



**AAE**

ACTUARIAL  
ASSOCIATION  
OF EUROPE

# SII-review: Completion of the prudential framework and main topics for the AAE

Webinar

Siegbert Baldauf

6 December 2024

# Agenda

1) Where are we now?

2) What is next?



# Objectives of the SII Directive

SII Directive, recital 102:

## Objectives of SII Directive:

- to **provide incentives** for insurers to contribute to the long-term sustainable financing of the economy,
- to **improve risk-sensitivity**,
- to **mitigate excessive short-term volatility** in insurers' solvency positions,
- to **enhance the quality, consistency and coordination of insurance supervision** across the Union and improve protection of policy holders and beneficiaries, and
- to **better address the potential build-up of systemic risk** in the insurance sector,

# SII review: more than LTG –measures

## Mandatory review by 1 January 2021

(Directive Art. 77f): review of e.g.

- long-term guarantees (LTG) measures
- methods, assumptions and standard parameters used in standard formula

## Risk margin

## Interest rate risk

## Further objectives

- Adequate consideration of proportionality aspects
- Removal of obstacles for to invest long-term
- Increase contribution to long-term financing of European projects
- Keeping S II fit for purpose

## Evolution not a revolution!

Main Solvency II-principles should remain unchanged

- 99.5% Value at risk of own funds within a one-year horizon
- Market-consistency
- Going-concern principle
- Risk based
- Principles-based

## Extension of the SII-framework:

- by macroprudential tools (ORSA, LRMP, PPP)
- by ESG-issues (Environmental, social and governance), sustainability
- Recovery and resolution

*Furthermore, the framework also needs to take into account the political priorities of the European Union (...) and should also be flexible enough to cope with any economic and financial developments (including the unprecedented protracted low – and even negative – interest rate environment).*

*Source: EC's Public consultation document Review of prudential rules for insurance and reinsurance companies (solvency II), 1 July 2020*



# Interplay Directive and Delegated Regulation

Legislators had to decide:

- What is an “essential element” of the legislative act?
- What is a political issue and should be reflected in the Directive?

European Parliament: Rapporteur Markus Ferber in his Draft report from 6 June 2022

Delegated acts are **not the appropriate instrument to deal with political issues.**

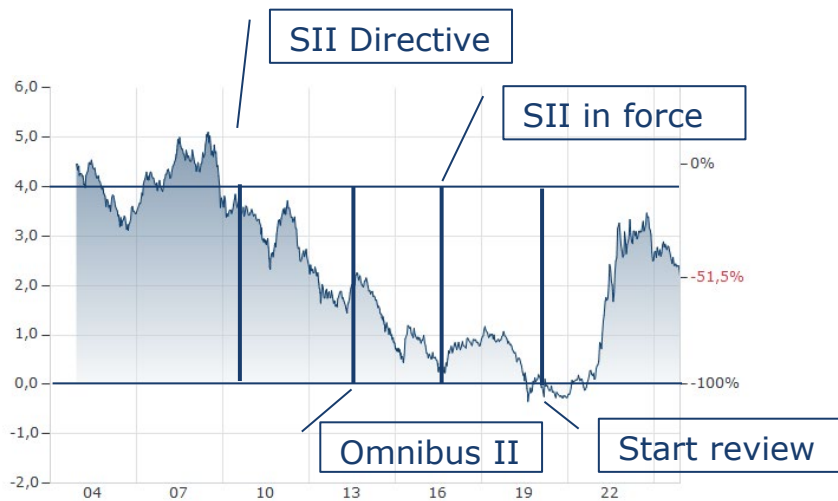
**His proposal:** Provide more details and political guidance directly into the Directive in relation to:

- the risk-free interest rate curve, including the extrapolated part;
- the Risk Margin;
- the Volatility Adjustment;
- long-term equity investments

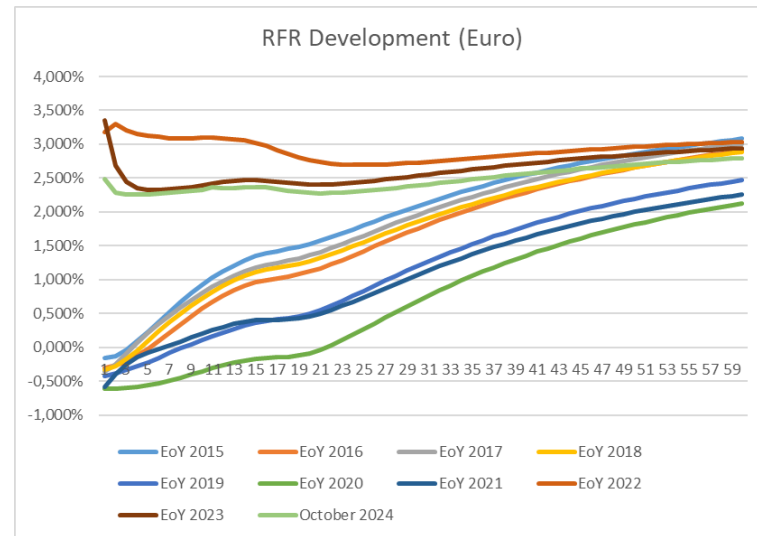
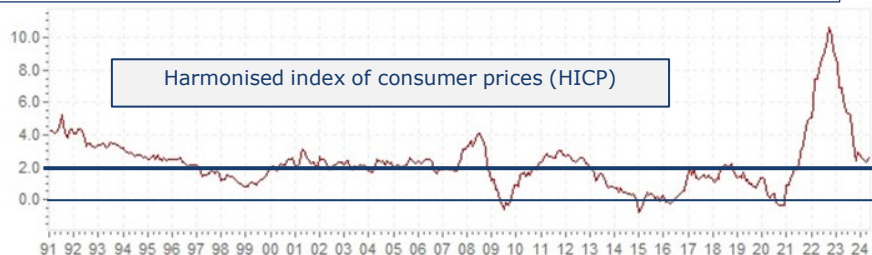


