

**SSP****Supervisory Stimulus Package
for Security and Development
to support the insurance industry**

Ladies and gentlemen,

Due to the activities taken by insurance undertakings as expected and recommended by the supervisory authority in recent years (in particular with regard to the dividend policy and capital management), the Polish insurance industry is now well capitalised and resilient to serious shocks in the system and its environment. The insurance undertakings' own funds to cover the capital requirements allow them to manage their liabilities and otherwise meet their obligations under insurance contracts on an ongoing basis. The situation of the Polish insurance industry is stable.

The UKNF is constantly monitoring the impact of the current epidemiological situation on the functioning of the insurance industry. In order to minimise the risk factors associated with the epidemic, the financial supervisor – whose primary goal is to ensure the safety and stability of the insurance industry and to protect market participants – has developed a package of measures to boost the resilience of the Polish insurance industry to the impact of the epidemic. The proposed Package of measures aims to, in particular, protect the customers in that industry and to mitigate the impact of market volatility on the insurance industry.

When preparing the package to support the resilience of the insurance industry and with a view to maintain the stability of the industry, the UKNF looked into possible measures that could be taken in that area. The list of the measures is non-exhaustive and its components may be implemented depending on how the situation unfolds. Some of the issues in question remain outside the remit of the UKNF and require close collaboration with, among others, the Ministry of Finance, EIOPA, the Insurance Guarantee Fund, the Polish Insurance Association, the Polish Agency of Audit Supervision, the Office for Competition and Consumer Protection, auditors, and mostly with management boards of insurance undertakings and with insurance intermediaries. The supervisory authority also declares that – to the extent possible – it will reduce or suspend its supervisory activities, especially those that create particular organisational and/or staffing burdens for supervised entities, and that it will adopt a pragmatic approach to sanctions for non-compliance with regulatory standards.

In the supervisor's opinion, the proposed extraordinary measures will enable the management boards of insurance undertakings to properly respond to the current and future risks, including risks to the continuity of insurance coverage granted to customers under insurance contracts.



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Measures in the area of capital requirements and solvency

OBJECTIVE: to enable insurance and reinsurance undertakings to meet their obligations to customers

The UKNF will lower the capital requirement by offering the possibility to calculate the quarterly SCR without changing the parameters (e.g. for credit and suretyship insurance and proportional reinsurance segment in the non-life premium and reserve risk sub-module).

The UKNF is going to open a fast-track for the approval of ancillary own funds.

The UKNF is going to open a fast-track for the approval of long-term guarantee (LTG) measures (the volatility adjustment (VA), the matching adjustment (MA), transitional measure on the risk-free interest rates).

The UKNF recommends a derogation from the requirement to apply the maximum technical interest rate referred to in § 46 of Regulation of the Minister for Finance of 12 April 2016 on specific accounting principles of insurance and reinsurance undertakings.



Measures in the area of day-to-day supervision

OBJECTIVE: to allow insurers to focus on customer service, key processes, and day-to-day operations

The UKNF has suspended new inspections at insurance undertakings and distributors, and the ongoing inspections are being conducted with lower intensity, mostly using electronic communication.

The UKNF will minimise or postpone the supervisory activities that create particular organisational and/or staffing burdens for insurance undertakings (e.g. the SREP, stress tests, product intervention measures).

The UKNF has released insurance undertakings from the requirement to report details regarding unit-linked products and extended the time limit for introducing new additional reporting requirements.

The UKNF has released insurance undertakings from the requirement to report detailed quantitative data for the purpose of calculating the SCR for fire risk sub-module on the gross basis instead of the net basis (after deduction of amounts recoverable from reinsurance or special purpose vehicles).

Setting the time limits for other disclosure requirements, the UKNF will consider the current capacity of supervised entities under the COVID-19 pandemic conditions.

The deadline for submitting to the UKNF the completed EIOPA questionnaire for the purposes of the review of the Solvency II system has been extended to the 1 June 2020.

Deciding on sanctions, the UKNF will consider the circumstances resulting from the current epidemiological situation and will, where appropriate, refrain from imposing regulatory sanctions.

The UKNF actively participates in EIOPA's work on the package of solutions to allow for an extension of deadlines for the submission of data and information for supervisory purposes. We are also involved to set up national legislative solutions for an adjustment of deadlines for additional financial statements and statistical reports from insurance and reinsurance undertakings for 2020.



OBJECTIVE: to facilitate the contracting process and the execution of insurance contracts

The UKNF will apply a pragmatic approach to the assessment of the documentation of the underwriting process for insurance contracts, considering both the requirements under the Act on the business of insurance, and the requirements under the Act on distribution.

The UKNF accepts that the entire process may be conducted remotely (by phone, e-mail or online), subject to the customer's consent. The customer's consent may also be expressed remotely – e.g. by phone, e-mail or online. In such a case, however, it is necessary for the insurer or the intermediary to collect appropriate electronic files which clearly document each element of the underwriting process. These documents may be stored in electronic form – as a recording of a phone call, e-mail correspondence or electronic image of a completed online form.

When concluding insurance contract electronically, there has to be an appropriate focus on the security of information processed. To learn more on that issue, please see the Guidelines concerning the management of the information technology and information and communication environment security areas in the insurance and reinsurance undertakings.



Legislative initiatives in the area of management of insurance contracts

OBJECTIVE: to consider special circumstances in the process of handling claims

Due to the COVID-19 pandemic conditions, the UKNF is going to propose a statutory amendment that will abolish the mandatory sanctions regarding untimely settlement of claims.