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Insurance Regulatory eBulletin

Round up of regulatory developments in December 2024

WELCOME TO OUR INSURANCE REGULATORY EBULLETIN

Happy New year and welcome to this December 2024 edition of our Insurance Regulatory eBulletin. This publication aims to keep you updated with significant regulatory developments during the final month of 2024, and their implications across the insurance sector. Similar to our last update, December also had a historically high volume of matters to report.

The PRA have issued a Policy Statement and Supervisory Statement (SS11/24) in relation to solvent exit planning for insurers. Firms are expected to meet the expectations in SS11/24 by 30 June 2026.

The FCA have issued updated versions of its guidance on both operational resilience and outsourcing and operational resilience. It has also issued a Policy Statement, addressing feedback from consultation and outlining final guidance on changes to the Financial Crime Guide.

The FCA has also published two reports: one, setting out the results of a targeted and thematic review that it carried out on complaints and root cause analysis, the other setting out its analysis of the first annual consumer duty board reports. These reports both provide examples of good and poor practice identified to assist firms in the design of their reporting, processes and procedures in these areas.

Good news for work levels is that the PRA announced the postponement of the launch of the dynamic general insurance stress test (DyGIST), which is now expected to commence in May 2026.

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.

As with last month a reminder for those with businesses within the EIOPA regulated area, that the obligations under the Digital Operational Resilience Act (DORA) will apply from 17 January 2025. Groups with businesses operating in this area will need to ensure that appropriate measures are in place. BDO would be able to assist, should this area need attention.

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. I would also like to take this opportunity of wishing to a happy, peaceful and prosperous 2025.

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PRUDENTIAL REGULATION

THE SWES: USING SYSTEM-WIDE SCENARIO ANALYSIS TO SPOT SYSTEMIC RISKS - SPEECH BY LEE FOULGER

On 2 December, Lee Foulger delivered a speech at Bloomberg on the System-Wide Exploratory Scenario (SWES), which focuses on using system-wide scenario analysis to identify systemic risks. He discussed the findings from the Bank's SWES exercise, which aimed to assess the resilience of core UK markets. He emphasised the importance of a system-wide perspective in identifying and mitigating systemic risks, particularly those arising from non-bank financial institutions. Foulger highlighted how individual rational behaviours can collectively pose significant risks to financial stability. The SWES exercise, involving around 50 financial firms, revealed vulnerabilities in market dynamics and the need for increased resilience in market-based finance to prevent systemic shocks.

The Bank has published its final report on the SWES exercise on the UK's financial system. The SWES is a 'system-wide' exercise, incorporating a wide range of financial firms and business models. It therefore provides insights into the behaviour of different parts of the financial system under stress, as well as the dynamics driven by their interactions and how these can affect outcomes in markets core to UK financial stability and the financial system as a whole.

INDIA-UK 3RD FINANCIAL MARKETS DIALOGUE: JOINT STATEMENT

On 13 December, HM Treasury issued a policy paper outlining the outcomes of the third Financial Markets Dialogue between India and the UK, held on 12 December 2024. The dialogue involved senior officials from the Indian Ministry of Finance and HM Treasury, along with regulatory agencies such as the Reserve Bank of India, the Securities and Exchange Board of India, the Bank of England, and the FCA. The discussions focused on financial regulation, capital markets, insurance, pensions, and sustainable finance.

FINANCIAL INCLUSION COMMITTEE

On 5 December, HM Treasury published a policy paper on the Financial Inclusion Committee, whose mission is to tackle barriers to individual and households' ability to access affordable and appropriate financial products and services. The Committee will establish the Government's Financial Inclusion Strategy, which will be published in 2025.

2024 LIST OF UK FIRMS DESIGNATED AS OTHER SYSTEMICALLY IMPORTANT INSTITUTIONS (O-SIIS)

The PRA has published the list of firms it has designated as other systemically important institutions (O-SIIs) for 2024. The PRA has designated fourteen firms as O-SII based on its methodology for O-SII identification.

