

Resolution of public consultation comments on Application Paper on Resolution Powers and Planning

09-Nov-20 to 06-Feb-21

Organisation	Jurisdiction	Confidential	Answer	Resolution of comments
Q1 General Comment on the draft Application Paper				
1. World Federation of Insurance Intermediaries	Belgium	No	WFII appreciates the opportunity offered by the IAIS to comment on the draft Application Paper on Resolution Powers and Planning. WFII and its member associations across the world very much welcome and support any guidance that is provided to supervisors related to the resolution of insurance companies. We believe that it is important, in the first place for the protection of the policyholders, but also for the confidence of the public in the insurance sector and for the stability of the financial system as a whole, that all market players involved are aware of the possible actions that should be taken and the responsibilities out there in the context of a run-off of an insurance company. Although the resolution of an insurance company is not something that happens on a regular basis, it is obvious that insurance supervisors worldwide should be ready at any time to deal quickly and adequately with an insurer who is no longer viable. Supervisors should (have) establish(ed) a framework to provide protection to policyholders in the case of such a resolution and we believe the current draft Paper gives a clear insight of the possible steps to be taken to set up such a resolution framework. Allow us to make a few suggestions for your consideration : 1. We kindly suggest to add in a footnote or elsewhere in the Paper that supervisors, when communicating about insurers in difficulty, could consider giving -early- information attention to the intermediary community. 2. The Paper tends to suggest that the approach is similar in the cases of non-life insurers, life insurers or life with investment element insurances. We think that the practical implications are very different in the three respective cases. Most of this Paper would probably mostly apply to the life insurers but would not be particularly relevant in the non-life market. 3. We would recommend that the IAIS considers clarifying that issue. 3. We wonder to what extent the IAIS has taken into consideration how these proposals around the process of the running off of an insurance company fit with normal/more generic corporate (company) law, where there are detailed controls on such processes.	Intermediaries have been added to the list of relevant stakeholders in paragraph 152. To the extent that commentators have identified specific areas where they would find it helpful to have more guidance on the differences between failures of insurers and business corporations, and between failures of life and non-life insurers, we have addressed those comments below when discussing the relevant sections of the Application Paper.
2. PACICC	Canada	No	(1) The first four sections of the paper deal with how a regulator should act if they lose confidence in an insurer and what tools they may employ should this occur. These sections are generally very well done and offer a strong framework to work from. We would suggest that the Objectives should include a clear declaration of the priority to be placed on ensuring policyholder protection. The failure of an insurer negatively affects	Section 2.2 explains the objectives of resolution as set forth in ICP 12. Paragraph 20 has been revised to emphasise the crucial role of policyholder protection among these objectives.

			many stakeholders, but in a modern, well-supervised system, capital providers and sophisticated creditors should rank far behind retail consumers in the resolution hierarchy. (2) We would also suggest that the Paper could acknowledge more clearly the importance of ensuring effective communication among safety net participants. In many jurisdictions in the world, the roles of supervisor, regulator and policyholder protectors are divided among multiple entities (some public, some private and some a mix of both) and effective communications channels defined in advance of crisis will ensure better outcomes for all stakeholders. (3) Section five deals with the rather distinct and separate issue of resolution planning. Given the important principle of proportionality, this section is really focused on the special case of larger insurers or groups and will not apply across all jurisdictions or across many/most of the insurers in any given jurisdiction. It might make sense to have this section become a separate Paper of its own, to be used only by those jurisdictions and in those cases where it is required/relevant.	Regarding the suggestion to make resolution planning the topic of a separate paper, there are advantages and disadvantages to any organisational approach. We note that while resolution plans as such are limited to the largest and most complex insurance groups, some of the resolution strategy issues discussed in the section on resolution planning can also inform the development of resolution strategies when smaller insurers are imperilled, as also noted in response to Comment 10. Finally, we have addressed comments relating to communications below when discussing section 7.
3. Global Federation of Insurance Association	Global	No	The Global Federation of Insurance Associations (GFIA) welcomes the opportunity to work with the IAIS on the topic of resolution powers and planning. (1) It is essential to recognise the differences between the banking and insurance business models and therefore apply an approach that is proportionate to the very low relative risk posed by the insurance industry to financial stability. Resolution powers and planning should make a clear link with the Holistic Framework for Systemic Risk (2) They should recognise that the nature of insurance failures allows portfolio transfer and run-off over a long period of time, in contrast with bank failures, and therefore a very different sets of tools and level of intervention is usually required. (3) GFIA supports the application of the proportionality principle in order to provide needed flexibility and minimize burdens on resolution authorities and insurers. (4) The Application Paper often uses "should" which may not be applicable to all jurisdictions since resolution authorities in certain jurisdictions may not have certain resolution powers available to them, or some of those powers may be unsuitable or inappropriate in certain situations, the Paper should provide for more flexibility. The industry therefore suggests that the word "could" be used instead of "should" where applicable.	The differences between insurance and other financial sectors underlie the development of the ICPs, and this understanding informs the development of this Application Paper. Although these differences include the nature and degree of systemic risk, the Holistic Framework recognises the importance of addressing systemic issues wherever they arise. Regarding the use of "should," the intent is only to use it where the IAIS has agreed on a recommendation. Where incorrect usage has been identified at any stage in the drafting process, we have made the indicated correction.
5. International Actuarial Association	International	No	The IAA welcomes this Application paper and in general supports the establishment of regimes for planning ex-ante for the resolution of insurers and reinsurers. The IAA believes that it is helpful to consider the impact of a company's failure to make it more likely that any run-off is orderly and for supervisors and resolution authorities to consider	We agree, and have sought to take these concerns into account.

			the framework within which resolution powers might be activated so that insurers are clearer on what might happen.	
6. The Life Insurance Association of Japan	Japan	No	- The Life Insurance Association of Japan (hereafter the "LIAJ") appreciates the opportunity to submit public comments to the International Association of Insurance Supervisors (or the "IAIS") regarding the Application Paper on the Resolution Powers and Planning. - Bankruptcy and insolvency acts/laws are an important fundamental part of the legal system forming the basis of the economy and society of each country. - From the legal stability and predictability perspectives, there is a need to thoroughly consider the legal systems and business practices that differ from country to country. - In addition, as each national authority has dealt with supervisory practices in its own way according to national needs and conditions, its discretion should be respected to the fullest extent.	We agree that these are very important issues that different jurisdictions address in different ways. We believe the recognition of these jurisdictional differences has been woven throughout the fabric of this Application Paper, and have addressed any concrete suggestions for clarifying these points.
8. Institute of International Finance	United States	No	Dear Dr. Saporta and Mr. Dixon The IIF and its insurance members are pleased to respond to the IAIS Application Paper on Resolution Powers and Planning (Application Paper). We appreciate the need for supervisory guidance on resolution planning and the practical application of resolution powers. We commend the IAIS for highlighting the critical importance of cooperation and coordination between authorities when planning for and exercising those powers. Overarching Comments (1) The IAIS ties the extensive and detailed guidance in the Application Paper to a broad set of objectives of a resolution framework: policyholder protection, contributing to financial stability, minimizing the reliance on public funding, ensuring the continuity of critical operations, reinforcing market discipline, and preventing large negative effects on society. We encourage the IAIS to refine and prioritize the objectives that underlie the Application Paper and focus the guidance on ICP 12, Exit from the Market and Resolution, recognizing that jurisdictions are at different stages of implementation of the ICPs and that a variety of tools and methods may be used in implementing ICP 12 in a proportionate and flexible manner (as emphasized in ICP 12.7). Moreover, given jurisdictional differences in legal and supervisory processes for resolving an insurance company, guidance relating to resolution powers and planning should be illustrative in nature, rather	Responses to the "Specific Comments" are addressed in those sections of the Resolution of Comments. Accordingly, only the "Overarching Comments" are addressed at this point. As discussed in response to Comment 6, jurisdictional discretion is recognised and supported throughout the Application Paper. Nevertheless, the ICPs set out minimum requirements that are relevant for all jurisdictions. Where the Application Paper provides guidance and makes recommendations, it does so in the context of those ICPs, while also illustrating the variety of ways in which different jurisdictions have implemented them. It is also understood that responsibilities within a jurisdiction will often be shared amongst insurance supervisors and other relevant authorities, and the resulting considerations are

