

Bank of England PRA

Meeting Summary

PRA/ABI Solvency UK Industry Engagement Plenary Session: Second Meeting

13 March 2023

Location: Bank of England Offices, MS Teams

Attendees: The PRA, ABI and HMT.

Representatives of the following insurance firms:

- Aviva, Canada Life, Just, LBG, L&G, Lloyd's of London, M&G, Phoenix, PIC, Rothesay, Royal London, Tokio Marine HCC, Unum.
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Agenda

1. Welcome from ABI and PRA
2. Legislative rulebook reform: HMT update on plans
3. Subject Expert Group (SEG) updates – Attestation, Investment Flexibility and Notching
4. Matters arising across the SEGs
5. Feedback on the industry engagement process
6. Questions

Summary of meeting

The purpose of this meeting was for the co-chairs of each SEG to provide updates and summaries of their discussions to interested parties outside of the SEGs' membership.

Summaries of the plenary discussions held around each SEG are outlined below:

- **Attestation SEG:** the dual nature of the attestation and the need for assessment/evidencing of the valuation of the assets underlying the MA was considered. Some progress had been made on discussing topics, such as who should attest and how often, but the main area of debate was around the need to attest that the MA represents only liquidity premium.
- **Investment Flexibility SEG:** it was considered the SEG was working well, and good progress was being made, particularly on the treatment of debt instruments with structural features that could lead to uncertainty over the timing and/or amount of cashflows. The next key focus of discussion for assets with structural features was on the design of a fundamental spread add-on and the wider controls framework.
- **Notching SEG:** mandatory vs voluntary notching applications were considered and there was discussion around the impacts of notching on the fundamental spread (FS). It was argued that a 1-year implementation horizon to make internal model changes to allow for notching in the SCR calculation was optimistic.

In addition to the above, the meeting covered any matters arising across the SEGs and feedback on the industry engagement process so far. It was agreed that all future SEG meeting agendas would have a standing item to raise questions or points that the other SEGs should be asked to consider.

Feedback on the industry engagement process was positive, with industry reflecting that it was a good model for developing policy options.

A lack of diversity across the SEGs was acknowledged. It was noted that positive role modelling could, over time, improve diversity in the insurance sector and it was agreed that for future meetings the SEGs could include up to two observers from both industry and the PRA to promote this.

An update was also provided on the legislation required and parliamentary process to implement the reforms. Primary legislation was at the committee stage and HMT would share secondary legislation with industry before going to Parliament.