

**Bank of England PRA**

Webinar

Life Insurance Stress Test (LIST)  
2025: Objectives, design and  
planned disclosure

11 June 2025



# Introduction: Solvency II reforms and your role

The Solvency II reforms are designed **to support growth**

- supporting long term capital and allowing greater investment flexibilities

Included in those reforms are **new safeguards** to maintain safety and soundness and policyholder protection:

## Enhanced insurer accountability:

- ✓ Annual attestation process
- ✓ A mechanism to allow firms to adjust the level of Matching Adjustment benefit they take

## Enhanced transparency:

- ✓ Stress testing with individual firm publication

# Agenda

LIST 2025: objectives, purpose and scope

Scenarios

Key design features

Planned disclosure

Timeline and staggered publication

Q&A



# 1. LIST 2025: objectives, purpose and scope

# LIST 2025 Objectives



Assess **sector and firm resilience** to severe but plausible events

New!



To strengthen **market understanding and discipline** through **individual firm publication**



To improve insight into **risk management vulnerabilities**

## **LIST 2025: intended outcomes**

- Assess life insurers' financial resilience and risk management, informing the PRA's supervisory and policy-setting activities
- Provide market participants with additional independent view of sector and firms' resilience and facilitate market education around firms' balance sheet evolution in stress

## **LIST 2025 is not a pass/fail exercise**

- Given severity of the scenario there is no expectation that all participants will maintain a post stress SCR coverage ratio above 100%
- LIST 2025 does not inform the setting of capital requirements or buffers

# LIST 2025 Scope & Participation

- The largest firms active in the Bulk Purchase Annuity market
- Participation at a solo level – PRA-regulated insurance companies who contract directly with policyholders:



Aviva International Insurance Ltd  
Aviva Life & Pensions UK Ltd



Pension Insurance Corporation plc



Phoenix Life Ltd



Canada Life Ltd



The Prudential Assurance Company Ltd



Just Retirement Ltd  
Partnership Life Assurance Company Ltd

Rothsay

Rothsay Life plc



Legal & General Assurance Society Ltd



Scottish Widows Ltd



## 2. Scenarios



# LIST 2025 Scenario description

<b>Core scenario (Part A):</b> <i>resilience to evolving market stress</i>	<b>Exploratory Part B:</b> <i>developing capabilities towards asset-level stresses</i>	<b>Exploratory Part C:</b> <i>Funded Reinsurance recapture</i>
<ul style="list-style-type: none"><li>• To assess sector and firm resilience to financial market stress scenario</li><li>• Designed to educate on mechanics and core components of Solvency II during the stress</li></ul>	<ul style="list-style-type: none"><li>• Additional downgrade stress to the asset class most material to firm's Matching Adjustment benefit</li><li>• Provides stepping stone towards more granular asset stresses in future exercises</li></ul>	<ul style="list-style-type: none"><li>• Recapture from most material FundedRe counterparty under stress</li><li>• Provides stepping stone to firm-level disclosure in future exercises</li></ul>
<b>Firm- and sector-level disclosure</b>	<b>Only sector-level findings in 2025</b>	<b>Only sector-level findings in 2025</b>

