# EIOPA publishes results

# of 2016 Insurance Stress Tests

EIOPA published the results of their most recent stress test exercise on 15 December. These stress tests represent one of the regular supervisory tools that help to assess the resilience of the insurance sector to potential adverse market developments. The tests covered 236 life companies in 30 countries and the results were published on an aggregated basis rather than company by company.

The 2016 exercise was tailored to assess the life insurance sector's vulnerabilities to a combination of market risk adverse scenarios. It was based on a sample of stand-alone insurance undertakings who were tested under the following two stress scenarios:

1.  A persistent low interest rate environment
2.  A double hit scenario where, in addition to the low interest rates, asset
    prices were also stressed

The conclusion was that long-term low interest rates (the first stress scenario above) could wipe €100bn off the net balance sheets of Europe's largest life insurers, while the double-hit scenario could result in a €160bn loss of capital. EIOPA described this second stress scenario as "plausible but extreme" and stated that "conclusions should be drawn under this prism".

The exercise confirmed the vulnerability of the life insurance sector to the low interest rate environment and to a large reassessment of risk premia. Whether an insurance company feels they have enough capital or not today, there is an undisputable advantage to having a long-term capital partnership established for when circumstances might change. IRC, alongside our partners Maiden, offer a range of capital products from reinsurance to subordinate debt capital. With our capital partnership program we aim to support insurers' capital needs through the business cycle.



*Having a long term capital partner has always been a valuable relationship for any insurer. At Maiden we seek to work closely with selected clients by offering capital solutions that reduce risk and drive value for owners of insurers.*