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Solvency 2 News, June 2021

Dear members and friends,

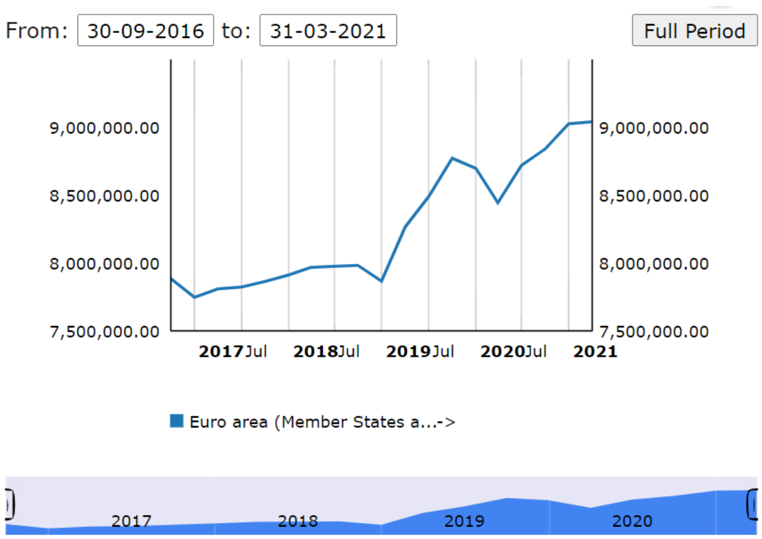
We will start with some very interesting statistics from the European Central Bank.

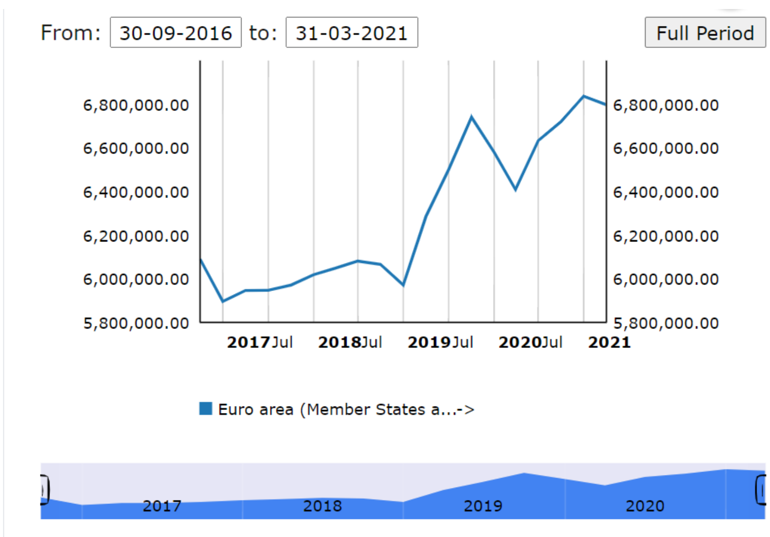
Euro area insurance corporation statistics: first quarter of 2021

- Total assets of euro area insurance corporations amounted to €9,040 billion in first quarter of 2021, €14 billion higher than in fourth quarter of 2020

- Total insurance technical reserves of euro area insurance corporations dropped to €6,797 billion in first quarter of 2021, down €39 billion from fourth quarter of 2020

Total assets of euro area insurance corporations increased to €9,040 billion in the first quarter of 2021, from €9,026 billion in the fourth quarter of 2020. Debt securities accounted for 39.6% of the sector's total assets in the first quarter of 2021. The second largest category of holdings was investment fund shares (28.1%), followed by equity (11.1%) and loans (7.3%).





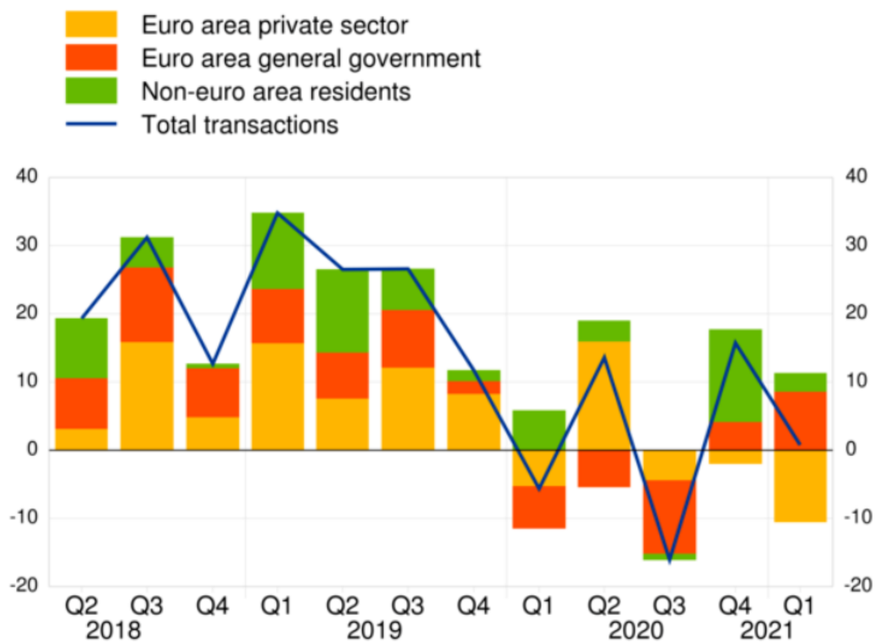
Holdings of debt securities decreased to €3,578 billion at the end of the first quarter of 2021 from €3,653 billion at the end of the previous quarter. Net purchases of debt securities amounted to €1 billion in the first quarter of 2021; price and other changes amounted to -€76 billion (see Chart 1). The year-on-year growth rate of debt securities held was 0.4%.

