



Consultation Summary Note

Read the AAE Response

View consultation document

View consultation page

Purpose of the consultation	The consultation focused on mass-lapse reinsurance and termination clauses in reinsurance agreements. This consultation served as an extension of EIOPA's 2021 Opinion on risk mitigation techniques, providing specific guidance to ensure effective risk transfer. Mass-lapse reinsurance, mainly relevant to life insurance, addresses scenarios where large groups of policyholders discontinue policies, posing financial risks. The consultation also discussed reinsurance termination clauses, especially those impacting SCR calculations, to ensure they reflect genuine risk mitigation. The consultation sought stakeholder input on the adequacy of this guidance, particularly regarding the application of these techniques within the Solvency II framework.
Issuing Authority	European Insurance and Occupational Pensions Authority (EIOPA)
Summary of AAE Response	<p>The AAE supported EIOPA's efforts to clarify guidance on mass-lapse reinsurance (MLR) under Solvency II, but advocated for a principles-based rather than overly prescriptive approach. The AAE agreed that clearer guidance on key MLR features—such as attachment points, contract certainty, and risk transfer—would enhance supervisory convergence, but we warned against adding complexity or new regulatory requirements.</p> <p>The AAE strongly supported Option 2, retaining the current 12-month measurement period for lapse events, in line with Solvency II's 1-year SCR horizon. Extending this to 24 months (Option 1) would risk legal uncertainty, increased costs, and capital inefficiencies. The AAE also called for flexibility in contract design to reflect diverse insurer profiles while ensuring effective risk transfers.</p> <p>Regarding reinsurance termination clauses, the AAE agreed with the need for clear treatment but emphasised that termination should not automatically invalidate risk transfer, especially for losses incurred before the event. The AAE highlighted the importance of legal clarity and proportionality, noting that contractual rights such as extraordinary termination should remain permissible where justified.</p>
Contributors	Solvency II Working Group including FMA Contributions from Austria, Belgium, Denmark, France, Hungary, Ireland, Netherlands, Switzerland.
Assigned Committees WGs	Solvency II Working Group: Insurance and Risk Management Committees
Board Reviewers	Lutz Wilhelmy and Frank Schiller
Submission date	7 February 2025