

INTERNATIONAL ASSOCIATION OF INSURANCE SUPERVISORS: UPDATE ON RESOLUTION WORK

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AGENDA

- Recent Work
 - Supervisory Materials
 - Application Paper on Recovery Planning
 - Application Paper on Resolution Powers and Planning
- Future Work
 - Issues Paper on Policyholder Protection Schemes

IAIS PUBLICATIONS

- The IAIS, as the Global Standard Setting Body for insurance supervision, develops supervisory material and supporting material
- Supervisory material:
 - Insurance Core Principles (ICPs), which apply to all insurers in all jurisdictions
 - ComFrame, which focuses on the group-wide supervision of Internationally Active Insurance Groups (IAIGs)
- Supporting material:
 - Application Papers
 - Issues Papers
 - These supporting materials do not create new standards

SUPERVISORY MATERIALS

- ICP 12 – Exit from the Market and Resolution
 - including integrated ComFrame material
 - Adopted by IAIS in November 2019
- ICP 16.15 – Recovery Planning
 - Including integrated ComFrame material
 - Adopted by IAIS in November 2019

AP ON RECOVERY PLANNING

- Adopted by IAIS in November 2019
- The paper provides guidance to supervisory material related to recovery planning in ICP 16.15 and ComFrame integrated therein. It addresses:
 - Objectives and concepts of recovery planning
 - Requirements for recovery plans, and the application of the proportionality principle to recovery planning
 - Governance-related matters in recovery planning, including the development and approval process of a recovery plan and how it relates to overall ERM of an insurer
 - Key elements of a recovery plan, and examples of how these can be addressed in a recovery plan
 - The role of the supervisor

AP ON RESOLUTION POWERS AND PLANNING

- Structure of the AP
 - Objectives and concepts of resolution
 - Concepts around point of non-viability and entry into resolution
 - Resolution powers
 - Resolution planning
 - Resolvability assessments
 - Coordination and cooperation among involved authorities.

AP ON RESOLUTION POWERS AND PLANNING

Resolution powers have been grouped as follows:

- Taking control
- Prohibition of certain payments and transfers
- Withdrawal of licence to write new business and placement into run-off
- Restructuring mechanisms
- Suspension of Rights
- Liquidation
- Specific powers required for IAIGs

AP ON RESOLUTION POWERS AND PLANNING

Objective of resolution planning:

- To identify in advance options for resolving all or part(s) of an insurer with the ultimate aim to be better prepared for resolution. It serves as a guide to resolution authorities for achieving an orderly resolution in situations where recovery measures are no longer feasible or have been unsuccessful.

The Paper provides concrete examples for decisions around the scope of the requirement, and the application of proportionality

AP ON RESOLUTION POWERS AND PLANNING

The Paper provides guidance around the key elements of a plan

- An executive summary, including the resolvability assessment
- A description of the group, including on the legal structure, financial and operational dependencies
- A trigger framework for entry into resolution
- An analysis of the impact of the failure on other parts of the financial system and/or on the real economy
- A description of the preferred resolution strategy
- An operational plan for the implementation of the resolution strategy;
- A description of the governance for resolution planning and resolution process;
- A communication strategy
- An analysis of the impact on the PPS (if applicable)

FUTURE WORK

- Issues Paper on Policyholder Protection Schemes (PPS)
 - Included in IAIS 2021-2022 Roadmap recently approved by ExCo
 - Follow-up to 2013 IP authored by MCWG
 - The 2013 IP presented organizing principles
 - The 2021-22 update contemplated to address:
 - any updates to organizing principles
 - Best Practices for implementing a PPS
 - Partial objective is to serve, together with the 2013 IP, as a guide for a jurisdiction that wants to either improve upon an existing PPS or establish one

QUESTIONS?