Looking at holdings by issuing sector, the annual growth rate of debt securities issued by euro area general government was -0.2% in the first quarter of 2021, with net purchases in the quarter amounting to €9 billion. As regards debt securities issued by the private sector, the annual growth rate was -0.1%, and quarterly net sales amounted to €11 billion. For debt securities issued by non-euro area residents, the annual growth rate was 2.7%, with quarterly net purchases of €3 billion.

Chart 1

Insurance corporations' holdings of debt securities by issuing sector

(quarterly transactions in EUR billions; not seasonally adjusted)



Turning to insurance corporations' holdings of investment fund shares, these increased to €2,536 billion in the first quarter of 2021, from €2,472 billion in the previous quarter, with net purchases of €38 billion and price and other changes of €26 billion (see Chart 2).

The year-on-year growth rate in the first quarter of 2021 was 4.8%.

The annual growth rate of euro area money market fund shares held by insurance corporations was -7.5% in the first quarter of 2021, with net sales in the quarter amounting to €1 billion.

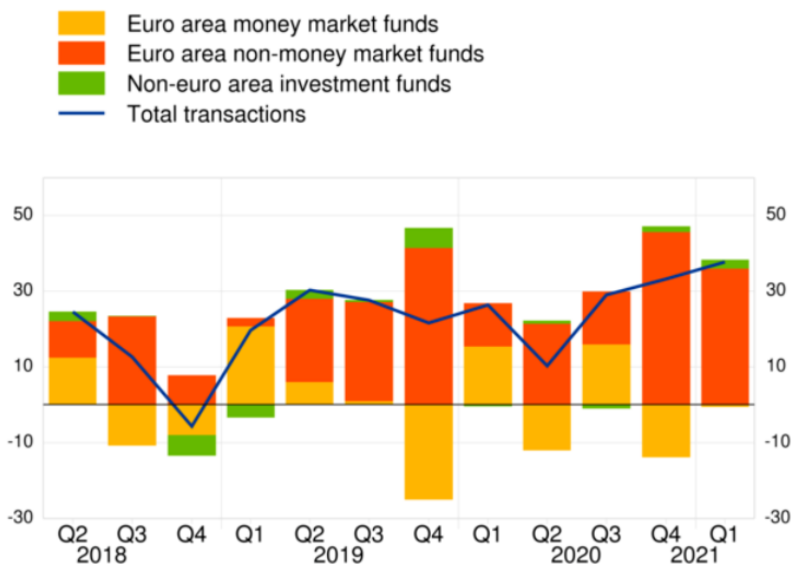
As regards holdings of euro area non-money market fund shares, the annual growth rate was 5.6%, with quarterly net purchases amounting to €36 billion.

For investment fund shares issued by non-euro area residents, the annual growth rate was 5.7%, with quarterly net purchases of €2 billion.

Chart 2

Insurance corporations' holdings of investment fund shares by issuing sector

(quarterly transactions in EUR billions; not seasonally adjusted)



To read more:
https://www.ecb.europa.eu/press/pr/stats/icb/html/ecb.icb2021q1~a339b7b560.en.html

EIOPA issues Guidelines on the supervisory reporting for the Pan-European Personal Pension Product

The European Insurance and Occupational Pensions Authority published today the Guidelines on the supervisory reporting regarding the Pan-European Personal Pension Product (PEPP) to ensure the common, uniform and consistent application of the PEPP Regulation's reporting requirements.

The Guidelines complement the Delegated Regulation (EU) 2021/895 and the Delegated Regulation (EU) 2021/896 and regulate the applicable reporting deadlines for the PEPP providers to the competent authorities in line with the relevant sectoral rules in place. Furthermore, the Guidelines define the requirements of a 'PEPP supervisory report', including the content of the narrative reporting on the PEPP business.

They are addressed to all PEPP competent authorities and are applicable from 22 March 2022.

To read more: https://www.eiopa.europa.eu/content/guidelines-pepp-supervisory-reporting_en

Remarks

Vice Chair for Supervision Randal K. Quarles, at the National Association of Insurance Commissioners International Insurance Forum

Thank you for inviting me to speak today. Over the years, I have enjoyed working with many of the insurance regulators participating in this conference, and I look forward to the day—already very near—when we will again have such events in person.

The Federal Reserve has a closer connection to the insurance industry than most realize. Insurance and insurers relate closely to the Federal Reserve's mission to provide the nation with a safe, flexible, and stable financial system.

