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**Bank of England PRA**

# Small & Medium Insurers Conference 2025



# Who we are?

**Executive Director – Gareth Truran**

**Director - Shoib Khan**

**London  
Markets**

Nylesh Shah

**Retail &  
Commercial  
General  
Insurers**

Mariam  
Harfush-  
Pardo

**Retail Life  
Insurers**

Anthony  
Brown

**Major Life  
Groups**

Lisa Leaman

**Life  
Insurance &  
Pensions  
Risk  
Specialists**

Sid Malik

**General  
Insurance  
Risk  
Specialists**

Dan Curtis

**Insurance  
Analytics**

Catherine  
Nelson

**Senior  
Insurance  
Advisors**

Alan Sheppard  
Stefan Claus  
Roshan Lachman

Over 300 supervisors, risk specialists and actuaries, as well as support from Prudential Policy, Authorisations, and other Bank of England directorates.

# Agenda

Time	Session
11:00 – 11:10	Welcome and opening remarks
11:10 – 11:30	Prudential risk outlook for the insurance sector
11:30 – 11:50	Ease of Exit
11:50 – 12:15	Operational Resilience
12:15-13:00	Breakout Sessions
13:00 – 14:00	LUNCH
14:00 – 14:30	Sarah Breeden – Financial Stability & Monetary Policy
14:30 – 14:50	Tanya Castell - Culture
14:50 – 15:05	Climate Risks and discussion of CP10/25 output
15:05 – 15:50	Sam Woods Q&A
15:50 – 16:00	Closing remarks

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# Prudential Risk Outlook

**Mariam Harfush-Pardo**  
**Head of Retail & Commercial General Insurance**  
**Supervision**



# Overview

- 1) Risk environment
- 2) Observations by insurance sector

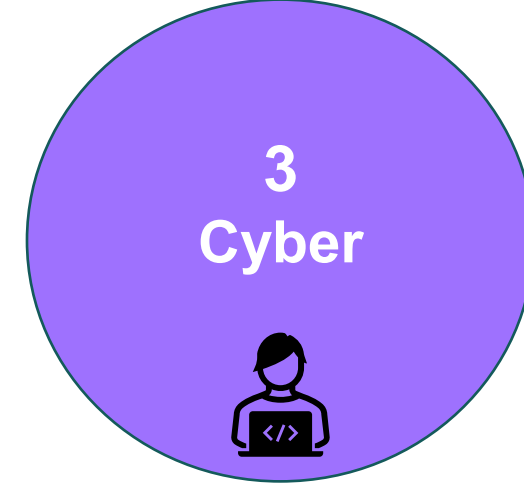
# Risk environment



Financial market  
prospects remain  
uncertain



Private market lending  
and private capital  
groups have expanded  
rapidly

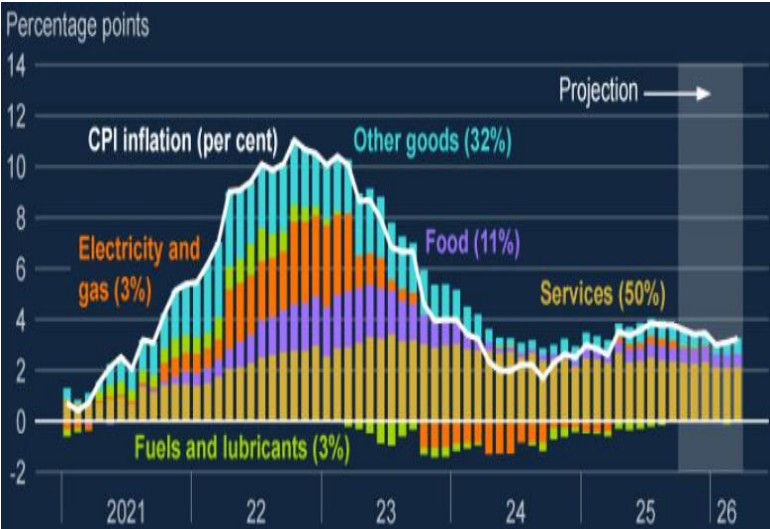


Significant attacks in  
2025, though cyber  
insurance seeing limited  
growth



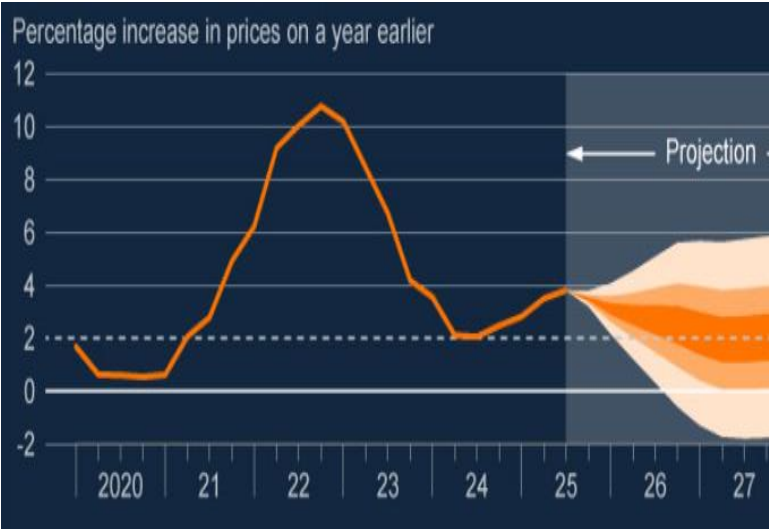
# UK inflation has peaked, but hasn't yet fallen to the Bank's target

CPI Inflation by component



Source: November Monetary Policy Report

CPI Inflation projection



Source: November Monetary Policy Report

Market-implied path for policy rates



Source: November Monetary Policy Report

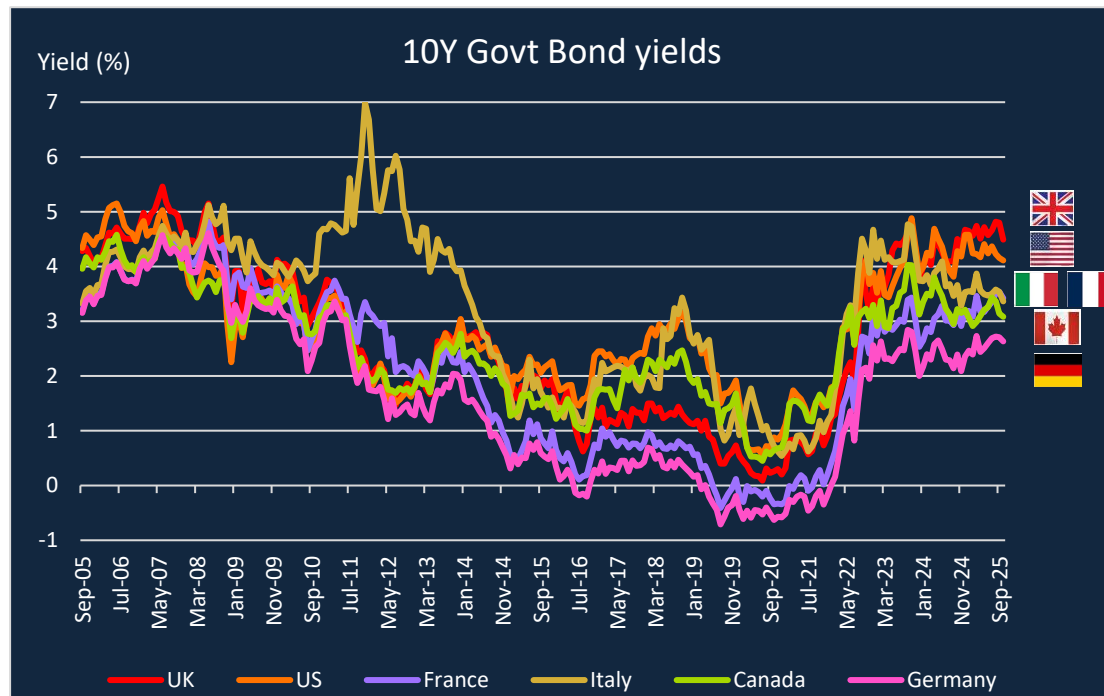
CPI inflation is considered to have peaked, with underlying pressures easing and the risk of greater inflation persistence not materialising.

