

April 13, 2020

**JOINT SUBMISSION OF NOLHGA AND NCIGF
REGARDING
IAIS STAKEHOLDER TELECONFERENCE ON RESOLUTION**

The National Organization of Life and Health Insurance Guaranty Associations (NOLHGA) and the National Conference of Insurance Guaranty Funds (NCIGF) respectfully submit their joint comments regarding the International Association of Insurance Supervisor (IAIS) Stakeholder Teleconference on Resolution.

NOLHGA and NCIGF are an integral part of the insurance resolution process in the United States, preparing for and coordinating the provision of guaranty association benefits to U.S. insurance consumers whose insurance carriers become insolvent. NOLHGA's members are principally concerned with protecting consumers of failed life, annuity, and health insurers, and NCIGF's members are principally concerned with protecting consumers of failed property and casualty insurers.

NOLHGA and NCIGF appreciate the opportunity to provide input to the IAIS Resolution Working Group as it considers the planned Application Paper on Resolution Powers and Planning, particularly the role of policyholder protection schemes (PPSs) in relation to resolution powers and resolution authorities. We look forward to participating in the discussion on 21 April but want to emphasize the following points:

- 1. PPSs can and should play an important role in developing or assessing resolution strategies, and therefore should be part of, or otherwise support, resolution planning and execution, crisis management groups and other coordination efforts.**

PPSs should not be viewed only as a source of funds but rather as an important partner in the insurance resolution process. A PPS that has been involved in the significant insurer resolutions in its jurisdiction has an unmatched level of practical experience.

We have seen this model work successfully in the U.S. Because the U.S. guaranty system has been involved in almost all of the significant U.S. insurer insolvencies over the past 4 decades, it has a collective level of practical experience that should be and is leveraged by supervisors and resolution authorities.

- The U.S. guaranty system – both on its own and in conjunction with supervisors and resolution authorities – has continually planned for the contingency of large and complex resolutions. Some of that work (involving realistic, albeit hypothetical scenarios) has been done for training and preparedness reasons.

- A great deal of preparatory work has been done for specific, real-world situations where supervisors were preparing for the possible resolution of large and complex multi-insurer groups that were experiencing financial challenges. Fortunately, the good work of supervisors and others ultimately succeeded in resolving the problems of some of those entities without requiring the liquidation of their subsidiary insurers. In other instances, close collaboration and planning by supervisors and the guaranty system ensured a smooth transition to liquidation and coverage by the guaranty system.
- During the 2008-9 financial crisis, NOLHGA was continually in consultation with the leadership of the National Association of Insurance Commissioners (NAIC) about resolution steps that might have been necessary, had capital levels of major life insurance companies not remained as high as they did. NAIC's crisis planning procedures for resolution – born out of the experience of the financial crisis -- include NOLHGA and NCIGF as contributors.
- The NAIC has included NOLHGA and NCIGF in meetings of the NAIC's Receivership Financial Analysis Working Group, which is charged with assisting and advising supervisors on appropriate regulatory strategies, methods, and actions with regard to insurance resolutions.

Supervisors, resolution authorities and crisis management groups should include or consult with PPSs so that they can fulfill their responsibilities under CF 12.3.a.2 (development of resolution plans, including actions to protect policyholders) and CF 12.3.b (participate in resolvability assessments to evaluate the feasibility and credibility of resolution strategies, in light of the possible impact of internationally active insurance group's failure on policyholders). This can all be accomplished by use of a simple confidentiality agreement between a supervisor and the PPS. Without PPS involvement, supervisors and resolution authorities will be operating at a significant disadvantage and will have difficulty achieving their intended purpose.

2. Early PPS involvement in a resolution is a critical part of policyholder protection.

We strongly emphasize the importance that a resolution authority provide information to a PPS as early and as quickly as possible. Early PPS involvement in a resolution is a critical part of policyholder protection. Jurisdictions should consider establishing a timeframe or a trigger for when such plans and procedures should be in place.

We would be pleased to discuss or answer any questions if that would be helpful.

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