

Supervisory Regulations and Policies Directorate

Rome

Prot. n.

To insurance and reinsurance undertakings
whose head offices are located in
Italy;
TO THEIR PREMISES

Encl. n.

To the Ultimate Italian parent companies
TO THEIR PREMISES

copy to: the branches in Italy
of insurance and
reinsurance undertakings with head
offices
in a non
European Economic Area country
TO THEIR PREMISES

RE: *ORSA - Own risk and solvency assessment*

From the results of the 2016 European Stress Test¹ performed on insurance, important information was obtained on the vulnerability of the European insurance sector in case of occurrence of economic scenarios characterised by a low-for-long interest rate environment and a surge of credit spreads on financial assets.

The results of the exercise carried out by EIOPA bolster the need for insurance undertakings, depending on their risk profile, to consider similar risk scenarios to those included in the 2016 European stress tests, in the vulnerability analyses they ordinarily perform within the ORSA process.

IVASS therefore expects that following the European stress test exercise carried out in 2016 the undertakings have assessed - within the scope of the periodic update of the ORSA process - similar scenarios to those considered by EIOPA.

If the outcomes of these analyses were not already represented in the ORSA supervisory report to be sent to IVASS soon², companies are invited to supplement the aforementioned Report with a document that clarifies the results of the analyses conducted, relating to the potential impact of the EIOPA scenarios that illustrates the reasons why they are not deemed relevant or they do not generate significant vulnerabilities for the company.

¹ See Press Release of 15 December 2016, available on IVASS' website.

https://www.ivass.it/media/comunicati/documenti/2016/Comunicato_Stampa_def.pdf

² Article 16 (1) d) of Regulation no. 32 of 9 November 2016 lays down that undertakings and ultimate Italian parent undertakings for their respective groups, shall submit respectively no later than 5 June 2017 (undertakings) and no later than 17 July 2017 (groups) the report on the risk and solvency assessment as per articles 11 (2) and 15 (2) .

IVASS will assess - within the prudential assessment cycle - the adequacy of the corporate systems for assessing risks and determining the related safeguards (of a capital and organisational nature) also on the basis of the content of the ORSA supervisory report and of any documentation transmitted to supplement it.

In this regard, IVASS encourages undertakings to include in this documentation the results of additional stress analyses, referencing also different scenarios from those proposed by EIOPA within the 2016 stress exercise and examined in Recommendation no. 1 issued by the European Authority³, but deemed plausible to generate potential vulnerabilities for the company.

Best regards.

by delegation of the Joint Directorate

³ See EIOPA recommendations published on 15 December, available on EIOPA's website at: <https://eiopa.europa.eu/Publications/Surveys/EIOPA-BOS-16-297-Insurance%20ST2016%20Recommendations.pdf>