Council of the European Union
General Secretariat

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MEETING DOCUMENT

From:	General Secretariat of the Council
To:	Financial Services Committee Financial Services Attachés
Subject:	FSC 22 January 2025 - Item 6 - EIOPA's update on 2024 Insurance Stress Test Results

Update on 2024 Insurance Stress Test results

FSC meeting

Presenter: [redacted]
Date: 22 January 2025

EIOPA REGULAR USE

European Insurance and Occupational Pensions Authority

Key elements

Objective	▪ **No pass-fail** exercise ▪ Mainly **microprudential** with a **macroprudential element**
Approach	▪ Two components: **capital** and **liquidity** ▪ **Instantaneous shocks / Full Solvency II framework** ▪ **Fixed balance sheet** (no reactive Management Actions) ▪ **Constrained balance sheet** (with guided reactive Management Actions)
Scenario (1)	▪ Narrative based on a **re-intensification or prolongation of geopolitical tensions** ▪ Encompassing a set of **severe, plausible** and economic consistent **market and insurance specific shocks**
Scope	▪ **48 participants** for capital component ▪ **132 solo undertakings** for liquidity component ▪ **20 Jurisdictions** ▪ **75% EEA** market coverage (2)
Data and metrics	**Capital** ▪ Consistent with regular **QRT reporting** ▪ **Balance sheet** (eAoL) / **Solvency** (EOF, SCR) **Liquidity:** ▪ **Ad-hoc** templates(3) ▪ **Sustainability of the liquidity position**(4)

(1) Developed in cooperation with the ESRB
(2) Based on Solvency II Total Assets
(3) Based on an evolution of the templates used in 2021 and in the EIOPA liquidity monitoring
(4) Based on 90-days net-flows and liquid asset holdings

Overall, the European insurance industry remains well-capitalised to cope with emerging risks…