# LIST 2025 Core Scenario: 3-stage financial market stress

## Stage 1: Initial market shock

**Interest rates down**

**Credit spread  
widening**

**Equities down**

## Stage 2: Developing market shock

**Property (residential and CRE)  
valuations down**

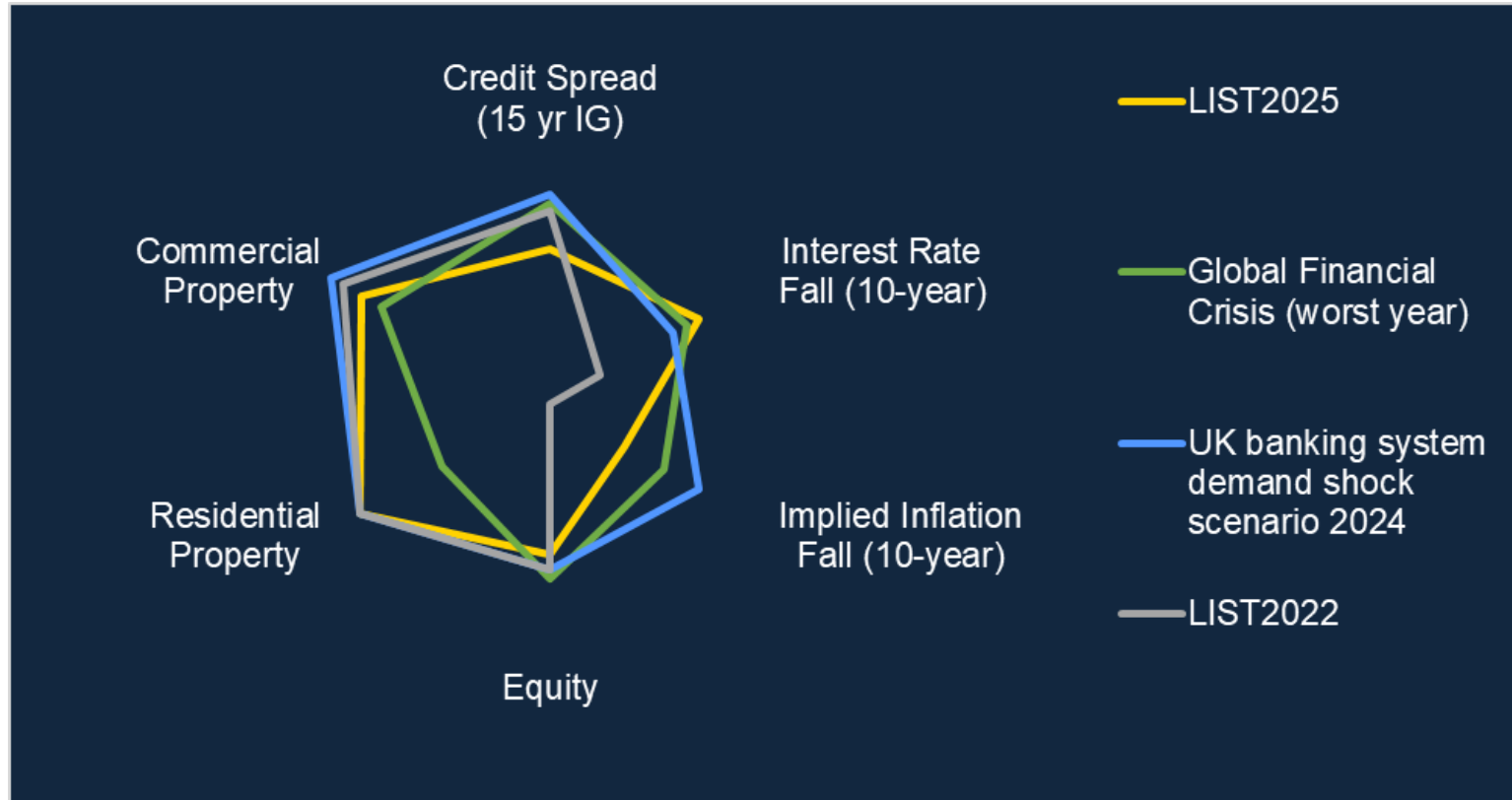
**Credit downgrades and defaults**

## Stage 3: Markets stabilise

**Credit spreads narrowing but remaining  
elevated; no ratings upgrades**

**Management actions** (including trading  
in liquid secondary markets);  
**rebalancing at cost**

# LIST 2025 calibration in context



- The core financial markets stress represents one severe but plausible scenario targeting 1 in 100 severity



# 3. Key design features

# Important design features

- Insurers required to apply the same stresses following a consistent approach
- Consistent with previous PRA stress test exercises

## Implications:

Time horizon	Regulated solo entity	Management actions	Business profile matters
<ul style="list-style-type: none"><li>• Instantaneous stress applied to 2024 year-end position</li></ul>	<ul style="list-style-type: none"><li>• Regulatory solvency NOT shareholder view</li><li>• Intend to extend to group-view in future</li></ul>	<ul style="list-style-type: none"><li>• Constrained management actions specified by the PRA</li></ul>	<ul style="list-style-type: none"><li>• Regulatory SCR ratio is less sensitive to LIST 2025 stress for firms with with-profits business and/or large non-annuity business</li></ul>
<ul style="list-style-type: none"><li>• Potential impacts from business plan changes and stresses developing over time are not reflected</li></ul>	<ul style="list-style-type: none"><li>• Results in 2025 will not reflect the context for the wider group</li></ul>	<ul style="list-style-type: none"><li>• Firms potentially able to use other management actions</li></ul>	<ul style="list-style-type: none"><li>• Ranking firms can be misleading</li></ul>