Commission's proposed  
Draft Directive was  
amended accordingly

# Significant economic changes to consider



2 December 2024: 10-year CMS Swap rate <https://www.finanzen.net/zinsen/cms-swap-satz-eur>



**Significant change of interest environment**  
Inverse interest rate term structures

<https://www.inflation.eu/en/inflation-rates/europe/historic-inflation/hicp-inflation-europe.aspx>

# Agenda

1) Where are we now?

2) What is next?



# Empowerments for Commission

Source	Affected issues	Type
Article 86	<ul style="list-style-type: none"> <li>– Extrapolation</li> <li>– Volatility adjustment</li> <li>– CoC-rate (if there is need to change)</li> <li>– Prudent deterministic valuation (SNCU)</li> <li>– Matching Adjustment</li> </ul>	Delegated regulation
Article 105	Crypto assets, capital requirements	"
Article 105a	Long-term equity investments	"
Article 111	Interest rate risk sub-module	"
Article 304c(e)	Extension of deadlines (exceptional circumstances)	"
Article 29 ff	SNCU	"
Article 144d	Macroprudential issues	RTS, Guidelines





# Empowerments: Commission's approach

Basis for Commission's proposals is the technical advice provided by EIOPA in

- Opinion on the 2020 review of Solvency II, [eiopa-bos-20-749-opinion-2020-review-solvency-ii.pdf](#)

EIOPA had supplemented this Opinion paper with background documents

- Analysis and
- Impact assessment

[Opinion on the 2020 review of Solvency II – EIOPA](#)

*Future amendments to the Delegated Regulation will significantly contribute to achieving the objectives of the Solvency II review. As regards the review topics not covered in this section, the Commission intends to amend the delegated regulation broadly in line with EIOPA's Opinion.*

[https://ec.europa.eu/info/publications/210922-solvency-2-communication\\_en](https://ec.europa.eu/info/publications/210922-solvency-2-communication_en)



# Review request in article 77f of the Directive

LTG-measures and measures on equity risk introduced in 2014 (Omnibus II-Directive)	
Equity risk	Valuation of liabilities
<b>Art. 106</b> Symmetric adjustment to equity capital charge (SA)	<b>Art. 77a</b> Extrapolation of the risk-free interest rate
<b>Art. 304</b> Duration-based equity risk sub-module (DBER)	<b>Art. 77b, 77c</b> Matching adjustment (MA)
	<b>Art. 77d</b> Volatility adjustment (VA)
In exceptional adverse situations	
<b>Art. 138(4)</b> Extension of the recovery period	
Transitional measures (Phasing-in)	
<b>Art. 308c</b>	Transitional measure on the risk-free interest rates (TRFR)
<b>Art. 308d</b>	Transitional measure on technical provisions (TTP)



# Extrapolation: New methodology

## Current method (Euro):

Article 77a concretised in Omnibus II-Directive: **Recital 30**

...the starting point for the extrapolation: at a **maturity of 20 years**. (based on residual volume criterion)

-the extrapolated part should converge in such a way to the UFR that for maturities 40 years past the starting point the extrapolated forward rates do not differ **more than three basis points from the ultimate forward rate**

→ **Smith-Wilson method**

**New:** Article 77a extended

As of the first maturity ('**first smoothing point-FSP**') where markets for those financial instruments are not deep, liquid or transparent (DLT), the relevant RFR shall be extrapolated.

Extrapolated part shall be based on forward rates **converging smoothly from the applicable forward rate at the FSP to an ultimate forward rate (UFR)**.

The extrapolated forward rates shall be equal to a weighted average of a liquid forward rate and the UFR.

For maturities of at least 40 years past the first smoothing point **the weight of the UFR shall be at least 77,5%**.



