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Insurance Regulatory eBulletin

Round up of regulatory developments - February 2026



Welcome to our Insurance Regulatory eBulletin

Welcome to the February Insurance Regulatory eBulletin. This aims to keep you updated with significant regulatory developments up to the end of January 2026.

This month's bulletin also includes:

- **Solvent Exit Planning:** article by [William Diffey](#), Director in BDO's Financial Services Advisory team. The PRA has set a significant milestone for insurers with Solvent Exit Planning. By 30 June 2026, all insurers within scope must have a compliant Solvent Exit Analysis (SEA) in place. The extensive work required for these expectations is proving to be complex and time-consuming for many insurers.
- **Tax Risk Management:** article by [Martin Callaghan](#), Partner and in BDO's Financial Services Tax team. HMRC has introduced a new programme of cross tax, audit led reviews targeting operational tax compliance—with the insurance sector, one of three sectors prioritised for review. This marks a meaningful shift towards more intensive, system focused, multi day onsite assessments.

PRA: the PRA published the Berne Financial Services Agreement (BFSA): Effective from January 2026, this agreement between the UK and Switzerland enhances cross-border market access for financial services. The PRA, FCA and European Supervisory Authorities released an MoU to coordinate oversight activities for critical ICT third-party service providers in the EU and UK. Finally, and as covered in last month's newsletter, they published their supervision priorities for 2026.

FCA: The FCA updated guidance for firms to prevent and recover from disruption, with new reporting requirements proposed. It reviewed smaller mutual life insurers' adherence to Consumer Duty standards, finding issues with target market definitions and value assessments. The FCA also published updated guidance on addressing bribery risks, issued a consultation paper to explore AI's future impact on retail financial services, and issued a market study into pure protection policy distribution to retail customers.

FRC & ICO: The Financial Reporting Council (FRC) outlined its priorities for 2026, focusing on enhancing corporate governance standards. The Information Commissioner's Office (ICO) issued a Memorandum of Understanding with the UK government was to improve data protection standards and transparency.

HM Treasury (HMT) highlighted a Post-Quantum Cryptography Roadmap in which the G7 Cyber Expert Group published a roadmap addressing cryptographic risks from quantum computing. It issued Financial Sanctions Guidance with Updated guidance on ransomware payments and related enforcement actions. Finally, it published an update on progress versus the Women in Finance Charter - this update gives an update on increasing female representation in senior management roles.

EIOPA published several reports and guidelines, including stress testing for ESG risks and supervisory statements related to private equity in insurance. These updates reflect ongoing efforts to enhance regulatory frameworks, improve operational resilience, and address emerging risks in the financial sector.



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Solvent Exit Planning: Call to action



William Diffey
Director, Financial Services Advisory

The Prudential Regulation Authority (PRA) has set a significant milestone for insurers with the finalisation of its expectations for Solvent Exit Planning. By 30 June 2026, all insurers within scope must have a compliant Solvent Exit Analysis (SEA) in place. While this deadline may seem far off, the extensive work required to meet these expectations is already proving to be more complex and time-consuming than many insurers anticipated.

Understanding PRA requirements

Under the guidelines PS20/24 and SS11/24, insurers are required to integrate Solvent Exit Analysis into their regular business operations, refreshing it at least every three years. Assurance, whether external or internal, is necessary to ensure compliance with Solvent Exit Planning regulations. Additionally, firms must be ready to produce a Solvent Exit Execution Plan (SEEP) if an exit becomes likely or if requested by the PRA. Identifying solvent exit indicators, actions, barriers, risks, and resource requirements is crucial, alongside maintaining robust financial, operational, and governance frameworks to support an orderly solvent exit.

The PRA stresses that Solvent Exit Planning is not just a compliance exercise but a vital mechanism to ensure safe market exits that protect policyholders and bolster market confidence.