PRA'S APPROACH TO COST BENEFIT ANALYSIS

On 17 December, the PRA issued a statement of policy on its approach to cost-benefit analysis (CBA). The statement explains:

- how the PRA conducts CBA;
- how it uses CBA in its policy making process;
- how it communicates CBA;
- the PRA's criteria for determining circumstances when it will not estimate costs and benefits; and
- the PRA's arrangements for considering feedback from the CBA Panel in relation to how the PRA is performing generally, in meeting its statutory CBA obligations.

Comments should be submitted on or before 30 September 2025.

UPDATE ON THE DYNAMIC GENERAL INSURANCE STRESS TEST

On 18 December, the PRA announced the postponement of the DyGIST launch, which is now expected to commence in May 2026.

Postponing the DyGIST is intended to reduce the burden on general insurers in 2025 as they prepare to report on the new Solvency UK regulatory returns and to allow more efficient use of PRA resources.

RESTATEMENT OF SOLVENCY II ASSIMILATED LAW: CORRECTION TO STANDARD FORMULA MASS LAPSE LIFE UNDERWRITING RISK RULE IN PS15/24

On 20 December, the PRA issued a Restatement of Solvency II assimilated law, correcting the standard formula mass lapse life underwriting risk rule in PS15/24.

This statement informs firms of the correction made through the publication of the PRA Rulebook: SII Firms: Solvency II Amendment (No 1) Instrument 2024. The new rule instrument removes the reference to RAO Schedule 1, Part II, class III in rule SCR-SF 3B6.6(1) found in Annex O of Appendix 6 of PS15/24. This is the only modification made to the rules in the PRA Rulebook: Solvency II Instrument 2024 within Appendix 6 of PS15/24.

The PRA also clarifies that this statement supersedes the feedback given in paragraphs 6.16 and 6.18 of PS15/24, without altering the text in those paragraphs. The rule instrument will become effective on 31 December 2024.

PS20/24 SOLVENT EXIT PLANNING FOR INSURERS

On 18 December, the PRA published a policy statement regarding solvent exit planning for insurers, which provides feedback on responses to the consultation paper CP2/24. The statement includes the final policy, such as preparations for the Solvent Exit part of the PRA Rulebook and Supervisory Statement 11/24.

SS11/24 outlines the PRA’s expectations for UK insurers to incorporate preparations for an orderly 'solvent exit' into their regular business activities. Additionally, insurers should be capable of executing a solvent exit if necessary. This statement applies to all PRA-regulated insurers, excluding firms in passive run-off, UK branches of overseas insurers and Lloyd's managing agents.

Firms are expected to meet the expectations in SS11/24 by 30 June 2026.

TCFD-ALIGNED DISCLOSURE EXPOSURE DRAFT FOR PHASE 3

On 17 December, HM Treasury published the consultation outcome for the Task Force on Climate-related Financial Disclosures (TCFD)-aligned disclosure Exposure Draft for Phase 3. The feedback from the consultation was carefully evaluated and incorporated into the development of the final Application Guidance for TCFD-aligned disclosures. In November 2024, the updated guidance was reviewed and approved by the Financial Reporting Advisory Board and its Sustainability Sub-Committee.

CP17/24 OPERATIONAL RESILIENCE: OPERATIONAL INCIDENT AND OUTSOURCING AND THIRD-PARTY REPORTING

On 13 December, the PRA published Consultation Paper 17/24, outlining proposals for firms to report operational incidents and material third-party arrangements. The aim is to establish a framework for consistent and timely reporting to enhance the operational resilience of the UK financial sector. The proposals include clear reporting thresholds, standardised templates, and a phased approach to incident reporting, with an implementation timeline set for no earlier than the second half of 2026.

Feedback is invited by 14 March 2025.

CP19/24 CLOSING LIQUIDITY REPORTING GAPS AND STREAMLINING STANDARD FORMULA REPORTING

On 11 December, the PRA released a consultation paper aimed at addressing liquidity reporting gaps and streamlining Standard Formula reporting. This paper outlines the PRA's proposals to close liquidity reporting gaps for large insurance firms with significant exposure to derivatives or securities involved in lending or repurchase agreements.

Additionally, the consultation paper proposes removing the requirement for life insurers with internal model permissions to annually submit the SF.01 template, which contains Solvency Capital Requirement information calculated using the Standard Formula.

