Insurance Regulatory eBulletin

Round up of regulatory developments in October 2024

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WELCOME TO OUR INSURANCE REGULATORY EBULLETIN

As we truly move into Autumn, welcome to this October 2024 edition of our Insurance Regulatory eBulletin. This aims to keep you updated with significant regulatory developments, during the month, and their implications across the insurance sector.

While it feels like world news has been preoccupied by the US election, October has also been a busy month for speeches by the regulators. Relevant speeches by regulators have been included in this edition. In addition, the Climate Financial Risk Forum, established jointly by the PRA and FCA, has issued a series of publications this month, these are included in the FCA section of the Bulletin. These aim to provide guidance for financial institutions wishing to better understand and price physical climate change-related risks and facilitate increased levels of investment into adaptation, to respond to that risk as an opportunity.

In the Enforcement section the Bulletin we have included the case of TSB Bank Plc which was fined £10.9m due to a failure to ensure customers who were in arrears were treated fairly. The enforcement Notice notes that TSB had become aware of potential problems with its collections and recoveries in December 2016. However, it was not until the review in 2020 that TSB took effective action to fully address them.

It is notable, also, that EIOPA has commenced a series of consultations regarding potential changes to Solvency II in the EU, with responses due by 2 January 2025.

I have highlighted these elements. However, there is much detail included in this eBulletin, referenced to the source documents. I hope you will find this helpful in identifying matters relevant to yourself in keeping abreast of recent Regulatory activity.

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.

We have prepared a summary of the impacts of the budget on the financial services industry together with a full analysis. If we can be of further assistance in this area please get in contact with us.

I hope you enjoy reading this latest update.

ALEX BARNES
PARTNER

+44 (0)7903 891 435
alex.barnes@bdo.co.uk

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PRUDENTIAL REGULATION

ENHANCING OUR NATIONAL ASSET: MAXIMISING THE VALUE OF DATA COLLECTIONS ACROSS THE FINANCIAL SECTOR - SPEECH BY JAMES BENFORD

On 3 October, James Benford, Chief Data Officer at the Bank, delivered a speech at the RegTech Summit in London. He emphasised the importance of data in the financial sector and outlined the Bank's new data and analytics strategy. This strategy aims to transform data collection, enhance data quality, and support innovation, including AI. It also highlighted the significant value of data in supporting monetary and financial stability and encouraged collaboration to maximise the benefits of data across the financial sector.

LETTER FROM DAVID BAILEY 'THEMATIC FEEDBACK ON ACCOUNTING FOR IFRS 9 ECL AND CLIMATE RISK'

The PRA has written to Chief Financial Officers with thematic feedback on IFRS 9 Expected Credit Loss (ECL) accounting and climate risk. Some key findings for IFRS 9 ECL are:

- model risk is still elevated;
- progress is being made on updating models and reducing reliance on older models with known limitations; and
- default experience is still limited, meaning loss given default models continue to be calibrated on historical data.

GUIDANCE ON THE INFORMATION SHARING MEASURES IN THE ECONOMIC CRIME AND CORPORATE TRANSPARENCY ACT 2023

On 4 October, HM Treasury issued guidance to support anti-money laundering regulated firms in utilising the new information sharing provisions introduced by the Economic Crime and Corporate Transparency Act 2023, which came into force on January 15, 2024.

UK-SWITZERLAND FINANCIAL DIALOGUE 2024 JOINT STATEMENT

On 15 October, HM Treasury published a joint statement with the State Secretariat for International Finance, following the UK - Switzerland Financial Dialogue held on 15 October 2024. The statement provides points that were discussed, among which were:

- economic outlook and financial ability;
- the Berne Financial Services Agreement; and
- sustainable finance.

REVIEW OF SOLVENCY II - PRA STATEMENT ON PROPOSED PERMISSION REQUIREMENT FOR THE CALCULATION OF LOSS-ABSORBING CAPACITY OF DEFERRED TAXES UNDER THE STANDARD FORMULA

On 23 October, the PRA proposed a permission requirement for firms to recognise increases in deferred tax assets in their calculation of the loss-absorbing capacity of deferred taxes (LACDT) under Solvency II. This is part of the restatement of assimilated law in consultation paper CP5/24. The PRA is considering a temporary delay in implementing this requirement to allow firms more time to apply for the necessary permissions. Firms must still justify their use of deferred tax assets in LACDT calculations according to existing standards.

The PRA will announce its final policy in mid-November, including details on any implementation delays.

THE BANK'S FEES REGIME FOR FINANCIAL MARKET INFRASTRUCTURE SUPERVISION 2024/25

On 18 October, the Bank issued a consultation paper setting out proposals for its supervisory fees for financial market infrastructure (FMI) supervision for 2024/25. The proposals cover:

- The fee rates to meet the Bank's 2024/25 funding requirement for its FMI supervisory activity and the policy activity that supports this;

- The Bank's proposed hourly rates for special project fees (SPF) for 2024/25; and
- The actual fees for the 2023/24 fee year including rebate and recovery rates.