The urgency for insurers to act

With the deadline looming, insurers must act swiftly due to several factors:

1. **Complexity:** Solvent exit planning involves detailed operational, financial, and legal analysis. Many firms underestimate the time required to map dependencies, contracts, data, and systems.
2. **Data and Modelling Requirements:** The PRA expects insurers to provide credible cost estimates, cash flow projections, and capital forecasts for a solvent run-off, which require time to develop and validate.
3. **Governance and Board Oversight:** Boards must take ownership of the SEA, demonstrating decision-making, risk escalation, and readiness to activate exit indicators.
4. **Assurance:** Assurance is essential, and structured assistance through can be beneficial.
5. **Supervisory Scrutiny:** The PRA reserves the right to request SEAs and SEEPs, with firms appearing late or unprepared facing more intrusive supervision.

Benefits of early action

Insurers that act promptly will enjoy several advantages, including stronger control over future strategic options, reduced risk of supervisory challenges, a more efficient and value-adding SEA, and the ability to embed solvent exit planning into business operations well before the deadline.

Our team has extensive experience in assisting insurers with solvent exit planning and is ready to support you at every stage, whether you require a full programme build, a gap analysis, or final assurance. Acting now will ensure your firm is well-prepared for the future, safeguarding both your interests and those of your policyholders. Please do [get in touch](#) on this important topic.

Tax risk management



Martin Callaghan
Partner, Tax Governance

HMRC launches new audit-led cross-tax reviews

HMRC has introduced a new programme of *cross-tax, audit-led reviews* targeting operational tax compliance across large businesses—with the insurance sector one of three sectors prioritised for review.

This sits alongside (i.e. doesn't replace) traditional enquiries and Business Risk Review+ ('BRR') reviews, but does mark a meaningful shift towards more intensive, system-focused, multi-day onsite assessments.

HMRC's priority is increasingly clear: understanding how tax is operationalised inside the organisation, not just what is written in policies.

A deeper examination of tax operations

During reviews, HMRC has undertaken **end-to-end system walkthroughs**, examining:

- End to end tax process documentation and evidence of control framework - Tax Policy, Risk and Control Matrices, documented roles and responsibilities
- Data sources feeding tax calculations and how they flow across systems
- Governance of automation, robotics, and AI-driven tax tools
- Alignment between documented processes and real-world activity
- Team understanding of controls and system behaviour.

These visits include interviews with finance and tax teams, and—crucially—**testing of controls and data**, mirroring Senior Accounting Officer ('SAO') and BRR+ expectations.

Why the insurance sector is under particular scrutiny

HMRC continues to view insurance as a sector with:

- Complex data environments and legacy platforms
- Specific areas of complexity such as the tax treatment of investments across diverse portfolios and complex accounting standards
- High transaction volumes
- Risk associated with cross-border activity.

These characteristics elevate operational tax risk and increase the likelihood of HMRC intervention.

Our team has extensive experience in assisting insurers with tax matters and is ready to support you with these Insurance sector HMRC reviews. Please do [get in touch](#) on this important topic.

Prudential Regulation

Berne Financial Services Agreement (BFSA) operational direction and guidelines for UK insurers' section iv notifications

On 2 January, the PRA [published](#) the Berne Financial Services Agreement (BFSA) Operational Directions and Guidelines for UK insurers' Section IV notifications, effective from 1 January 2026. The BFSA is a mutual recognition agreement between the UK and Switzerland. It enhances cross-border market access for financial services between the two countries.

Memorandum of understanding between the FCA, Bank of England, PRA and the European Supervisory Authorities

On 14 January, the PRA, FCA, EIOPA, the European Banking Authority (ESA) and the European Securities and Markets Authority (ESMA) [jointly](#) released a Memorandum of Understanding (MoU) on the cooperation, exchange of information, and coordination of oversight activities for critical ICT third party service providers located in the European Union and the United Kingdom. The MoU outlines the principles, purpose, and scope of international cooperation and information sharing between the ESAs and the UK financial authorities concerning the oversight of critical ICT third party service providers (CTPPs) and critical third parties (CTPs), as well as the broader monitoring of third party risk in the financial sector.

PRA to streamline supervision as part of 2026 priorities

On 15 January, the PRA [published](#) its 2026 supervisory priorities, emphasizing streamlining supervision by moving some activities, including Periodic Summary Meetings (PSMs), to a two-year cycle for larger firms, to enhance efficiency and focus on key risks. The priorities aim to support stability, growth, and competitiveness in the financial.

