

Comments to the 2021 Stress Test draft technical specifications and templates for the data collection

Providing feedback to the document

The 2021 Stress Test draft technical specifications and the templates for the data collection will be presented and discussed during the meeting planned on 18 March 2021.

For the sake of efficiency and effectiveness EIOPA welcomes comments on the document in advance to the meeting.

Comments are most helpful if they:

- respond to the question stated, where applicable;
- contain a clear rationale; and
- describe any alternatives EIOPA should consider.

Please send your comments to EIOPA in the provided Template for Comments, by email to <eiopa.stress.test@eiopa.europa.eu> by **17 March 2021 noon**.

Provided comments will not prevent any discussion during the teleconference and will not be disclosed.

Reference

Name of the Stakeholder / Participant	Insurance Europe
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#	Question	Answer
Q.1.	Do you envisage issues in the calculation of the post-stress TP of the health similar to life based on the same treatment prescribed for the health similar to non-life products?	-
Q.2.	Are additional specifications needed for the Health similar to life products?	-
Q.3.	Are you able to provide the breakdown of assets to support life business and non-life business?	-

#	Comment	
	General comment	<p>Insurance Europe again welcomes the opportunity to engage with EIOPA on the 2021 stress test exercise.</p> <p>In future, it would be helpful if EIOPA could provide some additional time for stakeholders to assess the technical specifications and the draft templates. 5 working days does not provide enough time for companies and associations to make a full assessment. In addition, it would also be helpful if a tracked change version of any documents were provided.</p> <p>While Insurance Europe welcomes that some its feedback has been acknowledged by EIOPA and resulted in improvements in the technical specifications (in particular the setting of the UFR under stress), other aspects have not been considered. Our key concerns are summarised below – further information on these is included in our earlier feedback.</p> <ul style="list-style-type: none"> • Based on the experience from the 2018 stress test, we are still not convinced that the

		<p>calculation of the Post-stress SCR is neither necessary nor appropriate.</p> <ul style="list-style-type: none"> • Individual public disclosure of the results of the exercise are not necessary to achieve EIOPA's objectives. • Additional time should be foreseen for insurers to plan and complete the exercise. For example, the start date could be advanced to April with the final submission date extended to September. • Excessive burden and unnecessary reporting requirements must be avoided.
	Para 62 - 69	In a "decentralised" approach to liquidity management, the liquidity stress takes place at solo level. Now, however, there may be subgroups at solo level that operate central liquidity management for this sub-group. In this case, reporting at solo level should also take this subgroup into account, i.e. "solo/subgroup level".
	Para 88	Corporate bonds issued by financial institutions should be included in the table. The prescribed scenario does not justify an exclusion of these assets for the liquidity stress tests.
	Para 72	Is the listing of the insurance shocks provided in paragraph 72 the order that these shocks should be applied? I.e. for life contracts should the lapse shock be applied first then the mortality shock?
	Para 75	<p>EIOPA proposed approach is not consistent with the manner in which the SCR is calculated. By stressing the value of the participation, a wrong risk profile is stressed.</p> <p>Also stressing the CRD-entities based on the equity stresses is wrong compared to the risk profile. The value of the participation is based on the sectoral requirements. A stress of the equity value will assume a too onerous deterioration of the business of these entities. For example, for a mortgage bank, this would assume an massive default of residential mortgage loans. This is not the scenario assumed nor is it evidenced based on past crises.</p>
	Para 137	The use of transition matrices to model (up)/downgrades could result in significantly greater burden of the exercise as a whole. A simple approach should be developed to minimise the

		burden on insurers.
	Para 149	We consider that covered bonds constitute a better proxy for mortgage loans. Applying RMBS shocks for Loans and Mortgages will overestimate the risks for mortgage loans.
	Para 195	Why are the "reinsurance flows" kept constant with increasing claims frequency and severity? Or does the time horizon of 90 days stand for the primary insurer's prior charge? If so, a reinsurer should not be affected by this liquidity shock in order to avoid double counting.
	Section 6	It is noted that validation templates are included in the reporting requirements – can EIOPA confirm these will not be requested? Will any other validation data be requested from participants?
	Para 227	What is EIOPA's intended purpose of collecting LRMP data and liquidity stress tests from the ORSA? How will this data be used in the stress test exercise?
	Capital Reporting Template	<ul style="list-style-type: none"> • There should be a clear definition of which countries are part of "emerging markets" and "other advanced markets". • UK and GB are both used to represent the UK. Using one may avoid confusion • A detailed categorisation of the CIC codes to the split desired by EIOPA would be needed to ensure a level playing field • Indicators: In the 2018, there was a lot communications / remarks / resubmission based on the interpretations of the indicators. It would be desirable if EIOPA would include formulas which relate to the templates rather the QRT R and C cells. • With real estate a split is made with respect to commercial and residential. Do offices fall under the category commercial? We would ask this to be explicitly mentioned to avoid confusion.