CPI inflation is projected to slow from 3.8% in September to 3.2% by March 2026, with further reductions thereafter.

The market-implied path for policy rates is largely unchanged for the UK and Euro area versus August, with the US projection now 25bps lower.

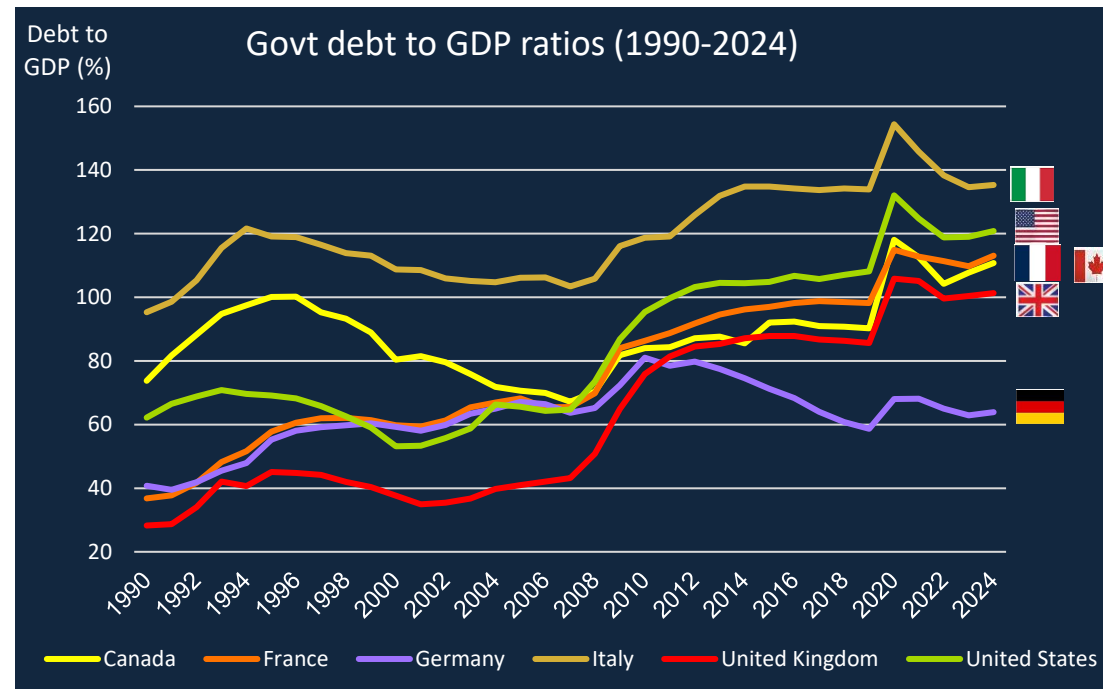
**Risk outlook:** The extent of further interest rate reductions depends on the evolution in inflation expectations. If disinflation progress continues, the Bank Rate is likely to continue reducing incrementally.

# Higher government borrowing costs amid rising sovereign debt ratios



Source: S&P Capital IQ

Yields for long-dated government debt have continued rising. Relevant drivers include future expectations around interest rates, inflation...



Source: IMF

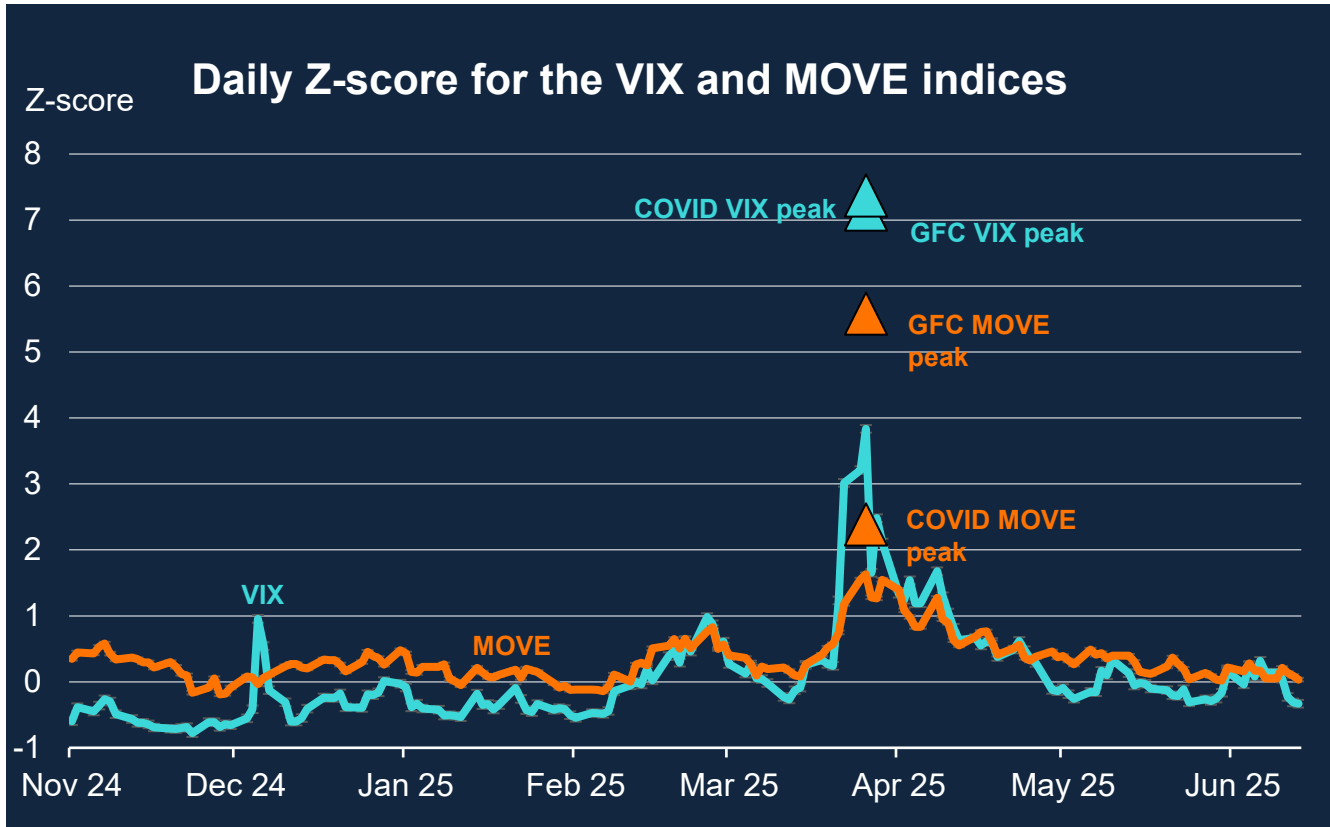
...and sovereigns' risk premia.

