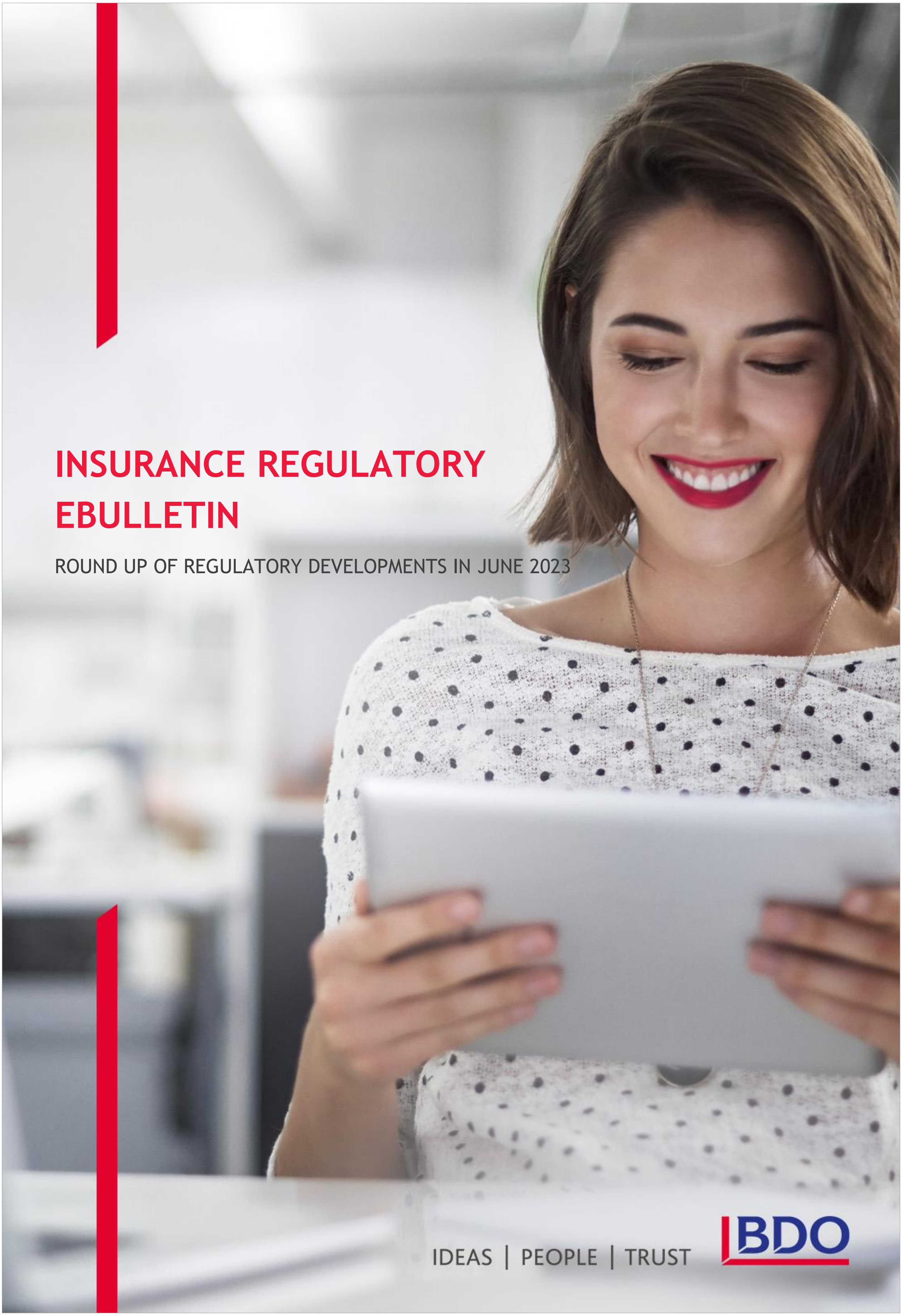
INSURANCE REGULATORY EBULLETIN

ROUND UP OF REGULATORY DEVELOPMENTS IN JUNE 2023



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WELCOME TO OUR INSURANCE REGULATORY EBULLETIN

Welcome to this edition of our Insurance Regulatory eBulletin, which aims to keep you updated with significant regulatory developments from June 2023 and their implications across the insurance sector.

June has been the hottest on record for the UK. Whilst not correlated, it has also been a busy month on the regulatory front. The Financial Services and Markets Bill received Royal Assent. We will now await the impact of this legislation to filter through into the regulatory environment. There have also been a number of speeches made by regulators during the month, including by Sheldon Mills of the FCA in anticipation of the Bill receiving Royal Assent. A consultation paper regarding the review of Solvency II has been issued by the PRA and the FCA has been making its final communications with firms, prior to the Consumer Duty coming into effect from 31 July.

