Insurance bulletin

PwC Ireland

Q3 2023

Executive summary

Welcome to the Q3 2023 edition of PwC's Insurance bulletin. This provides an update on the main regulatory developments for the insurance industry at both a domestic and European level between June and September 2023.

It was a reasonably busy quarter. There were some important developments especially in the area of the treatment of consumers and the ethical use of data. The EIOPA consultation on supervisory expectations on the supervision of "third-country" reinsurance also generated some commentary and interest across the sector.

Some notable developments from an Irish perspective are the updates from the Central Bank of Ireland ("CBI") on its ongoing review of Consumer Protection Code as well as the publication of the findings of a review completed on firms' ORSAs during 2022.

The CBI also published its Report on "Data Ethics in Insurance" covering the nature and scope of the risks and opportunities of using big data and related technologies throughout the insurance value chain.

At the European level, key updates include the publication of the peer review report on the application of Product Oversight and Governance (POG) requirements to manufacturers of insurance.

During Q3 the European Supervisory Authority's ("ESAs") also issued a joint response to specify criticality criteria and oversight fees for critical ICT third-party providers under the Digital Operational Resilience Act (DORA).

And finally, EIOPA's 2023 to 2026 strategy was published outlining its strategic priorities for the coming years.

We hope you enjoy reading this bulletin.

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

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Insurance updates and developments

Conduct

EIOPA research sheds light on why households and businesses are reluctant to take out NatCat insurance

On 5 July, the European Insurance and Occupational Pensions Authority (EIOPA) published a Staff Paper examining the reasons behind the limited uptake of natural catastrophe insurance in Europe. The paper identifies 'demand-side' barriers that prevent consumers from purchasing NatCat insurance and proposes consumer-tested solutions to overcome these barriers. The paper aims to improve society's resilience against natural catastrophes and highlights the need to understand why protection gaps exist and take necessary actions to address them. EIOPA's consumer research and behavioral studies reveal various demand-side barriers and drivers influencing the willingness of individuals and businesses to purchase NatCat insurance. These included:

- income levels and the perceived unaffordability of coverage (consumers tend to mistakenly perceive insurance as too expensive);
- a lack of clarity in terms and conditions;
- previous negative experiences with insurance claims;
- the misperception of the risks of a NatCat event;
- high expectations about state intervention in case of a catastrophe, and
- the perception that the process of buying insurance is demanding.

EIOPA also identified a number of potential solutions to tackle these barriers:

- increasing risk awareness, for instance through public or independent tools monitoring the level of risk in regions as well as with targeted messages at 'teachable moments' (e.g. prior to buying property);
- better comparison and greater standardisation of products regarding coverage, exclusions and pricing structures;
- simpler and more consumer-friendly purchasing processes, including via digital channels; and
- premium reductions for implementing risk mitigation measures.

EIOPA sought feedback from stakeholders on the key risks for consumers, the identified drivers and possible solutions. The survey closed on 5 October 2023.

Insurance Europe welcomes European Commission's Financial Data Access Proposal

On 5 July, Insurance Europe issued a publication welcoming the European Commission's ('EC') ambition in its proposal for a framework on financial data access which gives customers the option to decide whether, how, who, and for how long they wish to share their financial data. Insurance Europe however expressed certain reservations in addition to applauding the European Commission's actions. According to Insurance Europe, the insurance sector is disappointed that the Commission has not recognised the obvious benefits of facilitating cross-sectoral data sharing for financial institutions.

EIOPA publishes Peer Review on Product Oversight and Governance (POG)

On 20 July, EIOPA published a peer review report on product oversight and governance (POG).

This is the first peer review in the area of conduct of business supervision to assess how national supervisors in the European Economic Area (EEA) are supervising the application of POG requirements by insurance manufacturers.

EIOPA has developed supervisory convergence work on POG, including a Chapter on POG within its Supervisory Handbook which provides guidance for NCAs to assess POG implementation by manufacturers and distributors. EIOPA also published an approach to supervision in the insurance sector.

The peer review revealed that most national competent authorities (NCAs) have adapted their supervisory approaches to supervise POG requirements, following the Insurance Distribution Directive and POG Delegated Regulation. Some NCAs are improving their supervisory POG frameworks, while others are still building them. EIOPA has issued recommended actions to strengthen POG supervision, expecting significant progress after six months. EIOPA will monitor and assess implementation and consider incorporating the findings in its work on consumer protection and supervisory convergence.

