FINAL REPORT

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on the Guidelines on supervisory powers to remedy liquidity vulnerabilities

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European Insurance and Occupational Pensions Authority

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1. EXECUTIVE SUMMARY

INTRODUCTION

On 9 October 2025, EIOPA launched a public consultation on Guidelines on supervisory powers to remedy liquidity vulnerabilities in the context of the Solvency II review. This final report sets out the final text of the Guidelines, an impact assessment and a feedback statement on the public consultation.

CONTENT

These Guidelines are developed in the context of the review of Directive 2009/138/EC (Solvency II Directive). The new Article 144b(8) of the Solvency II Directive, introduced by Directive (EU) 2025/2, mandates EIOPA, after consulting the ESRB, to develop Guidelines further specifying (a) the measures to address deficiencies in liquidity risk management and the form, activation and calibration of powers that supervisory authorities may exercise to reinforce the liquidity position of undertakings where liquidity risks are identified and not adequately remedied by those undertakings, (b) the existence of exceptional circumstances that justify the temporary suspension of redemption rights, and (c) the conditions for ensuring the consistent application of the temporary suspension of redemption rights as a last resort measure across the Union and the aspects to consider for equally and adequately protecting policy holders in all home and host jurisdictions.

Against this background, these Guidelines ensure the consistent application of Article 144b of the Solvency II Directive in particular regarding the duty of insurance and reinsurance undertakings to maintain adequate liquidity to settle their financial obligations towards policy holders and other counterparties when they fall due, even under stressed conditions.

PUBLIC CONSULTATION

EIOPA conducted a public consultation on the Guidelines between 9 October 2025 and 5 January 2026. Seven stakeholders provided feedback on the consultation paper. EIOPA consulted the ESRB in accordance with the mandate in Article 144b(8) of the Solvency II Directive. ESRB submitted its advice[1] to the draft RTS in January 2026. Based on the stakeholder feedback, the Guidelines were refined and clarified, without changing the general approach set out in the consultation paper.

NEXT STEPS

The Guidelines will be applicable from 30 January 2027.

[1] ESRB advice to EIOPA on the Guidelines on supervisory powers to remedy liquidity vulnerabilities (Article 144b(8) Solvency II)

2. GUIDELINES ON SUPERVISORY POWERS TO REMEDY LIQUIDITY VULNERABILITIES

INTRODUCTION

1. In accordance with Article 16 of Regulation (EU) No 1094/2010 (EIOPA Regulation)[2] and Article 144b(8) of Directive 2009/138/EC (Solvency II Directive)[3], after having consulted the ESRB, EIOPA issues Guidelines on supervisory powers to remedy liquidity vulnerabilities. These Guidelines further specify: (a) the measures to address deficiencies in liquidity risk management and the form, activation and calibration of powers that supervisory authorities may exercise to reinforce the liquidity position of undertakings where liquidity risks are identified and not adequately remedied by those undertakings, (b) the existence of exceptional circumstances that justify the temporary suspension of redemption rights, and (c) the conditions for ensuring the consistent application of the temporary suspension of redemption rights as a last resort measure across the Union and the aspects to consider for equally and adequately protecting policy holders in all home and host jurisdictions.
2. In line with Article 144b of the Solvency II Directive, the Guidelines are based on an escalation process to address deficiencies in liquidity risk management. In case of such deficiencies, insurance and reinsurance undertakings are expected to implement timely remedial actions and communicate those to supervisory authorities. Supervisory authorities then follow up to monitor the progress of the implementation. Should the remedial actions of the undertakings prove insufficient, supervisory authorities may impose measures to safeguard the undertaking's liquidity position.
3. The escalation process of the Guidelines should be read in conjunction with undertakings' pre-emptive recovery plans, where applicable, established in accordance with Article 5 of Directive (EU) 2025/1, which constitute firm-prepared recovery planning instruments setting out indicators and measures to restore the financial position where that position has significantly deteriorated. The existence of such plans may support an undertaking in demonstrating its capacity to address emerging liquidity vulnerabilities through timely remedial actions. Where relevant indicators defined in those plans are triggered and the liquidity position continues to deteriorate, supervisory authorities may take them into account under Guideline 3 when assessing whether to activate supervisory powers pursuant to Article 144b.
4. When undertakings face material liquidity risks that may cause an imminent threat to the protection of policy holders and beneficiaries or to the stability of the financial system, supervisory authorities have the power to take more invasive measures, even though on a temporary basis. In exceptional circumstances, insurance undertakings can be subject to significant liquidity risks. Therefore, Article 144b(3)(e) of the Solvency II Directive provides supervisory authorities with the

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[2] Regulation (EU) No 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).

[3] 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 (OJ L 335, 17.12.2009, p. 1-155).

power to temporarily suspend redemption rights on life insurance policies of such undertakings concerned by significant liquidity risks for no more than three months and only as a last resort measure where it is in the collective interest of policy holders and beneficiaries of the undertakings. The measure can be renewed if the reasons that justify it are still present and should be interrupted when those reasons are no longer present. The Guidelines provide for a non-exhaustive list of market developments, events and/or undertaking specific conditions that could potentially trigger material liquidity risks for undertakings and should therefore induce supervisory authorities to pay specific attention. The exceptionality of the circumstances is confirmed when the suspension of redemption rights is the last resort mitigating measure and where that is in the collective interest of policy holders and beneficiaries of the undertaking.

5. Given that exceptional circumstances may also be triggered by events in a host Member State, the Guidelines recognise the need for host and home supervisory authorities of undertakings with cross-border activities to exchange information on the details of any relevant events in the host Member State that may justify the temporary suspension of redemption rights of undertakings operating in that host Member State.
6. These Guidelines are addressed to supervisory authorities under the Solvency II Directive.
7. The Guidelines apply from 30 January 2027.
8. If not defined in these Guidelines, the terms have the meaning defined in the legal acts referred to in this Introduction.

GUIDELINE 1: SUPERVISORY MEASURES TO ADDRESS DEFICIENCIES IN LIQUIDITY RISK MANAGEMENT

9. When supervisory authorities identify material liquidity risks in an insurance or reinsurance undertaking in accordance with Article 144b(1) of the Solvency II Directive, the undertaking should be requested to submit formal written communication to the supervisory authorities outlining the remedial actions planned to be taken, their implementation timeline (including the expected short-, medium-, or long-term nature of the actions), and the expected impact on the adequacy and effectiveness of the framework. The undertaking is expected to ensure consistency between this communication and their liquidity risk management plan. Supervisory authorities should monitor the implementation of the remedial actions, in particular where actions are expected to be implemented over the medium- or long-term.
10. Where, following such supervisory monitoring, there is sufficient evidence that an undertaking has failed to take timely and effective actions to address the material deficiencies, the supervisory measures referred to in Article 144b(2) of the Solvency II Directive may include, but are not limited to, requiring undertakings to:
    a. improve internal control systems, roles and responsibilities of key functions, and governance arrangements relevant to liquidity risk management, within the undertaking's system of governance, and ensure that such improvements are appropriately reflected in the own risk and solvency assessment (ORSA);
    b. conduct training and/or reassessment of key staff involved in liquidity risk management to ensure adequate expertise;

c. improve the liquidity risk management plans, including through clearer articulation of liquidity risk tolerance limits, liquidity risk indicators, and escalation procedures, as well as ensure that the plan is subject to more frequent updates where appropriate, and that it reflects adequate operational capacity to respond to deteriorating liquidity conditions;
d. improve the design, frequency, granularity, and credibility of liquidity stress testing and scenario analysis, to ensure that results appropriately reflect the undertaking's exposure to liquidity risk under adverse conditions;
e. activate relevant actions following clear escalation procedures, set out, where applicable, in the last submitted liquidity risk management plan and, where applicable, in the most recently submitted pre-emptive recovery plan established in accordance with Article 5 of Directive (EU) 2025/1[4];
f. restore the liquidity position to adequate levels, including through the establishment or strengthening of liquidity buffers.

