



BANK OF ENGLAND
PRUDENTIAL REGULATION
AUTHORITY

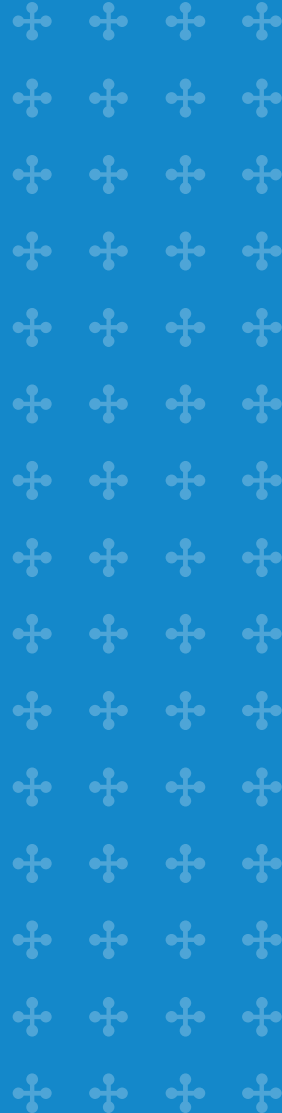


Structural forces affecting the UK insurance industry over the coming decade

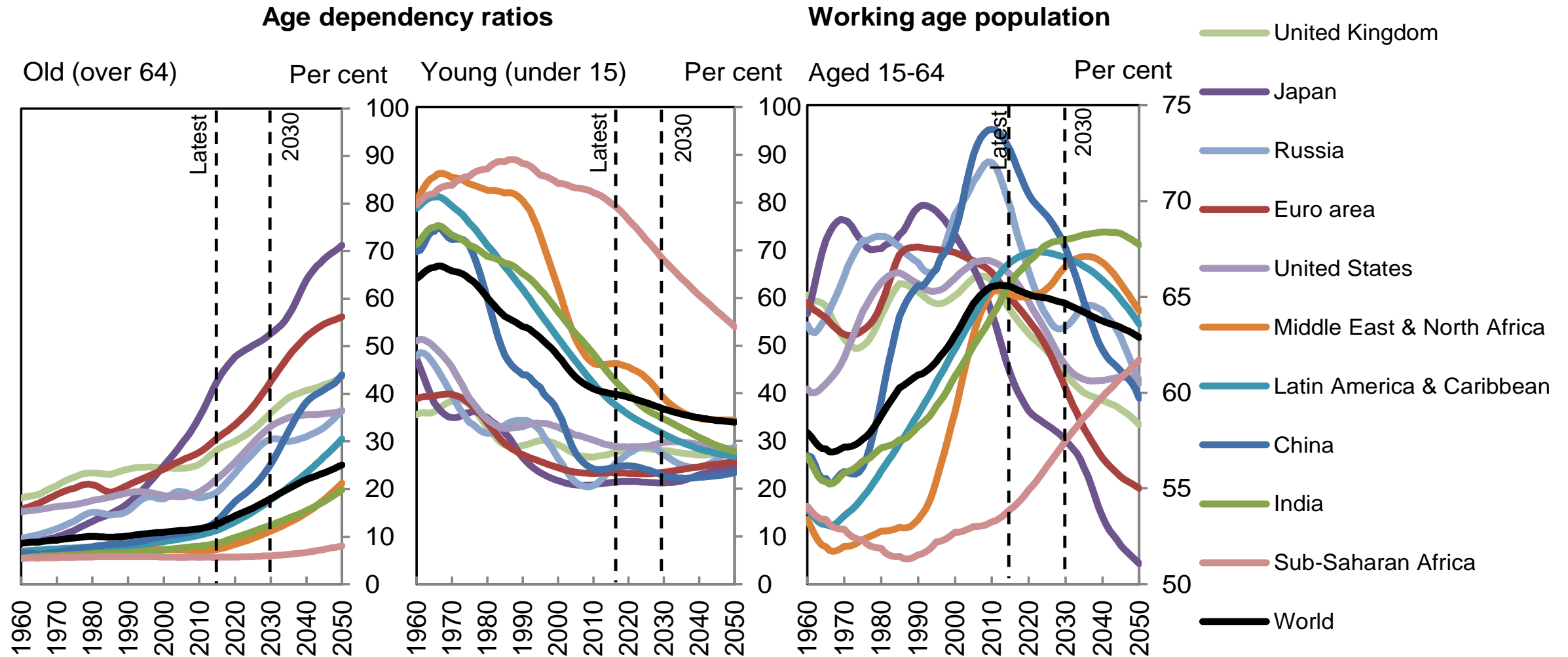