Insurers play a crucial role in securing the safety and financial stability of American households. Insurers also play a key role in many financial markets, including as among the largest investors in certain asset classes.

Indeed, the Federal Reserve arguably owes its creation, which followed the Panic of 1907, at least in part to the insurance industry. Some scholars have argued that it was the catastrophic 1906 San Francisco earthquake that caused the Panic of 1907.

The 1906 earthquake left over half of San Francisco homeless. Such widespread destruction of one of the country's largest cities had a commensurate effect on the economy and insurance industry.

Fearing that the U.S. financial markets could not absorb that many dollars in asset sales, many European insurers paid claims by withdrawing money from foreign banks and shipping gold across the Atlantic.

The Bank of England's gold supply accordingly dropped 14 percent. It responded to this gold outflow with measures that contributed to the panic and, after an admittedly long chain of events, led to my being here today.

Of course, now we have a different financial system and better means to coordinate an international response to such events.
One of these mechanisms is the Financial Stability Board (FSB), which I chair. Insurance continues to be an important part of the FSB's mission in

collaboration with other governments and organizations, particularly the International Association of Insurance Supervisors (IAIS).

So today, I would like to highlight a few of the Federal Reserve's priorities on insurance regulation and supervision, both domestically and internationally.

COVID Event Monitoring and Response

One priority has been monitoring the impact on the insurance industry of what I refer to as the COVID event. And so far, the insurance sector has performed very well. Insurers entered the pandemic with strong capital levels, and the industry has not seen any large defaults. Insurance risk managers and regulators should be proud of this performance.

The COVID event has also affected financial markets. The Fed continues to monitor these effects, including the impact on life insurers of sustained low interest rates.

The long duration of some insurance products, paired with embedded policyholder options, can make it difficult to match cash flows and can create interest rate risk. Additionally, some savings products can be difficult for insurers to market when only returns of near 0 percent can be profitably guaranteed.

And the COVID event has posed some challenges for supervisors. Social distancing has changed how financial products are distributed, how we supervise financial institutions, and how we collaborate in the regulatory community.

For example, though both the IAIS and FSB have worked intensively at a distance—there is an FSB meeting of one sort or another every day of every week—it has been over a year since the IAIS or FSB has met in person.

Capital

Currently the Board's most significant project with respect to insurance and our role in supervision is the development of a capital rule for insurance depository institution holding companies, as required by the Dodd-Frank Act.

We have engaged in a thorough and deliberative process in developing an appropriate capital rule, which has included both an advance notice of proposed rulemaking and a more recent proposal that we invited comment on. This deliberative approach is working well.

Most of the comments we received on the proposal, which we're calling the Building Block Approach, or BBA, were supportive of both our process and the overall regulatory framework we proposed. And we are currently reviewing these comments and intend to publish a final rule soon.

As we near the completion of this journey, I'd like to recap why we chose to propose the Building Block Approach, which adjusts and aggregates existing legal-entity capital requirements to produce an enterprise-wide capital requirement.

The BBA is meant to address one of our biggest challenges in supervising companies that engage in both banking and insurance operations, which is how different these businesses are. No single, uniform approach to capital regulation is appropriate for companies in both sectors.

The banking capital framework would not appropriately assess the capitalization of insurers. It is primarily based on risk-weighted assets.

This framework would not capture many of insurers' liability risks, such as from natural catastrophes. Nor would any existing insurance capital rule appropriately assess the risks of a bank.

So rather than trying to create a single capital framework that would work for all types of financial institutions, we decided to propose an aggregation approach that incorporates approaches developed specifically for each type of institution and its risks.

The BBA uses the existing and time-tested frameworks that have been tailored specifically to measure appropriately particular risks. It assesses insurance risks using an insurance capital framework and banking risks using our banking capital framework.

The suitability of such an aggregation approach for regulating the capital of a large, internationally active insurance group is being debated currently at the IAIS, as I will discuss in a moment.

While there are disagreements at the margins, there are also many areas of agreement on the appropriate uses of an aggregation approach.

The IAIS's Insurance Capital Standard (ICS) for internationally active insurance groups itself uses an aggregation approach to incorporate non-insurance risks. And at the other extreme, there is also agreement that it would not be appropriate to calculate the capital position of a large bank holding company that is not engaged in insurance by aggregating the capital positions of certain subsidiary banks and legal entities.

A key issue in the international debate about the ICS is whether products, capital markets, and laws vary so much by country or region that a single, unified methodology cannot measure risk accurately.

Are the differences in international insurance markets more like the significant differences between banking and insurance or like the less fundamental differences in the banking business models internationally?

If the differences are large enough, a one-size-fits-all methodology could produce unintended consequences, send false signals to regulators or capital markets, and ultimately be destabilizing.

The Insurance Policy Advisory Committee, or IPAC, is currently studying this issue by looking at the impact of a hypothetical adoption of the IAIS' Insurance Capital Standard on the U.S. industry, markets, and consumers.

The IPAC is a 21-member advisory committee that was established by Congress in 2018 to advise the Board on international insurance capital standards and other insurance issues.

