



ISLE OF MAN
FINANCIAL SERVICES AUTHORITY

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Consultation Paper
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

CP26-01

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Contents

Glossary.....	2
1. Executive Summary.....	4
1.1 Overview	4
1.2 Purpose	4
1.3 Interested persons	4
1.4 How to respond	4
1.5 Next steps	4
1.6 Questions	4
2. Consultation Process.....	5
2.1 The Authority’s regulatory objectives	5
2.2 Basis for consultation.....	5
2.3 Responding to the Consultation Paper	5
2.4 Confidentiality and data protection	5
3. Proposals.....	6
3.1 Tables of proposed changes for each set of Regulations	6
3.2 Consequential changes to Insurance (Non Long-Term Business Valuation and Solvency) Regulations 2021	10
4. Impact Assessment	10
5. Questions	10
Appendix A – List of Specific Recipients	13
Appendix B – Insurance (Class 12 and 13 Valuation and Solvency) Regulations 2026	14
Appendix C – Insurance (Valuation, Solvency and Miscellaneous) (Amendment) Regulations 2026	14
Appendix D – Insurance (Corporate Governance) (Amendment) Guidance Notes 2026	14

Glossary

Authority	Isle of Man Financial Services Authority
Captive	An insurer authorised in respect of class 12
Class 12	Captive insurance
Class 13	Insurance Special Purpose Vehicle (or ISPV)

Engagement Hub	Isle of Man Government's Engagement Hub ¹
FSA08	Financial Services Act 2008
IA08	Insurance Act 2008
IOMCA	Isle of Man Captive Association
ISPV	An abbreviation of 'Insurance Special Purpose Vehicle' – an insurer authorised in respect of class 13
MCR	Minimum capital requirement
SCR	Solvency capital requirement

¹ <https://consult.gov.im/>

1. Executive Summary

1.1 Overview

This Consultation Paper ('Paper') is issued by the Isle of Man Financial Services Authority, which is the regulatory body for financial services in the Isle of Man.

1.2 Purpose

The Paper introduces 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 SCR framework, together with consequential and other miscellaneous amendments. The proposals also include a transposition with some amendments of the class 13 MCR and SCR framework from Schedule 2 of the Insurance Regulations 2025.

1.3 Interested persons

Insurers, insurance managers and their advisors.

1.4 How to respond

This Consultation Paper has been published on the Engagement Hub. It is also accessible from the Authority's website.

Responses made by email to non-life@iomfsa.im and, if in an attachment, preferably in a format where the content is easy to extract for analysis. Alternatively, you can submit responses by post to:

Alan Rowe

Senior Manager - Insurance

Isle of Man Financial Services Authority

PO Box 58, Finch Hill House, Bucks Road, Douglas, Isle of Man, IM99 1DT

1.5 Next steps

The Authority will be undertaking a quantitative impact study with IOMCA during the consultation period.

Following closure of the consultation period on 13 July 2026, the Authority will review the responses received and publish a Feedback Statement on the Engagement Hub and the Authority's website.

1.6 Questions

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

2. Consultation Process

2.1 The Authority's regulatory objectives

The Authority's regulatory objectives are set out in section 2(2) of the FSA08 as —

- (a) securing an appropriate degree of protection for policyholders, members of retirement benefits schemes and the customers of persons carrying on a regulated activity;
- (b) the reduction of financial crime; and
- (c) the maintenance of confidence in the Island's financial services, insurance and pensions industries through effective regulation, thereby supporting the Island's economy and its development as an international financial centre.

2.2 Basis for consultation

The Authority has issued this Consultation Paper in accordance with sections 50(3) and 51(6) of the IA08.

The Authority has contacted the recipients listed in [Appendix A](#) directly to provide a link to this Consultation Paper. Feedback from other interested persons is welcome.

2.3 Responding to the Consultation Paper

Open dialogue with stakeholders is an essential element for successful development of the Authority's proposals. Constructive feedback will help the Authority reach an informed decision on the content of the proposals and manner of implementation. Respondents should note the following when responding to this consultation:

- Submissions received by the closing date will be considered but may not necessarily result in a change to the proposals following a review of all responses received.
- Professional bodies, trade associations and other representative groups should provide a summary of the persons they represent and the method used to obtain input.
- Anonymous submissions will not be considered or included in the Feedback Statement.

2.4 Confidentiality and data protection

The information you send may be published in full or in a summary of responses. All information in responses, including personal data, may be subject to publication or disclosure in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2015 and the Data Protection Act 2018) with which the Authority is obliged to comply.

