

# FINAL REPORT

Guidelines on the range of scenarios in pre-emptive recovery planning

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**eiopa**

European Insurance and  
Occupational Pensions Authority

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## EXECUTIVE SUMMARY

### INTRODUCTION

On 9 December 2025, EIOPA launched a public consultation on the proposal for Guidelines on the range of scenarios in pre-emptive recovery planning. This final report sets out the final text of the draft Guidelines including an impact assessment and a feedback statement on the public consultation.

### CONTENT

These Guidelines are developed in line with the mandate in Article 5(11) conferred to EIOPA by Directive (EU) 2025/1 and in cooperation with the European Systemic Risk Board (ESRB). Article 5(7) of Directive (EU) 2025/1 sets out the range of scenarios to be included in the pre-emptive recovery plan of an undertaking or group. The range of scenarios should be relevant to the undertaking's specific conditions and should include system-wide events, idiosyncratic stress events and combinations of such events.

These draft Guidelines specify further the conditions that the scenarios should satisfy as well as the need for an assessment of the impact of the events on different dimensions. A minimum list of events to be taken into consideration is provided under each type of event.

### PUBLIC CONSULTATION

EIOPA conducted a public consultation on these draft Guidelines between 9 December 2025 and 20 March 2026. A workshop was held on 6 February 2026 to discuss the consultation paper. Nine stakeholders provided feedback on the consultation paper. Based on the stakeholder feedback, the drafting of these draft Guidelines was refined, without changing the general approach set out in the consultation paper.

### NEXT STEPS

EIOPA shall, by 29 January 2027, issue these Guidelines in accordance with Article 16 of Regulation (EU) No 1094/2010.

## GUIDELINES ON THE RANGE OF SCENARIOS IN PRE-EMPTIVE RECOVERY PLANNING

### INTRODUCTION

1. In accordance with Article 16 of Regulation (EU) No 1094/2010 (EIOPA Regulation)<sup>1</sup> and with Article 5(11), point (a), of Directive (EU) 2025/1<sup>2</sup>, EIOPA issues these Guidelines, to specify further, in cooperation with the ESRB, the range of scenarios of severe macroeconomic and financial stress relevant to the insurance and reinsurance undertaking's (hereafter: "undertakings") or group's specific conditions when assessing the credibility and feasibility of their pre-emptive recovery plans.
2. These guidelines apply in relation to the range of scenarios referred to in Article 5(7) of Directive (EU) 2025/1 for the purposes of pre-emptive recovery planning.
3. These Guidelines have been developed in line with EIOPA's views for better regulation and supervision<sup>3</sup>, thereby enhancing supervisory convergence through simpler, more efficient frameworks.
4. In accordance with Article 5(1) of Directive (EU) 2025/1, drawing up, keeping up-to-date and application of pre-emptive recovery plans are considered to be part of the system of governance within the meaning of Article 41 of Directive 2009/138/EC<sup>4</sup>.
5. These Guidelines are addressed to supervisory authorities and financial institutions in accordance with Articles 4(1) and 4(2), point (i) of the EIOPA Regulation.
6. These Guidelines apply from 30 January 2027.
7. If not defined in these Guidelines, the terms have the meaning defined in the legal acts referred to in the introduction.

### GUIDELINE 1 – RANGE OF SCENARIOS

8. The range of scenarios of severe macroeconomic and financial stress relevant to the undertaking's or group's specific conditions should ensure coverage of:
  - a. a 'system-wide event', which means an event that risks having serious negative consequences for the financial system and/or the real economy;

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<sup>1</sup> 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).

<sup>2</sup> 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).

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

<sup>4</sup> 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).