GUIDELINE 2: FORM AND CALIBRATION OF SUPERVISORY POWERS TO REINFORCE THE LIQUIDITY POSITION

11. Supervisory measures should be:
    a. time-bound, subject to periodic review at least every six months, in accordance with Article 144b(2) of the Solvency II Directive;
    b. applied in a timely manner, including before liquidity constraints escalate into financial distress;
    c. proportionate to the nature, scale, and complexity of the liquidity risks identified.
12. The assessment of the existence of material liquidity risk should be based on a forward-looking evaluation and should take into account the liquidity assessments included in the ORSA and the liquidity risk management plan. This assessment should also consider the liquidity risk indicators referred to in Article 144a(2) of the Solvency II Directive. The calibration of supervisory interventions should reflect the severity and persistence of the potential liquidity shortfall, and the effectiveness of prior remedial actions taken by the undertaking.
13. When applying supervisory measures, supervisory authorities should ensure that:
    a. undertakings are granted a timeframe that reflects the urgency of the situation, and the time already elapsed since the deficiencies were first identified;
    b. the interests of policy holders remain adequately protected, avoiding unnecessary disruption or adverse effects on the undertaking;
    c. broader implications for financial stability are duly considered.
14. In conducting regular reviews of supervisory measures, supervisory authorities should assess whether the interventions remain proportionate and effective in addressing the underlying

[4] 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, 8.1.2025, p. 1.)

vulnerabilities. Based on updated liquidity risk assessments, interventions should be modified or lifted as appropriate.

GUIDELINE 3: ACTIVATION OF SUPERVISORY POWERS TO REINFORCE THE LIQUIDITY POSITION

15. In deciding whether to activate supervisory measures in accordance with Article 144b(2) of the Solvency II Directive, supervisory authorities should assess whether there is sufficient evidence that material liquidity risks persist despite earlier remedial actions. This assessment should be based on a range of indicators or deficiencies – some of which may have already emerged during the regular supervisory review process under Article 144b(1) of the Solvency II Directive -– and may include, but are not limited to:
    a. the undertaking is unable to demonstrate the adequacy of its liquidity position under stressed conditions, as required under Article 144a(1) of the Solvency II Directive;
    b. liquidity risk indicators, as required under Article 144a(2) of the Solvency II Directive and further specified in Article 7 of the Regulatory Technical Standards on liquidity risk management plans, signal liquidity stress or show that exposures exceed established risk tolerance limits. In such cases, supervisory authorities may rely on notifications made under Article 136 of the Solvency II Directive, where undertakings are required to inform supervisory authorities of deteriorating financial conditions;
    c. the undertaking fails to comply with the measures, including escalation procedures, set out in its most recent liquidity risk management plan, or the remedial actions taken have proven insufficient to address the identified material liquidity risks;
    d. the undertaking fails to maintain adequate liquidity buffers in line with Article 144a(1) of the Solvency II Directive and ensure the appropriateness of their composition under Article 260(1)(d)(ii) of Commission Delegated Regulation (EU) 2015/35;
    e. cash flow projections, as required under Article 144a(2) of the Solvency II Directive, indicate significant mismatches between incoming and outgoing cash flows, with specific items to be reported as per Article 5 of the Regulatory Technical Standards on liquidity risk management plans;
    f. stress tests and scenario analysis, as required under Article 259(3) of Commission Delegated Regulation (EU) 2015/35, are found to be inadequate, unrealistic, or produce results that raise concerns;
    g. one or more qualitative or quantitative indicators identified in the undertaking’s pre-emptive recovery plan, as required under Article 5(8) of Directive (EU) 2025/1, are triggered and the undertaking’s liquidity position continues to deteriorate, taking into account the timeframe envisaged in the pre-emptive recovery plan for the implementation of remedial actions;
    h. intra-group liquidity support is unavailable or significantly constrained, where the undertaking belongs to a group and depends on liquidity support from the group;
    i. liquidity risk tolerance limits are inadequate to ensure the undertaking can meet its financial obligations as they fall due under stressed conditions, as required under Article 144a(1) of the Solvency II Directive and Article 260(1)(d)(ii) of Commission Delegated Regulation (EU) 2015/35.

16. The indicators in points (a) to (i) should be considered only insofar as they are relevant for material liquidity risk in accordance with Article 144b of the Solvency II Directive.

GUIDELINE 4: EXCEPTIONAL CIRCUMSTANCES THAT JUSTIFY THE TEMPORARY SUSPENSION OF REDEMPTION RIGHTS

17. Before deciding on the temporary suspension of redemption rights pursuant to Article 144b(3) of the Solvency II Directive, supervisory authorities should assess whether the circumstances justify the exercise of that measure. The assessment should consider the nature, severity and potential impact of those circumstances on the protection of policy holders and beneficiaries or on the stability of the financial system.
18. Supervisors may gather evidence from different sources to assess the circumstances. Evidence leading to the identification of exceptional circumstances may derive from an assessment of internal liquidity frameworks, including contingency funding plans, developed by insurance or reinsurance undertakings and the supervisory review process, including a forward-looking assessment (example given stress testing, sensitivity analyses) of the liquidity position of the undertaking concerned. The assessment should enable supervisory authorities to identify material weaknesses and actual or potential deficiencies or non-compliances that could lead them to imposing the temporary suspension of redemption rights.
19. Supervisory authorities should also assess the market and economic developments that could lead to exceptional circumstances for insurance or reinsurance undertaking facing material liquidity risks. Supervisory authorities should consider at least the events listed below, or a combination of these events, as potential triggers of exceptional circumstances:
    a. unforeseen, sharp and steep changes of interest rates;
    b. market-wide liquidity freeze or inability to sell assets without material impairment;
    c. rapid changes in policy holders' behaviour towards insurance products, including sudden increase in lapses or drops in underwritten premia;
    d. significant repricing in risk premia, including widespread credit rating downgrades;
    e. increased risk associated with derivative positions, and margin calls;
    f. unforeseen, sharp and steep deterioration of financial markets conditions;
    g. high-impact catastrophic, including exceptional health emergency, natural catastrophe or other extreme events resulting in unexpected large-scale claims and/or significant underwriting losses;
    h. reputational events and / or loss of confidence in the ability of the insurance sector to meet its obligations.
20. Supervisory authorities should assess whether one or more of the events set out in paragraph 19 has the potential to generate material liquidity risks for undertakings, in particular through the reduction in the cash inflows (e.g. drop in written premia, contraction in investment's income, cut in reinsurance receivables) and/or the increase in cash outflows (e.g. claims inflations, mass lapse) forcing fire sales with potential implications to the financial position of the undertakings and/or to financial stability.
21. Supervisory authorities should consider the undertaking's specific conditions that could lead to the identification of exceptional circumstances. Supervisory authorities should consider at least the

