

# Procedure file

## Basic information

COD - Ordinary legislative procedure (ex-codecision procedure) Directive	2021/0296(COD)	Awaiting Parliament's position in 1st reading
Framework for the recovery and resolution of insurance and reinsurance undertakings		
Amending Directive 2002/47 <a href="#">2001/0086(COD)</a> Amending Directive 2004/25 <a href="#">2002/0240(COD)</a> Amending Directive 2009/138 <a href="#">2007/0143(COD)</a> Amending Regulation 2010/1094 <a href="#">2009/0143(COD)</a> Amending Regulation 2012/648 <a href="#">2010/0250(COD)</a> Amending Directive 2017/1132 <a href="#">2015/0283(COD)</a>		
Subject 2.50.03 Securities and financial markets, stock exchange, CIUTS, investments 2.50.05 Insurance, pension funds 2.50.08 Financial services, financial reporting and auditing 2.50.10 Financial supervision		
Legislative priorities <a href="#">Joint Declaration 2023-24</a> <a href="#">Joint Declaration 2021</a> <a href="#">Joint Declaration 2022</a>		

## Key players

European Parliament	Committee responsible	Rapporteur	Appointed
	ECON <a href="#">Economic and Monetary Affairs</a>	FERBER Markus	25/10/2021
		 <a href="#">FERBER Markus</a>	Shadow rapporteur
		 <a href="#">LALUCQ Aurore</a>	
		 <a href="#">YON-COURTIN Stéphanie</a>	
		 <a href="#">HAHN Henrike</a>	
		 <a href="#">ZANNI Marco</a>	
		 <a href="#">VAN OVERTVELDT Johan</a>	
		 <a href="#">MACMANUS Chris</a>	
Committee for opinion		Rapporteur for opinion	Appointed
JURI	<a href="#">Legal Affairs</a>	The committee decided not to give an opinion.	

Council of the European Union  
European Commission

Commission DG

Commissioner

Financial Stability, Financial Services and Capital Markets Union

MCGUINNESS Mairead

European Economic and Social Committee

### Key events

23/09/2021	Legislative proposal published	<a href="#">COM(2021)0582</a>	Summary
22/11/2021	Committee referral announced in Parliament, 1st reading		
18/07/2023	Vote in committee, 1st reading		
18/07/2023	Committee decision to open interinstitutional negotiations with report adopted in committee		
26/07/2023	Committee report tabled for plenary, 1st reading	<a href="#">A9-0251/2023</a>	Summary
11/09/2023	Committee decision to enter into interinstitutional negotiations announced in plenary (Rule 71)		
13/09/2023	Committee decision to enter into interinstitutional negotiations confirmed by plenary (Rule 71)		
29/01/2024	Approval in committee of the text agreed at 1st reading interinstitutional negotiations	<a href="#">PE758.182</a> GEDA/A/(2024)000531	

### Forecasts

22/04/2024	Indicative plenary sitting date
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### Technical information

Procedure reference	2021/0296(COD)
Procedure type	COD - Ordinary legislative procedure (ex-codecision procedure)
Procedure subtype	Legislation
Legislative instrument	Directive  Amending Directive 2002/47 <a href="#">2001/0086(COD)</a> Amending Directive 2004/25 <a href="#">2002/0240(COD)</a> Amending Directive 2009/138 <a href="#">2007/0143(COD)</a> Amending Regulation 2010/1094 <a href="#">2009/0143(COD)</a> Amending Regulation 2012/648 <a href="#">2010/0250(COD)</a> Amending Directive 2017/1132 <a href="#">2015/0283(COD)</a>
Legal basis	Treaty on the Functioning of the EU TFEU 114
Mandatory consultation of other institutions	<a href="#">European Economic and Social Committee</a>
Stage reached in procedure	Awaiting Parliament's position in 1st reading
Committee dossier	ECON/9/07222

## Documentation gateway

Legislative proposal	<a href="#">COM(2021)0582</a>	23/09/2021	EC	Summary
Economic and Social Committee: opinion, report	<a href="#">CES5378/2021</a>	23/02/2022	ESC	
Committee draft report	<a href="#">PE732.670</a>	02/06/2022	EP	
Amendments tabled in committee	<a href="#">PE732.672</a>	18/07/2022	EP	
Committee report tabled for plenary, 1st reading/single reading	<a href="#">A9-0251/2023</a>	26/07/2023	EP	Summary
Coreper letter confirming interinstitutional agreement	GEDA/A/(2024)000531	24/01/2024	CSL	
Text agreed during interinstitutional negotiations	<a href="#">PE758.182</a>	24/01/2024	EP	

## Additional information

Research document	<a href="#">Briefing</a>	13/03/2024
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## Framework for the recovery and resolution of insurance and reinsurance undertakings

PURPOSE: to establish a European framework for the recovery and resolution of insurance and reinsurance undertakings.

