

# RTS ON PROPOSAL FOR REGULATORY TECHNICAL STANDARDS TO SPECIFY THE CRITERIA FOR THE IDENTIFICATION OF EXCEPTIONAL SECTOR-WIDE SHOCKS

Workshop on new technical standards

27 November 2024

# RTS ON CRITERIA IDENTIFICATION SECTOR-WIDE SHOCK

## Changes to the Solvency II Directive

- The Solvency II review will give supervisory authorities the possibility to take measures for preserving the financial position of individual insurance or reinsurance undertakings with a particular vulnerable risk profile during periods of exceptional sector-wide shocks (Article 144c Solvency II Directive).
- These measures include the restriction or suspension of dividend payments, share-buybacks and bonuses.

## Mandate for technical standards

- EIOPA shall develop draft regulatory technical standards to specify the criteria for the identification of exceptional sector-wide shocks.

# RTS ON CRITERIA IDENTIFICATION SECTOR-WIDE SHOCK

## Consultation proposal for technical standards

- Different criteria are needed to cover the two objectives of protecting financial stability and protecting policyholders.
- Need to strike a balance between ensuring consistent application of supervisory measures in Article 144c and necessary flexibility of the criteria.
- Experience shows that the specific form of future crises is unpredictable.
- Draft RTS does therefore not specify individual events but focuses instead on effect that event has on the risk for financial instability or inability to meet insurance obligations
- This is supplemented with factors to consider in assessment of this risk. These factors are:
  - nature, scale and scope of event
  - relevance of insurers in sector for financial stability
  - effect of event on insurers in sector
  - declaration of exceptional adverse situation in accordance with Article 138(4) Solvency II Directive
  - any supervisory measures to remedy liquidity vulnerabilities in accordance with Article 144b(3) Solvency II Directive

**THANK YOU!**