These proposals align with recent Solvency II reforms, which aim to streamline reporting obligations to better meet the PRA's supervisory needs.

Responses are requested by 31 March 2025.

CONDUCT REGULATION

INCLUSIVE GROWTH: LAYING FOUNDATIONS, SEIZING INNOVATIONS - SPEECH BY SARAH PRITCHARD

Sarah Pritchard, Executive Director Markets & Executive Director International, delivered a speech at The Investing and Saving Alliance Annual Conference, emphasising the importance of financial inclusion and resilience for economic growth. She highlighted the role of technological innovation, such as open banking, in transforming financial services and aiding consumers in managing their finances more effectively. She welcomed the Government's National Financial Inclusion Strategy and stressed the need for strong financial foundations, including improved financial capability and savings culture.

FCA'S RESPONSE TO TREASURY REMIT LETTER 2024

On 9 December, the FCA issued its response to the Treasury's remit letter, which outlines its commitment to supporting economic growth, developing its next strategy, and maintaining international leadership. Key initiatives include reforms to UK listing and retail disclosure rules, launching an Artificial Intelligence (AI) lab, and consulting on secondary capital raising and private company shares. The FCA's strategy for 2025-2030 will focus on growth, tackling financial crime, enhancing consumer resilience, and improving operational efficiency. The FCA also emphasised the importance of responsible risk-taking, international cooperation, and addressing financial crime's impact on economic growth. The letter highlights the need for a balanced approach to regulation, ensuring innovation while managing risks effectively.

UPDATE TO THE BANK OF ENGLAND AND FCA MEMORANDUM OF UNDERSTANDING

On 18 December, the Bank and the FCA signed a Memorandum of Understanding (MoU) which sets out a high-level framework that the Bank and the FCA will use to cooperate in relation to the regulation and supervision of Financial Market Infrastructure. The MoU has been updated to reflect changes made by the Financial Services Markets Act 2023. The MoU has been agreed pursuant to section 17A of the Financial Services and Markets Act 2000.

PS24/17 FINANCIAL CRIME GUIDE CHANGES

The FCA has published a Policy Statement, PS24/17, addressing feedback from Consultation Paper CP24/9 and outlining final guidance on changes to the Financial Crime Guide. This statement, part of the FCA's 2022-2025 Strategy, emphasises a proactive, data-led approach to financial crime supervision, focusing on enhancing firms' systems and controls. The guidance updates include clarifications on sanctions, proliferation financing, transaction monitoring, and crypto-asset businesses, aligning with the Consumer Duty and recent legislative changes like the Economic Crime and Corporate Transparency Act 2023. The FCA aims to reduce financial crime harm, improve compliance, and encourage responsible innovation, with ongoing engagement and future updates informed by industry feedback.

NUMBER OF SKILLED PERSONS REPORTS COMMISSIONED IN 2024/25 Q1 (1 APRIL - 30 JUNE 2024)

On 4 December, the FCA published a report outlining the number of skilled persons reports commissioned during Quarter 1 of 2024/2025.

Of the total of 14 reports identified, six of these were in respect of the insurance industry.

COMPLAINTS AND ROOT CAUSE ANALYSIS: GOOD PRACTICE AND AREAS FOR IMPROVEMENT

On 11 December, the FCA published a report setting out the results of a targeted and thematic review that it carried out on complaints and root cause analysis, based on a review of practices in 40 firms across a range of sectors. The FCA has identified three key areas for improvement:

- analysing data for different customer types;
- assessing and measuring the impact of actions taken; and
- taking action based on these insights.

CONSUMER DUTY BOARD REPORTS: GOOD PRACTICE AND AREAS FOR IMPROVEMENT

On 11 December, the FCA has published the findings for its review of the first annual Consumer Duty Board Reports, which analysed the first annual reports from 180 firms regarding their compliance with the Consumer Duty. The report highlights good practices such as clear outcome focus, quality data, and cultural integration while identifying areas for improvement like data quality and effective board challenge. It emphasises that smaller firms should interpret the Duty based on their size and resources and suggests ways they can meet the obligations. The report aims to help firms enhance their board reporting processes and ensure good consumer outcomes.

