



## Message from the Outgoing Chair

**Dear IFIGS Colleagues,**

As I took the role of Chair last year, I said in my inaugural remarks, “My goal is to take IFIGS one step further to becoming a more impactful and recognized international organization.” I also said, “Our ultimate goal is to make every jurisdiction on every continent to have its own IGS, and our policy is to wage member outreach, by sea, land and air, and over the internet, to wage war against insurer insolvency and loss of coverage.”

At that time, I asked myself, “Am I too ambitious?” In hindsight, I must confess that I was. However, thanks to our Management Committee and the great engagement and support from all of you, I think IFIGS has made substantial progress this year despite the ongoing pandemic.

First, with regard to member outreach, we have attracted two new Associate Members from Russia and Ukraine and three new Observers from Indonesia, New Zealand and Vietnam.

Second, by setting up the Strategic Planning Working Group, we realigned the mid-to-long term development plan of IFIGS and identified the items that meet the needs of the majority of our Membership.

As for Information Sharing, we expanded our channels through collaboration with other international organizations, including the IFIGS-WB Knowledge Sharing Webinar held in June, which was attended by more than 250 participants across 45 jurisdictions. We have also launched three Research Subcommittees to strengthen our research function, focusing on the following topics: 1) Global Database of Insurers’ Failures; 2) Contingency Plan Testing and Crisis Simulation for IGS; and 3) IGSs’ Role in Resolution.

Lastly, we increased our engagements with key stakeholders such as EIOPA and IAIS. IFIGS is also in the process of developing a Climate Risk Training Module in collaboration with the Toronto Centre and seeking areas for possible collaboration with other renowned global organizations as well.

As described above, I have been able to deliver on the pledges that I made when I became Chair of IFIGS, thanks to the support from the Management Committee, Working Group Chairs and KDIC team as Secretariat. And I would also like to express my deepest appreciation to all the members of IFIGS for giving me the incredible opportunity to serve as Chair.

For the coming year, I believe **Afiza Abdullah** will lead IFIGS as our new Chair in a way that brings us to the next level, pursuing the three strategic goals driven by each of the Working Groups. Of course, **Paul Petrelli**, who was unanimously elected to be our new First Vice Chair, and I as Second Vice Chair will support her leadership with full and undivided commitment.

Thank you again and we hope that we will be able to resume our in-person meetings and see each other next year. Until then, stay safe and healthy!

**Yangig Cho**  
IFIGS Chair - 2021



**Yangig Cho**  
Executive Director  
KDIC, South Korea

*“Thanks to the great engagement and support from all of you, IFIGS has made substantial progress this year despite the ongoing pandemic.”*



**KDIC team Celebrating New Year**



International  
Forum of Insurance  
Guarantee Schemes

## IFIGS

# The 8th IFIGS Annual General Meeting December 8, 2021



Attendees Greeting Each Other

Afiza Abdullah Being Elected to be 2022 IFIGS Chair

The International Forum of Insurance Guarantee Schemes held its 8th IFIGS Annual General Meeting virtually on December 8, 2021 due to the ongoing COVID-19 pandemic. IFIGS had more than 60 representatives from 24 organizations across 22 jurisdictions in attendance at the Meeting.

**Yangig Cho**, Executive Director of KDIC and 2021 Chair of IFIGS, started the AGM with opening remarks and the Management Committee report. This was followed by reports of three Working Groups: Information Sharing, Member Outreach and Profile Enhancement, which are led by **Minkyung Kim** (Korea), **Josée Rheault** (Canada) and **Alister Campbell** (Canada), respectively.

The AGM continued with the inaugural address made by **Afiza Abdullah** (PIDM, Malaysia), as 2022 Chair of IFIGS, who shared her five goals for building IFIGS to be a globally recognized group of experts in the field of IGS. The goals included: 1. **I**nfluence stakeholders; 2. **F**eature IGS related researches; 3. **I**nteract actively on topics of common interest; 4. **G**row membership; and 5. **S**ustain the transition into a more mature organization.

AGM attendees had an open discussion on Membership Fees including several preliminary considerations for developing IFIGS into a fee-based organization pursuant to Strategic Planning survey findings. A proposal was made to set up a Working Group aimed at devising recommendations to implement a Membership Fee in the longer term.

IFIGS welcomed as guest speakers **Rodrigo Coelho** (Head of Policy Benchmarking, FSI) and **Alex Hart** (Senior Insurance Regulatory Policy Analyst, U.S. Department of Treasury, Federal Insurance Office and Chair, Resolution Working Group, IAIS), who gave very informative presentations on topics: “Changing Financial Landscapes and Implications for Financial Stability” and “Update on IAIS Resolution Working Group Work.”