The group is currently performing research on the potential impact of the Insurance Capital Standard—specifically on U.S. life and retirement products—and hopes to complete a review on this in the coming months. And I'm looking forward to seeing the result. For those that would like to contribute as a member of the IPAC, the IPAC will shortly be accepting applications.

In addition to the Insurance Policy Advisory Committee, we're also working with the states and the National Association of Insurance Commissioners (NAIC), which I want to congratulate on adopting a model law related to their Group Capital Calculation (GCC) at the end of last year.

We coordinated with the states and the NAIC to ensure that there would not be unnecessary duplication and burden between our two capital frameworks.

While the Building Block Approach and Group Capital Calculation cannot be exactly aligned due to reasons that include our different legal mandates and restrictions, this collaboration has been successful.

As one example, no group will be subject to both the BBA and GCC. Instead, the Fed and the states will share information on groups we both supervise. This reduces unnecessary burden on firms while still allowing appropriate supervision.

Our close coordination with the states, the NAIC, and also the Federal Insurance Office extends to international policy development at the IAIS. The members of "Team USA," as we refer to this group, work together to advocate for the United States internationally.

One important international project that I have already mentioned is the ICS. Two years ago, the ICS reached a milestone when the IAIS membership adopted ICS version 2.0 for use in a five-year monitoring period. The purpose of this monitoring period is to evaluate the functionality and performance of the ICS.

Team USA has argued that as currently constructed, the ICS would not be appropriate as a capital rule for U.S. internationally active insurance groups. Its market adjusted valuation approach could introduce significant volatility into the capital measure and capital requirement, which could lead to procyclical economic effects and harm the ability of insurers to provide long-term savings products.

Accordingly, Team USA and other interested jurisdictions continue to build on our work on the Group Capital Calculation and Building Block Approach to develop what the IAIS terms the Aggregation Method, which could be considered an equivalent implementation of a group capital rule for large, internationally active insurers in the United States.

To accomplish that, Team USA is currently working with other IAIS members to develop criteria to assess whether the Aggregation Method and ICS have a sufficient level of comparability. These criteria are planned to be released by the IAIS for public comment at the end of this year or early next year.

As I have mentioned, it is uncertain what the potential impact of the IAIS' ICS on markets might be and whether the ICS, after any changes, will ultimately be suitable for adoption in the U.S. These issues are being studied, but the COVID event has affected this work.

The number of participating firms decreased in response to the COVID event. Data analysis planned by the IAIS has been interrupted. The Fed would like to see the monitoring period extended by a year or longer given the unforeseen and unavoidable delays of the last year.
This would allow for completing the originally intended analysis and incorporating any needed design changes.

The Federal Reserve continues to advocate for the IAIS to have a transparent process that allows for meaningful opportunities for public comment in all its work.

Supervisory Framework

I'd also like to mention another project that we have been working on here at home. We are developing a tailored supervisory framework for the insurance savings and loan holding companies (ISLHCs) that we supervise. Our development of this framework recognizes that the risks of ISLHCs are different than other banking organizations.

This supervisory framework, which we plan to publish for public comment later this year, will describe our tailored expectations for these firms, how we will rate them, and how we rely on the work of state insurance supervisors to avoid duplication and undue burden.

Climate Change

Finally, climate change is another emerging risk that we are monitoring. Broad climate policy is the role of Congress and other federal agencies, not the Federal Reserve.

The Board, however, expects all firms that it supervises, including insurance savings and loan holding companies, to manage all material risks, whatever the source—which can include climate risk.

The insurance industry has been at the forefront of work to better understand climate-related financial risks, including through climate change modeling.

While the Federal Reserve relies on fellow prudential regulators to supervise specific ISLHC entities, we also recognize that insurers have much to offer in understanding an emerging area of focus for the broader financial sector.

Conclusion

That is a brief summary of the Fed's work relating to the insurance industry. Our involvement with the industry is longstanding, reflecting insurance's central role in financial markets and its importance in helping households and businesses manage their risks.

That involvement deepened after the global financial crisis, when Congress gave us additional responsibility for supervising certain insurers.

More recently, our involvement has included verifying that these insurers are capable of dealing with the unprecedented challenges posed by the COVID event. Another new challenge is understanding and ensuring that firms account for climate-related financial risks.

And a central part of the Fed's agenda is working with other regulators and the industry to devise an appropriate approach to regulating capital—one that recognizes the unique role of insurance in the financial system and the distinctions between insurance companies and banks.

Our deliberate process has helped build confidence among regulators and the industry and is bringing us to consensus. The public, which depends on a strong and stable insurance sector, has been well-served by that process and will benefit from the outcome.

Thank you for the opportunity to speak with you. I look forward to engaging with you all in the future.

Can Digital Identity Solutions Benefit from Blockchain Technology?

The knowledge building seminar organised by the EU Agency for Cybersecurity explores the possible applications of blockchain technology in the field of digital identity and online trust.

enisa
European Network and Information Security Agency

What is blockchain technology used for?

