



Technical Practices Survey 2025

Solvency II

Financial Services

—

July 2025

Welcome to the 2025 report

It is with the greatest pleasure that we present the 2025 edition of our annual Technical Practices Survey. As ever, the aim of this survey is to enable UK life insurance firms to identify the key technical issues within the industry, and to present the range of methodologies and approaches that have been adopted by their peers.

We are incredibly pleased to see ongoing support for our survey, with 18 participants submitting responses this year, including 9 submissions from Internal Model (IM) firms. We continuously aim to evolve the survey so that participants find it insightful and relevant to the issues faced within the industry today.

The executive summary overleaf provides an overview of how the key stresses and indicators of risk appetite compare to the median responses provided in this and the previous year's survey. Most firms have marginally strengthened both the interest rate up and down stresses. The core market stresses, equity, currency and property have remained relatively stable, as seen in previous years.

On credit risk, there have been limited changes in the overall calibrations, although we have observed greater clustering of transition and default calibrations. This year we have explored some more detailed aspects of the modelling, such as the approach to modelling the matching adjustment under stress (MAuS). On underwriting risk, we observed minimal changes in lapse, mortality and longevity stresses.

Under capital management approaches, most respondents have not altered their coverage ratios; however, two respondents have reduced their level 1 and level 2 coverage ratios by 20-50%. We have also included a detailed analysis on respondents' approaches to the PRA's requirements on Solvent Exit Planning and liquidity risk.

On operational risk calibration, information security breaches remain the most significant component, and we have included a detailed analysis on model risk management.

In response to market developments, we selected thematic areas to explore in more detail in our report. In this year's report we have focused on the following areas:

- SCR Analysis of Change (AoC) – Approaches to producing the SCR AoC vary between respondents, with some firms using alternative methods to full SCR AoC calculation and proxy models. However, most respondents plan to align their SCR AoC production with their Own Funds (OF) AoC process.

This year, we have also incorporated a greater number of anonymised firm-level responses to provide deeper insight into the varied approaches adopted across firms.

We trust that you will find the report insightful. Please contact a member of the team (refer to page 84 for details) if you would like more information on any of the content.

How to read the report

For questions that are not included in the IM01 submissions, we have included median tables which provide a comparison between this year's responses and those in the 2024 report.

In the spirit of being transparent, particularly where firms can provide multiple responses to the same question, we have indicated the number of respondents included in a specific chart with a grey box, as illustrated below.

X

Throughout the report, we have included a number of charts which show anonymised, firm-level responses, each presented as 'Firm [X]'. To ensure confidentiality, all firm identifiers have been anonymised randomly across the entire report.

The box and whisker plots, shown illustratively below, have been used extensively within the report. They should be read as follows:



- The minimum and maximum data points are shown by the outer grey vertical lines (whiskers);
- The inter-quartile range is shown by the box where the lower quartile is shown by the dark section, and upper quartile is shown by the light section.

To illustrate the changes in calibrations from YE23 to YE24, we have presented both data sets side by side in charts throughout this report. Data represented by the blue charts (as shown above) corresponds to YE24 survey submissions, and data represented by the green charts (as shown below) corresponds to YE23 survey submissions for comparison.



The top left-hand corner of each page also indicates whether the charts on that page include answers submitted by SF, IM/PIM firms, or both.



James Isden

Partner

Technical Practices Survey 2025

Executive Summary

The executive summary provides an at-a-glance view of how the median responses for the key stresses compare to the median responses from the previous year's data. Most firms have marginally strengthened both the interest rate up and down stresses. For the first time, the credit risk stress has been split between financials and non-financials within the IM01 template, offering more direct insight into the granularity of firms' credit risk calibrations. As expected, there is a divergence between stresses for the two sectors, with non-financials generally exhibiting much lower stresses than financials. The core market stresses (i.e. equity, currency and property) have remained relatively stable, as seen in previous years. Most participants have marginally strengthened their 1-in-200 longevity stress (overall) at YE24 for both males and females.

	Median Response (YE24)	Median Response (YE23)	
Business Profile Under Pillar I			
TMTPs as a % of Technical Provisions (IM firms only)	0.5%	1.0%	
Risk margin as a % of Technical Provisions	0.4%	0.4%	
Overall Matching Adjustment (bps)	115	105	
Market Risk (99.5% stress)			
Equity portfolio total annual return stress	-45%	-45%	
Equity implied volatility stress (10 years)	12%	12%	
Currency stress – EUR	-21%	-21%	
Currency stress – USD	-26%	-26%	
Commercial property total annual return stress	-33%	-33%	
Residential property total annual return stress	-28%	-26%	
Interest Rate Risk (10 years, 99.5% stress, in bps)			
Interest rate – total stress up	302	293	
Interest rate – total stress down	-227	-184	
Interest rate volatility stress	38	36	
Credit Risk – Change in ZCB spot yield spread (99.5% stress, in bps)			
	Fin	Non-Fin	
A - 10 years	424	267	307
BBB - 10 years	555	405	451
A - 15 years	358	242	279
BBB - 15 years	476	357	404
Longevity Risk (99.5% stress)			
Female (age 65) – stress (increase in expectation of life (EoL), years)	3.06	2.90	
Male (age 65) – stress (increase in EoL, years)	2.97	2.83	
Other Insurance Risks (99.5% stress)			
Expenses level stress as % of best estimate	21%	21%	
Mass lapse stress	30%	29%	
Solvency cover ratio – Risk appetite			
Red (immediate action taken)	125%	130%	
Amber (trigger warning)	137%	141%	

Technical Practices Survey 2025

1. Hot Topics

1. Hot Topics	2. Balance Sheet	3. Standard Formula	4. Market Risk (excl. Credit)	5. Credit Risk
6. Life Underwriting	7. Capital Management	8. Operational Risk	9. Aggregation	10. Correlation

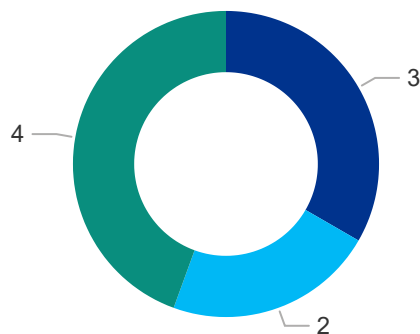
SF/IM

SCR Analysis of Change

As of year-end 2025, firms are required to produce an SCR Analysis of Change (AoC) for PRA reporting. While approaches to producing the SCR AoC vary, many firms are using alternative methods to a full recalculation. The majority of firms are aligning their SCR AoC production with their Own Funds (OF) AoC process. In doing so, they are enhancing existing frameworks to better meet PRA expectations – introducing automation, streamlining workflows, and improving transparency around capital movements.

Although internal model (IM) firms are only required to produce the SCR AoC annually, most participants indicate plans to report more frequently, reflecting a broader trend towards increased agility and responsiveness in capital reporting.

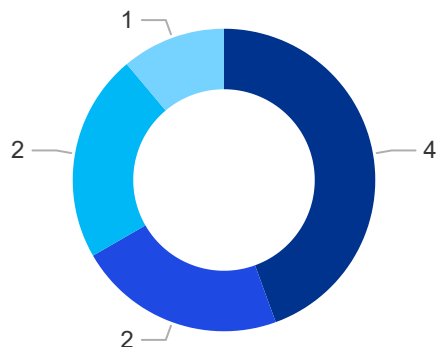
1.1 What approach will you use to produce the SCR AoC?



● Full SCR AoC calculation ● Roll forward proxy model ● Other

'Other' refers to methods including factor-based analysis, and a mixture of full SCR AoC and roll forward model; whilst one firm is still determining the approach.

1.3 How often will you produce the SCR AoC?



● Quarterly ● Annually ● Half-yearly ● Monthly

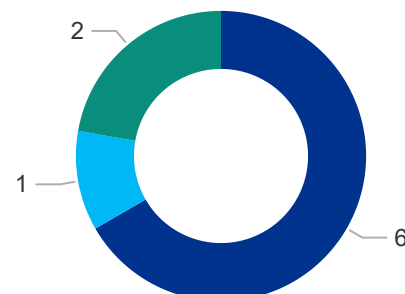
One firm currently produces the SCR AoC on an annual basis, but plan to increase the frequency going forwards.

1.2 If you perform a full SCR AoC calculation, are there any specific workflow tools or approaches used to automate the production?



● Manual process ● Partially automated process

1.4 Does the production of the SCR AoC align with other internal processes?



● Aligns to OF AoC process ● Aligns to BEL AoC process ● Other

Both firms that have selected 'other' currently have a separate process for producing the SCR AoC, but intend align to the OF AoC process in the future.

Technical Practices Survey 2025

1. Hot Topics

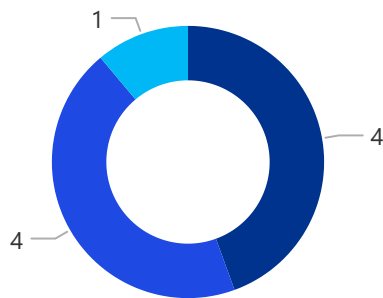
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SCR Analysis of Change

SF/IM

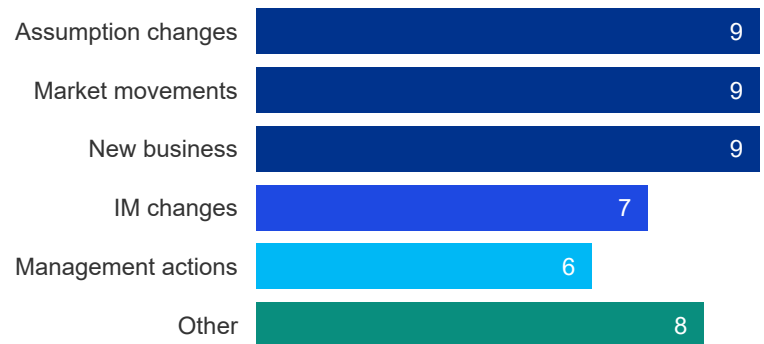
Most participants either produce the SCR at an aggregate SCR level or by key risk groups, rather than a more granular approach. The steps included in the SCR AoC show assumption changes, market movements and new business being the most common. 'Other' steps are also common, highlighting the spread of approaches between companies. Most participants chose not to define their materiality threshold in the SCR as a fixed percentage of SCR, and have chosen alternative measures.

1.5 What level of granularity will the SCR AoC be produced?



● Aggregate SCR level ● By key risk groups ● By all risk groups

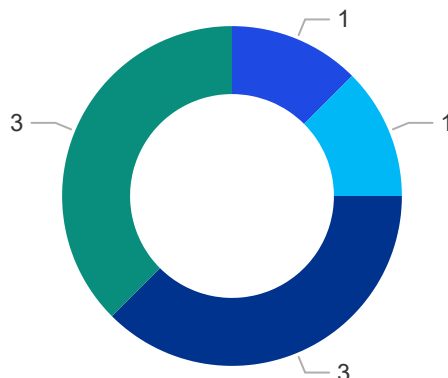
1.6 Which of the following steps do you include in the SCR AoC?



'Other' includes: expected return on assets, unwind of SCR, experience variance, run-off of EB and any ALM activity not classed as management action, hedging impacts, strategic development costs, financing costs, profit share, renewals and reinsurance changes, model/methodology changes and other one-off changes.

9

1.7 How have you defined the materiality threshold in the SCR (i.e. level of unexplained)?



● Percentage of SCR ● Fixed amount ● Lower of % of SCR or fixed amount ● Other

'Other' includes defining the materiality threshold as a percentage of Own Funds, and below an absolute amount on the life and health risk modules.

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SF/IM

Funded Re

Out of the participants that have Funded Re, five firms have answered that they have a metric, two of which calculate it annually, while the remaining firms calculate it quarterly. Three firms calculate this metric for each Funded Re deal. Most respondents have reviewed existing counterparty limits after reviewing Funded Re arrangements.

1.8 How and when do you calculate and respond to immediate recapture risk under Funded Re arrangements?

Firm	Timing of metric calculation	Level at which it is calculated	Counterparty limits
Firm A	Annually	Per Funded Re Deal	No change
Firm B	Quarterly	Per Funded Re Deal	Reviewed existing limits
Firm C	Quarterly	Per Funded Re Deal/ Per Reinsurer counterparty	Reviewed existing limits
Firm D	Quarterly	Reinsurance group	Reviewed existing limits/ Added new metrics
Firm E	Annually	Reinsurance group	Reviewed existing limits

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2. Balance Sheet

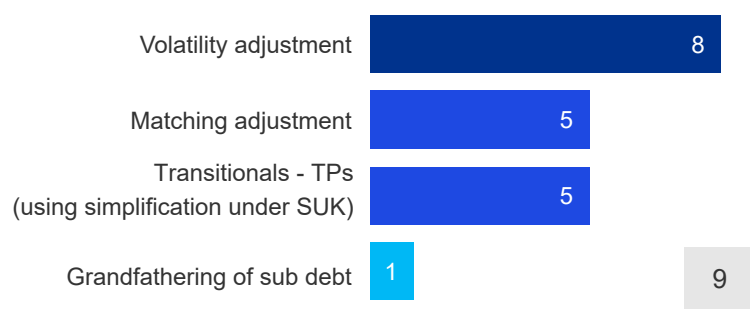
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SF/IM

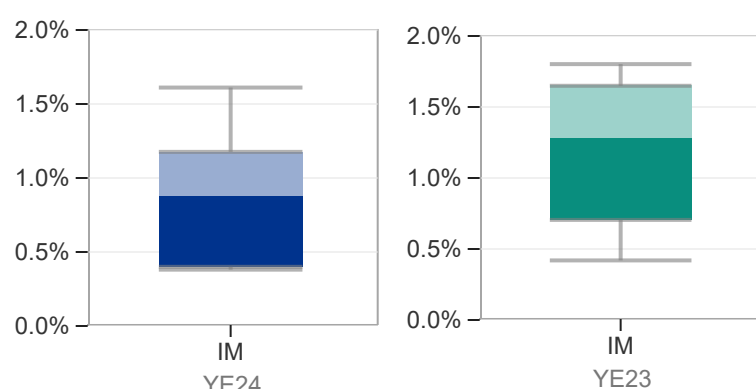
Balance Sheet Preparation

This section considers some of the key areas in the preparation of the base balance sheet. The use of long-term guarantee measures (LTGM) continues to be widespread. Responses are notably similar to last year, with the most common measure being the volatility adjustment. The transitional measures on technical provisions (TMTP), expressed as a percentage of total technical provisions, decreased by approximately 20% on average compared to prior year, with all TMTP holders experiencing year-on-year decreases ranging from 10% to 30%. This aligns with expectations following the simplification of the approach to calculation of TMTP under Solvency UK (SUK), requiring smooth amortisation over the transitional period. Key areas of model development remain broadly similar to previous years, with continued importance placed on speed of reporting and methodology improvements and an increase in focus on controls and automation.

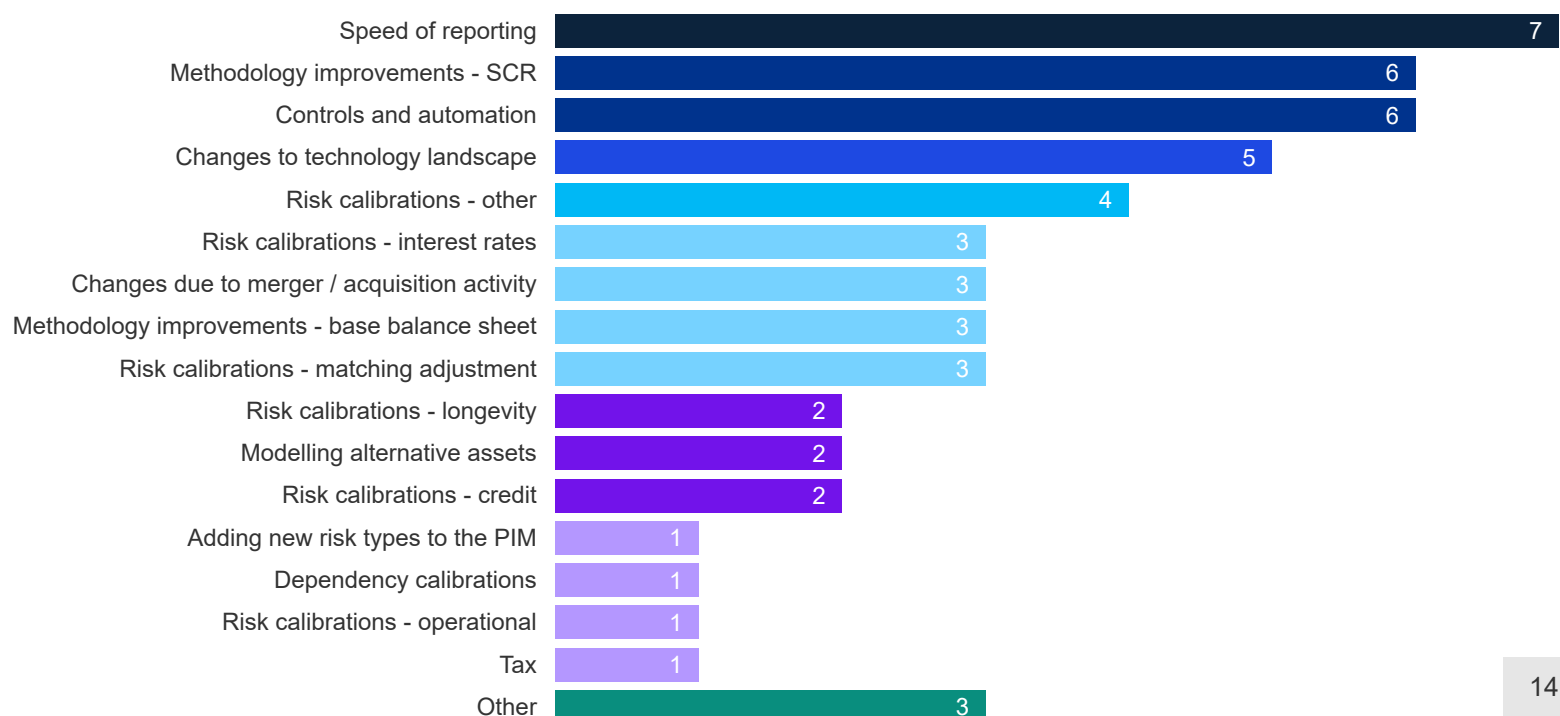
2.1 Which of the following long-term guarantee measures (LTGM) do you use in your balance sheet?



2.2 Transitional measures as a % of technical provisions?



2.3 What are the key developments or model changes that you will focus on in 2025 and 2026?



'Other' includes the validation process, ensuring internal model is appropriate for reporting to both the PRA and BMA, and outsourcing. 'Risk calibration - Other' includes the expense and inflation risk calibrations, equity level, property level, mortality, expense, LACDT, allowance for new risk characteristics in bulk purchase annuity business, with-profits non-payment assumption and BPA member option calibrations.

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2. Balance Sheet

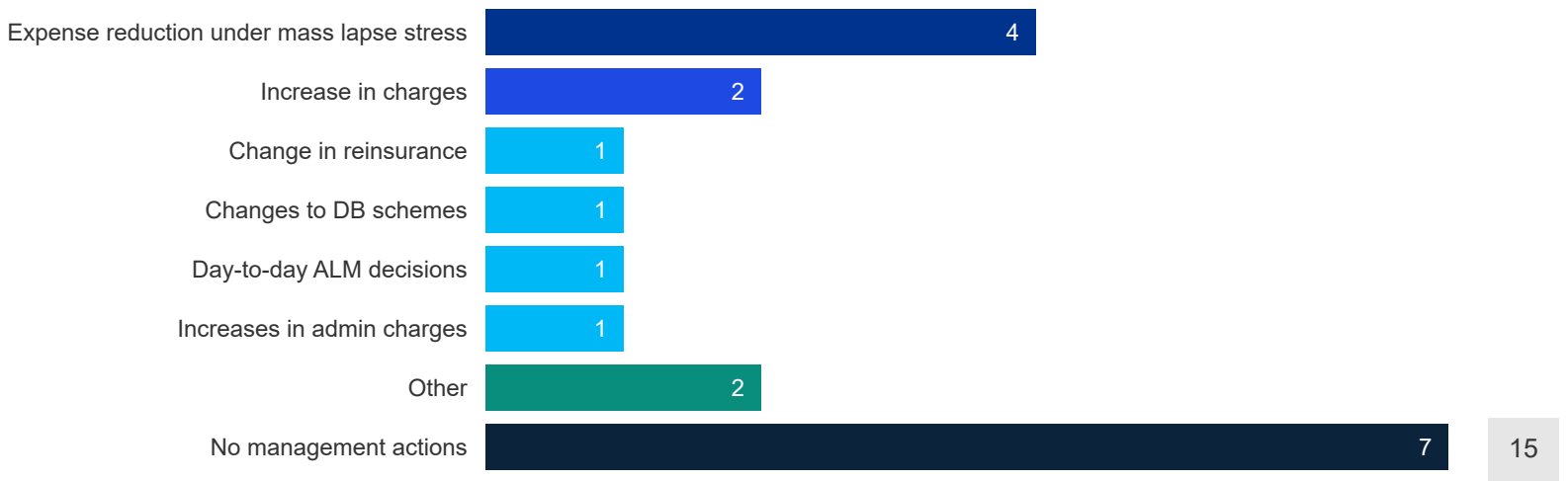
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SF/IM

Management Actions

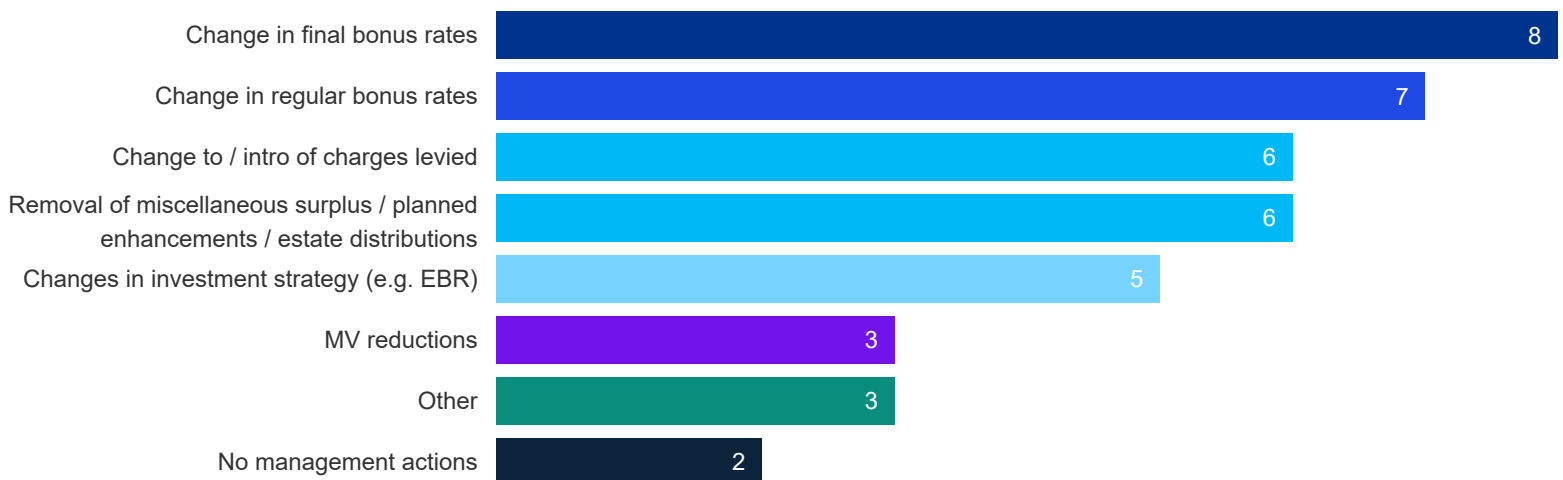
We have observed that firms have well-established management actions for both non-profit and with-profits business with responses largely unchanged from last year. As expected for with-profits business, the most common management action assumed is bonus setting. Market value reductions, removal of miscellaneous surplus and planned enhancements are also common assumptions. Changes to investment strategy have seen a notable increase, with five respondents selecting this option compared to none in last year's survey.

2.4a For non-profit business, which management actions are assumed in the capital measures listed at 31st December 2024?



'Other' includes changes to reviewable premium rates, changes in equity backing ratio (EBR) for unit-linked guaranteed funds, de-allocation of equity release mortgage fixed rate notes to pass the embedded value test (EVT) in stress, allow for covenants on commercial mortgage assets and matching adjustment (MA) funds, and actions to restore MA compliance.

2.4b For with-profit business, which management actions are assumed in the capital measures listed at 31 December 2024?



'Other' includes expense reduction under mass lapse stress, and changes in smoothing limits.

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2. Balance Sheet

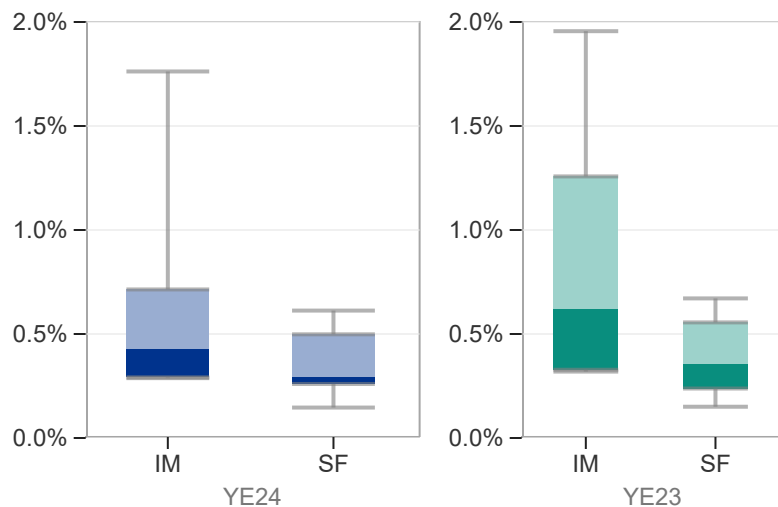
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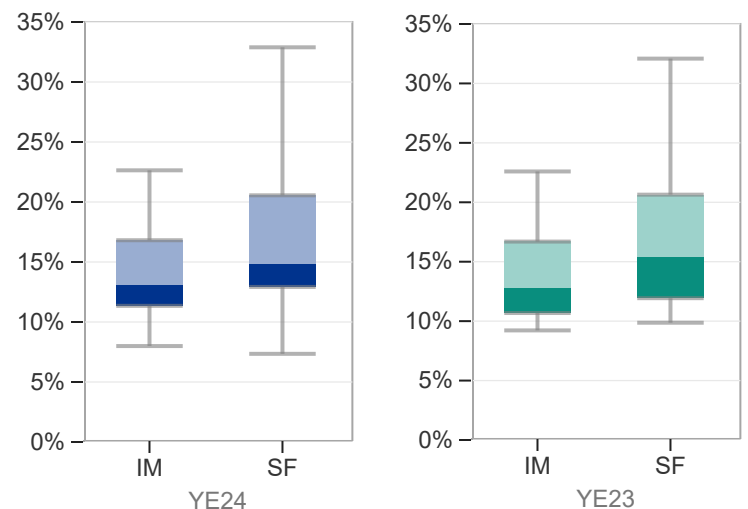
Risk Margin

The risk margin, as a proportion of total technical provisions and total SCR, remained broadly consistent in the second year of Solvency UK. This stability indicates limited change in firms' underlying risk profiles or methodologies which is consistent with our expectations given that methodologies are now well established and there has been no further regulatory change impacting the risk margin. A majority of firms calculate capital requirements for the risk margin using a risk driver approach. This is consistent with previous years, with very few firms using alternative approaches.

2.5 What is the risk margin as a % of technical provisions?



2.6 What is the risk margin as a % of SCR?



2.7 How do you project your capital requirements for the calculation of the risk margin?

Risk driver approach used with separate risk drivers per module	11
Whole capital measure projected using single risk driver	2
Actuarial model is able to perform stresses at future dates for each risk and capital is then aggregated	1
Different approaches taken for different risks, e.g. full recalculation for longevity risk, and carriers used for operational risk	1

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2. Balance Sheet

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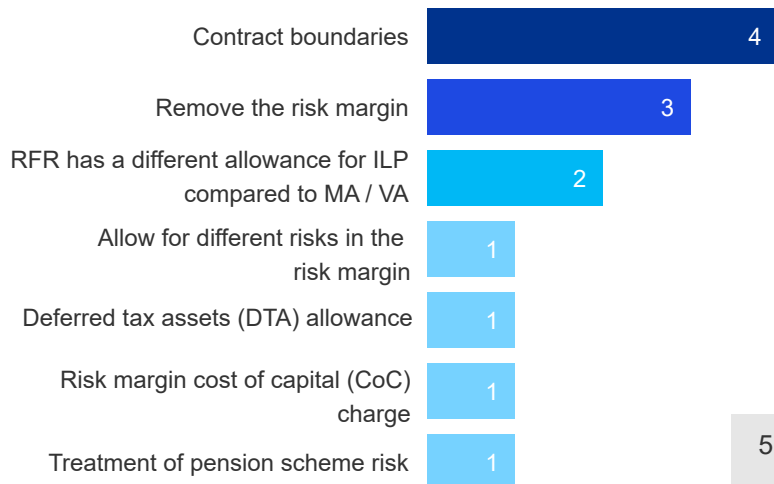
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Pillar 2 and ORSA

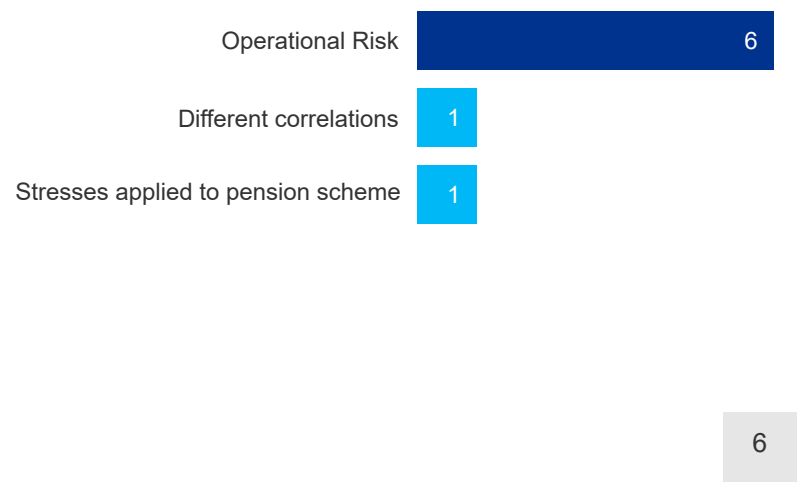
Contract boundaries and removal of the risk margin are common differences observed when calculating the technical provisions under Pillar 1 and Pillar 2. When calculating capital, most firms treat operational risk differently under Pillar 1 and Pillar 2. These observations are broadly consistent with those reported in last year's survey.

The number of years projected for the Pillar 1 ORSA calculation varies widely between companies, with the most common projection periods being five and ten years. To project the future capital requirement in the ORSA, the majority of companies use a risk driver approach with separate risk drivers selected for each module. These observations are broadly consistent with those noted in last year's findings.

2.8a Which of the following areas do you treat differently when performing your Pillar 2 calculations vs Pillar 1 calculations, with regards to the best estimate liabilities (BEL)/technical provisions?



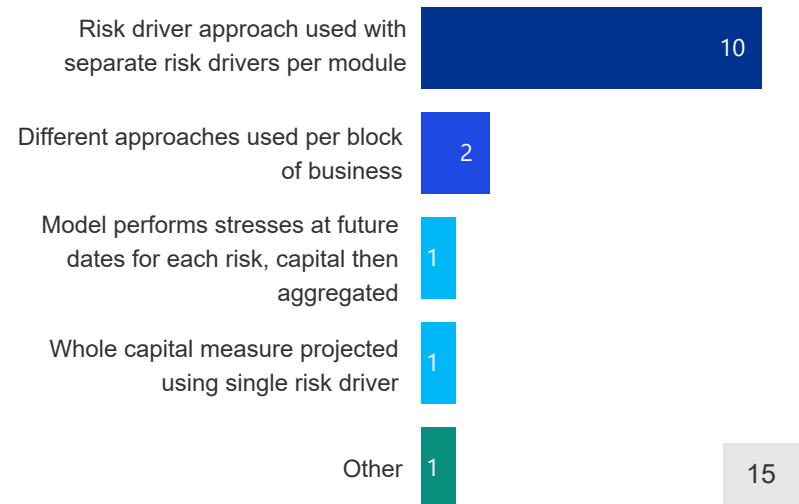
2.8b Which of the following areas do you treat differently when performing your Pillar 2 calculations vs Pillar 1 calculations, with regards to capital?



2.9 For how many years do you project your Pillar 1 balance sheet as part of your ORSA?



2.10 How do you project future capital requirement in the ORSA?



'Other' includes: a combination of modelling and risk drivers used for the difference capital requirements for each risk.

Technical Practices Survey 2025

2. Balance Sheet

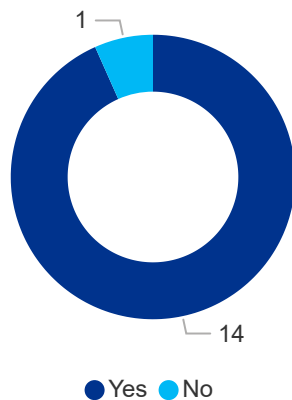
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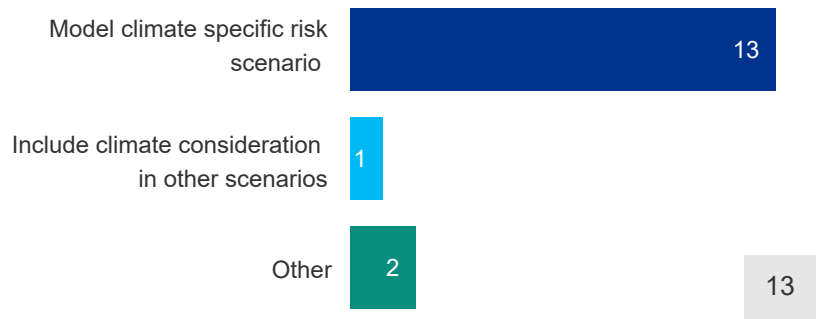
Climate Risks

It has now been over five years since the publication of Supervisory Statement SS3/19 on climate change risk, which called on insurers to assess the potential impact of climate risks on their risk profiles. Nearly all respondents do now incorporate climate risks into their Own Risk and Solvency Assessment (ORSA) and the majority of firms are employing climate-specific scenarios as part of their risk assessment processes. In the forward-looking assessment of climate risk within the ORSA, these scenarios are most commonly applied to market risk, credit risk, and counterparty risk. These exposures are primarily linked to changes in investment conditions driven by the transition to a low-carbon economy. With the release of CP10/25 in April of this year, we anticipate heightened and more granular expectations from the PRA on how insurers assess and address the financial risks from climate change. Climate risk must be comprehensively embedded across all relevant traditional risk categories, including underwriting, reserving, market risk, credit risk, operational resilience, and liquidity risk. This requires the development of clear quantitative metrics, the establishment of appropriate limits, and the implementation of robust internal reporting mechanisms to monitor and manage these risks effectively.

2.11 Do you consider climate risks within the ORSA?



2.12 How do you assess and reflect climate risks within the ORSA?



'Other' includes reverse stress test, and qualitative climate scenario to understand impacts on the business of more difficult to model risks/pathways.

2.13 For which of these risk modules do you consider climate related scenarios as part of the forward-looking assessment of the risk in the ORSA?



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2. Balance Sheet

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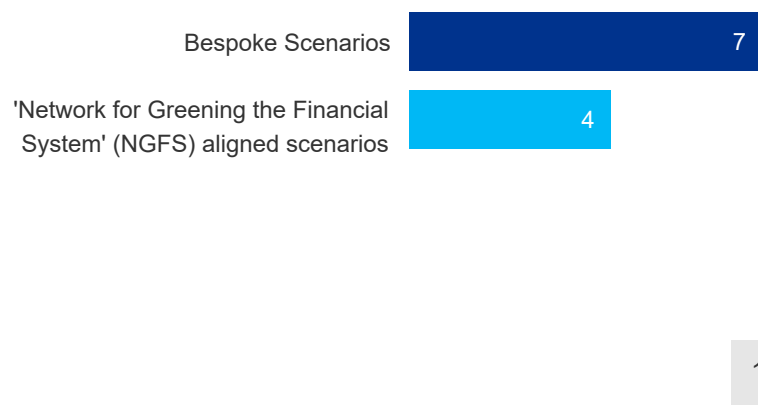
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Climate Risks and Model Risk Management

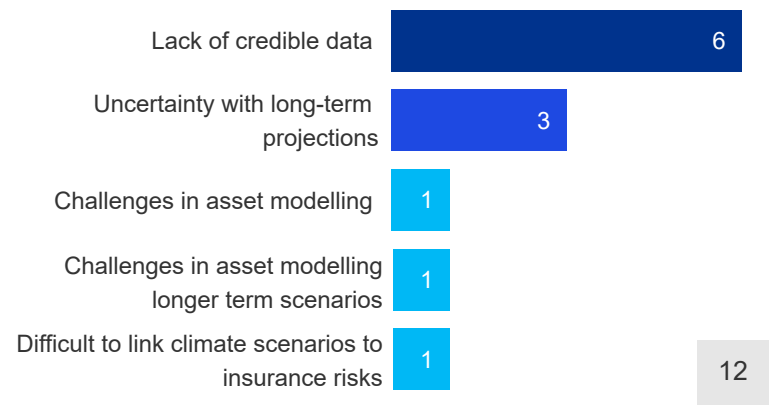
The climate scenarios used by respondents are predominantly bespoke, reflecting firm specific assumptions and modelling approaches tailored to their individual risk profiles. Similar to last year, respondents identified the lack of credible data as the primary challenge in incorporating climate scenarios into their forward-looking assessments.

Solvency UK has brought about changes to the PRA's approach to approval and monitoring of Internal Models, including a more formal approach to Model Limitation Adjustments (MLAs). MLA is a capital adjustment applied in an Internal Model to ensure compliance with SUK rules relating to SCR. While most firms do not currently have or anticipate having MLAs, some are still in the process of defining what constitutes an MLA.

2.14 If you model climate-specific scenarios as part of your ORSA, what type of scenarios do you run?



2.15 What do you consider the biggest challenges to incorporating climate scenarios into your forward-looking assessment?



2.16 Do you have or anticipate having any model limitation adjustments (MLA), and if so, for which model components? (IM firms only)



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2. Balance Sheet

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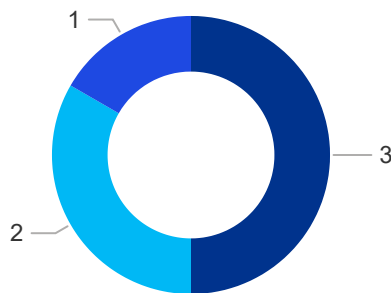
SF/IM

Matching Adjustment Portfolio

Firms allocate assets to the Matching Adjustment Portfolio (MAP) either manually or through more advanced, automated approaches. All respondents perform their allocation to achieve compliance with PRA Tests. Other stated objectives include optimising the size of the matching adjustment (MA) and conducting additional internal matching tests.

Firms have received MA approval across a broad spectrum of asset classes, with bonds, cash, and property-related loans being the most prevalent. A smaller number of respondents also include equity release mortgages (ERMs), foreign exchange derivatives, and non-property related loans in their approved asset mix. This year, two firms have included, or plan to include, student loans into their MA portfolios for the first time.

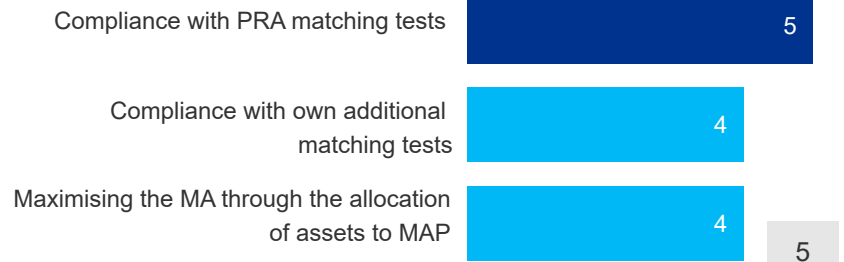
2.17 As part of the calculation of the matching adjustment, how are assets hypothecated within the MAP?



● Automatic allocation of assets ● Manual allocation of assets ● Hybrid

'Hybrid' means that the model has an element of automatic hypothecation, followed by manual adjustments.

2.18 What is your objective when allocating assets to the MAP?



Own additional matching tests include considering of the discounted mean time (DMT) of assets and liabilities and having an internal threshold lower than the 3% proposed by PRA.

2.19 Which of the following asset classes (excluding any restructures for e.g. equity release mortgage assets) do you have approval to include in your matching adjustment portfolios or do you plan to apply for in the future?

The majority of respondents currently include the following asset classes	Few respondents currently include the following asset classes
Callable bonds	Collateralised loan obligations
Cash	Educational loans
Commercial mortgages (inc. CMBS)	ERMs (restructured/non-fixed/sub-investment grade)
Commercial real estate lending (CREL)	Foreign sovereign fixed interest securities
Covered bonds	FX derivatives
Cross currency swaps	Ground rent assets (restructured)
Ground rent assets (not restructured)	Inflation options
Inflation linked bonds	Infrastructure
Inflation swaps	Interest rate swaptions
Infrastructure debt	Other asset backing securities
Interest rate swaps	Property rental strips (restructured/non-restructured)
Local authority / municipal bonds	Sale and leaseback
Non-callable fixed interest	Secured financing
Private finance initiative loans	Single platform investment repackaging entity (SPIRE) notes
Private placements	Student loans
Reinsurance asset	Uncollateralised inflation (for credit risk)
Residential mortgage backed securities	
Social housing loans	
Supranational	

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2. Balance Sheet

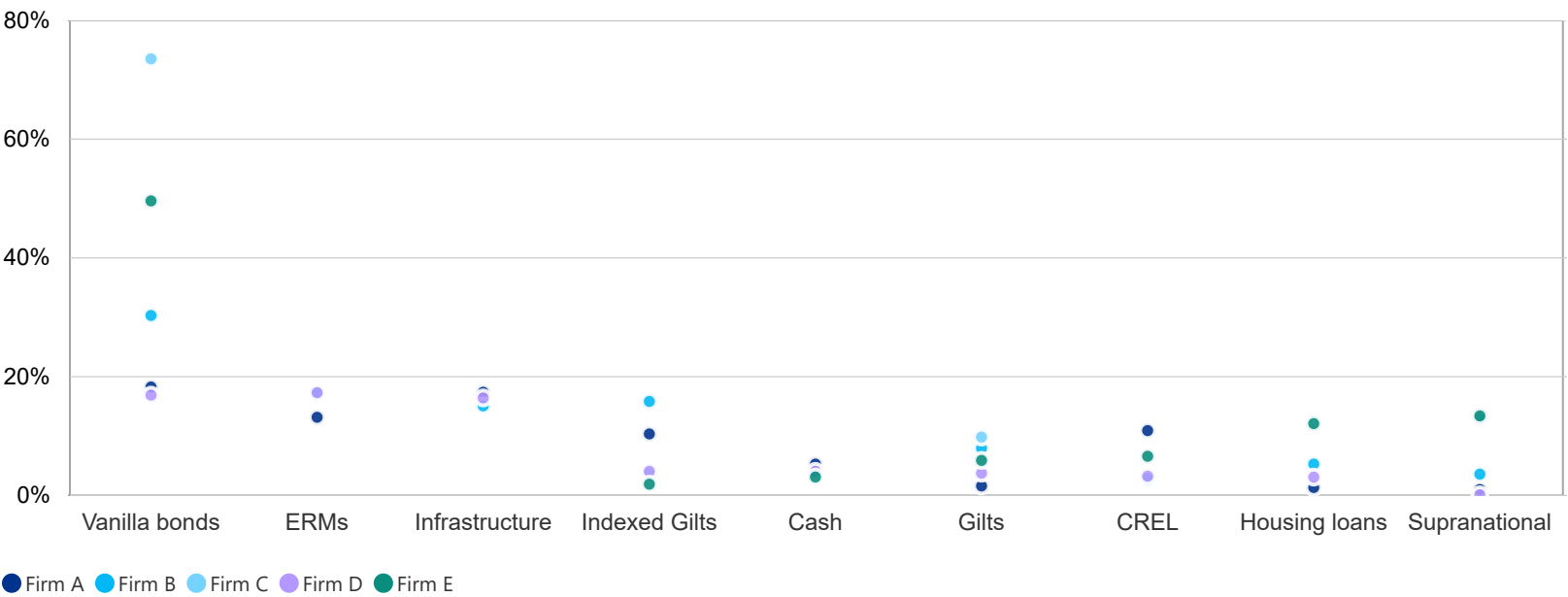
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SF/IM Matching Adjustment Portfolio

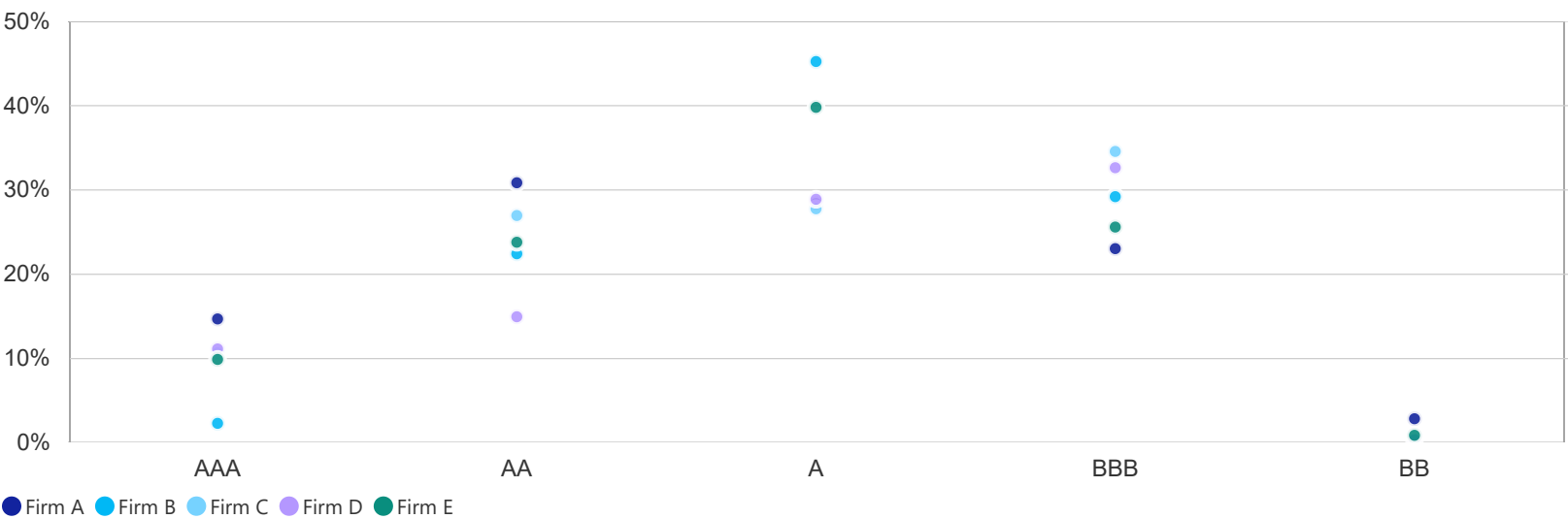
Firms employ a variety of assets within their matching adjustment (MA) portfolios. Among these, vanilla corporate bonds are the most commonly used asset class, while cash typically represents only a small proportion of the portfolio.

The majority of MA portfolios are composed of A-rated, AA-rated, and BBB-rated assets. In contrast, BB-rated assets are the least prevalent.

2.20 What was the asset allocation for your matching adjustment portfolio (as at YE24)?



2.21 What was the credit rating distribution for your matching adjustment portfolio (as at YE24) in bps?



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SF/IM

Overall Matching Adjustment

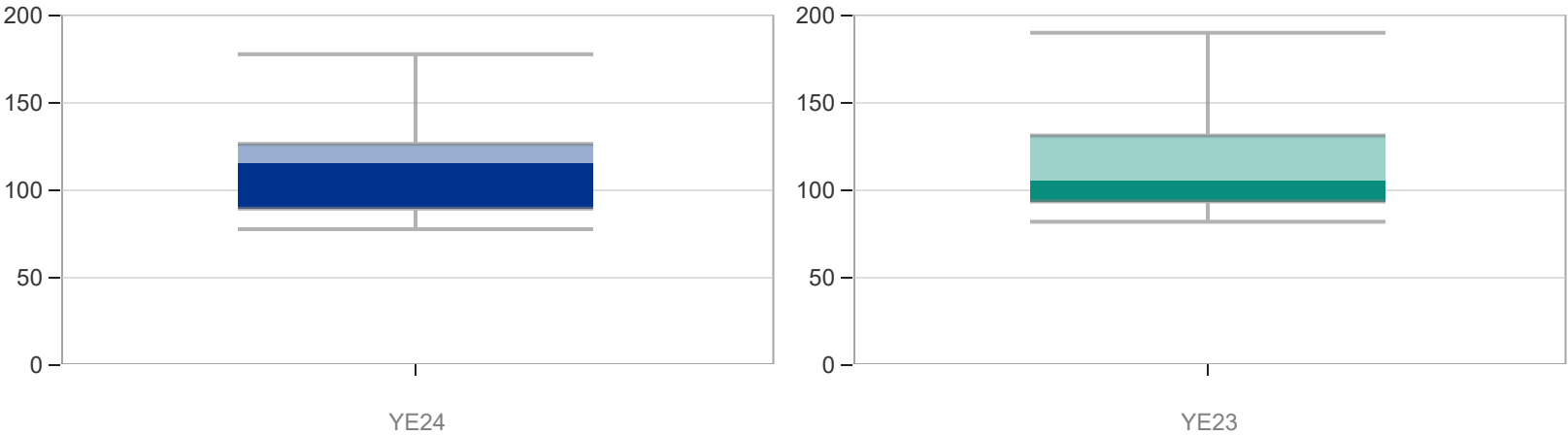
This section considers the calculation of the matching adjustment (MA). The first chart shows the overall MA achieved by firms. The majority of participants have seen a reduction in MA, reflecting the changes in spreads over 2024, while two firms have increased their MA. Note that there are sampling differences between the two years' submissions explaining some of the increase in the median MA as illustrated by the charts.

To enhance this chart, we have incorporated publicly available benchmarks (specifically from SFCRs and Annual Reports) of several major annuity providers, many of whom also participated in the survey. Including this additional data, the median MA stands at 120bps (YE23: 124bps), indicating a general decline. The table below presents the published MAs for the largest UK annuity providers for reference.