OPERATIONAL RESILIENCE

On 16 December, the FCA published an updated version of its guidance on operational resilience (last update, May 2017). These updates proposed new requirements for operational incident and third-party reporting and added a link to the cyber resilience assessment.

OUTSOURCING AND OPERATIONAL RESILIENCE

On 13 December, the FCA issued an updated version of its guidance on outsourcing and operational resilience (last update January 2020). This outlines its expectations for firms using outsourcing and third-party service providers and the implications for their operational resilience.

RESEARCH NOTE: A LITERATURE REVIEW ON BIAS IN SUPERVISED MACHINE LEARNING

On 11 December, the FCA published a research note, examining bias in supervised machine learning models within financial services. The document reviews academic and grey literature to explore how biases arise and can be mitigated, focusing on unjustified differences in predictions based on demographic characteristics or vulnerability. It emphasizes the importance of measuring and mitigating bias to ensure fairness in AI systems, aligning with the FCA's regulatory framework on consumer protection and fairness in AI usage.

CP24/25 FCA FEES AND LEVIES: POLICY PROPOSALS 2025/26

The FCA has published a consultation paper that sets out proposed changes to the way it will raise FCA fees from 2025/26, and the way it will collect levies payable to the Financial Ombudsman Service (Ombudsman Service) and the Financial Services Compensation Scheme (FSCS). This consultation paper includes:

- proposed changes to the FEES Manual (including FEES 5 (Financial Ombudsman Service) and FEES 6 (Financial Services Compensation Scheme)); and
- fees policy updates.

Comments must be submitted by 24 January 2025.

CONSULTATION - OPERATIONAL INCIDENT AND THIRD-PARTY REPORTING (CP24/28)

On 13 December, proposals were published that have been jointly developed with FCA, PRA and the Bank to strengthen firms' operational resilience and minimise harm to consumers and markets. This recognises an increasing reliance upon third parties by regulated firms.

New incident and third-party reporting requirements for firms are proposed, making it clearer for them which incidents and third-party arrangements to report, when to report them and how. These are intended to enable incidents to be responded to more quickly and effectively.

The submission date for responses is 13 March 2025.

REGULATION ROUND-UP

On 19 December, the FCA published its monthly Regulation Round-up. In addition to various topics, noted either last month or above, this noted, the following:

- Update to the FCA perimeter report

On 9 December, the FCA issued a report following its regular review of its regulatory perimeter, determining what it is to regulate, as set by Parliament and Government through legislation. The latest version of the FCA's perimeter report sets out specific issues and its actions in response on 30 different areas across the range of areas over which it has regulatory responsibility.

- Cyber resilience good practice

Alongside the PRA, the FCA has published its annual thematic analysis of CBEST- an assessment tool. The analysis highlights observations of cyber resilience practices such as cyber defences, as well as detection and response capabilities against threats.

Areas identified for firms to work on were:

- cyber security risks to assets and individuals;
- cyber risk management and impact-based approaches to the protection of key resources (people, process, technology, and data);
- detection and response capabilities leveraging the latest threat intelligence; and
- cyber incident response to eradicate threats and mitigate impacts.

Firms have been encouraged to consider the observations in this thematic analysis.

- CP24/26: Quarterly Consultation Paper No.46

Each quarter the FCA consults on proposed miscellaneous amendments to our Handbook relating to minor changes. Those matters which we consider potentially relevant to the insurance industry within CP24/26, were:

- increase the £100 medical condition premium trigger point for firms to signpost customers with pre-existing medical conditions to a directory of specialist providers and futureproof the threshold in line with inflation. To limit the number of entries in a medical cover firm directory to a single brand per firm;
- remove the requirement for UK insurance special purpose vehicles (UK ISPVs) to comply with SYSC 3.2.8R and to allocate the SMF16 Compliance Oversight Function;
- update references to the new edition of the UK Corporate Governance Code in the Handbook; and
- amend SUP 16.11, SUP 16 Annex 20G and SUP 16 Annex 21R, in order to clarify or improve the wording for better understanding in relation to consumer credit product sales data reporting.

