

Insurance Regulation Measures

Yale Program on Financial Stability

Working Document - Updates in Progress

Purpose: This document provides an overview of how insurance regulation measures can be used. It highlights programs that were extended, modified, or created in response to the Asian Financial Crisis or the Global Financial Crisis. It also provides a list of interesting features and relevant evaluations a policymaker should pay special attention to when designing a program. Changes to insurance company prudential requirements implemented in response to Covid-19 are also cataloged.

Tab 1: Programs

High-level overviews of programs are summarized by country, with specific attention paid to extension/expansion of existing programs and additional programs. Supporting documentation is provided.

Tab 2: Interesting Features

Interesting design features of programs from Tab 1 are listed and categorized by type of design decision. Categories include risk share/coverage ratio, eligibility of firms, loan eligibility, and others. Yellow highlighting indicates that the specific feature warrants caution, and the reason for caution is provided.

Tab 3: Evaluations

Compiles key takeaways from evaluations of specific programs. Evaluations include those related to program usage, such as official reports, or evaluations of the effectiveness of the program.

Tab 4: General Resources

A repository for relevant or general information, such as OECD and World Bank Reports. Other documents are added as identified.

For questions about this document, please contact: ypfs@yale.edu

| Country | Crisis | Type | Program Name | Program Description (new program, existing program, existing program expanded) | Resources | Notes |
|--------------|----------|------|--|--|--|-------|
| EU | COVID-19 | | RECOMMENDATIONS ON SUPERVISORY FLEXIBILITY REGARDING THE DEADLINE OF SUPERVISORY REPORTING AND PUBLIC DISCLOSURE - CORONAVIRUS/COVID-19 | Annual reporting and Solvency and Financial Condition Reports for fiscal years ending 12/31/20 | https://www.eiopa.europa.eu/sites/default/files/publications/eiopa-recommendation-on-reporting-and-disclosure.pdf | |
| EU | COVID-19 | | RECOMMENDATIONS ON SUPERVISORY FLEXIBILITY REGARDING THE DEADLINE OF SUPERVISORY REPORTING AND PUBLIC DISCLOSURE - CORONAVIRUS/COVID-19 | Four-week delay for quarterly reporting in 2020Q1 and 2020Q2 | https://www.eiopa.europa.eu/sites/default/files/publications/eiopa-recommendation-on-reporting-and-disclosure.pdf | |
| EU | COVID-19 | | RECOMMENDATIONS ON SUPERVISORY FLEXIBILITY REGARDING THE DEADLINE OF SUPERVISORY REPORTING AND PUBLIC DISCLOSURE - CORONAVIRUS/COVID-19 | Recommendation that regulators take a "proportionate approach to less material aspects of the | https://www.eiopa.europa.eu/sites/default/files/publications/eiopa-recommendation-on-reporting-and-disclosure.pdf | |
| EU | COVID-19 | | EIOPA starts monitoring risk-free interest rate term structures (RFR) calculations on a weekly basis | | https://www.eiopa.europa.eu/tools-and-data/risk-free-interest-rate-term-structures-0_en https://www.eiopa.europa.eu/content/eiopa-publishes-weekly-information-relevant-risk-free-interest-rate-term-structures-and_en | |
| EU | COVID-19 | | EIOPA start monitoring symmetric adjustment to equity calculations on a weekly basis | | https://www.eiopa.europa.eu/content/eiopa-publishes-weekly-information-relevant-risk-free-interest-rate-term-structures-and_en https://www.eiopa.europa.eu/content/eiopa-revises-its-timetable-advice-solvency-ii-review-until-end-december-2020 | |
| UK | COVID-19 | | | EIOPA postpones its advice to the EC on reviewing the Solvency II framework from June 2020 to | | |
| UK | COVID-19 | | | "PRC invites requests from insurance companies to use the flexibility in Solvency II regulations to recalculate the transitional measures that smooth the impact of market movements" | https://www.bankofengland.co.uk/news/2020/march/boe-measures-to-respond-to-the-economic-shock-from-covid-19 | |
| UK | COVID-19 | | | Firms may to apply for a recalculation of the biennial Transitional Measures on Technical Provisions (TMTF) under Solvency II | https://www.bankofengland.co.uk/prudential-regulation/publication/2020/statement-by-the-pra-accompanying-measures-announced-by-the-fp | |
