



IAIS

INTERNATIONAL ASSOCIATION OF
INSURANCE SUPERVISORS

Update on IAIS ReWG work

8 December 2021

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Agenda

- Recent work
 - Application Paper on Resolution Powers and Planning [\[adopted in June 2021\]](#)
 - Issues Paper on the role of Policyholder Protection Schemes (PPS) in resolution [\[project launched in the second half of 2021\]](#)

General background information

IAIS publications

- The IAIS, as the global standard-setting body for insurance supervision, develops supervisory material and supporting material
- **Supervisory material** consists of principles, standards and guidance that are developed for the supervision of the insurance sector:
 - **Insurance Core Principles** (ICPs), which apply to the supervision of insurance legal entities and, unless otherwise specified, to insurance groups
 - **ComFrame**, which focuses on the effective group-wide supervision of Internationally Active Insurance Groups (IAIGs)
- **Supporting material** helps with the practical application of supervisory material, provides background on particular topics or identifies related regulatory and supervisory issues (it does not create new standards):
 - Issues Papers
 - Application Papers
- Role of the proportionality principle

General background information

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

Application Paper on Resolution Powers and Planning (1)

Background

- **Rationale of the project:**

- Recovery and resolution requirements help reduce the likelihood of disorderly failures of insurers, as well as the potential adverse impacts on policyholders and/or financial stability of such failures.
- The Paper is part of a broader project to help insurance authorities apply the new standards on recovery and resolution as agreed in November 2019. An earlier Paper on [recovery planning](#) was published in 2019.

- **Objective of the Paper:**

- Providing guidance for supervisors and resolution authorities in implementing a resolution framework, including setting up powers, as well as planning and issues around coordination and cooperation.
- Related to ICP/CF 12 (Exit from the Market and Resolution), and parts of ICP/CF 25 (Supervisory Cooperation and Coordination), (the part related to crisis management planning only, ICP 25.7)

- **Input to the Paper:**

- Inputs from 22 IAIS Members, who participated in a Member Survey in Q4 2019
- Other public and non-public material related to resolution frameworks, including from the FSB
- Stakeholder feedback received on the draft Application Paper during public consultation

Application Paper on Resolution Powers and Planning (2)

Structure and content of the Application Paper

Introduction (Section 1)	<ul style="list-style-type: none">• General information on the Application Paper
Objectives and concepts of resolution of insurers (Section 2)	<ul style="list-style-type: none">• Background on the different concepts and the objectives of resolution, including policyholder protection and financial stability
Entry into resolution (Section 3)	<ul style="list-style-type: none">• Further guidance on setting concrete criteria for determining the circumstances in which the supervisor and/or resolution authority initiates resolution of an insurer (“entry into resolution”).• List of illustrative examples based on jurisdictional practices
Resolution powers (Section 4)	<ul style="list-style-type: none">• Guidance for using the resolution powers which are listed under ICP 12.7, its intended benefits and use and considerations in its application
Resolution plans (Section 5)	<ul style="list-style-type: none">• Guidance on defining the scope of the requirement• Guidance and examples on the key elements of a resolution plan, such as a resolution strategy, a communication strategy, etc.
Resolvability Assessments (Section 6)	<ul style="list-style-type: none">• Considerations related to the evaluation of the feasibility and credibility of available resolution strategies• Considerations related to the possible need to resolve impediments to resolution
Cooperation and Coordination (Section 7)	<ul style="list-style-type: none">• Guidance on ensuring good cooperation and coordination between involved supervisors and/or resolution authorities, both in normal and crisis times
Examples of relevant existing and proposed legislation on resolution powers (Annex)	<ul style="list-style-type: none">• Examples of resolution frameworks and powers established in IAIS Member jurisdictions

Application Paper on Resolution Powers and Planning (3)

Outcome of public consultation

- Consultation period: **9 November 2020 – 5 February 2021**
- **> 250 comments** (of which some were confidential) received from **16 Participants**
- Application Paper adopted by the Executive Committee (ExCo) on 22 June 2021 and available on the [IAIS website](#)
- Public consultation comments with their resolution available on the [consultation page](#)
- The consultation confirmed interest from stakeholders on the next project on an Issues Paper on the role of PPS in resolution

Issues Paper on role of PPS in resolution (1)

Background

- As part of the 2022-2023 work programme (Roadmap), the IAIS will develop an Issues Paper focusing on (but potentially not limited to) the role of PPS in resolution, which would:
 - Provide an up to date overview of global practices around PPS and their role in insurance resolution
 - Describe current good practices for PPS and could serve as a guide for jurisdictions wishing to establish a PPS
- Rationale behind the project:
 - Follow-up work to the “Issues Paper on PPS” developed in October 2013 (available on [IAIS website](#))
 - Evolution of resolution regimes and significant updates in this area since the publication of the original paper
 - PPS is a topic that has received considerable attention from stakeholders (eg during the development of the Application Paper on Resolution Powers and Planning)

Issues Paper on role of PPS in resolution (2)

Progress and next steps

- The ReWG met via webinar on 19 October to:
 - Receive presentation from the IFIGS to have perspectives in the project
 - Have initial discussion on the design of the project (eg governance, scope and timeline)
- Scope of the Issues Paper is currently under consideration within the ReWG
 - Interest has been initially indicated in issues of functions of PPS in resolution (eg early intervention, resolution schemes) and other relevant issues such as funding, coverage (eg whether particular lines of products deserve more protection than others), communication, cooperation/coordination and cross-border issues, and other policyholder protection mechanisms (tied assets, resolution funds and government backstops)
- Expected timeline:
 - Feb 2022: Launch survey questionnaire among IAIS Membership, develop outline of the paper
 - Feb – Oct 2022: Drafting, including integration of the outcome of the questionnaire and ReWG discussion
 - Nov – Dec 2022: Parent Committees review of the draft Issues Paper for public consultation
 - Mar – May 2023: Public consultation (after ExCo approval)
 - June – Aug 2023: Resolution of public consultation comments
 - Sept 2023: ExCo adoption of the final Issues Paper

Questions?