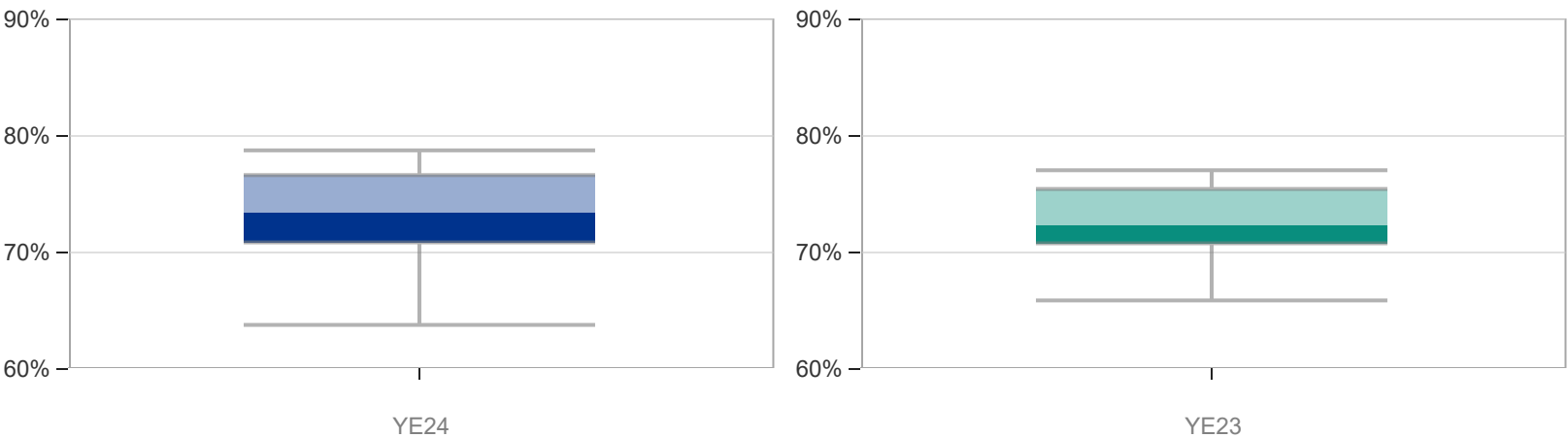
MA Comparisons - Matching Adjustment (in bps)		
Firm:	2024	2023
M&G	142	166
Aviva	120	124
Rothesay	108	117
Just	177	190
LBG	126	128
PIC	165	159
Royal London	127	124
Utmost	119	134

The second chart shows the percentage of the annual effective rate which is achieved in the MA once deductions have been made for the fundamental spread. Only minor changes were observed in this percentage when comparing responses at YE24 and YE23.

2.22a Matching adjustment (bps)



2.22b Percentage of total spread achieved in MA



Technical Practices Survey 2025

2. Balance Sheet

1. Hot Topics	2. Balance Sheet	3. Standard Formula	4. Market Risk (excl. Credit)	5. Credit Risk
6. Life Underwriting	7. Capital Management	8. Operational Risk	9. Aggregation	10. Correlation

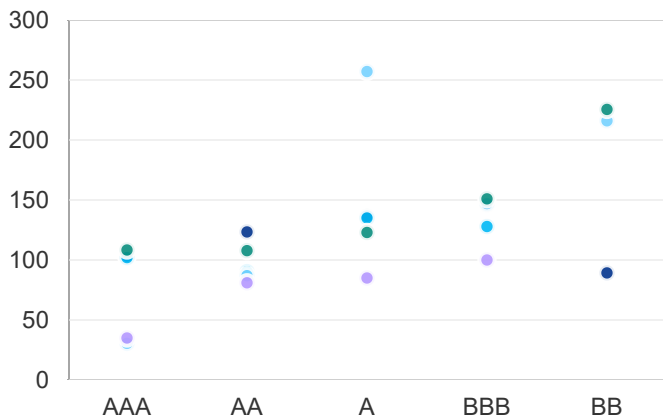
SF/IM

Matching Adjustment Levels

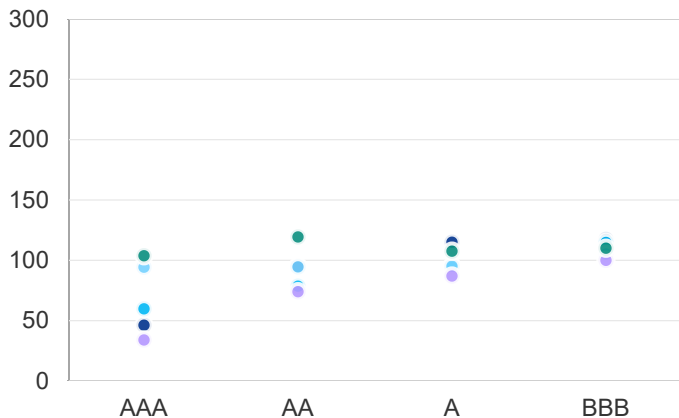
The charts below illustrate the base matching adjustment levels permitted for the overall portfolio and financial and non-financial corporates. We observe that riskier assets are generally associated with a higher MA. The median MA for A-rated assets in the overall portfolio has increased from c.128bps to c.135bps from YE23 to YE24, driven by one firm significantly increasing their MA over the period.

2.23a Matching adjustment (in bps) added to the risk-free rate (YE24)

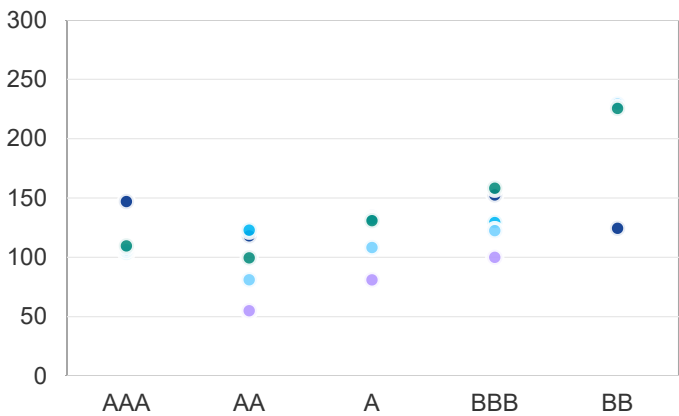
Overall



Financial Corporates

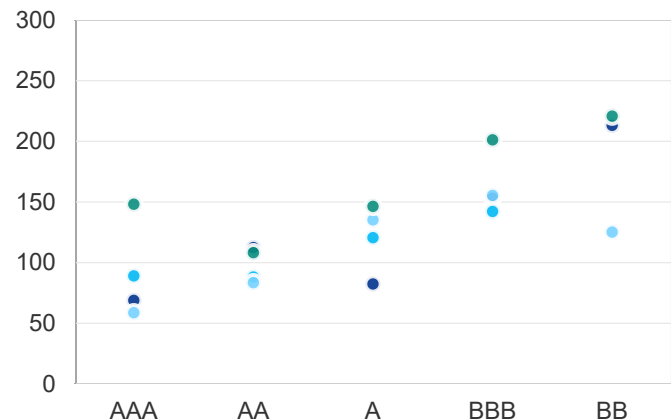


Non-Financial Corporates

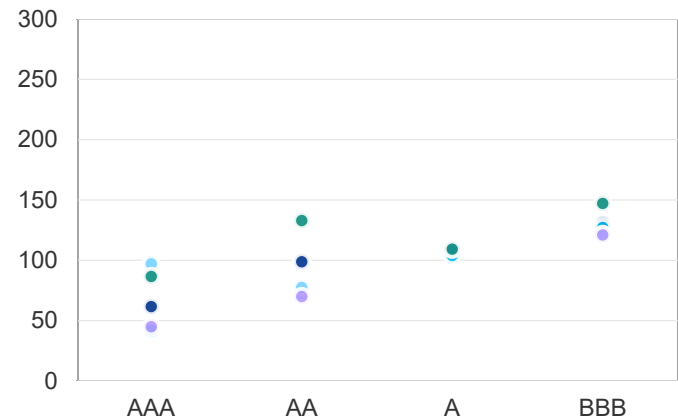


2.23b Matching adjustment (in bps) added to the risk-free rate (YE23)

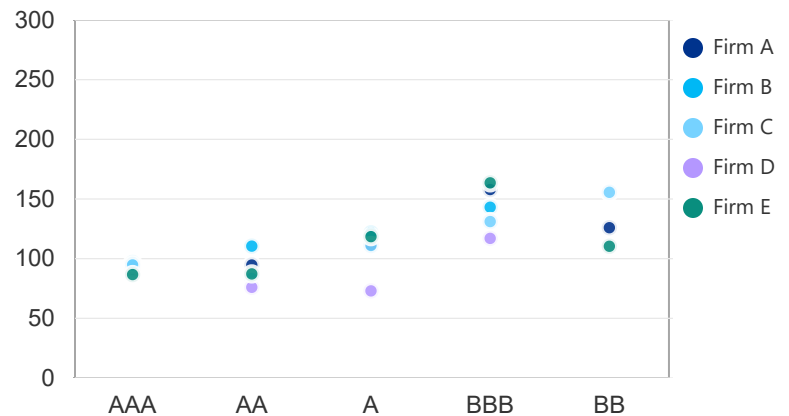
Overall



Financial Corporates



Non-Financial Corporates



Note: one response of -139 bps for BB-rated overall portfolio has been excluded from the charts. Due to the limited number of responses in this category, BB-rated financial corporates have been excluded from the analysis.



Technical Practices Survey 2025

2. Balance Sheet

1. Hot Topics	2. Balance Sheet	3. Standard Formula	4. Market Risk (excl. Credit)	5. Credit Risk
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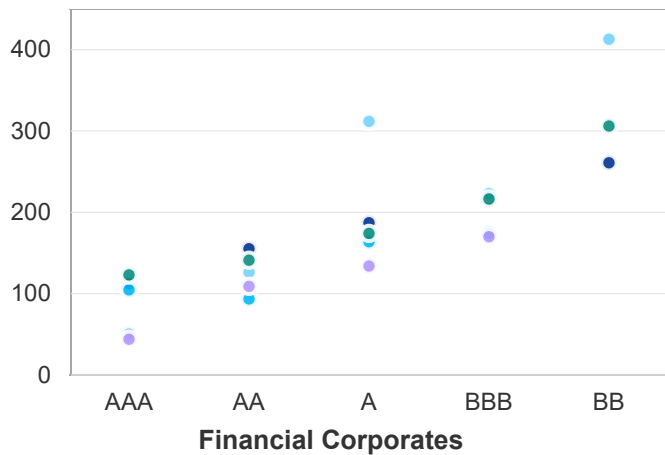
SF/IM

Matching Adjustment - Spread Earned

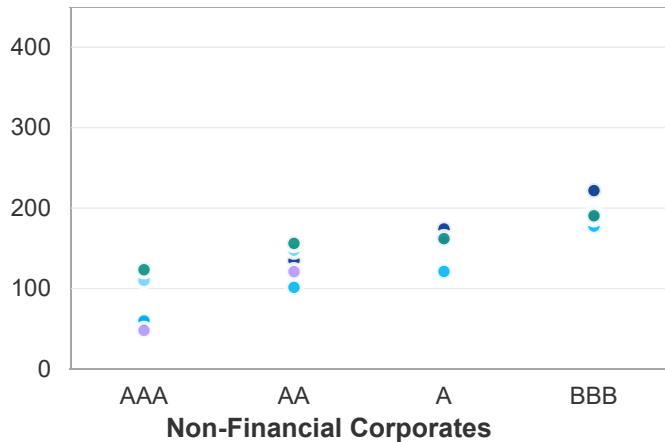
The charts below illustrate the spread earned on MA portfolios above the risk-free rate. The spread earned on MA portfolio above risk-free increases with the riskiness of the asset. Most firms have seen an increase in the spread earned on their overall MA portfolio for A-rated assets, with one respondent showing a notable increase. We note that the overall median value for A-rated asset has decreased from 182bps to 174bps over the period due to sampling differences.

2.24a Total spread earned on MA asset portfolio above risk-free rate (YE24)

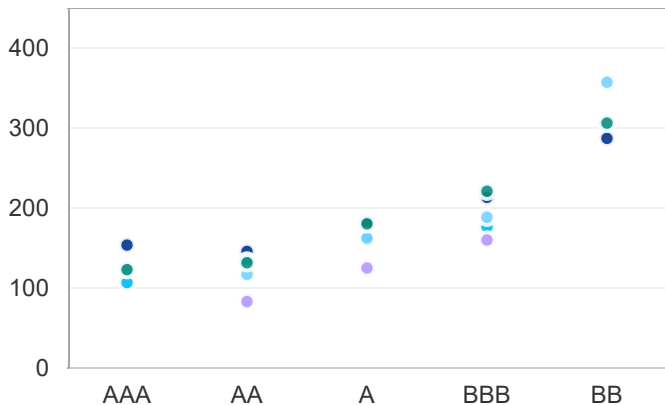
Overall



Financial Corporates



Non-Financial Corporates

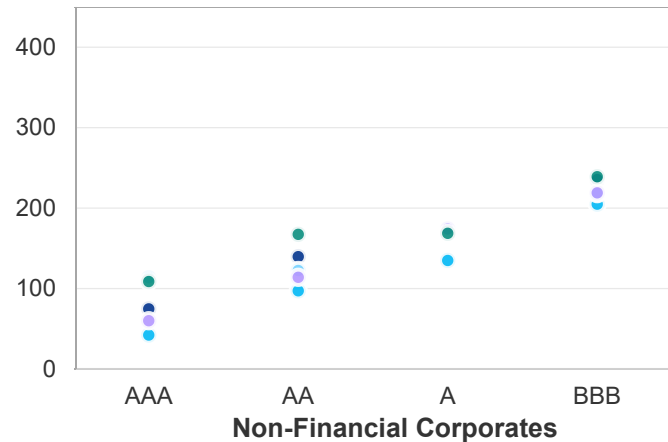


2.24b Total spread earned on MA asset portfolio above risk-free rate (YE23)

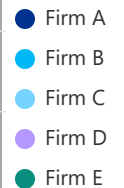
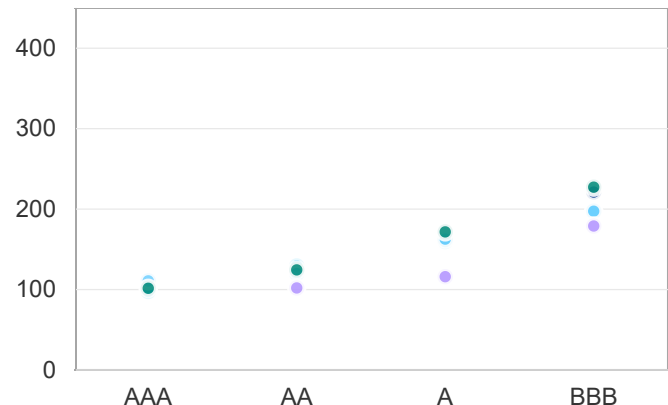
Overall



Financial Corporates



Non-Financial Corporates



Note: one firm reported a spread earned on MA of -76 bps for overall BB rated assets. Due to the limited number of responses in this category, BB-rated financial corporates have been excluded from the analysis.



Technical Practices Survey 2025

2. Balance Sheet

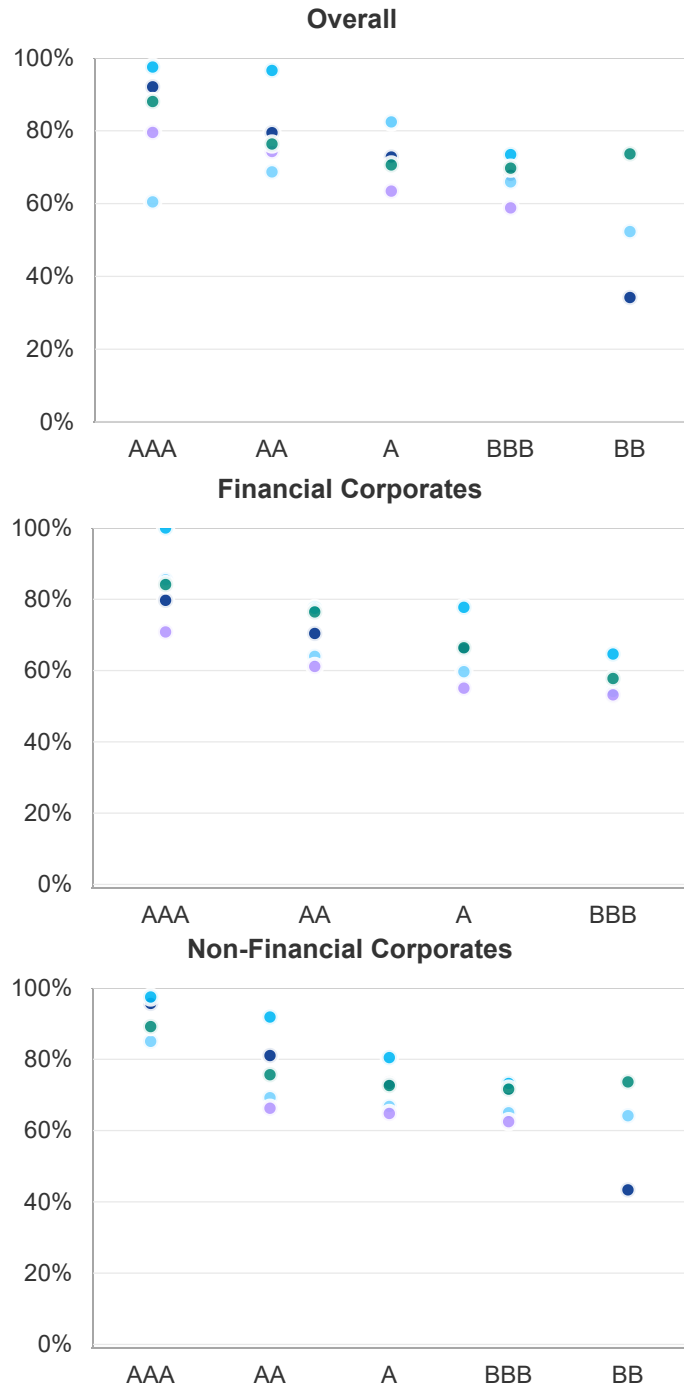
1. Hot Topics	2. Balance Sheet	3. Standard Formula	4. Market Risk (excl. Credit)	5. Credit Risk
6. Life Underwriting	7. Capital Management	8. Operational Risk	9. Aggregation	10. Correlation

SF/IM

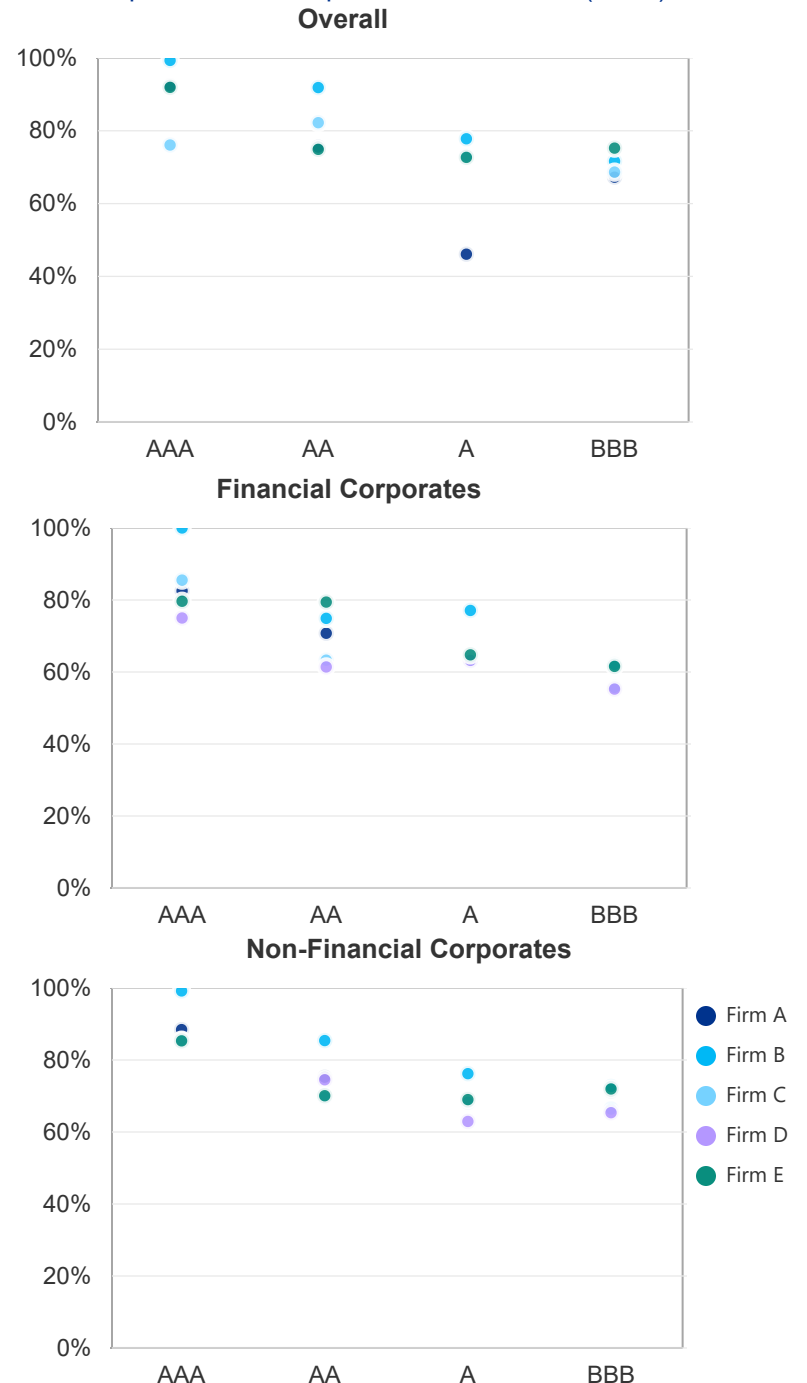
Matching Adjustment - % of base spread realised in MA

The proportion of the base spread captured as Matching Adjustment generally declines as asset risk increases. However, we observe one firm exhibits a notably high proportion for BB-rated assets. Overall, the proportions are broadly consistent across financial and non-financial corporates. Most firms have seen an increase in the proportion of base spread realised in MA for A-rated assets, with one respondent showing a notable increase. We note that the overall median value for A-rated assets has stayed stable at c73% over the period due to sampling differences.

2.25a Proportion of base spread realised as MA (YE24)



2.25b Proportion of base spread realised as MA (YE23)



Note: we have excluded an outlier for BB where the proportion of base spread realised as MA exceeded 100%.



Technical Practices Survey 2025

2. Balance Sheet

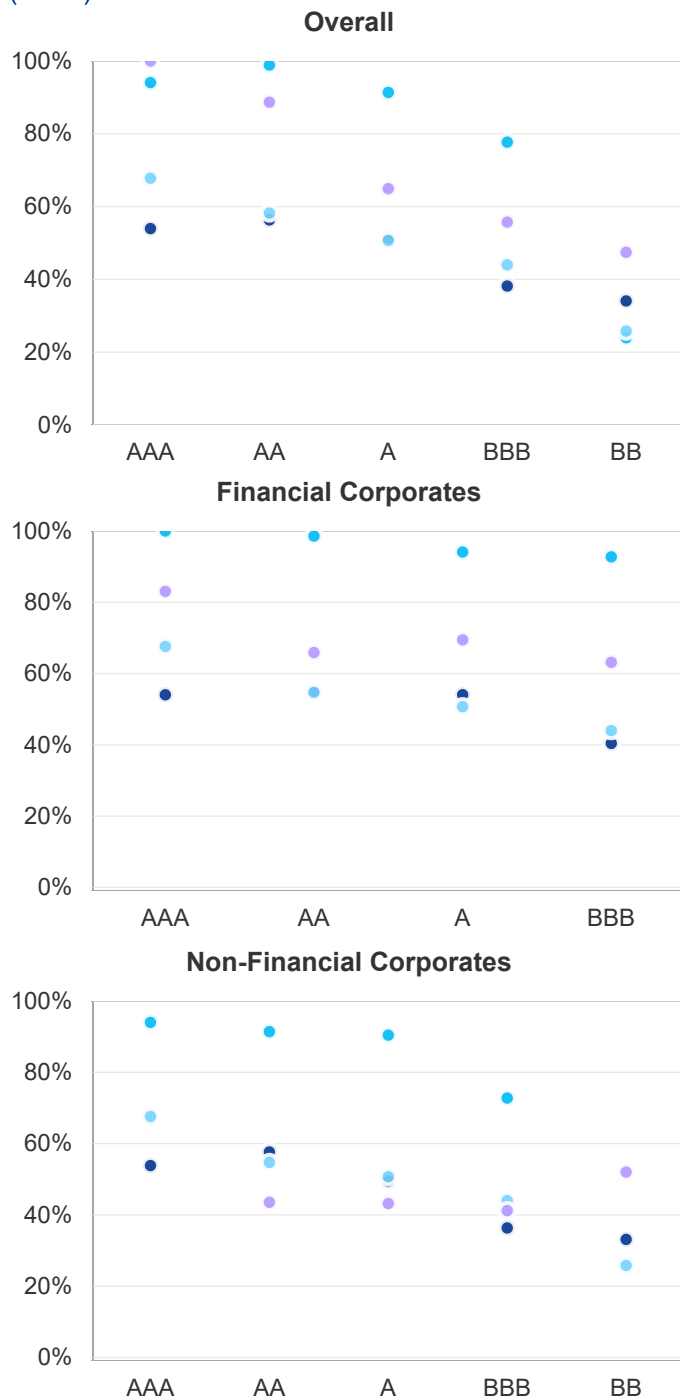
1. Hot Topics	2. Balance Sheet	3. Standard Formula	4. Market Risk (excl. Credit)	5. Credit Risk
6. Life Underwriting	7. Capital Management	8. Operational Risk	9. Aggregation	10. Correlation

SF/IM

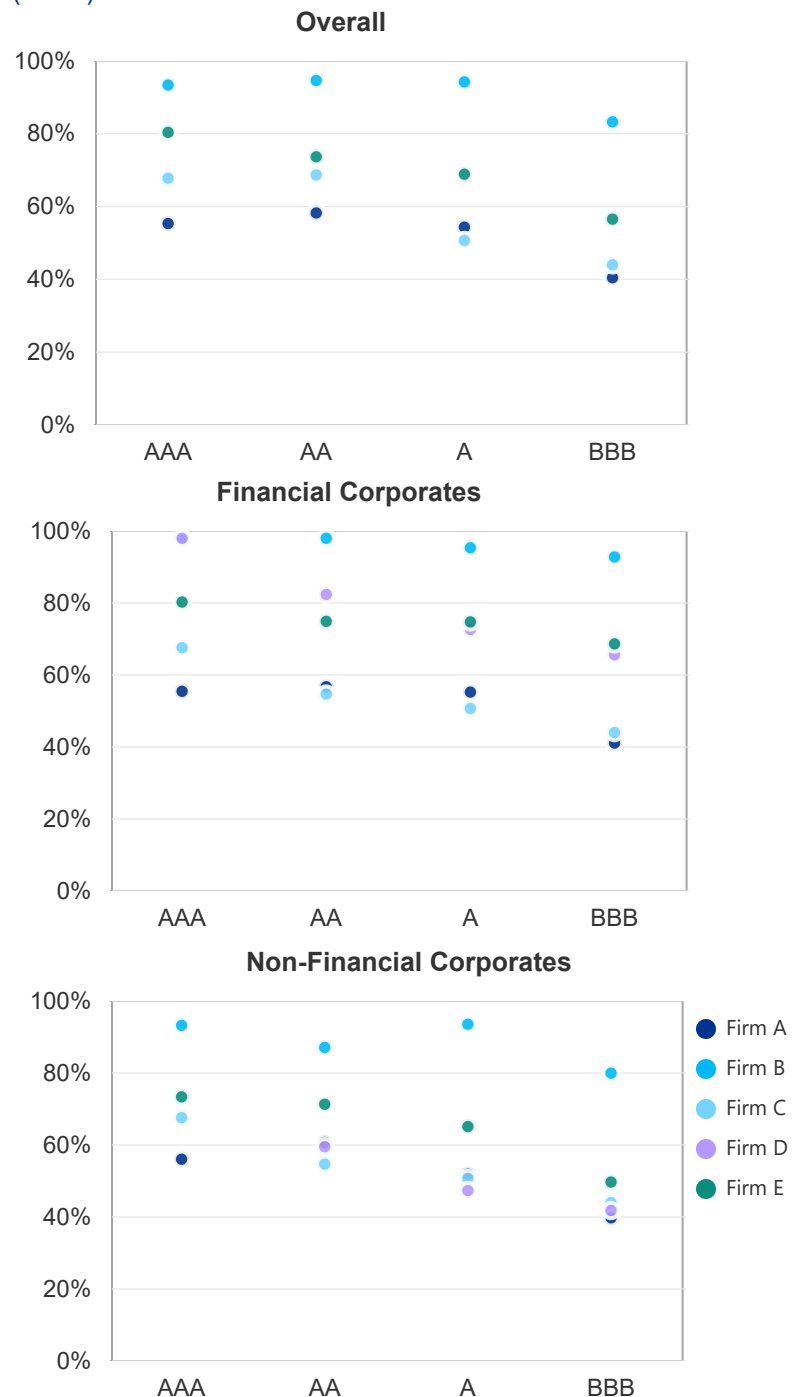
Matching Adjustment - % of spread realised in MA under stress

The charts below illustrate the proportion of the spread realised in MA under stress. Financial corporates generally show a higher proportion of increase in spread realised in MA than non-financial corporate. Whilst in general lower rated assets tend to show higher proportions of spread realisation, AAA rated assets frequently exhibit lower proportions. Most firms have seen a small reduction in the proportion of spread realised in MA under stress, with the median value marginally decreasing over the period from 62% to 58%.

2.26a Proportion of increase in spread realised as MA under stress (YE24)



2.26b Proportion of increase in spread realised as MA under stress (YE23)



Technical Practices Survey 2025

2. Balance Sheet

1. Hot Topics	2. Balance Sheet	3. Standard Formula	4. Market Risk (excl. Credit)	5. Credit Risk
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SF/IM

Matching Adjustment - FS add-ons

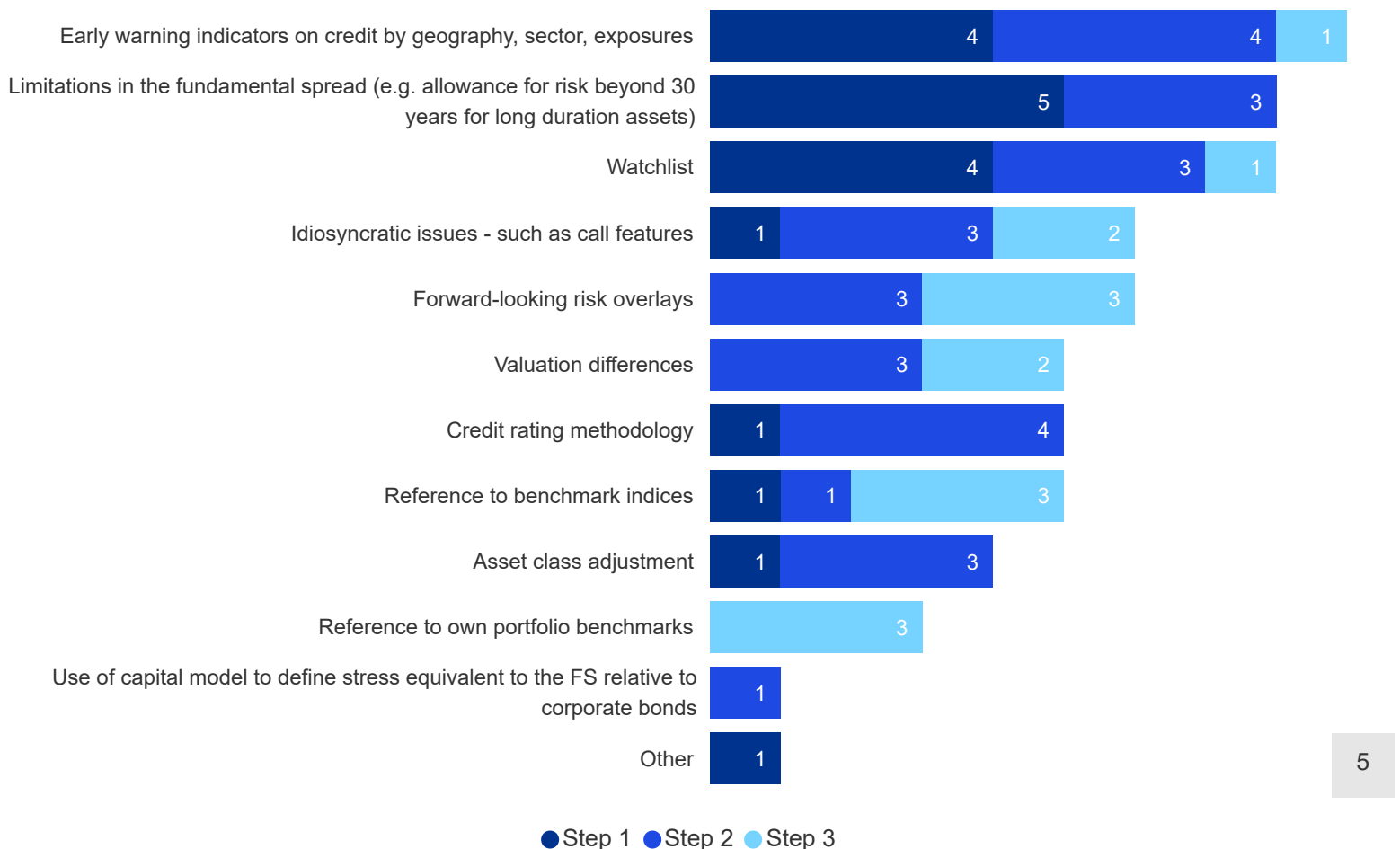
When considering the requirement of voluntary fundamental spreads (FS) add-ons, firms identify the requirement by looking at variety of different parameters as per PRA three-step approach.

For Step 1, most firms identify the requirement by reviewing limitations in the fundamental spread, watchlist, and early warning indicators on credit.

For Step 2, as well as the identifiers in Step 1, most firms also identify the requirement by reviewing credit rating methodologies, forward-looking risk overlays, asset class adjustments, idiosyncratic issues, and valuation differences.

For Step 3, most firms review forward-looking risk overlays and refer to benchmark indices and own portfolio benchmarks.

2.27 How do you identify the requirement for a voluntary FS add-on (not mandatory highly predictable add-ons)?



'Other' includes: consideration of portfolio concentrations (e.g. sectors, ratings) against FS calibration data.

Step 1 - Assets consistent with the assumptions underlying the MA, e.g. assets with the same characteristics as bonds but are not traded.

Step 2 - Assets that are not consistent with the assumptions underlying the MA, e.g. internally rated, internally valued, or restructured assets.

Step 3 - Outlier analysis on all assets that are material contributors to the MA, e.g. bonds where the spread is more than [x] standard deviations away from the index mean.

Technical Practices Survey 2025

2. Balance Sheet

1. Hot Topics	2. Balance Sheet	3. Standard Formula	4. Market Risk (excl. Credit)	5. Credit Risk
6. Life Underwriting	7. Capital Management	8. Operational Risk	9. Aggregation	10. Correlation

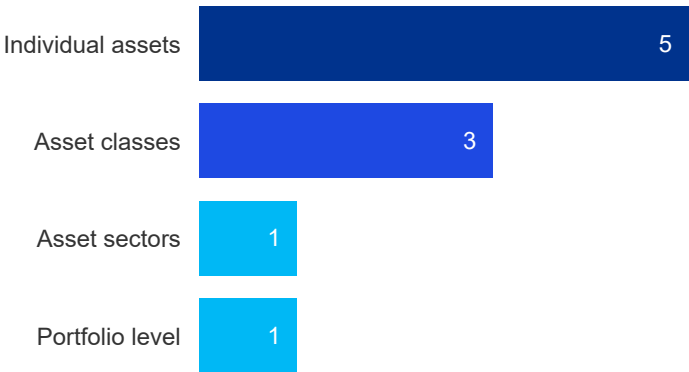
SF/IM

Matching Adjustment - FS add-ons, application and MAIA

When assessing fundamental spread (FS) add-ons, most firms conduct their analysis either at the individual asset level or by asset class. All respondents incorporate both asset-specific and sector-specific risks, and most account for credit rating lag (i.e. time lag in rating agency updating asset credit ratings). A smaller number of firms also factor in legal, climate-related, and country-specific (e.g. geo-political) risks.

Only one firm has adopted the new streamlined process for matching adjustment (MA) applications. Among the six firms that responded, half intend to apply for matching adjustment investment accelerator (MAIA) permission for FY25 and/or FY26.

2.28 At what level of granularity is the FS add-on applied?



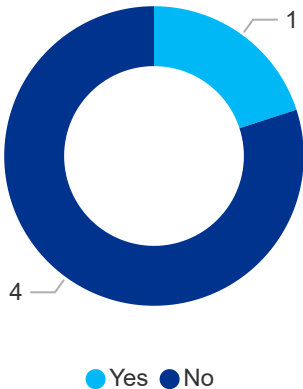
5

2.29 Which forward looking risks do you make allowance for?

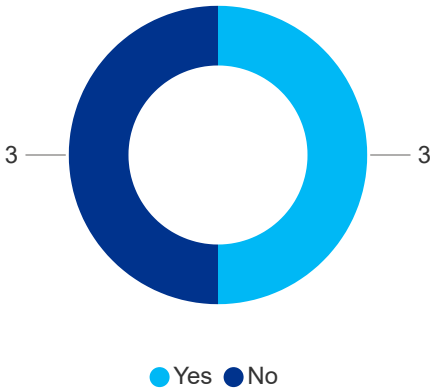
Risk	Firm A	Firm B	Firm C	Firm D	Firm E
Asset-specific risk	✓	✓	✓	✓	✓
Sector-specific risk	✓	✓	✓	✓	✓
Credit rating lag	✓	✓	✓		✓
Legal risk			✓	✓	✓
Climate risk			✓		✓
Country-specific risk			✓	✓	
Other	✓				✓

'Other' includes: concentration risk and other risks (e.g. political, fire, property market and reputational), plus unexplained beyond a tolerance level.

2.30 Have you made a MA application using the new streamlined process?



2.31 Assuming the consultation on MAIA is enacted as set out in CP7/25, do you intend to apply for MAIA permission for FY25 and/or FY26?



One firm noted that, while they do not currently, they expect to implement this by year-end 2025.

Technical Practices Survey 2025

3. Standard Formula

1. Hot Topics	2. Balance Sheet	3. Standard Formula	4. Market Risk (excl. Credit)	5. Credit Risk
6. Life Underwriting	7. Capital Management	8. Operational Risk	9. Aggregation	10. Correlation

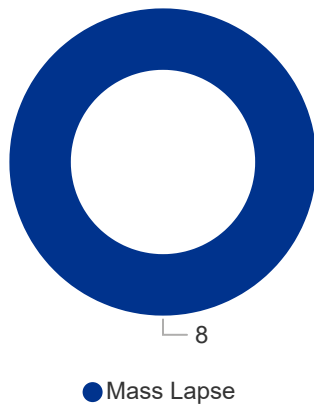
Lapse and Expense Risk

SF

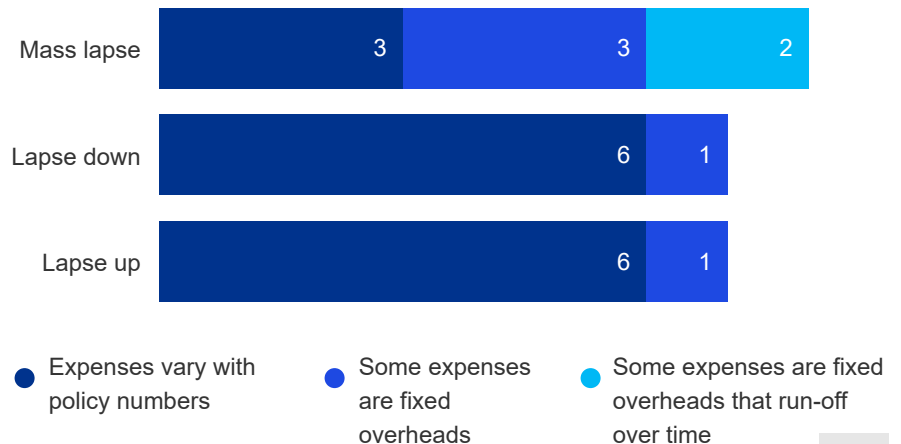
Mass lapse is the biting scenario out of the three lapse stresses for all our respondents. However, the majority of respondents do not have any reinsurance protection against mass lapse. In the mass lapse scenario, some respondents continue to assume that expenses vary with policy numbers, reducing total expenses. Management actions provide the main justification for this assumption.

Common management actions include direct actions on staff, such as headcount reductions, as well as indirect measures, including reward changes or implementation of headcount freezes. One respondent stated that they assume it takes three years for the volume of business to recover after the management actions.

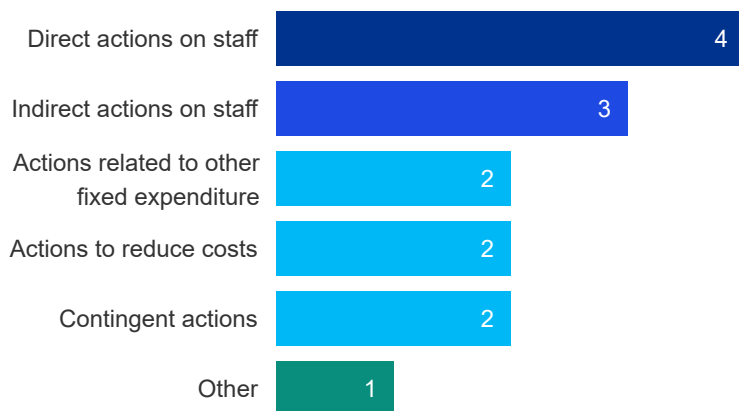
3.1 Which of the lapse stresses is the biting scenario for your capital requirement?



3.2 What assumption do you make about expenses in each of the lapse stresses?

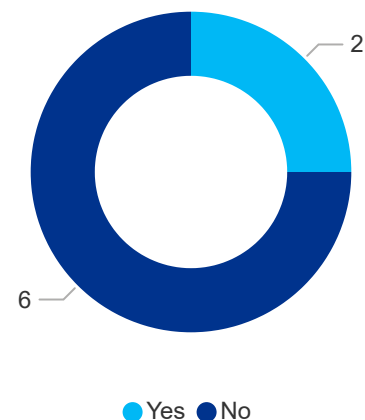


3.3 Within the mass lapse stress do you assume any further management actions to reduce costs on a permanent basis or while volumes recover?



'Other' includes the passing on of losses above a management action cap to policyholders.

3.4 Do you have any reinsurance protection against mass lapse?



Technical Practices Survey 2025

3. Standard Formula

1. Hot Topics	2. Balance Sheet	3. Standard Formula	4. Market Risk (excl. Credit)	5. Credit Risk
6. Life Underwriting	7. Capital Management	8. Operational Risk	9. Aggregation	10. Correlation

Expense Risk

SF

As seen in previous years, all respondents stress overhead and variable expenses, and the majority of the respondents also stress investment expenses. Where investment expenses are not stressed, they are generally defined as a percentage of funds under management.

We note a range of practices for stressing fixed outsourcing expenses, which depends on the contractual agreements in place. For example, some respondents do not stress the expenses for inflation, while some only apply the stress at the end of the outsourcing term.

3.5 Which of your expenses are subject to the expense stress, and do they form a material proportion (>10%) of your base expenses?

Firm	Investment expenses	Outsourced expenses	Overhead expenses	Variable / maintenance expenses
Firm A	▲ ★		▲ ★	▲ ★
Firm B	▲	★	▲ ★	▲ ★
Firm C	▲ ★	★	▲ ★	▲ ★
Firm D		▲ ★	▲	▲
Firm E	▲ ★	▲ ★	▲ ★	▲
Firm F	★		▲ ★	▲ ★
Firm G			▲ ★	▲ ★
Firm H	▲ ★		▲	▲

▲ Stressed

★ Material

Technical Practices Survey 2025

4. Market Risk (excl. Credit)

1. Hot Topics	2. Balance Sheet	3. Standard Formula	4. Market Risk (excl. Credit)	5. Credit Risk
6. Life Underwriting	7. Capital Management	8. Operational Risk	9. Aggregation	10. Correlation

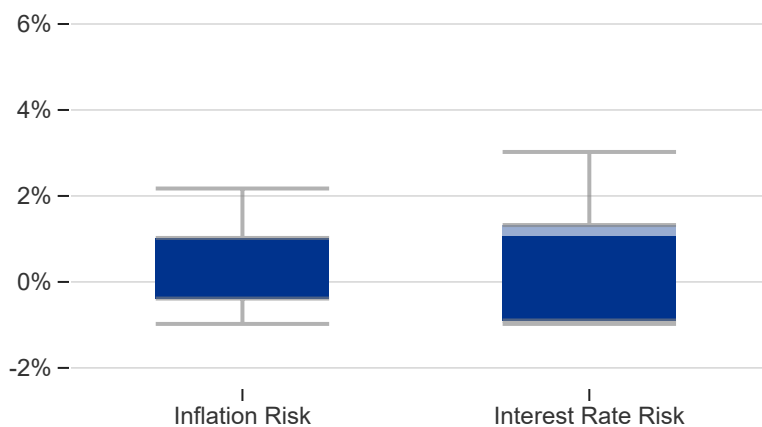
IM Interest Rate Risk

Inflation and interest rate risks are a relatively small proportion of post-diversification SCR (<2%) for most participants given their matching/ hedging strategy. However, one firm indicated a significant increase for interest rate risk (c30%) as a result of an update to their interest rate calibrations. The majority of respondents calibrate their interest rate risk using 25 to 50 years of data, typically employing either additive models or hybrid approaches that incorporate features of both additive and multiplicative models.

Consistent with last year's survey findings, the majority of firms continue to consider that their interest rate risk methodology as appropriate in the current higher interest rate environment. This reflects the developments to interest rate models that some firms had undertaken in the past few years. As such, fewer firms expect to make changes to their models this year compared to our 2024 survey.

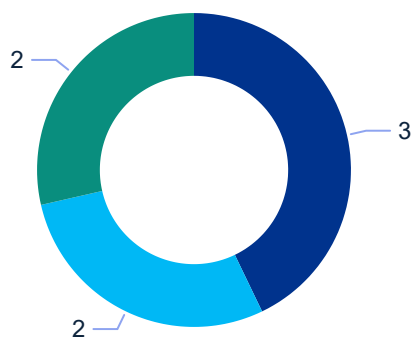
Two respondents indicated plans to update their models to ensure they remain appropriate in the current higher interest rate environment. These updates aim to reflect the 2022 interest rate experience and to ensure their models are appropriately sensitive to the interest rate levels. Both firms are exploring a range of approaches, including reviewing expert judgements, evaluating alternative data choices, and changing model type.

4.1 What is the % of diversified SCR for the following market risks?



Note - We have excluded an outlier for interest rate risk to avoid distorting the charts. The firm indicated a significant increase (c30%) compared to prior year due to updating their interest rate calibrations.

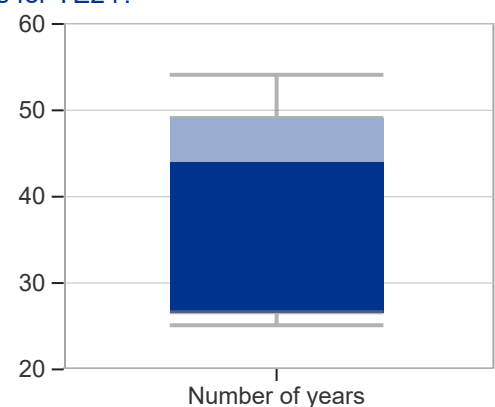
4.3 How are shocks applied to interest rates?



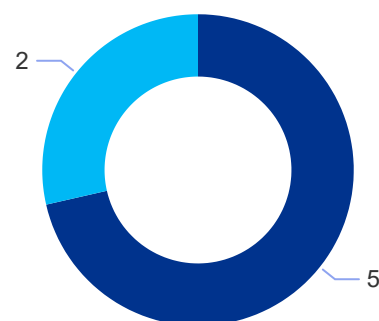
● Additively ● Hybrid Model ● Other

'Other' includes: multiplicative approach with displacement factor and principle component approach.

4.2 How many years of data did you use to calibrate your interest rate stresses for YE24?



4.4 Do you consider your existing interest rate stress methodology to be suited to modelling interest rate risk in a high interest rate environment? Is there any plan for developments or changes to the interest rate risk calibration?



● Suitable existing methodology ● Plan to change the model

Technical Practices Survey 2025

4. Market Risk (excl. Credit)

1. Hot Topics	2. Balance Sheet	3. Standard Formula	4. Market Risk (excl. Credit)	5. Credit Risk
6. Life Underwriting	7. Capital Management	8. Operational Risk	9. Aggregation	10. Correlation

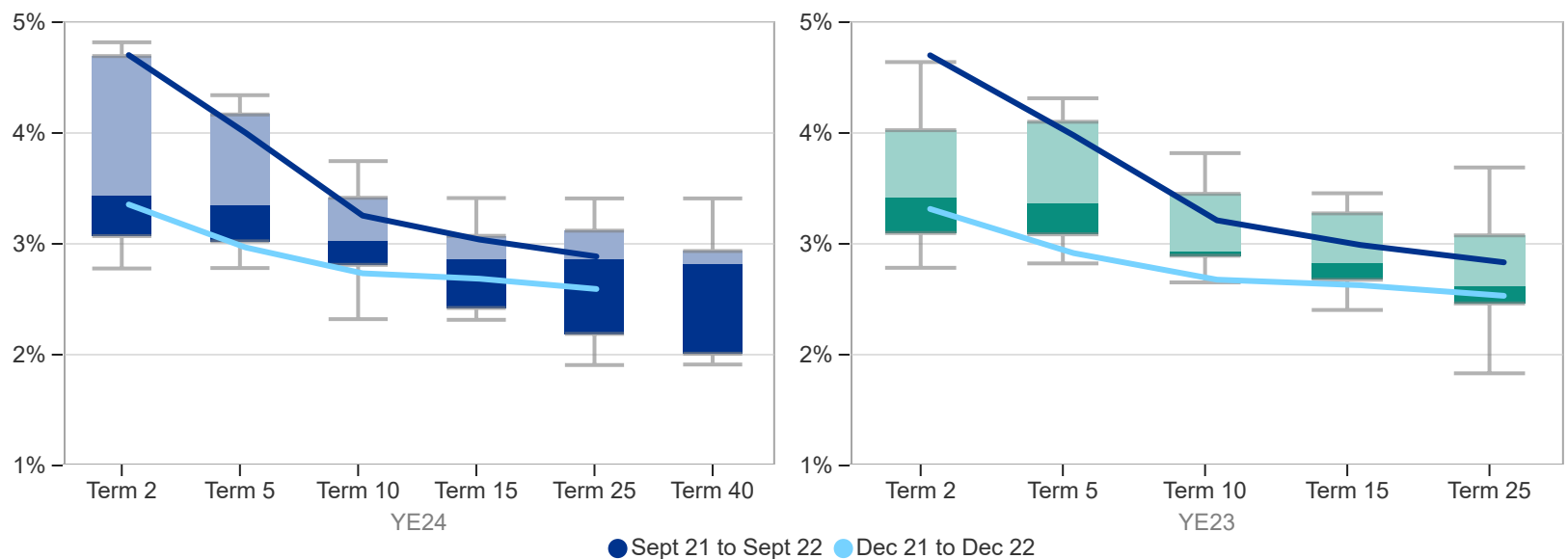
IM Interest Rate Risk

The charts below show the magnitude of the interest rate up stresses at the 1-in-200 and 1-in-20 level for both YE24 and YE23. We note that there have been marginal increases at each term for both the 1-in-20 and 1-in-200 level stresses, with the exception of one firm who has significantly strengthened the up stress at Term 2 (c16% at YE24). This implies most insurers have not materially changed their view on interest rate risk for capital and liquidity management under more “normal” business conditions.

