UK Insurance Solvency - *Consultation on Changes*

Clair Le Poidevin
clair. lepoidevin@bwcigroup.com

> *"a significant milestone in reforming the Solvency II framework"*

On 29 June the UK Prudential Regulation Authority (PRA) published a consultation paper (CP 12/23) on proposed changes to the Solvency II regime within the UK.

The consultation is a significant milestone in reforming the Solvency II framework for the UK insurance market. It sits alongside legislation that is expected to reduce the risk margin (part of the Technical Provisions under Solvency II) by approximately 65% for long term life insurance business and 30% for non-life insurance business.

The intended impact of the proposals is to simplify, improve flexibility and encourage new market entrants.

1

Simplifications

- **Transitional Measures on Technical Provisions:**
  A new simplified method for calculation.
- **Reporting and disclosure:**
  One proposal is to remove the requirement for the Regulatory Supervisory Report.

2

Improve Flexibility

- **Internal Models and Capital Add-Ons:**
  A streamlined set of rules for internal models. Where the PRA considers that internal models have some residual limitations, the ability to require a residual capital add-on.
- **Groups:**
  More flexibility in the calculation of the Group Solvency Capital Requirement.
- **Thresholds:**
  An increase to the size thresholds at which small insurers are required to enter the Solvency II regime, to increase proportionality for smaller or newer insurance firms.

3

Encouraging Entry

- **Third Country Branches:**
  The removal of certain requirements for branches of international insurers operating in the UK.
- **Mobilisation:**
  A new 'mobilisation' regime to facilitate entry and expansion for new insurers and to facilitate competition.

The proposals appear to be aimed at increasing efficiency and improving competition, while maintaining appropriate levels of protection for policyholders.

The consultation has now closed and a second consultation paper, covering reform of the Matching Adjustment for life insurers, has just been published.

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