Towards the end on the month a Policy Statement regarding a Memorandum of Understanding on Financial Services cooperation with the EC was issued by the HM Treasury. This coincided Jeremy Hunt signing this Memorandum of Understanding, on behalf of the UK, during the first visit of a UK Chancellor to Brussels for over three years.

I hope you will find this document helpful. Please do not hesitate to contact myself or your usual BDO contact if you have any concerns over any matter highlighted in this update. For more information about our audit, tax and advisory services to the insurance sector, visit our insurance services page.

I hope you enjoy reading this latest update.

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PRUDENTIAL REGULATION

FINANCIAL SERVICES AND MARKETS BILL RECEIVES ROYAL ASSENT

HM Treasury has announced that the Financial Services and Markets Act 2023 was granted Royal Assent on 29 June 2023. The Act aims to regain control of the financial services rulebook and is central to delivering the Government's vision to grow the economy and create an open, sustainable and technologically advanced financial services sector. The Act also introduces new secondary objectives for the FCA and the PRA to facilitate the growth and international competitiveness of the UK economy.

UK-EU MEMORANDUM OF UNDERSTANDING ON FINANCIAL SERVICES COOPERATION

On 27 June, HM Treasury published a policy paper on the Memorandum of Understanding (MoU) between the UK and EU on regulatory cooperation in financial services to establish an ongoing Forum for HM Treasury and the European Commission to discuss regulatory matters of mutual interest.

It also announced the same day that Jeremy Hunt, Chancellor of the Exchequer, would sign an agreement on financial services cooperation with European Commissioner Mairead McGuinness, which, it stated, will help to establish a constructive, mutually beneficial relationship between the UK and the EU in financial services. This came as the Chancellor was in Brussels for a series of meetings with European Commissioners, in the first visit from a UK Chancellor in over three years.

THE BANK OF ENGLAND'S APPROACH TO ENFORCEMENT: A DECADE IN THE MAKING – SPEECH BY OLIVER DEARIE

On 21 June, Oliver Dearie, Head of Enforcement and Litigation at the PRA, delivered a speech at the Financial Services Lawyers Association in London. He discussed the rationale behind the changes proposed in CP9/23 the PRA's recent consultation paper on enforcement. The key changes have been influenced and shaped by the Bank of England's strong enforcement record and five key principles:

- transparency and clarity;
- willingness to learn lessons from past cases;
- maximising efficiency without compromising rigour or fairness;
- ensuring policies remain aligned with statutory objectives; and
- the importance of individual accountability.

TOWARDS A GOLD STANDARD ON CLIMATE TRANSITION PLANNING – SPEECH BY BEN STIMSON

On 27 June, Ben Stimson, Governor of the Bank of England, delivered a speech at London Climate Action Week (LCAW) Live, Guildhall, London. He spoke about the steps the Bank has taken to produce its Climate Transition Plan, which will see the Bank reduce its greenhouse gas emissions from its physical operations by 90% by 2040. He looked at the insights gained in producing a plan like this.

LETTER FROM CHARLOTTE GERKEN 'FEEDBACK ON THE PRA'S PRELIMINARY THEMATIC REVIEW WORK ON FUNDED REINSURANCE ARRANGEMENTS'

On 15 June, the PRA published a letter from Charlotte Gerken, Insurance Supervision Executive Director, to Chief Risk Officers of life insurance firms regulated by the PRA. This was in relation to the findings from the recent preliminary thematic review work on funded reinsurance arrangements. The letter discussed the PRA's approach to the thematic review and identified four areas of potential risk. It also highlighted key findings and detailed the next steps following the review.

PS8/23 - REGULATED FEES AND LEVIES: RATES PROPOSALS 2023/24

On 29 June, the PRA issued a policy statement providing feedback to responses to consultation paper CP7/23 – Regulated fees and levies: Rates proposals 2023/24. The policy statement also contains the PRA's final policy on the fee rates to meet the PRA's 2023-24 Annual Funding Requirement for the financial period for the 12 months to 29 February 2024 (the fee year).

INSIGHTS FROM PRA THEMATIC REVIEW OF GENERAL INSURANCE RESERVING AND CAPITAL MODELLING - FOLLOW-UP

On 23 June, the PRA published a follow-up letter to its letter to Chief Actuaries of general insurance firms and Lloyd's Managing Agents, providing feedback to the market from its recent thematic review across the general insurance sector. This looked at how firms responded to the letter to chief actuaries published on 20 October 2022. The letter focused on the effect of claims inflation on general insurance claims. The PRA has spoken to a number of firms from across the London market, retail, and commercial insurers to understand how they have taken on board the content of the letter and how they have allowed for claims inflation in the 2022 year-end Solvency II technical provisions and Solvency Capital Requirement (SCR) calculations.

