



Insurance Europe urges to 'stop the clock' on IRRD: why a pause is necessary

Proportionate recovery and resolution regimes for European insurers

If Europe is to restore and strengthen European competitiveness, administrative burdens from regulation must be reduced. The European Commission has [set out a vision](#) for an implementation and simplification agenda that delivers fast and visible improvements for people and business on the ground. The Commission has announced that they will address overlapping, unnecessary or disproportionate rules that are creating unnecessary burdens for EU businesses through “Omnibus” packages.

The Insurance Recovery and Resolution Directive (IRRД) is a good example of such rules as it goes well beyond international requirements for recovery and resolution: e.g. FSB Key Attributes for Resolution. Other jurisdictions have more proportionate requirements for insurers, meaning IRRD is creating unnecessary burdens and a competitive disadvantage for EU insurers.

In this context, Insurance Europe calls for a “stop-the-clock” initiative on the IRRD.

A pause in the legislative timelines for the IRRD is necessary to give legislators, in co-ordination with other stakeholders including the industry and EIOPA the opportunity to make a proper analysis of what is truly necessary to protect policyholders and beneficiaries and, additionally, financial stability in Europe in relation to failing insurance companies.

The IRRD should be a **risk-based framework** that is proportionate to the low levels of systemic risk posed by the insurance sector and is adapted to the individual insurance undertaking's risk profile, the given member state, and the national situation. This framework should be supported by a **full impact assessment** at all levels of regulation and have **fewer and more precise delegations** to Level 2 and 3 measures.

Background

The IRRD will apply from 30 January 2027. Currently, the European Insurance and Occupational Pensions Authority (EIOPA) is developing technical standards and guidelines to facilitate this implementation. As part of this process, they are conducting a series of public consultations allowing stakeholders to provide feedback on key topics.

The key issues with the IRRD proposals for the technical standards and guidelines as they stand are:



- **disproportionate requirements** relative to the risk and benefits, in particular the information required for resolution planning, which is generic and not focussed on a specific resolution strategy;
- **limited impact on protecting financial stability**,
- potentially large **costs and administrative burden** for companies,
- **wide scope**, (significantly larger than for other jurisdictions),
- **broad definitions**, (such as for resolution objectives and critical functions), leading to unclarity and uncertainty,
- **challenging timelines** for implementation, and
- **timing of the application** of the IRRD and of **the upcoming review of** insurance guarantee schemes (IGS).

In addition, the ongoing EIOPA consultations and IRRD instruments yet to be completed have demonstrated that there are still many areas for clarification. A postponement will allow for better thought-out regulations and will benefit both resolution authorities and insurance companies.

It is necessary to act now to avoid a similar situation to the corporate sustainability reporting (CSRD, CSDDD...) where regulation is already partly in force. For the IRRD, it is a much more straightforward exercise to 'stop the clock' and tailor regulation that causes unnecessary burdens to European insurance companies.

Proceeding with the IRRD technical standards and guidelines in their current (draft) form and at the current pace, runs contrary to the European Commission's implementation and simplification agenda, by introducing an overly detailed, burdensome and largely unnecessary framework.

Issues prompting the pause

Insurance Europe has identified the following issues:



Disproportionate requirements relative to the risks and benefits

The IRRD proposals are extensive and will require significant resource from undertakings, regulators and resolution authorities to implement. For example, the draft instructions for the reporting templates alone run to 43 pages. However, from the perspective of financial stability, both the risks that insurers pose and the benefits of a wide-ranging resolution scheme such as IRRD, are significantly lower for the insurance sector compared to banking. If anything, the focus of the IRRD should be in the first place on the protection of policyholders and beneficiaries through orderly resolution, and not be focused on financial stability.



Limited Impact on Financial Stability Protection

The stated purpose of the IRRD includes safeguarding financial stability (in addition to the protection of policyholders and beneficiaries), but there is limited systemic risk in the insurance sector. Indeed, EIOPA's report on [Systemic Risk and Macroprudential Policy in Insurance](#), while cautioning against theoretical potential impacts from insurers, noted "a broad agreement that traditional insurance activities (be it in the life, non-life and reinsurance sectors) [do not] contribute to systemic risk".

What little systemic risk there is, is already addressed by the comprehensive existing requirements under Solvency II and the safeguards therein are effective and provide for a very low likelihood of any required resolution action under IRRD. The current regulatory framework is calibrated to (theoretically) limit insolvencies to 0.5% of companies. The added benefits of recovery and resolution above this Solvency II level of protection do not justify the extensive requirements proposed under the IRRD. According to the EIOPA 2021 document "Failures and near misses in insurance" (EIOPA-BoS-21/394), most of the insurance failures and near misses in EIOPA's database of such events occurred before Solvency II was introduced. As the report states, the introduction of Solvency II has contributed to the prevention of failures. It should be noted that near misses can be interpreted as a as an effective action of the solvency supervisory authority (not requiring resolution).



