

FINAL REPORT

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on the Guidelines to specify further the criteria
for the identification of critical functions

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EXECUTIVE SUMMARY

INTRODUCTION

On 29 April 2025, EIOPA launched a public consultation on Guidelines to specify further the criteria for the identification of critical functions. This final report sets out the final text of the Guidelines including an impact assessment and a feedback statement on the public consultation.

CONTENT

These Guidelines are developed in line with the mandate conferred to EIOPA by the Directive (EU) 2025/1 (“IRRD”)¹, to further specify the criteria for the identification of critical functions. In line with Article 18, (2), point (c) of the IRRD, one of the resolution objectives is to ensure the continuity of critical functions. The identification of critical functions is therefore a key element in the process of resolution planning. These Guidelines provide further guidance, including criteria, for assessing the criticality of a function. Article 25(2) of the IRRD provides the definition of critical functions. The structure of these Guidelines builds on the elements provided in this definition and includes a section on general elements as well as specific sections covering the assessment of the likely significant impact on the real economy or the financial system and the analysis of the substitution at a reasonable cost and within a reasonable timeframe.

In developing these Guidelines, EIOPA has considered the work of international bodies on critical functions such as the International Association of Insurance Supervisors (IAIS) and the Financial Stability Board (FSB), with the aim to ensure consistency in the approach and to promote common understanding of the key concepts and principles employed in the identification of critical functions.

PUBLIC CONSULTATION

EIOPA conducted a public consultation on the Guidelines between 22 April 2025 and 31 July 2025. A stakeholder event was held on 27 June 2024 to discuss the consultation paper. Seventeen stakeholders provided feedback on the consultation paper. Based on the stakeholder feedback, the Guidelines were refined, without changing the general approach set out in the consultation paper.

¹ 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.

BACKGROUND AND RATIONALE

THE INSURANCE RECOVERY AND RESOLUTION DIRECTIVE (IRRD)

Directive (EU) 2025/1 (“IRRD”) entered into force on 28 January 2025. The IRRD recognizes that the disruption of a critical function can have a severely negative impact on policyholders, beneficiaries and injured parties, the financial system or the real economy in one or more Member States, including impact from a systemic disruption or a loss of general confidence in the provision of insurance services. One of the resolution objectives is to ensure the continuity of the critical functions of a failing/likely to fail undertaking, while protecting the collective interest of policyholders, beneficiaries and claimants. The identification of critical functions is an important part of resolution planning as it informs the scope of resolution planning as well as the outcome of the public interest assessment (PIA). This identification process is the responsibility of the resolution authorities and should be carried out as specified in Article 9(2) of the IRRD.

MANDATE FOR GUIDELINES

In accordance with Article 9 (9) of the IRRD, these Guidelines shall specify further the criteria for the identification of critical functions.

APPROACH TO THE GUIDELINES

The Guidelines are not meant to provide a fully prescriptive assessment process. Instead, they specify factors to be considered by resolution authorities in the assessment process, *inter alia* when assessing the inability to provide a function, the likelihood of a significant impact on the financial system or the real economy, and when assessing the substitutability at a reasonable cost and in a reasonable time. When assessing the inability to provide a function, resolution authorities might assume that the function stops completely – default option (“complete stop”) or, under certain conditions, assume that the function is still provided but no longer to a comparable extent, under comparable conditions or with comparable quality (“partial stop”).

The “complete stop” and “partial stop” are to be seen as assumptions used as inputs to the analysis of the impact of the inability to provide a function. The question whether a certain function is critical should be distinguished from the question whether the continuity of a critical function is ensured in case of failure.

The Guidelines includes a non-exhaustive and non-binding list of potential critical functions, that may potentially be eligible for criticality in one or more insurance markets. This list is provided in order to serve as a reference for resolution authorities when deciding whether an insurance or reinsurance undertaking provides a critical function.

It has been compiled based on the current experience of some resolution authorities and it is inspired from the work of international bodies, such as the IAIS and FSB, but also aims to align with the Solvency II framework.

GUIDELINES TO SPECIFY FURTHER THE CRITERIA FOR THE IDENTIFICATION OF CRITICAL FUNCTIONS

INTRODUCTION

1. In accordance with Article 16 of Regulation (EU) No 1094/2010 (EIOPA Regulation)² and with Article 9(9) of IRRD, EIOPA issues these Guidelines to specify further the criteria for the identification of critical functions.
2. Pursuant to Article 2(25) of the IRRD critical functions mean, “activities, services or operations performed by an insurance or reinsurance undertaking for third parties that cannot be substituted within a reasonable time or at a reasonable cost and where the inability of the insurance or reinsurance undertaking to perform the activities, services or operations would be likely to have a significant impact on the financial system or the real economy in one or more Member States including, in particular, the impact resulting from effects on the social welfare of a large number of policy holders, beneficiaries or injured parties or from a systemic disruption or a loss of general confidence in the provision of insurance services”.
3. The Guidelines were developed in line with EIOPA’s views for better regulation and supervision³, thereby enhancing supervisory convergence through simpler, more efficient frameworks.
4. The disruption of a critical function can have a severely negative impact on policyholders, beneficiaries and injured parties, the real economy or financial stability as a whole. The identification of critical functions is therefore a key element in the process of resolution planning and in the decision whether taking a resolution action is in the public interest.
5. During the development of these Guidelines EIOPA has considered the work of international bodies on critical functions such as the International Association of Insurance Supervisors (IAIS) and the Financial Stability Board (FSB). In particular, the Guidelines consider the 2016 FSB Guidance “Developing Effective Resolution Strategies and Plans for Systemically Important Insurers” and the 2023 FSB practices paper for the “Identification of Critical Functions of Insurers” as a basis.
6. The structure of these Guidelines builds on the several elements included in the definition of critical functions as provided for in Article 2(25) of the IRRD. This includes a section on general elements and specific sections covering the assessment of the likely significant impact on the real economy or the financial system and the analysis of the substitution at a reasonable cost and within a reasonable time. In these sections the Guidelines also cover some firm-specific factors which are relevant for the impact assessment or substitutability analysis.

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).

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

³ ³ Bolder, Simpler, Faster: EIOPA’s views for better regulation and supervision

7. The Guidelines also cover potentially critical functions that are not directly related to insurance, such as investments in and lending to the real economy and acting as a counterparty in derivative transactions, but the main emphasis is on the insurance functions.
8. For the purpose of identifying critical functions, the resolution authority may engage in a dialogue with the insurance supervisory authority, in accordance with Article 12 of the IRRD to collect additional information on specificities of the insurance market in the given Member State.
9. These Guidelines are addressed to resolution authorities as defined in Article 2(12) of the IRRD.
10. These Guidelines apply from 30 January 2027.
11. If not defined in these Guidelines, the terms have the meaning defined in the legal acts referred to in the introduction.

Type of potential critical functions

GUIDELINE 1 – SCOPE OF POTENTIAL CRITICAL FUNCTIONS

12. When assessing whether the insurance or reinsurance undertaking provides critical functions, the resolution authority should consider all functions provided to third parties, including the following categories of functions:
 - (a) insurance or reinsurance functions, including underwriting new (re)insurance business, providing coverage for already underwritten risks and settling claims due under existing insurance contracts; specific coverages falling in the scope of these key insurance or reinsurance functions are:
 - i. insurance and/or reinsurance coverage as a precondition for economic activities,
 - ii. insurance and/or reinsurance coverage as a precondition for individuals to go about their daily lives,
 - iii. insurance and/or reinsurance payments that are vital to individuals' financial security.
 - (b) non-insurance functions, including investment in and lending to the real economy, acting as a counterparty in derivatives, repo and securities lending markets and pooling of risks, as an economic function.
 - (c) insurance or reinsurance related functions, including claims management, actuarial services, pension fund management, asset management and other administrative functions.

General requirements for the identification of critical functions

GUIDELINE 2 – GEOGRAPHICAL LEVEL

13. The resolution authority should make an assessment for each Member State in which the insurance or reinsurance undertaking provides a function that may be likely to have a significant impact on the financial system or the real economy in that Member State.
14. For the purpose of this assessment, the resolution authority should assess the impact of the inability of the insurance or reinsurance undertaking to perform activities, services or operations on the financial system or the real economy and their substitutability for the Member State as a whole.

15. Notwithstanding the previous paragraph 13, the resolution authority may decide to assess the impact and substitutability also at a regional level based on factors such as the importance or characteristics of the region for the Member State, the severity of the disruption at regional level, the potential contagion and differences between the Member State level and the regional level.

GUIDELINE 3 - CONSIDERATION OF AN INSURANCE GUARANTEE SCHEME, MEASURES UNDER NORMAL INSOLVENCY PROCEEDINGS, AND USE OF PUBLIC FUNDS IN THE IDENTIFICATION OF CRITICAL FUNCTIONS

16. When assessing whether activities, services or operations performed by an insurance or reinsurance undertaking meet the conditions set out in Article 2(25) of the IRRD, the resolution authority should exclude the following elements:

- (a) measures under normal insolvency proceedings if they reduce the impact of the inability to perform the function on the financial system or the real economy or facilitate substitution at a reasonable cost and within a reasonable time.
- (b) the use of an insurance guarantee scheme which is applicable to that insurance or reinsurance undertaking if the conditions for normal insolvency proceedings are met.
- (c) the use of public funds.

17. The measures listed under (a) - (c) above should not be considered given that the analysis of the effect of these measures are not part of the critical functions identification process. They relate to the resolvability assessment or the public interest test.

Specific guidelines for the assessment of the likelihood of a significant impact on the financial system or the real economy

GUIDELINE 4 - INABILITY TO PROVIDE THE FUNCTION

18. When assessing whether the inability of the insurance or reinsurance undertaking to provide a function that consists of certain activities, services or operations results in a significant impact, the resolution authority should use the assumption that these activities and operations cease completely and that the services are no longer provided. This means:

- (a) for the function of underwriting new insurance business for certain risks that, inter alia, no new business is written for these risks.
- (b) for the function of providing coverage for certain risks which have already been underwritten that, inter alia, cover for these risks is no longer provided.
- (c) for the function of making payments to certain policyholders, beneficiaries or claimants that, inter alia, no payments are made to these policyholders, beneficiaries or claimants.
- (d) for the function of investing in or providing funding to certain entities in the real economy that, inter alia, no new investments and loans into these entities are made and that existing investments including loans into these entities are immediately sold or called in.

- (e) for the function of acting as counterparty in certain derivatives, repo or securities lending transactions that, inter alia, the insurance or reinsurance undertaking does not enter into new transactions and that existing transactions are immediately terminated.

19. Alternatively, the resolution authority may assume a partial cease of the activities or operations of a certain function or the partial provision of the services of a certain function, which means that they are still performed or provided but no longer to a comparable extent, under comparable conditions and with comparable quality. Such approach can be taken only if the resolution authority can ensure, based on objective criteria and reasonable assumptions, that this results in a more accurate assessment of the impact.

GUIDELINE 5 - TRANSMISSION CHANNELS

20. When assessing the potential significant impact of the inability to provide a function on the real economy or the financial system, the resolution authority should consider at least the following transmission channels and/or their impact:

- (a) direct impact on third parties to which the function is provided. Depending on the specific function this includes, inter alia, a reduction in the level of activities, including the purchase of goods and services, and in the ability to meet obligations.
- (b) contagion from third parties to which the function is provided to other parties in the financial system or the real economy.

21. The resolution authority should consider whether it is necessary for the assessment referred to in the previous paragraph to consider any of the following elements:

- (a) the potential impact on the financial system, including on financial markets, financial market infrastructures, banks, insurance and reinsurance undertakings, IORPs or hedge funds, public services.
- (b) the potential impact on the real economy, including on the level of activity, output, employment, consumption, prices, incomes or profits in non-financial sectors of the economy.
- (c) further contagion including from the financial system to the real economy and vice versa.

GUIDELINE 6 - FACTORS TO CONSIDER FOR THE ASSESSMENT WHETHER A SIGNIFICANT IMPACT ON THE REAL ECONOMY OR THE FINANCIAL SYSTEM IS LIKELY

22. When assessing the significant impact of the inability to provide a function on the real economy or the financial system, the resolution authority should consider, inter alia, the following factors:

- (a) the characteristics of the function, including, where relevant, the risk(s) covered, the type of products, services or activities and in the case of insurance whether a mandatory coverage or coverage with specific legal requirements provided.
- (b) the type of third parties to which the function is provided, such as individuals, small and medium sized enterprises, large corporations, financial industry, state owned companies and public institutions, and the nature of their reliance on the continuing provision of the function.
- (c) the number of third parties to which the function is provided, the total volume and number of activities, services and operations and the respective market share of the insurance or reinsurance undertaking.

- (d) the geographical level at which the function is provided. The assessment may be carried out at national level, or, where justified, at regional level, for example, where there is a high concentration of policyholders/risks in a given area or where a legally mandated coverage predominantly applies within a specific region. The assessment may also be performed at European level, if and as necessary.
- (e) the impact of the disruption of the function on the third parties to which it is provided, including to what extent and how long they can continue their activities without the function or whether they can easily adjust their activities without a negative impact in terms of income or the assets' value.
- (f) the potential for contagion to other related parties, such as competitors, intermediaries, suppliers or creditors and the speed of such contagion, including the interdependencies between the third parties to which the function is provided and other parties, the potential for contagion following a change in societal sentiment and the relevance of the other parties to the financial system or the real economy.
- (g) Without prejudice to 16 (b), the potential for contagion to other insurance or reinsurance undertakings following a significant use of an insurance guarantee scheme that could trigger a substantial degree of ex-post funding putting a financial strain on those other insurance or reinsurance undertakings.

23. The resolution authority should consider whether there are any factors specific to the insurance or reinsurance undertaking, not already included in the previous paragraph, that may change the assessment on whether the inability to provide the function is likely to have a significant impact on the real economy or the financial system. Possible factors are, *inter alia*:

- (a) significance of the insurance or reinsurance undertaking's operations, which may be assessed based on its nature, size, market share (in the EU's internal market, national market or in markets for specific business lines), external and internal interconnectedness, complexity, extent of the cross-border activity and reputational risk (i.e. potential negative impact on the confidence in the whole sector in case of failure);
- (b) significant differences in the way the insurance or reinsurance undertaking performs the function compared to other insurance or reinsurance undertakings.
- (c) specifics in terms of interconnections between several functions provided to third parties, especially if they are critical.
- (d) significant differences in the composition of the third parties to which the insurance or reinsurance undertaking provides the function compared to its competitors.

GUIDELINE 7 - IMPACT RESULTING FROM EFFECTS ON THE SOCIAL WELFARE OF A LARGE NUMBER OF POLICY HOLDERS AND FROM THE SYSTEMIC DISRUPTION IN THE PROVISION OF INSURANCE SERVICES

24. When assessing whether there are functions for which the inability of the insurance or reinsurance undertaking to provide them is likely to have a significant impact on the real economy or the financial system resulting from effects on the social welfare of a large number of policy holders,

beneficiaries or injured parties, the resolution authority should consider, *inter alia*, the specific coverages referred to in paragraph 12(a).

25. When assessing whether there are functions for which the inability of the individual insurance or reinsurance undertaking to provide them is likely to have a significant impact on the real economy or the financial system resulting from the systemic disruption of insurance services the resolution authority should consider, *inter alia*, functions where the inability to provide them creates a risk to the financial stability, in particular resulting from the systemic relevance of the insurance or reinsurance undertaking that provides the function, according to the criteria in paragraph 18(a).
26. Possible indicators for a risk to financial stability as referred to in the previous paragraph are, *inter alia*, the impact on the third parties to which the function is provided and, for third parties providing financial services, their size, market share, external and internal interconnectedness, complexity, and cross-border activities.

