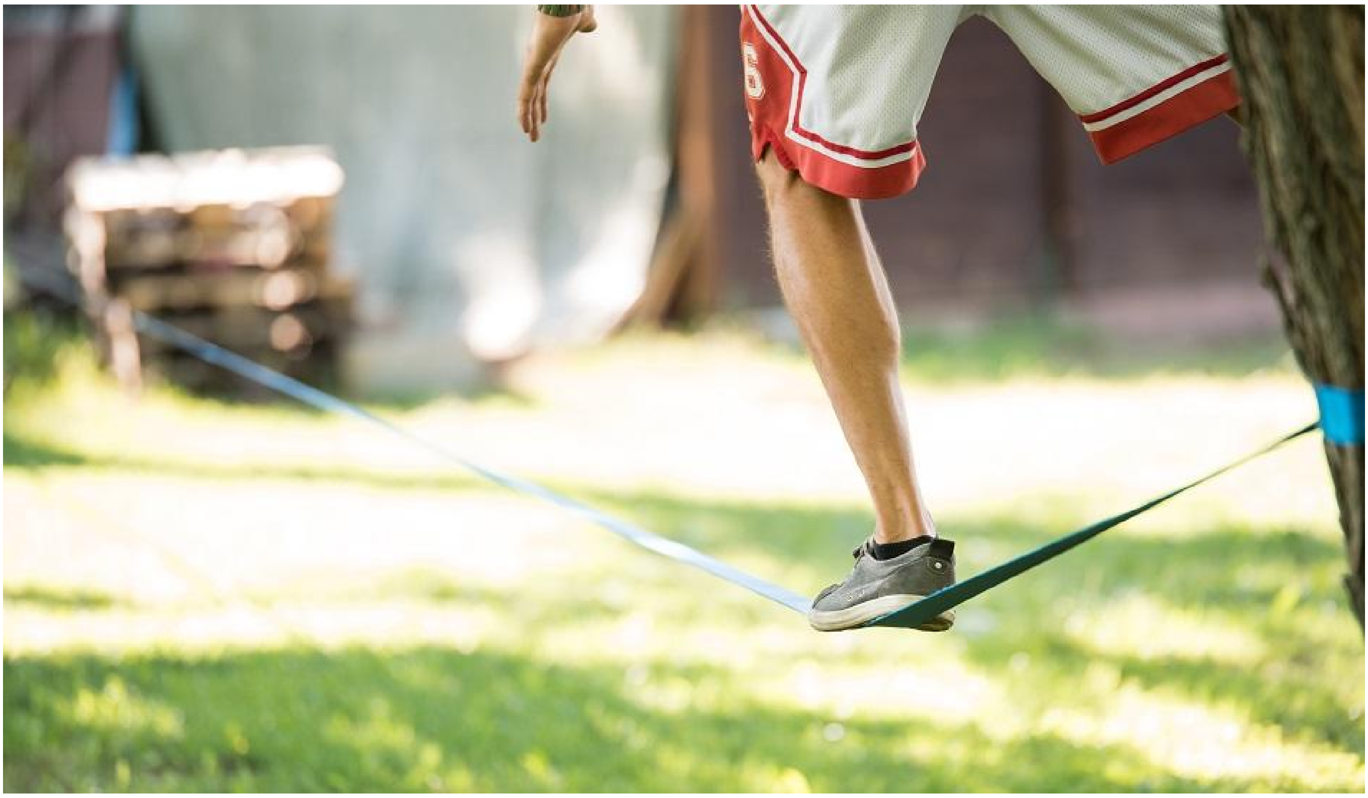

Opinion on the use of risk mitigation techniques by insurance undertakings

NEWS
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The European Insurance and Occupational Pensions Authority (EIOPA) has published today an Opinion on the use of risk mitigation techniques by insurance undertakings.

Since the implementation of Solvency II new risk mitigation techniques such as new reinsurance structures have appeared in the European market and some existing ones started to gain more relevance. The Opinion therefore addresses the use of risk mitigation techniques and includes a set of recommendations addressed to national competent authorities (NCAs) to ensure convergent supervision.

Risk mitigation techniques and, in particular reinsurance, are efficient tools for insurance and reinsurance undertakings to manage their risks according to their strategy and capacity. They are used to mitigate risks and to enhance capital management by diversifying risks. The sound mitigation of risks is recognised in the calculation of the Solvency Capital Requirement.

This Opinion raises awareness about the importance to have a proper balance between the risk effectively transferred and the capital relief in the Solvency Capital Requirement. This balance is to be assessed following a case-by-case analysis to take into account the particularities of each reinsurance structure and its specific interaction with the risk profile of the undertaking.

NCAs are expected to coordinate and cooperate in the assessment of such structures going beyond a single Member State to ensure a convergent approach.

The Opinion on the use of risk mitigation techniques by insurance undertakings is accompanied by an impact assessment and the feedback statement addressing the comments received during the public consultation.