Alongside this press release the PRA [published](#) its Insurance Supervision: 2026 priorities letter. It sets expectations for life and general insurers across areas such as competitive pressures in the

bulk purchase annuity market, investment strategy risks, underwriting discipline, exposure management, delegated authority oversight, and forthcoming stress testing exercises. The letter also highlights cross sector priorities including operational resilience, cyber risk, solvent exit planning, and the safe adoption of AI. Additionally, the letter explains how the PRA aims to support competition, innovation, and growth while ensuring firms maintain robust governance, risk management, and policyholder protection.

Conduct Regulation

Operational resilience

On 14 January, the FCA [provided](#) updated guidance on operational resilience for financial services firms, outlining requirements to prevent, adapt to, and recover from operational disruption. Firms in scope must ensure they operate important business services within impact tolerances by 31 March 2025 and have completed mapping, testing, and remediation exercises. The FCA has also proposed new incident and third party reporting requirements, with the consultation closing on 13 March 2025.

The FCA also [updated](#) its guidance page on outsourcing and operational resilience.

Multi-firm review of customer outcomes delivered by smaller mutual life insurers

On 16 January, the FCA [reviewed](#) how 13 smaller mutual life insurers are meeting Consumer Duty standards. While some insurers showed strong customer focus and fair value, most had only general target market definitions and limited value assessments, often missing a full view of product quality. The FCA also found issues with fair treatment of with-profits policyholders, inconsistent checks on financial sustainability, and weak monitoring of customer outcomes.

Bribery and corruption

On 16 January, the FCA [updated](#) its webpage on the Bribery Act. UK Government guidance on the Bribery Act 2010 notes that authorised firms should consider and address bribery and corruption risks, including those arising from third parties. It sets out recommended steps such as senior management staying up to date, risk assessments, policies and procedures, training, and risk-based third-party controls; see the Financial Crime Guide for further detail and examples.

Business interruption insurance

On 23 January, the FCA [updated](#) its guidance on business interruption (BI) insurance following the coronavirus (Covid-19) pandemic. As of 23

January 2026, the FCA has addressed the open letter that representatives of various business organisations sent in relation to the continuing BI claims.

Review into the long-term impact of ai on retail financial services (the mills review)

On 27 January, the FCA [released](#) a consultation paper examining how artificial intelligence (AI) could transform retail financial services for consumers, firms, markets, and regulators by 2030 and beyond. It seeks views across four interrelated themes: (i) the future evolution of AI technology; (ii) the future impact of AI on markets and firms; (iii) future consumer trends; and (iv) the future regulatory approach. Comments are due by Tuesday, 24 February 2026.

Information note: a guide for mutual societies registered under the friendly societies act 1974

On 28 January, the FCA released an Information note that highlights the [requirement](#) for all mutual societies, including working men's clubs registered under the Friendly Societies Act 1974, to submit their annual returns and accounts by 31 July each year to remain legally registered. Committee members are responsible for ensuring compliance, and societies can check submission status and file returns through the Mutuals Society Portal. Failure to meet these obligations can result in cancellation of registration, loss of related licenses, and the inability to re-register under the same name, requiring the society to start over as a new entity.

Enforcement watch one

On 28 January, the FCA has [published](#) its first "Enforcement Watch" newsletter, which explains its updated publicity policy—now allowing the FCA to name firms or individuals under investigation only in exceptional cases to protect consumers or maintain market confidence. The newsletter highlights current enforcement priorities, such as investigations into regulatory

breaches, consumer harm, financial crime, and unauthorized business activities. It also details the FCA's collaboration with international partners to address cross-border misconduct and enhance information-sharing, stressing the importance of global cooperation in combating financial crime and safeguarding consumers.

MS24/1.4 Market Study into the distribution of pure protection products to retail customers - interim report

On 29 January, the FCA [published](#) an interim report on the distribution of pure protection products to retail customers. Among other things, aiding consumers navigate their financial lives is central to the FCA's strategy and through pure protection products support this by helping an individual and/or their dependants with financial commitments or lifestyle adaptations if they die or become incapacitated, injured or infirm. The FCA is seeking feedback among sector and other stakeholders on its findings in this report as well as proposed remedies. Specifically, the FCA is interested to hear whether stakeholders agree: (i) with FCA's assessment of the nature and scale of harms in the pure protection sector; (ii) that there is a protection gap that the FCA and industry should seek to reduce and what potential options should be considered; and (iii) with the findings and proposed next steps on claims ratios, incentives to switch consumers, and claims experience. Comments must be submitted on or before 31 March 2026.

