

# Bank of England PRA

## Meeting Summary

### PRA/ABI Solvency UK Attestation Subject Expert Group (ASEG): First Meeting

15 February 2023

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Location: Bank of England Offices, MS Teams

Attendees: The PRA, ABI and HMT

Representatives of the following insurance firms:

- Aviva, Just, Phoenix Group, PIC, Rothesay, Royal London, Legal & General, Scottish Widows Group
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#### **Agenda**

1. Introductions
2. Confirmation of meeting dates/timeline
3. Chair's introduction
4. Purpose, objectives and approach for the Subject Expert Group (SEG)
5. Thematic topic: High level purpose of the attestation
6. Close and AOB

#### **Summary of meeting**

The purpose, objectives, and approach of the ASEG were discussed. The overarching aim of the ASEG was to discuss options on how to effectively deliver the requirement for a senior manager to attest to the PRA on the appropriateness of the level of the Fundamental Spread (FS), including any add on, and the resulting matching adjustment. It was noted it would be beneficial to tie in the outputs of the ASEG with the

Investment Flexibility and Notching SEG outputs either in the course of the work or at plenary sessions.

The meeting also involved a wide range of questions and discussion on the expectations and definition of the attestation. The main options and areas explored were:

- The objective of the attestation being for a senior manager at each affected firm being accountable for the FS and resulting matching adjustment (MA) on the assets held in their MA portfolios.
- That attestation represented a move away from MA being determined by a single, regulatory model to an approach in which firms would have a greater role in assessing the appropriateness of their MA on the basis of their own analysis of the risk in their assets, and being accountable for the outcome.
- The attestation, under the Senior Managers Regime may well need to draw upon a number of different functions within an organisation.
- Disclosure could play a role by allowing stakeholders a better view of how MA for each firm was being arrived at and therefore the adequacy of technical provisions.

Areas for future discussion identified by the ASEG were:

- The difference between defining the FS as representing all retained risks and the MA as compensation for liquidity premium only was discussed. The characterisation of the MA as representing the liquidity premium was prioritised for the next ASEG meeting.
- Scope for firms' attestation to show that the FS was sufficient for the portfolio in aggregate rather than on a more granular level.
- What would happen where historical data did not include novel current and future risks.
- The role of both internal and external auditors in the attestation process.