The deadline for submitting comments is 18 December 2024.

CONDUCT REGULATION

DELIVERING VIBRANT CAPITAL MARKETS - SPEECH BY ASHLEY ALDER

On 8 October 2024, Ashley Alder, Chair of the FCA, delivered a speech at the International Capital Markets Conference. The speech highlighted the following points:

- the unique opportunities in market-based finance that justify the FCA's most significant reforms of the UK's public equity markets in a generation;
- the FCA's review of the financial advice and guidance boundary to foster innovation and provide tailored support for people's financial needs; and
- the FCA's ongoing collaboration to achieve a common goal.

PREDICTABLE VOLATILITY - SPEECH BY NIKHIL RATHI

On 8 October, Nikhil Rathi, FCA Chief Executive, delivered a speech at the International Capital Markets Conference 2024. He discussed the era of predictable volatility in financial markets. He emphasised the need for adaptive strategies, proactive regulation and a new mindset towards risk to manage this constant volatility. He highlighted the impact of technology, market concentration and interconnectedness on increasing market volatility and for nurturing liquidity, tailored regulations, proactive oversight, investment in infrastructure and technology, and deep market engagement.

GROWTH: MISSION POSSIBLE - SPEECH BY NIKHIL RATHI

On 17 October, Nikhil Rathi, FCA Chief Executive, delivered a speech at the City Dinner, Mansion House.

He highlighted the FCA's pursuit to understand the actions necessary to support capital formation, productivity gains and financial services exports. He stated that the secondary growth objective is liberating and has led to, much needed, candid conversation about the collective risk appetite. He also stressed the need for collaboration in order to deliver growth.

TEN YEARS OF FCA INNOVATION: IMPACT AND OPPORTUNITY - SPEECH BY JESSICA RUSU

On 17 October, Jessica Rusu, the FCA's Chief Data, Information and Intelligence Officer, delivered a speech at the FCA Innovation 10th anniversary event, highlighting the launch of an AI Lab to enhance innovation services.

She reflected on the FCA's pioneering role in establishing a regulatory sandbox, supporting nearly 1,000 firms, and contributing to the UK's leading position in FinTech. The UK FinTech market has grown significantly, with over 3,000 firms and a value of around £30 billion. She emphasised the importance of partnerships between industry and regulators, fostering sustainable growth and innovation. The FCA's initiatives, including TechSprints and PolicySprints, have addressed challenges like fraud and money laundering. The Global Financial Innovation Network was created to promote international collaboration. The AI Lab will focus on safe AI deployment, featuring components like AI Spotlight, AI Sprint, AI Input Zone, and a Supercharged Sandbox.

On 17 October, the FCA also published a report celebrating the 10-year anniversary of its Innovation Services.

VULNERABILITY IS NOT A BUZZWORD - SPEECH BY GRAEME REYNOLDS

On 24 October, Graeme Reynolds, Director of Competition, delivered a speech at the Personal Investment Management & Financial Advice Association's Wealth Vulnerability event. He emphasised the importance of understanding and addressing vulnerability in the financial sector. The FCA stressed that vulnerability is not just a buzzword, but a critical issue that affects millions of people who may struggle to manage their finances due to various factors such as mental health, disability, or life events. The FCA has highlighted the need for financial institutions to move beyond simply identifying vulnerable customers to taking concrete actions to support them, including adapting their products, services, and communication strategies to meet their needs. By doing so, the FCA aims to promote a more inclusive and supportive financial system that prioritises the well-being of all customers, particularly those most vulnerable.

FCA BOARD MINUTES: 25 JULY 2024

On 16 October, the FCA published the minutes of the FCA Board meeting held on 25 July 2024, held virtually via Microsoft Teams. Among other things, the Board received the proposal to publish a guidance consultation on 18 July 2024 for minor changes to the existing FCA guidance on the treatment of Politically Exposed Persons (PEPs). The Board also approved a recommendation to receive quarterly internal performance reporting to the Board in place of a standalone Performance Committee.

REGULATORY INITIATIVES GRID - INTERIM UPDATE

On 15 October, the FCA announced that the publication of the eighth edition of the Regulatory Initiatives Grid has been postponed due to the general election and subsequent government changes, which have necessitated replanning.

Consequently, the Financial Services Regulatory Initiatives Forum will not provide a complete grid this year but has issued an interim update, covering known regulatory initiatives from October 2024 to March 2025, to aid firms and stakeholders in their planning. This interim update does not include all items from the previous Grid due to timing uncertainties or because they fall outside the covered period. The timings provided are subject to change.

