



# Summary of regulatory developments

## Updates for December 2025

This memo identifies and summarises any regulatory updates published during December 2025 which may be of relevance to life insurance companies.

Figure 1 summarises the relevant updates identified in December.

**FIGURE 1: REGULATORY ITEMS IDENTIFIED IN DECEMBER 2025 WHICH MAY BE OF RELEVANCE TO LIFE INSURANCE COMPANIES**

DATE	DESCRIPTION
1-Dec	The Financial Conduct Authority (FCA) <a href="#">launches consultation paper (CP) 25/34, 'Environmental, Social and Governance (ESG) ratings: proposed approach to regulation.'</a>
3-Dec	The Prudential Regulation Authority (PRA) <a href="#">publishes supervisory statement (SS) 5/25, 'Enhancing banks' and insurers' approaches to managing climate-related risks.'</a>
3-Dec	The PRA <a href="#">publishes policy statement (PS) 25/25, 'Enhancing banks' and insurers' approaches to managing climate-related risks.'</a>
4-Dec	The PRA <a href="#">publishes CP 22/25, 'UK Solvency II reporting and disclosure: Post-implementation amendments.'</a>
5-Dec	The European Insurance and Occupational Pensions Authority (EIOPA) <a href="#">launches two consultations on draft revised Guidelines on group solvency calculations and reporting.</a>
5-Dec	EIOPA <a href="#">publishes new Guidelines on exclusions from group supervision, related undertakings and the assessment of internal models.</a>
5-Dec	The PRA and FCA <a href="#">publish Mutuals landscape report.</a>
9-Dec	The FCA <a href="#">publishes simplified insurance rules and plans.</a>
11-Dec	The FCA, alongside members of the Financial Services Regulatory Initiatives Forum, <a href="#">publishes Regulatory Initiatives Grid.</a>
NA	The FCA publishes insurance updates.
NA	The PRA published insurance updates.

## Updates for December 2025

This section highlights articles released in December 2025 which are of interest to life insurance companies.

### EIOPA

- **EIOPA launches two consultations on draft revised Guidelines on group solvency calculations and reporting.**

The two consultations are:

- **Draft revised Guidelines on group solvency:** These align with updated Solvency II rules, clarify solvency calculations, and remove redundant or inconsistent provisions, reducing the number of Guidelines by 63%.
- **Draft revised Guidelines on reporting and public disclosure:** Since 2015, these Guidelines had defined minimum requirements for sections of Regular Supervisory Reports and Solvency and Financial Condition Reports (SFCR). Following Solvency II amendments, including a new SFCR structure, the Guidelines were updated. Redundant or unclear provisions are proposed for removal, reducing the number of individual Guidelines by 44%.

EIOPA invites feedback by 27 February 2026.

- **EIOPA publishes new Guidelines on exclusions from group supervision, related undertakings and the assessment of internal models.**

These guidelines cover:

- **Exclusions from group supervision:** Group supervisors may exclude undertakings from group supervision. Exclusions are allowed only in rare and justified cases.
- **Treatment of related undertakings:** The 2015 Guidelines were updated to align with changes in the Solvency II Directive regarding participation in financial and credit institutions and their deduction from own funds. The review led to a 33% reduction in the number of guidelines.

EIOPA has also published a revision of its 2017 [Opinion](#) on internal model supervision to reflect the new volatility adjustment framework, specifically incorporating stricter prudency measures for the dynamic volatility adjustment.

### FCA

- **The FCA publishes insurance updates:**

The FCA published the following updates in December:

- **Applications for second cohort for AI Live Testing open:** Applications open in January 2026, and testing will commence in April 2026.
- **Launch of CP 25/37, 'Targeted clarifications of Handbook materials':** The CP seeks to clarify outdated or unclear rules and guidance, introduce more proportional and transparent regulations, eliminate conflicts and duplication, and gather feedback on better supporting smaller firms. The FCA invites [feedback](#) by 27 January 2026.

