

EIOPA launches its 2021 insurance stress test

The European Insurance and Occupational Pensions Authority (EIOPA) has launched its 2021 insurance stress test for the European insurance market today. Insurance stress tests assess the resilience of the European insurance market in case of adverse financial and economic conditions and identify the market's vulnerabilities.

The 2021 stress test focuses on a prolonged COVID-19 scenario – in a “lower for longer” interest rate environment. The scenario, developed in cooperation with the European Systemic Risk board (ESRB), will assess the impact of economic consequences of the COVID-19 pandemic, which affect confidence worldwide and prolong the economic contraction. The stress test will evaluate both the impact on the capital and the liquidity position of the undertakings in scope.

The objectives of the 2021 stress test are:

- To assess the resilience of participants to adverse scenarios from a capital and liquidity perspective to provide supervisors with information on whether the insurers are able to withstand severe but plausible shocks;
- To consider possible recommendations to the industry and to allow supervisors to engage with insurers on potential remedial actions;
- To complement the microprudential assessment with the estimation of potential spill-over from the insurance sector triggered by widespread reactions to the prescribed shocks.
- The 2021 exercise includes 44 European (re)insurance undertakings: the companies were selected based on size, EU wide market coverage, business lines conducted (life and non-life business), number of represented jurisdictions and secondly local market coverage. In total the target sample, defined in cooperation with the national competent authorities, covers 75% of the European Economic Area based on total assets in the Solvency II.

EIOPA is now carrying out a Question and Answers process to provide further clarifications to participants. The stress test results are planned to be published in December 2021.

Peter Braumüller, Vice-Chair of EIOPA, said: *“This stress test is of particular importance because it assesses the resilience of the solvency and liquidity positions of the European insurers against an adverse scenario that could materialise in the aftermath of an economic crisis and in a period of high uncertainty. The scenario reflects severe but plausible shocks and will bring results that will shed light on the resilience of the European insurance sector. However, the exercise should not be considered a pass-or-fail exercise”.*

[Learn more about the stress test](#)