



Summary of regulatory developments

Updates for January 2026

This memo identifies and summarises any regulatory updates published during January 2026 which may be of relevance to life insurance companies.

Figure 1 summarises the relevant updates identified in January.

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

DATE	DESCRIPTION
1-Jan	The Prudential Regulation Authority (PRA), the Financial Conduct Authority (FCA) and the Swiss Financial Market Supervisory Authority (FINMA) implement the Berne Financial Services Agreement (BFSA), enabling UK insurers to provide covered services to Swiss clients without a local presence.
8-Jan	The FCA, Department for Work and Pensions (DWP) and The Pensions Regulator (TPR) publish proposals for new Value for Money (VFM) Framework for workplace pensions.
8-Jan	Bank of England (BoE) publishes a Staff Working Paper that examines solvency and systemic risk in European life insurers.
14-Jan	The PRA, FCA, BoE and European Supervisory Authorities (ESA) signed a Memorandum of Understanding (MoU) to enhance cooperation and oversight of critical third parties.
15-Jan	The PRA publishes its 2026 insurance supervision priorities.
20-Jan	The PRA publishes Policy Statement PS3/26, 'Restatement of CRR requirements – 2027 implementation – final'.
29-Jan	The FCA seeks views from industry on how to help close the protection gap in the UK insurance market.

Updates January 2026

This section highlights articles released in January 2026 which are of interest to life insurance companies.

BoE

- **BoE publishes a Staff Working Paper that examines solvency and systemic risk in European life insurers.**

The BoE publishes a Staff Working Paper that examines solvency and systemic risk in European life insurers. Although this is not a regulatory change, the paper's conclusion suggests there is a case for adding a systemic component to capital adequacy that is linked to a life insurer's contribution to systemic risk. The paper analyses long-term trends in risk exposures, asset allocation and interconnectedness between life insurers and the wider financial system, drawing implications for prudential regulation and financial stability oversight.

- The paper proposes two complementary capital frameworks for European life insurers, distinguishing between idiosyncratic solvency risk and systemic risk arising from sector-wide distress.
- Solvency risk is defined as the probability that an insurer's asset value falls below a critical share of liabilities and is modelled using a structural Merton–Vasicek portfolio approach with a value-at-risk metric.
- Systemic risk is measured using an SRISK-type framework, capturing the expected capital shortfall of an insurer conditional on stress across the European life insurance sector.
- Empirical results indicate that systemic risk contributions of European life insurers have increased materially since 2007, with pronounced peaks during the Global Financial Crisis, the euro-area sovereign debt crisis and the COVID-19 market shock.
- The analysis shows that the prolonged low-interest-rate environment encouraged insurers to search for yield, increasing exposure to riskier and less liquid assets and amplifying systemic vulnerability.
- Since the introduction of Solvency II, insurers' portfolios have gradually shifted away from traditional fixed-income instruments towards alternative and higher-risk assets, complicating asset-liability management.
- Systemic risk declined somewhat after mid-2023 but remains non-trivial, with significant heterogeneity across insurers and jurisdictions.
- The paper identifies strong interconnectedness between life insurers and banks, with a common risk factor explaining a large proportion of systemic risk variation, particularly during periods of market stress.
- Evidence suggests that shocks affecting the banking sector are likely to be transmitted to insurers simultaneously, increasing the potential for contagion across the financial system.
- The findings indicate that traditional solvency-based capital requirements may not fully capture insurers' contributions to systemic risk under sector-wide stress scenarios.
- The paper concludes that incorporating a systemic risk dimension into insurance prudential frameworks—such as systemic buffers or enhanced stress testing—could improve financial stability outcomes.

FCA

- **The FCA, DWP and TPR publish proposals for new Value for Money (VFM) Framework for workplace pensions.**

The paper provides feedback on responses to the previous FCA consultation ([CP24/16](#)) on the VFM Framework for workplace defined contribution (DC) pensions and sets out further proposals for consultation. Respondents generally supported the direction of policy, particularly the focus on transparency, comparability and improved saver outcomes, but raised concerns on practicality, data requirements and implementation timelines. The Framework is designed to align with the [Pension Schemes Bill 2025](#) and will be implemented concurrently for trust-based and contract-based arrangements, with a target for first required assessments in 2028. The updates and proposals include:

- Enhanced Investment and Performance Metrics: Firms and trustees will now be required to disclose both backward- and forward-looking investment metrics, including expected net returns and risk over a 10-year period. This is designed to provide a clearer picture of long-term value. The data burden has been reduced by streamlining required performance data and cost disclosures.