CFRF: SUMMARY OF KEY MESSAGES

On 10 October, the FCA published the Climate Financial Risk Forum's (CFRF) Adaptation Working Group guide, which targets asset managers, banks, insurers, and data providers, offering tools to better understand and price physical climate change-related risks. It aims to support the development of adaptation-inclusive transition plans, financial risk management, and the creation of adaptation-focused opportunities. The guide includes advice on overcoming barriers to capital deployment for climate solutions, emphasising scenario analysis and local hazard data for short-term (up to 5 years) and long-term (beyond 10 years) planning. It introduces an Aim-Build-Contingency (ABC) framework for decision-making under uncertainty, with scenarios labelled based on global warming projections up to 2050. The report also provides case studies, a survey summary, and databases of hazard data and taxonomy, building upon existing methodologies and frameworks from various organisations.

CFRF: NATURE-RELATED RISK: HANDBOOK FOR FINANCIAL INSTITUTIONS

The FCA’s CFRF publication included the Handbook for Financial Institutions on Nature-related Risk. The handbook provides a practical guidance on how financial institutions can start thinking about nature and taking actions to embed this into risk management. To complement the handbook, the technical data guidance provides an overview of the nature data landscape and key applications of nature-related datasets and tools, particularly on specific uses and insights for financial institutions. Both the handbook and technical data guidance will be useful for those working in banks, insurers, and asset managers whose firms are embarking on their nature journey.

CFRF: SHORT-TERM SCENARIOS

The FCA’s CFRF publication included the Resilience Working Group's Short-term Scenarios Summary Document. This guide is valuable for professionals in banks, insurers, and asset management firms who are involved in strategy and business planning, risk appetite frameworks, stress testing, capital adequacy, and climate-related disclosures, especially across different jurisdictions. The document demonstrates how short-term scenarios can be utilised to evaluate the impact of climate-related economic risks. It provides a framework to help practitioners better understand their exposures and incorporate the outcomes of short-term scenarios into their strategies and business models.

CFRF: MOBILISING ADAPTATION FINANCE TO BUILD RESILIENCE

The FCA's CFRF publication included a guide on mobilising adaptation finance to build resilience. The guide sets out a framework for using scenarios to assess risks and identify adaptation needs and opportunities, as well as setting the framework for action and implementing the framework. It also sets out a guide to selecting and using data, identifying and creating new adaptation-focused opportunities, and accelerating action along with the next steps for action.

The FCA has also published a guide on adaptation finance-related case studies compiled by the Climate Financial Risk Forum's Adaptation Working Group. The guide includes a variety of approaches to address climate risks and enhance resilience across different sectors and asset types. The guidance aims to provide a comprehensive overview of strategies for integrating climate resilience into investment decisions, infrastructure development, and policy frameworks.

TECHNICAL REPORT: UK FINANCIAL SECTOR SURVEY ON PRACTICES AND INFORMATION USE FOR ADAPTING TO PHYSICAL CLIMATE RISKS

FCA's CFRF publication also included a technical report summarising a survey conducted among financial institutions participating in the CFRF. The survey aimed to explore adaptation practices to physical climate risks. Among other things, it revealed that financial institutions prioritise medium-term planning for strategic activities and adopt longer horizons for risk management when addressing these risks. Additionally, there is a growing need for enhanced accessibility and reliability of climate-related information, as well as tailored guidance and educational resources to support financial institutions in navigating the complexities of climate adaptation.

PRICE AND VALUE OUTCOME: GOOD AND POOR PRACTICE UPDATE

The FCA has updated its publication "Price and Value Outcome: Good and Poor Practice". This collates insights from the first year of the implementation of the price and value outcome in relation to the Consumer Duty and is intended to help firms improve the way they think about fair value assessments. The current update refers to the correction made to PRIN 2A.8.

FCA AND PRACTITIONER PANEL SURVEY 2023-2024 REPORT

On 23 October, the FCA published the FCA Practitioner Panel Joint Survey 2023-2024 Report, which provides insights into the perceptions and experiences of financial services professionals on regulatory issues, industry trends and the FCA's effectiveness.

The survey, conducted among 1,200 practitioners, reveals that respondents are generally satisfied with the FCA's approach to regulation, but highlights concerns around the complexity and volume of regulatory requirements, and also how the FCA can facilitate growth and competitiveness. The survey also identifies emerging risks, such as cyber security and climate change, as key areas of concern for the industry. Additionally, respondents emphasised the need for greater clarity and guidance on regulatory expectations, as well as more effective communication and engagement from the FCA.

CULTURE AND NON-FINANCIAL MISCONDUCT SURVEY – FINDINGS

On 25 October, the FCA published the results of its culture and non-financial misconduct survey to better understand how over 1,000 investment banks, brokers and wholesale insurance firms record and manage allegations of non-financial misconduct.

Between 2021 and 2023, the number of allegations reported increased, with bullying, harassment and discrimination being the most common concerns. The survey highlighted that a high number of complaints might indicate a healthy culture where people feel safe to report issues. Firms used various methods to detect misconduct, with formal processes and whistleblowing being prevalent. The findings aim to help firms benchmark their practices and improve workplace culture.