Alongside this, the FCA [published](#) an annex that describes how pure protection products are distributed, how premiums are determined, how intermediaries are remunerated, the incentives remuneration can create, and some measures of outcomes.

The FCA also [released](#) Annex 2 of its Pure Protection Market Study (MS24/1), focusing specifically on the value of pure protection products and how firms assess fair value within the UK market.

Pure Protection Market Study - Consumer Research Report (and technical report)

In support of the MS24/1.4 Market Study, on 29 January, the FCA has [published](#) a research paper aiming to support their market study into the distribution of pure protection products to retail customers, by improving understanding of consumers' perceptions and experiences of purchasing, holding, and claiming on pure protection products. Key findings note, among other points, that just over four in 10 adults (42%) aged over 18 with online access hold a pure protection policy. The findings also show that a higher proportion of pure protection policyholders, compared with non-holders, are male (53% vs. 44%), in work (76% vs. 43%), under 65 years of age (84% vs. 70%), and have dependent children (52% vs. 23%).

Alongside this, the FCA [published](#) a Consumer Research Technical Report as part of its Pure Protection Market Study, setting out the detailed quantitative and qualitative research methodology used to understand consumers' experiences, behaviours, and understanding of pure protection products. The report explains survey design, sampling, weighting, fieldwork, and quality assurance processes underpinning the consumer research that informs the interim findings of the market study.

Pure Protection Market Study Consumer Research: Summary of quantitative outputs

On 11 December, the FCA has [published](#) the Pure Protection Market Study Consumer Research: Summary of Quantitative Outputs, based on a nationally representative survey of 14,326 UK consumers. The research examines consumer understanding, engagement, and purchasing behaviour for pure protection products, including Term Insurance, Whole of Life, Over 50s Insurance, Critical Illness, and Income Protection. Key findings indicate that 42% hold a pure protection policy, with affordability, perceived lack of need, and low knowledge cited as main barriers to uptake. The study also highlights that most policyholders feel their needs are met, while recent purchasers are more likely to report characteristics of vulnerability and to have used professional support during the sales process.

PS25/22 Supporting Consumers' Pensions and Investment Decisions: Rules for Targeted Support

On 11 December, the FCA [published](#) Policy Statement PS25/22 (Supporting Consumers' Pensions and Investment Decisions: Rules for Targeted Support), which sets out the near-final rules for its new targeted support regime. The statement also details feedback received on its proposals and provides the FCA's responses. The FCA states it will formally make the final rules once the Government makes targeted support a new specified activity.

Mutuals registering authority report

On 11 December, the FCA [published](#) a report setting out a proposed set of recommendations designed to support the sustainable growth of the mutual societies sector. The FCA recommends increasing visibility can help the sector grow. Some steps they will undertake are reducing costs and increasing the speed of decisions, as well as improving support with the launch of the Mutual Societies Development Unit.

Operational resilience

On 11 December, the FCA [published](#) updated information on operational resilience requirements for firms, financial market infrastructures, and the financial sector. Firms in scope were required to ensure they could operate important business services within their impact tolerances by 31 March 2025, following rules in force since 31 March 2022. The FCA outlines expectations for mapping, testing, and remediation of vulnerabilities, and provides insights from recent incidents such as the CrowdStrike outage.

Passporting between the UK and Gibraltar

On 19 December, the FCA [updated](#) its guidance on passporting between the UK and Gibraltar, stating that passporting is now only available for firms operating between these two jurisdictions until 31 December 2026 (extended from 31 December 2025). This transitional arrangement, which may be extended, is based on the Government of Gibraltar maintaining the current level of access for UK financial services. This follows a treasury [announcement](#) in November.

EIOPA

We continue to monitor the European Insurance and Occupational Pensions Authority's (EIOPA), activity and draw your attention to it, where we believe it to be necessary or helpful. This will, we believe, assist those firms operating in the EU.