RESULTS OF THE FIRM FEEDBACK SURVEY 2022

On 23 June, the PRA published the results of the firm feedback survey for 2022. The PRA conducted the survey from August to October 2022. Through the survey, PRA-authorised firms provided feedback on a number of topics, including:

- the PRA's understanding of firms;
- the firms' understanding of PRA's regulatory objectives and expectations; and
- the effectiveness of PRA's relationship with firms.

Despite a slight decline in scores from 2021, the scores remain high and indicate, overall, firms continue to hold positive views about the PRA. Firms provided the most positive scores in regard to their understanding of the PRA's statutory objectives and expectations. However, as in previous years, they provided the lowest scores regarding their views on the PRA's coordination with other regulatory bodies. Five emergent themes from the 2022 survey were identified, and are outlined, alongside explanation of how the PRA is responding.

BANK OF ENGLAND LAUNCHES FIRST SYSTEM-WIDE EXPLORATORY SCENARIO EXERCISE

On 19 June, the Bank of England announced that it has launched its first system-wide exploratory scenario (SWES) exercise. The exercise aims to improve understanding of the behaviours of banks and non-bank financial institutions (NBFIs) in stressed financial market conditions. It will explore how those behaviours might interact to amplify shocks in UK financial markets that are core to UK financial stability. Participating firms will include large banks, insurers, central counterparties and a variety of funds.

DRAFT INSURANCE AND REINSURANCE UNDERTAKINGS (PRUDENTIAL REQUIREMENTS) REGULATIONS

On 22 June, HM Treasury published draft regulations to reform Solvency II, the prudential regulatory framework for insurers and reinsurers, made available for the purpose of early engagement. The Treasury had developed early drafts of regulations that will be made under the powers in the Financial Services and Markets Bill to give effect to the reforms to the prudential regulation of the insurance sector in the UK. The Government expects that reform of the risk margin will be in force in legislation by year end 2023 and the remainder of the new regime will come into force by the end of June 2024.

CP12/23 - REVIEW OF SOLVENCY II: ADAPTING TO THE UK INSURANCE MARKET

On 29 June, the PRA announced that is inviting comments on its proposed reforms to Solvency II that seek to simplify the calculation of the transitional measure on technical provisions (TMTP) to reduce costs and complexity for firms while ensuring firms plan effectively for the end of these transitional measures in 2032.

Comments are to be submitted on or before 1 September 2023.

CALL FOR EVIDENCE: NON-DISCRETIONARY TAX ADVANTAGED SHARE SCHEMES

On 5 June, HM Treasury announced that it is soliciting feedback to its proposed Save As You Earn (SAYE) and the Share Incentive Plan (SIP), as it seeks to improve the schemes and expand their use by making it easier for businesses to set them up and offer them out to staff. Among other things, the call for evidence seeks feedback on the effectiveness and suitability of the schemes and whether they are fulfilling their policy objectives; current usage and participation and whether there are barriers to participating in the schemes; and whether the schemes' rules are simple and clear as well as whether they offer enough flexibility to meet individual firms' needs.

Comments should be submitted on or before 25 August 2023.

ECONOMIC CRIME AND CORPORATE TRANSPARENCY BILL 2022: IMPACT ASSESSMENTS

On 27 June, the Department for Business, Energy and Industrial Strategy published an impact assessment for the Economic Crime and Corporate Transparency Bill.

CONDUCT REGULATION

DO THE RIGHT THING – SPEECH BY THERESE CHAMBERS

On 1 June, Therese Chambers, Joint Executive Director of Enforcement and Market Oversight at the FCA, delivered a speech at the City & Financial FCA Investigations and Enforcement Summit on 1 June 2023. She set out that firms can expect to see a strong alignment between our enforcement work and the FCA strategy, providing examples of recent successes of the FCA's enforcement activity.

CULTURAL EVOLUTION: HOW CULTURE MUST CHANGE TO MEET EXPECTATIONS – SPEECH BY EMILY SHEPPERD

On 26 June, Emily Shepperd, Chief Operating Officer and Executive Director of Authorisations, FCA, delivered a speech at the Westminster Business Forum. This discussed:

- how the design of regulations such as the Consumer Duty and proposals for ESG help to meet the constantly evolving demands of markets and consumer;
- the need for firms to ask tough questions regarding the assessment of staff's fitness and propriety in financial services; and
- the importance of culture and its significance in relation to confidence.