CBI Engagement Update on Consumer Protection Code Review

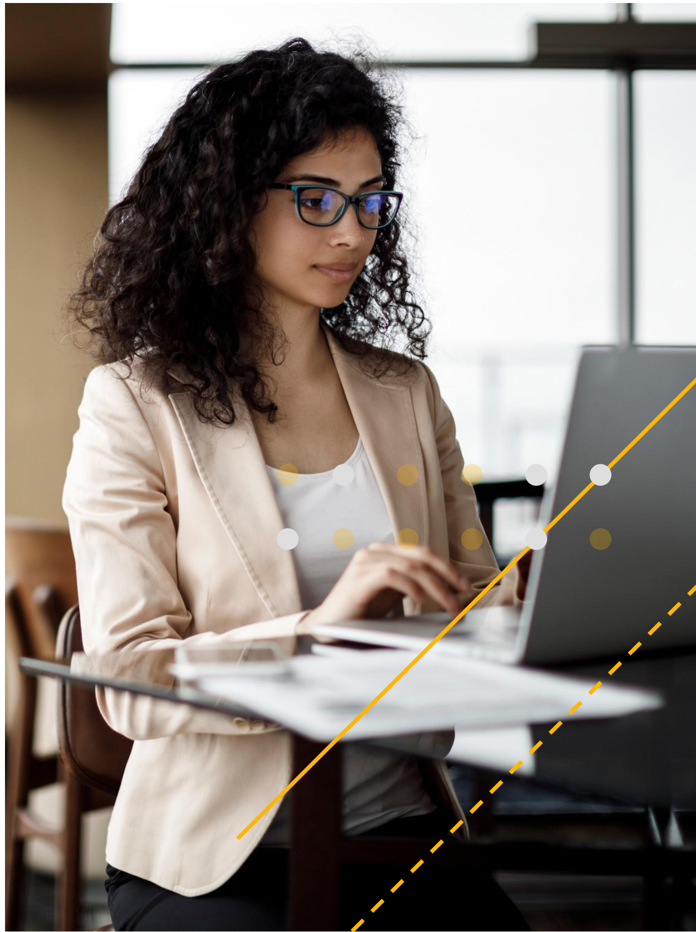
On 31 July, the Central Bank of Ireland ("CBI") published an engagement update as a follow-up to its discussion paper on the review of the Consumer Protection Code of 2012, which was published in October 2022.

The CBI engagements have so far received updates on five key themes comprising:

- Digitalisation: consumers have more options and access because of digitalization but firms must take measures to address potential risks.
- Vulnerability: firms must take steps to recognise and assist customers in vulnerable situations.
- Disclosure Requirements: Standardized, uncomplicated language and content may be beneficial for customers, as disclosure requirements may not guarantee well-informed consumers
- Financial Literacy: Financial education and related programs are widely supported for addressing issues like deception and fraud, while also protecting vulnerable customers.
- Regulatory Concerns: It's critical that customers are able to tell whether a company is subject to central bank regulation.

According to the publication, in 2024, the CBI plans to establish a new, updated version of the Consumer Protection Code that will combine current regulations with the Code of Conduct on Mortgage Arrears ("CCMA"). The CBI also intends to hold consultations on the updated Code in December 2023.

Following the approval of the updated Code in 2024, work on additional Code improvements will be done during 2024, with new Regulations scheduled for 2025.



CBI Publishes Report on Data Ethics in Insurance

On 2 August, the CBI published a research paper on data ethics in insurance. The paper summarises the main conclusions of research done to better understand the nature and scope of using big data and related technologies throughout the insurance value chain.

According to the CBI's research, the majority of businesses either already use big data and similar technologies in some capacity throughout their operations and the entire insurance value chain, or they plan to do so over the next three years.

According to the report, the CBI is aware that growing digitalization can benefit all parties involved in the insurance value chain, including businesses, customers, and society at large. However it highlighted some risks that may be posed, including;

- Improper integration, supervision, and management of digitalization within the operational and organisational structure of enterprises; and
- Improper use of data and technology, which could result in unfair treatment of consumers and eventually unfavourable outcomes for them.

The report underscored that, while businesses continue to innovate and digitalize their operations, the CBI anticipates that they will maintain a consumer-focused strategy that carefully considers the ethical use of data. This includes thinking about the likelihood that consumers would be treated unfairly or with bias, including the possibility that some consumers will be excluded, as well as the misuse of data. Firms are expected to follow prudential criteria by making sure they implement effective and adequate governance surrounding the use of technologies in activities.

Department of Finance publishes Financial Consumer Protection Roadmap

On 13 September, the Department of Finance published the Financial Consumer Protection Roadmap, which brings together in one place information on some of the consumer protection policies that are being developed to deal with the rapidly changing financial services environment. The Roadmap outlines how Ireland is adhering to the G20/OECD High-Level Principles on Financial Consumer Protection. Some of the key policies outlined within the Roadmap, which are being developed or are to come into effect in the near future include;

- Insurance Ireland's Code of Practice for Underwriting Mortgage Protection Insurance for Cancer Survivors.
- The Consumer Protection Code Review
- Individual Accountability Framework

