Research & Development for Assuris' Preparedness

Assuris Funding Playbook

In 2023, Assuris' Resolution Preparedness Centre of Excellence (COE) worked in collaboration with our internal and external stakeholders to develop a resolution funding playbook ("funding playbook") using a new approach.

The funding playbook focuses on how Assuris can raise funds from the industry in the unlikely event of the failure of a member company and is:

- A decision aid for management to develop a funding strategy
- Guidance for operational needs related to funding

The funding playbook is a comprehensive compilation of strategic and operational information on Assuris' funding powers, principles, and tools in an easy-to-use format.

All future resolution playbook chapters at Assuris will have a similar structure to cover strategic and operational considerations. Additionally, there will be clear roles and responsibilities for each phase in a resolution scenario. Past crisis binders focused on housing key agreements and the history of previous failures and did not focus on operational preparedness and decision-making.

The funding playbook is the first chapter in this series of resolution playbooks that will enhance Assuris' resolution readiness. This new approach to resolution preparedness will help Assuris act quickly and effectively when there is a resolution scenario.

Assuris used this funding playbook to design a funding simulation with our Board of Director's to achieve the following objectives:

1. Illustrate the roles and responsibilities of the Board and Management in a resolution scenario, specifically in funding the financial commitment to a Troubled Member.
2. Exercise and assess how the Board makes funding strategy decisions with incomplete information and the factors that play into the decision-making process.
3. Assess and improve the process of approving a funding strategy.
4. Develop management's understanding of the additional information, resources and support the Board would need to make informed decisions to approve a funding strategy, or identify areas to develop the Board's comfort in making decisions with incomplete information.
5. Validate the integrity and usability of the funding playbook and identify areas of improvement.

I have shared an abbreviated version of our funding playbook and invite all members of IFIGS to continue the conversation and engage in a dialogue on resolution preparedness.

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Assuris

Resolution Funding Playbook

October 2023

[For discussion purposes only. The materials herein are confidential and have been abbreviated for IFIGS 10th International Conference. If you have any questions, please contact Monica Deschamps at mdeschamps@assuris.ca]

This document is designed to guide users in making and executing a funding strategy. It outlines the actions required for the internal operations of Assuris.

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Overview

The purpose of the funding playbook is to guide users on the considerations related to how Assuris can obtain funding via the assessment system to fund a financial commitment to address a Troubled Member. The funding playbook is one chapter of the overall resolution preparedness playbook.

The funding playbook is a guide during a crisis scenario, not a rulebook. During a resolution scenario, aspects may be unique to the situation, and judgment should be applied when developing a funding strategy.

Additionally, all chapters of the resolution preparedness playbook will evolve and improve continually and are not a static document that risks becoming stale. As such, placeholders in the funding playbook show where Assuris is still developing our understanding or procedures to enhance our resolution preparedness or where industry issues are evolving.

The funding playbook is organized into three broad sections:

Section 1 – The assessment system and guidance for developing a funding strategy

This section of the funding playbook provides the user with a description of the assessment system and describes the relevant by-laws and funding principles. This background information gives users the framework for developing a funding strategy.

Section 2 – The roles and responsibilities of management and directors of Assuris as it relates to funding

This section provides users with an action checklist and the roles and responsibilities of Assuris management. Assuris management can use this to develop and execute the funding strategy. Clear roles and responsibilities are outlined for functional teams in each phase of a resolution scenario. The funding playbook will also point to templates that would be used for each functional team.

Section 3 – Resolution scenario examples with the application of the funding decision tree

The funding decision trees are a tool users can use to apply specific circumstances to develop a funding strategy. Several simple and plausible resolution scenario examples have been provided, and the funding decision tree is applied to show users how it can be used to develop a funding strategy.

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Section 1

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Resolution Funding

Assuris is privately funded by its Members for both regular operations and resolution. The focus of this playbook will be on resolution funding to meet Assuris' financial commitments related to a Troubled Member or an Insolvent Member.

Assuris requires funds for the resolution of a Troubled Member or Insolvent member to facilitate prompt resolution actions. These resolution actions may include:

- Pay claims to policyholders up to Assuris' coverage limits during the liquidation process
- Assisting in a transaction to transfer the business of the Troubled Member or Insolvent Member to a solvent insurer (top-up related to assets or liabilities)
- Transfer the insurance contract liabilities and related assets to a bridge institution for run-off or for temporary holding (capitalizing CCL)
- Costs of liquidation (i.e. consultants)

Assuris' resolution actions aim to meet our resolution principles. See table 1 below for the resolution options that would require funding from Assuris.

The resolution funding that is considered in this playbook is Assuris' assessment system and the Liquidity Fund to meet our resolution funding and liquidity needs.

Other methods to finance resolution funding that are not considered in this playbook are:

- Temporary access to government funds
- Private sources of liquidity
- Bail-in, which is reducing or restructuring liabilities

Resolution assessments can include:

- Specific Assessment
- Loan Assessment
- Extraordinary Assessment

The Liquidity Fund is a source of immediately available funds for Assuris and is raised via a Specific Assessment.

Figure 1 is an illustrative overview of the framework of our assessment system and how different types of assessments and the Liquidity Fund are used to meet our funding capacity and liquidity needs.

Table 1 and 2 demonstrates the details of the mechanisms mentioned above and includes the basis, timing, and amounts available for each type of assessment.

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Figure 1 – Resolution Assessment System