Costs and Administrative Burden

A comprehensive cost/benefit analysis has not performed by the Commission. Given recent discussions on financing arrangements, it is clear that the costs of the IRRD will be significant and deserve to be properly assessed before implementation. In addition, the administrative burden on companies from the reporting templates set out in the draft Implementing Technical Standards, and from other potential requirements is likely to be substantial, while the benefits may be limited. This imbalance should be reassessed in light of the Commission's wider simplification agenda. For example, the need to maintain playbooks, in addition to the resolution plans, maintained by resolution authorities and supported by significant information requirements for insurance companies is potentially onerous.

This is in addition to direct costs which may be faced by undertakings funding Financing Arrangements under Article 81. These may vary greatly between location of authorisation given the discretions available to resolution authorities in this area.



Wide Scope (significantly beyond other jurisdictions)

Industry is supportive of implementing the international requirements for recovery and resolution: however, the European version goes beyond the FSB Key Attributes for Resolution. Other jurisdictions have more proportionate requirements for insurers: for example, considering Australia, Japan and Singapore:

- None of these countries has an arbitrary minimum market threshold for inclusion in recovery and resolution, instead using risk-based assessments of which companies are systemically important. Currently, in Japan, no companies are required to hold resolution plans: in Singapore, the number is four and in Australia eleven (although there is discretion to add additional companies performing critical functions).
- In all cases, the volume of regulation is significantly lower: for example, the Singaporean recovery and resolution requirements comprise a notice which is five pages long and 24 pages of accompanying guidance.
- None of these jurisdictions require regular reporting by entities, with companies expected to be able to provide necessary data to supervisors on request.



Challenging Timelines

Implementation of the IRRD is likely to be in 2027/2028 at same time as Solvency II. This will create significant operational challenges and bureaucratic burden for many insurers, supervisors and resolution authorities, given the significant overlap between the staff involved in both implementations. For example, adjustments to SII reporting (QRTs, SFCR, RSR) and the new QRTs for resolution planning are often being handled by the same risk and IT staff. Companies need to be given sufficient time to analyse the new regulations, organise internal training and recruit additional staff where necessary.



Insurance guarantee schemes

Article 98 of the IRRD provides that the European Commission, after having consulted EIOPA, should report on insurance guarantee schemes (IGS) by 29 January 2027, at the same time as IRRD will be implemented. However, decisions regarding the harmonisation of IGS and the implementation of IRRD should be made in a coordinated manner. Both initiatives carry significant cost and operational implications for insurers and policyholders. Proceeding with either in isolation risks duplication, inefficiency, and unnecessary burdens and, thereby, costs. These costs will in the end lead to higher premiums for policy holders.

Insurance Europe therefore calls for a pause on both the IRRD and any harmonisation of IGS, to allow for a comprehensive and proportionate assessment of their combined impact and necessity.

An alternative path:

the way forward following the stop-the-clock



- A proper cost-benefit analysis is fundamental: most jurisdictions outside of Europe have chosen a much more proportionate approach to recovery and resolution in the insurance sector. A fundamental review of the IRRD is needed to identify areas whether the substantial costs of IRRD outweigh the gains, and where sensible adjustments could be made to minimise the workload on both companies and supervisors & resolution authorities.
- Establish risk-based and proportionate scope for planning requirements.
- Delay and phase-in of the implementation of IRRD to:
 - **Facilitate a comprehensive discussion and assessment of potential funding requirements:** early discussions demonstrate a lack of consistent understanding on what resolution funding should encompass and its purpose. More time is needed to assess this, notably its interaction with a potential harmonisation of IGS.
 - **Avoid extensive and burdensome interaction with SII review changes:** undertakings will need to allocate significant resources during 2027 and 2028 to the implementation of Solvency II changes (as well as other requirements such as EU-stress testing).
 - **Benefit from experience:** implementation in the banking sector of the BRRD clearly shows that a multi-year iterative discussion between authorities and undertakings is needed to create the necessary materials.
- Meaningful rationalisation of Level 2 and 3 requirements is needed. The draft Level 2 and Level 3 texts prepared by EIOPA add significantly to the operational requirements arising from the IRRD. A clearer and more proportionate approach is needed which should include:
 - **Removal of mandatory data reporting requirements:** to give national authorities the flexibility to ask only for truly necessary information and reduce burden on companies.
 - **Reduction in minimum requirements for pre-emptive recovery plans:** general descriptions, the framework of indicators, the remedial actions and the communication strategy should be limited to decision-useful information.
 - **The scope of critical functions should be realistic:** critical functions is a banking concept which does not translate well into insurance sector. Notably, reinsurance, investing and actuarial services can easily be substituted and are therefore not critical by definition.
 - **The assessment of resolvability should not be a tick-box exercise:** the current proposed guidelines pose unnecessary burden for insurers. To reduce this, the guidelines should be phrased as items that could be considered rather than mandating that they should be a minimum.

Insurance Europe is the European insurance and reinsurance federation. Through its 39 member bodies — the national insurance associations — it represents insurance and reinsurance undertakings active in Europe and advocates for policies and conditions that support the sector in delivering value to individuals, businesses, and the broader economy.