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EIOPA statement on actions to mitigate the impact of Coronavirus/COVID-19 on the EU insurance sector

Background

The European Insurance and Occupational Pensions Authority (EIOPA), in close communication and cooperation with the other European Supervisory Authorities (ESAs) and the European Systemic Risk Board (ESRB), has been monitoring the Coronavirus/COVID-19 situation very closely as the outbreak continues to cause disruption to households and businesses.

It is increasingly clear that the outbreak is having significant consequences for the global economy, including financial services.

Insurers are likely to face progressively difficult conditions in the immediate future, both in terms of navigating challenging market conditions and in maintaining operations, while taking steps to protect employees and customers.

Key messages

Business continuity

1. It is particularly important that insurers are able to maintain the services to their clients. In this sense, insurance companies should be ready to implement the necessary measures to ensure business continuity.

2. In order to offer operational relief in reaction to coronavirus, national competent authorities (NCAs) should be flexible regarding the timing of supervisory reporting and public disclosure regarding end 2019. EIOPA will coordinate the specifics of the approach.

3. Furthermore, in the short term, EIOPA will limit its requests of information and the consultations to the industry to essential elements needed to assess and monitor the impact of the current situation in the market.

4. EIOPA is extending the deadline of the Holistic Impact Assessment for the 2020 Solvency II Review by two months, to 1 June 2020. In the coming days, EIOPA will communicate details on postponing additional reporting and information requirements.

Solvency and capital position

5. Under Solvency II, EU insurance companies are required to hold sufficient eligible own funds on an on-going basis to cover their Solvency Capital Requirement. The risk-based Solvency Capital Requirement enables insurance undertakings to absorb significant losses and give confidence to policyholders and beneficiaries that payments will be made as they fall due.

6. Furthermore, the Solvency II framework includes a ladder of supervisory intervention between the Solvency Capital Requirement and the Minimum Capital Requirement, which is the minimum level of security below which a company's financial resources should not fall. This allows for flexibility in cases of extreme situations, including measures to extend the recovery period of affected insurers, for example, as foreseen by Article 138 of the Solvency II Directive.

7. Moreover, recent stress tests have shown that the sector is well capitalised and able to withhold severe but plausible shocks to the system.

8. The Solvency II framework also includes a number of tools that can be used to mitigate risks and impacts to the sector. EIOPA and the NCAs stand ready to implement these tools, if and when necessary, in a coordinated manner, to ensure that policyholders remain protected and financial stability is safeguarded.

9. Nevertheless, insurance companies should take measures to preserve their capital position in balance with the protection of the insured, following prudent dividend and other distribution policies, including variable remuneration.

10. Notwithstanding existing tools and powers, and together with national authorities and the other ESAs and the ESRB, EIOPA will continue to monitor the situation and will take or propose to EU institutions any measure necessary in order to mitigate the impact of market volatility to the stability of the insurance sector in Europe and safeguard the protection of policyholders.