

# INSURANCE UPDATE

In this update we discuss the PRA's consultation on the introduction of a "Matching Adjustment Investment Accelerator", as well as recent FCA publications on the distribution of pure protection products and its review of retail conduct rules.

## THE MATCHING ADJUSTMENT INVESTMENT ACCELERATOR

### Overview

On 8 April 2025, the PRA published a [consultation paper \(CP7/25\)](#) proposing the introduction of a new framework, referred to as the "Matching Adjustment Investment Accelerator (MAIA)". The MAIA is intended to facilitate firms taking advantage of certain investment opportunities more quickly by allowing them to include MA eligible assets with new features in their MA portfolio without needing to apply first to vary the scope of their MA permission.

In the consultation, the PRA states that it expects the effects of the reform to "*promote growth in the UK insurance sector and broader economy*". The potential introduction of a MAIA had been trailed in Sam Woods' [letter to the Prime Minister](#) in January 2025, where he stated that "*This innovation would reduce barriers to investment by insurance firms, enabling them to deliver more quickly on their commitments to make additional investments in the UK and so support economic growth*".

The consultation period ends on [4 June 2025](#). The PRA expects that the proposals could be implemented in [Q4 2025](#) (apart from any consequential changes to the Matching Adjustment Asset and Liability Information Return (MALIR), which would take effect from 31 December 2026).

### Rationale for the reform

In the consultation paper, the PRA reports that participants in a Subject Expert Group which met between March and July 2024 stated that they were unable to invest in certain assets that they considered to be MA eligible for inclusion in the MA portfolio under the PRA's rules. This was due to investment windows being shorter than the time expected to be required to vary MA permissions to include such assets with new features (which can take up to six months). Although the PRA has worked on reducing decision times for MA permission applications following reforms to UK Solvency II, the process can still be longer than the investment window opportunity.

In its Cost Benefit Analysis, the PRA estimates that across the annuity sector c.£10 billion could be invested using MAIA permissions at any one time if fully utilised (although this will very much depend on how the sector responds to the changes). The PRA does acknowledge that there is uncertainty about how much of this would be invested in UK productive assets.

### MAIA permissions and policies

Firms which wish to make use of the MAIA will need to apply for a MAIA permission. The permission will enable firms to make investments in assets that they are satisfied are MA eligible but are not within the scope of their existing MA permission and to claim an MA benefit immediately. An MAIA permission will be granted by the PRA using its powers under section 138BA of FSMA, and the PRA's approach to granting, varying and revoking MAIA permissions will be set out in an updated Statement of Policy on Matching Adjustment Permissions and Matching Adjustment Accelerator Permissions.

Firms applying for a MAIA permission will need to establish suitable procedures and controls, including maintaining a MAIA policy and having in place contingency plans for each MAIA asset to be followed if the asset is ultimately determined not to be MA eligible. This is intended to reduce the risk of disorderly sales of ineligible assets.

Firms will also be required to propose an appropriate MAIA exposure limit as part of the application. The starting expectation is that an appropriate MAIA exposure limit (applied on a group basis) would be the lower of:

- 5% of the best estimate of the liabilities of the MA portfolio (net of reinsurance); and
- an amount proposed by the firm which is no greater than £2 billion.

The PRA plans to amend SS7/18 (Solvency II: Matching adjustment) to set out expectations in respect of MAIA policies. This includes policies in respect of governance and oversight, intended use of the MAIA permission, establishment and review of contingency plans, and the MAIA risk appetite framework.

Other requirements will include:

- firms would need to apply for variation of the MA permission within 24 months of inclusion of the MAIA assets in the MA portfolio;
- firms would be required to update relevant policies (including the liquidity plan) to consider the risk that MAIA assets are ultimately determined not to be MA eligible, and therefore need to be removed from the MA portfolio; and
- there would be new reporting requirements of a “MAIA use report” and changes to the MALIR.

### Consequential changes

The PRA will also make consequential changes to two supervisory statements:

- SS8/18 - Internal Models - Modelling of Matching Adjustment: firms with permission to use the MAIA will be expected to consider the extent to which its use introduces any additional material and quantifiable risks, and should not take MAIA assets into account as part of rebalancing assumptions; and
- SS5/25 - Funded Reinsurance: in setting limits and assessing collateral management arrangements, a new expectation will apply that firms should not assume recapture of funded reinsurance assets with new features using the MAIA permission.

## FCA PUBLICATIONS

### Distribution of pure protection products

On 21 March 2025 the FCA launched a [market study \(MS24/1\)](#) into the distribution of pure protection products to retail consumers. This follows the publication of the draft terms of reference in August 2024.

The study will look in particular at areas of concern resulting from the use of commission to remunerate intermediaries. These include:

- unnecessary rebroking to earn repeat commissions
- unsuitable product sales
- entry of lower quality intermediaries into the market resulting from commission being paid upfront
- issues arising from the use of restricted panels/tied arrangements.

The FCA will also look at whether products provide fair value and whether the market supports innovation and growth.

The study will focus on the sale of: term assurance, critical illness cover, income protection insurance and whole of life insurance.

Unlike insurance-based investment products, the sale of pure protection products was not part of the FSA’s retail distribution review, conducted in 2009-2012, which resulted in a ban on commission payments to intermediaries in respect of relevant products. The FCA has said it has an open mind going into the market study as to expected findings. It plans to publish an interim report and proposed next steps around the end of the year.

### Simplifying retail conduct rules and guidance

On 25 March 2025 the FCA published a [feedback statement](#) on its call for input on simplifying retail conduct rules and requirements. The call for input, which was published in July 2024, had asked for feedback on where the FCA’s retail conduct rules and guidance could be streamlined in order to rely more on high level rules such as the Consumer Duty.

The FCA’s planned next steps vary, reflecting varying feedback to the call for input. The feedback statement contains a lengthy list of areas where the FCA will look to make changes, including some relatively high level proposals such as clarifications of various aspects of the FCA Handbook. Some key planned next steps relevant to the insurance sector include:

- a review of whether FCA conduct rules should apply to firms serving customers outside the UK, while adhering to international obligations;
- a consultation on proposed changes to the definition currently used by the FCA in the insurance sector to determine which SME customers need protecting under the rules applying to retail customers;
- a consultation on the regulation of commercial and bespoke insurance business, following on from the [discussion paper](#) published in July 2025,

and including some additional areas not covered in the DP; and

- a review of the reporting requirements linked to the insurance pricing rules.

Other more general areas for review include: updating aspects of the Client Assets sourcebook; clarifying the interaction of the product governance and fair value rules; retiring outdated guidance; and reviewing the Senior Management Arrangements, Systems and Controls Sourcebook.

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