

Response - Consultation on Guidelines on supervisory powers or liquidity vulnerabilities

Our reference:	ECO-PRU-25-148	Date:	19/12/2025
Referring to:	Consultation on Guidelines on supervisory powers on liquidity vulnerabilities		
Related documents:	Consultation paper		
Contact person:	Prudential team	E-mail:	prudential@insurancееurope.eu
Pages:	3	Transparency Register ID no.:	33213703459-54

Introduction

Q1. Do you have general comments on the consultation paper?

- ☒ **Yes**
- ☒ For consistency, the Guidelines should ensure that **any solvency-related elements are explicitly linked to demonstrable material liquidity risk**, in line with Article 144b of the Solvency II Directive.

Q3. Do you have comments on 'Guideline 1 - Supervisory measures to address deficiencies in liquidity risk management'?

- ☒ **Yes**
- ☒ Paragraph 9(a): Although the industry acknowledges a link between the proposed supervisory measures and material deficiencies in liquidity risk management caused by an inadequate system of governance of the insurer, it is suggested to remove the references to specific guidelines in this paragraph, as these are neither complete (eg Guideline 25 investment policy is missing) nor particularly relevant to liquidity risk management (eg Guideline 11 and 12 "Fit and proper").
- ☒ Paragraph 9(e): should also refer to relevant actions, including escalation procedures, set out in the last submitted pre-emptive recovery plan, as required under Article 5(8) of Directive (EU) 2025/1.

Q5. Do you have comments on 'Guideline 3 - Activation of supervisory powers to reinforce the liquidity position'?

- ☒ **Yes**

- Paragraph 14a change should be made from “*including but not limited to*” to “*and may include, but are not limited to*” to be in line with Paragraph 9. This also to reflect that the relevance of the indicators/deficiencies may differ between undertakings as well as between insurance markets.
- Guideline 3 states that supervisory authorities should assess whether there are “*clear indications*” that material liquidity risks persist despite earlier remedial actions. However, Article 144b (2) of the Solvency II Directive refers to “clear evidence” being required. It is suggested adapting the wording of the Directive.

Q6. Do you have comments on 'Guideline 4 - Exceptional circumstances that justify the temporary suspension of redemption rights', including on whether the Guidelines should provide further specifications on the existence of such exceptional circumstances?

- **Yes**
 - A deterioration of the SCR may, as demonstrated in recent cases (eg, Eurovita), indirectly contribute to liquidity pressures due to increased lapse behaviour or market confidence effects. In such circumstances, solvency concerns can evolve into **material liquidity risk**. However, Article 144b clearly states that the temporary suspension of redemption rights should only be used for “*undertakings facing material liquidity risks*”. For legal clarity and consistency with the Directive, any reference to solvency-related factors should therefore be explicitly linked to **demonstrable material liquidity risk**, rather than treated as standalone triggers.
 - Elements such as failure to submit a recovery plan (19(a)) or deterioration of the SCR should only be considered insofar as they result in material liquidity risk. Points that are currently formulated purely from a solvency perspective (eg 17(c), 17(e) and 17(f)) should consequently be amended to reflect such a liquidity dimension or removed if no link exists. In addition, the reference to “***solvency and***” in paragraph 16 should be reformulated or deleted to ensure alignment with Article 144b.
 - In paragraph 18 “*strains*” should be changed to “*risks*”. Otherwise, this will deviate from Article 144b.
 - In paragraph 20 the text should be changed from “*Supervisory authorities should assess*” to “*Supervisory authorities must assess*”. This is in line with Article 144b that clearly states that the power to suspend redemption rights shall only be exercised as a last resort measure. This a very important pre-requisite that should also be mentioned in paragraph 19. In addition, it is not mentioned somewhere else in Guideline 4.
- Furthermore, in Article 144b it is clearly stated that the other measures (a) – (c) by the supervisory authority are used when suspension of redemption rights. This also implies “*must*” and not “*should*”.

Q9. Do you have comments on the impact assessment in Annex I?

- **Yes**
- **Supervisory powers:** EIOPA proposes option A2, which defines a non-exhaustive list to promote convergence. Option A1 could be preferable, as a closed list of measures associated with different severity thresholds (tiered measures) could limit the risks linked to excessive discretion granted to supervisors and potential abuses. However, there could also be negative consequences of a closed list as it, eg, could be problems for some insurance markets with the severity thresholds etc.
- **Activation criteria:** Similarly, EIOPA proposes option B2, a non-exhaustive list of activation criteria to ensure harmonised and flexible supervision. As in the previous case, option B1 could be preferable depending, eg, on the activation criteria.
- **Joint consideration of market conditions and entity-specific factors to define exceptional circumstances that could lead to redemption suspensions:** EIOPA proposes option C2, the industry agrees that it seems preferable that market conditions and individual characteristics be jointly assessed by supervisors, in order to avoid triggering unnecessary measures based on criteria that fail to account for cross-effects (in principle, redemption suspensions are less likely to be imposed hastily by a supervisor due to the significant political consequences involved).

- **On cooperation and information-sharing arrangements between authorities:** EIOPA proposes option D1. The industry agrees as experience shows that a clear and structured framework is preferable for communication between supervisors.

Q10. *Do you have any other comments?*

- **Yes**

Annex II:

- Should the Guidelines provide specifications, further to what is set out in the consultation proposal, on the existence of exceptional circumstances that justify the temporary suspension of redemption rights?
 - A closed list could be problematic in the event of an unforeseen situation.