Memo for information

To: Prudential Working group
From: Prudential team
cc:
Date: 17-07-2026
Reference: ECO-PRU-26-330

Subject: EIOPA Batch 3 IRRD Guidance - Secretariat Assessment

Background

On 8 July 2026, EIOPA published the third batch of draft technical standards related to the IRRD. These cover:

- Macroeconomic and financial **stress scenarios** to be used for assessing the credibility and feasibility of insurers' pre-emptive recovery plans.
- **Qualitative and quantitative indicators** to be considered in pre-emptive recovery plans.
- **Provision of information** in summary or in collective form.
- Eligibility criteria for **simplified obligations**.
- **Independence of valuers.**
- Contractual recognition of **resolution stay powers.**
- Valuation of liabilities **from derivatives.**

Overall, these **in many instances reflected industry's feedback** with key points around ensuring optionality of indicator categories, explicit confirmation that existing tools and analyses can be reused and removing the requirement for scenarios to be more severe than included in the ORSA. A detailed analysis of each instrument can be found below.

Members are invited to provide any **comments or questions on the assessment** by email to **prudential@insuranceeurope.eu by COB Friday 24 July 2026.**

Summary

Annex I contains a comparison of the Guidelines on a range of macroeconomic and financial scenarios (here) to the industry response (ECO-PRU-26-156).

- The **revised Guidelines incorporate key parts of the industry feedback** including:
  - Removing the requirement that scenarios be more severe than those included in the ORSA.
  - Adding explicit wording stating that existing tools and analyses can be reused.
  - Clarifying that only legal entities in scope of IRRD are to be included.
- However, feedback about reducing burden by limiting the mandatory scope of the scenarios has not been reflected, and only partial note has been taken of points around proportionality and impact on small undertakings.
- The revised Guidelines also include a new "Explanatory text" with an "illustrative non-exhaustive list" of 18 potential scenarios to illustrate issues that could be considered: the secretariat notes that this is potentially unhelpful to the extent that authorities may use it as a check-list to assess scenarios even when inappropriate for a specific entity.

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Annex II contains a comparison of the Guidelines on indicators in pre-emptive recovery planning (here) to the industry response (ECO-PRU-26-157).

- Overall, the revised Guidelines **reflect the majority** of Insurance Europe's feedback. In particular, the following changes have been made:
  - Clarification that all indicator categories other than SCR-related capital indicators are optional.
  - Adding explicit wording stating that existing tools and analyses can be reused.
  - Amending Guidelines to refer to "material" deteriorations where relevant throughout.
  - Added wording that indicators should be clearly linked to associated remedial actions.
  - Capital indicators amended to prioritise SCR over MCR, although it is still recommended to consider the MCR.

Annex III contains a comparison of the Guidelines to specify how information should be provided in summary or collective form (here) to the industry response (ECO-PRU-26-158).

- **No changes were made to these Guidelines**. In particular, Insurance Europe's feedback that the minimum threshold should be raised from three entities to five was rejected.

Annex IV contains a comparison of the Guidelines on simplified obligations (here) to the industry response (ECO-PRU-26-159).

- Overall, the revised **Guidelines do not reflect the majority of Insurance Europe's feedback**. In particular, the requirement for assessment against all criteria remains, although clarification has been added that some criteria may be of differing significance for specific undertakings.
- However, the requirement to consider whether an internal model is used has been removed, as per feedback.

Annex V contains a comparison of the RTS on the independence of valuers (here) to the industry response (ECO-PRU-26-160).

- Overall, the **revised Guidelines partially reflect Insurance Europe's feedback**. In particular:
  - Clarification has been added that the valuer may use the undertaking's valuation models where appropriate.
  - Our feedback that an exception may be needed to allow statutory auditors to carry out valuation where there is extreme time pressure was not reflected.

Annex VI contains a comparison of the RTS on the contractual recognition of resolution stay powers (here) to the industry response (ECO-PRU-26-161).

- Overall, Insurance Europe's feedback on the RTS was largely positive. However, **the revised Guidelines do not reflect suggested improvements**. In particular:
  - EIOPA noted that amendments to timelines and discussion of operation of stay powers when third countries are involved were out of scope.
  - They had not identified particular operational and legal complexities for the insurance sector requiring changes.