conditions listed below, or a combination of these conditions, as potential triggers of exceptional circumstances for insurance or reinsurance undertaking facing material liquidity risks:

a. the undertaking does not comply with the SCR or there is a risk of non-compliance in the following three months, and it has informed the supervisory authorities in accordance with Article 138(1) of the Solvency II Directive. In addition, the undertaking fails to submit a realistic recovery plan, or the undertaking presents a recovery plan which is not approved by the supervisory authority, or the undertaking fails to comply with it or despite compliance with it, the solvency and liquidity position of the undertaking continues to deteriorate;
b. the undertaking presents material exposure to liquidity risk, while it fails to demonstrate that it is able to realise investments or other assets to settle its financial obligations when they fall due.

22. Supervisory authorities should assess whether it might be possible to remedy the impact of market and economic developments referred to in paragraph 19 and/or the undertaking-specific conditions referred to in paragraph 21 by the application of any supervisory measure, including the ones pursuant to Article 144b(2) and (3) of the Solvency II Directive, or a combination of these measures, other than the temporary suspension of redemption rights.
23. Supervisory authorities should consider exceptional circumstances to exist when the suspension of redemption rights is the last resort measure, having regard to the potential unintended consequences of such suspension, and where that is in the collective interest of policy holders and beneficiaries of the undertaking.

GUIDELINE 5: PROTECTION OF POLICY HOLDERS IN ALL HOME AND HOST JURISDICTIONS AND CONSISTENT APPLICATION OF THE TEMPORARY SUSPENSION OF REDEMPTION RIGHTS

24. Supervisory authorities should assess the cross-border implications of the temporary suspension of redemption rights when undertakings operate in more than one Member State under the freedom to provide services or the right of establishment, to ensure that policy holders are treated equally and adequately in all home and host jurisdictions.
25. Before temporarily suspending redemption rights, the home supervisory authority should inform the host supervisory authorities. That information should include at least the following aspects:
    a. the intention to suspend temporarily the redemption rights;
    b. the underlying reasons, including an assessment of the solvency and liquidity position of the undertaking concerned and how the application of this measure is in the collective interest of policy holders and beneficiaries of the undertaking, including in a cross-border context;
    c. the intended application date of the measure and its intended duration.

    The host supervisor should provide to the home supervisory authority the information about the market developments in the host jurisdiction which is essential for the assessment of exceptional circumstances by the home supervisory authority.

26. The information should be provided through collaboration platforms in case such platforms have been established in accordance with Article 152b of the Solvency II Directive.

27. The home supervisory authority should provide the information referred to in paragraph 25 to the host supervisory authorities on the date on which it informs the undertaking on its intention to apply the measure but not later than five working days before the intended application date of the measure.
28. The home and host supervisory authorities should continue to exchange information and cooperate closely throughout the duration of the suspension of redemption rights, including on aspects concerning public communication.
29. As soon as the home supervisory authority decides that the reasons justifying the suspension of redemption rights do not longer exist, it should inform the host supervisory authorities providing them the details of its assessment.
30. After having suspended the redemption rights, supervisory authorities should perform an ex-post assessment of the application of the temporary suspension of redemption rights, in terms of its impact and efficiency and share possible lessons learned with EIOPA. Such ex-post assessment should enhance the consistent application of the temporary suspension of redemption rights.

COMPLIANCE AND REPORTING RULES

31. 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.
32. Competent authorities that comply or intend to comply with these Guidelines should incorporate them into their regulatory or supervisory framework in an appropriate manner.
33. 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.
34. 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 REVIEWS

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

ANNEX 1: IMPACT ASSESSMENT

OBJECTIVES

In accordance with Article 16 of the EIOPA Regulation, EIOPA analyses the related potential costs and benefits during the policy development process. This impact assessment accompanies the draft Guidelines developed under Article 144b(8) of the Solvency II Directive and is based on a qualitative assessment.

The overarching objectives of the Solvency II Directive remain:

- Adequate protection of policy holders and beneficiaries;
- Financial stability;
- Proper functioning of the internal market.

POLICY ISSUE A: DEFINITION AND SCOPE OF SUPERVISORY POWERS TO REINFORCE LIQUIDITY

The policy issue concerns whether and to what extent the Guidelines should define the supervisory powers that may be exercised to reinforce the liquidity position of undertakings.

While Article 144b(2) of the Solvency II Directive establishes that supervisory authorities shall have powers to intervene when material liquidity risks are not adequately remedied, the Directive does not set out details regarding the specific form, scope, or types of powers that may be used. This creates the potential for divergent interpretations and applications of the supervisory tools across Member States.

Inconsistent supervisory practices could lead to legal uncertainty for undertakings, unequal treatment, and a fragmented supervisory framework, ultimately affecting both the level playing field and the overall effectiveness of supervisory intervention.

The Guidelines could address this by defining certain details of the supervisory powers, thereby supporting convergence, and proportionality.

POLICY OPTIONS CONCERNING POLICY ISSUE A

Policy option A.0: No change

Under this option, supervisory authorities would apply Article 144b(2) of the Solvency II Directive — which provides that authorities shall have the powers to require undertakings to reinforce their liquidity position in the presence of material liquidity risks — based solely on their national interpretations and practices. The Directive does not define the measures to address deficiencies in liquidity risk management and the form, activation and calibration of powers that supervisory authorities may exercise to reinforce the liquidity position of undertakings, and under this option, no

Guidelines would be issued to clarify these aspects or to guide supervisory responses to persistent liquidity deficiencies.

Policy option A.1: The Guidelines provide a tiered categorisation of supervisory powers

Under this option, the Guidelines would provide a tiered categorisation of supervisory powers (e.g., “first-line”, “second-line”, and “emergency” interventions). Each level of powers would correspond to the severity and persistence of the identified liquidity vulnerabilities. This would improve transparency and proportionality of supervisory intervention, while maintaining flexibility for national authorities to adapt responses to specific cases.

Policy option A.2: The Guidelines specify a non-exhaustive list of supervisory powers

Under this option, EIOPA would issue Guidelines specifying a non-exhaustive list of supervisory powers that authorities may use when undertakings fail to effectively address material liquidity risks, as required under Article 144b(2) of the Solvency II Directive. This would provide greater clarity on the measures to address deficiencies in liquidity risk management and the form, activation and calibration of powers that supervisory authorities may exercise to reinforce the liquidity position of undertakings.

IMPACT OF THE POLICY OPTIONS CONCERNING POLICY ISSUE A

Policy option A.0: No change

Under this option, no Guidelines would be issued to clarify the supervisory powers available under Article 144b(2) of the Solvency II Directive. Supervisors would rely solely on national frameworks to determine which powers are appropriate to reinforce liquidity positions. While this option allows full discretion, it risks inconsistent practices and a lack of convergence across Member States.