- Late submission fee grace period

The FCA operated a grace period for late submission fees from 23 December 2024 to 6 January 2025.

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.

EIOPA(2024)0103269 FINANCIAL STABILITY REPORT DECEMBER 2024

On 12 December, EIOPA published its Financial Stability Report for December 2024. The report assesses the risks and vulnerabilities facing European insurers and occupational pension funds in a challenging risk landscape marked by high uncertainties. In addition to providing an overview of recent developments, the report features three topical analyses that are particularly relevant in the current context:

- institutional investors' exposure to real estate;
- the rise of asset-intensive (or funded) reinsurance; and
- the structure of EIOPA's framework to assess systemic risk in the European insurance sector.

EIOPA-BOS-24/553 2024 INSURANCE STRESS TEST

On 17 December, EIOPA published the results of its 2024 Insurance Stress Test, assessing European insurers' ability to cope with the economic and financial fallout from a resurgence of geopolitical tensions. The exercise shows that insurers in the European Economic Area (EEA) are overall well-capitalised and able to meet the Solvency II requirements, even under the stress test's severe but plausible shocks that stem from:

- widespread supply-chain disruptions;
- low growth; and
- renewed inflationary pressures.

The outcome of the exercise and the insights gathered throughout its implementation will inform the work of supervisors at the EU and national level and may result in specific recommendations on the risks identified.

TOWARDS A EUROPEAN SYSTEM FOR NATURAL CATASTROPHE RISK MANAGEMENT

On 18 December, the European Central Bank (ECB) and EIOPA published a joint paper proposing measures to reduce the economic impact of natural catastrophes in the European Union (EU). The paper addresses the growing climate insurance protection gap in the EU, highlighting the economic and financial risks posed by climate-related catastrophes. It proposes a multi-layered approach to enhance insurance coverage and resilience, suggesting improvements in private insurance, leveraging reinsurance and catastrophe bonds, and implementing national and EU-level policies to mitigate the impact of climate change and support faster economic recovery.

KEY FINDINGS FROM THE 2024 ESAS DRY RUN EXERCISE

On 17 December, the European Banking Authority (EBA), EIOPA, and European Securities and Markets Authority (ESMA), together known as the European Supervisory Authorities (ESAs), published a report detailing the findings from the 2024 dry run exercise. This tested the reporting processes for financial entities' registers of information on their contractual arrangements with Information Communication Technology (ICT) third-party service providers.

The exercise aimed to prepare entities for compliance with the Digital Operational Resilience Act (DORA), which becomes applicable in January 2025. It involved 1,039 financial entities across the EU. Key findings highlighted data quality issues, particularly missing mandatory information and invalid identifiers, which need addressing before official reporting begins. The report also provides lessons and recommendations for financial entities and competent authorities to ensure compliance with DORA's requirements.

EIOPA REVOKES PREVIOUS GUIDELINES TO AVOID DUPLICITIES AND OVERLAPS WITH DORA

On 19 December, EIOPA published an article announcing its decision to withdraw the "Guidelines on Information Communication Technology Security and Governance" and the "Guidelines on Outsourcing to Cloud Service Providers." Additionally, it will amend the "Opinion on the Supervision of the Management of Operational Risks Faced by IORPs." All these changes are related, at least in part, to the use of ICT by undertakings. These are to be made in anticipation of the DORA coming into effect and will take effect on 17 January 2025. Following the withdrawal of the guidelines and the introduction of amendments to the opinion, national supervisors across the EEA are expected to adjust their national frameworks to eliminate any duplications and continue ensuring a level playing field.

EBA/GL/2024/16 JOINT ESAS GUIDELINES REGARDING THE REGULATORY CLASSIFICATION OF CRYPTO-ASSETS

On 17 December, the ESAs issued final guidelines on templates for explanations, opinions, and a standardised test for classifying crypto-assets under MiCAR. This regulation oversees the public offering and trading of asset-referenced tokens, e-money tokens, and other crypto-assets, as well as crypto-asset services in the EU. The guidelines provide templates for the explanation accompanying the crypto-asset white paper and the legal opinion on ARTs qualification.

