Insurance Europe response to IAIS Consultation on recovery planning application paper

Our reference:	ECO-IAR-26-024	Date:	19-02-2026
Referring to:	IAIS Consultation on recovery planning application paper		
Related documents:	Public consultation on Consultation Paper revised Application Papers on recovery and resolution - International Association of Insurance Supervisors		
Contact person:	The International team	E-mail:	
Pages:	5	Transparency Register ID	33213703459-54

General Questions

Q1. *General comments on the Consultation paper revised Application Paper on recovery planning*

Insurance Europe welcomes the opportunity to provide comments to the IAIS Consultation Paper on the draft revised Application Paper on recovery planning. In particular, the increased focus on operational preparedness and implementability of recovery options may contribute to strengthening insurers' resilience. At the same time, compared to the 2019 Application Paper, the Draft-revised version introduces several expectations that, in practice, amount to a material broadening of scope. This is notably the case regarding the introduction of a general evaluation requirement for all insurers, expanded governance, documentation and testing expectations, as well as more detailed requirements on trigger frameworks and communication. From a Insurance Europe perspective, the scope should be more explicitly risk-based. For non-complex insurers, it should be clarified that existing ERM and ORSA processes are generally sufficient and that no additional recovery-specific analyses are required.

Q2. *Comments on Section 1 Introduction*

The Introduction appropriately sets out the link between recovery planning, ICP 16 and ComFrame. However, the overall tone and repeated references to minimum expectations may create the impression that the Application Paper is evolving from a purely supportive document towards a quasi-normative framework. Insurance Europe therefore suggests reiterating more explicitly the non-binding nature of the Application Paper, in order to avoid over-interpretation by national supervisory authorities.

Insurance Europe aisbl • rue Champ de Mars,23 B-1050 Brussels
Tel: +32 2 894 30 00 • E-mail: info@insuranceeurope.eu
www.insuranceeurope.eu

Q5. *Comments on Section 2 Objectives and concepts of recovery planning*

The Consultation paper introduces a mandatory evaluation requirement for all insurers, even those not subject to a full recovery plan. This significantly expands the scope. Smaller and non-complex insurers now face additional governance and reporting burdens without clear proportionality safeguards. Therefore, clear safeguards are needed to ensure that the evaluation remains high-level, principle-based and fully proportionate.

Q6. *Comments on Section 2.1 Evaluation*

The Consultation paper imposes a universal evaluation requirement for severe-stress risks and recovery options on all insurers, even if no recovery plan is mandated. This is a structural broadening. Insurance Europe suggests explicitly clarifying that a high-level qualitative assessment within existing ERM frameworks may be sufficient for such insurers

Q7. *Comments on Section 2.2 Recovery plan*

The Consultation paper emphasizes "credible/feasible" recovery plans, i.e., implementable options, obstacles identified/addressed, and timeliness. While conceptually sound, this elevates the evidence threshold for feasibility, implying more modelling, validation, and documentation—especially challenging for smaller insurance companies. We advocate explicit guidance on fit-for-purpose feasibility scoped to size/complexity.

Q8. *Comments on Section 2.3 Related concepts*

The clarification of the relationship between recovery planning, ORSA, contingency planning and other ERM tools is helpful. At the same time, the Draft-revised Paper should place stronger emphasis on avoiding duplication and on the appropriate reuse of existing processes and documentation.

Q9. *Comments on Section 3 Scope of application and proportionality*

While the Draft-revised Application Paper formally acknowledges the principle of proportionality, many detailed expectations are presented in a manner that appears to apply irrespective of size and complexity. Insurance Europe encourages a more operational embedding of proportionality, for example through tiered minimum requirements or explicit simplifications for non-complex insurers.

Q10. *Comments on Box 1: Recovery plan requirement under the EU IRRD*

The description of the IRRD framework is accurate. However, it should be more clearly highlighted that the IRRD explicitly provides exemptions for small and non-complex insurers. In addition, the group recovery plan is the primary instrument to assess and restore resilience only at the consolidated level. It does not require or imply standalone solo plans in addition to the group plan, except where explicitly mandated by a local supervisor.

Q11. *Comments on Box 2: Matters specific to insurance groups*

Box 2 grants host supervisors broad discretion to require separate legal-entity recovery plans even where a group recovery plan is in place. Compared to the IRRD framework, this approach lacks a clear link to an assessment of the adequacy of the group plan and to a structured joint-decision process. Without such safeguards, there is a risk of duplicative and inconsistent recovery planning requirements for cross-border insurance groups. Clarification is therefore needed that entity-level recovery plans should be required only where a group recovery plan is demonstrably insufficient, following a coordinated supervisory assessment. In line with the approach set out in the IRRD, supervisory authorities should first request the parent undertaking to revise and enhance the group recovery plan to address identified concerns, before requiring the preparation of separate entity-level recovery plans.

Q13. *Comments on Section 4.1 Governance – development, approval, review and testing*

The Consultation paper requires more formalized governance, explicit roles (Board, Senior Management, Key Persons, subject matter experts), segregation of duties, review/update triggers (internal/external events), MIS capture, and regular testing with lessons learned feedback. The requirements should be designed to be more risk-oriented and less bureaucratic. Testing expectations should remain flexible and proportionate to avoid excessive use of resources.

