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INSURANCE REGULATORY EBULLETIN

CORONAVIRUS SPECIAL EDITION -
MARCH 2020



INSURANCE REGULATORY UPDATE - CORONAVIRUS SPECIAL EDITION

Welcome to this special edition of our Insurance Regulatory Update, which summarises the latest Coronavirus related regulatory developments and their implications for the insurance sector.

The Bank of England and the PRA continue to work closely with the FCA, HM Treasury and other central government bodies to support the measures to manage the impact of the Coronavirus outbreak. The FCA has stated it stands ready to take any steps necessary to ensure customers are protected and markets continue to function well.

We have gathered together in this update relevant information from EIOPA and the UK regulators and I hope this update is useful to you and your businesses at this time.

Please do not hesitate to contact myself or your normal BDO contact if you have any concerns over any matter highlighted in this update.



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EIOPA

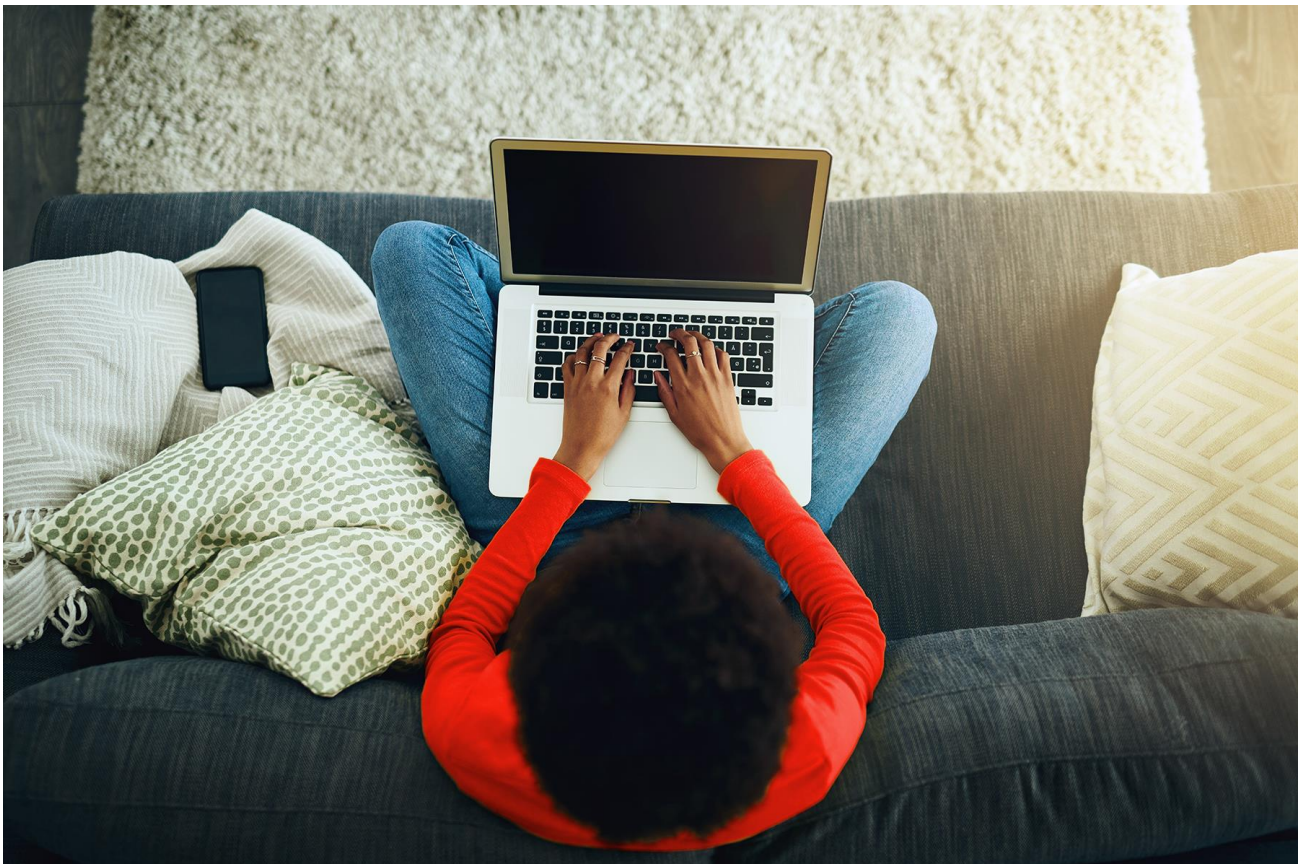
RECOMMENDATIONS ON SUPERVISORY FLEXIBILITY REGARDING THE DEADLINE OF SUPERVISORY REPORTING AND PUBLIC DISCLOSURE - CORONAVIRUS/COVID-19

On 20 March, EIOPA issued its Recommendations for the insurance sector relating to the Coronavirus situation and its potential impact on regulatory reporting by insurance undertakings across Europe.