Retail Investment Strategy: Insurance Europe's key messages

On 15 September, Insurance Europe published a series of key messages on the Retail Investment Strategy (RIS) package indicating the European insurance industry's firm support of the EC's objectives of the RIS to increase retail investors' participation in financial markets, while protecting them from mis-selling practices. Insurance Europe added that Insurance-based investment products (IBIPs) are ideal for enabling confidence, insurance protection, and old age preparation but highlighted some challenges consumers may face with the current RIS proposal:

- Increased and difficult consumer's journey in accessing retail investment products;
- Complicate access to investment and protection
- Excessive focus on costs;
- Add to existing information overload; and
- Reduce consumer choice and the quality of products and services

Insurance Europe provided some measures to address the identified challenges which included:

- Avoidance of a direct or indirect EU-wide ban on inducements
- Removal of additional requirements that will make the consumer journey harder
- Move from a cost-centric approach to a consumer-centric one
- Favour a risk-based approach to value for money supervision
- Make disclosures more user-friendly and address the information overload

Insurance Europe emphasised on its readiness to contribute to the debate and share insurance-sector expertise to improve the current proposal and ensure it doesn't miss an

EU to ban greenwashing and improve consumer information on product durability

On 19 September, the EU Parliament and Council reached a provisional agreement on new rules to ban misleading advertisements and provide consumers with better product information. The agreement adds a number of questionable marketing practices connected to greenwashing and early product obsolescence to the existing EU list of prohibited commercial practices. The new regulations are intended to safeguard customers from deceptive practices and assist them in making better purchasing decisions.

EIOPA launches survey on access to cyber insurance by SMEs

On 20 September, EIOPA launched a survey on access to cyber insurance by SMEs to gain deeper insights into the challenges small businesses face in protecting themselves from cyber risks and to evaluate the level of access to cyber insurance.

Access to (cyber) insurance coverage plays a significant role in mitigating risks stemming from digitalisation by absorbing shocks and managing risks associated with irregular and unpredictable income. Insurance can make SMEs resilient to shocks, also making them more financially sound.

The survey will gather information on the size and type of business of the surveyed enterprises, the level of cyber risk awareness vis-à-vis their business, the availability, affordability, and understanding of cyber insurance products.

It will also shed light on the experience and perceptions of SMEs regarding cyber insurance, including whether they have considered purchasing a policy, the factors that influenced their decision (not) to purchase coverage, and the potential barriers to access.

The survey is available in all 24 official EU languages, and SMEs are invited to take part until 20 March 2024.

Supervision

EIOPA consults on supervisory expectations regarding the supervision of reinsurance concluded with third-country reinsurers

On 10 July, EIOPA published a supervisory statement regarding consultation on supervisory expectations on the supervision of reinsurance concluded with third-country reinsurers.

The statement sets out supervisory expectations in several areas, including the assessment of the business context when using reinsurance from third countries and the importance of an early supervisory dialogue. Furthermore, it includes supervisory considerations on how to assess reinsurance agreements and undertakings' risk management systems in relation to the use of third-country reinsurers. Finally, the draft supervisory statement foresees tools that will help to mitigate any additional risks that might arise.

The statement shall ensure high-quality and convergent supervision of insurers that have in place reinsurance arrangements with third-country reinsurers.

EIOPA Report on Colleges Activities 2022 outlines key developments and themes in cross-border group supervision

On 13 July, EIOPA published a Report on Colleges Activities 2022 outlining key developments and themes in cross-border group supervision. According to the publication, the activities of the 64 colleges in 2022 mainly focused on the fast-changing macroeconomic environment, and its impact on the financial and solvency position and profitability of cross-border insurance groups. Other topics discussed included group-specific risks, ESG-related aspects, conduct of business issues, reinsurance as well as the activities related to financial conglomerates and internationally active groups. While inflation had a limited impact in 2022 on the groups where a college was in place, it remains a key focus. The value of fixed income assets dropped due to rising interest rates. For groups offering long-term insurance products, these losses were offset by the decrease in liabilities.

The average SCR ratio at the end of 2022 increased slightly on a year-on-year basis, though some groups saw their SCR ratio drop due to valuation losses and/or higher SCR requirements. Given the sharp and rapid increase in interest rates, mass lapse risk has become more relevant in terms of capital requirement increase.

The Report indicated that, in 2023, EIOPA's college work will continue to focus on the impact of the macroeconomic environment on the sustainability of groups' business models, on climate change risk and on financial conglomerates, addressing these issues from both prudential and conduct of business perspectives.

CBI Publishes Employers' Liability and Public Liability Insurance Mid-Year report of the National Claims Information Database (NCID)

On 13 July, the CBI published its mid-year liability data giving details on claims and expenditures related to employers' liability and public liability insurance that have been settled.

Some of the key findings contained within the report include;

- Injury claims are the most material type of claim recorded during the period, accounting for 95% of the total claims settled during H1 2021
- 71% if all injury claims were settled via litigation

The report also highlights the impact the Personal Injury Guidelines have had on claims settlements. Overall the report finds that the guidelines impact is limited as claims settled via litigation continue to represent the largest portion of total claims costs and only 3% of these claims being settled using Under the Guidelines.

