

To: Solvency II WG  
From: Prudential Team  
cc:  
Date: 28-02-2025  
Reference: ECO-SLV-25-101

Subject: EIOPA 2024 Insurance Stress Test Recommendations

## Summary

On 28 February, EIOPA released its [recommendations](#) for the 2024 insurance stress test. There is one single recommendation, listing **four items** for National Competent Authorities (NCAs) to consider for modelling and reporting, as follows:

EIOPA recommends NCAs to assess whether insurers are taking measures to enhance their ability of modelling and reporting the following items as prescribed in the technical specifications:

- Look-through approach of assets
- The impact of shocks on the UL/IL portfolios separately
- The marginal impact of insurance specific shocks on TPs, Excess of Assets over Liabilities and Own funds
- Liquidity flows, e.g., margin calls

Notably, in order to implement this recommendation, **EIOPA intends to set the time period for the preparation of the next stress test sooner and longer than in previous EIOPA stress tests**, including an earlier involvement of the insurance industry and participants

The secretariat has reviewed the recommendations in detail, compared to the previous exercise and shared related resources for members below.

## Further details

- Look-through approach of assets:
  - Many participants faced difficulties in reporting the look-through approach on various occasions or applied it only to some asset categories and resorted in other simplified methodologies instead
- The impact of shocks on the unit-linked (UL)/index-linked (IL) portfolios separately:
  - A few models have not supported the separate shock of the UL/IL assets and Technical Provisions (TPs).
  - Examples include no cash for UL/IL being reported, no UL cashflows or no purchases or sales of assets being reported despite non-zero UL assets and liabilities reported for stocks
- The marginal impact of insurance specific shocks:
  - During the central validation process, it was observed that a half of the participants encountered difficulties in calculating the marginal impacts of insurance specific shocks due to the setup of their models.
- Liquidity flows, e.g., margin calls:
  - Some faced limitations while modelling margin and collateral calls despite holding derivatives and carried out manual calculations or approximations.

In addition to the four key points above, other notable extracts include:

- EIOPA states issues “**did not affect the robustness of the result**” but that this recommendation will “assist in further improving the quality of the results”.
- EIOPA notes “an **improved consistency**” but “some insurers could still make improvements”.

### Comparison with previous exercise

Compared to the recommendations for the previous exercise ([2021](#)), where there were six recommendations, the single 2024 recommendation seems much more general and less targeted at specific participants.

In brief, the six recommendations for NCAs following the 2021 exercise related to:

- Dependency on transitional measures
- Further assess management of risks causing large drops or (near) breaches in SCR ratios.
- Risks not reported as part of Solvency II
- Availability of actions to manage adverse conditions
- Assessing time taken to respond to adverse developments
- Supervisory action for one participant, including an on-site inspection.

### Related resources

- EIOPA’s insurance stress test report (December 2024) - [here](#)
- The secretariat’s key takeaways from 2024 report - [ECO-SLV-25-001](#)
- The secretariat sent a letter ([ECO-SLV-24-242](#)) to the Chairperson of EIOPA, Petra Hielkema.
  - The letter reiterates the industry’s position against individual disclosures and the need for EIOPA’s communication to avoid exaggerating “vulnerabilities” and to focus on impacts on assets over liabilities and not on SCR.
- EIOPA responded to the secretariat letter ([ECO-SLV-24-257](#)):
  - stating there is no change in their position on the publication of the individual results. For 2024 results, EIOPA will not aim to disclose solvency position of participants, and limit requests to a subset of balance sheet indicators.