categories are at medium levels.

Risks related to the macroeconomic environment continue to be the most relevant for the insurance sector. While forecasts for global GDP growth have ticked up slightly and unemployment remains low, projected consumer prices are in the higher range of previous assessments. Fiscal balances have deteriorated. The credit-to-GDP gap slightly increased and central banks keep tightening monetary policy.

Market risks are high amid increased volatility in the bond and equity markets. Insurers' relative exposure to bonds, equity and property nevertheless remains largely unchanged.

Liquidity and funding risks increased. Insurers' cash and liquid asset holdings dropped in the last quarter of 2022 while lapse rates have gone up.

Profitability and solvency risks remain at medium level. Life insurers reported an increase in their SCR ratio, while the same measure for non-life insurers experienced a slight decrease. Return on both assets and premiums rose.

Interlinkage and imbalance risks are also at medium level. Insurers continued realising market-to-market losses on their interest rate hedging derivatives positions although to a lower extent than in the previous quarter. The sector's exposure to banks and other financial institutions has increased.

## ESAs consult to amend technical standards on the mapping of ECAIs' credit assessments

On 25 May the Joint Committee of the ESAs launched a public consultation to amend the Implementing Regulations on the mapping of credit assessments of External Credit Assessment Institutions ("ECAIs") for credit risk.

The Implementing Regulations are part of the EU Single Rulebook for banking and insurance aimed at creating a safe and sound regulatory framework consistently applicable across the EU.

The proposed amendments reflect the outcome of a monitoring exercise on the adequacy of existing mappings, namely those to the credit quality steps ("CQS") allocation for four ECAIs and the introduction of new credit rating scales for seven ECAIs as well as the withdrawal of the registration of one ECAI.

In the Implementing Regulations on the mapping of ECAIs, adopted by the European Commission on 11 October 2016, the three ESAs specified an approach that establishes the correspondence between credit ratings and the credit quality steps defined in the Capital Requirements Regulation (CRR) and in the Solvency II Directive.

The consultation period closed on 26 June 2023.



# Sustainability

### ESAs propose amendments to extend and simplify sustainability disclosures

On 12 April the ESAs published a Consultation Paper with amendments to the Delegated Regulation of the SFDR.

The ESAs are proposing changes to the disclosure framework to address issues that have emerged since the introduction of SFDR. The authorities seek feedback on the amendments which envisage:

- extending the list of universal social indicators for the disclosure of the principal adverse impacts of investment decisions on the environment and society, such as earnings from non-cooperative tax jurisdictions or interference in the formation of trade unions;
- refining the content of other indicators for adverse impacts and their respective definitions, applicable methodologies, formulae for calculation as well as the presentation of the share of information derived directly from investee companies, sovereigns, supranationals or real estate assets; and
- adding product disclosures regarding decarbonisation targets, including intermediate targets, the level of ambition and how the target will be achieved.

The ESAs consultation remained opened for inputs from interested stakeholders until 4 July 2023.

### ECB and EIOPA issue Discussion Paper on policy options to reduce the climate insurance protection gap.

On 24 April, the European Central Bank (“ECB”) and EIOPA published a joint discussion paper on how to better insure households and businesses in the European Union against climate-related natural catastrophes such as floods or wildfires. The policy options set out in the paper are aimed at boosting the uptake and efficiency of climate catastrophe insurance while creating incentives to adapt to and reduce climate risks.

Currently, only about one-quarter of all climate-related catastrophe losses in the European Union are insured. In some countries, the figure is below 5%. This is partly because many people underestimate the costs of climate-related damage. Some also shy away from insurance, preferring to rely on government support. As natural disasters become both more frequent and more severe, insurance costs are expected to rise. Some insurers may reduce risk coverage or stop providing certain types of catastrophe insurance altogether, which would widen the insurance gap further.

To foster insurance coverage, the ECB and EIOPA suggest that insurers should design their policies to encourage households and firms to reduce risk, for example by granting discounts for implementing effective mitigation or adaptation measures. To support the overall supply of insurance, the use of catastrophe bonds could be increased to pass on part of the risk to capital market investors. In the same vein, governments could set up public-private partnerships and backstops to partly cover the costs that insurers may incur in the event of major disasters. To protect themselves and ensure that public funds are used efficiently, governments should also provide strong incentives to reduce risks. Finally, national-level insurance schemes could be complemented by an EU-wide public scheme that makes sure sufficient funds are made available to European countries for reconstruction following rare, large-scale climate-related catastrophes.

