SUPERVISORY STATEMENT ON SUPERVISION OF RUN-OFF UNDERTAKINGS - IMPACT ASSESSMENT

01 February 2022

European Insurance and Occupational Pensions Authority

1. INTRODUCTION

1.1 According to Article 29(2) of the EIOPA Regulation[1], the Authority conducts, where appropriate, an analysis of costs and benefits in the process of issuing opinions or tools and instruments promoting supervisory convergence. The analysis of costs and benefits is undertaken according to an Impact Assessment methodology.

1.2 In the preparation of the supervisory statement on supervision of run-off undertakings (the Supervisory statement), EIOPA took into consideration the general objectives of the Solvency II Directive, particularly: the enhanced protection of policyholders, advancing efficient supervision and deepening the integration of the EU insurance market.

1.3 The provisions of the Supervisory statement were also guided by EIOPA's objectives to contribute to, as reflected in the EIOPA Regulation, in particular:

- improving the functioning of the internal market, including in particular a sound, effective and consistent level of regulation and supervision,
- ensuring the integrity, transparency, efficiency and orderly functioning of financial markets,
- preventing regulatory arbitrage and promoting equal conditions of competition,
- ensuring the taking of risks related to insurance, reinsurance and occupational pensions activities is appropriately regulated and supervised
- enhancing customer protection, and
- enhancing supervisory convergence across the internal market.

1.4 Run-off business models – when properly and fairly managed – can potentially bring benefits to the insurance market and also to the individual insurer, for instance by freeing-up capital to support more profitable business activities, reducing costs and complexity of business activities, which can be beneficial for all parties involved, including the policyholders,

[1] Regulation (EU) No 1094/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/79/EC; *OJ L 331,* 15.12.2010, p. 48–83.

depending on the profit participation. Furthermore, the run-off business model, as a growing business, can help (re)insurance companies to orderly exit from the market. It can also be a pre-emptive measure to prevent risks with impact on new policyholders from materialising.

1.5 At the same time, supervision of run-off undertakings/portfolios is particularly challenging because of the specific risk profile, the difficulties of the process and assessment of the change of ownership and the lack of specific regulation on run-off in the Solvency II framework. Understanding the design of run-off undertakings together with the motivation to discontinue the business is also very important.

1.6 The aim of the Supervisory statement is to ensure that a high quality and convergent supervision is applied to run-off undertakings/portfolios, subject to Solvency II, taking into account their specific nature and risks[2] as well as the principle of proportionality and the prudent person principle.

1.7 The Supervisory statement sets out supervisory expectations for the supervision of run-off undertakings in the context of portfolio transfers, acquisitions of qualifying holdings and mergers (i.e. ownership changes) as well as in the on-going supervision. It addresses some issues that are not exclusive to run-off undertakings/portfolios, however, experience has shown that some issues may lead to stronger and more concerning consequences in that context.

1.8 The Supervisory statement should be read in the context of Articles 29, 30, 34 and 36 of the Solvency II Directive[3] in conjunction with EIOPA's Guidelines on system of governance[4], EIOPA's Guidelines on basis risk[5], and the Joint Guidelines on the prudential assessment of acquisitions and

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[2] In this context, EIOPA advised European Commission to amend the Solvency II framework with regard to the expenses assumptions considered in the calculation of technical provisions of undertakings not underwriting new business (see section on expenses of the EIOPA's Opinion on the 2020 review of Solvency II).

[3] Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II); OJ L 335, 17.12.2009, p. 1–155.

[4] https://www.eiopa.europa.eu/content/guidelines-system-governance_en

[5] https://www.eiopa.europa.eu/content/guidelines-basis-risk_en

increases of qualifying holdings in the financial sector[6] as well as EIOPA's Approach to the Supervision of Product Oversight and Governance[7].

1.9 The Supervisory statement on supervision of run-off undertakings was consulted publically between 23 July 2021 and 7 October 2021. EIOPA's Insurance and Reinsurance Stakeholder Group (IRSG) was consulted and provided its feedback on the Supervisory statement. The comments received served as a valuable input in order to revise the Supervisory statement.

2. SUPERVISORY STATEMENT ON SUPERVISION OF RUN-OFF UNDERTAKINGS – PROBLEM DEFINITION AND OBJECTIVES

2.1. To analyse the impact of the proposed supervisory convergence measures, the impact assessment foresees that a baseline scenario is applied as the basis for comparing the options to foster supervisory convergence. This helps to identify the incremental impact of each measure considered in the Supervisory statement. The aim of the baseline scenario is to explain how the current situation would evolve without additional intervention promoting a level playing field in the area of supervision of run-off undertakings.

