



Institute  
and Faculty  
of Actuaries

# IFoA Life Conference

**Getting the right measure:  
Liquidity risk management and reporting**

IFoA Liquidity working party

# Purpose of this session

Liquidity remains an area of focus for the PRA in its 2025 insurance supervisory policies.

In this session, we'll explore three areas:

- A summary of **current liquidity risk management practices**, backed by a survey conducted by the Liquidity Working Party.
- An overview of **PS15/25 reporting requirements**, changes relative to the initial consultation paper and expected market challenges.
- Key interactions between liquidity management metrics and PRA templates, examining consistencies, differences, and **implications for firms**.



**Jon Mitchell**



**Anthony Chow**

# Liquidity risk for Life insurers



Liquidity risk is the risk that a firm is unable to realise investments and other assets to settle financial obligations when they fall due.



Life insurers face **liquidity risks from numerous sources**, across both assets and liabilities.



Recent market stresses have **exposed shortcomings and gaps** in life insurers' liquidity reporting to the PRA [1].

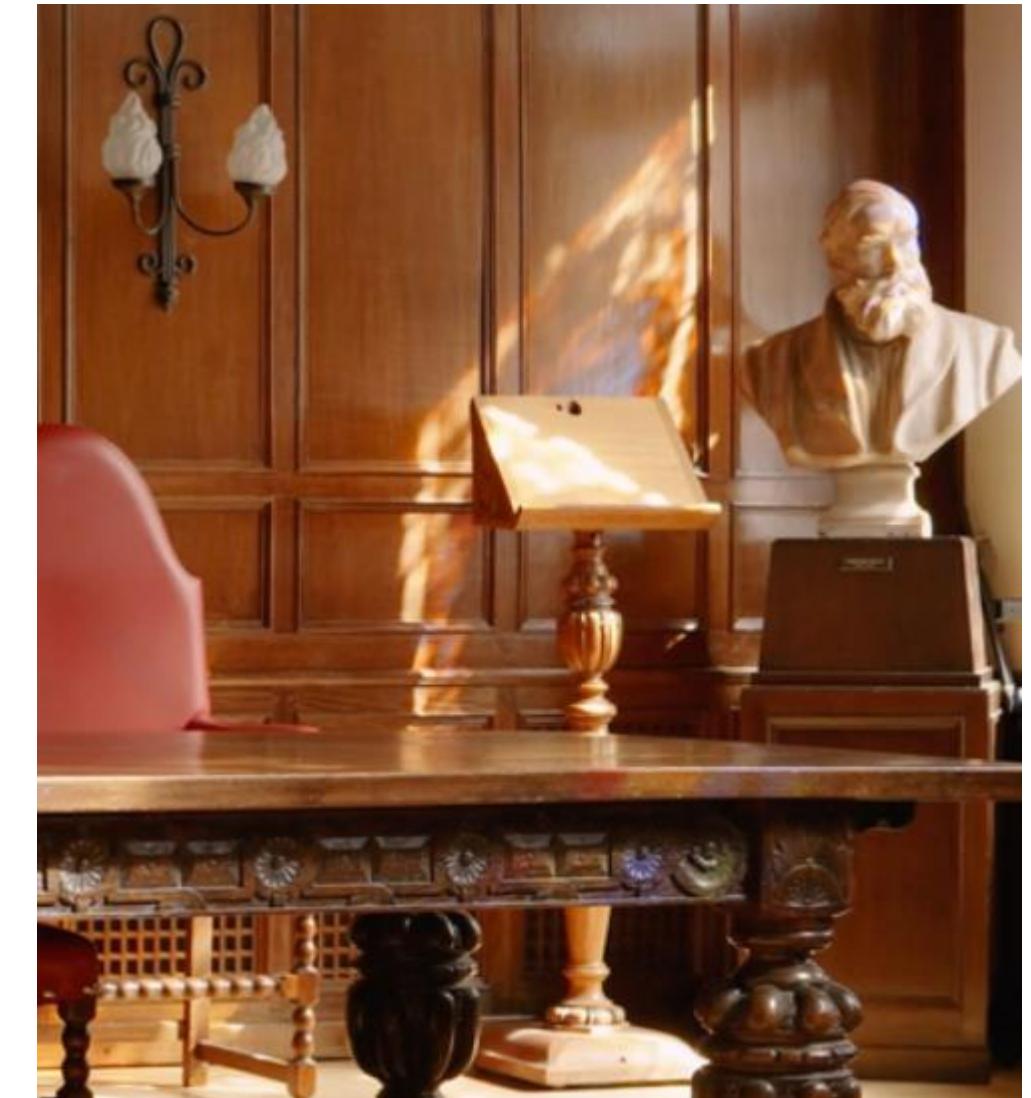


The increased **use of derivatives and financial instruments** by UK life insurers is a source of additional liquidity risk and consideration.

