HYMANS ROBERTSON

November 2025

Dive into pensions de-risking

Under pressure II: how life insurers fared in the PRA's latest stress test

On 24 November 2025, the Prudential Regulation Authority (PRA) published its individual findings from its 2025 stress testing of life insurers.

What is LIST?

The PRA has conducted regular life insurance stress tests (LIST) since 2019, with the last one being conducted in 2022. The stress tests apply a series of severe yet plausible events to insurers in order to assess individual insurers' and the sector's resilience. The tests have historically been designed to help guide supervisory activity and enhance the PRA and insurers' ability to respond to future shocks.

What is new with LIST 2025?

Given the growth in pension buy-ins and buy-outs over recent years, the 2025 tests are specifically focused on the largest bulk annuity insurers[1] and are the first under the Solvency UK regulatory regime. The PRA recognises the importance of these insurers to pension schemes and their members, as well as the increasingly material role these insurers play in UK long-term investments.

Scenario overview

The results at individual insurer level have only been published in respect of the core scenario and not the exploratory scenarios (which included a funded reinsurance recapture scenario). Under Solvency UK, insurers are required to hold sufficient capital for a 1-in-200 stress over a one year period. Insurers also hold capital buffers designed to withstand foreseeable shocks whilst retaining a sufficient level of capital coverage above the regulatory minimum. Target capital coverage ratios (the ratio of capital resources to regulatory capital requirements) are typically in the range of 140% to 190%, with most firms operating well above target in the past 2-3 years. The PRA has set the core scenario in order to achieve a roughly 1-in-100 severity, with the results showing the impact on capital coverage ratios individually to insurers and on an aggregate basis across the sector. The scenario is examined over the course of three stages as follows.

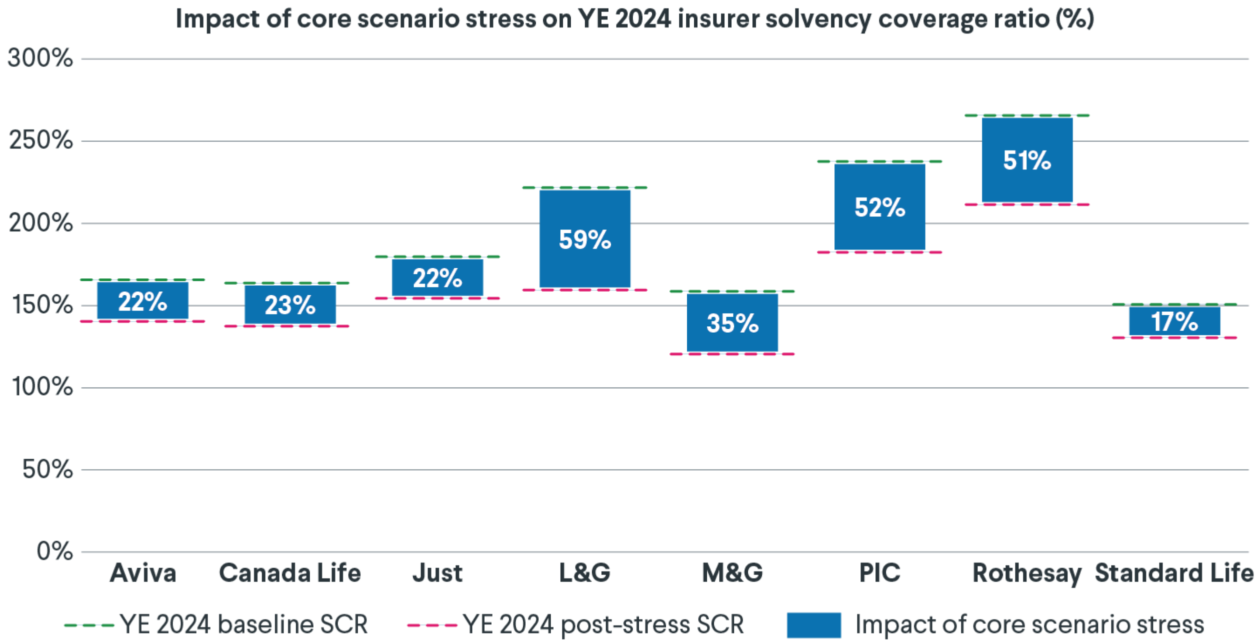
Stage	Overview	Further detail
1. Initial market shock	Rapid financial market shock	Interest rates fall 150bp nominal / 75bp real, equities fall 30% with increased volatility, credit spreads widen (e.g. BBB +270bp)