		than prescriptive rules. Recovery and resolution are outcomes, not specific processes. The Application Paper should be outcomes-focused, rather than focused on the approaches that can be used to achieve the outcomes, and should support jurisdictional discretion. (2) The Application Paper should note explicitly that insurers generally do not fail suddenly or in a disorderly manner and that bank "runs" are not a feature of insurance company distress scenarios. Insurers often have the opportunity to take proactive recovery efforts to avoid resolution. We encourage the IAIS to acknowledge the greater scope for recovery efforts to succeed in the insurance context by focusing its attention on recovery, as opposed to resolution, planning efforts. (3) Where resolution ultimately is required, insurance group supervisors have ample time to engage with the company and relevant jurisdictional supervisors and any crisis management group (CMG) that may be in place in order to plan an appropriate course of action and to implement that plan. In most cases, insurers enter into run off or portfolio transfer arrangements, during which existing contractual obligations remain in place and policyholders typically remain fully insured until the end of the contract term. This type of orderly resolution is characteristic of insurers, and does not unduly negatively impact policyholders or the real economy. As a result, bank-like resolution measures or approaches are not necessary or appropriate for the insurance business model. (4) Communication among the group supervisor, the company, relevant jurisdictional supervisors, and any CMG is needed in order to coordinate efforts around recovery planning. Failure to include the company in communications could render recovery efforts ineffective, while failure to include the relevant jurisdictional supervisors in communications could result in uncoordinated actions being taken. (5) Insurance products and services are highly substitutable and operate in a highly competitive market. As such, insurance policies are not comparable to bank savings or checking accounts, as insurance products have disincentives to surrender such as penalties or adverse tax consequences and alternatives to surrender exist (e.g. policy loans). Unlike banks, insurers are not typically subject to "runs" that give rise to acute liquidity pressures, mass policy surrenders are extremely rare (as the IAIS acknowledges), and the interconnectedness of the sector is more limited than in the banking sector. That being the case, Paragraph 21 should be deleted or substantially amended to reflect the extremely low risk of disorderly failure, the limited interconnectedness of the sector, and the ready substitutability of most insurance products. Moreover, each of these factors points to a greater emphasis on recovery	addressed in both the ICPs and this Application Paper. We agree that the focus of resolution is typically the orderly runoff of the insurer's obligations to policyholders, and that precipitous action is usually unnecessary and often counterproductive in insurance resolution; the Application Paper follows that approach. We likewise agree that the focus should be on recovery whenever possible. This point has been strengthened, in particular with new material in Box 2 following paragraph 27, and we have revised paragraph 5 to emphasise that the current Application Paper complements the Application Paper on Recovery Planning approved by the IAIS in 2019.
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		strategies as opposed to resolution plans for insurers. (6) ICP 12 notes that the term "resolution" encompasses options including portfolio transfer, run-off, restructuring, and voluntary exit from the market in addition to liquidation, and notes that resolution mechanisms can be applied to one or more separate entities within the group. Additionally, the introduction to Annex 2 to the Financial Stability Board's (FSB) Key Attributes of Effective Resolution Regimes for Financial Institutions (2014 Annex) notes that "[t]he general assumption is that traditional insurance activities and even some non-traditional insurance activities that are no longer viable will typically be resolved through run-off and portfolio transfer procedures." Section 4.2 of the 2014 Annex states that resolution authorities should have a wide range of powers but should only use those powers that are "suitable and necessary," taking into account insurance specificities. We encourage the IAIS to focus on these broader options for recovery, as opposed to resolution, planning efforts, which have been used successfully in the insurance context to address entities in distress. (7) We note that the Application Paper is intended to provide guidance to resolution authorities that are not insurance supervisors. We note that this may raise issues of proper jurisdiction, especially if those authorities are not also supervisors or regulators (e.g. in some jurisdictions, the resolution authority may be a court of law). Specific Comments Objectives and concepts of resolution of insurers Section 2 of the Application Paper references ICP 12 and notes that exit from the market can occur voluntarily or involuntarily, when all other preventive or corrective measures (see ICP 10) are inadequate to preserve or restore an insurer's viability. Supervisors should be directed to exhaust all options short of involuntary exit, which should be characterized as a very extraordinary measure. As part of exhausting all options short of involuntary exit, the group or lead supervisor should be in close communication with the board and senior management of a distressed insurer. This would allow the supervisor to better understand and take into consideration any efforts by the insurer to implement recovery measures. As noted in our comments below regarding resolution plans, if and when a resolution plan is required, the group supervisor and any CMG should establish a resolution plan for the material entities within the group. Resolution plans should be outcomes-focused and should not be overly detailed, reflecting the need to maintain flexibility and to focus on	
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		recovery measures in the first instance. We note that the recent FSB work on resolution has focused primarily on resiliency at the firm level, which aligns with a focus on recovery in the first instance, and on financial stability at the macro level. While we understand the statement in Paragraph 29 that there are risks of undue interference or delay from consultation with a range of stakeholders, the benefits of broader consultation should outweigh the risks in the majority of cases. This consultation should always include the board and senior management of the distressed insurer. We encourage insurance supervisors to consult broadly in order to avoid hasty decisions that may not be based on a full understanding of all of the relevant facts. The fact that insurers generally do not fail in a rapid or disorderly manner affords time to pursue recovery measures to avoid resolution. Where resolution ultimately is required, supervisors and any CMG have more time to take carefully considered action in consultation with the affected company and relevant stakeholders. Paragraph 22 states that any public funding used for the resolution of the insurer should be recouped from the insurance sector in order to strengthen market discipline. We believe that the issue of public funding is best addressed by legislatures in the respective jurisdictions. Entry into resolution We appreciate the statement in Paragraph 26 that jurisdictions should articulate clear standards or suitable indicators of non-viability to guide decisions as to whether the conditions for resolution have been met. Standards and indicators should include both quantitative and qualitative factors that reflect the totality of the circumstances surrounding the distress of an insurer. This Paragraph should reference ICP 12.0.9, which states that, "[n]o uniform, single fixed point of non-viability can be defined that will be appropriate for the application of resolution measures in all circumstances. Whether to apply resolution measures, and the type of measures implemented, will depend upon the factual circumstances of the particular resolution scenario." Supervisors should be encouraged to take the least intrusive actions, in a ladder of intervention, when a company is in a stressed condition, and should engage with senior management of the company to understand and support the company's proactive corrective actions, such as portfolio transfer, to address stressed conditions. Communication between the group supervisor, the CMG (if one is established), relevant jurisdictional supervisors, and the management of the distressed company is critical for helping ensure that the supervisory actions taken are appropriate, proportionate, and in	
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		the best interests of the company's policyholders. In the first instance, the focus should be on recovery as opposed to resolution. Box 1 lists illustrative examples of resolution conditions. We caution that using some of these examples as a checklist of conditions under which an insurer should be resolved could lead to premature and inappropriate action to resolve an insurer before exhausting all other preventive or corrective measures to restore an insurer's viability. For example, a rapid rise in credit default swap (CDS) spreads or a rapid and sustained decline in share price or market activity may reflect market conditions and volatility more broadly. CDS spreads are prone to increasing excessively in a stress event, implying inappropriately high default probabilities, and later reverting to more normal levels. These conditions should give rise to prompt discussion among the relevant supervisors or within the supervisory college or CMG. These discussions may or may not result in a determination that resolution is the optimal course of action. Governance or risk management and control deficiencies can and should be addressed through supervisory dialogue with senior management and the board of the insurer. In the extreme, these deficiencies may ultimately lead to the need for resolution, especially if fraud or criminal activity is present. However, in most cases, a less severe and intrusive solution can be effective. Resolution powers Paragraph 32 lists "taking control" as the first item in a list of resolution powers. We would place this power last in the ladder of intervention, as it is an extreme power that could complicate or impede the company's efforts at recovery from stress. Whether in recovery or resolution mode, company senior management and technical experts have a wealth of information that they can share with the relevant supervisors including risk exposures and how they are managed, liquidity and capital positions, and the impact of the stress on different entities within an insurance group. Taking control of the insurer could result in supervisory decisions and actions that do not take into consideration all relevant information. The guidance on resolution powers should better reflect the fact that legal frameworks and jurisdictional powers and tools can vary significantly. As well, the nature of the insurance business, and its key risks and exposures, may vary by jurisdiction and call for the application of different recovery or resolution tools. A sharper focus on flexibility and proportionality, consistent with ICP 12.7, would help to reflect these jurisdictional specificities.	
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			Paragraph 32 also references the power to provide continuity of essential services and functions. We have discussed in our responses to prior consultations that there are very few essential functions performed by insurers (in contrast to banks). Essential services and functions, if any, should focus only on those activities that could have a material impact on the functioning of both the financial system and the real economy. This would be consistent with the statement in the 2014 FSB consultation that a resolution strategy should take into account the materiality and the potential impact that the failure to provide a certain function could have on the financial system and the functioning of the real economy. A sharper focus on activities that could have a material impact would also be consistent with the statement in the 2014 FSB consultation that the annex to that guidance provides indicative lists of functions that could exhibit some degree of criticality, and that authorities need to undertake their own assessments for each firm. The concept of essential services and functions in the insurance context should also recognize that insurers fail rarely and, unlike banks, when they do fail, their demise is slow and gradual. Furthermore, the highly competitive and unconcentrated nature of the insurance market provides for ready substitutes of insurance products and services. Contractual obligations generally remain in place through a run-off or portfolio transfer. We recommend the deletion of Paragraphs 46, 47, and 48 regarding the prohibition of the payment of variable remuneration. The treatment of claw-back provisions varies considerably among jurisdictions and, as the IAIS acknowledges, any supervisory action to prohibit payment or claw back compensation may be restricted by legislation. Therefore, general supervisory guidance on this topic may not be actionable. Moreover, it is unclear at which level of the group the prohibition or claw-back would apply if only one part of the group is in need of resolution. The following section, which addresses prohibitions on the transfer of assets, properly focuses on the high-level goal of preserving the assets of a company in distress, including funds use to pay variable remuneration. Paragraphs 90 through 93 reference the power to establish a bridge institution, which is a structure more commonly used in a single point of entry bank resolution, and where prompt action is needed to ensure an orderly wind-down. Given the existence of other tools for insurers, such as portfolio transfer, we do not believe that an emphasis on bridge institutions in the Application Paper is warranted. We also note and welcome the IAIS's statement that, for insurers, both single point of entry and multiple points of entry frameworks are appropriate. We would revise the wording of Paragraph 91 to state that, where legislation provides for	
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		the establishment of a bridge institution, the legislation should call upon the insurance supervisory authority to establish provisions and arrangements for the management of the bridge institution. We would recommend the deletion of Paragraph 93, as these specific powers are highly dependent upon national legislative frameworks. The general statement made in Paragraph 92 encompasses the more detailed provisions discussed in Paragraph 93. We would also delete the last two sentences of Paragraph 94 that may suggest that legislation should mandate that an insurer's contracts with third parties should prohibit cancellation in the event of a resolution. A requirement to include this language across a wide range of vendor contracts would substantially increase the cost to insurers of obtaining needed products and services, and would require across-the-board contract amendments, the costs of which would outweigh any potential benefits. More generally, guidance on the provisions that should or should not be contained in insurance legislation goes beyond supervisory powers. Resolution plans The group supervisor, and other CMG members where applicable, should have the sole responsibility for establishing and executing a resolution plan for the material entities of the group except where legislation assigns that role to another resolution authority. The group supervisor should seek to coordinate with any non-insurance authority that has legislative authority for the resolution of an insurance group. Local insurance supervisors should not be permitted to develop entity-level resolution plans for a firm that is a member of an insurance group. Where it is responsible for the establishment and execution of the resolution plan, the group supervisor should coordinate communication among the local insurance supervisors, and take a leading role in the supervisory college and any CMG. We appreciate the description in Paragraphs 184 and 185 of the relationships and communication protocols among the group supervisor, the supervisory college, and the CMG. We agree fully with the statements in Paragraph 182 that emphasize the importance of a coordinated communications strategy and the alignment of communications during a crisis. We would urge the IAIS to issue a stronger statement in Paragraph 149 regarding the confidentiality of communications by stating that, in general, when recovery or resolution plans are being formulated or implemented, communications among supervisors, and between supervisors and the affected firm, should be held in strict	
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		confidence, absent any legal requirements requiring reporting or disclosure. We recognize that, in some jurisdictions, the insurer itself is responsible for establishing a resolution plan. We note that requiring the insurer to develop a resolution plan requires the insurer to anticipate what measures could be taken at the point of non-viability, an exercise that is difficult at best to conduct in advance of any specific distress actually materializing and unlikely to result in any actionable plan. While insurers conduct extensive scenario analysis for risk management purposes, they generally do not conduct these analyses under a resolution scenario. The specific risks to which the insurer is exposed, the functions it provides, and the potential systemic impact of its failure may change over time, limiting the usefulness of extensive ex ante planning. Importantly, as noted in Paragraph 112, the group supervisor should leverage the information that is available from local supervisors and public sources before issuing an information request to the insurer. This not only promotes efficiency but allows the distressed insurer to focus on any possible recovery strategies that may be available to avert resolution. The group supervisor should be in close communication with the board and senior management of a distressed insurer in order to understand and to take into consideration in the establishment of the resolution plan any efforts by the insurer to implement its recovery measures. Paragraph 122 states that the resolution plan should allow an assessment of its feasibility and credibility in light of the likely impact of the insurer's failure on the financial system and real economy, taking into account the financial and economic functions that need to be continued to achieve the resolution objective. As noted above, insurers perform very few, if any, critical financial and economic functions. Moreover, few, if any, forms of insurance coverage would have cascading negative effects on the financial system and the real economy if withdrawn. Insurance coverage that might be withdrawn by one carrier would be readily substituted by other insurers if the coverage is commercially viable. More generally, Paragraph 122 and the following section 5.4.4 should be reflected in the Holistic Framework and guidance on macroprudential supervision rather than in guidance on resolution plans. We would also encourage any analysis of potential financial stability impacts to seek input from a wider range of stakeholders, including those with specific responsibility for financial stability. We therefore request that the 4th bullet under	
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		Paragraph 114 and Paragraphs 122-125 respectively, which go beyond the guidance provided in ICP 12 or related ComFrame provisions, be deleted. These stakeholders may reside outside of the insurance supervisory authority. We would qualify the statement in Paragraph 144 that timing is critical in the ability of resolution plans to achieve their objectives. As we have noted above, in the rare event of an insurer's failure, the failure is in nearly all cases gradual and orderly. Events and stressors generally do not materialize on short notice. Supervisors and CMGs have time to take measured and considered action in coordination with senior management of the distressed company. We would delete the first two sentences of this Paragraph and incorporate into Paragraph 144 the final sentence that discusses clear governance policies and procedures. Similarly, we would delete the reference in Paragraph 107 to an "over the weekend" resolution. In Paragraph 162, we would rephrase the focus on "regular" assessments of resolution plans to focus on a reassessment when a material change has occurred to the company's business model, corporate structure, operations, or product offerings. Resolvability assessments We note that ComFrame 12.3.b.1 calls for the group supervisor to undertake resolvability assessments at the level of those entities where it is expected that resolution actions would be taken. The IAIS should reflect this element of ComFrame in the Application Paper in order to avoid any impression that a resolvability assessment would necessarily need to include the entire IAIG. We would urge the IAIS to shift the focus of resolvability assessments in the Application Paper to situations where there has been a material change in the business structure of an insurer, again, consistent with ComFrame 12.3.b.. To require these assessments more broadly could impose undue burden on both insurers and insurance supervisors. Paragraph 165 states that a resolvability assessment should identify any impediments to resolution that could arise from the legal or operational structure of the firm. Paragraph 164 states that, where impediments are identified, authorities should have in place a process for requesting that the insurer take prospective action to correct those impediments. While material impediments to resolution could require prospective correction, we caution against any approach that substitutes the judgment of the insurer's board and senior management for the views of supervisors with respect to the insurer's business practices, legal, operational or financial structure, or organization. These matters	
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			are properly within the purview of the insurer's board and senior management, and there should be a high bar for supervisory interference in these business decisions. We would emphasize the language in ComFrame 12.3.b.4, which is referenced in Paragraph 167: "When the resolution plan and/or resolvability assessment identifies potential barriers to effective resolution, the IAIG may be given the opportunity to propose its own prospective actions to improve its resolvability by mitigating these barriers." We would go further and encourage supervisors to look to the IAIG in the first instance to both identify potential enhancements to its resolvability and address material impediments to resolvability. Paragraph 163 also notes that resolvability assessments could benefit from simulation exercises working through the resolution plan in a time-accelerated exercise with relevant key persons. It is not clear whether the relevant key persons refer to supervisors or to key persons within the insurer. In either case, the costs of such intensive exercises should be weighed carefully against any perceived benefits. In the first instance, we would encourage supervisors to consider the results of stress testing, scenario analyses, or testing of contingency or recovery plans conducted by the insurer, before commencing supervisory simulation exercises. Cooperation and coordination (4) We reiterate our comments above regarding the importance of communication with the company, all relevant supervisors, and the CMG during any recovery or resolution process. Effective and timely communication helps to prevent unintended consequences from uncoordinated actions that can be to the detriment of a company's policyholders and the insurance markets. Conclusion We appreciate the opportunity to comment on this Application Paper and the important issues it raises. We would welcome additional stakeholder engagement on the topic of recovery and resolution in the insurance industry. Respectfully submitted, Mary Frances Monroe	
9. National Organization of Life & Health	United States	No	We have included more granular, point-by-point responses below, but offer the following thematic overview of the policy perspectives behind our detailed comments. 1. We appreciate and strongly support the recognition of the value that a PPS provides to	Specific discussion of the role of the PPS in the NCWOL analysis and resolution strategy has

Insurance Guaranty Associations and National Conference of Insurance Guaranty Funds (NOLHGA & NCIGF)			the resolution process. In particular, we appreciate the statements supporting coordination and cooperation with PPSs as instrumental to achieving better outcomes. 2. 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, crisis management groups and other coordination efforts. 3. Early PPS involvement in a resolution is a critical part of policyholder protection. 4. We support the goal of maintaining financial stability, but we do not believe that financial stability should be achieved in a way that compromises policyholder protection. a. In no event should insurance liabilities be restructured, limited or written down in a way that deprives policyholders of the protection afforded by a PPS. b. Except to the extent a jurisdiction recognizes non-policyholder claims at the same level as policyholder claims, policyholders should not be treated differently from each other so that payments can be made to lower priority claimants. Furthermore, in jurisdictions where the PPS is subrogated to the rights of covered policyholders, uncovered policyholders should not be allocated a higher percentage of estate assets than covered policyholders.	been incorporated into paragraphs 64, 87 and 101. Other IGS and PPS matters will be addressed in an upcoming project.
10. American Council of Life Insurers	USA	No	- Many of the elements described in this Application Paper have been influenced by various principles, guidance and standards within the IAIS' Insurance Core Principles (ICPs), particularly ICP 12 (Exit from the Market and Resolution) and ICP 25 (Supervisory Cooperation and Coordination), and Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame), and the Financial Stability Board's (FSB) Key Attributes of Effective Resolution Regimes for Financial Institutions. o (1) As a result, many of those elements may be inconsistent with U.S. approaches to insolvency administration for insurers, in both statutory and common law, and may not recognize the distinct differences posed by the resolution of an insurance group. o (2) Accordingly, this Paper should make clear that certain jurisdictions may have laws and regulations that conflict with some of its guidance due to longstanding policy differences, and that no negative inferences shall be taken from it. o (3) While the Paper incorporates many of the FSB's Key Attributes, it doesn't take into account more recent IAIS developments, such as its Holistic Framework for Systemic Risk in the Insurance Sector. - (4) We support the application of the proportionality principle in order to provide needed flexibility and minimize burdens on resolution authorities and insurers. - The Paper can be overly prescriptive at times. o (5) The Paper often uses "should" which may not be applicable to all jurisdictions since resolution authorities in certain jurisdictions may not have certain resolution powers available to them, or some of those powers may be unsuitable or inappropriate in certain situations, the Paper should provide for more flexibility. We, therefore, suggest that the word "could" be used instead of "should" where applicable.	As noted in response to Comments 3 and 8, the ICPs set out requirements and Application Papers provide guidance and recommendations consistent with those requirements. The Application Paper has also been drafted in consistency with the Holistic Framework. We agree that resolution is ill suited to "tick-the-box" methodologies, and have endeavoured to offer a balance of qualitative and quantitative methods, for instance in paragraphs 24 through 28. We have also revised paragraph 32 to make explicit reference to resolution strategy, reflecting

			o (6) The Paper also creates a defacto "check the box" exercise for regulators when considering an insurer's resolution by establishing a predetermined set of prescriptive parameters, such as thresholds relating to the size of the insurer and the number of policyholders, instead of more principles-based criteria. Due to the idiosyncratic nature of individual insurers and businesses, these parameters may not always be appropriate. o (7) While we support the IAIS efforts to identify powers and actions that could enhance the ability to execute a resolution. It should be acknowledged that the group-wide supervisors, in conjunction with other involved supervisors, including the crisis management group (CMG), are best positioned to determine what powers and tools are of the greatest import. - (8) The Paper could be enhanced by better addressing the unique aspects of certain types of resolutions, including those of reinsurers and conglomerates. o (8a) While reinsurer insolvencies are rare and do not generally trigger policyholder protection schemes (PPS), supervisors who are faced with these events may benefit from guidance that is attuned to the specific interests and obligations involved in business-to-business transactions. o (8b) A supervisor's actions in a reinsurer resolution may also impact the solvency position of a direct insurer, which could ultimately impact individual policyholders.	the commonality of issues between resolution planning and resolution implementation See the inclusion of new Box 1.
Q2 Comment on section 1 Introduction				
Q3 Comment on section 1.1 Objectives and background				
Q4 Comment on paragraph 1				
Q5 Comment on paragraph 2				
Q6 Comment on paragraph 3				
Q7 Comment on paragraph 4				
Q8 Comment on section 1.2 Scope of application				
Q9 Comment on paragraph 5				
12. International Actuarial Association	International	No	The IAA supports the development of an international framework so that there is a more consistent approach for IAIGs to adopt across the different countries within which they operate.	Noted.

13. American Council of Life Insurers	USA	No	- The Paper could be enhanced by better addressing the unique aspects of certain types of resolutions, including those of reinsurers and conglomerates. - o While reinsurer insolvencies are rare and do not generally trigger policyholder protection schemes (PPS), supervisors who are faced with these events may benefit from guidance that is attuned to the specific interests and obligations involved in business-to-business transactions. - o A supervisor's actions in a reinsurer resolution may also impact the solvency position of a direct insurer, which could ultimately impact individual policyholders.	See for instance the inclusion of Box 1.
Q10 Comment on paragraph 6				
Q11 Comment on paragraph 7				
Q12 Comment on section 1.3 Proportionality				
14. Global Federation of Insurance Association	Global	No	The industry supports the application of proportionality. The proportionality principle should ensure that firms are not required to devote significant resources to developing resolution plans when the value of doing so is rather limited and could in fact be counter-productive where it acts as a distraction from more effective preventive measures. If drafting a resolution plan is required to a large number of insurers, the industry upholds that proportionate simplifications (e.g. less content and lower frequency to report) of the resolution plan are appropriate.	Noted.
Q13 Comment on paragraph 8				
15. Global Federation of Insurance Association	Global	No	The industry believes that the operational resolution plans need to be tailored to the circumstances of the insurer and with sufficient flexibility, allowing authorities to consider the circumstances of resolution. At the same time, overreliance on resolution plans may divert attention from assessing the causes of a potential crisis and the adequate measures to cope with them. If a resolution plan is required, we agree that the proportionality principle should be applied as it is being developed and updated.	Noted.
16. The Life Insurance Association of Japan	Japan	No	- The LIAJ appreciates the references to the proportionality principle stated in the ICP Introduction. - There are two major types of resolutions in Japan; the administrative process based on the Insurance Business Act, and the corporate reorganization process based on the Corporate	Noted.