Policy option A.0		
Costs	Policy holders	Risk of inconsistent supervisory practices; weaker protection from liquidity stress.
	Industry	Regulatory uncertainty; unpredictable supervisory responses across jurisdictions.
	Supervisors	Lack of convergence; limited support for escalation decisions.
	Other	No material impact.
Benefits	Policy holders	None.
	Industry	No additional guidance or regulatory burden.
	Supervisors	Full discretion over supervisory measures.
	Other	No material impact.

Policy option A.1: The Guidelines provide a tiered categorisation of supervisory powers

Under this option, the Guidelines would provide a tiered categorisation of supervisory powers into e.g., “first-line”, “second-line”, and “emergency” interventions. Each level of powers would correspond to the severity and persistence of the identified liquidity risks. This would improve transparency and proportionality of supervisory intervention, while maintaining flexibility for national authorities to adapt responses to specific cases.

Policy option A.1		
Costs	Policy holders	None.
	Industry	Perception that tiered supervisory actions may imply a linear escalation regardless of actual risk context.
	Supervisors	Requires calibration of categorisation.
	Other	No material impact.
Benefits	Policy holders	More predictable escalation of supervisory action aligned with risk.
	Industry	Better transparency on supervisory expectations and the severity of powers likely to be exercised.
	Supervisors	Structured escalation improves consistency and decision-making documentation.
	Other	No material impact.

Policy option A.2: The Guidelines specify a non-exhaustive list of supervisory powers

Under this option, the Guidelines define a non-exhaustive list of supervisory powers that may be used to address deficiencies. This promotes convergence while preserving flexibility and proportionality.

Policy option A.2		
Costs	Policy holders	None.
	Industry	Possible expectation to comply with clearer supervisory tools in case of deficiencies.
	Supervisors	Initial effort to align national practice with EIOPA Guidelines.
	Other	No material impact.
Benefits	Policy holders	Greater consistency and transparency in supervisory action.
	Industry	Increased legal certainty and predictability of supervisory measures.
	Supervisors	Harmonised approach and clearer framework for intervention.
	Other	No material impact.

COMPARISON OF THE POLICY OPTIONS CONCERNING POLICY ISSUE A

The effectiveness and efficiency of the different policy options are compared in the following tables.

EFFECTIVENESS (0,+,++)		
	Financial Stability	Protection of Policy holders
Policy option A.0:	0	0
Policy option A.1:	++	++
Policy option A.2:	++	++
EFFICIENCY (0,+,++)		
	Financial Stability	Protection of Policy holders
Policy option A.0:	0	0
Policy option A.1:	+	+
Policy option A.2:	++	++

PREFERRED OPTION CONCERNING POLICY ISSUE A

Policy option A.2 is the preferred option. It provides a high level of clarity on the forms of intervention available to supervisors while preserving flexibility. It enhances consistency across Member States, supports effective early action in response to liquidity risks, and improves transparency for supervised undertakings. This promotes both supervisory convergence and proportionality.

This option balances the need for supervisory certainty and consistency with the recognition that national market structures and firm-specific circumstances may require tailored approaches. It also mitigates risks of regulatory arbitrage and uneven protection of policy holders across the Union.

POLICY ISSUE B: ACTIVATION CRITERIA FOR SUPERVISORY MEASURES TO REINFORCE LIQUIDITY

The policy issue concerns whether the Guidelines should specify harmonised activation criteria for the exercise of supervisory powers under Article 144b(2) of the Solvency II Directive, and if so, how specific these criteria should be.

The Directive requires supervisory authorities to intervene when material liquidity risks are not adequately addressed by the undertaking. However, it does not provide common standards or thresholds for determining what constitutes “sufficient evidence” of risk or inaction to trigger such intervention.

In the absence of guidance, supervisory authorities may apply divergent thresholds or rely on inconsistent indicators, which can delay timely intervention, lead to fragmented practices, and reduce policy holder protection. Additionally, the lack of transparency may cause uncertainty for undertakings regarding the circumstances under which supervisory powers might be exercised.

The Guidelines could enhance convergence and predictability by providing a non-exhaustive set of activation criteria and indicators. They could also promote forward-looking supervision by including early warning triggers, while still preserving the flexibility for authorities to consider firm-specific conditions.

POLICY OPTIONS CONCERNING POLICY ISSUE B

Policy option B.0: No change

Under this option, supervisory authorities would independently determine what constitutes "sufficient evidence" of material liquidity risks and a lack of effective remedies by the undertaking, as required for the activation of liquidity-reinforcing powers under Article 144b(2) of the Solvency II Directive. Since the Directive does not provide harmonised activation criteria or indicators, each national authority would rely on its own judgment to decide when supervisory intervention is required.

Policy option B.1: The Guidelines define quantitative indicators

Under this option, the Guidelines would define a set of quantitative thresholds (e.g. liquidity coverage ratio below a specified level, or liquidity buffer coverage shortfall over a defined period) that indicate when supervisory authorities should consider activating liquidity-reinforcing powers.

Policy option B.2: The Guidelines define a non-exhaustive list of activation criteria and indicators

Under this option, the Guidelines provide a non-exhaustive list of conditions under which supervisory powers may be activated.

This option preserves discretion while providing markers to support intervention. It encourages forward-looking supervision but requires supervisors and undertakings to adapt internal processes to align with these criteria.

IMPACT OF THE POLICY OPTIONS CONCERNING POLICY ISSUE B

Policy option B.0: No change

Under this option, supervisory authorities retain full discretion to determine when liquidity measures should be activated. No common criteria or indicators would be introduced. This risks divergence in the threshold for action and limits convergence in supervisory response to material liquidity risk.

Policy option B.0		
Costs	Policy holders	Potential delays in addressing liquidity vulnerabilities due to unclear intervention thresholds; weaker protection from liquidity stress.

	Industry	Regulatory uncertainty on what triggers supervisory intervention.
	Supervisors	Fragmentation in practices and limited comparability across Member States.
	Other	No material impact.
Benefits	Policy holders	None.
	Industry	Potentially lower short-term compliance burden.
	Supervisors	Full national discretion.
	Other	No material impact.

Policy option B.1: The Guidelines define quantitative indicators

Under this option, the Guidelines would define a set of quantitative thresholds (e.g. liquidity coverage ratio below a specified level, or liquidity buffer coverage shortfall over a defined period) that indicate when supervisory authorities should consider activating liquidity-reinforcing powers.

Policy option B.1		
Costs	Policy holders	None.
	Industry	Undertakings would need to adjust internal monitoring systems to track and report against specific quantitative indicators.
	Supervisors	Supervisory authorities would require recalibration of internal reporting frameworks to consistently apply quantitative indicators.
	Other	No material impact.
Benefits	Policy holders	Timely and objective supervisory intervention; stronger protection from liquidity stress.
	Industry	Clarity on thresholds and greater transparency of supervisory expectations.
	Supervisors	More consistent basis for intervention decisions; improved comparability across undertakings and ensure level-playing field.
	Other	No material impact.