Blockchain technology was first introduced as a technology for digital currencies, but recently new application areas are emerging. There are proposals to use blockchain technology for electronic voting and secure sharing of medical data. Besides, there is now a booming market of NFTs (non-fungible tokens) underpinned by blockchain technology.

A new field, which could also benefit from blockchain technology is digital identities. Resorting to blockchain-based digital identity frameworks would allow users greater control over their identity data, and at the same time offer a resilient and decentralised system without single points of failure.

Who was the seminar intended for?

Organised by the EU Agency for Cybersecurity (ENISA) in collaboration with the Delft Blockchain Lab of the Dutch Delft University of Technology, the knowledge building seminar held today was intended for national authorities overseeing the trust services market and for authorities involved with digital identity schemes.

This seminar was organised in the context of ENISA's support of the ENISA Article 19 Expert Group, a working group of national authorities supervising the trust service providers in the EU.

What did the seminar focus on?

The seminar introduced the basic concept of blockchain technology, and explored its application in the area of trust services and electronic identification, making a comparison with traditional centralised hierarchical ones in terms of user control and single points of failure. The focus here was on advantages and disadvantages, potential abuse and misuse, potential impact on society and the economy as well as the issue of governance.

The seminar concluded with an overview of several existing initiatives, such as the European Blockchain Services Infrastructure (EBSI), Sovrin, and the TU Delft Trustchain. It also included an overview of real-life scenarios, such as controlling access to a construction site and the confirmation of diplomas by a university.

About ENISA's knowledge building seminars

This seminar is part of a broader series of knowledge building seminars that ENISA organises for national authorities in the EU on new technologies and the cybersecurity opportunities and risks associated with them. Previous seminars for authorities covered topics such as cloud security, internet backbone security and applications of cryptography.

To learn more:
https://www.blockchain-lab.org/#aboutus

https://resilience.enisa.europa.eu/article-19

The money laundering business – making dirty money look clean

How criminals use banks to launder money and how good banks are at protecting themselves from such criminal activities.

BaFin Federal Financial Supervisory Authority

Thomas B. runs a restaurant, but business is not exactly thriving. Five tables and only a handful of guests at the best of times. Yet astonishingly enough he is still able to pay in huge amounts of cash at his bank every Monday and Thursday. Not only friends and neighbours find this a little surprising. The bank employee is equally puzzled whenever B. turns up at the bank in a glamorous limousine.

He broaches the subject with the customer, curious to know how it is that B. regularly pays in such high amounts of money when he has hardly any guests. The bank steps into action in response to a kind of warning system set up by credit institutions in order to track down suspicious transactions.

By now, Thomas B. should be feeling nervous, because the money did not come from his restaurant's culinary delights but from a thriving drug trade. For a long time, his main problem has been finding ways to dispose of all that cash and channel the illicit funds into the legal economic system without attracting attention.

This is where the restaurant comes into play. The only reason he is running it is to conceal the source of his income and make the dirty money look clean. There is just one thing he overlooked – huge earnings and a poorly frequented restaurant simply do not add up. The bank noted this discrepancy, and reported it to the Financial Intelligence Unit (FIU) of the German customs authorities.

This case is purely fictional, but things like this do happen, time and again. And the channels through which the funds flow are often far more convoluted and difficult to trace.

Al Capone and his laundromats

Al Capone was the first to launder money in this way, but not with restaurants. The legendary gangster invested the profits from criminal activities such as prostitution, racketeering, illegal gambling and alcohol trading in a whole chain of laundromats. Capone, who it is claimed never had a bank account, managed to conceal his proceeds by maintaining that they were earnings from the laundromats.

Whether this is fact or mere fiction is unclear. When asked about the source of his earnings at the trial in Chicago in 1931, Capone allegedly replied that he was "in the laundering business". In any case, it is safe to say that he was probably the first to coin the term “money laundering”. Although this ploy failed to spare him a term in prison, he was not sentenced for murder or blackmail – none of which could be proved against him – but for tax evasion.

Nowadays, criminal investigators have more efficient tools for exposing tricks of this kind, thanks not least to BaFin and the FIU. Banks are obliged to notify the FIU if they regard customers or payments as suspicious. The FIU follows up on these suspicious transaction reports (STRs) and analyses them.

Money laundering prevention during the pandemic

BaFin for its part is responsible for monitoring whether the institutions of the financial sector under its supervision are adequately protecting themselves against being abused for money laundering purposes.

Normally, teams from BaFin travel to the institutions in order to gain an impression on-site of the quality of the institutions’ anti-money laundering (AML) measures. This has become much more difficult since the outbreak of the coronavirus pandemic.

But cancelling the inspections because of the pandemic was out of the question. “From April 2020, we initially conducted our inspections by telephone and then very quickly developed remote solutions which could also be used when working from home“, explained Dr Thorsten Pötzsch, BaFin’s Chief Executive Director also responsible for money laundering prevention.

Following a brief period in the summer, when it was possible to conduct on-site inspections at least subject to certain restrictions, remote inspections then became the norm.

The usual difficulties with lines engaged or microphones and cameras not working properly had been overcome by then and the inspection priorities adapted to take account of a remote working environment. For example, the main focus was placed on risk analysis, questions regarding the AML officer functions and the STR procedure.

