



## PRA Practitioner Panel and Insurance Sub-committee – Annual Report

1 March 2019 to 29 February 2020

### 1 Overview

1.1 In 2019/20 the PRA Practitioner Panel (Panel) continued to effectively represent the interest of practitioners by considering and providing appropriate scrutiny on significant PRA policy and regulatory developments which benefit from Panel input. This has been achieved through regular discussions with relevant PRA and wider Bank of England policy leads, senior management, and Prudential Regulatory Committee (PRC) members at Panel meetings.

1.2 The Panel's established approach of early engagement is central to its ability to add value to the PRA's approach to policymaking. The Panel is committed to continuing to provide challenge and advice to the PRA, ensuring that practitioners' views are appropriately considered.

1.3 The Panel has a sub-committee, the Insurance Sub-committee (Sub-committee), which provides a dedicated forum to discuss the PRA's policies and practices related to the insurance sector. Like the Panel, the Sub-committee follows the approach of early engagement to enable added value to policies. Additionally, information is shared between the Sub-committee and the Panel.

### 2 PRA Practitioner Panel

#### Panel membership – as at March 2020

- James Bardrick, Chief Executive Officer, Citigroup Global Markets Limited and Citi Country Officer, UK – **UK Finance**
- Debbie Crosbie, Chief Executive Officer, TSB Bank – **UK Finance**
- Mary-Anne Daly, Chief Executive Officer, Cazenove Capital, UK – **Personal Investment Managements & Financial Advice Association (PIMFA)**
- Martin Fisher, Regulatory and Legal Officer for Northern Ireland, Irish League of Credit Unions – **NI Credit Unions**
- Ruairi O'Healai, Chief Executive Officer, Morgan Stanley Investment Management – **The Investment Association**
- Tim Harris, Chief Financial Officer, Direct Line Group – **Association of British Insurers**
- Robert Kelly, Chief Executive Officer, Association of British Credit Unions Limited (ABCUL) – **Mainland UK Credit Unions**
- Francesca McDonagh, Chief Executive, Bank of Ireland Group – **UK Finance**
- Helen Pickford, UK Chief Financial Officer, Zurich UK – **Association of British Insurers (Practitioner Panel Chair)**
- Andy Nelson, Chief Financial Officer, Skipton Building Society – **Building Societies Association**

- Mark Rhys, Banking Partner, Deloitte – **The Institute of Chartered Accountants in England and Wales (ICAEW)/ The Institute of Chartered Accountants of Scotland (ICAS)**
- William Smith, Managing Director, Head of International, BMO Capital Markets – **Association of Foreign Banks**
- Victoria Stubbs, Chief Risk Officer, The Cambridge Building Society – **Building Societies Association (*Practitioner Panel Deputy Chair*)**
- Aki Hussain, Chief Financial Officer, Hiscox – **Association of British Insurers**

2.1 As outlined in the Panel’s Terms of Reference,<sup>1</sup> members serve for a three year term with the opportunity of extending this for an additional term. Mark Rhys began his second term on the Panel in May 2019 (which will end in May 2022), and Robert Kelly began his second term on the Panel in November 2019 (which will end in November 2022).

2.2 During 2019, the final terms of Nathan Bostock, Martin Gilbert (Chair from 2013-2019) and Ashraf Piranie (Deputy Chair from 2017-2019) came to an end. Additionally, Richard Ward stepped down from the Panel. This meant that UK Finance, the Investment Association (IA), the Building Society Association (BSA) and the Association of British Insurers (ABI) nominated new members to join the Panel. Debbie Crosbie replaced Nathan Bostock in representing UK Finance, attending her first Panel meeting in November 2019. Andy Nelson replaced Ashraf Piranie in representing the BSA and attended his first meeting in January 2020. Ruairi O’Healai and Aki Hussain were appointed to replace Martin Gilbert and Richard Ward, respectively, with their membership effective from March 2020.

2.3 As Martin Gilbert and Ashraf Piranie’s final terms came to an end on Friday 29 November 2019, the process to nominate a new Panel Chair and Deputy Chair was completed.<sup>2</sup> Helen Pickford, with HM Treasury approval, was appointed as Panel Chair, and Victoria Stubbs was appointed as Deputy Chair.

### **Panel engagement with the PRA**

2.4 The Panel met six times during the reporting period. As in prior years, Panel members were provided with briefings from, and had discussions with, relevant PRA policy leads. Meetings were attended by Executive Directors from the PRA and policy area of the Bank of England, as well as the PRA Chief Executive Officer (CEO) on some occasions. Key outcomes and insights from these meetings continue to be fed back to relevant decision makers and policy leads within the PRA and the Bank of England, contributing to the policy making process.

2.5 The PRA CEO continues to hold bilateral meetings to discuss the Panel’s views and other relevant issues with the new Panel Chair.

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<sup>1</sup> <https://www.bankofengland.co.uk/-/media/boe/files/about/prc/practitioner-panel-terms-of-reference.pdf?la=en&hash=40505D4A570C1ABD8ADB8FC1B7A4FB0F1F2A704>.

<sup>2</sup> For details on the process to appoint a new Chair and Deputy Chair, please refer to the Terms of Reference at: <https://www.bankofengland.co.uk/-/media/boe/files/about/prc/practitioner-panel-terms-of-reference.pdf?la=en&hash=40505D4A570C1ABD8ADB8FC1B7A4FB0F1F2A704>.

## Items considered by the Panel and impact on the PRA

2.6 The following items are examples of where the Panel's views were sought and where significant added value to the policy process over the reporting period was provided.

