



Press Release

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EIOPA LAUNCHES THE FOURTH EU-WIDE INSURANCE STRESS TEST

- *The aim is to assess vulnerabilities of the European insurance sector*
- *It is not a pass-or-fail exercise*
- *The stress scenarios encompass a combination of market and insurance specific risks as well as the exposure to cyber risk*
- *42 European insurance groups participate representing close to 78 % of the total European market coverage*
- *Increased transparency in the disclosure of the stress test results*

Frankfurt, 14 May 2018 – Today, the European Insurance and Occupational Pensions Authority (EIOPA) launched its fourth stress test for the European insurance sector. This regular exercise aims to assess insurers' vulnerabilities. It is not a pass-or-fail-exercise. For each stress test, EIOPA tailors the scope and scenarios according to developments in market conditions and their potential negative implications for insurers. The 2018 scenarios encompass a combination of market and insurance specific risks, including a natural catastrophe scenario. The objectives of the fourth insurance stress test are:

- **To assess vulnerabilities of the European insurance sector** to specific adverse scenarios with potential negative implications for the European financial markets and the real economy
- **To raise the awareness** of the **potential threats to financial stability** posed by the insurance sector at the European level

- **To increase transparency by requesting the voluntarily disclosure of individual results** by participating groups

This year's exercise targets 42 European insurance groups. EIOPA, in coordination with the national competent authorities, selected the companies according to size, European Union-wide and local market coverage as well as relevance for financial stability. In total, the target sample represents approximately 78% European market coverage, based on total consolidated group assets according to Solvency II financial stability reporting. The full list of the participating groups can be found [here](#).

The deadline for submission of results to the national competent authorities is 16 August 2018. EIOPA will regularly publish questions and answers addressing queries from the participating groups. The publication of the stress test results is planned in January 2019.

Gabriel Bernardino, Chairman of EIOPA, said: *"The scenarios reflect severe but plausible external shocks including insurance specific shocks. Furthermore, for the first time the exposure to cyber risk and best practices in dealing with these risks is assessed. This stress test will therefore provide further valuable insight to the resilience of the European insurance sector. The increased transparency is key to ensure a level playing field and enhance market discipline among the stress test participating groups."*

Notes for Editors:

A set of **frequently asked questions** is available via [EIOPA's Website](#).

The stress test **technical specifications** and **templates** are published via [EIOPA's Website](#).

For **further information** about the Insurance Stress Test 2018 including the time-line, the questions & answers process for the participating companies, etc. please also consult [EIOPA's Website](#).

The Insurance Stress Test 2018 comprises the following **three scenarios**:

- **Yield curve up shock combined with lapse and provisions deficiency stress**: a sharp and sudden rise in interest rates triggered by both an upward shift in risk free rates as well as a significant increase in inflationary pressures. This scenario has been developed and operationalised in cooperation with the [European Systemic Risk Board \(ESRB\)](#).
- **Low yield shock combined with longevity stress**: a protracted period of extremely low interest rates. This scenario has been developed and operationalised in cooperation with the European Systemic Risk Board (ESRB).
- **Natural catastrophe scenario**: A series of natural catastrophes (e.g. storms, earthquakes, flooding) occurring in Europe.

Furthermore, **the exposure to cyber risk and best practices in dealing with cyber risks** will be assessed via a collection of information through a questionnaire.

The **reference date** for the Insurance Stress Test 2018 is **31 December 2017**.

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.