| Germany | COVID-19 | | Tolerance of Temporary Underfunding for Pension Funds | "According to BaFin's previous administrative practice, in cases of underfunding of up to 10%, employers are required to submit – within three months after underfunding occurs, at the latest – a plan for re-establishing the cover provided by the guarantee assets. Due to the present situation, however, BaFin will consider it acceptable if this period is extended to 1 October 2020 at the latest; employers need no longer make initial payments in 2020 to re-establish the cover provided by the guarantee assets, but in 2021. Likewise, any other payments required of employers to limit underfunding to 10% of the technical provisions need not be demanded or effected for now but can be deferred to 2021, provided that the employer declares to the Pensionsfonds that no capital-reducing measures in the form of profit distributions or share buy-backs will be taken. Underfunding exceeding 10% must be reduced to 10% until the first instalment of a plan for re-establishing cover is paid." | https://www.bafin.de/EN/Aufsicht/CoronaVirus/CoronaVirus_node_en.html | |
| Italy | COVID-19 | | Lowered country-specific trigger for volatility adjustment under EIOPA | Lowered country-specific trigger for volatility adjustment under EIOPA from 100bp to 85bp to reduce solvency impact of the widened credit spreads in Italian fixed income products | | |
| Italy | COVID-19 | | Insurers have more time to respond to complaints and enquiries in response to the COVID-19 emergency | | https://www.jif.com/Portals/0/Files/Databases/COVID-19_insurance_measures.pdf?ver=2020-04-13-143741-443 | |
| Italy | COVID-19 | | Guidance on dividends/distributions | Letter to insurance and reinsurance companies in Italy, asking them to exercise "extreme caution, at solo and group level, in the distribution of dividends and in the payment of the variable remuneration component of key managers" | https://www.ivaas.it/media/invivio/covid-dividendi/2com.dmarketing.html?language=3 | |
| South Africa | COVID-19 | | Unspecified forbearance in cases where insurance companies drop below solvency requirement due only to COVID-19 | | https://www.resbank.co.za/sites/News%20and%20Publications/Attachments/8872/Just%20Communication%201%20of%202020%20COVID-19%20Regulatory%20response.pdf | |
| South Africa | COVID-19 | | Lengthened deadlines for regulatory reporting/supervision | | https://www.resbank.co.za/sites/News%20and%20Publications/Attachments/8854/Impact%20of%20Covid-19%20on%20PA%20reporting%20timelines.pdf | |
| EU | COVID-19 | | | Recommendations to national authorities to be flexible on timing of supervision/public disclosure | https://www.eiopa.europa.eu/content/eiopa-statement-actions-mitigate-impact-coronaviruscovid-19-eu-insurance-sect | |
| EU | COVID-19 | | | Holistic Impact Assessment for the 2020 Solvency II Review extended to 1 June 2020 (two months) | https://www.eiopa.europa.eu/content/eiopa-statement-actions-mitigate-impact-coronaviruscovid-19-eu-insurance-sect | |
| Canada | COVID-19 | | Flexibility for treatment of premium and loan payment deferrals | | http://www.osfi-bsif.gc.ca/Eng/fi-fic-ai/Pages/20200409_fi_fet.aspx http://www.osfi-bsif.gc.ca/Eng/fi-fic-ai/Pages/20200409_fi_fet.aspx | |
| Canada | COVID-19 | | Lengthened deadlines | | http://www.osfi-bsif.gc.ca/Eng/fi-fic-ai/Pages/20200409_fi_fet.aspx | |
| Canada | COVID-19 | | Margin Requirements for Non-Centrally Cleared Derivatives | | | |
| Canada | COVID-19 | | Restrictions on Dividends and Share Buybacks | | http://www.osfi-bsif.gc.ca/Eng/fi-fic-ai/Pages/INSFAQ_Cov.aspx | |
| Canada | COVID-19 | | IFRS 9 Guidance applies to insurance companies that have implemented IFRS 9 | | http://www.osfi-bsif.gc.ca/Eng/fi-fic-ai/Pages/INSFAQ_Cov.aspx | |
| Canada | COVID-19 | | LICAT Smoothing of Interest Rate Risk (IRR) Requirements for Participating Insurance | | http://www.osfi-bsif.gc.ca/Eng/fi-fic-ai/Pages/INSFAQ_Cov.aspx | |
| Canada | COVID-19 | | Capital management supervision forbearance | | http://www.osfi-bsif.gc.ca/Eng/fi-fic-ai/Pages/INSFAQ_Cov.aspx | |
