

GUIDELINES

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Guidelines on qualitative and quantitative indicators in pre-emptive recovery planning

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GUIDELINES ON THE QUALITATIVE AND QUANTITATIVE INDICATORS IN PRE-EMPTIVE RECOVERY PLANNING

INTRODUCTION

1. In accordance with Article 16 of Regulation (EU) No 1094/2010 (EIOPA Regulation)¹ and with Article 5(11), point (b), of Directive (EU) 2025/12, EIOPA issues these Guidelines to specify further the qualitative and quantitative indicators, identifying the points at which remedial actions should be considered or taken, contained in the pre-emptive recovery plans of insurance and reinsurance undertakings (hereafter: “undertakings”) and groups.
2. The structure of these guidelines follows the criteria listed in Article 5(8) of Directive (EU) 2025/1 (“the criteria”).
3. These Guidelines have been developed in line with EIOPA’s views for better regulation and supervision³, thereby enhancing supervisory convergence through simpler, more efficient frameworks.
4. When selecting indicators, undertakings and groups should ensure consistency with their overall risk management framework and select indicators that are proportionate to their nature, scale and complexity of the activities of the undertaking and group concerned taking into account Article 4 of Commission Delegated Regulation (EU) No xyz/xyz [on content of the pre-emptive recovery plans].
5. Undertakings and groups may, to the extent possible, use existing tools and analysis used for risk management purposes including ORSA indicators, stress testing results or risk appetite frameworks.
6. Undertakings and groups may decide not to include one or more indicator categories set out in these Guidelines within their pre-emptive recovery plan, taking into account their nature, scale, complexity of their activities and risk management framework, provided that the set of indicators includes, at a minimum, any breach of SCR in accordance with Article 5(8) of Directive (EU) 2025/1.
7. Qualitative indicators are non-numerical indicators that capture elements of risk which cannot be readily expressed in quantitative terms but are relevant to an undertaking’s business model, risk profile and consistent with its internal risk management framework. The calibration of

¹ Regulation (EU) 1094/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/79/EC OJ L 331, 15.12.2010, p. 48–83

² Directive (EU) 2025/1 of the European Parliament and of the Council of 27 November 2024 establishing a framework for the recovery and resolution of insurance and reinsurance undertakings and amending Directives 2002/47/EC, 2004/25/EC, 2007/36/EC, 2014/59/EU and (EU) 2017/1132 and Regulations (EU) No 1094/2010, (EU) No 648/2012, (EU) No 806/2014 and (EU) 2017/1129 (OJ L, 2025/1, 8.1.2025).

³ Bolder, Simpler, Faster: EIOPA’s views for better regulation and supervision (EIOPA-BoS-25/118), 8 April 2025.

these indicators typically relies on expert judgment or undertaking-specific characteristics. Undertakings and groups may include such indicators, where relevant, to support the timely identification of a deterioration.

8. These Guidelines are addressed to competent authorities as defined in Article 4(2), point (i), of the EIOPA Regulation and to financial institutions as defined in Article 4(1) of that Regulation.
9. The Guidelines apply from 30 January 2027.
10. If not defined in these Guidelines, the terms have the meaning defined in the legal acts referred to in the introduction.

