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Response to EIOPA Consultation Paper

EIOPA-BoS-26-268: Draft RTS on the methodologies for assessing the value of the assets and liabilities of undertakings in the context of resolution and the methodology for calculating the buffer for additional losses to be included in provisional valuations (Valuation 1 and 2, IRRD)

15 October 2026

Introduction

The Actuarial Association of Europe ('AAE') welcomes the opportunity to respond to EIOPA's Consultation Paper on the draft Regulatory Technical Standards (RTS) on the methodologies for assessing the value of the assets and liabilities of undertakings in the context of resolution and the methodology for calculating the buffer for additional losses to be included in provisional valuations (Valuation 1 and 2, EIOPA-BoS-26-268).

The AAE is the umbrella organisation for the actuarial associations in Europe. The valuation of insurance liabilities, including technical provisions, policyholder behaviour and future discretionary benefits, lies at the core of actuarial work. This response has been prepared with input from several AAE member associations and reflects a range of European perspectives across life and non-life business.

1. General comments

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

Answer: Yes

We welcome EIOPA's objective of establishing a harmonised framework for valuations in insurance resolution. We support the overall approach, and in particular the treatment of Valuation 1 and Valuation 2 as distinct but closely connected exercises: the first supports the assessment of whether the resolution conditions are met; the second informs the choice and calibration of resolution tools.

We support Solvency II as the primary valuation reference point for both valuations. Justified deviations should remain possible where the purpose of the valuation requires them, provided they are clearly documented.

We also welcome the possibility for valuers to rely on existing Solvency II models, data and valuation processes. Building on existing supervisory valuation frameworks, with targeted adjustments where the objectives of resolution require them, would limit unnecessary complexity, cost and duplication. This is consistent with the emphasis in previous AAE responses on IRRD on making use of existing Solvency II documentation rather than duplicating it.

Role of actuarial expertise. The draft RTS places significant emphasis on technical provisions, reinsurance recoverables, policyholder behaviour, future discretionary benefits and stochastic models. These are inherently actuarial matters. Insurance liabilities are typically long-term, and even small changes in assumptions can have a material effect on the valuation. Where observable market data are limited and policyholder behaviour may change in a resolution setting, actuarial judgement becomes particularly important. We would therefore welcome explicit recognition in the RTS that the valuation of insurance liabilities should be supported by appropriately qualified actuarial professionals, and that valuers should take into account the work of the undertaking's actuarial function. We consider this equally relevant for Valuation 1, since decisions on entry into resolution will often rest on that first valuation.

Differences in available information. The data available to authorities, and the time needed to perform a valuation, may differ materially between undertakings that are within the scope of pre-emptive recovery planning, those within the scope of resolution planning, and all other undertakings. This may affect the timeline of the valuation and, potentially, the practical safeguards around its independence. We suggest that EIOPA acknowledge these differences in the final RTS.

Time available for the valuation. We recognise that some resolution cases will be time-critical. At the same time, insurance resolution may not always be subject to the same extreme time constraints as those seen in certain banking cases, and the valuation of a life insurer in particular is a complex exercise. We would welcome an approach that gives due weight to robust, transparent and well-supported valuations wherever time permits.

Proportionality and consistent application. As in our earlier responses on recovery and resolution planning, we emphasise the importance of proportionality and of clear guidance that supports consistent application by national authorities across Member States.

2. Background and Analysis

Q2. Do you have comments on the Background and Analysis Section?

Answer: Yes

The Background and Analysis section clearly explains the role of valuation in the IRRD framework and the rationale for combining the Valuation 1 and 2 empowerments into a single RTS.

We support the recognition that supplementary valuation work is needed when the going-concern assumptions underlying the regular Solvency II valuation no longer hold. In a resolution scenario, policyholder decisions, cash flows and the value of illiquid assets may all change. We therefore support the concept of a scenario-specific valuation.

