



Summary of regulatory developments

Updates for February 2026

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

Figure 1 summarises the relevant updates identified in February.

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

DATE	DESCRIPTION
3-Feb	The Financial Conduct Authority (FCA) clarifies its expectations of firms regarding the meaning of “fair value.”
13-Feb	The European Insurance and Occupational Pensions Authority (EIOPA) updates its Guidelines on supervisory review process and on market and counterparty risk exposures following Solvency II review.
17-Feb	The Prudential Regulation Authority (PRA) publishes Consultation Paper CP2/26 – Reforms to securitisation requirements: Proposals to reform requirements and supervisory expectations.
24-Feb	The FCA releases its report on regulatory priorities for the insurance sector.
25-Feb	The PRA publishes Consultation Paper CP4/26 – UK Solvency II Own Funds: Updates and fixes to rules and supervisory expectations.
27-Feb	The PRA publishes a statement on the 2028 Life Insurance Stress Test (LIST).

Updates February 2026

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

EIOPA

The EIOPA updates its Guidelines on supervisory review process and on market and counterparty risk exposures following Solvency II review.

EIOPA issues revised [Guidelines](#) on the supervisory review process. This covered two key goals:

- To align the existing provisions with recent regulatory developments
- To incorporate new processes to address risks and trends since the Guidelines were first introduced

EIOPA has also issued revised [Guidelines](#) for the treatment of market and counterparty risk exposures in the Solvency II standard formula. The Guidelines promote supervisory convergence and support undertakings in applying the market risk and counterparty default risk modules. Changes include the removal of Guidelines 1, 3, 7 and 8 and updates to the other Guidelines. The remaining Guidelines are summarised below:

- Guideline 2 – bond and loan duration: Undertakings should reflect issuer options that could alter maturity and should base duration on prudent assumptions consistent with stressed conditions.
- Guideline 4 – interest rate risk: Undertakings should include all assets and liabilities sensitive to interest rates. They should recalculate technical provisions using the shocked basic risk-free curve, adding back the matching adjustment, the volatility adjustment and any applicable transitional adjustments. For assets, they should stress only the basic risk-free term structure whilst keeping credit spreads unchanged. Mark-to-model valuation is permitted, but it must be consistent with market prices before the stress.
- Guideline 5 – hybrid instruments: Undertakings should determine the applicable risk modules based on the instrument’s economic substance. Where the components are separable, they should stress the discrete components individually. Where the components are not separable, they should base the treatment on whether debt-like or equity-like characteristics predominate.
- Guideline 6 – risk-mitigating instruments, including short equity positions: Undertakings should recognise risk mitigation only when the conditions in Articles 208–215 of the Delegated Regulation are met. When those conditions are not met, they should recognise the effect only in stressed scenarios and only to the extent the instruments reduce own funds.
- Guideline 9 – commitments without a stated nominal: Undertakings should estimate a nominal amount for loss-given-default purposes as the maximum expected payment in the event of a counterparty default.
- Guideline 10 – leveraged funds under look-through: Undertakings should apply stresses to the fund’s gross assets and then deduct outstanding borrowings to derive the net change in value. For highly leveraged funds, they should cap the reduction in value at 100%.

FCA

▪ **The FCA clarifies its expectations of firms regarding the meaning of “fair value.”**

The FCA publishes a statement that clarifies what it means by “fair value” and how firms should assess whether their products provide benefits that are reasonable in relation to the total price paid. Although this is not a new regulatory requirement, the statement reinforces expectations under the [Consumer Duty](#) rules and highlights the importance of transparent pricing, product suitability and value outcomes across financial services.

▪ **The FCA releases its report on regulatory priorities for the insurance sector.**

The FCA publishes its [Regulatory Priorities](#): An insurance report, setting out its 2026 priorities to:

- Improve consumer understanding, claims handling and service quality
- Increase access to insurance
- Support growth and innovation
- Simplify regulation

Other areas of focus include: product reviews for closed-book life products, in particular Child Trust Funds; review of the funeral plan rules; effectiveness of financial crime systems and controls within larger firms; and new rules for reporting operational incidents and information on material third parties.

PRA

- **The PRA publishes Consultation Paper CP2/26 – Reforms to securitisation requirements: Proposals to reform requirements and supervisory expectations.**

The PRA publishes a consultation paper outlining proposed reforms to the securitisation framework, aiming to make the existing requirements more proportionate and less prescriptive. The CP includes six proposals, namely:

- **Proposal 1:** Due Diligence – the PRA proposes a substantial simplification of due diligence requirements for securitisations.
- **Proposal 2:** Risk retention – introduction of the “L-shaped” risk retention modality. This would combine elements of both vertical and first-loss risk retention.
- **Proposal 3:** Transparency and Reporting requirements – the PRA proposes a number of amendments, deletions and disapplication of certain items to reduce the burden of transparency requirements.
- **Proposal 4:** Amendments to the restriction on resecuritisation and the definition of resecuritisation – this includes exempting certain resecuritisation structures and amending the definition to exclude contiguous retrenching.
- **Proposal 5:** Clarification to the credit-granting criteria – the PRA proposes amending the wording of this section of the rules.
- **Proposal 6:** Improving readability of the securitisation rules in the PRA Rulebook – this includes gathering related provisions and implementing the rule changes covered elsewhere in the CP.

The PRA invites [feedback](#) by 18 May 2026.

- **The PRA publishes Consultation Paper CP4/26 – UK Solvency II Own Funds: Updates and fixes to rules and supervisory expectations.**

The PRA publishes a consultation paper proposing targeted updates and fixes to the UK Solvency II Own Funds rules. The CP includes four proposals, namely:

- **Proposal 1** – Removing the permission requirement for classifying equity- accounted own funds items.
- **Proposal 2** – Clarifying the expectations on the use of concurrent tender offers and new issuances to refinance Solvency UK capital instruments.
- **Proposal 3** – Minor corrections to the Own Funds Rules. This removes duplication and clarifies the PRA rules.
- **Proposal 4** – Restating the remaining relevant EIOPA Guidelines for classification of own funds and ancillary own funds. This will result in the relevant Guidelines being restated into PRA Supervisory Statements.

The PRA invites [feedback](#) by 24 April 2026.

- **The PRA publishes a statement on the 2028 LIST.**

The PRA gives early notice of its intent to launch the next LIST in January 2028.

- **LIST 2025** was a key milestone: it assessed UK life insurers’ resilience under Solvency UK and used both firm-specific and aggregate-sector disclosures.
- The PRA remains committed to regular life insurance stress testing, building on the LIST 2025 approach.
- In 2026, the PRA will engage with stakeholders—both participating firms and users of the disclosures—to gather lessons learned from LIST 2025.
- That engagement will inform the design and set-up of the next exercise, including addressing simplifications/limitations from LIST 2025 and reflecting evolving sector risks.
- Further details are expected in Q4 2026, covering any changes to scope or methodology and confirmation of likely firms in scope.

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