# EIOPA's proposed formula and parameters

Euro: DLT markets identified for maturities 1 to 12, 15, **20, 25, 30, 40, 50**. FSP = 20

Information condensed in a newly introduced last liquid forward rate (LLFR)

$$\text{LLFR} = w_{20} * f_{15,20} + w_{25} * f_{20,25} + w_{30} * f_{20,30} + w_{40} * f_{20,40} + w_{50} * f_{20,50}$$

$f_{t1,t2}$  forward rates between maturity t1 and t2 and  $w_x$  weighting factors derived from average notional amount  $V_x$  traded for maturity x

e.g.  $x = 20$ : 
$$w_{20} = \frac{V_{20}}{V_{20} + V_{25} + V_{30} + V_{40} + V_{50}}$$

## Extrapolation of forward rates

$$f_{20,20+h} = \ln(1+UFR) + (\text{LLFR} - \ln(1+UFR)) * B(a, h)$$

$$B(a, h) = (1 - e^{-ah}) / ah$$

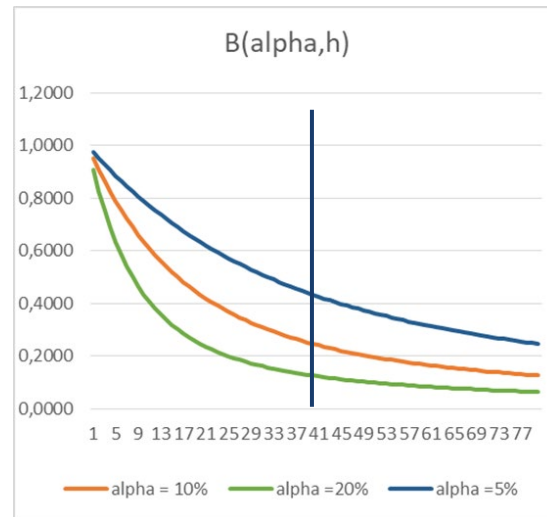
$h$  = maturity after FSP

$a$  = convergence factor (10% proposed)

$B(a, h)$  Independent of LLFR

## Zero-coupon rates post FSP extrapolated:

$$z_{20+h} = \exp\left(\frac{20 * z_{20} + h * f_{20,20+h}}{20+h}\right) - 1$$



Source: **BACKGROUND DOCUMENT ON THE OPINION ON THE 2020 REVIEW OF SOLVENCY II** Analysis Annex 2.6



# Weight of the UFR, convergence speed

The extrapolated forward rates shall be equal to a weighted average of a liquid forward rate and the UFR.  
... For maturities of at least 40 years past the FSP **the weight of the UFR shall be at least 77.5%.**

**Objective:** Limiting convergence tolerance (still based on EIOPA's proposed formula)

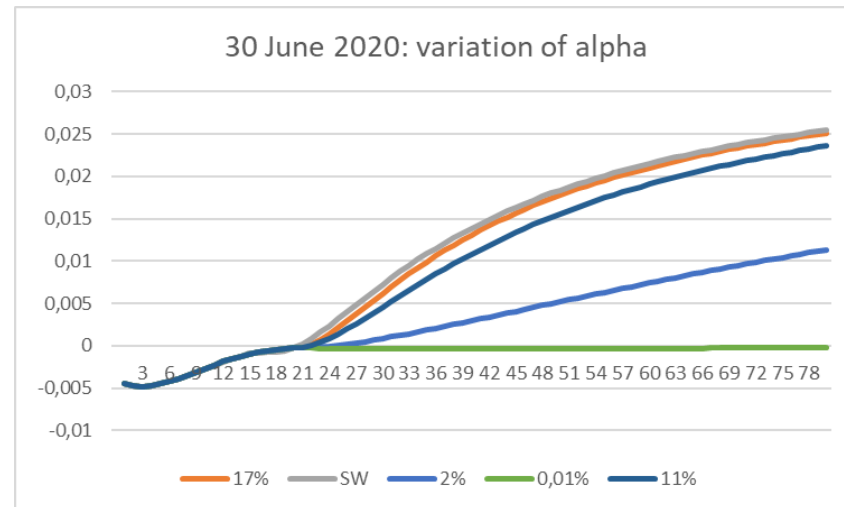
$$f_{FSP, FSP+h} = \ln(1+UFR) * (1 - B(a,h)) + LLFR * B(a,h)$$

**Weight of the UFR =  $(1-B(a,h))$**

$$B(a,h) = (1 - e^{-ah})/ah, \text{ h = duration post FSP}$$

Weight of **77.5%** → **minimum of alpha = 10.975%**

$\alpha = 10\%$ : Weight = 75.46%	proposed by EIOPA
$\alpha = 11\%$ : Weight = 77.55%	required minimum
$\alpha = 17\%$ : Weight = 85.31%	faster convergence





# Lesson learned from low-interest environment

<b>EIOPA's impact assessments</b>  Holistic Impact Assessment (HIA): Reference date 31/12/2019 Complementary Information Request (CIR) Reference date 30/06/2020 Only one scenario tested Convergence speed: 10%	Approximate impact on capital surplus		
	Changes to	HIA	CIR
	Volatility adjustment	+16 bn	+13 bn
	Risk margin	+16 bn	+18 bn
	Extrapolation	-34 bn	-61 bn
	Correlations	+ 5 bn	+5 bn
	Interest rate risk	-21 bn	-20 bn

Source: BACKGROUND DOCUMENT ON THE OPINION ON THE 2020 REVIEW OF SOLVENCY II Impact assessment

Source Article 77a(2)

**Goal:** Mitigation of possible effects resulting from the changed methodology

Subject to prior approval – not mandatory

The phasing-in mechanism shall consist of the following:

- On application date: choose alpha such that the RFR is **sufficiently similar** to the RFR determined with current extrapolation method.
- Until 1 January 2032: Linear decrease of chosen parameters at the beginning of each calendar year. Final parameters of the extrapolation are applied as of 1 January 2032.