EIOPA-BOS-25-602 final report on joint guidelines to ensure that consistency, long-term considerations and common standards for assessment methodologies are integrated into the stress testing of environmental, social and governance risks pursuant to article 100(4) of directive 2013/36/EU and article 304c(3) of directive 2009/138/EC

On 8 January, EIOPA, the European Banking Authority (EBA), and European Securities and Markets Authority (ESMA) have [published](#) a final report on the Joint Guidelines to ensure that consistency, long-term considerations, and common standards for assessment methodologies are integrated into the stress testing of environmental, social, and governance risks. The Guidelines apply from 1 January 2027.

Memorandum of understanding between the FCA, Bank of England, PRA and the European Supervisory Authorities

On 14 January 2026, The Bank of England, together with EBA, EIOPA, ESMA, the FCA, and the PRA, have jointly [released](#) a Memorandum of Understanding (MoU) on the cooperation, exchange of information, and coordination of oversight activities for critical ICT third party service providers located in the European Union and the United Kingdom. The MoU outlines the principles, purpose, and scope of international cooperation and information sharing between the ESAs and the UK financial authorities concerning the oversight of critical ICT third party service providers (CTPPs) and critical third parties (CTPs), as well as the broader monitoring of third-party risk in the financial sector.

EIOPA-BOS-26/023 Revised Single Programming Document 2026-2028

On 19 January, EIOPA [published](#) the revised version of its Single Programming Document 2026-2028, which includes the Annual Work Programme for 2026. It outlines the strategic objectives, supervisory priorities as well as planned regulatory deliverables, which focus on strengthening Single Market integration, enhancing market and societal resilience against risks, and advancing simpler, proportionate and forward looking regulation. The document details EIOPA's commitments to supervisory convergence, oversight of cross border activity, the implementation of major frameworks, such as the Solvency II, Insurance Recovery and Resolution Directive, and the Digital Operational Resilience Act. It also promotes sustainability and digital resilience, expansion of data driven supervision, development of risk assessment tools, and the allocation of financial and human resources to support these activities.

EIOPA strategy towards 2030

On 15 December, EIOPA [published](#) a report on EIOPA Strategy Towards 2030, outlining its long term vision amid growing uncertainty and structural change. Among other things, the strategy prioritises strengthening the Single Market, improving societal resilience, and promoting simpler, more effective regulation. It also sets out its strategic objectives, namely: (i) ensuring strong and consistent consumer protection across the EU; and (ii) strengthening the stability and sustainability of the insurance and occupational pensions sectors.

EIOPA at 15: Impact by operating in supervisory unity

On 29 January, [published](#) a speech delivered by Chairperson Petra Hielkema at EIOPA's 15th Anniversary Conference in Frankfurt on 29 January 2026. She spoke about the strategy and goals towards 2030.

EIOPA-BOS-25/683 Consultation Paper on Supervisory Statement on the Authorisation and Ongoing Supervision of (Re-)insurance Undertakings related to Private Equity

In a document dated 27 January 2026 and published 3 February, EIOPA [launched](#) a public consultation on the supervisory statement on the authorisation and ongoing supervision of (re)insurance undertakings related to private equity firms aimed at promoting consistent, high-quality, and risk-based supervision across the EU. Comments should be submitted on or before 30 April 2026.

Additional EIOPA updates

EIOPA has also published the following technical Solvency II related updates:

- EIOPA Publishes Monthly Update of the Symmetric Adjustment of the Equity Capital Charge for Solvency II - End-December 2025 ([link](#))
- EIOPA Publishes Monthly Technical Information for Solvency II Relevant Risk-Free Interest Rate Term Structures - end-December 2025 ([link](#)).

Corporate Governance

FRC CEO sets out focus for 2026

On 14 January, the Financial Reporting Council (FRC) issued a statement from Chief Executive Richard Moriarty setting out the FRC's priorities for the year 2026.

[published](#)

Information Commissioner's Office

We continue to monitor material being issued by the ICO with a view to highlighting high-level matters that may be relevant to readers.