Since the pandemic, debt to GDP ratios have exceeded 100% in the US, Canada, France, and the UK and continue trending up.

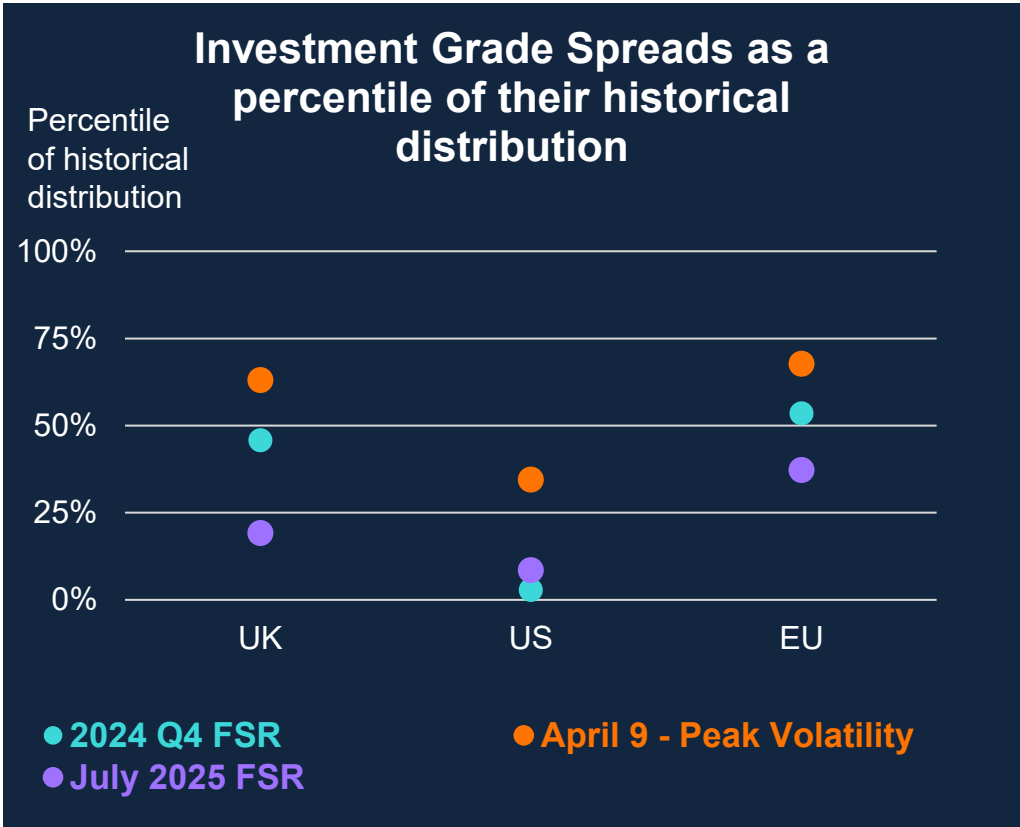
**Risk outlook:** Sovereign yields will be influenced by a range of variables. Further increases in countries' indebtedness will exert upward pressure.



# Substantial volatility in April, yet corporate spreads have re-tightened



Source: July Financial Stability Report



Source: July Financial Stability Report

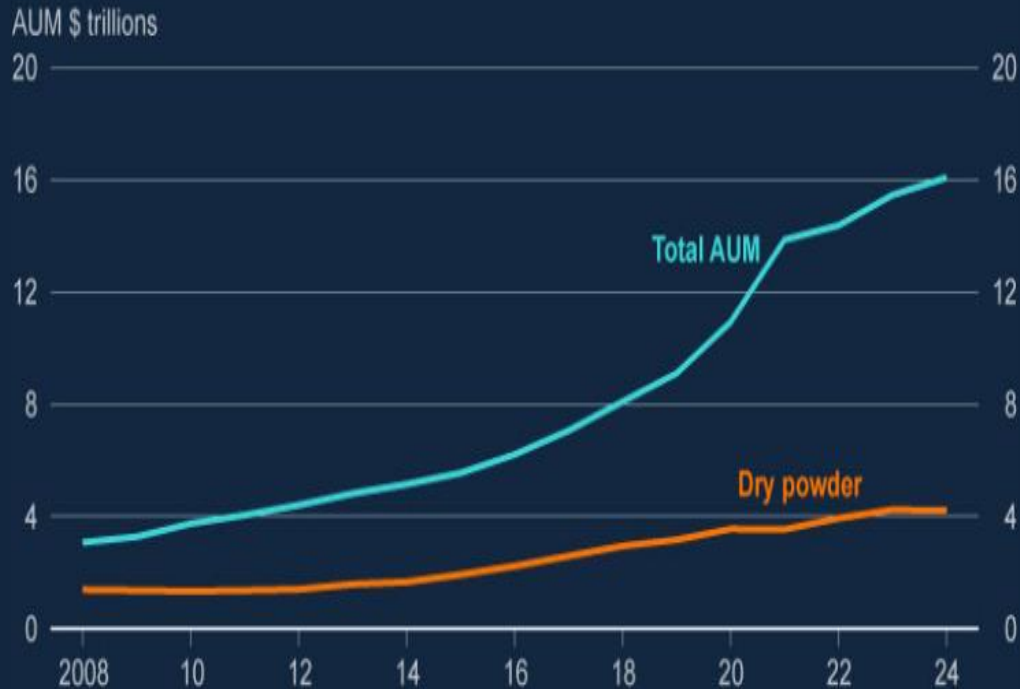
Financial market uncertainty spiked in April...  
...though concern stayed below covid & GFC levels...

... spreads did widen in April but since re-tightened, with US levels close to a record low

**Risk outlook:** Global risks remain elevated and uncertain, with geopolitical tension intensifying trade risks. Relative to history, risk premia across various asset classes appear compressed, with equity valuations appearing stretched

# Private markets increasingly influential

Global private markets dry powder and total AUM



Source: July Financial Stability Report

- Rapid private market AuM growth since 2015, domestically and globally.
- Assets (including UK insurers' investments) have been resilient but will continue to be challenged by elevated interest rates and the macroeconomic outlook.
- The Bank's Financial Stability Report (FSR) has previously discussed private market asset risks, including high levels of leverage, opacity around valuations and interconnectedness with other parts of the financial system. July's FSR noted that such interconnections may heighten systemic vulnerabilities, reinforce correlations and amplify shocks.
- Some UK insurers may be indirectly exposed to private market asset risks from funded reinsurance.

**Risk outlook:** Growing, though BoE is engaging with private market participants and capital providers to understand how they would respond to a system-wide shock and the impact on financial stability.

# Cyber threat remains material

## Risk environment

### Heightened threat environment...

High profile attacks in 2025 (M&S, Co-op, Jaguar Land Rover), with one prominent hacking group reported to be targeting insurers.