EIOPA PROVIDES UPDATED INFORMATION TO POLICYHOLDERS AFFECTED BY FWU AG'S INSOLVENCY

On 18 December, EIOPA provided an update on the insolvency situation of FWU AG Group and its subsidiaries, FWU Luxembourg and FWU Austria. The Local Court of Munich initiated insolvency proceedings for FWU AG on 1 December 2024. FWU Luxembourg faced compliance issues with capital requirements, leading to asset freezes and a suspension of payments. An administrator is overseeing FWU Luxembourg's management, with a six-month period to resolve the financial situation. FWU Austria remains operational and is not in insolvency. Policyholders are advised to review their contracts and seek professional advice. EIOPA is coordinating with national authorities to ensure fair treatment for all affected policyholders. The authorisations for both Luxembourgish and Austrian undertakings remain valid.

EIOPA UPDATES REPRESENTATIVE PORTFOLIOS TO CALCULATE VOLATILITY ADJUSTMENTS TO THE SOLVENCY II RFR TERM STRUCTURES

On 10 December, EIOPA has updated the representative portfolios used to calculate volatility adjustments (VA) for Solvency II risk free rate term structures. These updated portfolios will be implemented for VA calculations from end of March 2025 and published in April 2025. EIOPA released the updated portfolios three months in advance to give (re)insurers ample preparation time. The representative portfolios are revised annually, with the next update scheduled for end of 2025.

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

On 4 December, EIOPA made available the technical information on the symmetric adjustment of the equity capital charge for Solvency II with reference to the end of November 2024. The adjustment is regulated mainly in Article 106 of Directive 2009/138/EC, Article 172 of the of the Delegated Regulation of Solvencies II as well as in EIOPA's Final report on ITS on the equity index for the symmetry adjustment.

EIOPA-BOS-24-479 CONSULTATION ON GUIDELINES REGARDING THE NOTION OF DIVERSITY FOR THE SELECTION OF THE MEMBERS OF THE ADMINISTRATIVE, MANAGEMENT OR SUPERVISORY BODY

On 4 December, EIOPA issued a consultation on the proposal for guidelines on the notion of diversity for the selection of members of the administrative, management or supervisory body. These guidelines have been developed in the context of the review of Directive 2009/138/EC.

Comments should be submitted on or before 26 February 2025.

CONSULTATION ON A BLUEPRINT FOR AN AWARENESS TOOL FOR NATURAL CATASTROPHE RISKS AND PREVENTION MEASURES

EIOPA has announced that it is seeking feedback on its consultation paper on developing an awareness tool aimed at helping citizens better understand how exposed is their property to natural hazards, the benefits of adequate insurance coverage and what prevention measures they can take to reduce potential losses.

Comments should be submitted on or before 28 February 2025.

EIOPA-BOS-24-455 CONSULTATION ON A REPORT ON BIODIVERSITY RISK MANAGEMENT BY INSURERS

On 4 December, EIOPA released a consultation paper on biodiversity risk management by insurers, emphasising the potential economic risks of biodiversity loss and its impact on financial stability. The consultation seeks stakeholder feedback on current practices, challenges and methods for integrating biodiversity risk assessments into insurers' risk management frameworks. EIOPA aims to ensure that material biodiversity risks are adequately considered in the Own Risk and Solvency Assessment (ORSA) under the Solvency II Directive.

Stakeholders are invited to submit their comments via the EU Survey by 26 February 2025.

EIOPA-BOS-24/480 CONSULTATION ON REVISED GUIDELINES ON UNDERTAKING-SPECIFIC PARAMETERS

On 4 December, EIOPA released a consultation paper proposing revised Guidelines on undertaking-specific parameters. The paper aims to streamline and improve the clarity of existing guidelines related to the Solvency II Directive, ensuring they align with the updated legal framework. Key amendments include the deletion and shortening of certain guidelines to enhance readability while maintaining supervisory expectations.

Stakeholders are invited to provide feedback via an EU Survey by 26 February 2025, with EIOPA planning to revise the proposal based on received comments and publish a report on the consultation outcomes.

