

## **The Insurance Agency of Republic of Srpska conducted the second stress test of the insurance sector**

"The Insurance Agency of Republic of Srpska, as part of the preparation activities for future regulatory requirements, continues to implement the activities identified in the Strategic Framework for the Transition to a Regulatory Framework Based on Solvency II.

The need to carry out these activities was also pointed out in the Conclusion of the Government of the Republic of Srpska when considering the report of the Agency for the period 01.01. until 31.12.2023.

The purpose of the second stress test is to monitor the level of exposure and ways of managing risks that may threaten the fulfillment of capital adequacy requirements, as well as to compare the level of risks exposure in relation to the results of the first stress test that the Agency conducted on data for 2020.

Capital adequacy remained at a satisfactory level after the stress, where it was identified that the exposure of certain insurance companies to scenarios of decline in the value of certain forms of less marketable assets had an impact on endangering capital adequacy at the level of the non-life insurance sector, due to the realization of extreme scenarios.

By analyzing the results of the stress test, the threshold stress factors for certain risk scenarios were determined, both at the level of the insurance sector and for insurance companies, which will affect the future regulatory action of the Agency."