PRE-EMPTIVE RECOVERY PLANNING AND MARKET SHARE

Second online workshop with stakeholders on first batch of consultation papers – 13 June 2025

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AGENDA

1. Practical information on participating in the meeting

2. Introductory remarks

3. RTS on criteria for pre-emptive recovery planning requirements and methods to be used when determining the market shares

4. RTS on the content of (group) pre-emptive recovery plans

1. PRACTICAL INFORMATION ON PARTICIPATING IN THE MEETING

- The presentation will go instrument by instrument
- Each instrument will be followed by a dedicated Q&A session to allow for audience engagement and discussion
- Questions can be submitted in written form using the **Q&A button** in the upper right corner of the MS Teams meeting screen:
    - Please identify yourself before asking a question with your **full name + organisation**
    - The moderator will open the floor for comments/questions after speakers have provided their presentation
    - Please provide only comments/questions which are inside the scope of the event

2. INTRODUCTORY REMARKS

- Consultation papers published on 29 April
- Stakeholder workshops are organized to:
  - Collect preliminary views on the instruments
  - Provide an explanation to any unclarities at this stage
  - Support the preparation of stakeholders' contributions to the consultations
- Stakeholders are invited to provide written comments by 31 July, 23.59 CET
- Please use the link to EUSurvey to respond to the consultation

3. RTS ON CRITERIA FOR PRE-EMPTIVE RECOVERY PLANNING REQUIREMENTS AND METHODS TO BE USED WHEN DETERMINING THE MARKET SHARES

❖ **<u>CONTEXT AND OBJECTIVES</u>**

- Purpose: providing a harmonised and comparable framework for the identification of the insurance and reinsurance undertakings and groups under the scope of the pre-emptive recovery planning.
- Objectives:
  - Enhance preparation, coordination and cooperation.
  - Promoting a risk-based framework and limiting the burden for (re)insurance undertakings representing lower risk.
  - Ensuring a level playing field through common minimum harmonisation rules.
- Proposed approach: following article Article 5(12) of IRRD the RTS specifies further: the criteria, in particular as regards cross-border activity, referred to in paragraph 2, first subparagraph and the methods to be used when determining the market shares referred to in paragraph 2, second and third subparagraphs.

3. RTS ON CRITERIA FOR PRE-EMPTIVE RECOVERY PLANNING REQUIREMENTS AND METHODS TO BE USED WHEN DETERMINING THE MARKET SHARES

❖ **KEY COMPONENTS**

- **Supervisory authorities should assess groups and insurance and reinsurance undertakings based on the following criteria, which need to be considered and combined as appropriate:**
  - Size
  - Business model
  - Risk profile
  - Interconnectedness
  - Substitutability
  - Importance for the economy of the MS in which operate
  - Their cross-border activities, in particular, significant cross-border activities
- **The RTS does not prescribe any methodology for the combination of the above criteria.**
- **At least 60 % of the Member State's life insurance and reinsurance market and at least 60 % of its non-life insurance and reinsurance market** – the life market share being based on gross technical provisions and the non-life market share being based on gross written premiums

3. RTS ON CRITERIA FOR PRE-EMPTIVE RECOVERY PLANNING REQUIREMENTS AND METHODS TO BE USED WHEN DETERMINING THE MARKET SHARES

❖ <u>**ADDITIONAL ASPECTS**</u>

- **Small and non-complex insurers** shall **not** be subject to pre-emptive recovery planning, unless supervisory authority considers that such an undertaking represents a particular risk at national or regional level.

- Any insurance or reinsurance undertaking which is **subject to a resolution plan** shall be subject to pre-emptive recovery planning requirements.

- In the calculation of the market coverage level, the subsidiary insurance or reinsurance undertakings of a group may be taken into account where those subsidiary insurance or reinsurance undertakings are part of a group for which the ultimate parent undertaking is drawing up and maintaining a group pre-emptive recovery plan as per Article 5(2) subparagraph 3 of the IRRD.

- The RTS applies both to solo undertakings and groups.