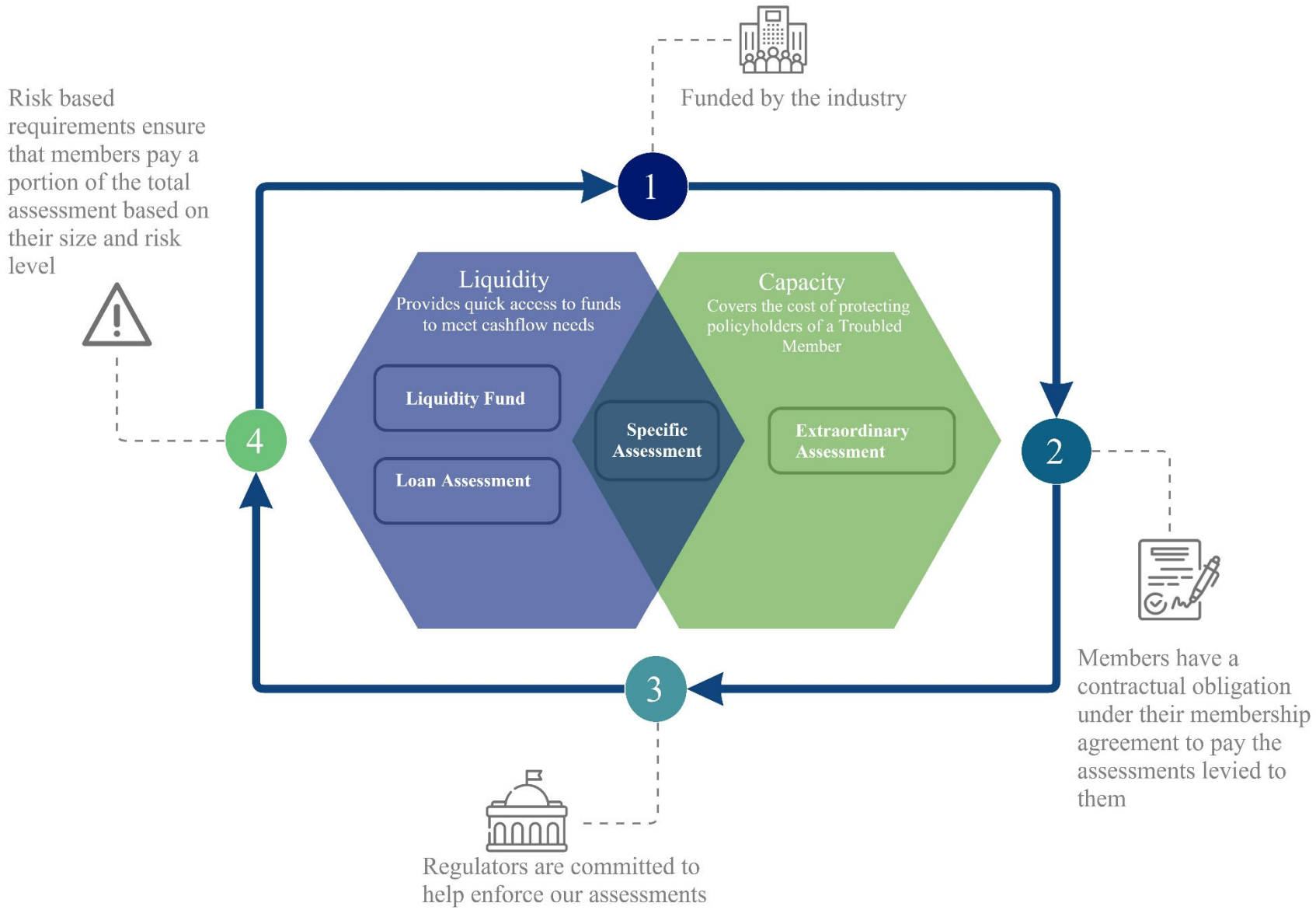

Table 1 - Resolution Options *Options in blue require funding from Assuris*					
Recapitalize to facilitate restructuring (non-tested approach)		Transfer to run-off in a solvent company (traditional approach)		Run-off to resolve unsaleable business (back-up plan)	
Pre-insolvency restructuring*	Bail-in to convert debt to equity	Pre-insolvency transaction*	In liquidation under WURA	CompCorp Life (CCL)	In liquidation under WURA
Financial Commitment					
• Loan agreement with restructuring officer • Obtain financial interests (e.g. preferred shares) in member company • Solvent option would fully protect policyholders • Must meet MOO Section 3.04 conditions	• Recapitalization comes from debt holders, not Assuris • Solvent option would fully protect policyholders • Not likely a suitable option as lifecos generally do not hold senior unsecured debt that doesn't already count as available capital • Could also sell non-regulated assets at the holding company to "bail-in" operating company	• Loan agreement with restructuring officer for transaction support • Solvent option would fully protect policyholders • Must meet MOO Section 3.04 conditions • If determined that policyholder priority is needed to complete the transaction, use a pre-pack under WURA (same as liquidation except proposed deal is brought for approval at same time winding-up order is sought)	• Loan agreement with the liquidator to pay claims, support the business transfer and pay for liquidation costs • To meet the shortfall in the estate when the policyholder obligations are transferred at Assuris protection limits • May choose not to apply our protection limits	• Loan agreement with the liquidator to provide capital to run-off the business in CCL • Consider participation structure for overlimit policyholders • Assuris has greater control of the resolution and ultimate cost to the industry • May choose not to apply our protection limits	• Loan agreement with the liquidator to pay claims and liquidation costs • To meet the shortfall in guaranteed benefit claims • Liquidation costs continue until all policies are resolved • May choose not to apply our protection limits

* pre-insolvency solutions more likely with AMF regulated member companies using the receivership legislation

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Table 2 – Assessment Capacity[1]

Capacity Covers the cost of protecting policyholders of a Troubled Member	
Specific Assessment Assuris' main source of funds to cover the cost of protecting policyholders of a Troubled Member	
Basis	[Omitted]
Timing	[Omitted]
Amounts (as at January 2023)	[Omitted]
Extraordinary Assessment Levied on Members' premiums if Specific Assessments are not adequate	
Basis	[Omitted]
Timing	[Omitted]
Amounts (as at January 2023)	[Omitted]

Table 3 – Source of Liquidity

Liquidity Provides quick access to funds to meet resolution cash flow needs	
Liquidity Fund Funds that Assuris has on hand now for immediate use for a Troubled Member	
Source	[Omitted]
Amounts (as at January 2023)	[Omitted]
Use	[Omitted]
Loan Assessment Allows Assuris to borrow money from our Members to meet medium and long-term liquidity needs	
Source	[Omitted]
Amounts (as at January 2023)	[Omitted]
Use	[Omitted]
Repayment	[Omitted]

[1] The assessment capacity tables are updated annually

Factors impacting resolution funding needs

Assuris' resolution funding needs will depend on the cost of providing Assuris' protection and liquidity needs.

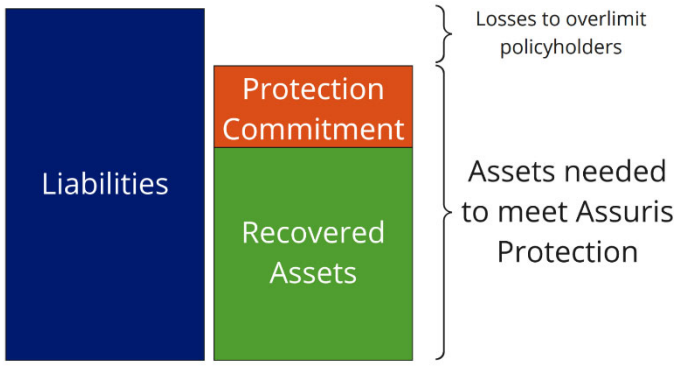
Cost of protection

Assuris guarantees a minimum level of benefits in a resolution, where we make a top-up payment to the liquidator when there is a shortfall of assets in the estate. This top-up the cost of protection.