Statement about the signing of a memorandum of understanding with his majesty's government

On 8 January, the ICO and His Majesty's Government [signed](#) a Memorandum of Understanding (MOU), which sets out government's commitment to raise data protection standards. The MOU formalises this step by setting clear expectations and a framework for the government to address concerns about its data protection practices, rebuild public trust, and enhance transparency and accountability in how departments handle personal information.

HMT

We continue to monitor material being issued by the HMT with a view to highlighting high-level matters that may be relevant to readers.

The Berne Financial Services Agreement

On 6 January, the HMT [announced](#) that the landmark agreement between the United Kingdom and Switzerland on the Mutual Recognition in Financial Services (the Berne Financial Services Agreement) came into force on 1 January 2026 (it was signed in December 2023). HM Treasury added that the relevant statutory instruments have been made and firms can now register for the Agreement on the Financial Conduct Authority (FCA) website. The agreement (which was signed in December 2023) uses outcomes-based mutual recognition of domestic laws and regulations to enable cross-border trade in financial services to wholesale and sophisticated clients.

Advancing a coordinated roadmap for the transition to post-quantum cryptography in the financial sector

On 14 January, the HMT has [announced](#) that the G7 Cyber Expert Group has published a roadmap highlighting key considerations for financial sector stakeholders, authorities, and industry

regarding the cryptographic risks posed by quantum computing.

Financial sanctions guidance for ransomware

On 28 January, the HMT and the Office of Financial Sanctions Implementation (OFSI) [published](#) an updated page that describes the risks of making or facilitating ransomware payments, provides advice on engaging with the UK government, and outlines the aggravating and mitigating factors that will be considered in any related civil or criminal enforcement action for breaches of financial sanctions. This is relevant to those of our clients that participate in the cyber insurance market and also for the cyber related operational risk management of our various clients.

Women in finance charter: treasury progress update 2025

On 30 January, the HMT [published](#) an update on the progress made against their commitments as a signatory of the Women in Finance Charter. Since March 2016, they have increased female representation in senior management from 43% to 50% as of March 2025.

Enforcement action

PRA / FCA regulatory fines & enforcement round-up

We have identified key relevant enforcement action during January 2026 and in this respect, the following announcement has been made by the FCA:

<p>Final Notice 2026: Darren Antony Reynolds</p>	<p>The FCA has imposed a financial penalty of £2,037,892 on Darren Antony Reynolds and made an order prohibiting him from performing any function in relation to any regulated activity carried on by an authorised person. This is due to his failure to comply with Statement of Principle 1 between 12 March 2015 and 5 February 2018, by acting dishonestly and recklessly in carrying out his CF1 (Director), CF10 (Compliance Oversight), CF11 (Money Laundering Reporting) and CF30 (Customer) controlled functions in relation to the pension business of Active Wealth (UK) Limited. The FCA also considers that Mr Reynolds acted without honesty and integrity in the course of the FCA's investigation of these matters.</p>
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EIOPA

We have identified key relevant appeal during January 2026 and in this respect

BOA-D-2025-01 ESAs' joint board of appeal rules on reimbursement of costs in an appeal brought by Novis insurance company against EIOPA

On 5 January, EBA, EIOPA, and the ESMA, acting as the Joint Board of Appeal (“The Board”) of the European Supervisory Authorities (ESAs), have issued their [decision](#) on costs arising from the appeal brought by NOVIS Insurance Company, NOVIS Versicherungsgesellschaft, NOVIS Compagnia di Assicurazioni, and NOVIS Poisova a.s. (NOVIS) against the European Insurance and Occupational Pensions Authority (EIOPA). This original dispute concerned the taxation of costs, and stems from previous proceedings concerning access to documents.

In its Decision of 30 July 2024, the Board had ordered EIOPA to reimburse NOVIS’ costs for the appeal. The breakdown of costs subsequently submitted by NOVIS was contested by EIOPA. The matter was brought to the Board for a decision.

In its Decision of 03 December 2025, the Board confirmed its competence to decide on the allocation and taxation of costs. It clarified that only costs that are objectively necessary and reasonable may be reimbursed. The Board also decided on those aspects, ruling on a total amount of costs to be reimbursed by EIOPA.

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