HOW INNOVATION AND REGULATION IN FINANCIAL SERVICES CAN DRIVE THE UK'S ECONOMIC GROWTH – SPEECH BY SHELDON MILLS

On 29 June, Sheldon Mills, Executive Director, Consumers and Competition, delivered a speech at the CityUK Annual Conference 2023. Speaking in the context of Royal Assent for the Financial Services and Markets Act. The Act provides a new, secondary objective for regulators related to international competitiveness. The speech set out the following:

- The FCA has always played a significant role in supporting innovation and growth in financial services and welcomes the codification of this role in promoting growth and international competitiveness ahead of the proposed new secondary objective.
- The FCA stands ready to embrace new opportunities to grow the UK economy: the adoption of innovative regulatory approaches, and its work to tackle harm, underpin sustainable economic growth and international competitiveness.
- Growth should never be at the expense of the wider economy or through defrauding vulnerable customers.
- Any new metrics to measure our contribution to growth and competitiveness must be ones which measure factors within its control.

FCA BOARD MINUTES: 27 APRIL 2023

On 8 June, the FCA published the minutes of the FCA Board meeting held on 27 April 2023. Among other things, the Board received reports from the Chairs of Board Committees, the PRA and the Payment Services Regulator, and discussed Rules, Guidance and Technical Standards to be determined.

MEMORANDUM OF UNDERSTANDING BETWEEN THE SERIOUS FRAUD OFFICE AND THE FCA

On 22 June, the FCA and the Serious Fraud Office (SFO) jointly published a document setting out some high-level 'Principles of Co-operation' which are intended to promote and facilitate the sharing of information between the FCA and SFO to better deliver the objectives of both organisations in these spaces.

PS23/7 BROADENING RETAIL AND PENSIONS ACCESS TO THE LONG-TERM ASSET FUND

On 29 June, the FCA published a policy statement setting out its response to the feedback received to Consultation Paper CP22/14, which proposed the broadening of retail and pension scheme distribution of the Long-Term Asset Fund (LTAF). The policy statement details the final rules and guidance that the FCA is introducing following the consultation. The new rules will enable a broader range of retail investors and pension schemes to appropriately access the LTAF whilst ensuring they understand the risks involved. Most respondents to the consultation agreed that access to long-term illiquid assets will benefit retail consumers, with some respondents proposing amendments to risk warnings, exposure limits, retail fund rules in relation to LTAFs targeted at professional investors only, third-party valuation rules and other minor technical amendments to improve the effectiveness of the regime.

Comments on Chapter 4 of the policy statement should be submitted by 10 August 2023.

FURTHER REGULATORY ACTION REGARDING MISLEADING BRITISH STEEL PENSION SCHEME OFFERS

On 5 June, the FCA announced that it has imposed requirements on a further three firms which were seeking to avoid their liabilities under the British Steel Pension Scheme (BSPS) redress scheme. Alpha Financial Services, QED Financial Associates Ltd, and Harvest Associates Ltd made unsolicited offers to its BSPS clients, which had not yet complained. The FCA is concerned that these unsolicited settlement offers were not calculated in line with its guidance, and were a deliberate attempt to exclude former BSPS members from the redress scheme. The companies will now be required to ensure that consumers who accepted these unauthorised offers are treated in the same way as customers who did not.

On 28 June the FCA announced it had banned Denis Lee Morgan of Pembrokeshire Mortgage Centre Limited (in liquidation) from advising any customers on pension transfers and pension opt outs, and from holding any senior management function in a regulated firm. This action was in relation to advice Mr Morgan had provided to BSPS members.

TECHSPRINTS [UPDATED 6 JUNE 2023]

On 6 June the FCA published an updated version of its TechSprint information document. The document provides details of upcoming TechSprints and the evolution of the event, as well as information on upcoming events, such as the Global Financial Innovation Network's (GFIN) Cross Border Testing 2.0, which will take place in Q3 2023. The event will bring together international regulators and innovative firms to develop a tool or solution that could help regulators tackle or mitigate the risks of greenwashing.

CONSUMER DUTY: FIRM IMPLEMENTATION PREPAREDNESS - WAVE 1: QUANTITATIVE RESEARCH

On 28 June, the FCA published the first of three waves of quantitative tracking research on firms in some of the sectors covered by the Consumer Duty, looking at their preparedness and support needs for the 31 July 2023 implementation deadline. The FCA is seeking to understand what progress firms have made in preparing for the Consumer Duty and what support they need to complete their preparations.

In a separate document the FCA also reminded firms that the Consumer Duty comes into force on 31 July 2023 for new and existing products and services that are open for sale or renewal and advised how firms should be preparing.

HOW TO APPLY FOR AUTHORISATION OR REGISTRATION

On 8 June, the FCA published updated guidance on the process for applying to be authorised by, or registered with, the FCA. The guidance includes information on how to submit an application, what to know before submitting an application and what happens after an application is submitted.