The cost of protection will depend on two factors:

1. The final recovery percentage of the estate
2. The level of protection provided to policyholders

Figure 2 – Cost of Protection



Recovery percentage of the estate

The recovery percentage of the estate is an evolving estimate during the liquidation process, and the final percentage is determined when the estate is wound up. Assuris and the liquidator will make decisions based on the estimated recovery percentage – see Table 4 below.

Table 4 – Recovery Percentage

	Assuris	Liquidator
Final recovery percentage	• Assuris is informed of the final recovery percentage and the Board of Director's approve in support of the liquidator	• The final recovery percentage of the estate is determined by the liquidator • [Omitted]
Interim/ estimated recovery percentage	• Assuris estimates an interim recovery percentage to understand the likely range under different plausible resolution scenarios • This is calculated as: $\frac{\text{Realizable value of net assets (liquidation view)}}{\text{Policyholder liabilities (exit value)}}$ • This assists Assuris in estimating funding requirements and the liquidity (cash) that needs to be provided by Assuris from time to time during the liquidation • [Omitted]	• The liquidator determines an interim 'distribution percentage' or also referred to as the 'distribution policy' which will help them make decisions in the course of the proceedings • [Omitted]

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Level of protection provided to policyholders

If the recovery percentage of the estate is lower than 100%, this will impact the level of protection provided to policyholders and Assuris' cost of protection. Depending on the benefits defined in the policies, policyholders will be either:

- Fully protected by Assuris' coverage limits or
- An over-limit policyholder that will have protection up to Assuris' coverage limits, but due to their policy benefits exceeding the coverage limits, will bear some losses

Liquidity needs

The liquidity needs during the liquidation proceedings are mainly related to:
- Liquidity needs of the failed member to pay claims
- Liquidity needs to support a transaction (i.e. illiquid assets that the buyer does not want)
- Consulting costs for Assuris (i.e. legal, actuarial, etc)

Assuris will be informed by the liquidator for liquidity needed to pay claims up to the distribution percentage during the liquidation proceedings.

The liquidity needs will not impact the recovery percentage of the estate.

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By-Law and the Principles of Funding

Assuris' By-Law govern our funding, and we must operate within our By-Law. Some of the funding By-Law are very explicit, for example, calculating the maximum Specific Assessment. Some parts of the By-Law are intentionally written to be flexible, such as the sequence of funding.

Factors impacting how to fund a financial commitment

1. Capacity within the single-year Specific Assessment limit

The maximum annual capacity of the Specific Assessment is calculated annually. The annual limits of the Specific Assessment are meant to reduce contagion risk in the industry. Contagion risk is the risk that Assuris raises funds from the industry to pay for the resolution of a failed member but puts another member in financial or solvency jeopardy in the process.

[Omitted]

2. Use of the liquidity fund for resolution funding

The liquidity fund is available to Assuris to use for resolution funding. The considerations for using the liquidity fund are mainly related to:

- The need for liquidity for flexibility for other potential short-term failures
- Timing of the repayment schedule as required in the By-Law back to the minimum level or base target
- Managing expectations of the industry

[Omitted]

3. Funding a resolution within ten years

The failure of a large member company is likely to require larger amounts of resolution funding due to the size and complex nature of the business. This increases the risk of contagion to the solvency of other members if the approach to funding is not carefully considered.

Given that there is an annual maximum for a Specific Assessment, a larger failure could result in a maximum Specific Assessment over several years. Assuris would estimate the cost of failure and notify the industry of the schedule of Specific Assessments. The members would recognize the financial impact of the projected Specific Assessments in Year 1 which would also negatively impact their solvency ratios.

To limit this potential solvency risk, Assuris aims to fund a resolution within ten years using the assessment system.

[Omitted]

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4. Uncertainty in the cost of resolution

In most cases, there will be resolution scenarios where there is uncertainty in the final cost of resolution. An example may be related to temporary funding needs, and the final estate recoveries will result in some or all the funds returned to Assuris by the liquidator.

If there is uncertainty in the cost of resolution, there will be scenarios modelled to demonstrate the best-case scenarios, worst-case scenario and what the best estimate is (best estimate being the most likely scenario with the information known at the time). These scenarios will be developed with information provided from the liquidator and other consultants as needed.

This uncertainty will impact Assuris' resolution funding strategy, the main considerations are:

- How funding the temporary need will impact member companies (i.e. financial impact, solvency ratio impacts)[2]
- Flexibility needed for other potential failures
- Whether the resolution funding liquidity needs are met

Assuris may have an interim funding solution and assess the situation for further needs as more information comes to light.

Funding By-Law and principles

Given the flexibility in some of the funding related By-Law, Assuris has developed funding principles which guide developing a funding strategy. The funding principles help to navigate through the funding options when there are no clear rules. In Section 3, the funding decision trees and the application of the funding decision trees are based on the funding By-Law and principles and demonstrate some of the funding risk considerations.

The table below demonstrates the most relevant funding By-Law and the funding principles that operate within the constraints of the By-Law. The table is not meant to be an exhaustive list; many details in the By-Law are not reflected in the table below, but it should serve as a foundation of understanding.