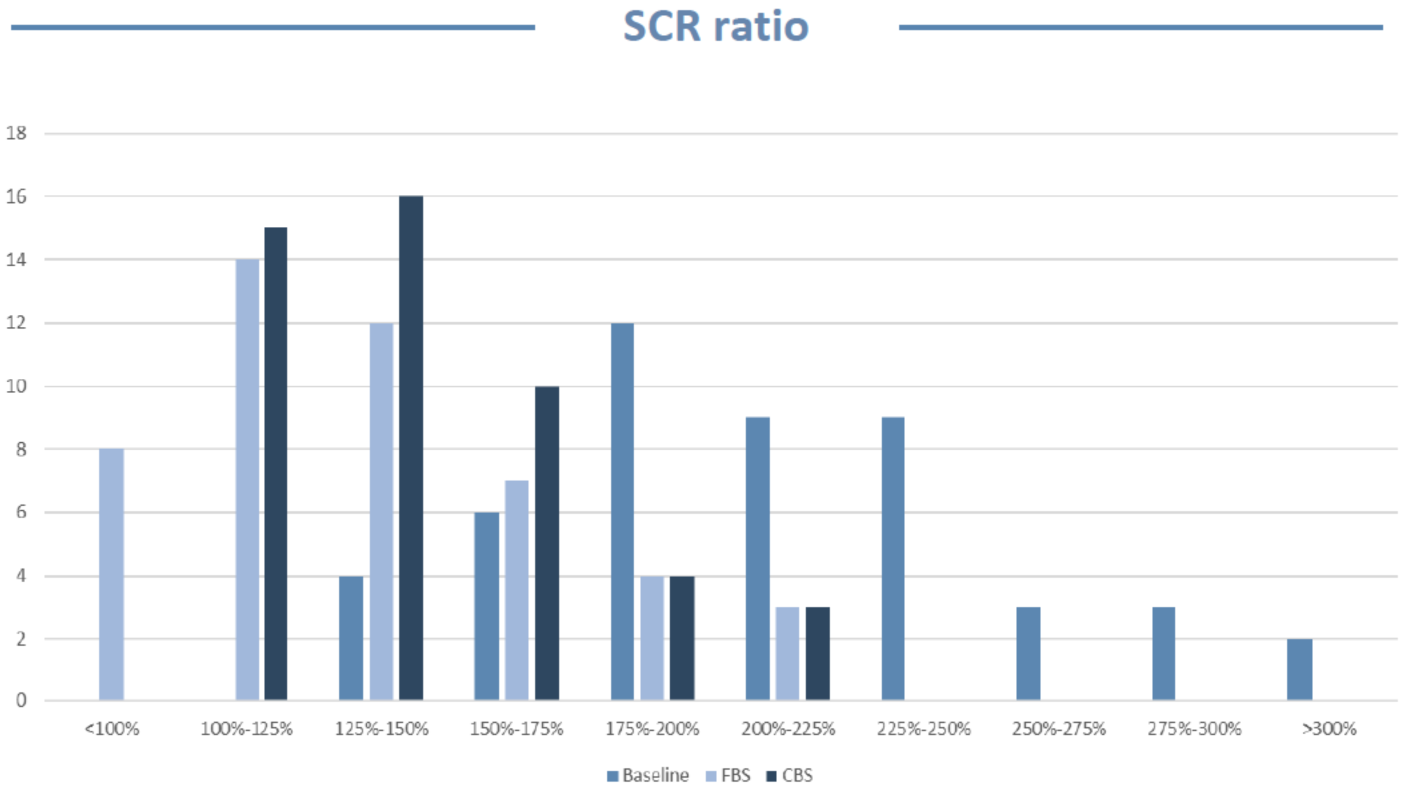
Capital position

	Baseline	Fixed Balance Sheet		Constrained Balance Sheet	
	Value	Value	Δ (Baseline)	Value	Δ (Baseline)
Solvency Ratio	221.8%	123.3%	-98.5 p.p.	139.9%	-81.9 p.p.
Solvency Capital Requirement	309.3 bn	332.1 bn	7.4 %	321.4 bn	3.9 %
Eligible own funds	686.1 bn	409.6 bn	-40.3 %	449.6 bn	-34.5 %
Assets over Liability ratio	111.3%	107.3%	-4.0 p.p.	107.7%	-3.7 p.p.
Excess of Assets over Liabilities	656.0 bn	370.4 bn	-43.5 %	385.9 bn	-41.2 %