### ...though cyber insurance penetration is slowing

Widely anticipated premium growth is failing to materialise (2024: 2% fall in US direct premiums), though recent high-profile attacks could stoke demand.

## BoE Mitigants

### Cyber Stress Test 2024

Showed how disruption to firms' services could weaken financial stability and how firms can enhance preparedness for actual stress events.

### Cyber insurance monitoring

Cyber underwriting continues to be a PRA priority, with our insight enhanced by new cyber insurance reporting data.

**Cyber risk outlook:** Threat to operations remains elevated from state and non-state actors, with some insurers dually exposed as cyber underwriters.

# Market observations – life insurance

## Annuities

### Bulk

- Sustained strong demand
- Small deal growth
- Competitive

### Individual

- Revenue strong versus history
- High rates relative to prior years, amid elevated gilt yields
- Fixed term product launches

## Pensions/savings

### Retail

- Premium uptick after a prolonged lull over recent years.

### Workplace

- Strong growth, partly reflecting inflation driven salary increases
- Impact of forthcoming Pensions Bill

### Protection

- Retail policies seeing steady growth
- Group premiums flat
- FCA market review

# Market Observations – General Insurance

	Market softening	Growth	Profitability
London Market	Continuing across most major lines, including property, MAT, energy and certain casualty classes.	Overall, softer rates were more than offset by increased policy volumes at H1.	Remaining strong at a market level, supported most by property and specialty performance.
UK Motor	Three consecutive quarters of rate falls, with the ave. premium its lowest since 2023H1.	Softer rates leading to slight contraction in the market at H1 YoY.	Overall, slight improvement at H1 YoY. The impact of rate softening will emerge as premiums earn through.
UK Home	The average premiums was flat at H1, but PCW data shows significant YoY rate reduction in quotes.	Flat	Slight worsening at H1 YoY on average.





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# Operational Resilience & Cyber Security – Q&A

*Smaller Insurers' Conference*

29 November 2025

**Santosh Pandit**



**Bank of England PRA**

# Solvent exit planning for insurers

*Smaller Insurers' Conference*

26 November 2025

Beth Rees, Nick Silk



# Policy Recap

- Expectations set out in Policy Statement PS20/24 and Supervisory Statement SS11/24
- Solvent Exit Analysis ('SEA') to be prepared by in-scope insurers by end-June 2026

## *Why has the PRA introduced this PS?*

- Purpose is to:
  - Ensure firms are prepared to exit the market in an orderly manner
  - Facilitate a smoother process for insurers to cease PRA-regulated activities
  - Improve outcomes for policyholders
  - Support a well-functioning and competitive market
- PRA is taking a proportionate approach to implementation

# Implementation

*What does the PRA mean when we say we will be taking a proportionate approach?*

- Consider nature/scale/complexity of your business
- You should not need to provide lengthy SEA documentation
- We do not expect you to submit your SEA unless we ask for it
- Leverage existing work when preparing
- We do not require you to seek external assurance for the SEA

# PRA Focus Areas

## *What is the PRA looking for in an SEA?*

The PRA's focus will be on:

- A baseline exit plan on the basis of solvent run-off
- Financial and non-financial resources to support solvent exit
- How your business model and costs will shift on the move to run-off
- Any niche or concentrated product exposures which may impact substitutability

## *Why these areas of focus?*

- Degree of confidence that should a firm need to exit it would be able to continue to pay all liabilities as they fall due from their own resources
- Continuity of cover for policyholders of their existing contracts of insurance



# What we are looking for in a SEA

*Can the PRA share any thoughts on what good looks like?*

- Concise documentation addressing PRA focus areas
- Reasonable estimates to underpin financial and non-financial resource requirement: e.g. staff estimates over time – redundancy and retention payments
- Key assumptions justified and supported
- Where preferred exit option is something other than solvent run-off SEA cost benefit analysis of alternative option vs solvent run-off
- Share any questions with your supervisory contact





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Sarah Breeden (Deputy  
Governor) – Financial  
Stability & Monetary Policy



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# Tanya Castell (PRC External Member) Remarks





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CP10/25 Explained:

*What the PRA's New Climate  
Risk Proposals Mean for  
Smaller Insurers*

26th November 2025

Amy-Jane Burrell, Alex Curtis



# Impacts on insurers

**Dimensions of climate-related risk:**



**Distinctive elements of the risks from climate change:**

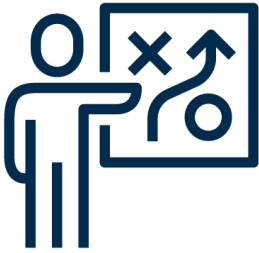
**Systemic**



Simultaneously  
**uncertain** and yet  
**foreseeable**



Size and distribution  
determined by  
**actions taken now**



# Role of the PRA

## Primary Objectives:



Promote the **safety** and **soundness** of the firms we regulate



Contribute to the securing of an appropriate degree of **protection** for those who are or may become **policyholders**

## Secondary Objectives:



Facilitate **effective competition** between firms



Facilitate the **international competitiveness** of the UK economy and its **growth** in the medium to long term

**2025 Business Plan & Priorities Letter:** The PRA continues to assess firms' progress in managing climate-related risks and intends to consult on an update to SS3/19



# Supervisory feedback on climate risk management

Firms have taken **concrete and positive** steps to implement our expectations. However, levels of embedding vary, and further progress is needed by all firms.

SS3/19 expectations category	PRA observation of embeddedness
1. Governance	<b>Significant progress:</b> Execs/Boards well placed to provide leadership/challenge
2. Risk Management	<b>Some progress</b> but significant variations: work is still nascent
3. Scenario Analysis	Capabilities <b>not sufficiently well developed</b> to support decision-making
4. Disclosure	<b>Promising approach by most</b> but dependent on other areas of SS3/19
Other thematic findings: Data	<b>More work needed</b> to aid other SS3/19 areas

# Why update SS3/19?

## **The proposals in the CP reflect:**

- Growing climate-related risks
- The need for firms to enhance their risk management capabilities
- The desire from industry for greater clarity and detail on the PRA's expectations