Funding Principle	Considerations
A resolution scenario should be funded to meet the costs within 10 years.	The principle of 10 years to complete the funding of a resolution scenario is based on experience of a reasonable timeline.
The amounts in the Liquidity Fund that are above the Minimum Level can be used as a source of funding a resolution scenario, due to	The failure of a life and health insurer is largely post-funded. Companies often fail at times of stress to the whole industry. Using the Liquidity Fund and deferring raising some

[2] Consultation with the industry is planned to fully understand the financial and capital impacts of the assessment system

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the flexibility on timing to build the Liquidity Fund back to the Base Target.	(or all) of the costs of resolution to a later time can alleviate the pro-cyclicality of stress to the industry. Consider the requirements of the By-Law for the timing related to replenishment and use the Liquidity Fund accordingly based on needs and the By-law.
The Specific Assessment can be used as required to fund a resolution scenario up to the 10 years of the maximum annual limits.	The Specific Assessment is Assuris' main tool to fund a resolution.
The Loan Assessment can be used to access liquidity quickly to fund the cost of resolution or a temporary need.	The Loan Assessment is repaid to the industry within 10 years via Specific Assessments or through the return of funds to Assuris when the estate is closed.
The Extraordinary Assessment is used if the present value of 10 years of a maximum Specific Assessment is insufficient to meet the costs of resolution.	The Extraordinary Assessment is used to prevent contagion to the industry, allowing member companies to reprice new business to pay for the resolution costs.
When there is uncertainty in the final cost of resolution, fund the best estimate of the final costs. Monitor and adjust as needed when more information is available.	There is likely to be some uncertainty in the final resolution cost. The final resolution cost is dependent on the realization percentage of the estate which is determined by the liquidator.
When there is a temporary need for funds, consider using the liquidity tools to fund the temporary need (i.e. Liquidity Fund, loan assessment).	Funding a temporary need with the liquidity fund or loan assessment may have a more favourable impact on member companies. Consider using this
Recommended sequence of funding within 10 years: 1. Liquidity Fund that is in excess of the Minimum Level. A Specific Assessment will be used to return the Liquidity Fund back to the Minimum Level if required, and the industry will be consulted on raising the Liquidity Fund back to the Base Target 2. If the cost of insolvency can't be met with the Liquidity Fund, use a Specific Assessment to the maximum amount available	This principle for the funding sequence also considers the other funding principles. The sequence of funding principle is flexible and can be changed based on the specific circumstances of the situation.

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3. If the cost of insolvency is beyond the amounts available in the Specific Assessment, use a Loan Assessment. 4. If the cost of insolvency – cannot be met by 10 years of Specific Assessments, use an Extraordinary Assessment	
When there is no active resolution, the investment earnings of the Liquidity Fund should be left to accumulate to reflect the growth of the industry.	As the industry grows, so will the need for a larger Liquidity Fund. This principle considers Assuris' need for a larger Liquidity Fund with the industry's desire for fewer capital outlays than is necessary.
Surplus funds related to a Troubled Member are first used to replenish the Liquidity Fund to the Base Level. Excess funds are returned to the industry unless there are other funding needs to fulfill	The establishment of this principle is due to practicality. The industry will be required to build back the Liquidity Fund to the Base Level. The most practical approach would be to direct surplus funds to the Liquidity Fund before returning it to the industry.

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By-Law Reference	Description
Specific Insolvency (Article 13.1.1, 13.1.2)	Before entering a commitment with respect to a Troubled Member, the Board will consider whether: 1. The availability of resources to Assuris are sufficient to carry through to completion the responsibilities to the Troubled Member. 2. Payment of claims for the Troubled Member will cause financial difficulties for the industry or to the detriment of any people.
Assessment Sequence (Article 14.6)	The sequence of funding is up to the Board's discretion.
Liquidity Fund (Article 14.6.2)	The Liquidity Fund Minimum Level is $100 million and must be replenished in the year that it goes below the Minimum Level.
Liquidity Fund (Article 14.6.2)	The Liquidity Fund Base Target is $200 million. Rebuilding the Liquidity Fund to the Base Level is at the discretion of the Board.
Detailed rules for assessments and refunds (Schedule F – para. 13)	30 days notice is required for an assessment.
Defined Terms (Article 1.1)	The maximum specific assessment available in one year is approximately 0.5% of the solvency buffer in Canada.
Detailed rules for assessments and refunds (Schedule F – para. 3) *Types of Assessments (Article 14.3.2)*	Loan Assessments are to be repaid within or on the 10th anniversary of the loan. The maximum loan is six times the max specific assessment (approximately 3% of the solvency buffer in Canada).
Types of Assessments (Article 14.3.2)	Extraordinary assessments may be levied on new business written if a Specific Assessment is inadequate.
Identity of Troubled Members (Article 14.7)	To assess the industry Assuris must reveal the identity of the Troubled Member. Assuris is not obligated to reveal the identity of a Troubled Member otherwise.
Detailed rules for assessments and refunds (Schedule F – para. 10)	The return of surplus funds related to a Troubled Member is at the discretion of the Board.

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Section 2

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Funding Roles & Responsibilities

The Resolution Team has been identified in preparation for a resolution scenario that requires funding through Assuris' assessment system. The Resolution Team will be pivotal in informing the Executive Team on funding strategies and considerations.

Role of the Resolution Team
The role of the Resolution Team is composed of one or more individuals in each functional area. The Resolution Team's roles in funding a resolution scenario are described below.

Resolution Preparedness
[Omitted]

Resolution Analysis
[Omitted]

Finance
[Omitted]

Treasury
[Omitted]

Communications
[Omitted]

Legal
[Omitted]

Role of the Executive Team
[Omitted]

Role of the Board of Directors
[Omitted]

Role of the Industry Advisory Committee (IAC)
[Omitted]

See Appendix I – Resolution Teams for the individuals in each role

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Overview of the Phases to a Resolution

As demonstrated in the table below, a resolution scenario can be broken down into phases. Not all Members that become a Company of Concern will become a Troubled Member and go through the resolution and exit phases, as they may resolve their issues. The activities of Assuris' management and directors can be categorized into these phases.

Table 3 – Phases to a Resolution

	Runway Phase	**Resolution Phase**	**Exit Phase**
OSFI intervention Stage [3]	Stage 1 - 2 – Early Warning/Moderate Alert Stage 3 – High Alert	Stage 3 – High Alert Stage 4 – Situation Critical	N/A
Impact	Preparation activities	"Go time" with the resolution plan underway	Wrapping up with an exit strategy
Definition/ Parameters	• Company of Concern • There are two Stages to the runway phase: 1. Initial declaration/ Chronic Stage (OSFI Stage 1-2) 2. Critical Stage (OSFI Stage 3)	• Company of Concern is declared a Troubled Member • Imminent that a Troubled Member will be put into winding up or a solvent resolution scenario • A resolution plan is approved by the Board • The Board approves making a Financial Commitment concerning a Troubled Member	• The resolution scenario is wrapping up and advanced to completion • Policyholders have been transferred to a solvent Member • Assuris monitors and collects any outstanding amounts payable to recover its costs

[3] Link to OSFI guide to intervention: https://www.osfi-bsif.gc.ca/Eng/fi-if/rai-eri/sp-ps/Pages/gif.aspx
OSFI stages to intervention are provided as an example only. The regulator's stages to intervention may not always align with Assuris.