GUIDELINE 1 – CALIBRATION OF RECOVERY PLAN INDICATORS

11. The calibration of the pre-emptive recovery plan indicators should ensure that appropriate levels are set to alert the undertaking or group early enough and can allow the undertaking or group to react promptly and effectively in a crisis situation, ahead of the adoption of the supervisory measures foreseen in Article 136a of Directive 138/2009/EC (Solvency II)⁴. In accordance with Article 5(8) of Directive (EU) 2025/1, indicators should identify the points at which remedial actions should be considered or taken. In this context, specifically indicators relating to the breach of the solvency capital requirement should be treated with additional urgency.
12. When selecting and calibrating indicators, undertakings and groups should consider the nature of the different indicators and how they relate to each other. Indicators should be designed to trigger remedial actions, in line with the specific risk profile of the undertaking and groups. In particular, certain indicators may indicate a higher degree of urgency or escalation and may require more severe or immediate remedial actions to be taken.
13. When selecting and calibrating indicators, particular attention should be given to the fact that indicators may vary in their sensitivity to capture deterioration and in the speed at which such deterioration materialises. In particular, liquidity deterioration may not be captured immediately by indicators relating to capital. An undertaking or a group may suffer from liquidity deterioration not accompanied by a breach or a likely breach of capital requirements and vice versa. Therefore, it is important that the pre-emptive recovery plan provides for a range of indicators of different nature, allowing for a comprehensive and timely view of the undertaking's or group's risk profile, rather than limiting to indicators related to capital requirements.

⁴ Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II), (OJ L 335, 17.12.2009, p. 1).

14. When calibrating indicators, the undertaking or group should consider ways to address the issues stemming from the fact that certain remedial actions to restore the capital position can be subject to longer execution periods, contractual obligations or greater sensitivity to market and other conditions. In particular, such actions could relate to material contractual maturities relating to capital instruments, such as subordinated debt and subordinated loans, and potential dividend payments, as relevant.

GUIDELINE 2 – CAPITAL INDICATORS

15. Capital indicators should identify any material actual and likely future deterioration in the coverage of capital requirements and in the quantity and quality of eligible own funds.
16. Where relevant, capital indicators should take into account the impact of transitional measures laid down in Article 308c and Article 308d of Directive 2009/138/EC.
17. In accordance with the first sub-paragraph of Article 5(8) of Directive (EU) 2025/1, capital indicators should include at a minimum the breach of the Solvency Capital Requirement (SCR). Group pre-emptive recovery plans should include indicators relating to the group SCR and to the SCR of any subsidiary undertakings that are in scope of the group pre-emptive recovery plan.
18. In addition to the SCR breach, undertakings and groups should consider capital indicators that are consistent with their overall risk management framework and relevant to their business model, strategy and risk profile. Those additional capital indicators could include the Minimum Capital Requirement (MCR).

GUIDELINE 3 – LIQUIDITY INDICATORS

19. Liquidity indicators should identify the potential for or an actual material deterioration of the capacity of the undertaking or group to meet its current and foreseen liquidity and funding needs.
20. Liquidity indicators should be integrated within the strategies, policies, processes and systems developed by each undertaking or group pursuant to Articles 144a and 246a of Directive 2009/138/EC regarding the need to draw up and keep up to date a liquidity risk management plan. In case the undertaking or group is required to extend the liquidity risk management plan to cover liquidity analysis over medium and long-term in accordance with Article 144a(2) of Directive 2009/138/EC, the liquidity indicators should be consistent with that plan, namely including both the short-term and long-term liquidity and funding needs, even under stressed conditions.
21. Liquidity indicators should cover the criteria specified in Article 2(2) of Commission Delegated Regulation (EU) No xyz/xyz on liquidity risk management plans⁵.

⁵ COMMISSION DELEGATED REGULATION (EU) No .../... supplementing Directive 2009/138/EC of the European Parliament and of the Council with regard to regulatory technical standards for liquidity risk management plans

GUIDELINE 4 – ASSET QUALITY INDICATORS

22. Asset quality indicators should identify any actual and likely future material asset quality deterioration of the whole portfolio of assets of the undertaking or group.
23. Asset quality indicators should, where relevant, cover aspects such as reinsurance recoverables and receivables.
24. Undertakings and groups should consider asset quality indicators that are most consistent with their overall risk management framework and relevant to their business model, strategy and risk profile and could include the average rating of investments (credit quality step) and share of below investment grade investments (credit quality step >3).