Annex VII contains a comparison of the RTS on the valuation of liabilities from derivatives (here) to the industry response (ECO-PRU-26-162).

- Overall, Insurance Europe's feedback on the RTS was largely positive. However, the **revised Guidelines do not reflect suggested improvements**. In particular:
    - EIOPA noted that the current text of the RTS allows for flexibility in timing, data and methodology.

Annex I: Guidelines on a range of macroeconomic and financial scenarios (Paragraph references from final version)

Insurance Europe Request	Status	Notes
Scope of mandatory modelling should be reduced, both in terms of types of scenario and the use of combined scenarios	**Not addressed**	No changes. EIOPA notes that scope is "aligned with Article 5(7) of the IRRD, which requires a range of scenarios covering system-wide events, idiosyncratic stress events and combinations thereof."
Maximal re-use of existing frameworks (e.g. ORSA) should be enabled to reduce burden	**Addressed**	Explicit statement added in Guideline 2, new Para 1.12 that existing tools and analyses can be re-used.
Simplified combined scenarios for smaller undertakings could reduce costs	**Partially addressed**	Wording "and principles of proportionality" added to Guideline 1 – EIOPA views this as sufficient to address feedback, but does not mention smaller undertakings specifically
Greater supervisory tolerance for approximations would improve efficiency	**Not addressed**	No changes.
Implementation should be phased or pilot based	**Not addressed**	No changes.
Guideline 1, Para 1.8: Mandatory modelling of interaction effects should be removed and scenarios linked to risk profile of undertaking	**Not addressed**	No changes. EIOPA notes that scope is "aligned with Article 5(7) of the IRRD, which requires a range of scenarios covering system-wide events, idiosyncratic stress events and combinations thereof."
Guideline 1, Para 1.10: Stronger wording on proportionality needed	**Partially addressed**	Wording "and principles of proportionality" added to Para 1.9, but no changes made specifically on the slow / fast moving classification section
Guideline 1, Paras 1.8-1.10: Set clear expectation of minimum two scenarios	**Not addressed**	No changes. EIOPA notes that this retains flexibility for undertakings.
Guideline 2, Para 1.11: Remove requirement that scenarios be more severe than in ORSA	**Addressed**	Requirement removed.
Guideline 2, Para 1.13: Remove need for scenarios to meet all listed requirements	**Partially addressed**	Wording modified from "Each scenario should meet each of the following requirements" to "Each scenario should be designed as follows", which is a softening of wording but not a removal.
Guideline 2, Para 1.13: Remove requirement for scenarios to be	**Not addressed**	No changes. EIOPA notes that they intend that scenarios be "sufficiently severe to meaningfully test remedial actions but do not mandate that all scenarios must result in an SCR breach."

Insurance Europe Request	Status	Notes
severe enough to threaten viability		
Guideline 2, Para 1.13(c) and 1.14: Clarify discretion of supervisory authorities, given differing indications as to severity here	**Not addressed**	No changes.
Guideline 2, Para 1.16: Limit analysis of impacts to group level, or use a materiality criterion	**Not addressed**	No changes.
Guideline 2, Para 1.16: Exclude entities outside the IRRD / SII scope.	**Addressed**	Wording clarified to state only entities under IRRD recovery planning are in scope.
Guideline 2, Para 1.17: Quantitative assessment should be limited to capital and liquidity	**Not addressed**	No changes.
Guideline 2, Para 1.18: Remove multi-period scenario design	**Not addressed**	No changes.
Guidelines 3-5: Wording should be amended from "should" to "could" to maintain flexibility	**Not addressed**	No changes.
Guideline 3, Para 1.19: Regulatory risk should be removed as this is not objectively quantifiable	**Not addressed**	No changes.
Guideline 4, Para 1.20: Clarification that only legal risks that can be objectively quantified should be included	**Not addressed**	No changes.
Guideline 5, Para 1.21: Requirement to model combined shocks should be removed	**Not addressed**	No changes.