# Empowerment regarding extrapolation

Source article 86

The Commission shall adopt delegated acts laying down

the methodologies, principles and techniques for the determination of the relevant RFR, in particular

- i. the formula for the extrapolation, including the parameters that determine the convergence speed
- ii. the method for the determination of the depth, liquidity and transparency of bond markets
- iii. the currency related percentages below which the share of bonds with maturities longer than or equal to a given maturity among all bonds shall be regarded as low
- iv. the phasing-in mechanism referred to in Article 77a(2)

To determine

- alpha, last liquid forward rate (LLFR), formula for extrapolation
- Residual volume criterion, determination of threshold (currently 6%)
- → Determination of RFR during phasing-in period





# Volatility Adjustment (VA): Risk correction of spreads

Determination of spread (S): Difference between between interest rate that could be earned from assets in the reference portfolio and the respective rates of the RFR.

A risk correction (RC) aims at eliminating risk inherent in S

Basis for risk-correction: long-term average spread(LTAS)

Separate consideration of risk correction (RC) for

a) Government bonds ( $RC_{gov}$ ), ratio  $w_{gov}$  of value in the reference portfolio

b) Bonds other than governance bonds, loans and securitization ( $RC_{corp}$ ),  
ratio  $w_{corp}$  of value in the reference portfolio

As to a)  $RC_{gov} = 30\%LTAS\_G$ , (35% for non-EEA states)

As to b)  $RC_{corp} = \max(35\%LTAS\_C, PD+CoD)$

$$RC = w_{gov} * \max(RC_{gov}, 0) + w_{corp} * \max(RC_{corp}, 0)$$

Current regulation: Risk-corrected spread (RCS):  $RCS = S - RC$

$$\rightarrow VA = 0.65 * RCS$$

RC does not  
react to  
sudden  
widening of  
the spread!

Development of VA

31 December 2019	7 bp
31 March 2020	46 bp
30 June 2020	19 bp
30 September 2020	14 bp
31 December 2020	7 bp
31 March 2021	5 bp
30 June 2021	5 bp
30 September 2021	3 bp
31 December 2021	3 bp
31 March 2022	6 bp
30 June 2022	25 bp
30 September 2022	17 bp
31 December 2022	19 bp
31 December 2023	20 bp

**Identified risk:** Overshooting in case of widening spread:

Increase of RFR not justified by own assets; undervaluation of technical provisions possible



# VA: revised formula

Proposed change:  $VA = 85\% \cdot CSSR \cdot RCS$

- Risk-correction de-coupled from fundamental spread, current spread considered
- **Undertaking-specific credit spread sensitivity ratio (CSSR) with  $0 \leq CSSR \leq 1$ .**  
CSSR lower than 1: sensitivity of the own assets to changes in credit spreads is lower than the sensitivity of the technical provisions to changes in interest rate

**Spread underlying the VA:** weighted sum of the average spread on government bonds ( $S_{gov}$ ) and on bonds other than government bonds, loans, and securitisations ( $S_{corp}$ ) in reference portfolio.

## EIOPA's advice

RC shall consider a percentage of spreads  $S$  if these are higher than LTAS

$$RC_{gov} = 30\% \cdot \min(S^+, LTAS^+) + 20\% \cdot \max(S^+ - LTAS^+, 0)$$

$$RC_{corp} = 50\% \cdot \min(S^+, LTAS^+) + 40\% \cdot \max(S^+ - LTAS^+, 0)$$

$$RC_{gov} = 30\%LTAS\_G, (35\% \text{ for non-EEA states})$$
$$RC_{Corp} = \max(35\%LTAS\_C, PD+CoD)$$

- Application of VA requires prior approval by supervisors
- Consideration in liquidity risk management plan required

# VA: revised formula

**The VA was classified by legislators as a political issue.**

Further specifications now included in Article 77d.

**Spread underlying the VA:**

Calculated as the weighted sum of the average spread  $S_{gov}$  and  $S_{corp}$

**Weights:** ratio of the value of two respective bond-classes and the value of all assets in reference portfolio.

The risk correction shall be calculated as a **percentage of spreads**.

Percentage shall decrease as spreads increase and shall at least differentiate the following three cases:

- (a) spreads  $\leq$  their LTAS;
- (b) their LTAS < spreads  $\leq$  twice their LTAS;
- (c) twice their LTAS < spreads

The risk correction **shall never exceed an appropriate percentage of the LTAS**

$$\begin{array}{ll}
 RC_{gov} & = 30\% \cdot \min(S^+, LTAS^+) + 20\% \cdot \max(S^+ - LTAS^+, 0) \\
 RC_{corp} & = 50\% \cdot \min(S^+, LTAS^+) + 40\% \cdot \max(S^+ - LTAS^+, 0)
 \end{array}
 \left. \vphantom{\begin{array}{l} RC_{gov} \\ RC_{corp} \end{array}} \right\} \begin{array}{l} \text{Amendments of this formula} \\ \text{considered} \end{array}$$



# Empowerment for Commission regarding VA

Source Article 86

The Commission shall adopt delegated acts laying down methods and assumptions for the calculation of the VA including:

- i. a formula for the calculation of the spread
- ii. a formula for the calculation of the CSSR
- iii. calculation of the percentage of the spread attributable to a realistic assessment of expected losses, unexpected credit risk or any other risk.