[1] <https://www.bankofengland.co.uk/prudential-regulation/publication/2024/december/closing-liquidity-reporting-gaps-consultation-paper>

# Current regulatory landscape

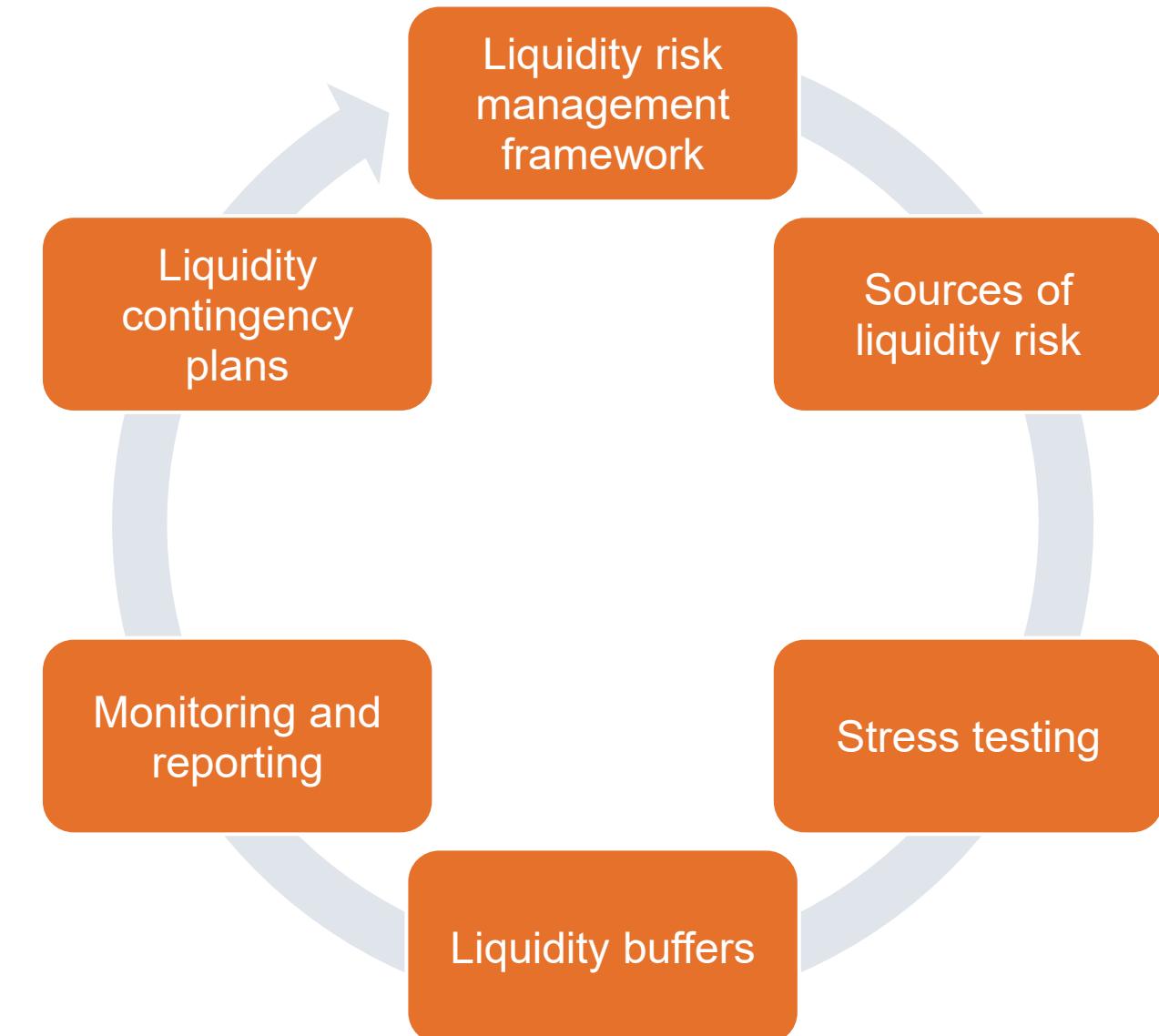
- The PRA will continue to engage with relevant firms on the liquidity reporting requirements set out in 'PS15/25 – Closing liquidity reporting gaps and streamlining Standard Formula reporting'
- The regulator previously set out its expectations for a robust liquidity risk management framework in SS5/19. However, there has been an increase in regulatory focus on firms' approaches to liquidity management of late.
- The PRA has also confirmed [2] that it will follow-up on the thematic review it conducted last year on life insurers' liquidity risk appetites, where it identified approaches that would benefit from further development.