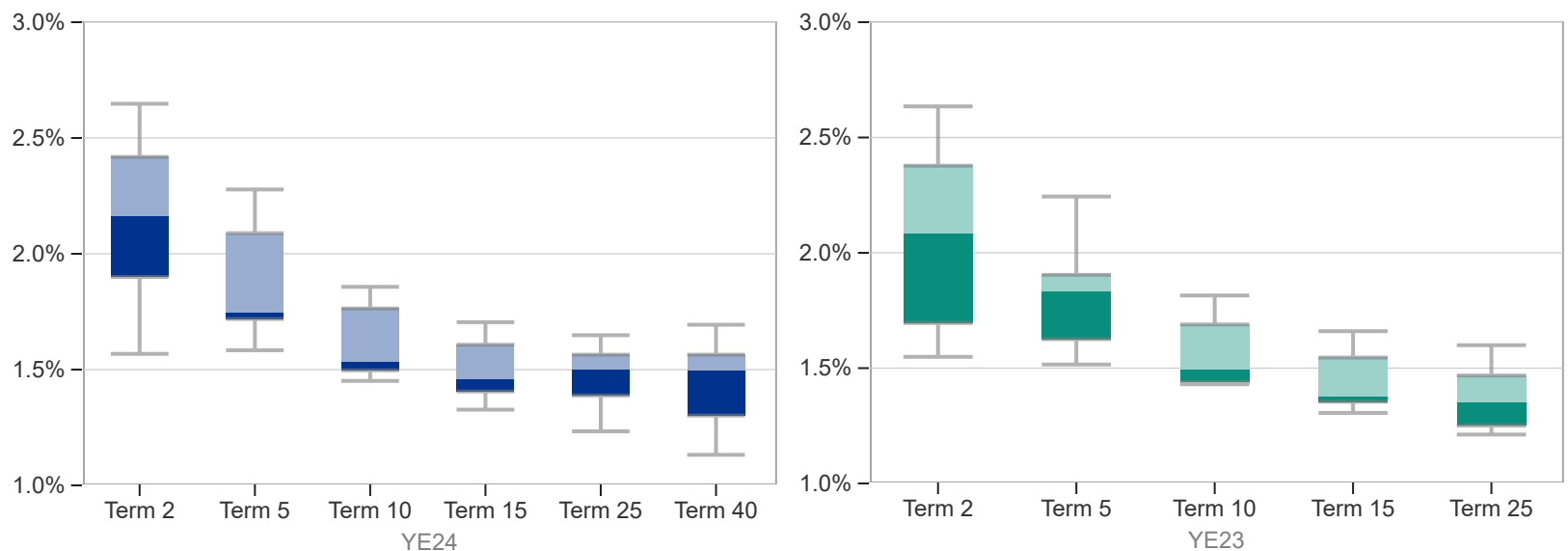
To support comparison with the 2022 interest rate experience, we have overlaid two reference lines: (i) one representing the largest one-year movement in interest rates (September 2021 to September 2022), and (ii) the change from December 2021 to December 2022. These reference lines provide context for interpreting respondents' reactions to the 2022 experience.

The YE24 charts include the addition of Term 40 stresses to reflect the changes to IM01 template issued by the PRA for YE24.

4.5a Interest rate - 1-in-200 up shocks



4.5b Interest rate - 1-in-20 up shocks



Note - We have excluded an outlier for Term 2 to avoid distorting the charts. The firm indicated a significant increase in the 1-in-200 stress (c16%) and 1-in-20 stress (c5%). This firm indicated that they were planning to review their interest rate risk calibration as part of the 2024 survey.

Technical Practices Survey 2025

4. Market Risk (excl. Credit)

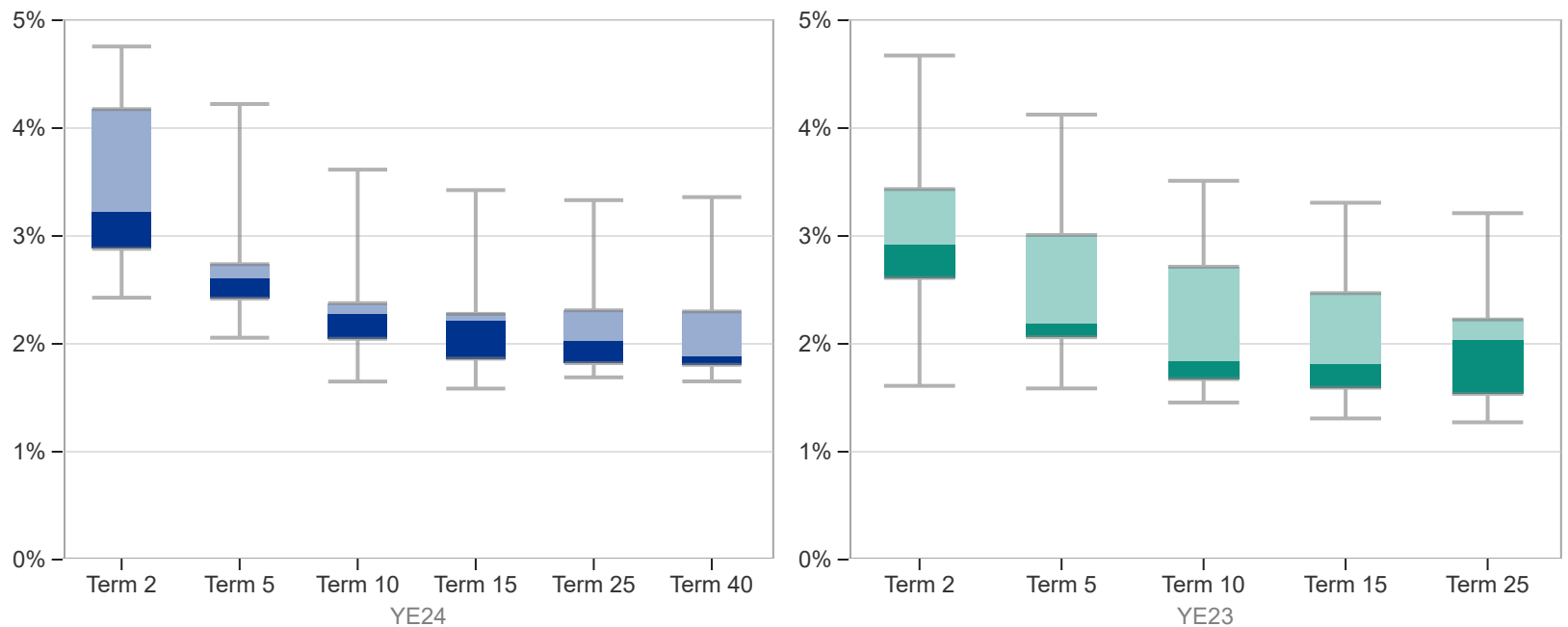
1. Hot Topics	2. Balance Sheet	3. Standard Formula	4. Market Risk (excl. Credit)	5. Credit Risk
6. Life Underwriting	7. Capital Management	8. Operational Risk	9. Aggregation	10. Correlation

IM Interest Rate Risk

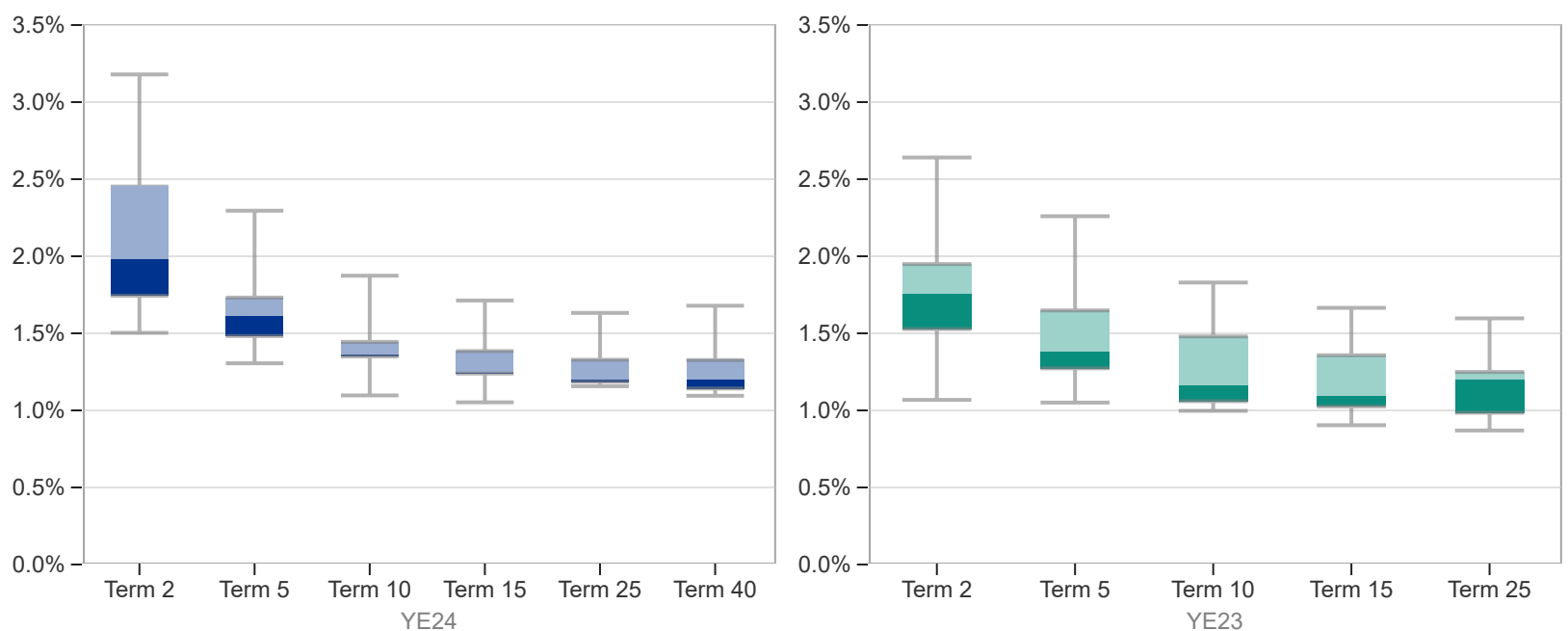
The charts below show the magnitude of the interest rate down stresses at the 1-in-200 and 1-in-20 level for both YE24 and YE23. While most firms' down stresses at YE24 are materially unchanged from YE23, one firm has materially strengthened their interest rate down stress at Term 2, and another firm has materially weakened their stress at all durations. This results in a wider distribution (interquartile range) of stressed outcomes at Term 2, but a narrower distribution at longer durations at YE24 compared to YE23.

The YE24 charts include the addition of Term 40 stresses to reflect the changes to IM01 template issued by the PRA for YE24.

4.5c Interest rate - 1-in-200 down shocks



4.5d Interest rate - 1-in-20 down shocks



Technical Practices Survey 2025

4. Market Risk (excl. Credit)

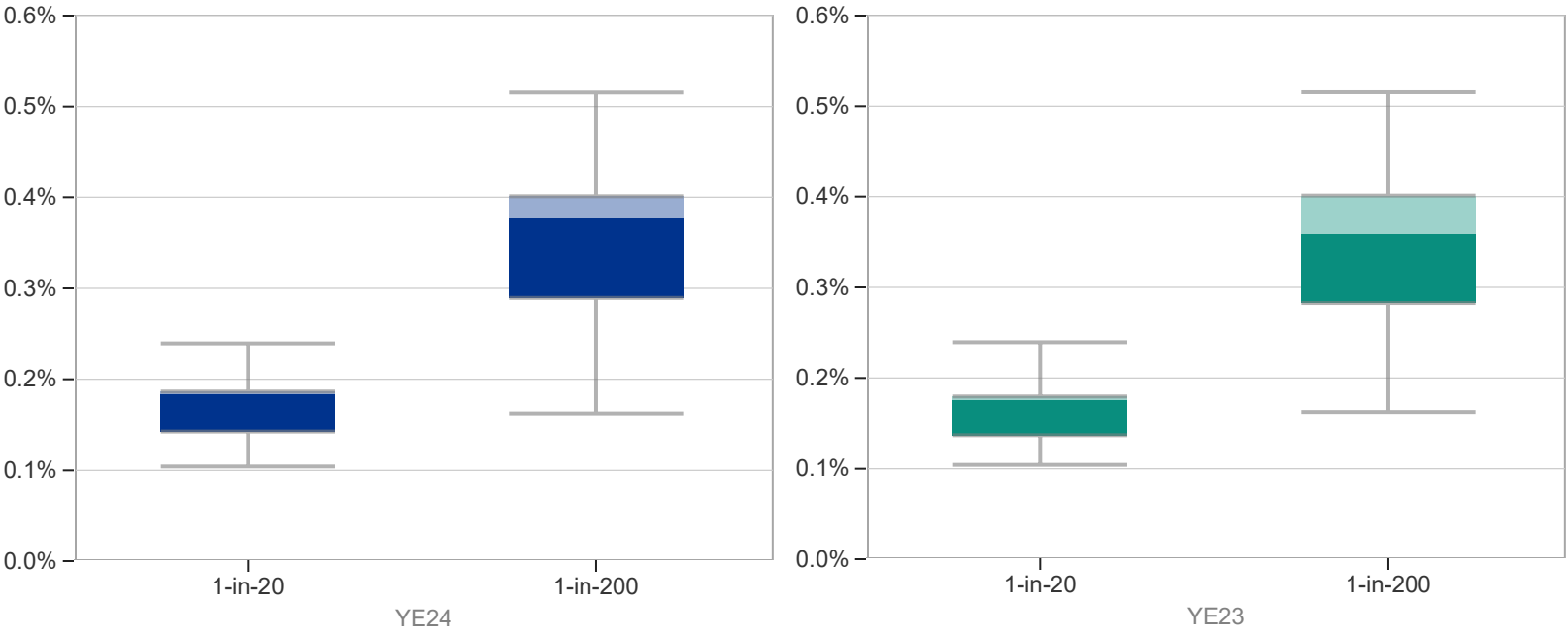
1. Hot Topics	2. Balance Sheet	3. Standard Formula	4. Market Risk (excl. Credit)	5. Credit Risk
6. Life Underwriting	7. Capital Management	8. Operational Risk	9. Aggregation	10. Correlation

IM

Interest Rate Risk

The charts below show the interest rate implied volatility stresses. Most firms either maintained or slightly strengthened their stresses compared to YE23.

4.5e Interest rate volatility



Technical Practices Survey 2025

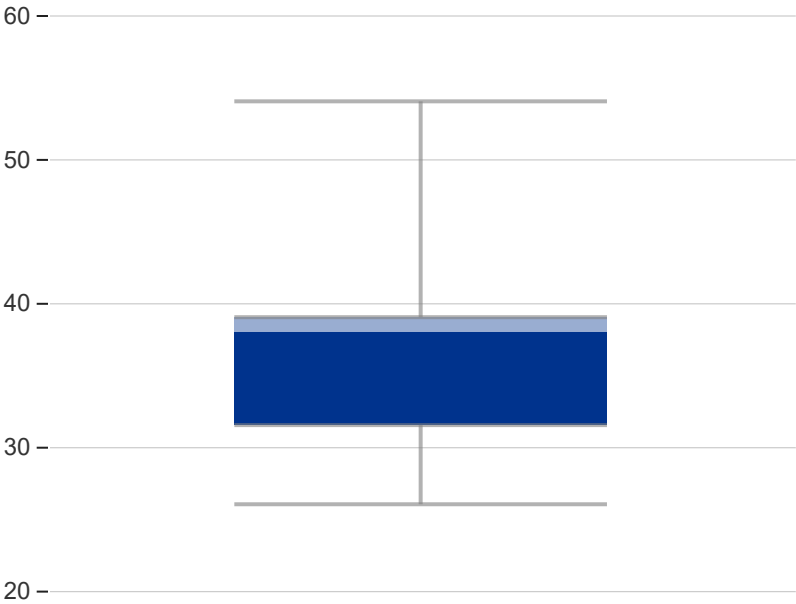
4. Market Risk (excl. Credit)

1. Hot Topics	2. Balance Sheet	3. Standard Formula	4. Market Risk (excl. Credit)	5. Credit Risk
6. Life Underwriting	7. Capital Management	8. Operational Risk	9. Aggregation	10. Correlation

IM Inflation Risk

Most participants calibrated their inflation stresses for YE24 using data from the past 30-40 years, providing a comprehensive historical perspective. The majority of respondents are exposed to RPI, CPI and LPI inflation risks, with RPI remaining the primary inflation risk model for most firms. Of those respondents who are exposed to LPI inflation risk, half allow for LPI caps/floors in their base valuation.

4.6 What historical period of data did you use to calibrate your inflation stresses for YE24? (years)

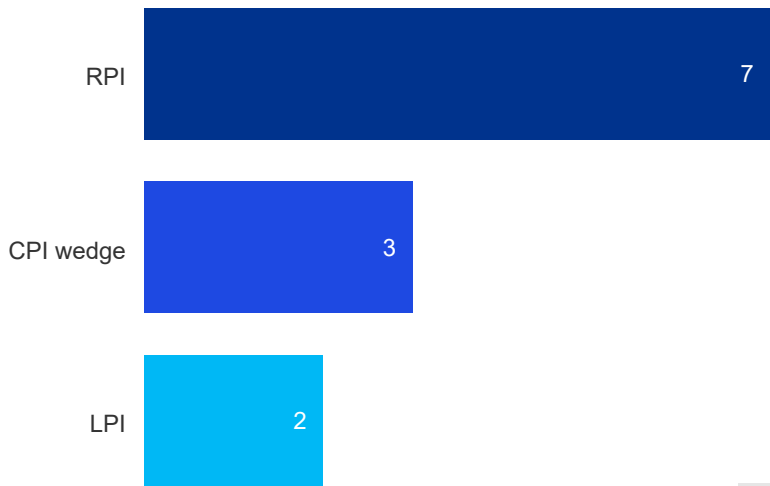


4.7 What is the nature of your inflation exposure?

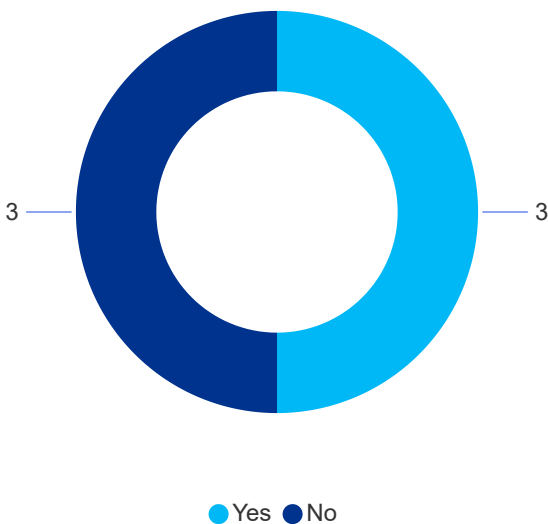


'Other' includes salary or expenses.

4.8 What is the nature of your modelled inflation risk?



4.9 Do you allow for LPI caps/floors in your base valuation?



Technical Practices Survey 2025

4. Market Risk (excl. Credit)

1. Hot Topics	2. Balance Sheet	3. Standard Formula	4. Market Risk (excl. Credit)	5. Credit Risk
6. Life Underwriting	7. Capital Management	8. Operational Risk	9. Aggregation	10. Correlation

IM Inflation Risk

Among participants that model CPI and LPI inflation, a range of approaches is observed. These include applying the same methodology used for RPI, incorporating additive stresses within a principle component analysis (PCA) model, and calibrating the RPI-CPI wedge.

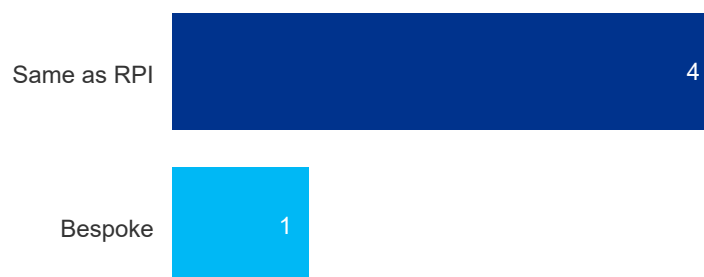
Most respondents consider their current inflation risk methodology to be suitable for modelling inflation risk in a high-inflation environment. Only one respondent indicated plans to revise their model by introducing a dedicated inflation risk module, citing limitations in the existing model's integration with the interest rate risk, specifically its assumption of perfect correlation. Additionally, two firms noted that while they believe their current methodology is sufficient, they intend to enhance it in the future by developing calibrations for LPI inflation volatility and the RPI-CPI inflation wedge.

4.10 What is your approach to modelling inflation risks for measures other than RPI?

CPI

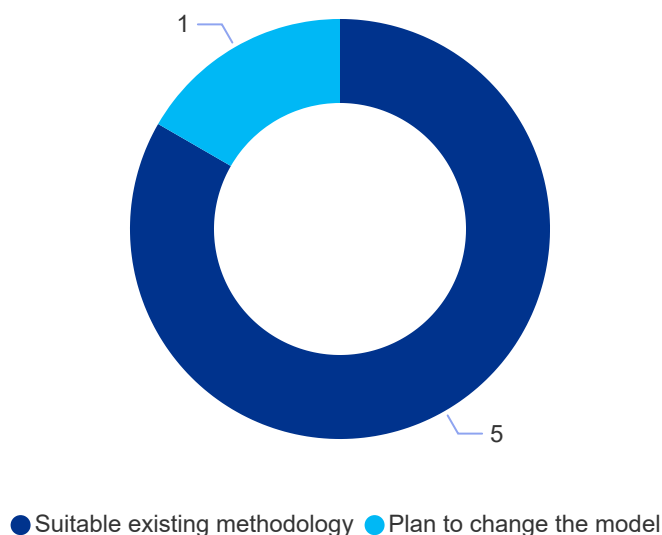


LPI



'Bespoke' includes: additive stress calculated by a PCA approach, and performing a separate calibration for RPI-CPI wedge.

4.11 Are you planning any developments to the Inflation Model?



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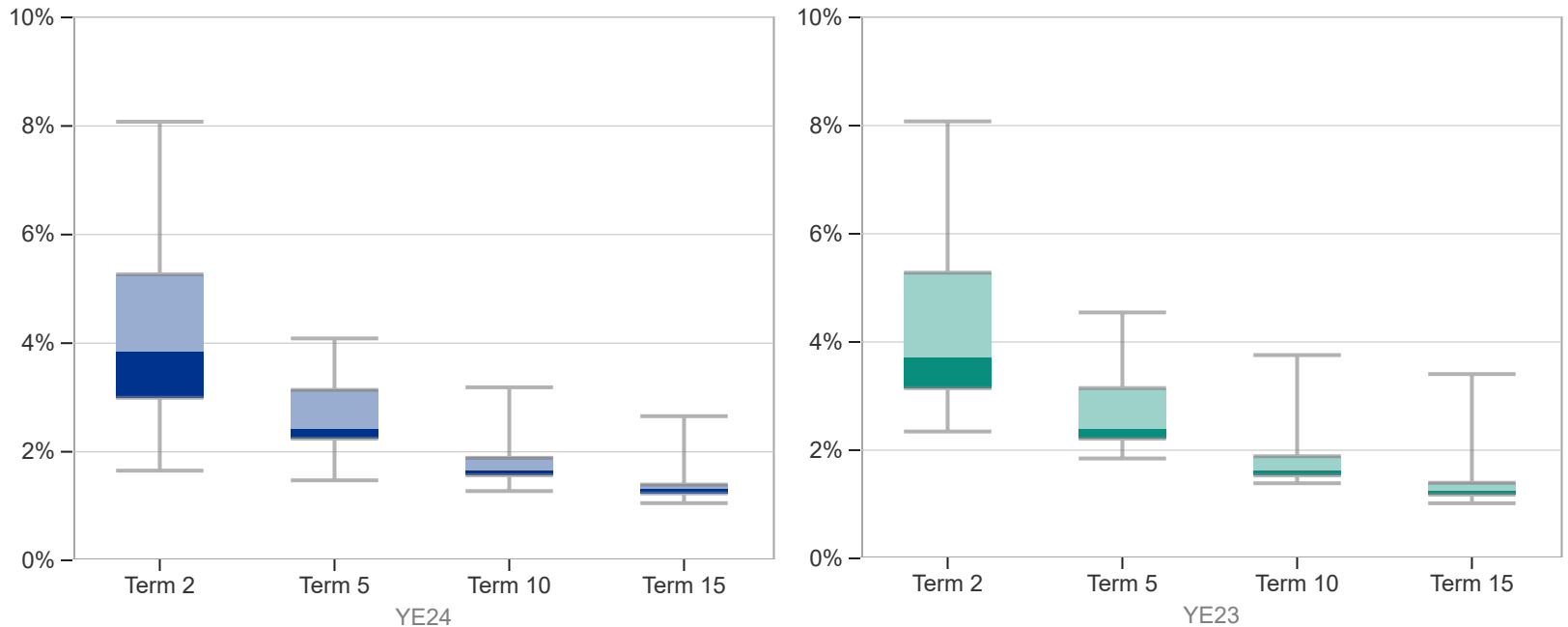
4. Market Risk (excl. Credit)

1. Hot Topics	2. Balance Sheet	3. Standard Formula	4. Market Risk (excl. Credit)	5. Credit Risk
6. Life Underwriting	7. Capital Management	8. Operational Risk	9. Aggregation	10. Correlation

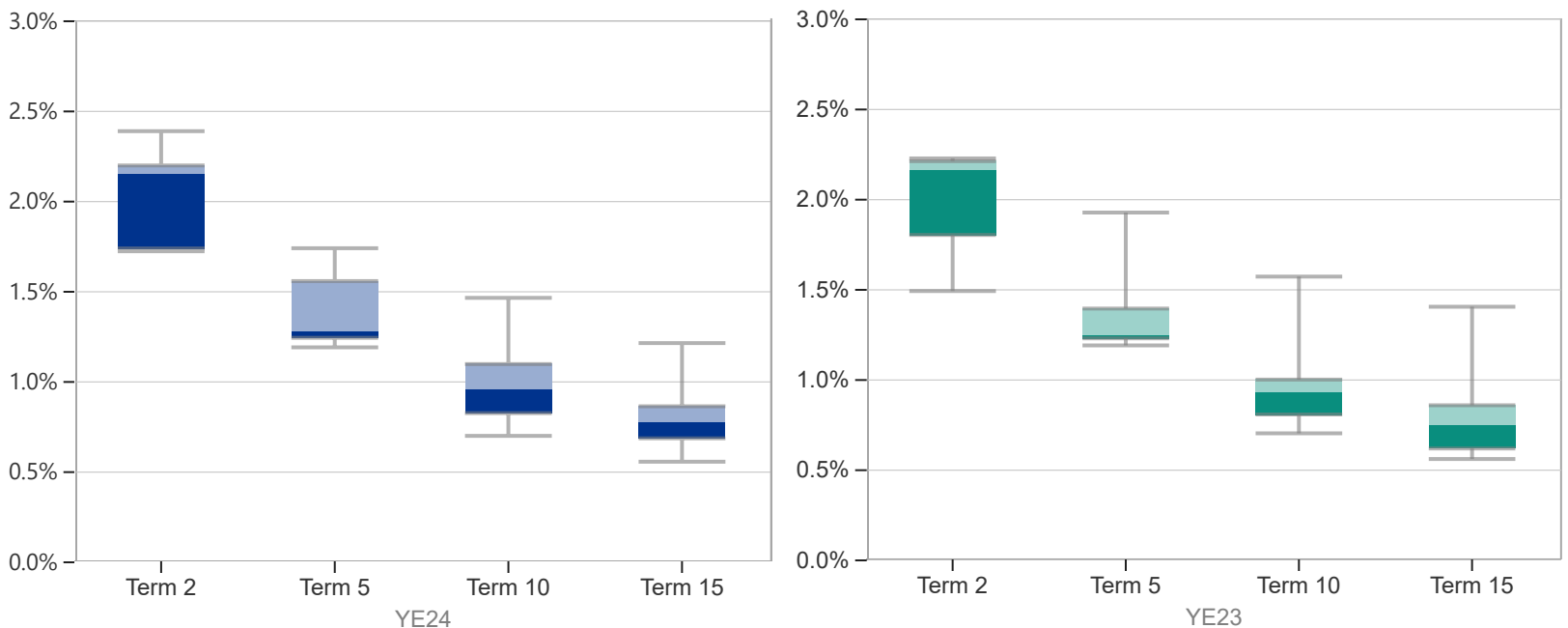
IM Inflation Risk

The charts below show the implied inflation stresses. Firms' inflation risk calibrations are generally stronger at YE24 compared to YE23. Most firms have strengthened the calibration at the short end, with one firm significantly increasing the stressed outcome at Term 2. After allowing for sampling differences, stresses at later durations are generally materially unchanged.

4.12a Change in implied inflation - 1-in-200



4.12b Change in implied inflation - 1-in-20



Note - We have excluded an outlier for Term 2 to avoid distorting the charts. The firm indicated a significant increase in the 1-in-200 stress (c14%) and 1-in-20 stress (c5%). This firm indicated that they were planning to review their inflation risk calibration as part of the 2024 survey.

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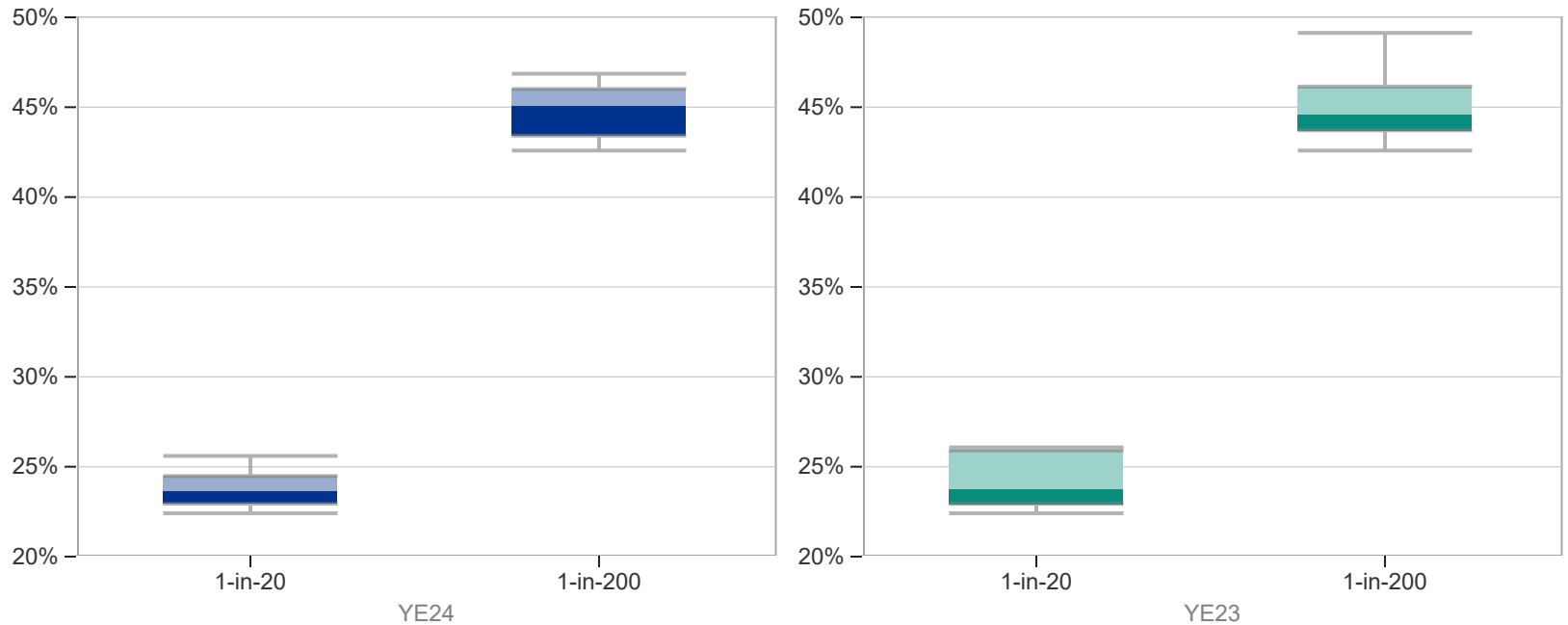
4. Market Risk (excl. Credit)

1. Hot Topics	2. Balance Sheet	3. Standard Formula	4. Market Risk (excl. Credit)	5. Credit Risk
6. Life Underwriting	7. Capital Management	8. Operational Risk	9. Aggregation	10. Correlation

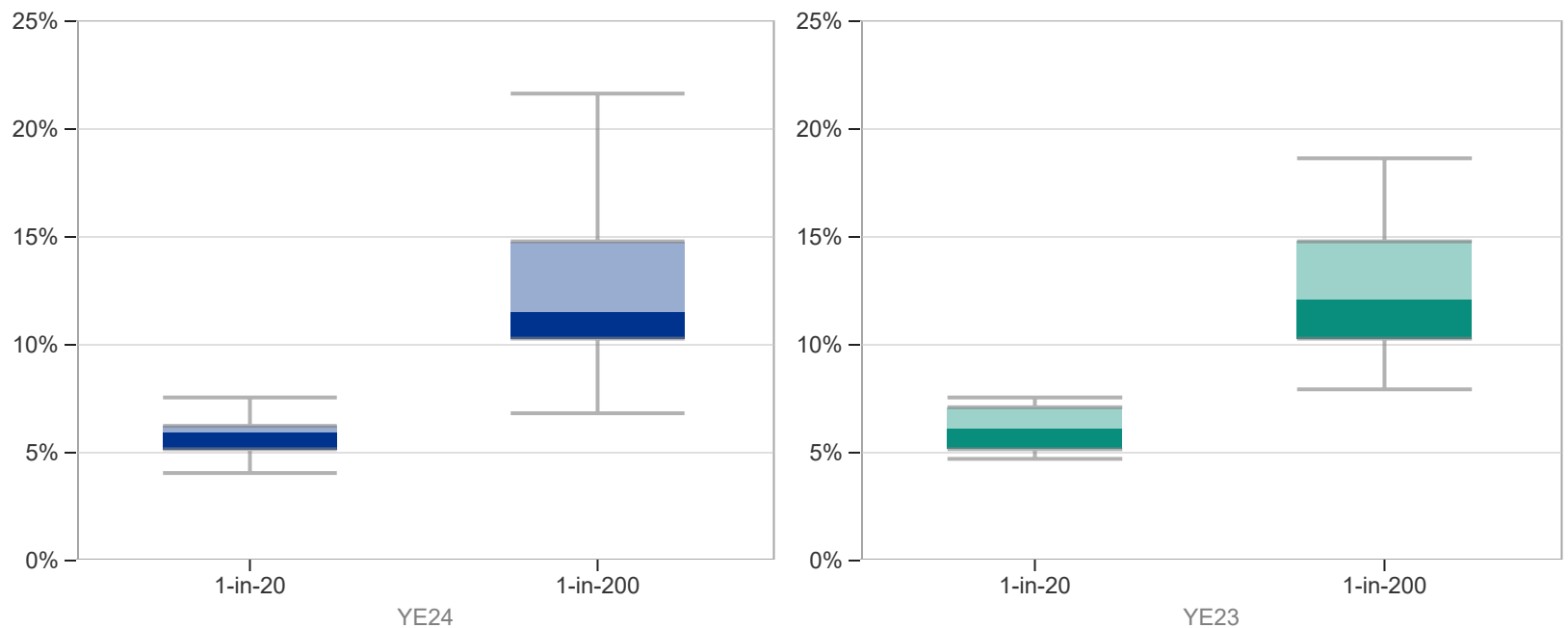
IM Equity Risk

The charts below show the equity return and implied volatility stresses. The total equity stress charts display the magnitude of the 1-in-20 and 1-in-200 down shocks. Equity risk calibrations at YE24 are broadly similar to YE23, except for one firm increasing its individual equity volatility stress significantly.

4.13a Total equity stress



4.13b Equity volatility stress (Term 10)



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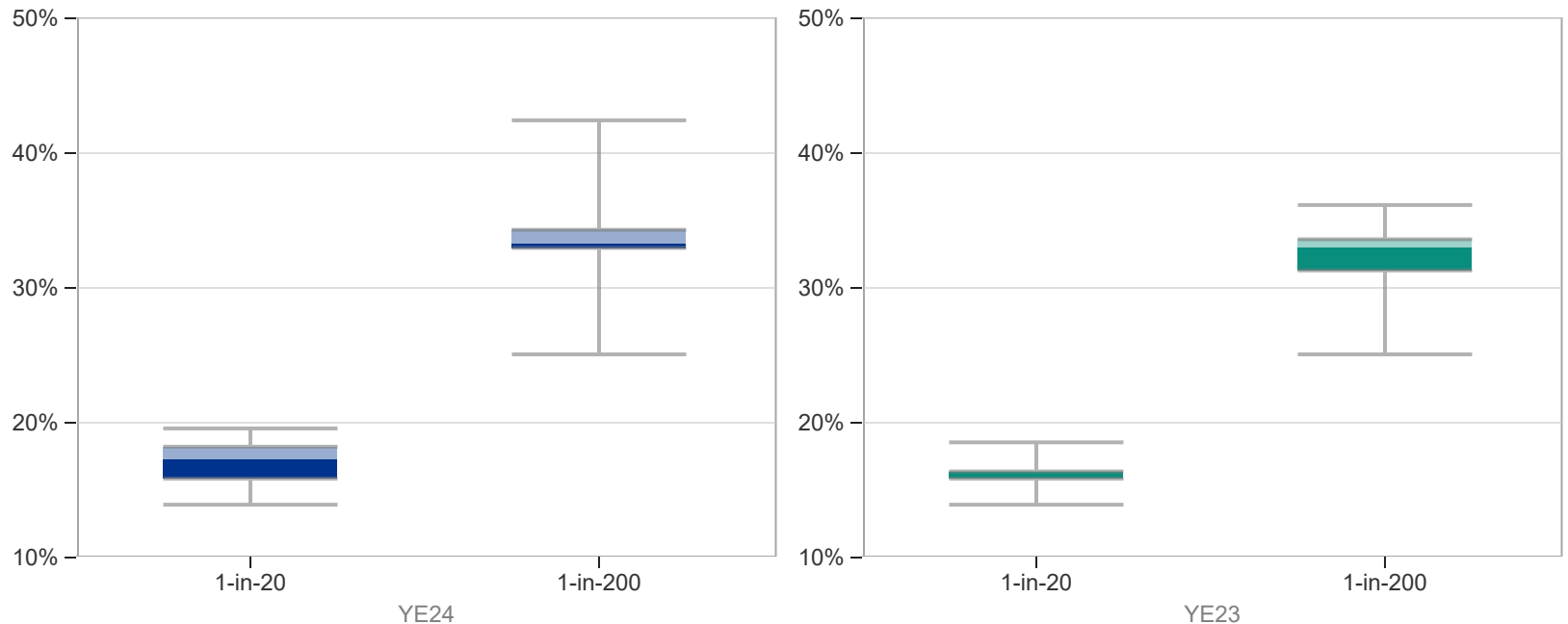
4. Market Risk (excl. Credit)

1. Hot Topics	2. Balance Sheet	3. Standard Formula	4. Market Risk (excl. Credit)	5. Credit Risk
6. Life Underwriting	7. Capital Management	8. Operational Risk	9. Aggregation	10. Correlation

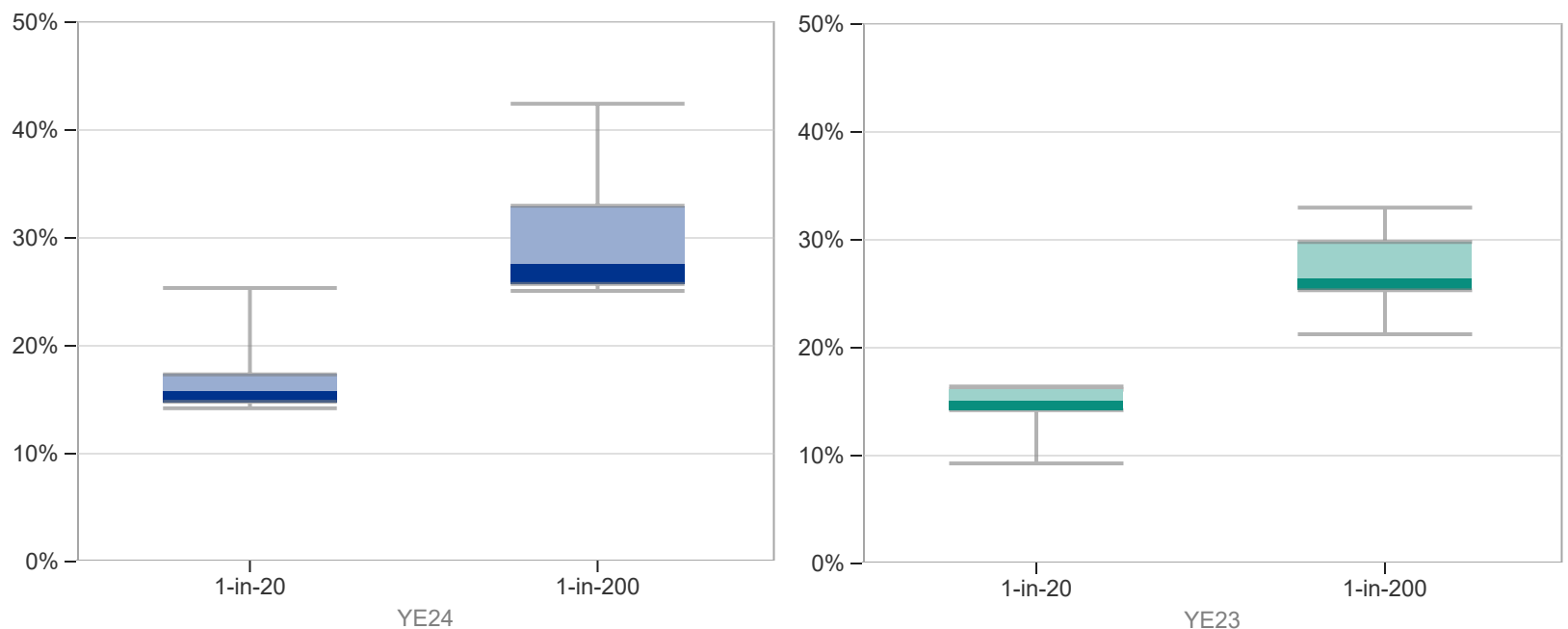
IM Property Risk

The charts below show the magnitude of the 1-in-20 and 1-in-200 down shock for commercial and residential property return stresses. Property return stresses, in particular at the 1-in-200 level, are similar to the YE23 stresses. Most firms reported only marginal changes in their individual calibration outcomes for both commercial and residential property return stresses. Note that there are sampling differences between the two years' submissions that explain some of the differences in the range of responses.

4.14a Total property annual return stress - Commercial



4.14b Total property annual return stress - Residential



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4. Market Risk (excl. Credit)

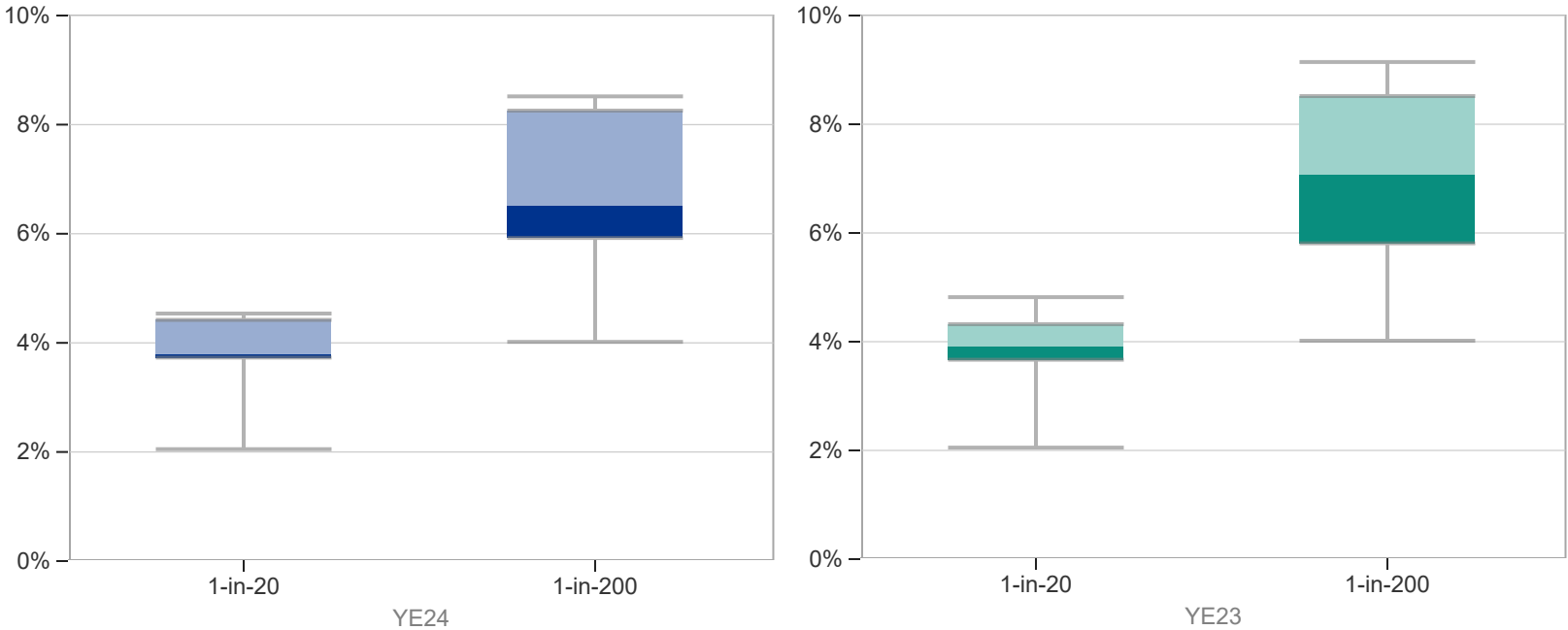
1. Hot Topics	2. Balance Sheet	3. Standard Formula	4. Market Risk (excl. Credit)	5. Credit Risk
6. Life Underwriting	7. Capital Management	8. Operational Risk	9. Aggregation	10. Correlation

IM

Property Risk

The charts below show the property volatility stresses. Property volatility stresses, both at the 1-in-20 level and 1-in-200 level, are similar to the YE23 stresses. There have been minimal changes to firms' individual calibration outcomes for property volatility stresses.

4.14c Property volatility stress (Term 10)



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4. Market Risk (excl. Credit)

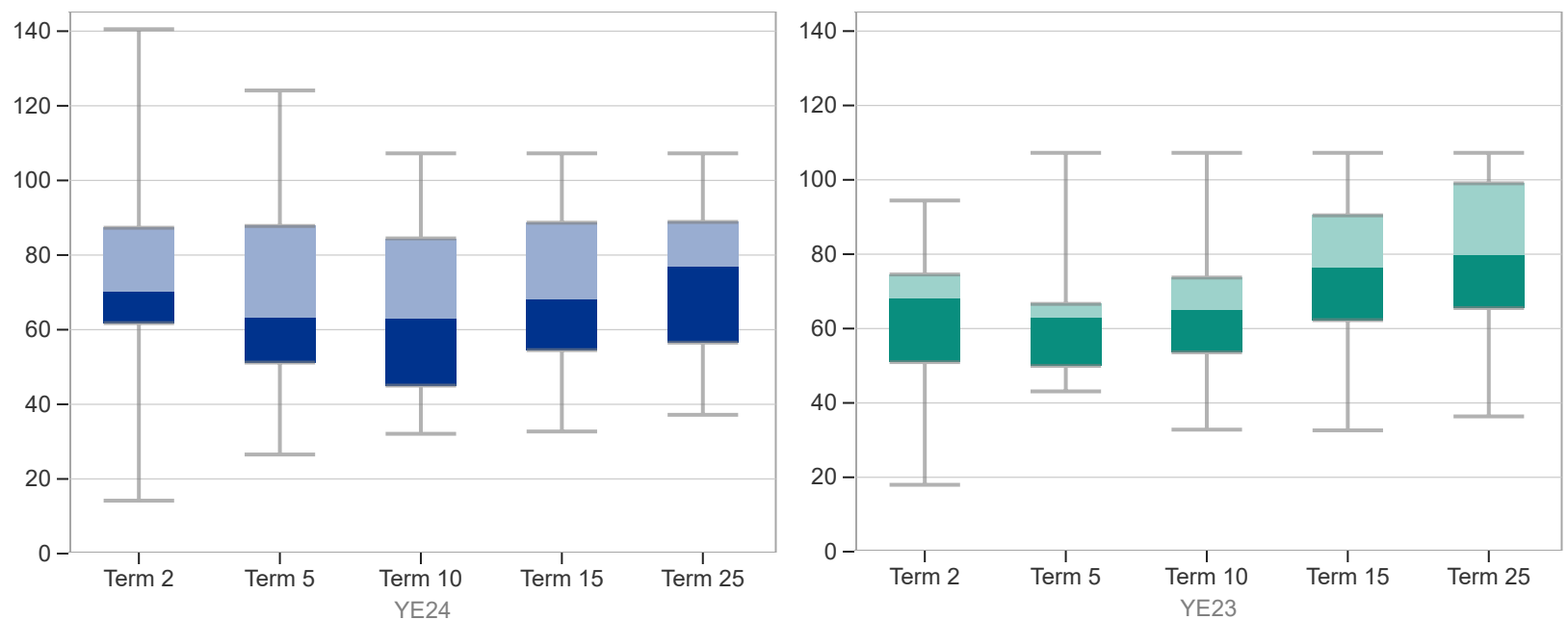
1. Hot Topics	2. Balance Sheet	3. Standard Formula	4. Market Risk (excl. Credit)	5. Credit Risk
6. Life Underwriting	7. Capital Management	8. Operational Risk	9. Aggregation	10. Correlation

IM

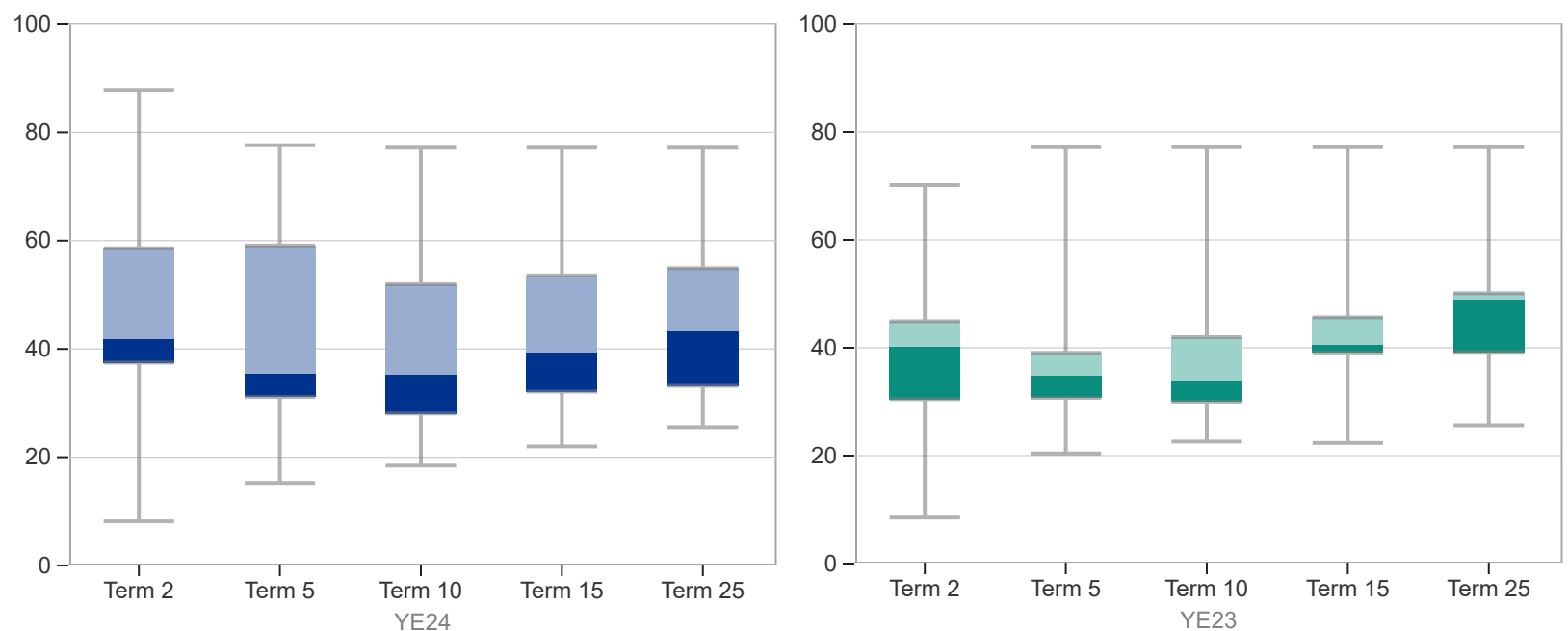
Sovereign Swap Spread

The charts below show the sovereign swap spread stresses. One firm has reduced its stresses, particularly at longer durations. The other firms either maintained or slightly strengthened their stresses at the short end. At longer tenors, just over half of the firms weakened their stresses. Note that there are sampling differences in the submissions between years, which explains some of the large difference in the range of responses at the short end between YE23 and YE24. However, the medians at each term are materially unchanged indicating that the firms' overall stresses have remained relatively similar year-on-year.