EIOPA consults on an Open Insurance use case: an insurance dashboard

On 24 July, EIOPA launched a consultation on an Open Insurance use case by publishing a Discussion Paper examining the key features of an insurance dashboard.

EIOPA previously conducted a public consultation in 2021 on open insurance, revealing divergent views among stakeholders on potential benefits and risks. The consultation concluded that open insurance could benefit consumers, the sector, and supervision, but also raises risks. EIOPA plans to work on more detailed open insurance use cases to better understand implications. It also suggests scope for open insurance to develop further under appropriate regulatory conditions.

CBI publishes Regulatory Service Standards Report

On 28 August, the CBI published its H1 2023 Regulatory Service Standards report which details how the CBI has fared in comparison to the service standards it previously agreed to in relation to:

- Authorisation of funds and financial service providers;
- Processing of fitness and probity ("F&P") applications across all regulated industries; and
- Performance of its third party contact management service.

The CBI noted the following in the H1 2023 Report:

- The Central Bank met or exceeded all the public service standards during H1 2023 (30 out of the 46 with the remaining 16 not applicable);
- 1,559 applications were assessed as part of the F&P regime, with a new system for F&P applications successfully implemented in April;
- 1,234 prospectus submissions were reviewed; and
- 248 investment funds were authorised.

Insurance statistics update for Q1 2023 comes with visual insights into asset allocation

On 4 September, EIOPA published the Insurance statistics update for Q1 2023 with visual insights into asset allocation. EIOPA collects and publishes comprehensive statistics on (re)insurance undertakings and groups active in the European Economic Area.

The latest data release, is accompanied by a visual factsheet detailing how European (re)insurers allocate €8.57 trillion in assets across different asset types and jurisdictions. The data visualisation focuses on investments in government bonds, corporate bonds, equities and investment funds as these four categories collectively make up 88% of their investment portfolio.

Global Insurance Supervision conference: Insurance supervision in a world in transformation

On 07 September, EIOPA published a speech by EIOPA chair Petra Hielkema at the 8th Global Insurance Supervision conference, hosted by EIOPA,International Center for Insurance Regulation (ICIR), and the Leibniz Research Institute SAFE (Sustainable Architecture for Finance in Europe).

In the remarks, Petra Hielkema touched on issues related to competitiveness, Solvency II and protection gaps. Petra Hielkema also emphasised the significance of global co-operation in addressing challenges faced by the sector, supervisors, and society. She emphasised the need for sharing market developments and supervisory responses, and identifying areas for co-ordination by international supervisors.

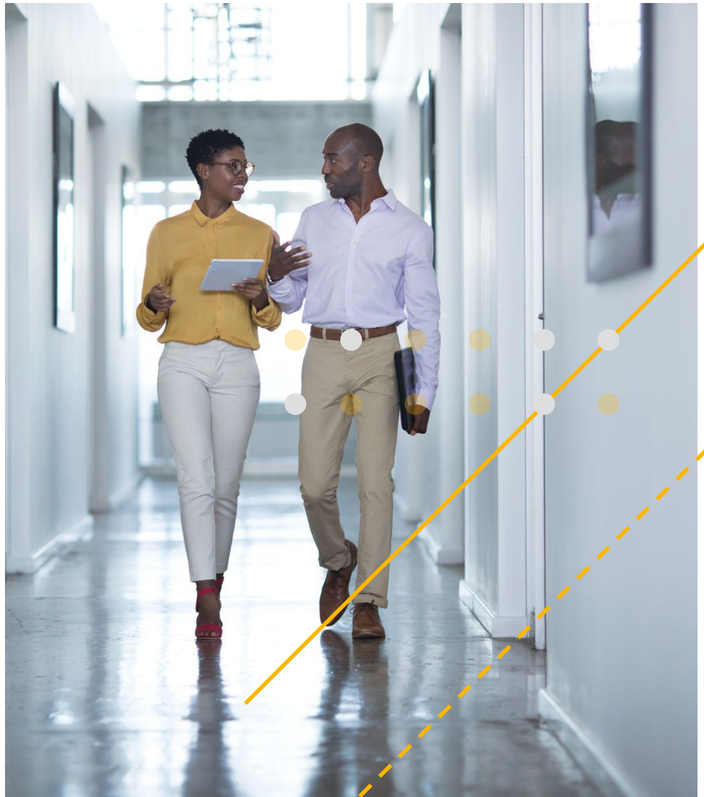
Insurance Europe publish a letter it sent to the President of the EU regarding changes it wants made to reporting requirements of insurers within the EU.