If you want your response to remain confidential, you should explain why confidentiality is necessary and your request will be agreed to only if it is appropriate in the circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding.

The Authority is registered with the Information Commissioner as a data controller under Isle of Man data protection legislation. It collects and processes personal data to carry out its functions under relevant legislation and may share personal data with other parties where there is a legal basis for doing so. Further information on how the Authority collects and processes personal data can be found in the [Privacy Notice](#) on the Authority's website².

3. Proposals

The current class 12 SCR and MCR framework is included in the Insurance (Non Long-Term Valuation and Solvency) Regulations 2021 and the current Class 13 MCR and SCR framework is included in Schedule 2 of the Insurance Regulations 2025.

This consultation is requesting feedback on the –

- draft Insurance (Class 12 and 13 Valuation and Solvency Regulations) 2026 which –
 - introduce a new, simplified and proportionate class 12 SCR framework;
 - integrate the class 13 MCR and SCR framework from the Insurance Regulations 2025; and
 - make miscellaneous changes to the existing Class 12 and 13 MCR and Class 13 SCR framework, and consequential changes for consistency with the draft class 12 framework;
- draft Insurance (Valuation, Solvency and Miscellaneous) (Amendment) Regulations 2026 which make miscellaneous changes to the Insurance Regulations 2025, and consequential changes in respect of the Insurance (Class 12 and 13 Valuation and Solvency) Regulations 2026 to the Insurance (Long-Term Business Valuation and Solvency) Regulations 2021 and Insurance (Non Long-Term Business Valuation and Solvency) Regulations 2021; and
- draft Insurance (Corporate Governance) (Amendment) Guidance Notes 2026 which make consequential changes to the Corporate Governance Code of Practice for Insurers 2021 in respect of the proposed new class 12 SCR framework and some other minor amendments.

3.1 Tables of proposed changes for each set of Regulations

The tables below set out material adjustments made to existing regulations. Minor amendments and those considered to be self-explanatory are not explained.

Marked up copies of each set of Regulations are attached to the consultation paper in **Appendices B to D** (changes are indicated in blue text).

(The blue colour coding is provided in place of an automatically generated 'mark up' document which would be hard to follow. Deletions are not shown but may be referred to in this document. Whilst every effort has been made to ensure accuracy in the colour coding we do not guarantee that it is without error.)

² <https://www.iomfsa.im/terms-conditions/privacy-notice/>

Insurance (Class 12 and 13 Valuation and Solvency) Regulations 2026

New Ref	Old Ref	Description
Reg: all except Part 4		Class 12 Valuation and Solvency requirements moved and amended from the Insurance (Non Long-Term Business Valuation and Solvency) Regulations 2021 to the Insurance (Class 12 and 13 Valuation and Solvency) Regulations 2026
Reg 3 various		Additional definitions included for consistency, clarity and ease of use.
Reg 7 and 8		The regulatory balance sheet now allows more use of accounting amounts in accordance with approved accounting standards. Adjustments include revised requirements in respect of intangible assets and deferred acquisition costs.
Reg 9		Technical provisions allow more use of accounting provisions in accordance with approved accounting standards. A regulatory risk margin is no longer required but any accounting margin for uncertainty in best estimate claims provisions is included. Changes also include simplified requirements for analysis of technical provisions.
Reg 10		Provides the Authority with flexibility to refine the valuation requirements over time if proportionate to the Island's captive or ISPV sector.
Reg 11(3)		Clarifies how own-funds are applied to a capital requirement of £0.
Reg 13(1)(a)(vi)		'Other market risks' has been separated from 'Type 2 equities' for ease of identification and analysis of alternative investments.
Reg 13(4)		More specifically supports the Authority in specifying which risks are to be applied to assets and liabilities for regulatory solvency and reporting purposes.
Reg 14-21		<i>The simplified requirements in regulations 14 to 21, along with the valuation requirements in regulations 7 to 9 and other supporting provisions, will be the subject of a qualitative impact study to be carried out with IOMCA during the consultation period with a view to testing the proposals and refining them if appropriate. The proposals include simplifications which significantly reduce the regulatory burden in respect of captive insurers in the Island.</i>
Reg 14		Introduces simplified capital requirements in respect of interest rate risk.
Reg 15		The capital requirement in respect of equity risk is changed such that 'other market risks' has been separated from 'Type 2 equities'. The corresponding risk capital factors have been adjusted for a simplified approach to diversification.
Reg 16		The capital requirement in respect of property risk is largely unchanged.
Reg 17		Introduces simplified capital requirements in respect of currency risk. The corresponding risk capital factor has been adjusted for a simplified approach to diversification.
Reg 18		Introduces simplified capital requirements in respect of spread risk.
Reg 19		'Other market risks' was previously part of 'Type 2 equities' and retains the same capital factor and diversification adjustment as that category.
Reg 20		Introduces simplified capital requirements in respect of counterparty default risk. The corresponding risk capital factors have been adjusted