4.15a Sovereign swap spreads - 1-in-200 (bps)



4.15b Sovereign swap spreads - 1-in-20 (bps)



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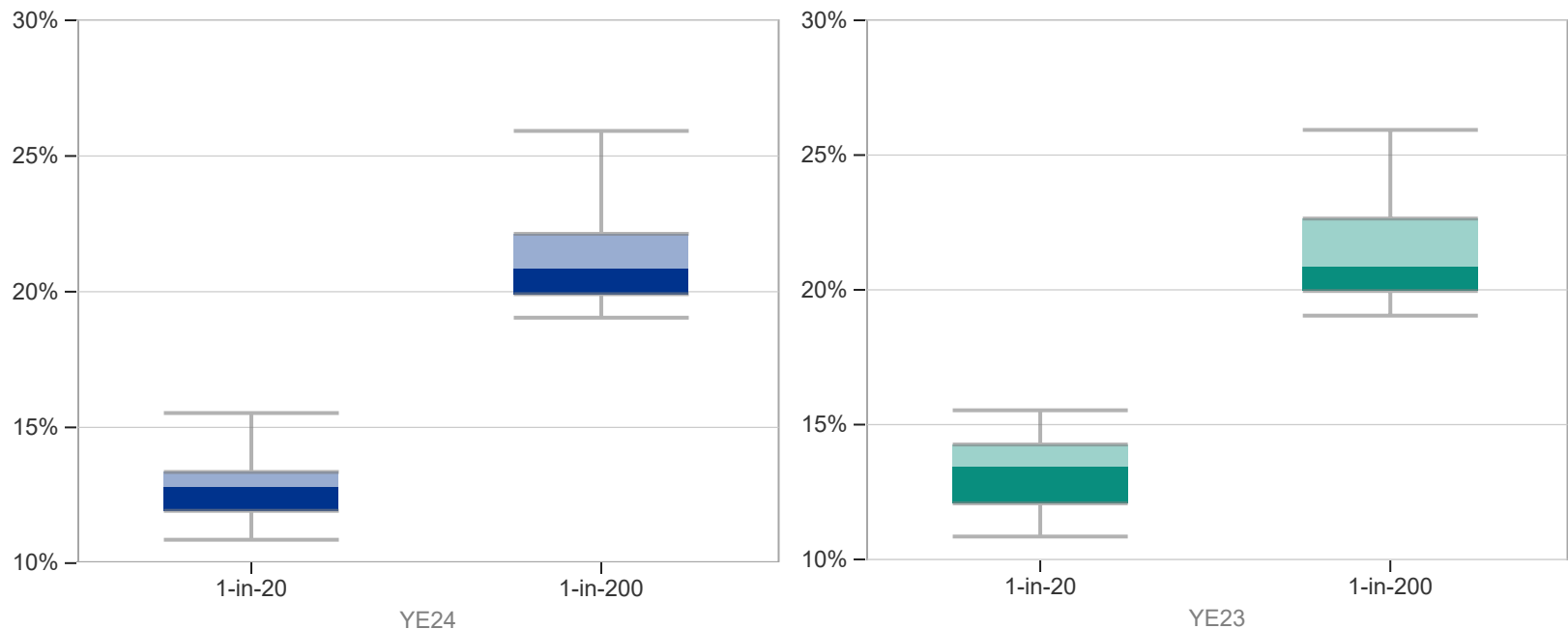
4. Market Risk (excl. Credit)

1. Hot Topics	2. Balance Sheet	3. Standard Formula	4. Market Risk (excl. Credit)	5. Credit Risk
6. Life Underwriting	7. Capital Management	8. Operational Risk	9. Aggregation	10. Correlation

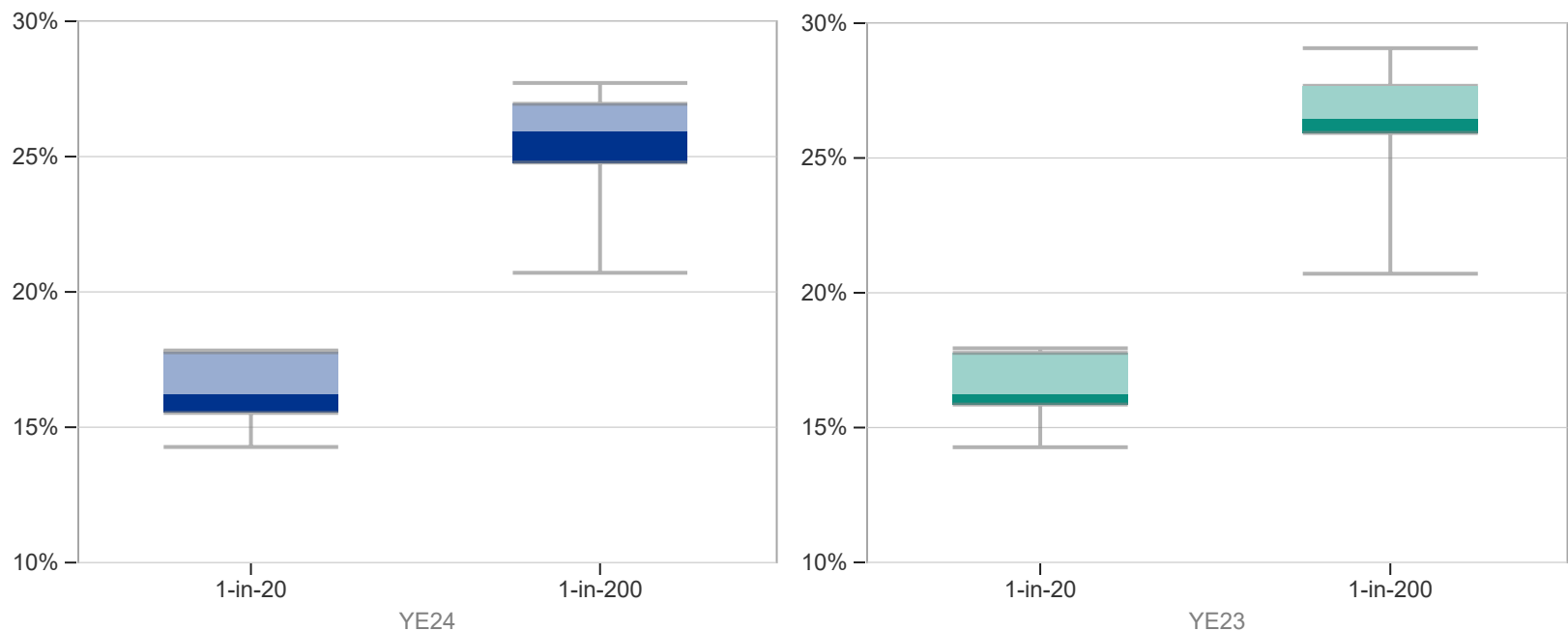
IM Currency Risk

The charts below show the magnitude of the 1-in-20 and 1-in-200 down shock for the currency stresses. Excluding sample differences, firms' stresses are materially unchanged compared to YE23.

4.16a EUR - GBP currency stress



4.16b USD - GBP currency stress



Technical Practices Survey 2025

5. Credit Risk

1. Hot Topics	2. Balance Sheet	3. Standard Formula	4. Market Risk (excl. Credit)	5. Credit Risk
6. Life Underwriting	7. Capital Management	8. Operational Risk	9. Aggregation	10. Correlation

IM Overall Approach

The majority of respondents reported using bespoke risk drivers across all asset types in calibration, with some firms also using supplementary risk factors. The 'other' drivers used include gilt-swap spreads, credit spreads or a combination of three risk drivers.

One respondent commented that they use a bespoke model for commercial real estate lending (CREL) instead of the approach specified in table 5.1. All respondents follow the same approach as specified below for non-MAP annuities or with-profits business.

5.1 For corporate credit, what risk driver do you use in your calibration?

Risk Type	Firm A	Firm B	Firm C	Firm D	Firm E	Firm F	Firm G
Spread risk	●	●	●	●	●	●	●
Transition & Default risk	●	●	●	●	●	●	●
Fundamental spread	●	●					
Total MA offset				●		●	

● Bespoke driver ● Other

For spread stress, all firms that responded apply a bespoke stress for financial and non-financial corporate bonds. Most of the respondents also have a bespoke spread stress for CREL.

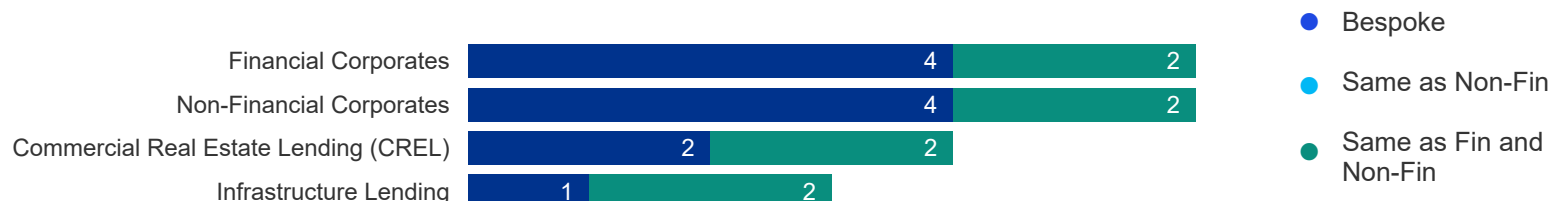
However, there are less bespoke modelling from the respondents for transition and default (T&D) and fundamental spread (FS) stresses, with some respondents using the same T&D and FS stress for different asset classes.

5.2 What level of asset granularity do you use for your approach to credit modelling?

Spread Stresses



Transition and Default Stresses



Fundamental Spread Stresses



Technical Practices Survey 2025

5. Credit Risk

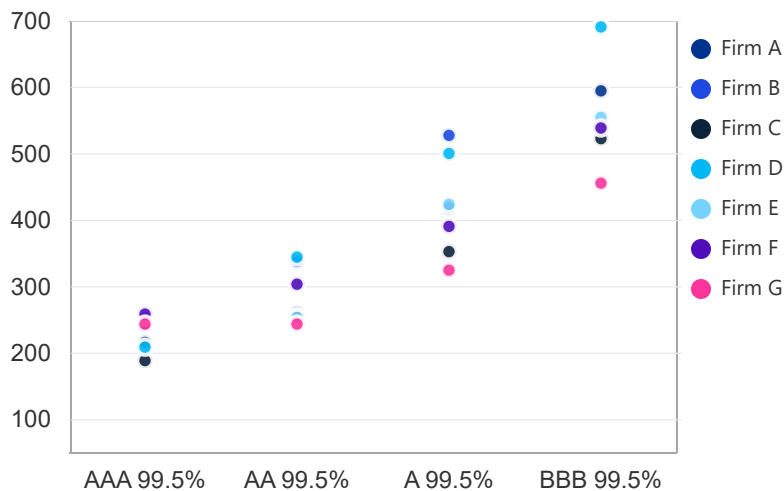
1. Hot Topics	2. Balance Sheet	3. Standard Formula	4. Market Risk (excl. Credit)	5. Credit Risk
6. Life Underwriting	7. Capital Management	8. Operational Risk	9. Aggregation	10. Correlation

IM

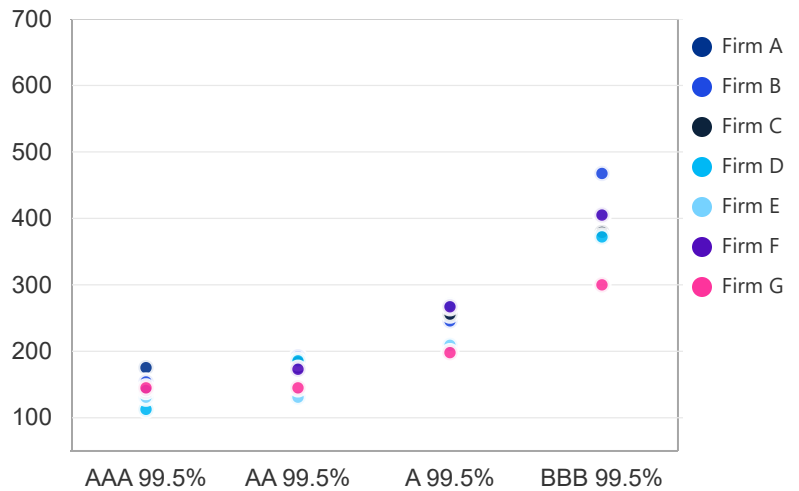
Asset-side calibration - Credit Stress

The following charts show total credit risk capital expressed as a spread widening under a 1-in-200 stress. We have observed a range of movements in calibrations compared to last year, however there has not been a significant movement in the median response. The slight increase in Financial AAA and slight decrease in Financial BBB is due to sampling differences as compared to last year.

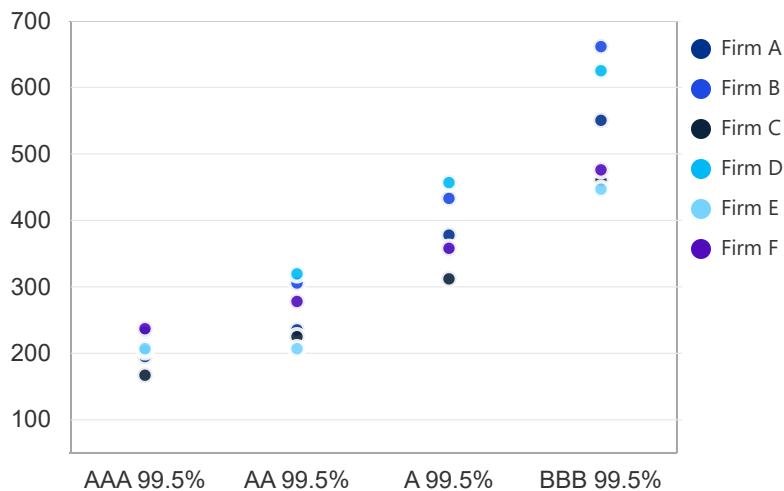
5.3a Change in total corporate bond spreads - Financials 10 years (YE24, bps)



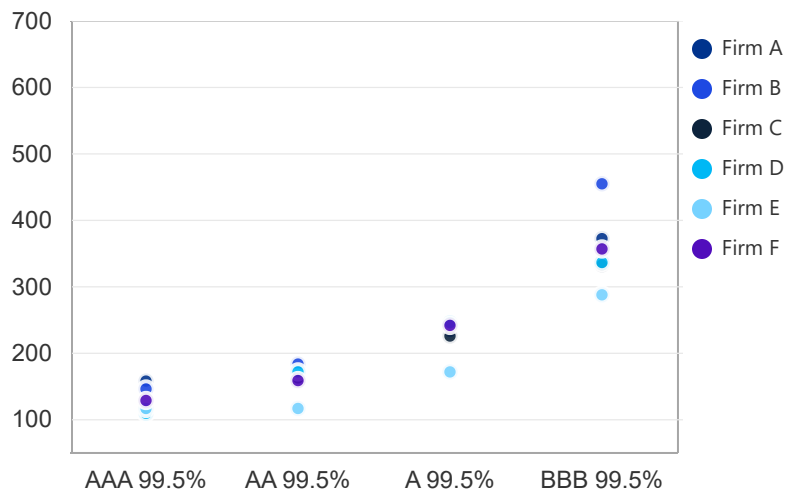
5.3b Change in total corporate bond spreads - Non-Financials 10 years (YE24, bps)



5.3c Change in total corporate bond spreads - Financials 15 years (YE24, bps)



5.3d Change in total corporate bond spreads - Non-Financials 15 years (YE24, bps)



Technical Practices Survey 2025

5. Credit Risk

1. Hot Topics	2. Balance Sheet	3. Standard Formula	4. Market Risk (excl. Credit)	5. Credit Risk
6. Life Underwriting	7. Capital Management	8. Operational Risk	9. Aggregation	10. Correlation

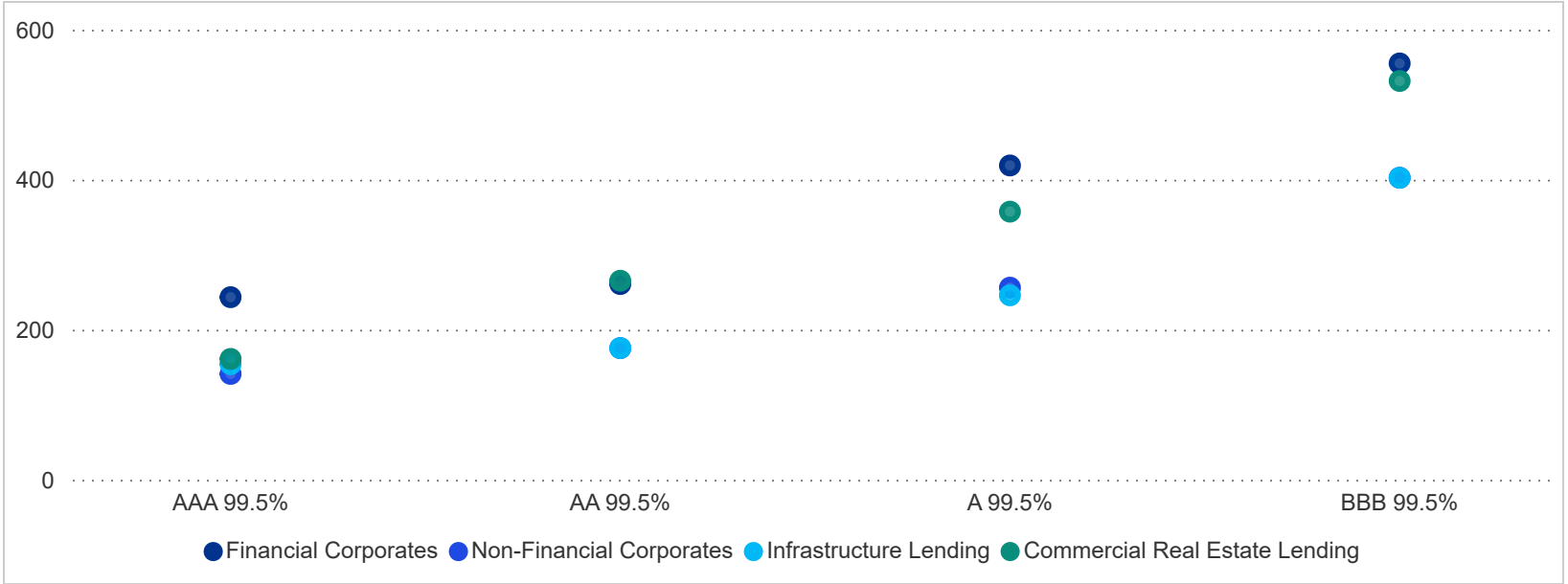
IM

Asset-side calibration - Credit Stress

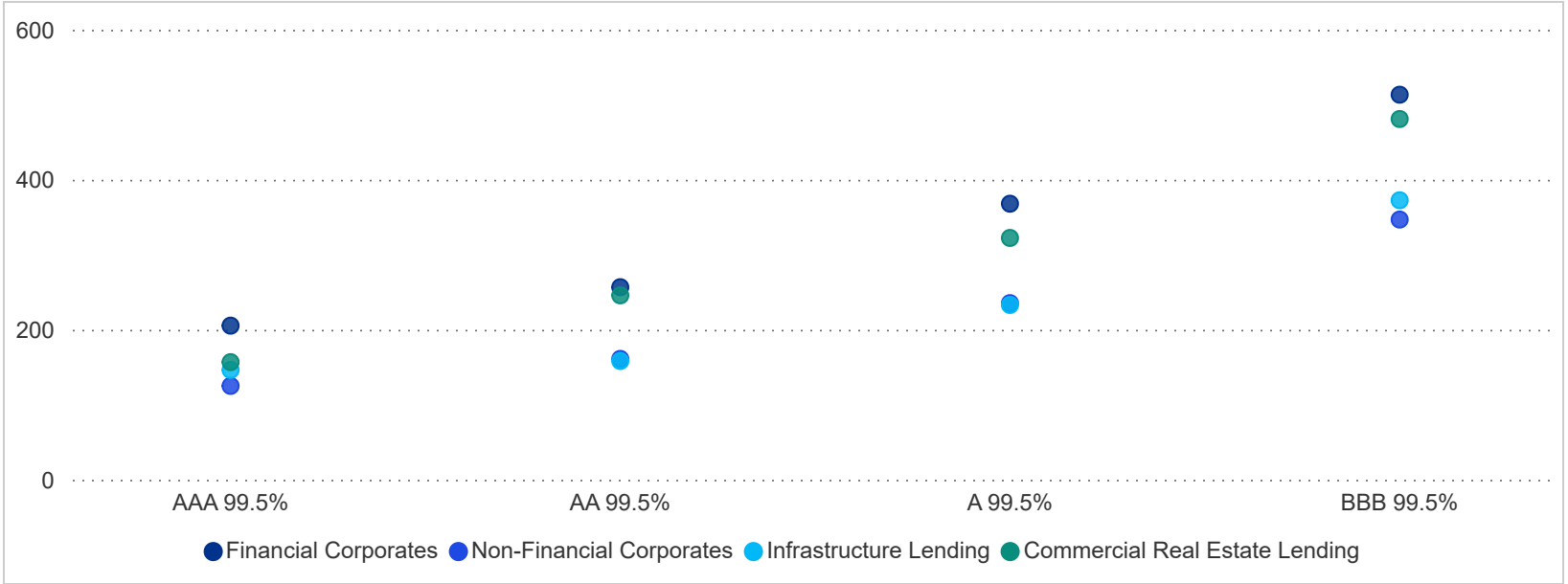
The charts below show a comparison of the change in total credit capital spreads for investment grade assets for terms 10 and 15 years, where each dot represents the median response. Notably, there were fewer responses related to CREL and infrastructure lending compared to corporate bonds, although removing any sampling effects does not change the overall message shown below.

Out of the firms who responded to CREL and corporate bonds, the median change in spreads for financials is higher than that for CREL at each credit rating except for AA - 10 year rating where it is only slightly lower.

5.4a Comparison of median change in total credit capital spreads across different asset classes - 10 years (YE24, bps)



5.4b Comparison of median change in total credit capital spreads across different asset classes - 15 years (YE24, bps)



Technical Practices Survey 2025

5. Credit Risk

1. Hot Topics	2. Balance Sheet	3. Standard Formula	4. Market Risk (excl. Credit)	5. Credit Risk
6. Life Underwriting	7. Capital Management	8. Operational Risk	9. Aggregation	10. Correlation

IM

Asset-side calibration - Credit Stress

Rating, term and the financial/non-financial split are the most commonly used factors in credit stress calibration. Use of other factors is less common but it is clear that some respondents do use more granular models. In the table below, 'other' relates to changes in the PRA's approach to fundamental spreads (FS).

Most respondents are able to achieve the post stress market value, for each asset, on their largest asset class when modelling assets in each simulation.

Out of all the firms that have either developed a cashflow model, or planning to develop a model, for illiquid assets, two respondents use it to calculate base and stressed values of assets. One respondent also uses it as a line 2 validation tool for all assets.

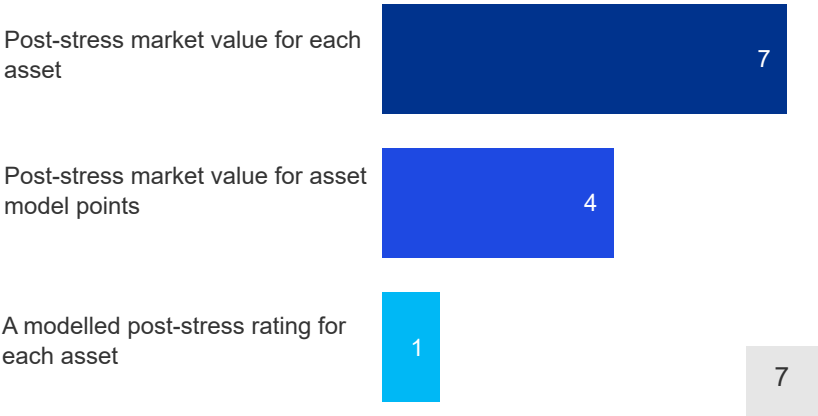
The table 5.5 below shows that there is a range of factors being used across the industry for credit modelling with spread stress accounting for the widest range of factors. Two respondents do not include any factors for T&D.

5.5 In relation to a credit assets, which of the following factors would impact the resulting credit calibration, and which component of it?

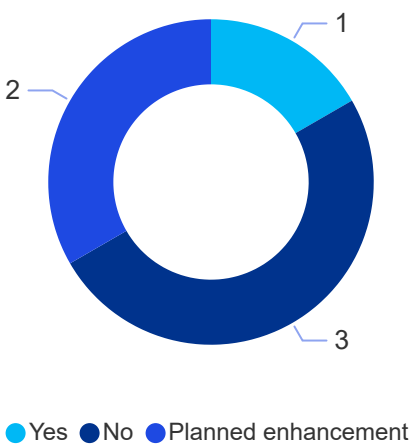
Factors	Firm A	Firm B	Firm C	Firm D	Firm E	Firm F	Firm G
ABS vs non-ABS			●	●	● ▲		
Asset type			●	● ★ ▲	● ▲		
Currency				●	● ▲		● ★ ▲
Domicile of issuer					● ▲		
Financial/Non-financial	● ★ ▲	●	●	● ★	● ▲		● ★ ▲
Industry sectors (other than Fin/Non-fin)							
Outstanding duration / term	● ★ ▲	●	● ★ ▲	● ▲	● ▲		● ▲
Rating	● ★ ▲	●	● ★ ▲	● ★	● ▲		● ★ ▲
Relationship to sovereign debt					● ▲		
Security				● ★ ▲			
Other				▲	● ▲		

● Spread ★ 1 Year T&D ▲ Stressed FS

5.6 What level of information do you achieve on your largest asset class in your modelling of assets in each simulation?



5.7 Have you developed a cashflow model for illiquid assets?



Technical Practices Survey 2025

5. Credit Risk

1. Hot Topics	2. Balance Sheet	3. Standard Formula	4. Market Risk (excl. Credit)	5. Credit Risk
6. Life Underwriting	7. Capital Management	8. Operational Risk	9. Aggregation	10. Correlation

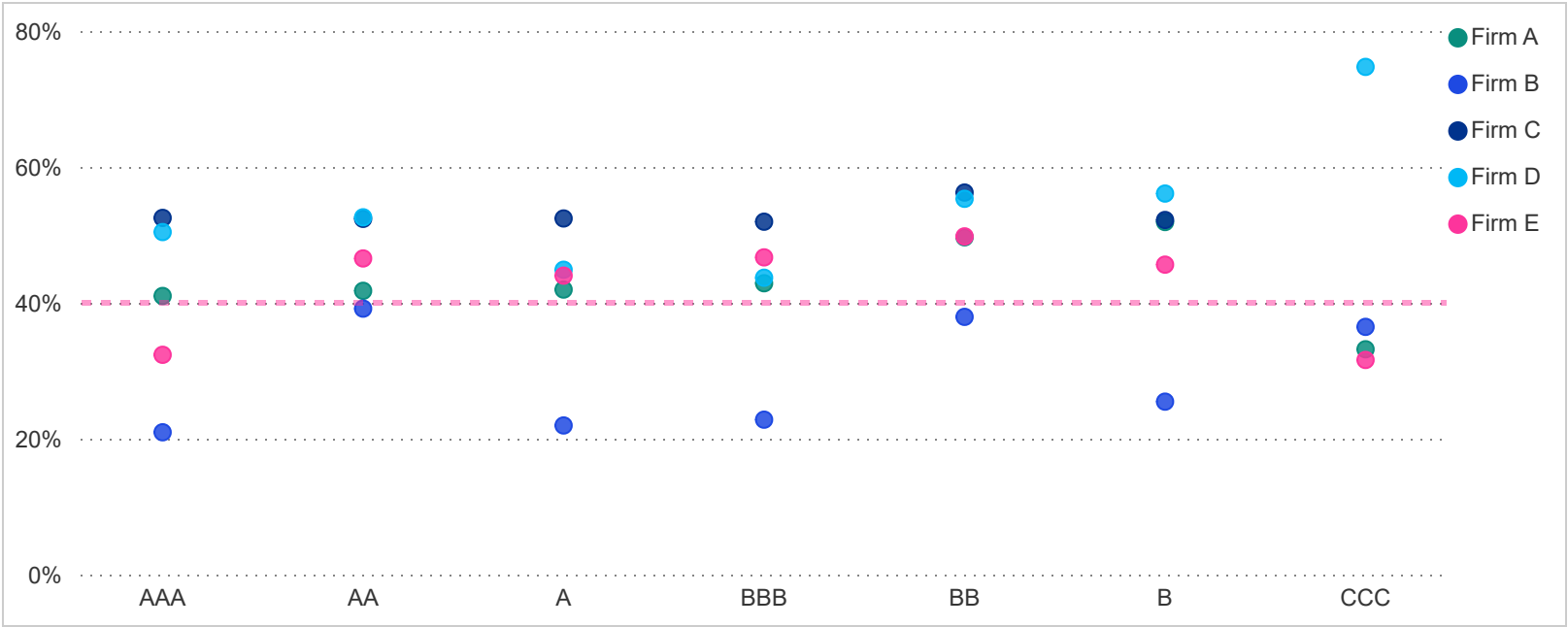
IM

Asset-side calibration - Transition and Default Stress

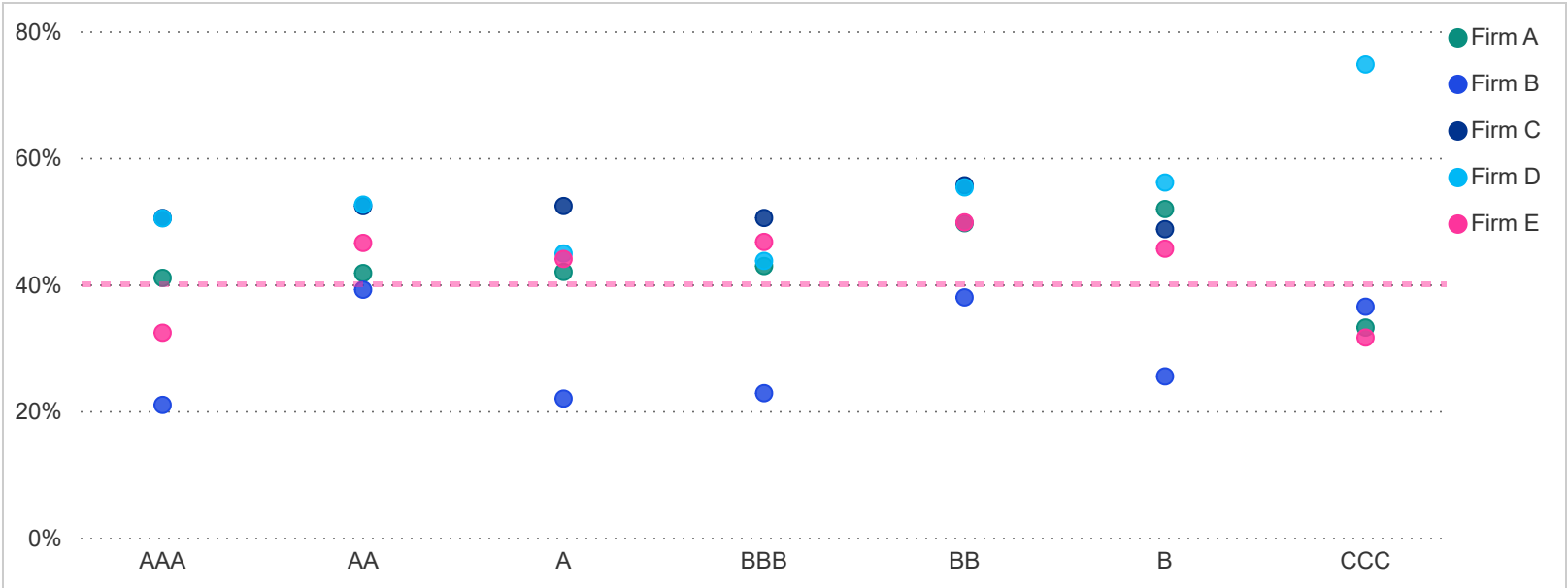
The charts below show each respondent's 1-in-200 probability of downgrade and default by credit rating for both financials and non-financials, which can be compared against a 40% rate of transition and default as shown by the red dotted line below. This is broadly comparable to the most severe historic events that insurers consider in their assessment. Each colour point in the chart below represents the response of a particular firm.

Most portfolios have significant proportions of A and BBB ratings, therefore any portfolio level comparison to an industry standard will be heavily dependent on these points. This may explain the slight clustering around the indicative industry level for these ratings, except for one outlier across all ratings. This was a trend we observed last year.

5.8a 1-in-200 probability of downgrade and default for financial corporates (%)



5.8b 1-in-200 probability of downgrade and default for non-financial corporates (%)



Technical Practices Survey 2025

5. Credit Risk

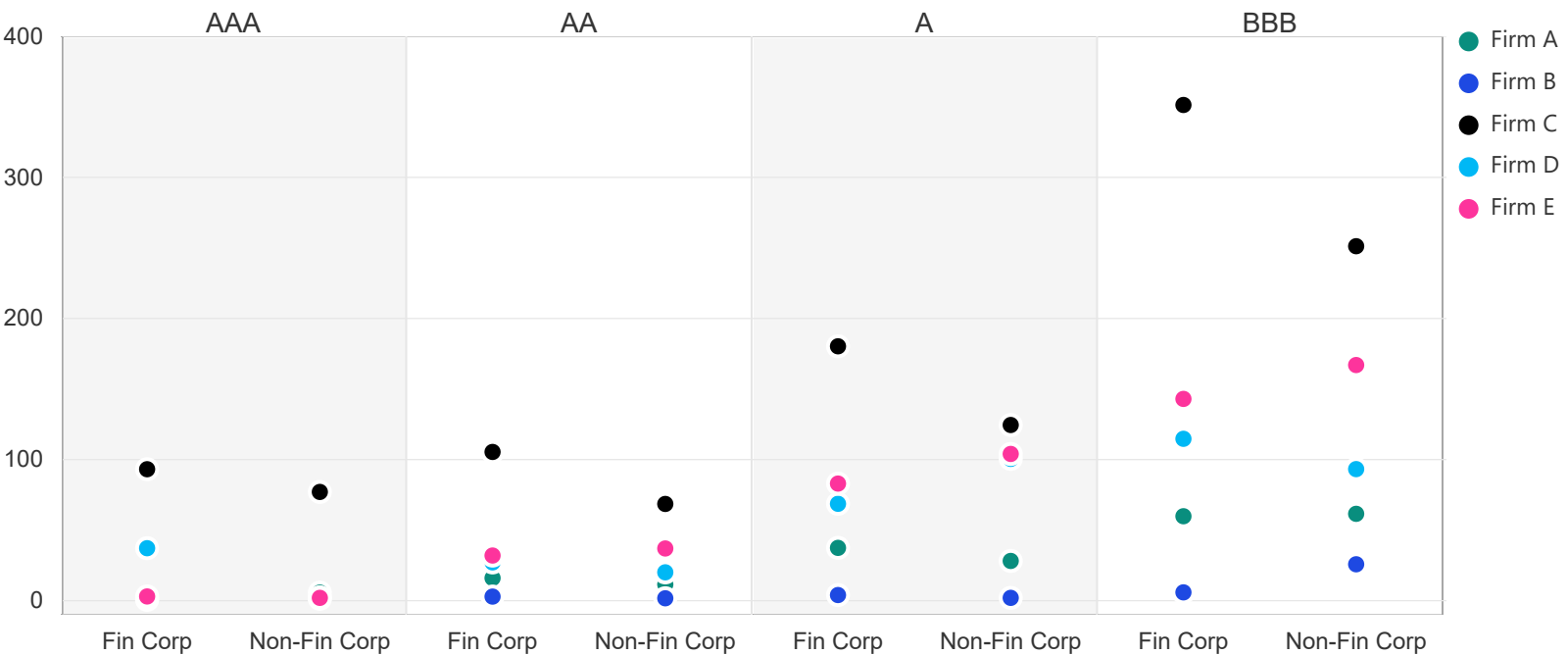
1. Hot Topics	2. Balance Sheet	3. Standard Formula	4. Market Risk (excl. Credit)	5. Credit Risk
6. Life Underwriting	7. Capital Management	8. Operational Risk	9. Aggregation	10. Correlation

IM

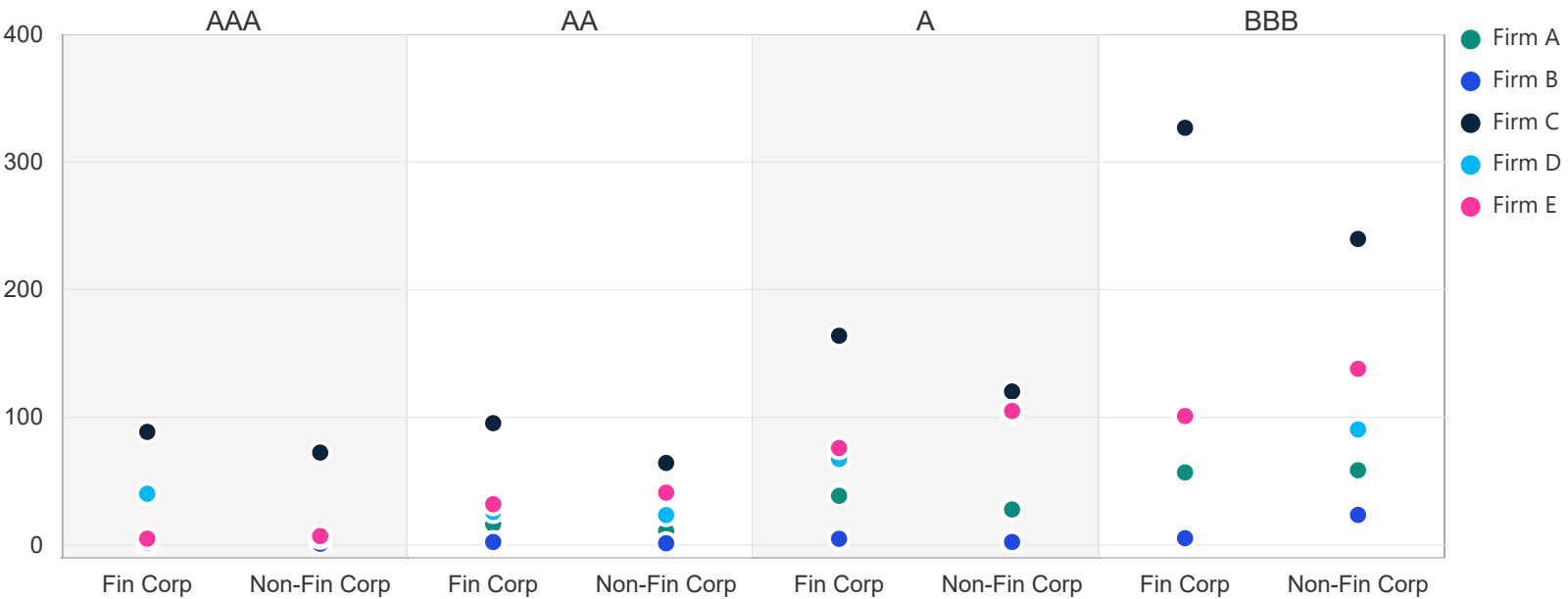
Liability Side Credit Risk - Calibration

The following charts show the change in fundamental spreads (FS) prior to rebalancing, under a 1-in-200 stress for financial and non-financial corporates. We have observed a wide range of responses due to firms using different methodologies and assumptions. However, each of the models used have been approved and therefore produce outputs that meet an accepted standard. The charts show that there is not much distinction between the stress applied to the FS for financial and non-financial assets even though the base FS is different. This may be due to the LTAS floor distorting the change in FS. All respondents, except Firm A, have confirmed that responses allow for the LTAS floor in the calibration provided below.

5.9a Change in fundamental spreads prior to rebalancing, 1-in-200 stress for 10 years (GBP) (bps)



5.9b Change in fundamental spreads prior to rebalancing, 1-in-200 stress for 15 years (GBP) (bps)



Technical Practices Survey 2025

5. Credit Risk

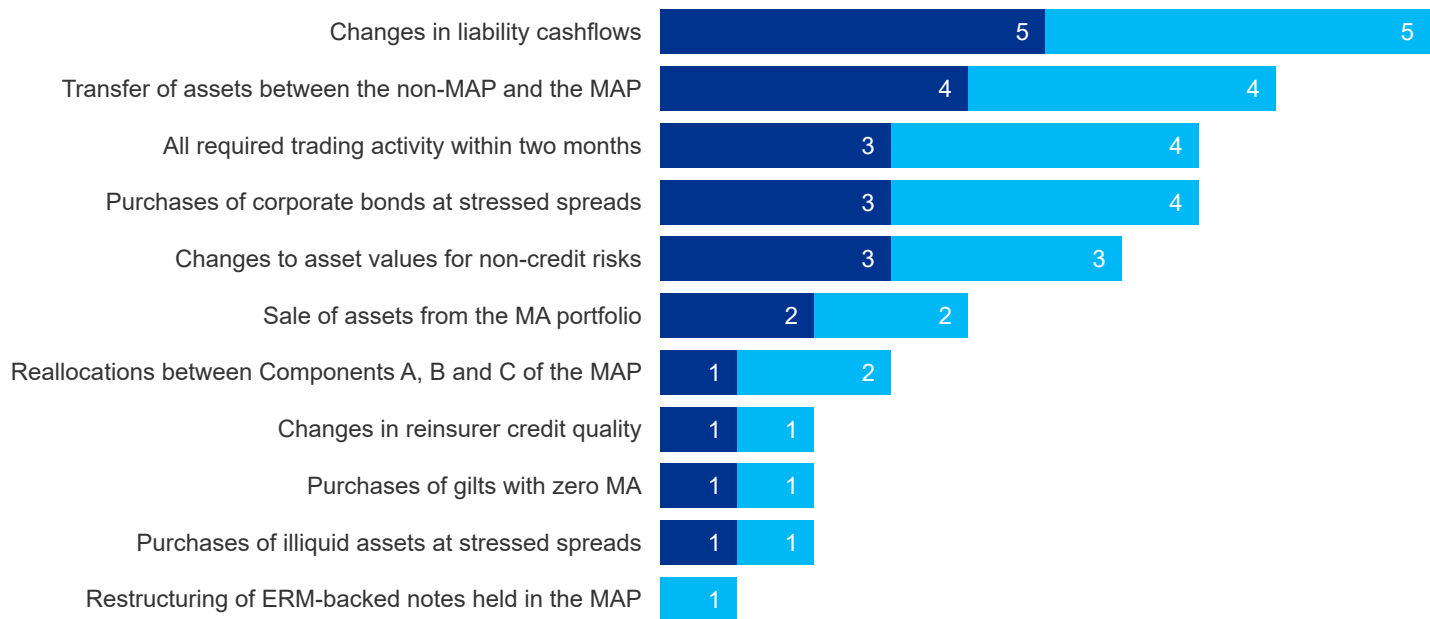
1. Hot Topics	2. Balance Sheet	3. Standard Formula	4. Market Risk (excl. Credit)	5. Credit Risk
6. Life Underwriting	7. Capital Management	8. Operational Risk	9. Aggregation	10. Correlation

IM

Matching Adjustment under Stress

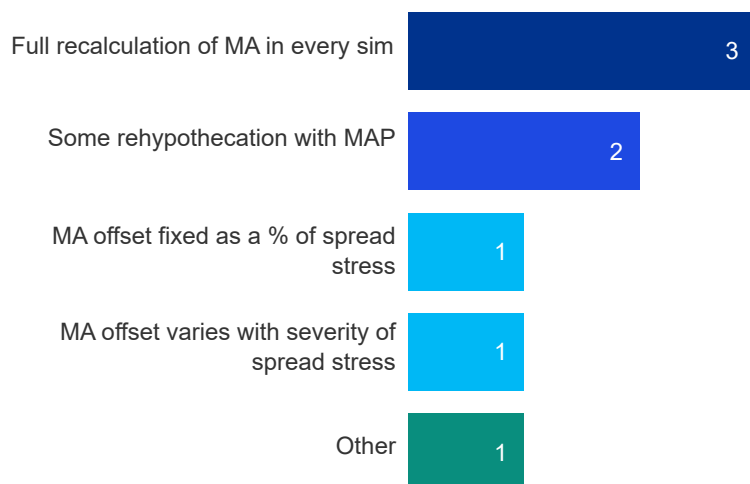
In demonstrating compliance with the Matching Adjustment under Stress (MAuS) regulations, all respondents allow for transfer of assets between the non-MA portfolio and the MA portfolio, and changes in liability cashflows. We note that most respondents continue to allow for all of the required trading activity within two months, and the purchase of corporate bonds at stressed spreads.

5.10 In modelling the matching adjustment regulations under stress, which of the following do you allow for?



● In each individual simulation ● In the overall calibration

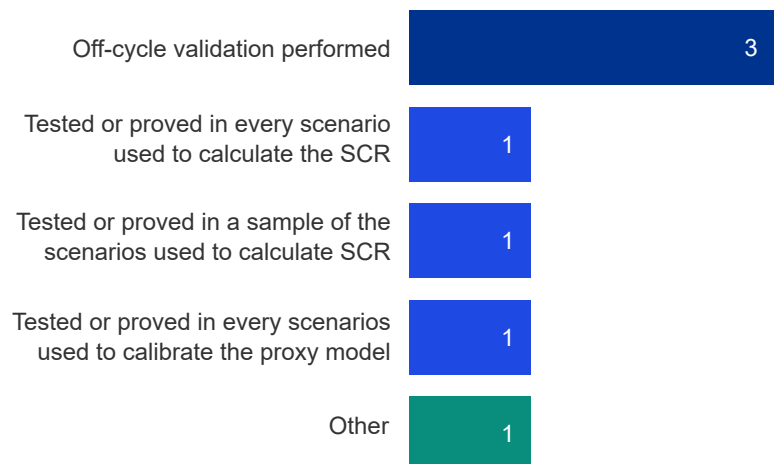
5.11 What is your approach to modelling matching adjustment under stress in calculating your SCR?



'Other' refers to a full recalculation of all MA components with the MAuS being the same for every simulation.

5

5.12 When calculating your SCR, how do you validate that the matching adjustment under stress passes the PRA tests?



'Other' refers to methodology constructed to ensure that tests always passed post stress provided they were passing pre-test.

6

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5. Credit Risk

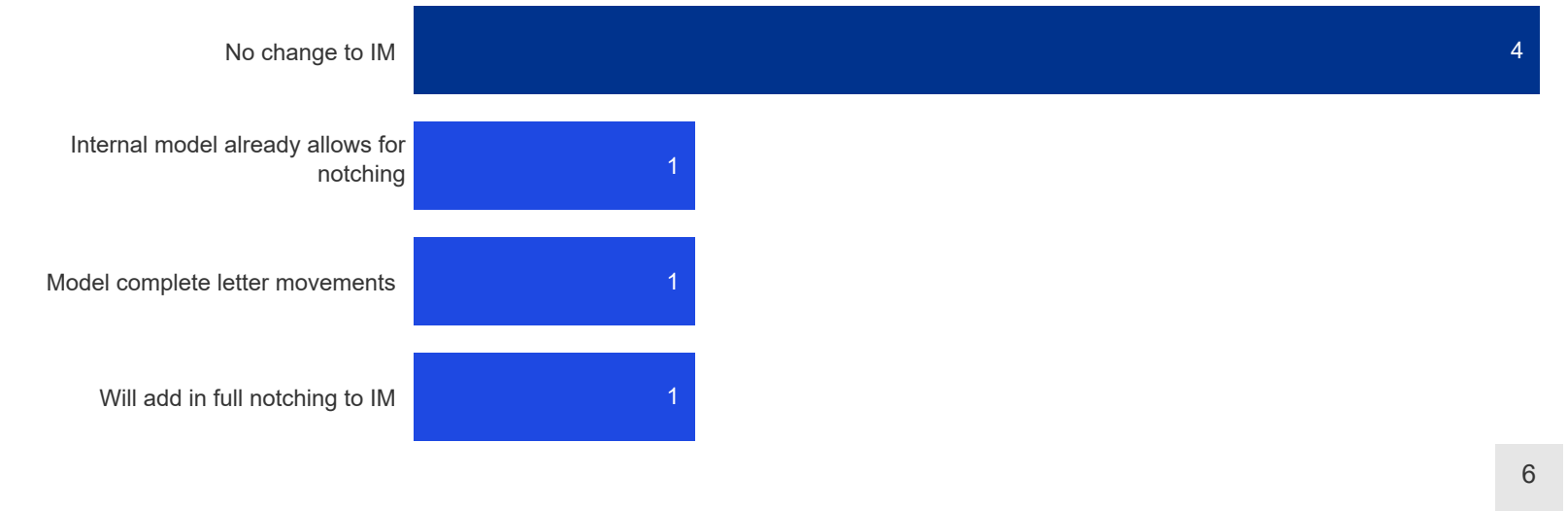
1. Hot Topics	2. Balance Sheet	3. Standard Formula	4. Market Risk (excl. Credit)	5. Credit Risk
6. Life Underwriting	7. Capital Management	8. Operational Risk	9. Aggregation	10. Correlation

IM Solvency UK Reforms

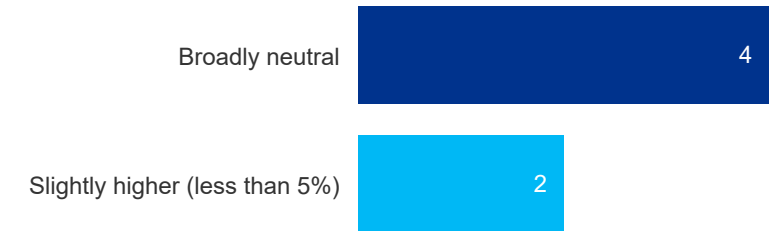
Further questions were raised to explore the potential impacts of incorporating rating notches under the Solvency UK Reform on credit risk modelling practices. Most respondents indicated that they do not plan to modify their internal model to incorporate notching in the FS calculation.

