

# Bank of England PRA

## PRA Subject Expert Group on Insurance Special Purpose Vehicles (ISPVs)

13<sup>th</sup> December 2023

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Location: Luther Pendragon Offices (on behalf of the London Market Group), MS Teams

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Attendees: Representatives from the PRA, the LMG, ABI, LMA, IUA, LIIBA and the following firms – Artex, Brit, Clifford Chance, Gallagher Re, GC Securities, Helios Underwriting, Leadenhall Capital Partners, Lloyd's, Luther Pendragon, Mayer Brown, Nascent Group, PwC, Swiss Re, Wilkie Farr

### Agenda

- Item 1: Introduction of delegates
- Item 2: The role of the Subject expert group
- Item 3: Funding requirements of ISPVs
- Item 4: ISPV authorisation process improvements
- Item 5: Expectations of UK cedents using ILS

## **Summary of meeting**

The Group discussed various potential changes to the ISPV regime including how the regime compared to other jurisdictions.

- The following potential changes were discussed
  - Narrowing the UK ISPV regime to permit the writing of only GI risks
  - Clarifying how limited recourse clauses can support the requirement to be fully funded
  - Introducing ILS-specific expectations on UK insurers ceding to ISPVs, irrespective of the jurisdiction of the ISPV
  - Introducing the concept of grace periods within the regime at the beginning of a new transaction or renewal
  - Giving additional flexibility to ISPVs to allow a single ISPV or cell of a PCC to write more than one contract, where the purpose of the additional contracts is clearly connected (for instance for renewals or tranching)
  - Clarifying how the Aggregate Maximum Risk Exposure (AMRE) may vary through a contract, for instance increasing in line with investment returns, in expectation this may support longer-term arrangements
  - Allowing the limited use of Letters of Credit as part of the funding of an ISPV
  - Removing complexity and costs within the authorisation process
  
- The SEG felt that it would be useful to clarify the distinction between GI and Life; making it absolutely clear what would be allowed and what would not
- The SEG felt that no one change was sufficient in itself to move the dial on the UK regime, but the changes would need to be enacted as a package.
- The SEG did not identify any other major changes outside of the ones discussed at the meeting. However, it did clarify that while making structural changes to the reform was important and essential, improving process issues such as around authorisation was also key to making the regime more useful.
- The SEG added that notwithstanding the regime changes, there were external factors which also contributed to participants choice of regime; hence there was a greater barrier to overcome, which was likely to take more time.