

November 2024

Dive into pensions de-risking

# Solvency UK: Phew, nothing new

The Prudential Regulation Authority (PRA) has published a policy statement finalising Solvency UK, which will be implemented in full from the end of 2024.

This long-awaited statement is a culmination of four years of drafting. It enshrines the Solvency UK regime into UK regulation, replacing Solvency II.

## Recap of proposals to date

In November 2022, the government published its response to a consultation regarding UK insurance reforms following Brexit. It announced the new Solvency UK regime, with:

- A reduction in the **risk margin**, a component of insurance capital that was introduced with Solvency II and is prominent for annuity business. The reduction was incorporated into statute at the end of 2023; insurers reflected it for the first time in their 2023 year-end solvency calculations.
- Reform of the **matching adjustment** requirements, in particular increased flexibility for eligible assets, and enhanced risk management controls. Most of the new requirements came into effect at 30 June 2024.
- Simplifications and **reduced reporting requirements** to ease cost and burden on insurers. These proposals were finalised in a policy statement in early 2024, and are due to come into force from the end of the year.

## What's in this policy statement?

This final policy statement formalises the Solvency UK regime by embedding it into the PRA Rulebook, replacing Solvency II legislation. The PRA has made small updates, but the final rules are largely unchanged from previous policy statements.

## What does this mean for pension schemes?

We don't expect this most recent policy statement to have any noticeable impact on insurers' approach to buy-ins or buy-outs. As a whole, Solvency UK is unlikely to have a significant impact on insurer pricing. It should slightly enhance policyholder security, and may modestly increase insurer capacity over time.

## Get in touch

If you have any questions about anything covered, please don't hesitate to get in touch.



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