Respondents generally expect the introduction of notching to have a limited effect on the pre-diversification credit SCR. However, development effects are still underway. Most respondents also confirmed that FS add-ons would not be adjusted under stress scenarios.

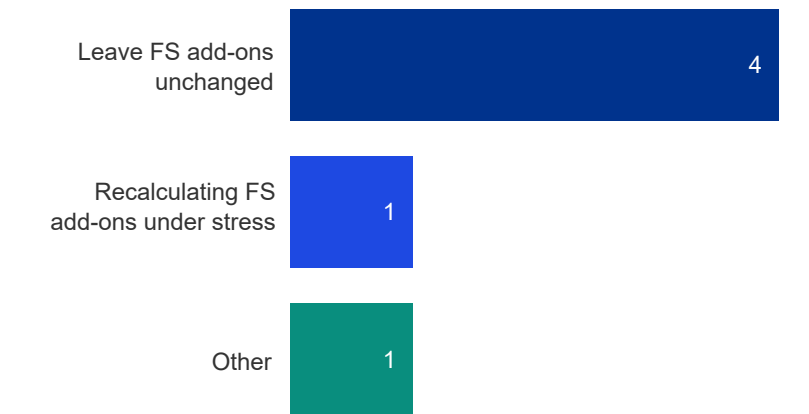
5.13 What approach will be taken to allow for notching in the FS calculation in the internal model?



5.14 How do you expect notching in FS calculation impact on pre-diversification credit SCR?



5.15 How will FS add-ons be treated under stress?



'Other' represents one respondent who is not intending to have any add-ons due to vanilla corporate bond investment strategy.

5

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6. Life Underwriting Risk

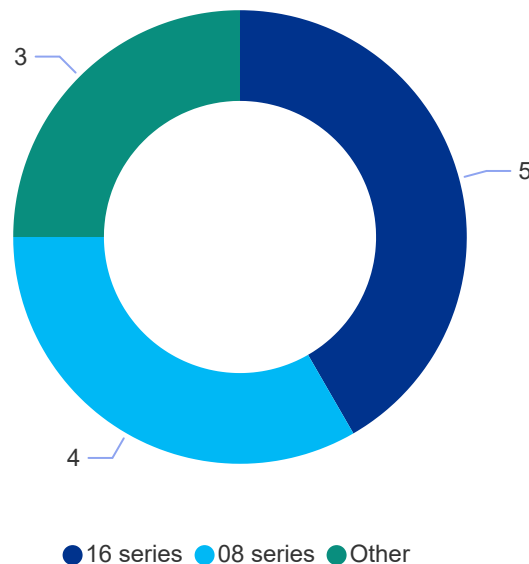
1. Hot Topics	2. Balance Sheet	3. Standard Formula	4. Market Risk (excl. Credit)	5. Credit Risk
6. Life Underwriting	7. Capital Management	8. Operational Risk	9. Aggregation	10. Correlation

SF/IM

Annuitant Base Mortality

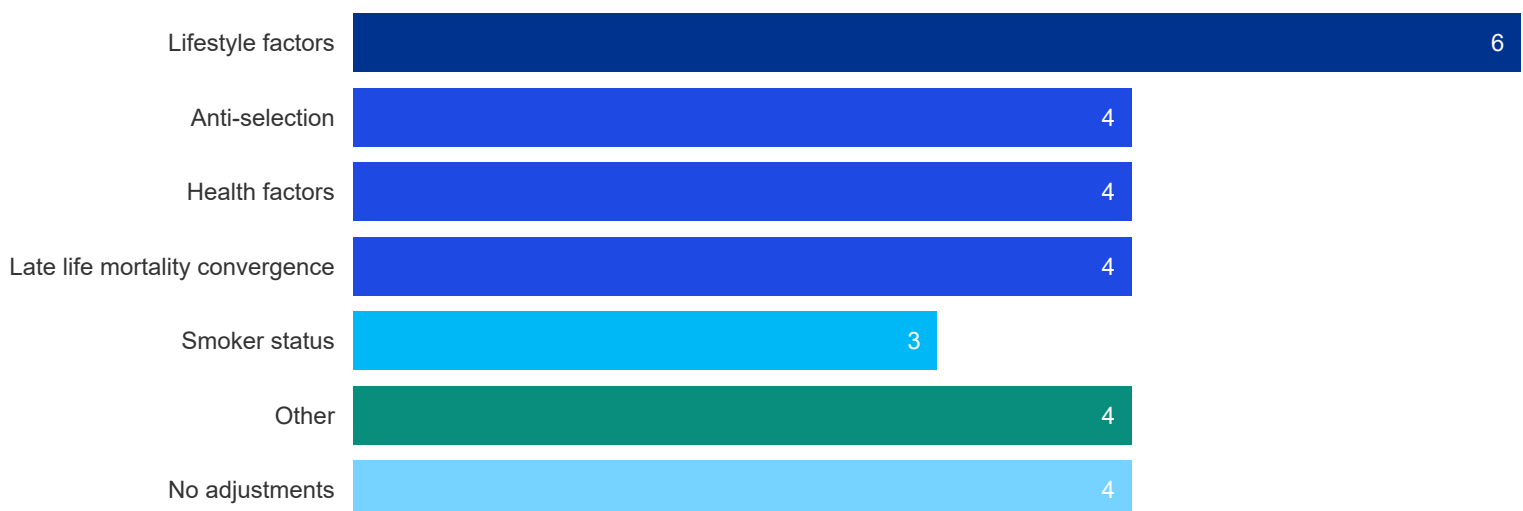
Consistent with previous survey findings, more than half of respondents continue to use the 08 series and 16 series base mortality tables. A significant proportion of firms, typically the larger annuity providers, apply adjustments to their base mortality assumptions to reflect risk features relevant to their portfolios, such as lifestyle factors, anti-selection, late life mortality convergence and health-related factors.

6.1 Which base mortality tables are your annuitant mortality assumptions based on?



'Other' includes: use of the S4 series, and England & Wales population mortality table.

6.2 Which adjustments do you allow for in your base mortality assumptions?



'Other' includes: adjustments based on socioeconomic factors, product types, IBNR adjustments, credibility and volatility adjustments, as well as customer segmentation.

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6. Life Underwriting Risk

1. Hot Topics	2. Balance Sheet	3. Standard Formula	4. Market Risk (excl. Credit)	5. Credit Risk
6. Life Underwriting	7. Capital Management	8. Operational Risk	9. Aggregation	10. Correlation

SF/IM

Longevity - Annuitant Mortality Improvements

Most firms adopted the CMI_2023 model for reporting at YE24, which is consistent with our expectations. In line with this, the majority of respondents indicated that they plan to adopt the CMI_2024 model for YE25 reporting. However, most firms we have spoken with individually have stated that they are unlikely to adopt the model in 2025, and therefore there remains some uncertainty around whether it will be implemented for YE25. We note there are significant changes planned for the Core calibration of the CMI_2024 model compared to previous versions. In particular, the CMI_2024 model will include functionality to directly model the pandemic experience, as well as other functionality to improve the fit of the model at different ages. These are significant changes, and as such, firms may not adopt the model until they have fully reviewed the proposed changes and their impacts.

In line with previous surveys, most respondents use an advanced calibration for the CMI model with the median of the period smoothing parameter (Sk) being 7, which is same as last year.

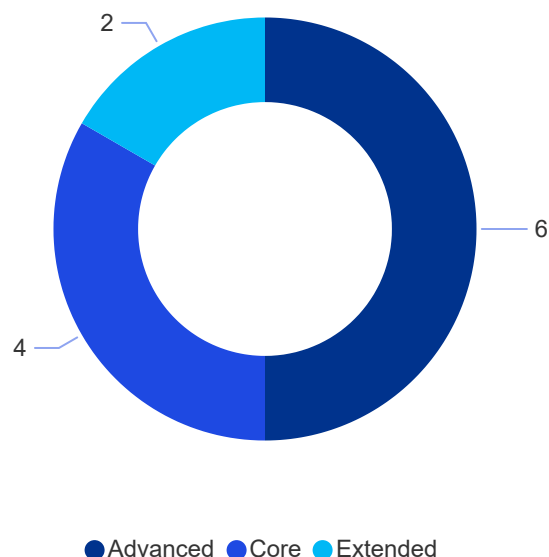
6.3a Which version of the CMI model did you use for the setting of your YE24 best estimate ("BE") mortality improvement assumptions?



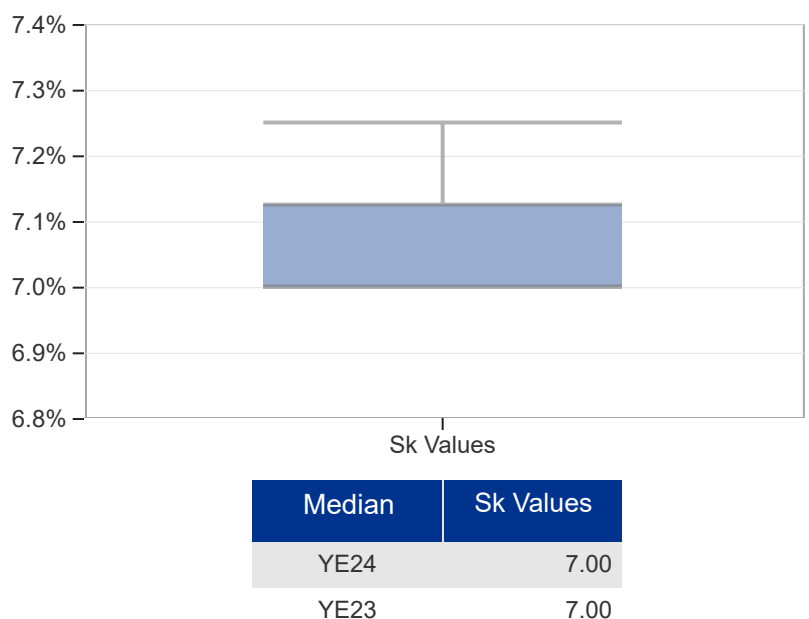
6.3b Which version of the CMI model do you plan to use for YE25?



6.4a Do you use core, extended or advanced calibration in your longevity improvement basis?



6.4b What value of the period smoothing parameter do you use?



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6. Life Underwriting Risk

1. Hot Topics	2. Balance Sheet	3. Standard Formula	4. Market Risk (excl. Credit)	5. Credit Risk
6. Life Underwriting	7. Capital Management	8. Operational Risk	9. Aggregation	10. Correlation

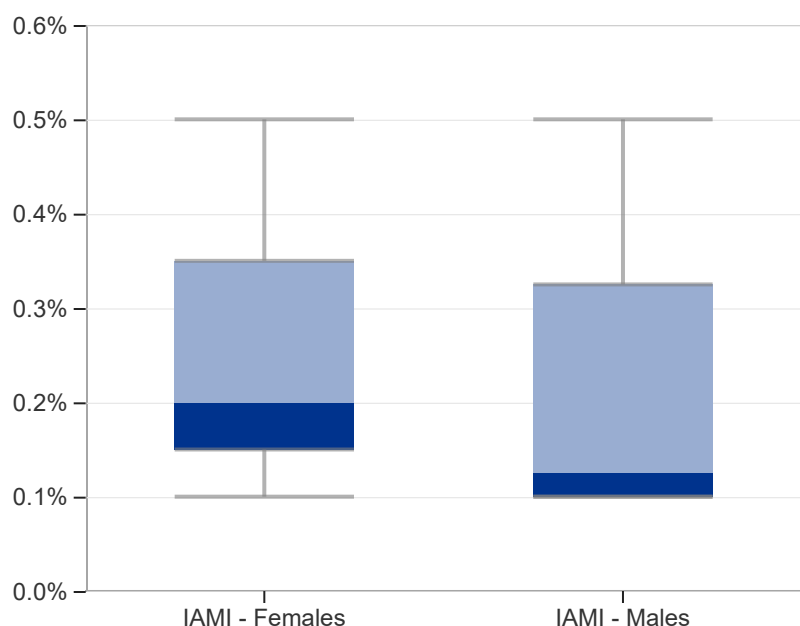
SF/IM

Longevity - Annuitant Mortality Improvements

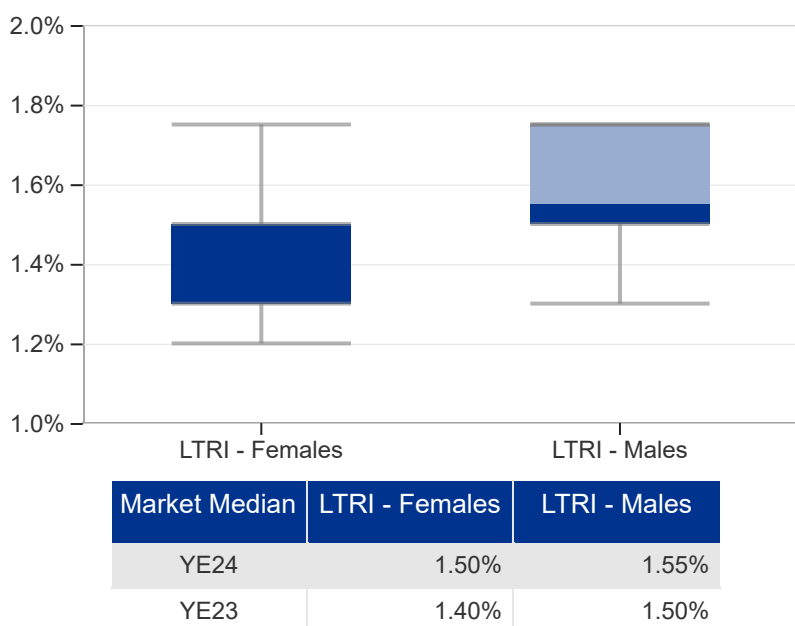
The initial addition to improvements (IAMIs) assumptions are generally higher for females than males, whereas the long-term rates of mortality improvement (LTRI) assumptions tend to be higher for males than for females. However, we continue to observe a trend of the long-term rate for males and females converging.

The most common adjustments to the CMI Core calibration are to adjust the long-term improvement rates, as well as adjusting the "A" parameter (Initial Addition to improvements) and the Sk (smoothing parameter).

6.4c If you use the Extended or Advanced parameterisation of the CMI_2016 model or later, what Initial Addition of Mortality Improvement (IAMIs) do you use?



6.4d What long term rates of mortality improvements (LTRI) do you use?



Market Median	LTRI - Females	LTRI - Males
YE24	1.50%	1.55%
YE23	1.40%	1.50%

6.4e If you use an Extended or Advanced calibration for the CMI model, what calibration changes do you make?

Initial addition to mortality improvements	5
Long-term rate of mortality improvements	5
Smoothing parameter	3
Period of cohort convergence	2
Covid-19 overlays	1
Period of age/period convergence	1

Technical Practices Survey 2025

6. Life Underwriting Risk

1. Hot Topics	2. Balance Sheet	3. Standard Formula	4. Market Risk (excl. Credit)	5. Credit Risk
6. Life Underwriting	7. Capital Management	8. Operational Risk	9. Aggregation	10. Correlation

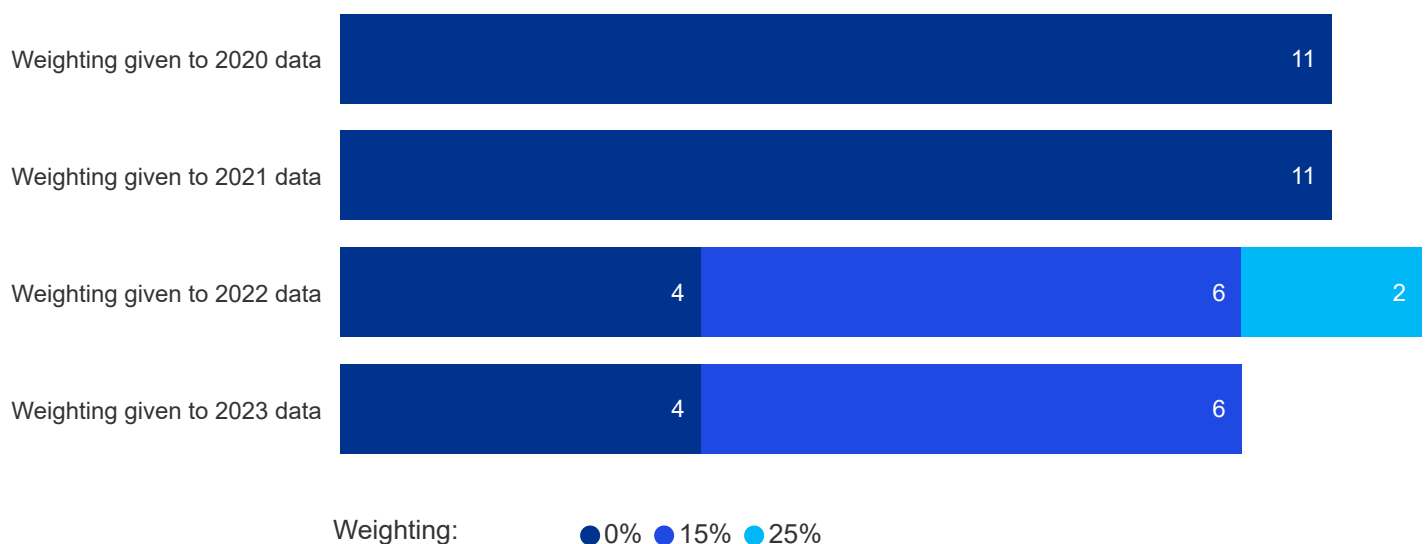
SF/IM

Longevity - Annuitant Mortality Improvements

All respondents applied zero weighting to both 2020 and 2021 data. The majority of firms applied 15% weightings to the 2022 data and 2023 data. We note such weightings are no longer expected to be relevant in the CMI_2024 model.

Among firms that use cause of death models, the majority apply them to support expert judgement in setting best estimate assumptions and calibrating stress scenarios.

6.5 If you use the CMI_2020 or later models, what weighting do you apply to 2020, 2021, 2022 and 2023 data?



12

6.6 If you use cause of death models, what do you use them for?



4

Technical Practices Survey 2025

6. Life Underwriting Risk

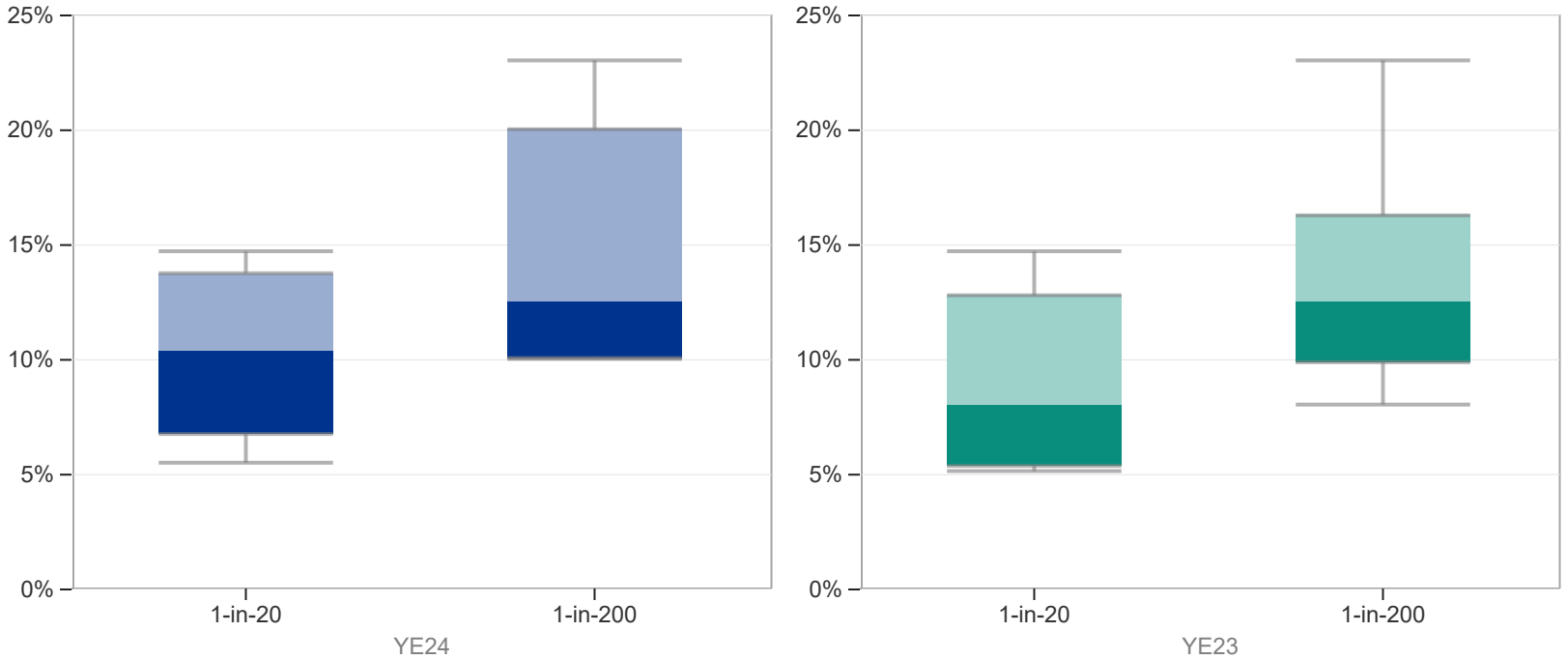
1. Hot Topics	2. Balance Sheet	3. Standard Formula	4. Market Risk (excl. Credit)	5. Credit Risk
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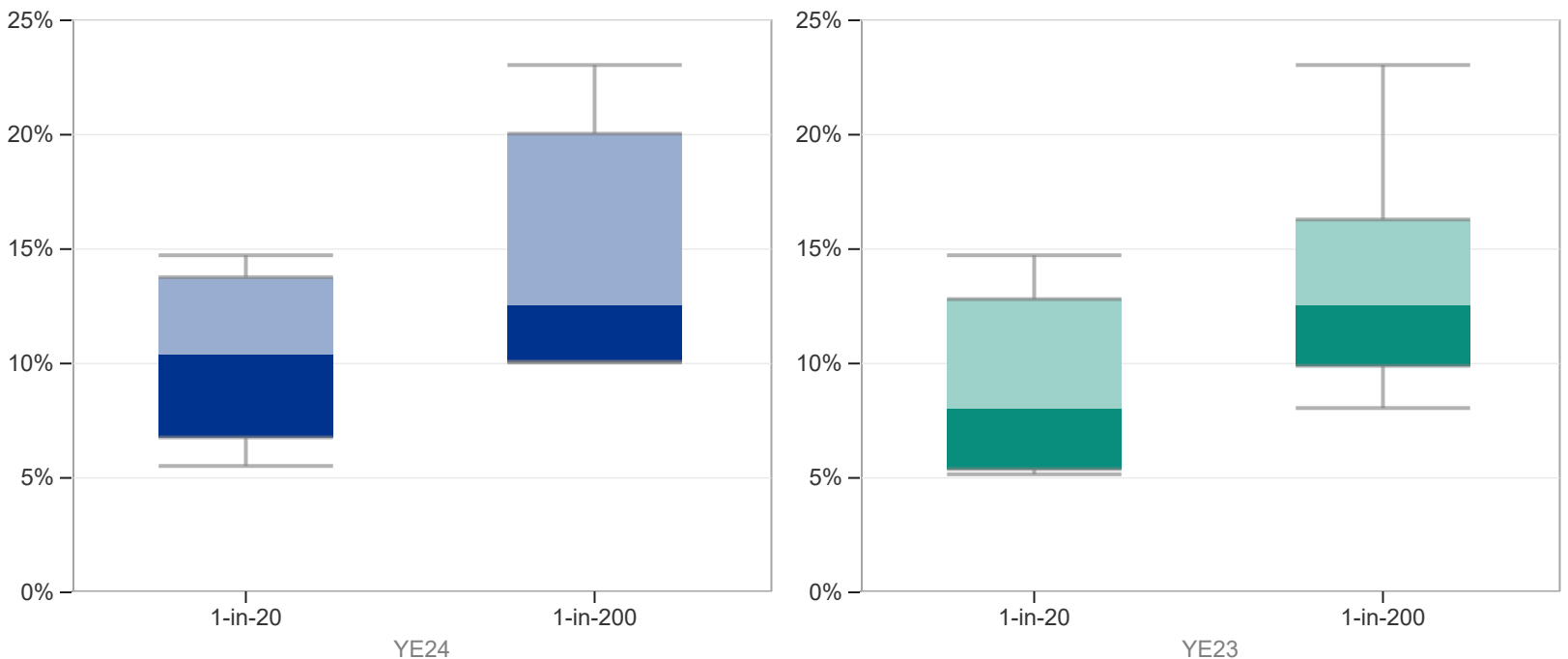
Base Mortality Risk

The charts below show the percentage change in best estimate mortality rate for males and females at age 40 under 1-in-20 and 1-in-200 stress levels. Excluding sampling differences, there are no material changes to respondents' calibrations at YE24 compared to YE23. The stresses are the same for males and females.

6.7a Change in mortality rate - Males



6.7b Change in mortality rate - Females



Technical Practices Survey 2025

6. Life Underwriting Risk

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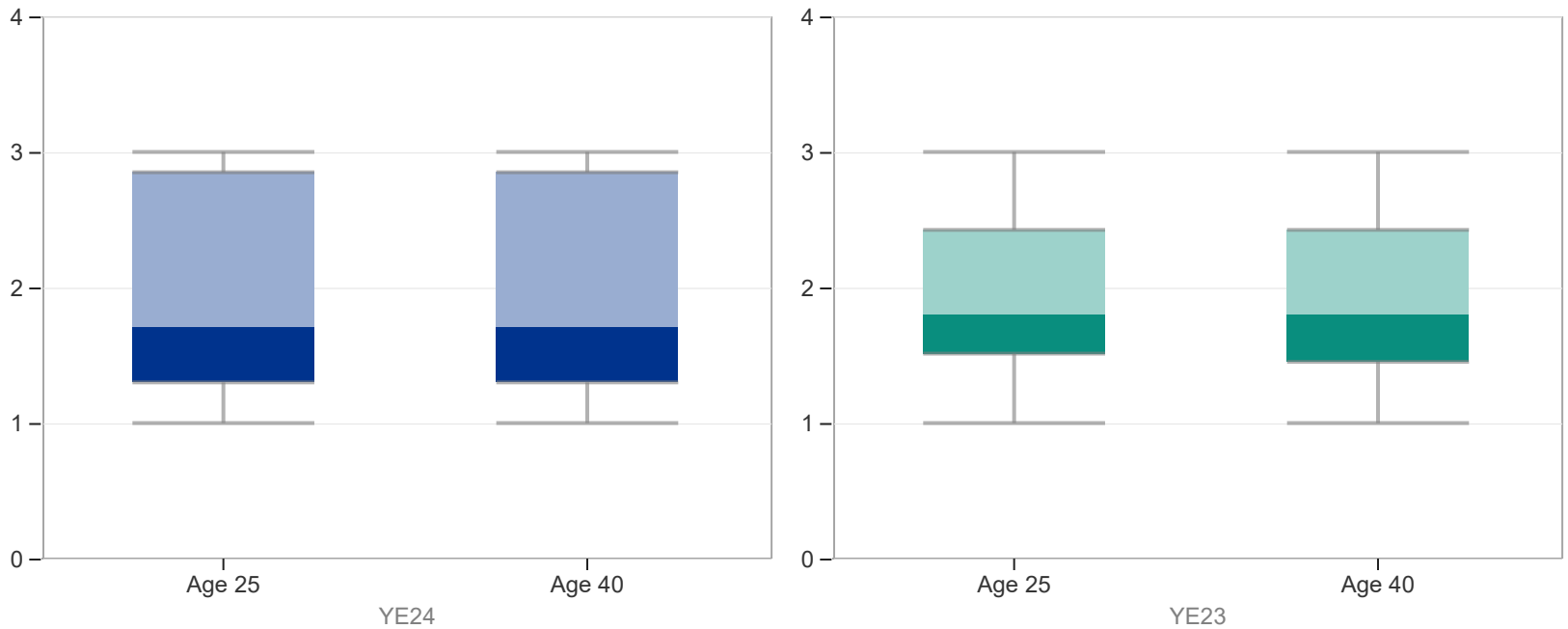
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Mortality Catastrophe Risk

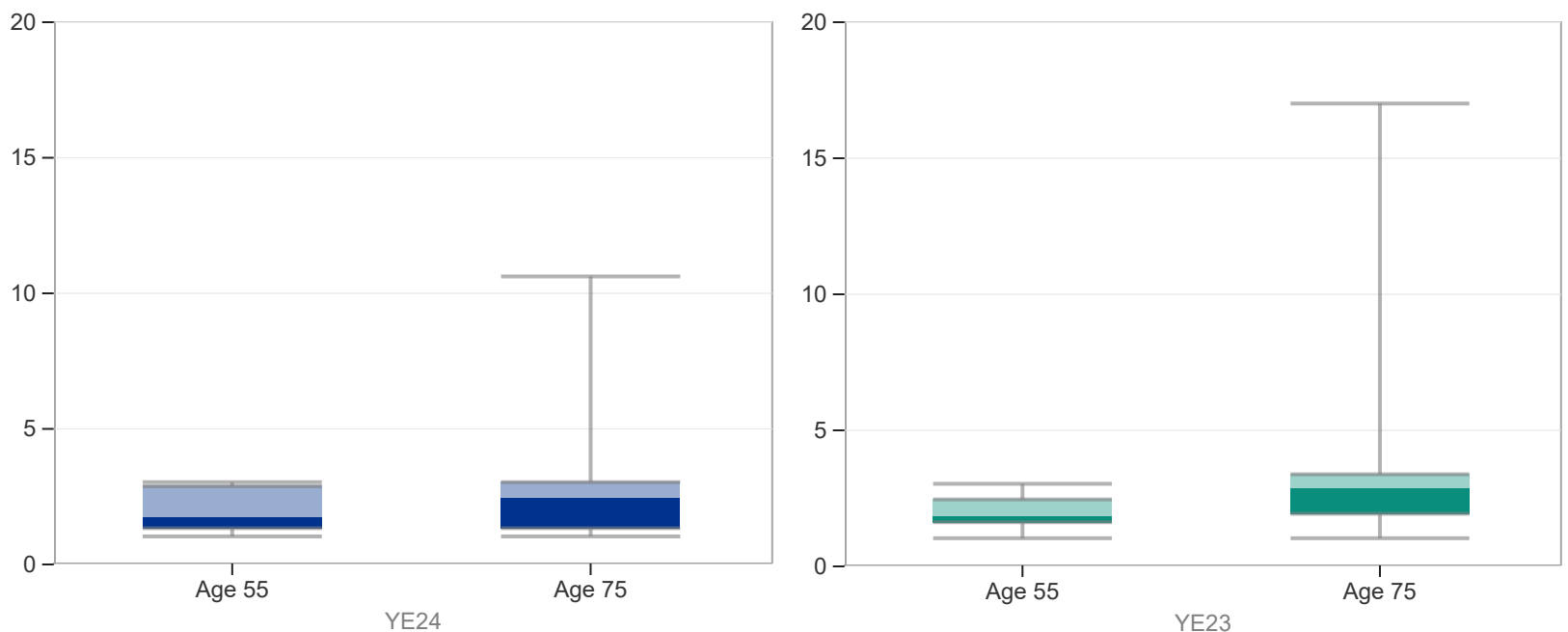
The charts below show mortality catastrophe stresses for males and females at ages 25, 40, 55 and 75. Most respondents have retained their calibrations from YE23. However, a minority of respondents have reduced their stresses at YE24, especially at higher ages, with one firm significantly reducing the 1-in-200 stress for age 75.

All but one firm apply consistent stresses across age groups; the exception applies stresses which vary by age group.

6.8a Mortality catastrophe for age 25 (overall) and age 40 (overall, deaths per 1000)



6.8b Mortality catastrophe for age 55 (overall) and age 75 (overall, deaths per 1000)



Technical Practices Survey 2025

6. Life Underwriting Risk

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IM Longevity Calibrations – Internal Model

The table below sets out, for each age and gender:

- The Base Mortality expectation of life (EoL) with no mortality improvements (Base Mortality);
- The EoL impact of allowing for the best estimate mortality improvements (BE Improvements);
- The absolute EoL impact of the combined 1-in-200 longevity (mis-estimation and trend) stress (1-in-200 Stress Impact);
- The % EoL impact of the combined 1-in-200 stresses longevity (mis-estimation and trend) stress (1-in-200 Stress Impact (%)).

On a like-for-like basis, most respondents increased their overall 1-in-200 longevity stresses, as shown on the next two pages. Excluding sampling differences, we see an increase in the average 1-in-200 stress impact (%). We note that the absolute stress impact for males is generally larger than for females at age 50, but smaller at ages 65 and 80. The percentage stress impact is consistently higher for males, driven by lower BE mortality.

Age 50

Male

Female

	Market Average EoL (YE24)	Market Average EoL (YE23)	Market Average EoL (YE24)	Market Average EoL (YE23)
Base Mortality	33.2	33.1	36.4	36.3
BE Improvements	2.3	2.3	2.5	2.5
1-in-200 Stress Impact	4.7	4.7	4.6	4.5
1-in-200 Stress Impact (%) *	13.3%	13.2%	11.7%	11.5%

Age 65

Male

Female

Base Mortality	20.0	20.0	22.6	22.6
BE Improvements	1.0	1.0	1.2	1.2
1-in-200 Stress Impact	3.0	3.0	3.1	3.0
1-in-200 Stress Impact (%) *	14.3%	14.2%	13.0%	12.6%

Age 80

Male

Female

Base Mortality	9.0	9.1	10.6	10.6
BE Improvements	0.3	0.3	0.4	0.4
1-in-200 Stress Impact	1.4	1.5	1.5	1.5
1-in-200 Stress Impact (%) *	15.5%	15.6%	13.9%	14.0%

*Increase in EoL under a 1-in-200 Stress as a % of BE EoL with improvements



Technical Practices Survey 2025

6. Life Underwriting Risk

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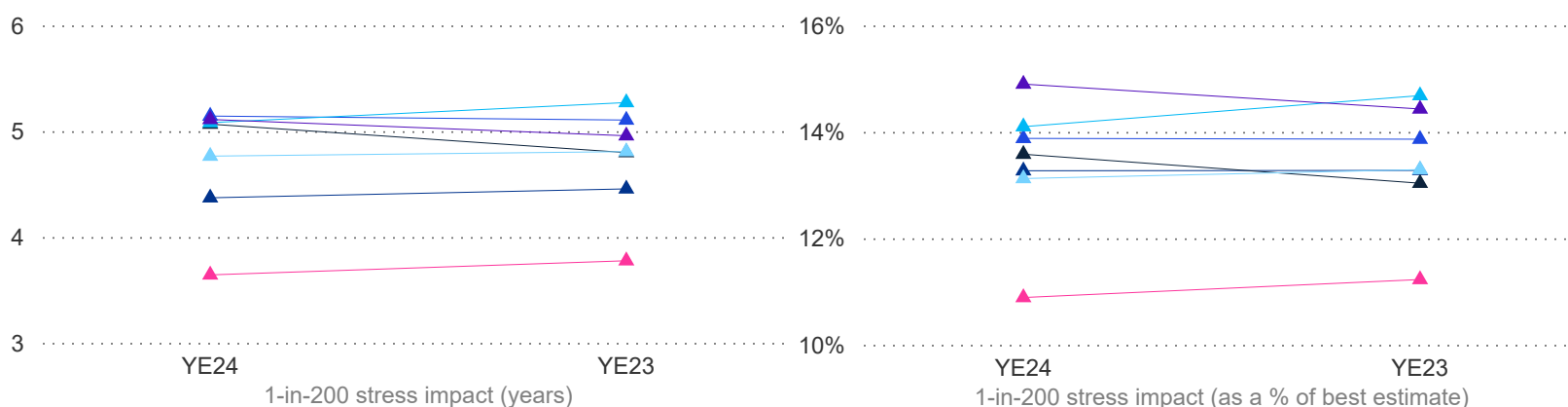
IM

Longevity Risk - Males

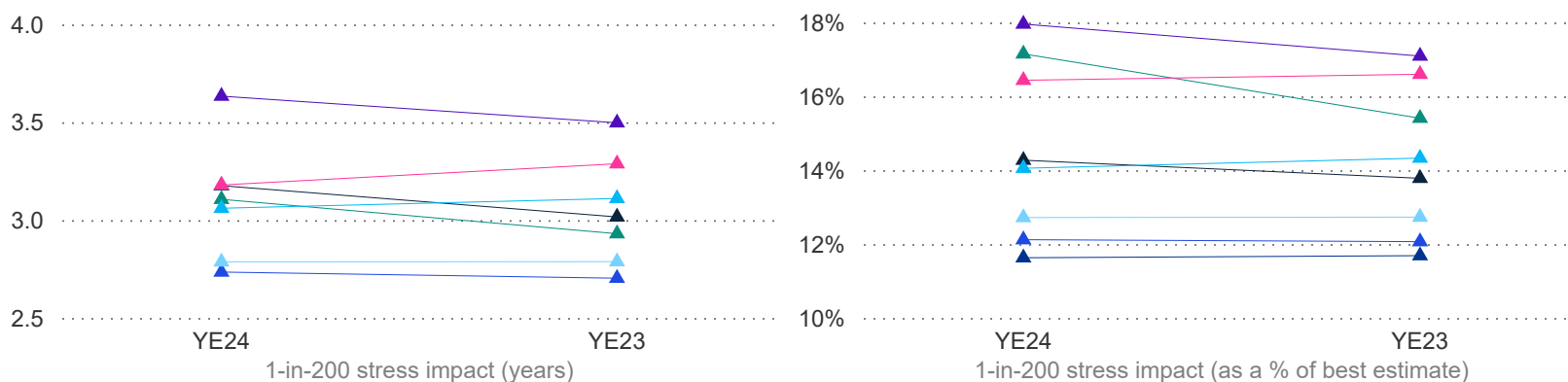
The charts below show each participant's response on Expectation of Life (EoL) for males under a 1-in-200 overall stress, i.e. combined mis-estimation and trend stresses. Each colour point represents a different participant. The charts on the left show absolute differences between the Best Estimate (BE) and the 1-in-200 EoL, while the charts on the right show the difference between the BE EoL and the stressed EoL as a % of the BE EoL.

Overall, most firms have increased their longevity risk stresses at YE24 compared to YE23, although a few have reduced their stresses. We note differences at a firm level in the 1-in-200 stresses between ages groups for males. The clustering of the YE24 stress impacts is more pronounced for males than for females (next page). The two main drivers in the variations observed are the strength of the mis-estimation (longevity level) stress, where some firms have significantly stronger stresses than others, as well as differences in the correlations assumed between trend and mis-estimation risk.

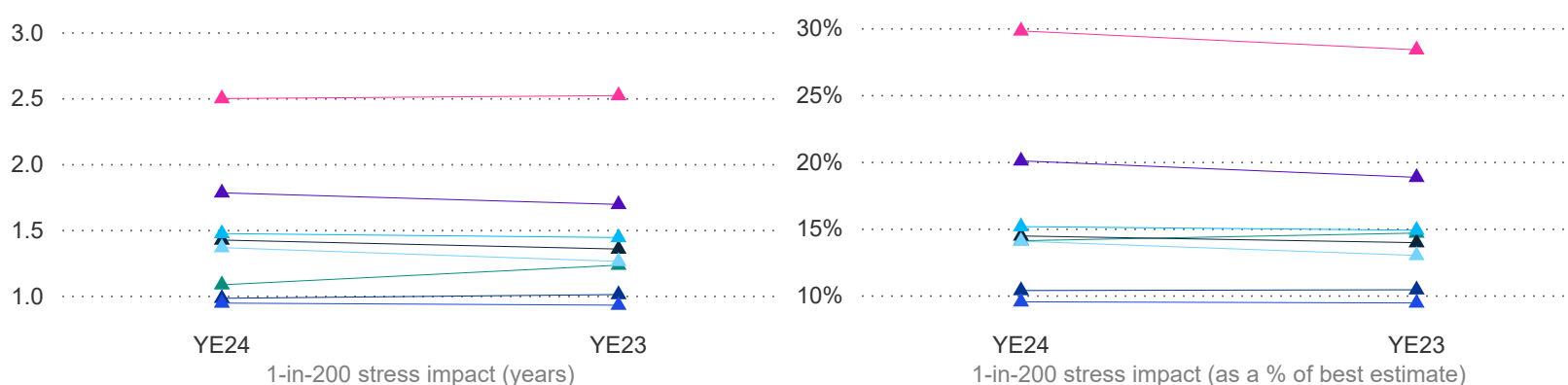
6.9a Expectation of Life - Male aged 50 (overall)



6.9b Expectation of Life - Male aged 65 (overall)



6.9c Expectation of Life - Male aged 80 (overall)



Technical Practices Survey 2025

6. Life Underwriting Risk

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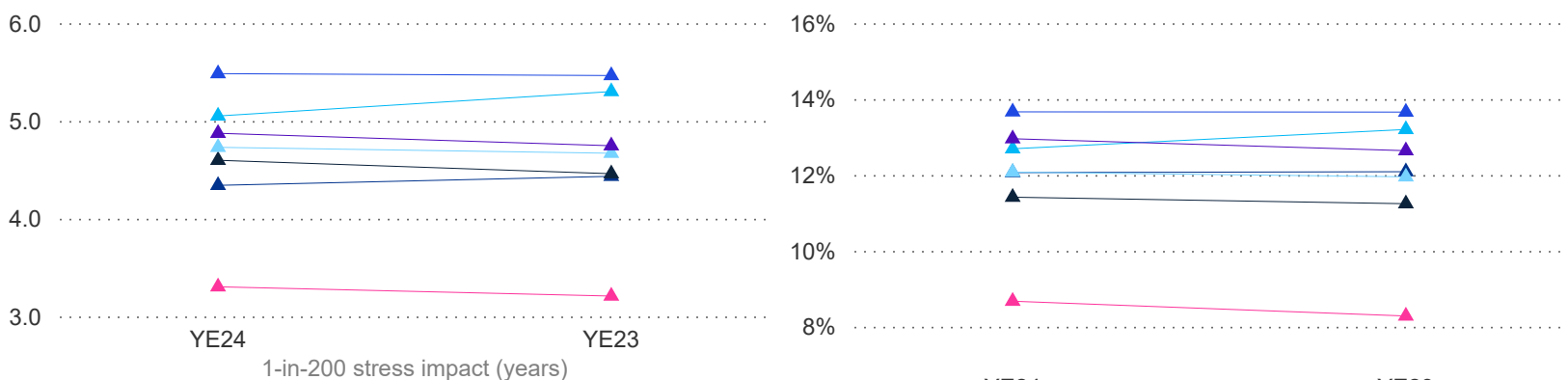
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Longevity Risk - Females

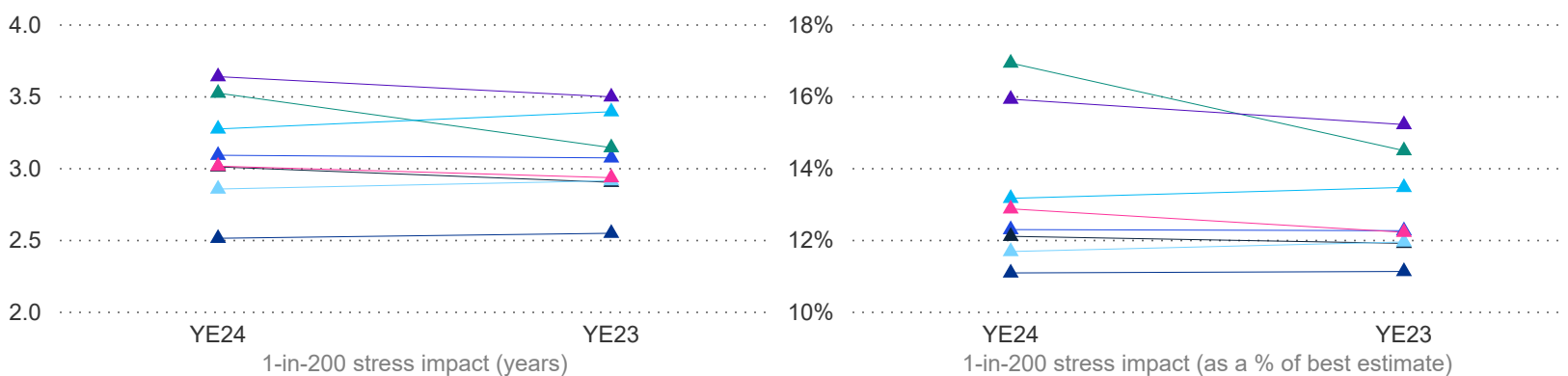
The charts below show each participant's response on Expectation of Lives (EoL) for females under 1-200 overall stress, i.e. combined mis-estimation and trend stresses. Each colour point represents a different participant. The charts on the left show absolute differences between the Best Estimate (BE) and the 1-in-200 EoL, while the charts on the right show the difference between the BE EoL and the stressed EoL as a % of the BE EoL.

Overall, most firms have increased their longevity risk at YE24 compared to YE23, although a few have reduced their stresses. We note differences at a firm level in the 1-in-200 stresses between age groups for females, and also between males and females. The clustering of the YE24 stress impacts is less pronounced for females than for males. The two main drivers in the variations observed are the strength of the mis-estimation (longevity level) stress, where some firms have significantly stronger stresses than others, as well as differences in the correlations assumed between trend and mis-estimation risk.

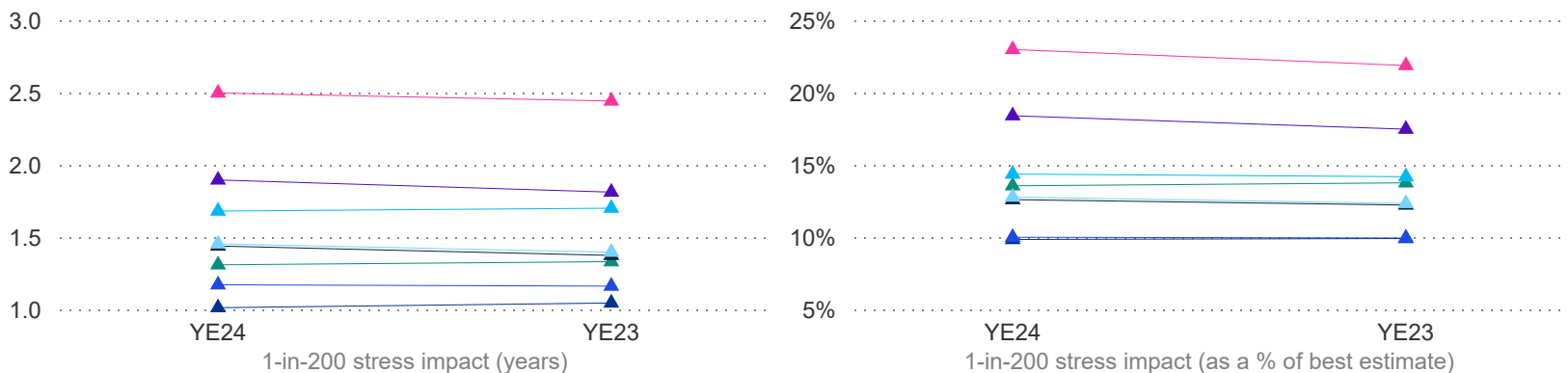
6.9d Expectation of Life - Female aged 50 (overall)



6.9e Expectation of Life - Female aged 65 (overall)



6.9f Expectation of Life - Female aged 80 (overall)



Technical Practices Survey 2025

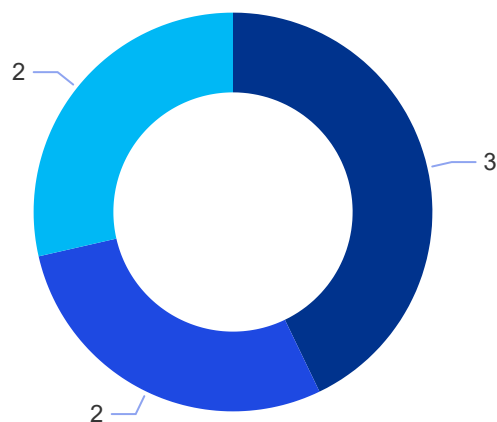
6. Life Underwriting Risk

1. Hot Topics	2. Balance Sheet	3. Standard Formula	4. Market Risk (excl. Credit)	5. Credit Risk
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IM Persistency

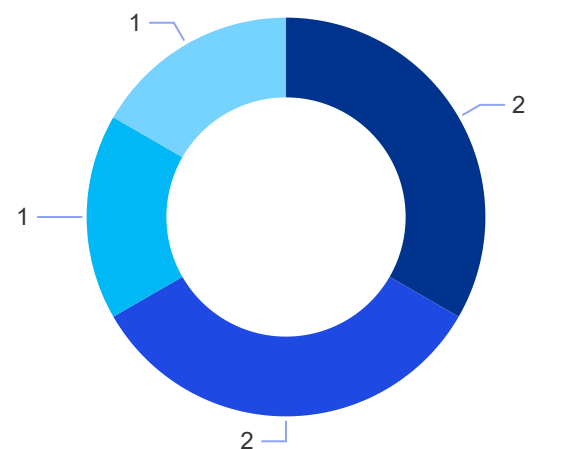
Persistency risk calibrations are most commonly performed at the product level. There is considerable variation among respondents in the time periods used to analyse persistency experience. While the majority of firms have considered the cost-of-living crisis from a risk calibration perspective, most have not made any corresponding adjustments to their calibrations. Firms identified interest rates, market volatility, and the cost-of-living crisis as the primary drivers of their recent persistency experience.