On 13 September, Insurance Europe published a letter sent to President von der Leyen, Head of Cabinet, at the European Commission calling on the Commission to reduce existing reporting requirements and ensure new reporting is proportionate, simpler, and more consistent across EU regulations. The European federation of the insurance and reinsurance industry, Insurance Europe, welcomed the initial announcement by President von der Leyen to simplify reporting by 25% indicating the industry needs EU reporting to be simplified and consistent across EU regulations, such as Solvency II, sustainability reporting, and the Retail Investment Strategy. Insurance Europe added that new reporting requirements generate the need for IT projects, data sourcing, validation processes, and management interpretation, negatively impacting customers and putting the European insurance industry at a competitive disadvantage.

ESAs warn of risks resulting from a fragile economic outlook (JC 2023 44)

On 18 September, the three European Supervisory Authorities (EBA, EIOPA and ESMA - ESAs) published their Autumn 2023 Joint Committee Report on risks and vulnerabilities in the EU financial system.

The Report underlines the continued high economic uncertainty. The ESAs warn national supervisors of the financial stability risks stemming from the heightened uncertainty, and called for vigilance from all financial market participants.



CBI publishes feedback statement after reviewing firms' ORSAs , Materiality Assessments and qualitative analysis

On 25 September, the Central Bank of Ireland (CBI) as part of the September newsletter published a feedback statement following it's review of firms' ORSAs in 2022 and 2023, Materiality Assessments, and Qualitative analysis.

According to the CBI statement, the Guidance emphasises the importance of assessing a firm's climate change risk exposure; however, few firms are conducting a comprehensive materiality assessment that considers climate change risk holistically within their business model.

The review of ORSAs reveals that while some firms focus on physical and investment transition risks, little is done on the indirect impacts of climate change and interdependencies of risks, which may be more material than direct impacts.

The report outlines a number of best practices for materiality assessment which were observed by the CBI, these include:

- Consideration for potential effects of various climate change risks on both assets and liabilities;
- Consideration of indirect climate change impacts on reinsurance costs and availability, considering global and domestic changes;
- Evaluation of strategic business model decisions based on identified exposures;
- Exposure to climate litigation risk through its own business operations and lines of business written;
- Evaluation of materiality of potential impacts on investment transition risks using publicly available classifications;
- Consideration of changes in the materiality of risks over the short, medium, and long-term periods; and
- Evaluation of how company's operations and activities impact climate change.

Firms are advised to establish a baseline climate change scenario for materiality assessment, documenting the rationale for selecting it and considering publicly available scenarios, while understanding the limitations of the chosen pathway.

- Where firms identified material exposures, the CBI observed some good practices in the ORSA regarding quantitative analysis:
- Quantitative assessments are designed in line with climate science,
- Consideration of financial impacts of secondary risks like reinsurance costs and product changes; and
- Assessment of impact of combinations of risks, including physical and transition events.

The CBI encourages firms to challenge and validate results, use reverse stress testing to assess climate change risk and business model sustainability, aiding strategy and planning, and continue to develop their knowledge and understanding of potential risks, particularly as new information becomes available.

CBI publishes feedback statements on recommended practices for Strategy and Reinsurance after reviewing firms' ORSAs in 2022 and 2023.

On 25 September, the Central Bank of Ireland (CBI) as part of the September Insurance Newsletter, published a feedback statement outlining it's findings of recent review firms ORSA's within the Domestic Non-Life Sector. The review focussed on two areas in particular:

- the linkage between the Business Strategy and Business Plans, and their consideration in the ORSA process;and
- the significant hardening of the international reinsurance market in recent renewal periods
- In relation to the linkage between business strategy and business plans, the CBI suggests that firms should demonstrate that the ORSA process's conclusions are feeding into their strategic planning and decision making processes The CBI notes that for 2023, firms should ensure that;
- The ORSA report outlines the process, including activities aligned with the strategic planning process;and
- A robust process for developing, reviewing and updating strategy and business model is in place as part of the business planning process. A summary detailing the linkage and alignment between the business strategy and business plan should be included in the ORSA Report.

On the reinsurance side, the CBI highlighted the Irish insurers face hardening in 2023 renewals due to material rate increases, tightened terms, and difficulty placing catastrophe layers, impacting affordability and availability of reinsurance. The CBI is expecting ORSA's in 2023 to consider points including;

- Material increases in the price of reinsurance
- Material increases to retention on excess of loss reinsurance due to lack of market capacity;
- Impact of large catastrophe losses in Ireland could have on price and terms; and
- Operational risk arising from delays in agreeing and finalising reinsurance contracts.

Insurance industry shares position on EU's Artificial Intelligence (AI) Act

On 26 September, Insurance Europe published some key messages on the EU's Artificial Intelligence Act ahead of the trilogues - the EU's final stages of negotiation involving the European Commission, Council and Parliament. According to Insurance Europe, the EU's Artificial Intelligence Act is a major regulatory package addressing the emerging technological market. Insurance Europe thus provided three key messages:

- Defining an AI system;
- Classifying high-risk AI systems; and
- Assessing the risk posed by high-risk AI systems.

