

To: Solvency II WG
From: Prudential Team
cc:
Date: 17-12-2024
Reference: ECO-SLV-24-387

Subject: EIOPA 2024 Stress Test Results publication information

Summary

Today, 17 December, the secretariat attended a call between EIOPA and industry associations regarding the 2024 stress test results.

Publication of the report is expected at **6PM today, 17 December**. The report will be supported by frequently asked questions (FAQs), a factsheet and a press release. EIOPA highlighted that although there will be no recommendations published today, **further discussions in 2025 among NSAs** will determine if **and what recommendations** will be published.

The overall message from EIOPA is that the industry **showed resilience** to the stress test in terms of both capital and liquidity considerations. However, EIOPA's report will highlight that the industry's resilience relies on a **strong opening position** based on year-end 2023 results. The secretariat expects this latter message will be used by EIOPA in its narrative on the impact of the Solvency II review.

In brief, following the application of the scenarios and reactive management actions (ie on the constrained balance sheet):

- All participants had a **solvency ratio above 100%**.
- Liquidity considerations show similar finding to the 2021 exercise, where the industry is capable of withstanding shocks with positive **net cashflows** and a positive **sustainability indicator**.

In terms of individual disclosure, 7 of the 48 participants consented to the disclosure of individual results. The report will include a list of all participants and link to the individual results of these 7.

Further detail on results

The exercise involved **48** participants, from **20** countries, accounting for **75%** of EEA business.

Solvency - The aggregate solvency ratio started from **222%** based on year-end 2023 results and the stress test results gave the following impact:

- A decrease in the aggregate position to **123%**, before management actions (fixed balance sheet).
 - **8 participants** had a solvency ratio below 100% before management actions. These individual participants will not be disclosed.
- A decrease in the aggregate position to **140%**, after reactive management actions (constrained balance sheet).
 - All participants had a solvency ratio above 100%, after application of reactive management actions.
- The ratio of assets over liabilities also remained above 100%, with all participants capable of **meeting obligations**.

Liquidity – The aggregate net liquidity position (cash +net flows) started from an **initial position of 110bn EUR**. Following the application of the scenario:

- The aggregate net liquidity position fell to a **negative 41bn** EUR position and then increased to a **positive position of 60bn** EUR, following reactive management actions.
- The sustainability indicator (considering net cashflows, cash, cash equivalents and other liquid assets with haircuts) reduced from **2.3trn EUR to 1.5trn EUR**, indicating an approximate 700bn EUR reduction although with clearly an abundance of liquid assets remaining.

Other points noted by EIOPA included:

- **26** participants applied management actions, which is higher than previous stress test exercises.
- Compared to the 2021 exercise, EIOPA noted **improvements** in risk management considerations, the application of management actions and data quality.
- Although, the primary focus of the exercise for EIOPA was microprudential considerations, this exercise also had a secondary focus on **macroprudential** considerations such as the sale of assets across the industry.

Next steps

The secretariat will assess the report from EIOPA and follow-up on any actions or analysis from the findings.