2.2. In the last years, as reported to EIOPA by several supervisory authorities, the supervision of run-off undertakings/portfolios proved to be particularly challenging because of the specific, individual risk profile of each run-off undertaking/portfolio, as well as due to the difficulties in the process and assessment of the run-off undertaking/portfolio in light of the potential change and the current lack of specific regulation for run-off undertakings/portfolios in the Solvency II framework.

2.3. Understanding the design of run-off companies, together with the motivation to discontinue the business, is very important. This challenge is

[6] https://esas-joint-committee.europa.eu/Pages/Guidelines/Joint-Guidelines-on-the-prudential-assessment-of-acquisitions-and-increases-of-qualifying-holdings-in-the-banking,-insuranc.aspx

[7] https://www.eiopa.europa.eu/content/eiopa-approach-supervision-product-oversight-and-governance_en

exacerbate by the increasing number and size of run-off portfolios and the observable, growing interest by investors in acquiring such portfolios.

2.4. Therefore, the Sypervisory statement identifies three key elements to support the effective supervision of run-off undertakings and portfolios by:

a) Ensuring a timely notification by the undertaking of the intention to discontinue material businesses and the submission of relevant information to enable the supervisor to understand the rational of and consequences for the insurance undertaking.

b) Promote the business model analysis by supervisory authorities as part of the on-going supervision.

c) Encourage supervisory authorities to assess the impact (if any) of the changes in the assumptions for the calculation of technical provisions and/or the investment and reinsurance strategy, goin-concern assumption in the valuation of assets and liabilities remaining in the run-off undertaking/portfolio and so for the supervisor to reach a better understanding of the impact on the financial situation of the insurance undertaking.

d) Promoting an appropriate consideration of risk-mitigation techniques when calculating the Basic SCR and so to ensure a fair reflection of the insurance undertaking's solvency position.

3. SUPERVISORY STATEMENT ON SUPERVISION OF RUN-OFF UNDERTAKINGS – POLICY OPTIONS AND ANALYSIS OF IMPACTS

3.1. In the impact assessment of the Supervisory statement on supervision of run-off undertakings, EIOPA has duly analysed the costs and benefits of the main supervisory expectations included in the paper as well as the effectiveness of the options against:

- Objective 1: Effective and efficient supervision of (re)insurance undertakings and groups.
- Objective 2: Improving risk-based supervision, in particular by addressing the risks of a specific business modeal.

- Objective 3: Improving transparency and better comparability.

3.2. These options are listed in the tables below.

DECISION TO GO INTO RUN-OFF

Policy issue 1	**Options**
1. In case undertakings intend to stop writing any material new business, leading to partial or full run-off undertakings, to notify their supervisory authorities in order to facilitate an early dialogue.	1.1 No further guidance 1.2 In the course of the decision to go into run-off for material part of the business, undertakings to engage in a early dialogue with the relevant Competent Authority as soon as the decision has been made (as part of the on-going dialogue) by submitting: - the decision of the administrative, management or supervisory body (AMSB) to run-off their part/whole business including the motivation for putting the business into run-off; - the description of their strategy to manage their remaining business, if applicable, including how products will be monitored and reviewed, and how adequate customer service will be maintained; - the financial projections of their assets, technical provisions, own funds and capital requirements, including the description of the underlying assumptions (in particular technical provisions) and – where appropriate – appropriate scenario and stress tests; - the material reinsurance and outsourcing arrangements expected in the future; - impact, if any, with regard to key staff retention; - impact, if any, on costs and charges for existing policyholders belonging to the run-off portfolio.

Analysis of the impacts and the review of adequacy of the measure proposed with regards to the decision to go into run-off

3.3. In assessing the associated costs and benefits, EIOPA primarily used the input from stakeholders to the targeted question from the public consultation of the supervisory statement on the proposed measures with regards to the decision to go into run-off.