GUIDELINE 8 - LOSS OF GENERAL CONFIDENCE IN THE PROVISION OF INSURANCE SERVICES

27. When assessing whether there are functions for which the inability of the insurance or reinsurance undertaking to provide them is likely to have a significant impact on the real economy or the financial system resulting from the loss of general confidence in the provision of insurance services, the resolution authority should consider, *inter alia*, the following aspects:
 - (a) a loss of confidence may occur for the whole market or for one or more segments.
 - (b) there may be a loss of confidence in the ability of insurance undertakings to meet their existing obligations or in the availability of new insurance coverage.
 - (c) the likelihood that the inability to provide a function results in a loss of confidence may depend, *inter alia*, on the impact, on the substitutability and on the perception of the situation by third parties to which the function is provided and by other parties.

Specific guidelines for the analysis of the substitutability at a reasonable cost and in a reasonable time

GUIDELINE 9 - APPROACH TO REASONABLE TIME AND REASONABLE COST

28. The resolution authority should consider whether the condition of substitutability within a reasonable time and at a reasonable cost can be met. This is the case if there are other entities available which are able and willing to replace the function with activities, services or operations:
 - (a) that provide the same or a similar economic function (that is, the same or similar underlying role for the real economy/end-users); and
 - (b) at a certain cost for the third parties and within a certain timeframe, that makes a significant impact on the real economy or the financial system not likely.

GUIDELINE 10 - FURTHER ELEMENTS OF THE SUBSTITUTABILITY WITHIN A REASONABLE TIME AND AT A REASONABLE COST

29. When assessing whether a substitution is possible at a reasonable time and at a reasonable cost the resolution authority should, *inter alia*, consider all of the following:

- (a) in the case of savings products with no or minimal coverage of biometric risks, non-insurance undertakings, such as investment funds, may provide the same or similar economic function;
- (b) the same, or a similar, economic function may only be provided by the substitute contracts if the counterparties have at least the same credit quality as the insurance undertaking, where relevant due to a business-to-business relationship. This is normally more relevant for reinsurance as well as functions provided to non-insurance financial institutions;
- (c) the condition for substitutability is only met if both the timeframe and cost are reasonable, as set out in Guideline 9. Both conditions have to be assessed together;
- (d) there may be a trade-off between cost and timeframe;
- (e) provided that any other conditions remain equal, the reasonable time for substitution becomes shorter if:
 - i. the speed with which the inability to perform the function impacts the real economy or the financial system increases;
 - ii. the magnitude of the impact increases;
- (f) the reasonable cost can be higher than the current costs for the third party associated with the current contract with the insurance or reinsurance undertaking;
- (g) the substitute contracts do not have to be available to all third parties to which the insurance or reinsurance undertaking provides the function and not all third parties to whom they are available are necessarily required to enter into them.

GUIDELINE 11 - FACTORS TO CONSIDER WHEN ASSESSING THE SUBSTITUTABILITY OF A FUNCTION WITHIN A REASONABLE TIME AND AT A REASONABLE COST

30. When assessing whether a function can be substituted within a reasonable time and at a reasonable cost the resolution authority should consider, *inter alia*, the factors listed below:

- (a) characteristics of the function including the type of products, services or activities;
- (b) properties of the market for the function (number, type and size of suppliers (including from other markets) providing the same or an equivalent function; level of market concentration; degree of product standardization; level of competitiveness; geographical level of the market; type of third parties to which the function is provided; timeliness and costs related to moving to a provider of a similar or equivalent function);
- (c) appetite and ability of other market participants to provide the same or similar function to the third parties, including the volume of the activities, services or operations to be substituted and the number of third parties to which they are provided; market share of the insurance or reinsurance undertaking with respect to the function provided; attractiveness of the business in terms of profitability and technical complexity; overall strategy of other market participants, the overall market environment; presence of barriers to entry in terms of requirements to

perform the function (such as HR-related functions) or any absorption issues in terms of the financial and solvency capacity to take over the business or large exposures;

- (d) obstacles to the provision of activities, services or operations by other entities (regulatory issues, including regarding competition; legal issues; unavailability of reinsurance in case of a transfer of contracts; operational issues, including with regard to IT;
- (e) any obstacles for the third parties to engage with the activities, services or operations provided by other entities, including any obstacles for policyholders to acquire new policies with the same or similar coverage due to, *inter alia*, a higher age or a deterioration in health, the availability of coverage (including the coverage capacity of a potential replacing party) or the time required to switch to a new product and any costs associated with such a move;
- (f) nature of the failure of the insurance or reinsurance undertaking, in particular whether the failure is idiosyncratic or occurring in the context of a system-wide crisis, as this impacts the availability of any replacing entities to provide the function.

31. The resolution authority should consider whether there are any other factors specific to the insurance or reinsurance undertaking, not included in the above list, that may alter the assessment. Possible other factors are, *inter alia*, those referred to in paragraph 23.

Specific guidelines for cross-border activities and groups

GUIDELINE 12 - TREATMENT OF SIGNIFICANT CROSS-BORDER ACTIVITIES

32. When assessing whether any significant cross-border activities within the meaning of Chapter VIII of Directive 2009/138/EU⁴ performed by the insurance or reinsurance undertaking include a provision of a critical function in the host Member State, the resolution authority should apply the same criteria as in the identification of a critical function for an insurance or reinsurance undertaking.

33. In case an insurance or reinsurance undertaking engages in significant cross-border activities the resolution authority should liaise with the resolution authority or resolution authorities of the host Member State or Member States to collect information on any specificities in the host Member State that might be relevant for the decision whether the insurance or reinsurance undertaking provides a critical function in the host Member State.

GUIDELINE 13 - GROUP ASPECTS IN THE IDENTIFICATION OF CRITICAL FUNCTIONS

34. In the assessment whether an insurance or reinsurance undertaking that is part of a group provides a critical function, the resolution authority should only consider activities, services and operations provided to entities outside the group.

⁴ Directive 2009/138/EU 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).

35. In case two or more entities within the group provide the same activity, service or operation which is not deemed as critical at individual entity level, in a certain Member State, the resolution authority should assess the significant impact of this function in that Member State.

COMPLIANCE AND REPORTING RULES

36. This document contains Guidelines issued under Article 16 of the EIOPA Regulation. In accordance with Article 16(3) of the EIOPA Regulation, resolution authorities are required to make every effort to comply with guidelines and recommendations.
37. Resolution authorities that comply or intend to comply with these Guidelines should incorporate them into their regulatory or supervisory framework in an appropriate manner.
38. Resolution 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.
39. In the absence of a response by this deadline, resolution authorities will be considered as non-compliant to the reporting and reported as such.

FINAL PROVISION ON REVIEWS

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

EXPLANATORY TEXT

Guideline 1 – Scope of potential critical functions

When assessing whether the insurance or reinsurance undertaking provides critical functions, the resolution authority should consider all functions provided to third parties, including the following categories of functions:

- (a) insurance or reinsurance functions, including underwriting new (re)insurance business, providing coverage for already underwritten risks and settling claims due under existing insurance contracts; specific coverages falling in the scope of these key insurance or reinsurance functions are:
 - (i) insurance and/or reinsurance coverage as a precondition for economic activities,
 - (ii) insurance and/or reinsurance coverage as a precondition for individuals to go about their daily lives,
 - (iii) insurance and/or reinsurance payments that are vital to individuals' financial security.
- (b) non-insurance functions, including investment in and lending to the real economy, acting as a counterparty in derivatives, repo and securities lending markets and pooling of risks, as an economic function.
- (c) insurance or reinsurance related functions, including claims management, actuarial services, pension fund management, asset management and other administrative functions.

1. No function provided by an insurance or reinsurance undertaking to third parties qualifies automatically as critical function as defined in Article 2(25) IRRD.
2. Resolution authorities perform their own assessments to determine whether any or which of these functions fulfill the criteria for criticality, as defined in Article 2(25) of the IRRD.
3. Specific features at national level and/or local insurance market, individual insurer specificities and the assessment methodology of the resolution authorities, may increase the chances that the conditions set out in Article 2(25) IRRD are met. Such characteristics include, but are not limited to coverage mandated by law, existence of long-term liabilities/guarantees, certain types of third parties to which the function is provided and the fact that they are the precondition for certain economic activities.

4. The list below is a non-exhaustive list of economic functions that may potentially be eligible for criticality if for some insurers, in one or more insurance markets. It has been compiled based on the current experience of some resolution authorities and is provided, for illustrative purposes only.
5. Resolution authorities may decide not to use the list, for example if they conclude that it does not reflect the specific features of their market. Functions not included in the list below can still qualify as critical.
6. The list is broken down by lines of business and products. The names of these lines of business and products strive to follow the classes of insurance as defined in Annex I and Annex II of the Solvency II Directive, however in some instances business terminology prevails.

(1) Lines of business and products related to Life insurance:

- Annuities
- Index-linked and unit-linked insurance
- Insurance with profit participation
- Life insurance as defined under Class I of Annex II of the Solvency II Directive, *inter alia*:
 - Endowments
 - Permanent life insurance with or without a savings component
 - Term life insurance
- Other life insurance, such as:
 - Life insurance contracts securing a mortgage loan
 - Long-term savings products of a retirement nature
 - Pension closeout
 - Supplementary insurance contracts underwritten in connection with life assurance

(2) Lines of business and products related to Non-life insurance:

- Accident (including industrial injury and occupational diseases):
 - Emergency medical expenses (e.g. travel insurance)
 - Workers' compensation insurance
- Health Insurance, *inter alia*:
 - Long-term care insurance
 - Long term disability/loss of earning capacity
 - Mandatory health coverage or medical coverage
- Assistance insurance
- Credit and suretyship insurance
 - Credit default and insolvency insurance
 - Export credit insurance
 - Instalment credit insurance
 - Mortgage insurance
 - Other insurance products with credit component, such as:
 - Captive/fronting business insurance

- Political risk insurance
- Suretyship/ bonding insurance
- Fire, natural forces and Other Damage to Property Insurance
 - Agricultural insurance
 - Crop insurance
 - Multi-risk agricultural insurance
 - Construction insurance
 - Fire insurance (as a precondition for mortgage loan/security)
 - Insurance related to natural disasters and environmental damage, such as:
 - Building, flood, or earthquake risk coverage
- General liability, such as:
 - Construction liability insurance
 - Insurance for legal professionals
 - Medical liability insurance
 - Professional indemnity liability (other regulated professional liability)
 - Product liability insurance
 - Public liability insurance
- Marine, aviation and transport insurance, including related liability insurance
 - Aviation insurance, including aircraft liability
 - Marine insurance, including liability for ships
 - Transport insurance
- Miscellaneous financial losses, such as:
 - Income protection insurance
- Motor vehicle liability

(3) Lines of business and products related to reinsurance, such as:

- Facultative or treaty reinsurance
- Financial (re)insurance (Insurance of settlements between counterparties)

ANNEX 1: IMPACT ASSESSMENT

OBJECTIVES

In accordance with Article 29 of the EIOPA Regulation, EIOPA carries out, where relevant, analyses of costs and benefits during the policy development process. The analysis of costs and benefits is undertaken according to an 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 assumptions used for the assessment of the impact of the inability to provide a function (policy issue A). The impact assessment is based on a qualitative assessment performed by EIOPA.

In drafting these Guidelines, EIOPA sticks to general objectives of the IRRD, as agreed by the legislators.

These general objectives are to enable the authorities to:

- Protect the collective interest of policyholders, beneficiaries and claimants.
- Maintain financial stability and ensure continuity of critical functions.
- Protect public funds by minimizing reliance on extraordinary public financial support.
- Ensure proper functioning of the internal market.

In view of the specific purpose of these Guidelines, the following more specific objectives were identified:

- Ensure a level playing field through common minimum harmonization rules that promote a convergent approach with regard to the identification of the critical functions.
- Ensure sufficient level of flexibility for resolution authorities to consider the specificities of national markets.
- Promoting a risk-based framework and limiting the burden for (re)insurance undertakings representing lower risk.

POLICY ISSUES

POLICY ISSUE A: ASSUMPTIONS USED FOR THE ASSESSMENT OF THE IMPACT OF THE INABILITY TO PROVIDE A FUNCTION

This policy issue is about to determine the assumptions used when assessing the inability to provide a function. For the identification of critical functions, a key aspect which needs to be assessed is the impact of the inability of insurance or reinsurance undertaking to perform those functions. With regard

to this inability, two policy options could be considered: The first option would be to assume that the function stops completely ("complete stop"), and this would represent **policy option A.1**.

Under the second option, the Guidelines would include the possibility to assume, under certain conditions, that the function is still provided, but no longer to a comparable extent, under comparable conditions or with comparable quality ("partial stop"), which would constitute **policy option A.2**.

The "complete stop" and "partial stop" are to be seen as assumptions used as inputs to the analysis of the impact of the inability to provide a function. In case a "complete stop" is assumed, the impact is expected to be higher, and more critical functions will be identified than under the assumption of a "partial stop". The question whether a certain function is critical should be distinguished from the question whether the continuity of a critical function is ensured in case of failure.

POLICY OPTIONS

POLICY ISSUE A: ASSUMPTIONS USED FOR THE ASSESSMENT OF THE IMPACT OF THE INABILITY TO PROVIDE A FUNCTION

Policy option A.1: The provision of the function that could be critical is assumed to cease completely ("complete stop")

This approach assumes that a sudden and complete discontinuation of a function occurs and it cannot be substituted within a reasonable period of time and at reasonable cost. This assumption should be used as a default by the resolution authorities when assessing the impact of the inability to provide a function.

Policy option A.2: The resolution authority may assume that under certain conditions the function is still provided, but no longer to the same extent ("partial stop")

This approach allows resolution authorities to assume a partial cease of the activities or operations of a certain function, or the partial provision of the services of a certain function, meaning that these are provided but no longer to a comparable extent, under comparable conditions and with comparable quality. In addition, the resolution authority has to ensure that objective criteria and reasonable assumptions were made during the assessment and that this results in a more accurate assessment of the impact.

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: ASSUMPTIONS USED FOR THE ASSESSMENT OF THE IMPACT OF THE INABILITY TO PROVIDE A FUNCTION

Policy option A.1: The provision of the function that could be critical is assumed to cease completely (“complete stop”)		
Costs	Policyholders	No direct impact on policyholders.
	Industry	Additional costs might be incurred by the industry due to a higher number of resolution plans expected to be drawn up.
	Resolution authorities	<p>-Less potential to identify critical functions adjusted to the market realities or the specificities of the local market.</p> <p>-Additional administrative costs are expected to be incurred as, potentially, a higher number of resolution plans are expected to be drawn up as a consequence of a higher number of identified critical functions, compared with the analysis under the assumption of a “partial stop”. This would possibly result in higher administrative costs (e.g. additional staff, IT costs etc.).</p>
	Other	No direct impact expected to be incurred by other stakeholders.
Benefits	Policyholders	No direct impact/benefits for policyholders.
	Industry	No direct impact on the industry.
	Resolution authorities	<p>-No additional administrative costs due to simplicity of assessment.</p> <p>-Limit the risk that assumptions about the ability to provide the function partly may prove false when the insurer is failing or likely to fail (FOLTF)</p>
	Other	Higher level of harmonization in the application of criteria (assessment of partial inability would vary considerably across Member States). This may lead to overall costs savings, depending on the complexity of the market and the interconnectedness with other jurisdictions.

