

UK slashes red tape through bold reforms to insurance sector regulation

- Proposed overhaul of insurance sector regulation will create a more tailored and dynamic regime, unlocking billions of pounds of investment in UK infrastructure.
- Protection for policyholders will remain a top priority.

The UK will seize on its post-Brexit freedoms and unlock tens of billions of pounds of investment by slashing red tape through reforms to the regulation of the UK insurance sector, the Economic Secretary to the Treasury & City Minister said today.

Speaking at the Association of British Insurers Annual Dinner this evening (Monday 21 February), John Glen outlined plans to slash bureaucracy and relax regulation in a move that will unlock growth and unleash investment in UK infrastructure. The plans set out today will further deliver the benefits of Brexit and ensure that businesses can spend more of their money investing, innovating and creating jobs.

It comes just weeks after the government published a policy paper setting out how the UK is using new freedoms to become one of the best regulated economies in the world and the Prime Minister announced he would be bringing forward a new a Brexit Freedoms Bill to end the special status of EU law in our legal framework.

The UK's insurance sector has been subject to the Solvency II rules since 2016 after they were introduced to harmonise insurance regulation across the EU.

But Mr Glen said the EU-focused, rules-driven and burdensome body of regulation would be reformed to become UK-focused, agile and easily adaptable. He said the new UK regime will facilitate rather than hinder market developments, support the entry of new and innovative firms and allow for the release of capital for productive investment.

The Economic Secretary to the Treasury & City Minister John Glen said: > EU regulation doesn't work for us anymore and the government is determined to fix that by tailoring the prudential regulation of insurers to our unique circumstances. > > We have a genuine opportunity to maintain and grow an innovative and vibrant insurance sector while protecting policyholders and making it easier for insurance firms to use long-term capital to unlock growth.

Mr Glen also reiterated that the reforms will safeguard policyholders with the overall level of policyholder protection remaining strong. The PRA

already has extensive powers to address individual firm risks which provide an additional layer of protection against firm failure.

The proposed Solvency II reforms, developed by HM Treasury alongside Prudential Regulation Authority (PRA), include: * A substantial reduction in the risk margin, including a cut of around 60-70% for long-term life insurers.

- More sensitive treatment of credit risk in the matching adjustment.
- A significant increase in flexibility to allow insurers to invest in long-term assets such as infrastructure.
- A meaningful reduction in the current reporting and administrative burden on firms.

The reforms are expected to create an opportunity worth in the region of tens of billions of pounds for insurance firms to invest in long-term capital to unlock growth, unleashing greater investment in UK infrastructure.

In his speech, the Minister reiterated the government's vision— set out by the Chancellor at Manion House last year – for turning the UK into the most green, open and dynamic financial services sector on the planet.

Further information

- The Economic Secretary's speech will be published [here](#) shortly after delivery:
- Solvency II sets out the prudential regulatory requirements for insurance firms within the EU. This includes financial resources, governance and accountability, risk assessment and management, supervision, reporting and public disclosure. It was introduced to harmonise EU-wide insurance regulation and came into force in 2016.
- The Government will publish a full consultation document on proposed UK reforms to Solvency II in April 2022. This will be followed by more detailed technical consultation by the PRA later in the year.
- The government recently published a policy document setting out how the UK is capitalising on the benefits of Brexit and how the government will use its new freedoms to transform the UK into the best regulated economy in the world: [The benefits of Brexit](#)