The European Insurance and Occupational Pensions Authority (EIOPA) published today the results of its 2024 Insurance Stress Test in which it assessed European insurers’ ability to cope with the economic and financial fallout from a resurgence of geopolitical tensions. The exercise shows that insurers in the European Economic Area are overall well-capitalized and able to meet the Solvency II requirements even under the stress test’s severe but plausible shocks that stem from widespread supply-chain disruptions, low growth and renewed inflationary pressures.

Geopolitical shock scenario

The stress test subjected European insurers to an adverse scenario marked by an intensification of geopolitical tensions with a broad range of knock-on effects. The scenario consists of various events whose joint materialisation is calculated to be plausible but more severe than the existing capital requirements calibration. On top of subdued growth and higher inflation, these ripple effects include tighter financing conditions, a steeper inversion of the yield curve, widening credit spreads and a heterogenous increase of government bond yields amid concerns over debt sustainability. These macro-level market shocks are complemented by insurance-specific elements, such as mass lapse, claims inflation and reduced premium income.

Read more

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