Existing reporting, actuarial and risk management processes, such as Solvency II technical provisions, the ORSA, stress testing, recovery planning, capital projections and sensitivity analyses, can provide valuable inputs to resolution valuations. We would welcome further clarification of how these processes interact with resolution valuations, to avoid unnecessary duplication.

3. Draft Technical Standards

Recitals

Q3. Do you have comments on the Recitals?

Answer: Yes

Recital (2). We agree that Solvency II, and in particular Article 75 of Directive 2009/138/EC, should be the starting point for both valuations. We also agree that the degree of flexibility provided, allowing deviation from Solvency II methods in specific and justified cases, is necessary.

Recitals (1) and (3): the notion of prudence. The Recitals refer to prudence and to a 'fair, prudent and realistic' valuation, consistent with Article 23 of Directive (EU) 2025/1. We note that prudence is not an objective concept in isolation. Its meaning depends on the stakeholder whose interests are being considered, whether shareholders, policyholders, other creditors or public funds. Excessive prudence for one stakeholder may result in unnecessary costs or adverse outcomes for others. We suggest that the Recitals could clarify how the three elements of 'fair', 'prudent' and 'realistic' are intended to be read together, and recognise the need to balance the interests of all relevant stakeholders when applying prudence.

Articles

Q4. Do you have comments on the following articles?

Article 1 - Definitions

Answer: Yes

Point (b), 'franchise value'. We understand that this new term has been introduced because the value concerned may differ from existing measurement concepts, such as fair value, the Solvency II best estimate or the present value of future cash flows. If this is the case, we support the definition; if not, we suggest that existing concepts be reused. It might be helpful for the final RTS, or its accompanying material, to explain briefly how franchise value relates to these established concepts.

Article 2 - General criteria

Answer: Yes

Paragraph 2, 'best point estimate'. This concept is not defined and is not used elsewhere in the Solvency II framework. For consistency and comparability across jurisdictions and valuations, we suggest that EIOPA clarify whether it refers to an expected value (probability-weighted mean), another measure of central tendency, or a different concept altogether. We would welcome an explicit link to the Solvency II best estimate under Article 77 of Directive 2009/138/EC, with any material adjustments (for example to contract boundaries, or the use of local GAAP) clearly explained and justified.

Value ranges. Further guidance on how value ranges should be determined and interpreted, and how they should complement the best point estimate where outcomes are highly uncertain, would support consistent practice and transparency for resolution authorities. For non-life insurers, and

long-tail classes in particular, further clarity on what constitutes a 'significant deviation' under paragraph 1 would also be helpful.

Paragraph 4. Some general requirements in Article 2 may not be relevant for Valuation 1, whose sole purpose is to assess whether the undertaking is failing or likely to fail. In particular, paragraph 4 addresses the ranking of claimants and their treatment under insolvency. We suggest clarifying that these estimates are not intended to influence the determination under Valuation 1.

Article 3 - Valuation date

Answer: Yes

Point (a). We would welcome clarification of what 'as close as possible' means in practice. Unlike many banking balance sheet items, insurance liabilities generally cannot be calculated at an arbitrary date. Actuarial projections of technical provisions are typically produced monthly at best, and often quarterly or annually. We suggest that the RTS recognise that the valuation date may be the most recent regular reporting date, such as a month-end or quarter-end, with appropriate adjustments for known material developments. Any timing expectations should reflect the complexity of valuing a life insurer and the time needed to complete the exercise.

The balance sheet is likely to be subject to significant change between the valuation date and the decision date, owing to market movements, claims developments, collateral calls and lapses. It would therefore be useful for the valuation report to refer to potential future developments that could affect the valuation and the selected resolution action. For non-life insurers exposed to significant catastrophe losses, valuations may change materially between Valuation 1 and Valuation 2. The RTS could clarify how significant claims information emerging after the valuation date should be reflected.

Article 4 - Sources of information

Answer: Yes

Point (a). Updated financial statements are usually available only quarterly or less frequently. This point relates to our comment on Article 3.