Issue	Description
European Union (EU) Withdrawal preparations	The Panel continued to receive regular updates on the Bank of England's EU Withdrawal preparations, on which it gave feedback on approach and work ahead of the UK's exit from the EU and in to the transition period.
Operational Resilience	The Panel held a discussion on Operational Resilience, in particular around governance, scope of application and proportionality, identifying important business services, challenges around setting impact tolerances, mapping, and testing.
Transition to Alternative Risk-Free Rates	The Panel received an update on the work being completed around firms transitioning from the London Interbank Offered Rate (LIBOR) to alternative risk-free rates (RFRs). The Panel gave their views around what they considered to be the key barriers to firms transitioning to RFRs, what needed to be done to deliver further progress in their adoption, and the level of awareness amongst end users.
Evaluation of the Senior Manager & Certification Regime (SM&CR)	The Panel held a discussion regarding work on the evaluation of the SM&CR, on which it gave feedback on the relevant indicators to test the effectiveness of the SM&CR. The Panel also gave feedback of their experience of SM&CR in general, discussing unintended consequences, proportionality and coverage.
Financial Risks from Climate Change	The Panel received an update on the PRA's work on the financial risks from climate change, including supervisory expectations on firms and climate scenario analysis. The Panel shared their observations on the PRA's strategy to address climate-related risk, and their suggestions around guidance for a climate stress test.

## Panel Forward Agenda

2.7 The Practitioner Panel is scheduled to meet five times in the 2020/21 reporting period.<sup>3</sup> The Forward Agenda will continue to be shaped by Panel members, and the PRA Executive and Senior Management Team. The focus of the agenda will continue to include items that are at an early stage of policy development. However, some topics discussed during the course of the period are expected to return to the agenda as they continue to develop. The agenda will also include any emerging and urgent issues that would benefit from a Panel discussion, as determined by the Panel or at the request of the PRA.

<sup>3</sup> The March 2020 meeting was cancelled due to contingency arrangements introduced as a result of Covid-19. Papers were circulated for comment.

### 3 Practitioner Panel Insurance Sub-committee

#### Sub-committee membership – as at March 2020

- Andrew Chamberlain, Chair of the Actuarial Standards Committee of the International Actuarial Association – **Institute and Faculty of Actuaries**
- Paul Corver, Chairman, Insurance & Reinsurance Legacy Association (IRLA) – **IRLA**
- Angela Darlington, Interim Chief Executive Officer, UK Insurance, Aviva – **Association of British Insurers**
- Tim Harris, Chief Financial Officer, Direct Line Group – **Association of British Insurers (Sub-committee Chair)**
- Tracey Hunt, Deputy Chief Executive Officer, UK and Regional Manager for Energy, Allianz Global Corporate & Specialty – **International Underwriting Association**
- Aki Hussain, Chief Financial Officer, Hiscox – **Association of British Insurers**
- Helen Pickford, UK Chief Financial Officer, Zurich UK – **Association of British Insurers**
- Penny Shaw, Chief Risk Officer, Chaucer – **Lloyd’s Market Association**
- Stuart Tragheim, Chief Executive Officer, Holloway Friendly – **Association of Financial Mutuals**

3.1 Richard Ward stepped down as one of the ABI representatives of the Sub-committee. The ABI nominated Aki Hussain to join the Sub-committee, replacing Richard Ward, with effect from March 2020. Hilary Weaver (Lloyd’s) stepped down from the Sub-committee in March 2019. Lloyd’s nominated David Sansom (Chief Risk officer, Lloyd’s) to replace Hilary Weaver on the Sub-committee.<sup>4</sup>

#### Sub-committee engagement with the PRA

3.2 The Sub-committee met two times within the reporting period.<sup>5</sup> Similarly to the Panel, members were provided with briefings from, and had discussions with, relevant policy leads, and meetings were attended by Executive Directors and Directors from the PRA, as well as the PRA CEO for the first meeting.

#### Items considered by the Sub-committee and impact on the PRA

3.3 The following items are examples of where the Sub-committee’s views were sought and where significant added value to the policy process over the reporting period was provided. The Sub-

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<sup>4</sup> David Sansom was appointed as a member in May 2020.

<sup>5</sup> The November 2019 meeting was cancelled due to a number of Sub-committee members being unavailable.

committee was supportive of PRA's approach to the superfund consultation and raised some areas for discussion on others.

Issue	Description
The PRA's follow-up to the IEO's evaluation of the PRA's approach to its insurance objective	The Sub-committee received an update on the recommendations that were taken forward as a result of the Independent Evaluation Office's (IEO) evaluation of the PRA's approach to its insurance objective. The Sub-committee gave their thoughts and experience on how the work affected firms.
The PRA's response to the DWP Superfund consultation	The Sub-committee held a discussion and gave views on the PRA's response to the Department of Work and Pensions (DWP) consultation paper on Defined Benefit Pension Scheme consolidation.
The analysis and monitoring of Life and General Insurers' model drift	The Sub-committee held a discussion on the PRA's monitoring of Life and General Insurer's model drift. Their considerations included strengths and limitations of the metrics, what the Sub-committee would consider to be 'good practice' in this area and suggestions for alternative analysis to assess model drift.
The PRA's expectations relating to the Prudent Person Principle	The Sub-committee received an overview, and held a discussion, on the consultation on the Prudent Person Principle (PPP). Sub-committee members shared their thoughts on the PRA's expectations relating to PPP and how they would affect firms.

### Sub-committee Forward Agenda

3.4 The Sub-committee is scheduled to meet three times in the 2020/21 reporting period.<sup>6</sup> The Forward Agenda is, and will continue to be, shaped by Sub-committee members, the Prudential Policy Directorate Senior Management Team and the Insurance Supervision Senior Management Team. The focus of the agenda will include items that are at an early stage of policy development.

<sup>6</sup> The March 2020 meeting was cancelled due to contingency arrangements introduced as a result of Covid-19. Papers were circulated for comment.