EIOPA-BOS-24-458 CONSULTATION PAPER ON THE PROPOSAL FOR REGULATORY TECHNICAL STANDARDS ON MANAGEMENT OF SUSTAINABILITY RISKS INCLUDING SUSTAINABILITY RISK PLANS

On 4 December, EIOPA issued a consultation paper on the proposal for Regulatory Technical Standards (RTS) for managing sustainability risks in the insurance sector. The RTS aim to integrate these plans into existing risk management frameworks, aligning with the Solvency II Directive. Key elements include:

- defining governance arrangements;
- conducting materiality and financial risk assessments;
- setting quantifiable targets; and
- ensuring consistency with the Corporate Sustainability Reporting Directive (CSRD).

The consultation paper emphasises a proportionate approach, allowing for qualitative assessments by small and non-complex undertakings and aims to enhance supervisory convergence and transparency in sustainability risk management.

Comments should be submitted on or before 26 February 2025.

EIOPA-BOS-24/481 CONSULTATION PAPER ON THE PROPOSAL FOR REVISED GUIDELINES ON THE TREATMENT OF MARKET AND COUNTERPARTY RISK EXPOSURES IN THE STANDARD FORMULA

On 4 December, EIOPA published a consultation paper on a proposal to revise guidelines on the treatment of market and counterparty risk exposures in the standard formula.

Comments should be submitted by 26 February 2025.

EIOPA-BOS-24/438 CONSULTATION ON REVISED IMPLEMENTING TECHNICAL STANDARDS ON THE LISTS OF REGIONAL GOVERNMENTS AND LOCAL AUTHORITIES' EXPOSURES TO THE CENTRAL GOVERNMENT

On 4 December, EIOPA issued a consultation paper with draft amendments to the implementing technical standards with regard to the lists of regional governments and local authorities, exposures to whom are to be treated as exposures to the central government. The revisions include updates to lists of regional governments and local authorities and deletion of the regional governments of the United Kingdom following Brexit.

Comments should be submitted on or before 26 February 2025.

CORPORATE GOVERNANCE

FRC DRAFT STRATEGY 2025-28

On 17 December, the FRC published a draft three year strategy for 2025-28 reaffirming its commitment to serving the public interest and supporting UK economic growth. This strategy is a pivotal step in shaping future priorities and ensuring that FRC continues to uphold public trust and confidence in corporate governance, corporate reporting, audit and actuarial work, while contributing positively to the environment for economic growth and investment. Alongside the strategy, the FRC has also published a draft Plan and Budget for 2025-26.

FRC INSPECTION FINDINGS FOR THE TIER 2 AND 3 AUDIT FIRMS

On 16 December, the FRC published its annual inspection findings for Tier 2 and Tier 3 audit firms, which emphasises the importance of delivering consistent levels of audit quality.

The report highlights areas where firms have made developments but also identifies challenges that exist across this part of the market in achieving consistent audit quality, particularly in the Public Interest Entity (PIE) sector.

AUDIT MARKET AND COMPETITION DEVELOPMENTS

On 4 December, the FRC published the 2024 update of the audit market and competition developments. This update sets out recent developments in the audit market alongside the evolving approach to competition to help inform and support the ongoing engagement with stakeholders.

The FRC welcomes comments and feedback on this update to help inform their ongoing and future work to be submitted by 28 February 2025.

FRC UPDATED SUITE OF FACTSHEETS FOR FRS 102

The FRC has issued updated factsheets on FRS 102 following the Periodic Review 2024 amendments. These include three new factsheets on significant changes to sections on leases and revenue recognition, along with updates to five existing ones.

The guidance aims to help preparers adapt to amendments effective from 1 January 2026.

CONSULTATION PAPER: TECHNICAL ACTUARIAL STANDARDS FOR PENSIONS

On 13 December, the FRC released a consultation paper proposing amendments to the Technical Actuarial Standard 300 (TAS 300) for pensions. The revisions aim to align TAS 300 with the new defined benefit (DB) pension funding regime, which includes the Occupational Pension Schemes (Funding and Investment Strategy and Amendment) Regulations 2024 and the Pensions Regulator's revised DB Funding Code of Practice.