Policy issue 1: In case undertakings intend to stop writing any material new business, leading to partial or full run-off undertakings, to notify their supervisory authorities.		
Option 1.1: No further guidance		
Costs	Policyholders	The maintenance of the practice that in case undertakings intend to stop writing any material new business, leading to partial or full run-off undertakings, to only notify their supervisory authorities can endanger policyholder protection.
	Industry	The maintenance of the practice that in case undertakings intend to stop writing any material new business, leading to partial or full run-off undertakings, to only notify their supervisory authorities may obscure a situation where undertakings are close to lower solvency ratios.
	Supervisors	The maintenance of the practice that in case undertakings intend to stop writing any material new business, leading to partial or full run-off undertakings, to only notify their supervisory authorities can endanger policyholder protection, the main objective of supervisors.
	Other	N/A
Benefits	Policyholders	No material benefit is expected
	Industry	No material benefit is expected.
	Supervisors	No material benefit is expected.
	Other	N/A
Option 1.2: In the course of the decision to go into run-off for material part of the business, undertakings to engage in a supervisory dialogue with the relevant Competent Authority as soon as the decision has been made (as part of the on-going dialogue) by submitting: **- the decision of the administrative, management or supervisory body (AMSB) to run-off their part/whole business including the motivation for putting the business into run-off;** **- the description of their strategy to manage their remaining business, if applicable, including how products will be monitored and reviewed, and how adequate customer service will be maintained;**		

- the financial projections of their assets, technical provisions, own funds and capital requirements, including the description of the underlying assumptions (in particular technical provisions) and – where appropriate – appropriate scenario and stress tests; **- the material reinsurance and outsourcing arrangements expected in the future;** **- impact, if any, with regard to key staff retention;** **- impact, if any, on costs and charges for existing policyholders belonging to the run-off portfolio.**		
Costs	Policyholders	No material costs are expected.
	Industry	No costs are expected, as undertakings should be able to produce the information on the background of their decision to stop writing any new material business leading to partial or full run-off. In some cases the option could require additional reporting by insurance undertakings to supervisory authorities which will require additional limited costs.
	Supervisors	No costs are expected, as supervisors should be able to receive the information on the background of undertakings' decision to stop writing any new material business leading to partial or full run-off. In some cases the option could require additional reporting by insurance undertakings to supervisory authorities.
	Other	N/A
Benefits	Policyholders	Policyholders' protection would increase by notifying the relevant Competent Authority as soon as the decision to go into run-off for material part of the business has been made (as part of the on-going dialogue) by submitting the items listed above.
	Industry	This measure could help the undertaking to have a better dialogue with Supervisory authorities and implement at early stage any change required by them ensuring a more succefull and smooth approval process.
	Supervisors	Supervisors would be able to enter in a dialogue with the concerned undertaking as early as possible which would give them more options to react and thereafter more chances to support the undertaking in the situation of material change of the risk profile due to the decision to stop writing any material business leading to partial or full-run off.
	Other	N/A

3.4. With regards to option 1.1 no additional costs are expected, as it keeps the status quo. Option 1.2 is considered also not to bring any additional costs as the information to be submitted to the relevant Competent Authority should be readily available.

3.5. As far as impacts of possible changes are concerned, option 1.2 mainly implies governance considerations around the calculations.

3.6. In terms of expected benefits, option 1.2 is expected to have the value-added brought by notifying the relevant Competent Authority as soon as the decision to go into run-off for material change of the business has been made (as part of the on-going dialogue) by submitting the items listed above. For supervisors, the notification as soon as the decision has been made to stop writing material new business, leading to partial or full run-off, leads to entering an early dialogue with the undertaking concerned and therefore leaves more options to react on the change.

3.7. Therefore, the preferred option was to include further guidance as per option 1.2. with regards to notifying the relevant Competent Authority as soon as the decision to go into run-off for material change of the business has been made (as part of the on-going dialogue) by submitting the information listed above.

Evidence

3.8. The analysis is based on the work done in the context of drafting the supervisory statement:

- Work carried out by EIOPA;
- Stakeholders' feedback during the public consultation of the Supervisory statement on supervision of run-off undertakings.

Comparison of options

3.9. The preferred policy option for this policy issue is Option 1.2. as it is seen as a supervisory convergence issue where the legal framework is considered adequate.

3.10. The assessment of each option has taken into account the need for a risk-based and proportionate approach and the need to keep the flexibility of supervisory judgment while recognising that work under supervisory convergence is needed.

3.11. In the assessment of the options, also the efficiency is considered regarding the way in which resources are used to achieve the objectives.