FCA LAUNCHES PREMIUM FINANCE MARKET STUDY ALONGSIDE NEW GOVERNMENT INSURANCE TASKFORCE

On 16 October, the FCA published the proposed Terms of Reference for its Market Study MS24/2.1, into the Provision of Premium Finance. This is to examine whether consumers borrowing to pay for motor and home insurance receive fair and competitive deals.

The review, part of a broader initiative alongside a new Government motor insurance taskforce, will assess the fairness of premium finance, where borrowers pay high yearly rates of 20 - 30%. The FCA aims to evaluate:

- product value;
- customer awareness of financing options;
- commission roles; and
- barriers to competition.

Comments should be submitted by 18 November 2024.

REGULATION ROUND-UP

On 31 October, the FCA published its monthly Regulation Round-up. In addition to various topics, noted either last month or above, this noted, the following:

- The most recent data on the volume of complaints reported by firms during H1 of 2024 has been published. The FCA uses this data to help assess how well firms are treating their customers and how their performance changes over time.

  Key findings include:

  - In H1 2024, financial services firms received 1.86m complaints, a 4% decrease from H2 2023 (1.94m).
  - The product groups that experienced an increase in their complaint numbers were decumulation & pensions (7.1%), insurance & pure protection (1.4%) and investments (2.1%).
- The FCA have summarised data from Q3 2024, on its actions against firms breaching financial promotion rules, and referrals and investigations into unregulated activity. This data shows how the FCA are working to improve standards across the market so that consumers are provided with clear and fair financial promotions which are not misleading.
- Detail of a newly launched AI Lab to provide a pathway for the FCA, firms and wider stakeholders to engage in AI-related insights, discussions and solutions.

  The first components of the AI Lab include:

  - AI Spotlight: Projects accepted to the AI Spotlight will give the FCA a real-world insight and practical understanding into how firms are experimenting with AI in financial services. Applications are now open.
  - AI Sprint: The FCA will be hosting an AI Sprint in January 2025.
  - AI Input Zone: The FCA will be inviting all stakeholders to have their say on the future of AI in UK financial services through an online feedback platform.
  - Supercharged Sandbox: The FCA will run AI-focused TechSprints and enhance its Digital Sandbox infrastructure through greater computing power, enriched datasets and increased AI testing capabilities.

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 operating in the EU.

NAVIGATING CHALLENGES IN PENSION SUSTAINABILITY - SPEEECH BY PETRA HIELKEMA

On 10 October, Petra Hielkema, EIOPA Chairperson, delivered a speech at the HANFA Conference "The Future of Pensions: Towards Higher Income in Old Age" in Zagreb.

She stated that over 18.5 million seniors across the EU face the risk of poverty or social exclusion, with women particularly at risk due to nearly 30% lower pensions than those of men. In addition, the aging population and declining old-age dependency ratio pose significant challenges. She called for a holistic approach to strengthen public, occupational, and personal pension plans and advocated for greater awareness, pension tracking systems and comprehensive dashboards to empower citizens and policymakers.

She stated that the shift from defined benefit to defined contribution schemes requires tailored risk assessments and flexible payout options to ensure financial security in retirement.

INTRODUCTORY STATEMENT OF PETRA HIELKEMA AT HEARING OF THE ECON COMMITTEE

On 14 October, Petra Hielkema, Chairperson of EIOPA, delivered a speech on the Statement to the Economic and Monetary Affairs Committee of the European Parliament. She outlined EIOPA's achievements and future priorities, highlighting the significant assets managed by insurers and pension funds and the role they play in economic stability.

Key priorities include:

- addressing the climate protection gap through better data and public-private partnerships;
- tackling the pensions gap with holistic reforms and increased transparency; and
- ensuring consumer protection with robust supervision and harmonised insurance guarantee schemes.

She also discussed the impacts of digitalisation and sustainability on the sectors, stressing the need for EU-level approaches to these challenges.

JC 2024 80 STATEMENT BY VERENA ROSS AS CHAIRPERSON OF THE JOINT COMMITTEE OF THE EUROPEAN SUPERVISORY AUTHORITIES - ECON COMMITTEE, 14 OCTOBER 2024

On 14 October, Verena Ross, Chairperson of the Joint Committee of the ESAs, delivered a statement at the hearing of the European Parliament's ECON Committee in Brussels on 14 October 2024. The statement focused on Digital Operational Resilience and supporting the green transition to a more sustainable economy, two main areas on which the Joint Committee has deployed its efforts in the past year.

REVISED SINGLE PROGRAMMING DOCUMENT 2025-2027 - INCLUDING ANNUAL WORK PROGRAM 2025

On 17 October, EIOPA published a revised version of its Single Programming Document for 2025-2027, including its Annual Work Programme. The document outlines EIOPA's vision for the insurance and pensions sector in the EU, which includes a multi-annual work programme and key performance indicators. The document also sets out the main priorities for the sector for the coming years. It covers topics including:

- supervision;
- sustainable finance;
- digital transformation;
- governance;
- policy; and
- risks to financial stability.

