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1. REGULATION AND LEGISLATION

EU/UK: Treasury Committee publishes report on Solvency II

The Treasury Committee has published its Report on the Solvency II Directive. The objective of Solvency II is to create a harmonised EU-wide insurance regulatory scheme.

The Report draws on over 50 pieces of written evidence on EU insurance regulation, and three oral evidence sessions. Consultation took place with a diverse range of interested parties, including insurance firms, financial regulators, consultants, trade bodies, expert associations, and individuals. Specific areas explored in the Report include:

- The risk of procyclicality and market distortion.
- The potential impact on long term savings and investment, and the function of the Matching Adjustment.
- The calibration of the Risk Margin.
- The approval of Internal Models and subsequent model change.
- The volume and complexity of data required from firms.
- The usability of the Volatility Adjustment.
- The working of the Transitional Measure on Technical Provisions.
- The rigidity of Solvency II’s approach to Contract Boundaries.

The Report recommends that the Prudential Regulation Authority (PRA) should have a pragmatic discussion with the insurance industry, concerning the practical difficulties which the Committee has identified in the implementation of the Directive. This should focus on the scope for amendments and increased proportionality.

As well as the PRA’s primary objectives, it has a secondary objective, which is to “facilitate effective competition”. The Committee recommends that the Treasury should consider giving this objective equal primacy.

The Report further states that, given the complexity of the task and the importance of the industry, both domestically and internationally, the Committee would like to see the development of a clear agreed strategy dealing with the following:

- What changes to insurance regulation can be implemented by the UK authorities now, unilaterally, without the need for a change in the Solvency II Directive (to include consideration of what steps would be required to allow regulatory forbearance to limit systemic risks in the event of market turbulence)
- What steps the UK regulator would like to see taken to refine the Directive or its applicability to the UK post-Brexit, as a contribution to the Brexit negotiations
- What action can be taken post-Brexit to foster innovation, competition and competitiveness for the benefit of UK consumers and the standing of the UK’s place in the international insurance industry
- How UK insurance regulation will harmonise with international capital standards and emerging accounting standards.

A copy of the Report may be found at: <https://publications.parliament.uk/pa/cm201719/cmselect/cmtreasy/324/32402.htm>.

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2. MARKET DEVELOPMENTS

UK: JLT signs up to the London Market's Electronic Placing Platform

JLT has joined Placing Platform Limited (PPL), the London Market's electronic placing platform. PPL is aimed at supporting more flexible negotiation and fast placement allowing brokers and insurers to quote, negotiate and bind business electronically. It is seen as a central part of the London Market modernisation programme.

Launched in July 2016, the number of risks bound using the system has been steadily increasing with the London Market Group putting the figure at more than 10,000 risks. It is expected that by the end of 2018 all classes of business will be on the platform - this week it has been announced that property and casualty lines of business are now live with bloodstock and livestock to be added later this month. Lloyd's broker UIB is the last of the top 10 UK-listed brokers not to be a member but is considering its position.

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4. HFW PUBLICATIONS AND EVENTS

El Salvador: HFW attending Fides Conference

Partners **Christopher Cardona**, **Jonathan Bruce** and **Geoffrey Conlin** will be attending the Fides Conference in San Salvador from 12-15 November.

Australia: HFW attending ANZIF Reinsurance Conference

Partner **Andrew Dunn** is attending the ANZIF Reinsurance breakfast on Wednesday 15 November.

UK: How well do you know the French legal system?

Partners **Olivier Purcell**, **Pierre-Olivier Leblanc** and **Pauline Arroyo** are hosting a seminar in the London office on Thursday 7 December on the French legal system. If you would like to attend please contact events@hfw.com.

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