

Meeting Summary

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

8 June 2023

Bank of England Offices, MS Teams

The PRA, 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, observers from ABI and HMT.

Agenda

1. Purpose, Objectives and Approach (POA) of the STSEG
2. Objectives of the insurance stress test.
3. The rationale for individual firm disclosure.
4. Role of the Disclosure Users Group.
5. Identify options for desirable features and risk areas that can be addressed through stress testing.

Summary of meeting

The POA document for the STSEG was agreed.

The PRA noted the existing objectives for insurance stress tests (assess sector resilience, improve risk management and to guide supervisory activity) and sought views on an extension to the sector resilience objective to incorporate the provision of additional market transparency through individual firm disclosure as provided for by HM Government's response to the Solvency II Review.

Industry members gave their initial views on the possible design of the stress test and on the benefits/costs and scope of publishing firm specific information. The main points that emerged were:

- The potential impact of publication, with firms being concerned that users would not understand the information and this would give rise to market volatility.
- Firms thought that publication dates should fit within their wider investor engagement.
- Firms were concerned by the potential costs noting particularly that significant additional work would be needed to upgrade the stress test results to publishable quality.
- It would take time to upgrade systems so firm specifications were needed early in the process.