Additional sources. We suggest adding the actuarial function report and the ORSA, including its projections and stress and scenario analyses, as explicit sources of information. As the second valuation is performed in a resolution context, the list could also refer to information on the impact of resolution on valuation assumptions. This could include evidence from previous resolution cases involving similar undertakings and observed market behaviour during resolution events, where normal market conditions no longer apply.

Point (i), valuations of peers. Adjustments for the undertaking's specific circumstances should allow for differences in asset mix, profitability, product mix, reinsurance and operating model. For specialist non-life insurers, peer comparability may be limited. Additional guidance on when peer benchmarking is sufficiently reliable to influence valuation outcomes would be helpful.

Article 5 - Impact of group arrangements

Answer: Yes

We welcome the explicit reference to intra-group reinsurance. We suggest that the valuation consider whether such arrangements would continue following resolution, whether termination or

change-of-control clauses would be triggered, and the replacement cost and timing of critical services. Given the reliance of some undertakings on intra-group reinsurance, the RTS could clarify how its continued effectiveness should be assessed, distinguishing legally enforceable contractual arrangements from discretionary group support. The word 'probable' in paragraphs 1 and 2 is open to interpretation; further guidance would help avoid materially different outcomes between otherwise similar cases.

Article 6 - Valuation report

Answer: Yes

Point (d). We refer to our comment on the 'best point estimate' under Article 2.

Point (e). It is not entirely clear what 'other relevant valuations including any preliminary resolution valuations' refers to, for example whether it includes valuations performed as part of resolvability assessments. Clarification would be welcome. We also note that non-life valuations can be highly sensitive to relatively small changes in key reserving parameters for certain types of business, which supports the emphasis on sensitivity analysis in this point.

Article 7 - First valuation

Answer: Yes

We support the consistency of the first valuation with Solvency II. We also support the pragmatic approach in paragraph 3 of allowing the valuer to reuse the undertaking's own models. In this context, we suggest that the valuer should also consider the calculations of the actuarial function. Existing Solvency II methodologies could reasonably be taken as the starting point, with adjustments where there is evidence that resolution-specific circumstances materially affect the valuation.

Paragraph 2 and Article 19(4)(c) IRRD. It would be useful to clarify the basis (local GAAP, IFRS or Solvency II) on which the assessment of whether assets are, or will in the near future be, less than liabilities should be made. In particular, we suggest clarifying whether the assessment should be on a best estimate basis or should include prudence margins such as the risk margin, as this choice can be decisive for the outcome. Clearer limits on departures from Solvency II would help avoid identical obligations, such as those arising from long-tail non-life portfolios, being valued very differently across Member States. In the same vein, and consistent with our earlier response on scenarios for pre-emptive recovery planning, in which we asked whether the SCR should be assessed with or without long-term guarantee measures, we suggest clarifying whether the Solvency II basis for Valuation 1 includes the volatility adjustment, the matching adjustment and transitional measures. These measures can be decisive in determining whether assets are less than liabilities.

Individual and aggregate valuation (Articles 7 and 8). The draft RTS does not distinguish between the valuation of liabilities at an aggregated entity level and the valuation of the rights of individual policyholders. Technical provisions under Solvency II, IFRS 17 or local GAAP may differ substantially from the sum of individual rights. Examples include reserves for claims incurred but not reported (IBNR) and reported but not settled (RBNS), as well as collective undistributed bonus funds. We suggest that the RTS acknowledge this distinction.

Article 8 - Second valuation

Answer: Yes

We welcome the explicit link in paragraph 2 between the valuation and the range of resolution actions under consideration. It is not fully clear whether the valuer is expected to value all feasible resolution options or may be asked to consider only a selected set. Where the resolution tool has not yet been selected, we suggest that the valuer set out the impact of the different options and the underlying assumptions (valuation assumptions, dependencies and management actions). This should be at a level of detail that allows comparison with the value under normal insolvency proceedings for the purposes of the no creditor worse off assessment.

