

10 practical ways to simplify and improve the IRRD



The Insurance Recovery and Resolution Directive (IRRD)'s destination should be clear: a framework that delivers resilience without unnecessary complexity, duplication or cost. Implementing the IRRD successfully is a journey that requires clear direction and disciplined choices to avoid wrong turns and unexpected outcomes.

Insurance Europe has identified ten practical ways this implementation can be improved. These ten stops on the prudential train highlight where IRRD measures can be simplified without weakening safeguards and the burden reduced for both supervisors and companies.

1 Phase the rollout

Current plans foresee a 'big-bang' IRRD rollout in 2027, alongside the Solvency II review. This leaves insufficient time to resolve inconsistencies or build robust systems. Implementation should be postponed, with the IRRD applying at least twelve months after publication of Level 2 and Level 3 measures. A phased introduction should follow, with recovery plans developed ahead of resolution plans to allow learning, focus and constructive dialogue.

2 Scale back reporting

Reporting should begin with a minimal core dataset and expand only where experience shows additional information is genuinely needed. Mandatory reporting should apply only to undertakings within scope of resolution planning. Proposed templates should be streamlined by removing duplication with Solvency II, excessive granularity and qualitative assessments better performed by authorities.

3 Limit critical functions

Critical functions are defined so broadly that almost all insurer activities risk being captured. This definition should be clarified and narrowed. Highly substitutable services such as reinsurance, investment management and actuarial services should not be treated as critical functions.

4 Apply a risk-based scope

The IRRD's minimum market coverage approach diverges from international risk-based standards. If numerical thresholds are retained, subsidiaries covered by group plans, including outside the EEA, must count towards market coverage, and minimum coverage should be sufficient. Additional undertakings should be included only where a risk-based assessment clearly justifies it.

5 Streamline recovery plans

Recovery planning should remain proportionate and reflect the safeguards already embedded in Solvency II. Content requirements should be kept to a minimum, and duplication with existing Solvency II documentation avoided. Subsidiary requirements should be applied proportionately, particularly where group plans exist.

6 Simplify resolvability assessment

The resolvability assessment should be a flexible and proportionate exercise to avoid the risk of becoming a tick-box exercise. Suggestions that insurers should maintain playbooks, self-assessments of resolvability and make costly administrative changes should be removed.

7 Protect business as usual

Resolution planning should not interfere with day-to-day operations or undermine insurers' competitiveness. The IRRD grants wide pre-emptive powers to alter business arrangements. These powers should be used only in truly exceptional circumstances, with their costs clearly assessed and justified.

8 Use existing Solvency II processes

Insurers already operate comprehensive risk management and monitoring processes under Solvency II. These should be fully leveraged for IRRD purposes, allowing references to existing documentation wherever possible and avoiding duplication.

9 Assess costs and benefits

IRRD implementation will generate substantial administrative costs through reporting, assessments and preparatory work. These costs should be quantified and weighed against expected benefits, taking account of how often insurer failures have caused material consumer harm and how existing resolution mechanisms have performed.

10 Safeguard reinsurance

Reinsurance is a core risk-mitigation tool and must not be impeded by IRRD implementation. Its cross-border nature supports diversification and resilience and should not be treated as a vulnerability. Reinsurance should not be classified as a critical function.

Destination: a workable, proportionate IRRD

Clearer scope, proportionate requirements and alignment with Solvency II will reduce uncertainty, lower costs and support effective supervision and resolution planning. **The destination is not less resilience, but smarter regulation that works in practice.**

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