

EIOPA publishes its fifth annual analysis on the use and impact of long-term guarantees measures and measures on equity risk

Today, the European Insurance and Occupational Pensions Authority (EIOPA) submitted to the European Parliament, the Council of the European Union and the European Commission, its 2020, fifth and last Annual Report on Long-Term Guarantees Measures (LTG) and Measures on Equity Risk.

The analysis carried out by EIOPA in the annual reports on long-term guarantees measures and measures on equity risk since 2016 has served as a basis for the Opinion on the 2020 review of Solvency II, to be delivered by the end of 2020 with regulatory proposals to improve the design of the measures.

Similar to previous years' analysis, this year's results show that most of the measures are widely used. 651 (re)insurance undertakings in 21 countries with a European market share of 80 % use at least one of the following voluntary measures:

- The matching adjustment
- The volatility adjustment
- The transitional measures on the risk-free interest rates
- The transitional measures on technical provisions
- The duration-based equity risk sub-module

The volatility adjustment and the transitional measure on technical provisions are particularly widely used. The volatility adjustment is applied by 651 undertakings in 21 countries to mitigate the effect of exaggerations of bonds spreads. The transitional measure on technical provisions is applied by 136 undertakings in 11 countries with respect to contracts concluded before the start of Solvency II in order to ensure a smooth transition to the new regime.

The average Solvency Capital Requirement (SCR) ratio of undertakings using the voluntary measures is 247 % and would drop to 204 % if the measures were not applied. This confirms the importance of these measures for the financial position of (re)insurance undertakings.

Consistent with the trends observed in the last years, availability of long-term guarantee products is mainly stable or decreasing across EEA. In the 2019 report, approximately half of the jurisdictions observed a reduction in the availability of traditional life insurance products with long-term guarantees and an increase in the availability of unit-linked business. All jurisdictions that observed this trend last year, have responded that the

trend has continued this year. Overall, national supervisory authorities have observed a decrease in the size and duration of guarantees.

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