FCA WELCOMES LAUNCH OF INTERNATIONAL SUSTAINABILITY STANDARDS BOARD STANDARDS

On 26 June the FCA issued a press release welcoming the International Sustainability Standards Board's (ISSB) launch of its first sustainability-related reporting standards: the

General Requirements for Disclosure of Sustainability-related financial information (IFRS S1), and the requirements for Climate-related Disclosures (IFRS S2). The press release notes that the UK Government also recently signalled support for the ISSB and announced that it would be establishing a mechanism for formal UK endorsement and adoption of the standards. Once available for use in the UK, the FCA states that its intention is to update its climate-related disclosure rules to reference the ISSB standards.

FEES AND LEVIES

The FCA has updated its guidance on the fees it charges, what they cover, and the levies the FCA collects that are part of the regulatory system. Old information has been removed from this guidance and links have been updated.

REGULATION ROUND UP

On 29 June, the FCA published its monthly Regulation Round-up. In addition to various topics, noted either last month or above, this noted, the following:

- Support for consumers in financial difficulty

The FCA is continuing to do all it can to ensure that people who are struggling, often with multiple bills, get the support they need.

The FCA is monitoring the situation closely and will take swift action if firms are not doing all they should to help people dealing with tighter household budgets.

- Exploring synthetic data validation

Reference to a joint paper between the FCA, ICO, and Alan Turing Institute on overcoming the challenges of validating synthetic data.

- Workplace pension providers, make sure you do not have active member discounts

This was a reminder that no member should be charged more because contributions are no longer being paid in respect of them. This requirement applies at an individual member, rather than a cohort level.

EIOPA

We continue to monitor EIOPA's activity and draw your attention to it where we believe it to be necessary or helpful. This will, we hope, assist those firms continuing to operate in the EU.

Items of possible interest this month are as follows:

EIOPA ANNUAL REPORT 2022

EIOPA published its annual report for 2022. The annual report covers the activities carried out by EIOPA during 2022, including achievements in integrating sustainable finance considerations, supporting the market and supervisory community in digital transformation, and enhancing the quality and effectiveness of supervision. EIOPA has also set out its strategy for 2023-2026, which is designed to strengthen resilience and sustainability in the insurance and pensions sectors as well as consistent consumer interest protection across the EU.

EIOPA FINANCIAL STABILITY REPORT JUNE 2023

EIOPA has 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 ADVICE TO THE EUROPEAN COMMISSION ON GREENWASHING - PROGESS REPORT

EIOPA has published a progress report of advice to the European Commission on Greenwashing. The report provides initial findings on greenwashing and outlines the progress made so far. A final report with definitive conclusions will be finalised in May 2024. EIOPA is of the view that greenwashing particularly relates to misleading claims that state or imply that an entity or product benefits the environment or people. It finds that greenwashing can manifest as part of the broader set of conduct risks at all stages of the insurance and pensions lifecycles.

FINAL REPORT: DRAFT REGULATORY TECHNICAL STANDARDS WITH REGARD TO THE CONTENT, METHODOLOGIES AND PRESENTATION OF DISCLOSURES UNDER ARTICLES 22(6) AND 26D(6) OF THE REGULATION (EU) 2017/2402

The European Banking Authority (EBA), EIOPA and European Securities and Markets Authority (ESMA) have published Draft Regulatory Technical Standards (Draft RTS) with regard to the content, methodologies and presentation of disclosures under Articles 22(6) and 26d(6) of the Regulation (EU) 2017/2402. The Draft RTS aims at enabling originators to disclose Principal Adverse Impacts of Simple, Transparent and Standardised Securitisations using reporting which closely aligns to the Sustainable Finance Disclosure Regulation, while helping investors fulfilling their ESG reporting requirements.

EBA AND EIOPA PUBLISH DATA POINT MODELLING STANDARD 2.0

The EBA and EIOPA have announced the publication of Data Point Modelling (DPM) Standard 2.0 to foster collaboration and harmonisation in supervisory reporting. The DPM Standard 2.0 enhances the EBA and EIOPA's reporting process throughout the reporting lifecycle.

DRAFT IMPLEMENTING TECHNICAL STANDARDS AMENDING IMPLEMENTING REGULATIONS ON THE MAPPING OF ECAI CREDIT ASSESSMENTS

The Joint Committee of the three European Supervisory Authorities EBA, EIOPA and European Securities and Markets Authority (ESMA), together the European Supervisory Authorities – (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.

EUROINS V EIOPA - INTERIM MEASURES

On 8 June, the Board of Appeal of the ESAs (the Board of Appeal), unanimously decided in the appeal brought by Euroins Insurance Group AD (Euroins) against EIOPA, to dismiss the applications for suspension. The applications for interim measures of suspension must be dismissed as Euroins insurance group had failed to establish that the conditions, as per Article 10(1) and 10(2) of the Rules of Procedure of the Board of appeal had been met.