- b. an ‘idiosyncratic stress event’, which means an event that risks having serious negative consequences for a single undertaking, a single group or an undertaking within a group rather than for the financial system and/or the real economy;
  - c. a combination of system-wide and idiosyncratic stress events which occur simultaneously.
9. The complexity and features of the scenarios as well as the level of detail, should be commensurate with the factors and principles of proportionality referred to in third subparagraph of Article 1(1) of the Directive (EU) 2025/1.
10. The range of scenarios should indicate whether the events included are:
- a. ‘slow-moving’ which involve a gradual decline in the financial position of the undertaking or group, often due to ongoing internal issues or external market conditions, which may result in a slow deterioration in own funds. Such events could include a prolonged economic recession, gradual decline on certain economic sectors or a prolonged inflationary period. Undertakings and groups should consider whether these events are relevant to the undertaking’s or group’s business model; and
  - b. ‘fast-moving’ which involve sudden, unexpected events that may have a significant impact on the financial position of the undertaking. Such events could include a sudden default by a major counterparty, a natural catastrophe, pandemics, major cyberattack or a sudden crash in markets.

## GUIDELINE 2 – DESIGN PRINCIPLES FOR THE RANGE OF SCENARIOS

11. Scenarios used for pre-emptive recovery planning should meet the conditions set out in these Guidelines. While Own Risk and Solvency Assessment (ORSA) scenarios can be used as a starting point, they may need to be adapted, for example to be broader or more severe, due to the different approach and scope of pre-emptive recovery planning. Reverse stress test scenarios in ORSA may also be used provided they meet the required conditions for pre-emptive recovery planning.
12. Undertakings and groups may, where appropriate, use existing tools and analyses<sup>5</sup> when defining the range of scenarios provided that the selected scenarios meet the conditions set out in these Guidelines.
13. Each scenario should be designed as follows:
- a. the scenario should be based on severe macroeconomic and financial stress events that are most relevant to the undertaking or group concerned, taking into account, among other relevant factors, its size, business model, risk profile, interconnectedness, structure, and, in particular, any identified vulnerabilities or weaknesses of the undertaking or group;
  - b. the events foreseen in the scenario threaten the viability of the undertaking or group, unless remedial actions were implemented in a timely manner;

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<sup>5</sup> These include EIOPA insurance stress tests, ESG or climate-related stress tests, risk analyses and dashboards produced by European Supervisory Authorities (ESAs).

- c. the scenario should be based on events that are plausible, provided that they are severe enough to materially impair the financial position of the undertaking, such as leading to the position where the capital regulatory requirements of the undertaking or group are breached or likely to be breached unless the remedial actions were successfully implemented.
14. The range of scenarios should assess the ability of the undertaking or group to withstand severe conditions, and events or scenarios should not be ruled out on the assumption that they are considered unlikely, regardless of their low probability of occurrence or a lack of prior occurrence.
  15. In case of groups, consideration should be given to their special features, including intra-group interconnectedness. For the choice of scenarios and of remedial actions it may also be important to understand the potential sequence of defaults within the group by analysing how losses propagate through the group via ownership relations and in case of default of intra-group financing arrangements.
  16. Macro-economic scenarios should be applied to legal entities within the group that fall under the scope of recovery planning under Directive (EU) 2025/1 to assess the group's common exposures to risk and interdependencies.
  17. Each scenario should include a quantitative assessment of the impact of the events, at a minimum, on the solvency position, liquidity and profitability and, where relevant, on the operational capability of the undertaking or group. The impact of events should be clearly reflected in the framework of indicators and inform the proposed remedial actions as needed.
  18. The range of scenarios should cover a reasonable period which should reflect the size, risk profile and business model of the undertaking or group. In particular, the scenarios could range across short-, medium-, and long-term horizons or even extend over multiple periods where risks evolve over several stages.
  19. When designing scenarios, undertakings should take into account the timing and sequencing of impacts, including the expected timing of breaches of indicators as well as the timing when remedial actions become effective.