An *In Brief* document was also issued.

JOINT COMMITTEE OF THE EUROPEAN SUPERVISORY AUTHORITIES 2025 WORK PROGRAMME

On 7 October, the European Banking Authority (EBA), EIOPA, and European Securities and Markets Authority (ESMA), together, the Joint Committee of the European Supervisory Authorities (ESAs), jointly issued their Work Programme for 2025, focusing on digital resilience and sustainability disclosures.

The programme emphasises collaboration to tackle cross-sectoral risks, promote sustainability in the EU financial system, and strengthen financial entities' digital resilience.

The ESAs will provide further guidance on:

- sustainability disclosures;
- progress on digital operational resilience;
- monitor financial conglomerates;
- promote coordination among national innovation facilitators; and
- address other cross-sectoral matters such as retail financial services, investment products and securitisation.

JC 2024 75 OPINION OF THE ESAS ON THE DRAFT ITS REGARDING THE STANDARD TEMPLATES FOR THE PURPOSES OF THE REGISTER OF INFORMATION IN RELATION TO ALL CONTRACTUAL ARRANGEMENTS ON THE USE OF ICT SERVICES PROVIDED BY ICT THIRD-PARTY SERVICE PROVIDERS

On 15 October, the ESAs published their opinion on the draft Implementing Technical Standards (ITS) for the register of information related to information & communications technology (ICT) services provided by third-party service providers under Regulation (EU) 2022/2554 (DORA).

The ESAs submitted the draft ITS to the European Commission, which rejected it due to the mandatory use of the Legal Entity Identifier (LEI) for identifying ICT third-party service providers. The Commission suggested allowing the use of either the LEI or the European Unique Identifier (EUID). The ESAs argue that the LEI, already widely adopted and aligned with international standards, ensures better data quality and efficiency. They express concerns about the additional implementation and maintenance efforts required if the EUID is introduced, suggesting that the LEI should remain the primary identifier. The document also includes proposed technical and editorial amendments to the ITS.

METHODOLOGY ON VALUE FOR MONEY BENCHMARKS

On 9 October, EIOPA published a revised methodology on its web site, regarding value for money (VfM) benchmarks for unit-linked and hybrid insurance products. The revised methodology follows the feedback received from stakeholders during the public consultation and the execution of a data pilot in several Member States. It also takes into account the key steps the EIOPA has taken to account the common characteristics in which insurance products are sold across the European Economic Area (EEA) and the need for flexibility to cater for the evolving nature of the nature of European markets.

This document is dated 27 August 2024, but was published on the EIOPA website on 7 October 2024.

ESAS SHARE HIGHLIGHTS FROM THE 2024 JOINT CONSUMER PROTECTION DAY IN BUDAPEST

On 3 October, EBA, EIOPA, and ESMA hosted the 11th Consumer Protection Day in Budapest, focusing on empowering EU consumers in financial services.

The ESAs have shared highlights of this event which featured panels on AI in finance, consumer-centric products, and sustainable finance, with speakers from regulatory bodies, consumer organisations, and the financial industry. Discussions highlighted AI's benefits and risks, the need for financial education and simplifying sustainable finance disclosures.

The ESAs aim to use these insights to enhance regulatory actions and consumer protection strategies.

EIOPA-BOS-24/320 CONSULTATION ON LIQUIDITY RISK MANAGEMENT PLANS - SOLVENCY II REVIEW

On 1 October, EIOPA published a consultation paper on Regulatory Technical Standards (RTSs) for liquidity risk management plans that outlines the background, rationale, and draft technical standards for managing liquidity risk in insurance and reinsurance undertakings.

Comments should be submitted on or before 2 January 2025.

EIOPA-BOS-24/321 CONSULTATION ON CRITERIA FOR SELECTING INSURERS TO RUN MACROPRUDENTIAL ANALYSES - SOLVENCY II REVIEW

On 17 October, EIOPA issued a consultation paper on the criteria for selecting insurers to run macroprudential analyses. The consultation paper proposes both quantitative and risk-based criteria to determine which undertakings and groups should consider macroprudential elements in their Own Risk and Solvency Assessments (ORSA) and in their application of the Prudent Person Principle.

EIOPA invites stakeholders to provide their feedback on the consultation by 9 January 2025.

EIOPA-BOS-24/322 CONSULTATION ON THE CRITERIA FOR THE IDENTIFICATION OF EXCEPTIONAL SECTOR-WIDE SHOCKS - SOLVENCY II REVIEW

On 1 October, EIOPA issued for consultation draft RTS on the criteria for the identification of exceptional sector-wide shocks. This provides criteria to supervisory authorities for identifying such shocks. At the time of exceptional shocks, supervisors may require insurers with a particularly vulnerable risk profile to restrict or suspend dividend payments, share buybacks or bonuses.

