EIOPA calls for immediate action to ensure service continuity in cross-border insurance

In December 2017, the European Insurance and Occupational Pensions Authority (EIOPA) issued an Opinion on service continuity in insurance linked with the withdrawal of the United Kingdom from the European Union. In the Opinion, EIOPA urged insurance undertakings to take necessary steps in good time to ensure the continuity of cross-border insurance contracts between the United Kingdom and the European Economic Area without the United Kingdom (EEA30) after the withdrawal of the United Kingdom.

EIOPA is closely monitoring the contingency planning of insurance undertakings, in particular of the undertakings from the United Kingdom and Gibraltar with cross-border business in EEA30 countries. The insurers with the largest cross-border business in the EEA30 countries have taken action and are implementing contingency measures. However, to date, 124 undertakings from the United Kingdom and Gibraltar with cross-border business in EEA30 jurisdictions have no or insufficient contingency plans in place to ensure service continuity in case of a withdrawal without an agreement between the United Kingdom and the European Union.

In case of a withdrawal without an agreement, 9.1 million EEA30 policyholders might face uncertainty and delays in receiving payments. This is significantly down from the total 38 million EEA30 policyholders with a cross-border contract, which shows the extent of action by UK insurers with large cross-border business. The residual cross-border business concerned have insurance liabilities of EUR 7.4bn. The residual business of insurers from the United Kingdom and Gibraltar without sufficient contingency plans represents (in terms of insurance liabilities) only 0.16% of the overall insurance business in the EEA30 countries.

The majority of the business (with insurance liabilities of EUR 5.4bn) relates to a handful of insurers in the United Kingdom. The remaining business has mainly low value and short-tail liabilities. Overall, 75% of the contracts concerned belong to portfolios with average written premiums of less than EUR 100 per year. On average, the remaining duration of liabilities of 76% of the contracts is less than two years. The majority of the contracts are with non-life insurers. Only 3 % of the potentially affected policyholders have a contract with life insurers.

EIOPA is working with the national competent authorities to address the residual risk.

By law, insurance undertakings have to ensure continuity and regularity in the performance of their activities, including the development of contingency plans. Supervisory authorities have to ensure compliance respectively. To avoid disruptions in service continuity, immediate and reinforced actions from undertakings and supervisory authorities are required. Insufficient contingency planning that may result in consumer detriment is a severe governance failure.

Policyholders of cross-border insurance contracts with undertakings from the United Kingdom and Gibraltar should be informed by their insurer about the relevant contingency measures they are taking and the impact on their contractual relationship and services. If they have further questions, customers may also wish to contact their insurance company. For general information related to the impact of the withdrawal on insurance contracts and services, the policyholders can contact their national supervisory authority or the supervisory authorities in United Kingdom or Gibraltar.

Based on the data collected through the monitoring of the contingency planning and in particular due to the nature and scale of the business concerned, EIOPA’s assessment is that the service continuity issue does not give rise to financial stability risks. However, EIOPA will continue to closely monitor and assess potential financial stability risks.