Policy option A.2: The resolution authority can assume that under certain conditions the function is still provided, but no longer to the same extent (“partial stop”)		
Costs	Policyholders	No direct impact on policyholders.
	Industry	No direct impact on the industry.
	Resolution authorities	<p>-Potential higher administrative costs would be incurred, as the partial stop needs to be assessed based on objective criteria and reasonable assumptions. In order to derive such criteria and assumptions, proper processes, procedures and tools would need to be developed and regularly updated. Depending on the complexity of the insurance market, level of development and overall economic context (national and EU/global levels), additional expertise would need to be engaged, which consequently, would increase the costs for resolution authorities.</p> <p>-More complex assessment, including the analysis of comparability, which, as detailed above, would potentially entail higher costs for the authority and/or industry, depending on the financial arrangements in place.</p>
	Other	Lower level of harmonization of assumptions in the EU.
Benefits	Policyholders	No direct impact.
	Industry	Less burden on the industry as less insurers would qualify for resolution and as such resolution authorities would need to draw up less resolution plans.
	Resolution authorities	<p>-This policy option would provide much higher flexibility for the resolution authorities to capture national specificities and reflect economic reality in the identification of critical functions.</p> <p>-Less burden due to lower expected number of resolution plans.</p>
	Other	No impact.

COMPARISON OF POLICY OPTIONS

POLICY ISSUE A: ASSUMPTIONS USED FOR THE ASSESSMENT OF THE IMPACT OF THE INABILITY TO PROVIDE A FUNCTION

EFFECTIVENESS			
	Level playing field through sufficiently harmonized rules	Flexibility for the resolution authorities and potential for the consideration of national specificities	Promoting a risk-based framework and limiting the burden for (re)insurance undertakings representing lower risk
Policy option A.1	++	0	0
Policy option A.2	0	++	+

EFFICIENCY			
	Level playing field through sufficiently harmonized rules	Flexibility for the resolution authorities and potential for the consideration of national specificities	Promoting a risk-based framework and limiting the burden for (re)insurance undertakings representing lower risk
Policy option A.1	++	0	0
Policy option A.2	0	++	+

The potential additional costs entailed by the two policy options, appear to be relatively higher in case of policy option A1 ("complete stop") for the resolution authorities, but also for the industry, due to the higher number of resolution plans which would need to be drawn up.

Policy option A2 would imply a more thorough analysis which would need to be performed by the resolution authorities, including development of objective criteria and reasonable assumptions for selecting critical functions under the assumption of a "partial stop". However, this additional cost can be minimal in case of more developed resolution authorities, performing on a complex and mature or more developed insurance market as the additional data and information, as well as the processes and procedures necessary for the data collection and processing might already be in place.

On the other hand, under the assumption of a "complete stop" resolution authorities may incur additional and mainly administrative costs as they would need to draw up a larger number of

resolution plans. Also in this case, the industry might incur additional costs given any additional requests of data and information from the resolution authorities as well as the need to keep up to the specific requirements given that under the policy option A1, more insurers would qualify for resolution.

PREFERRED OPTION

The impact assessment considers the option of a partial inability to provide a function (“partial stop”) as an additional assumption when identifying critical functions.

The assumption of a complete inability to provide a function may lead to higher harmonization and have a greater potential for ensuring a level playing field, however, this assumption may result in an unrealistic assessment by potentially determining a higher number of critical functions, consequently resulting in a higher number of resolution plans. Although this would provide a more detailed and prudent analysis of the critical function in the resolution plan, it might not be proportionate to the economic and legal reality.

The assumption of a partial stop may better reflect economic and legal reality as in practice there might be ways to partially continue the function.

Based on these considerations, it was decided to favor an approach that ensures more flexibility to the resolution authorities to better reflect the economic situation and the specificities of the local markets, and that will also influence the outcome of the public interest. That is, the preferred option is policy option A2, where the resolution authority can assume that under certain conditions the function is still provided, but no longer to the same extent (“partial stop”).

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 16 other stakeholders, mainly insurance industry and associations.

As part of the consultation EIOPA held a stakeholder's workshop on 27 June 2025 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 POTENTIAL CRITICAL FUNCTIONS

Stakeholder comments

Most of the stakeholders, including the IRSG, commented that the Guidelines covers an extensive set of functions and activities to be deemed critical. The Guidelines should relate more closely to the text of Article 2(25) of the Directive. Furthermore, the Explanatory Text comprises almost every (re)insurance activity and therefore serves limited purpose and should be removed from the Guidelines.

Assessment

In developing these Guidelines, EIOPA has followed closely the definition of critical functions as stipulated in Article 2(25) of the IRRD. Namely, the definition explicitly mentions the activities, services or operations performed by an insurance or reinsurance undertaking for third parties that cannot be substituted within a reasonable time or at a reasonable cost and where the inability of the insurance or reinsurance undertaking to perform the activities, services or operations would be likely to have a significant impact on the financial system or the real economy in one or more Member States. The Explanatory Text aims to accompany the text of the Guidelines, by providing a non-binding list of potential critical functions, for illustrative purposes only. These functions that may potentially be eligible for criticality aim at guiding resolution authorities in their assessment and decision.

The identification at national levels will vary depending on the local market's features (e.g. concentration, complexity), individual insurer specificities, and the assessment methodology of the resolution authorities.

SPECIFICITIES OF THE REINSURANCE BUSINESS MODEL

Stakeholder comments

Some of the stakeholders commented that the Guidelines do not acknowledge the specificities of the reinsurance business model. When assessing whether a reinsurance undertaking carries critical functions, the national competent authorities should give due consideration to the fact that reinsurance is a business-to-business activity between highly skilled reinsurance professionals, including reinsurance brokers. Consequently, the reinsurance activity has no direct implications for retail policyholders. Furthermore, national competent authorities should give due consideration to the fact that the reinsurance business model is inherently cross-border. The diversification of risks achieved through such cross-border operations is a fundamental component of the reinsurance value proposition, enhancing both its efficiency and resilience. In this context, the cross-border activity of reinsurance undertakings should not be misunderstood as an indicator of heightened risk.

Assessment

The Level 1 text and the Guidelines do not make a distinction either between insurance and reinsurance undertakings nor by the insurer's legal form, as the rules are the same for all. EIOPA acknowledges that reinsurance is mainly a business-to-business activity, inherently cross-border and has no direct impact on policyholders. This, however, does not mean that reinsurers cannot perform critical functions. Resolution authorities may take into consideration specificities of the national insurance market, in their methodology for identification of critical functions, reflecting the specificities of the related reinsurance business as such.

CONSIDERATION FOR THE USE OF INSURANCE GUARANTEE SCHEMES (IGS)

Stakeholder comments

Some stakeholders argued that the Guidelines disallow the consideration of existing and applicable measures under normal insolvency proceedings as well as existing Insurance Guarantee Schemes in the assessment of critical functions. This potentially contradicts national legal requirements and operational processes that might be used in a resolution case and should be removed from the proposal.

Assessment

Under the IRRD, the analysis of the effect of an IGS as a mitigant factor is not part of the critical functions identification process, but rather to either the resolvability assessment or the public interest test. Under Article 9(2) of the IRRD, resolution planning is required for any insurer with a critical function regardless of the outcome of the public interest test. The applicability of an IGS to support the continuation of a critical function depends on many factors, which should be analyzed as part of the resolution planning process.

ASSUMPTION REGARDING THE INABILITY TO PROVIDE A FUNCTION

Stakeholder comments

Several stakeholders expressed the opinion that using the assumption that activities and operations cease completely and that the services are no longer provided will, in many cases, overstate the negative impact regarding the inability to provide a function. In the stakeholders' view, the "partial cease" approach corresponds much closer to reality and should thus be used as the primary approach and only in exceptional cases the "complete stop" approach should be considered.

Assessment

EIOPA recognizes that the option of a "partial stop" is more realistic from an economic perspective, therefore this alternative approach was included in the Guidelines. Nevertheless, the question whether a certain function is critical should be distinguished from the question whether the continuity of a critical function is ensured in case of failure. That is, if the continuity of a critical function is ensured in case of failure, this does not mean that the function is not critical. On the other hand, EIOPA believes that consideration of a "full stop" as the default assumption ensures a consistent application of the criteria by the resolution authorities within the Union.

GUIDELINES

GUIDELINES

to specify further the criteria for the
identification of critical functions

EIOPA-BoS-25-714
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GUIDELINES TO SPECIFY FURTHER THE CRITERIA FOR THE IDENTIFICATION OF CRITICAL FUNCTIONS

INTRODUCTION

1. In accordance with Article 16 of Regulation (EU) No 1094/2010 (EIOPA Regulation)¹ and with Article 9(9) of IRRD, EIOPA issues these Guidelines to specify further the criteria for the identification of critical functions.
2. Pursuant to Article 2(25) of the IRRD critical functions mean, “activities, services or operations performed by an insurance or reinsurance undertaking for third parties that cannot be substituted within a reasonable time or at a reasonable cost and where the inability of the insurance or reinsurance undertaking to perform the activities, services or operations would be likely to have a significant impact on the financial system or the real economy in one or more Member States including, in particular, the impact resulting from effects on the social welfare of a large number of policy holders, beneficiaries or injured parties or from a systemic disruption or a loss of general confidence in the provision of insurance services”.
3. The Guidelines were developed in line with EIOPA’s views for better regulation and supervision², thereby enhancing supervisory convergence through simpler, more efficient frameworks.
4. The disruption of a critical function can have a severely negative impact on policyholders, beneficiaries and injured parties, the real economy or financial stability as a whole. The identification of critical functions is therefore a key element in the process of resolution planning and in the decision whether taking a resolution action is in the public interest.
5. During the development of these Guidelines EIOPA has considered the work of international bodies on critical functions such as the International Association of Insurance Supervisors (IAIS) and the Financial Stability Board (FSB). In particular, the Guidelines consider the 2016 FSB Guidance “Developing Effective Resolution Strategies and Plans for Systemically Important Insurers” and the 2023 FSB practices paper for the “Identification of Critical Functions of Insurers” as a basis.
6. The structure of these Guidelines builds on the several elements included in the definition of critical functions as provided for in Article 2(25) of the IRRD. This includes a section on general elements and specific sections covering the assessment of the likely significant impact on the real economy or the financial system and the analysis of the substitution at a reasonable cost and within

¹ 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).

¹ 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, p. 1).

² [Bolder, Simpler, Faster: EIOPA’s views for better regulation and supervision](#)

a reasonable time. In these sections the Guidelines also cover some firm-specific factors which are relevant for the impact assessment or substitutability analysis.

7. The Guidelines also cover potentially critical functions that are not directly related to insurance, such as investments in and lending to the real economy and acting as a counterparty in derivative transactions, but the main emphasis is on the insurance functions.
8. For the purpose of identifying critical functions, the resolution authority may engage in a dialogue with the insurance supervisory authority, in accordance with Article 12 of the IRRD to collect additional information on specificities of the insurance market in the given Member State.
9. These Guidelines are addressed to resolution authorities as defined in Article 2(12) of the IRRD.
10. These Guidelines apply from 30 January 2027.
11. If not defined in these Guidelines, the terms have the meaning defined in the legal acts referred to in the introduction.

Type of potential critical functions

GUIDELINE 1 – SCOPE OF POTENTIAL CRITICAL FUNCTIONS

12. When assessing whether the insurance or reinsurance undertaking provides critical functions, the resolution authority should consider all functions provided to third parties, including the following categories of functions:
 - (a) insurance or reinsurance functions, including underwriting new (re)insurance business, providing coverage for already underwritten risks and settling claims due under existing insurance contracts; specific coverages falling in the scope of these key insurance or reinsurance functions are:
 - i. insurance and/or reinsurance coverage as a precondition for economic activities,
 - ii. insurance and/or reinsurance coverage as a precondition for individuals to go about their daily lives,
 - iii. insurance and/or reinsurance payments that are vital to individuals' financial security.
 - (b) non-insurance functions, including investment in and lending to the real economy, acting as a counterparty in derivatives, repo and securities lending markets and pooling of risks, as an economic function.
 - (c) insurance or reinsurance related functions, including claims management, actuarial services, pension fund management, asset management and other administrative functions.

General requirements for the identification of critical functions

GUIDELINE 2 – GEOGRAPHICAL LEVEL

13. The resolution authority should make an assessment for each Member State in which the insurance or reinsurance undertaking provides a function that may be likely to have a significant impact on the financial system or the real economy in that Member State.
14. For the purpose of this assessment, the resolution authority should assess the impact of the inability of the insurance or reinsurance undertaking to perform activities, services or operations

on the financial system or the real economy and their substitutability for the Member State as a whole.

15. Notwithstanding the previous paragraph 13, the resolution authority may decide to assess the impact and substitutability also at a regional level based on factors such as the importance or characteristics of the region for the Member State, the severity of the disruption at regional level, the potential contagion and differences between the Member State level and the regional level.

GUIDELINE 3 - CONSIDERATION OF AN INSURANCE GUARANTEE SCHEME, MEASURES UNDER NORMAL INSOLVENCY PROCEEDINGS, AND USE OF PUBLIC FUNDS IN THE IDENTIFICATION OF CRITICAL FUNCTIONS

16. When assessing whether activities, services or operations performed by an insurance or reinsurance undertaking meet the conditions set out in Article 2(25) of the IRRD, the resolution authority should exclude the following elements:

- (a) measures under normal insolvency proceedings if they reduce the impact of the inability to perform the function on the financial system or the real economy or facilitate substitution at a reasonable cost and within a reasonable time.
- (b) the use of an insurance guarantee scheme which is applicable to that insurance or reinsurance undertaking if the conditions for normal insolvency proceedings are met.
- (c) the use of public funds.

17. The measures listed under (a) - (c) above should not be considered given that the analysis of the effect of these measures are not part of the critical functions identification process. They relate to the resolvability assessment or the public interest test.

Specific guidelines for the assessment of the likelihood of a significant impact on the financial system or the real economy

GUIDELINE 4 - INABILITY TO PROVIDE THE FUNCTION

18. When assessing whether the inability of the insurance or reinsurance undertaking to provide a function that consists of certain activities, services or operations results in a significant impact, the resolution authority should use the assumption that these activities and operations cease completely and that the services are no longer provided. This means:

- (a) for the function of underwriting new insurance business for certain risks that, inter alia, no new business is written for these risks.
- (b) for the function of providing coverage for certain risks which have already been underwritten that, inter alia, cover for these risks is no longer provided.
- (c) for the function of making payments to certain policyholders, beneficiaries or claimants that, inter alia, no payments are made to these policyholders, beneficiaries or claimants.
- (d) for the function of investing in or providing funding to certain entities in the real economy that, inter alia, no new investments and loans into these entities are made and that existing investments including loans into these entities are immediately sold or called in.

- (e) for the function of acting as counterparty in certain derivatives, repo or securities lending transactions that, inter alia, the insurance or reinsurance undertaking does not enter into new transactions and that existing transactions are immediately terminated.

19. Alternatively, the resolution authority may assume a partial cease of the activities or operations of a certain function or the partial provision of the services of a certain function, which means that they are still performed or provided but no longer to a comparable extent, under comparable conditions and with comparable quality. Such approach can be taken only if the resolution authority can ensure, based on objective criteria and reasonable assumptions, that this results in a more accurate assessment of the impact.

