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Consultation paper on the proposal for regulatory technical standards on liquidity risk management plans

Fields marked with * are mandatory.

Responding to the paper

EIOPA welcomes comments on the Consultation paper on the proposal for Regulatory Technical Standards on liquidity risk management plans.

Comments are most helpful if they:

- respond to the question stated, where applicable;
- contain a clear rationale; and
- describe any alternatives EIOPA should consider.

Please provide your comments to EIOPA via EU Survey **by 2 January 2025, 23:59 CET**.

Contributions not provided via EU Survey or after the deadline will not be processed. In case you have any questions please contact SolvencyIIreview@eiopa.europa.eu.

Publication of responses
Your responses will be published on the EIOPA website unless: you request to treat them confidential, or they are unlawful, or they would infringe the rights of any third party. Please, indicate clearly and prominently in your submission any part you do not wish to be publicly disclosed. EIOPA may also publish a summary of the survey input received on its website.

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Remarks on completing the survey

EU Survey supports the last two versions of Microsoft Edge and the latest version of Mozilla Firefox and Google Chrome. Using other browsers might cause compatibility issues.

After you start filling in responses to the survey there is the option to save your answers. However, please note that the use of the online saving functionality is at the user's own risk. As a result, it is strongly recommended to complete the online survey in one go (i.e. all at once).

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It is also recommended that you select the “Send this Link as Email” icon to send a copy of the weblink to your email - please take care of typing in your email address correctly. This procedure does not, however, guarantee that your answers will be successfully saved.

You will have the possibility to print a pdf version of the final responses to the survey after submitting it by clicking on "Download PDF". You will automatically receive an email with the pdf file. Do not forget to check your junk / spam mailbox.

About the respondent

* Please indicate the desired disclosure level of the responses you are submitting.

- (x) Public
- ( ) Confidential
- ( ) Partly confidential

* Stakeholder name

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Questions to stakeholders

General

Q1 Do you have general comments on the consultation paper?

- (selected) Yes
- No

Please provide your general comments on the consultation paper.

The AAE appreciates the opportunity to respond to EIOPA's consultation on Regulatory Technical Standards (RTS) for Liquidity Risk Management Plans (LRMPs). In general, we are broadly supportive of the proposals outlined in the consultation paper, which we believe will enhance the integration of the macroprudential aspects of liquidity risk management plans within the Solvency II framework. This alignment is a necessary step in addressing liquidity risks more systematically and consistently across the European insurance sector.

National laws or regulations might explicitly require a different treatment compared to the requirements of Article 144a. Further guidance considering the principle of subsidiarity would be important to support the harmonised application of this article across member states.

Frequency and Scope of Submission: Clarification is needed regarding the frequency, method, and timeframe for submitting LRMPs. While the draft RTS proposes updates every three months for short-term liquidity analysis and annually for medium- and long-term analysis, we suggest allowing flexibility. For example:

- LRMPs could be submitted as part of the Own Risk and Solvency Assessment (ORSA) process, accompanied by quarterly updates that focus primarily on quantitative data.
- Qualitative information might be required less frequently then quarterly if liquidity risk indicators are above predefined thresholds.

This proportional approach would reduce the compliance burden align with corporate risk reporting, and enable appropriate involvement of the AMSB for undertakings while maintaining robust monitoring and supervisory oversight.

Specific Guidance for Matching and Volatility Adjustments: We note that Article 144a(5) specifically mandates LRMPs for undertakings applying the matching adjustment (MA) or the volatility adjustment (VA). However, this important aspect is only briefly mentioned in a footnote and under Policy Option A.2 in the consultation document. We suggest explicitly addressing these requirements within the RTS to ensure clarity for impacted undertakings and to reflect their importance in managing macroprudential risks.

Conclusion:
Overall, the proposed framework demonstrates a good balance between principle-based and prescriptive approaches, accounting for both consistency and proportionality. We encourage EIOPA to further refine certain aspects of the RTS to provide clearer guidance and reduce ambiguity, particularly concerning reporting frequencies, integration with existing processes, and specific provisions for MA and VA users. These enhancements will help ensure the RTS delivers its intended objectives of financial stability and improved liquidity risk management across the European insurance sector.

1. Background and rationale

Sections

Q2 Do you have comments on the following sections in section 1 with background and rationale?

	Yes	No
1.1. Amendments to the Solvency II Directive	◉	○
1.2. Mandate for draft regulatory technical standards	◉	○
1.3. Current requirements on liquidity risk management	○	◉
1.4. Principle-based and proportionate approach	◉	○
1.5. Detailed explanation of the draft RTS	◉	○

Please provide your comments on section 1.1. Amendments to the Solvency II Directive.

The text refers to a provisional agreement of European co-legislators. The wording should be revised to consider the fact that the Directive is approved now.

Please provide your comments on section 1.2. Mandate for draft regulatory technical standards.