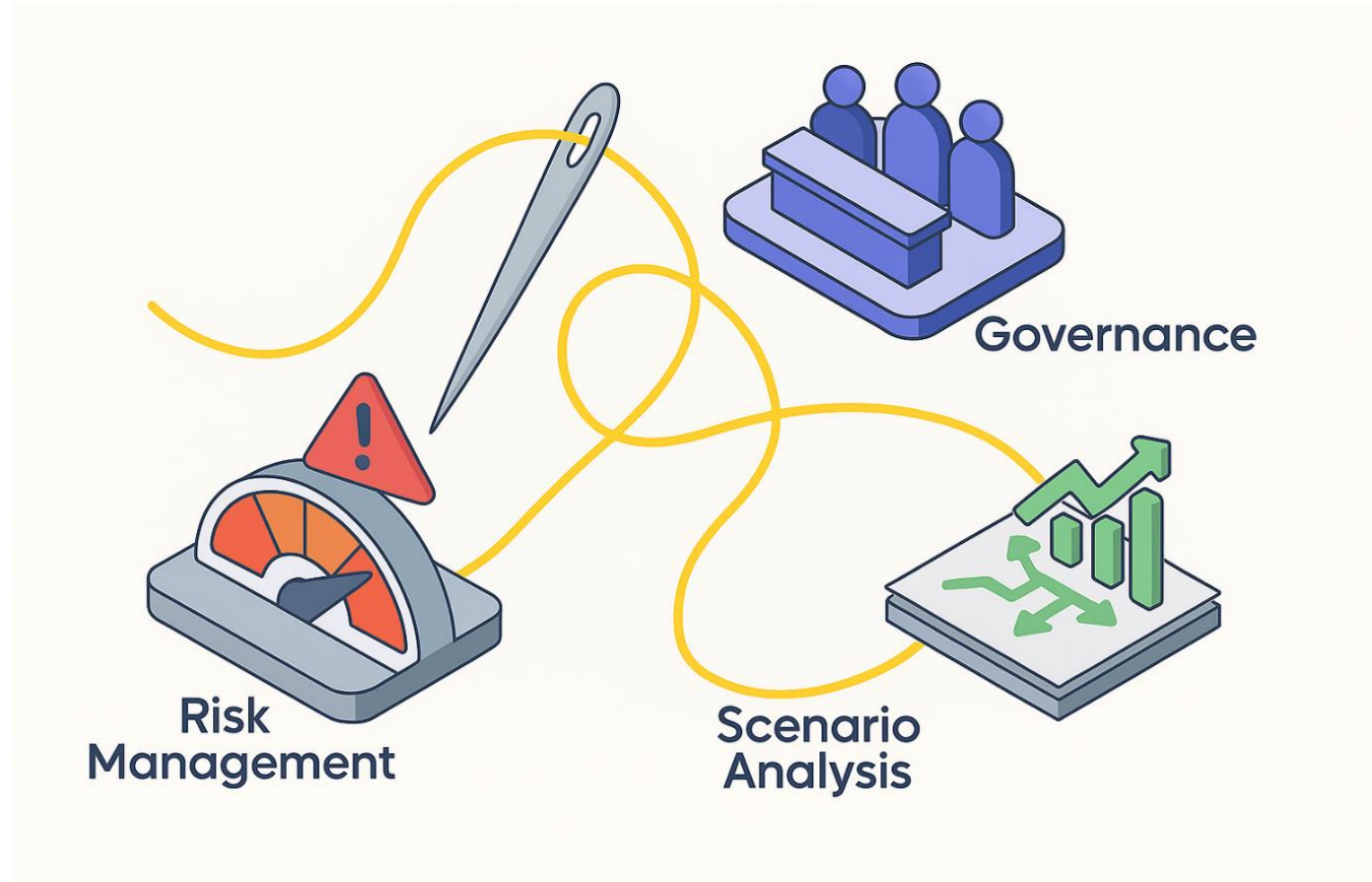
## **The updated expectations aim to:**

- Reflect greater knowledge and understanding of firms' management of climate risks
- Consolidate the PRA's existing public feedback (eg Dear CEO letters)
- Align our approach with relevant international standards, including the IAIS

## **From a supervisory perspective our approach remains unchanged:**

- The updated SS remains 'expectations' not 'rules' – not intended to increase burden
- Our supervision remains judgement-based, forward-looking and focused on key risks

# Key elements



**Governance, Risk Management and Scenario Analysis** are the central thread that underpin a holistic climate risk management process for any firm

# Deep dive - proportionality

## **Aims:**

- The proposals are intended to be applied in a proportionate manner
- Expectations scale with the materiality of a firm's climate-related risk exposure and firm size
- Smaller/less exposed firms may use less sophisticated approaches – set out in specific areas of the SS text (e.g. CSA)
- Business strategy and risk appetite, including judgements of 'material' risk, are set by the firm to retain flexibility

## **Risk-based approach (two-step process):**

- 1: Effective risk identification and assessment process (per detail in SS text)
- 2: Risk management response is then applied proportionately based on the material risks identified

# Firm Implementation – CP Proposals

## Internal gap analysis and action plan



**CP10/25 set out proposals on implementation as follows (still TBC):**

- Publication date **to be confirmed**, but PRA maintaining momentum
- On publication, the new SS will **replace SS3/19 in its entirety**
- Firms expected to **conduct an internal review** of their compliance with the updated expectations – to include **gap analysis** and **action plans**
- Supervisors **will not request evidence** of firms' internal reviews until **at least six months** after publication
- Firms are **not expected** to be fully compliant within 6 months - this window is for firms to **self-assess**, but firms should be suitably ambitious

# Supervisory approach for insurance firms

## PRA Core Assurance



- After the review period, **supervisors will engage via standard supervisory channels** eg annual firm meeting for category 3 insurers
- We will continue to focus supervisory efforts where **climate risks are most material**
- Firms should consider the new SS alongside the PRA's approach to insurance supervision, which sets out the **proportionate application of the PRA's supervisory approach**, including for lower impact firms
- The PRA plans to **engage actively with industry groups** to help smaller insurers collectively develop and advance best practice



## Practical next steps for firms



Engage with the **CFRF** and **industry groups** to develop and share effective practice



Undertake **internal review** and **action plans**



Develop **internal risk identification** and **assessment** approach



Liaise with **PRA supervisory** teams



**Questions**



**Discussion**



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Q&A with Sam Woods,  
Gareth Truran and Shoib  
Khan







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# Small Insurers' Conference: Breakout session

## Topic: Management and Governance



# Key PRA governance publications

- **PRA Rulebook:**
  - Material relating to general board responsibility can be found under the General Governance Requirements (for SII firms).
  - Specific material in relation to board audit committees, risk committees and nomination committees.
- **Supervisory Statements:**
  - SS35/15 covers all aspects of the SM&CR.
  - SS5/16 on board responsibilities addresses this topic in general terms.
- **Recent Discussion and Consultation Papers**
  - CP18/25 – Review of the Senior Managers and Certification Regime (SM&CR)



## PRA expectations on boards (SS 5/16)

- **Strategy:** set the firm's strategy, ensure that the key goals in that strategy are within the agreed risk appetite and oversee executive implementation.
- **Culture:** articulate and maintain a culture of risk awareness and ethical behaviour.
- **Risk appetite and management:** strategy should be supported by a well-articulated and measurable statement of risk appetite, owned by the board and actively used.
- **Composition:** sufficient independent non-executives (number and quality) with collectively sufficient understanding of the firm's business to provide effective challenge.
- **Knowledge:** between them NEDs should have sufficient current and relevant experience to understand key activities and risks in order to provide effective challenge.
- **Succession plans:** have robust plans that recognise future business needs.
- **Remuneration:** oversee the design and operation of the firm's remuneration system ensuring the incentives are aligned with prudent risk taking.
- **Subsidiary boards:** must be capable of acting in the best interests and safeguarding the safety and soundness of the firm for which they are responsible.