GUIDELINE 5 - TRANSMISSION CHANNELS

20. When assessing the potential significant impact of the inability to provide a function on the real economy or the financial system, the resolution authority should consider at least the following transmission channels and/or their impact:

- (a) direct impact on third parties to which the function is provided. Depending on the specific function this includes, inter alia, a reduction in the level of activities, including the purchase of goods and services, and in the ability to meet obligations.
- (b) contagion from third parties to which the function is provided to other parties in the financial system or the real economy.

21. The resolution authority should consider whether it is necessary for the assessment referred to in the previous paragraph to consider any of the following elements:

- (a) the potential impact on the financial system, including on financial markets, financial market infrastructures, banks, insurance and reinsurance undertakings, IORPs or hedge funds, public services.
- (b) the potential impact on the real economy, including on the level of activity, output, employment, consumption, prices, incomes or profits in non-financial sectors of the economy.
- (c) further contagion including from the financial system to the real economy and vice versa.

GUIDELINE 6 - FACTORS TO CONSIDER FOR THE ASSESSMENT WHETHER A SIGNIFICANT IMPACT ON THE REAL ECONOMY OR THE FINANCIAL SYSTEM IS LIKELY

22. When assessing the significant impact of the inability to provide a function on the real economy or the financial system, the resolution authority should consider, inter alia, the following factors:

- (a) the characteristics of the function, including, where relevant, the risk(s) covered, the type of products, services or activities and in the case of insurance whether a mandatory coverage or coverage with specific legal requirements provided.
- (b) the type of third parties to which the function is provided, such as individuals, small and medium sized enterprises, large corporations, financial industry, state owned companies and public institutions, and the nature of their reliance on the continuing provision of the function.
- (c) the number of third parties to which the function is provided, the total volume and number of activities, services and operations and the respective market share of the insurance or reinsurance undertaking.

- (d) the geographical level at which the function is provided. The assessment may be carried out at national level, or, where justified, at regional level, for example, where there is a high concentration of policyholders/risks in a given area or where a legally mandated coverage predominantly applies within a specific region. The assessment may also be performed at European level, if and as necessary.
- (e) the impact of the disruption of the function on the third parties to which it is provided, including to what extent and how long they can continue their activities without the function or whether they can easily adjust their activities without a negative impact in terms of income or the assets' value.
- (f) the potential for contagion to other related parties, such as competitors, intermediaries, suppliers or creditors and the speed of such contagion, including the interdependencies between the third parties to which the function is provided and other parties, the potential for contagion following a change in societal sentiment and the relevance of the other parties to the financial system or the real economy.
- (g) Without prejudice to 16 (b), the potential for contagion to other insurance or reinsurance undertakings following a significant use of an insurance guarantee scheme that could trigger a substantial degree of ex-post funding putting a financial strain on those other insurance or reinsurance undertakings.

23. The resolution authority should consider whether there are any factors specific to the insurance or reinsurance undertaking, not already included in the previous paragraph, that may change the assessment on whether the inability to provide the function is likely to have a significant impact on the real economy or the financial system. Possible factors are, *inter alia*:

- (a) significance of the insurance or reinsurance undertaking's operations, which may be assessed based on its nature, size, market share (in the EU's internal market, national market or in markets for specific business lines), external and internal interconnectedness, complexity, extent of the cross-border activity and reputational risk (i.e. potential negative impact on the confidence in the whole sector in case of failure);
- (b) significant differences in the way the insurance or reinsurance undertaking performs the function compared to other insurance or reinsurance undertakings.
- (c) specifics in terms of interconnections between several functions provided to third parties, especially if they are critical.
- (d) significant differences in the composition of the third parties to which the insurance or reinsurance undertaking provides the function compared to its competitors.

GUIDELINE 7 - IMPACT RESULTING FROM EFFECTS ON THE SOCIAL WELFARE OF A LARGE NUMBER OF POLICY HOLDERS AND FROM THE SYSTEMIC DISRUPTION IN THE PROVISION OF INSURANCE SERVICES

24. When assessing whether there are functions for which the inability of the insurance or reinsurance undertaking to provide them is likely to have a significant impact on the real economy or the financial system resulting from effects on the social welfare of a large number of policy holders,

beneficiaries or injured parties, the resolution authority should consider, *inter alia*, the specific coverages referred to in paragraph 12(a).

25. When assessing whether there are functions for which the inability of the individual insurance or reinsurance undertaking to provide them is likely to have a significant impact on the real economy or the financial system resulting from the systemic disruption of insurance services the resolution authority should consider, *inter alia*, functions where the inability to provide them creates a risk to the financial stability, in particular resulting from the systemic relevance of the insurance or reinsurance undertaking that provides the function, according to the criteria in paragraph 18(a).
26. Possible indicators for a risk to financial stability as referred to in the previous paragraph are, *inter alia*, the impact on the third parties to which the function is provided and, for third parties providing financial services, their size, market share, external and internal interconnectedness, complexity, and cross-border activities.

GUIDELINE 8 - LOSS OF GENERAL CONFIDENCE IN THE PROVISION OF INSURANCE SERVICES

27. When assessing whether there are functions for which the inability of the insurance or reinsurance undertaking to provide them is likely to have a significant impact on the real economy or the financial system resulting from the loss of general confidence in the provision of insurance services, the resolution authority should consider, *inter alia*, the following aspects:
 - (a) a loss of confidence may occur for the whole market or for one or more segments.
 - (b) there may be a loss of confidence in the ability of insurance undertakings to meet their existing obligations or in the availability of new insurance coverage.
 - (c) the likelihood that the inability to provide a function results in a loss of confidence may depend, *inter alia*, on the impact, on the substitutability and on the perception of the situation by third parties to which the function is provided and by other parties.

Specific guidelines for the analysis of the substitutability at a reasonable cost and in a reasonable time

GUIDELINE 9 - APPROACH TO REASONABLE TIME AND REASONABLE COST

28. The resolution authority should consider whether the condition of substitutability within a reasonable time and at a reasonable cost can be met. This is the case if there are other entities available which are able and willing to replace the function with activities, services or operations:
 - (a) that provide the same or a similar economic function (that is, the same or similar underlying role for the real economy/end-users); and
 - (b) at a certain cost for the third parties and within a certain timeframe, that makes a significant impact on the real economy or the financial system not likely.

GUIDELINE 10 - FURTHER ELEMENTS OF THE SUBSTITUTABILITY WITHIN A REASONABLE TIME AND AT A REASONABLE COST

29. When assessing whether a substitution is possible at a reasonable time and at a reasonable cost the resolution authority should, *inter alia*, consider all of the following:

- (a) in the case of savings products with no or minimal coverage of biometric risks, non-insurance undertakings, such as investment funds, may provide the same or similar economic function;
- (b) the same, or a similar, economic function may only be provided by the substitute contracts if the counterparties have at least the same credit quality as the insurance undertaking, where relevant due to a business-to-business relationship. This is normally more relevant for reinsurance as well as functions provided to non-insurance financial institutions;
- (c) the condition for substitutability is only met if both the timeframe and cost are reasonable, as set out in Guideline 9. Both conditions have to be assessed together;
- (d) there may be a trade-off between cost and timeframe;
- (e) provided that any other conditions remain equal, the reasonable time for substitution becomes shorter if:
 - i. the speed with which the inability to perform the function impacts the real economy or the financial system increases;
 - ii. the magnitude of the impact increases;
- (f) the reasonable cost can be higher than the current costs for the third party associated with the current contract with the insurance or reinsurance undertaking;
- (g) the substitute contracts do not have to be available to all third parties to which the insurance or reinsurance undertaking provides the function and not all third parties to whom they are available are necessarily required to enter into them.

GUIDELINE 11 - FACTORS TO CONSIDER WHEN ASSESSING THE SUBSTITUTABILITY OF A FUNCTION WITHIN A REASONABLE TIME AND AT A REASONABLE COST

30. When assessing whether a function can be substituted within a reasonable time and at a reasonable cost the resolution authority should consider, *inter alia*, the factors listed below:

- (a) characteristics of the function including the type of products, services or activities;
- (b) properties of the market for the function (number, type and size of suppliers (including from other markets) providing the same or an equivalent function; level of market concentration; degree of product standardization; level of competitiveness; geographical level of the market; type of third parties to which the function is provided; timeliness and costs related to moving to a provider of a similar or equivalent function);
- (c) appetite and ability of other market participants to provide the same or similar function to the third parties, including the volume of the activities, services or operations to be substituted and the number of third parties to which they are provided; market share of the insurance or reinsurance undertaking with respect to the function provided; attractiveness of the business in terms of profitability and technical complexity; overall strategy of other market participants, the overall market environment; presence of barriers to entry in terms of requirements to

perform the function (such as HR-related functions) or any absorption issues in terms of the financial and solvency capacity to take over the business or large exposures;

- (d) obstacles to the provision of activities, services or operations by other entities (regulatory issues, including regarding competition; legal issues; unavailability of reinsurance in case of a transfer of contracts; operational issues, including with regard to IT;
- (e) any obstacles for the third parties to engage with the activities, services or operations provided by other entities, including any obstacles for policyholders to acquire new policies with the same or similar coverage due to, *inter alia*, a higher age or a deterioration in health, the availability of coverage (including the coverage capacity of a potential replacing party) or the time required to switch to a new product and any costs associated with such a move;
- (f) nature of the failure of the insurance or reinsurance undertaking, in particular whether the failure is idiosyncratic or occurring in the context of a system-wide crisis, as this impacts the availability of any replacing entities to provide the function.

31. The resolution authority should consider whether there are any other factors specific to the insurance or reinsurance undertaking, not included in the above list, that may alter the assessment. Possible other factors are, *inter alia*, those referred to in paragraph 23.

Specific guidelines for cross-border activities and groups

GUIDELINE 12 - TREATMENT OF SIGNIFICANT CROSS-BORDER ACTIVITIES

32. When assessing whether any significant cross-border activities within the meaning of Chapter VIII of Directive 2009/138/EU³ performed by the insurance or reinsurance undertaking include a provision of a critical function in the host Member State, the resolution authority should apply the same criteria as in the identification of a critical function for an insurance or reinsurance undertaking.

33. In case an insurance or reinsurance undertaking engages in significant cross-border activities the resolution authority should liaise with the resolution authority or resolution authorities of the host Member State or Member States to collect information on any specificities in the host Member State that might be relevant for the decision whether the insurance or reinsurance undertaking provides a critical function in the host Member State.

GUIDELINE 13 - GROUP ASPECTS IN THE IDENTIFICATION OF CRITICAL FUNCTIONS

34. In the assessment whether an insurance or reinsurance undertaking that is part of a group provides a critical function, the resolution authority should only consider activities, services and operations provided to entities outside the group.

³ Directive 2009/138/EU 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).

35. In case two or more entities within the group provide the same activity, service or operation which is not deemed as critical at individual entity level, in a certain Member State, the resolution authority should assess the significant impact of this function in that Member State.

COMPLIANCE AND REPORTING RULES

36. This document contains Guidelines issued under Article 16 of the EIOPA Regulation. In accordance with Article 16(3) of the EIOPA Regulation, resolution authorities are required to make every effort to comply with guidelines and recommendations.
37. Resolution authorities that comply or intend to comply with these Guidelines should incorporate them into their regulatory or supervisory framework in an appropriate manner.
38. Resolution 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.
39. In the absence of a response by this deadline, resolution authorities will be considered as non-compliant to the reporting and reported as such.

FINAL PROVISION ON REVIEWS

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

FINAL REPORT

FINAL REPORT

on the Guidelines on further details on the measures to remove impediments to resolvability and the circumstances in which each measure may be applied

EIOPA-BoS-25-716

16 February 2026

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EXECUTIVE SUMMARY

INTRODUCTION

On 29 April 2025, EIOPA launched a public consultation on Guidelines on further details on the measures to remove impediments to resolvability and the circumstances in which each measure may be applied. This final report sets out the final text of the Guidelines including an impact assessment and a feedback statement on the public consultation.

CONTENT

Articles 15 and 16 of Directive (EU) 2025/1 set out the powers of resolution authorities to address or remove impediments to resolvability for undertakings and groups. The Guidelines specify further details on the alternative measures listed in Article 15(5) of Directive (EU) 2025/1 and the circumstances in which each measure may be applied.

PUBLIC CONSULTATION

EIOPA conducted a public consultation on the Guidelines between 29 April 2025 and 31 July 2025. A stakeholder event was held on 23 May 2025 to discuss the consultation paper. Following the publication of the consultation paper, ten stakeholders provided feedback on the consultation paper. Based on the stakeholder feedback, the drafting of the RTS was refined. These revisions did, however, not lead to a change in the general approach set out in the consultation paper.

NEXT STEPS

In accordance with Article 15(8) of Directive (EU) 2025/1, EIOPA shall, by 29 July 2027, issue those Guidelines in accordance with Article 16 of Regulation (EU) No 1094/2010 (EIOPA Regulation).

GUIDELINES ON FURTHER DETAILS ON THE MEASURES TO REMOVE IMPEDIMENTS TO RESOLVABILITY AND THE CIRCUMSTANCES IN WHICH EACH MEASURE MAY BE APPLIED

INTRODUCTION

1. In accordance with Article 16 of Regulation (EU) No 1094/2010 (EIOPA Regulation)¹ and with Article 15(8) of Directive (EU) 2025/1(IRR)², EIOPA issues these Guidelines to specify further details on the alternative measures to remove impediments to resolvability and the circumstances in which each measure may be applied.
2. These Guidelines have been developed in line with EIOPA's views for better regulation and supervision³, thereby enhancing supervisory convergence through simpler, more efficient frameworks.
3. These Guidelines are addressed to resolution authorities as defined in Article 2(12) of the IRRD.
4. If not defined in these Guidelines, the terms have the meaning defined in the legal acts referred to in the introduction. For the purposes of these Guidelines, the definitions of the 'resolution strategy', 'preferred resolution strategy', 'alternative resolution strategy' and 'relevant services' apply as defined in the relevant regulatory technical standards on the content of resolution plans and group resolution plans.
5. It is essential to apply the alternative measures in a proportionate manner, trying to minimize, to the extent possible, the interference with the insurance or reinsurance undertaking's (collectively "undertaking") or group's legal structure and business, financial or operational strategy.
6. For any measures imposed on the undertaking, the resolution authority should duly consider in advance the potential effect of such measure on the soundness and stability of that particular undertaking's ongoing business, the collective interest of policyholders, beneficiaries and injured parties and, on the internal market.
7. The alternative measures may be applied if they are suitable, necessary and proportionate to address or remove the substantive impediments to the effective implementation of a preferred resolution strategy (and alternative resolution strategy, if applicable), including substantive impediments to winding-up, where an undertaking is likely to be wound up under insolvency proceedings in the event of its failure.
8. An alternative measure should be considered suitable, if it is able to promote a material reduction or removal of the substantive impediment concerned in a timely manner.
9. An alternative measure should be considered necessary to address or remove an impediment to resolvability, if less disruptive measures which are able to achieve the same objective to the

¹ 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).

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

³ See also Bolder, Simpler, Faster: EIOPA's views for better regulation and supervision, April 2025.

same extent cannot be identified. The disruptiveness of the measure should be assessed, *inter alia*, by costs and negative effects on the undertaking.

10. An alternative measure should be considered proportionate, if the overall potential benefits of resolving the undertaking and of meeting the resolution objectives outweigh the overall potential costs and potential negative impact of addressing or removing the substantive impediments to resolvability.
11. The process of addressing and removing substantial impediments identified in the assessment of resolvability through the application of alternative measures should be based on ongoing cooperation and dialogue with the undertakings or groups.
12. The structure of these Guidelines follows the list of alternative measures provided in Article 15(5) of the IRRD.
13. These Guidelines apply from 30 January 2027.