Policy option B.2: Guidelines define a non-exhaustive list of activation criteria and indicators

Under this option, the Guidelines provide a non-exhaustive list of indicative conditions for activating supervisory powers. This enhances convergence while allowing discretion for national supervisors.

Policy option B.2		
Costs	Policy holders	None.

	Industry	Undertakings would be expected to engage with supervisory authorities — for example, by submitting planned remedial actions, clarifying liquidity indicators, or addressing potential stress signals before formal supervisory measures are taken.
	Supervisors	Supervisors may need to adjust internal frameworks to reflect common activation thresholds.
	Other	No material impact.
Benefits	Policy holders	Earlier and more targeted supervisory action; stronger protection from liquidity stress.
	Industry	Predictability and consistency in triggering supervisory response.
	Supervisors	Supports harmonisation, evidence-based action, and effective risk mitigation.
	Other	No material impact.

COMPARISON OF THE POLICY OPTIONS CONCERNING POLICY ISSUE B

The effectiveness and efficiency of the different policy options are compared in the following tables.

EFFECTIVENESS (0,+,++)		
	Financial Stability	Protection of Policy holders
Policy option B.0:	0	0
Policy option B.1:	+	+
Policy option B.2:	++	++
EFFICIENCY (0,+,++)		
	Financial Stability	Protection of Policy holders
Policy option B.0:	0	0
Policy option B.1:	++	++
Policy option B.2:	++	++

PREFERRED OPTION CONCERNING POLICY ISSUE B

Policy Option B.2 is the preferred option. While Policy Option B.1 introduces the use of quantitative thresholds, which can enhance clarity and comparability, Option B.2 strikes a more appropriate balance between harmonisation and flexibility. It enables supervisors to apply a consistent set of indicative conditions while preserving discretion to account for firm-specific contexts.

This flexibility is important given the diversity of insurers' business models and liquidity risk profiles. Option B.2 supports a risk-based, forward-looking approach and aligns with the principle of proportionality embedded in the Solvency II framework. For this reason, despite the transparency benefits of quantitative benchmarks under Option B.1, Option B.2 remains better suited.

POLICY ISSUE C: MARKET CONDITIONS AND ENTITY SPECIFIC DEVELOPMENTS AS EXCEPTIONAL CIRCUMSTANCES

The policy issue is whether the identification of exceptional circumstances should be based exclusively on either macroeconomic developments (external market circumstances) or microeconomic circumstances (entity-specific factors), or alternatively, on a combination of both macroeconomic and microeconomic factors.

POLICY OPTIONS CONCERNING POLICY ISSUE C

Policy option C.0: No change

This option means that no Guidelines are in place. It is a hypothetical baseline that is only introduced as a benchmark against the impact of the other policy options presented.

Policy option C.1: Only market conditions or entity specific developments are considered as exceptional circumstances

The criteria to identify exceptional circumstances are based either on purely macroeconomic or on microeconomic circumstances.

Policy option C.2: Both market conditions and entity specific developments are considered as exceptional circumstances

The criteria to identify exceptional circumstances are based on both macroeconomic and microeconomic circumstances.

IMPACT OF THE POLICY OPTIONS CONCERNING POLICY ISSUE C

Policy option C.0: No change

This option is not considered as a viable option given the specific mandate to EIOPA in Article 144b(8)(b) of the Solvency II Directive.

Policy option C.0		
Costs	Policy holders	Higher risk that criteria are not identified in a severe crisis where supervisory intervention in the form of temporary suspension of redemption rights is necessary. This would affect policy holders' value. In fact, while they would be able to redeem their policies, this would result in exacerbating the crisis of the insurer underwriter ultimately harming policy holders value.

	Industry	Higher risk that criteria are not met in a severe crisis where supervisory intervention in the form of temporary suspension of redemption rights is necessary. This would affect insurance and reinsurance undertakings directly hindering their liquidity position. In addition, the reputation of the whole sector would suffer if some insurance or reinsurance undertakings were eventually unable to meet their obligations to policy holders.
	Supervisors	Higher risk that criteria are not met in a severe crisis where supervisory intervention in the form of temporary suspension of redemption rights is necessary. Supervisors are negatively affected by reputational damages which would arise if supervisors could not take the necessary measures during a severe liquidity crisis.
	Other	No trust in the supervisory community and the stability of the EU financial system.
Benefits	Policy holders	None.
	Industry	No material impact.
	Supervisors	Full discretion over what may be considered exception circumstances and as such full discretion over the activation of supervisory intervention in the form of temporary suspension of redemption rights.
	Other	No material impact.

Policy option C.1: Only market conditions or entity specific developments are considered as exceptional circumstances

With this option there is a higher risk that conditions are not considered as exceptional in a severe crisis, where supervisory intervention in the form of temporary suspension of redemption rights is necessary. In fact, evaluating individually market conditions or entity specific developments might restrict supervisors as they would have to exclude circumstances where the exceptionality of the circumstances is triggered by a combination of the two element which would have not been considered individually. Similarly, there might be a relation between the two conditions. An isolated assessment of each condition would not be sufficient to adequately understand this possible linkage.

Policy option C.1		
Costs	Policy holders	Higher risk that criteria are not identified in a severe crisis where supervisory intervention in the form of temporary suspension of redemption rights is necessary. This would affect policy holders' value. In fact, while they would be able to redeem their policies, this would result in exacerbating the crisis of the insurer underwriter ultimately harming policy holders value.

		Policy holders' detriment would also result when the wrong supervisory action is taken considering only market conditions or entity specific developments individually as exceptional circumstances.
	Industry	Higher risk that criteria are not met in a severe crisis where supervisory intervention in the form of temporary suspension of redemption rights is necessary. This would affect insurance or reinsurance undertakings directly hindering their liquidity position. In addition, the reputation of the whole sector would suffer if some insurance and reinsurance undertakings were unable to meet their obligations to policy holders. The sector would also be hindered when the wrong supervisory action is taken considering only market conditions or entity specific developments individually as exceptional circumstances.
	Supervisors	Higher risk that criteria are not met in a severe crisis where supervisory intervention in the form of temporary suspension of redemption rights is necessary. In fact, there might be the risk of wrong supervisory measures, focusing only on market conditions or entity specific developments to determine exceptional circumstances. This would result in reputational risks for them.
	Other	Higher risk that criteria are not met in a severe crisis where supervisory intervention in the form of temporary suspension of redemption rights is necessary. The higher risk for financial instability affects real economy and financial markets negatively.
Benefits	Policy holders	No material impact.
	Industry	No material impact.
	Supervisors	Less complexity in analysing the circumstances which may trigger the suspension of redemption rights.
	Other	No material impact.

Policy option C.2: Both market conditions and entity specific developments are considered as exceptional circumstances.

With this option there is a lower risk that conditions are not considered exceptional in a severe crisis where supervisory intervention in the form of temporary suspension of redemption rights is necessary. Jointly evaluating market conditions and entity specific developments would allow supervisors enough flexibility to assess the circumstances in a holistic manner to determine their exceptionality. This would also align with the principle of proportionality embedded in the Solvency II, allowing supervisors to focus on the actual conditions deemed as exceptional.

