



ISLE OF MAN
FINANCIAL SERVICES AUTHORITY

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Feedback Statement
Insurance (Class 12 and 13 Valuation and
Solvency) Regulations 2026,
Insurance (Valuation, Solvency and
Miscellaneous) (Amendment) Regulations 2026
and Insurance (Corporate Governance)
(Amendment) Guidance Notes 2026

FS26-06

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Glossary

Authority / IOMFSA	Isle of Man Financial Services Authority
BSCR	Basic solvency capital requirement
IOMCA	Isle of Man Captive Association
TP5	Technical provisions - general liability insurance

1. Background

This Feedback Statement is issued by the Isle of Man Financial Services Authority following Consultation Paper CP26-01¹.

The purpose of the consultation was to introduce the draft Insurance (Class 12 and 13 Valuation and Solvency) Regulations 2026, Insurance (Valuation, Solvency and Miscellaneous) (Amendment) Regulations 2026 and Insurance (Corporate Governance) (Amendment) Guidance Notes 2026, which contain proposals for a simplified class 12 regulatory valuation and solvency framework, together with consequential and other miscellaneous amendments. The proposals also include a transposition with some amendments of the class 13 regulatory valuation and solvency framework from Schedule 2 of the Insurance Regulations 2025.

The consultation period ran for a 6-week period, until 13 July 2026.

The Authority has contacted the recipients listed in [Appendix A](#) directly to provide a link to this Feedback Statement.

2. Summary of Responses

Consultation paper CP26-01 asked seven specific questions about the proposals in the paper.

There was a total of three responses to the consultation from three of the Island's four commercial captive insurance managers and, although feedback was not limited to the seven questions asked, all the responses corresponded to those questions.

All respondents are members of IOMCA.

Question	Responses received	The Authority's comments
Do you agree with the wider use of accounting amounts for preparation of the regulatory balance sheet (regulations 7 to 9)?	1. Yes 2. Yes 3. Yes	
Do you agree with the removal of the requirement to include a regulatory risk margin in technical provisions (regulation 9)?	1. Yes 2. Yes 3. Yes	
Do you agree with the Authority having flexibility to refine the	1. Yes, we believe the IOMFSA should have this flexibility.	

¹ [Link](#)

class 12 valuation and BSCR requirements over time where proportionate to the Island's captive insurance sector (regulations 10 and 22)?	2. Yes 3. Yes	
Do you agree with the simplified requirements for class 12 BSCR (regulations 11 to 31)?	1. Yes, we have some comment on the simplified requirements (see paragraph 3.1 below). 2. Yes. We would request further discussion in respect of (see paragraph 3.2 below). 3. Yes	All the matters raised are part of the review mentioned in paragraph 4 below.
Do you agree with Isle of Man Banks being included in class 13 approved banks (regulation 33)?	1. Yes 2. Yes 3. Yes	
Do you agree with including provisions for class 13 insurers to be potential standby authorised insurers (regulations 35 and 36)?	1. Yes 2. Yes 3. Yes	
Do you agree with capital add-ons being included within the class 13 framework (regulation 36)?	1. Yes 2. Yes 3. Yes	

3. Additional comments from respondents

The following are comments of respondents as indicated in 2 above.

3.1 We would request further discussion in respect of the following:

- The treatment of called up but unpaid share capital as Tier 2 capital and the limitation of up to 50% of the solvency capital requirement.
- The capital factor of 7.5% for type 2 exposures overdue for less than 90 days in respect of counterparty default risk.
- The capital factor of 1.2% in respect of spread risk.

- The capital factor of 10% in respect of net premium written and claims reserves in respect of underwriting risk (consideration could be given to a reduced capital factor or a simple form of diversification based on number of lines of business, rather than the allocation of the net written premium or claims reserves to specific lines of business).

3.2 Comments in respect of BSCR calculation:

- Deferred Acquisition Costs
 - We do not feel this asset should be disallowed. Certain domiciles, such as Bermuda and Guernsey, allow this asset in their regulatory balance sheet. It would be good if the IOMFSA had a definition of Deferred Acquisition Costs vs Deferred Expenses.
 - Using examples we have [with reference to the above, some specific examples were provided by respondents]. Hence, we do not see why this asset should be disallowed.
- Underwriting Risk
 - The requirement is to use written premium rather than earned premium. Where a captive underwrites a long term policy, in excess of one year, it is likely to make the capital requirements for this risk fluctuate significantly from year to year.
 - Underwriting Risk has used a factor of 10%. This seems to “penalise” an insurer which underwrites mainly Property and Liability risks (although we note the factor currently applied to TP5 is higher than 10%).
What is the rationale for the 10% factor?
- Interest Rate Risk
 - If technical provisions are not discounted, why should they be included as an interest rate risk? Our understanding from discussions with the IOMFSA is that they will be excluded although this should be clarified in the regulations.
 - We do not believe Group Loans should be included as an asset in the interest rate risk. The value of the Group Loan cannot change by interest rate movements; the amount of interest income receivable will be sensitive. Like other domiciles, such as Guernsey, we believe should be excluded.
- Counterparty Risk
 - Where the parent company of an insurer is owned by the State, could the IOMFSA not allow the credit rating of the sovereign state to be used?

4. Changes to the Proposals

Following the closing date of the consultation, the UK issued its consultation CP11/26 – A tailored regime for captive insurance. The Authority was requested by IOMCA to review the proposals for captive insurers in terms of proportionality and competitiveness with the UK’s proposals.

The Authority has commenced that review (which is ongoing) in collaboration with IOMCA, whose members manage all captive insurers impacted by the proposals, including smaller insurers.

Any changes will be communicated to all affected parties (all captive insurers) in due course following that review process.

5. Next Steps

After finalisation of the proposals, the Authority envisages bringing the revised Insurance (Class 12 and 13 Valuation and Solvency) Regulations 2026, Insurance (Valuation, Solvency and Miscellaneous) (Amendment) Regulations 2026 and Insurance (Corporate Governance) (Amendment) Guidance Notes 2026 into operation at the earliest opportunity.

6. Questions

In case of any query on this Feedback Statement please contact —

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If you have a query in relation to how the related consultation was carried out, please contact the Authority's Policy & Risk Division by email at Policy@iomfsa.im or by telephone on +44 1624 646000.

Appendix A – List of Specific Recipients

- IOMCA