GUIDELINE 1 – ALTERNATIVE RESOLUTION STRATEGIES

14. Any alternative measures, taken by resolution authorities should aim in the first place to address or remove substantive impediments to resolution with respect to the preferred resolution strategy or strategies. Where relevant, the resolution authority may also apply measures to address or remove substantive impediments to the application of alternative resolution strategy or strategies, for which the same guidelines apply. Any alternative measures necessary to address or remove substantive impediments to the alternative resolution strategy or strategies should only be applied if they do not impair the credible and feasible implementation of the preferred resolution strategy or strategies.

GUIDELINE 2 – POWER TO REQUIRE THE UNDERTAKING TO REVISE ANY INTRA-GROUP FINANCING AGREEMENTS OR REVIEW THE ABSENCE THEREOF, OR DRAW UP SERVICE AGREEMENTS, WHETHER INTRA-GROUP OR WITH THIRD PARTIES⁴

15. Resolution authorities should consider requiring an undertaking to revise existing group financing agreements or to review the absence thereof. In particular, this should be done if the provision of financial support or its form (or the absence of this type of agreement) makes it substantially more difficult for resolution authorities to achieve the resolution objectives by applying the preferred resolution strategy due to, *inter alia*:
 - a) the lack of sufficient mechanisms that allow for losses to be absorbed by (or “up-streamed” to) the relevant parent undertaking, ultimate parent undertaking or insurance holding company (not undermining the solvency of any entity in the group);
 - b) a too complicated operational structure of the group;
 - c) lack or insufficient set-off or netting mechanisms (of mutual liabilities and receivables); or
 - d) the financing structure, that does not allow to absorb losses in accordance with the general principles governing resolution.

⁴ Article 15(5)(b) of the IRRD

16. Resolution authorities should consider requiring an undertaking to draw up written service level agreements or transitional support agreements⁵, or take other appropriate measures to ensure the continuity of the relevant services or to achieve any of the resolution objectives. This measure may be applied, in particular, in cases where:
 - a) no written service level agreements or transitional support agreements exist;
 - b) the level of documentation of the service level agreements or transitional support agreements is insufficient or;
 - c) where the service level agreements or transitional support agreements can be terminated by the counterparty due to resolution action taken by the resolution authority.
17. Resolution authorities should consider applying this alternative measure if legal entities from the group are not able to be operationally independent during resolution, making it substantially more difficult for resolution authorities to achieve the resolution objectives. Especially, resolution authorities should consider this alternative measure where it is necessary to ensure the possibility to implement the preferred resolution strategy envisaging a break-up or restructuring of the group, including through the application of a (partial) transfer tool (applying a sale of business, bridge undertaking, and asset and liability separation tool).
18. When applying this alternative measure, resolution authorities should aim at ensuring that these intra-group financing agreements or service agreements are accessible and enforceable within a short timeframe from the application of the resolution measure. If the relevant preferred resolution strategy envisages the use of a (partial) transfer tool, resolution authorities should consider requiring the agreements to be transferable to entities resulting from resolution action or to recognise the legal effects of statutory transfers. This could include, e.g. requiring the undertaking to include in the arrangements appropriate clauses ensuring that the agreements are not terminated at the entry into resolution.

GUIDELINE 3 – POWER TO REQUIRE THE UNDERTAKING TO LIMIT ITS MAXIMUM INDIVIDUAL AND AGGREGATE EXPOSURES⁶

19. Where necessary to support a preferred resolution strategy involving a separation of legal entities from the group, resolution authorities should consider requiring the undertaking to limit intra-group exposures that create excessive internal financial interconnectedness between group entities (or groups of such entities, further called as ‘subgroups’). This should be applied when these entities are expected to be resolved separately under the preferred resolution strategy of the group and if this intra-group exposure impairs the group’s or undertaking’s resolvability. The same may apply in relation to a ring-fenced entity, if pursuant to legislative requirements or supervisory decisions a separation of certain activities is required

⁵ A transitional support agreement should be understood as an agreement between buyer and seller companies (or divested entities) in which one entity provides services and support (i.e., IT, finance, HR, real estate, payroll, etc.) to another after the closure of a divestiture to ensure business continuity.

⁶ Article 15(5)(b) of the IRRD

to ensure the credibility and feasibility of the application of resolution tools and the exercise of resolution powers to the ring-fenced entity or the remaining parts within the group.

20. Resolution authorities should consider requiring an undertaking to limit individual or aggregate exposures where such exposures create excessive financial or operational interdependencies, that limit the possibility to apply the preferred resolution strategy.
21. Resolution authorities should consider requiring an undertaking to limit exposures to special purpose entities connected to the undertakings through significant undrawn commitments (such as loans and credit lines), material guarantees or letters of comfort where such exposures create excessive dependencies, that limit the possibility to apply the preferred resolution strategy.

GUIDELINE 4 – POWER TO IMPOSE SPECIFIC OR REGULAR ADDITIONAL INFORMATION REQUIREMENTS RELEVANT FOR RESOLUTION PURPOSES⁷

22. Resolution authorities should consider imposing additional information requirements when the undertaking is not able to provide up-to-date information required within the timeframe necessary under the preferred resolution strategy, or when the undertaking's information systems are not able to provide all data needed to develop and implement the preferred resolution strategy, and to support a credible valuation required for resolution, including those required by Articles 23 and 56 of the IRRD. The power should be applied, in particular when the available information related to the following areas is insufficient:
 - a) critical functions or core business lines and the way these are maintained;
 - b) creditors or types of creditors most likely to absorb losses during resolution;
 - c) liabilities of particular relevance for the continuity of critical functions or core business lines (such as, where relevant, claims covered by an insurance guarantee scheme) or the achievement of any other resolution objectives;
 - d) technical provisions;
 - e) policyholders, beneficiaries or injured parties potentially affected by the write-down or conversion;
 - f) staff, services and functions essential for the risk management of the undertaking which have to be maintained to achieve any of the resolution objectives (in particular, ensuring the continuation of critical functions), or to sustain core business lines.

GUIDELINE 5 – POWER TO REQUIRE THE UNDERTAKING TO DIVEST SPECIFIC ASSETS OR TO RESTRUCTURE LIABILITIES⁸

23. Resolution authorities should consider requiring an undertaking to (gradually) divest specific type of assets (such as those that are illiquid or not commonly traded) held in its portfolio prior to resolution, if, as concluded by the resolution authority in its assessment of resolvability of the undertaking, the sale of these assets in resolution would significantly impede the effective

⁷ Article 15(5)(c) of the IRRD

⁸ Article 15(5)(d) of the IRRD

application of resolution tools. The assets to be divested should be those, the sale of which during resolution is likely to result in an increased pressure on asset prices, additional uncertainty or vulnerability on financial markets or among other undertakings and, ultimately, result in higher risk to policyholders, claimants and beneficiaries.

24. In addition, resolution authorities should consider applying this alternative measure if the existing asset structure is likely to have adverse effects on the credibility or feasibility of the preferred resolution strategy, undermining the achievement of the resolution objectives. Where the preferred resolution strategy relies on a liquidation of assets to generate liquidity, resolution authorities should consider requiring an undertaking to divest assets, which are likely to be illiquid under stressed conditions or at the point of resolution, to increase the proportion of assets which are expected to be more liquid instead. This measure should also be considered in relation to assets which significantly impair the feasibility of the valuation (e.g. due to their specific nature, specific approach to their evaluation is needed), required under Article 23 of the IRRD. Resolution authorities should also consider the risk that assets or funding sources might be ring-fenced in third countries.
25. Resolution authorities should consider the time needed for the divestment and the impact of the divestment on the market for the assets concerned, also as a result of divestments required from other undertakings. Resolution authorities should also consider the impact of the divestment on the profit participation of policyholders and, where relevant, the impact of any matching adjustments.
26. Resolution authorities should consider requiring undertakings to restructure liabilities⁹ when, after assessing the preferred resolution strategy, the resolution authority concludes that there is an insufficient loss-absorbing capacity at the level of the undertaking or parent undertaking (e.g. due to regulatory ring-fencing, asset encumbrance or market-related developments) or there are factors limiting the utilization of the existing loss-absorbing capacity (e.g. the structure of the investors, creditors or policyholders, beneficiaries or injured parties) or the type and degree of guarantees in certain parts of the insurance portfolio. If necessary for the effective implementation of a preferred resolution strategy in the context of a group, group-level resolution authorities should also consider requiring the parent undertaking to restructure liabilities when they identify that any legal, regulatory, accounting or tax requirements prohibit the parent undertaking from assuming losses of operating subsidiaries or, down-streaming resources (generated through the write-down or conversion at parent undertaking level) to such subsidiaries.
27. Resolution authorities should consider requiring undertakings to reduce the complexity and size of financial positions or commitments, if this is necessary to remove any undue complexity of the undertaking or group necessary to allow for the application of the resolution tools or the exercise of the resolution powers. In particular, resolution authorities should consider requiring an undertaking to reduce the complexity with regard to large portfolios of derivatives and other financial contracts, to avoid untransparent and inaccessible structures, to avoid the

⁹ Restructuring the liabilities is not limited to its full write-down or conversion.

complexity or volatility of measurement and valuation of the products and portfolios and to avoid their internal interconnectedness.

28. If necessary for the effective implementation of a preferred resolution strategy in the context of a group, the group-level resolution authorities should consider requiring that the funding of subsidiaries by the parent undertaking is adequately subordinated. Group-level resolution authorities should also consider requiring that the funding arrangements between subsidiaries and the parent undertaking or between any other group entities are not subject to set-off arrangement or that they provide for appropriate arrangements for losses to be transferred to the legal entity to which resolution tools or resolution powers would be applied from other group entities, in a way that allows the relevant operating group entities to remain viable without endangering the compliance with prudential requirements of the undertaking. Group-level resolution authorities should consider structuring the funding in such a way that the group or the part of the group that performs critical functions is not split up following a write-down and conversion of a considerable portion of the instruments that are subject to write-down and conversion powers. Where the preferred resolution strategy depends on a re-allocation of capital and liquidity within the group, group-level resolution authorities should consider requiring capital and liquidity to be located in jurisdictions where this re-allocation is allowed under local regulatory limits. Also, the re-allocation should not negatively impact the situation of policyholders.

GUIDELINE 6 – POWER TO REQUIRE THE UNDERTAKING TO LIMIT OR CEASE SPECIFIC EXISTING OR PROPOSED ACTIVITIES¹⁰

29. Resolution authorities should consider requiring an undertaking to limit complex activities related to how business operations are provided to other entities. This should also include how these operations are included in the financial statements (accounting and prudential), how they are funded and considered in the undertaking's risk management framework. Also, the requirement to limit complex activities may refer to the position of business operations within the group and their geographical location, if such activities undermine the credibility or feasibility of the preferred resolution strategy.
30. Resolution authorities should consider requiring an undertaking to limit the provision of relevant services to other undertakings or other financial market participants if, based on an overall assessment of the undertaking's functions, the resolution authority assesses that the services could not be continued in resolution and their discontinuance could threaten the stability of the recipients of these services.
31. Where pursuant to legal requirements or supervisory decisions, a transfer of specific activities into a separate entity is required, resolution authorities should consider preventing this entity from performing additional activities, if this is necessary to ensure the credibility and feasibility of the application of resolution tools or the exercise of resolution powers following the transfer.

¹⁰ Article 15(5)(e) of the IRRD

GUIDELINE 7 – POWER TO RESTRICT OR PREVENT THE DEVELOPMENT OF NEW OR EXISTING BUSINESS LINES OR SALE OF NEW OR EXISTING PRODUCTS¹¹

32. Resolution authorities should consider applying restrictions to the development of new or existing business lines or the sale of new or existing products by the undertaking or group if they are structured in a way that impairs the application of resolution tools or the exercise of resolution powers, or with the purpose to circumvent their application.
33. Resolution authorities should consider restricting or preventing the development of new or existing business lines or the sale of new or existing products governed by a third country law or financial instruments issued from entities in a foreign jurisdiction (in particular third country branches or special purpose entities), if that development of business lines or sale of products may impede the application of resolution, especially in terms of the timing, or the scope of affected parties. This may include situations where the third country law does not recognise the application of resolution tools or the exercise of resolution powers envisaged by the preferred resolution strategy or does not make them effectively enforceable, or if the development or sale of these business lines and products is likely to have significant adverse effects on the application or implementation of resolution powers.
34. Resolution authorities should consider requiring an undertaking to restrict the development of new or existing business lines or sale of new or existing products if, as a result of the complexity of these business lines or products, the assessment of liabilities and non-financial obligations of the undertaking by the resolution authority is impaired or the valuation pursuant to Article 23 of the IRRD is significantly impeded.

GUIDELINE 8 – POWER TO REQUIRE THE UNDERTAKING TO CHANGE THE REINSURANCE STRATEGY¹²

35. Resolution authorities should consider, without prejudice to the specific requirements included in paragraph 36 and 37, any risks related to the reinsurance strategy that the undertaking has in place.
36. Resolution authorities should consider requiring the undertaking to change its reinsurance strategy if the current strategy negatively affects the credibility and feasibility of the preferred resolution strategy. This might be considered, in particular, when the following situations occur: a change in the circumstances and environment of the business (e.g. macroeconomics slowdown, pandemic, outburst of war), low credibility of the current reinsurance undertaking (e.g. when the counterparty to reinsurance contracts is engaged in doubtful transactions or money laundering or when its financial position changes significantly etc.), an absence of resolution-proof clauses, a change of the reinsurance undertaking's financial standing assessment (e.g. rating downgrade) or a use of reinsurance contracts to transfer the assets outside the undertaking (thereby undermining the loss-absorbing and recapitalization capacity).

¹¹ Article 15(5)(f) of the IRRD

¹² Article 15(5)(g) of the IRRD

37. When considering whether the reinsurance strategy of an undertaking needs to be changed, the resolution authority should, in particular, pay attention to:
 - a) legal and financial risks deriving from the reinsurance strategy's contracts;
 - b) operational risks deriving from the reinsurance strategy, such as a significant level of dependence on risk-management expertise provided by the reinsurance undertaking.

GUIDELINE 9 – POWER TO REQUIRE CHANGES TO LEGAL OR OPERATIONAL STRUCTURES OF THE UNDERTAKING OR ANY GROUP ENTITY, EITHER DIRECTLY OR INDIRECTLY UNDER ITS CONTROL, SO AS TO REDUCE COMPLEXITY TO ENSURE THAT CRITICAL FUNCTIONS MAY BE LEGALLY AND OPERATIONALLY SEPARATED FROM OTHER FUNCTIONS THROUGH THE APPLICATION OF THE RESOLUTION TOOLS¹³

38. The requirement to change the structures of the undertaking should be considered if the resolution authority assesses that the legal or operational structures of the undertaking or any group entity as being too complex or too interconnected (including a too high level of staff-sharing between entities) to be able to maintain the continuity of access to critical functions in resolution, or to be dismantled under a preferred resolution strategy, including strategy envisaging a break-up of the group or a liquidation or transfer of certain assets or liabilities. This may especially include a situation in which local group operations are critically dependent on essential services as well as risk management or hedging services from other group entities.
39. If necessary for the effective implementation of a preferred resolution strategy of a group and to ensure that certain subgroups or legal entities are separable, resolution authorities should consider requiring undertakings or any group entity to restructure legal entities along geographical or business lines. In particular, this should apply to centralised hedging and risk management, trading, liquidity management and collateral management or other key finance functions, unless these functions can be replaced in a timely manner by market transactions with third parties. In accordance with the preferred resolution strategy, resolution authorities should prevent extensive use of hedging contracts among entities within the group and other transactions or purchase of financial instruments resulting in the creation of intra-group dependencies potentially influencing the use of resolution tools or resolution powers. This is to ensure that legal entities that are to be resolved separately have a sufficient level of standalone accounting and risk management.
40. Where pursuant to legislative requirements or supervisory decisions, a structural separation of certain activities is required, resolution authorities should consider requiring the inclusion of additional activities in the separation, if necessary to ensure the credibility and feasibility of the application of resolution tools or the exercise of resolution powers in each part of the group following the separation.
41. If resolution authorities consider that the structure of an undertaking or a group limits the possibility to apply the preferred resolution strategy, it should require the undertaking or any group entity to restructure itself so that the subsidiaries which are material to the continuity

¹³ Article 15(5)(h) of the IRRD

of critical functions are located within the EU's internal market or third country jurisdictions in which the impediments are removed.