Percentage should decrease as spreads increase, considering

- Where spreads do not exceed their LTAS;
- Where spreads exceed their LTAS but do not exceed twice their LTAS;
- Where spreads exceed twice their LTAS.

To determine

→ methodology for the calculation of the spread undertaking-specific adjustment to the RCS

→ Calculation of CSSR

→ risk-component in the observed spread; e.g. default and cost of downgrade, determination of appropriate percentage of LTAS



# Interest rate risk sub-module

## Current regulation

Parameters for the interest rate sub-module are laid down in Articles 167 (increase) and Article 169 (Decrease in the term of interest rates) of the Delegated Regulation.

## Identified critical issues

- no stress on negative interest rates.
- Stress parameters applied to the extrapolated RFR

## Interest rate risk sub-module classified as a political issue.

Article 111 of the Directive:

- Stress even interest rates are low or negative
- the calculation shall be consistent with the extrapolation of interest rates (!)
- Interest rate should not fall below a negative floor.
- Negative floor: the likelihood of falling below this floor is sufficiently small.

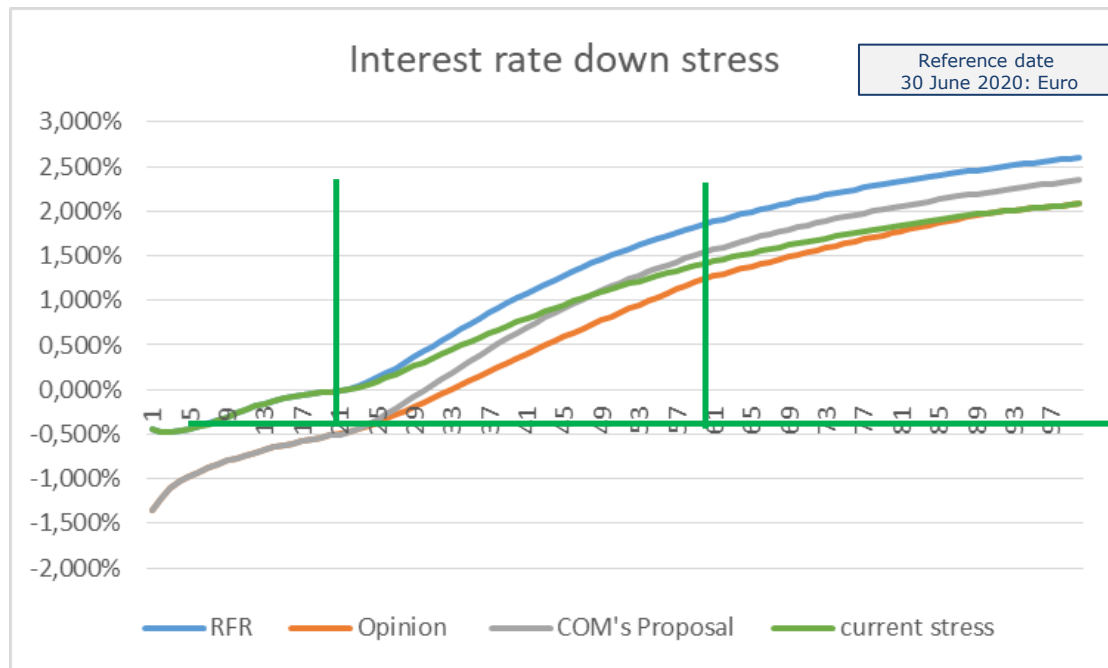
Delegated Regulation:

adjustments concerning risk of decrease **may be phased in over a transitional period of up to five years.**

Phasing-in shall be mandatory and apply to all undertakings.



# Interest rate risk sub-module



## New stress parameters:

- EIOPA proposed the shift-approach developed for SCR – Review
- Proportional Stress + Additive component, linearly decreasing after FSP to 0 after 60 years.

## Article 111 now requires:

- Determination of a negative floor
- Methodological change: apply stress to liquid part – then extrapolate
- Consider a phasing-in over up to 5 years.