### GUIDELINE 3 – SYSTEM-WIDE EVENTS

20. In designing scenarios based on system-wide events, undertakings and groups should take into consideration whether to include the following system-wide events:
  - a. exposure to common shocks affecting a significant share of the national market, such as significant changes in the interest rate environment, including effect on equity markets and credit spreads;
  - b. a macroeconomic downturn, such as those due to geopolitical risks, natural catastrophic events climate-related events or pandemics;
  - c. financial distress caused by geopolitical tensions affecting in particular a significant country of operation of the undertaking or the group;
  - d. the failure of significant counterparties affecting financial stability;
  - e. adverse movements in the price of assets in one or several markets;
  - f. regulatory risk resulting from changes in laws or regulations, in particular where they severely disrupt the business model of the undertaking or the group

## GUIDELINE 4 – IDIOSYNCRATIC STRESS EVENTS

21. In designing scenarios based on idiosyncratic stress events, undertakings and groups should take into consideration whether to include the following idiosyncratic stress events:
- a. severe underwriting losses and/or under-reserving;
  - b. adverse movements in the prices of assets to which the undertaking or group is predominantly exposed;
  - c. severe liquidity outflows of liquidity, including but not limited to, margin calls, sharp increase of lapses, material claims;
  - d. the failure of significant counterparties;
  - e. a severe operational risk loss, including fraud and cyber attack;
  - f. legal risk particularly resulting from the failure to comply with laws or regulations or other contractual obligations severely impacting the undertaking or group.

## GUIDELINE 5 – COMBINATION OF SYSTEM-WIDE AND IDIOSYNCRATIC STRESS EVENTS

22. In designing scenarios based on a combination of system-wide and idiosyncratic stress events, undertakings and groups should take into consideration whether to include the events laid down in Guidelines 3 and 4<sup>6</sup>.

## COMPLIANCE AND REPORTING RULES

23. 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.
24. Competent authorities that comply or intend to comply with these Guidelines should incorporate them into their regulatory or supervisory framework in an appropriate manner.
25. 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.
26. 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

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

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<sup>6</sup> Possible combinations of scenarios are:

- Geopolitical crisis + operational risk event (including cyber attack)
- Global/Regional financial crisis + Reinsurance counterparty default

## EXPLANATORY TEXT

### GUIDELINE 1 – RANGE OF SCENARIOS

8. In accordance with Article 5(7) of the Directive (EU) 2025/01, the range of scenarios of severe macroeconomic and financial stress relevant to the undertaking's specific conditions should ensure coverage of:

a. a 'system-wide event', which means an event that risks having serious negative consequences for the financial system and/or the real economy;

b. an 'idiosyncratic event', which means an event that risks having serious negative consequences for a single undertaking, a single group or an undertaking within a group rather than for the financial system and/or the real economy; and

c. a combination of system-wide and idiosyncratic events which occur simultaneously and interactively.

9. The complexity and features of the scenarios should be commensurate, to the factors referred to in third subparagraph of Article 1(1) of the Directive 2025/1.

10. The range of scenarios should indicate whether the events included are:

a. 'slow-moving' which involve a gradual decline in the financial position of the undertaking or group, often due to ongoing internal issues or external market conditions, which may result in a slow deterioration in own funds. Such events could include a prolonged economic recession, gradual decline on certain economic sectors or a prolonged inflationary period. Undertakings and groups should consider whether these events are relevant to the undertaking's or group's business model; and

b. 'fast-moving' which involve sudden, unexpected events that may have a significant impact on the financial position of the undertaking. Such events could include a sudden default by a major counterparty, a natural catastrophe, pandemics, major cyberattack or a sudden crash in markets.

1. An illustrative non-exhaustive list of the range of scenarios that insurance or reinsurance undertakings or groups could consider when assessing the content of pre-emptive recovery plans is provided below.

2. This illustrative non-exhaustive list of the range of scenarios covers the three categories of required scenarios (1. system-wide scenarios, 2. idiosyncratic scenario, and 3. combination of system-wide and idiosyncratic scenario). The main categories and possible scenarios are listed in the first column.

3. Main risks associated with such scenarios are listed in the second column while the third column notes that direct or indirect impact of the scenarios could be tested against dimensions that the undertaking or group deems necessary to assess the type of impacts (e.g. capital, liquidity, profitability). The last column adds the dimension of slow or fast moving events that an undertaking could consider when designign their scenario(s).