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Runway Phase

Overview of the Runway Phase
The runway phase starts with a Company of Concern designation at Assuris. The Company of Concern has not been declared a Troubled Member, and there is no specific resolution plan and therefore no Financial Commitment has been made by the Board.

The runway phase should align with Stages 1-3 in OSFI's Guide to Intervention. The runway phase may be long, as a Member can be designated as a Company of Concern for many years, and the solvency issues may be chronic in nature. Additionally, a company may go straight to the Critical Stage dependent on the circumstances.

There are two Stages to the runway phase:

- **Initial Company of Concern designation/chronic stage** – Designation of Company of Concern or ongoing solvency issues with a Company of Concern but not yet critical
- **Critical Stage** – The likelihood of going to the resolution phase becomes heightened. The Executive Team triggers this Stage in consultation with the Resolution Analysis Team

When a Member is first designated as a Company of Concern by the President & CEO, the Resolution Team focuses on their generic preparedness activities. On an ongoing basis, when the Company of Concern is in the chronic stage, the teams can continue updating their analysis when new information becomes available and operate in a steady state. More company-specific preparedness will be performed if the trigger for the critical stage is identified before any external advisors are retained.

When indicated by the Executive Team, the Resolution Team will enter the critical stage and perform the activities outlined below for the critical stage, which will involve more company-specific preparations.

Roles & Responsibilities

Role	Key Actions	Decision Aid	External Support (as needed)
Resolution Team			
Resolution Preparedness	[Omitted]		
Resolution Analysis	[Omitted]		
Finance	[Omitted]		
Treasury	[Omitted]		
Communications	[Omitted]		
Legal	[Omitted]		
Executive Team	[Omitted]		
Board of Directors	[Omitted]		

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Runway Phase Actions

[Omitted]

Templates

[Omitted]

Case Study - Precedents
[Omitted]

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Resolution Phase

Overview of the Resolution Phase
The resolution phase is when the Board declares the Member a Troubled Member, and the announcement of the failure of the Troubled Member is imminent. The Troubled Member may not yet be insolvent but will be sold, and Assuris is providing assistance with the transaction, or the Troubled Member has failed and will be put into liquidation.

Roles & Responsibilities

Role	Key Actions	Decision Aid	External Support (as needed)
Resolution Team			
Resolution Preparedness	[Omitted]		
Resolution Analysis	[Omitted]		
Finance	[Omitted]		

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Roles & Responsibilities (cont'd)

Role	**Key Actions**	**Decision Aid**	**External Support** (as needed)
Treasury	[Omitted]		
Communications	[Omitted]		
Legal	[Omitted]		
Executive Team	[Omitted]		
Board of Directors	[Omitted]		

Resolution Phase Actions

[Omitted]

Templates

[Omitted]

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Exit Phase

Overview of the Exit Phase
The Exit Phase is the period after the resolution process largely in place, through to its completion. Policyholders have been transferred to a solvent Member, and the estate has closed.

Roles & Responsibilities

Role	Key Actions	Decision Aid	External Support (as needed)
Resolution Team			
Resolution Preparedness	[Omitted]		
Resolution Analysis	[Omitted]		
Finance	[Omitted]		
Communications	[Omitted]		
Legal	[Omitted]		
Executive Team	[Omitted]		
Board of Directors	[Omitted]		

Exit Phase Actions
[Omitted]

Templates

[Omitted]

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Section 3

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Funding Decision Trees

Introduction

The funding decision trees are a support tool that serves as a visual guide for funding a resolution scenario. The funding decision trees are guided by the funding principles and the applicable funding By-Laws (see Figure 2). The user of these funding decision trees should start at the beginning, where the Board has decided to make a Financial Commitment to a Troubled Member. The decision tree considers the best estimate as the cost to be funded.

Figure 3 below demonstrates the amounts available in Assuris' assessment system to fund a Financial Commitment to a Troubled Member as of January 2023. The decision trees will guide the user on the recommended combination of assessments to fund a Financial Commitment.

Figure 3 – Resolution Funding

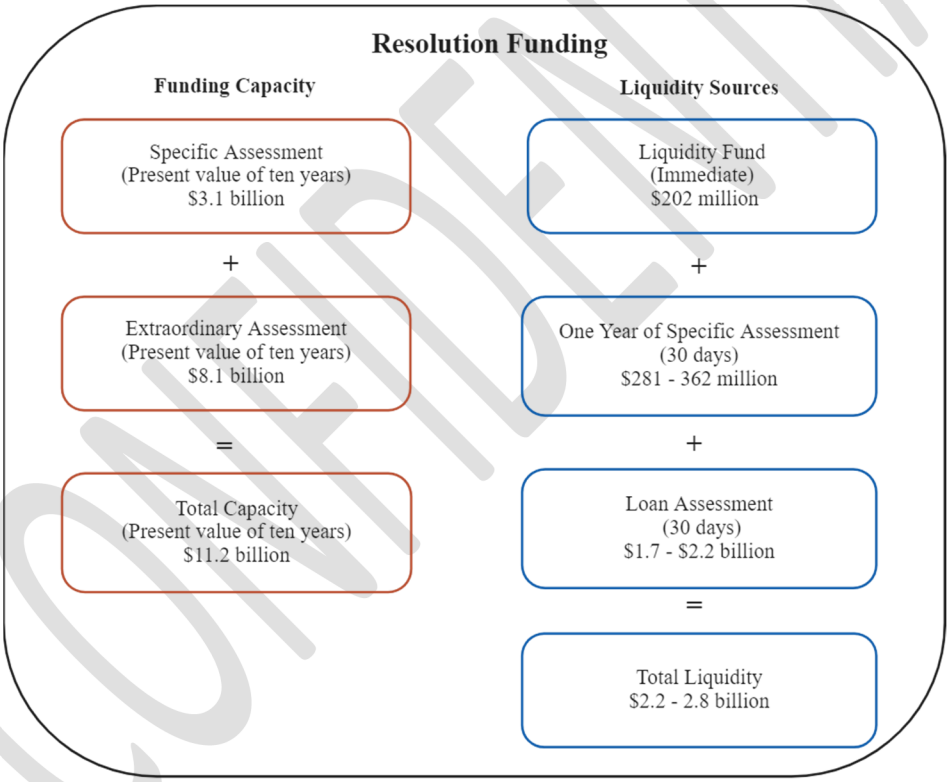

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Figure 4 – Funding a Commitment Decision Tree