[2] <https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/letter/2025/insurance-supervision-2025-priorities.pdf>

# Liquidity risk management framework

To the right, we set out the key components of the liquidity risk management framework, as set out with SS5/19. [3]



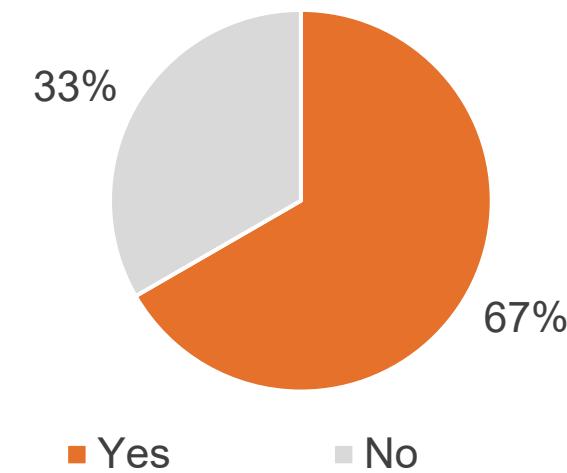
[3] <https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/supervisory-statement/2019/ss519.pdf>

# Liquidity risk management survey

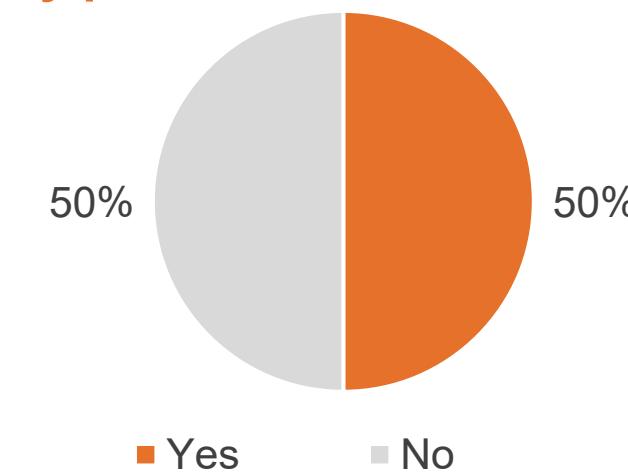
# Hot topics

- **2022 Mini-budget**

