

Framework for the recovery and resolution of insurance and reinsurance undertakings

2021/0296(COD) - 26/07/2023 - Committee report tabled for plenary, 1st reading/single reading

The Committee on Economic and Monetary Affairs adopted the reported by Markus FERBER (EPP, DE) on the proposal for a directive of the European Parliament and of the Council establishing a framework for the recovery and resolution of insurance and reinsurance undertakings and amending Directives 2002/47/EC, 2004/25/EC, 2009/138/EC, (EU) 2017/1132 and Regulations (EU) No 1094/2010 and (EU) No 648/2012.

As a reminder, the aim of this proposed directive is to make the insurance and reinsurance sector more resilient and enhance the protection of policyholders, taxpayers, the economy and financial stability within the EU. Moreover, the new directive will provide a framework for cases where the Solvency II regime does not prevent the failure of an insurance undertaking. The Insurance Recovery and Resolution Directive (IRRDR) will provide harmonised resolution procedures, making failures of insurance companies easier to handle, especially in a cross-border context.

The committee responsible recommended that the European Parliament's position adopted at first reading under the ordinary legislative procedure should amend the proposal as follows:

Scope

The amended text reinforces the role of the European Insurance and Occupational Pensions Authority. The EIOPA should be informed of any additional or stricter rules adopted by Member States, other than those laid down in the directive.

Resolution plans

Members added that the resolution plans should also contain a preliminary assessment of the feasibility and credibility of the winding up under normal insolvency proceedings or of resolution actions. Resolution authorities should draw up resolution plans for each insurance and reinsurance undertaking that is subject to pre-emptive recovery planning requirements provided they assess that the public interest would be positive in the event of a failure or for which a critical function exists. This assessment should be made on the basis of the resolution objectives and criteria such as size, business model, risk profile, interconnectedness, substitutability and **cross-border activity**.

Group resolution plans

The amended text suggested that Member States should ensure that group resolution authorities draw up group resolution plans to be activated in case the ultimate parent undertaking or one of the material undertakings within the group risks experiencing a significant deterioration of its

financial position.

Financial arrangements

Financing arrangements should be established in each Member State to compensate policy holders of insurance and reinsurance undertakings authorised in that Member State. While directly absorbing the losses of an insurance company should be avoided, it should be possible to use such financing

arrangements to finance other costs associated with the use of resolution tools as a last resort, to the extent necessary to achieve the resolution objectives and insofar as the resolution principles are fully respected. Acknowledging the diversity in insurance markets, Member States should be given some flexibility in relation to the precise arrangements of external financing as long as the availability of sufficient liquidity to guarantee compensation within a reasonable timeframe is ensured. A Member State should impose a contribution obligation only to insurance and reinsurance undertakings authorised in that Member State and to Union branches of a third country undertaking which are established in its territory.

Policy-holder protection

The report stated that the global financial crisis showed the need for high levels of protection for policy holders. The introduction of **insurance guarantee schemes** (IGSs) should therefore be advanced. A harmonised framework of national insurance guarantee schemes would help to **minimise reliance on public funds** by providing equal protection to policy holders and beneficiaries in the event of an insurer's insolvency. The current lack of homogeneity between national IGSs leads to unequal treatment of policy holders and beneficiaries of to the same insurer, as demonstrated by recent cross-border insurance failures. After sufficient experience in the application of this Directive has been gained, the Commission, after consulting EIOPA, should evaluate and report to the European Parliament and the Council on the possibility of introducing harmonised minimum basic requirements for insurance guarantee schemes in the Union and the steps that would be necessary in order to do so.

Review

By 1 January 2026, the Commission, after having consulted EIOPA, should submit a report to the European Parliament and to the Council on the application of this Directive.