## 4. Planned disclosures

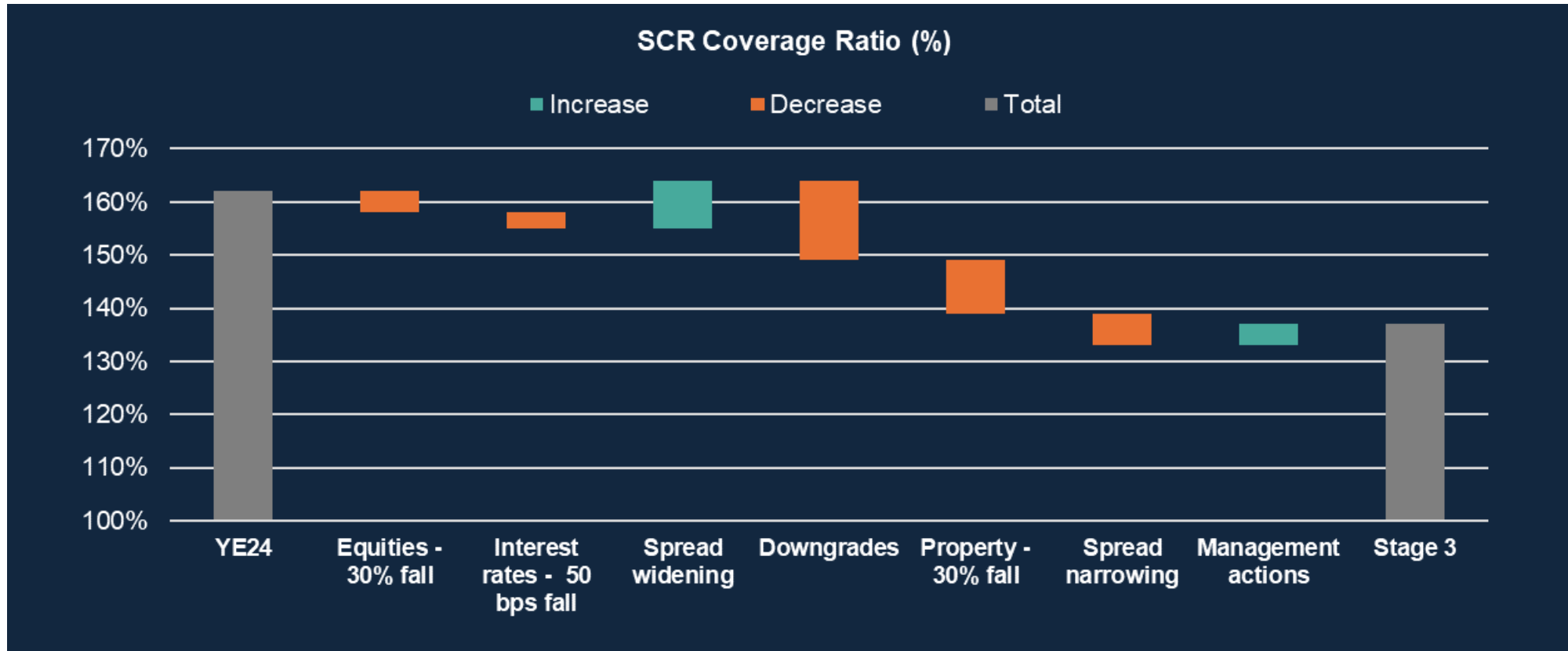
# Disclosure will be structured to support the objectives

<b>Main report</b>	<b>Annexes</b>	
<p><b>Sector findings and implications</b></p> <p>PRA statements on the resilience of the sector and vulnerabilities (including findings from the exploratory scenarios), with supporting <b>aggregate</b> metrics (similar to LIST 2022)</p> <p><i>Supports transparency of sector resilience, market education and discipline</i></p>	<p><b>Sector level</b></p> <p><b>Explanation of Matching Adjustment and Fundamental Spread in stress</b></p> <p>Movements through stages of financial markets stress</p> <p><i>Supports market education and discipline</i></p>	<p><b>Firm level</b></p> <p><b>Core scenario disclosure</b></p> <p>Firm solvency coverage ratio and its components (Eligible Own Funds and Solvency Capital Requirement) at each stage in the scenario, as well as starting point Matching Adjustment portfolio composition</p> <p><i>Supports transparency of firm-level resilience</i></p>