Annex II: Guidelines on indicators in pre-emptive recovery planning
(Paragraph references from final version)

Insurance Europe Request	Status	Notes
Indicators should allow re-use of existing risk monitoring and reporting (e.g. ORSA)	**Addressed**	New Para 5 in Introduction states undertakings may decide which indicator categories to include taking into account their "nature, scale, complexity of their activities and risk management framework".
Indicators should be limited in number and targeted	**Addressed**	New Para 6 in Introduction states undertakings may decide which indicator categories to include taking into account their "nature, scale, complexity of their activities and risk management framework".
Guidelines should distinguish between early warning indicators and recovery triggers	**Addressed**	New Guideline 1, Para 12 notes that indicators should be "designed to trigger remedial actions".
Care should be taken to avoid shadow supervision in addition to Solvency II	**Not addressed**	No specific changes made.
Allow simplified indicator sets for smaller undertakings	**Addressed**	New Para 6 in Introduction states undertakings may decide which indicator categories to include taking into account their "nature, scale, complexity of their activities and risk management framework".
Allow greater tolerance for qualitative indicators	**Addressed**	New Para 6 in Introduction states undertakings may decide which indicator categories to include taking into account their "nature, scale, complexity of their activities and risk management framework".
Guideline 1: Indicator sensitivity and timing should not be prescribed	**Addressed**	
Guideline 2: Capital indicators other than SCR breach indicators should be removed	**Partially addressed**	Wording amended to note SCR breach indicators are the most significant, but still recommends consideration of other indicators.
Guideline 3: Long-term liquidity indicators should only be required for entities with a long-term risk management plan under Solvency II	**Addressed**	Wording amended.
Guideline 3: Additional flexibility is required – liquidity is often managed at entity level. Simplified liquidity proxies should be allowed	**Not addressed**	No changes.
Guidelines 3-8: Wording should be amended to add "material" throughout	**Addressed**	Wording amended.

Insurance Europe Request	Status	Notes
Guideline 3, Para 1.19: Wording on liquid assets ratio should be removed for consistency with RTS on LRMPs	**Addressed**	Wording removed.
Guideline 4: Asset quality indicators should be optional	**Addressed**	New Para 6 in Introduction states undertakings may decide which indicator categories to include.
Guideline 5: Profitability indicators should be optional and this guideline should be removed	**Addressed**	New Para 6 in Introduction states undertakings may decide which indicator categories to include.
Guideline 6: Market conditions indicators should be supplementary rather than primary triggers	**Addressed**	New Para 6 in Introduction states undertakings may decide which indicator categories to include.
Guideline 7: Macroeconomic indicators should be contextual alerts only	**Addressed**	New Para 6 in Introduction states undertakings may decide which indicator categories to include.
Guideline 7: Geographical and sectoral concentrations require clarification	**Addressed**	Additional clarifying wording added.
Guideline 8: Operational indicators should focus on conditions not events	**Not addressed**	No changes.
Guideline 8: Quantitative assessment of operational indicators should be optional	**Addressed**	New Para 6 in Introduction states undertakings may decide which indicator categories to include.
Compliance: Comply-or-explain should not apply to a detailed indicator framework where proportional application is needed	**Not addressed**	No changes.

Annex III: Guidelines on provision of information in summary or collective form (Paragraph references from final version)

Insurance Europe Request	Status	Notes
Authorities should be able to share information before requesting it from undertakings	**Not addressed**	EIOPA notes that this goes beyond its mandate for these Guidelines.
An explicit confirmation of no additional reporting obligations would reduce uncertainty	**Not addressed**	No changes made.
Compliance: Comply-or-explain should not apply to a detailed indicator framework where proportional application is needed	**Not addressed**	No changes made.
Guideline 9: Minimum threshold should be raised from three to five entities	**Not addressed**	EIOPA noted their approach is consistent to that taken by other ESAs.