[1] The tests covered the main insurance entities within Aviva, Canada Life, Just, L&G, M&G, PIC, Rothesay, Standard Life and Scottish Widows. However our newsflash considers only the entities directly active in the bulk annuity market, covering over 90% of overall market bulk annuity liabilities.

Stage	Overview	Further detail
2. Developing market shock	The stresses in stage 1 develop further to peak during stage 2	Credit ratings fall and defaults occur, property values fall c.30%
3. Markets stabilise	Markets stabilise and liquidity improves	Credit spreads fall but remain elevated compared to base case (e.g. BBB +100bp vs base case); insurers are required to model certain restorative steps

LIST 2025 findings – insurer-specific results

The individual results, as per the aggregate results (detailed here), demonstrate a resilient bulk annuity market; with all insurers remaining well capitalised following the core stress scenario.



Source: Bank of England

It is difficult to draw direct comparisons between the insurers as a result of the stress tests given the number of variables that appear to be impacting the results; the scenarios applied represent one of countless possible outcomes and impacts vary due to differences in circumstances applying to each insurer. The PRA have acknowledged this as a limitation of the findings. In particular:

Business mix and investment strategy

Both the business mix (whether the insurer is a multi-line or monoline) and the asset mix which they hold to support their Matching Adjustment portfolio impacts the results. Equity Release Mortgages (ERM) were subject to one of the largest stresses under the core scenario (28% impact on residential property prices) so those insurers holding large proportions of ERM would have seen a more material stress impact. The impact of with-profits funds also serves to dampen some of the impact as the surplus within the with-profit fund can be used to absorb some of the losses of the stress. The LIST focusses on regulatory ratios rather than shareholder ratios which seek to strip out the impacts of with-profits funds (applicable to Aviva, M&G and Standard Life).

Starting position

It is notable that the insurers with the highest starting position under the stress test are also the insurers with the more material impact under the core scenario to their solvency coverage ratio. This is not surprising given the nature of the calculation at play but somewhat distorts the materiality of the stress on those insurers position, most notably, L&G, PIC and Rothesay.

Management actions

Management actions are decisions and strategies that insurers can employ to manage their risk exposure and financial position. It is important to note that the PRA restricted the types of management actions that could be utilised as part of the core scenario which may not necessarily represent the course of action that an insurer would take. For some insurers the most pertinent of these is the use of additional support from group companies. We understand from both Standard Life and M&G, who both issued Regulatory News Services (RNS) announcements on the morning of the individual results, that this would have had a material impact on their results.

M&G plc have highlighted that at a Group level their results would have seen a shift downwards from 223% to 171%, a 52% reduction in SCR coverage ratio; whilst Standard Life have indicated their Group result would have started at 172% and ended at 155%, a fall of 17%.

What can pension schemes take from this exercise?

The individual results, as per the aggregate results, demonstrate a resilient bulk annuity market that should give comfort to Trustees looking to enter into or already holding a bulk annuity contract. Trustees should also take comfort from the fact that the PRA is regularly stress testing insurers and from the resilience of the sector shown by the results of LIST 2025

We welcome the transparency now offered as a result of the tests, but note there are many limitations, which the PRA have acknowledged. Seeking to optimise the process over time to allow greater comparison would be welcomed as well as publication of results of the exploratory scenarios at an individual level.

Get in touch

If you have any questions about anything covered, please don't hesitate to get in touch.

Michael Abramson

Partner and Risk Transfer Specialist

020 7082 6155
michael.abramson@hymans.co.uk

Lara Desay

Partner and Head of Risk Transfer

020 7082 6180
lara.desay@hymans.co.uk

Catherine Thain

Senior Actuarial Consultant

0131 656 5176
catherine.thain@hymans.co.uk

London | Birmingham | Glasgow | Edinburgh T 020 7082 6000 | www.hymans.co.uk