DIGITAL OPERATIONAL RESILIENCE ACT (DORA): PUBLIC CONSULTATION ON THE FIRST BATCH OF POLICY PRODUCTS

The ESAs have issued a consultation document that provides details on the first batch of the Digital Operational Resilience Act (DORA) policy mandates that include consultation papers on the following standards:

- Regulatory Technical Standards (RTS) on Information and Communications Technology (ICT) risk management framework (Article 15) and RTS on simplified ICT risk management framework (Article 16(3));
- RTS on criteria for the classification of ICT-related incidents (Article 18(3));
- ITS to establish the templates for the register of information (Art.28(9)); and
- RTS to specify the policy on ICT services performed by ICT third-party providers (Article 28(10))

The deadline for submitting comments is 11 September 2023.

CONSULTATION: DRAFT RTS RE THE USE OF ICT SERVICES SUPPORTING CRITICAL OR IMPORTANT FUNCTIONS

The ESAs have published a consultation paper on Draft Regulatory Technical Standards to specify the detailed content of the policy in relation to the contractual arrangements on the use of ICT services supporting critical or important functions provided by ICT third-party service providers as mandated by Regulation (EU) 2022/2554.

Comments should be submitted on or before 11 September 2023.

QUESTION ID 1812: SOLVENCY CAPITAL REQUIREMENT (SCR)

EIOPA has published a Q&A regarding SCR. EIOPA advised that, in accordance with Article 4 of Commission Delegated Regulation (EU) 2015/35, insurance or reinsurance undertakings may use an external credit assessment for the calculation of the SCR in accordance with the standard formula only where it has been issued by an ECAI or endorsed by an ECAI in accordance with Regulation (EC) No 1060/2009.

The Q&A's date of submission is 13 June 2019, with the EIOPA response published on 26 June 2023.

QUESTION ID 2342: VALUATION OF ASSETS AND LIABILITIES OTHER THAN TPS

EIOPA has published a Q&A regarding the valuation of assets and liabilities other than technical provisions (TPs). EIOPA advised that, on the basis of Article 9 (1) of the Commission Delegated Regulation (EU) 2015/35 (DR), assets and liabilities other than TPs can only be recognised in the Solvency II balance sheet if they meet the international accounting standards recognition criteria at initial recognition.

QUESTION ID 2472: RISK FREE RATE (RFR)

EIOPA has published a Q&A regarding the Risk Free Rate (RFR). Amongst other things, EIOPA advised that CIC12-classified bonds are supranational bonds issued by supranational organisations, which in general are created by governments of several countries, and that CIC13/14 - classified bonds are Regional government bonds.

QUESTION ID 2489: REPORTING TEMPLATES

EIOPA has published a Q&A regarding reporting templates. EIOPA confirms the following on change (from 31.12.2023, as outlined in the draft business package supporting SII taxonomy 2.8.0) to include a 90% de minimis threshold to Quantative Reporting Templates S.20.01, S.21.01, S.21.02 and S.21.03.

This document is dated 20 September 2022, but did not appear on the EIOPA website until 26 June 2023.

QUESTION ID 2529: SCR

EIOPA has published a Q&A regarding SCR. EIOPA advised that insurance or reinsurance undertakings may use an external credit assessment for the calculation of the SCR in accordance with the standard formula only where it has been issued by an ECAI or endorsed by an ECAI in accordance with Regulation (EC) No 1060/2009.

This document is dated 17 November 2022, but did not appear on the EIOPA website until 26 June 2023.

QUESTION ID 2535: DISCLOSURE TEMPLATES

EIOPA has published a Q&A regarding disclosure templates. It has advised that Taxonomy 2.8.0. - S37.01 provides the information about the exposures mentioned in Article 187, so in case supervisors have a reason to investigate such exposures more, they still have possibility to do it. In addition, with regard to Taxonomy 2.8.0. - S37.02, the breakdown for the NACE codes is requested only for the exposures towards corporate entities. Policyholders who are natural person may be presented in a separate line for example "other". Finally, regarding Taxonomy 2.8.0. - S37.03, the approach from DA should be used.

QUESTION ID 2573: SCR

On 29 June, EIOPA published a question it received regarding the applicability of the longevity shock to individual employees vs a group of employees as a whole. The question is under review pending EIOPA's response.

QUESTION ID 2580: SCR

EIOPA has published a Q&A regarding SCR. Amongst other things, EIOPA advised that, the aggregated losses referred to in Annex XVII B.(1)(a) DR for a given year *'t'* should be equal to the claims paid during year 't' plus the best estimate of the claims outstanding at the year end of the first development year of the accident year *'t'*.

This document is dated 13 February 2023, but did not appear on the EIOPA website until 23 June 2023.

QUESTION ID 2591: REPORTING TEMPLATES

For clarification EIOPA has published a Q&A regarding reporting templates. The Q&A relates to the changes to S.19 guidance for 2.8 and the associated LOG guidance (in the draft business package supporting SII taxonomy 2.8.0).