		for a simplified approach to diversification and the treatment of certain high credit quality-rated counterparties.
Reg 21		Introduces a simplified capital requirement in respect of underwriting (premium and reserve) risk. The corresponding risk capital factors have been adjusted for a simplified approach to diversification.
Reg 22		Provides the Authority with flexibility to refine the BSCR requirements over time if proportionate to the Island's captive sector.
Reg 23		Capital add-on provisions are now shown in Schedule 4 to the regulations.
Reg 26(4)		Allows a class 12 insurer to more readily use the different approaches available under the 'look through' requirement (i.e. full look-through, target allocations or treat as other market risk).
Reg 27(1)(a)(ii)		In respect of a new risk arising from a risk mitigation technique, requires that the risk is provided for in the calculation of the BSCR (removing the need to assess the adequacy of its treatment for BSCR purposes).
Reg 28(2)		Has been amended to apply only to stop loss arrangements for an entire book of business.
Reg 30(2)(b)		Has been updated to include some particulars as to requirements
Reg 3, 4, Parts 4 and 5	Sch 2	Class 13 Valuation and Solvency requirements moved and amended from the Insurance Regulations 2025 to the Insurance (Class 12 and 13 Valuation and Solvency) Regulations 2026
	Sch 2 para 4(3)	Omitted as simply containing examples which can be included in guidance and information published by the Authority.
Reg 32	Sch 2 para 6(1), (4) and (5)	Updates the class 13 exemption from the Insurance (Long-Term Business Valuation and Solvency) Regulations 2021 and Insurance (Non Long-Term Business Valuation and Solvency) Regulations 2021 as a consequence of the proposals.
Reg 33 "approved bank"	Sch 2 para 1	Includes credit quality step 3 (including Isle of Man licenced banks).
Reg 33 "maximum aggregate residual exposure"	Sch 2 para 1 and 4	'Residual' has been added to better reflect the requirement.
Reg 33 "relevant balance sheet"	Sch 2 para 1	The term 'calculation date' has replaced with 'valuation date' which is more consistent with terminology used in the Authority's other (non-class 13) valuation and solvency regulations.
Reg 35(2)(e)	n/a	Provides for a potential standby class 13 insurer.
Reg 35(3)	n/a	Clarifies how own-funds are applied to a capital requirement of £0.
Reg 36	Sch 2 para 6(2)	Amended for consistency of wording with other non-class 13 valuation and solvency regulations.
Reg 36(3)(b)	n/a	Applies the existing capital add-on framework to class 13 insurers.
Reg 38(2)(a)	n/a	Specifies a requirement for an class 13 insurer to have certainty of maximum exposure to allow certainty in assessment of full funding.
Reg 38(3)(c)	n/a	Recognises the potential for class 13 insurers to use contractual offsets.
Reg 39(c)	Sch 2 para 3(1)(b)	Clarifies that this provision applies to subordinated debt.
Part 5	Sch 2 para 6(1) and 6(4) to 6(7)	Part 5 of the proposed new Regulations now directly provides for class 13 insurer own-funds rather than referencing other regulations and modifying their application.
Part 5		Own-Funds
43(3)		More specifically links 'own-funds' to terminology under the Act.

43(5)		Includes revised requirements in respect of assets subject to a charge or other limitations of use.
44(2)(a)		Provides the Authority with flexibility to refine the own-fund eligibility requirements over time if proportionate to the Island's captive sector.
44(3)		Extends the limitation applicable to Tier 1 items to MCR. And more specifically provides for wider use of preference shares in respect of PCC cells.
44(4)		Simplifies and extends to class 13 MCR the flexibility available under class 13 SCR to include Tier 2 and 3 own-fund items.
47(2)(a)(ii)		Amended to include protected cell companies under the Companies Act 2006.
Schedule 1		Schedule 1 – Diversification Adjustment and Correlation Matrices
Para 2		'Other market risks' was previously part of 'Type 2 equities'.
Para 3		Updated to accommodate the simplified underwriting (premium and reserves) risk.
	Various	Correlation matrices for the following risks have been removed due to simplified diversification assumptions used in revised capital factors: equity, currency and counterparty default, as well as underwriting premium and reserve. Market concentration risk requirements have been removed in full and catastrophe risk and operational risk continue to be omitted.
Schedule 2		Schedule 2 – Factors, Tables and Additional Matters
Various		The risk categories and capital factors have been simplified. Also, under counterparty default risk, an additional look-through provision is included such that unrated Isle of Man banks may use a credit quality step of a holding company of the bank or 6% (the equivalent of credit quality step 3, reduced from 3.5).

