d-fine

# Post-Brexit Solvency: How UK Reforms Enable Smarter Capital Management

analytical. quantitative. tech.

2025

# Content

**Post-Brexit Solvency: How UK Reforms Enable Smarter Capital Management,** August 2025



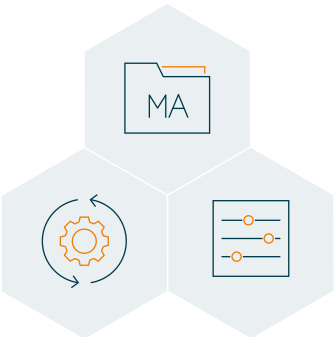

| | |
|---|---|
| 1. Introduction | Page 3 |
| 2. Overview of the main changes | Page 3 |
| 3. How d-fine can support you | Page 6 |

## 01. Introduction

Following the United Kingdom's departure from the European Union in 2020, and concurrent with the Solvency II review in Europe, the UK government launched an own review to set up a Solvency UK regime for the UK insurance market. In a series of consultation papers and policy statements that came into force on 1 January 2025, the Prudential Regulation Authority (PRA) proposed major reforms aimed at simplifying and increasing the flexibility of the regime while streamlining its overall structure. Taking that campaign one step further, the PRA recently proposed the introduction of the Matching Adjustment Investment Accelerator (MAIA) framework to enable faster and more capital-efficient investments by UK insurance firms in new assets. This paper provides a concise overview of the key changes within the reforms, focusing primarily on the Matching Adjustment and MAIA, and explores the opportunities for more efficient capital management available to insurance companies under the new regime.

## 02. Overview of the main changes

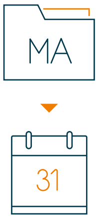
### 2.1 Improved flexibility and streamlining of the Matching Adjustment (MA)




- Expansion of eligible investments within MA portfolios
- Changes to MA calculation methodology and treatment of breaches
- Streamlining of the MA application process while enhancing governance and oversight requirements

The expansion of eligible asset and liability classes has the potential to increase capital benefits for life insurers or make MA more accessible to firms that have not previously used it. However, these benefits must be balanced against the additional governance requirements, particularly those affecting senior management. Furthermore, firms will need to allocate resources to adjust internal processes and systems to comply with the new requirements, such as the determination of fundamental spread additions and internal ratings. Firms utilizing internal models may also need to assess whether adjustments to their models will be necessary under the revised framework.

## 2.2 Matching Adjustment Investment Accelerator (MAIA)




- Possibility to include a limited quantity of self-assessed assets into the MA portfolio without specific prior approval and claim MA benefit immediately
- Transitional period of two years to obtain regular approval for MAIA assets
- Requirement for robust governance and contingency plans for MAIA assets accompanied by changes to the reporting requirements

The proposed MAIA reforms will enable insurers with MA permission to take advantage of time-sensitive investments by introducing a transitional two-year period with less onerous regulatory requirements. The immediate recognition of the MA benefit allows for better capital allocation, while efficiencies can be gained in the MA permission process by the possibility to group multiple assets into a single application. While larger firms are better placed to source new assets and can benefit more from the exposure limit proportional to the MA portfolio size, smaller firms tend to have narrower MA permissions and conversely have a larger potential to add new eligible assets. The requirements to develop a firm-owned MAIA policy and adjust further governance structures and processes are expected to incur costs, however, an individual assessment is more likely to show that the benefits outweigh the costs.

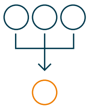
## 2.3 Improved flexibility of internal models

- Substantial reduction of required tests and standards to be met for internal models in development and operation:

Shifting the focus from prescriptive requirements to principle-based regulation allows for a more flexible and tailored risk management approach. For example, decoupling risk management and governance requirements from the internal model permission process can benefit a broader range of firms. Replacing the extensive profit and loss attribution (PLA) analysis with an annual analysis of change (AoC) exercise as a part of the internal model ongoing review (IMOR) is expected to provide a more efficient internal model validation process and free up resources for affected firms.

- Expedited internal model approval process (for both new models and model changes):

The introduction of conditional approval, contingent on qualitative or quantitative safeguards to mitigate any residual model limitations (RMLs), facilitates a more efficient approval process. An alternative method to address RMLs is provided by the formalization of the usage of model limitation adjustments (MLAs), although this might come with an increase in compliance efforts for firms. Furthermore, administrative changes to the internal model change policy will not require a variation of the existing permission and the PRA intends to respond to an application within six months of receipt. Altogether, this enables firms to gain initial approval for new internal models more easily and implement changes to existing models more swiftly.