			Reorganization Act. This means the actual practices established in Japan differ from the Resolution Plan stated in the Application Paper. - The LIAJ would like to respectfully request the IAIS to carefully consider these differences in resolution practices of insurance companies in each country when applying the Application Paper.	The Paper acknowledges that the practical application may depend on jurisdictional circumstances.
17. American Property Casualty Insurance Association (APCIA)	United States	No	APCIA is encouraged that the paper will be read in the context of the proportionality principle. As the paper states, one implication of this is that ICP 12 can be translated into a jurisdiction's resolution framework in an appropriate manner.	Noted.
18. American Council of Life Insurers	USA	No	- We support the application of the proportionality principle in order to provide needed flexibility and minimize burdens on resolution authorities and insurers.	Noted.
Q14 Comment on paragraph 9				
19. American Council of Life Insurers	USA	No	- If a resolution plan is required, we agree that the proportionality principle should be applied as it is being developed and updated.	Noted.
Q15 Comment on section 1.4 Terminology				
Q16 Comment on paragraph 10				
Q17 Comment on paragraph 11				
20. Global Federation of Insurance Association	Global	No	GFIA suggests specifying the definitions as follow: - Essential services and functions: Services and/or functions that are critical for the continuation of the insurer. The definition should also take into account that, in some cases, the entire entity does not need to continue. Therefore, it is suggested that the phrase "or the portfolio of insurance contracts written by the insurer in resolution" be added at the end of the existing definition. - Liquidation: A process to terminate operations and corporate existence of the entity through which the remaining assets of the insurer will be distributed to its creditors and shareholders	Change made to "all or parts of" the insurer for brevity and consistency with the definition of a resolution plan.

			or members as appropriate according to the liquidation claims hierarchy, which necessarily involve any intervention by the component authorities, including where the collective proceedings are terminated by a composition or other analogous measure, whether or not they are founded on insolvency or are voluntary or compulsory. Branches can also be put into liquidation in some jurisdictions, separately from the insurance legal entity they belong to. - The terms "solvent run-off" and an "insolvent run-off" may be confusing to some stakeholders since an insurer may still be able to meet its obligations towards policyholders and creditors even it is deemed to be insolvent because it is unable to meet regulatory capital requirements.	Liquidation was already defined in the IAIS Glossary; this table merely replicates what is in the glossary definition. Some changes made in section 4 on run-off.
22. International Actuarial Association	International	No	In respect of Table 2: NCWOL - whilst some guidance is given in paragraph 100 on applying NCWOL, we would comment that the liquidation of insurance companies does not happen very frequently -and in some jurisdictions may never have happened. Hence it is not easy to determine NCWOL in practice and will require much expert judgement. Consequently, it will be important to balance the cost of determining NCWOL against the benefit it will bring. Further it is not clear who will cover the costs of the determination, or the cost of any compensation that may be needed. The IAA believe a more proportionate approach for determining a floor to policyholder payments should be considered. The IAA also note that the Term "No creditor worse off than in liquidation (NCWOL)" is defined as a "Principle that requires that, in a resolution action other than a liquidation, creditors should be entitled to compensation if they receive less than they would have received if the insurer was liquidated." However, the IAA's understanding of the no creditor worse off (NCWO) principle is that no creditor (or shareholder) shall incur greater losses than they would have incurred if the insurer had been liquidated. This is as set out in Article 75 of Directive 2014/59/EU (BRRD). The distinction between "not receiving less" and "not losing more" is of great practical importance as well as having financial implications. For example, the successful resolution of an insurer may result in annuities continuing to be paid as in the contract; if an annuitant were to die in an accident shortly after the resolution and his annuity payments cease as a result, his estate could then apply the definition of NCWOL currently in Table 2 to claim a lump sum as compensation equivalent to the value of the commuted annuity that would have been paid in a liquidation. Under the definition of NCWO, the annuitant would have been treated fairly in accordance with their contract and would have no further claim.	No change needed in this table. The NCWOL definition used in the Paper comes from the ICP, which was adopted by the IAIS AGM.

		The definition also has big practical implications, as in for example how to determine a fair value in a liquidation for individual annuities in payment. This could be very challenging at the individual policy level, but, provided the "not losing more" definition of NCWO is used, it is much less of an issue where a resolution enables annuities to continue to be paid. The IAA also note that the NCWOL issue crops up in a number of places in the paper and, although paragraph 63 of the paper quotes the "not losing more" version, paragraph 85 quotes the "not receiving less" version. The distinction needs to be recognized and the wording needs to be corrected accordingly. Resolution - the IAA notes that "viability" is not defined neither in this AP or ICP 12. Because this can mean different things to different bodies in different jurisdictions, we believe it would be helpful to expand on this. Run-off - we note that it is not clear here what the definition of "solvent" is - in other words, what degree of certainty is expected over the ability to meet debts as they fall due, and hence what level capital resources are needed to give a level of certainty?. Solvency can be viewed in the prudential sense of failing to meet PCR or could be the wider corporate sense of value of assets being less than the value of the liabilities. This wording defines "insolvent run-off" as applicable to an insurer "who is no longer able to pay debts to its creditors when the debts fall due". This should be changed to "no longer able to pay all debts ...". An insurer may be insolvent due to longer tail liabilities, whilst able to meet cash demands for the next several years. It can be more cost-effective to allow the insurer to run off its debts for a number of years, until the remaining debts become problematic. Given the difficulties often faced in insurance companies in determining the absolute value of the liabilities given the assumptions that need to be made, particularly for companies that are needing resolution, it is not easy to assess when a company "is [or isn't] still able to pay debts to its creditors when the debts fall due" as in the Run-off definition. The IAA believe that "viability" needs to be defined and may benefit from a similar test. For example, it may be appropriate to consider a principle that a company is viable or assessed to be able to go into solvent run-off if there are sufficient assets to meet liabilities at a 1:20 level. Clearly the 1:20 test could be set at a different level depending on the risk appetite in a particular jurisdiction to insurer failure and the resources of the relevant PPF.	Some changes were made in paragraph 64 to address the comment, as well as in the section on run-off. Viability is considered to be a general term. Also note guidance ICP 12.0.9 that there is no single point of "non-viability".
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23. American Council of Life Insurers	USA	No	- The definition of "essential services and functions" should take into account that, in some cases, the entire entity does not need to continue. Therefore, we suggest that the phrase "or the portfolio of insurance contracts written by the insurer in resolution" be added at the end of the existing definition. - The terms "solvent run-off" and an "insolvent run-off" may be confusing to some stakeholders since an insurer may still be able to meet its obligations towards policyholders and creditors even it is deemed to be insolvent because it is unable to meet regulatory capital requirements.	See response to previous comments.
Q18 Comment on section 1.5 Inputs				
Q19 Comment on paragraph 12				
Q20 Comment on paragraph 13				
Q21 Comment on paragraph 14				
Q22 Comment on section 1.6 Structure				
Q23 Comment on paragraph 15				
Q24 Comment on section 2 Objectives and concepts of resolution of insurers				
25. PACICC	Canada	No	The paper should acknowledge the roles that different entities may play prior to a formal entry into resolution and ensure that they are clearly communicated and defined in advance. In Canada, these are defined using a Guide to Intervention. An example can be found at : http://www.pacicc.ca/wp-content/uploads/2018/06/guide-to-intervention.pdf. We would highlight in particular that once a distressed insurer is identified, multiple stakeholders are brought to the table - including the PPS - to ensure all safety net participants are engaged well before formal resolution/liquidation is initiated and also ensures that all options/alternatives to liquidation are fully explored.	This is dealt with in section 7.
26. Institute of International Finance	United States	No	Section 2 of the Application Paper references ICP 12 and notes that exit from the market can occur voluntarily or involuntarily, when all other preventive or corrective measures (see ICP 10) are inadequate to preserve or restore an insurer's viability. Supervisors should be directed to exhaust all options short of involuntary exit, which should be characterized as a very extraordinary measure. As part of exhausting all options short of involuntary exit, the group or lead supervisor should be in close communication with the board and senior management of a distressed insurer. This would allow the supervisor to better understand	This is noted in paragraph 16, among other places.

			and take into consideration any efforts by the insurer to implement recovery measures. As noted in our comments below regarding resolution plans, if and when a resolution plan is required, the group supervisor and any CMG should establish a resolution plan for the material entities within the group. Resolution plans should be outcomes-focused and should not be overly detailed, reflecting the need to maintain flexibility and to focus on recovery measures in the first instance. We note that the recent FSB work on resolution has focused primarily on resiliency at the firm level, which aligns with a focus on recovery in the first instance, and on financial stability at the macro level. While we understand the statement in Paragraph 29 that there are risks of undue interference or delay from consultation with a range of stakeholders, the benefits of broader consultation should outweigh the risks in the majority of cases. This consultation should always include the board and senior management of the distressed insurer. We encourage insurance supervisors to consult broadly in order to avoid hasty decisions that may not be based on a full understanding of all of the relevant facts. The fact that insurers generally do not fail in a rapid or disorderly manner affords time to pursue recovery measures to avoid resolution. Where resolution ultimately is required, supervisors and any CMG have more time to take carefully considered action in consultation with the affected company and relevant stakeholders. Paragraph 22 states that any public funding used for the resolution of the insurer should be recouped from the insurance sector in order to strengthen market discipline. We believe that the issue of public funding is best addressed by legislatures in the respective jurisdictions.	Noted. See responses to comments under section 3. This language comes directly from the ICP, which was adopted by the IAIS AGM in November 2019.
27. American Council of Life Insurers	USA	No	- Resolution regimes should apply to all insurers and provide a range of tools from which regulators can choose, at their discretion, dependent on various factors that could include size, complexity, risk exposure and how managed.	Noted.
Q25 Comment on section 2.1 Concepts				
Q26 Comment on paragraph 16				
28. PACICC	Canada	No	3rd sentence. Why is the phrase "generally occurs" included?	"generally" was deleted.
29. National Association of Insurance Commissioners	United States	No	(editorial) Such a situation generally occurs when a troubled insurer is no longer viable, or is likely to be no longer viable, and has no reasonable prospect of returning to viability in its current form.	Change made.

Q27 Comment on paragraph 17				
Q28 Comment on paragraph 18				
30. PACICC	Canada	No	It is difficult to envision a role for a PPS in a voluntary exit.	This paragraph does not imply that PPSs should be involved in a voluntary exit from the market.
Q29 Comment on section 2.2 Objectives of a resolution framework				
31. PACICC	Canada	No	The paper should also acknowledge the roles that different entities may play prior to a formal entry into resolution and ensure that they are clearly communicated and defined in advance. In Canada, these are defined using a Guide to Intervention. An example can be found at : http://www.pacicc.ca/wp-content/uploads/2018/06/guide-to-intervention.pdf. We would highlight in particular that once a distressed insurer is identified, multiple stakeholders are brought to the table - including the PPS - to ensure all safety net participants are engaged well before formal resolution/liquidation is initiated and also ensures that all options/alternatives to liquidation are fully explored.	See response to comment 25.
32. APCIA	United States	No	APCIA agrees that PPS's should be among the stakeholders consulted and informed for the resolution condition assessments.	Noted.
33. NOLHGA & NCIGF	United States	No	We strongly agree that policyholder protection should be the primary goal of insurer resolutions. We support financial stability being an additional objective, but we believe that financial stability should be achieved in a way that is consistent with - and does not compromise - policyholder protection.	Noted. This is provided by ICP 12. See also CF12.2.a.1: <i>In addition to the resolution objectives in Standard 12.2, the framework for resolving IAIGs should also include as an objective the contribution to financial stability, where applicable. A jurisdiction may, at its discretion, choose to rank these resolution objectives with respect to IAIGs.</i>
Q30 Comment on paragraph 19				
34. PACICC	Canada	No	This is one area where we believe the paper should include a specific mention of the role that a PPS can play in the resolution system.	Section 2.2 focuses only on the objectives, not on the process and the different roles of stakeholders. That is dealt with elsewhere in the Paper (notably section 7)

35. APCIA	United States	No	We again commend the indication that resolution powers are "to be exercised proportionately and with appropriate flexibility."	Noted.
Q31 Comment on paragraph 20				
36. PACICC	Canada	No	Sentence Two discusses possible losses to be absorbed by policyholders. The mission of PPS's is to protect policyholders. This paragraph should recognize that requiring policyholders to absorb losses should only be a very last resort after all other options are exhausted as it represents the least desirable outcome. Losses to capital providers and other sophisticated creditors should come first.	This is indeed the intent of this paragraph as well as of the liquidation claims hierarchy. no change needed.
38. International Actuarial Association	International	No	See our comments in relation to NCWOL in our answer to Q17	Noted.
39. National Association of Insurance Commissioners	United States	No	(editorial) This however does not mean that policyholders will be fully protected under all circumstances and does not exclude the possibility that losses could be absorbed by policyholders, to the extent they are not covered by PPSs or other mechanisms.	Change made
40. NOLHGA & NCIGF	United States	No	We suggest revising the fifth sentence to read as follows: In a resolution action other than a liquidation, creditors should be entitled to compensation if they receive less than they would have received (or an outcome at least equivalent to the outcome they would achieve) if the insurer were to be liquidated (i.e., the "no creditor worse off than in liquidation" (NCWOL) principle). NCWOL essentially requires comparison of all-in outcomes, with the NCWOL principle capable of being satisfied by approaches that might or might not involve compensation.	This sentence was taken verbatim from ICP 12, which has been adopted by the IAIS AGM.
41. American Council of Life Insurers	USA	No	- In a resolution action other than a liquidation, we generally agree that resolution authorities should exercise their resolution powers in a way that respects the liquidation claims hierarchy and adheres to the "No creditor worse off than in liquidation" (NCWOL) principle. o However, while creditors (other than policyholders) should be protected under the NCWOL principle, such protection should not be funded by the insurance industry or a PPS.	Noted.
Q32 Comment on paragraph 21				
42. PACICC	Canada	No	Well run and well-regulated property and casualty insurers can be jointly impacted by industry-wide catastrophic events (i.e. floods, hurricanes and earthquakes). The paper	This is out of scope for this Paper.

			should note that this type of extreme tail-risk should be handled by a separate government program.	
43. Global Federation of Insurance Association	Global	No	The industry does not think that there is a benefit in developing a pre-emptive resolution plan for a solvent insurance company. Besides, GFIA insists on the fact1) that recovery measures must remain at the hand of the administrative management or supervisory board (with no early intervention of the supervisor), and 2) that the plan must be designed and drafted at group level. In general, it would make sense that resolution authorities develop a generic overview of resolution options with their pros and cons, in order to facilitate the assessment of the situation and the best course of action. There should be no requirement regarding recovery and resolution plans based on the coverage of the market share of the national market.	The expected scope of recovery and resolution planning requirements are set out in ICP 16.15 and 12.3, respectively, and the associated ComFrame standards. This Paper does not set new requirements, but merely provides guidance on applying these requirements in practice.
Q33 Comment on paragraph 22				
44. PACICC	Canada	No	This paragraph underscores the role and importance of PPS's. A well-designed PPS that collects assessments from within the insurance industry can reduce moral hazard in the insurance system.	This is indeed one example to achieve this, but not necessarily the only example. No change made.
45. International Actuarial Association	International	No	The IAA agrees that recouping public funding from the insurance sector is a sensible approach in principle but notes that it may not be possible, or practical, to recoup the resolution funding for a major insurer without precipitating the weakening, or prompting the failure of, other insurers. Also, the moral hazard is essentially the same if the senior management of an insurer believes the sector will be taxed to cover the costs of failure.	In those cases the recouping could be spread out over an extended period. Second point is noted, but there are also other resolution tools (including especially those under group 1 and 2 described in section 4) that may contribute to limiting moral hazard behaviour of the Board and Senior Management.
46. National Association of Insurance Commissioners	United States	No	(editorial) Finally, resolution should seek to minimise any reliance on public funding.	Change made
47. American Council of Life Insurers	USA	No	- Each jurisdiction should be able to determine if public funding should be allowed in resolutions, and if so, to what extent. In the U.S., most states, for sound public policy purposes, allow for those assessed to claim tax offsets, which is ultimately absorbed by taxpayers.	This guidance is based on ICP 12, which set out certain minimum expectations and recommendations applicable to all IAIS member jurisdictions.
Q34 Comment on paragraph 23				