**Was your liquidity position adversely impacted by mini-budget?**



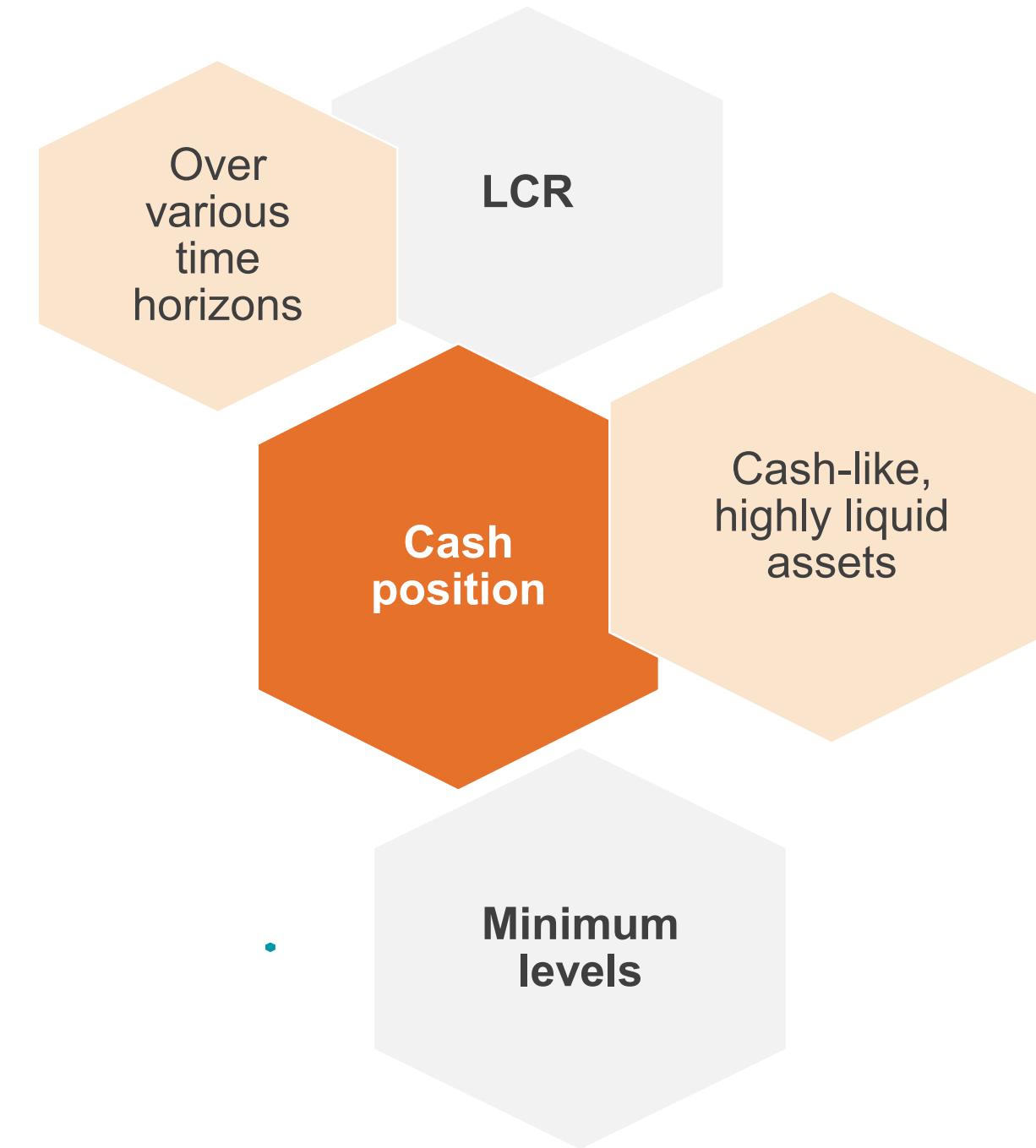
**Did you activate any of your contingency plans?**



- **Sources of risk:** Asset-side risks stood out as the most common source of liquidity risk. 5 out of 6 cited collateral posting as the main liquidity risk impacting their Matching Adjustment portfolios.
- **Regulatory focus:** Firms generally agreed that the PRA's focus on liquidity management is well founded but 5 out of 6 firms expressed concerns over the proposed reporting requirements.

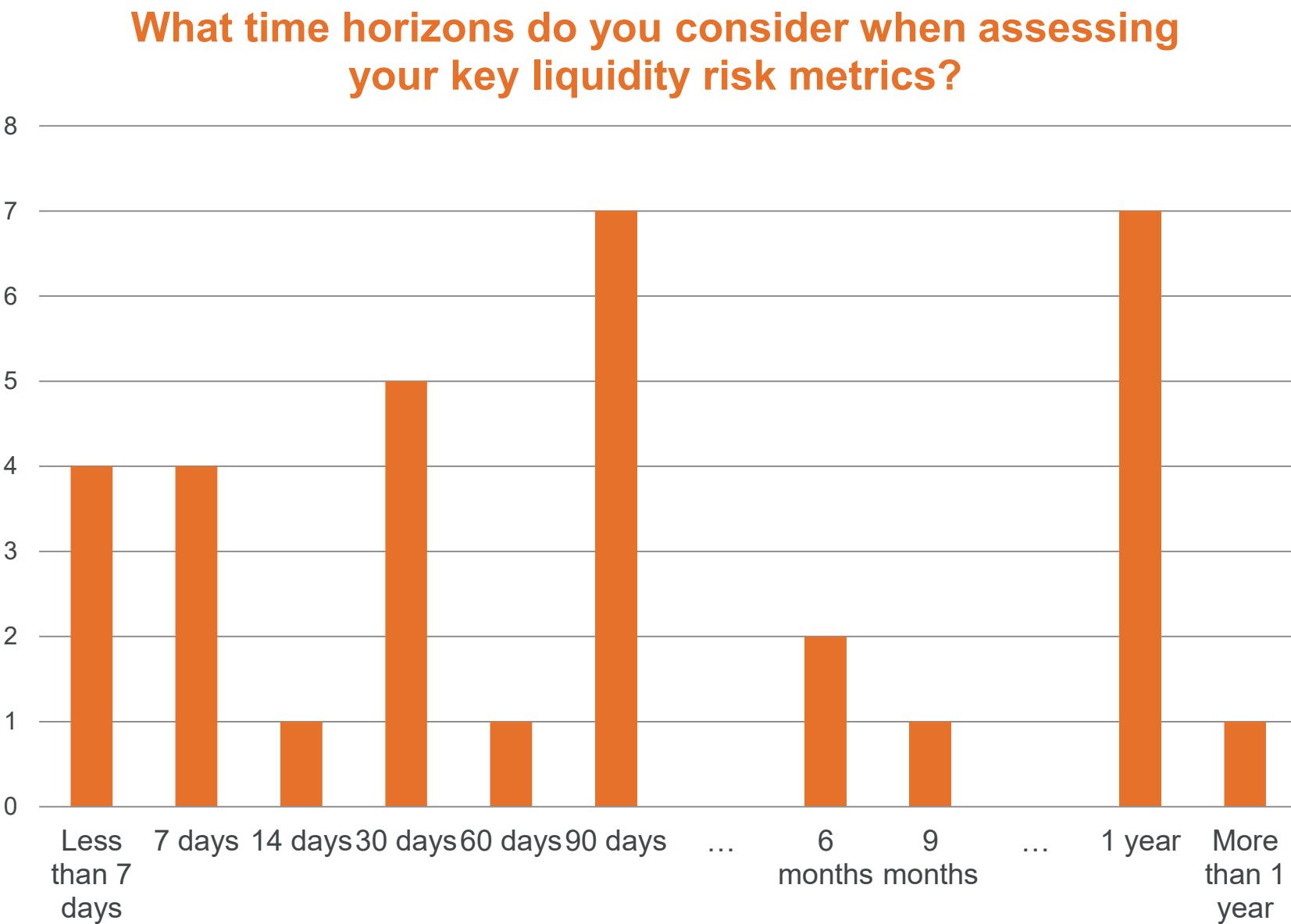
# Methodology (1 of 2)