The joint discussion paper is part of the ECB’s climate agenda and, more broadly, its work to improve understanding of climate-related risk. The paper aims to foster debate on how to tackle the climate insurance protection gap.

### ESAs propose ESG disclosures for STS securitisations

On 26 May the ESAs jointly submitted to the European Commission Draft Regulatory Technical Standards ("RTS") on the ESG impact disclosure for Simple, Transparent and Standardised ("STS") securitisations under the Securitisation Regulation ("SECR").

These final draft RTS aim to help market participants make informed decisions about the sustainability impact of their investments.

The key proposals included in the technical standards specify ESG disclosures which would apply to STS securitisations where the underlying exposures are residential loans, auto loans and leases.

These technical standards aim to ensure consistency with those developed under the SFDR which distinguish between the publication of available information on mandatory indicators (e.g. energy efficiency) and on additional indicators (e.g. emissions).

### ESAs present common understanding of greenwashing and warn on related risks

On 0 June, the ESAs published their progress Reports on greenwashing in the financial sector The ESAs understand greenwashing as a practice where sustainability-related statements, declarations, actions, or communications do not clearly and fairly reflect the underlying sustainability profile of an entity, a financial product, or financial services. This practice may be misleading to consumers, investors, or other market participants.

The ESAs also highlight that sustainability-related misleading claims can occur and spread either intentionally or unintentionally and in relation to entities and products that are either under or outside the remit of the EU regulatory framework.

The National Competent Authorities ("NCAs") and the ESAs are, therefore, working to meet expectations from stakeholders to ensure consumer and investor protection, market integrity and maintain a trusted environment for sustainable finance. Given the integrated nature of the financial system, the ESAs will be working in a coordinated manner to address greenwashing.

### Insurance Europe publishes response to ECB-EIOPA paper on climate protection gap

On 28 June, Insurance Europe published a response to the ECB-EIOPA paper on the climate protection gap. According to Insurance Europe, the insurance industry welcomes the April 2023 discussion paper on policy options to tackle the widening climate insurance protection gap.

Insurance Europe thus highlighted in their response the insurance industry's key perspectives on ways to tackle the climate protection gap, which include:

- Climate adaptation measures to go beyond insurance and "impact underwriting";
- Consideration of differences in national circumstances;
- Not overlooking bottom-up solutions;
- Consideration of the role catastrophe bonds can play in bringing additional capacity;
- The adoption of existing and future public-private partnerships to the evolution of risks;
- Ensuring that EU-level instruments have effective governance to avoid any unintended consequences.

Additional comments were provided by Insurance Europe on the paper regarding the lack of data backed evidence, inaccurate interpretation of data, usefulness of historical data etc.

# Other updates



### The General Scheme of the Financial Services and Pensions Ombudsman (Amendment) Bill published

On 9 April, the General Scheme of the Financial Services and Pensions Ombudsman (Amendment) Bill was published by the Minister of Finance.

The Financial Services and Pensions Ombudsman ("FSPO") will continue to carry out its duties in a constitutionally sound manner thanks to amendments made to the bill, which is expected to be finalised in the coming months. These amendments will also protect access to the FSPO in cases where the relevant financial service providers have left the Irish market.

### Central Bank publishes Guidance on Submission of Individual Questionnaire, Applications and PCF Roles

On 18 April, the CBI published instructions for regulated financial service providers regarding the filing of individual questionnaires ("IQs") on the CBI site for people who are intended to hold pre-approval controlled functions ("PCFs").

### Insurance Europe publishes Position paper on the application of the Insurance Distribution Directive (IDD)

On 2 May Insurance Europe published a position paper on the IDD legislative framework, ahead of the publication of the next report by EIOPA on the application of the IDD.

According to Insurance Europe, the IDD is working well overall and has been successful in increasing consumer protection through strong and effective conduct rules for the sale of all insurance products. The minimum harmonisation and principles-based approach taken in the IDD allows the rules to be appropriately applied at national level, and takes account for the structure of the local market and consumers' expectations.

Insurance Europe however highlighted few issues which included:

- The industry's lack of specific consumer risks in embedded insurance, as it's regulated under IDD rules for ancillary insurance;
- Differences in the application of Article 10 professional requirements;
- Concerns over the practicality of mandatory waiting periods;
- Concerns on high compliance burdens and cost;
- Industry disagrees with view on complexity of offering insurance and investment in the same product; and
- Market differences not necessarily requiring changes to common IDD rules, despite differences in life and non-life markets.