#### ILLUSTRATIVE NON-EXHAUSTIVE LIST OF THE RANGE OF SCENARIOS THAT UNDERTAKINGS COULD CONSIDER WHEN APPLYING ARTICLE 5(7) OF THE DIRECTIVE (EU) 2025/1:

<b>1. System-wide scenario</b>	<b>Main Risks</b>	<b>(In)Direct impact could be tested against capital decline, liquidity shortfall, treat to operational viability</b>	<b>Slow and/or fast moving events as a dimension to the scenario</b>
<b>Global economic crisis</b>	market risk, operational risk, , underwriting risk, credit risk	All dimensions	Both
<b>Global pandemic and associated economic downturn</b>	market risk + underwriting risk	All dimensions	Both
<b>Increased geopolitical risk/ Regional or global geopolitical instability</b>	market risk, operational risk, , underwriting risk, credit risk	All dimensions	Both
<b>Major NatCat and/or cyber events and reinsurance default</b>	underwriting risk + operational risk +counterparty default risk	Mainly: Liquidity and Capital	Both
<b>Mass-Lapse Scenario and inadequate reinsurance coverage</b>	underwriting risk + +counterparty default risk+ liquidity risk	Mainly: Liquidity and Capital	Fast-moving
<b>Regulatory changes and/or policy decisions affecting the undertaking (including regulatory changes from other sectors)</b>	All risks	All dimensions	Both
<b>Prolonged inflationary period</b>	Market risk + underwriting risk	Mainly: Capital, Liquidity	Slow-moving

<b>Climate change</b>	Market risk + underwriting risk+credit risk+liquidity risk+operational risk	All dimensions	Slow-moving
<b>2. Idiosyncratic scenario</b>	<b>Main Risks</b>	<b>Material impacts tested against capital decline, liquidity shortfall, treat to operational viability</b>	<b>Slow and/or fast moving events</b>
<b>Material Cat event</b>	All risks	Capital, Liquidity. Profitability	Fast-moving events (a few days)
<b>Cyber Attack with severe loss of reputation<sup>7</sup></b>	market risk, operational risk,	capital, own funds, liquidity, asset quality, profitability	Both
<b>Partial or full failure of Group entities connected with the undertaking (e.g reinsurers, investment funds, banks)</b>	group risk, credit risk, default on reinsurers liabilities	Capital, liquidity, asset quality, profitability	Both
<b>Deliberate (systematic) under-reserving or Significant underwriting losses</b>	operational risk, reserving risk	Liquidity and Capital	Both
<b>On-going low profitability due to poor underwriting or high cost ratios</b>	Underwriting risk, operational risk, liquidity risk, capital risk	Capital, Liquidity. Profitability	Slow-moving
<b>3. Combination of scenarios: System-Wide + Idiosyncratic</b>	<b>Main Risks</b>	<b>Material impacts tested against capital decline, liquidity shortfall, treat to operational viability</b>	<b>Slow and/or fast moving events</b>
<b>Geopolitical crisis + operational risk event (including Cyber)</b>	Market Risk, Underwriting Risk, Operational Risk	capital, own funds, liquidity, asset quality, profitability	Both
<b>Global/Regional Financial Crisis + reinsurance counterparty default</b>	All risks	capital, own funds, liquidity, asset quality, profitability	Both
<b>Sovereign default + natural catastrophe and/or Cyber event</b>	underwriting risk, environmental risk, credit risk, geopolitical risk, operational risk	capital, own funds, liquidity, asset quality, profitability	Fast-moving
<b>Reputational risk scenario deriving from a liquidity crisis (originating from economic downturns)</b>	Liquidity risk	Liquidity and Capital	Fast-moving

<b>high-yield and high-inflation scenario <sup>8</sup></b>	Market Risk, Underwriting Risk	Capital, Liquidity	Both
<b>On going low profitability(e.g. due to poor underwriting or high cost ratios) and/or trading losses and overall deterioration of own funds driven by prolonged inflationary period</b>	Underwriting risk, operational risk, liquidity risk, capital risk	Capital, Liquidity. Profitability	Slow-moving

## ANNEX I: IMPACT ASSESSMENT

### OBJECTIVES

In accordance with Article 29 of the EIOPA Regulation, EIOPA carries out, where relevant, an analysis of the costs and benefits during the policy development process. The analysis of costs and benefits is undertaken according to the impact assessment methodology.