6.10 At what level of granularity do you perform persistency risk calibrations?



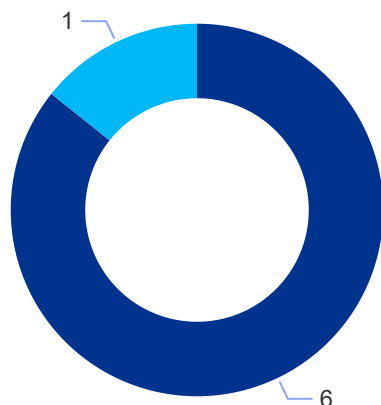
● Product level ● Fund level ● Line of Business level

6.11 What period does your persistency experience investigation cover?



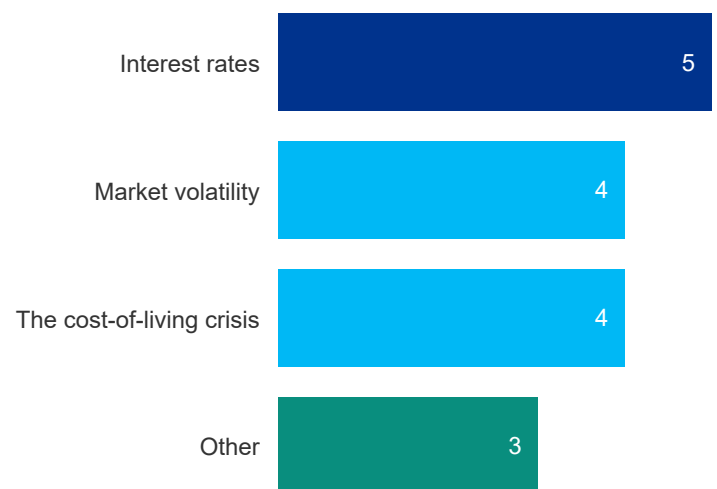
● <5 years ● 5-9 years ● 10-14 years ● 20+ years

6.12 What changes have you made in respect of the impacts of the cost-of-living crisis from a risk capital calibration perspective?



● Broadly no change ● New/updated expert judgement overlays

6.13 What factors do you believe have driven your persistency experience over the past year?



'Other' includes: the competitive landscape, consolidation of pensions, and customer responses to business transfer

Technical Practices Survey 2025

6. Life Underwriting Risk

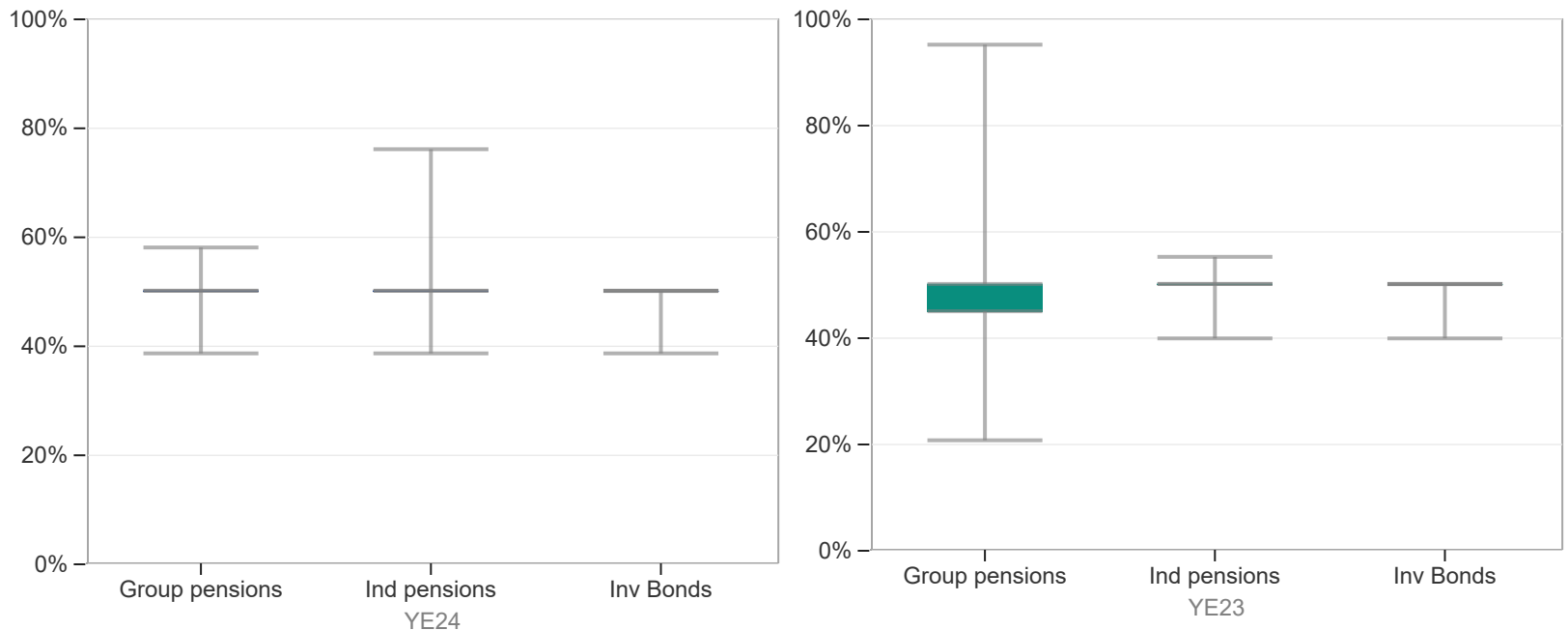
1. Hot Topics	2. Balance Sheet	3. Standard Formula	4. Market Risk (excl. Credit)	5. Credit Risk
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IM

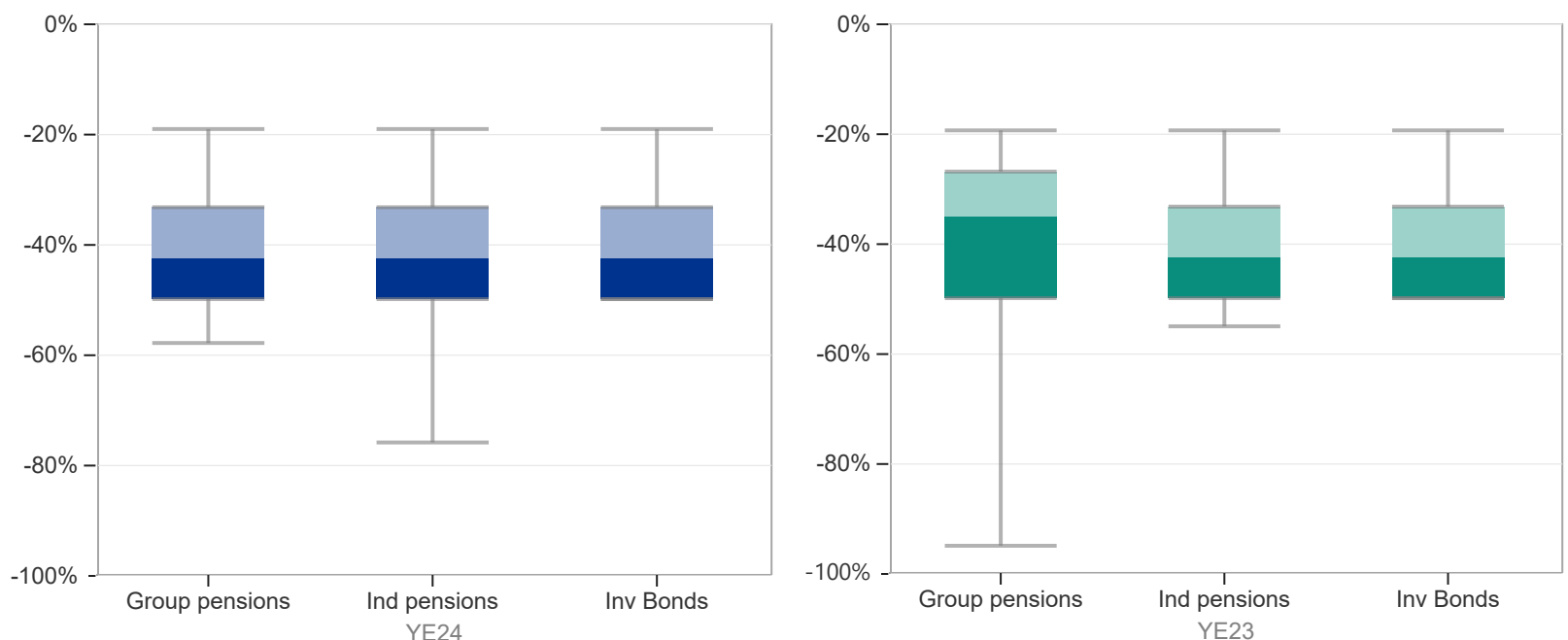
Lapse Risk - Unit-linked (up/down stress)

The charts below show the lapse up and lapse down stresses for unit-linked contracts only. Most firms have the same response, choosing 50%, for the 1-in-200 up stress. One firm applies different stresses across products and has made significant changes to the 1-in-200 stress for both group and individual pensions, resulting in a notable shift in the upper bounds of both up and down stresses. The change in the lower bound of the 1-in-200 up stress for Group Pensions is due to sampling differences between years.

6.14a Change in lapse rates - 1-in-200 up stress (unit-linked products only)



6.14b Change in lapse rates - 1-in-200 down stress (unit-linked products only)



Technical Practices Survey 2025

6. Life Underwriting Risk

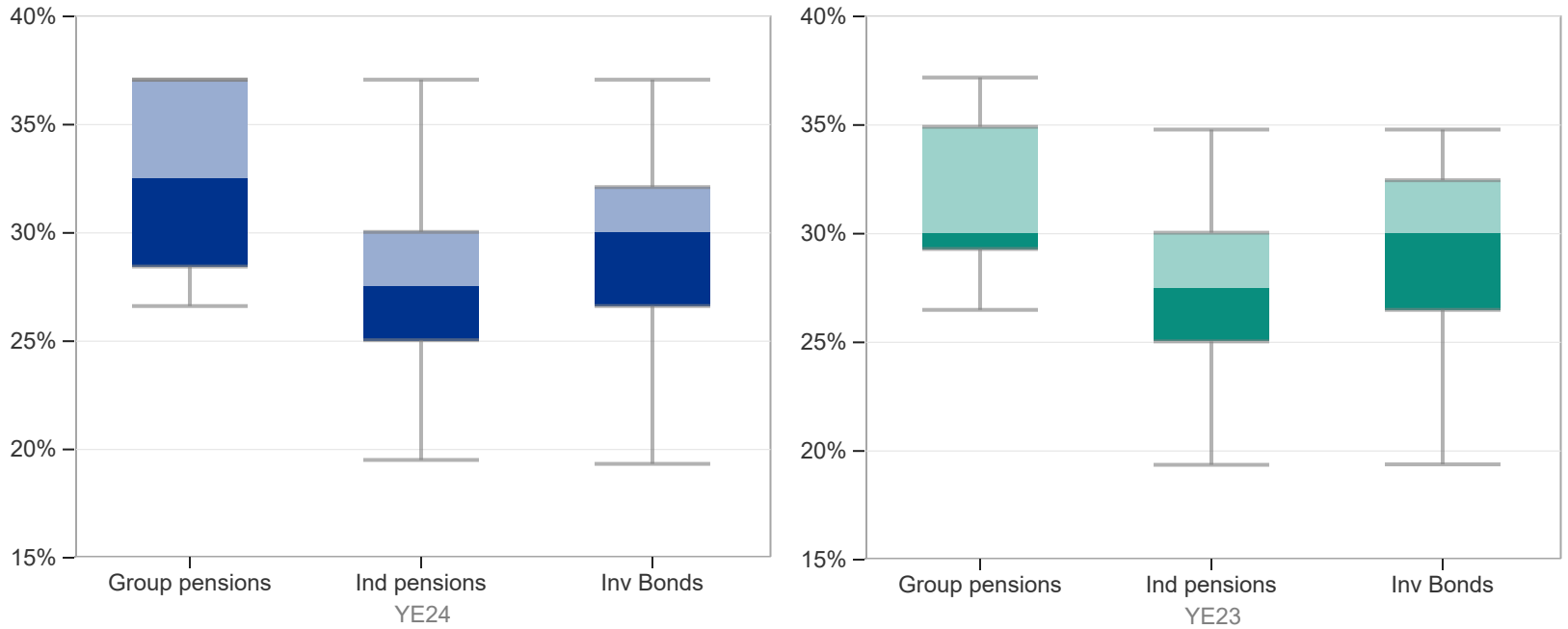
1. Hot Topics	2. Balance Sheet	3. Standard Formula	4. Market Risk (excl. Credit)	5. Credit Risk
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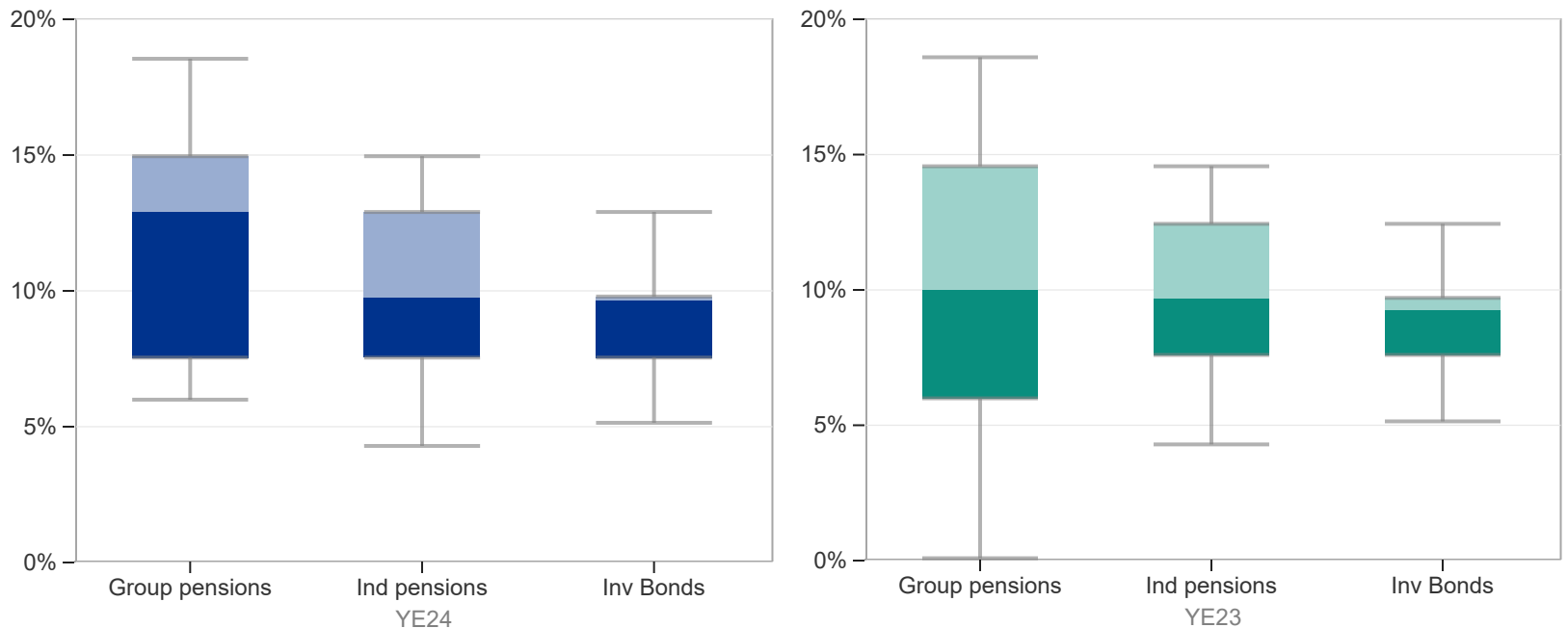
Lapse Risk - Unit-linked (mass lapse)

The charts below show mass lapse stresses for unit-linked contracts only. Most firms have made minimal adjustments to their mass lapse stress calibrations compared to YE23, with stress levels remaining broadly consistent year-on-year. Only one firm reported a material increase in their 1-in-200 stress assumption leading to a slight upward shift in the upper range of the distribution. The change in the lower bound of the 1-in-20 mass lapse stress for Group Pensions is due to sampling differences between years.

6.15a Mass lapse - 1-in-200 stress impact (unit-linked products only)



6.15b Mass lapse - 1-in-20 stress impact (unit-linked products only)



Technical Practices Survey 2025

6. Life Underwriting Risk

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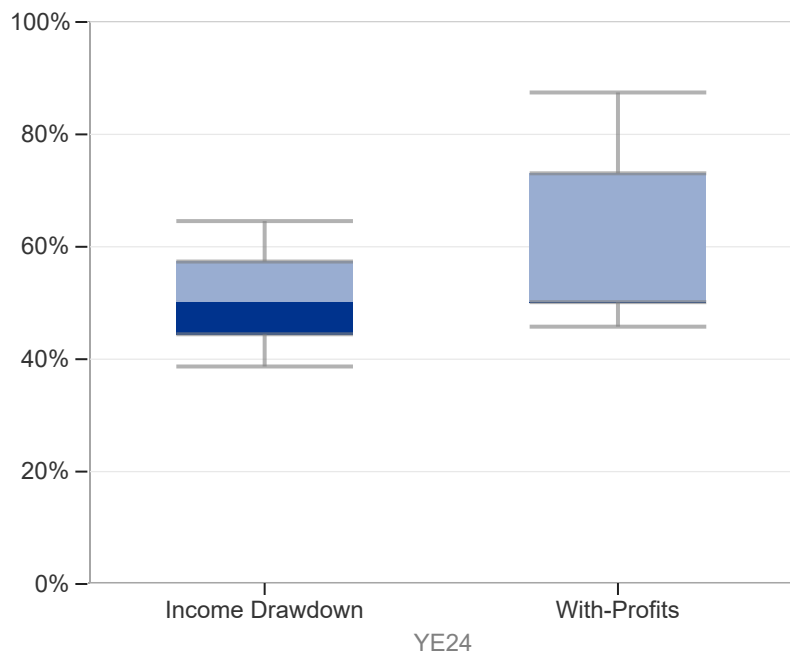
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Lapse Risk - Other Products

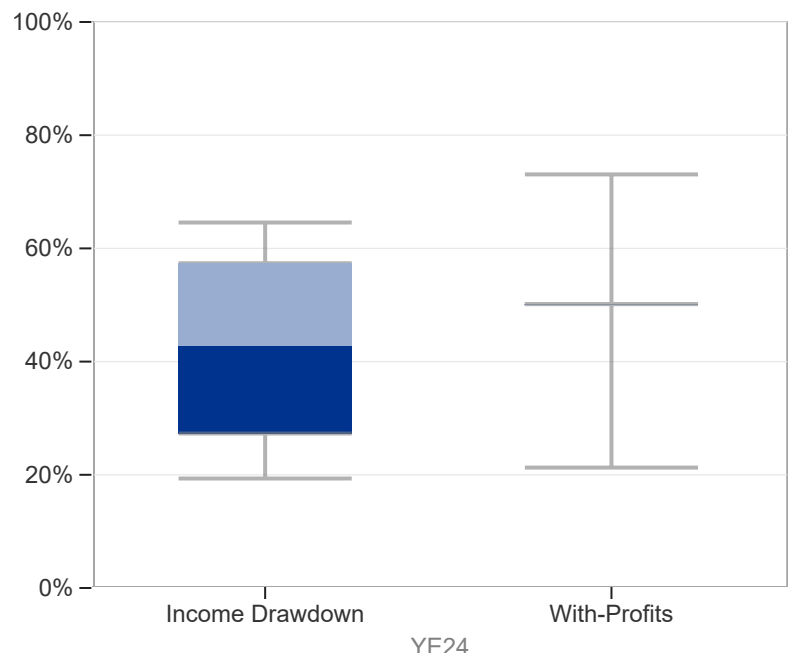
The lapse stresses for income drawdown and with-profit contracts have been included in our survey for the first time, reflecting the addition of these products to the IM01 template issued by the PRA for YE24. As a result, a year-on-year comparison is not possible for these stresses.

The charts below show the lapse up, lapse down and mass lapse stresses for these newly included product categories. Most firms have chosen to use the same stress for with-profits in the 1-in-200 down stress, i.e. 50%. However, there is notable variability in the other lapse stresses applied at both the 1-in-200 and 1-in-20 levels for these products.

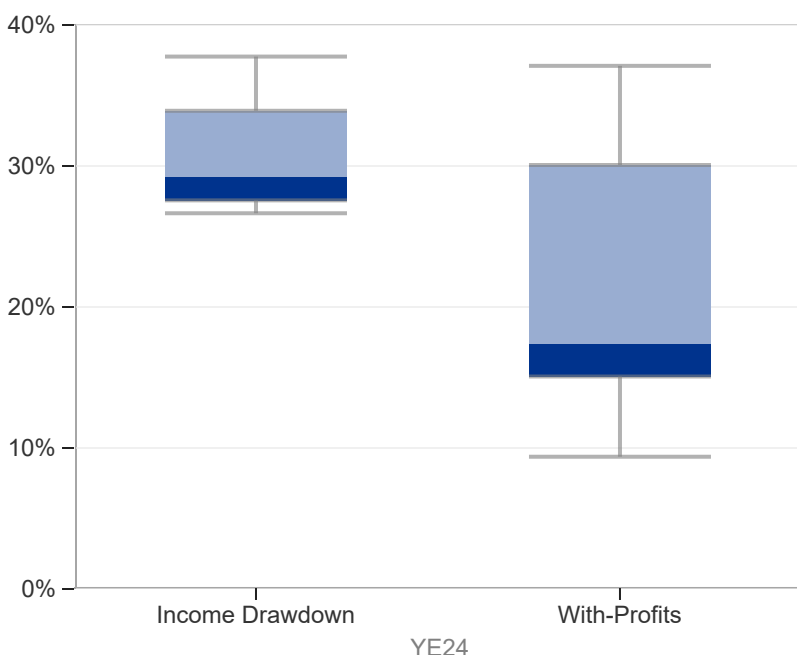
6.16a Change in lapse rates - 1-in-200 up stress



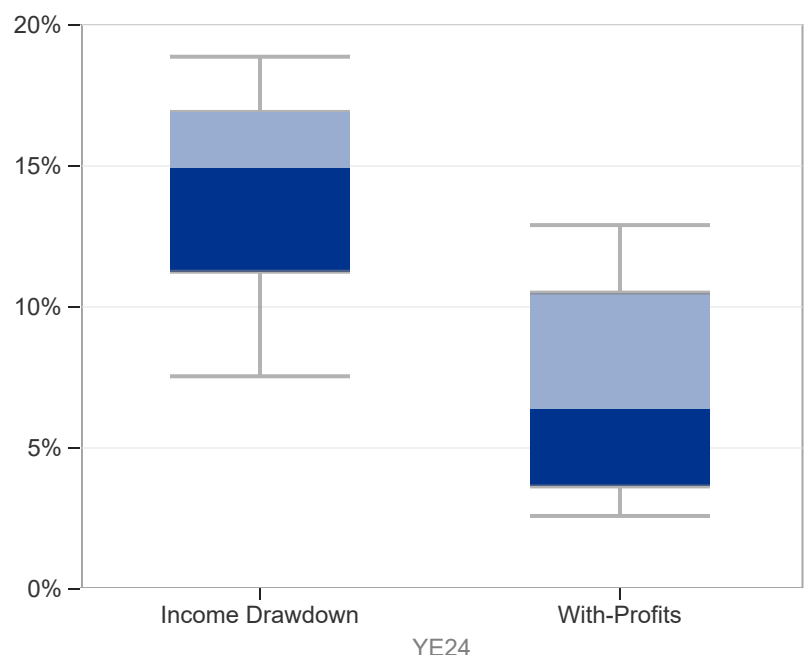
6.16b Change in lapse rates - 1-in-200 down stress



6.17a Mass lapse - 1-in-200 stress impact



6.17b Mass lapse - 1-in-20 stress impact



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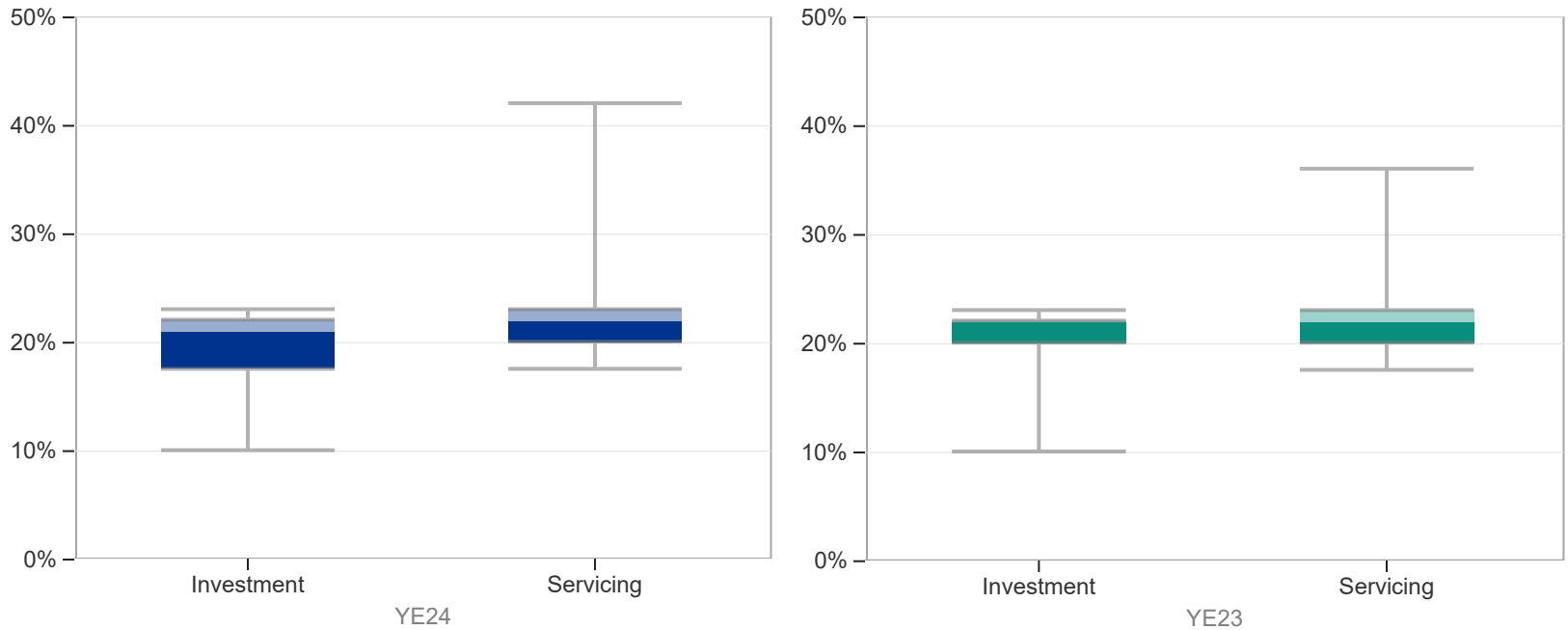
6. Life Underwriting Risk

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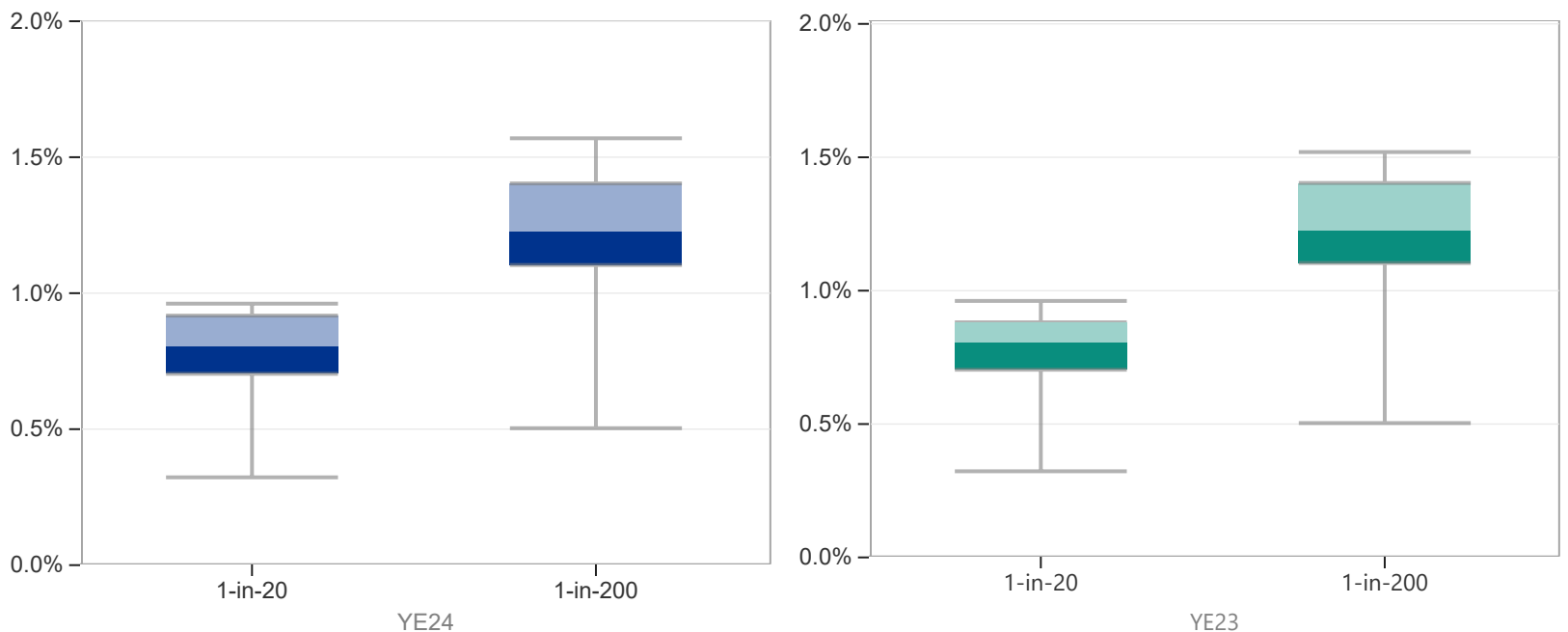
IM Expense Risk

The base investment and servicing expense assumption stresses have remained broadly consistent between YE23 and YE24. However, one firm reported a significant increase in its servicing expense stress at YE24, contributing to a wider distribution. Expense inflation assumptions at both the 1-in-20 and 1-in-200 levels have remained stable year-on-year.

6.18a Change in base investment expense and servicing expense assumption (1-in-200)



6.18b Change in expense inflation



Technical Practices Survey 2025

7. Capital Management

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SF/IM

Capital Management

Around two thirds of respondents use a 1-in-10 or 1-in-20 confidence level for calibration of risk appetite. However, some firms have used a more comprehensive approach which considers a range of scenarios to give a fuller picture of an appropriate appetite. The majority of firms calibrate their coverage ratio risk appetite using t=0 position only. When considering management actions, 'Base Actions' do not need specific approval and are included in the SCR (e.g. investment decisions within current limits, policyholder charge increases, dynamic aspects of policyholder benefits etc.). 'Contingent Actions' are recognised as available and feasible, though they have not received formal board approval. 'Recovery Actions', on the other hand, are assumed to be implemented under the stresses used for calibration.

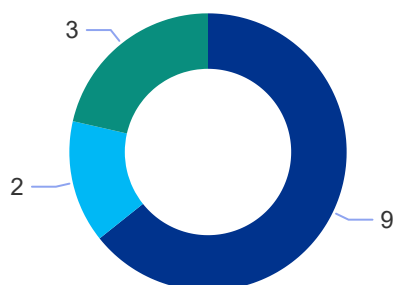
7.1 What is your approach to calibration of the Risk Appetite and the confidence level used? How is the coverage ratio risk appetite calibrated and the management action taken to allow for it?

Level 1 - the level below which immediate action would be taken, for example dividends would not be paid.

Level 2 - the level which is considered a warning and below which actions would be planned to recover the position

Firm	Level 1 (Amber-Red boundary)	Level 2 (Green-Amber boundary)
Firm A	Based on Level 2 boundary after removal of any buffer	1-in-2000
Firm B	1-in-10	1-in-50
Firm C	1-in-10	Based on Level 1 boundary plus a buffer
Firm D	Based on Level 2 boundary after removal of any buffer	1-in-20
Firm E	1-in-20	Based on Level 1 boundary plus a buffer
Firm F	1-in-10	Based on Level 1 boundary plus a buffer
Firm H	Based on Level 2 boundary after removal of any buffer	Based on risk of default
Firm I	Lower limit set to provide cushion above 100%, not set with respect to any particular confidence level	Based on Level 1 boundary plus a buffer
Firm J	1-in-5	1-in-10
Firm K	Allowance for additional capital under ORSA	1-in-20
Firm L	Based on Level 2 boundary after removal of any buffer	1-in-25
Firm M	1-in-20	1-in-20
Firm N	Based on practicalities and available immediate management actions and regulatory expectations	Close to 1-in-4
Firm O	Based on Level 2 boundary after removal of any buffer	1-in-10

7.2 Is your coverage ratio Risk Appetite calibrated using the t=0 position only or do you perform a projection over the first year?

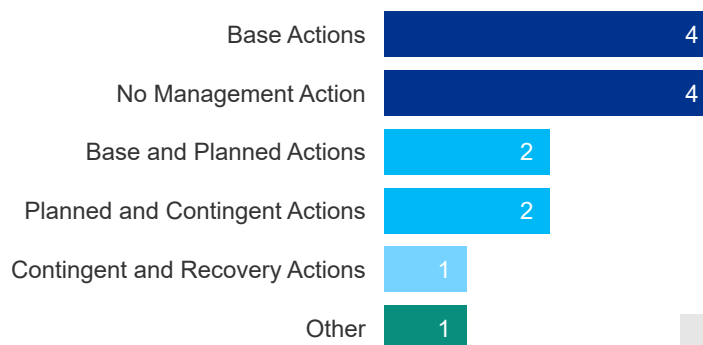


● t=0 position only ● Projection over one year ● Other

14

'Other' includes combination of t=0 and projection and modelled at t=0 and assumed to emerge over the stress time horizon

7.3 In your coverage ratio Risk Appetite calibration which Management Actions do you allow for?



Other

14

'Other' includes base and planned action within stress scenario time horizon.

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7. Capital Management

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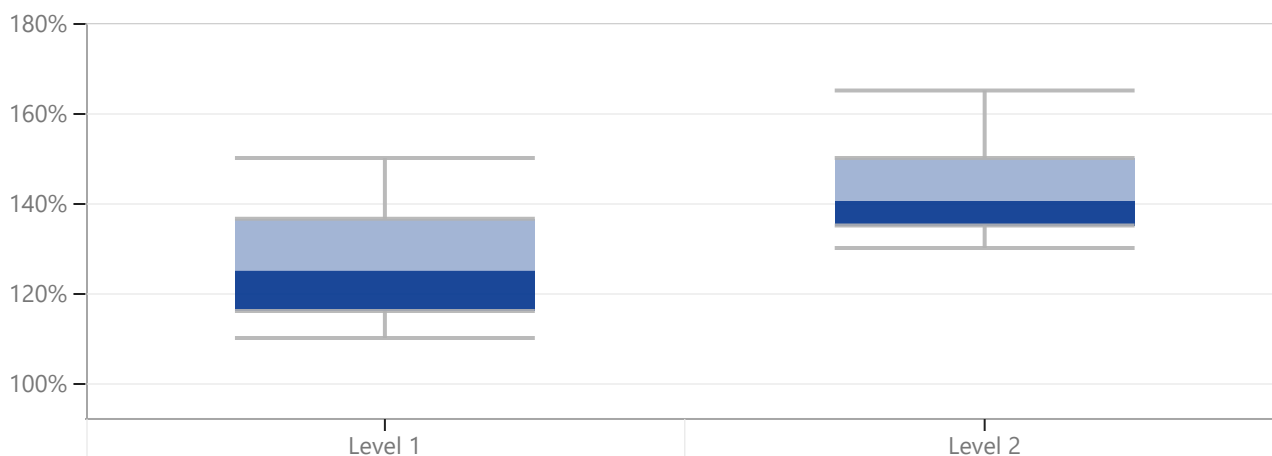
SF/IM

Capital Management

The coverage ratio risk appetite that respondents use are highly dependent on their risk profile and chosen confidence level. While the responses indicate a high degree of variability overall, the spread of responses has reduced, showing more consistency between firms. The majority of participants have not altered their coverage ratios compared to last year; however, two participants have significantly reduced their level 1 and level 2 coverage ratios by 20-50%. We have observed a slight reduction in the median level 1 coverage ratio compared to last year, and a slight increase in the median level 2 coverage ratio. However, it is worth noting that some of the variation in median values between the two surveys can be attributed to differences in the underlying pool of firms that responded to the survey.

Similar to previous year, temporary business issues and economic conditions remain the key features considered in the risk appetite, followed by pension scheme risks and level of regulatory TMTP.

7.4 At the operating company level what coverage ratio for SCR do you set as the Risk Appetite?



%	Level 1 (Amber-Red)	Level 2 (Green - Amber)
YE24 median	125%	141%
YE23 median	130%	137%

14

7.5 Which of the following adjustments are considered as part of setting your coverage ratio risk appetite?

Temporary business issues	5
Direct reflection of economic conditions	5
Level of the regulatory TMTP	3
Pension scheme risks	3
Any restrictions from the capital tiering rules	2
Factoring in other metrics, e.g. the Pillar 2 position	2
Any capital targets in sub-funds	1
Capital add-ons	1
Other adjustments	3

'Other' includes adjustments for the risk that solvency estimates are less accurate than hard close results and allowances for VA to vary under credit stress.

9

Technical Practices Survey 2025

7. Capital Management

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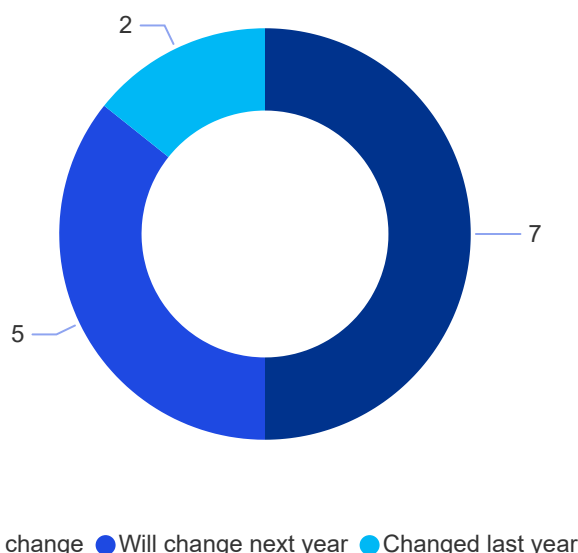
SF/IM

Capital Management

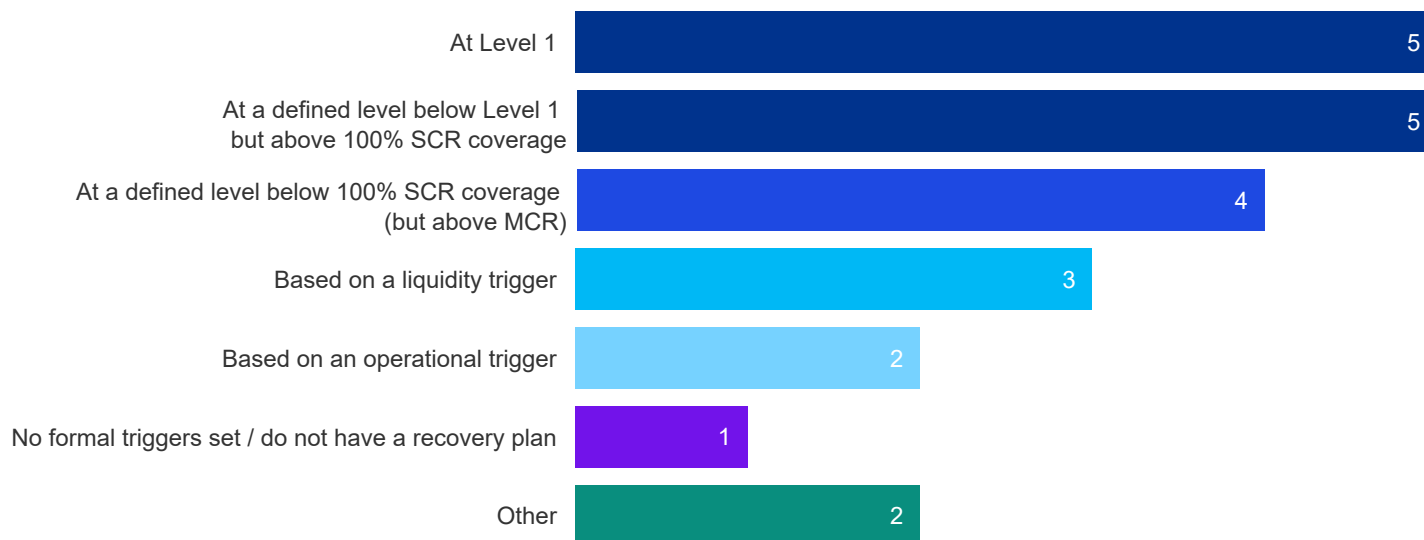
Half of respondents have neither adjusted their approach nor recalibrated their risk appetite levels in the past 12 months, and do not anticipate making any changes in the coming year. The respondents that planned to revise their approach or calibration in the next year indicated a range of planned changes including updating for the implementation of MA, bringing the current approach to setting level 2 into their formal capital policy, and reviewing the level 2 buffer in light of reinsurer concentration risk.

The majority of respondents stated that their recovery plan triggers are defined at either level 1 or below.

7.6 Have you changed your approach or calibration of risk appetite levels in the last 12 months, or planned any changes in the near future (e.g. next 12 months)?



7.7 How have you defined the point at which your recovery plan is initiated?



'Other' includes: triggers based on solvency ratio, share price, new business level, and lapse experience.

Technical Practices Survey 2025

7. Capital Management

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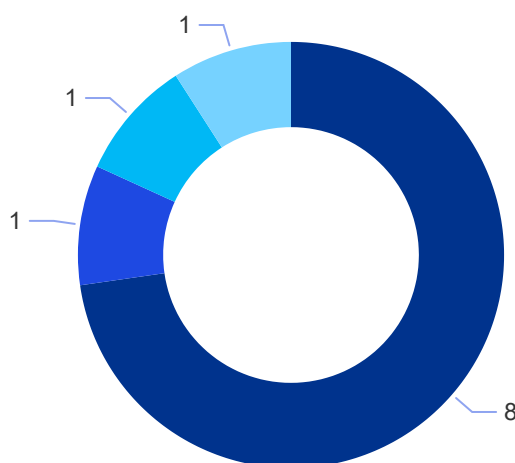
SF/IM

Solvent Exit

The PRA published the supervisory statement SS11/24 in December 2024 which outlines the PRA's expectations for UK insurers to prepare for and execute an orderly solvent exit as part of their business-as-usual activities. This becomes effective from 30 June 2026. The majority of participants stated that the solvent exit planning will be owned by the Chief Risk Officer (i.e. second line).

Most participants identified that they can leverage from existing frameworks, documentation and governance to assist in meeting the new requirements. For example, those relate to a full resolution plan and management actions.

7.8 Who will own the solvent exit planning?



● Second Line: Chief Risk Officer (CRO) ● First Line: Chief Finance Officer (CFO) ● Formal ownership still to be decided ● Group Chief Actuary

7.9 Which documents have you already prepared that will assist in meeting the new solvent exit planning requirements (SS11/24)?



'Other' includes: a run-off plan, and a risk log which can be used to identify and monitor solvent exit indicators.

Technical Practices Survey 2025

7. Capital Management

1. Hot Topics	2. Balance Sheet	3. Standard Formula	4. Market Risk (excl. Credit)	5. Credit Risk
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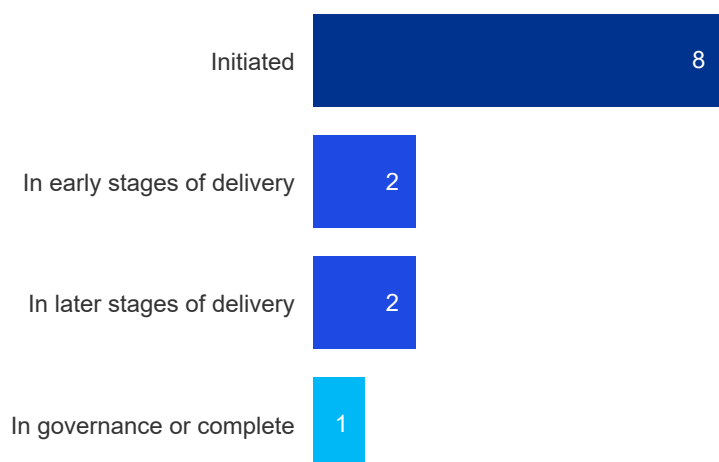
SF/IM

Solvent Exit

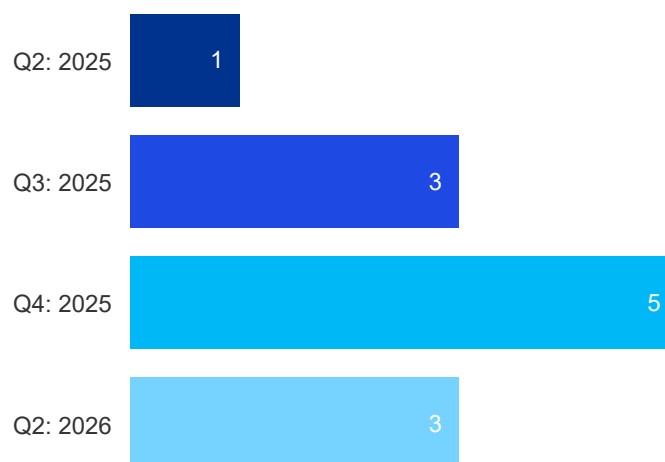
Most participants stated they have initiated the solvent exit planning requirements, whilst some firms are in the later stages of delivery or have already completed the necessary changes. Most participants expect to perform the majority of the work on solvent exit planning by the end of Q4 2025, in advance of the effective date in 2026.

The new rules introduce two new concepts; a Solvent Exit Analysis (SEA), which is embedded into BAU processes, and if applicable, a comprehensive Solvent Exit Execution Plan (SEEP). To distinguish between the two, most participants stated that the SEA will set out the areas for consideration in a SEEP, but the analysis will be high level only.

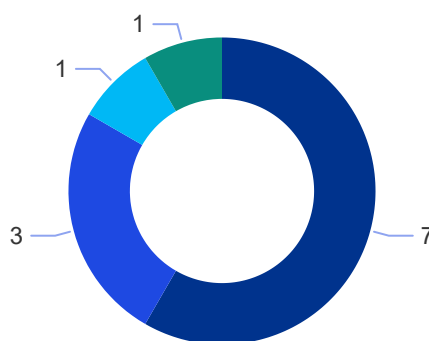
7.10 How will you categorise your firm's current position on meeting the solvent exit planning requirements?



7.11 When are you expecting to perform the majority of your work on solvent exit planning?



7.12 How are you planning to distinguish between Solvent Exit Analysis (SEA) and Solvent Exit Execution Plan (SEEP)?



- SEA sets out key considerations and high-level analysis; SEEP is expected to add detailed execution plan.
- SEA includes sufficient analysis to support SEEP; SEEP is expected to add operational detail.
- No distinction
- Other

'Other' includes a plan to produce a template for the SEEP with playbook that will allow it to be produced when required.



Technical Practices Survey 2025

7. Capital Management

1. Hot Topics	2. Balance Sheet	3. Standard Formula	4. Market Risk (excl. Credit)	5. Credit Risk
6. Life Underwriting	7. Capital Management	8. Operational Risk	9. Aggregation	10. Correlation

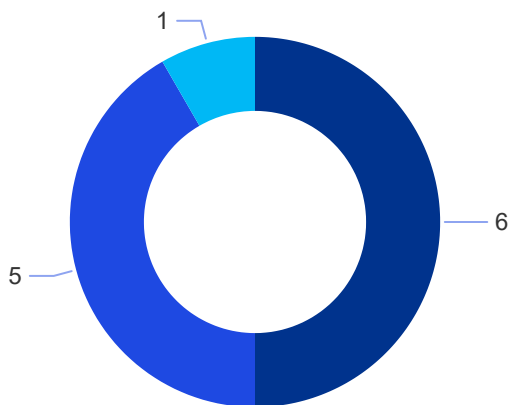
SF/IM

Solvent Exit

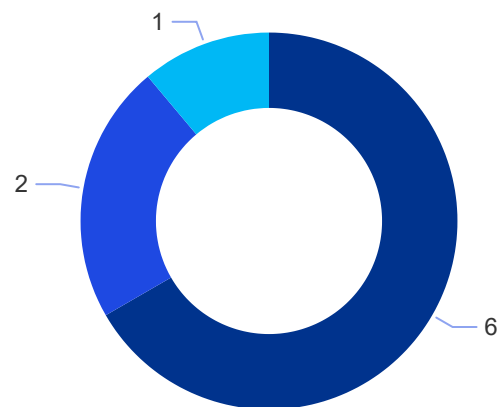
Most participants intend to ultimately combine solvent exit planning into an existing process, even if it is treated as a standalone project during development. Of the existing processes, most participants stated the recovery and resolution planning or ORSA will be used to incorporate the solvent exit planning. When setting up a solvent exit triggers framework, there is a mix of responses on how this will relate to the trigger in their current recovery framework, with many participants indicating that the approach is not yet finalised.

The PRA's supervisory statement SS11/24 also requires that firms' solvent exit preparations are subject to appropriate assurance. There is a mix of responses with some firms opting for their Internal Audit team or other internal processes, and other firms opting for external review to meet the assurance requirements.

7.13a Do you intend to treat solvent exit planning as a standalone process, or combine it into an existing process?

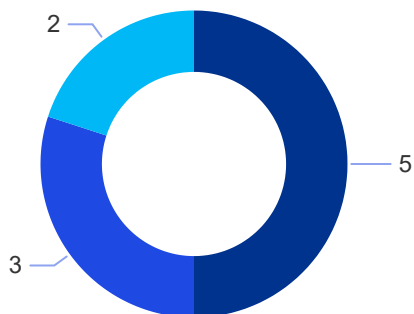


7.13b Which of the existing processes will be used to incorporate the solvent exit planning?

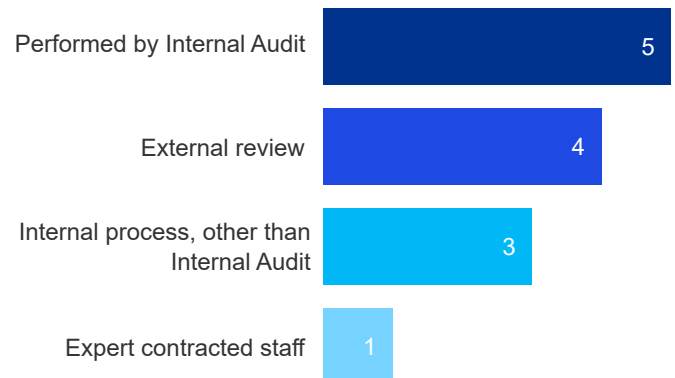


- Standalone project during development and then combined with existing process
- Combined with an existing process
- Standalone process
- Recovery and resolution planning
- ORSA
- Run-off plan

7.14 When you set up a solvent exit triggers/indicators framework, how will this relate to the trigger in your current recovery framework?