# SM&CR Review

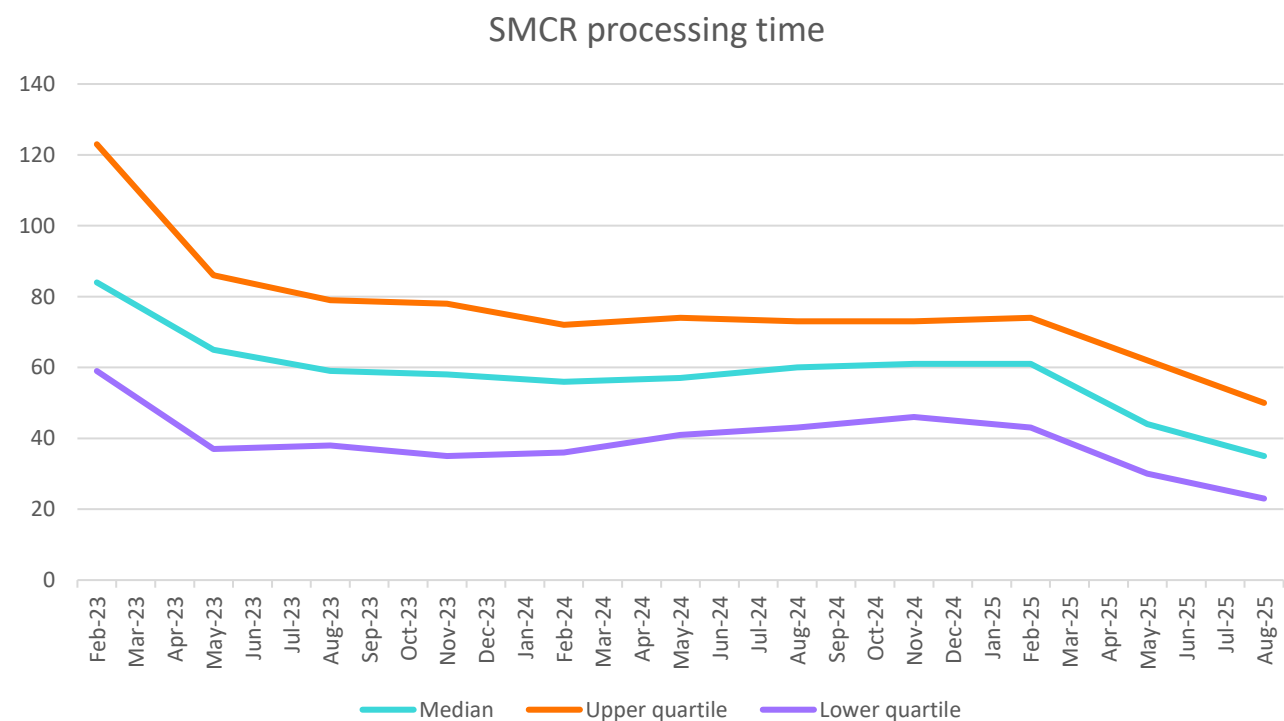
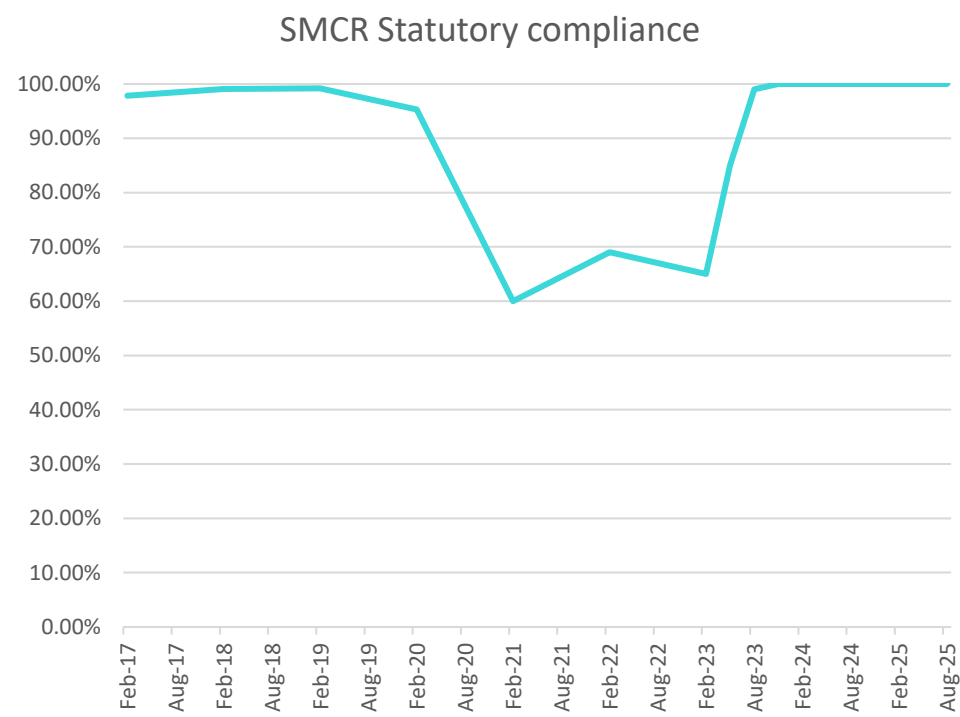
- **Phase 1**

- CP18/25 released in July 2025 covering PRA Phase 1 proposals including:
  - Changes to the 12-week rule
  - SMF7 guidance and examples
  - Clarifications on Fitness and Propriety tests
  - Extending the period for which criminal records checks are valid
- Consultation closed on 7 October 2025. Policy Statement and final rules expected in mid-2026.
  - Considering impact of Phase 2 reforms; aiming to avoid regret spend as part of Phase 1 implementation.

- **Phase 2**

- PRA and FCA working with HMT as part of SM&CR legislative review, with HMT's aim being to reduce regulatory burden of SM&CR by 50%. HMT's consultation (closed on 7 October) included questions on:
  - Reducing the number of Senior Manager Roles
  - Removal of pre-approval requirements for some roles
  - Removal of Certification Regime from legislation
- HMT has also separately consulted on reducing the statutory decision period from 3 months to 2 months

# Time to assess SMF applications has been decreasing



Note: based on data published by the PRA: <https://www.bankofengland.co.uk/prudential-regulation/authorisations>

Data for 2017-22 is for all PRA-authorized firms. Data for 2023-5 is for insurers only. Processing time excludes clock stoppages.



LLOYD'S



# Small and Medium Insurers' Conference

## 26 November 2025

Managing Agent Regulatory Oversight

**PRA-Lloyd's Co-operation**

### **Presenters**

**PRA** - Dan Kriss & Max Dobson (Senior Managers)

**Lloyd's** – Caroline Sandeman-Allen (Chief of Market Oversight) and David Sansom (CRO)

# Agenda

- **Purpose** – explain how Managing Agent oversight between the PRA and Lloyd's is evolving.
- PRA/ Lloyd's will present:
  - Context and enhancements
  - What it means for managing agents in practice
- Majority of time for **Questions and Feedback**



# Context



A well-regulated market brings benefits to all, **maintains high standards and supports UK growth and competitiveness** (benefitting both the PRA's primary and secondary objectives).



