

# RESOLUTION PLANNING AND RESOLVABILITY ASSESSMENT

Third event in IRRD series of online events with stakeholders

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# AGENDA

1. Introductory remarks
2. On the content of (group) resolution plans
3. On the assessment of resolvability (incl. for groups)
4. On addressing and removing impediments to resolvability
5. Q&A

# 1. INTRODUCTORY REMARKS

- Resolution planning and assessing resolvability are fundamental elements of the IRRD
- Instrumental in prospective preparation for effective application of resolution tools and powers
- In essence, resolution plans seek to set-out what resolution strategy (including the use of tools and powers) will be pursued to effectively resolve an insurer if it meets the conditions for resolution
- Resolution planning includes the assessment of resolvability after which alternative measures to address identified impediments to resolvability could be taken
- This presentation will provide you with some initial ideas related to EIOPA's work related to these topics

## 2. ON THE CONTENT OF (GROUP) RESOLUTION PLANS

### ■ Resolution plans shall contain all of the following:

- a summary of the key elements of the plan;
- a summarized set of information about the insurance or reinsurance undertaking relevant from the resolution planning perspective;
- a description of the resolution strategy or strategies;
- a description of arrangements to ensure operational continuity of critical functions and core business lines;
- a description of the financing requirements needs and financing sources necessary for the implementation of the preferred resolution strategy or strategies and arrangements to ensure financial continuity;
- a communication strategy with critical stakeholder groups;
- a detailed description of the assessment of resolvability;
- where applicable, any opinion expressed by the insurance or reinsurance undertaking in relation to the resolution plan.

## 2. ON THE CONTENT OF (GROUP) RESOLUTION PLANS

- **In addition, group resolution plans shall also contain:**
  - an outline of resolution actions for each entity to ensure continuity of critical functions;
  - an examination whether resolution tools and powers could be applied in a coordinated manner;
  - an identification of arrangements for cooperation and coordination with relevant authorities of third countries;
  - an identification of measures necessary to facilitate group resolution;
  - an identification of available funding sources to finance group resolution actions.
- **Some considerations regarding operationalization and optionality:**
  - resolution strategies should be operationalized at the level of the undertaking;
  - to ensure resolution plans are concise and practical documents, operationalization documents might be provided, such as playbooks developed by undertakings or handbooks by the resolution authority;
  - alternative resolution strategy in addition to preferred resolution strategy, to increase optionality and scenario planning.

### 3. ON THE ASSESSMENT OF RESOLVABILITY (INCL. FOR GROUPS)

- **Assessing whether feasible and credible to:**
  - wind up the undertaking under normal insolvency proceedings.
  - for the resolution authority to resolve that undertaking by applying resolution tools and powers.
- **Feasibility and credibility are not defined in IRRD. In BRRD-context:**
  - feasible refers to the likelihood of an effective implementation of the preferred resolution strategy
  - credible refers to the potential impact of the implementation of the resolution strategy on the financial system and real economy and the protection of defined stakeholders
- **Three stages of assessment, in case NRA concludes resolution action may be needed:**
  - 1) select preferred resolution strategy, 2) assess effectiveness of strategy and impediments to it, and 3) assess credibility of strategy against the resolution objectives

### 3. ON THE ASSESSMENT OF RESOLVABILITY (INCL. FOR GROUPS)

- **To assess feasibility IRRD includes resolvability dimensions in Annex, that NRAs need to at least consider:**
  - a) operational continuity;
  - b) access to FMI-services;
  - c) separability;
  - d) loss-absorbing and recapitalization capacity;
  - e) liquidity and funding in resolution;
  - f) information systems and data requirements;
  - g) communication;
  - h) governance.
- **For credibility a separate dimension is included:**
  - credibility and impact.

## 4. ON ADDRESSING AND REMOVING IMPEDIMENTS TO RESOLVABILITY

- **Stages to identify and address substantive impediments:**

- 1) notification of undertaking;
- 2) within four months after notification, undertaking shall propose to the resolution authority possible measures to address or remove the substantive impediments;
- 3) resolution authority assesses whether proposed measures effectively address or remove the substantive impediments;
- 4) if resolution authority find the measures do not effectively reduce or remove the impediment concerned, it shall require the undertaking to take any of the alternative measures listed in Art. 15 (5) of IRRD;
- 5) When taking this decision, resolution authority needs to inform the undertaking with a reason for the decision and the undertaking reserves the right to appeal.



## 4. ON ADDRESSING AND REMOVING IMPEDIMENTS TO RESOLVABILITY

- **NRAs have power to take alternative measures, as listed in Art. 15 (5) of IRRD:**
  - a) revision of any intra-group financing agreements or review the absence thereof, or draw up service agreements, whether intra-group or with third parties;
  - b) limitation of maximum individual and aggregate exposures;
  - c) divestment of specific assets or to restructure liabilities;
  - d) limitation or cease of specific existing or proposed activities;
  - e) restriction or prevention of development of new or existing business lines or sale of new or existing products;
  - f) change the reinsurance strategy;
  - g) imposition of specific or regular additional information requirements relevant for resolution purposes;
  - h) change legal or operational structures;
  - i) set up a parent insurance holding company in a Member State or a Union parent insurance holding company;
  - j) set up a separate insurance holding company to control the insurance or reinsurance undertaking.

## 4. ON ADDRESSING AND REMOVING IMPEDIMENTS TO RESOLVABILITY

- **Proportionality is key, reflected by the requirements to:**
  - request the undertaking to propose a solution to address the impediment;
  - consider the potential effect of the measure on the insurance or reinsurance undertaking and the internal market;
  - consult the supervisory authority about the approach to take.

## 5. Q&As



Your turn...



# THANK YOU!

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