BaFin tracks down errors

The inspections were successful. BaFin detected errors, particularly in the institutions’ risk analyses, some of which were serious. The institutions had failed to correctly determine and evaluate AML risks.

BaFin’s supervisors also identified shortcomings in the suspicious transactions reported by the institutions, although these were generally less serious.

Moreover, many institutions had failed to document cases in accordance with the specifications under the German Money Laundering Act (Geldwäschegesetz – GwG), which made it difficult for BaFin to understand why certain decisions were taken.

At some institutions, BaFin examined the procedure for establishing and verifying the identity of customers, which is crucial in the prevention of money laundering.

It transpired that the institutions had made errors here, too, albeit less when identifying the customers themselves than when establishing the identity of beneficial owners, or persons used by a customer as a representative or messenger for the bank.

But errors had also been made in the identification procedure for politically exposed persons (PEPs). This group of persons includes heads of state, heads of government, ministers, members of the European Commission, members of parliament and constitutional judges to whom particularly strict AML provisions apply.

The inspections also revealed that a number of institutions had failed to update their customer data in due time. A by-product of the inspections was the realisation that many institutions were saving money in the wrong places and should be investing more in IT and in staff.

“Not all institutions are where they should be“, said Pötzsch, but an awareness for money laundering has been developed. There has been a sharp rise in the number of suspicious transactions reported to the FIU in recent years, with more than 90 percent of these reports deriving from those sections of the financial sector under BaFin’s supervision. Pötzsch notes that institutions and authorities have become more vigilant. “All parties involved are now also far better networked within Germany“, he adds, referring to the Anti Financial Crime Alliance (AFCA).

BaFin, the FIU and 14 banks have joined forces in this alliance to address the problem of money laundering (see expert article on the BaFin website dated 18 November 2019).

Plans for the times after the pandemic

When asked how BaFin expects the inspections to be conducted this year, Pötzsch gave a cautious response. “We don’t know how the pandemic will develop and when we will be able to conduct on-site inspections again. One thing is certain – in 2020, we were unable to inspect all the priority areas in the way we had intended. But nothing will be omitted." BaFin will also deal in-depth with a number of issues, in particular the crypto currency business of institutions, the money-remittance business and the procedure for reporting suspicious transactions.

BaFin is therefore still conducting its inspections off-site and is unlikely, as things currently stand, to return completely to the old system of inspections.

On the one hand, the teams prefer to be present in the institutions' offices as they find the personal contact with the employees important.

On the other hand, the pandemic has shown that remote inspections are possible.

There is one other positive aspect to consider – the teams do not need to travel anywhere and they have more time for the actual inspection. Pötzsch could therefore envisage combining the two forms of inspection in the future – depending on the risk of the institution and inspection priorities.

Money laundering prevention across the EU

The EU Commission plans to present several proposals for more effective joint action against money laundering in Europe. The proposals are expected to mainly concern the enforcement of standard rules applicable throughout the entire EU. There is also talk of setting up a central European anti-money laundering supervisor.

"What we need is a truly harmonised European legal framework – a regulation that is directly applicable, not just directives that grant the member states too much leeway for implementation, as in the past", said Pötzsch.

A patchwork of supervisory practices will not adequately equip supervisors to combat money laundering effectively, much less prevent it.

The Chief Executive Director is confident that the negotiations will be completed by the end of 2022 and that the regulation will be approved and the legal foundations thus laid for a European anti-money laundering authority.

To read more:
https://www.bafin.de/SharedDocs/Veroeffentlichungen/EN/Fachartikel/2021/fa_bj_2103_GW_Fallkonstellationen_en.html

United States Government Accountability Office

Cyber Insurance: Insurers and Policyholders Face Challenges in an Evolving Market

What GAO Found

Key trends in the current market for cyber insurance include the following:

• *Increasing take-up*. Data from a global insurance broker indicate its clients' take-up rate (proportion of existing clients electing coverage) for cyber insurance rose from 26 percent in 2016 to 47 percent in 2020 (see figure).

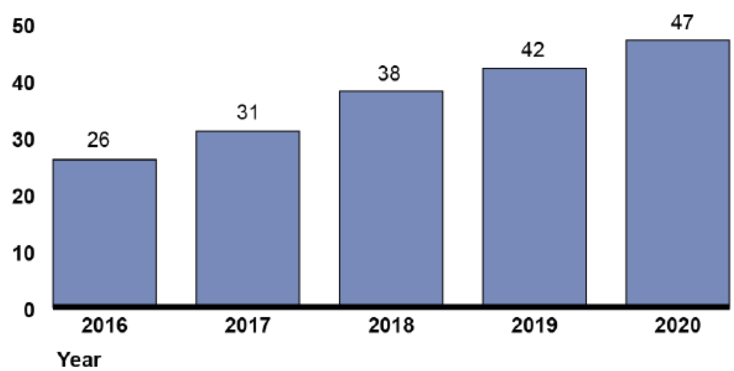
• *Price increases*. Industry sources said higher prices have coincided with increased demand and higher insurer costs from more frequent and severe cyberattacks. In a recent survey of insurance brokers, more than half of respondents' clients saw prices go up 10–30 percent in late 2020.