Better supervisor's outcomes would be achieved if exceptional circumstances are determined considering a combination of both market conditions and entity specific developments because their hybrid combination might lead to very different circumstances with respect to the individual conditions.

Policy option C.2		
Costs	Policy holders	None.
	Industry	No material impact.
	Supervisors	More extensive analysis to be carried out to understand the criteria to be met in a severe crisis where supervisory intervention in the form of temporary suspension of redemption rights is necessary.
	Other	No material impact.
Benefits	Policy holders	Increased resilience of the insurer underwriter. In fact, the supervisory intervention envisaged in the form of temporary suspension of redemption rights is necessary to ultimately preserve the financial position of the insurer underwriter in order to meet their obligation towards policy holders in the longer run.
	Industry	In a severe crisis where supervisory intervention in the form of temporary suspension of redemption rights is necessary, the industry would benefit from supervisors' thorough assessment on the entity specific circumstances and macroeconomic environment in order to limit their detriment and allow exceptional measures such as the suspension of redemption rights.
	Supervisors	Lower risk that criteria are not met in a severe crisis where supervisory intervention in the form of temporary suspension of redemption rights is necessary. Supervisors are positively affected due to lower risks for financial instability and policy holders' detriment.
	Other	Lower risks that criteria are not met in a severe crisis where supervisory intervention in the form of temporary suspension of redemption rights is necessary. Overall, the measure increases the financial instability of the sector ultimately affecting also the real economy.

COMPARISON OF THE POLICY OPTIONS CONCERNING POLICY ISSUE C

Policy Option C.2 is clearly better in terms of protecting policy holders and preventing financial instability. With Option C.1 there would be a much higher risk that supervisory intervention in the form of temporary suspension of redemption rights cannot be applied during a severe crisis because some sources of risks are not considered relevant. In addition, with Option C.2 the interplay between market conditions and entity specific developments are considered to determine exceptional circumstances. This allows for more flexibility and thorough assessment and also aligns with the principle of proportionality embedded in the Solvency II.

EFFECTIVENESS (0,+,++)		
	Financial stability	Policy holder protection

Policy option C.0	0	0
Policy option C.1	++	++
Policy option C.2	+	+
EFFICIENCY (0,+,++)		
	Financial stability	Policy holder protection
Policy option C.0	0	0
Policy option C.1	+	+
Policy option C.2	++	++

PREFERRED OPTION CONCERNING POLICY ISSUE C

The preferred option is option C.2.

The supervisory intervention in the form of temporary suspension of redemption rights during a severe crisis will enhance financial stability allowing the entities under stress enough time to restore their liquidity positions before fulfilling policy holders' redemption request.

At the same time Option C.2 is not harming policy holders given that the suspension of redemption right envisaged is limited in time (three months with possible renewals) and ultimately aims at ensuring the insurance entity is able to meet its obligations towards policy holders after the that time.

POLICY ISSUE D: PROVISIONS COVERING COOPERATION AND INFORMATION EXCHANGE BETWEEN SUPERVISORY AUTHORITIES IN CROSS-BORDER CONTEXT

The mandate given to EIOPA based on Article 144b(8)(c) of the Solvency II Directive is to further specify the aspects for equally and adequately protecting policy holders in all home and host jurisdiction when the power to temporarily suspend redemption rights is exercised.

The policy issue is whether the Guidelines should include provisions that cover the details of the cooperation and information exchange between the supervisory authorities of home and host jurisdictions to ensure that all policy holders of the undertaking are equally and adequately protected no matter whether they are in the home or host jurisdiction in which the undertaking operates through the freedom to provide services or the right of establishment.

POLICY OPTIONS CONCERNING POLICY ISSUE D

Policy option D.0: No change

This option means that no Guidelines are in place. It is a hypothetical baseline that is only introduced as a benchmark against the impact of the other policy options presented.

This option is not considered as a viable option given the specific mandate to EIOPA in Article 144b(8)(c) of the Solvency II Directive.

Policy option D.1: The Guidelines detail aspects concerning cooperation and information exchange

The Guidelines provide specific expectations on how the cooperation and information exchange between home and host supervisory authorities should be organised starting as soon as possible and before the application of the suspension of redemption rights. Under this policy option, the Guidelines also cover aspects like the minimum set of information that should be exchanged, the timeframe by when such information should be provided, and the development of common communication to the policy holders in the home and host jurisdictions covering a minimum set of information.

Policy option D.2: The Guidelines provide only high-level expectations on how cooperation and information exchange are organised

The Guidelines provide only high-level expectations on the need to ensure that policy holders in both home and host jurisdictions are treated equally and are protected adequately without specifying the details of the cooperation and information exchange between the home and host supervisory authorities. Under this policy option, the Guidelines will not provide for a detailed framework where clear expectations are set for the home and host supervisory authorities, including in terms of information to be exchanged and timing of this interaction.

IMPACT OF THE POLICY OPTIONS CONCERNING POLICY ISSUE D

Specifying the information exchange and cooperation framework between supervisory authorities in home and host jurisdictions in case of temporary suspension of redemption rights in a cross-border context offers significant advantages by ensuring timely, coordinated, and transparent supervisory actions across jurisdictions. Clear expectations on the type of information to be shared, the timeframe for its transmission, and the roles of each authority help prevent fragmented and inconsistent responses that could undermine the effectiveness of the suspension of redemption rights. Such structured approach also reduces uncertainty for insurers and policy holders and reinforces confidence in the stability and integrity of the insurance sector during periods of liquidity distress.

While specifying detailed requirements for information exchange and cooperation offers many benefits, it may also present certain challenges. Strictly defined processes and timelines could reduce flexibility in responding to complex or rapidly evolving situations. Additionally, the administrative burden on supervisory authorities may increase, particularly for supervisory authorities with limited resources, who must meet stringent coordination and information obligations. There is also a risk that formalised procedures could slow down urgent decision-making if the required consultations and exchanges are not efficiently managed. Lastly, differences in national legal frameworks or interpretations may still hinder full alignment, despite the guidelines, potentially creating friction or delays in cross-border supervisory actions. In summary, clear specifications for supervisory cooperation enhance coordination, transparency, and policy holder protection during exceptional circumstances of elevated liquidity risk that justify the temporary suspension of redemption rights. However, such detailed provisions may introduce rigidity and administrative complexity. Balancing clarity with flexibility is key to effectively ensure that policy holders are treated equally and adequately in all home and host jurisdictions, while also ensuring that supervisory authorities are not subject to disproportionate burdensome requirements. This would also align with the principle of proportionality embedded in the Solvency II.

Policy option D.0: No change

Policy option D.0		
Costs	Policy holders	The interests of policy holders are not safeguarded and there is a high risk that they will not be treated equally and adequately in all home and host jurisdictions.
	Industry	High risk that policy holders' confidence in the industry will be undermined and may even lead to panic reactions.
	Supervisors	High reputational risk for supervisors for failing to ensure the protection of policy holders in all home and host jurisdictions.
	Other	No trust to the supervisory community and the stability of the EU financial system.
Benefits	Policy holders	None.
	Industry	None.
	Supervisors	No material impact.
	Other	None

Policy option D.1: The Guidelines detail aspects concerning the cooperation and information exchange

Option D.1 will ensure that policy holders across jurisdictions receive clear, consistent, and non-conflicting information, minimizing reputational damage and panic. Coordinated messages from supervisory authorities will be beneficial also for undertakings operating on a cross-border basis and will contribute to maintaining policy holders' confidence and trust in them overcoming the liquidity vulnerabilities avoiding panic reactions.