The starting point for this impact assessment is that existing provisions following from the level 1 text are already in place and that the other provisions included in this consultation paper will be implemented as proposed. As a result, this assessment only considers the additional impact of each specific policy issue under discussion.

This impact assessment covers the inclusion of “Reputation” as a dimension against which the impact of scenarios is measured (policy issue A) and has been completed by EIOPA on a qualitative basis. In drafting these Guidelines, EIOPA has ensured alignment with the general objectives of the Directive (EU) 2025/1, as agreed by the legislators.

These general objectives are to enable supervisory authorities to:

- Reduce the likelihood of failure;
- Enhance preparation, coordination and cooperation;
- Ensure a proper functioning of the internal market and ensuring level playing field.

In view of the specific purpose of these Guidelines, the following more specific objectives were identified, for supervisory authorities to:

- Promote good risk management with scenarios and events included in the pre-emptive recovery plan being the most relevant to (re)insurance undertakings and groups while limiting the burden for the ones representing lower risk using a proportionate approach.
- Ensure level playing field through common minimum harmonisation rules with regard to the events included in the range of scenarios.
- Enable effective and efficient supervision, ensuring authorities are provided with the most relevant information to allow proper assessment of the range of scenarios.

## POLICY ISSUES

### **Policy Issue A: Inclusion of "Reputation" as a dimension against which the impact of scenarios is measured**

The Guidelines as per Article 5 (11) of IRRD should "further specify" in cooperation with the ESRB, the range of scenarios referred to in Article 5(7) which are included in the pre-emptive recovery plan as per Article 5(1). The impact of the scenarios should be assessed against a range of dimensions such as solvency position and liquidity. This policy issue considers the need to include "Reputation risk" as an additional dimension.

## POLICY OPTIONS

### **Policy Issue A: Inclusion of "Reputation" as a dimension against which the impact of scenarios is measured**

**Policy option A.1: Guidelines include "reputation" in dimensions against which the impact of scenarios is measured.**

Under this option, the impact of scenarios included in the pre-emptive recovery plan would be assessed on Solvency, Liquidity, Profitability, Operations aspects and the Reputation of the undertaking.

**Policy option A.2: Guidelines do not include "Reputation" in dimensions against which the impact of scenarios is measured.**

Under this option, the impact of scenarios included in the pre-emptive recovery plan would be assessed on Solvency, Liquidity, Profitability and Operations aspects.

## IMPACT OF THE POLICY OPTIONS

In assessing the impact of the policy options, special attention is devoted to the potential areas or functions where the costs could arise as a result of the different policy options. A more detailed estimation of the (monetary) costs would depend on several variables, such as the company-specific process and procedures, the size and nature of the entity and the applicable resolution framework at national level, including the potential contribution to financing arrangements.

**Policy Issue A: Inclusion of "Reputation" as a dimension against which the impact of scenarios is measured**

Policy option A.1 Guidelines include "Reputation" in dimensions against which the impact of scenarios is measured.		
<b>Costs</b>	Policyholders	No impact.
	Industry	The assessment of the impact in reputation presents important challenges since it is strictly qualitative. The risk management function and other functions or areas, which contribute to the drawing up of the pre-emptive recovery plan and hence the range of scenarios, would need to develop the qualitative reputational risk assessments which would complicate the quantitative evaluations and increase uncertainty. This would in turn require some coordination with other areas..Finally, additional budget would be required to support the additional resources, tools or consultants,to conduct the assessment, resulting in higher burden.
	Supervisors	Supervisory authorities would need to allocate additional resources to develop guidance and a methodology to assess the reputational risk, increasing workload to NCAs. Reviewing reputational assessments requires expert judgment and adds complexity which is further exacerbated from the fact that this risk is excluded from SCR according to the SII Directive This would subsequently increase supervisory costs.
	Other	No impact.
<b>Benefits</b>	Policyholders	No impact.
	Industry	The Risk management function of the undertaking would gain a more holistic/complete view of the assessment of the impact of scenarios on undertaking's different dimensions, including reputational risk. As a result, the undertaking may be better prepared for a crisis involving reputational issues.
	Supervisors	The supervisory authorities would be able to have a more comprehensive understanding of the undertaking's vulnerabilities as well as the impact of a scenario to the undertaking, resulting in more meaningful information provided to the supervisors.
	Other	No impact.