The insurance industry proposes a definition aligned with international organisations, while life and health insurance should be excluded from high-risk AI systems. Providers may be exempt from requirements if they demonstrate their AI system does not pose a significant risk.

ESAs publish Report on the landscape of ICT third-party providers in the EU

On 27 September, the European Supervisory Authorities (EBA, EIOPA, and ESMA) published an overview of ICT third-party providers (TTPs) serving financial entities in the EU. The analysis aims to support ESAs' policy making process and the European Commission's call for advice on criteria for critical ICT TPPs and oversight fees. The first-of-its-kind data collection exercise identified around 15,000 TPPs, with most critical services classified as non-substitutable by financial institutions.

According to the publication, the data collection process has also produced some insightful insights for DORA implementation. For instance, it has emphasised the necessity of creating a suitable ICT services taxonomy and making sure that financial firms include unique identities in the data presented.

Review of the IORP II Directive: embracing the future while protecting the legacy

On 28 September, the European Insurance and Occupational Pensions Authority (EIOPA) published its technical advice submitted to the European Commission on the review of the IORP II Directive, which regulates the activities and supervision of occupational retirement provision (IORPs). The advice aims to ensure the directive can adapt to the future while protecting its legacy. It proposes changes to keep the regulatory framework relevant, recognise the need for proper regulation and supervision of existing DB IORPs, and enhance the proportionality measures of existing regulation. The advice builds on previous decisions, opinions, and reports from EIOPA and public consultation.

ESAs specify criticality criteria and oversight fees for critical ICT third-party providers under DORA in response to the European Commission's call for advice

On 29 September, the ESAs published their joint response to the European Commission's Call for Advice on two EC delegated acts under the Digital Operational Resilience Act (DORA) specifying further criteria for critical ICT third-party service providers (CTPPs) and determining oversight fees levied on such providers.

In relation to the criticality criteria, the ESAs propose 11 quantitative and qualitative indicators along with the necessary information to build up and interpret such indicators following a two-step approach. The ESAs also put forward minimum relevance thresholds for quantitative indicators, where possible and applicable, to be used as starting points in the assessment process to designate critical third-party providers. This joint response does not include any details of the designation procedure nor of the related methodology as these are out of the scope of this Call for Advice. However, the ESAs plan to define these details no later than six months after the adoption of the delegated act by the Commission.

Regarding the oversight fees, the ESAs make proposals for determining the amount of the fees to be levied on CTPPs and the way in which they are to be paid. The ESAs' proposals cover the types of estimated expenditures (for both the ESAs and the competent authorities) that shall be covered by oversight fees as well as the basis for the expenditures' calculation and the available information for determining the applicable turnover of the CTPPs (the basis of fee calculation) and the method of fee calculation together with other practical issues regarding the collection of fees. In addition, the advice proposes a financial contribution for voluntary opt-in requests. The ESAs will specify other practical aspects on the estimation of oversight expenditures and operational aspects in the context of the implementation of the oversight framework.

EIOPA Outlines its Strategy for 2023-2026

On 30 September, the European Insurance and Occupational Pensions Authority (EIOPA) published an outline of its plan for the years 2023 to 2026.

This comes after EIOPA published its revised Single Programming Document for 2024-2026 which sets out the activities of EIOPA in the period 2024-2026.

According to the publication, EIOPA has chosen key areas on which to concentrate under the overarching aim of creating a safe and sustainable EU for citizens in times of transformation. The strategic priorities identified by EIOPA included:

- Sustainable finance
- Digital transformation
- Supervision
- Policy
- Financial stability
- Internal governance

Prudential

EIOPA publishes changes to the minimum amount of professional indemnity insurance cover and financial capacity intermediaries need under IDD

On 03 July, EIOPA published changes to the minimum amount of professional indemnity insurance cover and financial capacity intermediaries need under IDD. The IDD prescribes that changes to the minimum amounts shall be based on the rate of inflation. As the Harmonised Index of Consumer Prices (HICP) rose by 20.32% between 1 January 2018 and 31 December 2022, the new base amounts would be as follows:

- The base PII amount applying to each claim is to increase from EUR 1 300 380 to EUR 1 564 610 [+ EUR 264 230]
- The base aggregate PII amount per year is to increase from EUR 1 924 560 to EUR 2 315 610 [+ EUR 391 050]
- The base financial capacity amount is to increase from EUR 19 510 to EUR 23 480 [+ EUR 3 970]

EIOPA publishes paper on methodological principles of insurance stress testing of cyber risks

On 11 July, EIOPA published a paper on methodological principles of insurance stress testing of cyber risks. The aim of the paper is to set the ground for an assessment of insurers' financial resilience under severe but plausible cyber incident scenarios. The methodological principles cover insurers' own cyber resilience and the vulnerabilities related to cyber underwriting risk. Overall, the principles should help in the design phase of future insurance stress tests with focus on cyber risks. EIOPA indicated that, Operational resilience testing, as required under the Digital Operational Resilience Act (DORA), is not in the scope of the current paper.

