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WWW.ACTUARY.EU**17 March 2026****Response to EIOPA Consultation Paper EIOPA-BoS-25/582***Proposal for Guidelines to specify further the qualitative and quantitative indicators in pre-emptive recovery planning***Q1. General Comments**

We welcome EIOPA's initiative to provide further specification on the qualitative and quantitative indicators to be included in pre-emptive recovery plans. We appreciate the clarity this brings to the implementation of the Insurance Recovery and Resolution Directive (IRRD) and recognise the value of consistent supervisory expectations across Member States.

We support the general structure of the proposed Guidelines and acknowledge that many of the suggested indicators reflect good practice in risk management. That said, we suggest some refinements to improve proportionality and practical usability, as detailed below.

Distinction between recovery triggers and early-warning indicators

We suggest that the final Guidelines draw a clearer distinction between two types of indicators:

- Indicators with hard thresholds that, upon breach, trigger the escalation process and may automatically activate the recovery plan; and
- Indicators without hard thresholds — often referred to as early-warning indicators — where a breach requires further expert judgment before the recovery plan is activated. These may be quantitative or qualitative in nature.

This distinction is important in practice. Without it, undertakings may be discouraged from using a broader set of indicators, or may inadvertently activate recovery plans in circumstances where the financial viability of the undertaking is not genuinely threatened.

Importance of capital and liquidity indicators

We consider that capital and liquidity indicators represent the core determinants of an undertaking's financial viability. A breach or severe deterioration in these metrics directly threatens regulatory compliance or the ability to meet obligations as they fall due. Other categories — such as profitability, asset quality, macroeconomic conditions and market indicators — are important drivers of risk but do not typically represent failure points in themselves.

We therefore suggest that the Guidelines make the central role of capital and liquidity indicators more explicit in relation to idiosyncratic risks, and clarify that other indicator types serve primarily as escalation or early-warning measures. This would enhance consistency and proportionality across undertakings.

Principles-based approach and proportionality

We suggest that the Guidelines focus primarily on principles, enabling undertakings and their governance structures — including the board and key functions — to ensure that implementation reflects the specific position of each undertaking. A comprehensive prescriptive list of indicators may not be appropriate or relevant for all undertakings, particularly where business models or risk profiles differ significantly.

The non-exhaustive nature of the indicator list is appreciated. However, we propose that the Guidelines more explicitly distinguish between indicators that are expected versus those that are optional, to reduce the risk of recovery frameworks becoming extensions of broader business-as-usual monitoring (BAU).

Alignment with Article 5(8) IRRD

We note that Article 5(8) of the IRRD states that indicators “may include criteria relating to capital, liquidity, asset quality, profitability, market and macroeconomic conditions and operational events”. We interpret this language as illustrative rather than imposing mandatory minimum requirements for all indicator categories. We suggest that the final Guidelines reflect this intent explicitly.

Avoiding duplication with Solvency II

Several of the proposed indicators are already embedded in firms' internal risk management frameworks and form part of BAU monitoring under Solvency II. We suggest that the Guidelines acknowledge this overlap and clarify how recovery plan indicators relate to and build upon existing Solvency II reporting and risk management requirements, rather than duplicating them. This is consistent with our earlier response to the RTS on the content of pre-emptive recovery plans, where we highlighted the importance of cross-referencing existing documentation such as the ORSA, SFCR, and QRTs.

Q2. Comments on the Section 'Consultation Paper Overview and Next Steps'

We do not have specific comments on this section.

Q3. Comments on the Draft Guidelines

Introduction

We welcome the inclusion of qualitative indicators as complementary to quantitative measures, and appreciate that the use of language such as 'may include' and 'where appropriate' provides appropriate flexibility. The reference to consistency with internal risk management frameworks is also welcome.

We suggest that the Introduction make explicit the distinction between indicators with and without hard thresholds, as this would help undertakings structure their indicator frameworks more effectively. It would further assist firms in calibrating indicators without being discouraged from including a broader range of measures.