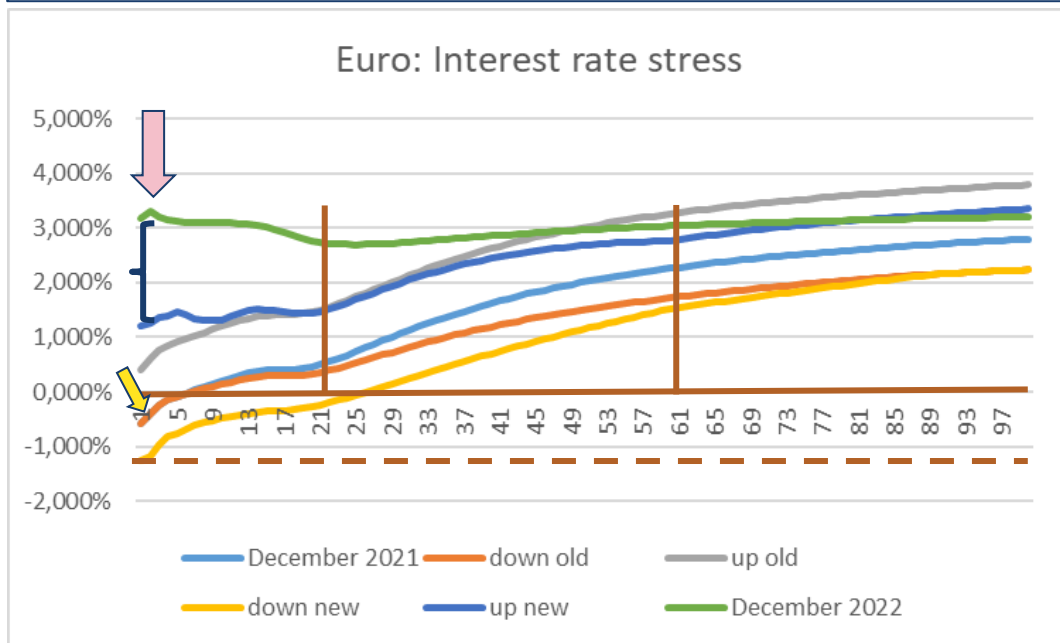
EIOPA-approach: first extrapolate – then stress <-> now required: "first stress – then extrapolate"

[https://ec.europa.eu/info/publications/210922-solvency-2-communication\\_en](https://ec.europa.eu/info/publications/210922-solvency-2-communication_en)

# Recalibration of interest rate risk

Risk parameters in Delegated Regulation (Article 166 - increase, Article 167 - decrease)

Current proposal developed in low-risk environment, focussing on risk of decrease



## Possible further analyses:

### - Risk of increase in RFR

Adaptation required because of inflationary tendencies?

→ Risk underestimated in 2022

### - Brexit:

Impact of UK-data on parametrisation.  
Review calibration and eliminate GBP-data

(source recital 104)



# Risk margin: significant reduction expected

Technical provision (TP) = best estimate liability + risk margin (if TP not calculated as a whole).

Two components of risk margin: the cost of capital-rate and the present value of future SCRs

$$\mathbf{RM} = \mathbf{CoC} \cdot \sum_{t \geq 0} \frac{SCR(t)}{(1+r(t+1))^{t+1}}, \text{ where}$$

- SCR(t): SCR after t years;
- r(t+1): basic risk-free rate for the maturity of t+1 year
- CoC = 6% (cost of capital-rate) specified in Delegated Regulation, Article 39

---

Possible implementation of new requirements (proposed by EIOPA)

$$\mathbf{RM} = \mathbf{CoC} \cdot \sum_{t \geq 0} \frac{SCR(t)}{(1+r(t+1))^{t+1}} \times \mathbf{\max(\lambda^t, floor)}, \lambda = ?$$

CoC = **4.75%** already determined in the Directive, Article 77

To be laid down in delegated regulation: The factor lambda and the floor.

---

The Commission will consider building on the lambda approach proposed by EIOPA, but without a floor parameter, to allow for more effective mitigation of volatility than under EIOPA's proposal.



# Risk margin: change of calculation

## Calculation of the risk margin classified as a political issue.

Crucial requirements now included in Directive

- Cost-of-capital rate now specified in Article 77:

The CoC rate shall be assumed to be equal to **4,75 %**.  
Periodical review by Commission: not earlier than 5 years after the date of application

Depending on the result of periodical review:  
Value of the CoC rate can be amended by a delegated act. But:  **$4\% \leq \text{CoC rate} \leq 5\%$**

The adjustment of the SCR consists of an **exponential and time-dependent element**.

To decide on parameters used in the formula:

- Factor  $\lambda$ : 0.975% appropriate?
- Floor:
  - Should there be a floor considered?
  - What would be the appropriate size?

Amendment of the risk margin expected to have a significant impact on capital relief!

Striking a balance between such a relief and ensuring the continued protection of policyholders is crucial!



# Long-term equity investment (LTEI)

LTEI shall contribute to the financing of Green Deal and European projects

**Commission's Action plan:** *Participation of insurers in long-term investments, in particular equity, can be supported by ensuring that the prudential framework appropriately reflects the long-term nature of the insurance business and mitigates the impact of short-term market turmoil on insurers' solvency.*

**Action 4:** *The Commission will seek to remove regulatory obstacles for insurance companies to invest long-term, without harming financial stability and policyholder protection.*

(Source: [https://ec.europa.eu/finance/docs/law/200924-capital-markets-union-action-plan\\_en.pdf](https://ec.europa.eu/finance/docs/law/200924-capital-markets-union-action-plan_en.pdf))

Current framework:

Asset class LTEI introduced in 2019  
(Delegated Regulation Article 171a)

The stress for this asset class is reduced to 22% for listed and unlisted equities as well.

Regulatory obstacle: eligibility of equities and administrative limitations restrained the use of this asset class.