Paragraph 3. As for Article 7, we support the reuse of the undertaking's models and suggest that the valuer consider the calculations of the actuarial function. The requirement to ensure that all losses are fully recognised may be difficult to reconcile with the inherent uncertainty of long-tail non-life liabilities. Additional clarity would be welcome on whether a best estimate basis remains appropriate or whether additional prudence is expected, and if so how it should be applied and whether it should be calibrated to a specific confidence level. Our comment on individual and aggregate valuation under Article 7 applies equally here.

Article 9 - Adjustments for resolution tools involving a transfer

Answer: Yes

The value of a transfer will depend on factors such as the execution timetable, buyer due diligence, capital and liquidity needs, operational separation costs and market capacity. Ultimately, it reflects a commercial arrangement that depends on the availability of buyers and the price at which the parties are willing to transact. We suggest that the valuation clearly set out the associated uncertainty.

Portfolio transfers are a common mechanism for moving insurance business without selling the whole undertaking, particularly in run-off and legacy markets, and the procedures differ across Member States. Paragraph 3 permits accelerated sale discounts but gives no guidance on how these should be assessed where no active market exists, for example for discontinued lines and run-off books with limited transaction evidence. Further guidance in this area would be welcome. In our earlier response on the content of pre-emptive recovery plans, we suggested guidance on terms such as 'achievable value' and 'marketability'. Consistent guidance on these concepts across the recovery and resolution frameworks would be helpful.

Article 10 - Areas requiring particular attention in the valuation

Answer: Yes

We support the focus on technical provisions, illiquid investments and reinsurance recoverables. For areas of significant valuation uncertainty, we suggest that valuers be encouraged to make use of existing Solvency II analyses, actuarial models and governance processes where available. This would reduce the operational burden and improve consistency between supervisory and resolution valuations.

We suggest adding the quality and timeliness of data as an area of attention, since accurate and timely data may be difficult to obtain in a stressed situation. For non-life business, some important sources of uncertainty, such as latent claims, social inflation and catastrophe loss development, may not be fully captured by the current list.

Articles 10 to 12. We see merit in EIOPA considering further non-binding guidance in due course on the practical application of actuarial judgement, for example on technical provisions, policyholder behaviour, reinsurance recoverables, scenario analysis and the buffer for additional losses. This would support consistent implementation across Member States without reducing the flexibility of the RTS.

Article 11 - Factors affecting the valuation

Answer: Yes

We suggest that the valuer also consider calculations performed within the ORSA. Sensitivity analysis should identify which assumptions are most material and which could change materially depending on the resolution tool chosen. For non-life business, the RTS could clarify how assumptions on future underwriting volumes, rate adequacy, market conditions and renewal rates should inform the valuation, as differing assumptions could lead to inconsistent outcomes.

In some Member States, the treatment of ring-fenced funds and certain specific policyholder rights in a recovery or resolution situation is not clearly defined, and established practice may be limited. In such cases, it may be helpful for resolution authorities to specify the underlying assumptions to be used for valuation purposes.

Article 12 - Methodology for calculating and including a buffer for additional losses

Answer: Yes

We support a pragmatic and proportionate approach to the buffer, and we agree that extrapolation can be an appropriate and flexible method for reflecting the specific situation. We note, however, that Article 12 sets out principles for quantification but gives little guidance on the size of the buffer, which leaves considerable room for interpretation. Such guidance on the intended level of the buffer could be expressed, for example, by reference to a confidence level or by other means.

The buffer should cover the uncertainty arising from incomplete information and the losses reasonably expected before the definitive valuation is completed or a resolution tool is applied. We suggest clarifying that the buffer should not duplicate margins or conservatism already reflected in individual valuation adjustments, value ranges or other resolution-specific assumptions. A reconciliation showing the central estimate, explicit valuation adjustments and the buffer would support transparency and help avoid double counting.