- The Liquidity Coverage Ratio (LCR) is consistently the main metric used to manage liquidity.
- Several firms also used variations on the LCR or tests. However, firms tended to use a number of metrics and not rely solely on LCR.



# Methodology (2 of 2)

- **Time horizon:** All firms monitor liquidity over 90 day and 1 year time horizons. 4 firms considered less than 7 days.
- **Stresses calculation:** The majority of firms set stresses at a 1-in-200 year level. Several firms used their internal models to calculate liquidity stresses but adjusted the models to reflect own liquidity risk exposures.



# Process and Governance



**Liquidity reporting:** There were a range of responses for the time taken for firms to internally report on their liquidity positions after the valuation date. In some cases, estimated positions would be ready more quickly.

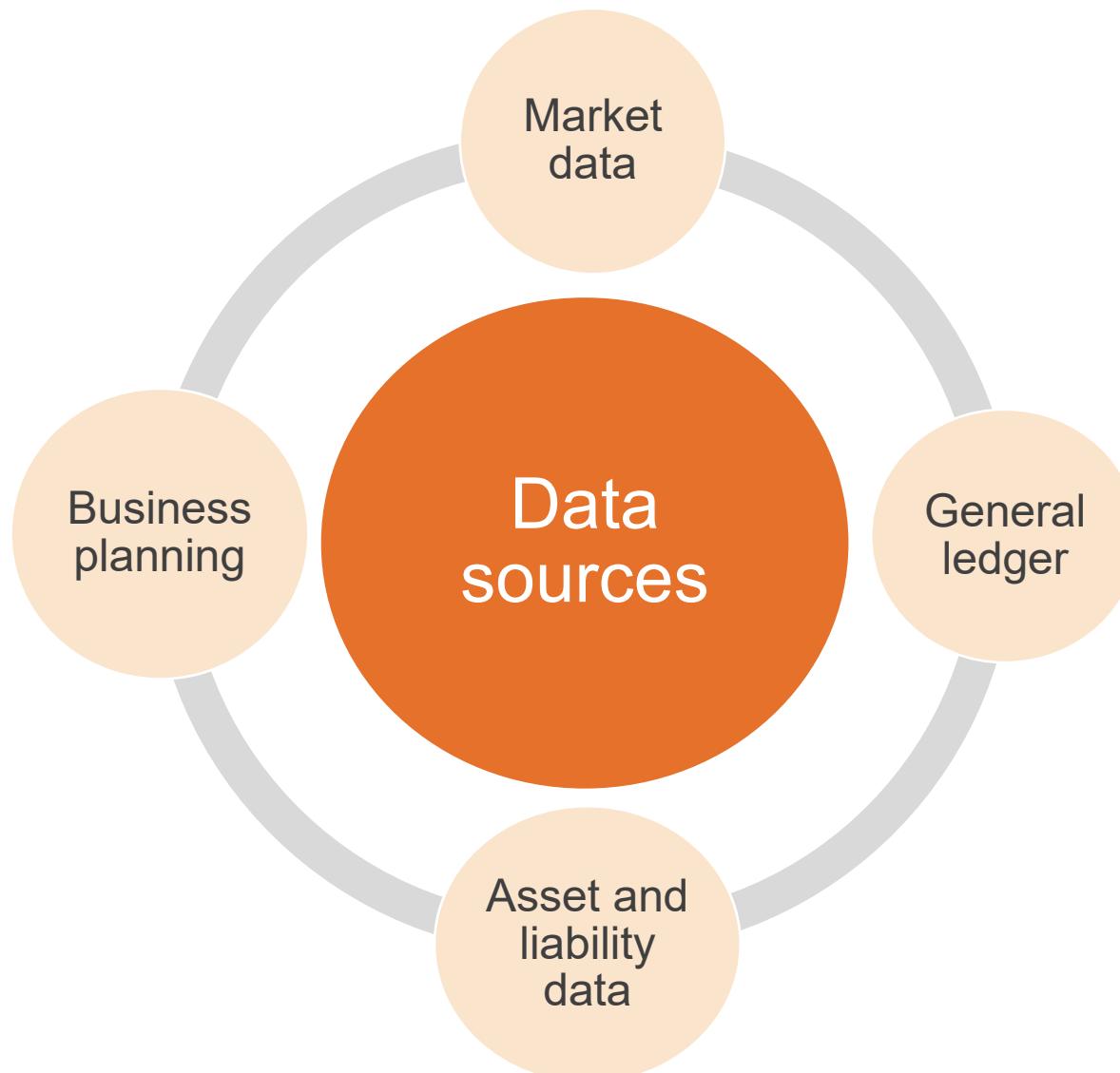


**Liquidity risk policy:** 4 out of 7 respondents stated that Finance would own their liquidity risk policy. 6 firms review this policy at least annually, with one reviewing every two years. Those that did cited material risk appetite changes, model calibrations and expert judgement.



**Liquidity management:** 5 out of 7 respondents outlined that different teams are responsible for liquidity management and Asset Liability Management activities, though some noted that there would be close co-ordination between the differing teams.

# Models and tools



- **Data:** The responses to the usage of data and systems were varied. Data is taken from a mixture of sources e.g. accounting/ledger, external data feeds and various teams across the business.
- **Models:** There was a strong tendency to leverage the output from the existing capital model, although a bespoke approach was also used. Where the capital model is utilised, the outputs used varied from market risk calibrations to operational and liability-related risks.

# Contingency and optimisation actions

- Contingency actions varied significantly by firm. These included repo, new/committed funding, internal funding.
