

Bank of England PRA

Appendix 1 – Glossary of abbreviations and terms

Consultation paper | CP15/24

November 2024

Draft for consultation



Bank of England | Prudential Regulation Authority

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144A cat bonds – A 144A catastrophe bond structure is a form of ILS, issued under rule 144A of US SEC regulations that is specifically designed to transfer the risk of catastrophic events (like hurricanes or earthquakes) from an insurer to multiple investors in a cost effective and efficient manner. It is the market standard for catastrophe bonds.

AMRE – Aggregate maximum risk exposure - the sum of the maximum payments, including expenses that the special purpose vehicles may incur, excluding certain specific expenses.

Cedant – An insurance company that transfers some or all of the risk it has underwritten to a reinsurer

CP – Consultation paper

FFAAT – Fully funded at all times - means that the ISPV has at all times assets the value of which is equal to or exceeds the aggregate maximum risk exposure and it is able to pay the amounts it is liable for as they fall due

GI – General Insurance

Grace period – A period of time where the ISPV does not need to meet the usual funding requirements

HMT – His Majesty's Treasury

ILS – Insurance Linked Securities - securities issued by a fully funded vehicle, in order to fund its liabilities

LOC(s) – Letter(s) of credit – legal commitment issued by a bank stating that upon receipt of certain documents, the bank will pay against drafts meeting the terms of the LOC.

MISPV – Multi-arrangement ISPV - a UK ISPV which assumes risks (i) from more than one undertaking or (ii) under more than one separate risk transformation transaction, whether with one or more undertakings.

PCC – Protected Cell Company - a corporate structure used to set up an MISPV. The PCC structure (as required by HMT) is intended to allow for each contract for risk transfer to be established as a separate 'cell', with each cell having its own segregated pool of assets and liabilities and which is insolvency remote from other cells and the core.

PS – Policy statement (PRA paper describing the consultation response and outlining the final policy)

SMF – Senior Management Function

SoP – Statement of Policy (Policy statement outlining the PRA's approach)

SOP – Scope of Permission

SPV – Collective term for an Insurance Special purpose vehicle whether authorised in the UK or in a third country.

Tranche/tranching – Slicing the issuance of underlying securities to cater for different investors’ preferences and risk appetites

UK ISPV – Insurance Special Purpose Vehicles – a UK regulated entity which undertakes the regulated activity of insurance risk transformation. Insurance risk transformation is the activity of assuming a risk where the undertaking assumes a risk under a contract of insurance (“the underlying risk”); and the assumption of risk by the transformer vehicle has the legal or economic effect of transferring some or all of the underlying risk to the transformer vehicle.

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