AFM Annual Conference | Milton Keynes

14 October 2019

Lewis Webber | Insurance Supervision | Bank of England



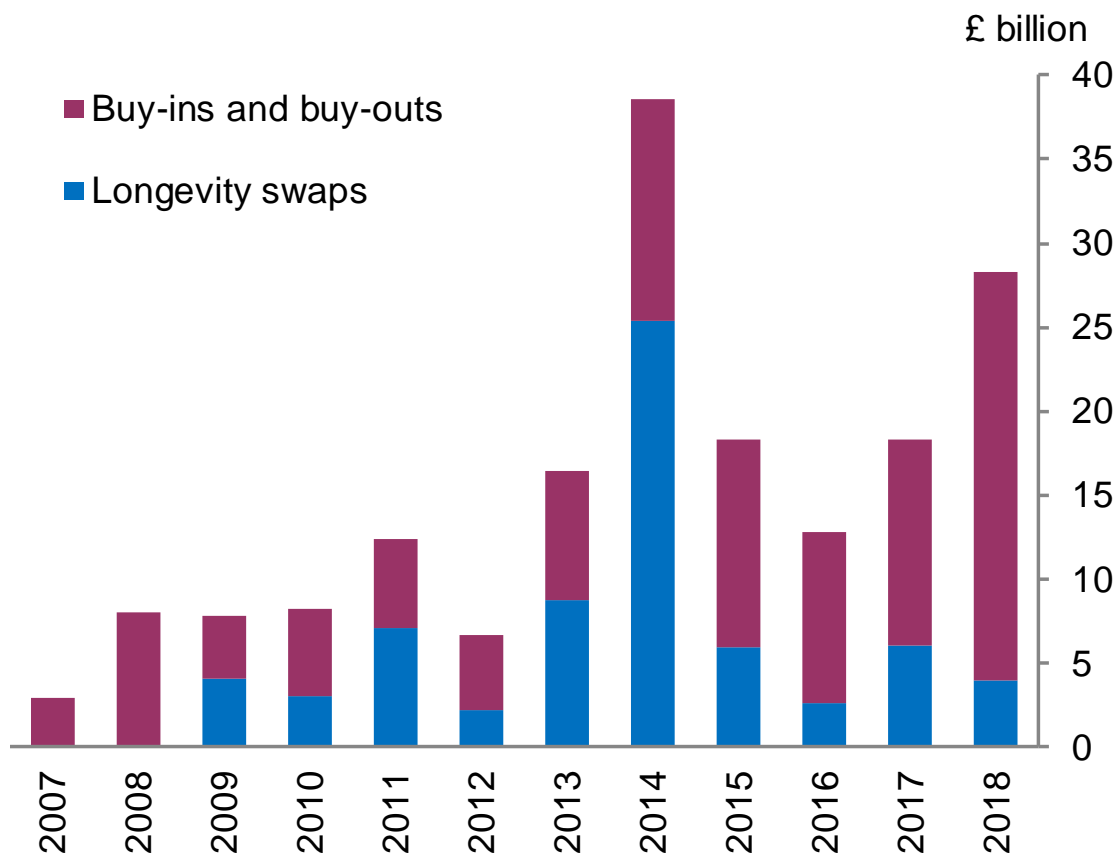
Age-related changes to the population in selected countries, 1960-2050^(a)



Source: World Bank.