# Main report: Quantitative disclosures at a sector level

Main report	Annexes	
<b>Sector findings and implications</b> PRA statements on the resilience of the sector and vulnerabilities (including findings from the exploratory scenarios), with supporting aggregate metrics (similar to LIST 2022)  Supports transparency of sector resilience, market education and discipline	<b>Sector level</b> <b>Explanation of MA/FS in stress</b> Movements through stages of financial markets stress  Supports market education and discipline	<b>Firm level</b> <b>Core scenario disclosure</b> Firm solvency coverage ratio and its components (Eligible Own Funds and Solvency Capital Requirement) at each stage in the scenario, as well as stating point MA portfolio composition  Supports transparency of firm-level resilience

Illustration – “waterfall” of SCR coverage ratio (published at sector level for LIST 2022)

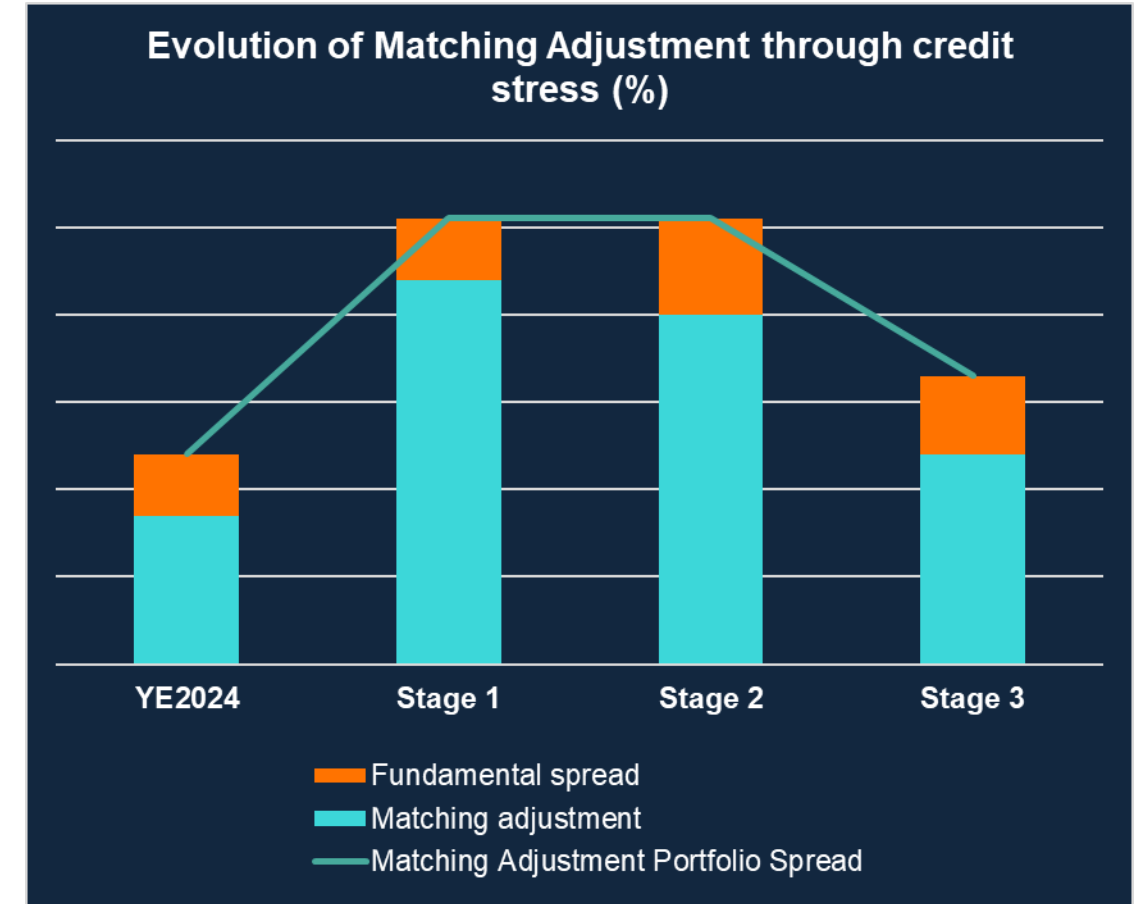