Q16. *Comments on Section 5.3 Trigger framework*

The Consultation paper requires trigger frameworks at group and entity level. Where there is a group (pre-emptive) recovery plan, it is sufficient to have a trigger framework identifying triggers and indicators at the level of the group. There is no need to extend this to the level of individual material legal entities. The trigger framework does not exist in isolation as insurers and insurance groups have an advanced Enterprise Risk Management (ERM) system in place. The ERM system at both the level of the Group and the material legal entities will usually detect a deterioration of the financial position of a subsidiary well in advance so that countermeasures can be taken. This is part of the regular risk management process and there is no need to have this reflected in the Group recovery planning trigger framework.

Most of the suggested metrics would add significant noise to the identification framework because they would fail to meet the following requirements: 1) forward looking, 2) uncorrelated to solvency or liquidity indicators and 3) reliability.

The IAIS suggests that the trigger framework should be calibrated to provide enough time for Management to respond to a developing adverse situation (paragraph 70). Further, the IAIS provides an example and states that regarding solvency criteria, an insurer may decide to calibrate trigger points for activation of the recovery plan at a credible distance from any regulatory minimums, such as the PCR (paragraph 71). While we agree with the general intention of paragraph 70, the underlying assumption (especially in connection with paragraph 71) seems to be that there is only a very short timeframe for insurers and potentially competent authorities to act and that a crisis usually unfolds suddenly. While this might in general hold true for banks, we question this assumption for the insurance industry because of the significantly different business model (absence of trading, no bank-run to be feared etc.), allowing more time for insurers to respond to an adverse situation and to initiate countermeasures. In addition, such a broad requirement neglects the respective applicable capital framework. In some jurisdictions, e.g. in the EU with Solvency II, the applicable capital framework is risk-based and forward-looking. Thus, in the case of Solvency II, which is a mark-to-market regime based on a market value balance sheet, it is by design forward looking. (On a side note, this constitutes a major difference to banks which live under an accrual and incurred-loss regime). Even if an insurer's PCR ratio fell below 100%, it could still have significant surplus in the future, as the expectations, which the market values of assets are based on, can be too bearish. In addition, as the calculation of capital requirements and available capital under e.g., Solvency II, implies a holding period of one year, a decrease of the solvency ratio does not signal an imminent default

situation. The solvency ratio therefore provides both a forward-looking and at the same time early-enough assessment of an insurer's financial strength and its development throughout time.

In particular, recovery trigger levels significantly above 100% PCR are not appropriate (para 73/Figure 2). Capital ratios at such levels are generally consistent with a sound going-concern position and do not, in themselves, indicate severe stress requiring the activation of recovery measures. Recovery planning should be designed to address situations of material financial distress where the insurer's viability may be threatened, rather than being triggered under business-as-usual conditions. Under the Solvency II framework, the SCR already represents a prudential threshold calibrated to adverse conditions, and recovery triggers should therefore be set at levels that reflect genuine stress, while allowing sufficient management flexibility to act in a timely manner.

Q17. *Comments on Section 5.5 Recovery options*

The broad range of potential recovery options is welcomed. However, the Draft-revised Paper should avoid implying an expectation of extensive quantitative analysis for every option in all cases. In particular, most non capital and non-liquidity relating actions usually take more time to have an effect on the company. Therefore, it is unclear how they should be considered relevant in a crisis environment that requires selecting the actions that create an uplift in a very short timeframe.

Q18. *Comments on Section 5.6 Communication strategy*

Paragraph 88 sets the expectation for insurers to inform supervisors already in anticipation of a likely breach of one or more trigger points. This requirement seems to be premature and could lead to unnecessary alarm and administrative workload, especially in cases where the anticipated breach does not even materialize. In general, trigger points are designed to signal actual breaches but not potential ones, ensuring that responses are timely and relevant. Therefore, it is crucial to maintain a balance between timely provision of information to supervisors and operational efficiency, focusing on actual breaches rather than anticipated ones. There should be no requirement to inform the supervisor of an anticipation of a likely breach of one or more recovery trigger points as long as there is no (anticipated) violation of regulatory requirements (e.g. breach of PCR).

As there is an infinite range of scenarios that could trigger the pre-emptive recovery plan, creating very customized communication plans would have limited benefits.

Q19. *Comments on Section 6 Supervisory considerations*

The Consultation paper adds internal audit/third-party validation (Para 100), explicit trigger calibration review (Para 103), and resolution authority involvement (Para 105), with increased emphasis on benchmarking and aggregate analyses. The requirements should be made less bureaucratic, e.g. IAIS should allow internal validation and review. Having internal audit or even external consultants assess the validity and completeness of the Recovery plan is unnecessary against the background of the recommended involvement of the Board of Management in the development and approval process of the recovery plan (see section 4). A governance process around the development, regular update and approval process of the recovery plan involving the Board of Management would usually ensure sufficient completeness and validity so that there is no need to add additional cost and effort for an independent assessment of the completeness and validity of the recovery plan for the insurer.

One should highlight that recovery planning documents are sensitive by nature, and while benchmarking sounds helpful, it should not threaten the confidentiality surrounding the document.

Q20. *Comments on Section 6.1 Assessing recovery plans*

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

Benchmarking and aggregate analyses should be applied with care, in order to support macro-prudential insights without creating unintended competitive distortions.