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Dear CEO,

Insurance Stress Test 2022 (IST 2022)

We will be asking the largest regulated life and general insurers to carry out the next concurrent insurance stress test (IST) in 2022, as set out in the letter 'Insurance Stress Test 2019 and Covid-19 stress testing: feedback for general and life insurers' published on Wednesday 17 June 2020.¹ The purpose of this letter is to support your future plans, by setting out the timelines and high-level scope for the 2022 exercise.

Benefits of insurance stress testing for the PRA

Stress testing is an important tool in helping supervisors and firms understand the impact of real-world scenarios on their balance sheets. Our experience has been that the PRA-led stress testing exercises give us valuable additional insights into firms' and the market's financial resilience, beyond those that can be obtained from the usual firm-level solvency capital requirement calculation and own risk solvency assessments (ORSAs). At a firm level, stress tests inform our view of a firm's risk management systems. At a sector level, these exercises allow us to be better prepared to assess sector resilience and respond in the event of similar scenarios occurring.

Timelines for IST 2022

Activity	Dates
Request for technical input: structure of scenarios	Mid Sept – Nov 2021
Request for technical input: parameters for chosen scenarios	Jan – Mar 2022
Launch IST 2022	Mid-May 2022
Industry roundtable (assess progress / support delivery)	July 2022
Firm submission	Mid-Sept 2022
Feedback to the industry	Dec 2022

¹ Available at: <https://www.bankofengland.co.uk/prudential-regulation/letter/2020/insurance-stress-test-2019-feedback>.

High-level scope of the exercise

Life insurers

For life insurers, the stress testing exercise will primarily focus on economic stresses.

In recognition of the difficulty in achieving consistency across life firms in 2019, we intend to share the scenario design without calibration in September 2021 for early industry comment and feedback. This will also provide a basis for engagement between us and individual firms to support firms' delivery planning of IST 2022, including reporting.

General insurers

For general insurers the stress testing exercise will focus on natural catastrophe perils and cyber underwriting risk (including standalone or part of a broader package, as well as non-affirmative covers where relevant).

In recognition of the complexity in designing a cyber underwriting scenario, we will share the design of the cyber scenarios in September 2021 for early industry comment and feedback.

Next steps

We trust this letter provides sufficient information to support planning for this important exercise. We also look forward to your continued participation and engagement as we continue to refine our approach.

Looking slightly further ahead, the IST 2022 exercise will help inform our longer-term approach to insurance stress testing – with any identified changes to be included in our work following the review of Solvency II led by HM Treasury.

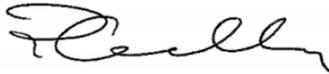
Should you have any comments on this letter please email IST.2022@bankofengland.co.uk.

Yours sincerely,

Stefan Claus



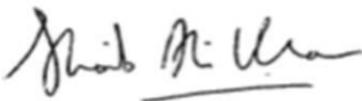
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