This document is dated 1 March 2023, but did not appear on the EIOPA website until 26 June 2023.

QUESTION ID 2595: SCOPE (ART. 1 IDD)

EIOPA has published a Q&A advising clients located in the EEA who want to take out property insurance in the UK but are finding it difficult to do so and are unclear about the EEA regulatory framework. EIOPA advised that when the risk (in this case, property) is located in a third country, the Insurance Distribution Directive does not apply. However, it should be noted that the EEA policyholder may be subject to the national rules of the third country in terms of, for example, claims-handling and redress mechanisms.

QUESTION ID 2597: REPORTING TEMPLATES

EIOPA has published a Q&A regarding reporting templates. EIOPA advised that BV271 has been deactivated and C0120 can always include the real net SCR. Further, R0600 should be reported before diversification effects not already considered in R0400-R0590, i.e. it should follow the same basis than R0400-R0590, so in case the calculation of the net SCR of each region (C0120) includes diversification effects between regions, C0120/R0600 should also include them.

QUESTION ID 2600: REPORTING TEMPLATES

EIOPA has issued a Q&A on reporting templates. The question looks at whether credit default swaps can be presented in one line in S.08.01/S.08.02 and also asks what the requirements for this are.

QUESTION ID 2606: REPORTING TEMPLATES

The EIOPA has published a Q&A regarding reporting templates. EIOPA confirmed that companies that currently report a 100% of their non-life technical provisions in S.18/ S.19/ S.20/ S.21 templates and would like to not benefit from the newly introduced thresholds for these templates in the taxonomy 2.8.0 can still continue to report 100% of their non-life technical provisions without adapting their systems to report 90% of them.

QUESTION ID 2613: REPORTING TEMPLATES

EIOPA has issued a FAQ on new template S.14.03 for 2.8 taxonomy and the associated LOG guidance in the draft business package supporting SII taxonomy 2.8.0. EIOPA states that it is expected that the filer would split the information by the Line of Business and Cyber Risk Coverage and report it in separate rows.

This document is dated 22 March 2023, but did not appear on the EIOPA website until 26 June 2023.

QUESTION ID 2616: REPORTING TEMPLATES

EIOPA has published a Q&A regarding reporting templates. EIOPA advised that, while it is possible to have reinsurance receivables / payables without reinsurance recoverables, the situation is not frequent. Therefore, BV403 will be kept to ensure data quality, but transformed into a non-blocking validation to allow for these cases to be reported.

This document is dated 28 March 2023, but was published on the EIOPA website on 25 May 2023.

QUESTION ID 2618: TECHNICAL PROVISIONS (TPS)

On 29 June, EIOPA provided answer as to whether a settled but as-of-yet unpaid inwards claims (subject to no uncertainty) should be included within the (gross) technical provisions or be included as a payable.

QUESTION ID 2632: REPORTING TEMPLATES

EIOPA has published a Q&A regarding reporting templates. It advised that, the "Total Solvency II Amount" for CIC 72 could be calculated with “Accrued interest".

This document is dated 10 May 2023, but did not appear on the EIOPA website until 26 June 2023.

QUESTION ID 2641: REPORTING TEMPLATES

EIOPA has updated its Q&As Database with a question regarding reporting templates for the submission of information to the supervisory authorities.

This document is dated 22 May 2023 but was published on the EIOPA website 6 June 2023.

QUESTION ID 2643: REPORTING TEMPLATES

EIOPA has published a Q&A regarding reporting templates. Amongst other things, EIOPA advised that, C0270 in S.32.01 should be filled in irrespective of the method used for the group solvency calculation which is reported in C0260.

This document is dated 22 May 2023, but did not appear on the EIOPA website until 26 June 2023.

QUESTION ID 2678: REPORTING TEMPLATES

On 29 June, EIOPA provided clarification on how to accurately assign 3rd and 4th position CIC values for ETP (Exchange Traded Products).

QUESTION ID 2686: REPORTING TEMPLATES

On 29 June, EIOPA published its answer to a question it received on the new / changes columns in template S.36.01.01 with taxonomy 2.8.0. Specifically, clarification and reasoning behind the change to "NC" in the new columns was requested. EIOPA clarified that the “NC” column code prefix was an intentional change and is used to align from the modelling perspective the IGT templates with the ones for FICOD.

QUESTION ID 2699: REPORTING TEMPLATES

On 26 June EIOPA published a Q&A regarding reporting templates. It confirms that the reporting of SE.17.01 in 2.8 taxonomy is applicable as of 31.12.2023.

CORPORATE GOVERNANCE

Q&A TAS 100 VERSION 2.0 APRIL 2023

On 12 June, the Financial Reporting Council (UK) (FRC) published a Q&A document concerning the General Actuarial Standards. The guide covers the effective date of the Technical Actuarial Standard (TAS) 100 v2.0; key changes to it; published guidance; and the application of proportionality; among other things.