3.12. The assessment of the effectiveness and efficiency are presented in the table below.

Policy issue 1: In case undertakings intend to stop writing any material new business, leading to partial or full run-off undertakings, to notify their supervisory authorities

	Effectiveness (0/+/++)		
Options	Objective 1: Effective and efficient supervision of (re)insurance undertakings and groups	Objective 2: Improving proportionality, in particular by limiting the burden for (re)insurance undertakings with simple and low risks	Objective 3: Improving transparency and better comparability
Option 1.1: No further guidance	0	0	0
Option 1.2: Creating level playing field	++	0	++
	Efficiency (0/+/++)		
Options	Objective 1: Effective and efficient supervision of (re)insurance undertakings and groups	Objective 2: Improving proportionality, in particular by limiting the burden for (re)insurance undertakings with simple and low risks	Objective 3: Improving transparency and better comparability
Option 1.1: No further guidance	0	0	0
Option 1.2: Creating level playing field	++	0	++

ON-GOING SUPERVISION – ASSESSMENT OF TECHNICAL PROVISIONS

Policy issue 2	**Options**

The decision to discontinue (parts of) the insurance business may be associated with a change of the financial and non-financial assumptions of technical provisions calculation. Insurance and reinsurance undertakings to use reasonable and realistic going concern assumptions regarding the run-off, including but not limited to administrative expenses, lapse/surrender rates, asset mix and future management actions.	2.1 No further guidance 2.2 Insurance and reinsurance undertakings to show sufficient evidence to the supervisory authority that the technical provisions do not underestimate the future obligations. If insufficient evidence is shown and the supervisory authority concludes that the technical provisions underestimate the future obligations, the supervisory authority should ultimately consider using the power under Article 85 of Solvency II and require an increase of technical provisions or, in case of deviation of the risk profile, to set a capital add-on in accordance with Article 37 of Solvency II.

__Analysis of the impacts and the review of the proposed measures' adequacy with regards to the on-going supervision, in particular the assessment of technical provisions__

3.13. In assessing the associated costs and benefits, EIOPA primarily used the input from stakeholders to the targeted question from the public consultation of the supervisory statement on the measures foreseen with regards to the on-going supervision, in particular regarding the assessment of technical provisions.

Policy issue 2: Insurance and reinsurance undertakings to use reasonable and realistic going concern assumptions regarding the run-off, including but not limited to administrative expenses, lapse/surrender rates, asset mix and future management actions.		
Option 2.1: No further guidance		
Costs	Policyholders	The maintenance of the practice that in some cases there is no adequate/ absence of realistic going concern assumptions regarding the run-off, e.g. administrative expenses, lapse/surrender rates, asset mix and potential, future management, can endanger policyholder protection.

	Industry	The maintenance of the practice that in some cases there is no adequate/ absence of realistic going concern assumptions regarding the run-off, e.g. administrative expenses, lapse/surrender rates, asset mix and potential, future management, may obscure the risk of lower solvency ratios.
	Supervisors	The maintenance of the practice that in some cases there is no adequate/ absence of realistic going concern assumptions regarding the run-off, e.g. administrative expenses, lapse/surrender rates, asset mix and potential, future management, can endanger policyholder protection, the main objective of supervisors.
	Other	N/A
Benefits	Policyholders	No material benefit is expected
	Industry	No material benefit is expected.
	Supervisors	No material benefit is expected.
	Other	N/A
Option 2.2: Insurance and reinsurance undertakings to show sufficient evidence to the supervisory authority that the technical provisions do not underestimate the future obligations. If insufficient evidence is shown and the supervisory authority concludes that the technical provisions underestimate the future obligations, the supervisory authority should ultimately consider using the power under Article 85 of Solvency II and require an increase of technical provisions or, in case of deviation of the risk profile, to set a capital add-on in accordance with Article 37 of Solvency II.		
Costs	Policyholders	No material costs are expected.
	Industry	No additional costs, as undertakings should be able to include reasonable and reaslistic going concern assumptions in the systems/ approaches used for TP calculation which then can be shown as evidence to the supervisory authority that TP do not underestimate future provisions.
	Supervisors	No costs are expected, as supervisors should be able to receive the information on TP calculation based on reasonable and realistic going concern assumptions which can serve as evidence to the supervisory authority that TP do not underestimate future provisions. Also supervisors should be set to require increase of TP/ impose capital add-on in case of insufficient evidence presented.
	Other	N/A
Benefits	Policyholders	Policyholders' protection would increase in case supervisory authorities require evidence that TP do not underestimate future obligations of the insurance and reinsurance undertaking.