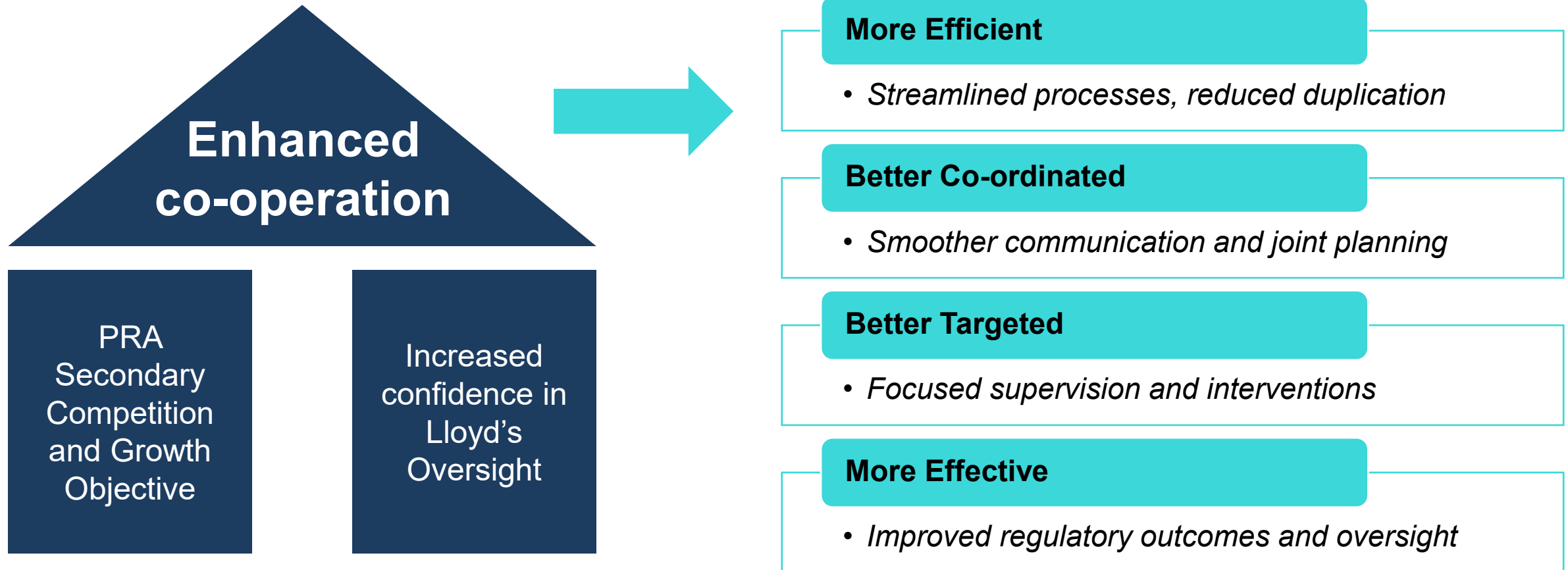
A key principle remains for the PRA to supervise the Lloyd's market to the **same standards** as the non-Lloyd's market.



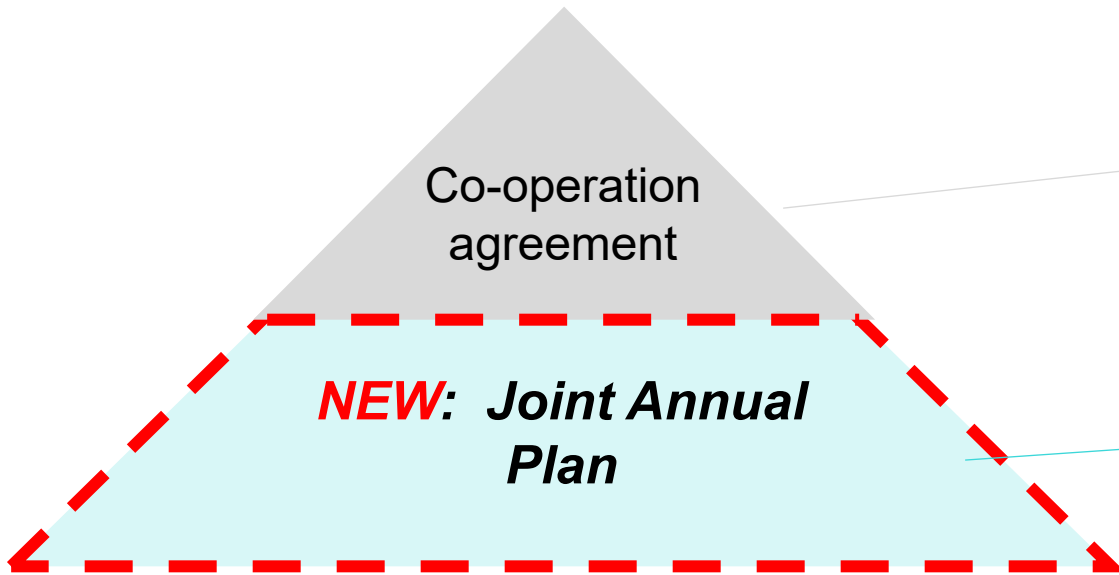
The **PRA and Lloyd's both have regulatory responsibilities** (from FSMA/ Lloyd's Acts). There is **high alignment of interests**, although respective objectives and approaches are different.

# Why is the PRA evolving its approach?

The foundations are in place for increased co-operation, unlocking benefits for market participants and ultimately for policyholders



# Next level co-ordination between Lloyd's and the PRA



*The existing **Co-Operation Agreement** is published on our website and sets out **high level principles** on how we work together and share information*

*For the first time, we are establishing a **PRA-Lloyd's 'Annual Plan'** to agree **practical co-operation** on a more granular, rolling basis.*

## Example: Ongoing oversight, emerging and crystallised risks

- Monthly PRA-Lloyd's meetings to enable information sharing and co-ordination, with additional meetings as needed.
- Regular cycle of meetings structured by PBO dimensions.
- Co-ordinated supervisory strategies and workplans in response to crystallised risk examples.

## Example: Thematic Reviews

- Co-ordination between Lloyd's Market Oversight Plans and PRA priorities/ reviews

## Upcoming example: DyGIST – Q2 2026

- PRA requests through Lloyd's as a general principle

# PRA intends to leverage Lloyd's oversight activity where possible

In all instances, the PRA's first consideration will be whether to leverage Lloyd's activity rather than engage directly.



The PRA maintains its decision-making role and independent view.

## Example: Impact category changes

- Intensity of PRA supervision of managing agents is determined by our assessment of **impact** to our objectives (Category 1 highest, Category 4 lowest).
- We have **changed our methodology, moving a number of managing agents to lower categories**. We now only classify a small number of managing agents as Category 2, and the vast majority as Category 3 or 4.

## Example: Managing Agent Authorisations

- Streamlined, faster process e.g. through concurrent PRA/FCA and Lloyd's processes rather than sequential.
- PRA and FCA leverage Lloyd's work to reduce potential duplication.
- Co-ordinated interface to applicants.

# What this means in practice - PRA

*For all managing agents, regulatory engagement with both the PRA and Lloyd's should feel better co-ordinated, better targeted and more efficient.*

3

Reduced to impact category 3

- Over half of managing agents are now cat 3
- Reduced PRA meeting intensity – typically one meeting annually.

4

Reduced to impact category 4

- Reactive supervision - no expectation to meet with the PRA routinely for c.40% of managing agents.
- Continued named supervisor for all Managing Agents.
- Onus remains on all firms to proactively notify PRA as appropriate



New Entrants

- Streamlined, more efficient authorisation process



Multi-Platforms

- Pragmatic approach to supervising multiple entities
- Confidentiality is maintained – the PRA shares information for the purposes of enabling or assisting the Society of Lloyd's to discharge its regulatory functions.