Q35 Comment on section 3 Entry into resolution				
48. The Life Insurance Association of Japan	Japan	No	(For Paragraph 25-28 and Box 1: Illustrative examples of resolution conditions) - In Entry into Resolution (Paragraph 25), it states the resolution process should be initiated when an insurer is no longer viable or is likely to be no longer viable. - In addition, Paragraph 27 states jurisdictions should articulate clear standards or suitable indicators of non-viability in the assessment frameworks developed by the relevant authorities, and have forward-looking triggers that would provide for the entry into resolution. - For example regarding the trigger, according to the Member Survey (Box 1), where a quantitative threshold is set under the current system, it ranges between 70% and 150% of the Prescribed Capital Requirement (or "PCR"), and when the insurer is in breach of the Minimum Capital Requirement (or "MCR") with no reasonable possibility of restoring compliance with MCR. In addition, Paragraphs 60, 65, and 75 state the PCR could be the quantitative trigger for initiating resolution. Do these PCR/MCR refer to the ICS, or do they refer to the solvency margin ratio based on the current system in each country?	It is the latter, it refers to the existing regulatory requirement in a jurisdiction.
49. Institute of International Finance	United States	No	We appreciate the statement in Paragraph 26 that jurisdictions should articulate clear standards or suitable indicators of non-viability to guide decisions as to whether the conditions for resolution have been met. Standards and indicators should include both quantitative and qualitative factors that reflect the totality of the circumstances surrounding the distress of an insurer. This Paragraph should reference ICP 12.0.9, which states that, "[n]o uniform, single fixed point of non-viability can be defined that will be appropriate for the application of resolution measures in all circumstances. Whether to apply resolution measures, and the type of measures implemented, will depend upon the factual circumstances of the particular resolution scenario." Supervisors should be encouraged to take the least intrusive actions, in a ladder of intervention, when a company is in a stressed condition, and should engage with senior management of the company to understand and support the company's proactive corrective actions, such as portfolio transfer, to address stressed conditions. Communication between the group supervisor, the CMG (if one is established), relevant jurisdictional supervisors, and the management of the distressed company is critical for helping ensure that the supervisory actions taken are appropriate, proportionate, and in the best interests of the company's policyholders. In the first instance, the focus should be on recovery as opposed to resolution.	Included in paragraph 26 in para 25. The discussion on resolution tools is part of section 4 and is out of scope for section 3.

			Box 1 lists illustrative examples of resolution conditions. We caution that using some of these examples as a checklist of conditions under which an insurer should be resolved could lead to premature and inappropriate action to resolve an insurer before exhausting all other preventive or corrective measures to restore an insurer's viability. For example, a rapid rise in credit default swap (CDS) spreads or a rapid and sustained decline in share price or market activity may reflect market conditions and volatility more broadly. CDS spreads are prone to increasing excessively in a stress event, implying inappropriately high default probabilities, and later reverting to more normal levels. These conditions should give rise to prompt discussion among the relevant supervisors or within the supervisory college or CMG. These discussions may or may not result in a determination that resolution is the optimal course of action. Governance or risk management and control deficiencies can and should be addressed through supervisory dialogue with senior management and the board of the insurer. In the extreme, these deficiencies may ultimately lead to the need for resolution, especially if fraud or criminal activity is present. However, in most cases, a less severe and intrusive solution can be effective.	This is largely addressed by the "...and has no reasonable prospect of recovering to viability" element of the resolution trigger Indeed, these are illustrative examples, based on actual experience in various IAIS member jurisdictions. Agreed this is really related to serious concerns that cannot be resolved in another manner. Added "criminal activity or fraud" as an example.
Q36 Comment on paragraph 24				
51. International Actuarial Association	International	No	It would be worth bringing forward the definition of "balance-sheet insolvent" from Box 1 i.e., assets less than liabilities - as it differentiates from breach of PCR or regulatory insolvent	Updated to reflect comment in paragraph 26
52. NOLHGA & NCIGF	United States	No	When a supervisor is considering whether an insurer "has no reasonable prospect" of becoming viable, he/she should have a timeframe to guide that evaluation. The guidance should specify a period of time in which the insurer has no prospect of becoming viable.	Updated to reflect comment in paragraph 26.
Q37 Comment on paragraph 25				
Q38 Comment on paragraph 26				
53. PACICC	Canada	No	Sentence 3 should recognize that the decision to close an insurer is ultimately driven by the loss of confidence and is not driven by metrics. This is why regulators need to employ a mix of qualitative and quantitative metrics in determining if/when to require formal entry into resolution.	see response to comment 49

54. International Actuarial Association	International	No	Following from our answer to Q17, the IAA believes that it may be helpful in some jurisdictions for non-viability assessments to be linked to a 1:X year probability of the value of assets becoming less than the value of liabilities as that approach can take into account the extent of any uncertainty or volatility in the value of the insurer's assets and liabilities.	This is covered by the third bullet when it refers to "objective indications that this will be the case for the foreseeable future"
Q39 Comment on paragraph 27				
55. International Actuarial Association	International	No	Box 1 - although the IAA appreciates that this box includes illustrative examples, bullet 4 could be amended to say "... insurer is, or is likely to be, not able to..."	Agreed; change made.
56. General Insurance Association of Japan	Japan	No	PCRs ranging between 70% and 150% are noted as examples of "a higher threshold which authorises the supervisor and/or resolution authority to take action". However, even if these are examples of actual cases, the statement can be misleading as the assumption lacks detail. Therefore, the exact level of the quantitative thresholds should be listed with names of jurisdictions. In the alternative, the statement should be revised to "when the insurer breaches the prescribed capital requirement (PCR)," and deleting the reference to the threshold range.	The higher and lower threshold are not linked to the first sub-bullet point of 70% and 150%; these are separate examples.
57. National Association of Insurance Commissioners	United States	No	Box 1, first sub-bullet, there should be a semi-colon rather than a period at the end of the bulleted text, for consistency.	Change made.
Q40 Comment on paragraph 28				
Q41 Comment on paragraph 29				
59. NOLHGA & NCIGF	United States	No	PPSs can and should play an important role in developing or assessing resolution strategies, and, therefore, they should be part of or otherwise support resolution planning, crisis management groups and other coordination efforts, with appropriate confidentiality protections in place.	Noted. the paragraph indeed lists the PPS as one of the stakeholders that could be consulted.

Q42 Comment on section 4 Resolution powers

60. Global Federation of Insurance Association	Global	No	The industry believes that run-offs and portfolio transfers are sufficient to deal with the large majority of insurance failures. Therefore, these should be the most preferred tools and authorities should clearly justify the need for more intrusive tools and why run-off or portfolio transfers are not sufficient to meet the objectives of resolution. The industry would also like to re-emphasise that, since failures take longer in insurance than for instance in banking, rapid intervention is not a good reason for the choice of resolution tools, especially because fire-sales of assets or the crystallisation of their value could result in unnecessary value destruction.	Noted.
61. Institute of International Finance	United States	No	Paragraph 32 lists "taking control" as the first item in a list of resolution powers. We would place this power last in the ladder of intervention, as it is an extreme power that could complicate or impede the company's efforts at recovery from stress. Whether in recovery or resolution mode, company senior management and technical experts have a wealth of information that they can share with the relevant supervisors including risk exposures and how they are managed, liquidity and capital positions, and the impact of the stress on different entities within an insurance group. Taking control of the insurer could result in supervisory decisions and actions that do not take into consideration all relevant information. The guidance on resolution powers should better reflect the fact that legal frameworks and jurisdictional powers and tools can vary significantly. As well, the nature of the insurance business, and its key risks and exposures, may vary by jurisdiction and call for the application of different recovery or resolution tools. A sharper focus on flexibility and proportionality, consistent with ICP 12.7, would help to reflect these jurisdictional specificities. Paragraph 32 also references the power to provide continuity of essential services and functions. We have discussed in our responses to prior consultations that there are very few essential functions performed by insurers (in contrast to banks). Essential services and functions, if any, should focus only on those activities that could have a material impact on the functioning of both the financial system and the real economy. This would be consistent with the statement in the 2014 FSB consultation that a resolution strategy should take into account the materiality and the potential impact that the failure to provide a certain function could have on the financial system and the functioning of the real economy. A sharper focus on activities that could have a material impact would also be consistent with the statement in the 2014 FSB consultation that the annex to that guidance provides indicative lists of functions that could exhibit some degree of criticality, and that authorities need to undertake their own assessments for each firm. The concept of essential services and functions in the insurance context should also recognize that insurers fail rarely and, unlike banks, when they do fail, their demise is slow	Please note the sentence in the paper: "Finally, the order of presentation of the powers is not an indication of the sequence in which these powers could be exercised, or of their priority" Please see paragraph 32 where it is explained that not all powers need to be available in all jurisdictions, if there are no IAIGs. Please note how "essential services" is defined. It is different from the FSB definition, which talks about essential services to the outside world (economy, financial system), whereas in this Paper and in ICP 12 it relates to internal functions (eg IT, legal, etc). Where helpful, some edits were made to further clarify.

		and gradual. Furthermore, the highly competitive and unconcentrated nature of the insurance market provides for ready substitutes of insurance products and services. Contractual obligations generally remain in place through a run-off or portfolio transfer. We recommend the deletion of Paragraphs 46, 47, and 48 regarding the prohibition of the payment of variable remuneration. The treatment of claw-back provisions varies considerably among jurisdictions and, as the IAIS acknowledges, any supervisory action to prohibit payment or claw back compensation may be restricted by legislation. Therefore, general supervisory guidance on this topic may not be actionable. Moreover, it is unclear at which level of the group the prohibition or claw-back would apply if only one part of the group is in need of resolution. The following section, which addresses prohibitions on the transfer of assets, properly focuses on the high-level goal of preserving the assets of a company in distress, including funds use to pay variable remuneration. Paragraphs 90 through 93 reference the power to establish a bridge institution, which is a structure more commonly used in a single point of entry bank resolution, and where prompt action is needed to ensure an orderly wind-down. Given the existence of other tools for insurers, such as portfolio transfer, we do not believe that an emphasis on bridge institutions in the Application Paper is warranted. We also note and welcome the IAIS's statement that, for insurers, both single point of entry and multiple points of entry frameworks are appropriate. We would revise the wording of Paragraph 91 to state that, where legislation provides for the establishment of a bridge institution, the legislation should call upon the insurance supervisory authority to establish provisions and arrangements for the management of the bridge institution. We would recommend the deletion of Paragraph 93, as these specific powers are highly dependent upon national legislative frameworks. The general statement made in Paragraph 92 encompasses the more detailed provisions discussed in Paragraph 93. We would also delete the last two sentences of Paragraph 94 that may suggest that legislation should mandate that an insurer's contracts with third parties should prohibit cancellation in the event of a resolution. A requirement to include this language across a wide range of vendor contracts would substantially increase the cost to insurers of obtaining needed products and services, and would require across-the-board contract amendments, the costs of which would outweigh any potential benefits. More generally, guidance on the provisions that should or should not be contained in insurance legislation goes beyond supervisory powers.	Noted but disagree. These are powers provided in ICP 12.7. Please also see responses to the comments for those paragraphs. Noted but disagree. A portfolio transfer from a failing insurer to a third party requires a willing and appropriate transferee. If no appropriate willing third party can be found in a timely manner, then a portfolio transfer is not possible without a bridge institution. A bridge enables a portfolio to be transferred out of a failing insurer on a non-permanent basis to provide additional time for a private sector third party purchaser to be found.
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Q43 Comment on paragraph 30				
Q44 Comment on paragraph 31				
62. World Federation of Insurance Intermediaries	Belgium	No	Table 3 Prohibiting the insurer from continuing a business relationship with an intermediary or other outsourced provider, or requiring the terms of such a relationship to be varied/terminated, continued, or transferred contracts. An insurer who goes into resolution has continuing obligations to the existing policyholders (according to paragraph 52) and we believe also towards its business relations, the insurance intermediaries. Intermediaries may have to continue to provide services to the policyholders during the resolution process. Please clarify this in this Table.	This is part of ICP 10 (preventive and corrective measures) which is not the focus of this Paper and is not further discussed in the Paper.
64. APCIA	United States	No	We note that one of the restructuring mechanisms mentioned here includes the ability to limit or write down liabilities. APCIA has always emphasized in previous submissions to the IAIS that insurers' liabilities to policyholders should never be written down to the detriment of the policyholder except in extremely rare cases as necessary for financial stability purposes. We would prefer to see this more explicitly acknowledged in the paper. We agree with the NCIGF and NOHLGA comment that resolution powers should be exercised in a way that preserves the policyholder protection that would otherwise be provided by a PPS.	Noted but no change needed. This is sufficiently covered by the NCWOL and liquidation claims hierarchy.
Q45 Comment on paragraph 32				
66. International Actuarial Association	International	No	An additional power may be the restructuring of assets, as well as liabilities. This may specifically apply to subordinated debt that can be converted into equity in the event of supervisory action(s), or may rely on more general powers (see para 61).	The powers listed in Table 3 come directly from ICP 12.7
67. National Association of Insurance Commissioners	United States	No	Table 3 - some of the bullets are not capitalized, they should be capitalized for consistency. (editorial) While some resolution powers could be allocated to more than one group, this grouping avoids repetition in describing the powers and their benefits and uses.	Changes made
68. NOLHGA & NCIGF	United States	No	Resolution powers should be exercised in a way that preserves the policyholder protection that would otherwise be provided by a PPS.	See response to comment 65.
Q46 Comment on section 4.1 Taking control				
69. PACICC	Canada	No	The paper should include a note that regulatory forbearance is a legitimate tool that regulators can (and do) use. In fact, it may be the most commonly used tool in their toolbox.	This paper deals with situations of severe stress where an insurer is likely to fail if no

				action is taken. Regulatory forbearance is not a solution in such cases.
70. Global Federation of Insurance Association	Global	No	A company's strategy and governance structure must be aligned with the market and policyholder needs and be in accordance with relevant laws, regulations, and administrative provisions. The industry is concerned that reasonable and efficient measures, like centralisation of processes and systems or intra-group transactions, may not be allowed or may even have to be reversed. Such interventions could have far-reaching consequences in areas such as corporate and tax law, but also in terms of investor relations and ratings. Indeed, the concerned insurers could suffer competitive disadvantages in the long-term. Likewise, their policyholders could incur additional costs or loss of returns. Here it is important to again keep in mind that a crisis in the insurance business normally offers enough time to implement necessary crisis measures and remove significant impediments to the resolvability of undertakings. Against this background, interventions in a solvent company by an authority should remain an exception and only take place when absolutely necessary. such tools would have to be used very carefully and in a transparent way. The resolution authority should closely coordinate with the concerned insurer and first give the insurer the opportunity to propose its own solution to removing the impediment to resolvability.	Noted. No change needed, please see paragraph 8 on proportionality.
Q47 Comment on paragraph 33				
71. PACICC	Canada	No	This section of the document seems to assume that the resolution authority is within a single entity. This is not the case in all jurisdictions (e.g.Canada) where there is a role for supervisors, regulators, courts and the PPS. We do not believe a unitary resolution authority is required to deliver optimal outcomes for policyholders and other stakeholders.	Please see table 2 for the definition of a resolution authority, where this is acknowledged.
Q48 Comment on paragraph 34				
Q49 Comment on paragraph 35				
72. General Insurance Association of Japan	Japan	No	Although it is stated that, "The compensation of an administrator, manager or others providing services shall be paid by the insurer", it could also be paid by non-insurers in some jurisdictions. Accordingly, the sentence should be deleted or revised to "The compensation of an administrator, manager or others providing services shall, in principle, be paid by the insurer unless otherwise specified in the particular jurisdiction".	Wording amended as requested.
Q50 Comment on paragraph 36				

