Institute and Faculty of Actuaries

4 June 2025

PRA CP7/25 – Matching Adjustment Investment Accelerator: IFoA Response

The Institute and Faculty of Actuaries (IFoA) is a royal chartered, not-for-profit, professional body. We represent and regulate over 32,000 actuaries worldwide, and oversee their education at all stages of qualification and development throughout their careers.

1. The Institute and Faculty of Actuaries (IFoA) welcomes the opportunity to respond to the PRA's Consultation Paper *CP7/25 Matching Adjustment Investment Accelerator* (MAIA). We very much support the aim of the PRA's proposed MAIA framework, i.e. to help facilitate insurers investing in new opportunities on a timeous basis. We recognise that this objective is consistent with efforts to promote growth in both the insurance sector, and the wider economy.

2. Members of our MA Taskforce and Life Insurance Board reviewed the PRA's proposals within the CP. Members of the Taskforce/ Life Insurance Board work for a range of insurers who use the MA, or for insurance consultancy firms.

3. It is important to note that, as for any IFoA response, we have considered the PRA's MAIA proposals from an independent, public interest perspective. In particular, we see appropriate facilitation of insurer investment in productive assets as being in the wider public interest.

4. Our response to this CP is relatively short, and includes a range of areas where we are seeking clarification on points of detail. We hope the PRA finds our feedback helpful.

5. The MAIA exposure limit includes a £2bn constraint. In our view, this constraint is not risk-based. We would favour an alternative limit, based on a percentage of the MA benefit, which we would consider to be risk-based.

6. We also note that the £2bn constraint could place larger firms at a disadvantage. The £2bn minimum restriction is more likely to be the 'biting' constraint in the MAIA exposure limit for larger firms. Given that larger firms may be more likely to make significant MAIA investment, this £2bn restriction may dampen the benefit of the MAIA framework, by slowing down the rate at which larger firms can make such investments.

7. Still in relation to MAIA exposure limits, it would be helpful to provide clarity on the interaction between assets with highly predictable cashflows and MAIA assets. For example, some assets may be both; in such cases it would be good to clarify how the respective limits (10% of MA benefit, 5% of BEL) interact.

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8. In contrast to our point above on larger firms being at a disadvantage, we note that the proposed MAIA framework may include potential barriers on new entrants. In particular:

   - firms with existing backbooks could invest a high proportion of new business premium into new assets, leading to, for example, a bulk purchase annuity pricing advantage; and
   - firms are required to have an MA track record before applying for MAIA.

9. The restriction on holding MAIA assets in collateral pools on reassured business (implied in paragraph 3.52 of the CP) may be awkward for some firms, depending on their internal arrangements to other MA Portfolios. Some additional clarity would be helpful here, such as whether or not the insurer still retained control of the relevant assets.

10. With respect to Internal Model firms, it would be useful to understand whether the MA benefit in stress can be taken for MAIA assets, and also that the risk of losing MA status is addressed via the MAIA Contingency Plan proposal.

11. The CP makes reference to Funded Reinsurance. Could the PRA confirm whether Funded Reinsurance itself, as a distinct asset class, is eligible for the MAIA?

12. Paragraph 10.8 of the proposed revised SS7/18 sets out a range of asset features which the PRA deems inappropriate for inclusion in the MA Portfolio via an MAIA permission. In our view this introduces a significant degree of judgement into the MAIA eligibility process which may be unhelpful to both firms and the PRA. An alternative approach to the restrictions in this paragraph would be to rely on the firm’s internal processes to determine eligibility, together with appropriate supervisory oversight.

Should you want to discuss any of the points raised please contact me, Technical Policy Manager (steven.graham@actuaries.org.uk) in the first instance.

Yours Sincerely,

Steven Graham
On behalf of Institute and Faculty of Actuaries