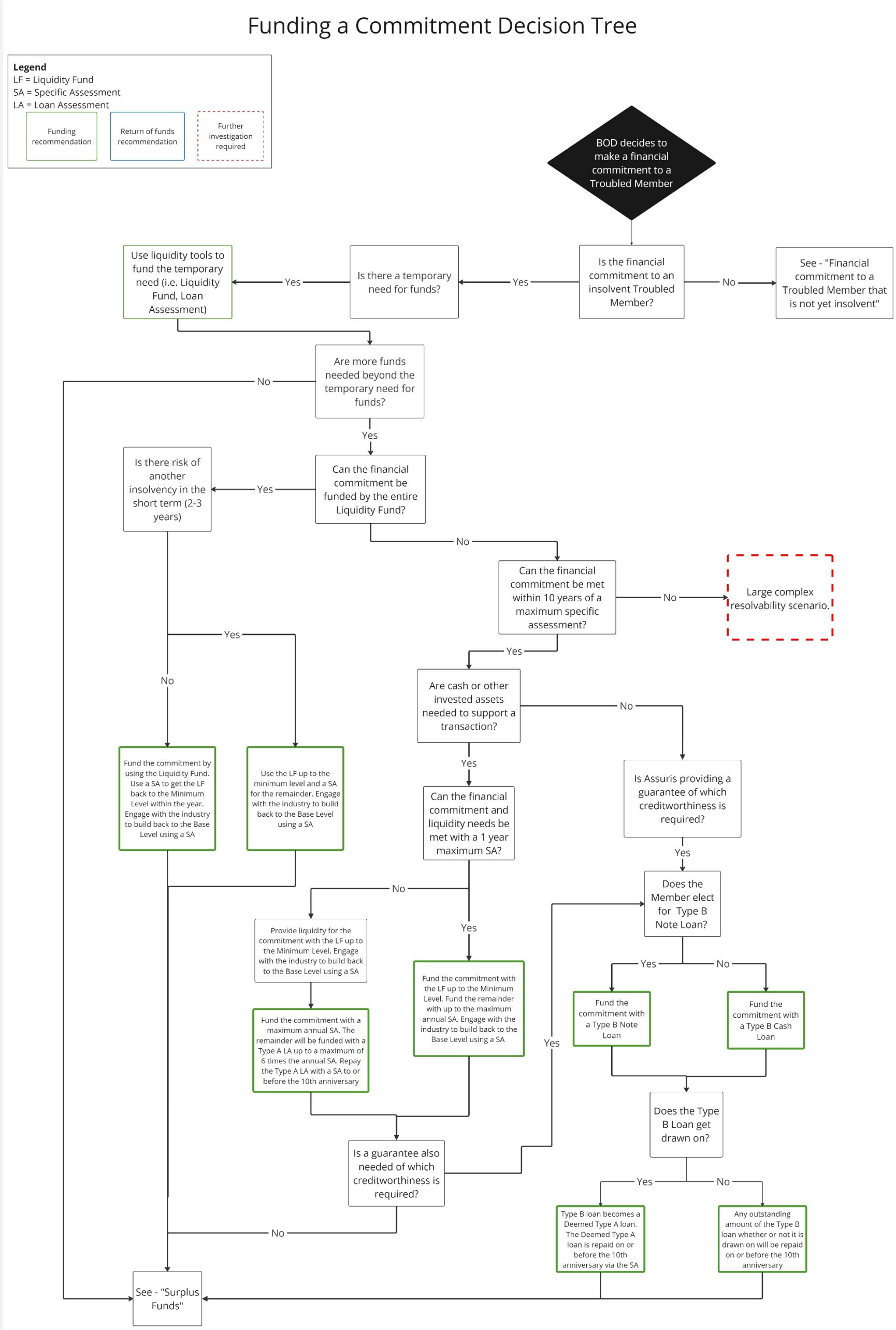


Figure 5 – (cont'd) Financial Commitment to a Troubled Member that is not yet insolvent