- Refined Assessment and Comparison Framework: Value assessments will now use a four-point rating system (Red, Amber, Light Green, Dark Green) for greater granularity. Arrangements will be compared against a broader commercial comparator group using a new central VFM database, which will also facilitate market-wide transparency.
- Simplified Reporting and Disclosure Requirements: Reporting requirements have been simplified, with a focus on total costs and charges over multiple years and a reduced number of data points. Only one year's split between investment and service charges is now required.
- Improved Governance and Actions for Poor Value: Firms and trustees must obtain external advice on assumptions for forward-looking metrics, and arrangements rated as Amber or Red must notify employers and regulators, close to new business and submit improvement or action plans. Red-rated arrangements are expected to transfer members to better-value options where appropriate.
- Ongoing Scope and Quality Developments: The framework initially applies to workplace default and quasi-default arrangements, with potential future extension. Further work is underway to develop standardised member engagement metrics and clarify public access to the central VFM database.

The FCA invites [feedback](#) by 8 March 2026. Subject to legislative process and further consultation, the new VFM Framework is expected to apply to both contract- and trust-based arrangements from 2028.

- **The PRA, the FCA, BoE and ESA signed a Memorandum of Understanding (MoU) to enhance cooperation and oversight of critical third parties.**

The MoU sets out the framework for cooperation, information exchange and coordination between the ESAs (EBA, EIOPA, ESMA) and UK Financial Authorities (BoE, PRA, FCA) regarding the oversight of critical ICT third-party service providers (CTPPs/CTPs) operating across the EU and UK. This aims to support financial stability, manage cross-border ICT risks and ensure effective incident response. Key principles and arrangements include:

- Mutual Oversight and Scope of Cooperation:
The MoU establishes cooperation between EU and UK authorities overseeing critical ICT providers under the EU's [Digital Operational Resilience Act \(DORA\)](#) and the UK's [Financial Services and Markets Act 2000 \(FSMA\)](#). It covers entities designated as critical in either or both jurisdictions, including those operating across both regions, and applies to both routine supervision and emergencies.
- Information Sharing and Joint Supervision:
Authorities agree to share material supervisory information, incident reports and enforcement actions through secure channels. They also coordinate on-site inspections across borders, with procedures for advance notification and compliance with each authority's legal requirements.
- Incident Management and Confidentiality:
In the event of major ICT or cyber incidents with systemic or cross-border impact, authorities will promptly inform each other, exchange relevant information and coordinate responses. All exchanged information is subject to strict confidentiality and professional secrecy requirements, with data protection compliance under EU and UK laws.
- Legal Status and Amendments:
The MoU is non-binding, does not create legal obligations and respects the autonomy of each authority. It allows for amendments by mutual consent and can be terminated with notice whilst ongoing confidentiality obligations remain in place.

- **The FCA seeks views from industry on how to help close the protection gap in the UK insurance market.**

The FCA's [interim competition review](#) of pure protection insurance products finds that, although the market generally works well for existing customers, a significant proportion of UK adults lack coverage. The FCA is seeking industry collaboration to close this protection gap and better support consumers and their families in the event of critical illness or death. Key points include:

- Market effectiveness for current holders: For consumers who have taken out pure protection insurance (such as life, critical illness or income protection), the market offers a wide range of products, stable pricing and high claim success rates.

- Significant coverage gap: 58% of UK adults do not hold a pure protection product, despite many potentially benefiting from such cover.
- Barriers to uptake: The main reasons for the gap include low consumer awareness of needs, lack of prompts to consider protection, affordability concerns, misunderstandings about products and areas for improvement in the sales process.
- FCA's focus on closing the gap: The FCA aims to work with insurers and stakeholders to increase consumer access to suitable protection products and promote financial resilience.
- Product switching under review: The FCA will assess how firms manage product switching, ensuring that any switch clearly benefits and meets the needs of consumers.
- Ongoing monitoring and data: The FCA has found examples of firms delivering good value and will continue to examine the market using updated 2025 data before publishing a final report.

The FCA invites [feedback](#) by 31 March 2026. A final report will be published in Q3 2026, setting out final findings and an update on progress.