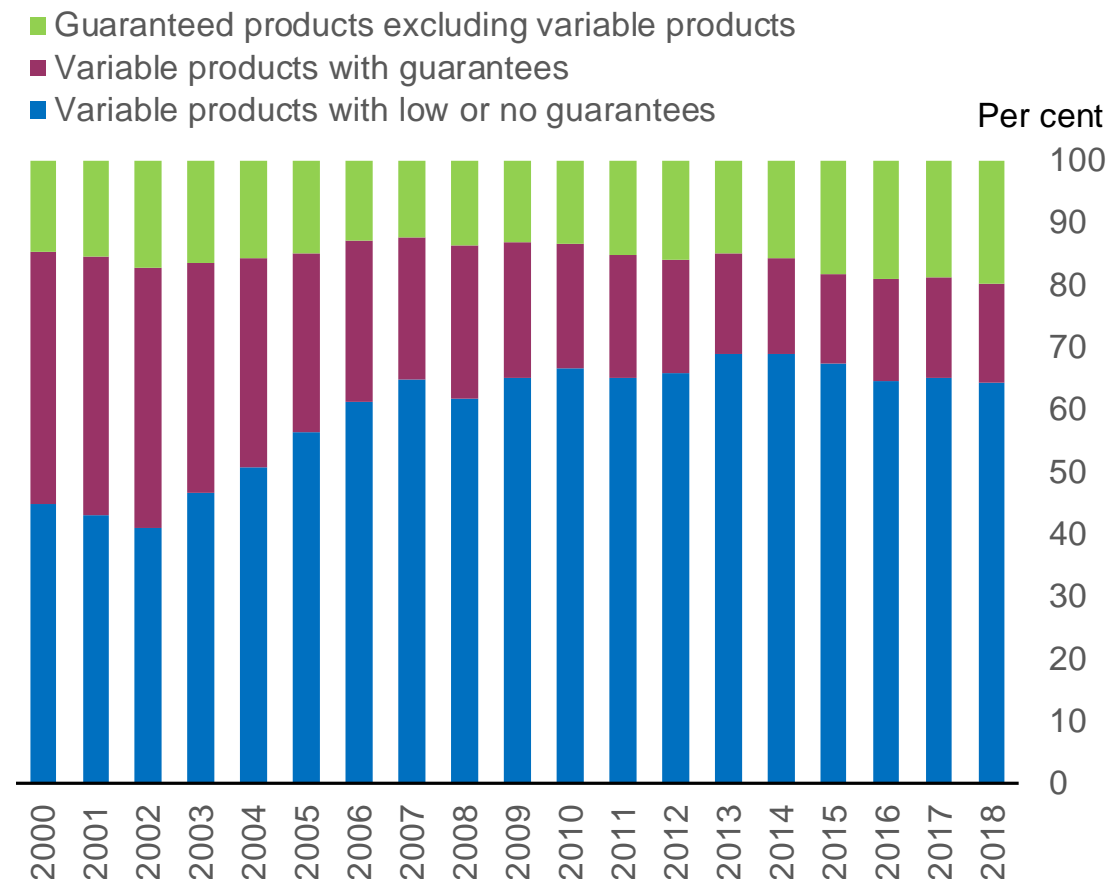
(a) Age dependency ratios are expressed relative to the working population aged 15-64. Working age population is expressed relative to the total population

DB scheme risk transfer deals^(a)



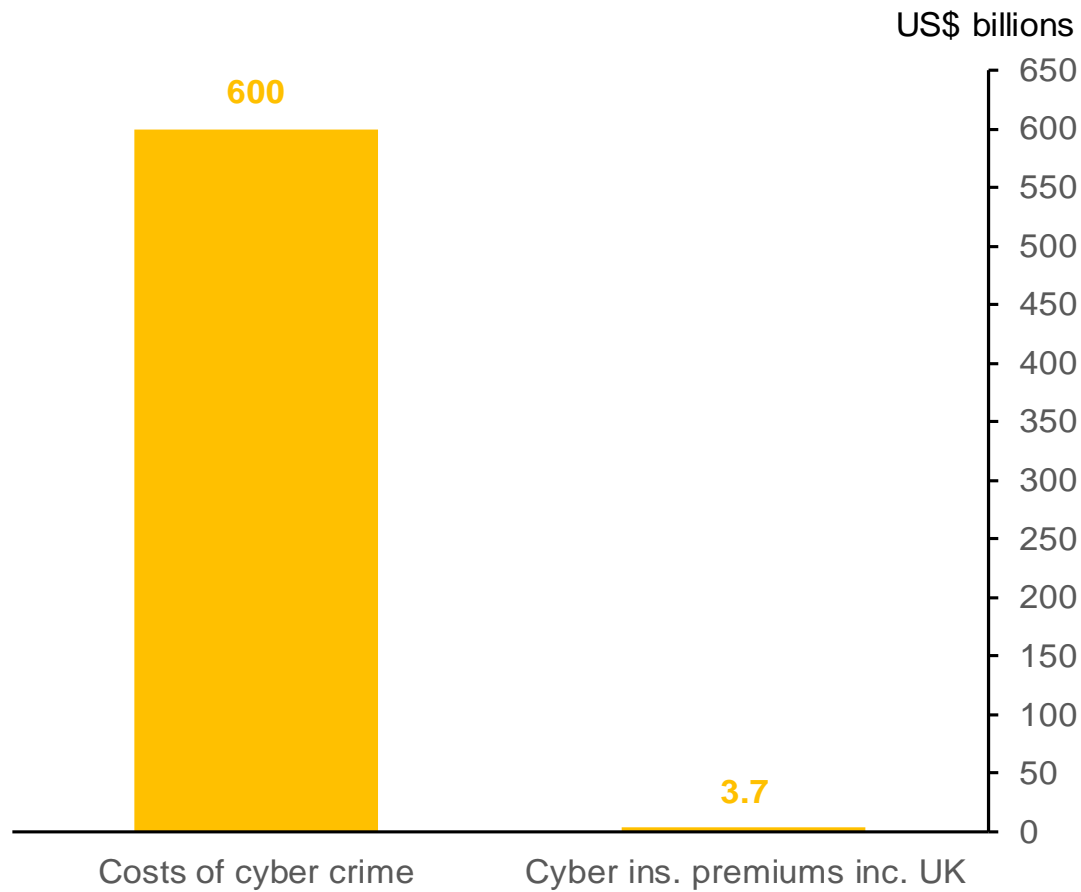
Sources: Hymans Robertson and Pension Protection Fund.
 (a) 'Buy-in' is when a pension fund retains the assets and liabilities in a scheme, but purchases insurance from an insurance company to protect against deviations in payments to policyholders. 'Buy-out' is when some/all of the assets and liabilities of a pension scheme are transferred to an insurer.

