



EIOPA consults on the approach to the supervision of run-off undertakings

NEWS
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The European Insurance and Occupational Pensions Authority (EIOPA) issued today a consultation on the supervisory statement regarding the supervision of run-off undertakings. The aim of the supervisory statement is to ensure that a high-quality and convergent supervision is applied to run-off undertakings or portfolios that are subject to Solvency II regulation.

Acquisition of run-off portfolios and run-off undertakings by other insurance undertakings is increasing and is attracting interest from specialised investment entities such as private equity. EIOPA believes that it is essential to specify supervisory expectations to better consider and deal with potential risks stemming from run-off business models. The supervision of run-off undertakings is particularly challenging because of the specific risk profile of such undertakings

e.g. in relation to the changes in ownership. In addition, there is a lack of specific regulation for run-off undertakings in the Solvency II framework.

The supervisory statement covers the authorization of acquisition of run-off undertakings or portfolio, the ongoing supervision as well as the prudential and conduct of business issues. In particular, EIOPA recommends potential acquirer an early dialogue with national supervisors to communicate the intention to run off the full (or material) part of insurance obligations. As part of the ongoing supervision, national supervisory authorities should perform a business model analysis with a specific focus on how the undertaking is expected to remain profitable in the near future. Furthermore, the focus should also be on ensuring the compliance with Solvency II rules such as technical provisions, investments, reinsurance and at the same time making sure that policyholders are treated fairly.

The supervisory statement is part of EIOPA's priority work defined in the [Supervisory Convergence Plan 2020 and 2021](#).

EIOPA invites all interested stakeholders to provide comments to the supervisory statement by responding to [the survey](#) by 17 October 2021.

[Consultation paper on Supervisory Statement on supervision of run-off undertakings](#)

RESPOND

Background

The term "run-off" describes a variety of situations where the insurance undertaking has stopped underwriting new business. The term run-off undertaking may refer to different cases:

- Undertakings running-off a portfolio of contracts not representing their whole business (partial run-off undertakings or undertakings with run-off portfolio);
- Undertakings running-off their whole (previous) business (full run-off undertakings);

- Undertakings with a run-off business model (specialised run-off undertakings).