EIOPA invites stakeholders to provide their feedback on the consultation by responding to the questions via the online surveys no later than 2 January 2025.

EIOPA-BOS-24/323 CONSULTATION ON UNDERTAKINGS UNDER DOMINANT / SIGNIFICANT INFLUENCE OR MANAGED ON A UNIFIED BASIS - SOLVENCY II REVIEW

On 1 October, EIOPA issued a consultation as part of the Solvency II Review concerning undertakings under dominant or significant influence, or those managed on a unified basis. This draft RTS outlines the factors for identifying insurance undertakings that fall under these categories, which are essential for supervisory authorities to properly identify and supervise insurance groups.

Comments must be received by 2 January 2025.

EIOPA-BOS-24/324 CONSULTATION ON SCENARIOS FOR BEST-ESTIMATE VALUATIONS FOR LIFE INSURANCE OBLIGATIONS - SOLVENCY II REVIEW

On 1 October, EIOPA released a consultation paper regarding the simplification of valuation for life insurance obligations, which is part of the Solvency II review. The paper outlines the methodology for obtaining technical information that insurers will require when implementing this simplification.

Comments should be submitted on or before 2 January 2025.

EIOPA-BOS-24/325 CONSULTATION ON RELEVANT INSURANCE AND REINSURANCE UNDERTAKINGS WITH RESPECT TO THE HOST MEMBER STATE'S MARKET - SOLVENCY II REVIEW

On 1 October, EIOPA issued, for consultation, the proposal for RTSs on relevant insurance and reinsurance undertakings with respect to the host Member State's market. The draft RTS sets out the conditions and criteria that need to be considered by host supervisors when determining the relevance of cross-border activities for their market.

Comments should be submitted on or before 2 January 2025.

EIOPA-BOS-24/413 CONSULTATION ON TECHNICAL ADVICE ON STANDARD FORMULA CAPITAL REQUIREMENTS FOR INVESTMENTS IN CRYPTO ASSETS

On 24 October, EIOPA issued a consultation paper on the Solvency II standard formula capital requirements for investments in crypto-assets. The draft details the current prudential treatment of investments in crypto-assets, assesses the appropriateness of that treatment, and recommends changes that could be made to the standard formula treatment, as needed.

Comments from interested parties should be submitted by 16 January 2025.

MONTHLY TECHNICAL INFORMATION FOR SOLVENCY II RELEVANT RISK-FREE INTEREST RATE TERM STRUCTURES - END-SEPTEMBER 2024

On 4 October, EIOPA published technical information on the relevant risk-free interest rate term structures as of the end of September 2024.

MONTHLY UPDATE OF THE SYMMETRIC ADJUSTMENT OF THE EQUITY CAPITAL CHARGE FOR SOLVENCY II - END-SEPTEMBER 2024

On 4 October, EIOPA released the technical information regarding the symmetric adjustment of the equity capital charge for Solvency II as of the end of September 2024.

EIOPA-BOS-24-124 REPORT ON THE USE OF LIMITATIONS AND EXEMPTIONS IN SOLVENCY II REPORTING IN THE EEA

On 28 October, EIOPA published its digital report on the use of limitations and exemptions from Solvency II reporting. The report provides an overview of the number of National Competent Authorities (NCAs) that grant limitations and / or exemptions from Solvency II reporting requirements to 'solo' undertakings and groups in the EEA. The report shows that in 2023, the same four NCAs granted limitations and or exemptions from annual reporting to 118 solo undertakings, representing 5.04% of the total number of undertakings. This marks a decrease from 2022, when 139 solo undertakings (5.84% of the total) were exempted from annual reporting. The main contributor to this decline was France, where the number of undertakings exempted from annual reporting fell from 32 in 2022 to 17 in 2023. Additionally, Norway maintained its practice of exempting more than half of its undertakings from annual reporting.

CORPORATE GOVERNANCE

UKEB ISSUES DRAFT COMMENT LETTERS ON IASB EXPOSURE DRAFTS

The FRC, on behalf of the UK Endorsement Board (UKEB), has issued draft comment letters for public consultation on the International Accounting Standards Board's (IASB) exposure drafts concerning climate-related risks and amendments to IFRS 19, as well as a Draft Endorsement Criteria Assessment on amendments to financial instrument classification and measurement.

Stakeholders are invited to provide feedback on these documents, with deadlines for comments set for 11 November 2024 for the first two drafts, and 10 January 2025 for the financial instruments amendments.

The amendments to financial instruments are set to be effective for reporting periods beginning on or after 1 January 2026.

TECHNICAL ACTUARIAL GUIDANCE: MODELS

On 7 October, the FRC published revised Technical Actuarial Guidance: Models, to support the growing use of Artificial Intelligence and Machine Learning (AI/ML) techniques in actuarial work. The updated guidance aims to support practitioners applying the principles-based Technical Actuary Standard 100 (TAS 100) when using these techniques, ensuring the continued production of quality actuaries work in this rapidly evolving field. The new guidance provides examples relating to model bias, understanding and communication, governance, and stability when using AI/ML models in technical actuarial work.