PRA

- **The PRA, FCA and FINMA implement the BFSA, enabling UK insurers to provide covered services to Swiss clients without a local presence.**

The BFSA, effective 1 January 2026, allows UK insurers to serve Swiss clients without local Swiss authorisation, provided they follow specific notification procedures. Key points include:

- UK insurers must notify the PRA and FCA via the FCA Connect system before offering services in Switzerland; regulators then inform FINMA.
- Notifications must include insurer details, intended classes of business and confirmation of compliance with BFSA requirements.
- The PRA reviews notifications and, if requirements are met, FINMA registers the insurer within 30 days; insurers are notified once registration is complete.
- Amendments (to business classes) or exits require updated notifications through [FCA Connect](#), with FINMA's register updated accordingly.

The BFSA streamlines cross-border access for UK insurers to the Swiss market, with a clear notification and registration process.

- **The PRA publishes its 2026 insurance supervision priorities.**

The PRA sets its 2026 priorities for UK insurance supervision, focusing on resilience, risk management, innovation and supporting growth. Key points include:

- Competitive pressures in the bulk purchase annuity (BPA) market require firms to maintain strong pricing discipline and robust risk management; the PRA will review firms' response to solvency-triggered termination rights.
- The PRA welcomes new capital and ownership structures in the BPA market but expects boards to ensure prudent, conflict-free governance, especially within wider group structures.
- The PRA is reviewing the increased use of funded reinsurance (FundedRe) and may introduce regulatory restrictions or measures to address risk underestimation and regulatory arbitrage, with further policy updates expected in Q2 2026.
- Firms' investment strategies are shifting towards more structured and synthetic investments, raising liquidity risk concerns; new liquidity reporting requirements take effect from 30 September 2026.
- Credit risk management remains a supervisory focus, especially as firms increase exposure to private credit and new asset classes; the PRA will assess the robustness of firms' credit assessment frameworks.
- The results of the 2025 [Life Insurance Stress Test \(LIST\)](#) will inform both firm-level supervision and policy development; feedback will be sought to improve future exercises.
- Firms must embed [operational resilience](#) into their risk culture, enhance resilience testing (including with third parties), address legacy IT risks and strengthen cyber risk defences through initiatives such as CBEST, STAR-FS and CQUEST.

- All in-scope insurers must complete a [Solvent Exit Analysis \(SEA\)](#) by 30 June 2026, considering key risks, barriers and resources for orderly exit; the PRA will review SEAs on a proportionate basis.
 - Firms are encouraged to innovate with artificial intelligence and advanced technologies, but must manage risks related to data accuracy, third-party reliance and cyber threats.
 - The PRA will consult on a new [UK captive regime](#) in summer 2026, reform the Insurance Special Purpose Vehicles regime, accelerate new firm authorisations and provide dedicated regulatory contacts for SMEs.
 - The PRA is seeking views on [alternative life capital options](#), aiming to remove barriers to patient capital entering the sector in a way that supports UK growth and aligns with the long-term nature of life insurance liabilities.
 - All firms will transition to a two-year Periodic Summary Meeting (PSM) cycle, reducing regulatory burden and increasing efficiency; further details will be provided to firms individually.
 - The PRA will continue working with the FCA to consider how best to support the [mutuals landscape](#) and drive inclusive growth in the UK.
- **The PRA publishes Policy Statement PS3/26, 'Restatement of CRR requirements – 2027 implementation – final'.**

The PRA publishes its final policy statement on the restatement of Capital Requirements Regulation (CRR) provisions for 2027 implementation, with the following elements relevant to insurance firms:

- The policy restates relevant CRR provisions into the PRA Rulebook and other policy materials, building on proposals and near-final rules previously set out in [PS12/25 – Restatement of CRR and Solvency II requirements in PRA Rulebook – 2026 implementation](#).
- Amendments include changes to external credit assessment institution (ECAI) mapping that affect Solvency II insurers, the Society of Lloyd's and UK branches of third-country insurance and reinsurance undertakings.
- The ECAI mapping table is primarily relevant for insurers in the context of matching adjustment permissions under the Solvency II regime.
- Definitions of 'probability of default' (PD), 'loss given default' (LGD) and 'conversion factor' have been updated in the PRA Rulebook Glossary, replacing previous CRR definitions; these terms are now italicised in final rules to clarify where new definitions apply.
- The final rules and policy materials reflect the UK's withdrawal from the EU, with references to assimilated law as appropriate.
- The updated ECAI mapping and related provisions will take effect from 1 January 2027, replacing previous CRR requirements for relevant insurers.

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