# Annex on evolution of Matching Adjustment and Fundamental Spread in stress (sector level)

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- Disclosure will explain the behaviour of the Solvency balance sheet and its components in a credit stress
- For example, it will illustrate how the Matching Adjustment:
  - insulates insurers' capital positions from short term credit volatility, and
  - recognises the increased risk of default and downgrades that would impact the security of cashflows needed to meet policyholder obligations



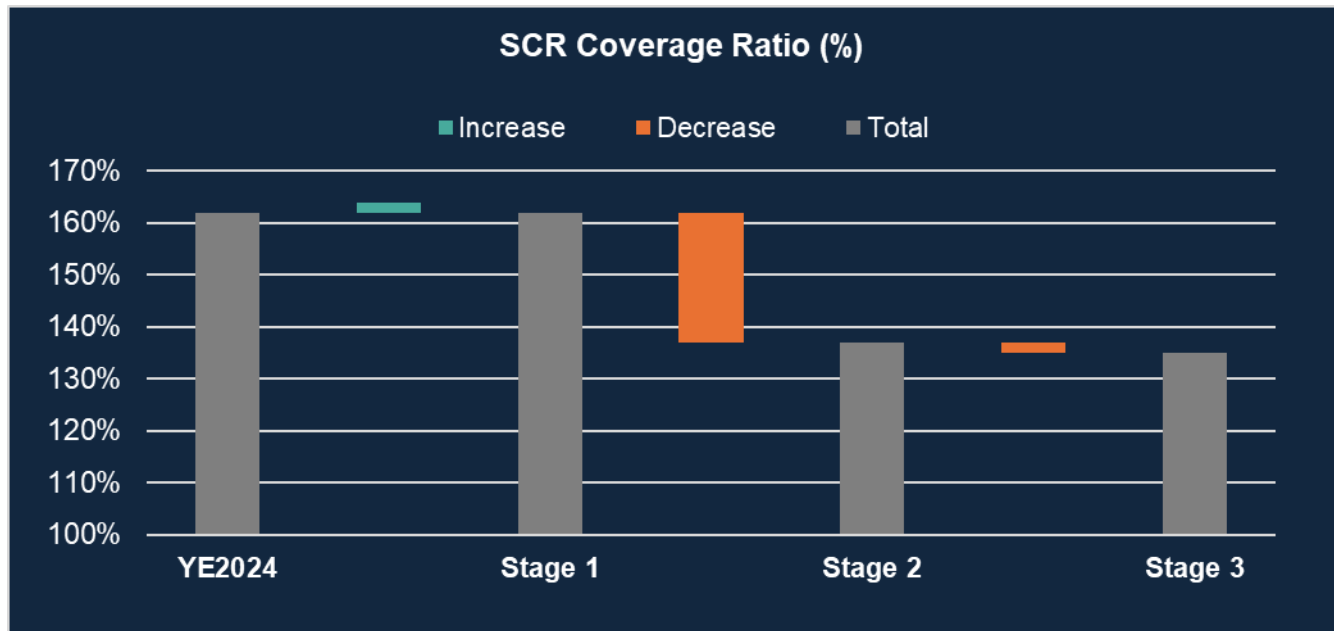
# Additional annexes: Firm-level quantitative disclosures

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Starting point disclosure: composition of Matching Adjustment Portfolios' market value by asset classes



	Market Value, £
Corporate bonds	
Infrastructure	
Equity Release Mortgages	
Secured residential lending	
Sovereigns & quasi sovereigns	
Other secured lending	
Other	