7.15 What is your plan to address the new assurance requirement for solvent exit preparations?



- Same metric with different trigger point
- Incorporate wider set of current metrics
- New metrics to use as Solvent Exit triggers

Technical Practices Survey 2025

7. Capital Management

1. Hot Topics	2. Balance Sheet	3. Standard Formula	4. Market Risk (excl. Credit)	5. Credit Risk
6. Life Underwriting	7. Capital Management	8. Operational Risk	9. Aggregation	10. Correlation

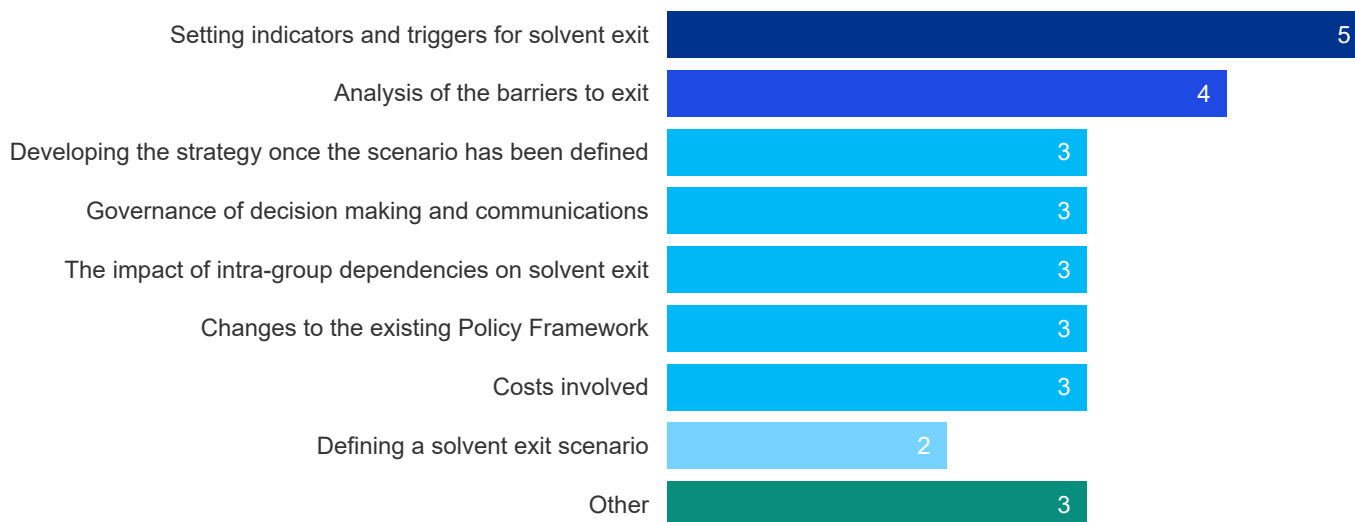
SF/IM

Solvent Exit

A wide range of challenges have been noted for solvent exit planning, with the primary challenge being the establishment of solvent exit triggers and indicators.

Further, most participants stated that the maintenance of critical functions, reliance on key staff, and ability to adjust external legal contracts to be their most significant barriers to achieving a solvent exit.

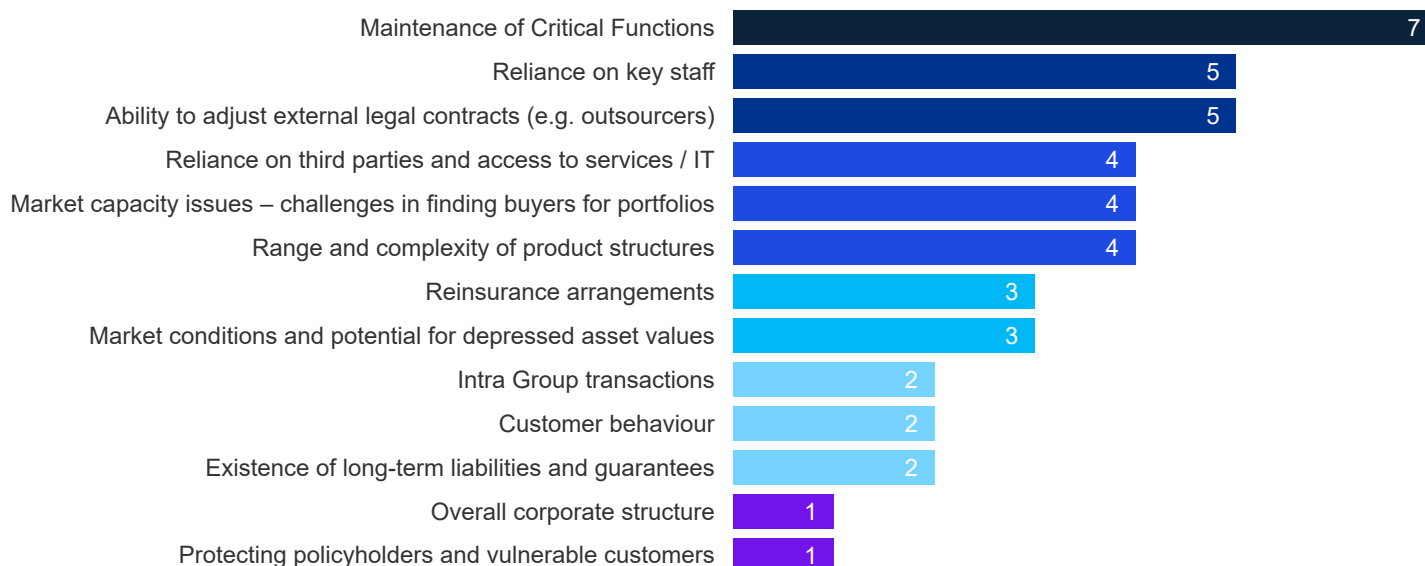
7.16a What do you see as your main challenges in implementing solvent exit planning?



12

'Other' includes activities such as: modelling solvent exit strategies, assessing the impact of assumption changes related to operational costs and expenses, and determining an appropriate level of detail for operational plans within the SEA.

7.16b What are the most significant barriers you will face to achieve a solvent exit?



12

Technical Practices Survey 2025

7. Capital Management

1. Hot Topics	2. Balance Sheet	3. Standard Formula	4. Market Risk (excl. Credit)	5. Credit Risk
6. Life Underwriting	7. Capital Management	8. Operational Risk	9. Aggregation	10. Correlation

SF/IM

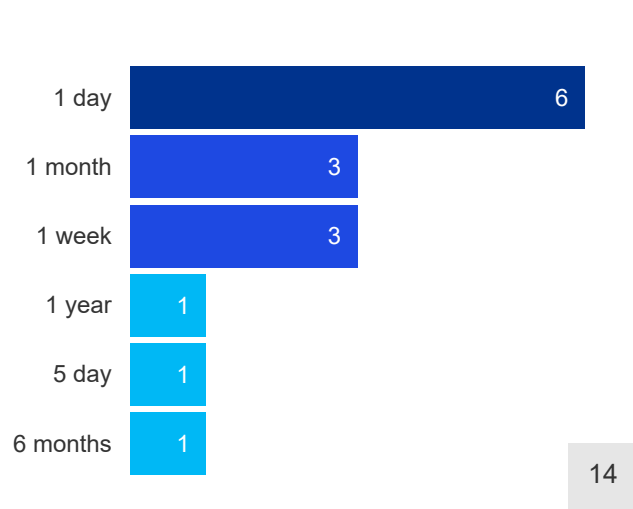
Liquidity Risk

Firms differ in their approach to liquidity risk management. Most participants use a Liquidity Coverage Ratio (LCR) for measuring their resilience to liquidity risk. Other respondents stated that they monitor liquidity resilience either through stress testing or by maintaining a liquidity buffer expressed as a monetary amount above the liquidity requirement. The majority of participants focus on very short-term horizons, which is a continuation of a trend seen in previous years. Most participants stress cashflows relating to policyholder claims and other outgoings, and collateral posting requirements, in their LCR.

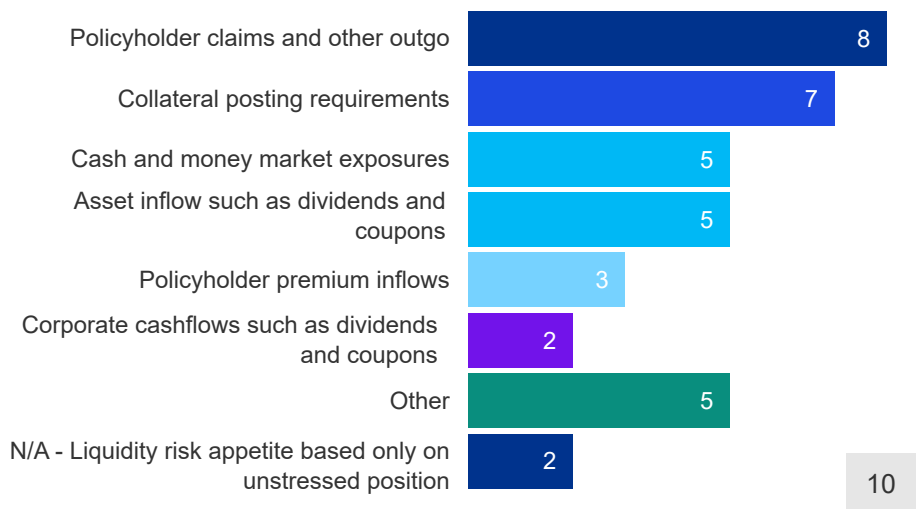
7.17 Do you use a Liquidity Coverage Ratio (LCR) for measuring your resilience to liquidity risk, and if so, what is the basis of your LCR in stressed conditions?

Firm	Use LCR?	A scenario based on our liquidity risk profile	Stress at an overall confidence level of 1-in-200	Stress using another confidence level	Stress set using expert judgement	NA - we calculate the LCR in base conditions only
Firm A	✓				✓	
Firm B	X					
Firm C	X		✓			
Firm D	✓		✓			
Firm E	✓		✓			
Firm F	X					
Firm G	✓		✓			
Firm H	X					
Firm I	✓		✓			
Firm J	✓	✓		✓	✓	
Firm K	✓					✓
Firm L	X					
Firm M	✓	✓				
Firm N	✓		✓	✓		
Firm O	✓	✓	✓	✓		

7.18 What is the shortest time horizon you consider for liquidity risk?



7.19 Which cashflows are stressed in your LCR?



'Other' includes: shareholder support payments (e.g. MA funds and with-profits funds), operational risk losses, combined market/persistence stress impacting fee income generation, haircuts applied to reinsurance receipts and to market value of assets.



Technical Practices Survey 2025

7. Capital Management

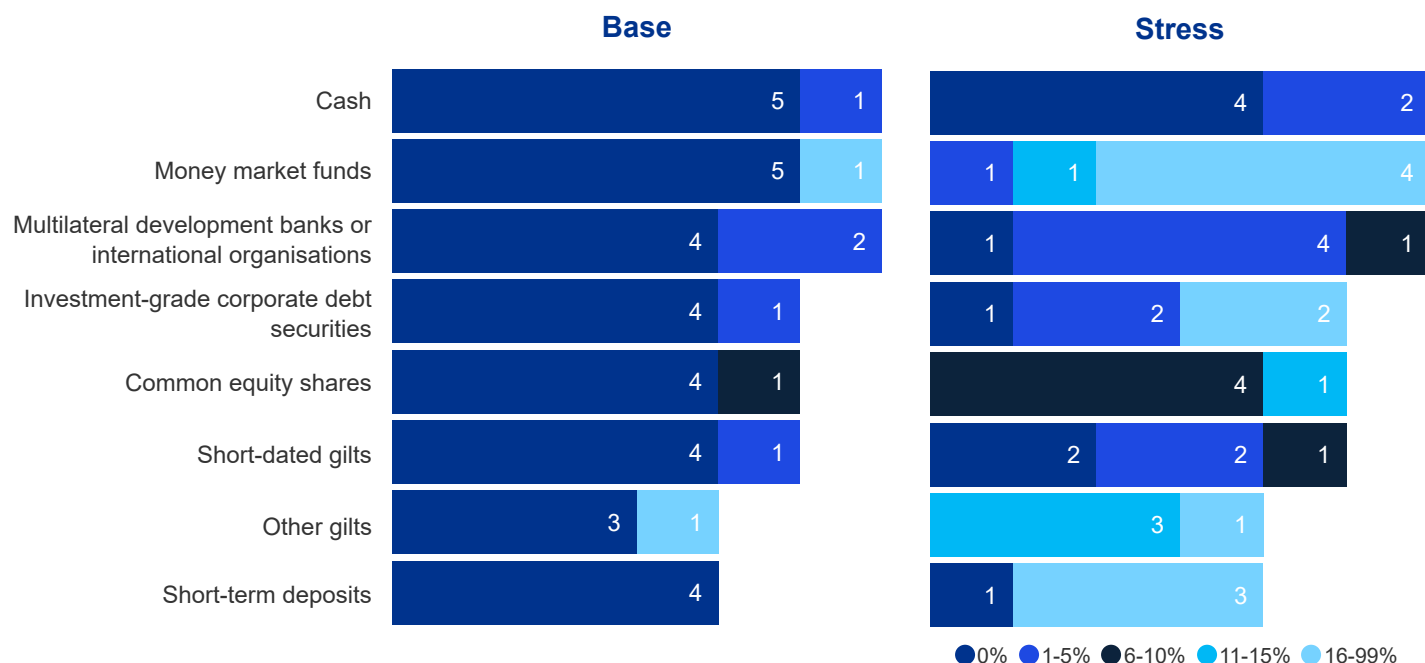
1. Hot Topics	2. Balance Sheet	3. Standard Formula	4. Market Risk (excl. Credit)	5. Credit Risk
6. Life Underwriting	7. Capital Management	8. Operational Risk	9. Aggregation	10. Correlation

SF/IM

Liquidity Risk

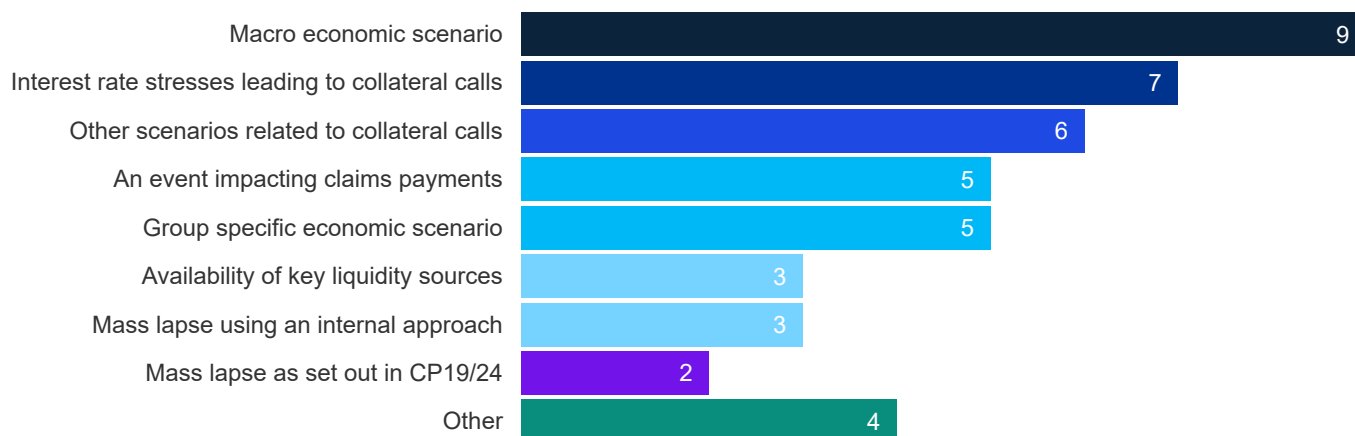
We observed that a wide range of stresses are applied in order to give a full picture of liquidity risk. We asked participants what level of haircuts they are applying on different asset types when assessing liquidity. The haircuts vary by asset type and reflect the ability to monetise holdings under stressed conditions. Most of the respondents do not apply any haircut on cash assets in either base or stressed scenarios. Half of the respondents do not apply haircuts on the remaining asset types in base, but most of them have a haircut in stress. Macro economic scenarios continue to be the most common considerations among the participants, as well as interest rate stresses and other scenarios relating to collateral calls.

7.20 What haircuts do you apply to the following asset types in assessing the liquidity risk in both base and stressed scenario?



7

7.21 What liquidity scenarios do you test within your SST framework or ORSA?



'Other' includes operational risk events, default scenario, loss of cash generative business, and other scenarios (e.g. level of expenses and claims doubling, deferral of reinsurance claims).

11

Technical Practices Survey 2025

7. Capital Management

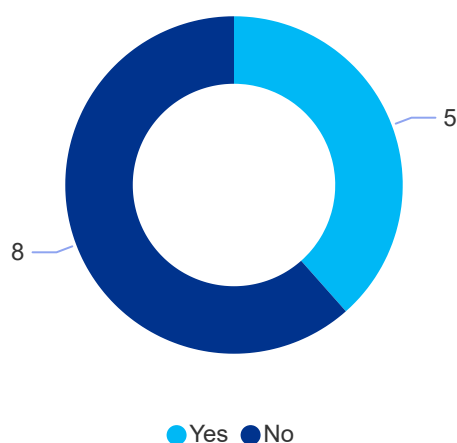
1. Hot Topics	2. Balance Sheet	3. Standard Formula	4. Market Risk (excl. Credit)	5. Credit Risk
6. Life Underwriting	7. Capital Management	8. Operational Risk	9. Aggregation	10. Correlation

SF/IM

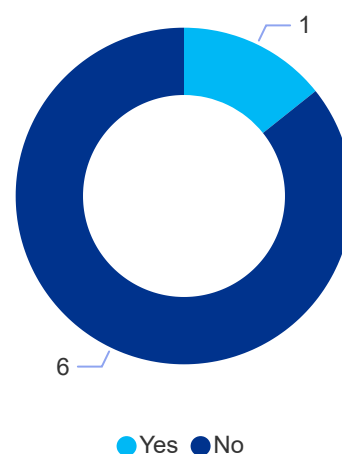
Liquidity Risk

The PRA published consultation paper CP19/24 in December 2024, which proposed reporting changes on closing liquidity reporting gaps, and applies for certain large insurers above specified thresholds. For participants in scope of the new reporting requirements, most of the respondents indicated that the speed of reporting presented the greatest challenge for implementation. For participants not in scope of the reporting requirements, the majority do not plan to review their liquidity MI to align with the definitions set out by the PRA in the proposed liquidity templates.

7.22a Are you included in the PRA's new reporting requirements (CP19/24)?



7.22b If you are not included in the scope of CP19/24, are you likely to review your liquidity MI to align to any of the definitions set out by the PRA in its proposed templates?



Technical Practices Survey 2025

8. Operational Risk

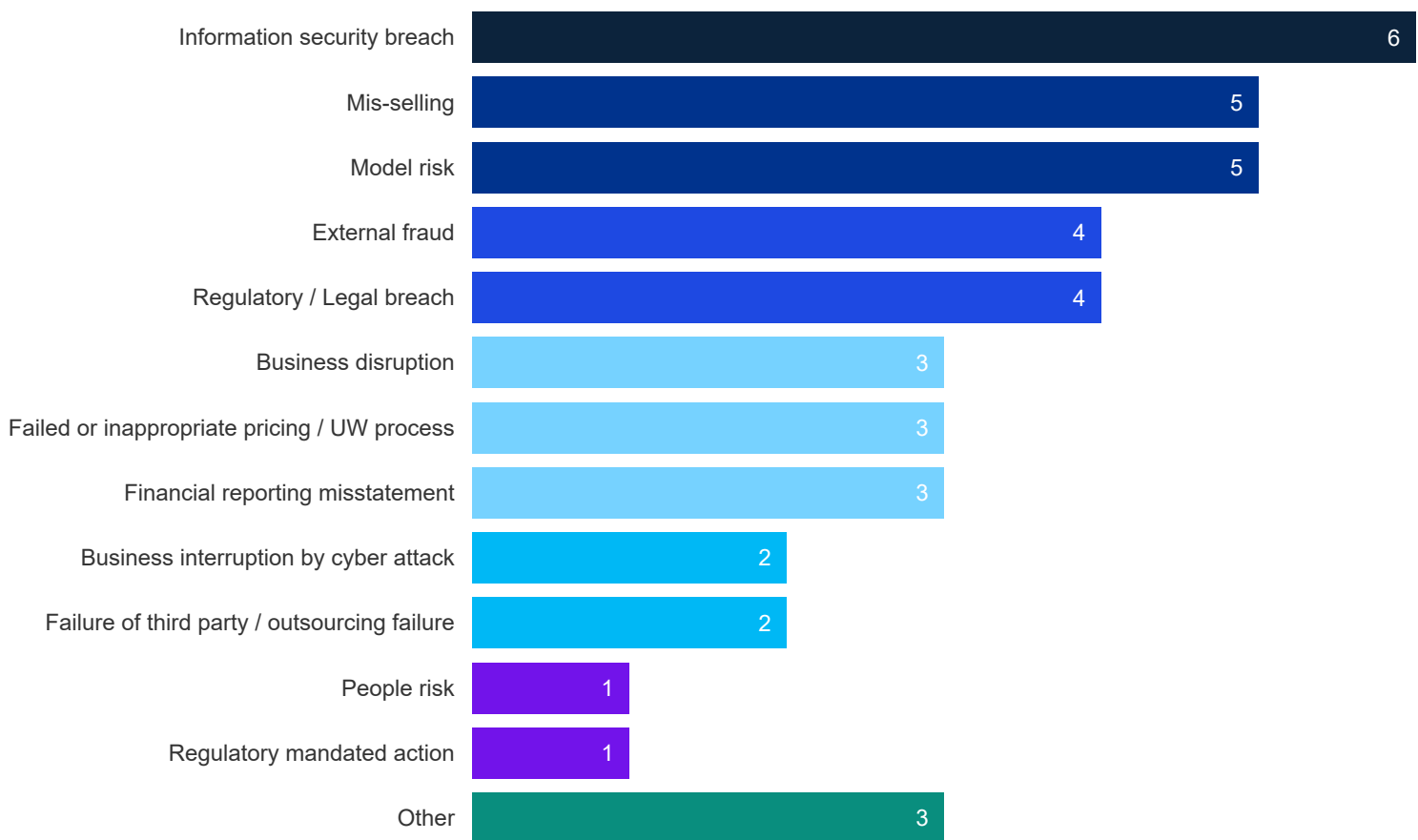
1. Hot Topics	2. Balance Sheet	3. Standard Formula	4. Market Risk (excl. Credit)	5. Credit Risk
6. Life Underwriting	7. Capital Management	8. Operational Risk	9. Aggregation	10. Correlation

Operational Risk Capital

SF/IM

This section outlines the methodologies applied in respect of operational risk capital. We inquired about the types of risk scenarios that significantly influence operational risk capital levels. As with previous surveys, we see a wide range of responses, reflecting the differences in operating models of respondents and the risks that therefore arise. This year, the majority of respondents continued to rank information security, model risk and mis-selling among their top five risks.

8.1 If you were to rank your largest operational risks (by undiversified capital), which of the following would be in the top five risks?



9

'Other' includes: risks relating to inadequate reserving processes, appropriation delays (where costs arise from delays in processing unit-linked transactions when equity markets are volatile), as well as servicing, administration and delivery risks.

Technical Practices Survey 2025

8. Operational Risk

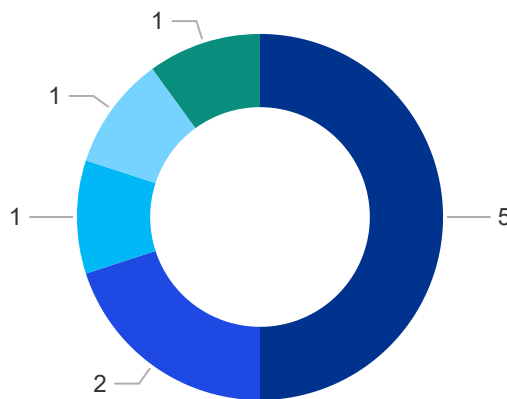
1. Hot Topics	2. Balance Sheet	3. Standard Formula	4. Market Risk (excl. Credit)	5. Credit Risk
6. Life Underwriting	7. Capital Management	8. Operational Risk	9. Aggregation	10. Correlation

Operational Risk Capital and Calibration

SF/IM

Half of respondents stated they are using statistical frequency / severity models for estimating their operational risk capital requirement. Most firms model their frequency and severity distributions separately, with the Poisson distribution remaining the most common way to model event frequency. The Log-normal distribution remains the most common choice for modelling event severity, however we note that for event severity there is a wider variety of distributions used. Most respondents have spreadsheet models or open-source programming language models (such as R and Python) tailored for their operational risk portfolio.

8.2 What type of methodology does your firm use for estimating its operational risk capital requirement?



- Monte Carlo / statistical frequency / severity model
- Multiple scenarios (deterministic)
- Simple estimation approach
- Statistical model using conditional dependencies
- Other

8.3 The following table details responses to the following questions:

- For how many different operational risks do you use scenario workshops / expert judgement to set the modelling parameters?
- Do you model your frequency and severity distribution separately? And what statistical distributions are used to model these?
- Describe the software platform used to model your operational risk?

Firm	No of different operational risks	Modelled separately?	Frequency distribution	Severity distribution	Software Platform
Firm A	40+	Yes	Poisson	Generalised Pareto	Part of wider Internal Model
Firm B	40	Yes	Other		MS Excel
Firm C	11 to 15	Yes	Poisson	Generalised Pareto	MS Excel
Firm D	22	Yes	Other	Log-normal	Opensource programming language
Firm E	10	Yes	Poisson	Log-normal	Bespoke software from third party
Firm F	20	Yes	Poisson	Log-normal	Opensource programming language
Firm G	14	Yes	Other		Bespoke software from third party
Firm H	10 or below	No		Normal	MS Excel

'Other' includes: conditional Bernoulli distribution with expert judgements and exposure-based scenario analysis using various distributions.



Technical Practices Survey 2025

8. Operational Risk

1. Hot Topics	2. Balance Sheet	3. Standard Formula	4. Market Risk (excl. Credit)	5. Credit Risk
6. Life Underwriting	7. Capital Management	8. Operational Risk	9. Aggregation	10. Correlation

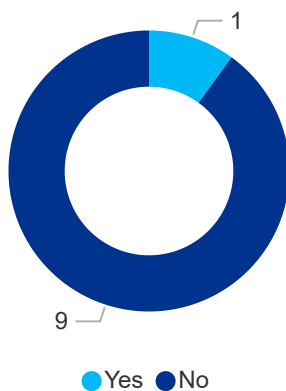
Operational Risk Capital and Calibration

SF/IM

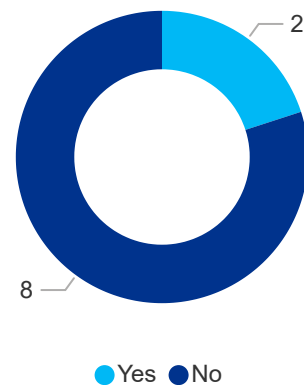
Operational risk modelling has remained largely unchanged over the past year for most respondents. Only one firm reported updating its statistical distributions as part of its annual scenario review and reassessment exercise. Additionally, just two respondents indicated plans to revise their modelling approach in the coming year.

As in previous years, the majority of firms make use of both internal and external data for identifying and calibrating operational risk events, with a leaning towards internal data. Further, the direct use of data for setting parameters is limited with greater use of this data to inform expert judgement and validating the risk capital.

8.4 Have there been any changes to the statistical distributions used to model the frequency or severity of your operational risk scenarios in the last 12 months?



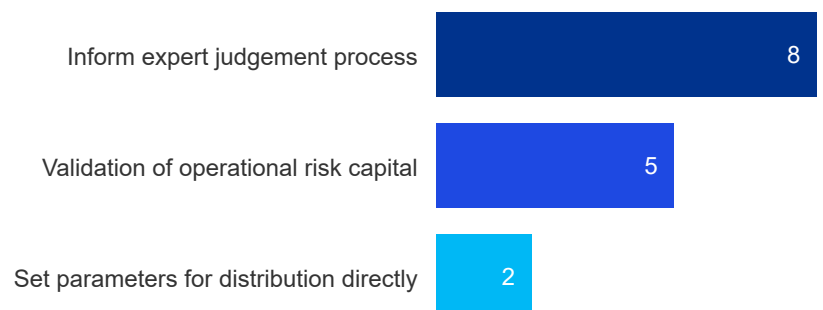
8.5 Have you planned any changes to your operational risk modelling in the near future, say next 12 months?



8.6 What data do you use in your operational risk calibration process?



8.7 How is internal/external data used in your operational risk model?



'Other' includes: external events data from ORIC International and relevant press coverage.

9

9

Technical Practices Survey 2025

8. Operational Risk

1. Hot Topics	2. Balance Sheet	3. Standard Formula	4. Market Risk (excl. Credit)	5. Credit Risk
6. Life Underwriting	7. Capital Management	8. Operational Risk	9. Aggregation	10. Correlation

Operational Risk Capital and Calibration

SF/IM

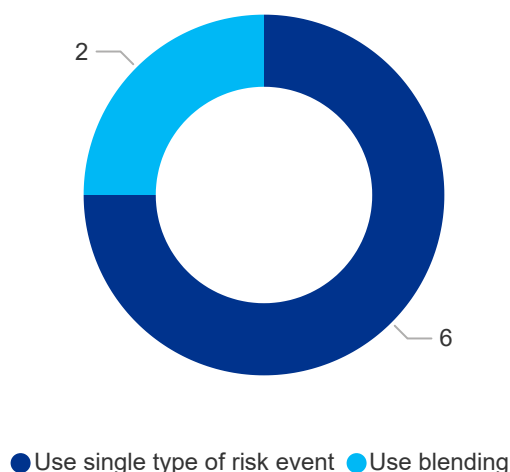
Most firms that allow for diversification between operational risks - and between operational risk and other risks - use expert judgment to set the correlations. Two respondents stated that they supplement the expert judgment with a causal driver approach. Only one firm reported exclusively using a causal driver approach for determining diversification amount operational risk scenarios.

The majority of respondents use a single type of risk event when fitting the severity distribution. In the operational risk modelling, three quarters of respondents noted they do not allow for recoveries from corporate insurance in the operational risk scenarios.

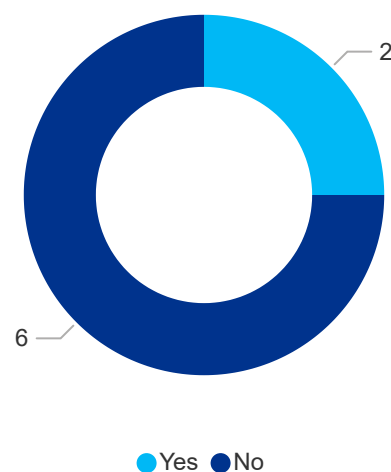
8.8 What methodology is used for calculating correlation between operational risks, and between operational risk and other risks?
On what basis are correlations set between operational risks, and between operational risk and other risks?

Firm	Basis for correlations		Methodology used for calculating correlation	
	Between operational risk scenarios	Between operational risk and other risks	Between operational risk scenarios	Between operational risk and other risks
Firm A	Pure expert judgement	Pure expert judgement	Copulas	Copulas
Firm B	Pure expert judgement	Pure expert judgement	Correlation matrix	Correlation matrix
Firm C	Pure expert judgement	Pure expert judgement	Correlation matrix	Standalone capital (i.e. no diversification)
Firm D	Pure expert judgement	Pure expert judgement	Copulas	Copulas
Firm E	Pure expert judgement		Copulas	
Firm F	Pure expert judgement	Pure expert judgement	Copulas	Copulas
Firm G	Causal driver approach	Pure expert judgement	Correlation matrix	Correlation matrix
Firm H	Combination	Combination	Combination	Combination
Firm I	Combination	Combination	Copulas	Correlation matrix

8.9 Do you use any blending of different risk events to fit a distribution to the severity of any scenario or are they based on a single type of risk event?



8.10 Do you allow for recoveries from corporate insurances on your operational risk scenarios?



Technical Practices Survey 2025

8. Operational Risk

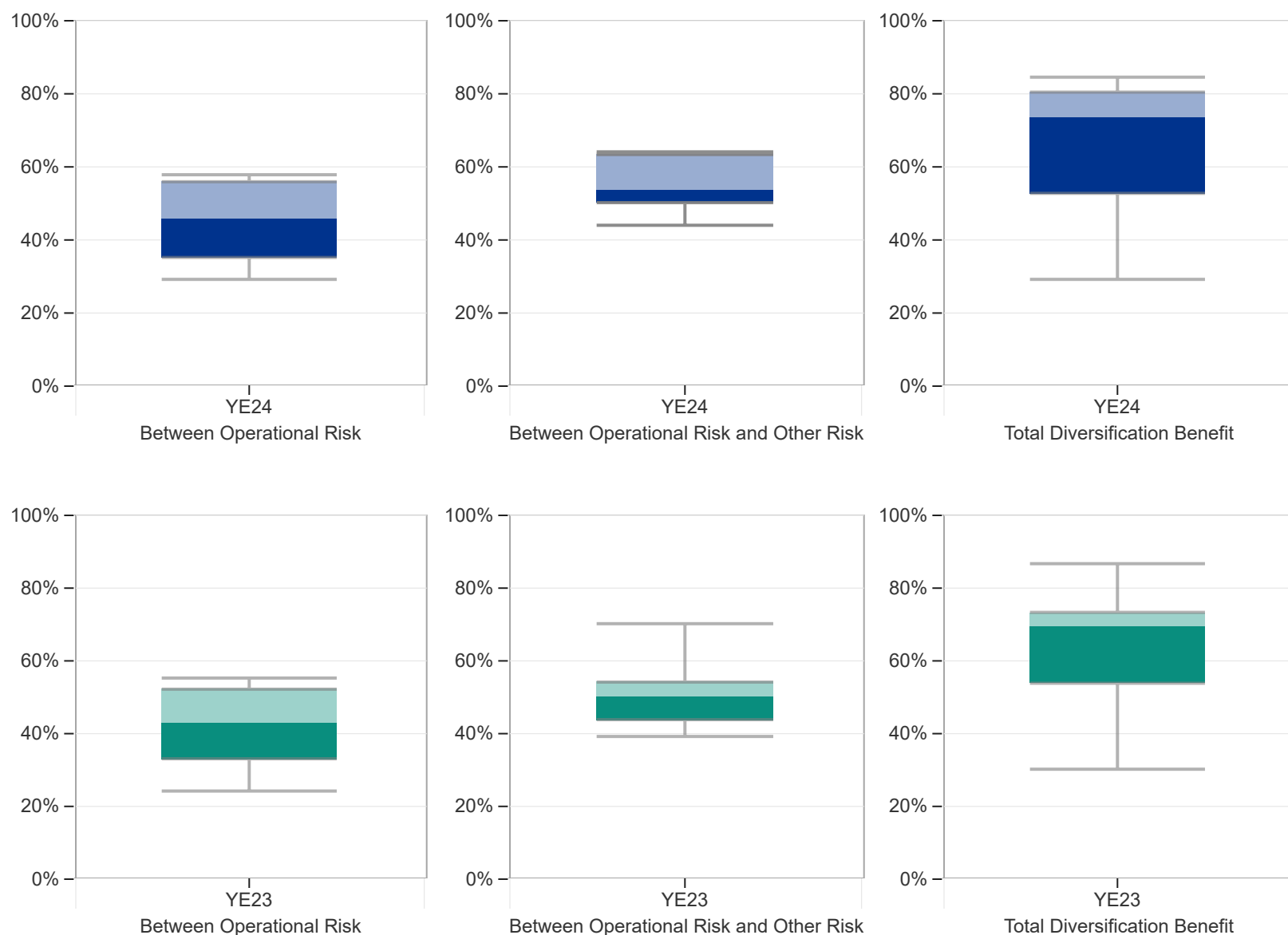
1. Hot Topics	2. Balance Sheet	3. Standard Formula	4. Market Risk (excl. Credit)	5. Credit Risk
6. Life Underwriting	7. Capital Management	8. Operational Risk	9. Aggregation	10. Correlation

Correlations, Diversification and Recoveries

SF/IM

Our survey indicates significant diversification of operational risk, with correlations ranging from 29% to 84% across respondents. This high level of diversification, both within operational risk and between operational risk and other risk types, reduces the overall capital requirement. Given that operational risk correlation is largely based on expert judgement, whether through subjective assumptions or causal driver analysis, insurers should therefore regularly review correlation parameters and diversification level given the impact on results.

8.11 What diversification benefit are you able to achieve, as a percentage of undiversified operational risk capital?



Technical Practices Survey 2025

8. Operational Risk

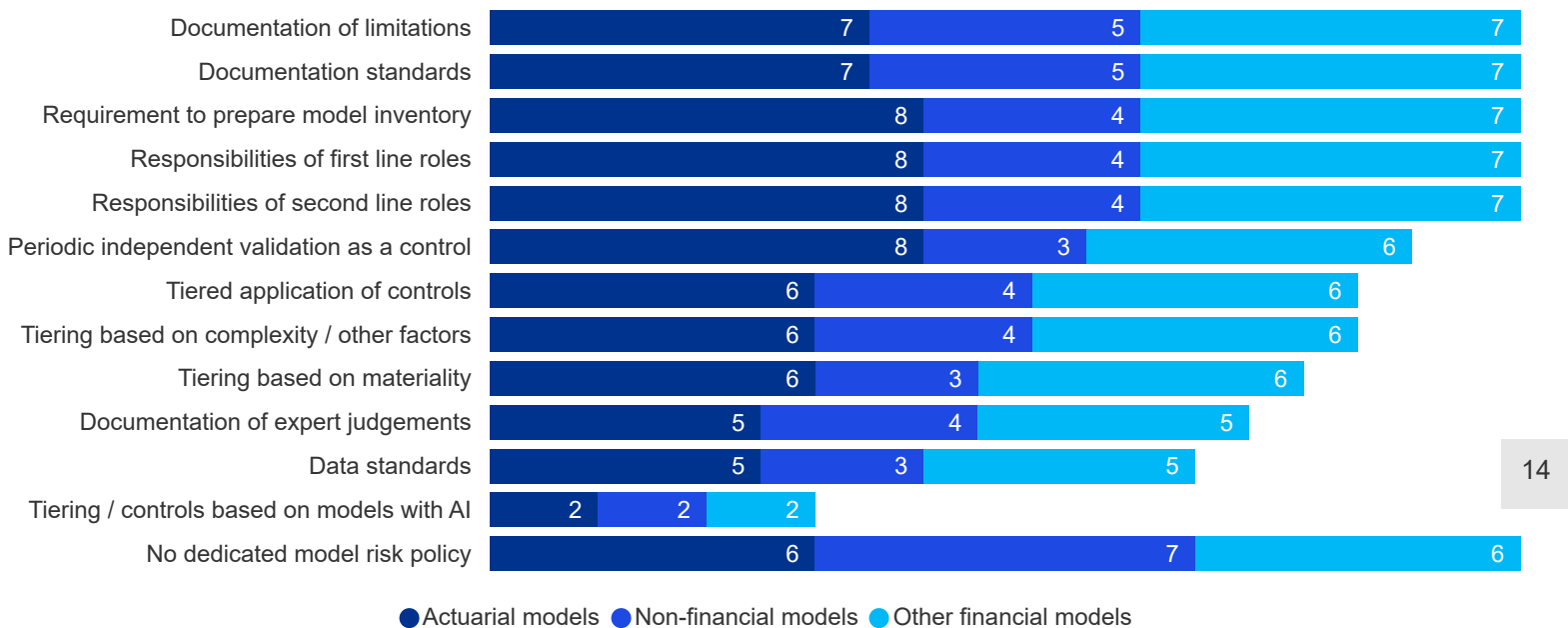
1. Hot Topics	2. Balance Sheet	3. Standard Formula	4. Market Risk (excl. Credit)	5. Credit Risk
6. Life Underwriting	7. Capital Management	8. Operational Risk	9. Aggregation	10. Correlation

Model Risk Management

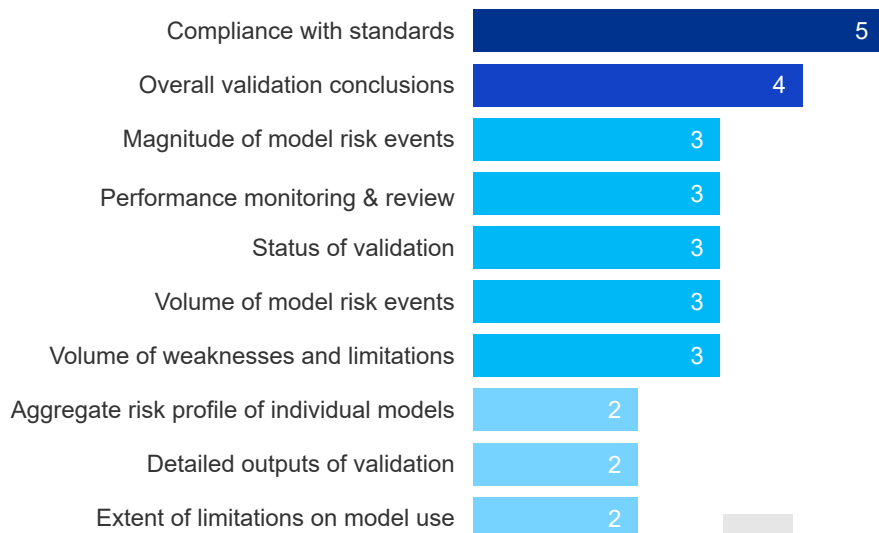
SF/IM

As in recent surveys, we continue to see a high degree of consistency in approaches between respondents in respect of their model risk management, with respondents treating actuarial models, financial models, and other models the same within their model risk frameworks. Commonly applied risk control measures implemented across the three types of models include clearly defined first and second line roles and responsibilities as a way of managing model risk, as well as documentation-related controls covering standards and limitations. Two respondents have also added controls to their model risk policy based on models with an AI component. The reporting of model risk remains broad and variable across respondents, with the most common choice being compliance with standards and overall validation conclusions.

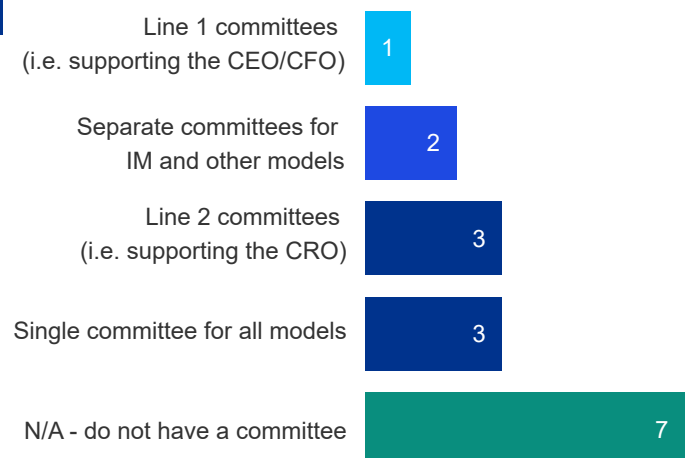
8.12 To manage model risk, what controls do you mandate in your model risk policy for models other than the Internal Model?



8.13 Which of the following components are included in your risk appetite / reporting for model risk?



8.14 Do you have a committee dedicated to model risk management and model validation?



Technical Practices Survey 2025

9. Aggregation

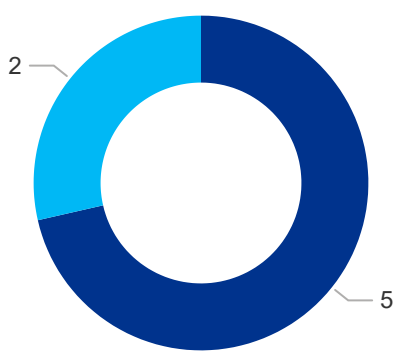
1. Hot Topics	2. Balance Sheet	3. Standard Formula	4. Market Risk (excl. Credit)	5. Credit Risk
6. Life Underwriting	7. Capital Management	8. Operational Risk	9. Aggregation	10. Correlation

IM

Risk Calibration

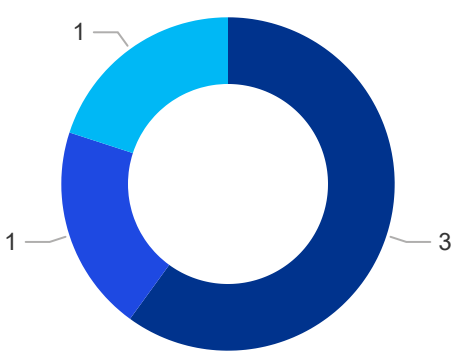
The majority of participants use a simulation approach for aggregating risk capital, which allows for enhanced modelling of complex interactions and easiness of measuring non-linear relationships between multiple risks. Of those who use a simulation approach, most participants use the Gaussian approach.

9.1a What is the approach taken for aggregating risk capital?



● Simulation approach ● Value-at-Risk / Co-Value-at-Risk matrix

9.1b If a simulation approach is used, what approach is taken and how do you plan to model dependencies?



● Gaussian ● Grouped t-copula ● Simple t-copula

Technical Practices Survey 2025

9. Aggregation

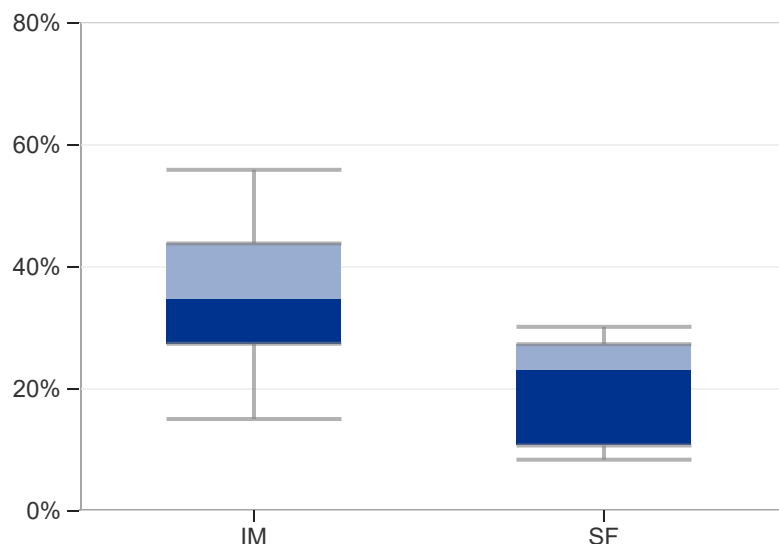
1. Hot Topics	2. Balance Sheet	3. Standard Formula	4. Market Risk (excl. Credit)	5. Credit Risk
6. Life Underwriting	7. Capital Management	8. Operational Risk	9. Aggregation	10. Correlation

Diversification Level

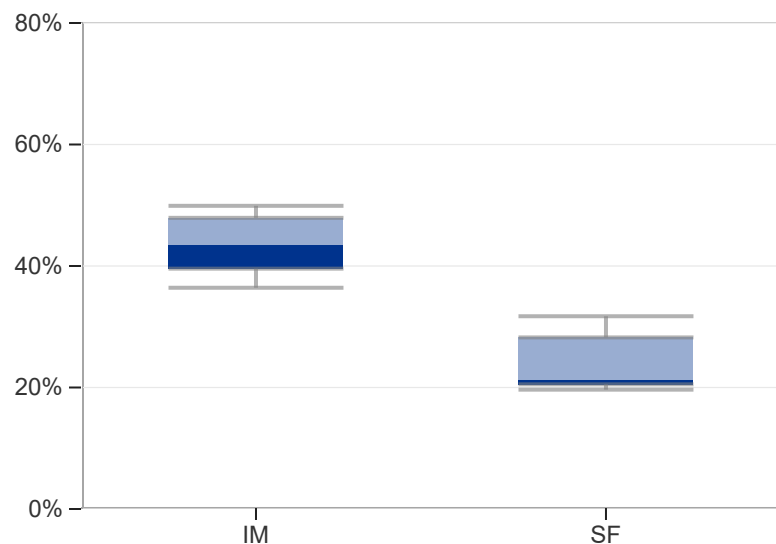
IM

The first two charts below show the diversification achieved amongst life risks and market risks (as a % of total undiversified risk). The following charts then show the diversification achieved between risk modules, and the total diversification benefit as a % of total SCR (excluding Loss Absorbing Capacity of Technical Provisions and Deferred Taxes). Internal Model firms are able to achieve higher diversification than the Standard Formula firms.