## New IFIGS Management Committee

At the AGM, the 2021 IFIGS First Vice Chair, **Afiza Abdullah** (PIDM, Malaysia), acceded to the position of IFIGS Chair for 2022 with a clear endorsement from the attendees. Also, **Paul Petrelli** (Assuris, Canada) was unanimously elected to the position of First Vice Chair for 2022. **Yangig Cho** (KDIC, South Korea) will continue to serve on the Management Committee as Second Vice Chair for 2022. Please join us in welcoming them!



**Chair,**  
**Afiza Abdullah**

**Executive Vice President**  
PIDM, Malaysia



**1st Vice-Chair,**  
**Paul Petrelli**

**President & CEO**  
Assuris, Canada



**2nd Vice-Chair,**  
**Yangig Cho**

**Executive Director**  
KDIC, Korea



# New EU Insurance Recovery and Resolution Directive

## A Harmonized Framework for Authorities to Manage Insurers Failures Effectively



### Overview

The European Commission adopted a [legislative proposal](#) for Insurance Recovery and Resolution Directive (IRR) on September 22, 2021. The IRR, which will begin to apply from no later than 18 months after it becomes law, will create a harmonized framework for recovery and resolution planning for EU (re)insurance companies.

### Objective

The IRR aims to ensure:

- that EU authorities are equipped with a harmonized and credible set of resolution tools to intervene sufficiently early and quickly if (re)insurance companies are failing or likely to fail; and
- a better outcome for policyholders, while minimizing the impact on the economy, the financial system and any recourse to taxpayers' money.

### New Recovery Planning Obligations

The Directive will require (re)insurers to prepare pre-emptive recovery plans based on their size, business model, risk profile, interconnectedness, substitutability and cross-border activity. They will have to submit the plans to their supervisors for review and update them at least annually or when there is a material change in their legal or organizational structure, business or financial situation.

The plans will have to address the remedial actions that the companies may take, against a framework of indicators for the points at which remedial actions will be considered, in the context of a range of scenarios of severe macroeconomic and financial stress.

### New Resolution Authorities and Powers

Each EU Member State will set up insurance resolution authorities equipped with a minimum harmonized set of powers. If the authority has existing supervisory or other functions, there must be adequate structural arrangements to avoid conflicts of interest and to ensure the operational independence of the insurance resolution function.

The resolution authorities can take resolution actions at an earlier stage than normal insolvency proceedings, where the (re)insurers are failing or likely to fail, there is no reasonable prospect of other actions preventing failure in a reasonable time and resolution is in the public interest.

Where the conditions for resolution are met, the authorities will be able to use the five resolution tools (See Table). The tools may be used individually or in any combination, except for the asset and liability separation tool, which may only be used together with another resolution tool. However, other provisions of IRRD suggest that bail-in can only be used to facilitate a solvent run-off or a transfer of asset and liabilities to a purchaser or a bridge institution.

Also, the bail-in tool must be used to write-down and convert both capital instruments and eligible liabilities whenever resolution action would result in losses being borne by creditors, in particular policyholders.

The resolution tools	
<b>Solvent Run-off</b>	<ul style="list-style-type: none"> <li>• Withdrawal of authorization to write new business</li> <li>• Run-off of existing contracts</li> </ul>
<b>Sale of Business</b>	<ul style="list-style-type: none"> <li>• Transfer of shares or all or part of assets/liabilities to purchaser on commercial terms</li> <li>• If a partial transfer, residual entity wound up</li> </ul>
<b>Bridge Undertaking</b>	<ul style="list-style-type: none"> <li>• Transfer of shares or all or part of assets/liabilities to a bridge institution controlled by public authorities</li> <li>• Aim to achieve an eventual sale</li> <li>• If a partial transfer, residual entity wound up</li> </ul>
<b>Asset and Liability Separation</b>	<ul style="list-style-type: none"> <li>• Transfer of all or part of assets/liabilities to asset management vehicles(s) controlled by public authorities</li> <li>• Aim to maximize value by sale or orderly wind down</li> </ul>
<b>Write-down and Conversion (Bail-in)</b>	<ul style="list-style-type: none"> <li>• Power to write-down capital instruments and eligible liabilities (or convert them to shares) to recapitalize entity or a bridge institution</li> <li>• All insurance and other liabilities are eligible except certain secured, short-term and operational liabilities</li> </ul>



## IAIS Issues Paper on Insurance Guarantee Schemes

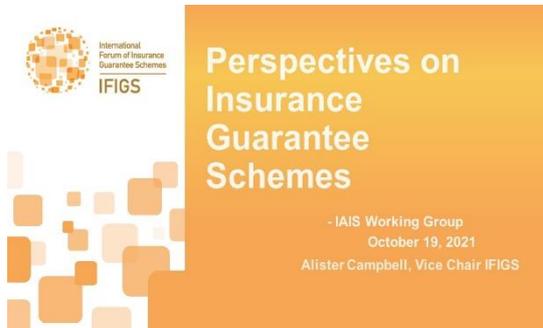
### IFIGS to Collaborate with IAIS on Research Works around IGS

International Association of Insurance Supervisors (IAIS), the global standard-setting body for insurance supervision, is planning to publish an Issues Paper on IGSs focusing preliminarily on IGS's role in resolution. As a follow-up to the 2013 Issues Paper, the newly published Issues Paper aims to serve as a guide for jurisdictions contemplating establishing an IGS, providing an up-to-date overview of global practices around IGSs and their role in resolution and also describing good practices for IGSs.