# Long-term equity investment (LTEI)

**LTEI classified as a political issue:** New Article 105a included in the Directive

LTEI is part of the equity risk sub-module with reduced capital requirement.  
Requirements e.g.

- a) sub-set of equity investments clearly identified and managed separately
- b) long-term investment management for each LTE portfolio: reflect the commitment to hold the global exposure to equity for more than **five years**.
- c) ...;
- d) demonstrate that on an ongoing basis and under stressed conditions, **forced selling of equity investments can be avoided within the sub-set for five years**
- e) the risk management, ALM and investment policies of the undertaking reflect the undertaking's intention to comply with b) and d)

...

The capital requirement for LTEI: stress reduced to **22 %**.

Commission shall specify more details in Delegated Regulation, i.a. treatment of equities in investment funds.



# Improving proportionality

Improving proportionality was a high ranked objective of the review.  
How shall this be achieved?

- 1) Exclusion from the scope of SII due to size: Adapted thresholds
  - gross written annual premium income: 5 Mio. € → 15 Mio. €
  - technical provisions: 25 Mio. € → 50 Mio. €
  
- 2) Introduction of a new class of small and non-complex undertakings (SNCU) and a list of proportionality measures (article 29a -29e included in Directive)
  - EIOPA published a consultation paper on technical advice on the implementation of the new proportionality framework under Solvency II (EIOPA-BoS-24-29)
  - EIOPA was asked by Commission in a Call for Advice to specify:
    - Methodology to be used when classifying undertakings as SNCUs
    - Conditions for granting or withdrawing supervisory approval to undertakings and groups that are not classified as SNCU

[EIOPA consults on new proportionality regime under Solvency II - European Union \(europa.eu\)](#)



# Proportionality measures

SNCUs may use all the proportionality measures provided for in

- Article 35(5a)\* Information for supervisors (RSR every 5 instead of every 3 years)
  - Article 41\* Governance (combination of key functions)  
Update of written policies every five years (instead of annually)
  - Article 45(1b),(5)\* ORSA (macroeconomic analysis not required)
  - Article 45a(5) Climate risk (scenarios not required)
  - Article 51(6) SFCR (disclose only quantitative part)
  - Article 51a(1) Audit (in general no audit required)
  - Article 77(8)\* Calculation of TP (**prudent deterministic valuation**)
  - Article 144a(4)\* LRMP (exemption for SNCU)
- and any proportionality measure provided for in related delegated acts
- \*: possible for non-SNCUs upon approval by supervisors (Article 29d)



# Prudent deterministic valuations

A prudent deterministic valuation (PDV) can be used by SNCUs and by undertakings that have obtained prior supervisory approval.

EIOPA will publish a prudent harmonised reduced set of scenarios (PHRSS) for this purpose. This should be limited to not more than 10 scenarios.

This could be compatible with an iterative calculation by a deterministic model.

On 1 October 2024: EIOPA published a CP “on the proposal for ITS specifying the methodology to determine the set of scenarios to be used for the prudent deterministic valuation of the best estimate for life obligations with options and guarantees”

[Consultation on scenarios for best-estimate valuations for life insurance obligations - Solvency II Review - EIOPA](#)

The PDV offers a kind of pseudo-stochastic approach to calculate the time value of options and guarantees.





# Further empowerments

## Article 144d: Macroprudential analysis

17 October 2024: EIOPA launched

Consultation paper on the proposal for RTS on applicability criteria for macroprudential analysis in ORSA and prudent person principle (Deadline for response: 9 January 2025)

[Consultation on criteria for selecting insurers to run macroprudential analyses - Solvency II Review - EIOPA](#)

## Article 105: Treatment of crypto-assets in the market risk module

24 October 2024: EIOPA launched

Consultation on technical advice on standard formula capital requirements for investments in crypto assets (Deadline for response: 16 January 2025)

[EIOPA's draft advice calls for one-to-one capital weight for EU insurers' crypto holdings – EIOPA](#)

-> More consultation have been published on 4 December 2024!



# Mandates for EIOPA related to ESG objectives

Now Article 304c (previous documents: Article 304a)

EIOPA is mandated

- To assess whether a **dedicated prudential treatment** of exposures related to assets or activities associated substantially with ESG objectives would be justified.
- In particular, to assess the potential effects of such a treatment on the protection of policy holders and financial stability in the EU, *including fossil fuel-related assets*.

EIOPA shall submit a report on its findings to the Commission by **30 September 2024**

The requested report was sent to the Commission on **7 November 2024**:

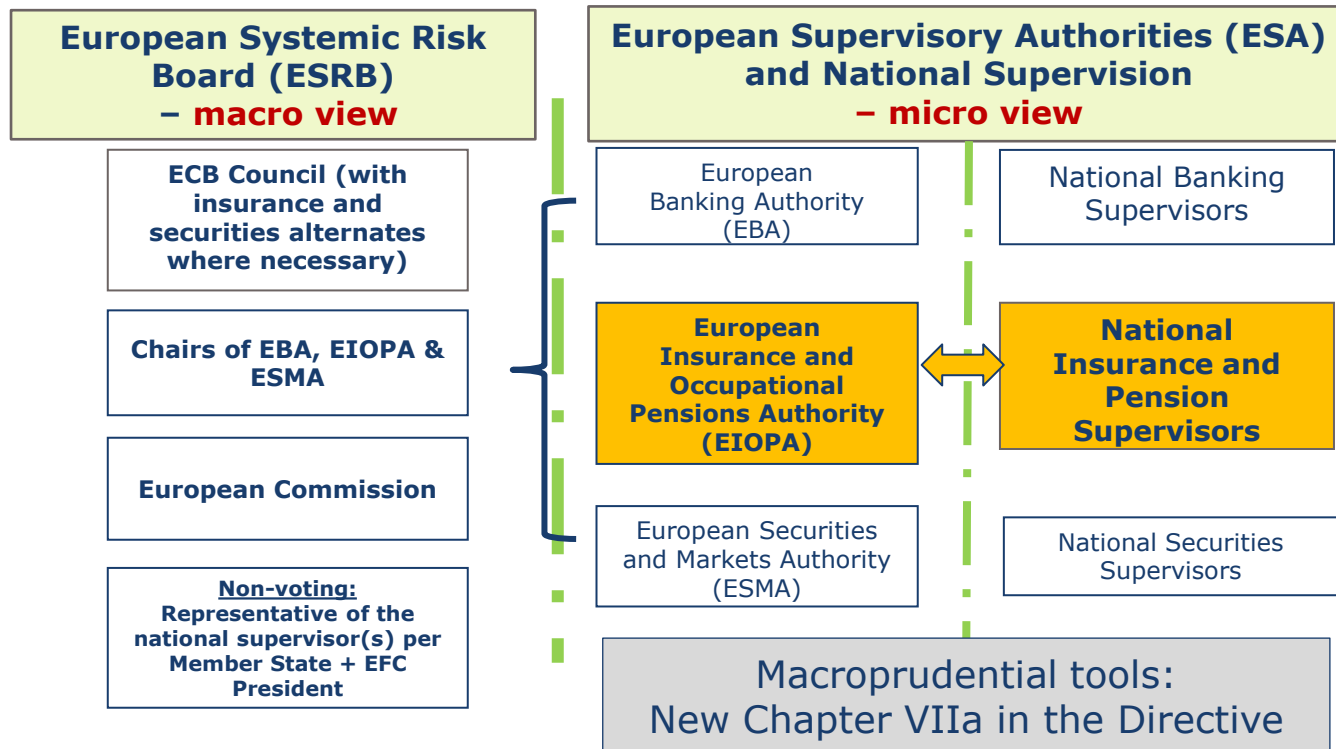
Feedback on a discussion paper (2022) and a consultation paper (2023) considered

-> “penalising” of investments in fossil fuel-related assets proposed

- **Stocks:** raising capital requirements by up to 17% in additive terms
- **Bonds:** charge of up to 40% in multiplicative terms in addition to existing requirements

EIOPA's cover letter to Commission: No unanimous vote from Board of Supervisors.  
Commission will decide on the treatment in Delegated Regulation.

# European System of Financial Supervision (ESFS)





# Liquidity risk management

**Goal:** Undertakings (except SNCUs) shall maintain adequate liquidity to settle financial obligations when they fall due, even under stressed conditions.

They shall

- draw up and keep up to date a **liquidity risk management plan (LRMP)** covering liquidity analysis over the **short term**.
- on request: extent LRMP to cover also liquidity analysis over medium and long-term
- develop a set of indicators to identify, monitor and address potential liquidity stress
- submit the LRMP to the supervisory authorities

Undertakings applying MA or VA: combination of LRMPs should be possible (**Article 144a**)

In addition: **Extension of powers of supervisors**

- to remedy liquidity vulnerabilities in exceptional circumstances (**Article 144b**)
- to take measures to preserve the financial position of undertakings during exceptional sector-wide shocks (**Article 144c**) → **criteria specified in a RTS** (CP published 1 October)



# Macroprudential tools

Article 144d: EIOPA shall develop draft **RTS** to ensure consistent application of macroprudential tools on criteria to be considered when defining undertakings and groups

- **requested to draw up and maintain a medium and long term LRMP**

EIOPA shall develop draft **RTS** specifying **content and frequency of update of LRMPs**.

EIOPA launched a consultation paper on the proposal for RTS on LRMPs on 1 October 2024 (EIOPA-BoS-24/320), open for responses until 2 January 2025.

Topics: Identification of undertakings requested to draw up medium and long-term LRMP  
- Criteria: threshold 12 bn in assets, supervisor can identify other undertakings  
Content and structure of the LRMP,  
Specifications: concerning projection of the cash flows for quantitative information  
Buffers of liquid assets, liquidity coverage indicator

*Source: CONSULTATION PAPER on the proposal for Regulatory Technical Standards on liquidity risk management plans EIOPA-BoS-24/320 1 October 2024*



## SII-review: Completing the framework

# Thank you!

Siegbert Baldauf

Tel. (+49) 04532 2654970

Mobil (+49) 01711154650

[Siegbert.Baldauf@aktuar.de](mailto:Siegbert.Baldauf@aktuar.de)