



## Press Release

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### **EIOPA CALLS FOR FURTHER IMPROVEMENT IN THE ORSA IMPLEMENTATION**

- *(Re)insurance companies are making good progress in implementing the Own Risk and Solvency Assessment (ORSA) process but further improvements are needed*
- *The boards of (re)insurance companies have to play a more active role in the ORSA process*
- *Deviations from the standard formula should be properly assessed and, if significant, reflected in the overall solvency needs*
- *The quality of stress test scenarios used in the ORSA process needs to be further improved and the risk assessment needs to cover the impact of all potential risks*

**Frankfurt, 19 June 2017** – Today, the European Insurance and Occupational Pensions Authority (EIOPA) published a [supervisory statement](#) outlining the first supervisory experiences on how European (re)insurance companies have implemented the ORSA process. This statement is based on the supervisory assessments of the ORSA under the Solvency II framework conducted by the national supervisory authorities.

The analysis shows that the majority of (re)insurance companies made good progress in implementing the ORSA process. Despite this positive progress, EIOPA sees the need for further improvements. In particular, the involvement of the administrative, management or supervisory bodies in the ORSA to a greater degree is needed. Board members have to play a more active role in the ORSA process and to take into account more evidently this important risk assessment in their strategic decision-making processes.

Furthermore, EIOPA's analysis indicates the over-reliance of insurers on the standard formula with regard to risk management. EIOPA therefore stresses the importance of assessing thoroughly significant deviations of the companies' risk profiles from the standard formula to properly determine their overall solvency needs. Particular attention should also be paid to the quality of stress test scenarios used in the ORSA process, including the use of reverse stress testing, and to the scope of the risk assessment, which requires further improvement to cover the impact of all potential risks.

Gabriel Bernardino, Chairman of EIOPA, said: *"EIOPA welcomes the progress of (re)insurance companies in the implementation of the ORSA process. At the same time EIOPA calls for further improvements, which are needed for a better integration of this essential risk management tool into the companies' business strategy. This forward-looking own risk and solvency assessment is crucial to protect European consumers and ensure financial stability in Europe."*

#### **Notes for Editors:**

**Own Risk Solvency Assessment (ORSA)** – ORSA is a risk management tool setting out the principles of forward-looking self-assessment of risk management and solvency for insurers. As part of its risk-management system every insurance undertaking and reinsurance undertaking shall conduct its own risk and solvency assessment (Article 45 of the Solvency II Directive).

**EIOPA's Supervisory Statement of ORSA** is based on the examination conducted and information collected by the national supervisory authorities in the European Economic Area (EEA) after Solvency II implementation in 2016.

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.