



Press Release

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EIOPA LAUNCHES THE EU-WIDE INSURANCE STRESS TEST 2016

- *The aim is to assess vulnerabilities.*
- *It is **not** a pass-or-fail exercise.*
- *Participation increased to 75% (from 50% in 2014) of each national market.*
- *Focus on two major market risks: prolonged low yield environment and a "double-hit" scenario.*
- *Severe stress scenarios chosen to better identify critical vulnerabilities.*

Frankfurt, 24 May 2016 – The European Insurance and Occupational Pensions Authority (EIOPA) launched today an EU-wide stress test for the European insurance sector. This regular exercise aims to assess insurers' vulnerabilities and should not be interpreted as a pass-or-fail test. It is designed to assess the resilience of the European insurance sector to severe adverse market developments based on a common analytical framework. Furthermore, this stress test will examine the potential increase of systemic risks in situations of stress.

The Stress Test 2016 focuses on two major market risks:

- The prolonged low yield environment
- The so-called "double-hit", i.e. a negative market shock to asset prices combined with a low risk free rate

The exercise focuses on long-term business performed by solo undertakings (no insurance groups). In order to include a higher number of small and medium size insurers, the participation target was increased from a 50% in 2014 to a 75% share of each national market in terms of gross life technical provisions.

To limit the burden on the insurance industry EIOPA makes use of this exercise to collect at the same time information on the Solvency II equity and Long Term Guarantees (LTG) measures. This collection of information is part of the mandatory review to be performed by EIOPA in accordance with Article 77f of the Solvency II Directive and thus **not** to be connected with the stress test exercise.

The launch date of the exercise (24 May 2016) is one week earlier than initially planned (31 May 2016) to allow the participating insurance companies for more time to complete the test. EIOPA will publish on a weekly basis Questions & Answers addressing possible queries of the participating companies. The deadline for submission of results to the national competent authorities (NCAs) will be 15 July 2016. The EU-wide results of the stress test will be disclosed in December 2016 in an anonymized and/or aggregated way.

Gabriel Bernardino, Chairman of EIOPA, said: *“The current challenging macroeconomic environment has to be acknowledged in such a stress test exercise. Therefore, EIOPA decided to conduct severe stress scenarios. I am confident that the results of the simulation of such shocks will provide us a “high-resolution” picture of the European insurance sector and its most critical vulnerabilities. We need to see the issues requiring particular supervisory attention and response to the potential built-up of systemic risks at the European level. Hence this exercise will not focus on who is not meeting the capital requirements after the shocks but on the financial stability implications of those scenarios”.*

Note for Editors:

Insurance Stress Test 2016 comprises three scenarios:

1. Baseline, i.e. the pre-stress valuation of the balance sheet.
2. “Low-for-long” focused on a prolonged low yield environment.
3. “Double-hit” - this scenario has been developed and operationalised in cooperation with the European Systemic Risk Board (ESRB) – Link to ESRB Website: <https://www.esrb.europa.eu/home/html/index.en.html>.

The Stress Test 2016 is using the Solvency II framework and harmonized reporting requirements. Its reference date is 1 January 2016.

The stress test technical specifications and templates are published via EIOPA's Website. For further information about the Insurance Stress Test 2016 including time line please refer to the following link: <https://goo.gl/P3Z1eu>

In addition to the Questions & Answers process set up for the participating companies, to ensure consistency of information received, EIOPA in cooperation with the national competent authorities (NCAs) will conduct a two-step data validation procedure: first, at the national and afterwards at the European level.

The **European Insurance and Occupational Pensions Authority (EIOPA)** was established on 1 January 2011 as a result of the reforms to the structure of supervision of the financial sector in the European Union.

EIOPA is part of the European System of Financial Supervision consisting of three European Supervisory Authorities, the National Supervisory Authorities and the European Systemic Risk Board. It is an independent advisory body to the European Commission, the European Parliament and the Council of the European Union.

EIOPA's core responsibilities are to support the stability of the financial system, transparency of markets and financial products as well as the protection of insurance policyholders, pension scheme members and beneficiaries.