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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

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Update on 2024 Insurance Stress Test results

FSC meeting

Presenter: [REDACTED]

Date: 22 January 2025

Key elements



Objective	<ul style="list-style-type: none">▪ No pass-fail exercise▪ Mainly microprudential with a macroprudential element				
Approach	<ul style="list-style-type: none">▪ 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⁾	<ul style="list-style-type: none">▪ 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	<ul style="list-style-type: none">▪ 48 participants for capital component▪ 132 solo undertakings for liquidity component▪ 20 Jurisdictions▪ 75% EEA market coverage ⁽²⁾				
Data and metrics	<table border="0"><tr><td>Capital</td><td>Liquidity:</td></tr><tr><td><ul style="list-style-type: none">▪ Consistent with regular QRT reporting▪ Balance sheet (eAoL) / Solvency (EOF, SCR)</td><td><ul style="list-style-type: none">▪ Ad-hoc templates⁽³⁾▪ Sustainability of the liquidity position⁽⁴⁾</td></tr></table>	Capital	Liquidity:	<ul style="list-style-type: none">▪ Consistent with regular QRT reporting▪ Balance sheet (eAoL) / Solvency (EOF, SCR)	<ul style="list-style-type: none">▪ Ad-hoc templates⁽³⁾▪ Sustainability of the liquidity position⁽⁴⁾
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Overall, the European insurance industry remains well-capitalised to cope with emerging risks...

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Capital position

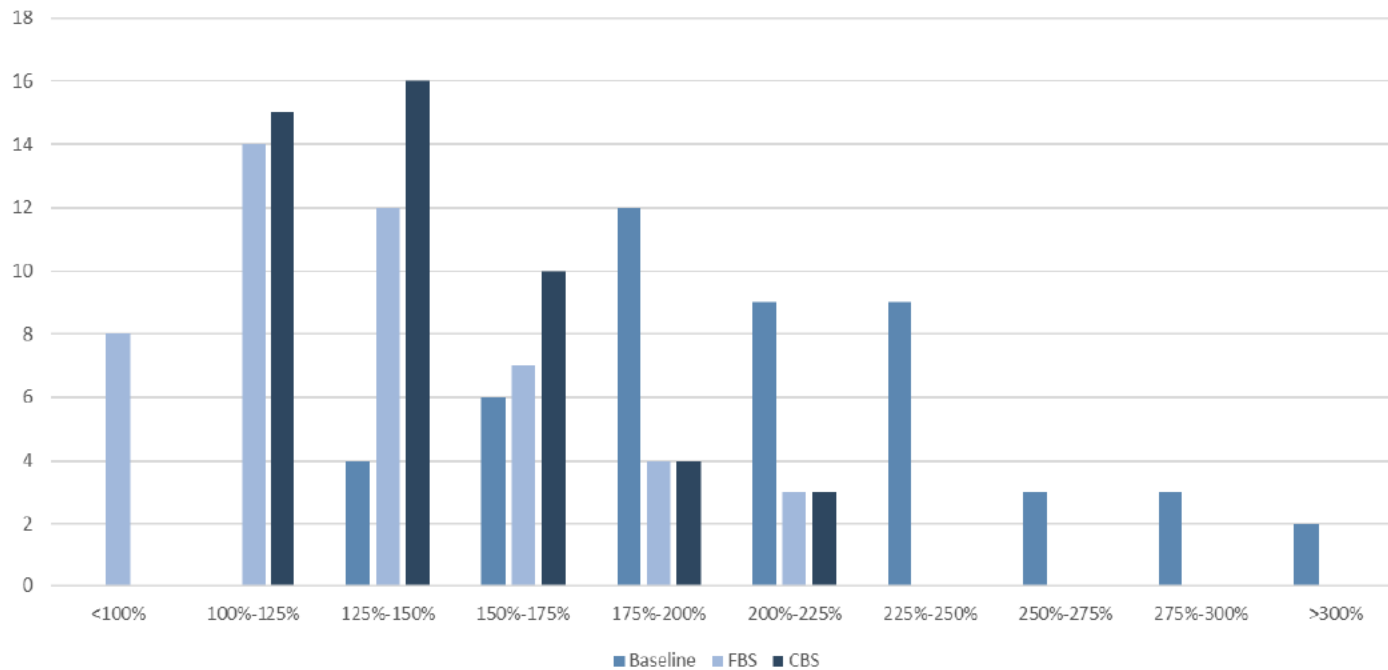
	Baseline Value	Fixed Balance Sheet		Constrained Balance Sheet	
		Value	Δ (Baseline)	Value	Δ (Baseline)
Solvency Ratio	221.8%	123.3%	-98.5 p.p.	139.9%	-81.9 p.p.
Solvency Capital Requirement	309.3 bn	332.1 bn	7.4 %	321.4 bn	3.9 %
Eligible own funds	686.1 bn	409.6 bn	-40.3 %	449.6 bn	-34.5 %
Assets over 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 Value	Fixed Balance Sheet		Constrained Balance Sheet	
		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...

