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EIOPA Consultation on IRRD guidelines for indicators in pre-emptive recovery planning

Summary of AAE Key Messages



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What was the consultation about?

This consultation aimed to specify the qualitative and quantitative indicators that trigger the escalation or activation of pre-emptive recovery plans. It addressed:

- Indicator categories: Capital, liquidity, asset quality, and profitability.
- Market, macroeconomic, and operational event indicators.
- Calibration requirements to ensure early warning of distress. Design principles for severity, including breaches of capital requirements.

Why does it matter?

Indicators act as the "tripwires" for recovery actions. Misalignment can lead to inadvertent activation of plans when viability is not threatened, or conversely, a failure to act until it is too late. Consistency across Member States ensures a level playing field in supervisory expectations.

What were our key messages?

1. **Distinguish Triggers from Warnings:** Draw a clear line between "hard" recovery triggers and "early-warning" indicators that require expert judgment.
2. **Focus on Core Viability:** Capital and liquidity should be the primary mandatory indicators; others (profitability, asset quality) serve better as early-warning measures.
3. **Mandatory SCR Indicator:** Clarify that a breach of the Solvency Capital Requirement (SCR) is the minimum mandatory capital indicator.
4. **Question Mandatory Stress Test Calibration:** Concerns were raised regarding the mandatory use of 2024 EIOPA Stress Test haircuts for liquid asset ratios; these should remain illustrative.
5. **Exogenous Factors as Inputs:** Treat macroeconomic and operational events as scenario-defining inputs rather than direct triggers, as management cannot directly control them.
6. **Principles-Based Approach:** Focus on principles that allow firms to reflect their specific risk profiles rather than a prescriptive, exhaustive list.



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