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EIOPA Consultation on Risk Mitigation Techniques – Proportional Reinsurance
Summary of AAE Key Messages

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What was the consultation about?

EIOPA consulted on a new Annex addressing proportional reinsurance features that can reduce commensurateness with Solvency II capital relief. It covered:

- The commensurateness framework for commissions, loss corridors and loss limits.
- Quantitative tests — Monte Carlo simulation and the Expected Reinsurance Deficit.
- Treatment of reinsurance commissions in the non-life premium risk volume measure.

Why does it matter?

The Annex determines how much SCR relief undertakings may recognise from proportional reinsurance treaties with commission and loss-sharing features. Its calibration will shape actuarial workload and the capital treatment of even conventional reinsurance arrangements.

What were our key messages?

1. **Support the Objective, Seek Clarity:** AAE supports commensurate SCR relief, but the Annex needs clearer guidance on translating findings into adjustments.
2. **Replace Binary Rule with Proportionate Adjustment:** Refine the "all-or-nothing" non-recognition rule to allow partial recognition of genuine risk transfer.
3. **Recognise Multi-Function Input:** Quantitative testing needs input from risk management and reinsurance functions, not the actuarial function alone.
4. **Prioritise Qualitative Assessment:** Confirm qualitative assessment as the primary tool, reserving full quantitative testing for genuine doubt.
5. **Acknowledge SCR Non-Linearity:** Recognise that the non-linear Standard Formula means even pure proportional treaties give non-proportional relief.
6. **Limit Impact on Conventional Reinsurance:** Distinguish structured capital-optimisation arrangements from conventional quota-share treaties.

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