SCR ratio



▶ Baseline (aggregate):

- ▶ Full: 221.8%
- ▶ Without transitionals: 209.3%

▶ Fixed Balance Sheet (aggregate):

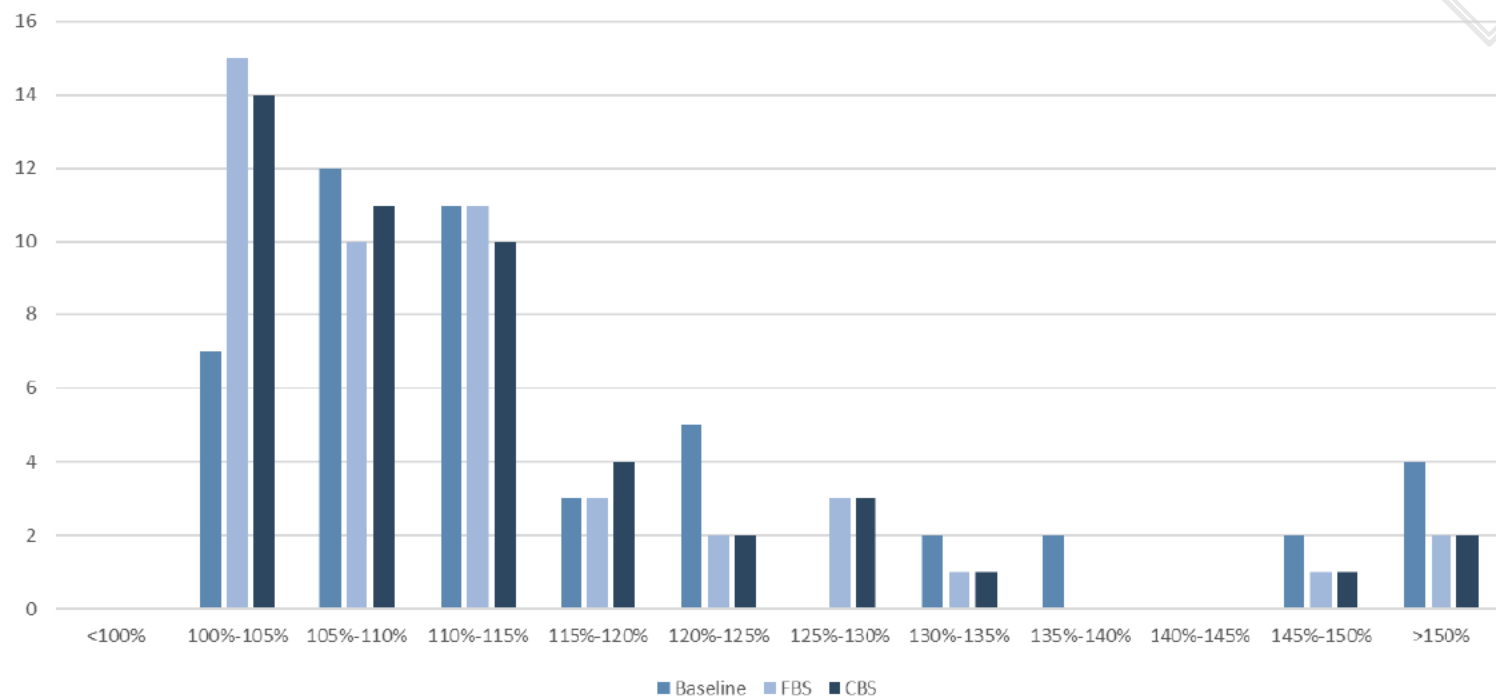
- ▶ Full 123.3 (-98.5p.p.)
- ▶ Without transitionals: 108.7%
- ▶ 8 companies below the regulatory threshold, of which all apply RMA and recover above the threshold

▶ 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.

Asset / Liabilities



- ▶ **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)

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THANK YOU!

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