



Insurance Recovery and Resolution Directive

Helping insurers prepare, respond and recover from severe financial stress



IRRDR: strengthening recovery preparedness

The Insurance Recovery and Resolution Directive (IRRDR), Directive (EU) 2025/1, establishes a harmonised EU framework for the recovery and resolution of insurance and reinsurance undertakings. The Directive entered into force in January 2025, with its measures applying from 30 January 2027. Selected insurers will be required to prepare and maintain a pre-emptive recovery plan.

IRRDR aims to ensure orderly management of insurer failures, protect policyholders and support financial stability, while limiting the need for public funds.

Who may be in scope?

- **Size and market share:** measured by gross technical provisions for life insurers and gross written premiums for non-life insurers.
- **Business model:** the nature, scale and complexity of the insurer's activities.
- **Risk and connections:** the insurer's risk profile and links to the wider financial system.
- **Economic importance:** how easily its services could be replaced and its importance to the local economy.
- **Cross-border activity:** the extent of business across EU Member States.
- **Market coverage:** plans must cover at least 60% of each Member State's life and non-life markets. This does not mean every insurer will be in scope.
- **Proportionality:** small and non-complex insurers are generally exempt, while others may have simplified requirements.

Pre-emptive recovery planning

A pre-emptive recovery plan sets out how an insurer would restore its financial position under severe stress. It must sit within the insurer's governance framework and be approved by the Board before submission to the supervisor.



Business profile: the business model, main business lines, legal structure, key functions, subsidiaries and cross-border activity.



Indicators: measures that show when action may be needed, such as capital, liquidity, profitability and market conditions.



Recovery options: practical actions assessed for impact, timing, constraints and dependencies.



Governance: clear roles for monitoring, escalation, approval and delivery.



Stress testing: severe market-wide, insurer-specific and combined scenarios.



Communications: a plan for timely updates to staff, policyholders, investors, authorities and other key parties.



Data: reliable information on entities, exposures, liabilities, counterparties and key services.



Past recovery actions: details of any recovery plan submitted after an SCR breach in the previous ten years and the action taken.

Plans must be reviewed at least every two years and after any major change to the insurer's structure, business or finances. They cannot rely on extraordinary public support. Indicators should be monitored regularly, with action taken after an SCR breach.

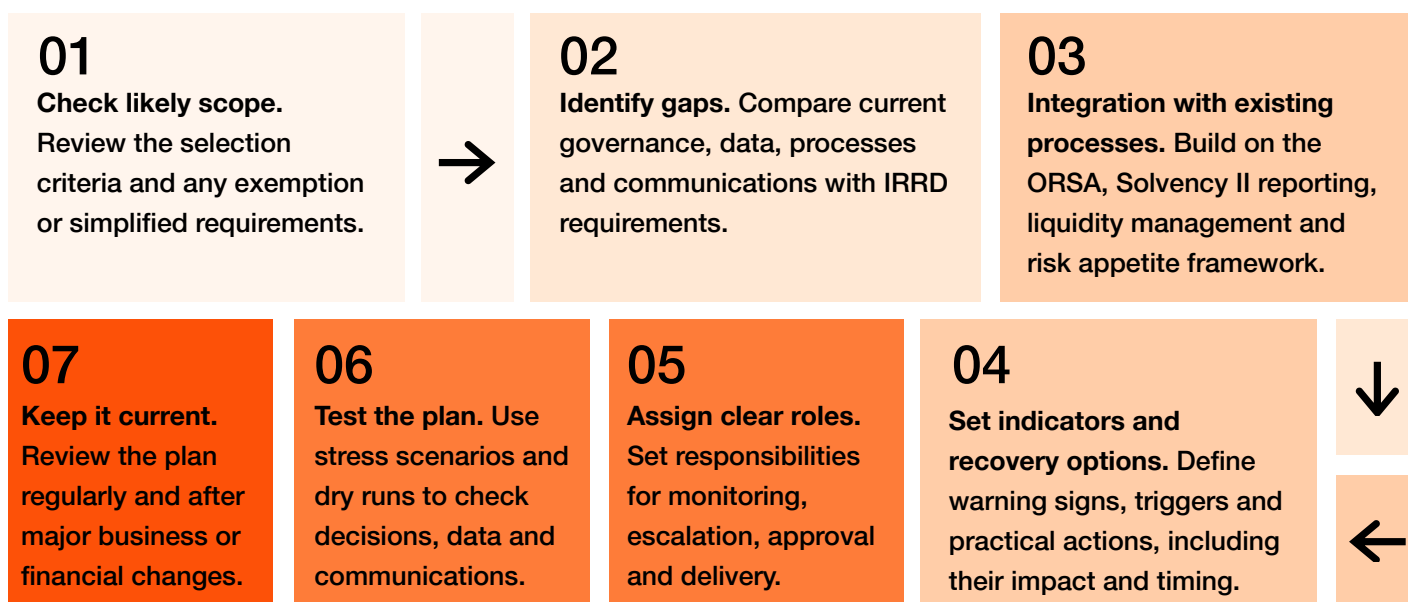


A credible recovery plan should operate as a usable management framework—not as a static compliance document.

Cross-border cooperation

For insurers with significant cross-border activity, the home supervisor must share the plan with a host supervisor on request. The host supervisor may raise concerns about effects on local policyholders, the economy or financial stability. Unresolved concerns may be referred to EIOPA.

What insurers should do now



How PwC can help



Recovery plan development

Design and preparation of recovery plans, identification of recovery options and alignment of the plan with the ORSA and risk management framework.



Indicators, stress testing and recovery options

Development of warning indicators and recovery triggers, design of stress scenarios, that extend existing actuarial and ORSA models, and assessment of impacts on capital, liquidity and business performance. Scenario exercises and dry runs to test decisions, escalation and communications.



Data and strategic advisory

Assessment of gaps, improvement of data and reporting, alignment of information across actuarial, finance and risk teams and support asset and liability valuations and IRRD reporting templates.



Training and implementation support

Practical workshops for Boards, senior management and key teams to build readiness and embed recovery planning into business-as-usual processes.



Start early. Build on existing Solvency II processes and keep the plan practical, tested and tailored to the business.

A practical path to readiness

60%

threshold does not specify the Cyprus insurers in scope.

Cyprus implementation considerations

The 60% market threshold does not show which Cyprus insurers will be in scope. This will depend on Cyprus law and guidance from the local authorities.

PwC can help insurers assess scope and gaps, develop indicators and recovery options, set clear governance, improve data and test the plan. We build on existing Solvency II and ORSA processes wherever possible.



Let's Talk!

For a deeper discussion of how this issue might affect your business, please contact:



Nicos S Stavrou
Partner, Assurance, In charge
of Insurance,
PwC Cyprus
T: +357 - 22 555 792
E: nicos.stavrou@pwc.com



Elina Christofides
Partner, Advisory, Head of Risk,
Compliance & Regulation,
In charge of Banking,
PwC Cyprus
T: +357-22 555 718
E: elina.christofides@pwc.com



Constantinos Rossides
Director, Advisory,
In charge of Actuarial Services,
PwC Cyprus
T: +357 - 22 555 141
E: constantinos.rossides@pwc.com

Address

PwC Central
43 Demostheni Severi Avenue
CY-1080 Nicosia, Cyprus
P O Box 21612, CY-1591
www.pwc.com.cy