BIG FOUR AUDIT FIRMS CONCLUDE TRANSITION PERIOD OF OPERATIONAL SEPARATION

On 10 October, FRC has announced that the four largest audit firms (Deloitte, EY, KPMG, PwC), have concluded the transition period of operational separation.

FRC PUBLISHES EMERGING FINDINGS FROM SUSTAINABILITY ASSURANCE MARKET STUDY

On 15 October, the FRC published initial feedback on its market study into assurance of sustainability reporting, launched in March 2024.

The study found that while currently most UK companies reported having sufficient choice of provider of assurance, some raised concerns that the market may begin to consolidate around the largest UK audit firms. Some respondents expressed fears that this may limit choice and effective competition in the market in the future. Beyond this, many stakeholders highlighted possible issues around consistency in the quality of sustainability assurance services.

The FRC recognises stakeholders desire for the UK to establish a clear regulatory framework that promotes trust and transparency in assurance of sustainability related reporting.

Further input, responding to the questions set out in the emerging findings should be received by 29 November 2024.

2025 TAXONOMY SUITE PUBLISHED

On 21 October, the FRC published the 2025 UK Taxonomy Suite, incorporating changes to all of the FRC’s Taxonomies - UK IFRS, FRS 101, FRS 102, UKSEF, Charities and Irish extensions. The Suite contains taxonomy documentation, supporting documents, key information sheets and release notes.

The publication follows a consultation on a draft of the taxonomies in the summer.

Key changes to the 2025 Taxonomy Suite are:

- Taxonomy elements have been updated and added to enable UKEB endorsed Supplier Finance Arrangements: Amendments to IAS 7 and IFRS 7 and Lack of Exchangeability: Amendments to IAS 21.
- Taxonomy elements have been updated and added to enable amendments to UK Financial Reporting Standards (FRED 82 and FRED 84).
- New entry points and elements have been added to enable digital reporting of Community Interest Company (CIC-34) report

and Dormant Subsidiary Exempt Package accounts to Companies House.

- Creation of a new DPL core schema and removal of the DPL presentation from the core entrypoint.
- Changed balance types and labels of “Issue of bonus shares”, “Increase (decrease) in net debt”, and “Past service cost of defined benefit plan” to better reflect their meaning.
- Updated “Average number of employees during the period” to address the issue where numbers of employees are incorrectly reported as a negative number.
- The Charities extension has been updated.
- The Irish extension has been updated this year, and includes the changes made in the 2024 Taxonomy Suite.

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.

NEW DATA PROTECTION AUDIT FRAMEWORK LAUNCHED TO HELP ORGANISATIONS IMPROVE COMPLIANCE

On 7 October, the ICO launched a new audit framework designed to help organisations assess their own compliance with key requirements under data protection law.

The framework empowers organisations to identify necessary steps to improve their data protection practices and create a culture of compliance. It provides them with a starting point to evaluate how they handle and protect personal information.

Whether for senior management, data protection officers, compliance auditors or those responsible for records management or cybersecurity, the framework offers practical tools for building and maintaining strong privacy management.

The framework is an extension of our existing Accountability Framework, and it has nine toolkits covering the following key areas:

- Accountability;
- Records management;
- Information & cyber security;
- Training and awareness;
- Data sharing;
- Requests for data;
- Personal data breach management;
- Artificial intelligence; and
- Age-appropriate design.

£120K ISSUED IN FINES TO TWO COMPANIES FOR PREDATORY MARKETING CAMPAIGNS

On 10 October, the ICO announced that it has fined two companies for making unlawful marketing calls to individuals registered with the Telephone Preference Service.

WerepairUK Ltd, based in Tonbridge, has been fined £80,000 for making 42,688 unsolicited calls. It has appealed this decision.

Service Box Group Limited, based in Hove, East Sussex, has been fined £40,000 for 5,361 calls.

These calls were made to people who had explicitly opted out of receiving marketing communications, violating their privacy and in some cases causing significant distress. There is clear evidence that in both cases, older people were called repeatedly. Some individuals were subjected to repeated phone calls, attempting to pressure them into buying warranties for white goods, such as fridges and washing machines.

TWO COMPANIES FINED A TOTAL OF £150K AFTER BOMBARDING PEOPLE WITH SPAM TEXTS OFFERING FINANCIAL, DEBT SERVICES

On 15 October, the ICO announced that they have fined two Manchester based financial and debt management companies a total of £150,000 for sending in excess of 7.5million spam text messages to people.

These were Quick Tax Claims Limited, a company focusing on PPI tax refunds, and National Debt Advice Limited, a debt counselling advice service.

Quick Tax Claims Limited had sent 7,863,547 unlawful text messages over the course of a month, resulting in 66,793 complaints – 93% of these stating there was no 'opt out' option.

