insurance europe

Press statement

15 December 2016

Response to EIOPA 2016 Solvency II stress tests

Following the publication of the European Insurance and Occupational Pensions Authority (EIOPA) 2016 Solvency II stress tests results, Olav Jones, deputy director general of Insurance Europe, said:

"The results of this exercise demonstrate that under the current baseline of very low interest rate conditions, the insurance industry is very highly capitalised with an overall solvency of nearly 200%. This is already calculated assuming that interest rates remain at their current very low levels for the next 20 years. Only 0.02% of the total sample were reported as being below their already strong target capital level, known as the Solvency Capital Requirement.

"Under the very severe stress scenarios, the industry shows itself to be very resilient. EIOPA reports that under the double hit only 40% of the sample would lose more than a third of their surplus assets and under the low for long scenario only 16% of the sample would lose a similar amount of surplus assets.

"While Solvency II has only been in force for just under one year, it has set the bar very high in terms of the strict requirements insurers need to meet. This already includes capital requirements for low interest rates and reductions in the value of insurers' investments, as well as all the other risks to which insurers can be exposed. Solvency II also includes strict risk management and governance requirements, so that management can take any necessary actions early. It also features extensive reporting and powers of intervention to ensure that supervisors can identify and monitor companies with specific issues and step in to take action, if needed.

"In addition, it is important to emphasise that, as EIOPA has already said, these stress tests were not a 'pass or fail' exercise. The companies that took part in this exercise represent only 60% of the industry and the 40% that was not covered includes non-life and unit-linked business that is unlikely to be impacted by low interest rates. As such, had the entire industry been included, the level of overall resilience shown would have been even higher.

"It is a core role of insurers to protect customers from risks such as these and the purpose of holding surplus capital in excess of liabilities is to allow insurers to absorb risks. Therefore, it is logical that under stress-test scenarios, insurers exposed to those risks will see their surplus assets reduced. This is not a vulnerability, it is the system working as it should, and Insurance Europe is puzzled by the long list of supervisory actions recommended. It is also important to view these results in the context of the additional layers of protection that arise from how Solvency II calculates liabilities, which can result in conservative measurements."

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Notes for editors

1. For further information, to request a media interview or to be added to our mailing list, please contact Richard Mackillican, policy advisor, communications & PR (tel: +32 2 894 30 69, mackillican@insuranceeurope.eu).
2. You can also receive updates from Insurance Europe by signing up here or by following us on Twitter @InsuranceEurope.
3. Insurance Europe is the European insurance and reinsurance federation. Through its 34 member bodies — the national insurance associations — Insurance Europe represents all types of insurance and reinsurance undertakings, eg pan-European companies, monoliners, mutuals and SMEs. Insurance Europe, which is based in Brussels, represents undertakings that account for around 95% of total European premium income. Insurance makes a major contribution to Europe's economic growth and development. European insurers generate premium income of almost €1 200bn, employ a little under one million people and invest nearly

€9 800bn in the economy.