Q51 Comment on paragraph 37				
73. General Insurance Association of Japan	Japan	No	Although it is stated that, "Whilst the insurer is in resolution, the voting rights attached to shares of the insurer are suspended", the suspension of voting rights is unlikely to be stipulated in some jurisdictions. Accordingly, this sentence should be revised to "...the voting rights attached to shares of the insurer can be suspended".	The power reads as "Override rights of shareholders of the insurer", which includes the voting rights. No change needed.
Q52 Comment on paragraph 38				
Q53 Comment on paragraph 39				
74. General Insurance Association of Japan	Japan	No	We suggest deleting "The fact that an insurer enters a resolution phase may itself be an indication that some or all Board Members, Senior Management and/or Key Persons do not meet suitability requirements". While we do not deny that Board Members' suitability could be a cause, we believe that it is unnecessary to state it given that many factors can lead to an insurer's failure.	While it is true that many factors can cause failure, poor management is often at least one of the problems. No change needed.
Q54 Comment on section 4.2 Prohibition of certain payments and transfers				
Q55 Comment on paragraph 40				
75. World Federation of Insurance Intermediaries	Belgium	No	Prohibition of certain payments and transfers (paragraph 40 and following) Certain payments due but not yet paid at the time of the insurer's resolution, should not automatically fall under the prohibition measures explained in paragraph 40 and following. This depends upon national laws which may be different in this respect see our comment 3 above.	Further clarification provided. In addition, paragraph 45 identifies that recovering monies from individuals may require a court order.
Q56 Comment on paragraph 41				
Q57 Comment on paragraph 42				
76. Global Federation of Insurance Association	Global	No	The prohibition of dividend payments should be carefully analysed and used in exceptional circumstances, as companies set their dividend policy and make dividend decisions very carefully, taking into account their solvency levels, business plan, risk profile and risk appetite, as well as any significant events that could have a material impact. Many jurisdictional frameworks provide for the possibility to suspend dividends if a company's solvency requirement is breached or if the distribution of dividends would threaten the solvency of the insurer. Additional requirements beyond such current ones, such as a blanket ban on dividends by supervisors, is not necessary or appropriate. Rather, a case-by-	No change needed; this section deals with prohibition of dividend payments in a particular resolution situation, which is already an exceptional circumstance – it does not deal with any "blanket ban".

			case approach would be the right approach to any dividend restrictions and to better recognize jurisdictional differences in employment practices.	
Q58 Comment on paragraph 43				
77. PACICC	Canada	No	This is very important. Regulators should be aware of the potential for insurers to use their corporate structure to avoid paying legitimate claims. A specific example would be a group that aggregates catastrophic risk within one subsidiary in that group and tries to ringfence losses within that entity in worst case scenarios.	While this is a valid point, it is not germane to the subject (prohibiting dividends to shareholders).
Q59 Comment on paragraph 44				
Q60 Comment on paragraph 45				
78. Global Federation of Insurance Association	Global	No	The paragraph should reflect jurisdictional differences in employment practices (eg. individual employment contracts are not common in the US).	No change needed, this paragraph merely describes in a factual manner what is meant with these powers.
80. American Council of Life Insurers	USA	No	- The subsection on "Prohibit the payment of variable remuneration" should be more general in nature to better recognize jurisdictional differences in employment practices (e.g., individual employment contracts are not common in the U.S.). To align this section with the guidance under the other elements of Section 4.2, we propose changes to Paragraphs 45, 46 and 47. Rewrite Paragraph 45 as follows: "This power enables the resolution authority to prohibit the payment of variable remuneration to, and allow the recovery of monies from, Members of the Board, Senior Management, Key Persons in Control Functions and major risk-taking staff, including, clawback of variable remuneration. Recovering monies from these persons may require a court order depending on the jurisdiction."	Updated to reflect comment, The second sentence has been deleted as suggested.
Q61 Comment on paragraph 46				
81. Global Federation of Insurance Association	Global	No	The paragraph should clarify that it is not suggesting that insurance supervisors should pursue actions aimed at circumventing labour legislation.	Language in Paragraph 46 regarding labour laws is deleted.

82. American Council of Life Insurers	USA	No	o Delete Paragraph 46, or the last sentence within it, as we do not believe it is appropriate for the AP to suggest insurance supervisors should pursue actions aimed at circumventing labour legislation.	Language in Paragraph 46 regarding labour laws is deleted.
Q62 Comment on paragraph 47				
83. Global Federation of Insurance Association	Global	No	The industry is concerned that the paragraph may seem to go beyond the scope of outlining a potential power for limiting payments and transfers for resolution purposes.	Disagree, this is seen as one of the important benefits of having such powers available.
84. American Council of Life Insurers	USA	No	o Delete Paragraph 47 as it goes beyond the scope of outlining a potential power for limiting payments and transfers for resolution purposes.	See response to comment 83.
Q63 Comment on paragraph 48				
Q64 Comment on paragraph 49				
85. PACICC	Canada	No	Paper should note that monitoring the transfer of assets is particularly important for groups that include internal reinsurers or groups that include subsidiaries in different countries.	Paragraph revised to address this situation.
Q65 Comment on paragraph 50				
86. PACICC	Canada	No	Standard bankruptcy proceedings for corporate entities are not generally designed to address the unique circumstances and challenges involved in liquidating an insurer. Canada has specific legislation overseeing the exit of insurance companies in Canada -the Winding-Up and Restructuring Act. This law clearly outlines the distinct legal process that oversees resolutions of insurers including a mandated hierarchy which properly places policyholders ahead of capital providers and sophisticated creditors.	Paragraph updated to reflect comment; a sentence has been added that references specialized legislation governing insurance resolution
Q66 Comment on paragraph 51				
87. International Actuarial Association	International	No	The IAA agrees with the need to control asset transfers within a group as otherwise some parts of the group could be strengthened to the detriment of other parts.	Noted

Q67 Comment on section 4.3 Withdrawal of licence to write new business and run-off				
88. PACICC	Canada	No	Care must be taken to not "kill the patient". Limiting the ability to write new business sends a signal to the market. Intermediaries (e.g. insurance brokers) will direct business away from the distressed company initiating a feedback loop that could end up killing the company. In practice, the withdrawal of a license to write new business becomes the first step in liquidation.	Disagree. The removal of permissions to write new business is not necessarily the first step of liquidation. The removal of permissions to write new business places the insurer into run-off, and the insurer may be able to run-off solvently to maturity of the book. This is the preferred strategy for managing failing insurers in some jurisdictions. Additionally, this section deals with insurers that are already in resolution (which is an event that already has to be disclosed), hence this issue is not relevant.
Q68 Comment on paragraph 52				
90. World Federation of Insurance Intermediaries	Belgium	No	The withdrawal of the licence to write new business, including an immediate freeze on the power of intermediaries to bind coverage (...) We believe that freezing the power of intermediaries to bind coverage should be taken after consultation/timely warning to the intermediary.	Noted.
Q69 Comment on paragraph 53				
Q70 Comment on paragraph 54				
Q71 Comment on paragraph 55				
Q72 Comment on paragraph 56				
Q73 Comment on paragraph 57				
Q74 Comment on paragraph 58				
92. International Actuarial Association	International	No	As noted above in relation to Q17, the IAA believes it is important that any assessment of the ability of an insurer to meet all its liabilities as they fall due takes into account the potential uncertainty in the valuation of both the assets and the liabilities. The degree of uncertainty could be illustrated by considering 1:X year assessment of the likelihood that the value of assets becomes less than the value of the liabilities. In addition liquidity should also be taken into account through analysis of the likely timing of claims payments. Where there is	Noted. The paragraph refers to a solvent run-off plan with actuarial and sensitivity analysis. Therefore it is implicit that uncertainties in the valuations of the assets and liabilities will be considered.

			significant reliance on reinsurance, there also need to be consideration of whether reinsurers will be willing (and able) to pay their share of any potential claims - bearing in mind that a reinsurance failure may be one cause of the non-viability.	
Q75 Comment on paragraph 59				
Q76 Comment on section 4.4 Restructuring mechanisms				
93. Global Federation of Insurance Association	Global	No	The industry is concerned that this section may give the impression that unilateral reformation of contracts, which could have significant commercial and legal implications, are normal resolution actions. We believe that the paper should be coherent with what ICP 12 intended - that some of these powers were to be deployed only under extremely limited circumstances, and only if such actions were permitted under a jurisdiction's legal framework.	Resolution powers are only used in exceptional circumstances, and are subject to both the requirement that resolution triggers/conditions are met (as described earlier in the paper) and subject to legal safeguards (eg NCWOL). Restructuring liabilities is one of the many powers in the resolution toolkit, and the Paper, nor the ICP 22.7, use terminology or language to rank, prioritise or favour particular powers over others. Additionally, ICP 12.7.1 states "Powers to resolve insurers should be exercised in a proportionate manner that resolves the insurer most effectively in light of the circumstances and objectives of resolution. Some powers may not be needed for all insurers but only for insurers that are, for example, of systemic importance in the jurisdiction".(...)
94. American Council of Life Insurers	USA	No	- The Paper gives the impression that the unilateral reformation of contracts, which could have significant commercial and legal implications, are normal resolution actions. - o We strongly disagree. The Paper should indicate what the drafters of ICP 12 intended - that some of these powers were to be deployed only under extremely limited circumstances, and only if such actions were permitted under a jurisdiction's legal framework. - o A resolution authority should not be able to unilaterally terminate, write-down or restructure insurance liabilities, as doing so could negatively affect policyholders. In addition, many jurisdictions prohibit the unilateral reformation of executory contracts by the resolution authority. In the U.S., such actions can only be taken if they are first approved by a court. - o The language in ICP 12.7 appears to indicate that the drafters clearly contemplated that	See response to comment 93. To the last point, this would be captured by NCWOL.

			some of the enumerated measures were intended solely as emergency levers in severe situations. Most insolvencies do not present this type of risk. We believe that the unilateral reformation of executory contracts clearly falls into this category of measures intended to be deployed only as a last resort, if ever, and the Paper should reflect this. ? This is necessary in order to bring the Paper in line with ICP 12.7 and ICP 12.7.4, which states that the authority may have the power to "restructure, limit or write down liabilities (including insurance liabilities), and allocate losses to creditors and policyholders, WHERE APPLICABLE AND IN A MANNER CONSISTENT WITH THE LIQUIDATION CLAIMS HIERARCHY AND JURISDICTION'S LEGAL FRAMEWORK". o In addition, any such measures should not deprive policyholders of the protections afforded under a PPS.	
Q77 Comment on paragraph 60				
95. PACICC	Canada	No	Restructuring the terms of the insurance contract should be a last resort. Restructuring insurance contracts is not viable, in Canada, without a court order. Some of these tools (write downs, etc...) may be appropriate for an "industry-level" event or financial crisis but only as a very last resort. It is very difficult to envision how some of these tools would even be applied to a P&C insurance situation. Identifying the distinction between life and P&C might help here (and in other areas of the Paper)	Noted. The paragraph does state that "in some situations...". And given the complexity and diversity of insurer's balance sheet compositions, and circumstances under which they may fall under significant stress, it was considered counterproductive to attempt to go into technical and granular details of various nuances when considering the application of this tool. The application paper has not stated that this power should be used as a last resort to remain consistent with ICP 12.7, which does not rank nor prioritise powers.
Q78 Comment on paragraph 61				
96. International Actuarial Association	International	No	An additional power may be the restructuring of assets, as well as liabilities	See previous response to similar comment made before.
Q79 Comment on paragraph 62				
97. International	International	No	The IAA notes there is no explicit mention of the position of participating or with-profit policies in the AP. Typically, discretionary benefits are used as a loss-absorbency mechanism by	Noted.

Actuarial Association			insurers in adverse conditions but are often constrained by the need to consider policyholders' "reasonable expectations". Clearly any write-down of such liabilities would need to consider the respective position of both "par and "non-par" policyholders - and in particular, if the par policyholders benefits reflect the performance of a ring-fenced fund , whether and under what condition that ring-fenced fund may cease to exist and assets become co-mingled with the other assets of the insurer.	
98. APCIA	United States	No	As stated in our response to other questions, APCIA believes that insurance liabilities should never be written down to the determinant of policyholders and write-downs should generally occur only in extremely rare cases as necessary to maintain financial stability. Liability restructuring should not be conducted in a way that deprives policyholders of the protection of a PPS.	Disagree with the statement that "insurance liabilities should never be written down"; this is also not in line with ICP/ComFrame. There are circumstances, depending on the size of the loss and the liability structure of the insurer, where insurance claims cannot be fully met. Any resolution actions will have to meet the NCWOL principle to address the concern described.
99. NOLHGA & NCIGF	United States	No	Given the emphasis on policyholder protection, insurance liabilities should be written down only in extremely rare circumstances when necessary to maintain financial stability. In no event should insurance liabilities be restructured, limited or written down in a way that deprives policyholders of the protection afforded by a PPS. Similarly, insurance contracts should not be terminated if doing so would deprive policyholders of the protection afforded by a PPS. The duration of any restriction or suspension of policyholder withdrawal rights should take into account whether there is a PPS.	Relationship with PPS is dealt with in a forthcoming Issues Paper.
Q80 Comment on paragraph 63				
102. APCIA	United States	No	As stated in our response to other questions, APCIA believes that insurance liabilities should never be written down to the determinant of policyholders and write-downs should generally occur only in extremely rare cases as necessary to maintain financial stability. Liability restructuring should not be conducted in a way that deprives policyholders of the protection of a PPS.	See response to comment 98. A new sentence states that the NCWOL analysis should consider the protection provided by the PPS to policyholders.
103. NOLHGA & NCIGF	United States	No	We agree. Please see comment in response to paragraph 62.	Noted.
Q81 Comment on paragraph 64				
Q82 Comment on paragraph 65				

104. PACICC	Canada	No	Haircuts are a last resort. We believe that the resolution system must include a mechanism that ensures policyholders have the potential to recover from the estate up to their full entitlement to make good on any "haircut" they initially receive.	Paragraph 68 (previously 65) describes a potential write-up mechanic. Describing such a mechanic as mandatory would be inconsistent with ICP 12.7
Q83 Comment on paragraph 66				
106. National Association of Insurance Commissioners	United States	No	(editorial) The resolution authority may want to consider whether policyholder premiums should be adjusted post-write-down to reflect the write-down of their liabilities. The resolution authority should consider both protected and unprotected policyholders in line with the levels of protection provided to policyholders in their jurisdiction by the PPS, if applicable.	Capitalised "t".
107. NOLHGA & NCIGF	United States	No	Even in instances where financial stability may be an issue, except to the extent a jurisdiction recognizes non-policyholder claims at the same level as policyholder claims, policyholders should not be treated differently from each other so that payments can be made to lower priority claimants. Furthermore, in jurisdictions where the PPS is subrogated to the rights of covered policyholders, uncovered policyholders should not be allocated a higher percentage of estate assets than covered policyholders. Allocating a disproportionate share of estate assets to uncovered policyholders could undermine the PPS' subrogation rights, violate the NCWOL principle and potentially impair the PPS' ability to fulfil its mission.	Paragraph was updated to reflect the comment
108. American Council of Life Insurers	USA	No	- Policyholders should not be treated differently with regard to payments or claims on estate assets, regardless of whether they are protected or unprotected under a PPS.	Paragraph was updated to reflect the comment
Q84 Comment on paragraph 67				
109. PACICC	Canada	No	Subrogation is vital to the design of an IGS/PPS. The word "must" should replace the phrase "may want to".	Disagree; the word "must" is not in line with the objective of an application paper.
Q85 Comment on paragraph 68				
112. American Council of Life Insurers	USA	No	o A resolution authority should not be able to unilaterally terminate, write-down or restructure insurance liabilities, as doing so could negatively affect policyholders. In addition, many jurisdictions prohibit the unilateral reformation of executory contracts by the resolution authority. In the U.S., such actions can only be taken if they are first approved by a court.	See response to previous comment.
Q86 Comment on paragraph 69				