- Limiting the burden by using, whenever possible, the data already available via supervisory reporting provided on the basis of Article 35, Article 244, Article 245 and Article 254 of the Solvency II Directive for assessing the insurance or reinsurance undertakings or groups and calculating the market share.

3. RTS ON THE CRITERIA FOR PRE-EMPTIVE RECOVERY PLANS AND METHODS AND CRITERIA TO DETERMINE THE MARKET SHARE

- Welcome **opportunity to present feedback.**
- Support **use of ORSA data** and other existing sources to minimise burdens.
- Art 4 and Art 6 imply that **diversification can bring additional risk** (e.g. increased number of counterparties), which is counterintuitive.
- Additional clarity that **NSAs should take subsidiaries of a group with a recovery plan** into account when calculating market coverage would be appreciated.

Caveat: This presentation contains **preliminary** industry views which are subject to change in the official responses to be submitted to EIOPA.

3. RTS ON CRITERIA FOR PRE-EMPTIVE RECOVERY PLANNING REQUIREMENTS AND METHODS TO BE USED WHEN DETERMINING THE MARKET SHARES

- Q&A

4. RTS ON THE CONTENT OF (GROUP) PRE-EMPTIVE RECOVERY PLANS

❖ **CONTEXT AND OBJECTIVES**

- Purpose: providing in a structured way the minimum required elements for (group) pre-emptive recovery plans.
- Background: Inspired by lessons learned from the 2008 crisis & recent failures, aiming for better crisis preparedness.
- Objectives:
    - Reduce likelihood and impact of financial distress.
    - Enhance crisis preparedness and supervisory convergence.
    - Improve risk governance and internal planning frameworks.
- Proposed approach: following Article 5(6) IRRD additional guidance is provided to ensure minimum harmonization and comparability between plans, further reinforced by the requirement to translate the summary into a relevant language.

4. RTS ON THE CONTENT OF (GROUP) PRE-EMPTIVE RECOVERY PLANS

CORE COMPONENTS

•**Summary of Key Elements** – high-level overview of the plan.

•**Undertaking/Group Description** – structure, core functions, financial and legal mapping.

•**Indicators Framework** – triggers at which remedial actions should be considered or taken.

•**Governance & Implementation** – roles, decision-making, update processes.

•**Remedial Actions** – credible measures to restore financial position.

•**Communication Strategy** – internal/external crisis communication protocols.

•**Past Solvency Breaches** – measures taken in the last 10 years to restore the undertaking's compliance with the SCR.

4. RTS ON THE CONTENT OF (GROUP) PRE-EMPTIVE RECOVERY PLANS

❖ **ASPECTS OF INTEREST**

- **Group pre-emptive recovery plans:** No separate section for groups. The RTS addresses simultaneously both solo and group plans, highlighting group-specific aspects where relevant to avoid duplication and ensure a more structured approach (e.g. framework of indicators, range of remedial actions).

- **Proportionality:** Proportionality has been considered in relation to content where appropriate (e.g. “The extent to which indicators referring to subsidiary undertakings are considered in the group pre-emptive recovery plans should, however, be proportionate to their relevance”). Guidelines on simplified obligations are being drafted.

- **Limit the Burden:** This principle has been applied wherever feasible. For example:

- Consistency with EBA’s approach: Where possible, the approach adopted is consistent with that used in the banking sector, enabling undertakings (primarily FICOs) to leverage their existing experience and expertise in banking regulation.

- Streamlined credibility and feasibility assessments. There is no requirement to include full credibility and feasibility assessments in the plans; rather, only the outcomes of these assessments need to be presented.

4. RTS ON THE CONTENT OF (GROUP) PRE-EMPTIVE RECOVERY PLANS

- Note **the required content is extensive** and poses potential **operational burdens** as a result.

- Article 3 (Description of the insurance or reinsurance undertaking or the group):
  - Having **a single article covering groups and individual undertakings reduces clarity**, particularly in cases where there is both a group and undertaking level plan**.**
  - Could consider splitting this article to cover groups and undertakings separately.

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4. RTS ON THE CONTENT OF (GROUP) PRE-EMPTIVE RECOVERY PLANS

- Q&A

THANK YOU!

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