Valuation 1 and Valuation 2. The level of the buffer may reasonably differ between the two valuations, as their purposes differ. Given the significant consequences of Valuation 1, namely whether or not an undertaking enters resolution, explicit guidance on the buffer for Valuation 1 would be valuable. Paragraph 2 refers to factors arising from resolution actions likely to be adopted, which is appropriate for Valuation 2. For Valuation 1, however, we suggest that the valuation should not presuppose that resolution will take place, even though it may be relied upon to justify entry into resolution.

Paragraph 3. The RTS could clarify when extrapolation is appropriate. Its reliability may be limited for long-tail, specialist, reinsurance and run-off portfolios, particularly where comparable peer information is not available. Extrapolation should be based on relevant and reliable data, its limitations should be disclosed, and it should be supported by sensitivity analysis where feasible.

Article 13 - Entry into force and application

Answer: No

Annex I: Impact Assessment

Q5. Do you have any comments on the policy issues in the Impact Assessment?

Policy issue A: Measurement basis for the purposes of valuation 1

Answer: Yes

We support EIOPA's preferred option A.3, under which Solvency II is the main valuation basis for Valuation 1, with the possibility to deviate where necessary for the negative net asset value test under Article 19(4)(c) IRRD. In our view, this option strikes an appropriate balance between harmonisation and practical relevance. It avoids unnecessary divergence from Solvency II while recognising that an accounting or insolvency-based perspective may be needed to assess balance sheet insolvency, and it can accommodate relevant national specificities.

We note that in many cases a Solvency II valuation may already capture the circumstances covered by Article 19(4)(c). The added value of local GAAP or IFRS is likely to relate mainly to illiquid or hard-to-value items. Jurisdictional differences in accounting and insolvency frameworks could lead to materially different results for economically similar undertakings, particularly those with long-tail liabilities. We therefore suggest that the scope for deviation remain narrowly framed, and that the valuation report include a reconciliation to the Solvency II valuation where a deviation is applied.

Policy issue B: Buffer for additional losses in the case of a provisional valuation

Answer: Yes

We support EIOPA's preferred option B.2, allowing the valuer to estimate additional losses by extrapolation from part of the balance sheet or from comparable undertakings, provided the limitations of the approach are clearly disclosed. In a crisis, timeliness is essential and a complete valuation of all assets and liabilities may not be proportionate. Extrapolation techniques should nevertheless be based on relevant and reliable data and supported by sensitivity analysis where feasible.

We suggest that extrapolation not become the default approach. It would be most appropriate where time constraints do not allow a more complete valuation, or where a more complete valuation is unlikely to change the preferred resolution strategy. Extrapolation may work well for homogeneous short-tail business, but it is less reliable for long-tail, catastrophe-exposed or run-off portfolios, where uncertainty may be concentrated in a small number of large claims.

Q6. Are there any elements in the proposed RTS which could be modified to reduce the administrative burden or improve the (cost) efficiency of the requirements? If so, please provide a (monetary) assessment of the expected efficiency brought by the proposed change.

Answer: Yes

We encourage EIOPA to reinforce the principles of proportionality, operational feasibility and cost efficiency throughout the RTS. The administrative burden could be reduced by clarifying that

undertakings and valuers may rely, where appropriate, on existing Solvency II valuations, models and governance processes, as well as on the ORSA, recovery planning, stress testing and actuarial function documentation. Making maximum use of these existing inputs would avoid duplication of work and reduce implementation costs, while maintaining the quality and reliability of the valuation.

A monetary assessment would depend heavily on undertaking-specific factors and the circumstances of each resolution case, and we are therefore not in a position to provide one.

Any other comments

Q7. Do you have any other comments?

Answer: Yes

Consistency between the two valuation RTS. We note that this draft RTS uses the term 'resolution date', whereas the draft RTS on Valuation 3 (EIOPA-BoS-26-267) uses 'resolution decision date' for what appears to be the same date. We suggest aligning the terminology across both instruments. Similarly, it would be helpful for concepts such as the best point estimate and value ranges to be defined consistently in both RTS. Our response to the Valuation 3 consultation should be read together with this response.