EIOPA recognises the likelihood that insurance and reinsurance undertakings may face increasingly difficult conditions in the current challenging market conditions and for the immediate future. EIOPA stressed that:

- ▶ undertakings need to concentrate their efforts on monitoring and assessing the impact of the Coronavirus situation as well as ensuring business continuity; and
- ▶ the extreme importance of the submission of regulatory information to national supervisors.

EIOPA identified it needed therefore to provide a framework for a consistent supervisory approach and the general objective of its Recommendations are to foster convergence and a consistent supervisory approach across Member States in providing flexibility for supervisory reporting and public disclosure of insurance and reinsurance undertakings over the next few months.



PRA

COVID-19 REGULATORY REPORTING AMENDMENTS

On 23 March, the PRA [outlined its approach](#) to regulatory reporting for UK insurers in response to Covid-19 and EIOPA's 'Recommendations on supervisory flexibility regarding the deadline of supervisory reporting and public disclosures - coronavirus/Covid-19', published on 20 March 2020.

The PRA has considered EIOPA's recommendations and will accept the following delays for the following aspects of harmonised regulatory reporting under Solvency II.

Solvency II harmonised reporting

The PRA has considered EIOPA's recommendations and will accept delays for aspects of harmonised regulatory reporting. Firms are able to submit anytime from the original submission date up to the end of the extended deadline as per the tables below. The PRA encourages firms to submit them earlier than the revised deadlines wherever possible.

The allowed delays are:

Annual reporting (31 December 2019 year-end or a year-end after that date but before 1 April 2020)	
Solo level annual Quantitative Reporting Templates	Up to 8 weeks delay
Except for:	
▶ Contents of submission (S.01.01)	Up to 2 weeks delay
▶ Basic Information (S.01.02)	
▶ Balance sheet (S.02.01)	
▶ Cash-flow projections for life business (S.13.01)	
▶ LTG (S.22.01)	
▶ Own funds (S.23.01)	
▶ SCR calculation (S.25.01 to S.25.03)	
Group level annual Quantitative Reporting Templates	Up to 8 weeks delay
Except for:	
▶ Contents of submission (S.01.01)	Up to 2 weeks delay
▶ Basic Information (S.01.02)	
▶ Balance sheet (S.02.01)	
▶ LTG (S.22.01)	
▶ Own funds (S.23.01)	
▶ SCR calculation (S.25.01 to S.25.03)	
▶ Undertakings in the scope of the group (S.32.01)	
Solvency & Financial Condition Report (SFCR)	Up to 8 weeks delay
The Covid-19 situation is to be considered a "major development" as per Article 54(1) of the Solvency II Directive. The information relating to the effect of Covid-19 should be published at the same time as the SFCR.	
Regulatory Supervisory Report (RSR)	Not required for year-end 2019
Own Risk & Solvency Assessment (ORSA)	Up to 8 weeks delay

Quarterly reporting (Q1 2020-end occurring 31 March or after that date but before 30 June 2020)

Solo and group level Q1 2020 Quantitative Reporting Templates and Quarterly Financial Stability reporting	Up to 4 weeks delay
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PRA-owned regulatory reporting

The PRA will accept the following delays for the following aspects of PRA-owned regulatory reporting:

Annual reporting (31 December 2019 year-end or a year-end after that date but before 1 April 2020)

National Specific Templates	Up to 8 weeks delay
Internal model outputs	Up to 8 weeks delay
Standard formula reporting for firms with an approved internal model (SF.01)	Up to 8 weeks delay
Market Risk Sensitivities *	Up to 4 weeks delay *

* 31 December year-end firms have generally submitted this information, in which case no further action is needed



Implications for firms

The revised deadlines for firms with 31 December 2019 or 20 February 2020 year ends are:

Submission	31 December year end		20 February year end	
	Original	Revised	Original	Revised
Annual - solo up to 8 weeks (except for required QRTs)				
QRTs	7 April	2 June	28 May	23 July
Except for QRTs *	7 April	21 April	28 May	11 June
SFCR	7 April	2 June	28 May	23 July
RSR	7 April	Not required	28 May	Not required
Annual - group (up to 8 weeks except for required QRTs)				
QRTs	19 May	14 July	9 July	3 September
Except for QRTs *	19 May	2 June	9 July	23 July
SFCR	19 May	14 July	9 July	3 September
RSR	19 May	Not required	9 July	Not required
Quarterly Solo (up to 4 weeks)				
Q1 2020	5 May	2 June	24 June	22 July
Q2 2020	4 August	1 September	24 September	22 October
Quarterly Group (up to 4 weeks)				
Q1 2020	16 June	14 July	5 August	2 September
Q2 2020	15 September	13 October	5 November	3 December

* The Except for QRTs are set out in the harmonized reporting table above

FCA

INSURANCE AND CORONAVIRUS (COVID-19): OUR EXPECTATIONS OF FIRMS

On 19 March, the FCA issued [guidance](#) to insurers arising from the current potentially vulnerable position of consumers because of the coronavirus situation. The FCA expect insurers, given the unprecedented impact of coronavirus, to be aware of the circumstances that their customers find themselves in.