On October 19, IAIS held a virtual meeting to kick off its research works on updating the Issues Paper. IFIGS Management Committee members – **Yangig Cho** (Chair, Korea), **Afiza Abdullah** (First Vice Chair, Malaysia) and **Alister Campbell** (Second Vice Chair, Canada) – were invited to the meeting to give a presentation on major changes since 2013, with a focus on recent insurers failures. Also, the presentation delivered IFIGS's general perspectives on IGSs including: 1) Core Rationale for Establishing an IGS; 2) Moral Hazard Issue around IGSs; 3) Organizing Principles for Implementing an IGS.

During a follow-up meeting held on December 16, IFIGS with IAIS further discussed how the two organizations could collaborate on the research works, especially on developing a questionnaire on IGSs that would be circulated to IAIS members. In this regard, it was proposed that IFIGS could share its own survey database, for example its Membership Profile Survey database, with the internal approval of IFIGS members.

IFIGS will keep collaborating with IAIS on updating the IGS Issues Paper by sharing thoughts and inputs based on the members' experience in operating IGSs. The collaboration with IAIS would be another great opportunity for IFIGS to deliver the value of IGSs across the globe effectively, while engaging more actively with insurance supervisors. IFIGS looks forward to the members' continued support and cooperation in these endeavors!



## Translation of IFIGS Framework Guidance

### French, Korean and Spanish Translations Available at IFIGS Website

IFIGS has translated its Framework Guidance, the document that identifies core principles, common attributes and best practices for IGSs, into three languages including: French, Korean and Spanish. Each translation of the document has been published by PACICC, KDIC and CCS, respectively. The three translations are currently available at IFIGS website (<http://www.ifigs.org/framework-guidance>).

Having the Framework Guidance translated into multiple languages would be useful for IFIGS in enhancing its profile with other stakeholders, especially in promoting IFIGS as an international organization with experts in IGS from various jurisdictions. IFIGS Profile Enhancement Working Group is looking for other languages that would be meaningful to translate. If there are any members interested in this regard, please contact the IFIGS Secretariat at [admin@ifigs.org](mailto:admin@ifigs.org).





## IFIGS Member Profile

### National Conference of Insurance Guaranty Funds of USA



The National Conference of Insurance Guaranty Funds (NCIGF) is the national co-ordinating body for the property and casualty guaranty fund system in the United States.

#### Guaranty Schemes in the US

As a threshold matter it is important to understand the US guaranty scheme (known as guaranty fund) system. Generally speaking, every state and the District of Columbia in the US has a property and casualty fund created by state law that is overseen by the state's insurance regulator and is typically operated as a non-profit association.

- Each property and casualty insurance company licensed to do business in a state and that writes business covered by the guaranty fund is required by state statute to be a member of the guaranty fund.
- Most insurance guaranty funds are special, non-governmental, not-for-profit entities established by specific state legislation. However, in four states (Arizona, Arkansas, New York and Pennsylvania), at least some elements of the guaranty mechanism are operated as part of state government. Typically, a guaranty fund is governed by a board of directors, drawn mostly from the fund's member insurance companies. Some guaranty funds also have public members when mandated by statute.
- A state guaranty fund manager delivers the policyholder protections required by statute, working in co-ordination with the receiver of the failed insurer.
- Guaranty funds receive funding from the remaining assets of the insolvent insurance company, assessments on guaranty fund members when necessary, and in some cases statutory deposits collected from insurance companies by state insurance regulators.
- Most guaranty funds are subject to the supervisory oversight of their state insurance commissioner and do not have a role (even in their own states) in monitoring or policing the solvency of insurers.