Policy option A.2: Guidelines do not include "Reputation" in dimensions against which the impact of scenarios is measured.		
<b>Costs</b>	Policyholders	Policyholders may be indirectly affected if undertakings and supervisors fail to adequately assess and manage reputational risks.
	Industry	A scenario might have severe impact on the undertaking's reputation and the risk management area of the undertaking might be unprepared to effectively manage potential crisis that could emerge due to reputation risk. Financial impact could occur if reputational risks materialize unexpectedly.
	Supervisors	Supervisory authorities would have limited insight into undertaking's exposure to reputational risks.
	Other	No impact.
<b>Benefits</b>	Policyholders	No impact.
	Industry	The risk management function of the undertaking would face reduced complexity since there will not be a need to develop methodologies and processes to assess the impact on reputation. The financial department would face less costs and lower budget as fewer resources are needed. Overall there would be a more streamlined process, lower costs and a contained administrative burden.
	Supervisors	Supervision authorities would benefit from a less burdensome, simpler review process, reducing complexity in the evaluation. This would mean lower supervisory costs and workload as assessing the impact of scenarios would be more straightforward, aiding in simpler, more effective supervision.
	Other	No impact.

## COMPARISON OF POLICY OPTIONS

**Policy Issue A: Inclusion of "Reputation" as a dimension against which the impact of scenarios is measured**

EFFECTIVENESS (0,+,,++)			
	Promote good risk management while limiting the burden for the re(insurance) undertakings representing lower risk.	Level playing field through common minimum harmonisation rules	Enable effective and efficient supervision of cross-border business
<b>Policy option A.1</b>	0	+	+
<b>Policy option A.2</b>	+	0	+

EFFICIENCY (0,+,,++)			
	Promote good risk management while limiting the burden for the re(insurance) undertakings representing lower risk	Level playing field through common minimum harmonisation rules	Enable effective and efficient supervision of cross-border business
<b>Policy option A.1</b>	0	+	+
<b>Policy option A.2</b>	++	+	+

Under policy option A1, the inclusion of "Reputation" as a dimension in the impact of scenarios is expected to result in additional costs and burden for both the industry and supervisors who will need to conduct complex assessments. More specifically, the risk management function would face additional workload in order to develop the qualitative reputational risk assessments. This would in turn have an impact on the budget required to accommodate for this assessment. By contrast, policy option A2 would minimise costs and increase operational efficiencies as it would allow the industry and supervisors to focus on the risks that can be better monitored and measured in the pre-emptive recovery plan. As effects of reputation can be implicitly included in the assessment of primary risks, it

can be considered without being a standalone dimension. Reputational risk can also be assessed through scenario narratives which would give an indication to the undertaking and supervisors that a reputational issue could be anticipated.

## PREFERRED OPTION

Based on the impact assessment of the policy issue, the preferred option is to **not to include "Reputation" in dimensions against which the impact of scenarios is assessed as per policy option A.2.**

The assessment of the reputational impact presents important challenges for insurance undertakings and supervisors due to its qualitative and subjective nature. Therefore, it might complicate excessively the assessment of the remedial actions, even distorting the quantitative assessment of the remedial actions. Including "Reputation" in the dimensions against which the impact assessment of scenarios is assessed, could complicate the assessment process, creating operational inefficiencies and resulting in additional costs.

While the preferred approach results in limited insight into impact of scenarios on undertaking's reputation, it still promotes good risk management. Events included in the pre-emptive recovery plan remain focused on the most relevant to (re)insurance undertakings and groups, avoiding unnecessary burden on undertakings to conduct complex and potentially inconsistent impact assessments.

