COVID-19 and Insurance (2 of 3): Operational Regulatory Relief

By Greg Feldberg and Alexander Nye

Original post here.

Many insurance supervisors have provided temporary relief to help companies manage during the COVID-19 crisis.

Most of this relief comes in the form of extended deadlines for submitting various reports or provisions that make remote compliance easier. Regulators have also suspended supervisory activities and loosened accounting rules.

This blog discusses such measures. An earlier YPFS blog described similar regulatory relief measures that bank supervisors have taken during this crisis.

1. Extending deadlines

At least 27 national and transnational insurance regulators extended insurers' deadlines for submitting their regular supervisory reports, according to an April brief from the Bank for International Settlements (BIS). For example, India's insurance regulator provided extensions for submitting periodic compliance documents, providing a 30-day respite for filing half-yearly and yearly returns, a cyber security audit, and a "Board approved Final Re-insurance Programme."

The EU insurance regulator advised its member countries to provide companies with extended deadlines for 2019 annual reports, 2019 annual solvency and financial condition reports, and 2020 quarterly reports for Q1. It also called on insurers to publicize information on the effects of COVID-19 on their businesses.

U.S. state insurance regulators have taken similar actions. For example, California's regulator issued a 90-day deadline extension for insurers to file their 2019 annual statements, 2019 supplemental filings, and 2020 first-quarter filings. Regulators in at least six states issued similar policies. Several states also extended their deadlines for compliance with various licensing requirements; for example, with respect to continuing education.

2. Limiting supervisory activities

COVID-19 has also made some relatively simple supervisory activities risky. Some regulators (including in Botswana, Germany, Italy, Liechtenstein, North Macedonia, Poland, Portugal, Russia, and Singapore) have postponed on-site inspections while others, like Malta's Financial Supervisory Authority, shifted to remote supervision. A number of U.S. states have used other tools to reduce insurers' administrative burden—including, for example, loosening regulations around the provision of telemedicine.

Some regulators have suspended initiatives or exercises altogether. The UK's insurance regulator decided not to publish the results of its 2019 insurance stress test and postponed the next insurance stress test to 2022. Australia's insurance regulator postponed a number of reforms to health insurance data collection. At least eight national and transnational regulators have also delayed public consultations on new or revised regulatory rules.

Regulators have also provided regulatory relief to insurers who provide forbearance to customers on premiums and to borrowers on mortgage payments. For example, as they have done with bank loans, regulators have allowed insurers to treat loans as performing if borrowers miss payments because of COVID-19.

For example, Canada's insurance regulator has incentivized insurers to provide premium forbearance to consumers impacted by COVID-19. It did this by changing the capital treatment of the insurance for the duration of the forbearance, up to six months. South Africa also has tried to provide these incentives by telling insurers that its Prudential Authority would exclude the impact of the foregone premiums from its default risk calculation in situations in which insurers make concessions that increase their outstanding premiums.

In the U.S., the National Association of Insurance Commissioners (NAIC), the organization of state insurance regulators, issued an interpretation of its accounting principles in mid-April that modified the rule categorizing "premiums and similar receivables as non-admitted assets if they are uncollected for more than 90 days." The interpretation allows insurers not to recognize those assets as non-performing or non-admitted for their first and second quarter 2020 financial statements.