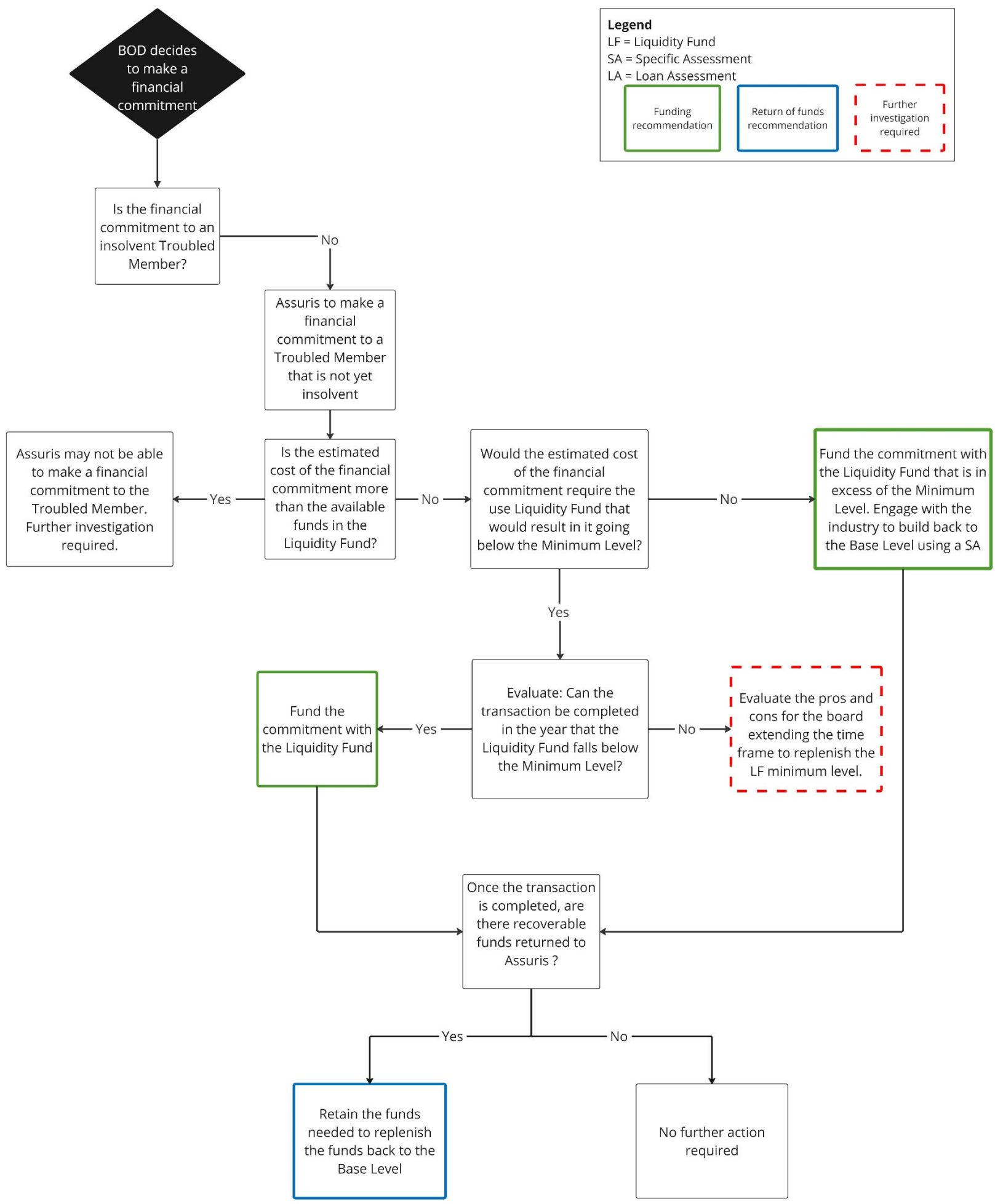
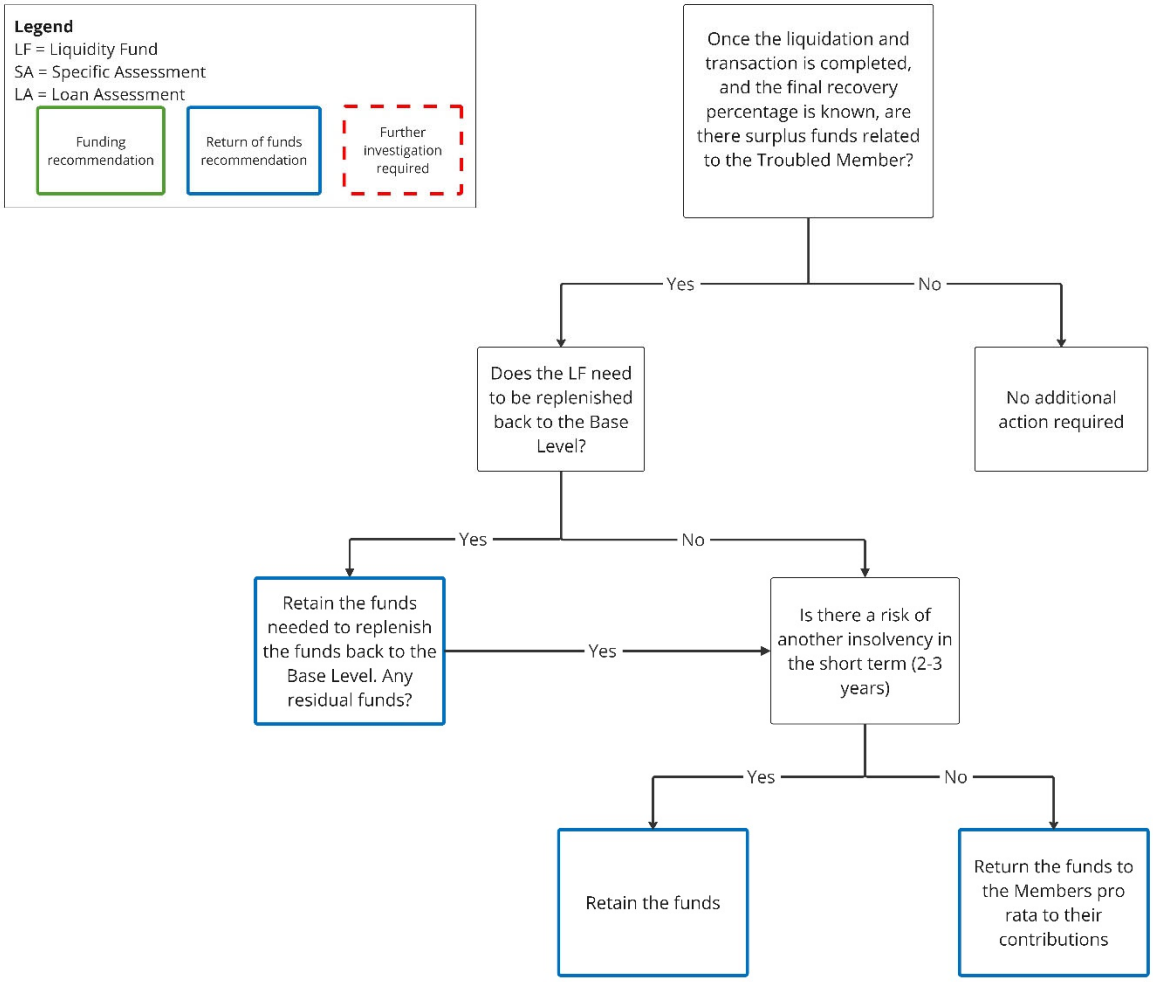


Figure 6 – (cont'd) Surplus Funds



Application of the Funding Decision Trees

Unless otherwise stated, each resolution scenario below will use the assumptions for Assuris' funding capacity and liquidity in Figure 3 (above). The resolution scenarios are simplified but plausible examples of the anticipated funding risks and how Assuris would fund a financial commitment to a Troubled Member.

The scenarios below are meant to provide examples of applying the funding decision trees with the different assessment options available to Assuris. The scenarios are arranged in order of complexity, with the simplest funding scenario first.

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Scenario A – Straightforward funding scenario
A Member has been declared a Troubled Member that is about to be put into liquidation under the Winding-up and Restructuring Act (WURA). Assuris coordinates with the Liquidator concerning the WURA proceedings and agrees to provide liquidity and financial support to the Estate through a loan agreement with the Liquidator. Once appointed by the Court, the Liquidator puts the business up for a sale, involving a sales process to transfer the business to a solvent Member. The Liquidator has informed Assuris that there is a willing buyer; however, there is a shortfall of $250 million needed to support the transfer.

