



EIOPA publishes the second paper on the methodological principles of insurance stress testing with focus on liquidity

NEWS
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The European Insurance and Occupational Pensions Authority (EIOPA) published today the second paper in a series of papers on the methodological principles of insurance stress testing. The Methodological Paper is a follow-up to the [consultation with stakeholders](#) and focuses on the liquidity component. Overall, it is a further step in enhancing EIOPA's stress testing framework.

In particular, the paper sets out methodological principles that can be used to design bottom-up stress test exercises to assess the vulnerability of insurers to liquidity shocks. The conclusions are based on the current understanding and knowledge of the liquidity risk in the insurance industry. Hence, this might evolve in the future to reflect also the experience gained in the assessment of such risk

at European and global level.

Amid the increasing consideration given to liquidity risk by the insurance industry and by the supervisors at European and global level, and in the absence of a commonly adopted liquidity framework for industry in the European Union, the paper depicts a conceptual approach to the assessment of the liquidity position of insurers under adverse scenarios.

[DOWNLOAD THE PAPER](#)

Background

In 2019, EIOPA initiated a process of enhancing its methodology for bottom-up stress testing which resulted in the first Methodological Paper setting out the methodological principles of insurance stress testing.

The second Methodological Paper focuses on liquidity. Other topics such as climate change and multi-period framework for the bottom-up insurance stress testing that were part of the second discussion paper will be published at a later stage.