Insurance (Valuation, Solvency and Miscellaneous) (Amendment) Regulations 2026

New Ref	Description
Reg 3 and 4	Amends the Insurance (Long-Term Business Valuation and Solvency) Regulations 2021 and Insurance (Non Long-Term Business Valuation and Solvency) Regulations 2021 to reflect the updated exemption (referred to in reg 32 in the table above) in respect of class 13.
Reg 6(a)	Clarifies that the specification involved can only be provided by the Authority.
Reg 6(b)	Amended to more specifically provide for reinsurance written by a class 12 insurer.
Reg 6(c)	Clarifies that the term "associate" has its common meaning for the purposes of the paragraph in question.
Reg 7	This regulation organises the class 13 provisions which remain in the Insurance Regulations 2025 and are not being transferred to the proposed Regulations.
8(1)(d)	Clarifies that the specification involved can only be provided by the Authority

Insurance (Corporate Governance) (Amendment) Guidance Notes 2026

New Ref	Description
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Para 4	This removes the summary ORSA, which will be replaced with a simplified regulatory reporting requirement under regulation 19 of the Insurance Regulations 2025.
Para 5	Clarifies that the SCR (a regulatory intervention point based on general market assumptions) is not a substitute for own risk and solvency assessment supporting capital adequacy (which is based on each insurer's particular risk profile).
Para 6(3)	Amended to more clearly support guidance issued by the Authority.

3.2 Consequential changes to Insurance (Non Long-Term Business Valuation and Solvency) Regulations 2021

As a result of the proposals in respect of class 12, with the necessary amendments, class 12 provisions will be removed from the Insurance (Non Long-Term Business Valuation and Solvency) Regulations 2021 such that requirements in respect of class 3 to 9 and 11 will remain unchanged.

4. Impact Assessment

The changes being proposed were requested by IOMCA and are therefore expected to be well received by industry.

The changes are expected to significantly reduce the regulatory administrative burden in respect of the Island's captive framework.

The Authority will be undertaking a quantitative impact study with IOMCA during the consultation period which will encompass all firms managed by IOMCA's members, including smaller insurers.

Outcomes will be tested during the quantitative impact study and consideration given to any significant matters identified. However, insurers and their managers are reminded that simplifying the regulatory framework may result in more prudent requirements for some insurers due to the loss of sophistication and risk sensitivity.

5. Questions

Question 1

What is your name? (Required)

Response:

Question 2

What is your email address? (Required)

Response:

Question 3

May we publish your response? Please read our [Privacy Notice](#) for more details and your rights. (Required)

Response:

Yes, you can publish my response in full;

Yes, you may publish my response anonymously; or

No, please do not publish my response.

The following questions do not limit a respondent from commenting on any aspect of the proposals.

Question 4

Do you agree with the wider use of accounting amounts for preparation of the regulatory balance sheet (regulations 7 to 9)?

Response:

Question 5

Do you agree with the removal of the requirement to include a regulatory risk margin in technical provisions (regulation 9)?

Response:

Question 6

Do you agree with the Authority having flexibility to refine the class 12 valuation and BSCR requirements over time where proportionate to the Island's captive insurance sector (regulations 10 and 22)?

Response:

Question 7

Do you agree with the simplified requirements for class 12 BSCR (regulations 11 to 31)?

Response:

Question 8

Do you agree with Isle of Man Banks being included in class 13 approved banks (regulation 33)?

Response:

Question 9

Do you agree with including provisions for class 13 insurers to be potential standby authorised insurers (regulations 35 and 36)?

Response:

Question 10

Do you agree with capital add-ons being included within the class 13 framework (regulation 36)?

Response:

Appendix A – List of Specific Recipients

- IOMCA

Appendix B – Insurance (Class 12 and 13 Valuation and Solvency) Regulations 2026

Appendix C – Insurance (Valuation, Solvency and Miscellaneous) (Amendment) Regulations 2026

Appendix D – Insurance (Corporate Governance) (Amendment) Guidance Notes 2026