According to the paper, the principles are built on relevant and still evolving regulation and supervisory experience in this area. Hence, the proposed framework might evolve in the future to reflect developments in the assessment of cyber risks at European and global level.

EIOPA added that the paper took into account the feedback provided by stakeholders during the public consultation.

Macro risks top insurers' worry list according to EIOPA's Insurance Risk Dashboard

On 31 July, EIOPA published its Insurance Risk Dashboard, which shows that insurers' exposures to macro risks are currently the main concern for the sector. Risk levels remain broadly constant, with all risk categories pointing to medium risks with the exception of macro risks.

According to the dashboard, the insurance sector faces macro-related risks, including increased global GDP growth and a slight decrease in CPI forecasts. Credit risks remain medium-level, with credit default swap spreads increasing for financial secured bonds. Market risks decreased due to decreased equity market volatility. Liquidity and funding risks increased, while profitability and solvency risks decreased investment returns for life insurers. Interlinkages and imbalances risks remain medium-level, while insurance risks decreased. Market perceptions show positive returns for insurance stocks, but underperformance for life insurance stocks. ESG-related risks increased, with the share of insurers' investments in green bonds remaining stable. Digitalization and cyber risks increased in the first half of 2023, with cyber incidents impacting all sectors.

EU publishes Solvency II Implementing Regulation in Official Journal

On 31 August, the European Union published Commission Implementing Regulation (EU) 2023/1672 in their Official Journal.

The Implementing Regulation establishes technical information for the calculation of technical provisions and basic own funds for reporting with reference dates ranging from 30 June 2023 to 29 September 2023, in accordance with the Solvency II Directive on the establishment and conduct of the insurance and reinsurance business.

Insurance Recovery & Resolution Directive (IRRD) key messages ahead of trilogues by Insurance Europe

On 18 September, Insurance Europe published some key messages on the Insurance Recovery & Resolution Directive (IRRD) ahead of trilogues. According to Insurance Europe, the IRRD should be proportionate to the size of the issue it aims to solve. The Solvency II prudential regime already addresses many concerns, providing high protection for policyholders and beneficiaries through risk management requirements and disclosure. Thus, the final IRRD should reflect the insurance sector's unique business model, which limits the need for an extensive recovery framework. The also stated that, insurance liabilities are long-term and prefunded, and systemic risk is lower in insurance than in other sectors and so urged co-legislators to ensure the final text minimises cost and resources, is tailored to the insurance industry's business model, and aligns with agreed international standards.

Insurance Europe and RAB respond to IAIS consultation on Insurance Capital Standard as a Prescribed Capital Requirement

On 25 September,Insurance Europe and its Reinsurance Advisory Board (RAB) responded to a consultation conducted by the International Association of Insurance Supervisors (IAIS) on the Insurance Capital Standard (ICS) as a Prescribed Capital Requirement (PCR).

Overall, Insurance Europe supports the ICS project's initial objective to create a high-quality and robust global insurance standard that promotes a sound and level global regulatory playing field, although the achievability of the initial objective of the ICS project is put into question by the evolution of its nature.

Insurance Europe supports internal model inclusion in candidate ICS, but acknowledges technical specifications, double reporting requirements, and jurisdictional implementation issues.

Review of the IORP II Directive: embracing the future while protecting the legacy

On 28 September, EIOPA published a public consultation on draft technical advice for the review of the IORP II Directive which regulates the activities and supervision of institutions for occupational retirement provision (IORPs).

EIOPA provides its technical advice with the objective of ensuring that the reviewed directive can embrace the future while protecting the legacy. In particular, EIOPA's technical advice suggests changes to the regulatory framework for IORPs, considering the shift from DB to DC pensions and societal challenges. It emphasises transparency of costs and charges, sustainability in investment decisions, proper regulation of DB IORPs, and enhancing proportionality measures.

This advice builds on previous decisions, opinions and reports that EIOPA has issued and takes stock of the results of a comprehensive survey among national supervisors and of the feedback received during the public consultation.

Sustainability

Closing the climate protection gap: Insurance Europe welcomes Climate Resilience Dialogue interim report

On 18 July, Insurance Europe issued a publication welcoming the Climate Resilience Dialogue Interim report. According to Insurance Europe, the Climate Resilience Dialogue Interim report marked a significant milestone in the European Commission's initiative to address climate protection gaps. The report highlighted the need to increase resilience and adaptation to climate change-related risks, as heatwaves, droughts, and other events become more frequent and intense. The Climate Resilience Dialogue, led by the European Commission's DG CLIMA and DG FISMA, aims to identify key drivers of protection gaps and find practical solutions. The final report is expected to be published in 2024.

European Commission adopts the European Sustainability Reporting Standards

On 31 July, the European Commission published its adoption of the European Sustainability Reporting Standards ("ESRS"), which gives information to investors so they may understand the sustainability effect of the businesses they invest in.