- Several firms did not use any techniques to optimise their liquidity position. Those that did focused on optimising Credit Support Annexes (CSAs) that permitted the posting of bonds.



# Release of Policy Statement

# Overview of requirements

PRA is building upon the existing SS5/19 guidelines with the Policy Statement (PS) 15/25, which implements new liquidity reporting templates. The initial CP was released in December 2024, and the final PS was released at the end of September 2025.

The proposals aim to enhance the PRA's ability to assess and manage liquidity risks by securing **timely, consistent, and comparable data on the liquidity positions of large insurers within the prescribed threshold**.

The PRA proposes four new liquidity reporting templates for in-scope firms, one of which can be requested daily during periods of elevated stress.

The monthly cashflow mismatch reporting templates includes approximately **c1,500 data fields** (c1,650 in CP draft). The PRA requires **164 key data points to be reported daily during periods of stress** (154 in CP draft).

# Who does the reporting apply to?

The PRA plans to apply its reporting requirements only to UK insurers with significant liquidity risk exposure, introducing thresholds to limit these requirements to large firms making significant use of derivatives or securities financing transactions:

Solo UK Solvency II firms with assets that have exceeded £20bn on average over the previous three quarterly reporting periods; **and**

Gross derivative notional value over £10bn, as defined by IR.08.01 (open derivatives exposures as part of Solvency II reporting disclosure) & excluding those held in index or unit-linked contracts; **or**

Total value of on and off-balance sheet securities involved in lending or repurchase agreements exceeding £1bn, excluding those held for index or unit-linked contracts.

# What has changed in the latest PS?

The PRA published its policy statement on closing liquidity reporting gaps in insurance, PS15/25, on 30 September 2025. The proposals brought a number of challenges for insurers.

