Resolution Preparedness in Taiwan

Taiwan Insurance Guaranty Fund

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財團法人保險安定基金
Taiwan Insurance Guaranty Fund

Risk or Resolvability Analysis

- Regularly Reviewing Specific Insurers
  - Insurers with inadequate capital
  - Insurers on the edge of inadequate capital
  - Insurers with specific issues
- Early Warning Indicators: CUIMEL
  - Capital, Underwriting, Investment, Management, Earning, Liquidity
  - 4 Ranks
  - Quarterly review
- Stress Testing
  - Including reverse stress testing
  - Based on the data submitted by the insurers
  - Especially during the periods with systemic risks
- Liquidity Analysis
  - Cash inflows/outflows of insurers
  - Liquidity support plan from TIGF if necessary

Resolution Exercise Frequency

Capital adequacy	• RBC ratio* >= 200% • Equity ratio >=3% in one of the recent two periods	Resolution exercise will be held once every year if all insurers meet the legal capital requirement
Capital inadequacy	• 150 % <= RBC ratio <200%, or • Equity ratio <3% in both of the recent two periods but >=2% in at least one period	Resolution exercise will be held within 6 months when there is any insurer in these categories
Capital significantly inadequacy	• 50% <= RBC ratio< 150% • Equity ratio <2% in both of the recent two periods but >=0%	
Capital seriously inadequacy	• RBC ratio lower than 50% or equity less than 0 • FSC shall mandate the insurer to improve its capital, business or finance, or merge with other insurer in a certain period. • FSC shall adopt the receivership order in 90 days if the insurer fails to implement the mandate	Resolution exercise will be held in 1 month when there is any insurer in this category

What to Do in Resolution Exercises

- Inventorying Expertise of TIGF Staff
  - To make sure there is sufficient human resource for the resolution task force
  - To check if any external assistance is needed
  - Reviewing external candidates
- Recapitulating Resolution Works
  - Especially for inexperienced staff
- Reviewing Tasks before/during Resolution
  - Reviewing task check list
  - Priorities of the tasks

Failure Playbooks or Checklists

- Playbooks
  - Receivership Manual
  - When an insurer falls into inadequate (esp. seriously inadequate) capital and becomes potentially insolvent, TIGF will initiate a resolution plan for it
- Checklists
  - Checklist during the preparation period
  - Daily checklist during the receivership period

Engagement with Crisis Management Group

- No International Insolvent Cases Happened in Taiwan
- Engagement with CMG
  - No cross-border CMG experiences yet
  - TIGF will engage in the cross-board CMG subject to the regulator's mandate
  - Regarding domestic CMG, TIGF will engage in when there is an insolvent insurer qualified for resolution