IRRD – 1 Year to Go

The Insurance Recovery and Resolution Directive (IRRD) is due to come into force on 30 January 2027, leaving just a year for companies and supervisors to prepare. Yet there remains a lack of clarity on fundamental aspects of the regulation, including:

- Which firms will be in scope of planning requirements?
- What are the critical functions for insurers?
- What documentation, analyses and data firms will be required to carry out internally?
- What reporting will companies have to do?
- When, how often and how quickly must insurers provide valuations for the resolution?
- What proportionality measures (simplified obligations) will apply and to which companies?
- How will the IRRD work across borders in practice?
- How does the IRRD interact with Solvency II, particularly the provisions on reorganization and winding-up, which were revised in the Solvency II review and not yet implemented?
- How will the IRRD interact with current work by the Commission on Insurance Guarantee Schemes (IGS) and any possible future proposals?
- Who will pay for the IRRD implementation and how?

Even those insurers who expect to be in scope of the new planning and reporting requirements cannot yet prepare for the new requirements because the Level 2 regulations have not yet been drafted, submitted to the Commission by EIOPA and remain to be approved by the co-legislators. Likewise, most members states have not yet consulted on legislation to implement the IRRD in national law.

With so many outstanding questions, Insurance Europe argues it is irresponsible for the Commission to continue to target an implementation date of 30 January 2027. The European Commission has publicly committed to cutting reporting obligations by 25%, simplifying regulation under the Better Regulation Agenda and strengthening competitiveness through targeted burden reduction initiatives. Proceeding with the current IRRD proposals at the planned pace directly contradicts these objectives. The Directive introduces a far-reaching new recovery and resolution framework with extensive reporting, data and governance requirements on top of Solvency II, despite the absence of a demonstrated regulatory gap or systemic risk in the insurance sector.

It also risks introducing an overly detailed, burdensome and largely unnecessary framework which goes beyond international standards. These excessive requirements will put the European (re)insurance sector, a global champion, at a competitive disadvantage to other global players.

Growing geopolitical tensions and the need for European insurers to compete with other global markets underline the importance of avoiding additional regulatory burdens that could weaken the sector's global position.

Insurance Europe has therefore called for a stop-the-clock initiative to allow time to answer the questions outlined above and for the Commission to conduct a comprehensive, evidence-based impact assessment of what is truly necessary to protect policyholders and beneficiaries and preserve financial stability in Europe, beyond the existing safeguards. This would also allow Member States to prioritise the effective implementation of the recently revised Solvency II framework, which is already in force and forms the cornerstone of prudential supervision of the insurance market, before embarking on a new regulatory regime.

It would also allow time for Member States to arrive at appropriate decisions on the funding of resolution, where it is critical that any funding requirements reflect the low likelihood of funds being needed and the potential competitive impact on European companies of being required to set aside dedicated funds in advance. Any funding should be ex-post and calibrated to the actual probability-weighted requirements, particularly in light of the high level of security provided by Solvency II capital requirements.

Ultimately, 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 that is flexible and adaptable to the individual insurance undertaking's risk profile, the given member state, and the national situation.

The practical proposals outlined below will to help achieve this.

10 practical ways to simplify and improve the IRRD

1 Postpone the timeline and phase in requirements:

The current plans envisage a 'big-bang' roll-out of the IRRD in 2027. This clashes with the implementation of the Solvency II review and does not allow time for an iterative process of development between companies and supervisors. Although adopted as one package, a simultaneous implementation with the Solvency II review is not only unnecessary but will prevent the resolution of the many inconsistencies between both frameworks prior to implementation of the IRRD. A postponement in implementation, with the IRRD applying at the earliest 12 months after the publication of the Level 2 and 3 measures will remove the conflict in timelines, and allow robust systems to be built, staff to be trained and reliable data quality to be ensured.

This should be followed by a predetermined phased introduction of the IRRD requirements, with pre-emptive recovery plans being prepared a year in advance of resolution plans. The experience of recovery planning can then feed into resolution planning, giving time to focus on each, and permitting constructive dialogue to take place between companies in scope and NSAs/NRAs.