- Article 144a(5) of the amended Solvency II Directive requires undertakings using the matching adjustment (MA) or the volatility adjustment (VA) to establish liquidity risk management plans. We suggest including this requirement explicitly in the main text of the RTS, rather than limiting it to the footnote and Policy Option A.2. This would provide clearer guidance and emphasis for affected undertakings.

- To improve clarity on exemptions, we suggest explicitly referencing Article 29d of the Solvency II Directive, which outlines the supervisory approval process for undertakings not classified as small and non-complex but seeking exemptions from LRMP requirements.

Please provide your comments on section 1.4. Principle-based and proportionate approach.

“Note that all insurance and reinsurance undertakings already must take into account both short-term and long-term liquidity risk. The above criteria are only relevant for reporting the medium- and long-term liquidity analysis in the liquidity risk management plan”

The first sentence in this section is unclear, as the analysis described would typically be expected as part of the ORSA exercise, taking into account exposure, materiality, and proportionality. Clarifying how this aligns with existing ORSA requirements and expectations would help ensure consistency and avoid duplication.

Please indicate on which of the following sub-sections of section 1.5. ('Detailed explanation of the draft RTS') you have comments.

	Yes	No

Criteria for covering liquidity analysis over the medium and long term	○	○
Liquidity analysis over the short term and the medium and long term	○	○
Structure	○	○
Information on assumptions underlying the projections	○	○
Information on cash flow projections	○	○
Information on buffers of liquid assets	○	○
Information on liquidity risk indicators	○	○
Overall assessment of liquidity risk	●	○
Frequency of update of the liquidity risk management plan	○	○
Content and frequency of update of the liquidity risk management plan at group level	○	○

Please provide your comments on the sub-section on 'Overall assessment of liquidity risk'.

The threshold of €12 billion is noted as a first indication; however, further clarification is needed on how this interacts with the consideration of undertakings' exposure to liquidity risk. It would be helpful to elaborate on how qualitative assessments will complement this quantitative threshold to ensure proportionality and alignment with the specific risk profiles of undertakings.

Other comments

Q3 Do you have any other comments on the background and rationale section?

- ○ Yes
- ● No

2. Draft technical standards

Proportionality

Q4 Do you agree that the draft technical standards achieve a proportionate implementation of the liquidity risk management plans?

- ○ Yes
- ● No

Please explain and provide suggestions to achieve a more proportionate approach.

We do not disagree, however, we have chosen "No" in the answer above to enable us to provide the following comments:

We understand that the threshold of 12bln EUR is chosen because it is already established to identify entities in relation to reporting for financial stability purposes and other macroprudential tools. This threshold was defined in 2015 and therefore it may be beneficial to consider the requirement to adjust it based on HCIP inflation as per Article 300, to ensure consistency across all relevant regulations.

Article 245a addresses risk management at the group level, including the treatment of subsidiary undertakings. However, we note the need for further clarification on the requirement to prepare and maintain liquidity risk management plans at the individual company level. Further guidance could support a more consistent application of Article 246a, and promote harmonisation across jurisdictions.

Recitals

Q5 Do you have comments on the following recitals in section 2?

	Yes	No
Recital 1		X
Recital 2		X
Recital 3		X
Recital 4		X
Recital 5		X
Recital 6		X
Recital 7		X
Recital 8		X
Recital 9	X	
Recital 10		X
Recital 11		X
Recital 12		X
Recital 13		X
Recital 14		X
Recital 15		X
Recital 16		X

Please provide your comments on recital 9.

The term “updated values” might be ambiguous. Referring to “current values” might be more precise.

Articles

Q6 Do you have comments on the following articles in section 2?

	Yes	No
Article 1 - Criteria for liquidity risk management plan over the medium and long term	X	
Article 2 - Time horizon of the liquidity analysis	X	
Article 3 - Structure, including Annex I		X
Article 4 - Assumptions underlying the projections	X	
Article 5 - Cash flow projections		X
Article 6 - Buffers of liquid assets		X
Article 7 - Liquidity risk indicators		X
Article 8 - Overall assessment of liquidity risk		X
Article 9 - Frequency of update of the liquidity risk management plan	X	
Article 10 - Content and frequency of update of liquidity risk management plans at group level		X
Article 11 - Risk concentration and intragroup transactions		X
Article 12 - Entry into force		X

Please provide your comments on Article 1 - Criteria for liquidity risk management plan over the medium and long term.

In general, the requirements for short-term liquidity plans are not clearly outlined in Article 1, as the article primarily focuses on the criteria for firms to produce medium- and long-term plans. We suggest explicitly distinguishing the requirements for short-term plans from those for medium- and long-term plans. Additionally, it would be helpful to specify the frequency, method, and timeframe for submission within the RTS itself. Currently, this information is included only in Chapter I: Background and Rationale, which could lead to confusion.
Paragraph 1: While it is reasonable to focus on “large” companies to mitigate systemic risk, using total assets as the sole criterion does not seem optimal for measuring liquidity risk exposure. Liquidity risk is more closely tied to the availability of realisable assets to cover obligations as they fall due. For example, firms with €12 billion in unit-linked assets could face lower liquidity risks compared to those with €12 billion in assets covering non-life liabilities.
We also note that referencing a specific EUR threshold in regulations is uncommon. While the fixed threshold helps standardise the approach, it may pose practical challenges if future adjustments are needed, such as increases to reflect inflation or changing market conditions.
Paragraph 3: Additional guidance might be beneficial to achieve a harmonised application of the criteria by national supervisory authorities, noting the need for sufficient flexibility due to the qualitative aspects of these requirements

Please provide your comments on Article 2 - Time horizon of the liquidity analysis.