Guideline 1 – Requirements for the calibration of recovery plan indicators

We support the principle that indicators should provide sufficient early warning to allow prompt and effective action. In particular, we agree that the calibration of indicators should account for the potentially long execution periods of certain remedial actions.

We suggest that the Guidelines also make explicit the relationship between indicator calibration and the expected impact of recovery options. Indicators should be set at levels that provide sufficient headroom for recovery measures to be implemented and for regulatory capital requirements to be restored, taking into account the Solvency II ladder of supervisory intervention timelines.

Regarding paragraph 1.9, we note that Article 136a measures under Solvency II may already be applied prior to a solvency breach. Requiring all indicators to be calibrated at an even earlier stage may therefore appear overly restrictive in some cases. In practice, different indicators will be calibrated at different risk levels and time horizons, and only a subset would need to trigger ahead of Article 136a supervisory measures.

We suggest that paragraph 1.11 be redrafted to articulate more clearly why indicator calibration should account for execution challenges — specifically, that indicators should trigger early enough to allow sufficient time for remedial actions to be credibly implemented.

Guideline 2 – Capital indicators

We support the requirement to include capital indicators as a minimum, given that capital represents a core determinant of financial viability.

We suggest that paragraph 1.14 be clarified, as the current drafting could be interpreted as contradictory: the SCR breach is stated as a minimum requirement, yet the final sentence refers again to the SCR as an option alongside the MCR. It might be helpful to clarify that the SCR breach represents the minimum mandatory capital indicator, and that the MCR could be considered as an additional optional indicator. We would note that the SCR is likely to trigger in advance of the MCR, making the former a more meaningful recovery indicator in most circumstances.

Guideline 3 – Liquidity indicators

We support the inclusion of liquidity indicators as a core component of the recovery framework, alongside capital indicators. Liquidity deterioration may not be reflected in capital metrics, and therefore a distinct set of liquidity measures is important.

We suggest clarifying the status of the liquid assets ratio referenced in paragraph 1.19. Whilst we understand this is offered as an example, we note that footnote 7 references a mandatory calibration methodology from the 2024 EIOPA Insurance Stress Test. If this calibration were to become mandatory, we would flag the following concerns:

- Stress test specifications may change regularly depending on the purpose and context of the test, and references to them are less robust than references to regulatory instruments;
- The methodology and calibration of haircuts should be transparently consulted before being mandated for recovery indicators; and
- Certain haircuts appear very conservative — for example, liquid collective investment undertakings (including money market funds) are assigned a weight of 45%.

We suggest that the Guidelines either clarify that the stress test calibration is illustrative only, or initiate a separate consultation if a mandatory calibration approach is intended.

Guideline 4 – Asset quality indicators

We recognise that asset quality indicators are relevant for understanding an undertaking's risk profile. However, many of the examples provided — such as average credit rating or share of sub-investment-grade assets — are typically managed through BAU investment risk management and would generally prompt corrective action well in advance of any recovery situation.

We therefore suggest that asset quality indicators be positioned primarily as early-warning or escalation measures, rather than core recovery triggers. Their inclusion as direct recovery plan triggers risks overlapping with existing Solvency II risk management requirements without materially enhancing recovery preparedness.

Guideline 5 – Profitability indicators

We acknowledge the relevance of profitability indicators for understanding an undertaking's financial performance. However, we note that many of these indicators are already core components of BAU management and Solvency II monitoring, and would typically prompt corrective action well in advance of any recovery situation.

We suggest that profitability indicators be more clearly framed as early-warning measures rather than core recovery triggers. We also note that most of the indicators referenced are retrospective in

nature, whereas recovery planning requires a more prospective view. It might be helpful to consider supplementing these with more forward-looking metrics, such as CSM (Contractual Service Margin) and VIF (Value in Force) for life undertakings.

We further suggest considering whether alignment with the undertaking's business plan — for example through the ORSA — could provide a more prospective context for profitability-related indicators.

Guideline 6 – Market conditions indicators

We recognise the value of market conditions indicators (e.g., investment watchlists and rating outlooks) for understanding the external environment and detecting emerging stress. However, these indicators are typically monitored under BAU frameworks, and management actions are generally taken prior to any recovery phase.

