

Meeting Summary

PRA/ABI Stress Testing Subject Expert Group (STSEG): Fifth Meeting

6 July 2023

Bank of England Offices, MS Teams

The PRA, observers from ABI and HMT and representatives of the following insurance firms: Aviva, Just, Phoenix Group, PIC, Rothesay, M&G, Royal London, Legal & General, Scottish Widows Group, LV, NFU Mutual, Canada Life

Agenda

1. Timing of the PRA IST firm level disclosures.
2. Accuracy / quality standards for individual firm disclosure.
3. Overview of key points discussed to date, areas of industry consensus and matters requiring further discussion.

Summary of meeting

Participants discussed the timing and governance of stress tests and the industry's conclusions on the points discussed over the course of the STSEG meetings.

On timing and governance the main points that emerged from the discussion were:

- There were mixed views from the industry participants on the timing of stress tests with some favouring building this into the year-end cycle and others wanting to continue with a later timetable. Making it part of the year-end process would bring it under business-as-usual reporting which would save on time and resources and make it easier to integrate the results into wider reporting. Those who preferred undertaking the stress test as a separate exercise argued that running it as part of the year-end placed pressure on resources.
- On governance, industry participants noted that running the stress tests and analysing the results could, depending on the complexity of the stress tests, be done in the course of a few months. However, undertaking governance (particularly at Board level) could add significant time to completing the process. The timing of previous stress tests had not meshed well with the calendar of Board meetings.

The industry set out the main points that it had taken from the STSEG meetings. These included:

- Disclosure users had focused on the stress tests being used to show that the PRA thought the industry resilient in a severe but plausible and economically coherent scenario. If the results of the test were such that the PRA would actually intervene, then industry believed that this should be made clear so as to maintain confidence.
- Industry also thought that many users did not fully understand life insurers' business models or the way that regulatory capital requirements worked so it was important that published results were clear and straightforward. The industry generally opposed the publication of a detailed breakdown of capital so as to show the impact of changes in MA and other components of capital.
- It was suggested that more detailed breakdowns could be incorporated into enhanced SFCRs or additional QRTs.
- How the impact of management actions were disclosed would need a lot of thought and should distinguish between routine actions and those that would only be considered under severe stress.
- Whether results were published on a group or solo entity basis also needed further thought with some industry members noting that stress tests focused on specific lines of business (eg annuities) could particularly impact specialist firms compared to those with more generalist portfolios.