



**IAIS**

INTERNATIONAL ASSOCIATION OF  
INSURANCE SUPERVISORS

**Public**

# IAIS resolution-related stakeholder meeting

27 September 2016



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# 1. Information on ReWG activities

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## Loss absorbing capacity in resolution

- The IAIS has discussed: *Is loss absorbing capacity, in addition to existing capital and other regulatory requirements, needed as a G-SII policy measure for resolution, including stabilisation, given the nature of the insurance market and supervision?*
- The ReWG proposed a conclusion to the question to the FSTC and Exco in June 2016. The conclusion was shared with the FSB in July 2016.
- The ReWG continues to monitor developments.

## 2. Overview of ICP 12 and ComFrame M3E3

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### (1) General

- ICPs 12 (Winding-up and Exit from the Market) and 26 (Cross-border Cooperation and Coordination on Crisis Management) and ComFrame M3E3 are currently under review by ReWG.
- The respective drafts of ICP 12 and M3E3 were shared with Interested Stakeholders in August asking for their input.
- More than 600 comments were received from 24 Interested Stakeholders and 9 IAIS Members.

## 2. Overview of ICP 12 and ComFrame M3E3

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### (1) General (cont.)

- The ReWG will discuss these comments at its meeting on 28 and 29 September and in the following months.
- A formal public consultation of several ICPs and ComFrame materials, including ICP 12 and M3E3, is planned for later this year.

## 2. Overview of ICP 12 and ComFrame M3E3

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### (2) ICP 12

- Main comments received relate to the following.
  - Definition of ‘supervisors’
  - Recovery vs resolution
  - Incorporation of (some of) the concepts in the KAs into ICPs (e.g. certain powers, critical functions, and financial stability)
  - Importance of policyholder protection (e.g. departure from the pari passu principle and writing down of insurance liabilities)
  - Resolution of groups and branches

## 2. Overview of ICP 12 and ComFrame M3E3

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### (2) ICP 12 (cont.)

- Roles of PPSs in resolution
- Reliance on public funding
- Ensuring flexibility in triggers for resolution actions
- Proportional application of powers for resolution (including concerns over certain powers)
- Importance of cooperation and coordination among relevant supervisors
- The court's involvement in resolution

## 2. Overview of ICP 12 and ComFrame M3E3

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### (3) M3E3

- Main M3E3-specific comments received relate to the following.
  - RRP and CMGs for IAIGs
  - Scope of the resolution of groups
  - Roles of group-wide supervisors
  - Relationship with the FSB KAs and Guidance on developing effective resolution strategies



## 2. Overview of ICP 12 and ComFrame M3E3

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### (4) Other ICPs

- ICP 26
  - Most of the Standards/Guidance in the existing ICP 26 are currently addressed in either ICP 12 or ICP 25.
  - Towards a formal public consultation relevant working groups will discuss how materials in ICP 26 can be best addressed in a package of the ICPs.
- Other ICPs
  - It will be decided how recovery-related requirements can be provided in a package of the ICPs.

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### 3. General comments by stakeholders

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## 4. Questions for discussion

## 4. Questions for discussion

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### 1. Objectives of Resolution

a) Should the objectives of resolution differ in the ICPs and ComFrame? If so, why?

b) Should the statement in draft ICP 12 that the protection of policyholders is the "primary objective" be in Guidance or a Standard?

## 4. Questions for discussion

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### **2. Triggers for resolution actions**

Do you agree with the triggers for initiating resolution and criteria for determining the point of non-viability?

## 4. Questions for discussion

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### **3. Resolution Powers**

Which resolution powers are appropriate for ICPs or ComFrame, and when should they be exercised?

## 4. Questions for discussion

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### **4. Recovery Plans for IAIGs**

What information should be contained in recovery plans? Should recovery plans cover not only insurers but other non-regulated entities, such as holding companies and non-financial companies within the group?

## 4. Questions for discussion

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### **5. Group Resolution**

a) Under what circumstances (if any) should a resolution action be taken by the group supervisor with respect to a foreign subsidiary? What actions should be taken by the supervisor of the subsidiary?

b) How are branches of a foreign insurer resolved in your jurisdiction? Does the supervisor of the branch resolve it, or may the branch be resolved by the supervisor of the parent?



## 4. Questions for discussion

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### **6. Application of ICP 12 and M3E3 to Reinsurers**

- a) Should there be different treatment of reinsurers in resolution?
- b) How should reinsurers be dealt with in ICP 12 and ComFrame?
- c) If there are different resolution standards for “pure” reinsurers, how will this effect a direct insurer that also is a reinsurer?

## 4. Questions for discussion

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### 7. Roles of PPSs and other funding mechanisms in resolution

- a) What roles should a PPS play in the resolution of insurers?
- At which stage should they be involved?
  - Should PPSs be able to provide liquidity to assist the payment of claims?
  - Should PPSs be able to provide capital to facilitate portfolio transfer?
- b) Who can play these roles in jurisdictions where there is no PPS?
- c) Could public money be used for the resolution of insurers? If yes, under what circumstances? If public money is used directly (or indirectly), how is it recouped from the industry?

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# Annex

# IAIS ReWG members

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|            | Jurisdiction, Authority        |
|------------|--------------------------------|
| Chair      | Switzerland, FINMA             |
| Vice-Chair | US, FIO                        |
| Members    | Australia, APRA                |
|            | Belgium, NBB                   |
|            | China, CIRC                    |
|            | EIOPA                          |
|            | France, ACPR                   |
|            | Germany, BaFin                 |
|            | Italy, IVASS                   |
|            | Japan, FSA                     |
|            | Netherlands, DNB               |
|            | South Africa, FSB              |
|            | UK, PRA                        |
|            | US, FRB, New Jersey, and Texas |

# IAIS ReWG mandate

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The Resolution Working Group (ReWG) addresses matters relating to resolution of insurers (both G-SIIs and non-G-SIIs). Specifically, the ReWG is to:

- (i) develop and maintain supervisory materials on insurance resolution (including development of guidance for G-SII resolution and relevant part of ComFrame, and revision of resolution-related ICPs);
- (ii) deal with all standard-setting matters regarding resolution initiated by the Financial Stability Board (FSB) (including addressing consultations by the FSB on resolution-related principles and standards); and,
- (iii) represent the IAIS at relevant working parties within the FSB, such as Steering Group on Resolution and insurance Cross-border Crisis Management group.

The ReWG, where appropriate, closely coordinates with relevant external groups, such as those within the FSB, and also with other IAIS working groups and task forces to fulfil its mandate.

The ReWG reports to the Financial Stability and Technical Committee.

# Architecture of supervisory requirements

## Architecture of IAIS international supervisory requirements