42. If the preferred resolution strategy provides for a split of an undertaking or of a group or a change of ownership by sale or transfer, resolution authorities should consider requiring the undertaking or any group entity to structure critical functions and relevant services, in a way that facilitates their continuity. If necessary to make a preferred resolution strategy credible and feasible, resolution authorities should consider requiring an undertaking or any group entity to change its operational structure to reduce or prevent the dependency of material entities or core business lines in each subgroup on relevant services from other subgroups. This should include management information systems. It should be ensured that adequate governance and control arrangements are in place and the necessary financial resources are available so that providers of relevant services can continue to provide their services.
43. When it is necessary to ensure the provision of relevant services following resolution, resolution authorities should consider requiring an undertaking to move these services into separate operational subsidiaries. When applying this measure, resolution authorities should consider requiring the operational subsidiaries:
 - a) to limit their activities to the provision of these services and to apply appropriate restrictions regarding risks and activities;
 - b) to be adequately capitalised to meet their operational costs for an appropriate timeframe;
 - c) to meet the requirements applicable to an outsourcing of the functions concerned;
 - d) to provide their services under intra-group service level agreements that are robust under resolution.

The terms of these agreements, the governance arrangements of these subsidiaries and their ownership structure should be appropriate to ensure the continuance of these services following resolution.

44. Resolution authorities should consider requiring an undertaking to take precautions to meet, in a resolution situation, the specific requirements of any financial markets infrastructure (FMI) in which it participates. Where necessary, resolution authorities should consider requiring an undertaking to make reasonable efforts to re-negotiate contracts with FMIs, subject to safeguards to protect the sound risk management and safe and orderly operations of the FMI.
45. Resolution authorities should consider requiring an undertaking or any group entity to avoid critical dependencies of the undertaking, the group or any subgroup on the provision of services under third country contracts that permit termination upon resolution. A dependency should be deemed critical when it negatively affects resolvability of the undertaking.
46. If a preferred resolution strategy for a group includes a winding down of any entities that are not providing any of the identified critical functions or core business lines, resolution authorities should consider requiring an undertakings to ensure the separability of these business lines, within or outside the existing structure, including the marketability of certain operations in case the preferred resolution strategy requires their sale. If necessary to ensure separability, resolution authorities should consider requiring an undertaking to change their structure in third countries from branches to subsidiaries, or to internally segregate all or

certain functions and business lines in these branches to prepare a carve-out of these functions and facilitate the transfer to a separate entity.

47. Resolution authorities should consider requiring an undertaking to take reasonable precautionary measures to ensure the availability of key staff by retaining or substituting them, where this is necessary to implement the preferred resolution strategy, also with a view to the replacement of the administrative, management or supervisory body and the senior management of the undertaking under resolution required by Article 22(1)(c) of the IRRD.
48. Resolution authorities should consider requiring an undertaking to ensure the continuity of management information systems. Resolution authorities should consider requiring that the undertaking's information systems and data availability ensure that resolution authorities are able to obtain the information and data needed to implement the preferred resolution strategy and carry out valuations before and during resolution. In particular, resolution authorities should consider requiring an undertaking to ensure the operability of the use of the write-down and conversion powers by making the identification of liabilities, stays on payments and the technical implementation of the write-down and conversion feasible.
49. Where a significant branch of a third-country undertaking located in the Union performs critical functions or core business lines of which the continuity is not adequately ensured in the resolution plan of the third-country undertaking, or from which a significant risk of contagion is derived, resolution authorities should consider requiring the third-country undertaking to set up a subsidiary or to capture this under the requirement for the parent insurance holding company in a Member State or a Union parent insurance holding company pursuant to the first point of this Guideline.

GUIDELINE 10 – POWER TO REQUIRE THE UNDERTAKING OR A PARENT UNDERTAKING TO SET UP A PARENT INSURANCE HOLDING COMPANY IN A MEMBER STATE OR A UNION PARENT INSURANCE HOLDING COMPANY ¹⁴

50. Resolution authorities should consider requiring to set up a parent insurance holding company in a Member State or a Union parent insurance holding company, if they assess that it is not credible or feasible to resolve the part located in the Union of an undertaking or group located in a third country, because there is no parent undertaking subject to the law of an EU jurisdiction or an equivalent jurisdiction. In particular, resolution authorities should consider requiring an undertaking or a parent undertaking to set up a parent insurance holding company in a Member State or a Union parent insurance holding company, if the issuance of debt at this level is necessary to provide for an adequate amount and proper allocation of liabilities expected to contribute to loss absorption and recapitalisation, to facilitate the absorption of losses at the level of the operating subsidiaries and to ensure the fungibility of liabilities expected to contribute to loss absorption and recapitalisation within the part of the group located in the Union.

¹⁴ Article 15(5)(i) of the IRRD

51. In addition, this measure should be considered where, for a credible and feasible implementation of the preferred resolution strategy, it is required to apply the resolution tools or exercise the resolution powers at the level of the holding company rather than at the level of the operating entities, also with regard to potential exclusions from the write-down or conversion tool. Resolution authorities should consider applying this measure together with restrictions on the operational activities of the parent insurance holding company in a Member State or a Union parent insurance holding company, if the operational activities at that level substantially impede the credibility or feasibility of the implementation of the preferred resolution strategy. In particular, resolution authorities should consider setting appropriate limitations to prevent the parent insurance holding company in a Member State or a Union parent insurance holding company from performing critical functions or core business lines. Where necessary, the parent insurance holding company in a Member State or a Union parent insurance holding company's financing sources should include only equity and liabilities that are expected to be written down or converted.

GUIDELINE 11 – POWER TO REQUIRE THAT THE MIXED-ACTIVITY INSURANCE HOLDING COMPANY SETS UP A SEPARATE INSURANCE HOLDING COMPANY TO CONTROL THE UNDERTAKING, WHERE NECESSARY TO FACILITATE THE RESOLUTION OF THE UNDERTAKING AND TO AVOID THAT THE APPLICATION OF RESOLUTION TOOLS AND THE EXERCISE OF RESOLUTION POWERS HAS AN ADVERSE EFFECT ON THE NON-FINANCIAL PART OF THE GROUP, WHERE THE UNDERTAKING IS THE SUBSIDIARY UNDERTAKING OF A MIXED-ACTIVITY INSURANCE HOLDING COMPANY¹⁵

52. If resolving the insurance part of a mixed-activity insurance holding company enhances the credibility and feasibility of the preferred resolution strategy, resolution authorities should consider requiring the mixed-activity insurance holding company to set up a separate insurance holding company, taking into account the risk of contagion between different segments of the financial sector and the wider economy.

COMPLIANCE AND REPORTING RULES

53. This document contains Guidelines issued under Article 16 of the EIOPA Regulation. In accordance with Article 16(3) of the EIOPA Regulation, resolution authorities are required to make every effort to comply with guidelines and recommendations.
54. Resolution authorities that comply or intend to comply with these Guidelines should incorporate them into their regulatory or resolution framework in an appropriate manner.
55. Resolution 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.

¹⁵ Article 15(5)(j) of the IRRD

56. In the absence of a response by this deadline, resolution authorities will be considered as non-compliant to the reporting and reported as such.

FINAL PROVISION ON REVIEW

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

ANNEX 1: IMPACT ASSESSMENT

OBJECTIVES

In accordance with Article 29 of the EIOPA Regulation, EIOPA carries out, where relevant, analyses of costs and benefits during the policy development process. The analysis of costs and benefits is undertaken according to an 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 these Guidelines 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 approach to the description of details for the application of the measures to address or remove the impediments to resolvability (policy issue A). It is based on a qualitative assessment done by EIOPA.

In drafting these Guidelines, EIOPA sticks to the general objectives of Directive (EU) 2025/1. These general objectives are to enable the authorities to:

- Enhance preparation, coordination and cooperation;
- Meeting the resolution objectives;
- 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 resolution authorities to ensure:

- an effective and efficient policyholder protection in resolution and/or liquidation with a sufficient level of flexibility for resolution authorities allowing for a level of adjustment of the measures to address and remove the impediments to resolvability to the specificity of the national markets;
- a level playing field through common minimum harmonization rules with regard to the framework of addressing and removing impediments to resolvability, which will ensure minimum harmonization across the EU.

POLICY ISSUES

POLICY ISSUE A: APPROACH TO THE DESCRIPTION OF DETAILS FOR THE APPLICATION OF THE MEASURES TO ADDRESS OR REMOVE THE IMPEDIMENTS TO RESOLVABILITY

Article 15(8) of Directive (EU) 2025/1 requires EIOPA to issue guidelines to specify further details on the measures provided for in Article 15(5) of Directive (EU) 2025/1 and the circumstances in which each measure may be applied. In this regard it is possible to create general requirements with details that should be universally applicable whenever any measure from Article 15(5) of Directive (EU) 2025/1

is applied. Another approach would be to include for each alternative measure listed in Directive (EU) 2025/1 further details specific to the nature of that measure.

POLICY OPTIONS

POLICY ISSUE A: APPROACH TO THE DESCRIPTION OF DETAILS FOR THE APPLICATION OF THE MEASURES TO ADDRESS OR REMOVE THE IMPEDIMENTS TO RESOLVABILITY

Policy option A.1: General description applicable to all alternative measures

This approach assumes a set of general rules, recommendations and factors that should be considered by the resolution authorities when applying measures to address or remove impediments to resolvability. It leaves a high degree of flexibility for additional requirements for individual alternative measures to decide on by the national resolution authorities. However, it could also result in a more fragmented way of applying the measures across Member States, as the general provisions might not be sufficiently detailed for authorities, who still can decide on specifications for the individual alternative measures. This is also an approach that is reflective of the fact that the framework for recovery and resolution of insurers is still in its early stages, which means taking time to learn lessons, before developing prescriptive provisions, could be considered to be a pragmatic approach.

Policy option A.2: Dedicated description for every alternative measure

This approach assumes that specific rules for the application of every measure to address or remove impediments to resolvability are created. It would provide more guidance for authorities specific to the nature of the alternative measure and limit a difference in interpretation of how every alternative measure needs to be applied, thereby enhancing consistency. As it creates a higher level of harmonization across Member States, it is more limited in the flexibility for national resolution authorities to develop their own framework. This approach is more strictly following the mandate provided by Directive (EU) 2025/1, as the alternative measures are referenced specifically in the mandate. Nevertheless, this approach should not necessarily need to be overly detailed, in order to retain a level of flexibility within every alternative measure.

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 different 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: APPROACH TO THE DESCRIPTION OF DETAILS FOR THE APPLICATION OF MEASURES TO ADDRESS OR REMOVE IMPEDIMENTS TO RESOLVABILITY

Policy option A.1: general description applicable to all measures		
Costs	Policyholders	Potentially more limited level of resolvability resulting from less clear application guidelines to remove or address the impediments to resolvability, which may lead to higher losses in resolution Potentially higher risk of disruption of insurance products' provision exposing policyholders to additional burdens
	Industry	Increased legal costs as general provisions require deeper legal analysis at the national level More challenges to cross-border business for some undertakings resulting from a less levelled playing field regarding the application of alternative measures Higher costs of undertakings' failures resulting from worse resolvability (being result of less efficient RA's tools during building the resolvability)
	Resolution authorities	Too general character of guidelines that might lead to doubts about how to interpret and apply them. This may also result in additional resource needs for resolution authorities required for the development of additional nationally specific rules, which might be needed for a useful and effective application of the measures Too general character of guidelines and their application challenges might lead to increased legal costs
	Other	No impact
Benefits	Policyholders	If fewer measures are implemented and fewer actions are taken by the undertakings (to build their resilience through increased resolvability) – potentially lower prices of insurance products in short term
	Industry	If fewer measures are implemented and fewer actions are taken by the undertakings (to build their resilience through increased resolvability) – potentially lower level of administrative costs in short term
	Resolution authorities	Higher flexibility to work out further requirements adjusted to national specifics
	Other	No impact

Policy option A.2: dedicated description for every measure		
Costs	Policyholders	Potentially higher price of policies and premiums, due to stricter application of alternative measures
	Industry	Potentially higher costs in the short term that might result from more frequent application (as a result of clearer framework) of measures (in the long run mitigated by higher resilience of the undertakings to crisis events)
	Resolution authorities	Limited flexibility
	Other	No impact
Benefits	Policyholders	Higher level of protection, through better resolution preparedness, by stricter application of provisions to improve resolvability
	Industry	Higher level playing field between Member States and clear expectations in terms of application of measures Potentially lower legal costs resulting from more coherent application of powers Lower costs of undertakings failures as a result of increased resilience
	Resolution authorities	Increased clarity and consistency across resolution authorities and supervisors
	Other	Higher degree of resolvability, due to potential stricter application of measures, limiting the risk to financial stability

COMPARISON OF POLICY OPTIONS

POLICY ISSUE A: APPROACH TO THE DESCRIPTION OF DETAILS FOR THE APPLICATION OF MEASURES TO ADDRESS OR REMOVE THE IMPEDIMENTS TO RESOLVABILITY

EFFECTIVENESS		
	Framework ensuring minimum harmonization	Flexibility for resolution authorities and potential for consideration of national specificities
Policy option A.1	+	++
Policy option A.2	++	+

EFFICIENCY		
	Framework ensuring minimum harmonization	Flexibility for resolution authorities and potential for consideration of national specificities
Policy option A.1	+	++
Policy option A.2	++	+

Under policy option A.1 the Guidelines would be not specific to the alternative measures and would therefore provide a more generic description of the circumstances in which the alternative measures can be applied, with inherently fewer specific requirements. However, generic descriptions, would provide the resolution authorities with a significant level of interpretation, which will most likely lead to unclarity and ultimately a more limited level-playing-field. Policy option A.2 is more specific to the circumstances for every alternative measure and subsequently provides clearer guidance, compared to policy option A.1. Overall, this might lead to more costs for undertakings under Policy option A.1. as alternative measures are easier to implement. Nevertheless, for resolution authorities, the lack of clarity under A.1 might result in more costs, as more resources are required to develop a consistent approach for the specific alternative measures.

PREFERRED OPTION

Based on the impact assessment, **it was decided to create dedicated descriptions for every measure (policy option A.2)**. A general description (policy option A.1) applicable to all measures would provide a significant level of flexibility for resolution authorities, but at the same time would address the specifics of particular measures to a lower extent, resulting in a more limited direct applicability. Additionally, dedicated descriptions for every measure, although they might be more prescriptive, can

be applied in a proportionate and rationalized way nonetheless. Dedicated descriptions also increase the level of harmonization across Member States, as the room to develop national practices is slightly more limited.