| EU | COVID-19 | | | Encourage insurance companies to follow EIOPA's recommendations that they temporarily suspend all "discretionary distributions" | https://www.consilium.europa.eu/en/press/press-releases/2020/04/16/statement-of-eu-ministers-of-finance-on-conti | |
| Austria | COVID-19 | | | Recommendation from the European Insurance and Occupational Pensions Authority (EIOPA) and the Austrian Financial Market Authority that insurers not conduct share buy-backs or distribute dividends for this financial year or the previous financial year. This recommendation will be in force for at least the next six months. | https://www.fma.gv.at/en/eiopa-and-fma-urgently-recommend-insurance-undertakings-to-refrain-from-the-distribution-of-dividends-as-well-as-share-buy-backs | |
| Austria | COVID-19 | | | Modification to formula for the additional interest provision. Insurers don't have to use the average government bond yields weighted by outstanding amounts (UDRB) of the previous year to calculate the reference interest rate. Instead, they should use an average of the UDRB of the past five years. | https://www.fma.gv.at/fma-sicherheit-der-garantierten-anspruache-in-der-klassischen-versicherungsbereich-und-erleichterung-zueig-die-versicherungsunternehmen | |
| EU | COVID-19 | | | Message from EIOPA on dividends distribution for insurers and reinsurers. Encourage temporary suspension of dividends and share buy-backs. | https://www.eiopa.europa.eu/content/eiopa-statement-dividends-distribution-and-variable-remuneration-policies-context-covid-19_en | |
| EU | COVID-19 | | | Insurers and reinsurers should review their variable remuneration policies, setting them at a "conservative level" and considering them for postponement. | https://www.eiopa.europa.eu/content/eiopa-statement-dividends-distribution-and-variable-remuneration-policies-context-covid-19_en | |
| UK | COVID-19 | | | Statement touching on distributions and dividends. Expectation that firms take a good look at safety and soundness/need to protect policyholders before conducting any. | https://www.bankofengland.co.uk/media/boe/files/prudential-regulation/letter/2020/letter-from-sam-woods-to-insurers-distribution-of-profits.pdf?sa=en&hash=C1FF7D6C560E1C377C35C1513E27F16646A1B70 | |
| UK | COVID-19 | | | FCA requests a court declaration clarifying contractual uncertainty in business interruption (BI) insurance cover | https://www.fca.org.uk/news/statements/insuring-smes-business-interruption | |
| Australia | COVID-19 | | | Insurers should limit discretionary capital distributions in the coming months. If dividends are approved (with a stress test discussed with the APRA), they will be "at a materially reduced level" | https://www.insurancejournal.com/news/international/2020/05/01/567141.htm | |
| France | COVID-19 | | | Recommendation that insurers suspend the payment of dividends until at least October 1, 2020. | https://www.apra.gov.au/capital-management https://acpr.banque-france.fr/sites/default/files/media/documents/20200403_communique_presse_dividendes_assurances.pdf | |
| France | COVID-19 | | | Recommendation that insurers exercise moderation in the payment of variable compensation | https://acpr.banque-france.fr/sites/default/files/media/documents/20200403_communique_presse_dividendes_assurances.pdf | |
| Norway | COVID-19 | | Dividend and buy-back guidance | | https://www.regeringen.no/hoi/dokumenter/finansforetakenes-disponering-av-overskudd-for-2019/d2695011/ | |
| Norway | COVID-19 | | Deferred deadline for Solvency II reporting | | https://www.finanstilsynet.no/nyhetsarkiv/nyheter/2020/eiopa-anmoder-forsikringsforetak-om-aksje-betale-til-utbytte | |
| UK | COVID-19 | | | Deadline delays in line with EIOPA for Solvency II reporting. Delays for PRA reporting. Up to four week delay for "market risk sensitivities" and up to eight week delay for other reporting. | https://www.finanstilsynet.no/nyhetsarkiv/nyheter/2020/finanstilsynet-folger-eiopas-anbefaling-om-utvelser-i-rapporteringskrav/ | |
| UK | COVID-19 | | | Temporary reinsurance backdrop for trade credit insurance | https://www.bankofengland.co.uk/prudential-regulation/publication/2020/covid19-regulatory-reporting-amendments | |