Liquidity position

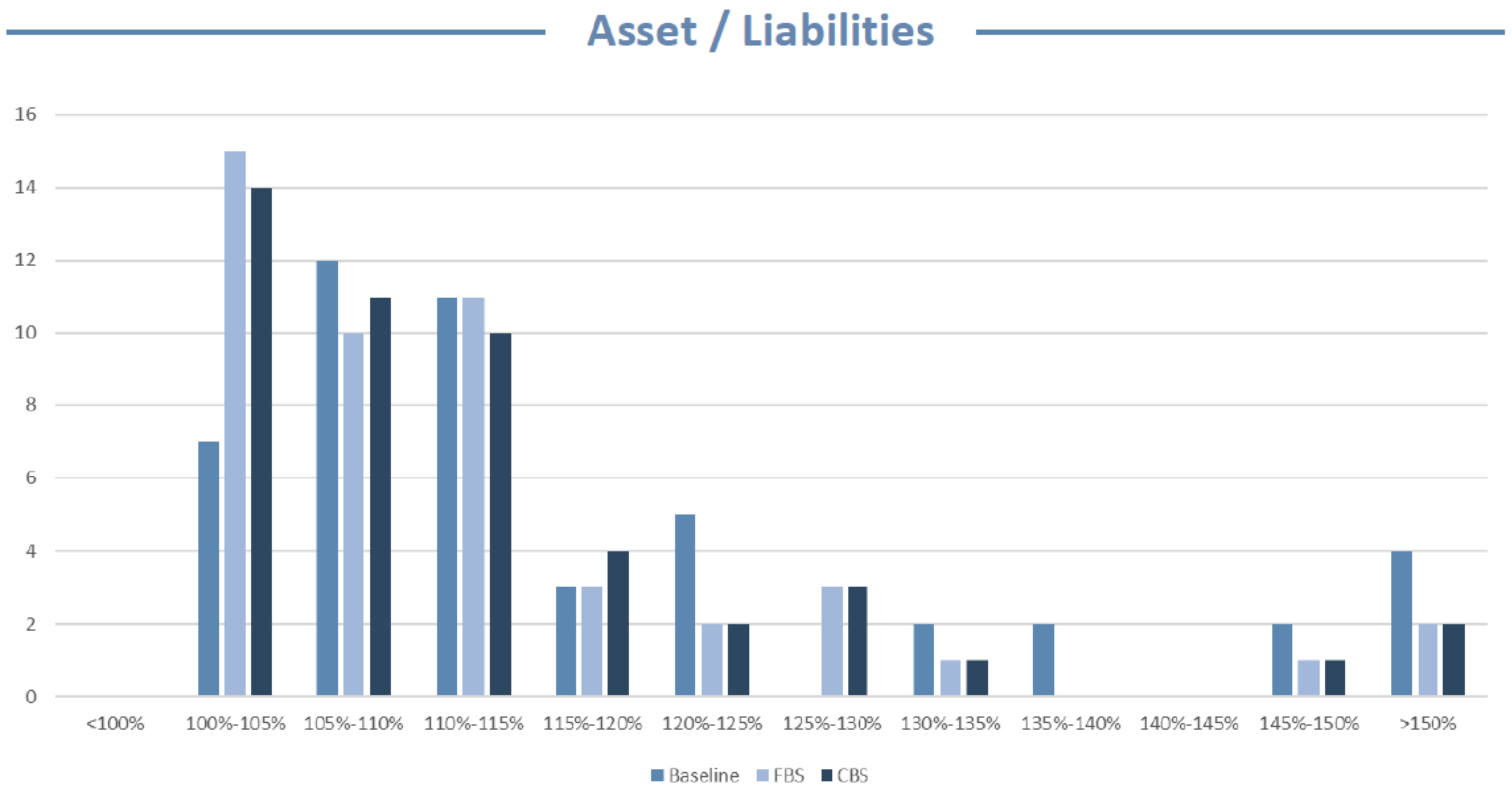
	Baseline	Fixed Balance Sheet		Constrained Balance Sheet	
	Value	Value	Δ (Baseline)	Value	Δ (Baseline)
Liquidity position (Net-flows + Cash and equivalent)	110.3 bn	-40.9 bn	-137.1%	61.1 bn	-44.6%
Sustainability (Net-flows + Cash and equivalent + Other liquid Assets with Haircut)	2,282.6 bn	1,561.4 bn	-721.1 bn	1,605.0 bn	-677.6 bn

...but let's also take a closer look at individual results...



- **Baseline (aggregate):**
  - Full: 221.8%
  - Without transitionals: 209.3%
- **Fixed Balance Sheet (aggregate):**
  - Full 123.3 (-98.5p.p.)
  - Without transitionals: 108.7%
  - 8 companies below the regulatory threshold, of which all apply RMA and recover above the threshold
- **Constrained Balance Sheet (aggregate):**
  - 26 participants applied Reactive Management Actions, including all those participants with FBS solvency ratio below 100%
  - One or more RMA per participant
  - It results in increase of almost 16 p.p. for SCR ratio

...and at the impact of the adverse scenario at the balance sheet level.



- **Baseline (aggregate):**
  - Full: 111.3%
- **Fix Balance Sheet (aggregate):**
  - Full 107.3% (-4 p.p.)
- **Constrained Balance Sheet (aggregate):**
  - Full 107.7% (-3.7 p.p.)

- None of the participants falls under 100% in neither FBS or CBS, even removing transitional measures

- All participants had enough assets to cover liabilities in all situations (with or without management actions)

THANK YOU!

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https://www.eiopa.europa.eu

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