

# Senior management and supervision

## AF6: 2023–24 edition

### Web update 1: 01 December 2023

Please note the following update to your 2023–24 edition of the **AF6** study text.

This update refers to references in Chapter 3 to Solvency II. In particular, sections 3A4A, 3A5A and 3A5F.

The Solvency II regulations have applied to UK-based insurers and reinsurers since 2016. These are the Europe-wide regulations introduced by the EU that are designed to ensure that insurers have sufficient capital to meet their solvency requirements and so protect policyholders and beneficiaries. It sets out both qualitative and quantitative requirements, including governance and risk management and elements such as the Own Risk and Solvency Assessment (ORSA).

On leaving the EU, the Government introduced **The Solvency II and Insurance (Amendments etc.) (EU Exit) Regulations 2019**. This was designed to ensure that UK insurers continued to be subject to the provisions of Solvency II – even though the UK was outside the EU.

At the time of writing (late November 2023), these Regulations are in the process of being replaced by the **Financial Services and Markets Act 2023**. This is a wide-ranging piece of legislation that will result in change to many parts of the UK regulatory landscape. Elements of this came into effect on 29 August 2023 with the balance coming into force on 1 January 2024.

It brings control of the UK financial services industry back fully ‘in house’ to the UK, rather than following EU requirements. In practical terms, the UK Government will continue to set the overall policy framework with the ‘regulators’ (BoE, PRA and FCA) setting the detailed rules to be followed by individual regulated firms.

It’s important to note that the UK is now outside of the EU and following a political agenda to diverge the UK rules away from EU requirements. As a result, a UK insurer is no longer able to automatically trade within EU members but instead, must establish local offices and meet local requirements.

To overcome these barriers, the UK would like to obtain ‘equivalence’ status from the EU. This means that the EU recognise that the UK – although it is now known as a ‘third country’ – has a regulatory system, which is equivalent in robustness to that of the EU. Given the Government’s stated aim of diverging from EU rules (which ultimately is the purpose of the Financial Services and Markets Act 2023), this seems unlikely.