The preferred option is also consistent with SII under which reputational risks are excluded. Supervisors who may not be familiar with assessing reputational impact, can also avoid unnecessary burden to evaluate the appropriateness of the assessment, allowing them to focus on those features that can be better measured and monitored in the pre-emptive recovery plan. Reputational risks can still be addressed through qualitative means, such as within scenario analysis, without embedding them as a formal measurement dimension. Furthermore, a reputational risk materializing can be captured through the other quantifiable metrics such as Solvency. Reputational impacts can hence be implicitly captured through the effects on these primary risks.

This mitigates the risk of overlooking reputational considerations while avoiding the full costs and complexities of formal inclusion. Excluding "Reputation" ensures that the impact assessment remains focused on quantifiable dimensions, enabling both the industry and supervisors to allocate resources efficiently and support effective pre-emptive recovery planning without unnecessary complexity or regulatory burden.

## 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 eight other stakeholders, mainly insurance industry and associations.

Additionally, EIOPA was in close contact with the ESRB when drafting these Guidelines and participated in the Insurance Expert Group (IEG) previously to present the principles of these Guidelines. The ESRB advice to EIOPA was approved by the General Board, and the response to EIOPA has been published in the ESRB website.

As part of the consultation EIOPA held a stakeholders workshops on 6 February 2026 to discuss the Guidelines.

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

### SCOPE OF SCENARIOS AND MODELLING REQUIREMENTS

#### Stakeholder comments

Stakeholders expressed concerns that the scenario design requirements are overly complex and go beyond the intention of the IRRD. In particular, they noted that the simultaneous requirement to consider system-wide, idiosyncratic, and combined scenarios, as well as to model interaction effects, significantly increases the modelling burden, including for risks such as macroeconomic, operational, and regulatory risks, which were not explicitly detailed in the Level 1 text.

Several respondents questioned the relevance and proportionality of including multi-year projection horizons and slow-moving scenarios. They argued that such scenarios are already addressed within the ORSA framework and may provide limited additional value for recovery planning, which typically focuses on more immediate stress situations.

Stakeholders also highlighted the lack of clarity regarding the expected number of scenarios and suggested that a limited set of well-developed scenarios (e.g. one system-wide and one idiosyncratic scenario) should be sufficient in most cases to assess recoverability.

In addition, concerns were raised about the requirement to apply macroeconomic scenarios to all legal entities within a group. Respondents considered that this may go beyond the scope of the IRRD and suggested that a risk-based approach should be applied, focusing only on entities that are materially relevant for the group's risk profile and interdependencies.

Overall, stakeholders considered that the Guidelines may lead to overly detailed and burdensome scenario design requirements, potentially exceeding the scope and intent of the IRRD.

## Assessment

The Guidelines on scenario design are aligned with Article 5(7) of the IRRD, which requires a range of scenarios covering system-wide events, idiosyncratic stress events and combinations thereof. The Guidelines therefore reflect this requirement without extending beyond the Level 1 framework. A change was made in the drafting of Guidelines 3,4,5 to clarify that undertakings should consider whether listed events under the three categories are relevant for them to include in their scenario design. In addition, to simplify the modelling of combined scenarios, the reference to interaction effects has been streamlined by removing the wording “and interactively”.

The Guidelines do not prescribe a minimum number of scenarios. Undertakings retain flexibility to design a proportionate set of scenarios tailored to the factors and principles of proportionality referred to in third subparagraph of Article 1(1) of the IRRD. This allows smaller undertakings to apply a less complex approach, while still ensuring adequate coverage of relevant risks. An additional clarification has been introduced under Guideline 1 to explicitly reflect the principle of proportionality, ensuring that scenarios are designed in line with the undertaking’s specific conditions.

With regard to time horizons, scenarios may cover different timeframes depending on the undertaking’s risk profile. While slow-moving events may be more challenging to model, they can still have severe impacts and should therefore be considered where relevant. The Guidelines allow flexibility in selecting projection periods, while ensuring that scenarios support the assessment of the effectiveness of remedial actions.

