Memo for information

To: International Affairs & Reinsurance WG, Prudential Working group
From: The International team
cc:
Date: 13-07-2026
Reference: ECO-IAR-26-061

Subject: IAIS publishes updated Application Papers on recovery and resolution

Summary

Members will find below:

- Information on the IAIS' newly published updated Application Papers on recovery and resolution.
- The Secretariat's assessment of the finalised papers, and the extent to which feedback from Insurance Europe has been reflected.

IAIS updated Recovery and Resolution Application Papers

On 13 July, the IAIS published the final versions of its two updated Application Papers on recovery and resolution, following consultation conducted between November 2025 and February 2026:

- Application Paper on resolution powers, preparation and plans; and
- Application Paper on recovery planning.

The papers update existing IAIS guidance to reflect the recovery and resolution standards introduced in the revised ICPs and ComFrame adopted in December 2024, while providing insights on recent practices and practical examples to support their implementation.

The IAIS will host an **online discussion session** on **26 August 2026**, from 14:00 to 15:00, during which it will present the updated Application Papers and respond to participants' questions.

More information on the Application Papers is available here and registration for the discussion session is available here.

Assessment of final papers, including Insurance Europe feedback

Application Paper on resolution powers, preparation and plans

Compared to the previous version of this paper, published in June 2021, the major changes are:

- Addition of a new section on **considerations related to reinsurance** (Section 2.4)
- Additional **details of the elements to be included in plans**, including details of triggers, consideration of developing playbooks and the need to maintain high-level management information systems to inform resolution decision making.
- Addition of complex reinsurance arrangements and cross-border cession as **potential impediments to resolution**.

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The paper has **not been substantially amended from the draft version** consulted on. The principal amendment was a **rewriting of Section 2.4 on reinsurance considerations**, including the introduction of a new box discussing asset intensive reinsurance (AIR).

While some of Insurance Europe's feedback has been addressed with minor wording changes, particularly to clarify that playbooks should be developed jointly by supervisors and undertakings, **the majority of the points raised have not been reflected**, including concerns about expansion of scope, and potential impacts of resolution planning actions on going-concern insurers. A detailed comparison of feedback to the final version can be found in the Annex to this memo.

Application Paper on recovery planning

Compared to the previous version of this paper, published in November 2019, the major changes are:

- Addition of more detail on objectives and concepts, particularly introduction of **requirements to evaluate the need for a plan, and evaluate severe-stress risks and recovery options**.
- Additional elements added to the required elements of a recovery plan, in particular:
    - Further details on **legal entities, and analysis of intragroup dependencies.**
    - Trigger framework amended to be performed at **group and material legal entity level**.
- Additional supervisory considerations, most notably:
    - Supervisors can require **insurers to provide assurance of validity and completeness of plans**, either through internal audit or third-party consultancy.
    - Supervisors should **include resolution authorities in their assessment of the recovery plan**, and resolution could be triggered if the insurer reaches non-viability due to ineffectiveness of recovery options.

There have been **only minor wording amendments to the draft version** consulted on. **None of Insurance Europe's feedback has been reflected.** This principally focussed on ensuring recovery planning remained risk-based and proportionate, without unwarranted increases in scope. A detailed comparison of feedback to the final version can be found in the Annex to this memo.

Annex – Comparison of Insurance Europe's key feedback points to final version

Application Paper on resolution powers, preparation and plans

- ***Section 2.5 - Safeguards*:**
  Clarification needed on NCWOL definition, in particular removal of the words "at least", which could be interpreted as allowing compensation beyond the NCWOL threshold.
    - No changes made.

- ***Section 3 - Conditions for entry into resolution:***
  Draft text expands trigger examples, and adds more requirements around pre-alignment, leading to concerns of wider scope and more bureaucracy. In particular, inclusion of recapitalisation as resolution strategy could be costly and should be clarified this should be limited to critical functions and subject to proportionality.
    - No changes made.

- ***Box 2 - Illustrative examples of resolution conditions:***
  Example of capital ratio of 150% being a trigger for resolution is inappropriate and should be removed.
    - Example removed.