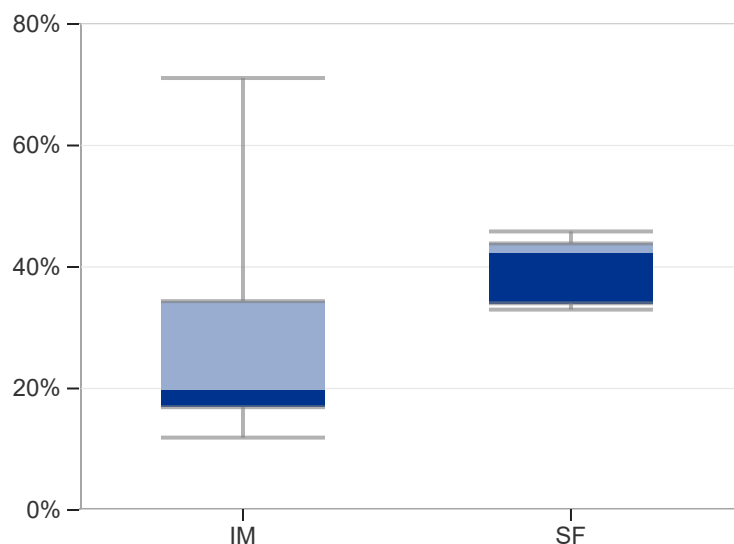
9.2 Diversification amongst life risks as a percentage of total undiversified risk (%)



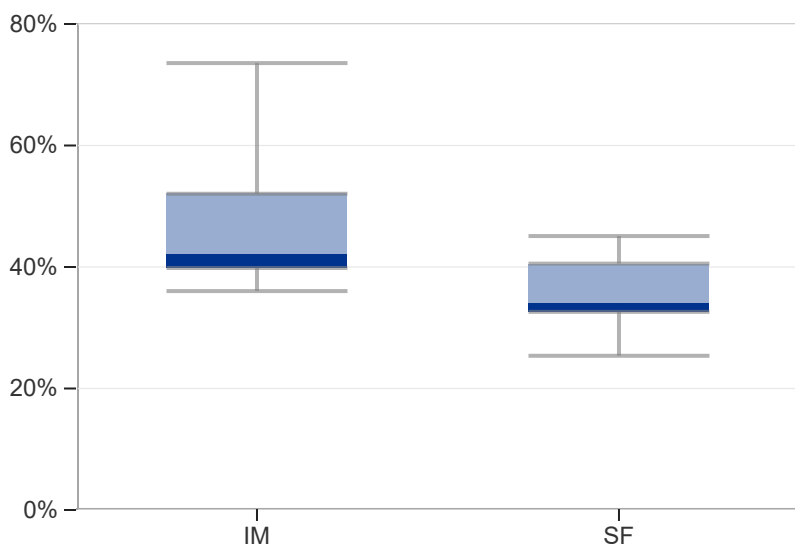
9.3 Diversification amongst market risks as a percentage of total undiversified risk (%)



9.4 Diversification between risk modules (%)



9.5 Total diversification (%)



Technical Practices Survey 2025

10. Correlation

1. Hot Topics	2. Balance Sheet	3. Standard Formula	4. Market Risk (excl. Credit)	5. Credit Risk
6. Life Underwriting	7. Capital Management	8. Operational Risk	9. Aggregation	10. Correlation

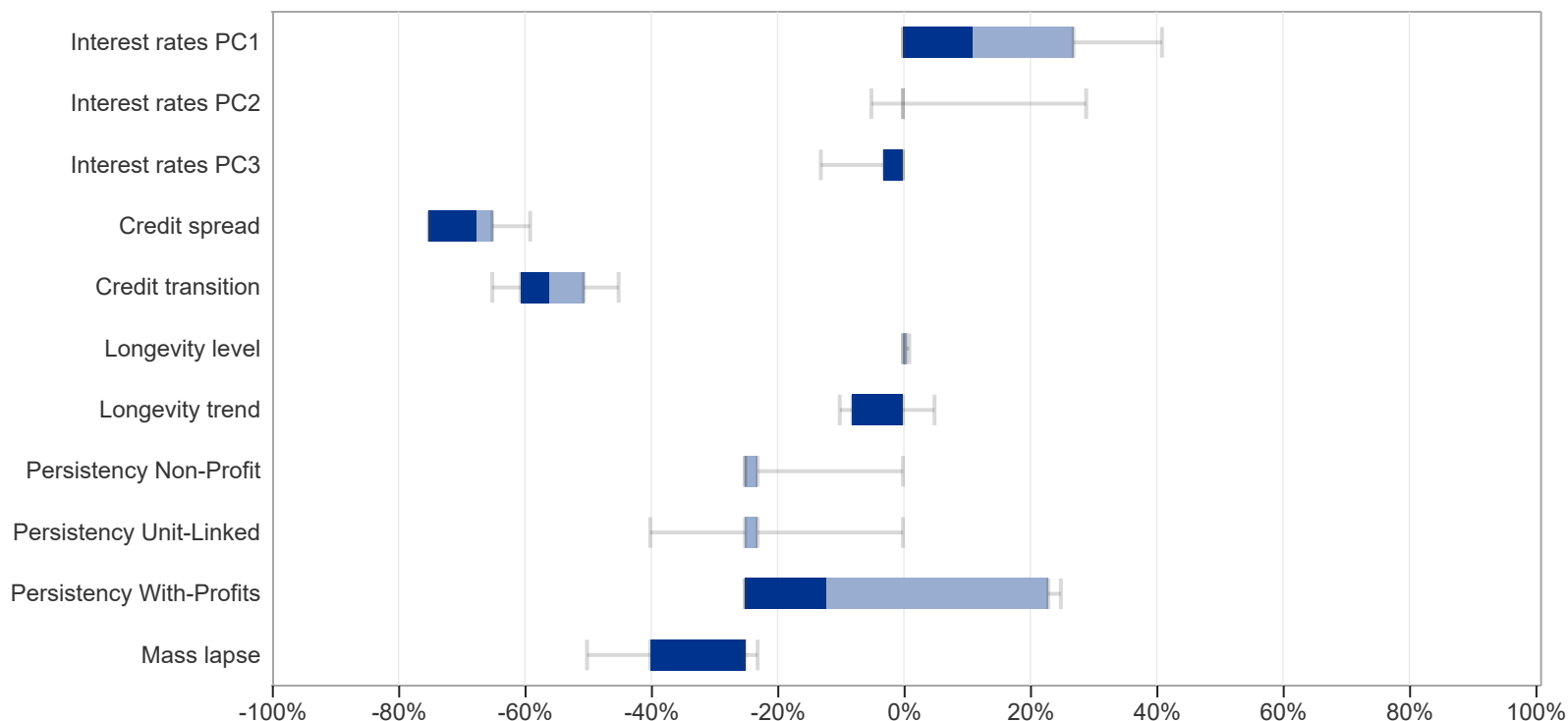
IM Correlation Parameters

Correlation matrices were provided by seven internal model firms. In order to facilitate better comparability for the correlation pairs, the data submitted has been amended where required to appropriately align sign conventions amongst respondents. Not all respondents complete a full correlation matrix, so there are some correlation pairs with fewer data points than others.

The chart below shows the correlations between equity risk and other risk types. Overall, there have been minimal changes to the correlations from year-to-year. However, one firm reduced the correlation between equity and interest rate risk (PC1) by c.15%, and other firm increased the correlation (in absolute terms) for equity and credit spread risk by c.20%.

For the first time, the correlation matrices include a more granular breakdown for interest rate risk (PC1, PC2 and PC2) and for persistency risk by product group (non-profit, unit-linked and with-profits). As a result, a year-on-year comparison is not possible for these risk types.

Equity Risk - Correlation Parameters (in %)



Technical Practices Survey 2025

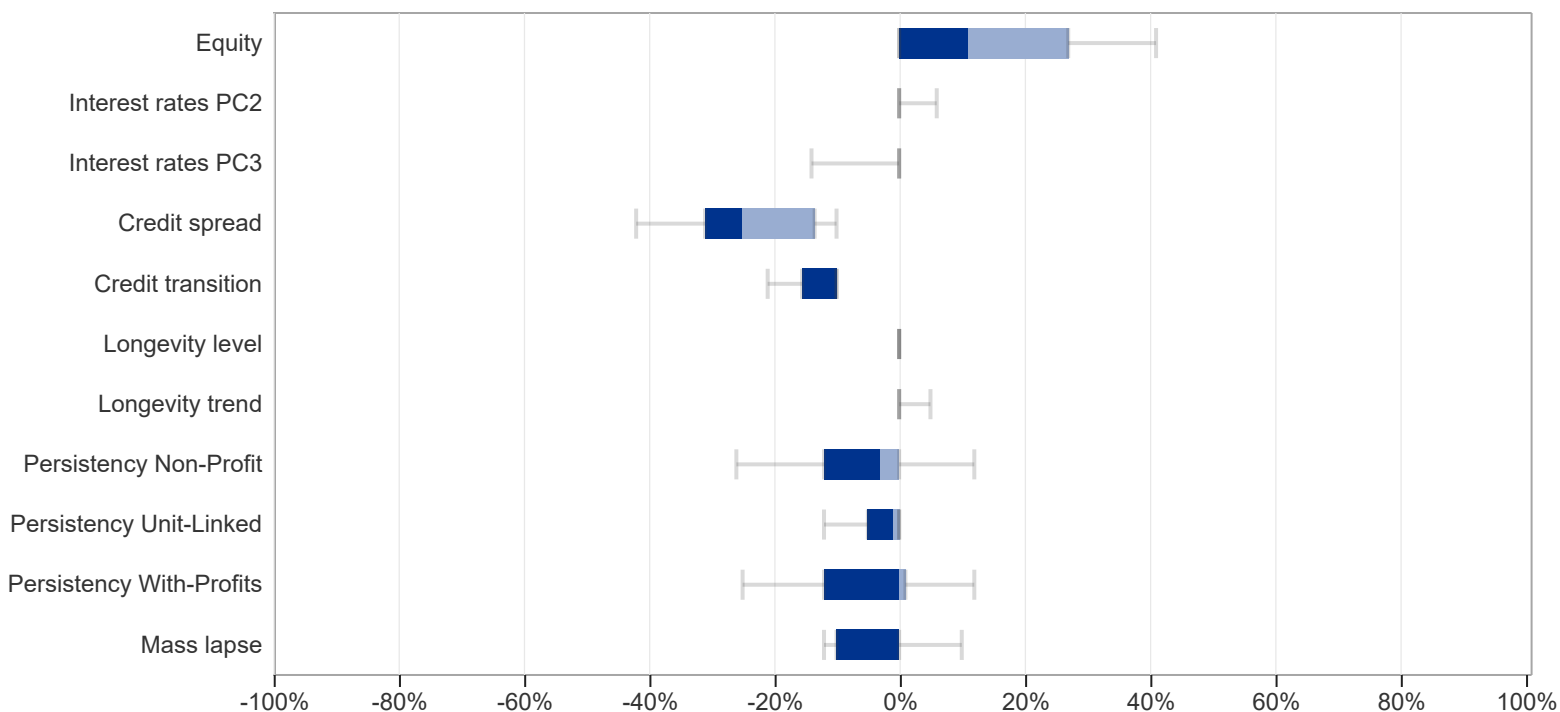
10. Correlation

1. Hot Topics	2. Balance Sheet	3. Standard Formula	4. Market Risk (excl. Credit)	5. Credit Risk
6. Life Underwriting	7. Capital Management	8. Operational Risk	9. Aggregation	10. Correlation

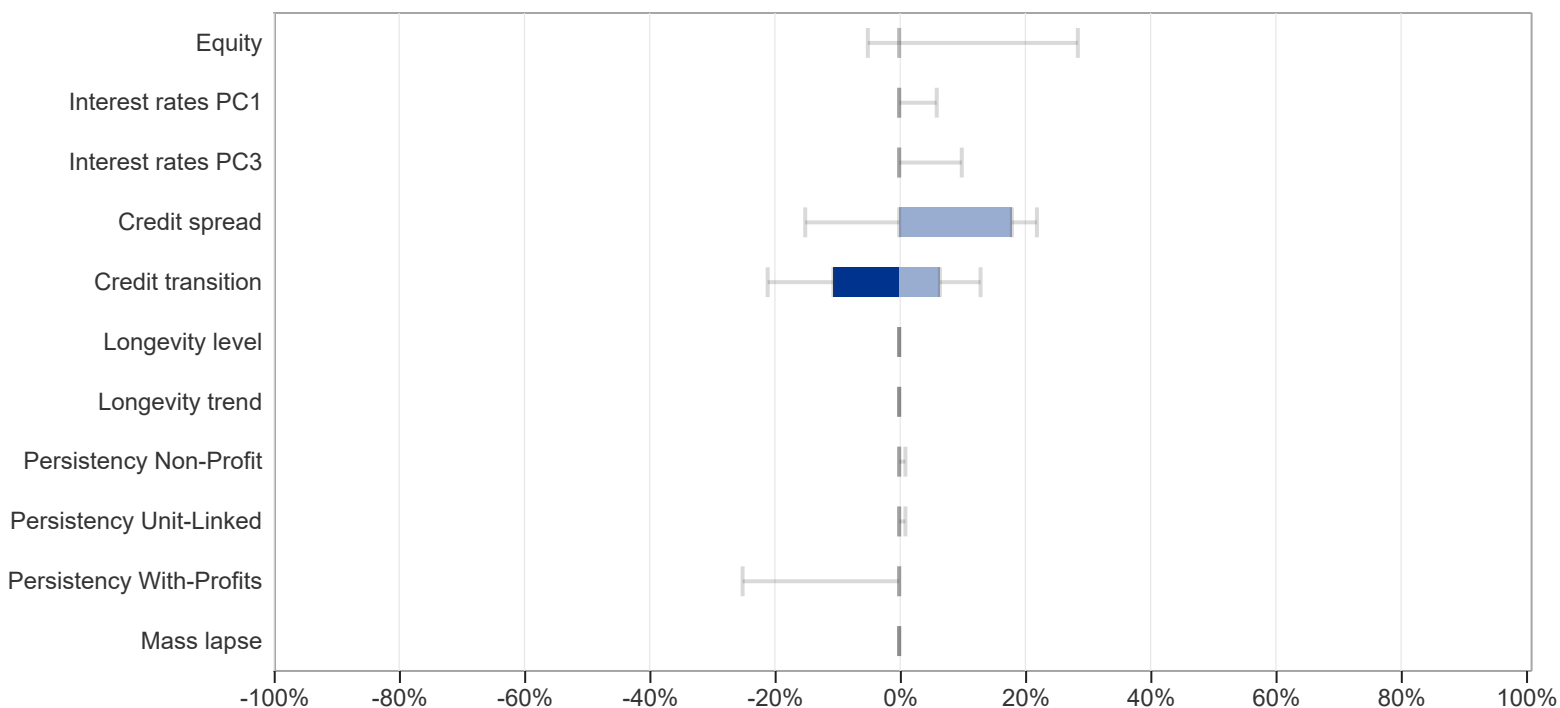
IM Correlation Parameters

The charts below shows the correlations between interest rate PC1 risk and interest rate PC2 risks with other risk types, respectively. Overall, there have been minimal changes to the correlations from year-to-year. However, two firms reduced the correlation (in absolute terms) for interest rate PC1 risk and credit spread risk by c.15-20%. The interest rates PC2 risk has been included in the correlation matrices for the first time, so a year-on-year comparison is not possible. However, we observe that there is a narrow distribution of responses for risk type.

Interest Rates (PC1) - Correlation Parameters (in %)



Interest Rates (PC2) - Correlation Parameters (in %)



Technical Practices Survey 2025

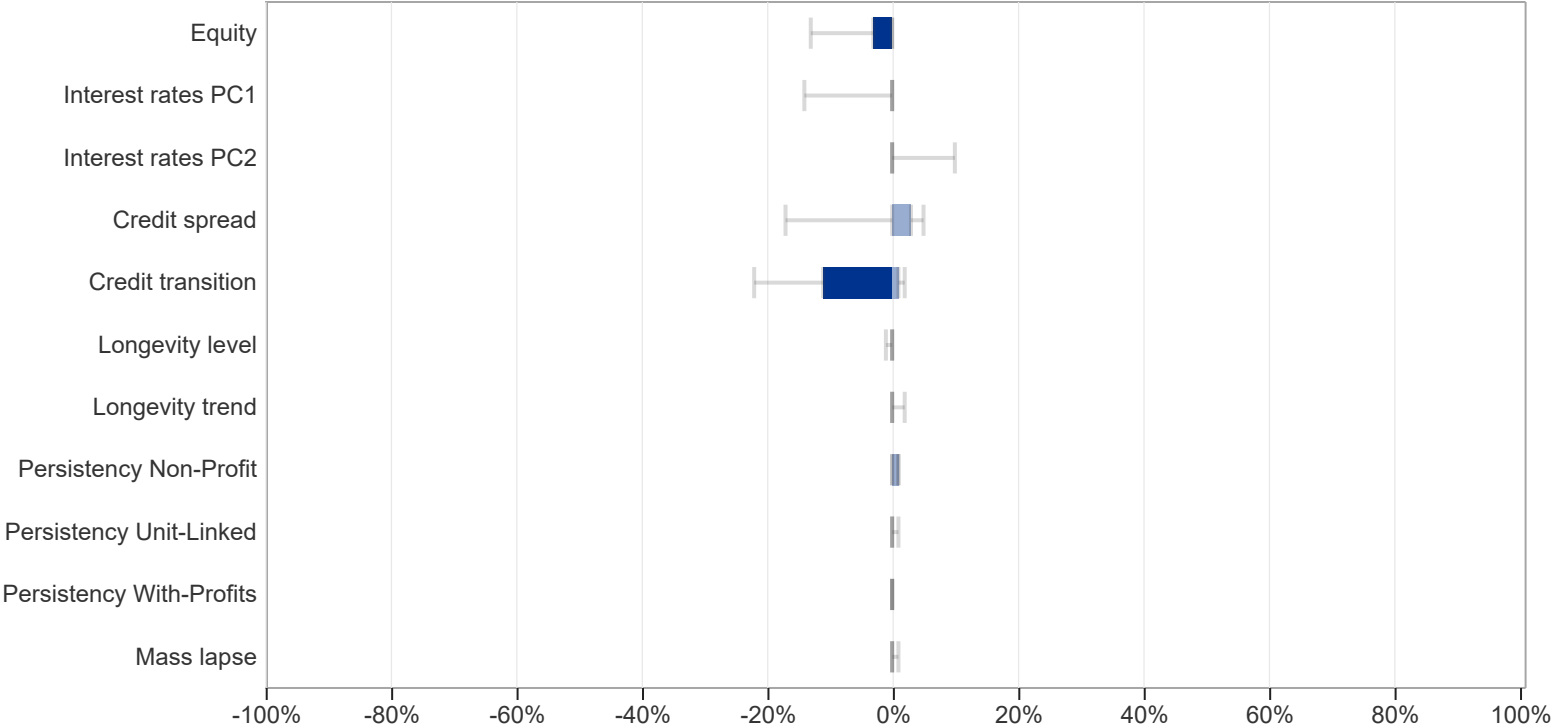
10. Correlation

1. Hot Topics	2. Balance Sheet	3. Standard Formula	4. Market Risk (excl. Credit)	5. Credit Risk
6. Life Underwriting	7. Capital Management	8. Operational Risk	9. Aggregation	10. Correlation

IM Correlation Parameters

The chart below shows the correlations between interest rate PC3 risk and other risk types. The interest rates PC3 risk has been included in the correlation matrices for the first time, so a year-on-year comparison is not possible. However, we observe that there is a narrow distribution of responses for risk type.

Interest Rates (PC3) - Correlation Parameters (in %)



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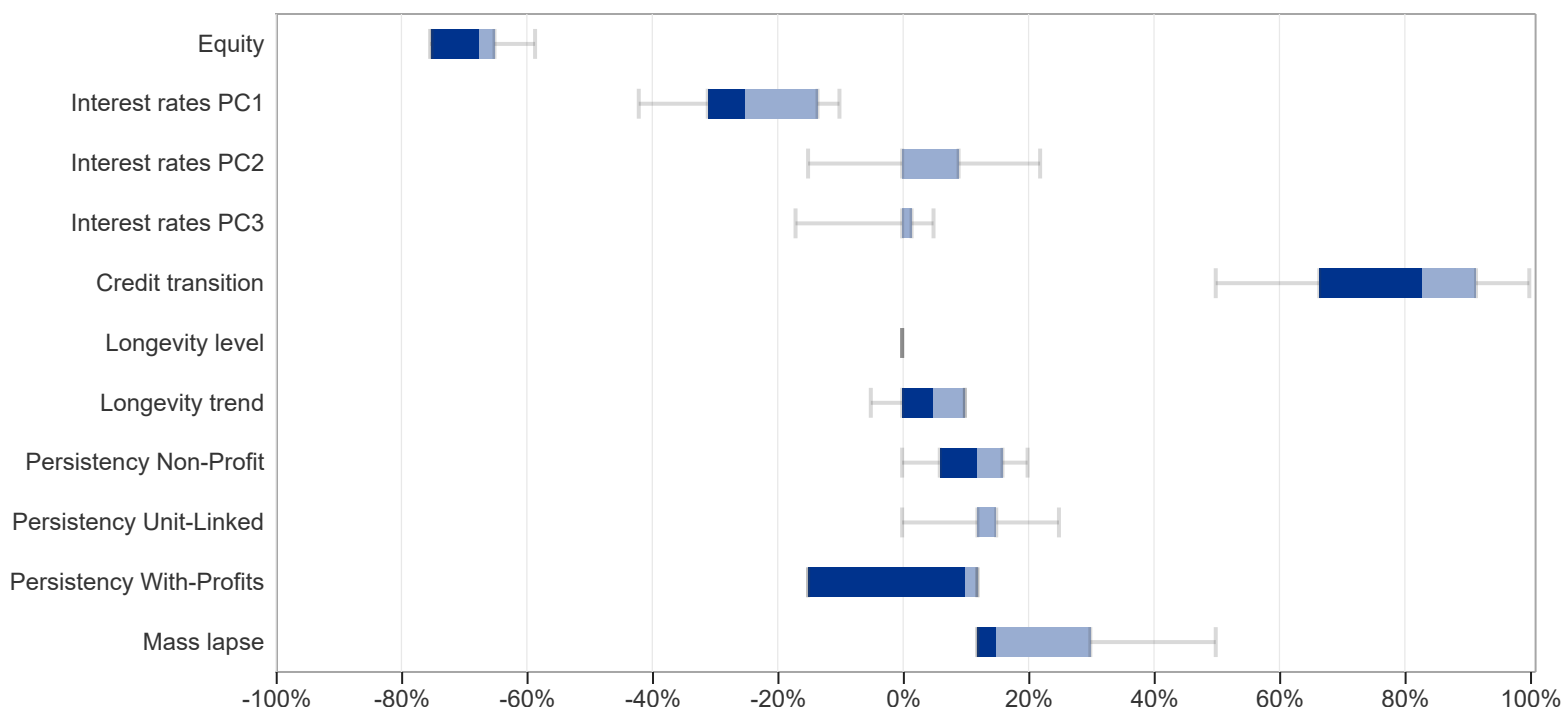
10. Correlation

1. Hot Topics	2. Balance Sheet	3. Standard Formula	4. Market Risk (excl. Credit)	5. Credit Risk
6. Life Underwriting	7. Capital Management	8. Operational Risk	9. Aggregation	10. Correlation

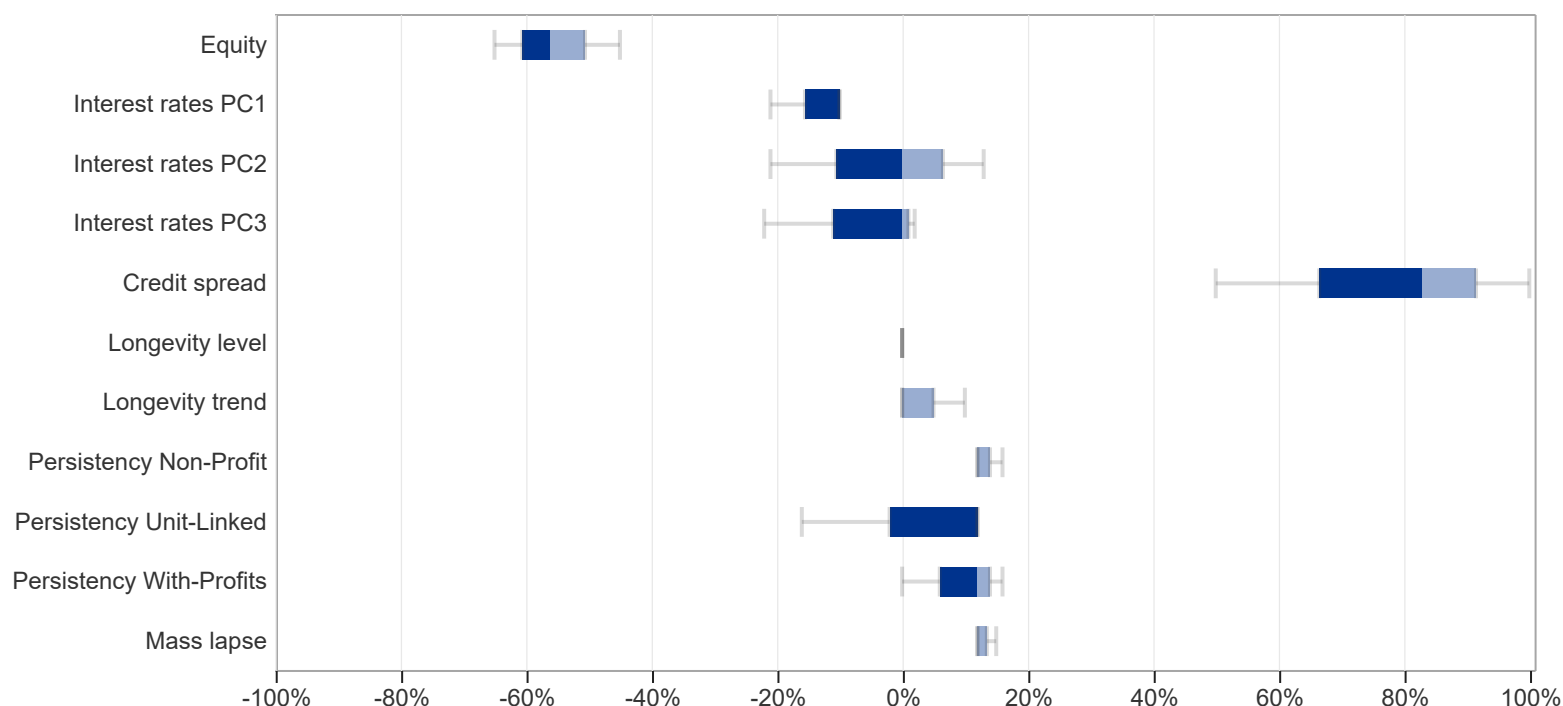
IM Correlation Parameters

The charts below shows the correlations between credit spread and credit transition risks with other risk types, respectively. Overall, there have been minimal changes to the correlations from year-to-year. However, one firm increased the correlation (in absolute terms) for equity and credit spread risk by c.20%, whilst two firms reduced the correlation (in absolute terms) for interest rate PC1 risk and credit spread risk by c.15-20%.

Credit Spread - Correlation Parameters (in %)



Credit Transition - Correlation Parameters (in %)



Technical Practices Survey 2025

10. Correlation

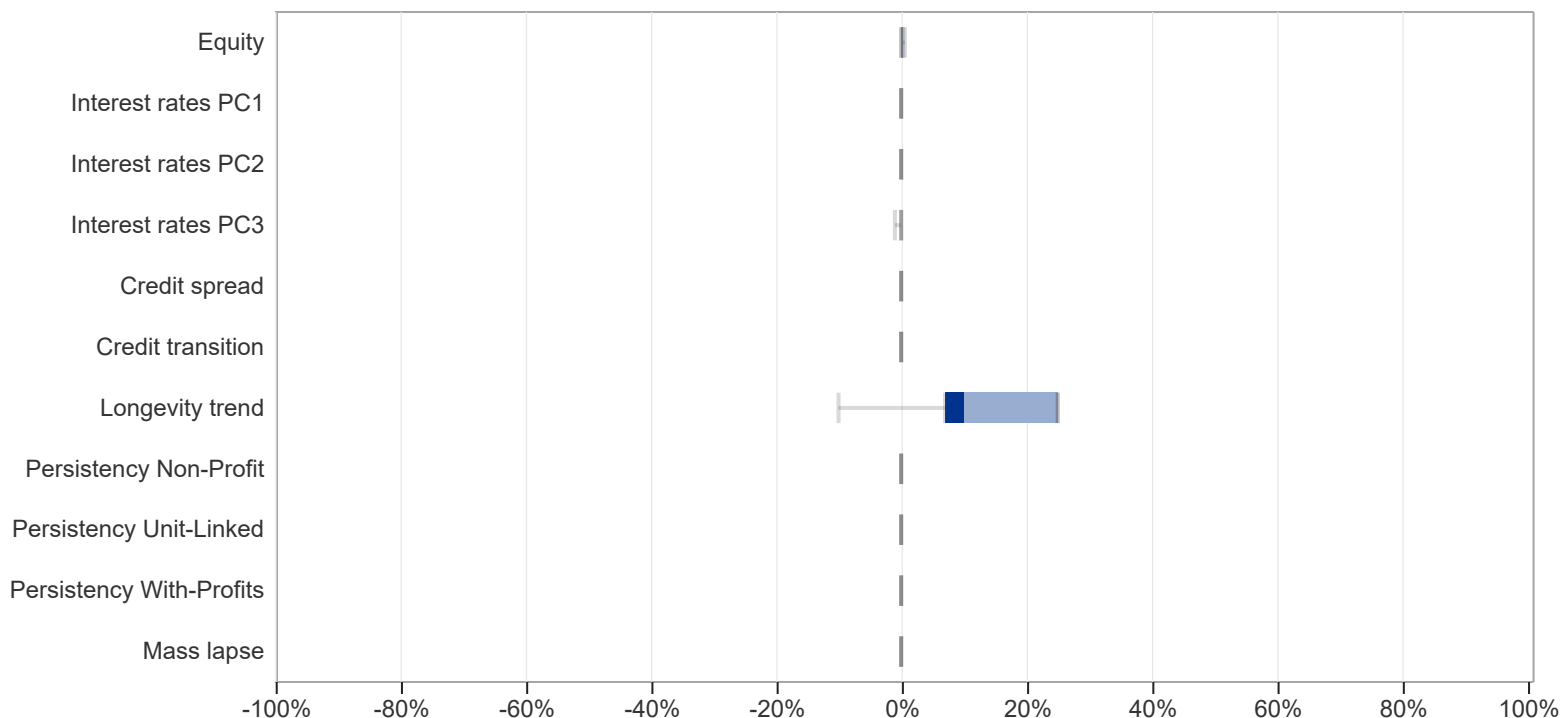
1. Hot Topics	2. Balance Sheet	3. Standard Formula	4. Market Risk (excl. Credit)	5. Credit Risk
6. Life Underwriting	7. Capital Management	8. Operational Risk	9. Aggregation	10. Correlation

IM

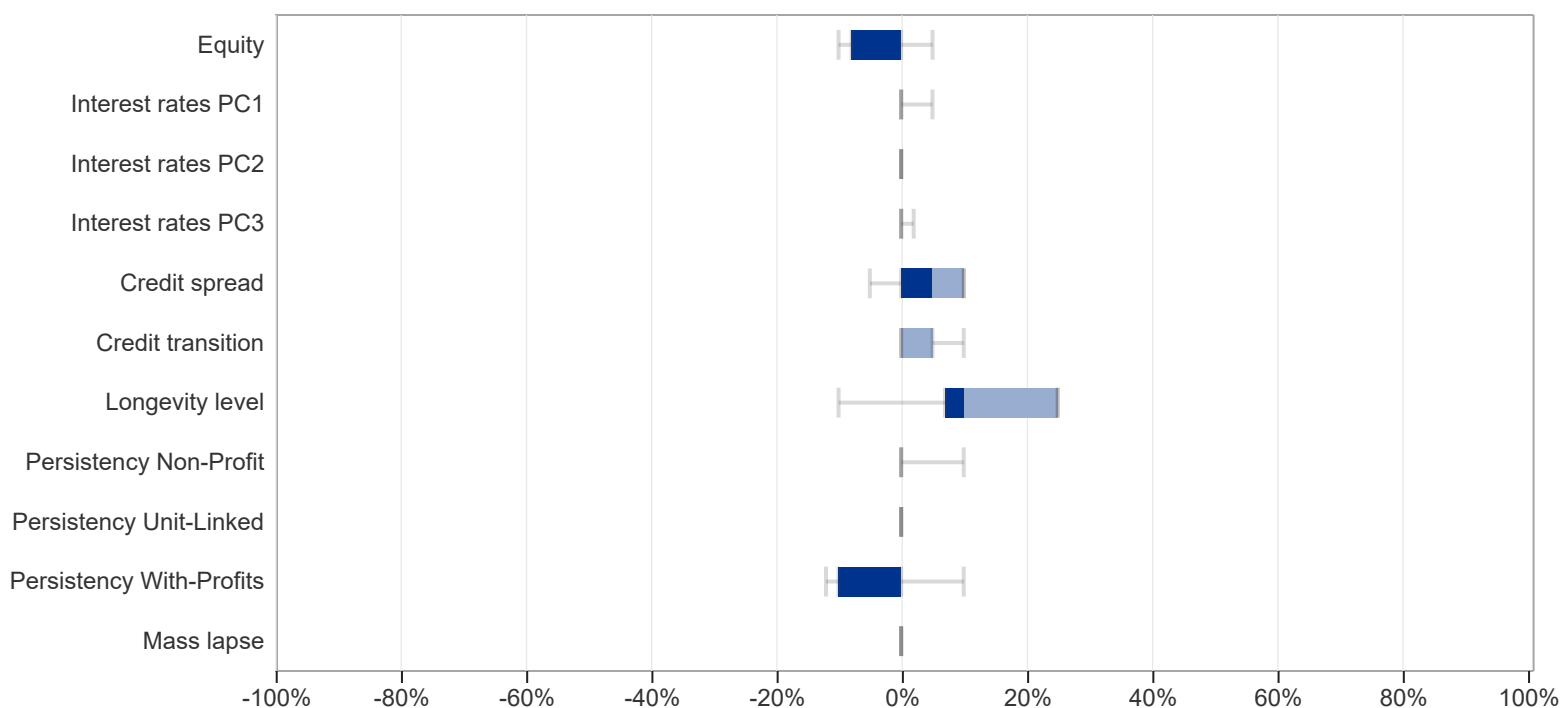
Correlation Parameters

The charts below shows the correlations between longevity level and longevity trend risks with other risk types, respectively. For most respondents, the correlations between these pairs have remained largely stable, with only minor fluctuations observed.

Longevity Level - Correlation Parameters (in %)



Longevity Trend - Correlation Parameters (in %)



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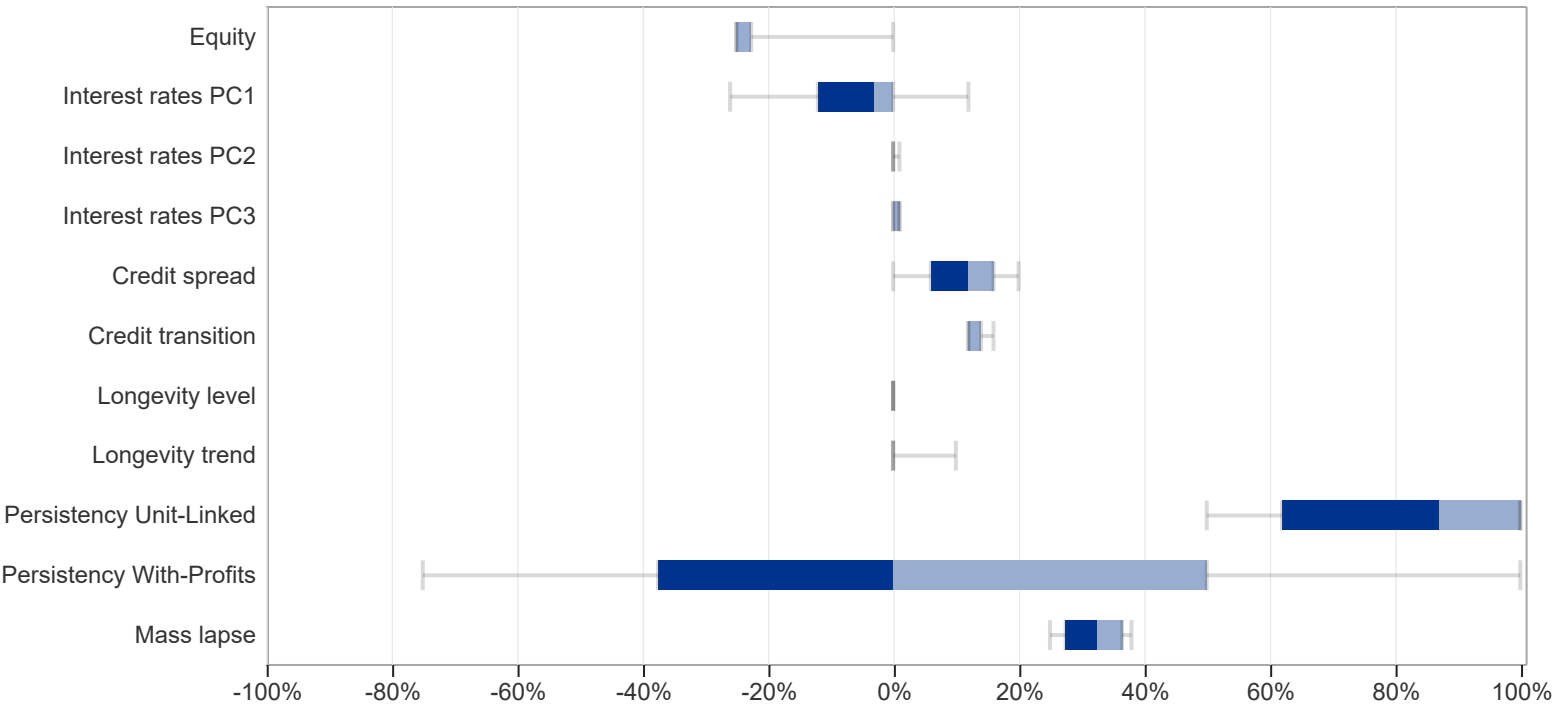
10. Correlation

1. Hot Topics	2. Balance Sheet	3. Standard Formula	4. Market Risk (excl. Credit)	5. Credit Risk
6. Life Underwriting	7. Capital Management	8. Operational Risk	9. Aggregation	10. Correlation

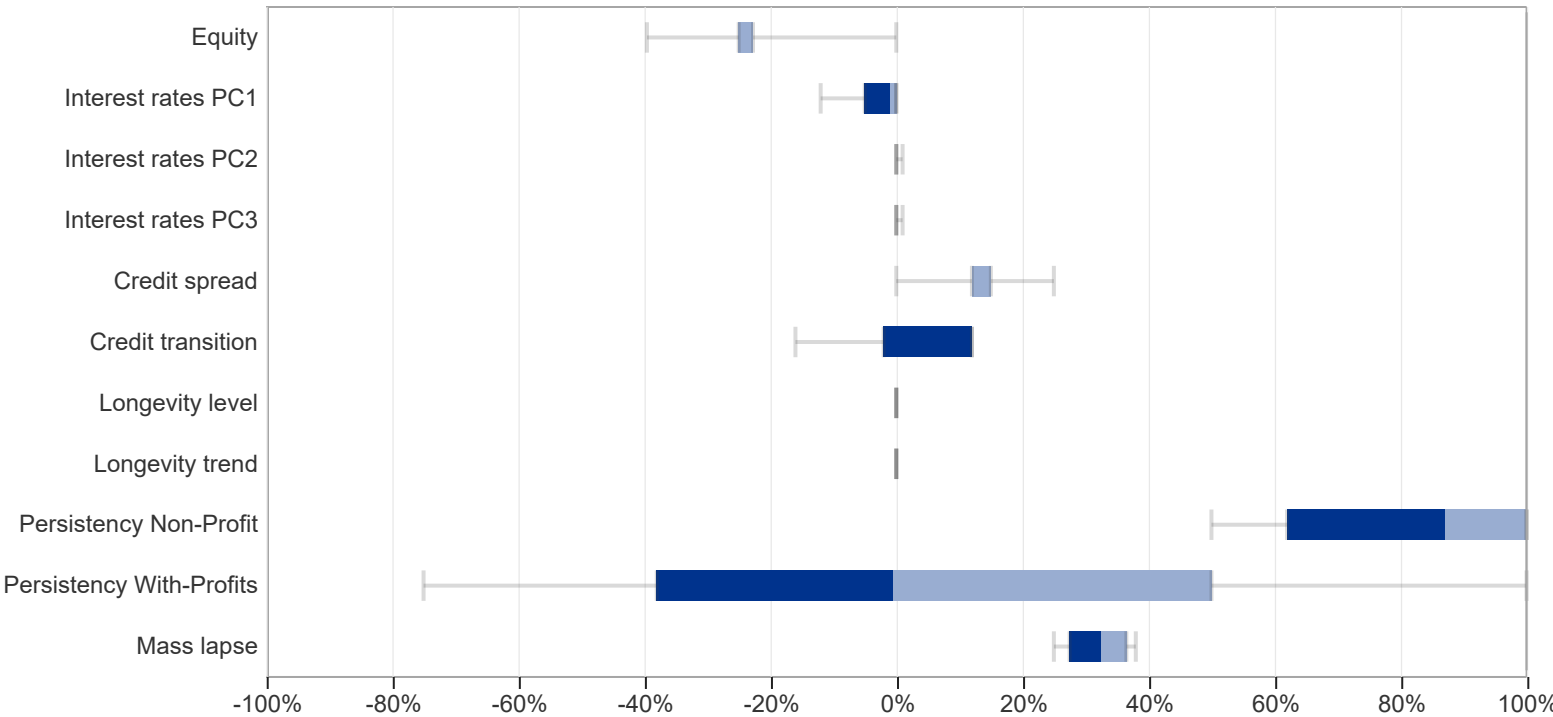
IM Correlation Parameters

The charts below shows the correlations between persistency non-profit and unit-linked product groups with other risk types, respectively. The split of persistency risk by product group has been included in the correlation matrices for the first time, so a year-on-year comparison is not possible. However, we observe that there is a relatively narrow distribution of correlations with the market risks, but a higher correlations with persistency risks with other product groups.

Persistency Non-Profit - Correlation Parameters (in %)



Persistency Unit-Linked - Correlation Parameters (in %)



Technical Practices Survey 2025

10. Correlation

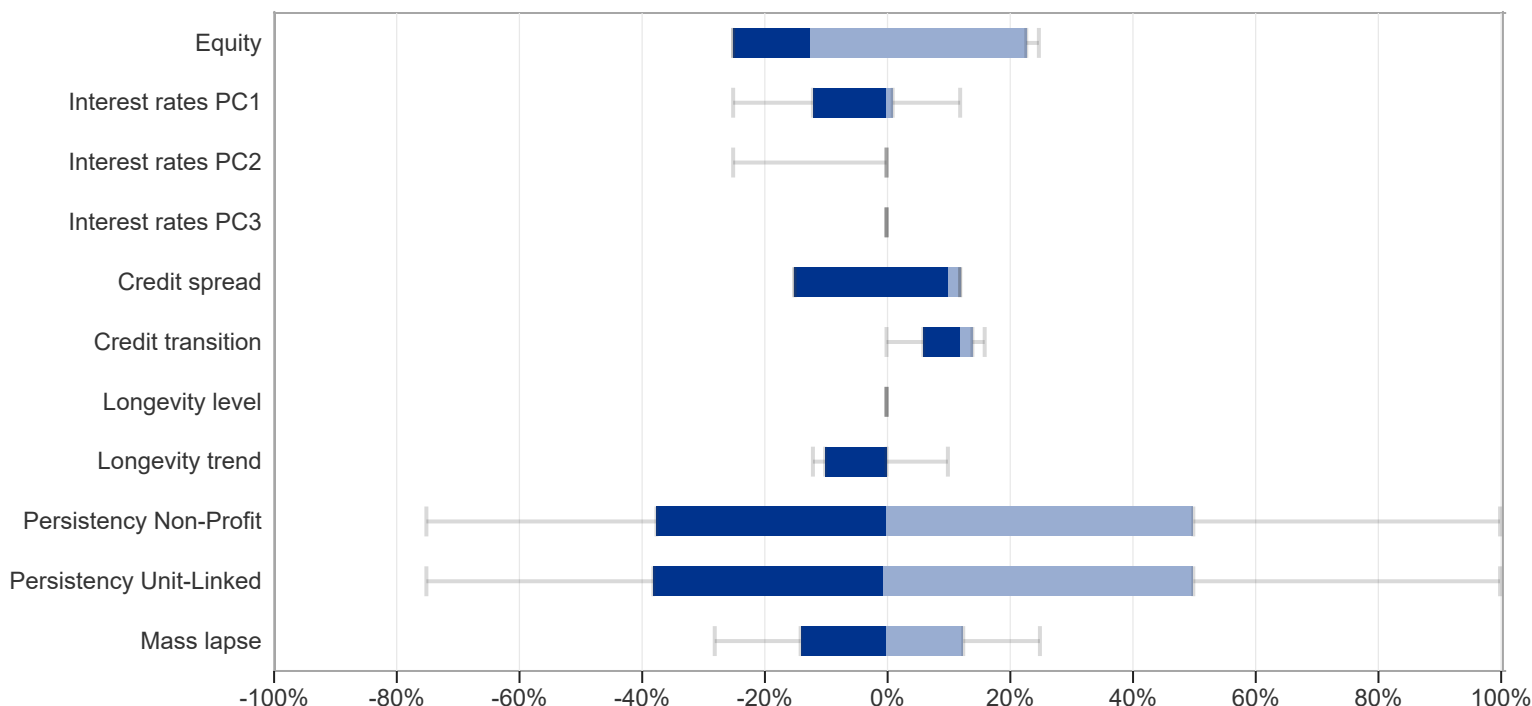
1. Hot Topics	2. Balance Sheet	3. Standard Formula	4. Market Risk (excl. Credit)	5. Credit Risk
6. Life Underwriting	7. Capital Management	8. Operational Risk	9. Aggregation	10. Correlation

IM

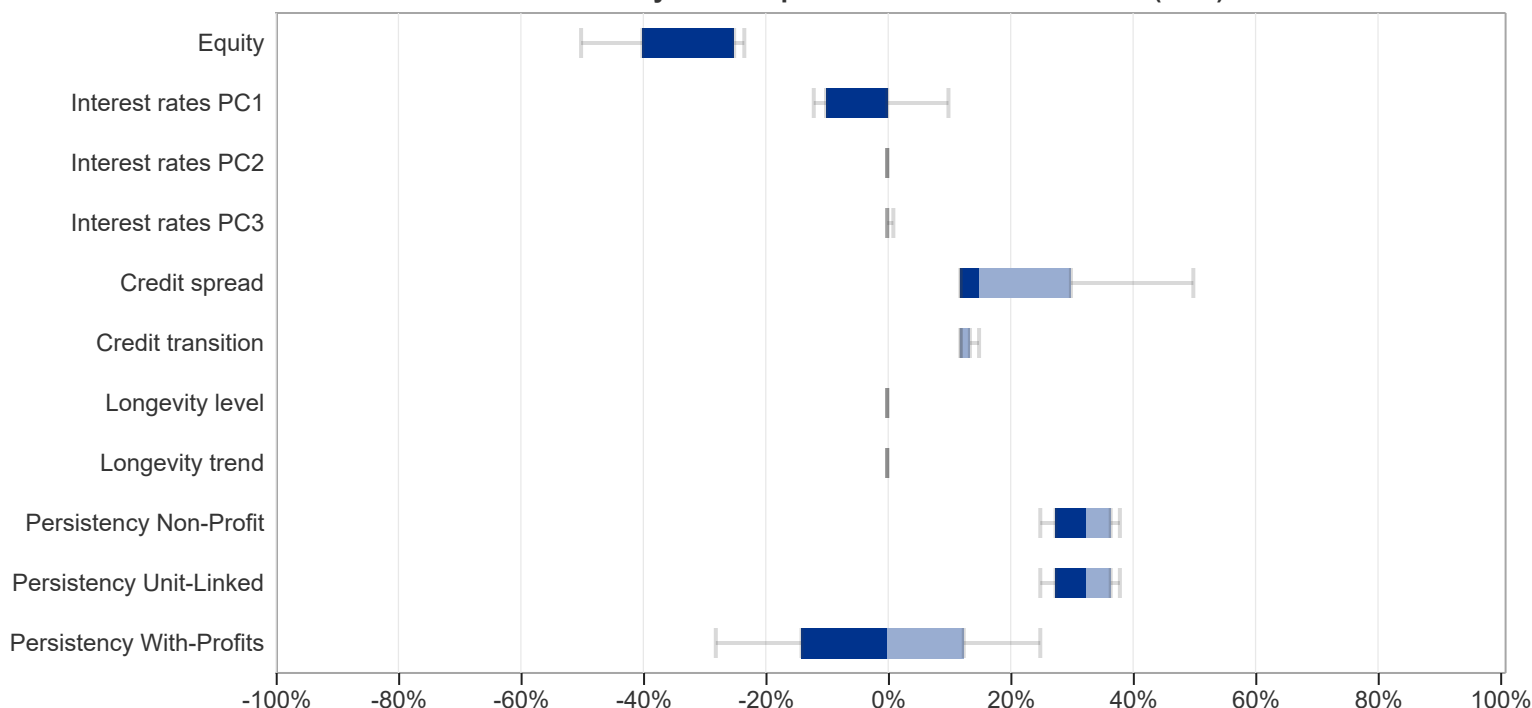
Correlation Parameters

The charts below shows the correlations between persistency with-profits and mass lapse risks with other risk types, respectively. The split of persistency risk by product group has been included in the correlation matrices for the first time, so a year-on-year comparison is not possible. However, we observe that there is a relatively narrow distribution of correlations with the market risks, but a higher correlations with persistency risks with other product groups. Correlations with mass lapse risk have shown only minor changes for most respondents, with no significant movements observed.

Persistency With-Profits - Correlation Parameters (in %)



Persistency Mass Lapse - Correlation Parameters (in %)



Glossary

ALM	Asset and liability management	IBNR	Incurred but not reported	RRP	Recovery and resolution planning
AoC	Analysis of change	IM	Internal model	SCR	Solvency capital requirement
BAU	Business-as-usual	IAMI	Initial addition to improvements	SEA	Solvent exit analysis
BE	Best estimate	LACDT	Loss absorbing capacity of deferred tax	SEEP	Solvent exit execution plan
BEL	Best estimate liabilities	LCR	Liquidity coverage ratio	SEP	Solvent exit planning
BMA	British Medical Association	LPI	Limited price index	SF	Standard formula
BPA	Bulk purchase annuities	LTGM	Long term guarantee measure	SFCR	Solvency and financial condition report
Bps	Basis points	LTRI	Long-term rates of mortality improvement	S_k	Smoothing parameter
CEO	Chief Executive Officer	MA	Matching adjustment	SPIRE	Single platform investment repackaging entity
CFO	Chief Financial Officer	MAIA	Matching adjustment investment accelerator	SST	Stress and scenario testing
CMBS	Commercial mortgage-backed securities	MAP	Matching adjustment portfolio	SUK	Solvency UK
CMI	Continuous mortality investigation	MAuS	Matching adjustment under stress	T&D	Transition and default
CoC	Cost of capital	MCR	Minimum capital requirement	TMTP	Transitional measure on technical provisions
CPI	Consumer price index	MLA	Model limitation adjustments	TP	Technical provisions
CQS	Credit quality steps	MV	Market value	UW	Underwriting
CREL	Commercial real estate lending	Non-MAP	Non-matching adjustment portfolio	VA	Volatility adjustment
CRO	Chief Risk Officer	OF	Own Funds	WP	With-profits
DB	Defined benefits	ORSA	Own risk and solvency assessment	ZCB	Zero coupon bond
DMT	Discounted mean time	PCA	Principal component analysis		
DTA	Deferred tax assets	PIM	Partial internal model		
EB	Existing business	PRA	Prudential Regulation Authority		
EBR	Equity backing ratio	RFR	Risk free rate		
ECAI	External credit assessment institutions	RM	Risk margin		
EoL	Expectation of life	RPI	Retail price index		
ERM	Equity release mortgages				
EVT	Effective value test				
FS	Fundamental spread				
FX	Foreign exchange				

We sincerely thank all the respondents who took time out of their busy schedules to participate, and we would like to express our appreciation once again. The differences in the profile of the 18 participants showcases the usefulness of the benchmarking and set out an excellent indication of the UK life industry's approach to Solvency II.

The survey requires a large investment of resources on our part, in particular the analysis and interpretation of the data. I would like to extend a very special thank you to all my colleagues for their hard work in carrying out the survey and compiling this report whilst at the same time carrying out their client service responsibilities. I would like to extend particular thanks to Amy Rooke, Grace Roberts, Nandita Rastogi, Deepak Agarwal, Lakhan Pal Mongia and Ben Purkis for their hard work in managing and producing the survey.



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**We value your contribution and hope that you find the report useful and interesting.
We would like to extend a very special thank you to all those who participated in the survey:**

- Aegon UK
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- Countrywide Assured
- Foresters Life
- Irish Life Assurance
- Just Group
- Lloyds Banking Group
- NFU Mutual
- Pension Insurance Corporation

- Phoenix
- Quilter
- Royal London Mutual
- St. James's Place
- Unum
- Utmost
- Vitality Life
- Wesleyan Assurance
- Zurich Assurance



If you would like more information on any of the results set out in this report including electronic copies of the graphs and results set out within, or if you would like more information or assistance with regard to industry and technical actuarial practices, please contact:

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