UK life firms' technical provisions^(a)



Sources: Bank of England and Bank calculations.
 (a) Between 2010-15, data are based on the value of mathematical reserves under Solvency I. Percentages presented from 2016 are based on Solvency II Technical Provisions gross of reinsurance.

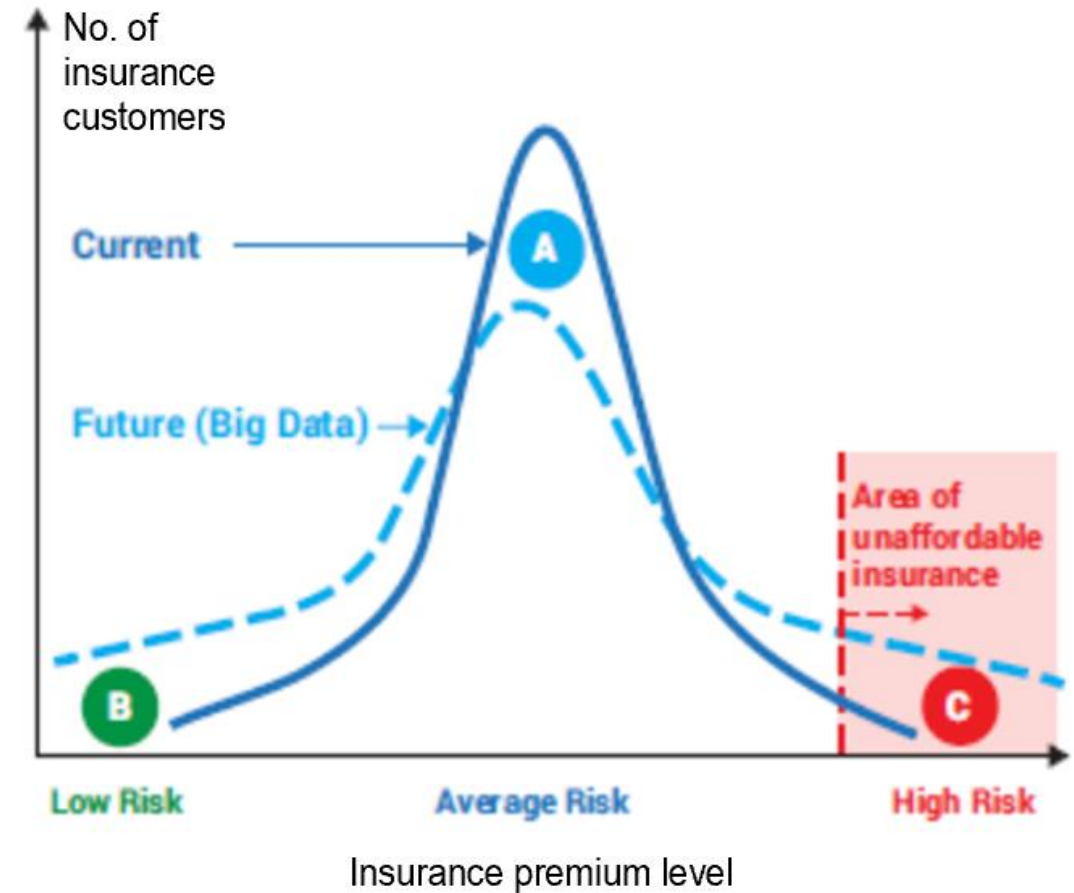
Global cyber statistics^(a)



Source: BCG.

(a) Taken from the van Steenis Future of Finance Review published in June 2019, page 122, Figure 3.

Big data and bespoke pricing



Source: Actuaries Institute of Australia.

Summary

- Big challenges and opportunities, including from demographic change and developments in risk-transfer markets associated with technology and new business models
- Taking appropriate action is, first and foremost, the responsibility of firms' boards and management
 - Supervisory Statement 4/18 – business plans to be consistent with firms' chosen risk appetites and show how earnings will be generated
 - Discussion Paper 1/18 and forthcoming Consultation Paper – operational resilience as achieved through impact tolerances for disruption to key processes
- Future of Finance reports – www.bankofengland.co.uk/research/future-finance