The PRA has made several changes to the original proposal in response to industry feedback.

The key changes are:

- The implementation deadline has been extended. Firms will now have 12 months, to 30 September 2026 to allow more time to prepare.
- Reporting thresholds have been introduced, and templates have been simplified, reducing the total volume of reporting required.
- Helpful clarifications have been provided, including on reporting testing before the effective date, the interaction liquidity reporting has with SS5/19, and that there are no immediate plans for there to be a minimum liquidity requirement.

# Templates and submission timelines

Template	Scope	Key attributes	Timeline	Changes in the PS compared to CP
<b>Cash flow mismatch</b> <i>Monthly</i>	Entity level <i>Split by RFF, MAP and non-MAP</i>	Inflows and outflows from insurance business and financial transactions and unencumbered assets.  Impact of specified market changes on contingent inflows and outflows.	T+10	Minimal changes, and in particular will retain the need for forward-looking data. The PRA is largely keeping the requirement for reporting of prior month liquidity in order to maintain accurate views of liquidity profiles, expectations compared with actuals, and early-warning indicators.
<b>Short form cash flow mismatch</b> <i>Monthly (daily in stress)</i>	Entity level <i>Split by RFF, MAP and non-MAP</i>	As above but excluding inflows and outflows from insurance business.	T+1	The PRA is keeping the requirement for T+1 data. The PRA sees this as important for granular, targeted understanding of individual firms' positions in stressed conditions.
<b>Liquidity market risk sensitivities</b> <i>Quarterly</i>	Entity level <i>Split by RFF, MAP and non-MAP</i>	Sensitivity of unencumbered asset values & collateral flows to prescribed changes in interest rates, exchange rates, inflation, government bond spread & credit spreads.	T+30	Collateral reporting has been simplified. Firms will not need to separate initial and variation margin and only report a single figure by collateral type. This is replicated in cash flow mismatch templates
<b>Committed facilities</b> <i>Annual</i>	Entity and Group level	Liquidity facilities where total committed amount is over £10m; incl. total drawn amounts, maturity dates and lender details.	T+70	No material change.

# Working party CP response (1 of 4)

We support the introduction of new liquidity reporting requirements and agree with the PRA that recent market wide events as well as emerging liquidity risks are key reasons for the need for consistent and comparable liquidity reporting information.



**Data Templates and Requirements:** We suggested that the PRA permit some simplifications in the data request template without compromising policyholder protection. It is also important to clarify cash flow options and consider simplifying liquidity reporting templates.

**Summary of PRA response:** The PRA confirmed that data simplifications would not be permitted as information would then not be accurate, comparable and consistent.

No additional information was provided on how cash flow options should be treated. The instructions continue to state that where an option to defer payment or receive an advance payment exists, the option should be presumed to be exercised where it would advance outflows from the firm or defer inflows to the firm.

An example of cash flow optionality relates to whether firms have to model that all eligible deferred members become in payment and that each will take the maximum permissible cash lump sum.

# Working party CP response (2 of 4)



**Submission Timelines:** We recommend that the PRA assess the need for monthly submissions of the short form template on a T+1 basis. Alternatively, firms could provide monthly comparisons between the T+1 and T+10 outputs to show their ability to generate the short form report daily during stressful times.

**Summary of PRA response:** After considering the response, the PRA has decided not to change its final policy. As stated in CP19/24, the PRA considers the submission of the cash flow mismatch (short form) necessary to ensure that firms are prepared for potential accelerated daily reporting at T+1 during a stress scenario.

The PRA acknowledges that data submitted at T+1 may contain approximations, and be less accurate, than data submitted at T+10. However, it maintains that preparedness for accelerated daily reporting at T+1 during a crisis is essential – when timely liquidity risk information is critical. Accordingly, the PRA has decided to retain the remittance period for the short form reporting.

# Working party CP response (3 of 4)



**Implications for Liquidity Risk Management:** Liquidity reporting requirements should build on existing frameworks from SS5/19. However, we consider that standardised templates and a minimum liquidity requirement might detract from customised liquidity risk management tailored to individual company risks.

**Summary of PRA response:** The PRA acknowledges that, in focusing on key liquidity risks to ensure consistent and proportionate reporting the templates may not cover every source of liquidity risk with equal precision. Firms are reminded that they remain responsible for identifying and assessing all liquidity risks to which they are exposed and, ensuring that these are appropriately reflected in their Own Risk and Solvency Assessments (ORSA), regardless of whether they are included in regulatory reporting.