- ***Section 4 – Resolution powers:***
  Text should acknowledge wealth reduction from supervisory actions to manage low likelihood events might be sub-optimal.
    - No changes made.

- ***Section 5 – Preparation for resolution*:**
  There is a risk that simplified resolution processes could bring more insurance companies into scope, going against a risk-based approach.
    - No changes made.

- ***Section 5.2 - Information needs:***
  Clarification needed that authorities should first request information from each other before approaching companies,
    - No changes made.

- ***Box 5 - Examples of considerations of financial and economic functions in resolution:***
  Text should be clarified to state that only the preferred resolution strategy should be developed.
    - No changes made.

- ***Section 6.4.6 - Operational aspects*:**
  Operational guides or manuals should not be developed and owned by insurers: resolution plans are prepared by authorities and guides or manuals should also be developed by them.
    - Text amended to clarify that such documents are to be developed in coordination between insurers and authorities.

- ***Section 7.1 – Resolving impediments:***
  Need to better reflect the potential for resolution planning actions to have unintended impacts on going-concern business models and operations and the need for careful calibration to avoid disproportionate intervention.
    - No changes made.

Application Paper on recovery planning

- ***Section 1 - Introduction*:**
  Non-binding nature of Application Paper should be reiterated to avoid over-interpretation.
    - No changes made.

- ***Section 2 – Objectives and concepts of recovery planning****:*
  Introduction of a mandatory evaluation requirement for all insurers significantly expands the scope. Smaller and non-complex insurers now face additional governance and reporting burdens without clear proportionality safeguards.
    - No changes made.

- ***Section 2.1 - Evaluation***
  The requirement for evaluation of severe-stress risks and recovery options on all insurers, even if no recovery plan is mandated is a structural broadening. A high-level qualitative assessment within existing ERM frameworks may be sufficient for such insurers.
    - No changes made.

- ***Section 2.2 – Recovery plans****:*
  Explicit guidance should be added on fit-for-purpose feasibility scoped to size/complexity.
    - No changes made.

- ***Section 2.3 – Related concepts***:
  There should be stronger emphasis on avoiding duplication and on the appropriate reuse of existing processes and documentation.
    - No changes made.

- ***Section 3 – Scope of application and proportionality:***
  There should be a more operational embedding of proportionality, for example through tiered minimum requirements or explicit simplifications for non-complex insurers.
    - No changes made.

- ***Box 1 - Recovery plan requirement under the EU IRRD****:*
  Text should be clarified emphasise the group recovery plan is the primary instrument to assess and restore resilience, and standalone solo plans are not required, except where explicitly mandated by a local supervisor.
    - No changes made.

- ***Box 2 - Matters specific to insurance groups***:
  Clarification is needed that entity-level recovery plans should be required only where a group recovery plan is demonstrably insufficient, following a coordinated supervisory assessment. IRRD approach of supervisors requiring parent company to address concerns before requiring entity-level plans is preferred.
    - No changes made.

- ***Section 4.1 - Governance – development, approval, review and testing:***
  Requirements for more formalized governance and regular testing should be designed to be more risk-oriented and less bureaucratic.
    - No changes made.

- ***Section 5.3 – Trigger framework***:
  Triggers do not need to be extended to entity level where a group plan is in place. The wording should be amended to allow for the longer timeframes for resolution in insurance relative to banking and properly reflect the applicable capital framework under Solvency II.
    - No changes made.

- ***Section 5.5 – Recovery options:***
  Implication of expectation of extensive quantitative analysis for every option in all cases should be avoided.
    - No changes made.

- ***Section 5.6 - Communication strategy**:*

  Requirement to notify supervisor in anticipation of a trigger breach should be removed to avoid unnecessary work: triggers are designed to signal actual breaches, not potential ones.

  - Amended to insurers being expected to report "indicators of early stages of stress", not anticipated breaches.

- ***Section 6 - Supervisory considerations***:

  Requirements should be made less bureaucratic: governance processes around recovery plan should be sufficient to ensure completeness and validity without the additional costs and effort of an independent assessment.

  - No changes made.

- ***Section 6.1 – Assessing recovery plans:***

  Supervisory assessments should be risk-based and focus on overall credibility and implementability, rather than formal completeness.

  - No changes made.