Both options create costs, but for different stakeholders and dependent on the approach in individual Member States, as the removal of impediments is preceded by a diligent process of assessing resolvability, for which resolution authorities have a certain degree of flexibility in terms of approach. Unclarity is mostly an issue for resolution authorities, as it results in additional work to properly specify and rationalize their methodologies. Specified guidelines for the specific alternative increase the legal certainty and smoothness of applying alternative measures for resolution authorities, supporting the creation of robust resolution framework acknowledging the appropriate level of flexibility and proportionality to be applied by the resolution authorities. Moreover, the impact assessment shows that the dedicated descriptions for every alternative measure are associated with more benefits and at the same time similar costs in comparison to the policy option of a general description. Therefore, it was decided to structure the guidelines using dedicated descriptions for every listed alternative measure.

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 nine other stakeholders, mainly insurance industry and associations.

As part of the consultation EIOPA held a workshop with stakeholders to discuss the Guidelines on 23 May 2025.

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

EXCESSIVE POWERS

Stakeholder comments

Many of the stakeholders commented that the alternative measures specified in the Guidelines constitute excessive powers, which should only be used in truly exceptional circumstances.

Assessment

The powers to take alternative measures are listed in Article 15(5) IRRD and EIOPA has been empowered to specify the details on these measures and the circumstances in which each measure may be applied. Sufficient safeguards are provided in the IRRD itself, where the exceptional nature of the measures is embedded in the scope of application of the framework.

IMPEDIMENTS AND ALTERNATIVE RESOLUTION STRATEGIES

Stakeholder comments

Some of the stakeholders commented that impediments should only be addressed for preferred resolution strategies, not for alternative resolution strategies, as in practice the latter are even more unlikely to be applied than the former.

Assessment

In response to these comments, no change was made to the Guidelines. EIOPA is of the view that optionality of the resolution plan is a crucial component when facing an insurance failure. Therefore, it is important to identify various potential strategies to be prepared for alternative strategies and multiple scenarios. However, the Guidelines do not require the removal of impediments for alternative resolution strategies, as the assessment of resolvability for alternative resolution strategies is also not required. The Guidelines only provide the option for resolution authorities to do so.

IMPACT ON BUSINESS MODELS

Stakeholder comments

Some stakeholders expressed the view that the provisions of the Guidelines could create a significant risk of interference with ongoing business models, and that the resolvability assessment should only lead to changes to the business in exceptional cases.

Assessment

In response to these comments, no change was made to the Guidelines. Sufficient safeguards are provided in the IRRD itself, where the exceptional nature of the measures is embedded in the scope of application of the framework. Furthermore, the introduction includes two paragraphs stating that resolution authorities should try to minimize, to the extent possible, the interference with the undertaking's ongoing business models and the legal and operational structure and that the potential effect of such measure on the soundness and stability of that undertaking's ongoing business and the internal market should be duly considered.

"COULD CONSIDER" VERSUS "SHOULD CONSIDER"

Stakeholder comments

Some of the stakeholders are of the view that the wording of the Guidelines should be less strict, specifically they request that for all the specified elements of the alternative measures to be considered by resolution authorities, the expression "should consider" should be changed to "could consider." The underlying idea is to avoid resolution authorities will apply the requirements too strictly with unnecessary interventions as a result.

Assessment

In response to these comments, no change was made to the Guidelines. EIOPA is of the view that the elements linked to the resolvability dimensions listed in the IRRD's Annex are essential to consider and that their consideration does not automatically lead to the application of alternative measures, which is subject to sufficient safeguards included in the Level 1 text. More specifically, the elements mentioned will only be considered if the resolvability assessment identifies substantive impediments that have not been adequately addressed or mitigated by the undertaking to the satisfaction of the resolution authority. Should such a situation arise, it becomes particularly important that resolution authorities take all the listed elements into account, to ensure that all relevant considerations are properly weighed before imposing an alternative measure.

PROVISIONS OVERLOOKING EXISTING SOLVENCY II REQUIREMENTS

Stakeholder comments

Some of the stakeholders are of the view that the provisions of the Guidelines seem to overlook existing Solvency II requirements that already cover the same topics, for instance on reinsurance or liquidity stress testing.

Assessment

In response to these comments, no change was made to the Guidelines. The potential connections with Solvency II were carefully considered, but the Guidelines address these similar topics from a different perspective. In resolution planning the resolution authority needs to ensure the undertaking is resolvable when it fails, for which it needs to remove any substantial impediments before, i.e. in going concern. Therefore, undertakings should, for instance, have capabilities to perform a liquidity analysis during a crisis.

GUIDELINES

GUIDELINES

on further details on the measures to remove impediments to resolvability and the circumstances in which each measure may be applied

EIOPA-BoS-25-716

16 February 2026

GUIDELINES ON FURTHER DETAILS ON THE MEASURES TO REMOVE IMPEDIMENTS TO RESOLVABILITY AND THE CIRCUMSTANCES IN WHICH EACH MEASURE MAY BE APPLIED

INTRODUCTION

1. In accordance with Article 16 of Regulation (EU) No 1094/2010 (EIOPA Regulation)¹ and with Article 15(8) of Directive (EU) 2025/1(IRR)², EIOPA issues these Guidelines to specify further details on the alternative measures to remove impediments to resolvability and the circumstances in which each measure may be applied.
2. These Guidelines have been developed in line with EIOPA's views for better regulation and supervision³, thereby enhancing supervisory convergence through simpler, more efficient frameworks.
3. These Guidelines are addressed to resolution authorities as defined in Article 2(12) of the IRRD.
4. If not defined in these Guidelines, the terms have the meaning defined in the legal acts referred to in the introduction. For the purposes of these Guidelines, the definitions of the 'resolution strategy', 'preferred resolution strategy', 'alternative resolution strategy' and 'relevant services' apply as defined in the relevant regulatory technical standards on the content of resolution plans and group resolution plans.
5. It is essential to apply the alternative measures in a proportionate manner, trying to minimize, to the extent possible, the interference with the insurance or reinsurance undertaking's (collectively "undertaking") or group's legal structure and business, financial or operational strategy.
6. For any measures imposed on the undertaking, the resolution authority should duly consider in advance the potential effect of such measure on the soundness and stability of that particular undertaking's ongoing business, the collective interest of policyholders, beneficiaries and injured parties and, on the internal market.
7. The alternative measures may be applied if they are suitable, necessary and proportionate to address or remove the substantive impediments to the effective implementation of a preferred resolution strategy (and alternative resolution strategy, if applicable), including substantive impediments to winding-up, where an undertaking is likely to be wound up under insolvency proceedings in the event of its failure.
8. An alternative measure should be considered suitable, if it is able to promote a material reduction or removal of the substantive impediment concerned in a timely manner.
9. An alternative measure should be considered necessary to address or remove an impediment to resolvability, if less disruptive measures which are able to achieve the same objective to the

¹ 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).

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

³ See also Bolder, Simpler, Faster: EIOPA's views for better regulation and supervision, April 2025.

same extent cannot be identified. The disruptiveness of the measure should be assessed, *inter alia*, by costs and negative effects on the undertaking.

10. An alternative measure should be considered proportionate, if the overall potential benefits of resolving the undertaking and of meeting the resolution objectives outweigh the overall potential costs and potential negative impact of addressing or removing the substantive impediments to resolvability.
11. The process of addressing and removing substantial impediments identified in the assessment of resolvability through the application of alternative measures should be based on ongoing cooperation and dialogue with the undertakings or groups.
12. The structure of these Guidelines follows the list of alternative measures provided in Article 15(5) of the IRRD.
13. These Guidelines apply from 30 January 2027.

GUIDELINE 1 – ALTERNATIVE RESOLUTION STRATEGIES

14. Any alternative measures, taken by resolution authorities should aim in the first place to address or remove substantive impediments to resolution with respect to the preferred resolution strategy or strategies. Where relevant, the resolution authority may also apply measures to address or remove substantive impediments to the application of alternative resolution strategy or strategies, for which the same guidelines apply. Any alternative measures necessary to address or remove substantive impediments to the alternative resolution strategy or strategies should only be applied if they do not impair the credible and feasible implementation of the preferred resolution strategy or strategies.

GUIDELINE 2 – POWER TO REQUIRE THE UNDERTAKING TO REVISE ANY INTRA-GROUP FINANCING AGREEMENTS OR REVIEW THE ABSENCE THEREOF, OR DRAW UP SERVICE AGREEMENTS, WHETHER INTRA-GROUP OR WITH THIRD PARTIES⁴

15. Resolution authorities should consider requiring an undertaking to revise existing group financing agreements or to review the absence thereof. In particular, this should be done if the provision of financial support or its form (or the absence of this type of agreement) makes it substantially more difficult for resolution authorities to achieve the resolution objectives by applying the preferred resolution strategy due to, *inter alia*:
 - a) the lack of sufficient mechanisms that allow for losses to be absorbed by (or “up-streamed” to) the relevant parent undertaking, ultimate parent undertaking or insurance holding company (not undermining the solvency of any entity in the group);
 - b) a too complicated operational structure of the group;
 - c) lack or insufficient set-off or netting mechanisms (of mutual liabilities and receivables); or
 - d) the financing structure, that does not allow to absorb losses in accordance with the general principles governing resolution.

⁴ Article 15(5)(b) of the IRRD

16. Resolution authorities should consider requiring an undertaking to draw up written service level agreements or transitional support agreements⁵, or take other appropriate measures to ensure the continuity of the relevant services or to achieve any of the resolution objectives. This measure may be applied, in particular, in cases where:
 - a) no written service level agreements or transitional support agreements exist;
 - b) the level of documentation of the service level agreements or transitional support agreements is insufficient or;
 - c) where the service level agreements or transitional support agreements can be terminated by the counterparty due to resolution action taken by the resolution authority.
17. Resolution authorities should consider applying this alternative measure if legal entities from the group are not able to be operationally independent during resolution, making it substantially more difficult for resolution authorities to achieve the resolution objectives. Especially, resolution authorities should consider this alternative measure where it is necessary to ensure the possibility to implement the preferred resolution strategy envisaging a break-up or restructuring of the group, including through the application of a (partial) transfer tool (applying a sale of business, bridge undertaking, and asset and liability separation tool).
18. When applying this alternative measure, resolution authorities should aim at ensuring that these intra-group financing agreements or service agreements are accessible and enforceable within a short timeframe from the application of the resolution measure. If the relevant preferred resolution strategy envisages the use of a (partial) transfer tool, resolution authorities should consider requiring the agreements to be transferable to entities resulting from resolution action or to recognise the legal effects of statutory transfers. This could include, e.g. requiring the undertaking to include in the arrangements appropriate clauses ensuring that the agreements are not terminated at the entry into resolution.

GUIDELINE 3 – POWER TO REQUIRE THE UNDERTAKING TO LIMIT ITS MAXIMUM INDIVIDUAL AND AGGREGATE EXPOSURES⁶

19. Where necessary to support a preferred resolution strategy involving a separation of legal entities from the group, resolution authorities should consider requiring the undertaking to limit intra-group exposures that create excessive internal financial interconnectedness between group entities (or groups of such entities, further called as ‘subgroups’). This should be applied when these entities are expected to be resolved separately under the preferred resolution strategy of the group and if this intra-group exposure impairs the group’s or undertaking’s resolvability. The same may apply in relation to a ring-fenced entity, if pursuant to legislative requirements or supervisory decisions a separation of certain activities is required

⁵ A transitional support agreement should be understood as an agreement between buyer and seller companies (or divested entities) in which one entity provides services and support (i.e., IT, finance, HR, real estate, payroll, etc.) to another after the closure of a divestiture to ensure business continuity.

⁶ Article 15(5)(b) of the IRRD

to ensure the credibility and feasibility of the application of resolution tools and the exercise of resolution powers to the ring-fenced entity or the remaining parts within the group.

20. Resolution authorities should consider requiring an undertaking to limit individual or aggregate exposures where such exposures create excessive financial or operational interdependencies, that limit the possibility to apply the preferred resolution strategy.
21. Resolution authorities should consider requiring an undertaking to limit exposures to special purpose entities connected to the undertakings through significant undrawn commitments (such as loans and credit lines), material guarantees or letters of comfort where such exposures create excessive dependencies, that limit the possibility to apply the preferred resolution strategy.

GUIDELINE 4 – POWER TO IMPOSE SPECIFIC OR REGULAR ADDITIONAL INFORMATION REQUIREMENTS RELEVANT FOR RESOLUTION PURPOSES⁷

22. Resolution authorities should consider imposing additional information requirements when the undertaking is not able to provide up-to-date information required within the timeframe necessary under the preferred resolution strategy, or when the undertaking's information systems are not able to provide all data needed to develop and implement the preferred resolution strategy, and to support a credible valuation required for resolution, including those required by Articles 23 and 56 of the IRRD. The power should be applied, in particular when the available information related to the following areas is insufficient:
 - a) critical functions or core business lines and the way these are maintained;
 - b) creditors or types of creditors most likely to absorb losses during resolution;
 - c) liabilities of particular relevance for the continuity of critical functions or core business lines (such as, where relevant, claims covered by an insurance guarantee scheme) or the achievement of any other resolution objectives;
 - d) technical provisions;
 - e) policyholders, beneficiaries or injured parties potentially affected by the write-down or conversion;
 - f) staff, services and functions essential for the risk management of the undertaking which have to be maintained to achieve any of the resolution objectives (in particular, ensuring the continuation of critical functions), or to sustain core business lines.

GUIDELINE 5 – POWER TO REQUIRE THE UNDERTAKING TO DIVEST SPECIFIC ASSETS OR TO RESTRUCTURE LIABILITIES⁸

23. Resolution authorities should consider requiring an undertaking to (gradually) divest specific type of assets (such as those that are illiquid or not commonly traded) held in its portfolio prior to resolution, if, as concluded by the resolution authority in its assessment of resolvability of the undertaking, the sale of these assets in resolution would significantly impede the effective

⁷ Article 15(5)(c) of the IRRD

⁸ Article 15(5)(d) of the IRRD

application of resolution tools. The assets to be divested should be those, the sale of which during resolution is likely to result in an increased pressure on asset prices, additional uncertainty or vulnerability on financial markets or among other undertakings and, ultimately, result in higher risk to policyholders, claimants and beneficiaries.

24. In addition, resolution authorities should consider applying this alternative measure if the existing asset structure is likely to have adverse effects on the credibility or feasibility of the preferred resolution strategy, undermining the achievement of the resolution objectives. Where the preferred resolution strategy relies on a liquidation of assets to generate liquidity, resolution authorities should consider requiring an undertaking to divest assets, which are likely to be illiquid under stressed conditions or at the point of resolution, to increase the proportion of assets which are expected to be more liquid instead. This measure should also be considered in relation to assets which significantly impair the feasibility of the valuation (e.g. due to their specific nature, specific approach to their evaluation is needed), required under Article 23 of the IRRD. Resolution authorities should also consider the risk that assets or funding sources might be ring-fenced in third countries.
25. Resolution authorities should consider the time needed for the divestment and the impact of the divestment on the market for the assets concerned, also as a result of divestments required from other undertakings. Resolution authorities should also consider the impact of the divestment on the profit participation of policyholders and, where relevant, the impact of any matching adjustments.
26. Resolution authorities should consider requiring undertakings to restructure liabilities⁹ when, after assessing the preferred resolution strategy, the resolution authority concludes that there is an insufficient loss-absorbing capacity at the level of the undertaking or parent undertaking (e.g. due to regulatory ring-fencing, asset encumbrance or market-related developments) or there are factors limiting the utilization of the existing loss-absorbing capacity (e.g. the structure of the investors, creditors or policyholders, beneficiaries or injured parties) or the type and degree of guarantees in certain parts of the insurance portfolio. If necessary for the effective implementation of a preferred resolution strategy in the context of a group, group-level resolution authorities should also consider requiring the parent undertaking to restructure liabilities when they identify that any legal, regulatory, accounting or tax requirements prohibit the parent undertaking from assuming losses of operating subsidiaries or, down-streaming resources (generated through the write-down or conversion at parent undertaking level) to such subsidiaries.
27. Resolution authorities should consider requiring undertakings to reduce the complexity and size of financial positions or commitments, if this is necessary to remove any undue complexity of the undertaking or group necessary to allow for the application of the resolution tools or the exercise of the resolution powers. In particular, resolution authorities should consider requiring an undertaking to reduce the complexity with regard to large portfolios of derivatives and other financial contracts, to avoid untransparent and inaccessible structures, to avoid the

⁹ Restructuring the liabilities is not limited to its full write-down or conversion.

complexity or volatility of measurement and valuation of the products and portfolios and to avoid their internal interconnectedness.