The FCA expect insurers to:

- ▶ consider very carefully the needs of their customers and show flexibility in their treatment of them and would not expect to see their ability to claim impacted by circumstances over which they have little control; and
- ▶ clearly communicate any policy exclusions that may impact the cover and use of individual policies. This expectation applies both to new sales or changes to existing policies (either mid-term or at renewal). Consumers' demands and needs must be clearly met.

The FCA note that insurance brokers have a key role to play in helping consumers understand the market, the impact of coronavirus, and search the market for products that meet their demands and needs.

The FCA particularly note the following expectations of firms:

Operational resilience and business continuity	<p>The FCA expect firms to:</p> <ul style="list-style-type: none"> ▶ Have sufficiently robust systems and controls to continue to operate effectively in a stressed situation with business continuity plans to manage this. ▶ Have a Senior Manager responsible for business continuity and for managing the impact of coronavirus. ▶ Act fairly, honestly and professionally in accordance with the best interests of customers. ▶ Ensure that all customer communications are clear, fair and not misleading. <p>Firms must identify how staff absence or inability to use business premises can be sufficiently mitigated to ensure critical services are provided to customers.</p>
Travel insurance	<p>Firms must ensure that they continue to treat their customers fairly during the whole product cycle of purchase, claim and renewal. This is an area of fast-moving changes to risks.</p>
Motor and home insurance	<p>The FCA expect motor and home insurers not to reject claims because of a consumer's understandable temporary change in how they use their vehicle and their home address (e.g. for home working) in response to Government advice.</p>
Private medical insurance	<p>As private hospitals have been asked to support the NHS, most privately insured treatment is likely to fall under non-urgent care and may need to be delayed. Insurers need to communicate this effectively, timely and compassionately with customers.</p>

Product suspension	<p>The FCA's expectations of firms are:</p> <ul style="list-style-type: none"> ▶ Firms must consider the needs of their customers carefully, in particular where the customer is relying on a renewal for continuity of cover (taking into account any vulnerabilities). In such circumstances, it may not be treating customers fairly if a firm were to not renew (even though the product would otherwise be suspended). ▶ Consumers who are due to renew their policy should have the policy coverage and exclusions clearly explained to them in all circumstances. Any exceptional cases of policyholder need should be considered by the insurer and all changes need to be clearly communicated. ▶ Alternative products are not sold to consumers that do not meet their demands and needs, and not in their best interest.
Renewals	<p>Firms considering making changes to their existing policies at renewal need to consider the existing requirements for product design and follow the appropriate processes for making these changes.</p> <p>If firms are changing their policies to exclude coronavirus, the FCA expect them to make it very clear, in a prominent position, to those consumers whose policy is due to renew, that their policy has changed, and of the exclusion, before renewal.</p>
Mid-term adjustments	<p>Firms should consider the following if they intend to vary their contract terms:</p> <ul style="list-style-type: none"> ▶ Whether there is a written term in the contract that states they are able to make the change that they want to make ▶ Are the terms that they intend to rely upon fair and transparent under the Consumer Rights Act 2015 (or the Unfair Terms in Consumer Contracts Regulations 1999 if appropriate)? ▶ Whether they are applying the term properly, in accordance with the contract (for example, by complying with any notice period set out in the contract) ▶ Whether due regard has been given to the interests of their customers and treating customers fairly (per FCA Principle 6). Also, to the information needs of their customers and communicating information in a way that is clear, fair and not misleading (per FCA Principle 7) ▶ Whether there is any other reason in law or any other relevant FCA rules, and whether they are complying with them.

KEY WORKERS IN FINANCIAL SERVICES

On 19 March 2020, the UK Government published [guidance for schools, colleges and local authorities](#) on maintaining educational provision. Schools are being asked to continue to provide care for a limited number of children whose parents are critical to the coronavirus (Covid-19) response and cannot be safely cared for at home. This includes parents who work in financial services and are needed for the provision of essential financial services (key financial workers).

A key financial worker at a dual-regulated, FCA solo-regulated firm or PSR-regulated firm, or operators of financial market infrastructure, fulfils a role which is necessary for the firm to continue to provide essential daily financial services to consumers, or to ensure the continued functioning of markets.

The PRA and FCA have issued [guidance](#) to help firms identify key workers in financial services. The advice recommends that the Chief Executive Officer Senior Management Function (SMF1) is accountable for ensuring an adequate process so that only roles meeting the definition are designated.

The types of roles that may be considered as providing essential services could relate to individuals essential in:

- ▶ the overall management of the firm, for example individuals captured by the Senior Managers Regime
- ▶ the running of online services and processing
- ▶ the running of branches and providing essential customer services, such as those dealing with consumer queries (including via call centres)
- ▶ the processing of claims and renewal of insurance
- ▶ risk management, compliance, audit and other functions necessary to ensure the firm meets its customers' needs and its obligations under the regulatory system
- ▶ providing essential support to allow the functioning of the above roles, such as finance and IT staff.

Firms should consider whether they should issue a letter to all individuals they identify as key workers that clearly identifies them as such and that can be presented to schools on request.



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