#### NCIGF

For over 50 years, the NCIGF has supported this system by bringing continuity, collaboration, and service to the insurance regulatory system. It has done this by delivering:

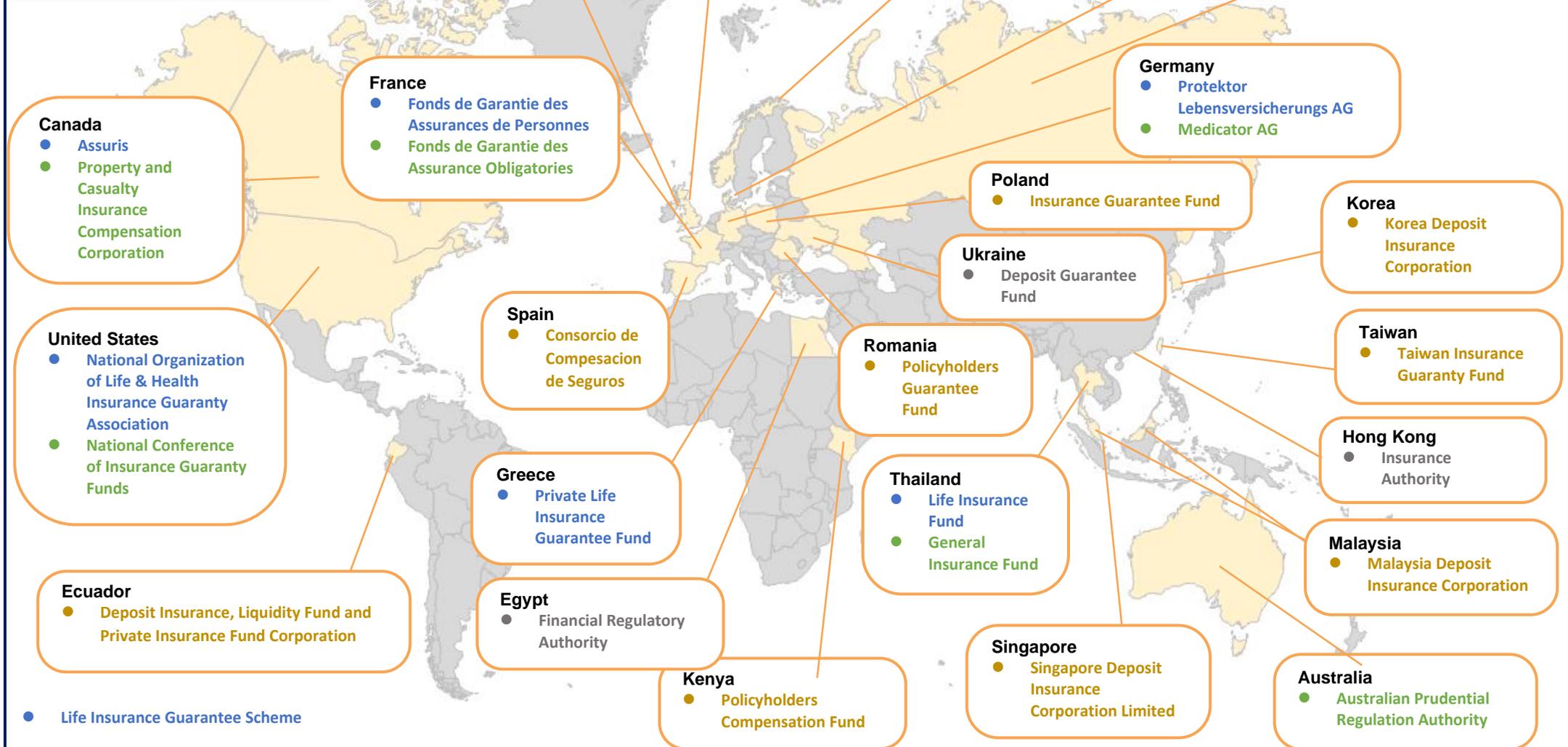
- Continuity in its co-ordination and support of property and casualty guaranty funds – through estate administration and data management and communicating the strength of the property and casualty guaranty fund system and the viability of the insurance promise.
- Collaboration with the regulatory receivership communities to ensure efficient operation of the insurance regulatory system.
- Service to the policyholders who, when insurance companies fail, rely on the property and casualty system to protect them from financial loss – this service is accomplished by the state guaranty fund members of the NCIGF which provide direct claim payments and other services to policyholders of the insolvent insurer.

NCIGF has a full-time staff and is led by **Roger Schmelzer**. Roger served as the IFIGS Chair in 2019. More information on the property and casualty guaranty fund system is available at [NCIGF.org](http://NCIGF.org). There is also a separate system for life and health insolvencies. More information on this system can be found at [NOLHGA.com](http://NOLHGA.com).

# IFIGS Members (as of January 2022)

## Quick Look

Membership		By Continent	
Full	25	Europe	14
		Asia	8
Associate	4	America	5
		Africa	2



- Life Insurance Guarantee Scheme
- Non-Life Insurance Guarantee Scheme
- Life & Non-Life Insurance Guarantee Scheme
- Associate Member (In Process of Establishing IGS)

Editor: KDIC

For feedback, please email us at [dkim@kdic.or.kr](mailto:dkim@kdic.or.kr) or [jopresent@kdic.or.kr](mailto:jopresent@kdic.or.kr)