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Newsflash

Matching Adjustment Investment Accelerator (MAIA)

Marc Storan
Head of Insurance Investment Strategy
marc.storan@hymans.co.uk

Matthew Thomson
Senior Consultant
matthew.thomson@hymans.co.uk

With the PRA releasing its Consultation Paper on the **Matching Adjustment Investment Accelerator (MAIA)** via CP7/25, we provide our initial observations and some key considerations for firms looking to take advantage of the new permissions below.

At a high level, this is a hugely positive step – it gives the industry a means to move quickly investing new assets within their MA portfolios. There are of course limits and restrictions, but these are to be expected. The MAIA process will allow firms to invest earlier in new investment opportunities as they arise and will allow the MA benefit to be recognised straight away. Whether or not the new flexibility will be used to support the Government's growth objectives (eg, for investment into UK productive assets) remains to be seen.

The full Consultation can be found here, and we'll set out our full summary and action plan from the proposals with our clients in the days ahead.

For now, here are our initial 12 key takeaways:

1. **The same MA rules**: The new MAIA permission does not change the type (or features) of assets that are eligible for insurers MA portfolios, whether they are added now or at a later date. It simply enables firms to front run investments that they believe meet the MA rules while the firm works through the usual MA Application and PRA approval processes.

   Firms will have 24 months from first investment to submit the normal MA Application.

2. **No asset type constraints**: The MAIA is expected to support the PRA's secondary competitiveness and growth objective, supporting investments that increase productivity in the UK economy and the transition to net zero. However, there are no restrictions that MAIA assets need to fall into this criteria/meet these objectives, due to challenges with classification.

3. **Onus on firms' governing body**: The onus of ensuring firms meet the regulatory criteria for using MAIA permissions, and operate effectively within the PRA's MAIA rules and expectations is left to the firm's Board in the first instance. The MAIA permissions will be primarily controlled through the firm's (new) MAIA Policy, which will require approval by the 'firm's governing body'.

   The MAIA Policy is not required as part of the PRA application and is not expected to be reviewed by the PRA as part of the application process.

4. **PRA's approval could be based on a firm's history**: Firms need to apply for a MAIA permission, and the PRA proposes that its assessment of MAIA applications would be informed by consideration of a firm's ability to appropriately use a MAIA permission. The PRA notes there may be uncertainty over such an assessment due to a firm's history in managing their MA portfolio, or from the firm's solvency or liquidity position.

   As such, firms with weaker track records of managing their MA portfolio could be at a disadvantage and could have to do more work and/or provide more evidence in order to receive a MAIA permission than others.

5. **Expected Q4-2025 Launch**: The MAIA is expected to be implemented as soon as Q4 2025, but firms will have to commit time and have work to do to prepare their new MAIA Policy, take this through governance, and set up the appropriate controls for managing the MAIA exposures.

   Other than conflicting priorities and insurers' ongoing change portfolio, there should be nothing in the CP preventing firms from starting their preparations today.

6. **Competitive Advantage**: It would be reasonable to assume that all MA firms seek to obtain the new MAIA permission, particularly those active in the BPA/PRT market, as their ability to front run investment opportunities will be a competitive advantage.

7. **Limits**: There will be a limit placed on the amount of assets firms can count as part of a MAIA permission sought, with this being the lower of £2bn or 5% of BEL (net of reinsurance) at the time of the permission. The limit is fixed in monetary terms so firms will not have to worry about passive breaches due to mark-to-market valuation changes. This will clearly have a disadvantage for very small portfolios, and large portfolios greater than £40bn won't obtain an advantage.

8. **Planning for the backlog**: In addition to risk management, firms will need their MAIA Policy, governance and control environment to align with their roadmap of future MA applications, as MA applications will be required within 24 months of placing a new MAIA asset in the portfolio. Firms must be able to appropriately model new MAIA assets under stress and will also need to be mindful of any (Partial) Internal Model changes that could build up, that possibly require new applications as well.

9. **MAIA Eligibility Risk**: It is not uncommon that insurers and the PRA have subtle differences in their views of what assets are MA eligible, and as such firms will need to be confident their assessment of what investments are MA eligible are fully aligned to the regulators view in advance. For MAIA assets, firms won't have the comfort in the PRA first passing judgement on an assets MA eligibility.

10. **Contingency Plans**: Firms will need to put in place clear contingency plans for MAIA assets that might be subsequently deemed to be 'MA ineligible'. Firms should not assume the asset can be sold over a short or medium term, and as such will need to assess the MA, Capital and Liquidity implications of holding such assets elsewhere on the balance sheet.

11. **Interaction with "highly predictable"**: Firms will need to balance their efforts and plans for the wider MA investment flexibilities from the recent changes to the SUK MA rules for 'highly predictable cashflows'. Firms will have plans over 2025 and beyond to support these types of investments into MA portfolio, which will likely require a very similar set of business resources as would be required to take advantage of the MAIA opportunity.

    It is unclear from our reading of the CP how the MAIA permissions and new 'highly predictable cashflow' applications interact. One might assume these are separate, with limited interaction or cross-over. This will be one to confirm as part of the consultation process if 'highly predictable cashflow' are to be precluded from MAIA permissions.

12. **Reporting**: There will be new reporting requirements for MAIA permissions that firms will also have to prepare for. These include firms compiling an annual 'MAIA Use Report' which will need to be submitted to the PRA within 14 weeks after a firms financial year end, and a new MALIR template, with two additional fields, to be used from year-end 2026 onwards

If you'd like to discuss anything covered in more detail, please get in touch.

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