113. International Actuarial Association	International	No	The IAA notes that the value of certain blocks of business (e.g. auto insurance or group life and health) may decay very quickly so it may be that the sale of these blocks is prioritized over other parts of the portfolio.	Noted.
Q87 Comment on paragraph 70				
Q88 Comment on paragraph 71				
Q89 Comment on paragraph 72				
114. International Actuarial Association	International	No	The IAA notes that some companies may have specialized and/or complex products, which may have led to the company's problems. These should be considered as part of the ex-ante planning as to how they will be administered in the event of resolution.	Noted; this is dealt with in section 5.
Q90 Comment on paragraph 73				
Q91 Comment on paragraph 74				
116. PACICC	Canada	No	This paragraph should include a mention of IGS/PPS. In Canada, both the life and P&C PPS have the authority to arrange reinsurance to facilitate resolution.	This Paper does not deal with PPS in detail.
Q92 Comment on section 4.5 Suspension of rights				
118. Global Federation of Insurance Association	Global	No	Supervisory and/or management actions should be considered when discussing the risk of mass surrender, as such actions can be effective in controlling liquidity risk. More specifically, in many cases insurers have the contractual ability to delay surrenders and/or resolution authorities have the power to apply temporary stays. In fact, it is no coincidence that in markets where products have flexible surrender options supervisors typically have the power to intervene. Such powers must be taken into account when assessing the actual systemic risk because they serve as an important transmission blocking mechanism. The industry would like to stress that the power of supervisors to temporarily freeze redemption rights is a potentially useful tool because it can address the remote risk of mass surrender, preserving value and potentially preventing the need to use more drastic measures within the resolution toolkit. Besides, it can prevent the unequal treatment of customers who surrender their policy in a crisis and those who do not. Importantly, this tool has proven its effectiveness in the few cases when it was used. In conclusion, although mass lapses are extremely unlikely in practice, such powers would create an absolute limit to	Noted. Although the temporary suspension of surrender rights have benefits as described in the comment, there is also a potential benefit for valuation in preparation for a transfer or a write-down/restructuring (as noted in paragraph 76 – previously 75). Therefore it was not considered appropriate to narrow its use as requested in the final paragraph.

			insurers' exposure to very significant forced "fire sales" of assets and contagion. Nevertheless, it is also important to stress that the use of such a tool should only be considered when there is a real and imminent risk of an insurance run (mass lapse); indeed, this strong tool has to be handled with great care, especially when it comes to disclosure, in order to avoid undesirable side effects. In addition, because even temporary freezes constitute an infringement of property rights of policyholders, they should only be applied under clear and precise conditions that also adhere to relevant case law, such as ECJ jurisprudence in the case of the EU.	
Q93 Comment on paragraph 75				
119. World Federation of Insurance Intermediaries	Belgium	No	A moratorium on policyholder surrender rights, for a defined period of time, would provide that any notice given by a policyholder to withdraw funds or to surrender their policy is either of no effect or deferred.(...) We understand the necessity of a moratorium on policyholder surrender rights for a defined period of time, however, we believe that the duration of this "'defined period of time' should not be unreasonably long as this would not be in the interest of the policyholder.	Added "limited" to address this comment.
120. PACICC	Canada	No	Paper should be very clear that, in resolution, capital providers should feel the impact before policyholders.	This is indeed the case. A moratorium is only a temporary measure and does not impact the policy holder claim itself.
Q94 Comment on paragraph 76				
121. PACICC	Canada	No	The paper should reference the particular challenge of mutual policyholders. The ownership claims of Mutual policyholders should be considered separately from their claims as policyholders.	Considered to be beyond the scope of the paper.
123. NOLHGA & NCIGF	United States	No	Supervisors and resolution authorities should depart from the principle of pari passu only when necessary to maintain financial stability. Please see comment in response to paragraph 66.	Changes were made to this paragraph to address the concern.
124. American Council of Life Insurers	USA	No	- Policyholders should not be treated differently with regard to payments or claims on estate assets, regardless of whether they are protected or unprotected under a PPS.	See response to a similar previous comment
Q95 Comment on paragraph 77				
Q96 Comment on paragraph 78				

Q97 Comment on paragraph 79				
125. PACICC	Canada	No	Agree. It should be noted that unsecured creditors and capital providers should be impacted prior to policyholders.	Noted. There are multiple references to the creditor hierarchy and therefore specific mention here seemed duplicative.
Q98 Comment on paragraph 80				
Q99 Comment on paragraph 81				
126. Global Federation of Insurance Association	Global	No	The industry considers that this resolution power could be appropriate as long as the ceding company is performing under the reinsurance contract for some types of reinsurance contracts, but it is not reasonable for certain types of reinsurance contracts, like annual renewable contracts, that give reinsurers the unilateral right to terminate for any reason, regardless of whether the ceding company is in resolution. Where the termination stay is permitted, it is important to introduce adequate safeguards: These include: (1) reinsurers should not be made liable to pay for losses beyond those covered by contracts existing at the time of the loss; (2) to the extent (1) is met, any reinstatement of coverage must be carried out at market prices. In the absence of comparable market prices, the reinsurer should be able to use its existing pricing mechanisms. (3) The stay should not apply where the reinsurer has a unilateral right to terminate regardless of whether the ceding company is in resolution (i.e., annual renewable contracts that are designed to give the reinsurer the unilateral right to terminate at the end of the year for any reason). Reinsurers can provide valuable capacity in off-loading risk. Where the implementation of such a framework creates legal uncertainty or moral hazard risks in the case of recovery this could limit reinsurers' willingness to get involved when firms are in financial difficulty.	Updated to reflect comment.
127. American Council of Life Insurers	USA	No	The industry considers that this resolution power could be appropriate as long as the ceding company is performing under the reinsurance contract for some types of reinsurance contracts, but it is not reasonable for certain types of reinsurance contracts, like annual renewable contracts, that give reinsurers the unilateral right to terminate for any reason, regardless of whether the ceding company is in resolution. Where the termination stay is permitted, it is important to introduce adequate safeguards: These include: (1) reinsurers should not be made liable to pay for losses beyond those	See response to comment 126.

			covered by contracts existing at the time of the loss; and (2) the stay should not apply where the reinsurer has a unilateral right to terminate regardless of whether the ceding company is in resolution (i.e., annual renewable contracts that are designed to give the reinsurer the unilateral right to terminate at the end of the year for any reason).	
Q100 Comment on paragraph 82				
Q101 Comment on section 4.6 Liquidation				
Q102 Comment on paragraph 83				
Q103 Comment on paragraph 84				
Q104 Comment on paragraph 85				
128. NOLHGA & NCIGF	United States	No	We suggest revising the last sentence in paragraph 85 to read as follows consistent with the comment on paragraph 20 above: However, any other resolution action is subject to the NCWOL principle, which provides that creditors should be entitled to compensation if they receive less than they would have received (or an outcome at least equivalent to the outcome they would have achieved) if the insurer were to be liquidated.	Updated to reflect comment; A new sentence is added at the end of the paragraph to address this issue
Q105 Comment on paragraph 86				
130. National Association of Insurance Commissioners	United States	No	The second bullet states: "The existence of a PPS may affect timing of liquidation" The paper should provide more explanation of how a PPS can affect the timing of liquidation.	Updated to reflect comment; Examples provided in second bullet.
131. NOLHGA & NCIGF	United States	No	With regard to the statement that "the existence of a PPS may affect timing of liquidation," we note that in many jurisdictions a PPS may act only after a liquidation order has been entered. An unjustified delay in liquidation of a company may result in greater losses for some policyholders, in particular for those not covered by a PPS, as well as loss for other insurers or public sector stakeholders.	See response to comment 130.
Q106 Comment on section 4.7 Resolution powers in ComFrame				
132. Global Federation of Insurance Association	Global	No	In a situation where the insurer is no longer viable, the power to continue to carry on some of the insurer's business, for example making payments to annuitants, would be consistent with policyholder protection. However, the aim should be to establish appropriate adjustments in value, where required, as soon as practicable so as to prevent conflicts of interests arising	Noted.

			between different policyholder groups. The industry agrees that control, management, and operational powers are necessary, but would point out that in insurance, establishing a bridge institution is another means to undertake a portfolio transfer.	Agreed; this is also described in the first sentence of paragraph 89.
Q107 Comment on paragraph 87				
Q108 Comment on paragraph 88				
Q109 Comment on paragraph 89				
Q110 Comment on paragraph 90				
134. PACICC	Canada	No	In Canada, a PPS has the capacity and authority to assist a transaction to transfer assets or a book of business. These powers have the potential to bring real value to an effective safety net.	Noted.
Q111 Comment on paragraph 91				
Q112 Comment on paragraph 92				
Q113 Comment on paragraph 93				
135. International Actuarial Association	International	No	The IAA suggests changing "can require" to "could be implemented to require "in the first two sentences as "can" implies it already exists. Also, it is not obvious in the second instance that contract law in a particular jurisdiction would permit this unilateral override (except perhaps intra-group). The IAA notes that many groups have data and IT centers which service multiple jurisdictions and it is important that no one jurisdiction or group entity is serviced with greater priority than the other jurisdictions or entities which rely on that facility.	This interpretation of the word 'can' in this context is not shared. A unilateral override is a well-established feature of many resolution regimes (for example the UK bank resolution regime contains requirements that banks' service contracts are 'resolution proof'). This is also consistent with FSB guidance on operational continuity in resolution. Where the statutory requirement conflicts with contract law in a given jurisdiction, there are a number of potential solutions to resolve this, including changing contract law, changing the governing law of the service contract,

				establishment of other arrangements to preserve continuity of service provision, etc.
136. American Council of Life Insurers	USA	No	- The proposed guidance goes beyond what we believe is reasonable and could limit the ability or result in higher costs for services. The follow sentences should be removed from the paragraph - "As a general matter, legislation can also specify mandatory terms in an insurer's contract with any party providing services to prohibit the party from unilaterally cancelling the contract if the insurer is placed in resolution. The party providing services should be permitted to charge a reasonable amount for services, but may not require the payment of charges incurred before resolution as a condition of providing services."	Disagree. This is a well-established feature of many resolution regimes (for example the UK bank resolution regime contains requirements that banks' service contracts are 'resolution proof').
Q114 Comment on paragraph 94				
Q115 Comment on paragraph 95				
Q116 Comment on paragraph 96				
Q117 Comment on paragraph 97				
Q118 Comment on paragraph 98				
Q119 Comment on paragraph 99				
137. International Actuarial Association	International	No	The IAA suggests rewriting this quite long and complicated paragraph.	Some changes made
Q120 Comment on section 4.8 Safeguards				
138. Global Federation of Insurance Association	Global	No	The industry agrees with the application of safeguards, but reasonable deviations must be possible.	Noted.
Q121 Comment on paragraph 100				
140. NAIC	United States	No	Suggest the procedures for effectuating the NCWOL principle include the potential impact of a PPS.	Updated to reflect comment; A bullet is added to address the protection provided by a PPS.

141. NOLHGA & NCIGF	United States	No	We strongly agree that resolution powers should be exercised in a way that respects the liquidation claims hierarchy and adheres to the NCWOL principle.	Noted.
142. American Council of Life Insurers	USA	No	- In a resolution action other than a liquidation, we generally agree that resolution authorities should exercise their resolution powers in a way that respects the liquidation claims hierarchy and adheres to the "No creditor worse off than in liquidation" (NCWOL) principle.	Noted.
Q122 Comment on paragraph 101				
144. NOLHGA & NCIGF	United States	No	We suggest revising the first sentence to read as follows, consistent with the comment on paragraph 20 above: The NCWOL principle states that creditors are entitled to compensation if they are worse off in resolution than they would be if the insurer is liquidated; in other words, such creditors should achieve an outcome at least equivalent to the outcome they would achieve if the insurer were to be liquidated.	Change made
145. American Council of Life Insurers	USA	No	o While creditors (other than policyholders) should be protected under the NCWOL principle, such protection should not be funded by the insurance industry or a PPS.	The IAIS disagrees, see also ICP 12.2 about minimising the reliance on public funding.
Q123 Comment on section 5 Resolution plans				
146. International Actuarial Association	International	No	The IAA suggests that insurers' ORSA could be used by supervisors as a useful source of information.	The resolution authority would use multiple sources in addition to specific information requests when developing the resolution plan. It does not seem appropriate to single out the ORSA in this instance.
Q124 Comment on section 5.1 Objective				
Q125 Comment on paragraph 102				
Q126 Comment on section 5.2 Scope of application and proportionality				
148. International Actuarial Association	International	No	We strongly support the principle of proportionality in this context. The development of recovery plans can be an intensive and costly exercise, so we believe that focusing on insurers whose failure would have a large, and potentially systemic, impact should be the priority with proportionate approaches adopted for other insurers. In particular, given the low probability of resolution being required for well-capitalised firms or groups, the requirement to fully implement contingency arrangements ex-ante should be subject to cost/benefit analysis.	Noted.