The proposed changes focus on enhancing the prudence in assumptions, addressing the use of surplus funds, and improving communication and risk assessment related to funding and investment strategies. The consultation seeks feedback on these amendments to ensure they support high-quality actuarial work and effective long-term planning for pension schemes.

Comments should be submitted on or before 10 March 2025.

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.

COURT OF APPEAL REJECTS APPEAL AGAINST UK INFORMATION COMMISSIONER'S MONETARY PENALTY NOTICE

On 9 December, the Court of Appeal (CoA) handed down a judgement of a unanimous dismissal of an appeal by Doorstep Dispensaree Limited (DDL) against a monetary penalty notice (MPN) issued by the Commissioner on 17 December 2019.

In its judgement, the CoA rejected both grounds for appeal brought by DDL. The Court found that the burden of proof in an appeal lies with the appellant and subsequent tribunals and appeal courts are not required to start considering an appeal with a 'blank sheet of paper', essentially ignoring the MPN.

The case raised issues of considerable importance for ongoing and future appeals of penalties issued, and the points of law have been clarified by this case.

MANCHESTER EMPLOYEE HANDED SUSPENDED PRISON SENTENCE FOR ILLEGALLY ACCESSING PERSONAL INFORMATION

On 11 December, a motor insurance worker who unlawfully accessed personal information was sentenced after an investigation by the Information Commissioner's Office.

Rizwan Manjra, led a team dealing with accident claims for Markerstudy Insurance Services Limited (MISL). MISL reported to the ICO that it suspected an employee was unlawfully accessing its systems.

Concerns were raised by third party insurers that MISL worked with, relating to 185 claims. The insurers became suspicious due to the higher-than-normal number of claims being processed. An internal investigation found Manjra had featured in 160 of the claims, despite his role not involving the access of claims. Of these, 147 had not been referred to Manjra's team and no legitimate reason could be found for him to access them.

An ICO investigation, which included a search of Manjra's home, found he was sending details of personal data he had accessed by mobile phone to another person.

Manjra pleaded guilty to an offence under the Computer Misuse Act 1990, relating to the unlawful accessing of personal data held on computers.

ROGUE COMPANIES RECEIVE FINES TOTALLING £290K FOR MAKING MILLIONS OF NUISANCE CALLS

On 12 December, the ICO announced that it had fined two companies a total of £290k and issued them both with enforcement notices after they were found to have made numerous nuisance telephone calls to people who had opted out of receiving marketing calls, attempting to sell them life insurance and debt management solutions.

- Breathe Services Ltd fined £170,000 for making over 4 million unlawful direct marketing calls.
- Money Bubble Ltd fined £120,000 for making over 168,000 unlawful calls.

GENERATIVE AI REPORT FOLLOWING ICO CONSULTATION

On 12 December, the ICO published a report as part of its consultation series on data protection in generative AI. The series seeks to address regulatory uncertainties about how specific aspects of the UK General Data Protection Regulations and the Data Protection Act 2018 apply to the development and use of generative AI. The report details the ICO's policy positions on generative AI and sets out what further work is still needed by industry.

Whilst not covering the entirety of regulatory expectations. This consultation response summarises feedback and sets out an analysis on how specific areas of data protection law apply to generative AI systems. It provides clear views on the application of data protection law. In due course, the ICO will be updating existing guidance to reflect this response.

The response also flags areas where further work is needed to develop and inform the ICO’s thinking. The ICO also recognises that the upcoming data reform legislation, the Data (Use and Access Bill), may have an impact on the positions set out in this paper.

ENFORCEMENT ACTION

PRA / FCA REGULATORY FINES ROUND-UP

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

Philip Pryke	The FCA has issued a Final Notice in the matter of Philip Pryke, imposing a financial penalty of £1,377,968 and made an order prohibiting him from performing any function in relation to any regulated activity carried on by an authorised person, exempt person, or exempt professional firm. This follows an investigation by the FCA which found that Pryke has demonstrated a lack of honesty, regarding his conduct resulting in the Settlement, as well as a lack of integrity in his performance of his CF1 (Director), CF10 (Compliance Oversight) and CF30 (Customer) controlled functions, and is not a fit and proper person to perform any function in relation to any regulated activity carried on by an authorised person, exempt person, or exempt professional firm.

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