



Press Release

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EIOPA OUTLINES KEY FINANCIAL STABILITY RISKS

- *The persistent low yield environment remains the main risk for both insurance and pension fund sectors*
- *New types of risks are emerging with the onset of climate related risks and rapid technological developments*
- *EIOPA's recently launched third European Union-wide insurance stress test will also cover cyber risk*
- *The new framework of information requests for the occupational pension fund sector will enable the provision of a more complete and relevant data set from third quarter 2019 onwards, allowing better identification and monitoring of risks*

Frankfurt, 25 June 2018 – Today, the European Insurance and Occupational Pensions Authority (EIOPA) published its June 2018 Financial Stability Report of the (re)insurance and occupational pensions sectors in the European Economic Area.

The persistent low yield environment remains the main risk for both the insurance and pension fund sector. Furthermore, new types of risks are emerging with the onset of climate change and rapid technological developments. Climate related risks pose threats in particular for the insurance industry, as insurers act as both, investor and underwriter, while digital transformation makes insurers increasingly exposed to cyber-attacks. The results of EIOPA's qualitative Spring 2018 Survey, based on the information received from the national supervisory authorities, confirms that cyber risk will increasingly require supervisory attention. In this respect, the recently

launched third EIOPA European Union-wide insurance stress test will also cover cyber risks. At the same time, the rise of InsurTech also creates opportunities for insurers and new entrants, through improved customer interaction, risk modelling, streamlining of information systems and more efficient claims handling.

The Financial Stability Report shows that overall the insurance sector continued to show robust results in 2017. Insurance companies are on average adequately capitalised and deliver positive profitability despite the low yield environment. The Solvency Capital Requirement ratio for the median company is 223% for the life and 207% for the non-life insurance sectors, although significant disparities remain across undertakings and countries.

The reinsurance industry, too, appears to have sufficient capital to absorb global insurance industry catastrophe losses that were considerably higher in 2017 than the long-term average. However, the impact of the large insured losses on future prices in the reinsurance sector is still uncertain.

In the European occupational pension fund sector, total assets increased for the euro area. The investment allocation as well as the average cover ratios for defined benefit schemes remained broadly unchanged. The new framework of information requests for the occupational pension fund sector, published in April 2018, will allow for a more thorough analysis based on a more complete and relevant data set for the pensions sector from third quarter 2019 onwards.

Gabriel Bernardino, Chairman of EIOPA said: *"The availability of granular and good quality data is essential to support appropriate financial stability analysis and assessment. Even though Solvency II has only been in operation for less than two years, the enhanced reporting framework has already strengthened the basis of EIOPA's risk assessment. We will continue assessing risks at a macro as well as micro level to capture both risk aggregation and tail risks to continue to deliver on our mandate in the financial stability area."*

The Financial Stability Report also includes a thematic article "[Potential drivers of insurers' equity investments](#)".

EIOPA's Financial Stability Report June 2018 is available via [EIOPA's Website](#).

Notes for Editors:

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.