149. American Council of Life Insurers	USA	No	- The decision on whether or not a resolution plan is required and what should be included, should be based on the judgment of the individual jurisdictional regulators and/or group-wide supervisor, with input provided by the CMG, if applicable. o Consideration should be given to the amount of costs and limited resources that will be expended by regulators, CMGs and/or insurers and diverted from other priorities. As a result, resolution plans should be limited to those instances where they are absolutely necessary.	Noted; this is indeed dealt with by CF12.3.a.
Q127 Comment on paragraph 103				
150. National Association of Insurance Commissioners	United States	No	Second sentence, change "staggered" to "proportional" for alignment with section heading.	Change made
Q128 Comment on paragraph 104				
151. General Insurance Association of Japan	Japan	No	As we commented on paragraph 109, we agree that proportionality is applied in the development of resolution plans by "limiting the content and level of detail of a resolution plan" and that "this standard may be implemented by engaging in simplified resolution planning". In particular, where a plan to prepare for a crisis of a gone concern situation is developed for insurers which demonstrate sound financial conditions and show no sign or imminent risk of deterioration, a relatively simple plan should suffice as opposed to one created for insurers which fall short on financial soundness. Also, the required content and level of detail of a resolution plan should be coherent and consistent with the recovery plan that an insurer or an insurance group already have in place as they may overlap in some areas.	No changes required - As noted in section 1.3 of the application paper, the proportionality principle "allows the supervisor and/or resolution authority to increase or decrease the intensity of supervision according to the risks inherent to insurers, and the risks posed by insurers to policyholders, the insurance sector or the financial system as a whole.". Furthermore, as noted in paragraph 114, a recovery plan can be a source of information when preparing a resolution plan. Please also note, cf CF12.3.a.1, that the current solvency position is not listed as a factor in deciding whether or not a resolution plan is needed. It is more about the possible <i>impact</i> of failure. See also IAIS public response in 2019 to the Overall ComFrame consultation: <i>"(...)Resolution planning is not limited to those IAIGs experiencing solvency concerns. To limit to such circumstances would fail to recognize the potential benefits of prior planning. Prior planning is supported</i>

				<i>to ensure sufficient readiness for supervisors to respond effectively."</i>
152. American Council of Life Insurers	USA	No	- While resolution plans are not necessary or required for most insurers, the use of the term "simplified resolution planning" for those who are not required to have resolution plans is inconsistent and could cause confusion among regulators and insurers. Instead, we suggest the use of the term "proportional resolution readiness assessment" or something similar.	No changes required. The IAIS is of the opinion that the term 'simplified resolution planning' is appropriate.
Q129 Comment on paragraph 105				
Q130 Comment on paragraph 106				
Q131 Comment on paragraph 107				
Q132 Comment on paragraph 108				
153. General Insurance Association of Japan	Japan	No	As there are enough players in the insurance market, and replacement of coverage would be easy even if an insurer failed, we are of the opinion that any lack of substitutability would not be a major concern in the insurance sector.	While rare, there are circumstances where lack of substitutability could be a concern.
154. National Association of Insurance Commissioners	United States	No	First bullet in second set of bullets - recommend this be written in US dollars for consistency with other IAIS documents.	Change made.
155. American Council of Life Insurers	USA	No	- The decision on whether or not a resolution plan is required and what should be included, should be based on the judgment of the individual jurisdictional regulators and/or group-wide supervisor, with input provided by the CMG, if applicable. o Consideration should be given to the amount of costs and limited resources that will be expended by regulators, CMGs and/or insurers and diverted from other priorities. As a result, resolution plans should be limited to those instances where they are absolutely necessary. - The examples provided to support consideration of whether a resolution plan is warranted should be broadened to consider other relevant important points such as substitutability of coverage provided by the insurer. The Paper also creates a defacto "check the box" exercise for regulators when considering an insurer's resolution by establishing a predetermined set of prescriptive parameters, such as thresholds relating to the size of the insurer and the number of policyholders, instead of	The paper does not establish a "predetermined set of prescriptive parameters". Section 1.3 is clear that supervisors and/or resolution authorities should apply the proportionality principle, but in accordance with CF 12.3.a, when deciding who should have a resolution plan and when developing the resolution plan, in line with the risks inherent to insurers, and the risks posed by insurers to policyholders, the insurance sector or the financial system as a whole.

			more principles-based criteria. Due to the idiosyncratic nature of individual insurers and businesses, these parameters may not always be appropriate.	The paragraph 108 quotes the existing CF.12.3.a requirement, and provides some examples that are used in practice by IAIS Members and are also qualified as such.
Q133 Comment on paragraph 109				
156. Global Federation of Insurance Association	Global	No	If a resolution plan is required, we agree that the proportionality principle should be applied as it is being developed and updated.	Noted.
157. General Insurance Association of Japan	Japan	No	As stated in this paragraph, we agree that proportionality is applied in the development of resolution plans by "limiting the content and level of detail of a resolution plan" and that "this standard may be implemented by engaging in simplified resolution planning". In particular, where a plan to prepare for a crisis of a gone concern situation is developed for insurers which demonstrate sound financial conditions and show no sign or imminent risk of deterioration, a relatively simple plan should suffice as opposed to one created for insurers which fall short on financial soundness. Also, the required content and level of detail of a resolution plan should be coherent and consistent with the recovery plan that an insurer or an insurance group already have in place as they may overlap in some areas.	See response to comment 151.
158. American Council of Life Insurers	USA	No	- If a resolution plan is required, we agree that the proportionality principle should be applied as it is being developed and updated.	Noted.

Q134 Comment on section 5.3 Information needs				
Q135 Comment on paragraph 110				
Q136 Comment on paragraph 111				
160. National Association of Insurance Commissioners	United States	No	Add a semi-colon after the last bullet in the first set of bullets for consistency.	Change made.

161. NOLHGA & NCIGF	United States	No	We recommend re-phrasing the first bullet under "Other" as follows: "Policyholders expected to be covered by a PPS (where it exists), and the estimated amount or proportion of protection provided." The PPS may not be able to know with certainty the protection that would be provided when doing advance planning for resolution.	Change made
Q137 Comment on paragraph 112				
162. General Insurance Association of Japan	Japan	No	When developing resolution plans and conducting resolvability assessments, we agree that "the group-wide supervisor and/or resolution authority should aim at collecting the information in a manner that is efficient and limits the burden to the insurer" and that as a first step "it is advised to request necessary information from other officials responsible for supervising the group", as stated in this paragraph.	Noted.
163. American Council of Life Insurers	USA	No	- It should be clarified that a group-wide supervisor and/or resolution authority only needs to "review", rather than "collect", information from an insurer when developing a resolution plan.	Disagree; see also CF 12.3.b
Q138 Comment on paragraph 113				
Q139 Comment on section 5.4 Key elements of a resolution plan				
164. International Actuarial Association	International	No	In relation to the impact on the PPS, it is essential that all resolution plans should be compatible, and supportive of, the aims and obligations of the relevant PPS. A PPS may be obliged to play an active role in protecting the insurance cover of policyholders, rather than simply providing funding for compensation or a shortfall in benefits. The practical implications of maintaining cover at any minimum level protected by the PPS need to be considered as well as the funding implications.	No change made. The funding mechanism is mentioned in section 5.4.9 of the Application Paper and will be dealt with more in detail in a forthcoming Issues Paper.
Q140 Comment on paragraph 114				
165. APCIA	United States	No	One of the listed "key elements of a resolution plan" is "an analysis of the impact of the failure of the insurance group on other parts of the financial system, or on the real economy, including of any financial and economic function that need to be continued to achieve the resolution objectives." APCIA finds references like these unsettling because there is considerable evidence that traditional property-casualty insurance activities do not pose systemic risk. While it may not be wrong to consider whether there are potential systemic risks in any given resolution, APCIA doubts that there often will be, and we would not want to	The application paper does not assume that there is systemic risk until proven otherwise. But indeed, an analysis of potential systemic impact upon failure is a key element of a resolution plan, and will also guide the selection of powers.

			see the paper written in a manner that might suggest that resolution authorities should assume that systemic risk is present until proven otherwise. APCIA agrees with including "an analysis of the impact on the PPS (if applicable)" as a key resolution element. On this point, we agree with the comments of NCIGF and NOLHGA that supervisors, resolution authorities, and CMGs should consult with PPSs and that failure to do so could put them at a significant disadvantage in fulfilling their responsibilities and intended purposes	Cooperation and coordination with the PPSs, where they exist, is dealt with in section 7.
166. National Association of Insurance Commissioners	United States	No	(editorial) An analysis of the impact of the failure of the insurance group on other parts of the financial system, or on the real economy, including the identification of any financial and economic functions that need to be continued to achieve the resolution objectives;	Change made
167. NOLHGA & NCIGF	United States	No	The key elements of a resolution plan include an analysis of the impact of the PPS, which underscores the importance of PPS involvement in the resolution planning process. With appropriate confidentiality protections in place, supervisors, resolution authorities and CMGs should consider including or consulting with PPSs so that the supervisors, resolution authorities and CMGs 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 an IAIG's failure on policyholders). Without PPS involvement, supervisors, resolution authorities and/or CMGs will be operating at a significant disadvantage and will have difficulty achieving their intended purpose.	See response to Q. 165
168. American Council of Life Insurers	USA	No	- Given the slow-moving nature of insurance resolution, we do not believe that an "Analysis of potential financial stability impacts of failure" should be a relevant element of focus or emphasis for a resolution plan. Consistent with our earlier comments on Paragraph 108, whatever is included in a resolution plan should be at the full discretion of the relevant authorities and CMG (where applicable). o Section 5.4.4 goes beyond guidance provided in ICP 12 or related ComFrame provisions. In addition, we strongly oppose its de facto designation of insurers that are asked to prepare a resolution plan as systemically relevant. o We also believe that an Application Paper is an inappropriate vehicle for the proposed list of elements, in Paragraph 123, that could have a material impact on the financial system and real economy. Guidance on this topic would be better suited in the macroprudential supervisory work called for under the Holistic Framework for Systemic Risk in the Insurance	No change made. 1. The analysis of the potential financial stability impacts should inform and guide not only the decision to require a resolution plan, but also the planning itself. For instance, it may inform the selection of measures (to safeguard any relevant functions and achieve an orderly resolution). 2. A common approach is needed to make resolution process homogeneous, in

			Sector. o Accordingly, we request that the 4th bullet under Paragraph 114 be deleted.	particular, when a cross-border failure is concerned. 3. Concerning para 5.4.4, implication on the financial stability may certainly be further developed within the macroprudential supervisory work. An assessment in this respect may inform whether resolution objectives are met or what the most appropriate strategy is, when for instance insurers provide products or services, which are material for the financial system or the real economy, and as such potentially affecting a large number of policyholders in case of disruption. Those functions/insurers need be carefully assessed for a proportionate resolution planning and for ensuring service continuity. See CF 12.3.a.1 and paragraph 54 of the Holistic Framework. See also response to Q 175 4. Disagree to delete para 114, 4th bullet point or the entire section 5.4.4. for the reasons explained above.
Q141 Comment on paragraph 115				
169. EIOPA	EU	No	EIOPA is of the view that - in strict consistency with the ComFrame text (CF 12.3.a.2 and CF 12.3.b) - the supervisor and/or resolution authority should always be responsible for the development of the resolution plan. Should the Authority decide to request the plan from the insurers, it should at least supervise, review and approve it. At a minimum, we would expect an approval in the form of "non-objection". One of the primary objectives of the resolution plan is to identify the resolution powers that can be exercised by the resolution authority where the resolution trigger are met. This is a clear difference with recovery plans, which are drafted and executed by the insurer. As such, EIOPA believes that the supervisor and/or the resolution authority should not give up its leading role in the governance of the resolution planning (at a minimum, approving the plan).	Noted. The text in this paragraph is consistent with the comment; no change needed. Indeed, in full consistency with the CF in ICP 12.3, the resolution plan falls under the responsibility of the supervisory and/or resolution authority, including in those jurisdictions, where the insurer is requested to develop the plan.

			Furthermore, a development of the resolution plan not fully controlled by the authorities would be more difficult to implement in practice, particularly in those cases where a resolution plan has not been developed in advance and an "ad-hoc resolution plan" would be needed (as stated in the paragraph 106 of the Application Paper). This comment is also referred to the paragraph 139.	
171. Dirección General de Seguros y Fondos de Pensiones	Spain	No	Please take into account that we share the view showed by EIOPA about this key element of the resolution plan.	Noted. See also response to Q 169
172. National Association of Insurance Commissioners	United States	No	Include the following edits to improve clarity and grammatical flow: "In such cases, the group-wide supervisor and/or resolution authority should provide oversight, review and non-objection or approval of the resolution plan. The process should require correction of any deficiencies."	Change made.
173. American Council of Life Insurers	USA	No	- In those jurisdictions where resolution authorities and/or group-wide supervisors develop a resolution plan, insurers should have access to its key elements so they can assess whether there are any potential impediments to an effective resolution.	The resolution plan by nature already requires interaction between resolution authority and insurer, so no need for further clarifications. Finally, section 6 deals with impediments for resolution.
Q142 Comment on paragraph 116				
Q143 Comment on section 5.4.1 Executive Summary				
Q144 Comment on paragraph 117				
Q145 Comment on paragraph 118				
Q146 Comment on paragraph 119				
Q147 Comment on section 5.4.2 Description of the insurer				
Q148 Comment on paragraph 120				
174. American Council of Life Insurers	USA	No	- The request for detailed information from "the legal entity(ies) that fall in the scope of a resolution plan" in the 6th bullet should be subject to a cost-benefit analysis and/or materiality threshold approach so as not to unnecessarily burden insurers.	This paragraph sets out what information should be in the resolution plan, not the resolution authority's power to acquire such

				information. Please also note the overall principle of proportionality that applies to all aspects of the application paper.
Q149 Comment on section 5.4.3 Entry into resolution				
Q150 Comment on paragraph 121				
Q151 Comment on section 5.4.4 Analysis of potential financial stability impacts of failure				
175. American Council of Life Insurers	USA	No	- Given the slow-moving nature of insurance resolution, we do not believe that an "Analysis of potential financial stability impacts of failure" should be a relevant element of focus or emphasis for a resolution plan. Consistent with our earlier comments on Paragraph 108, whatever is included in a resolution plan should be at the full discretion of the relevant authorities and CMG (where applicable). o Section 5.4.4 goes beyond guidance provided in ICP 12 or related ComFrame provisions. In addition, we strongly oppose its de facto designation of insurers that are asked to prepare a resolution plan as systemically relevant. o We also believe that an Application Paper is an inappropriate vehicle for the proposed list of elements, in Paragraph 123, that could have a material impact on the financial system and real economy. Guidance on this topic would be better suited in the macroprudential supervisory work called for under the Holistic Framework for Systemic Risk in the Insurance Sector. o Accordingly, we request that this Section 5.4.4 (Paragraphs 122-125) be deleted.	See response to Q168 , also An assessment of the potential financial stability impact of the insurer's failure may be a key input into the assessment of whether the resolution conditions are met (for example, if the resolution regime requires a 'public interest test' to be met before resolution tools can be applied to an entity). The assessment may well be useful in the resolution authority's assessment of the appropriate resolution strategy to apply for an insurer. See also CF 12.3.a.1
Q152 Comment on paragraph 122				
176. American Council of Life Insurers	USA	No	o Based on our comments on Section 5.4.4, this Paragraph should be deleted.	Disagree. See response to Q.168
Q153 Comment on paragraph 123				
177. EIOPA	EU	No	EIOPA is of the view that the Application Paper properly addresses the link between the identification of the financial and economic functions to be continued to achieve the resolution objectives and the identification of the insurers whose failures might be material for the financial system and/or the real economy to be submitted to the resolution planning. We therefore strongly encourage the IAIS not to depart from this approach. As such, we think it is important to keep in the text the list of criteria to be considered to identify the above mentioned functions (paragraph 123). In our view, the recommended	Noted.

			recourse to some form of minimal set of criteria across all the national jurisdictions would contribute to ensure consistency in the assessment process aimed to identify the scope of the resolution planning in each jurisdiction.	
178. Dirección General de Seguros y Fondos de Pensiones	Spain	No	We share the proposal made by EIOPA in relation with this paragraph as well.	Noted.
179. American Council of Life Insurers	USA	No	o Based on our comments on Section 5.4.4, this Paragraph should be deleted.	Disagree. See response to Q.168
Q154 Comment on paragraph 124				
180. American Council of Life Insurers	USA	No	o Based on our comments on Section 5.4.4, this Paragraph should be deleted.	Disagree. See response to Q.168
Q155 Comment on paragraph 125				
181. American Council of Life Insurers	USA	No	o Based on our comments on Section 5.4.4, this Paragraph should be deleted.	Disagree. See response to Q.168
Q156 Comment on section 5.4.5 Resolution strategy				
Q157 Comment on paragraph 126				
Q158 Comment on paragraph 127				
Q159 Comment on paragraph 128				
182. General Insurance Association of Japan	Japan	No	While it is stated that "...a preferred resolution strategy that is best capable...", the appropriateness of resolution depends largely on the circumstances of each case. As such, it is difficult to develop the best capable resolution strategy in advance. Accordingly, for example, this should be revised as follows: "The group-wide supervisor and/or resolution authority should develop a sophisticated	No change needed. A resolution strategy should not be necessarily sophisticated and more strategies may be the feasible and reported in the plan. The choice certainly depends on the insurance specific features as well as on jurisdictional, market circumstances

			strategy that pursues capability as much as possible in terms of achieving the institution-specific resolution objectives given the structure and the business model of the insurance group, the resolution regimes applicable to the legal entities of the group and the resolution tools available to authorities in all relevant jurisdictions".	at the time of the assessment. However, the resolution plan is a live document, which is regularly updated to adapt the strategy to changing circumstances to better suit the current situation.
Q160 Comment on paragraph 129				
Q161 Comment on paragraph 130				
Q162 Comment on paragraph 131				
184. American Council of Life Insurers	USA	No	- The decision to select a "TopCo" or "OpCo" resolution strategy is not binary. In the case of a financial conglomerate with both banking and insurance entities, some portions of a group may be better suited to a TopCo resolution strategy, while other portions may be better suited to an OpCo resolution strategy. That said, we do not believe that both a TopCo and OpCo analysis and comparison are necessary. The resolution plan should focus on the essential information the group-wide supervisor needs to execute a resolution, with input provided by the CMG if applicable.	The box is not intended to make comparisons or to lead the selection of the strategy that could better suit a group in resolution. The intention is purely illustrative to inform those jurisdictions about the basic features of both strategies which are usually associated with some group structures. Any decision on the strategy is in the remit of the resolution authorities and depends on characteristics of the group and other circumstances.
Q163 Comment on paragraph 132				
185. Global Federation of Insurance Association	Global	No	It should be noted that "fast-moving" resolutions are rare in the insurance sector.	Noted. However, there may be cases where spread movements and lapses increase could swiftly jeopardise the insurer's stability.
186. International Actuarial Association	International	No	The IAA agrees that resolution strategies need to be adaptable to different scenarios, particularly as the range of scenarios is unlikely to include all future crises in sufficient detail, so flexibility in resolution planning and implementation will be needed.	Noted
188. American Council of Life Insurers	USA	No	- It should be noted that "fast-moving" resolutions are rare in the insurance sector.	See response to Q.185
Q164 Comment on section 5.4.6 Operational aspects				

