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WWW.ACTUARY.EU**17 March 2026****Response to EIOPA Consultation Paper EIOPA-BoS-25/581***Guidelines to specify further the range of scenarios in pre-emptive recovery planning*

1. General Comments

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

We welcome this consultation and support EIOPA's objective of strengthening the resilience of the European insurance sector through clearer guidance on the range of scenarios to be included in pre-emptive recovery plans. The proposal is generally well-structured and provides a helpful framework for undertakings and supervisors alike.

We wish to stress, as a general principle, the importance of proportionality throughout these guidelines. Given the diversity of the European insurance market — in terms of size, business model, risk profile and national market characteristics — the guidelines should be carefully selected to avoid one-size-fits-all requirements that could impose disproportionate burdens on smaller or less complex undertakings.

We also wish to highlight the importance of consistency with the existing Solvency II framework, particularly the ORSA. Requiring undertakings to develop entirely new scenario frameworks, where suitable scenarios already exist in the ORSA, would represent an unnecessary duplication of effort.

We note that some national supervisory frameworks have developed approaches to assessing the overall capacity of an undertaking to restore its financial position through available remedial actions. While we do not advocate for the introduction of a formal overall recovery capacity requirement under the IRRD, we suggest that EIOPA may wish to consider whether guidance on how undertakings should demonstrate the collective sufficiency of their remedial actions — across scenarios — could add value within the existing framework.

2. Consultation Paper Overview and Next Steps

Q2. Do you have comments on the Section 'Consultation paper overview and next steps'?

No further comments.

3. Draft Guidelines on the Range of Scenarios

Q3. Do you have comments on the following sections?

Introduction

No further comments.

Guideline 1 – Range of Scenarios

We welcome the inclusion of slow-moving and fast-moving events as a structuring dimension in the range of scenarios. Although, we suggest that EIOPA provides additional clarity on the relationship between these event types and the projection horizons expected for each. In particular, it would be helpful to confirm that slow-moving scenarios do not necessarily require projections spanning

several years, as this could impose a significant modelling burden that may not always be proportionate to the risk being assessed.

We suggest it would be useful to explicitly reference liquidity events — such as derivative margin calls or mass lapse scenarios — within the fast-moving category. These events can crystallise very rapidly and are particularly relevant for certain business models.

We note that paragraph 1.9 refers to *"the third subparagraph of Article 1(1) of the Directive (EU) 2025/1"* as the basis for calibrating the complexity and features of scenarios. We suggest that EIOPA provides additional explanatory text on what specific characteristics this sub-paragraph requires, to enable more consistent application across undertakings and supervisors.

We would also welcome additional clarification on how the range of scenarios should interact with the macro-economic scenarios already required under the Solvency II review ORSA. In particular, it would be helpful if EIOPA could confirm whether undertakings are expected to run IRRD recovery scenarios separately from ORSA macro-economic scenarios, or whether a single integrated exercise could satisfy both requirements where the scenarios meet the relevant conditions.

Guideline 2 – Design Principles for the Range of Scenarios

We welcome the acknowledgement in paragraph 1.11 that ORSA scenarios can serve as a useful starting point for pre-emptive recovery planning. This would allow undertakings whose ORSA already includes sufficiently severe scenarios (aligned with the requirements of IRRD) to reference them directly, reducing duplication.

We agree that scenarios must be severe enough to test the credibility of recovery — for example, by leading to a breach or likely breach of capital regulatory requirements. However, we suggest that EIOPA considers providing some guidance on the assumed starting capitalisation level for scenario testing (e.g., where a firm holds significant excess capital, how this should be factored in). This would help ensure that scenarios remain meaningful and genuinely test recovery capacity.

We believe it would be valuable to explicitly require that scenario analysis addresses the timing and sequencing of impacts — in particular, when recovery indicators are expected to be breached and when remedial actions would realistically become effective. This is critical to assessing the credibility of recovery under both fast-moving and slow-moving stresses.

We note that some national supervisory frameworks have developed approaches to assessing the collective sufficiency of remedial actions across scenarios. Without advocating for a formal requirement in this regard, we suggest that EIOPA could consider whether guidance on demonstrating that the overall set of remedial actions is sufficient to restore viability — taking into account interdependencies between actions — would be a useful addition to the framework.

On paragraph 1.12(c), we suggest EIOPA clarify whether the SCR breach used as a severity threshold should be assessed with or without the application of long-term guarantee (LTG) measures. This distinction is material for many European undertakings and could lead to inconsistent application if left unaddressed.

Regarding paragraph 1.15, we question whether applying macro-economic scenarios to “all legal entities of the group” is proportionate in all cases. We suggest EIOPA considers allowing groups to exclude entities without material financial or insurance exposures, from this requirement.

Similarly, we note that paragraphs 1.14–1.15 appear to be designed primarily for groups. We suggest that EIOPA makes it explicit which provisions apply only at group level and which apply to solo undertakings, to avoid inadvertent over-application.

On projection horizons (paragraph 1.17), we appreciate the flexibility provided to cover short-, medium- and long-term horizons. We note, however, that extending scenarios over multiple periods may not always be proportionate, particularly where market-consistent or best estimate impacts already capture the future evolution of risks.