GUIDELINE 5 – PROFITABILITY INDICATORS

25. Profitability indicators should identify any actual and likely future material deterioration in the undertaking's or group's financial position due to insurance or investment related losses.
26. Undertakings and groups should consider profitability indicators that are most consistent with their overall risk management framework and relevant to their business model, strategy and risk profile. Profitability indicators could include:
 - a. Indicators, which measure the performance of underwriting, including but not limited to the loss ratio;
 - b. Indicators, which measure and monitor the impact of changes in valuation assumptions in the development of technical provisions, including but not limited to changes in key reserving assumptions such as adverse development in mortality or morbidity assumptions that have an adverse effect on the change of value of liabilities, changes in relevant yield curve, investments, lapse rates or changes to the value of options and guarantees or expected profits included in future premiums;
 - c. Investment-related indicators, including but not limited to price movements of sovereign or corporate bonds or derivatives the undertaking or group has invested in, as well as, coupons and the undertaking's or group's investments concentration to a single counterparty;
 - d. Indicators, which measure business and costs efficiency, including but not limited to the expense ratio which measure costs and expenses of carrying on insurance business and cost efficiency, which compare costs and expenses against income generated;
 - e. Line of business-specific indicators, including but not limited to combined ratio (non-life business), return on investments (life business) and premium growth (split by the type of business).

GUIDELINE 6 – MARKET CONDITIONS INDICATORS

27. Market conditions indicators should identify the market's reaction or perception of the material decline in investment performance of equity or debt instruments issued by the undertaking or group, as well as the fall in market confidence in their financial position.
28. Undertakings and groups should consider market conditions indicators that are most consistent with their overall risk management framework and relevant to their business model, strategy and risk profile and could include adverse share price movements, rating downgrades and credit default swap (CDS) spreads of the undertaking or group.

GUIDELINE 7 – MACRO-ECONOMIC CONDITIONS INDICATORS

29. Macroeconomic indicators should identify material deterioration in the economic conditions in which the undertaking or group operates, or of geographical (i.e. a region or a country) and sectoral concentrations (e.g. a given sector of the economy to which the undertaking is exposed) of exposures or worsening funding conditions.
30. As such, they should capture adverse changes in economic variables such as interest rates, credit default spreads, unemployment rates, exchange rates, inflation, volatility indicators, or real estate prices.
31. The range of macroeconomic conditions indicators should take into account the impact on the undertaking's or group's financial position from material correlations between macroeconomic conditions and the insurance portfolio in particular resulting from different types of insurance liabilities and the assets backing those liabilities.
32. Undertakings and groups should consider macroeconomic conditions indicators that are most consistent with their overall risk management framework and relevant to their business model, strategy and risk profile and could include the inflation forecast (percentage change in average consumer prices), unemployment forecast (percentage of total labour force), sovereign CDS spreads, real estate prices (annual average rate of change).

GUIDELINE 8 – OPERATIONAL EVENTS INDICATORS

33. Operational indicators should capture material operational events, arising from inadequate or failed internal processes, personnel or systems, including in respect of outsourced processes or from external events, that could severely affect the undertaking's or group's operational conditions threatening therefore its financial position.
34. Undertakings and groups should consider operational events indicators that are most consistent with their overall risk management framework and relevant to their business model, strategy and risk profile. Operational events indicators could relate to events such as fraud, regulatory or legal fines, and cyber-attacks.

COMPLIANCE AND REPORTING RULES

35. This document contains Guidelines issued under Article 16 of the EIOPA Regulation. In accordance with Article 16(3) of the EIOPA Regulation, competent authorities and financial institutions are required to make every effort to comply with guidelines and recommendations.
36. Competent authorities that comply or intend to comply with these Guidelines should incorporate them into their regulatory or supervisory framework in an appropriate manner.
37. Competent authorities are to confirm to EIOPA whether they comply or intend to comply with these Guidelines, with reasons for non-compliance, within two months after the issuance of the translated versions.
38. In the absence of a response by this deadline, competent authorities will be considered as non-compliant to the reporting and reported as such.

FINAL PROVISION ON REVIEW

39. These Guidelines will be subject to a review by EIOPA.