FRC RESPONSE TO THE CONSULTATION ON PROPOSED AMENDMENTS TO THE AEP AND RELATED GUIDANCE

On 16 June, the FRC published a response to the consultation on proposed amendments to the Audit Enforcement Procedure (AEP) and related guidance launched on 3 April 2023.

The main purpose of the proposals was to effect changes to the decision-making remit of the Board and the Case Examiner under Part 2 of the AEP (Initial Stages).

The FRC welcomed the constructive and helpful engagement from stakeholders carefully considered all submissions received in response to the AEP Consultation, together with comments received on the Guidance and has decided to give effect to the amendments to the AEP proposed in the Consultation.

Following this, on 29 June, the FRC issued its AEP. This document sets out:

- the scope of the AEP;
- an outline of the AEP process;
- links to the AEP itself and other supporting documents.

AS TM1: STATUTORY MONEY PURCHASE ILLUSTRATIONS VERSION 5.0 GUIDANCE

On 21 June, the FRC issued an update to the guidance for Actuarial Standard Technical Memorandum 1 (AS TM1) version 5.0. This replaces the previous version of the guidance issued in October 2022, and, among other things, provides further clarity on circumstances in which the FRC expect paragraph C.2.15 (circumstances in which volatility cannot be determined reliably) to be applied; and application of paragraph C.3.12 (guaranteed annuity terms). The FRC issued AS TM1 version 5.0 and its associated guidance in October 2022, effective for Statutory Money Purchase Illustrations (SMPIs) issued on or after 1 October 2023.

GUIDANCE FOR THE CASE EXAMINER 2023

On 29 June, the FRC published the updated guidance procedures for case examiners as to the decisions and actions they must take when determining how information should be handled at the start of an audit enforcement procedure. The guidance aims to ensure consistent and proportionate decisions are made across the proceedings, while recognising that each case will have unique circumstances. The guidance is effective as of 30 June 2023.

UK FINANCIAL REPORTING COUNCIL FINES PWC, KPMG OVER DEFECTIVE AUDITS

On 29 June, the FRC fined PwC £1.99m for "serious and pervasive" failings in its audit of Eddie Stobart Logistics company for the year to November 2018. The FRC said that the fine was reduced from £3.5 million because of the exceptional cooperation and admissions.

The FRC stated that the auditors admitted failings related to property transactions entered into by Eddie Stobart's audit procedures, and property lease accruals. The FRC also fined PwC audit partner Philip Storer £51,187. He avoided a fine of £90,000 due to exceptional cooperation and admissions.

The FRC stated that KPMG had performed the 2017 audit on the logistics firm and resigned as auditor in 2018 because of a breakdown in its relationship with Eddie Stobart's management, following difficulties in obtaining sufficient appropriate audit evidence.

The FRC have stated that KPMG was fined £877,500, reduced from £1,350,000, and its former audit partner, Nicola Quayle fined

£45,500, reduced from £70,000. PwC was subsequently appointed for the 2018 audit.

Claudia Mortimore, the FRC's deputy executive counsel stated: "There were numerous, serious and pervasive failings in this audit."

"The respondents' exceptional cooperation in the investigation has been recognised in the discount to the financial sanction."

Eddie Stobart Logistics, a company operating in the supply chain, transport and logistics business, was listed on the Alternative Investment Market.

INFORMATION COMMISSIONER'S OFFICE

We continue to monitor material being issued by the Information Commissioner's Office (ICO) with a view to highlighting high-level matters that may be relevant to readers. The following has been identified for this month:

ICO REVIEWING KEY BUSINESSES' USE OF GENERATIVE AI

The ICO has called for businesses to address the privacy risks generative AI can bring before rushing to adopt the technology - with tougher checks on whether organisations are compliant with data protection laws. Stephen Almond, Executive Director of Regulatory Risk, is advising businesses to be aware of both the opportunities that AI presents and the risks that come with it.

ENFORCEMENT ACTION

PRA / FCA REGULATORY FINES ROUND-UP

We have identified key relevant enforcement action during June and in this respect fines announced by the PRA / FCA were:

Mark Antony Abley	On 26 June, the FCA announced that it had imposed on Mark Antony Abley ("Mr Abley") a financial penalty of £106,100 pursuant to section 66 of the Act, and made an order prohibiting Mr Abley from performing any function in relation to the regulated activity of advising on Pension Transfers and Pension OptOuts carried on by an authorised or exempt persons, or exempt professional firm pursuant to section 56 of the Act. Mr Abley acted without due skill, care and diligence in giving unsuitable Pension Transfer advice to customers to transfer away from schemes which offered important guarantees, resulting in customers' retirement funds being unnecessarily put at risk, against their best interests.

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