| Japan | COVID-19 | | Request that insurers implement programs like grace period for premium payments and policy renewals | | https://www.insurancejournal.com/news/international/2020/05/13/568380.htm | |
| Japan | COVID-19 | | Request that insurers provide "flexible interpretation and application of policy conditions, and to devise required measures for each policy plan in terms of protecting policyholders without adhering to precedents" | | https://www.fsa.go.jp/en/ordinary/coronavirus202001/20200327.pdf | |
| Thailand | COVID-19 | | Insurance Industry Stress Tests | Existing program; stress test of all life insurance companies and the country's top 20 non-life insurance firms by healthcare premia looking at firms' capital adequacy ratio(CAR) | https://www.fsa.go.jp/en/ordinary/coronavirus202001/20200410policy.pdf | |
| Thailand | COVID-19 | | | Request that insurers prepare contingency plans if the COVID-19 crisis further deteriorates | https://www.bangkokpost.com/business/1877719/oic-reduces-interest-for-premiums | |
| Thailand | COVID-19 | | | Relaxation of the capital adequacy ratio (CAR) for insurers | https://www.bangkokpost.com/business/1877719/oic-reduces-interest-for-premiums | |
| Thailand | COVID-19 | | | Minimum interest rate used for pricing insurance premiums reduced from 2% to 1% | https://www.bangkokpost.com/business/1877719/oic-reduces-interest-for-premiums | |
| Thailand | COVID-19 | | | 70,000 tourist buses impacted by COVID-19 will be allowed to get a refund on their premiums or have the term of their policy extended. Eligibility restricted to buses that have not been used for at least 30 days. | https://www.bangkokpost.com/business/1877719/oic-reduces-interest-for-premiums | |
| Thailand | COVID-19 | | | Annual and quarterly financial reporting deadlines extended by 30 days (on a case-by-case basis accompanied by an explanation for tardiness and a document persuading the regulator of the extension's necessity) | https://www.bangkokpost.com/business/1877719/oic-reduces-interest-for-premiums | |
| Thailand | COVID-19 | | | Through June 30, tourist bus operators renewing their auto insurance policies can receive up to a 30% premium discount for voluntary insurance | https://www.bangkokpost.com/business/1877719/oic-reduces-interest-for-premiums | |
| Thailand | COVID-19 | | | OIC is allowing non-life insurers to sell digital auto insurance for less than the standard 12 month period and is considering allowing weekly/daily coverage. The aim of the program is to boost auto insurance premiums. | https://www.bangkokpost.com/business/1906435/oic-allows-brief-digital-auto-policies | |
| Thailand | COVID-19 | | | Insurers can temporarily charge premiums on a pro-rata basis. Consumers can put insurance on hold while working from home and either receive cash back or extend the term of the policy | https://www.bangkokpost.com/business/1908815/experts-approve-of-oic-policy | |
| Thailand | COVID-19 | | | Insurance companies aren't allowed to refuse claims made on COVID-19 micro-insurance, which recently has become popular in Thailand. The only exception is for policyholder fraud. | https://www.bangkokpost.com/business/1884310/firms-told-not-to-refuse-virus-claims | |
| Thailand | COVID-19 | | | Those with life-insurance policies are to be covered free of charge if diagnosed with COVID-19 | https://www.bangkokpost.com/business/1884310/firms-told-not-to-refuse-virus-claims | |
| Netherlands | COVID-19 | | | Insurers can use the legally required capital requirement (SCR) | https://www.bezichti.dnb.nl/750-238237.jsp | |
| Netherlands | COVID-19 | | | Insurers can temporarily fall below their own internal target standards, but cannot set "off claims advances to healthcare providers against their technical provisions" | https://www.bezichti.dnb.nl/750-238237.jsp https://www.nieuwdauidin.com/en/coronavirus/financial-law-covid-19-tracker-what-financial-institutions-should-know | |
| Netherlands | COVID-19 | | | Extension of reporting timelines | https://www.bezichti.dnb.nl/750-238204.jsp | |

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