



Summary of regulatory developments

Updates for August 2021

This memo identifies and summarises any regulatory updates published during August 2021 that may be of relevance to life insurance companies.

The following table summarises the relevant updates identified in August.

REGULATORY ITEMS IDENTIFIED IN AUGUST THAT MAY BE OF RELEVANCE TO LIFE INSURANCE COMPANIES

Date	Description
2-Aug	European Insurance and Occupational Pensions Authority (EIOPA) publishes its Risk Dashboard based on the first quarter of 2021 Solvency II data
2-Aug	EIOPA publishes its Q&A on regulation
4-Aug	EIOPA publishes its Annual Report on supervisory activities in 2020
4-Aug	The Prudential Regulation Authority (PRA) publishes letter to the largest PRA-regulated insurers, "Insurance Stress Test 2022"
13-Aug	PRA publishes letter to chief financial officers (CFOs) of PRA-regulated Solvency II firms, "Gathering information for the Solvency II Review: Qualitative Questionnaire"

Updates for August 2021

This section highlights articles of interest to life companies released in August 2021.

EIOPA

- EIOPA publishes its [Risk Dashboard based on the first quarter of 2021 Solvency II data](#)

The results show that insurers' exposures to macro risks remain at a high level while all other risk categories remain at medium level. Solvency positions for the first quarter of 2021 for all types of undertakings showed an improvement. Life insurers' profitability, measured by annual investment returns, reduced during 2020.

Insurance risks remain at a medium level, in spite of the deterioration of some indicators. The cumulative catastrophe loss ratio and year-on-year premium growth for non-life insurance continued deteriorating. On the other hand, the loss ratio decreased to one of the lowest values and year-on-year premium growth for life insurance reported a slight recovery after the deterioration in the previous quarters.

- EIOPA publishes its [Q&A on regulation](#)

Updates include the following:

- (EU) No. 2015/35, supplementing Dir 2009/138/EC – Taking Up and Pursuit of the Business of Insurance and Reinsurance (SII). Questions [1428](#), [1679](#), [1680](#), [1862](#), [1956](#), [2013](#) and [2315](#).
- (EU) No. 2016/97 – Insurance Distribution Directive. Questions [1607](#), [1671](#), [1760](#), [1906](#), [1924](#), [1959](#) and [2053](#).
- (EU) No. 2016/2341 – Institutions for Occupational Retirement Provision (IORP) II Directive and (EU) No. 2016/97 – Insurance Distribution Directive. Questions [1778](#) and [2091](#).
- Guidelines on recognition and valuation of assets and liabilities. Question [2058](#).
- Risk-Free Interest Rate. Questions [1879](#), [1912](#), [1975](#), [2037](#), [2041](#) and [2106](#).

- EIOPA publishes its [Annual Report on supervisory activities in 2020](#)

EIOPA publishes its 2020 Annual Report setting out its activities and achievements over the year, including:

- Reprioritising and carrying out extraordinary activities in response to COVID-19
- The 2020 Review of Solvency II
- Supervision of internal models and the supervision of cross-border business
- Continued oversight activities on conduct of business
- Research into innovative technologies

PRA

- PRA publishes [letter to the largest PRA-regulated insurers, "Insurance Stress Test 2022"](#)

The PRA will be asking the largest regulated life and general insurers to carry out the next insurance stress test (IST) in 2022. The purpose of this letter is to support firms' future plans by setting out the timelines and high-level scope for the 2022 exercise.

For life insurers, the stress testing exercise will primarily focus on economic stresses. In recognition of the difficulty in achieving consistency across life firms in 2019, the PRA intends to share the scenario design without calibration in September 2021 for early industry comment and feedback. This will also provide a basis for engagement to support firms' delivery planning of IST 2022 including reporting of the results.

- [PRA publishes letter to CFOs of PRA-regulated Solvency II firms, "Gathering information for the Solvency II Review: Qualitative Questionnaire"](#)

Further to the letter published [20 July](#) concerning the Quantitative Impact Study (QIS), the PRA launched another data collection exercise: a Qualitative Questionnaire, relevant to both life and general insurers. Information gathered from the questionnaire, alongside the data gathered from the QIS, will inform further Solvency II policy development.

The questionnaire will gather information for three key purposes:

- To support the development of potential reforms
- To understand the business impacts of policy design options
- Cost-benefit analysis

Firms must complete any response to the questionnaire by 20 October 2021.

The full list of publications related to the Solvency II QIS exercise can be found [here](#). Milliman has also published a [paper](#) on 9 September 2021 providing further details on the Qualitative Questionnaire.



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