



Press Release

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EIOPA ISSUES PRINCIPLES ON SUPERVISORY APPROACH TO THE RELOCATIONS FROM THE UNITED KINGDOM

- *The Opinion is setting out principles to foster supervisory convergence and to ensure consistency in the authorisation process related to the relocation of (re)insurance undertakings from the United Kingdom*
- *The principles include granting authorisation and approvals, governance and risk management, the outsourcing of critical and important activities and the on-going supervision as well as monitoring by EIOPA*
- *The Opinion is addressed to national supervisory authorities, in particular to those of the 27 Member States that remain in the European Union*

Frankfurt, 11 July 2017 – Today, the European Insurance and Occupational Pensions Authority (EIOPA) published an Opinion with the aim to foster supervisory convergence and consistency in the authorisation process across the European Union Members States related to the relocation of (re)insurance undertakings from the United Kingdom. The Opinion is addressed and providing guidance to the national supervisory authorities, in particular to those of the 27 Member States (EU27) remaining in the European Union, linked with the authorisation process and on-going supervision of undertakings regulated under Solvency II. It is setting out principles in the areas of authorisation and approvals, governance and risk management, outsourcing of critical and important activities as well as on-going supervision including monitoring.

EIOPA calls upon supervisors to ensure a **sound authorisation process**, supported by adequate resources in order to deal with the increased amount of requests for authorisation within a short period of time. The supervisors should apply a prospective

and risk-based assessment of the authorisation taking into account the undertaking's business model. Furthermore, uncertainties linked with the management of the business strategy should be carefully assessed. No automatic recognition of existing authorisations should be granted.

Governance arrangements should be assessed to guarantee effective decision-taking and risk management and to allow for proper supervision. EIOPA expects undertakings to show an appropriate level of corporate substance and not display characteristics of an empty shell. The supervisors should carefully scrutinise any transfer of risks and require a minimum retention of risks from the authorised undertaking. As an indication, a minimum retention of 10 % of the business written could be envisaged.

EIOPA stresses that **outsourcing** of undertakings' **important functions** is subject to the full responsibility of the administrative, management or supervisory body for the outsourced activity and that outsourcing shall not materially impair the quality of governance, increase operational risk, impair the ability of supervisors to monitor compliance or undermine continuous and satisfactory service to policyholders.

EIOPA advises supervisors to install **appropriate monitoring tools** to assess existing and arising risks and to conduct specific supervisory review in the course of the first years following authorisation to ensure the consistency with the initial business model.

Gabriel Bernardino, Chairman of EIOPA, said: *"The principles set out in this Opinion will support the national supervisory authorities to secure sound and convergent practices linked with the authorisation and supervision of activities of insurers based in the United Kingdom and seeking relocation of activities in the 27 European Union Member States. Sound supervision demands appropriate location of management and key functions. Empty shells or letter boxes are not acceptable. EIOPA will continue to closely monitor the developments and any possible effects on financial stability and consumer protection applying a risk-based approach and using information collected from the national supervisory authorities. EIOPA will conduct its analysis and make use of its powers and oversight tools to support supervisory convergence through bilateral engagements with the supervisory authorities, providing opinions and initiating investigations as the need arises."*

The Opinion on Supervisory Convergence in light of the United Kingdom withdrawing from the European Union can be accessed via [EIOPA's website](#).

Notes for Editors:

The **European Insurance and Occupational Pensions Authority (EIOPA)** was established on 1 January 2011 as a result of the reforms to the structure of supervision of the financial sector in the European Union. EIOPA is part of the European System of Financial Supervision consisting of three European Supervisory Authorities, the National Supervisory Authorities and the European Systemic Risk Board. It is an independent advisory body to the European Commission, the European Parliament and the Council of the European Union. EIOPA's core responsibilities are to support the stability of the financial system, transparency of markets and financial products as well as the protection of insurance policyholders, pension scheme members and beneficiaries.