As regards the application of scenarios within groups, a change has been made in the Guidelines to take into account the entities that fall within the scope of recovery planning under the IRRD rather than to all legal entities. This ensures that the application of scenarios remains relevant and aligned with the IRRD requirements.

## SEVERITY EXPECTATIONS AND SYNERGIES WITH ORSA AND OTHER EXISTING TOOLS AND ANALYSES

### Stakeholder comments

Stakeholders raised concerns that the requirement for recovery scenarios to be systematically more severe than those used in the ORSA represents an extension beyond the expectations set out in the IRRD and may lead to unnecessary administrative burden. They emphasised the importance of allowing maximum reuse of existing ORSA processes for recovery planning purposes.

Several respondents questioned the requirement that all scenarios should be sufficiently severe to threaten viability and lead to a breach or near-breach of the SCR. They argued that, for some undertakings, such severity may be difficult to achieve within plausible scenarios and may not provide meaningful additional insights into recovery capabilities.

Concerns were also raised regarding the consistency of the requirements on plausibility, noting a potential tension between the expectation that scenarios should be plausible and the statement that events should not be excluded solely because they are unlikely. Stakeholders highlighted the need for flexibility in scenario design and calibration, as well as the importance of supervisory judgement.

## Assessment

The Guidelines clarify that scenario design is aligned with the IRRD requirement to consider severe macroeconomic and financial stress that materially affects the undertaking's asset and liability profile. While scenarios should be sufficiently severe, not all scenarios are required to lead to a breach of regulatory capital requirements.

The Guidelines recognise the different objectives of ORSA and pre-emptive recovery planning but allow for synergies. In particular, scenarios developed for ORSA, reverse stress testing or other supervisory exercises may be used as a starting point and adapted where appropriate. Additional clarifications have been introduced to explicitly enable the reuse of existing tools and analyses, thereby reducing duplication and administrative burden.

The Guidelines are intended to ensure that scenarios are sufficiently severe to meaningfully test remedial actions but do not mandate that all scenarios must result in an SCR breach. Supervisory authorities retain discretion to assess the plausibility and relevance of scenarios, allowing flexibility in calibration to reflect the undertaking's risk profile, nature, scale, and complexity.

Finally, the notion of plausibility has been clarified to ensure that scenarios are not excluded solely due to low probability, while still focusing on severe and relevant conditions. With regards to slow-moving events which may develop gradually, they can still have severe impacts and should therefore be considered also in pre-emptive recovery planning and for smaller undertakings if relevant.

## ESRB ADVICE TO THE EIOPA GUIDELINES ON RANGE OF SCENARIOS

The ESRB advice indicates that EIOPA should include reputational risk in the list of idiosyncratic stress events and, ideally, incorporate it into the dimensions used to assess the impact of scenarios.

Furthermore, the advice suggests that the Guidelines could encourage insurers, when defining the range of scenarios, to complement their analysis by taking into account risks and vulnerabilities identified by relevant public authorities or bodies.

## Assessment

The recommendation to include reputational risk in the list of idiosyncratic stress events and, ideally, as a dimension to assess the impact of scenarios has been carefully considered. While reputational risk may be relevant in the context of scenario design, it is generally considered a secondary effect arising from other primary risk events, rather than a standalone idiosyncratic stress event. This approach is consistent with the broader regulatory framework, where reputational risk is not explicitly included in the IRRD and is excluded from the SCR under Solvency II.

In addition, reputational risk is inherently difficult to quantify and assess in a consistent manner, which may limit its usefulness as a standalone modelling dimension and increase the administrative burden.

Nevertheless, reputational risk may still be reflected indirectly, for example as part of scenario narratives or as a consequence of primary risk drivers.

Regarding the consideration of risks and vulnerabilities identified by public authorities in scenario design, an additional paragraph has been introduced to specify that undertakings may use existing tools and analyses when defining the range of scenarios, provided these meet the conditions set out in the Guidelines.