• *Lower coverage limits*. Industry representatives told GAO the growing number of cyberattacks led insurers to reduce coverage limits for some industry sectors, such as healthcare and education.

• *Cyber-specific policies*. Insurers increasingly have offered policies specific to cyber risk, rather than including that risk in packages with other coverage. This shift reflects a desire for more clarity on what is covered and for higher cyber-specific coverage limits.

Cyber Insurance Take-up Rates for a Selected Large Broker's Clients, 2016–2020

Take-up rate of Marsh McLennan clients (percentage)



Source: GAO presentation of data from Marsh McLennan. | GAO-21-477

The cyber insurance industry faces multiple challenges; industry stakeholders have proposed options to help address these challenges.

• *Limited historical data on losses*. Without comprehensive, high-quality data on cyber losses, it can be difficult to estimate potential losses from cyberattacks and price policies accordingly. Some industry participants said federal and state governments and industry could collaborate to collect and share incident data to assess risk and develop cyber insurance products.

• *Cyber policies lack common definitions*. Industry stakeholders noted that differing definitions for policy terms, such as "cyberterrorism," can lead to a lack of clarity on what is covered. They suggested that federal and state governments and the insurance industry could work collaboratively to advance common definitions.

Background

A cyber incident is defined as a cyber event that jeopardizes the cybersecurity of an information system or the information the system processes, stores, or transmits; or an event that violates security policies, procedures, or acceptable use policies, whether resulting from malicious activity or not.

Cyber incidents, including cyberattacks, can damage information technology assets, create losses related to business disruption and theft, release sensitive information, and expose entities to liability from customers, suppliers, employees, and shareholders.

Some private insurance companies offer businesses and other entities cyber insurance to protect against first-party (policyholder) and third-party losses (policyholder's clients or customers) from an event that jeopardizes the confidentiality, integrity, and availability of an information system.

The insurance can be provided through a standalone policy that provides only cyber insurance coverage or as a part of a package policy that provides multiple types of coverage, such as a general commercial liability insurance policy.

States regulate the private insurance market, including for cyber insurance.

The regulators seek to ensure that insurance policy provisions comply with state law, are reasonable and fair, and do not contain major gaps in coverage that might be misunderstood by consumers and leave them unprotected.

States generally do not establish minimum standards for cyber insurance policy coverage; they largely have focused on the solvency of cyber insurers, according to NAIC.

Some states and NAIC have promoted cybersecurity and data protections for insurers.

The Federal Insurance Office in Treasury administers the Terrorism Risk Insurance Program (TRIP), which requires the federal government to share some losses with private insurers in the event of a certified act of terrorism. Losses from cyberattacks might be reimbursed under TRIP if the attacks met certain certification criteria specified by the program.

We will be issuing a report later in 2021 that examines

(1) the risks and costs of cyberattacks on U.S. critical infrastructure;

(2) insurance coverage that is available for losses related to cyber risk, including cyberterrorism; and

(3) the extent to which TRIP, under the Terrorism Risk Insurance Act (TRIA), is structured to respond to cyberattacks and cyberterrorism.

To read more: https://www.gao.gov/assets/gao-21-477.pdf

Presentation of the 2020 Annual Report of the Autorité de contrôle prudentiel et de résolution (ACPR)

François Villeroy de Galhau, Governor of the Banque de France, Chairman of the ACPR

Ladies and Gentlemen,

It gives me great pleasure to be with you again for the presentation of the 2020 Annual Report of the Autorité de contrôle prudentiel et de résolution (ACPR –Prudential Supervision and Resolution Authority), in the company of the new Vice-Chairman, Jean-Paul Faugère, Dominique Laboureix, Secretary General of the ACPR, and Alain Ménéménis, President of the Sanctions Committee.

I would first like to pay tribute to the staff at the ACPR – more than 1,050 men and women whose professionalism is exemplary and recognised – who have worked especially hard, both on-site and remotely, to monitor closely the effects of the economic crisis on financial stability.

Exactly a year ago, when we were just at the start of the Covid crisis, I pointed out to you, in this exact same setting, how vigilant we were being and how confident I was, both in the competence of our supervisor and in the resilience of the financial system.

Looking back, we haven't done too badly at all: at this stage, the financial risks are, on the whole, under control, thanks to resilient financial institutions with solid fundamentals (I).

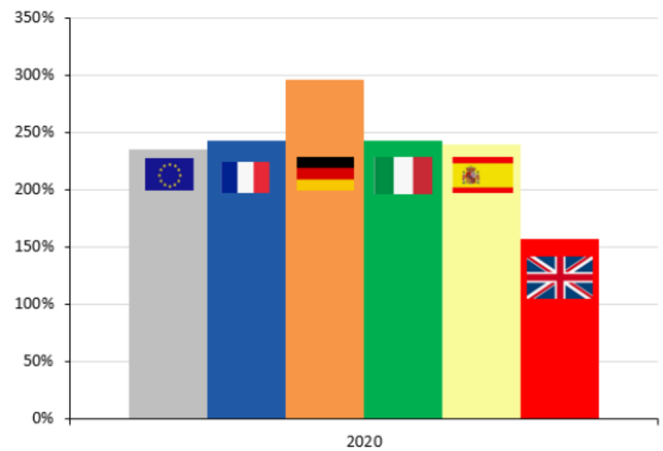
This reassuring picture should not, however, mask the short-term challenges of the emergence from the crisis, and the more structural challenges that our financial institutions will face over the coming decade (II).