2 Scale back mandatory reporting:

Reporting should start with the bare minimum of information and add to it as experience shows further data is truly needed. The current ECB and SRB discussions on the need for simplification of BRRD recovery planning and resolution reporting indicate the need to adopt a similar approach to IRRD reporting from the outset, as does the experience of reporting for former FSB-designated G-SIIs.

Any reporting should only be required for those undertakings in scope of resolution planning. The twenty mandatory reporting templates currently proposed in EIOPA-BOS-25/286 and accompanying Annexes are too extensive and burdensome, and do not reflect the necessary exchange of information between supervisory and resolution authorities. Simplifications should include:

- Deletion of templates requiring information already covered by Solvency II reporting.
- Deletion of templates requiring qualitative market-wide judgements which the resolution authorities are better placed to make, including the impact on the financial system, substitutability and market share.
- Deletion of templates covering critical functions. It is the resolution authority's role to determine whether an insurer provides critical functions.
- Reduction in granularity and detail (for example, the ownership reporting threshold capturing all shareholders with more than of 2% of share capital should be raised to 10%, in line with the approach taken in Solvency II).
- Removal of the ability for resolution authorities to request data from insurance undertakings even if already held by supervisory authorities, merely due to format incompatibility.

3 Clarify and limit the scope of critical functions:

The definition of critical functions, provided by EIOPA is so broad that almost all functions of an insurer could be within scope. While flexibility to tailor national implementations is important, the Level 2 technical standards should further clarify, rather than expand, the definitions set out in the Directive.

Reinsurance, investment management and actuarial services, in particular, are all highly substitutable and are therefore not critical functions (which requires them to not be substitutable). This should be reflected in the relevant Level 2 provisions.

4 Ensure a risk-based scope:

The IRRD's approach of minimum market coverage is out of line with the risk-based approach recommended by international standards and adopted in other jurisdictions. This should be amended. If the numerical thresholds are retained, as a minimum it should be made clear that subsidiaries in other Member States covered by group plans in another country (both EEA member states as well as outside of the EEA e.g. Switzerland) shall (i.e. not may) count towards these thresholds, and that the minimum market coverage is sufficient. Additional companies beyond the minimum coverage should only be in scope if a risk-based approach indicates this is truly necessary. Member States' implementation of IRRD should also clarify that subsidiaries already covered by a recovery plan shall be allowed for in the market coverage.

5 Streamline recovery plans:

Recovery planning must be proportionate to the risks being addressed, taking into account both Solvency II and the way that resolution risks, such as the risk of transfer of assets and liabilities, are already integrated into the SCR calculation.

In addition, the minimum contents of pre-emptive recovery plans should be significantly reduced in comparison to the current proposals. For example:

- It should not be mandatory to include all parts of the plan in the summary,
- It should be explicit that information already included in the SFCR, RSR, QRTs and ORSA can be referenced and does not need to be repeated/reproduced. The involvement of different authorities in supervision and resolution should not result in a proliferation of information requirements for insurance undertakings.
- Requirements on subsidiaries (e.g. definition of indicators) should be applied proportionately, particularly where there is already a group plan in place.

When resolution authorities respond to plans, it is critical that companies are given sufficient time to address any feedback points raised. For (re)insurance groups, it should be emphasised that resolution college joint decisions on recovery plans must be communicated to the group within the four-month deadline given, and that such decisions are final and binding on subsidiary resolution authorities.

6 Simplify the resolvability assessment:

The proposed scope of resolvability assessments risks becoming a tick-box exercise which creates extensive burden for insurers. The guidelines propose that insurers could have playbooks, do their own complex resolvability assessment in addition to that carried out by the resolution authority, and make costly administrative changes in preparation for the unlikely outcome of resolution. To simplify this exercise and make its implementation more flexible and proportionate, these suggestions should be removed.