Management has evaluated the resolution options and has determined that the $250 million needed to support the transfer is the best option for reducing losses to policyholders and the industry. Based on management's recommendation, the Board has decided to make a Financial Commitment to support the transfer. The Liquidator obtains Assuris' approval for all funding decisions involved in the sale process and completes the transaction.

The business is transferred to the solvent Member and then the estate is wrapped up. Assuris' funding need is $250 million, including the cost of protection to the policyholders and the liquidation costs. The Liquidity Fund is currently $200 million. There are no expected surplus funds after the liquidation and the estate is settled.

Key risks affecting the funding strategy:
- Risks related to how much of the Liquidity Fund to use to fund the cost on a short-term basis
- General risk related to acceptance of the funding strategy by stakeholders such as regulators and the industry

Recommendation:
Use $100 million from the Liquidity Fund to fund part of the Funding Commitment. For the remaining $150 million, use a Specific Assessment and engage with the industry to build the Liquidity Fund back to the Base Level of $200 million.

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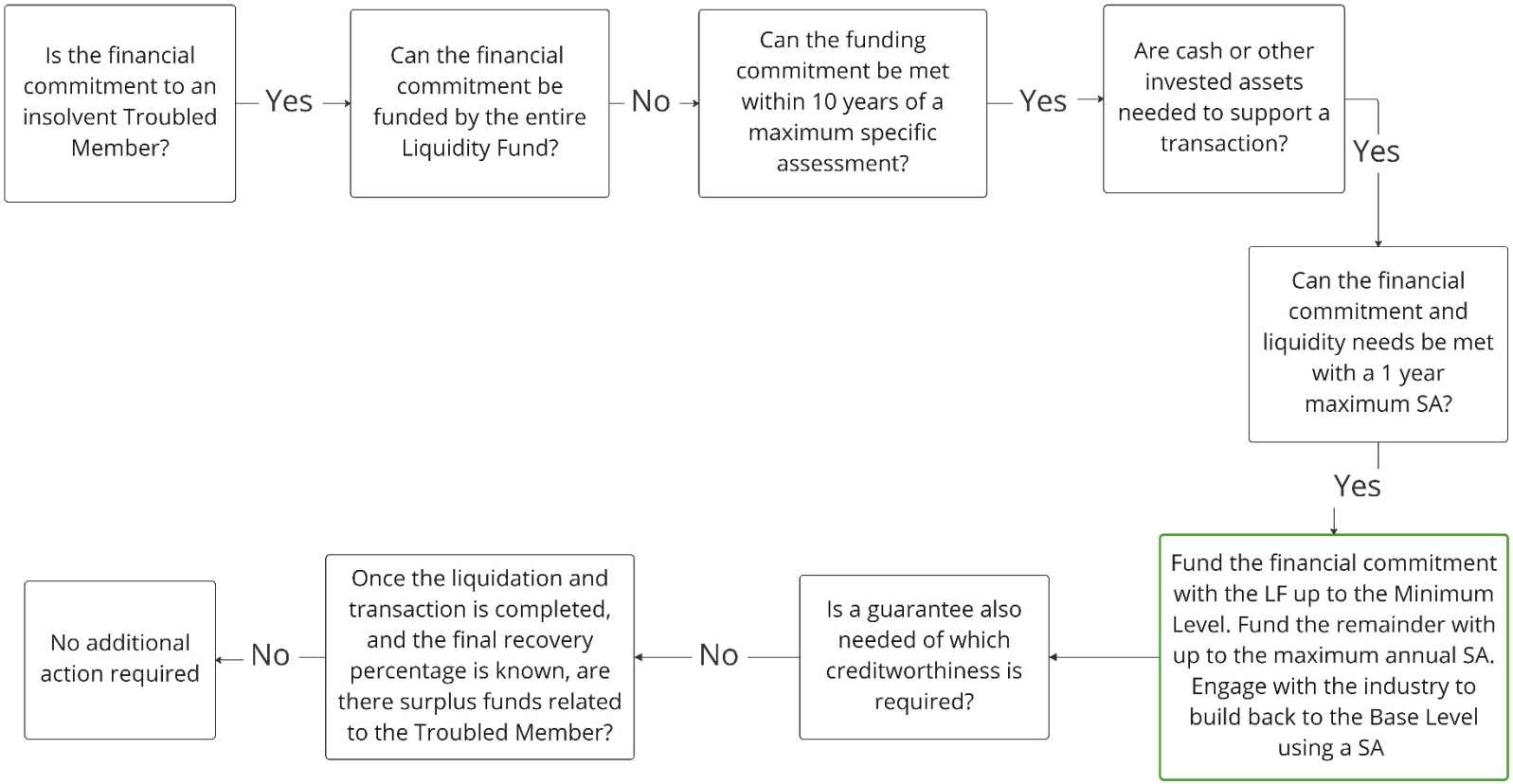
Decision Tree Analysis Scenario A:



[The examples B to G - have been omitted]

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Appendix I – Resolution teams (as of October 2023)

Teams	Roles	Employees
Resolution Team	Resolution Preparedness	Monica Deschamps
	Resolution Analysis	Lambert Ex-ignotis
	Risk Analysis	Steve McMahon
	Finance	Aby Jain
		Mansi Raichura
		Raymond Ha
	Treasury	Aby Jain
		Steve McMahon (ALM)
	Communications	Josée Rheault
		Carole Laporte
	Internal Legal Counsel/Compliance Officer	Marie-Claire Albanese
Executive Team	President & CEO	Paul Petrelli
	EVP, Risk & Resolution	Stephanie Greer
	EVP, Operations	Josée Rheault

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Appendix II – Version Control

Vers.	Date	Author	Sign-off	Change Description
1.0	May 2023	MD	SG	First iteration of the playbook that went to the Board in May 2023
1.1	October 2023	MD		• Minor changes from Board feedback from May 2023 • Results from June 2023 director's conference funding exercise showed us that the funding principles needed more flexibility – revisions below reflect the learnings from the resolution testing exercise • Change to Appendix I – Resolution teams to incl. new Resolution Analysis role • Inclusion of uncertainty in the funding examples provided and in the decision trees • Major revision to 'Resolution Funding' section to be more explanatory & connecting it to resolution actions, as well as things that could impact resolution funding (timing, amounts) • Resolution Options table added – provided from another paper on resolution tools & options • Principles of funding edited – added large section for factors impacting how to fund a financial commitment & changed the funding principles to have more clarity on what a best practice is for an uncertain situation • Funding By-law edited to include table with relevant by-law references

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