We suggest clarifying that Guideline 6 applies only to undertakings with quoted equity or debt instruments, by adding language such as 'where relevant' to the Guideline text. We also suggest confirming whether the Guideline is intended to apply to undertakings that do not issue quoted instruments.

Guideline 7 – Macro-economic conditions indicators

We acknowledge the role of macroeconomic indicators in informing forward-looking analysis and stress testing. These indicators are, however, typically monitored as part of BAU risk management and ORSA processes. A deterioration in macroeconomic conditions would generally be reflected through impacts on capital, liquidity or profitability metrics before any recovery action is considered.

We suggest that the Guidelines make explicit that macroeconomic indicators serve primarily as contextual or alerting measures, and are not intended to directly trigger recovery plan activation. Undertakings do not have control over macroeconomic conditions, and it would be helpful to clarify that these indicators are supplementary to other triggers rather than independent triggers in their own right.

We suggest amending the guidance to include a reference to deterioration in economic conditions that would materially threaten the viability of the undertaking, so as to avoid spurious activation of recovery plans in response to broad macroeconomic movements.

We further note the view that pre-emptive recovery plan indicators should be based on management indicators over which remedial actions can have an impact, rather than on exogenous factors such as macroeconomic variables, and this is sound technical point worth reflecting in the drafting.

Notwithstanding the above, additional macroeconomic variables that could be considered, where relevant to the undertaking's risk profile, include volatility indicators, currency rates and increased correlations across asset classes.

Guideline 8 – Operational events indicators

We acknowledge the relevance of operational risk to recovery planning, particularly given the growing significance of cyber risk and the requirements of the DORA framework.

However, we suggest that operational event indicators are positioned as early warning or contextual indicators within recovery plans, with financial recovery actions more appropriately driven by the resulting impact on capital or liquidity metrics. Undertakings are already required to maintain robust business continuity and crisis management arrangements under operational resilience frameworks, and there is a risk of duplicating these requirements within recovery plans, which could create confusion and additional administrative burden.

Consistent with the view expressed on macroeconomic indicators, we suggest that operational event indicators be described as scenario-defining inputs rather than direct recovery triggers, since

remedial actions under recovery plans are unlikely to address the root cause of operational events directly.

Q4. Comments on the Section 'Compliance and Reporting Rules'

We do not have specific comments on this section.

Q5. Comments on the Policy Issue — Annex I: Impact Assessment

Policy Issue A: Inclusion of additional criteria compared to IRRD

We support EIOPA's preferred option not to include additional criteria beyond those provided in the IRRD (Policy Option A2). We agree that mandated criteria beyond the IRRD list may not be suitable for all undertakings, may introduce unnecessary administrative burden, and risk reducing the proportionality of recovery frameworks.

We believe that undertakings are best placed to adopt indicators that reflect their own business model and risk profile. Additional mandated criteria are therefore not necessary, provided that the Guidelines offer sufficient guidance to support consistent and meaningful implementation across Member States.

Q6. Elements to Reduce Administrative Burden or Improve Cost-Efficiency

Whilst we believe the Guidelines are broadly proportionate, we suggest that consideration is given to areas of overlap or duplication with existing Solvency II requirements.

A significant number of the proposed indicators function primarily as early-warning or BAU metrics rather than as direct recovery plan triggers. Including such indicators without clearly distinguishing their role risks increasing regulatory burden and creating duplication with existing Solvency II risk management and monitoring frameworks.

We suggest that a clearer articulation of which indicators serve as recovery triggers versus early-warning measures — as discussed under Q1 and Q3 — would help undertakings calibrate the appropriate level of effort when implementing the indicator framework, and reduce unnecessary complexity.

Q7. Any Other Comments

We reiterate our overall view that the list of proposed indicators is broad, and that the most important factor in selecting indicators is their relevance to the overall risk management framework and the specific risk profile of the undertaking or group.

We suggest that EIOPA should consider issuing illustrative examples or case studies as supplementary guidance, to assist undertakings — in particular smaller or less complex entities — in identifying indicators that are genuinely relevant and proportionate to their business.