All businesses covered by the Corporate Sustainability Reporting Directive ("CSRD") are expected to adopt the ESRS, which will be implemented gradually for various businesses.

The Corporate Sustainability Reporting Directive (CSRD) gives the Commission the authority to adopt delegated and implementing acts that outline how competent authorities and market participants must adhere to the directive's requirements.

Insurance Europe response to EC proposal on ESG rating activities

On 04 September, Insurance Europe published a consultation response in support of the European Commission's proposal to enhance the transparency and availability of environmental, social, and governance (ESG) rating activities through regulatory standards, highlighting seven areas for improvement in its consultation response e which included:

- Inclusion of raw ESG data products in the scope of the Regulation;
- Inclusion of the entire group of ESG rating providers in the regulation;
- Disclosure requirements to be applied in full;
- Non-discriminatory access to ESG ratings, including for private investors;
- Clear definition of “financial products”;
- Transitional provisions; and
- Risk of market concentration with oligopolistic structures.

European Commission consults on sustainable finance disclosures

On 14 September, the European Commission launched a targeted and public consultation to gather feedback on the Sustainable Finance Disclosure Regulation (SFDR), which aims to improve market transparency and investor decision-making. The public consultation will focus on the current SFDR and potential issues, while the targeted consultation will examine its implementation, its interaction with other sustainable finance frameworks, and future potential shortcomings. Both consultations will run until 15 December 2023 and will be accompanied by a series of workshops which begins on 10 October 2023.

ESAs publish joint report on the extent of voluntary disclosure of principal adverse impacts under SFDR

On 28 September, the European Supervisory Authorities (ESAs) published their second joint report on the extent of voluntary disclosure of principal adverse impacts (PAI) under the Sustainable Finance Disclosure Regulation (SFDR).

Like the approach taken for the first report in 2022, the ESAs conducted a survey of Member State competent authorities to assess voluntary PAI disclosures under the SFDR. The results showed an overall improvement, but significant variation in compliance and quality across financial market participants and jurisdictions. The report also highlighted the need for better explanations for not considering PAIs and the general lack of disclosure about alignment with the Paris Agreement. Future reports will further analyse voluntary disclosures and include recommendations for the European Commission.

Other updates

Department of Finance publishes Progress Report on the "Ireland for Finance" Strategy

On 19 July, Dr. Jennifer Carroll MacNeill, Minister of State at the Department of Finance, published the 2022 progress report of the Ireland for Finance Strategy. The report outlines 11 action measures focused on fintech, sustainable finance, diversity and talent, regionalisation and promotion, and operating environment. Some of the notable achievements included in the publication were:

- the launch of Ireland's Women in Finance Charter;
- the European Financial Forum;
- educational consumer resources;and
- Ireland's establishment as an EU hub for insurtech.

CBI Publishes Insurance Corporations Statistics for Q2 2023

On 4 September, the CBI published the Irish insurance corporation (IC) statistics for Q2 2023. The report showed the sector's total assets increased by 3.2% in Q2 2023 to €418 billion, with the largest growth in direct holdings of equities and debt securities. Technical reserve liabilities also increased, with non-life insurance and non-unit linked life insurance growing by 6.3% and 3.9% respectively. The insurance sub sectors' asset profiles vary, with reinsurance ICs holding large debt securities and loans, and non-life ICs holding reinsurance and debt securities.

BIS publishes a research paper on trends and risks of big techs in insurance

On 31 August, the Bank for International Settlements (BIS) published a research paper on big techs in insurance that looks at trends and risks of big techs in insurance and argues there is a clear case to consider developing sector-specific rules for big techs who are operating in the finance sector.

The paper examines big techs' involvement in insurance across 14 jurisdictions, focusing on their role as risk carriers, intermediaries, or service providers. Despite limited regulated insurance activities, they have a significant presence in the sector as technology service providers such as cloud computing. The paper suggests that regulatory frameworks based on international standards may be necessary for their entry into financial services.

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Q3 2023 Insurance Newsletter published by the CBI

On 25 September, the Central Bank of Ireland (CBI) published its quarterly Insurance bulletin for Q3 2023. This edition of the bulletin included insights on:

- Observing and implementing good reserving practices
- ORSA Feedback - Supervision of Climate Change Risk
- ORSA Feedback Part 2 – Strategy & Reinsurance

The newsletter also provided updates on key and current activities by the CBI in the insurance industry which included:

- CBI's Recent Stakeholder Engagement;
- CBI's appointment and leadership changes;
- Updates data ethics within Insurance;
- EIOPA Statement on Governance in Third Country Branches;
- Product Oversight and Governance (POG) Developments;
- Updates on Solvency II Review; and
- National Specific Templates (NSTs) Taxonomy update.

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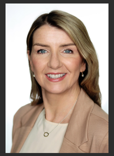

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