Policy option D.1

Costs	Policy holders	No material impact.
	Industry	No material impact.
	Supervisors	Reduce flexibility in responding to complex or rapidly evolving situations. Administrative burden on supervisory authorities may increase. Formalised procedures could slow down urgent decision-making if the required consultations and exchanges are not efficiently managed.
	Other	No material impact.
Benefits	Policy holders	Equal and adequate treatment of policy holders in both home and host jurisdictions. Avoid inconsistent supervisory actions and messages to policy holders, ensuring policy holders across jurisdictions receive clear and non-conflicting information, minimizing reputational damage and panic.
	Industry	Coordinated actions and communication from supervisors will be beneficial for undertakings operating on a cross-border basis and will contribute to maintaining policy holders' confidence and trust in them overcoming the liquidity vulnerabilities avoiding panic reactions that can lead a liquidity stress resulting in a solvency stress that may even lead to insurance failure(s).
	Supervisors	Reduce ambiguity over who is responsible for what, when, and how, enhancing the effectiveness of the applied mitigating measure and the objective of Solvency II Directive to protect equally and adequately policy holders in a cross-border context. Clearly defined expectations help prevent inconsistent interpretations or delayed actions by supervisors, especially in a cross-border context. This ensures a harmonized supervisory response across jurisdictions. Defined information-sharing expectations and timeframes reduce operational bottlenecks during crisis events when time is critical. Coordinated communication reassures the public that authorities are acting cohesively and in the policy holders' best interest, safeguarding supervisors' reputation.
	Other	Enhances trust to the supervisory community and the stability of the EU financial system.

Policy option D.2: The Guidelines provide only high-level expectations on how cooperation and information exchange are organised

With Option D.2 there is higher risk that specific and essential aspects of cooperation and information exchange between home and host supervisory authorities are not adequately detailed, leading to uncoordinated and possible conflicting messages to policy holders in different jurisdictions. As such there is a significant risk that policy holder confidence in the insurance sector could be undermined, potentially triggering adverse reactions, including panic or loss of trust in industry.

Policy option D.2		
Costs	Policy holders	The interests of policy holders are not sufficiently safeguarded and there is a high risk that they will not be treated equally and adequately in all home and host jurisdictions.
	Industry	High risk that policy holders' confidence in the industry will be undermined and may even lead to panic reactions.
	Supervisors	High reputational risk for supervisors for failing to ensure adequate protection of policy holders in all home and host jurisdictions.
	Other	No trust to the supervisory community and the stability of the EU financial system.
Benefits	Policy holders	No material impact.
	Industry	No material impact.
	Supervisors	More flexibility for supervisors in responding to complex or rapidly evolving situations.
	Other	No material impact.

COMPARISON OF THE POLICY OPTIONS CONCERNING POLICY ISSUE D

Policy Option D.1 is clearly better in terms of protecting policy holders and ensuring equal and adequate treatment in all home and host jurisdictions. With Option D.2 there would be a much higher risk that policy holders in different jurisdictions receive conflicting messages and their confidence in the insurance sector could be undermined, potentially triggering adverse reactions, including panic or loss of trust in the industry.

It is somewhat easier for supervisors to act on a unilateral basis during exceptional circumstances and establish their communication to the public, when there is a need for decisions to be taken and implemented rapidly. Such flexibility is reduced when a framework is in place introducing specific expectations towards supervisors on the information to be exchanged at early stages of managing and mitigating the liquidity crisis. However, the benefits related to Policy Option D.2 exceed the costs and Option D.2 strike the right balance between a structured approach on home-host cooperation and proportionate requirements towards supervisory authorities.

EFFECTIVENESS (0,+,++)		
	Financial stability	Policy holder protection
Policy option D.0	0	0
Policy option D.1	++	++

Policy option D.2	+	+
EFFICIENCY (0,+,++)		
	Financial stability	Policy holder protection
Policy option D.0	0	0
Policy option D.1	++	++
Policy option D.2	+	+

PREFERRED OPTION CONCERNING POLICY ISSUE D

The preferred option is Policy Option D.1.

Considering that several undertakings operate in various Member States through the exercise of the right of establishment or the freedom to provide services and the potential market sensitivity of the temporary suspension of redemption rights, a detailed framework of cooperation and information exchange between home and host supervisory authorities is clearly the preferred option. While it may introduce some operational complexity, the benefits of enhanced coordination, timely information exchange, and consistent communication far outweigh the drawbacks. Such a framework strengthens supervisory convergence, supports effective crisis management, and helps maintain policy holder confidence across jurisdictions—objectives that a less detailed, more flexible framework may not fully achieve in practice.

ANNEX 2: FEEDBACK STATEMENT

This feedback statement sets out a high-level summary of the consultation comments received and EIOPA's assessment of them. The full list of all the non-confidential comments provided can be found on EIOPA's website.

EIOPA received comments from its Insurance and Reinsurance Stakeholder Group (IRSG) and from six other stakeholders, mainly insurance industry and associations.

As part of the consultation EIOPA held a workshop with stakeholders to discuss the Guidelines on 10 December 2025.

In addition, EIOPA consulted the ESRB in accordance with the mandate in Article 144b(8) of the Solvency II Directive. ESRB submitted its advice[5] to the draft RTS on 8 January 2026.

EIOPA would like to express its appreciation for the feedback of the stakeholders during the preparation of the Guidelines.

SCOPE, PROPORTIONALITY AND SUPERVISORY APPROACH

Stakeholder comments

Several stakeholders commented that the Guidelines, in particular Guideline 1, could be perceived as too prescriptive due to the detailed list of supervisory measures. They cautioned against excessive supervisory intervention, noting the risk of unintended consequences for insurance undertakings, policyholders and financial stability.

Some stakeholders, including the IRSG, stressed that supervisory powers should be exercised only in rare and exceptional circumstances, remain temporary in nature, and be proportionate to the severity of the liquidity risk.

Other stakeholders emphasised the importance of maintaining a principle-based approach and relying on regular supervisory dialogue rather than detailed or automatic intervention mechanisms.

Assessment

The Guidelines do not introduce new supervisory powers, nor do they require automatic intervention. Their objective is to promote supervisory convergence in the use of existing powers under Article 144b, while preserving supervisory judgement and proportionality.

No structural changes were made to the non-exhaustive list of supervisory measures. The Guidelines clarify that supervisory action should be proportionate, risk-based and tailored to the specific circumstances of the undertaking or group, with supervisory dialogue remaining a key supervisory tool.

