

Meeting Summary

PRA/ABI Stress Testing Subject Expert Group (STSEG): Third Meeting (Disclosure Users)

20 June 2023

The PRA, the industry co-chair, ABI and HMT observers and representatives of disclosure users: Hymans, LCP, PWC, S&P, JP Morgan, KBW, NatWest Markets, BNP Paribas, Bank of America, an independent analyst.

Agenda

Appropriate Level of Disclosure:

- What public firm disclosures do you make use of in your work?
- Do you currently make use of firms' published risk sensitivities and/or other published material such as SFCRs, including QRTs and, if so what areas do you focus on?
- How does your use of group and significant solo entity disclosures differ?
- To what extent did the results of the Insurance Stress Test published earlier this year (January 2023) influence your perspective of the life insurance sector? How can those be evolved to provide more useful disclosure?
- What additional disclosures would be beneficial to improve understanding of insurers' business models?
- What issues do you encounter in trying to make use of disclosures, including timing and frequency of publication?
- What would be the most helpful balance between quantitative and narrative disclosure?

Summary of meeting

Users of life insurers' disclosures provided their views on what would be the most useful published disclosures by the life insurers. The main points that emerged from the discussion were:

- The LIST 2022 Dear CEO letter was seen as positive for the UK life insurance industry as a public PRA statement on the resilience of the industry.
- Individual firm disclosure was seen as very useful. However, PRA publication would be market moving and equity analysts cautioned against poorly thought through disclosures that could have unintended impacts for firms.
- Plausibility of scenarios was seen as important with a view to avoiding stress on stress. The rationale behind the PRA's choice of stress scenarios was seen as important as well.
- Users expressed strong interest in disclosures for evolution of EOF (capital generation) and SCR; additional information on exposures was seen as very useful in understanding stress. There was a range of views on disclosures around MA – some considered disclosures necessary as MA is an important part of life insurers business models while others thought these unnecessary as MA is not well understood by many market participants so disclosures would not be helpful.
- Many users would also welcome additional understanding of the ability for capital to be transferred between solo and group in times of stress.