Paragraph 2: We would like to provide some comments with reference to the statement “until the point in time when the liquidity risk exposures of the insurance or reinsurance undertaking are not material”.
In particular, we would like to refer to the IAIS publications:

- “Liquidity metrics as an ancillary indicator Level 2 Document”, of 18 November 2022, and
- Article 35 of IAIS’s “Application paper on liquidity risk management”, of 29 June 2020, which set out that:

“To ensure that stress tests capture a sufficiently diverse set of risks, the insurer should use a variety of time horizons for its scenario planning. The insurer should consider several relevant time horizons (such as one month, three months or longer-term horizons up to one year as relevant to its liquidity profile).”

While firms should be capable of identifying potential long-term liquidity strains, this analysis may be better addressed through long-term ALM and solvency or capital management planning. We suggest limiting the long-term horizon to a firm’s ORSA or business planning timeframe and rephrasing Paragraph 2 as follows:

“The liquidity analysis over the medium and long term shall consist of projections of incoming and outgoing cash flows for the time period from 3 months following the starting date of the projections, extending to the length of the firm’s ORSA or business planning time horizon. The time period could be longer, as assessed by the firm, but it shall not be shorter than 1 year following the starting date of the projections.”

Please provide your comments on Article 4 - Assumptions underlying the projections.

We would welcome further clarification regarding the assumptions underlying the projections of cashflows. It is important that such assumptions are aligned with existing Solvency II principles, while also offering insurers sufficient flexibility to apply methodologies best suited to their specific risk profiles and operational contexts.

We would expect alignment of these projections with deterministic scenarios already familiar from Best Estimate calculations. Where more complex options and guarantees are material, stochastic projections could be considered as an additional tool to reflect these features appropriately."

Please provide your comments on Article 9 - Frequency of update of the liquidity risk management plan.

We would expect a quarterly calculation of the indicators. If the result of this calculation does not indicated concerns, this could act as a confirmation that the LRMP is still applicable.

Other comments

Q7 Do you have any other comments on the draft technical standards in section 2?

- ○ Yes
- ◉ No

Annex I: Impact assessment

Policy issues

Q8 Do you have comments on the analysis of the following policy issues?

	Yes	No
Policy issue A	○	◉
Policy issue B	◉	○

Please provide your comments on the analysis of policy issue B.

The impact assessment appropriately considers the effects on undertakings, supervisors, and policyholders; however, some elements require greater specificity.

The LRMP is intended to support macroprudential supervision and its implementation will likely necessitate interaction with authorities holding macroprudential mandates. This interaction could result in additional activities and resource demands for undertakings, which should be accounted for in the assessment. Furthermore, we suggest providing more detail on the assumptions underpinning the impact assessment, particularly regarding the operational and resource implications of these macroprudential interactions.

Other comments

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

- Yes
- No

Any other comments

Q10 Do you have any other comments on the consultation paper?

- Yes
- No

Please provide your other comments on the consultation paper.

The inclusion of Chapter VIIa in the Directive introduces new articles (144a–144d) on the management of liquidity risk, expanding the scope of Solvency II to include macroprudential tools. While microprudential reporting lines are already well-established, the role and requirements of authorities with macroprudential mandates remain unclear. This lack of clarity needs to be addressed promptly to ensure effective cooperation between microprudential supervisors and macroprudential authorities. Without this clarity, the administrative burden on undertakings cannot be reliably assessed, and the interaction should be explicitly considered in an impact assessment.

Liquidity risk management is essential for both microprudential and macroprudential supervision, but its relation to other macroprudential requirements must also be taken into account. For example, the proposed COMMISSION DELEGATED REGULATION on applicability criteria for macroprudential analyses in the ORSA and the prudent person principle introduces further layers of macroprudential oversight that need to be coordinated with the liquidity risk framework.

Additionally, the Insurance Recovery and Resolution Directive (IRRD) will require undertakings to consider liquidity risk within pre-emptive recovery plans. Article 5 of the IRRD integrates these plans into the system of governance under Article 41 of Solvency II, with specific qualitative and quantitative indicators addressing capital, liquidity, asset quality, profitability, market conditions, macroeconomic conditions, and operational events. These requirements will overlap with the liquidity risk management plan, necessitating careful coordination to avoid duplication and undue reporting burdens.

We suggest clarifying the roles and interactions between supervisory authorities with macroprudential and microprudential mandates, ensuring that reporting requirements across related frameworks are aligned and harmonised. This will minimise administrative complexity for undertakings while supporting robust oversight.

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