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[5] ESRB advice to EIOPA on the Guidelines on supervisory powers to remedy liquidity vulnerabilities (Article 144b(8) Solvency II)

LIQUIDITY RISK INDICATORS, STRESS TESTING AND EVIDENTIARY THRESHOLD

Stakeholder comments

Several stakeholders highlighted that liquidity risk indicators must remain undertaking-specific and that supervisors should not prescribe standardised metrics. They noted the absence of universally accepted liquidity benchmarks and warned that standardisation could lead to misleading supervisory outcomes. Some stakeholders, including the IRSG, expressed concern that the Guidelines could be interpreted as allowing supervisory intervention based solely on forward-looking stress tests or hypothetical scenarios, without an imminent liquidity shortfall.

Assessment

EIOPA agrees that liquidity indicators should be developed by undertakings in line with their specific business model and risk profile. The Guidelines do not introduce standardised liquidity metrics or thresholds.
Guideline 3 is amended to align with Directive terminology by replacing “clear indications” with “sufficient evidence”, ensuring that supervisory intervention is based on sufficiently robust and demonstrable grounds.

It should also be noted that that the adverse developments assessed in stress tests and forward-looking analyses should not be too extreme, and they are tools to inform supervisory assessment and dialogue and should not, in isolation, trigger supervisory measures.

CONSISTENCY WITH SOLVENCY II DIRECTIVE AND IRRD

Stakeholder comments

Several stakeholders commented on the need to ensure consistency with the Solvency II Directive and the IRRD, in particular with regard to liquidity monitoring, solvency considerations and pre-emptive recovery plans.

Some stakeholders stressed that solvency-related elements should only be considered where clearly linked to material liquidity risk, while others highlighted the importance of taking into account recovery actions and timeframes already foreseen in pre-emptive recovery plans.

Assessment

EIOPA agrees that further clarification is appropriate and amended the Guidelines accordingly. In particular, in the Guidelines it is clarified that solvency-related elements should be considered only insofar as they are relevant for material liquidity risk under Article 144b of the Solvency II Directive. Guideline 3 was amended to clarify that supervisory authorities should consider the timeframe envisaged in the undertaking’s pre-emptive recovery plan when assessing whether supervisory powers should be activated, ensuring consistency with the IRRD framework. Additionally, EIOPA introduced an additional paragraph in the introduction of the Guidelines to clarify that the escalation process of the Guidelines should be read in conjunction with undertakings’ pre-emptive recovery plans, where applicable.

Guideline 4 was amended to clarify that market and economic developments or undertaking's specific conditions, including solvency related considerations that could lead to exceptional circumstances, should be assessed in the context of insurance or reinsurance undertakings facing material liquidity risks.

IDENTIFICATION OF EXCEPTIONAL CIRCUMNSTANCES

Stakeholder comments

Some stakeholders, including the IRSG, commented that the Guidelines would benefit from a narrower definition of exceptional circumstances. Guideline 4 identifies as potential exceptional circumstances not only "high-impact catastrophic events" but also negative financial events, such as "unforeseen, sharp and steep changes of interest rates" or "unforeseen, sharp and steep deterioration of financial market conditions". This would represent broad ground for application of the suspension of redemption rights, beyond the intention of the legislator, having considered the indications embedded in recital 23 and Article 304e of the Solvency II Directive.

Assessment

EIOPA acknowledges that health emergencies, natural catastrophes or other extreme events are examples of specific events that could trigger exceptional circumstances.

However, it should be noted that recital 23 and Article 304e of the Solvency II Directive, which the stakeholders refer to, and Article 144b of the Solvency II Directive, which is the basis of these Guidelines, are different legal provisions. While both provisions refer to exceptional circumstances the context is quite different. Article 144b(8) deals with exceptional circumstances that justify the temporary suspension of redemption rights and Article 304e deals with exceptional circumstances that allow supervisory authorities to delay reporting deadlines. The legal provisions do not imply that exceptional circumstances are the same. Instead, EIOPA believes that the definition of exceptional circumstances needs to take into account the context of each provision. It is adequate that exceptional circumstances for the purpose of Article 144b are interpreted more broadly than for Article 304. Therefore, EIOPA opted to include market or economic changes that can be considered as exceptional in addition to high-impact catastrophic, such as exceptional health emergency, natural catastrophe, which are now explicitly mentioned in Guideline 4(18g). In fact, the considered market or economic changes were relevant in past liquidity crisis. For example, the financial crisis in 2008, the UK gilt crisis in 2023, or the Eurovita case in 2025 show that exceptional circumstances causing material liquidity risks were triggered by events broader than those named in recital 23 and in in Article304e of the Solvency II Directive. In this context, the conditions listed under Guideline 4, paragraphs 19 and 21 represent a broader open list, whose elements are meant to be exemplificative and non-exclusive.

Finally, it should also be noted that the ESRB, in its comment on these Guidelines supports the approach taken by EIOPA for Guideline 4.

SPECIFICATION OF FURTHER DETAILED ELEMENTS ON THE EXCEPTIONAL CIRCUMNSTANCES AND TO ENSURE THE CONSISTENT APPLICATION OF THE TEMPORARY SUSPENSION OF REDEMPTION RIGHTS AND EQUAL AND ADEQUATE TREATMENT OF POLICY HOLDERS

Stakeholder comments

One stakeholder supported the inclusion of additional specification of exceptional circumstances in Guideline 4, covering:

- Objective quantitative indicators, such as severe asset-liquidity shortfall, extreme redemption spikes, market-wide liquidity freeze, or inability to execute transactions without material impairment.
- Clear qualitative factors, including failure of contingency funding plans, systemic market disruptions, or operational constraints preventing timely settlement of withdrawals.
- Explicit requirement that temporary suspension may only be invoked when all other proportional and less intrusive measures have been exhausted.

In addition, some stakeholders commented that Guideline 5 would benefit from the additional specification to ensure the consistent application of the temporary suspension of redemption rights as a last resort measure across the Union. In this regard it is suggested that Guideline 5 should include:

- Minimum procedural steps before activation (e.g. supervisory dialogue, assessment of remedial measures, comparison of alternative tools).
- A short, standardised supervisory decision framework, outlining required evidence, documentation and justification prior to imposing a suspension.
- Time-limited duration requirements (with mandatory periodic review), to ensure the measure is not extended unnecessarily.
- Transparency obligations around the criteria for initiation and lifting of suspension, to avoid supervisory overreach or inconsistent interpretation.

Further enhancements of Guideline 5 were also proposed to ensure equal and adequate treatment of policy holders, especially for cross-border business by adding:

- Explicit principles of fairness and non-discrimination.
- Guidance on communication standard, by specifying minimum expectations for the quality, timeliness and content of information provided to affected policyholders across jurisdictions.
- Clarification on partial or phased redemptions (where feasible).
- Requirements for host-supervisor coordination to avoid divergent interpretations or conflicting directions for multi-jurisdiction undertakings.

Assessment

The guidelines aim at striking a balance between contributing to supervisory convergence and keeping an agile and proportionate regulatory framework. The suggested additional specification would in EIOPA’s view be overly prescriptive and could restrict the flexibility of supervisory authorities to react appropriately to the particularities of exceptional circumstances

Nevertheless, Guideline 4 has been improved by adding a reference to contingency funding plans and market-wide liquidity freeze or inability to sell assets without material impairment as additional element of the non-exhaustive list provided in Guideline 4, paragraph 19.