PROPOSED ACT: Directive of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: insurance policies form an integral part of the daily life of European citizens. For many social and economic activities, holding an insurance policy is necessary to protect against potential risks. They also include savings products, which will determine the long-term welfare of their holders. The disorderly failure of insurers can therefore have a significant impact on policy holders, beneficiaries, injured parties or affected businesses. The management of a near-failure or the failure of certain insurers, particularly large cross-border groups, or the simultaneous failure of multiple insurers can also lead to or amplify financial instability.

Although [Directive 2009/138/EC](#) (Solvency II Directive) of the European Parliament and of the Council aimed at strengthening the financial system in the EU and the resilience of insurance and reinsurance undertakings, it did not completely eliminate the possibility of failures of such insurance and reinsurance undertakings.

Moreover, there are currently no harmonised procedures at European level for resolving insurers. This results in considerable substantive and procedural differences between the laws, regulations and administrative provisions that govern the failure of insurers in the Member States. A regime is therefore needed to provide authorities with a credible set of resolution tools to intervene sufficiently early and quickly if insurers are failing or likely to fail to ensure a better outcome for policy holders, while minimising the impact on the economy, the financial system and any recourse to taxpayers money.

CONTENT: the proposed Directive seeks to harmonise national laws on recovery and resolution of insurers or introduces such a framework if there is none yet, to the extent necessary to ensure that Member States have the same tools and procedures to address failures. The harmonised framework would also safeguard the interests of policy holders and preserve the real economy. It would contribute to financial stability and trust in the internal market for insurance and reinsurance.

The proposal addresses crisis management and provides for a comprehensive package of measures including, *inter alia*, the following elements:

### Prevention and preparedness

The proposal requires insurance and reinsurance undertakings established in the EU and subject to the Solvency II regulatory framework to develop preventive recovery plans, in order to be better prepared for a possible crisis and to be able to take prompt remedial action if a crisis occurs.

### Set-up of resolution authorities

This proposal requires Member States to set up insurance resolution authorities, equipped with a minimum harmonised set of powers to undertake all the relevant preparatory and resolution actions. The proposal does not specify the particular authority that should be appointed and can therefore be for example national central banks, competent ministries, public administrative authorities or other authorities entrusted with public administrative powers.

### Resolution tools

The framework would provide national authorities with resolution tools to intervene early and quickly enough in the event of failure or risk of failure of insurers. These instruments would maintain insurance cover for policyholders, beneficiaries and injured parties and allocate losses in a fair and predictable manner.

## Cross-border group resolution

To take account of the cross border nature of some insurance groups and create a comprehensive and integrated framework for recovery and resolution actions in the Union, resolution colleges will be established under the leadership of the group resolution authority and with the participation of the European Insurance and Occupational Pensions Authority (EIOPA). The objective of the colleges is to coordinate preparatory and resolution measures among national authorities to ensure optimal solutions at Union level.

## Changes to the Solvency II Directive

This proposal clarifies supervisory authorities powers to impose preventive measures to insurers in cases of deteriorating financial positions or breaches of regulatory requirements, to avoid the escalation of the problems at a sufficiently early stage of deterioration.

## Penalties

In order to ensure compliance by insurers, those who effectively control their business and their administrative, management or supervisory body with the obligations deriving from this proposal, Member States should provide for administrative sanctions and other administrative measures which are effective, proportionate and dissuasive. EIOPA should maintain a central database of all administrative sanctions.

## Implementation

The proposal requires Member States to transpose the recovery and resolution rules in their national laws within 18 months from the entry into force of this proposal. National authorities should report to EIOPA on the application of simplified obligations on an annual basis, which EIOPA should in turn disclose.

# Framework for the recovery and resolution of insurance and reinsurance undertakings

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The Committee on Economic and Monetary Affairs adopted the reported by Markus FERBER (EPP, DE) on the proposal for a directive of the European Parliament and of the Council establishing a framework for the recovery and resolution of insurance and reinsurance undertakings and amending Directives 2002/47/EC, 2004/25/EC, 2009/138/EC, (EU) 2017/1132 and Regulations (EU) No 1094/2010 and (EU) No 648/2012.