During the investigation, it was found that the company had purchased personal information from third-party suppliers that did not obtain valid consent. Quick Tax Claims Limited received a £120,000 fine.

Similarly, National Debt Advice Limited had sent 129,902 spam text messages resulting in 4,033 complaints.

National Debt Advice Limited, had also purchased personal information from third-party suppliers, including loan decline data - which meant that the text messages were sent to people who had previously been turned down for loans. They also failed to conduct appropriate consent checks, resulting in a £30,000 fine.

The ICO has stressed that it is important, that companies gain consent to send direct messages. Relying on third-party claims of consent, without undertaking the most basic of checks, is not regarded, by the ICO, as responsible conduct.

ENFORCEMENT ACTION

PRA / FCA REGULATORY FINES ROUND-UP

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

TSB Bank plc (TSB)	On 10 October, the FCA announced that it has fined TSB £10,910,500 for failing to ensure customers who were in arrears were treated fairly. It also lacked suitable systems and controls to secure fair outcomes. TSB has paid £99.9m in redress to the 232,849 mortgage, overdraft, credit card and loan customers affected. Between June 2014 and March 2020, TSB's inadequate processes created a real risk that repayment plans were not realistic. Its training did not fully support its staff in understanding customers' circumstances. Staff were potentially encouraged by incentive schemes to prioritise the number of plans made over taking enough time to assess individual customer circumstances. As a result of its failings, TSB risked agreeing unaffordable payment arrangements with customers in difficulty or charging them inappropriate fees. This risked increased uncertainty and stress, including for vulnerable customers. The extent of the failings were identified by an independent review into TSB's treatment of customers who had fallen into arrears, which had been ordered by the FCA in July 2020. TSB had become aware of potential problems with its collections and recoveries in December 2016. However, it was not until the review in 2020 that TSB took effective action to fully address them. TSB has worked closely with the independent reviewer and the FCA and has concluded a comprehensive programme to resolve these issues, costing £105m.

CONTACTS

EXTERNAL AUDIT
ALEX BARNES
Partner & Head of Insurance Audit
alex.barnes@bdo.co.uk

GEETA JOSHI
Partner
geeta.joshi@bdo.co.uk

GILES WATSON
Partner
giles.watson@bdo.co.uk

TOM REED
Partner
tom.reed@bdo.co.uk

RUPERT LIVINGSTONE
Principal
rupert.livingstone@bdo.co.uk

ADEEL AJMAL
Director
adeel.ajmal@bdo.co.uk

MZ NETYISI
Director
mz.netyisi@bdo.co.uk

INTERNAL AUDIT
CHRIS BELLAIRS
Partner
christian.bellairs@bdo.co.uk

LUKE PATTERSON
Partner
luke.patterson@bdo.co.uk

SAM PATEL
Partner
sam.patel@bdo.co.uk

JOHN OWENS
Director
john.owens@bdo.co.uk

REGULATORY ADVISORY
MICK CAMPBELL
Partner
mick.campbell@bdo.co.uk

RICHARD BARNWELL
Partner
richard.barnwell@bdo.co.uk

NICOLA BALL
Director
nicola.ball@bdo.co.uk

CASS
JAMES STEELE-PERKINS
Partner
james.steele-perkins@bdo.co.uk

ACCOUNTING & CORPORATE REPORTING ADVISORY
MARK SPENCER
Partner
mark.spencer@bdo.co.uk

ACTUARIAL
GRAHAM HANDY
Partner & Head of Insurance Advisory
graham.handy@bdo.co.uk

SANTIAGO RESTREPO
Actuarial Partner
santiago.restrepo@bdo.co.uk

ELINORE O'NEILL
Director
elinore.oneill@bdo.co.uk

GRAHAM CORNISH
Director
graham.cornish@bdo.co.uk

LIAM STEEL
Director
Liam.steel@bdo.co.uk

TAX
THOMAS TO
Partner & Head of Insurance Tax
thomas.to@bdo.co.uk

MICHAEL WHITESIDE
Director
michael.whiteside@bdo.co.uk

CORPORATE FINANCE
RAHOEL PATEL
Partner, Head of FS Transaction Services
rahoel.patel@bdo.co.uk

ADAM WHISTANCE
Director & Head of Insurance M&A
adam.whistance@bdo.co.uk

FORENSICS
RICHARD CAMERON-WILLIAMS
Partner
richard.cameron-williams@bdo.co.uk

OUTSOURCING
ROBERT HUTCHINGS
Director
robert.hutchings@bdo.co.uk

FOR MORE INFORMATION:

ALEX BARNES

+44 (0)7903 891 435
alex.barnes@bdo.co.uk

JOHN OWENS

+44 (0)7946 700 242
john.x.owens@bdo.co.uk

GRAHAM HANDY

+44 (0)7876 877 083
graham.handy@bdo.co.uk

www.bdo.co.uk