

To: Solvency II WG
From: Prudential Team
cc:
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Subject: Key takeaways - EIOPA IRRD Briefing Sessions

Summary

EIOPA has run a short series of **five** online events discussing the proposed Insurance Resolution and Recovery Directive (IRRD).

These sessions comprised a general overview of IRRD, recovery planning, resolution planning and resolvability assessment, identification of critical functions and reporting. A brief summary of each session is set out below.

Members will find the slides and a factsheet from these sessions [here](#).

Should members have any views or questions please write to prudential@insuranceeurope.eu

1. General aspects of the IRRD (29 November, factsheet [here](#))

The main takeaway for the event was the **timeline** and sequencing of EIOPA's planned **consultations** for technical instruments. There will be three batches, with the first batch of expected in the second-half of April 2025 covering:

- **Three Regulatory Technical Standards (RTS)**: contents of pre-emptive recovery plans, market share and contents of the resolution plans (including groups).
- **Three Guidelines**: Critical functions, resolvability assessment and removing impediments to resolvability.

Other key details from the first session:

- The background of the establishment of the IRRD
- An overview of the IRRD content, including:
 - The required recovery and resolution planning
 - The objectives, conditions and safeguards
 - Resolution tools specified by the Directive, namely: Write down and conversion, solvent run-off, sale of all or part of the business, bridge undertaking, asset and liability separation and additional resolution authority (**RA**) power
 - Funding, co-operation and coordination
- Insurance guarantee schemes (**IGS**) in the context of IRRD and the further report expected 24 months after the entry into force, in January 2027.
- Challenges ahead, including actions for EIOPA, Member States, NCAs and insurers.

2. Recovery planning (17 January, slides [here](#))

- The content of pre-emptive recovery planning is outlined by the Directive and there will be further details in an RTS, subject to public consultations.

- At least 60 % of the Member State's markets are subject to recovery plans - the life market share being based on gross technical provisions and the non-life market share being based on gross written premiums.
- Any (re)insurance undertaking which is subject to a resolution plan shall be subject to pre-emptive recovery planning requirements.
- **Compared to Solvency II**
 - **ORSA:** The ORSA should allow for the identification and assessment of future (possible) breaches of the capital requirement. It can inform pre-emptive recovery plans, but cannot replace them as the starting assumption, as the approach and scope are different.
 - **Recovery plans:** IRRD plans are drafted in a "business as usual" environment and Solvency II plans are required in case of non-compliance with the SCR. IRRD plans can be expected as a starting point for the Solvency II plan after a breach of SCR.
 - **Liquidity risk management plans (LRMPs):** Depending on the scenario, LRMP can inform the pre-emptive recovery plan helping in the identification of vulnerabilities, the indicators used, or the measures taken

3. Resolution planning and resolvability assessment (24 January, slides [here](#))

- The content of resolution planning is outlined by the Directive and there will be further details in an RTS, subject to public consultations. There will be additional content required for group plans.
- **Resolvability:** Assessing whether **feasible and credible** to wind up the undertaking under normal insolvency proceedings or for the RA to resolve that undertaking by applying resolution tools and power.
- Feasibility and credibility are **not defined in IRRD**. In banking (BRRD) context:
 - **Feasibility:** refers to the likelihood of an effective implementation of the preferred resolution strategy
 - **Credibility:** refers to the potential impact of the implementation of the resolution strategy on the financial system and real economy and the protection of defined stakeholders.
- The Directive sets out the stages to identify and address substantive impediments:
 - Notification of undertaking
 - Undertaking's measure proposal (within four months)
 - RA assessment
 - RA require alternative measures if the proposal is not effective
 - RA informing undertaking of decision, with a right to appeal.
- National RAs have power to take alternative measures. Ten options (a to j) are listed in IRRD Art. 15 (5).

4. Identification of critical functions (7 February, slides [here](#))

- For IRRD purposes, a critical function is an activity, service or function of a (re)insurer that:
 - Is **for a third party**,
 - **Cannot be substituted** with a reasonable time and reasonable cost; and
 - If absent, the function would be likely to have a **significant impact on the financial system or the real economy**
- The identification of critical functions should be done at the **level of the individual undertaking**.
- EIOPA is considering the work of the International Association of Insurance Supervisors (IAIS) and Financial Stability Board (FSB) – while they are taking different approaches, they are consistent in describing this concept.
- The identification of critical functions is the ultimate responsibility of the national RAs, though discussions with industry are anticipated.
- Assessment of the impact of a function will need to consider:
 - **Significance of the impact:** this will vary from country to country and will be defined by the RA. Both direct impacts and contagion will need to be considered. Factors considered include the characteristics of the function along with the type, number and geography of the affected third parties.

- **Substitutability:** the appetite and availability of other insurers to take up business. This will only refer to third party insurers not intra-group

5. Reporting (21 February, slides [here](#))

- Reporting is critical to the success of IRRD – RAs will require information to draw up resolution plans.
- EIOPA is currently drawing up a **draft ITS to specify minimum standards, templates and contents**. This will be released for consultation in late July with the aim of finalisation in 2026.
- Key considerations:
 - The experience of regular Solvency II reporting
 - The experience of national authorities with existing resolution schemes
 - Banking resolution templates - EIOPA emphasised that while this is an important input, it will not be a copy / paste exercise from banking into insurance.
- Additional reporting requirements:
 - **RAs will be able to request additional information above the minimum specified in the ITS** but must consult with supervisory authorities to ensure that the information is not already available.
 - Additional requests will also need to have a clear rationale and be proportionate.
- Group level reporting:
 - the ultimate parent undertaking should submit to the group-level RA, including information about solo undertakings in scope.
 - It will then be the responsibility of the group level RA to circulate to individual company RAs.
- Frequency:
 - **Reporting is anticipated to be at least every two years** in line with the timeline to review plans.
 - Individual RAs may decide it is needed more frequently, or changes in a company may require an update.
 - **The first reporting date is under discussion, but could be in 2028 with reporting date end 2027** (alignment with SII reporting).
- Scope
 - **The scope of the reporting is limited as only 60% of a market needs to be covered.**
 - Some undertakings will have simplified reporting requirements – which ones will depend on the needs of the RA as well as the nature of the business.