## The CBI publishes a survey report on the impact of digitalisation on the insurance industry

On 26 May, the CBI published the findings of a study conducted in 2022 about the effects of digitalisation on the insurance sector.

According to the report, the Irish insurance industry is at an early stage in terms of the digitalisation of its business models, and the transition seems to be occurring incrementally rather than dramatically.

The report indicates that the majority of firms either have or is planning to have a digital strategy with 75% of participants' reporting integration or plans to integrate digital strategy in their risk management frameworks.

95% of firms indicated support from their wider group towards their digital strategy with 86% reporting the existence of a commercial relationship with "BigTech".

Pricing, underwriting, claims administration, and post-sale services were areas of digitalisation that stood out in particular because they use cloud computing and application programming interfaces ("APIs").

The CBI asserts that, in order to handle the emerging risks brought on by digitalization, businesses must continue to develop a clear plan and strong oversight procedures and adequacy of their entire strategy for controlling digitalization risks and ensuring compliance.

## Insurance Europe publishes its 2022−2023 Annual Report

On 30 May, Insurance Europe published its 2022−2023 Annual Report, setting out the European insurance industry's position on some of the key issues the insurance sector is facing today.

It covered ways to advance sustainability and inclusivity, improve financial regulation, serve consumers better, support digitalisation and ensure greater protection for societies and economies.

Guest opinion pieces in the report this year were by EIOPA's Petra Hielkema, Helen Rowell of the IAIS, Denis Kessler of SCOR, EFRAG's Patrick de Cambourg, Susan Neely of GFIA and Mirenchu del Valle Schaan of UNESPA.

## The CBI Publishes its June 2023 Insurance Newsletter

On 27 June the CBI Published its Quarterly Insurance newsletter for the second quarter of 2023. Key topics included in the latest version of the newsletter were:

- Output from the CBI's Thematic Inspection of POG;
- Results of the Unit Linked Products – Charges Survey;
- Observations based on supervision of reinsurance activities;
- Recent Stakeholder Engagement at the Insurance Directorate;
- Industry Workshop on Revisions to the Reporting & Disclosure Requirements;
- Results of the CBI's Insurance Digitalisation Survey;
- Updates on obligations in relation to Financial Sanctions;
- Updates on Key Conduct Risks in the Insurance Sector; and
- Insights on Sustainable Insurance and ESG disclosures.

# Contacts

## Insurance Partners


**Ronan Mulligan**
Partner - FS Actuarial Services

e: ronan.mulligan@pwc.com
t: +353 86 411 6027

**Padraic Joyce**
Partner - Insurance

e: padraic.joyce@pwc.com
t: +353 86 810 6394

**Padraig Osborne**
Partner - Insurance

e: padraig.osborne@pwc.com
t: +353 86 826 0705

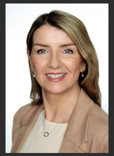
**Shane McDonald**
Partner - Insurance

e: shane.t.mcdonald@pwc.com
t: +353 86 361 9940


## FS Risk & Regulatory practice


**Ciarán Cunningham**
Partner- FS Risk & Regulatory

e: ciaran.j.cunningham@pwc.com
t: +353 87 649 4780



**Trisha Gibbons**
Director - FS Risk & Regulatory

e: trisha.gibbons@pwc.com
t: +353 87 689 9978

**Iarla Power**
Director - FS Risk & Regulatory

e: iarla.power@pwc.com
t: +353 86 783 2708

**Des Crofton**
Director - FS Risk & Regulatory

e: des.crofton@pwc.com
t: +353 87 639 6717

**Cian Meagher**
Senior Manager - FS Risk & Regulatory

e: cian.meagher@pwc.com
t: +353 87 613 4170

**Vincent Cooke**
Senior Manager - FS Risk & Regulatory

e: vincent.cooke@pwc.com
t: +353 87 908 4076

**Michael McInerney**
Senior Manager - FS Risk & Regulatory

e: michael.mcinerney@pwc.com
t: +353 87 435 9368

**Alexandra Antonio**
Senior Manager - FS Risk & Regulatory

e: alexandra.antonio@pwc.com
t: +353 87 436 9794

**Malay Bose**
Manager - FS Risk & Regulatory

e: malay.bose@pwc.com
t: +353 87 908 4601