Guideline 3 – System-wide Events

We welcome the illustrative list of system-wide events and agree that it should remain non-exhaustive, with event selection calibrated to the undertaking's specific risk profile. Some of our members have noted the particular importance of liquidity stress events — such as the drying up of asset liquidity, the inability to roll over debt, or sector-wide concentrations in cloud or IT services.

We note that paragraph 1.18(f) includes regulatory risk as a system-wide event. We recognise that sudden or unexpected changes in the legal or regulatory environment can, in certain circumstances, materially disrupt an undertaking's business model — and that this risk is therefore not without merit as a scenario consideration. We suggest, however, that EIOPA provides additional guidance on the scope and calibration of this event type, to ensure that it is applied proportionately and does not capture routine regulatory developments that are typically accompanied by transitional measures.

Guideline 4 – Idiosyncratic Events

We welcome the illustrative list of idiosyncratic events and agree it should remain risk-profile-specific.

We suggest further clarification on the scope of “adverse movements in the prices of assets” in paragraph 1.19(b). As currently drafted, it is unclear whether this refers to market-wide asset movements (which could more appropriately constitute a system-wide event) or to assets to which the undertaking has a specific, concentrated, or non-market exposure — for example, reinsurance recoverable assets, intercompany loans, or investments in illiquid instruments. The latter interpretation appears more consistent with the idiosyncratic nature of this event type.

We also suggest that EIOPA considers whether ownership structure could constitute a relevant idiosyncratic risk driver for the purposes of scenario design. In particular, where an undertaking is owned by a private equity firm or fund with a finite investment horizon, there is a risk that the general partner may be unwilling or unable to provide financial support in a stress scenario — particularly where the fund is approaching maturity or where exit attempts have failed. EIOPA's recent Supervisory Statement on the authorisation and ongoing supervision of (re-)insurance undertakings related to private equity (EIOPA-BoS-25/683) acknowledges this risk explicitly. We suggest that undertakings in such ownership structures should be encouraged to reflect this as a scenario consideration in their pre-emptive recovery planning, given the potential for rapid reputational and financial deterioration in the absence of shareholder support.

Guideline 5 – Combination of System-wide and Idiosyncratic Events

We agree with the approach of requiring combinations of system-wide and idiosyncratic events, as this reflects the interconnected nature of risks in practice. The examples provided in footnote 8 are helpful. We reiterate that the description of combined events should remain illustrative and be assessed against the company's specific risk profile.

4. Compliance and Reporting Rules

Q4. Do you have comments on the section 'Compliance and reporting rules'?

No further comments.

5. Annex I: Impact Assessment

Q5. Policy Issue A: Inclusion of 'Reputation' as a dimension against which the impact of scenarios is measured

We agree with EIOPA's preferred option (Policy Option A.2) not to include "Reputation" as a standalone dimension for measuring the impact of scenarios.

The qualitative and subjective nature of reputational risk makes it difficult to calibrate consistently across undertakings and jurisdictions. Including it as a formal measurement dimension would add complexity without a commensurate improvement in supervisory usefulness. We note that this approach is also consistent with the treatment of reputational risk under Solvency II, where it is not included in the SCR calculation.

We do, however, suggest that reputational risk should be fully integrated into the narrative descriptions of scenarios — particularly for idiosyncratic events such as cyber-attacks, regulatory sanctions or significant underwriting failures, where reputational impacts may in practice drive more severe financial consequences than the triggering event itself. For example, negative publicity following a regulatory sanction could lead to significant reductions in new business volumes, which should be captured in the quantitative assessment through their impact on profitability and liquidity.

6. Any Other Comments

Q6. Elements that could reduce administrative burden or improve cost-efficiency

We believe the following targeted modifications could reduce administrative burden without compromising the quality or usefulness of the recovery planning framework:

- **Explicit cross-referencing to ORSA:** The guidelines could clarify that undertakings may meet scenario requirements by referencing existing ORSA scenarios (including reverse stress tests), provided these are sufficiently severe and meet the conditions in Guideline 2. This would avoid duplication and reduce preparation effort.
- **Proportionate group application:** Clarifying that macro-economic scenario requirements under paragraph 1.15 do not apply to entities without material financial or insurance exposures would reduce complexity, particularly for larger, diversified groups.
- **Solo vs. group distinction:** A clear mapping of which guidelines apply to solo undertakings versus groups would assist practitioners in scoping their work appropriately and reduce the risk of over-application.
- **Limiting multi-period projections:** Confirming that multi-period scenario projections are only expected where the scenario narrative specifically calls for staged deterioration would reduce unnecessary modelling effort for most undertakings.

For a mid-sized European insurer, avoiding the need to develop entirely new scenario frameworks independent of the ORSA could provide meaningful efficiencies and savings.

Q7. Any other comments

We reiterate the general principle that scenario definitions should remain specific to each undertaking and consistent with its risk profile and risk management framework. We also note that in our earlier AAE response on the content of (group) pre-emptive recovery plans, we emphasised the importance of allowing cross-referencing to existing Solvency II documentation and of ensuring that the IRRD framework complements rather than duplicates existing supervisory tools. We encourage EIOPA to reflect this principle in the final guidelines.