28. If necessary for the effective implementation of a preferred resolution strategy in the context of a group, the group-level resolution authorities should consider requiring that the funding of subsidiaries by the parent undertaking is adequately subordinated. Group-level resolution authorities should also consider requiring that the funding arrangements between subsidiaries and the parent undertaking or between any other group entities are not subject to set-off arrangement or that they provide for appropriate arrangements for losses to be transferred to the legal entity to which resolution tools or resolution powers would be applied from other group entities, in a way that allows the relevant operating group entities to remain viable without endangering the compliance with prudential requirements of the undertaking. Group-level resolution authorities should consider structuring the funding in such a way that the group or the part of the group that performs critical functions is not split up following a write-down and conversion of a considerable portion of the instruments that are subject to write-down and conversion powers. Where the preferred resolution strategy depends on a re-allocation of capital and liquidity within the group, group-level resolution authorities should consider requiring capital and liquidity to be located in jurisdictions where this re-allocation is allowed under local regulatory limits. Also, the re-allocation should not negatively impact the situation of policyholders.

GUIDELINE 6 – POWER TO REQUIRE THE UNDERTAKING TO LIMIT OR CEASE SPECIFIC EXISTING OR PROPOSED ACTIVITIES¹⁰

29. Resolution authorities should consider requiring an undertaking to limit complex activities related to how business operations are provided to other entities. This should also include how these operations are included in the financial statements (accounting and prudential), how they are funded and considered in the undertaking's risk management framework. Also, the requirement to limit complex activities may refer to the position of business operations within the group and their geographical location, if such activities undermine the credibility or feasibility of the preferred resolution strategy.
30. Resolution authorities should consider requiring an undertaking to limit the provision of relevant services to other undertakings or other financial market participants if, based on an overall assessment of the undertaking's functions, the resolution authority assesses that the services could not be continued in resolution and their discontinuance could threaten the stability of the recipients of these services.
31. Where pursuant to legal requirements or supervisory decisions, a transfer of specific activities into a separate entity is required, resolution authorities should consider preventing this entity from performing additional activities, if this is necessary to ensure the credibility and feasibility of the application of resolution tools or the exercise of resolution powers following the transfer.

¹⁰ Article 15(5)(e) of the IRRD

GUIDELINE 7 – POWER TO RESTRICT OR PREVENT THE DEVELOPMENT OF NEW OR EXISTING BUSINESS LINES OR SALE OF NEW OR EXISTING PRODUCTS¹¹

32. Resolution authorities should consider applying restrictions to the development of new or existing business lines or the sale of new or existing products by the undertaking or group if they are structured in a way that impairs the application of resolution tools or the exercise of resolution powers, or with the purpose to circumvent their application.
33. Resolution authorities should consider restricting or preventing the development of new or existing business lines or the sale of new or existing products governed by a third country law or financial instruments issued from entities in a foreign jurisdiction (in particular third country branches or special purpose entities), if that development of business lines or sale of products may impede the application of resolution, especially in terms of the timing, or the scope of affected parties. This may include situations where the third country law does not recognise the application of resolution tools or the exercise of resolution powers envisaged by the preferred resolution strategy or does not make them effectively enforceable, or if the development or sale of these business lines and products is likely to have significant adverse effects on the application or implementation of resolution powers.
34. Resolution authorities should consider requiring an undertaking to restrict the development of new or existing business lines or sale of new or existing products if, as a result of the complexity of these business lines or products, the assessment of liabilities and non-financial obligations of the undertaking by the resolution authority is impaired or the valuation pursuant to Article 23 of the IRRD is significantly impeded.

GUIDELINE 8 – POWER TO REQUIRE THE UNDERTAKING TO CHANGE THE REINSURANCE STRATEGY¹²

35. Resolution authorities should consider, without prejudice to the specific requirements included in paragraph 36 and 37, any risks related to the reinsurance strategy that the undertaking has in place.
36. Resolution authorities should consider requiring the undertaking to change its reinsurance strategy if the current strategy negatively affects the credibility and feasibility of the preferred resolution strategy. This might be considered, in particular, when the following situations occur: a change in the circumstances and environment of the business (e.g. macroeconomics slowdown, pandemic, outburst of war), low credibility of the current reinsurance undertaking (e.g. when the counterparty to reinsurance contracts is engaged in doubtful transactions or money laundering or when its financial position changes significantly etc.), an absence of resolution-proof clauses, a change of the reinsurance undertaking's financial standing assessment (e.g. rating downgrade) or a use of reinsurance contracts to transfer the assets outside the undertaking (thereby undermining the loss-absorbing and recapitalization capacity).

¹¹ Article 15(5)(f) of the IRRD

¹² Article 15(5)(g) of the IRRD

37. When considering whether the reinsurance strategy of an undertaking needs to be changed, the resolution authority should, in particular, pay attention to:
 - a) legal and financial risks deriving from the reinsurance strategy's contracts;
 - b) operational risks deriving from the reinsurance strategy, such as a significant level of dependence on risk-management expertise provided by the reinsurance undertaking.

GUIDELINE 9 – POWER TO REQUIRE CHANGES TO LEGAL OR OPERATIONAL STRUCTURES OF THE UNDERTAKING OR ANY GROUP ENTITY, EITHER DIRECTLY OR INDIRECTLY UNDER ITS CONTROL, SO AS TO REDUCE COMPLEXITY TO ENSURE THAT CRITICAL FUNCTIONS MAY BE LEGALLY AND OPERATIONALLY SEPARATED FROM OTHER FUNCTIONS THROUGH THE APPLICATION OF THE RESOLUTION TOOLS¹³

38. The requirement to change the structures of the undertaking should be considered if the resolution authority assesses that the legal or operational structures of the undertaking or any group entity as being too complex or too interconnected (including a too high level of staff-sharing between entities) to be able to maintain the continuity of access to critical functions in resolution, or to be dismantled under a preferred resolution strategy, including strategy envisaging a break-up of the group or a liquidation or transfer of certain assets or liabilities. This may especially include a situation in which local group operations are critically dependent on essential services as well as risk management or hedging services from other group entities.
39. If necessary for the effective implementation of a preferred resolution strategy of a group and to ensure that certain subgroups or legal entities are separable, resolution authorities should consider requiring undertakings or any group entity to restructure legal entities along geographical or business lines. In particular, this should apply to centralised hedging and risk management, trading, liquidity management and collateral management or other key finance functions, unless these functions can be replaced in a timely manner by market transactions with third parties. In accordance with the preferred resolution strategy, resolution authorities should prevent extensive use of hedging contracts among entities within the group and other transactions or purchase of financial instruments resulting in the creation of intra-group dependencies potentially influencing the use of resolution tools or resolution powers. This is to ensure that legal entities that are to be resolved separately have a sufficient level of standalone accounting and risk management.
40. Where pursuant to legislative requirements or supervisory decisions, a structural separation of certain activities is required, resolution authorities should consider requiring the inclusion of additional activities in the separation, if necessary to ensure the credibility and feasibility of the application of resolution tools or the exercise of resolution powers in each part of the group following the separation.
41. If resolution authorities consider that the structure of an undertaking or a group limits the possibility to apply the preferred resolution strategy, it should require the undertaking or any group entity to restructure itself so that the subsidiaries which are material to the continuity

¹³ Article 15(5)(h) of the IRRD

of critical functions are located within the EU's internal market or third country jurisdictions in which the impediments are removed.

42. If the preferred resolution strategy provides for a split of an undertaking or of a group or a change of ownership by sale or transfer, resolution authorities should consider requiring the undertaking or any group entity to structure critical functions and relevant services, in a way that facilitates their continuity. If necessary to make a preferred resolution strategy credible and feasible, resolution authorities should consider requiring an undertaking or any group entity to change its operational structure to reduce or prevent the dependency of material entities or core business lines in each subgroup on relevant services from other subgroups. This should include management information systems. It should be ensured that adequate governance and control arrangements are in place and the necessary financial resources are available so that providers of relevant services can continue to provide their services.
43. When it is necessary to ensure the provision of relevant services following resolution, resolution authorities should consider requiring an undertaking to move these services into separate operational subsidiaries. When applying this measure, resolution authorities should consider requiring the operational subsidiaries:
 - a) to limit their activities to the provision of these services and to apply appropriate restrictions regarding risks and activities;
 - b) to be adequately capitalised to meet their operational costs for an appropriate timeframe;
 - c) to meet the requirements applicable to an outsourcing of the functions concerned;
 - d) to provide their services under intra-group service level agreements that are robust under resolution.

The terms of these agreements, the governance arrangements of these subsidiaries and their ownership structure should be appropriate to ensure the continuance of these services following resolution.

44. Resolution authorities should consider requiring an undertaking to take precautions to meet, in a resolution situation, the specific requirements of any financial markets infrastructure (FMI) in which it participates. Where necessary, resolution authorities should consider requiring an undertaking to make reasonable efforts to re-negotiate contracts with FMIs, subject to safeguards to protect the sound risk management and safe and orderly operations of the FMI.
45. Resolution authorities should consider requiring an undertaking or any group entity to avoid critical dependencies of the undertaking, the group or any subgroup on the provision of services under third country contracts that permit termination upon resolution. A dependency should be deemed critical when it negatively affects resolvability of the undertaking.
46. If a preferred resolution strategy for a group includes a winding down of any entities that are not providing any of the identified critical functions or core business lines, resolution authorities should consider requiring an undertakings to ensure the separability of these business lines, within or outside the existing structure, including the marketability of certain operations in case the preferred resolution strategy requires their sale. If necessary to ensure separability, resolution authorities should consider requiring an undertaking to change their structure in third countries from branches to subsidiaries, or to internally segregate all or

certain functions and business lines in these branches to prepare a carve-out of these functions and facilitate the transfer to a separate entity.

47. Resolution authorities should consider requiring an undertaking to take reasonable precautionary measures to ensure the availability of key staff by retaining or substituting them, where this is necessary to implement the preferred resolution strategy, also with a view to the replacement of the administrative, management or supervisory body and the senior management of the undertaking under resolution required by Article 22(1)(c) of the IRRD.
48. Resolution authorities should consider requiring an undertaking to ensure the continuity of management information systems. Resolution authorities should consider requiring that the undertaking's information systems and data availability ensure that resolution authorities are able to obtain the information and data needed to implement the preferred resolution strategy and carry out valuations before and during resolution. In particular, resolution authorities should consider requiring an undertaking to ensure the operability of the use of the write-down and conversion powers by making the identification of liabilities, stays on payments and the technical implementation of the write-down and conversion feasible.
49. Where a significant branch of a third-country undertaking located in the Union performs critical functions or core business lines of which the continuity is not adequately ensured in the resolution plan of the third-country undertaking, or from which a significant risk of contagion is derived, resolution authorities should consider requiring the third-country undertaking to set up a subsidiary or to capture this under the requirement for the parent insurance holding company in a Member State or a Union parent insurance holding company pursuant to the first point of this Guideline.

GUIDELINE 10 – POWER TO REQUIRE THE UNDERTAKING OR A PARENT UNDERTAKING TO SET UP A PARENT INSURANCE HOLDING COMPANY IN A MEMBER STATE OR A UNION PARENT INSURANCE HOLDING COMPANY ¹⁴

50. Resolution authorities should consider requiring to set up a parent insurance holding company in a Member State or a Union parent insurance holding company, if they assess that it is not credible or feasible to resolve the part located in the Union of an undertaking or group located in a third country, because there is no parent undertaking subject to the law of an EU jurisdiction or an equivalent jurisdiction. In particular, resolution authorities should consider requiring an undertaking or a parent undertaking to set up a parent insurance holding company in a Member State or a Union parent insurance holding company, if the issuance of debt at this level is necessary to provide for an adequate amount and proper allocation of liabilities expected to contribute to loss absorption and recapitalisation, to facilitate the absorption of losses at the level of the operating subsidiaries and to ensure the fungibility of liabilities expected to contribute to loss absorption and recapitalisation within the part of the group located in the Union.

¹⁴ Article 15(5)(i) of the IRRD

51. In addition, this measure should be considered where, for a credible and feasible implementation of the preferred resolution strategy, it is required to apply the resolution tools or exercise the resolution powers at the level of the holding company rather than at the level of the operating entities, also with regard to potential exclusions from the write-down or conversion tool. Resolution authorities should consider applying this measure together with restrictions on the operational activities of the parent insurance holding company in a Member State or a Union parent insurance holding company, if the operational activities at that level substantially impede the credibility or feasibility of the implementation of the preferred resolution strategy. In particular, resolution authorities should consider setting appropriate limitations to prevent the parent insurance holding company in a Member State or a Union parent insurance holding company from performing critical functions or core business lines. Where necessary, the parent insurance holding company in a Member State or a Union parent insurance holding company's financing sources should include only equity and liabilities that are expected to be written down or converted.

GUIDELINE 11 – POWER TO REQUIRE THAT THE MIXED-ACTIVITY INSURANCE HOLDING COMPANY SETS UP A SEPARATE INSURANCE HOLDING COMPANY TO CONTROL THE UNDERTAKING, WHERE NECESSARY TO FACILITATE THE RESOLUTION OF THE UNDERTAKING AND TO AVOID THAT THE APPLICATION OF RESOLUTION TOOLS AND THE EXERCISE OF RESOLUTION POWERS HAS AN ADVERSE EFFECT ON THE NON-FINANCIAL PART OF THE GROUP, WHERE THE UNDERTAKING IS THE SUBSIDIARY UNDERTAKING OF A MIXED-ACTIVITY INSURANCE HOLDING COMPANY¹⁵

52. If resolving the insurance part of a mixed-activity insurance holding company enhances the credibility and feasibility of the preferred resolution strategy, resolution authorities should consider requiring the mixed-activity insurance holding company to set up a separate insurance holding company, taking into account the risk of contagion between different segments of the financial sector and the wider economy.

COMPLIANCE AND REPORTING RULES

53. This document contains Guidelines issued under Article 16 of the EIOPA Regulation. In accordance with Article 16(3) of the EIOPA Regulation, resolution authorities are required to make every effort to comply with guidelines and recommendations.
54. Resolution authorities that comply or intend to comply with these Guidelines should incorporate them into their regulatory or resolution framework in an appropriate manner.
55. Resolution 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.

¹⁵ Article 15(5)(j) of the IRRD

56. In the absence of a response by this deadline, resolution authorities will be considered as non-compliant to the reporting and reported as such.

FINAL PROVISION ON REVIEW

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