

EIOPA issues supervisory statement on supervision of run-off undertakings



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The European Insurance and Occupational Pensions Authority (EIOPA) published today the supervisory statement on supervision of run-off undertakings.

The aim of the statement is to ensure that a high-quality and convergent supervision is applied to run-off undertakings and portfolios while taking into account their specific nature and risks, the principle of proportionality and the prudent person principle.

The supervisory statement focuses on full, partial and specialised run-off undertakings. The run-off business model – when properly and fairly managed – can bring benefits for the insurance market and policyholders by enabling cost reduction, introduce improvements in the business management or by making orderly exits from the market to avoid the materialisation of risks.

However, over the last years EIOPA observed a number of supervisory issues and challenges in the supervision of run-off portfolios or undertakings. These were related to the specific risk profile of run-off business, the difficulties of the process of authorisation of the change of ownership or portfolio transfer as well as the lack of specific provisions for run-off in the Solvency II framework.

Furthermore, some investment entities (e.g. private equities) showed increasing interest to acquire run-off (re)insurance undertakings or portfolios.

The supervisory practices in run-off situations need to be flexible and should consider the specific situation of the (re)insurance undertaking. An early dialogue with the respective NCA can facilitate a lean and successful approval process.

After the transaction is completed, it is important that the risk profile of an undertaking is in line with its risk appetite. The business acquired shall be kept profitable and apply prudent assumptions relating to technical provisions and capital requirements calculation and should not have any impact on the insurance service and on the protection of policyholders.

The supervisory statement is accompanied by the resolution of comments from the public consultation, the feedback statement to stakeholders and the impact assessment developed based on the input provided during the consultation period.

Full run-off undertaking – an (re)insurance undertaking which is running-off its whole (previous) business

Partial run-off undertaking - an (re)insurance undertaking running-off a portfolio of contracts not representing its whole business

Specialised run-off undertaking – an (re)insurance undertaking with a run-off business model

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