	Industry	This measure could help the undertaking to detect the risk of lower solvency ratios in case significant change of the risk profile was detected/ reported as early as possible.
	Supervisors	Supervisors would be able to enter in a dialogue with the concerned undertaking as early as possible which would give them more options to react and thereafter more chances to support the undertaking in the situation of material change of the risk profile due to the decision to stop writing any material business leading to partial or full-run off.
	Other	N/A

3.14. With regards to option 2.1 no cost reductions are expected as it keeps the status quo. It does not reduce unnecessary costs industry and supervisors currently have. Option 2.2 is also not considered of bringing any additional costs.

3.15. In terms of expected benefits, option 2.2 is expected to bring the value-added for for the supervisors, brought by the sufficient evidence to be shown that the technical provisions do not underestimate the future obligations, limit the burden from asking additional calculation inline with future obligations during the on-going supervision.

Evidence

3.16. The analysis is based on the work done in the context of drafting the supervisory statement:

- Work carried out by EIOPA;
- Stakeholders' feedback during the public consultation of the Supervisory statement on supervision of run-off undertakings.

Comparison of options

3.17. The preferred policy option for this policy issue is Option 2.2., as it is seen as a supervisory convergence issue where the legal framework is considered adequate.

3.18. The assessment of each option has taken into account the need for a risk-based and proportionate approach and the need to keep the flexibility of supervisory judgment while recognising that work under supervisory convergence is needed.

3.19. In the assessment of the options, also the efficiency is considered regarding the way in which resources are used to achieve the objectives.

3.20. The assessment of the effectiveness and efficiency are presented in the table below.

Policy issue: 2. Insurance and reinsurance undertakings to use reasonable and realistic going concern assumptions regarding the run-off, including but not limited to administrative expenses, lapse/surrender rates, asset mix and future management actions			
	Effectiveness (0/+/++)		
Options	Objective 1: Effective and efficient supervision of (re)insurance undertakings and groups	Objective 2: Improving proportionality, in particular by limiting the burden for (re)insurance undertakings with simple and low risks	Objective 3: Improving transparency and better comparability
Option 1.1: No further guidance	0	0	0
Option 2.2: Insurance and reinsurance undertakings to show sufficient evidence to the supervisory authority that the technical provisions do not underestimate the future obligations. If insufficient evidence is shown and the supervisory authority concludes that the technical provisions underestimate the future obligations, the supervisory authority should ultimately consider using the power under Article 85 of Solvency II and	++	++	++

require an increase of technical provisions or, in case of deviation of the risk profile, to set a capital add-on in accordance with Article 37 of Solvency II.			
	Efficiency (0/+/++)		
Options	Objective 1: Effective and efficient supervision of (re)insurance undertakings and groups	Objective 2: Improving proportionality, in particular by limiting the burden for (re)insurance undertakings with simple and low risks	Objective 3: Improving transparency and better comparability
Option 1.1: No further guidance	0	0	0
Option 2.2: Insurance and reinsurance undertakings to show sufficient evidence to the supervisory authority that the technical provisions do not underestimate the future obligations. If insufficient evidence is shown and the supervisory authority concludes that the technical provisions underestimate the future obligations, the supervisory authority should ultimately consider using the power under Article 85 of Solvency II and require an increase of technical provisions or,	++	++	++

in case of deviation of the risk profile, to set a capital add-on in accordance with Article 37 of Solvency II.			

ASSESSMENT OF REINSURANCE STRATEGY

Policy issue 3	**Options**
Insurance and reinsurance undertakings to take into account risk-mitigation techniques[8] when calculating the Basic SCR.	3.1 No further guidance 3.2 Where the reduction in the SCR seems not commensurate to the extent of the risk transferred or there is not an appropriate treatment within the SCR of any material new risks that are acquired in the process, undertakings to avoid material unbalances between the capital relief and the risk mitigation.

Analysis of impacts and the review of adequacy of the measure proposed with regards to the ongoing assessment, in particular the assessments of reinsurance strategy

3.21. In assessing the associated costs and benefits, EIOPA primarily used the input from stakeholders to the targeted question from the public consultation of the supervisory statement on the measures foreseen with regards to the on-going assessment, in aprticular the assessment of reinsurance strategy

Policy issue 3: Insurance and reinsurance undertakings to take into account risk-mitigation techniques when calculating the Basic SCR.		
Option 3.1: No further guidance		
Costs	Policyholders	The maintenance of the practice that in some cases when calculating the basic SCR no adaequate risk-mitigation techniques are taken into account can endanger policyholder protection.