I. Financial institutions have proved more resilient than expected during the Covid crisis

Just a short word, to start with, on the situation for insurers, which Jean-Paul Faugère will go into in greater depth.
Despite a fall in profits, France's insurance sector is holding up well and remains the leading market in Europe in terms of balance sheet size:

LA SOLVABILITÉ DES ASSUREURS FRANÇAIS RESTE SOLIDE EN COMPARAISON EUROPÉENNE

Taux de couverture du capital de solvabilité requis des principaux pays européens en 2020



Source : ACPR et EIOPA
Données 2020 provisoires issues des remises trimestrielles

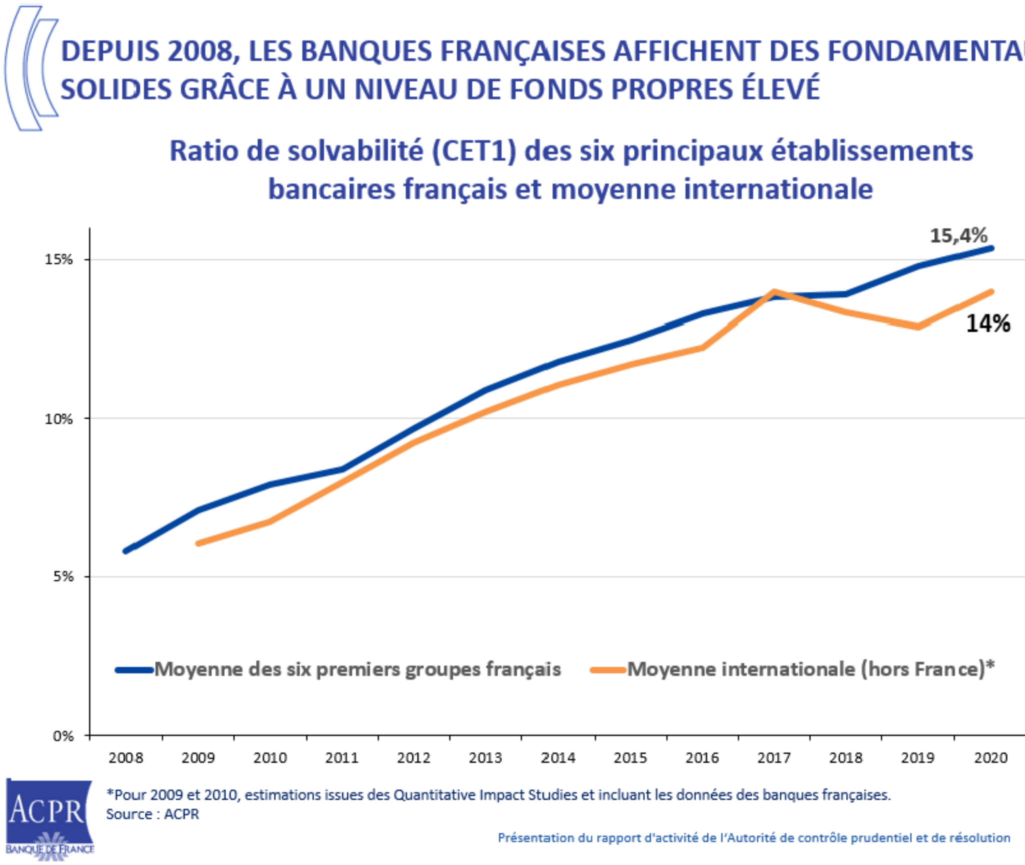
Présentation du rapport d'activité de l'Autorité de contrôle prudentiel et de résolution

Insurers have managed to keep their solvency ratios on the whole solid, at around 243 %, which is one of the highest levels in Europe.

But we need to be careful not to become complacent: the solvency of insurers is still a major focus of attention.

Consequently, as one of its control priorities, the ACPR will carry out reinforced supervision in 2021, which will take the form of regular, targeted interviews, in parallel with the resilience exercises conducted jointly with the EIOPA.

French banks, for their part, are continuing to display solid fundamentals, thanks to a high level of own funds, which has stabilised at around 15 %:



In this respect, the main euro area banks have fortunately defied certain – fairly pessimistic – predictions, which forecast that CET1 ratios would have deteriorated significantly by the end of 2020.

This better than expected resilience among financial institutions, particularly in France, has played a decisive role in determining our economy's capacity to weather the crisis.

Banks already financed three quarters of the European economy, and more than 60 % of the French economy.

To read more: https://publications.banque-france.fr/sites/default/files/medias/documents/2021.05.28_ra_acpr_mise_en_ligne_en_cl.pdf

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