As a reminder, the aim of this proposed directive is to make the insurance and reinsurance sector more resilient and enhance the protection of policyholders, taxpayers, the economy and financial stability within the EU. Moreover, the new directive will provide a framework for cases where the Solvency II regime does not prevent the failure of an insurance undertaking. The Insurance Recovery and Resolution Directive (IRRD) will provide harmonised resolution procedures, making failures of insurance companies easier to handle, especially in a cross-border context.

The committee responsible recommended that the European Parliament's position adopted at first reading under the ordinary legislative procedure should amend the proposal as follows:

## Scope

The amended text reinforces the role of the European Insurance and Occupational Pensions Authority. The EIOPA should be informed of any additional or stricter rules adopted by Member States, other than those laid down in the directive.

## Resolution plans

Members added that the resolution plans should also contain a preliminary assessment of the feasibility and credibility of the winding up under normal insolvency proceedings or of resolution actions. Resolution authorities should draw up resolution plans for each insurance and reinsurance undertaking that is subject to pre-emptive recovery planning requirements provided they assess that the public interest would be positive in the event of a failure or for which a critical function exists. This assessment should be made on the basis of the resolution objectives and criteria such as size, business model, risk profile, interconnectedness, substitutability and cross-border activity.

## Group resolution plans

The amended text suggested that Member States should ensure that group resolution authorities draw up group resolution plans to be activated in case the ultimate parent undertaking or one of the material undertakings within the group risks experiencing a significant deterioration of its

financial position.

## Financial arrangements

Financing arrangements should be established in each Member State to compensate policy holders of insurance and reinsurance undertakings authorised in that Member State. While directly absorbing the losses of an insurance company should be avoided, it should be possible to use such financing arrangements to finance other costs associated with the use of resolution tools as a last resort, to the extent necessary to achieve the resolution objectives and insofar as the resolution principles are fully respected. Acknowledging the diversity in insurance markets, Member States should be given some flexibility in relation to the precise arrangements of external financing as long as the availability of sufficient liquidity to guarantee compensation within a reasonable timeframe is ensured. A Member State should impose a contribution obligation only to insurance and reinsurance undertakings authorised in that Member State and to Union branches of a third country undertaking which are established in its territory.

## Policy-holder protection

The report stated that the global financial crisis showed the need for high levels of protection for policy holders. The introduction of insurance guarantee schemes (IGSs) should therefore be advanced. A harmonised framework of national insurance guarantee schemes would help to minimise reliance on public funds by providing equal protection to policy holders and beneficiaries in the event of an insurers insolvency. The current lack of homogeneity between national IGSs leads to unequal treatment of policy holders and beneficiaries of the same insurer, as demonstrated by recent cross-border insurance failures. After sufficient experience in the application of this Directive has been gained, the Commission, after consulting EIOPA, should evaluate and report to the European Parliament and the Council on the possibility of introducing

harmonised minimum basic requirements for insurance guarantee schemes in the Union and the steps that would be necessary in order to do so.

#### Review

By 1 January 2026, the Commission, after having consulted EIOPA, should submit a report to the European Parliament and to the Council on the application of this Directive.

Transparency				
YON-COURTIN Stéphanie	Rapporteur	ECON	15/03/2024	Euronext
YON-COURTIN Stéphanie	Rapporteur	ECON	13/03/2024	Crédit Agricole S.A.
YON-COURTIN Stéphanie	Rapporteur	ECON	07/03/2024	Bureau Européen des Unions de Consommateurs
YON-COURTIN Stéphanie	Rapporteur	ECON	23/02/2024	FIA European Principal Traders Association, part of FIA, Inc.
YON-COURTIN Stéphanie	Rapporteur	ECON	23/02/2024	Deutsche Bank AG
YON-COURTIN Stéphanie	Rapporteur	ECON	22/02/2024	Fidelity International
YON-COURTIN Stéphanie	Rapporteur	ECON	22/02/2024	Allianz SE Assicurazioni Generali S.p.A
YON-COURTIN Stéphanie	Rapporteur	ECON	22/02/2024	BlackRock Invesco Management SA Natixis Investment Managers State Street Corporation Allianz Global Investors capital group
YON-COURTIN Stéphanie	Rapporteur	ECON	22/02/2024	BNP PARIBAS
YON-COURTIN Stéphanie	Rapporteur	ECON	22/02/2024	Société Générale
GARCÍA-MARGALLO Y MARFIL José Manuel	Member	03/11/2023	AEB	