Annex IV: Guidelines on simplified obligations
(Paragraph references from final version)

Insurance Europe Request	Status	Notes
Some criteria are indicators of potential insolvency but not whether resolution would be preferable to conventional insolvency	**Not addressed**	No changes made.
Guideline 1: Assessment against all criteria should be removed	**Partially addressed**	Additional clarification added that some criteria may be of differing significance.
Guideline 4, Para 1.21(c): Paragraph should be deleted given lack of direction to be provided on mutuals	**Not addressed**	Paragraph is deleted, but wording on mutuals added to paragraph before so impact remains the same.
Guideline 5, Para 1.23(d): Paragraph should be deleted given lack of direction to be provided on use of internal models	**Addressed**	Paragraph removed.
Guideline 5: Forward looking judgement should be emphasised to avoid temporary fluctuations distorting outcomes	**Not addressed**	No changes made.
Guideline 6: Size is not a sufficient indicator of impact and must be viewed in context	**Not addressed**	No changes made.
Guideline 7: Automatic exclusion on grounds of authorisation scope would be inappropriate	**Not addressed**	No changes made.
Guideline 8: Qualitative assessment should be permitted	**Not addressed**	No changes made.

Annex V: RTS on independence of valuers
(Paragraph references from final version)

Insurance Europe Request	Status	Notes
Article 2: Authorities should retain discretion to avoid restrictions in smaller markets	**Not addressed**	No changes made
Article 3: RTS should reflect the need for valuer to depend on entity under valuation for input data, and place reliance on entity's own partial valuations	**Addressed**	Reference made to the undertaking's valuation models being made available
Article 4: Functional separation should be acceptable with risk mitigation	**Not addressed**	No changes made.
Article 5: Introduce an exception allowing statutory auditor to carry out valuation in cases where time constraints are critical	**Not addressed**	No changes made.

Annex VI: RTS on contractual recognition of resolution stay powers
(Paragraph references from final version)

Insurance Europe Request	Status	Notes
A more pragmatic approach to cross border enforceability is needed.	**Not addressed**	No changes made. EIOPA commented they "did not identify any evidence indicating operational and legal complexities faced by entities that may be particular for the insurance sector" and so have not amended.
Discussion of (re) insurance contracts beyond reference to Article 52 in Background should be deleted.	**Not addressed**	No changes made.
Recitals should emphasise cross-sectoral alignment and limitation of RTS to financial contracts	**Not addressed**	No changes made. EIOPA commented that "recitals are intended to provide context for the provisions set out in the draft RTS. As such, they are not the appropriate place to emphasize the cross-sectoral alignment of the draft RTS with the BRRD RTS".
Article 1: Functionally equivalent words tailored to third-country legal requirements should be acceptable	**Not addressed**	No changes made.
Article 2: Transitional arrangements, grandfathering and a phased approach are recommended	**Not addressed**	No changes made. EIOPA noted this is outside its mandate and not legally feasible via an RTS.
Additional clarification needed on operation of stay powers when non-EEA jurisdictions are involved	**Not addressed**	No changes made. EIOPA noted these considerations are outside the scope of the RTS.

Annex VII: RTS on valuation of liabilities from derivatives
(Paragraph references from final version)

Insurance Europe Request	Status	Notes
Recitals: Add new recital after recital 4 noting replacement trades may be concluded on exposure-based bases and that destruction-in-value analyses should fully account for the economic burden of re-establishing the hedge	**Not addressed**	No changes made. EIOPA believes Article 2(1)(b) addresses these issues.
Recitals: Add new recital after Recital 5 emphasising flexibility in timing, data and methodologies	**Not addressed**	No changes made. EIOPA noted that the "current text of the RTS allows for flexibility, specifically Recital (2) and Article 3, paragraph (4)."
Recital 8: Rephrase to include comments that the price replacement trades should take precedence over model-based valuations and that simplified midmarket valuation should apply when the group resolution strategy foresees internal re-hedging	**Not addressed**	No changes made. Although EIOPA's comments note that Recital 8 was amended, potential error.
Article 1: Term 'valuer' should be defined	**Not addressed**	No changes made. EIOPA noted that the Level 1 text gives sufficient clarity
Article 1(5): Clarification that exposure-based approach allows economically equivalent hedges	**Not addressed**	No changes made.
Article 2(2): Add words to recognise the need for sufficient time and data to perform the pre-closeout assessment	**Not addressed**	No changes made.