Stress impact on SCR coverage ratio at individual firm level

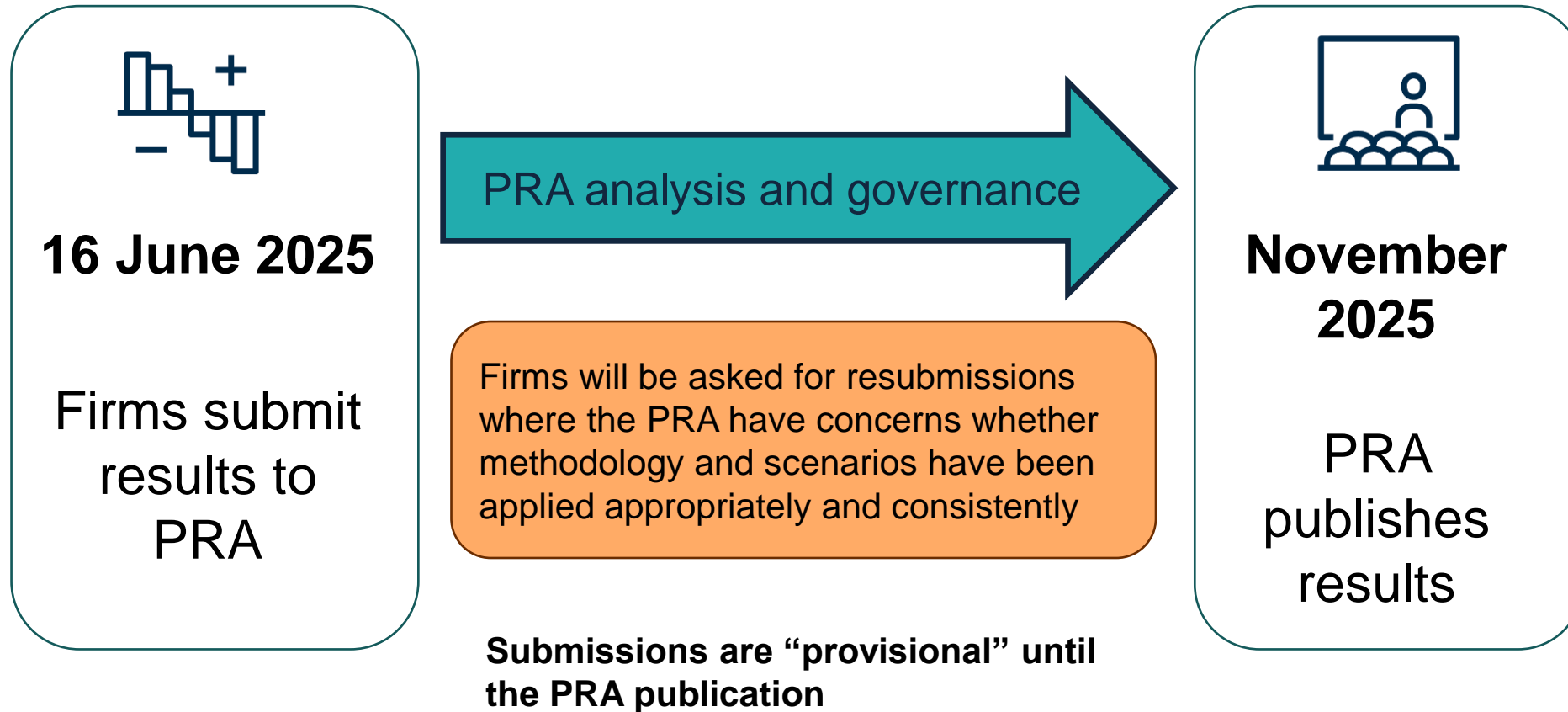


Breakdown of coverage ratio into SCR and Eligible Own Funds will also be provided for Stage 3 before and after management actions



# 5. Timeline and staggered publication

# Timeline to publication



# LIST 2025 staggered publication and publication timeline

**Publish: *expected November 17<sup>th</sup>***

## **Main report**

- Sector results / resilience
- Key drivers of results
- Findings from exploratory scenarios

## **Technical annex**

Sector level evolution of MA/FS through stress

**Publish: *expected November 24<sup>th</sup>***

## **Main report**

## **Technical annex**

## **Annex**

Individual firm results for Part A

*Firms may publish their own supplementary information*



# Annex - Reference material

# Reference material

Further materials on PRA Life Insurance Stress Test can be found at:

[Life Insurance Stress Test \(LIST\) 2025 | Bank of England](#)

Insurance Supervision 2025 priorities letter:

[Insurance Supervision: 2025 priorities](#)

For any further queries please contact: [LIST2025@bankofengland.co.uk](mailto:LIST2025@bankofengland.co.uk)