[8] As referred to in Article 101(5) of Solvency II and complying with Articles 208-214 of the Delegated Regulation

	Industry	The maintenance of the practice that in some cases when calculating the basic SCR no adequate risk-mitigation techniques are taken into account may obscure the risk of lower solvency ratios.
	Supervisors	The maintenance of the practice that in some cases when calculating the basic SCR no adequate risk-mitigation techniques are taken into account can endanger policyholder protection, the main objective of supervisors.
	Other	N/A
Benefits	Policyholders	No material benefit is expected.
	Industry	No material benefit is expected.
	Supervisors	No material benefit is expected.
	Other	N/A
Option 3.2: Where the reduction in the SCR seems not commensurate to the extent of the risk transferred or there is not an appropriate treatment within the SCR of any material new risks that are acquired in the process, undertakings to avoid material unbalances between the capital relief and the risk mitigation.		
Costs	Policyholders	No material costs are expected.
	Industry	No additional costs as undertakings should be able to avoid any unbalances between capital relief and the risk mitigation in the calculations performed in case material new risks acquired are not appropriately treated.
	Supervisors	No costs are expected, as supervisors should be able to receive and analyse the information about any unbalances between capital relief and the risk mitigation in the calculations performed in case material new risks acquired are not appropriately treated by undertakings.
	Other	N/A
Benefits	Policyholders	Better policyholder protection is expected as a benefit because undertakings would be avoiding material unbalances between capital relief and risk mitigation, in case they did not take into account material new risks acquired. This would allow them to foresee negative impacts on policyholders’ side.
	Industry	The proposed measure of avoiding material unbalances between the capital relief and the risk mitigation would bring additional insights to undertakings. This measure could help the undertaking to detect the risk of lower solvency ratios in case they did not take into account material new risks acquired.
	Supervisors	Supervisors would be able to assess the effect of the specific circumstances around the particular undertaking.

	Other	N/A

3.22. With regards to option 3.1 neither additional material costs nor cost reductions are expected as it keeps the status quo. Option 3.2 will also not bring any additional costs as the calculation of the balance between capital relief and risk mitigation should already be implemented within the systems of undertakings.

3.23. In terms of expected benefits, option 3.2 is anticipated to bring value-added by providing insights into the potential impact of not taking intoa ccount material risks acquired. This option would also help foreseeing negative impacts on policyholders’ side. It will also allow supervisors to make sure there are no material inbalances between capital relief and risk mitigation for the particular undertaking.

Evidence

3.24. The analysis is based on the work done in the context of drafting the supervisory statement:

- Work carried out by EIOPA;
- Stakeholders’ feedback during the public consultation of the Supervisory statement on supervision of run-off undertakings.

Comparison of options

3.25. The preferred policy option for this policy issue is Option 3.2., as it is seen as a supervisory convergence issue where the legal framework is considered adequate.

3.26. The assessment of each option has taken into account the need for a risk-based and proportionate approach and the need to keep the flexibility of supervisory judgment while recognising that work promoting supervisory convergence is needed.

3.27. In the assessment of the options, also the efficiency is considered regarding the way in which resources are used to achieve the objectives.

3.28. The assessment of the effectiveness and efficiency are presented in the table below.

Policy issue: 3. Insurance and reinsurance undertakings to take into account risk-mitigation techniques when calculating the Basic SCR.

	Effectiveness (0/+/++)		
Options	Objective 1: Effective and efficient supervision of (re)insurance undertakings and groups	Objective 2: Improving proportionality, in particular by limiting the burden for (re)insurance undertakings with simple and low risks	Objective 3: Improving transparency and better comparability
Option 3.1: No further guidance	0	0	0
Option 3.2: Where the reduction in the SCR seems not commensurate to the extent of the risk transferred or there is not an appropriate treatment within the SCR of any material new risks that are acquired in the process, undertakings to avoid material unbalances between the capital relief and the risk **mitigation.**	++	+	++
	Efficiency (0/+/++)		
Options	Objective 1: Effective and efficient supervision of (re)insurance undertakings and groups	Objective 2: Improving proportionality, in particular by limiting the burden for (re)insurance	Objective 3: Improving transparency and better comparability

		undertakings with simple and low risks	
Option 3.1: No further guidance	0	0	0
Option 3.2: Where the reduction in the SCR seems not commensurate to the extent of the risk transferred or there is not an appropriate treatment within the SCR of any material new risks that are acquired in the process, undertakings to avoid material unbalances between the capital relief and the risk	++	+	++

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