

To: Economics and Finance Committee

From: ECOFIN Team

Meeting: 7 December 2018

Reference: ECO-18-109

Subject: EIOPA stress test

Objective

For discussion and decision

Input requested

Members will be invited to discuss and provide input on the secretariat's proposed future engagement strategy on the EIOPA 2018 stress test exercise.

As a next step, the secretariat proposes to prepare the following documents ahead of the publication of EIOPA's report, expected on 14 December:

- A summary of industry views on the stress test exercise which clearly explains the industry's reservations about the 2018 exercise and why it has not supported individual public disclosure. The intention would be to circulate this to journalists prior to the publication of the EIOPA Report. A draft version for consideration will be circulated before the ECOFIN Committee meeting.
- A press release for publication in conjunction with the EIOPA Report.

Summary

As the 2018 stress test exercise draws to a conclusion, Insurance Europe has progressed its lobbying from influencing the design and specifications of the exercise to ensuring the publication of the results is as smooth as possible.

In preparation for this phase of the lobbying process, the secretariat surveyed all participants in scope of the exercise to gain further understanding of the challenges of the exercise. Feedback from this survey was consistent across all respondents. It showed that the industry shared frustrations that requirements of the exercise were not proportionate to its objectives, the results of the exercise do not reflect economic reality and the exercise was poorly prepared and implemented by EIOPA, amongst others. Based on this feedback, a key messages document was drafted and circulated to members (see ECO-SLV-18-199).

EIOPA has also been preparing for the publication of the results and has been putting significant pressure on participants to voluntarily disclose their results.

- On 22 November, it held a second high-level meeting with representatives of participating groups. During this meeting, EIOPA reiterated its key positions and put significant pressure on attendees to disclose.
- Ahead of this meeting, some participants received a letter from EIOPA, co-signed by their NSA, which encouraged and requested consent to publicly disclose their individual results.
- During the meeting, EIOPA also confirmed its intention to publish its report on the exercise at 18h00 CET on 14 December, one month ahead of initial expectations.



The secretariat understands that the industry participants at the meeting on the 22 November maintained their objection to public disclosure of the individual results of the exercise. Given that increased disclosure was a key priority for EIOPA, the secretariat believes it is important to ensure there is strong and clear industry messaging on why this was not appropriate, in case of any negative messaging from EIOPA.

Background

The 2018 stress test exercise has created a number of challenges for the industry and required extensive engagement over the past 12-15 months.

Initially, the industry's raised concerns about the calculation of the post-stress capital requirement and "voluntarily" publicly disclosure. The publication of the technical specifications in April raised further significant concerns among stress test participants about the overall feasibility of the exercise given the methodological requirements, extensive reporting requirements and calculation burden.

Given the severity of the concerns, Insurance Europe, in a joint effort with the CRO/CFO Fora, engaged at top level with EIOPA and the European Commission, highlighting that the draft proposals would make the exercise unfeasible and not meaningful in achieving the financial stability objectives.

These lobbying efforts prompted EIOPA to accept a number of improvements, namely 1) a relaxation of the methodological requirements, 2) increased timeline for completion of the exercise and 3) reduced reporting requirements.

Since then, EIOPA has held two high-level meetings with participants where it has pushed the merits of individual public disclosure.

Next steps

Based on members feedback and agreement the secretariat will finalise the summary of industry views and share this with relevant parties ahead of the publication of the EIOPA report. A press release will also be prepared and released on 14 December.