7 Minimal interference with business as usual:

It is critical that any resolution scheme does not interfere with the day-to-day running of companies, or impede their competitiveness internationally, particularly given the high level of prudential safeguards already in place. The IRRD grants authorities sweeping powers to change business operations (e.g. to amend reinsurance contracts and intra-group arrangements). These pre-emptive powers must only be used in truly exceptional circumstances, and this should be explicitly stated in the relevant guidelines. The immediate costs of imposing these powers must be quantified and considered before they are used.

8 Maximise use of existing processes:

The Solvency II regulatory framework means that European insurers already have comprehensive risk management and monitoring processes. These should be leveraged as much as possible when implementing the IRRD to reduce unnecessary costs and duplication. For example, allowing references to existing documents and processes as far as possible would minimise repetition.

9 Perform a full cost-benefit analysis:

In addition to the direct cost of funding financing arrangements, the IRRD will impose substantial administrative burdens on companies. This will arise from both the proposed data reporting templates and from a range of potential requirements such as resolvability testing, playbooks and self-assessments.

These costs need to be quantified and set against the expected benefits, particularly given the comprehensive existing safeguards under Solvency II and the Commission's wider simplification agenda. A proper cost-benefit analysis would include data on how many actual failures (before and after the introduction of Solvency II) have caused material hardship for customers, and how often the existing resolution worked as needed. It would also identify areas where costs outweigh gains, and where sensible adjustments could be made to minimise the workload on both companies and supervisors & resolution authorities.

10 Ensure appropriate treatment of reinsurance:

Reinsurance is an essential risk mitigation tool for insurers, and it is important that the IRRD does not impede its use. In particular:

- The inherently cross-border business model of reinsurance, which gives diversification of risks that is a fundamental component of the reinsurance value proposition, should not be treated as a negative characteristic.
- Use of reinsurance should not be a critical function.

International Standards and the IRRD

Both the FSB and the IAIS produce guidance on resolution and recovery regimes, through the Key Attributes of Effective Resolution Regimes for Financial Institutions and ICPs and Application Papers on Recovery Planning and Resolution Powers, Preparation and Plans respectively.

The IRRD goes beyond the requirements of these regimes in several key areas, most notably:

- **Mandatory minimum market coverage levels:** the IAIS and FSB guidance notes that the scope of resolution and recovery schemes should be risk-based, which cannot be the case with a fixed percentage coverage level.
- **A detailed, binding catalogue of tools and powers**, including the explicit ability to write down/ convert insurance claims.
- **The power to impose a surrender moratorium** is explicitly mentioned in Recital 77 of the IRRD. The IAIS mentions stay powers but not with the same level of specificity, and it is foreseeable that this, together with the write down / conversion power may influence product design and pricing in the EU, while third countries can act more flexibly.
- **Mandatory national financing arrangements for no creditor worse off compensation**
- **Binding and extensive EIOPA guidance** covering criteria, content, assessments, colleges etc. that are significantly more detailed than IAIS/FSB requirements. The proposed Level 2 and Level 3 measures suggest extensive documentation such as self-assessment reports, multi-year testing programs, **handbooks**, and **playbooks**.
- **Minimum frequencies** (at least biennial updates to plans) and **fixed supervisory review deadlines** (e.g. 9 months) as well as **standardized information formats** which reduce supervisor flexibility.

As well as these extensions to international standards, the IRRD goes beyond the practical implementation that is seen in other jurisdictions, in terms of the volume of regulation, the number of companies in scope and the level of formal reporting:

	Formal R&R requirements	No mandated data returns	Volume of regulation	# Companies in resolution planning scope
Japan	✓	✓	3 pages of insurance law	Nil (ATGs and large complex firms only)
Singapore	✓	✓	5 pages, plus 24 pages of guidance	4 (D-SIBs only)
Australia	✓	✓	34 pages plus 7 pages of guidance	11 (FSIs only)
UK	✓ (from 2026)	✓	18 pages	All firms must produce a solvent exit plan
IRRD	✓	✗ 20 draft templates	100 pages, plus 18 instruments (119 pages in first draft)	DC FSMA estimate 100 to 120

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.

www.insuranceeurope.eu
Insurance Europe
Rue du Champ de Mars 23
B-1050 Brussels
Belgium