- Calculation of consolidated group solvency capital requirements (SCR) using different approaches:

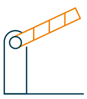
Allowing the use of multiple calculation approaches benefits insurance groups undergoing mergers and acquisitions by reducing regulatory burden and frictional costs and by providing a more accurate reflection of their risk profiles compared to previous methodologies. Firms will have up to six months after an acquisition to create a clear plan to integrate any internal models and a transitional period of up to two years thereafter to implement it.

## 2.4 Simplifications and overall streamlining

- New default method for calculating transitional measures on technical provisions removing reliance on Solvency I models
- Significant streamlining of reporting requirements
- Redenomination of monetary values from EUR to GBP

The proposed changes streamline the requirements, resulting in process efficiencies and operational improvements. While firms will face one-time implementation costs for adapting their processes and calculations, the long-term reduction in resource requirements is expected to outweigh these initial expenses.

## 2.5 Improved flexibility for smaller insurers and new market entrants



- Removal of the requirement for foreign insurer branches to calculate SCR
- Increase of size thresholds for insurers subject to the regulatory regime
- Introduction of an optional mobilization regime for new insurers

These reforms reduce compliance costs and administrative burdens for insurers while making the UK market more attractive for new entrants and expansion efforts.

In summary, the new Solvency UK regime, reinforced by the MAIA proposal, introduces a wide range of changes focused on simplification, enhanced flexibility, and reduced regulatory complexity. These reforms offer insurance firms additional options for aligning solvency capital requirements more closely with their specific risk profiles while improving operational efficiency. Although the transition to the new framework entails implementation costs, firms that assess their individual circumstances carefully may identify opportunities for more efficient capital allocation.

03.

## How d-fine can support you

d-fine is a London-based consulting firm specializing in analytical, quantitative, and technological solutions tailored to our clients' needs. Based on our extensive Solvency expertise, we have a strong track record of supporting our clients in the insurance sector to design, implement and automate efficient solutions in all areas of risk management. Our comprehensive consulting approach includes supervisory audit support, helping you navigate compliance challenges effectively. Partner with us to profit from our market insights and proven solutions and to gain a competitive edge in the market.

Our experts are available to share their experience with you:
SolvencyUK@d-fine.co.uk

**Authors**


**Dr. Hristo Velkov**
Manager and Solvency UK Expert
d-fine GmbH, Frankfurt
Hristo.Velkov@d-fine.com

**Dr. Jochen Kienert**
Partner and Risk & Capital Expert
d-fine GmbH, Berlin
Jochen.Kienert@d-fine.com

**Milan**
d-fine s.r.l.
Via Giuseppe Mengoni 4
20121 Milano MI
Italy
milano@d-fine.com

**Berlin**
d-fine GmbH
Kranzler Eck
Kurfürstendamm 21
10719 Berlin
Germany
berlin@d-fine.de

**Munich**
d-fine GmbH
Bavariafilmplatz 8
82031 Grünwald
Germany
muenchen@d-fine.de

**Dusseldorf**
d-fine GmbH
Gustaf-Gründgens-Platz 5
40211 Dusseldorf
Germany
duesseldorf@d-fine.de

**Stockholm**
d-fine AB
Brahegatan 10
11437 Stockholm
Sweden
stockholm@d-fine.se

**Frankfurt**
d-fine GmbH
An der Hauptwache 7
60313 Frankfurt
Germany
frankfurt@d-fine.de

**Utrecht**
d-fine B.V.
Stadsplateau 7
3521 AZ Utrecht
Netherlands
utrecht@d-fine.nl

**Hamburg**
d-fine GmbH
Am Sandtorpark 6
20457 Hamburg
Germany
hamburg@d-fine.de

**Vienna**
d-fine Austria GmbH
Seilerstätte 13
1010 Vienna
Austria
wien@d-fine.at

**London**
d-fine Ltd
14 Aldermanbury Square
London, EC2V 7HR
United Kingdom
london@d-fine.co.uk

**Zurich**
d-fine AG
Brandschenkestrasse 150
8002 Zurich
Switzerland
zuerich@d-fine.ch

d-fine