Separately, the PRA noted that they will use the L-MRS information provided to compare firms' liquidity risk management, assess firms' relative sensitivity to different market events, and conduct its own analysis of potential liquidity stresses. The PRA reiterates that firm's own liquidity risk assessments and liquidity risk management remain paramount, in accordance with the expectations set out in SS5/19.

# Working party CP response (4 of 4)



**Implementation Timelines:** Given the challenges involved in implementing the liquidity risk management framework and the proposed T+1 reporting, a longer timeline is necessary. This would allow firms to implement strategic solutions effectively, as the current timeline might result in tactical approaches that raise implementation costs.

**Summary of PRA response:** Implementation timeline was extended from 31<sup>st</sup> December 2025 to 30<sup>th</sup> September 2026, giving firms 12 months from the release of the PS to prepare and finalise their reporting requirements.

The PRA expects that a longer implementation period, will give firms more time to consider whether aspects of the PRA's new regulatory reporting could complement their existing approaches to liquidity risk management policies and internal management information.

# Comparison of liquidity risk metrics

# Liquidity coverage ratio

As noted in the survey section, firms typically calculate a liquidity ratio, which can be calculated in three steps:



## 1. Identify available liquid assets:

Identify available liquid assets, which may include assets that can be sold or used as collateral without significant loss in value under stressed conditions, such as cash, government bonds, and highly-rated corporate securities.



## 2. Determine Total Net Cash Outflows:

Calculate expected cash outflows over a stress period (e.g. 90 days, 1 year etc). These would include policyholder claims, potential policy surrenders, premium refunds, operational expenses, and other liabilities that could transpire during stress scenarios.



## 3. Calculate the Liquidity Coverage Ratio:

Liquidity Coverage Ratio (LCR) = Available liquid assets / Total Stressed Net Cash Outflows. Firms will need to ensure that the LCR remains above their internal tolerance limits.

# Sensitivity reporting template requirements

	Cash	UK government bonds	Highest quality tradeable assets excl. UK central govt	High quality tradeable assets	Investment grade corporate bonds (CQS 2&3)	Equities and other tradeable assets
Sensitivity of counterbalancing capacity	-	-	-	-	-	-
Margin on derivatives and securities financing transactions	-	-	-	-	-	-
Other collateral needs	-	-	-	-	-	-
<b>Interest rates rise / fall</b> <i>All material currencies</i>	Interest rates rise / fall by 100bps across the term structures of the relevant risk free reference interest rates in all material currencies. This sensitivity should implicitly assume that both government bond yields and risk free rates move by the same amount.					
<b>Interest rates rise / fall</b> <i>GBP rates only</i>	As above, but GBP only					
<b>GBP exchange rates fall</b>	GBP exchange rates fall by 25%. The stress should be interpreted as increasing the value of assets held in currencies other than GBP by 33% in GBP term					
<b>Inflation falls</b>	Decrease in market implied inflation by a uniform 50bps across the curve.					
<b>Government bond spreads rise</b>	All government bond spreads over the relevant risk free reference rates in all material currencies rise by 50bps, i.e. risk free reference rates and the yield on other assets are unchanged, but government bond yields rise by a uniform 50bps across the curve.					
<b>Credit spreads widen</b>	Prescribed stresses are applied for each rating for the credit spreads sensitivity. This must reflect a uniform widening across the curve for a given credit rating. This sensitivity is intended primarily to capture corporate bond exposures. Firms should adopt an approach consistent with their reporting in MR.01.					

# Questions to consider



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- How does the definition of available assets within the LCR align to the unencumbered assets in the templates?
- 
- How do the level of stresses compare between the LCR and reporting templates?
- 
- How are derivatives and collateral calls allowed for in the LCR calculation?
- 
- Are components of the LCR relating to market stresses aligned to the reporting templates?
- 
- Are all elements of the reporting stresses (e.g. spreads, inflation etc) appropriately captured in the LCR?
- 
- Are there dynamics at each RFF / MAP / Non-MAP that differ to the entity level and are those dynamics reflected in the LCR?

# Key takeaways



**REGULATORY  
FOCUS ON  
LIQUIDITY  
REMAINS STRONG**



**NEW REPORTING  
UNDER PS15/25  
REQUIRED FROM  
SEPTEMBER 2026**



**CONSIDERATION  
OF ALIGNMENT  
WITH EXISTING  
FRAMEWORKS**



**OPERATIONAL  
READINESS IS  
ESSENTIAL**

# Questions?



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# Thank you