# What this means in practice - Lloyds

*For all managing agents, regulatory engagement with both the PRA and Lloyd's should feel better co-ordinated, better targeted and more efficient.*

1

**Continuation of Principles Based Oversight** - for both ongoing oversight and for assessment of new entrants

2

**Co-ordination of PBO interventions** and **PRA supervisory strategies** for managing agents

3

**Continuous engagement** with the **PRA** to ensure **effective implementation** of our **evolving relationship**



As we deepen our engagement with the PRA, the shift won't happen overnight, change will be gradual and purposeful



## Next steps

- PRA and Lloyd's will progress the Annual Plan – this will be a private document to enable it to evolve more freely but PRA/ Lloyd's will communicate key aspects.
- Key areas being actively explored for further enhancement include:
  - **Senior Managers Regime (SMR)** - Better co-ordination between PRA/FCA and Lloyd's with aligned processes where possible e.g. joint interviews and PRA/ FCA leveraging Lloyd's work
  - **Data requests** and
  - **Thematic reviews**
- You should continue to inform your PRA supervisor of anything of which they would reasonably expect notice.

# Questions and Answers



We would welcome Managing Agents giving feedback and suggestions based on your experience

- Today
- Through your usual contacts at the PRA and Lloyd's
- Through the LMA or IUA

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Smaller Insurers Conference

26 November 2025

Break-out session: Insurance  
Branches

**Branch Supervision Team, Retail and Commercial  
General Insurance Division**



# Agenda for the break-out session

1

Branch Supervisory Approach: Update & Regulatory Developments

2

Regulatory focus areas

3

Q&A

## Agenda

Supervisory  
Approach

Branch  
Regulatory  
Developments

Regulatory focus  
areas

Q&A

# Supervisory Approach: No change since last year

Proportionate baseline approach, adjusted for risk

Level of supervisory engagement

Low ← → High

Impact  
category

Assessment  
against  
branch SoP

HSS  
engagement

Product lines  
and  
policyholders

Reporting  
reviews

Risk  
assessment

## Agenda

Supervisory  
Approach

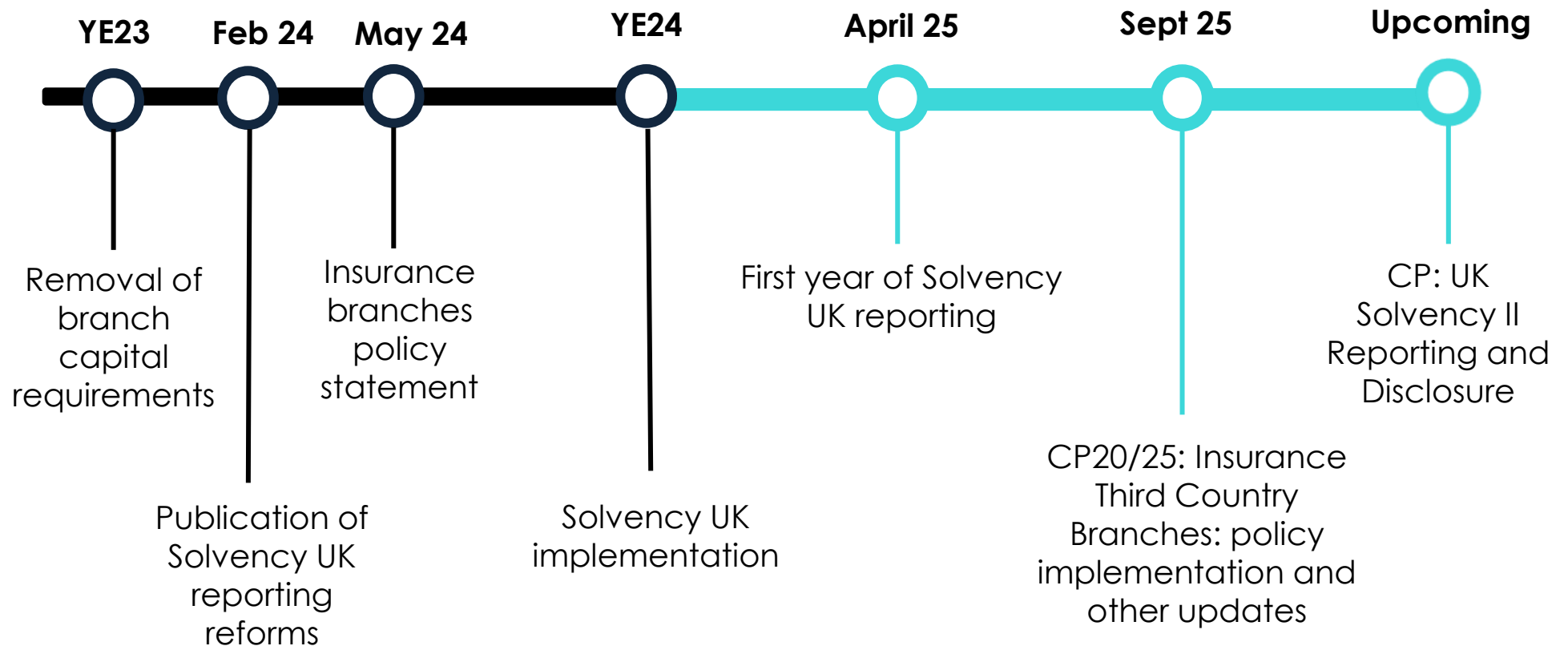
Branch  
Regulatory  
Developments

Regulatory focus  
areas

Q&A

# Branch Regulatory Developments

## Implementation of Solvency UK Reforms





## Agenda

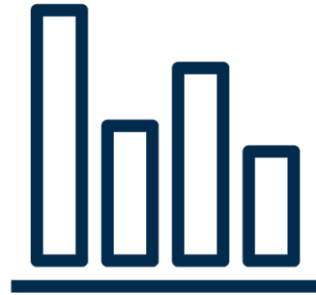
Supervisory  
Approach

Branch  
Regulatory  
Developments

Regulatory focus  
areas

Q&A

# Regulatory focus areas



## Regulatory Reporting Errors

- Uptick in missing information/errors. Subset of templates attracted higher error rates.
- Engaging with firms to understand extent and provide guidance.
- Importance of accurate regulatory data.



## Triennial Resolution Report

- Legal requirement to submit TRR per the PRA Rulebook.
- Not all firms have submitted TRR. We encourage to submit as soon as possible.
- Desktop thematic review to be conducted in 2026.



## Risk Management

- Desktop thematic review
- Covered a sample of branches across Direct Writers and Reinsurers.
- Focused on the design of risk frameworks

## Q&A

- 1. *Your experience of the new Branch Regulatory Regime***
  - a) *What do you think has worked well?***
  - b) *What could we improve?***
- 2. *What is the highest regulatory priority for your branch in the coming 12 months?***
- 3. *What would you like to hear more from the PRA about?***
- 4. *What prudential risks do you see currently and on the horizon for small insurance branches in the UK?***
- 5. *Open questions***



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# Mutuals landscape report

**Anthony Brown &  
Claire Browne Quiñones**



# Mutuals Landscape Report

Please refer to the Mutuals Landscape Report which has now been published. This is available below:

[Mutuals landscape report | Bank of England](#)