- **The FCA launches consultation paper (CP) 25/34, 'Environmental, Social and Governance (ESG) ratings: proposed approach to regulation.'**

From 29 June 2028, firms that want to offer certain types of ESG ratings in the UK will need FCA authorisation. The FCA is currently seeking feedback on proposed rules and guidance for regulating ESG ratings providers, following new legislation from His Majesty's Treasury designed to bring ESG ratings under the FCA's regulatory scope.

The FCA's research shows that of those who use ESG ratings, 55% are worried about how they are built and 48% are concerned with transparency. Therefore, the FCA plans to:

- Increase transparency to allow easier comparisons for those who use ratings and those who are rated.
- Improve governance, systems and controls to ensure clear decision-making and strong oversight and quality assurance.

- Identify and manage conflicts of interest.
- Set clear expectations for stakeholder engagement and complaints handling.

The FCA invites [feedback](#) by 31 March 2026.

- **The FCA publishes simplified insurance rules and plans.**

The new rules let insurance firms set product review frequency and staff continual professional development requirements. Next year, the FCA will further revise insurance regulations, eliminate unnecessary rules and review both international rule application and the Consumer Duty.

The FCA has also published proposals aimed at insurers and other firms to streamline rules and reduce complexity after the Consumer Duty, including various technical changes:

- Remove three further insurance data returns.
- Review eligibility and disclosure rules for packaged bank accounts.
- Streamline and simplify rules on collective investment and update rules on client assets.
- Remove Handbook references no longer needed now that the Consumer Duty is in force.

- **The FCA, alongside members of the Financial Services Regulatory Initiatives Forum, publishes Regulatory Initiatives Grid.**

The latest edition of the [Regulatory Initiatives Grid](#) sets out the regulatory pipeline for the next two years, covering current and planned initiatives for nine organisations. There are 13 live initiatives in the insurance and reinsurance sector, including:

- Pure protection market survey
- Captive insurance
- Insurance third-country branches: policy implementation and other updates
- UK Solvency II reporting and disclosure: post-implementation amendments CP
- Solvency II: liquidity reporting requirement
- UK captives insurance regime
- Increase in the ease of exit: solvent exit planning for insurers
- A focus on holistic frameworks such as the global monitoring exercise, liquidity risk management plan, recovery planning and resolution planning

## PRA

- **The PRA publishes insurance updates:**

The PRA published the following updates in December:

- [Letter to the Prime Minister – December 2025](#)
- [Supervisory statement \(SS\) 2/25, 'Prudential considerations for insurance and reinsurance undertakings when transferring risk to Special Purpose Vehicles.'](#)
- [LIAF03/25, 'Low Impact Amendments Finalisation December 2025.'](#)

- **The PRA publishes supervisory statement (SS) 5/25, 'Enhancing banks' and insurers' approaches to managing climate-related risks.'**

The SS sets out implementation expectations for firms, including how the PRA will apply these expectations proportionately. It outlines how these climate risks emerge, why they call for strategic management and the expectations on governance, risk management, scenario analysis, data, disclosures, and additional context for relevant insurance issues.

- **The PRA publishes policy statement (PS) 25/25, 'Enhancing banks' and insurers' approaches to managing climate-related risks.'**

The PS provides the feedback to the responses the PRA received from [CP 10/25, 'Enhancing banks' and insurers' approaches to managing climate-related risks.'](#) The PRA received 59 responses, which generally welcomed the updates and supported the direction of the proposed policy. However, respondents highlighted the need for a clearer separation between PRA expectations and guidance and clarity on practicality, governance, including board delegation, integrating climate risk into risk frameworks and implementation. The PRA has made the following changes to the PS:

- Clarification of proportionate application of expectations by firms: Inclusion of the 'Overarching aims' section to clarify how firms should apply expectations proportionately, based on their exposure to climate-related risks, size, and complexity. This section also highlights the Climate Financial Risk Forum's role in providing guidance and case studies to support implementation.
- Recognition of litigation risk: The PRA allows firms to use their judgment to categorise climate-related litigation risk according to their business and risk profile, which may sometimes mean treating it as a separate transmission channel.
- Clarification on the review period: The six-month review in CP 10/25 is for firms to internally assess how they meet the final policy expectations, not an implementation deadline. Firms should pinpoint areas needing improvement and create a realistic plan to address them. Supervisors will not request evidence of these reviews or plans until after the six months.
- Cost-benefit analysis (CBA): The PRA clarified that its CBA uses incremental costs of implementing new expectations, not costs for meeting existing ones.
- Governance: The PRA allows firms to include climate-related duties in current governance structures, provided risk identification stays effective.
- Risk management: The PRA now allows firms to include climate-related risks in existing or supplementary risk registers, as long as risk identification remains robust. The 'accept, manage, avoid' approach is optional, not required. Minor updates were also made to align Operational Resilience expectations with [SS 1/21, 'Operational resilience: Impact tolerances for important business services.'](#)
- Climate scenario analysis (CSA): The PRA clarifies that firms may select and tailor CSA exercises based on their climate risk exposure. Firms can also choose between reverse stress and scenario-based sensitivity analysis, with longer-term analyses relying more on narrative scenarios than exact quantification.
- Data: The PRA has updated its policy such that firms now only need to understand, not quantify, data uncertainty. Additionally, firms should choose suitable proxies when data or models are insufficient, recognising their limitations, instead of defaulting to conservative proxies.
- Insurance-specific expectations: The PRA states that current Solvency Capital Requirement (SCR) rules allow insurers flexibility in addressing climate-related risks. Climate risks are recognised as risk drivers in internal models, and firms can adjust credit ratings if agencies overlook such risks. If market prices underrepresent climate risks, firms may account for this in their Own Risk and Solvency Assessment and SCR.

- **The PRA and FCA publish Mutuals landscape report.**

The [report](#) covers the role of mutuals in financial services, the evolving mutuals landscape and how the PRA supports mutuals. The PRA highlights:

- Recent regulatory steps, including clarifying rules around workplace savings, lending and advice.
- Legislative changes that are underway to modernise frameworks for friendly societies, with further updates expected.
- Although effective regulation and legislation provide a supportive environment, growth must be driven by the sector itself, potentially through collaboration between larger and smaller mutuals and clear strategic planning.

- **The PRA publishes CP 22/25, 'UK Solvency II reporting and disclosure: Post-implementation amendments.'**

The CP addresses highlighted areas needing adjustment following [PS 15/24, 'Review of Solvency II: Restatement of assimilated law.'](#) It proposes changes to the following:

- Reporting Part of the PRA Rulebook.
- Reporting and disclosures templates and instructions.
- SS 37/15, Solvency II: internal model reporting codes and components.

The PRA invites feedback by 4 March 2026.

## Solutions for a world at risk™

Milliman leverages deep expertise, actuarial rigor, and advanced technology to develop solutions for a world at risk. We help clients in the public and private sectors navigate urgent, complex challenges—from extreme weather and market volatility to financial insecurity and rising health costs—so they can meet their business, financial, and social objectives. Our solutions encompass insurance, financial services, healthcare, life sciences, and employee benefits. Founded in 1947, Milliman is an independent firm with offices in major cities around the globe.

[milliman.com](https://milliman.com)



### CONTACT

Neil Christy  
[neil.christy@milliman.com](mailto:neil.christy@milliman.com)

Mirakh Modasia  
[mirakh.modasia@milliman.com](mailto:mirakh.modasia@milliman.com)

Monique Mahabir  
[monique.mahabir@milliman.com](mailto:monique.mahabir@milliman.com)

© 2026 Milliman, Inc. All Rights Reserved. The materials in this document represent the opinion of the authors and are not representative of the views of Milliman, Inc. Milliman does not certify the information, nor does it guarantee the accuracy and completeness of such information. Use of such information is voluntary and should not be relied upon unless an independent review of its accuracy and completeness has been performed. Materials may not be reproduced without the express consent of Milliman.