Q165 Comment on paragraph 133				
189. International Actuarial Association	International	No	The IAA suggests changing "would be implemented" to "might be implemented", as failures are more common during crises, and each crisis has its own unique aspects. It is likely to be impossible to anticipate all the considerations that arise during a future crisis.	Change made
Q166 Comment on paragraph 134				
Q167 Comment on paragraph 135				
Q168 Comment on paragraph 136				
Q169 Comment on paragraph 137				
Q170 Comment on section 5.4.7 Resolution planning governance				
190. Institute of International Finance	United States	No	1.The group supervisor, and other CMG members where applicable, should have the sole responsibility for establishing and executing a resolution plan for the material entities of the group except where legislation assigns that role to another resolution authority. The group supervisor should seek to coordinate with any non-insurance authority that has legislative authority for the resolution of an insurance group. Local insurance supervisors should not be permitted to develop entity-level resolution plans for a firm that is a member of an insurance group. 2.Where it is responsible for the establishment and execution of the resolution plan, the group supervisor should coordinate communication among the local insurance supervisors, and take a leading role in the supervisory college and any CMG. We appreciate the description in Paragraphs 184 and 185 of the relationships and communication protocols among the group supervisor, the supervisory college, and the CMG. 3.We agree fully with the statements in Paragraph 182 that emphasize the importance of a coordinated communications strategy and the alignment of communications during a crisis. We would urge the IAIS to issue a stronger statement in Paragraph 149 regarding the confidentiality of communications by stating that, in general, when recovery or resolution plans are being formulated or implemented, communications among supervisors, and between supervisors and the affected firm, should be held in strict confidence, absent any legal requirements requiring reporting or disclosure. 4.We recognize that, in some jurisdictions, the insurer itself is responsible for establishing a	1. Noted. An Application Paper describes good practices with the aim to promote the consistent application of standards, but does not set new requirements. 2. Noted 3. Such a statement is not needed as there is already a reference to ICP 3. 4. In full consistency with the CF 12.3.a.2 and CF 12.3.a.3, the resolution plan always falls under the responsibility of the supervisor and/or resolution authority, including in those jurisdictions, where the insurer is requested to develop the plan. 5. The aim of the resolution planning, which is intended as a pre-emptive document, is to prepare for resolution and as such all possible scenarios and options should be assessed.

		resolution plan. We note that requiring the insurer to develop a resolution plan requires the insurer to anticipate what measures could be taken at the point of non-viability, an exercise that is difficult at best to conduct in advance of any specific distress actually materializing and unlikely to result in any actionable plan. While insurers conduct extensive scenario analysis for risk management purposes, they generally do not conduct these analyses under a resolution scenario. 5.The specific risks to which the insurer is exposed, the functions it provides, and the potential systemic impact of its failure may change over time, limiting the usefulness of extensive ex ante planning. 6.Importantly, as noted in Paragraph 112, the group supervisor should leverage the information that is available from local supervisors and public sources before issuing an information request to the insurer. This not only promotes efficiency but allows the distressed insurer to focus on any possible recovery strategies that may be available to avert resolution. 7.The group supervisor should be in close communication with the board and senior management of a distressed insurer in order to understand and to take into consideration in the establishment of the resolution plan any efforts by the insurer to implement its recovery measures. 8.Paragraph 122 states that the resolution plan should allow an assessment of its feasibility and credibility in light of the likely impact of the insurer's failure on the financial system and real economy, taking into account the financial and economic functions that need to be continued to achieve the resolution objective. As noted above, insurers perform very few, if any, critical financial and economic functions. Moreover, few, if any, forms of insurance coverage would have cascading negative effects on the financial system and the real economy if withdrawn. Insurance coverage that might be withdrawn by one carrier would be readily substituted by other insurers if the coverage is commercially viable. 9.More generally, Paragraph 122 and the following section 5.4.4 should be reflected in the Holistic Framework and guidance on macroprudential supervision rather than in guidance on resolution plans. We would also encourage any analysis of potential financial stability impacts to seek input from a wider range of stakeholders, including those with specific responsibility for financial stability. We therefore request that the 4th bullet under Paragraph 114 and Paragraphs 122-125 respectively, which go beyond the guidance provided in ICP 12 or related ComFrame provisions, be deleted. These stakeholders may reside outside of the insurance supervisory authority.	However, there is no claim to cover all possible cases and the planning may be updated over time. In this respect the RA, which is responsible for the resolution planning, has a comprehensive overview of the context to assess scenarios and measures and their implementation. 6. Noted 7. Noted 8. In some jurisdictions there might be functions or services which cannot be easily substituted,- at least in a short time frame or in an efficient way- and their interruption may have serious and negative social, economic and financial impacts. 9. See response to Q168 10. "timing is critical" is a general phrase, but some changes were made to the paragraph to address the concern.
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			10. We would qualify the statement in Paragraph 144 that timing is critical in the ability of resolution plans to achieve their objectives. As we have noted above, in the rare event of an insurer's failure, the failure is in nearly all cases gradual and orderly. Events and stressors generally do not materialize on short notice. Supervisors and CMGs have time to take measured and considered action in coordination with senior management of the distressed company. We would delete the first two sentences of this Paragraph and incorporate into Paragraph 144 the final sentence that discusses clear governance policies and procedures. Similarly, we would delete the reference in Paragraph 107 to an "over the weekend" resolution. In Paragraph 162, we would rephrase the focus on "regular" assessments of resolution plans to focus on a reassessment when a material change has occurred to the company's business model, corporate structure, operations, or product offerings.	No change made; this follows from the requirement in ComFrame under ICP 12.3.
Q171 Comment on paragraph 138				
Q172 Comment on paragraph 139				
191. National Association of Insurance Commissioners	United States	No	Include the following edits to improve clarity and grammatical flow: "In such cases, the group-wide supervisor and/or resolution authority should provide oversight, review and non-objection or approval of the resolution plan. The process should require correction of any deficiencies."	Change made
Q173 Comment on paragraph 140				
192. The Life Insurance Association of Japan	Japan	No	- In Section 5.4.7 (Resolution Planning Governance), Paragraph 140 states "In some jurisdictions... the insurer is required to develop and maintain the resolution plan" and "the insurer should be required to have a robust governance process... this should be integrated into the insurer's overall Corporate Governance and Enterprise Risk Management". - It is our understanding that these statements are only an illustrative guidance describing the actual practices in some jurisdictions, and not to be the prescriptive rules for all jurisdictions including Japan.	The application paper only provides guidance and recommendations, and does not set new standards or expectations as noted in section 1.1 and page 2.
Q174 Comment on paragraph 141				
193. General Insurance Association of Japan	Japan	No	We do not oppose the necessity of the power stated in this paragraph. Nevertheless, as it is stated in paragraph 112, when developing resolution plans and conducting resolvability assessments, we also believe that "the group-wide supervisor and/or resolution authority should aim at collecting the information in a manner that is efficient and limits the burden to	Change made

			the insurer" and that as a first step "it is advised to request necessary information from other officials responsible for supervising the group".	
Q175 Comment on paragraph 142				
194. APCIA	United States	No	APCIA agrees with the comments of NCIGF and NOLHGA that supervisors, resolution authorities, and CMGs should consult with PPSs and that failure to do so could put them at a significant disadvantage in fulfilling their responsibilities and intended purposes.	Noted.
195. NOLHGA & NCIGF	United States	No	Please see comment in response to paragraph 114.	Noted.
Q176 Comment on paragraph 143				
Q177 Comment on paragraph 144				
196. Global Federation of Insurance Association	Global	No	It should be noted that "fast-moving" resolutions are rare in the insurance sector.	Noted that full resolution may take some time.
197. International Actuarial Association	International	No	As stated in the IAA's Q165 comment, it is critical that resolution plans be flexible enough to adjust to changing or unanticipated circumstances. This point is discussed in paragraph 145.	Change made
198. American Council of Life Insurers	USA	No	- It should be noted that "fast-moving" resolutions are rare in the insurance sector.	See response to comment 196.
Q178 Comment on paragraph 145				
Q179 Comment on paragraph 146				
199. APCIA	United States	No	APCIA believes that resolution plans should contemplate cooperation between supervisors or resolution authorities and PPSs and that such cooperation should occur early in the resolution process.	Agreed, but no change needed.
200. NOLHGA & NCIGF	United States	No	Supervisors and/or resolution authorities should coordinate and cooperate with PPSs. Early PPS involvement in a resolution is a critical part of policyholder protection.	Agreed, but no change needed.

Q180 Comment on section 5.4.8 Communication strategy				
201. International Actuarial Association	International	No	This section does not deal explicitly with the importance of employee communications, and the potential for good communications to increase the effectiveness of resolution processes. Aspects such as employee retention and motivation may need to be covered. In many jurisdictions, employees may have rights (e.g. in a wind-up) giving them preference over other creditors.	Change made.
202. American Council of Life Insurers	USA	No	- The list of stakeholders included in the communications strategy for a resolution plan seems excessive. Each communication strategy will be informed by the factors causing the stress, the strategy employed in the resolution, and any relevant legal constraints. It may often be premature to plan such in advance with any degree of specificity. Further, regulators will likely want to differentiate what information is necessary to execute the resolution and the type of information that would need to be communicated to broader stakeholder groups.	The objective of the resolution plan is to prepare in advance for a failure and the communication planning should not be underestimated. In particular, it is essential at least to a) identify who is responsible for the communication and the addressees, b) establish a communication process including timing and priorities. Resolution may imply that the insurer is exiting the market and the information should reach all relevant stakeholders and parties involved. Additionally the communication strategy covers an extensive period, namely “before, during and after the resolution” and depending on the different phases, information to internal/external stakeholders needs be ensured. Being mindful of any legal requirements regarding disclosure and confidentiality around information sharing the level of detail, the communication tools and the timing of the communication may differentiate as necessary.
Q181 Comment on paragraph 147				
Q182 Comment on paragraph 148				
Q183 Comment on paragraph 149				
Q184 Comment on paragraph 150				

203. World Federation of Insurance Intermediaries	Belgium	No	The external communication strategy should provide clear unified messaging, and should cover all relevant stakeholders, including: - Shareholder(s); - Policyholders and other creditors; - Insurance intermediaries - Relevant financial market participants, including key counterparties in reinsurance or derivative contracts and FMIs; - Other interested parties, such as rating agencies; - Media and general public; and - Administrative or judicial bodies. The communication strategy should clearly identify the moment when the supervisor and/or resolution authority is expected to notify the relevant authorities in accordance with jurisdictional law and resolution regime policy. We propose adding insurance intermediaries to the above.	Change made
204. NOLHGA & NCIGF	United States	No	We strongly agree. Please see comment in response to paragraph 146.	Noted
205. American Council of Life Insurers	USA	No	- The list of stakeholders included in the communications strategy for a resolution plan seems excessive.	Noted. See response to Q.202
Q185 Comment on paragraph 151				
206. Global Federation of Insurance Association	Global	No	The list of stakeholders included in the communications strategy for a resolution plan should be decided on a case by case basis. Each communication strategy will be informed by the factors causing the stress, the strategy employed in the resolution, and any relevant legal constraints. It may often be premature to plan such in advance with any degree of specificity. Further, regulators will likely want to differentiate what information is necessary to execute the resolution and the type of information that would need to be communicated to broader stakeholder groups.	See response to Q. 202
207. American Council of Life Insurers	USA	No	- Each communication strategy will be informed by the factors causing the stress, the strategy employed in the resolution, and any relevant legal constraints. It may often be premature to plan such in advance with any degree of specificity. Further, regulators will likely want to differentiate what information is necessary to execute the resolution and the type of information that would need to be communicated to broader stakeholder groups.	See response to Q. 202
Q186 Comment on paragraph 152				

208. World Federation of Insurance Intermediaries	Belgium	No	The communication strategy should address the different communication tools to be used, depending on the circumstances and the stakeholder involved, which may include written notices, press releases, conference calls and physical meetings. Examples of communication channels for policyholders may include: - insurance intermediaries and employees who are in direct contact with policyholders (contact centre and customer relationship managers); - Proactive communication (websites, press releases, email and social networks) in order to ensure real time communication, particularly in the event of an emergency; and - Reactive communication (inbound calls in contact centres, emails, online chats) We propose adding insurance intermediaries in paragraph 152.	Change made.
209. American Council of Life Insurers	USA	No	- Each communication strategy will be informed by the factors causing the stress, the strategy employed in the resolution, and any relevant legal constraints. It may often be premature to plan such in advance with any degree of specificity. Further, regulators will likely want to differentiate what information is necessary to execute the resolution and the type of information that would need to be communicated to broader stakeholder groups.	See response to Q. 202
Q187 Comment on paragraph 153				
210. American Council of Life Insurers	USA	No	- Each communication strategy will be informed by the factors causing the stress, the strategy employed in the resolution, and any relevant legal constraints. It may often be premature to plan such in advance with any degree of specificity. Further, regulators will likely want to differentiate what information is necessary to execute the resolution and the type of information that would need to be communicated to broader stakeholder groups.	
Q188 Comment on paragraph 154				
Q189 Comment on section 5.4.9 Impact on the PPS				
211. APCIA	United States	No	APCIA agrees that it is imperative for supervisors and resolution authorities to consider the impact of resolutions on PPSs. As we have stated in our responses to other questions, we strongly encourage early coordination with PPSs as we believe they can often provide valuable expertise to the resolution process and can help supervisors and resolution authorities achieve their objectives.	Noted.
212. NOLHGA & NCIGF	United States	No	We support the recognition of the value provided by PPSs. Please see comment in response to paragraph 114.	Noted.

213. American Council of Life Insurers	USA	No	- PPSs, where available, can play an important role in the resolution of an insurer. Accordingly, resolution authorities, supervisors and CMGs should coordinate and cooperate with PPSs in order to develop sound resolution strategies to the extent that necessary confidentiality concerns are effectively addressed. PPSs do more than just assess solvent insurers and remit payments to covered policyholders. o We also support the comments relating to PPSs that have been submitted by NOLHGA and NCIGF.	Noted, and see changes made in section 7.
Q190 Comment on paragraph 155				
Q191 Comment on paragraph 156				
215. International Actuarial Association	International	No	The IAA agrees that PPS's do differ between countries and these specifics of these need to be considered, and it be that, due to different PPS scopes, some contracts could fall into two PPS's and others none despite similar contracts falling within a PPS e.g. due to host vs home country definitions.	Noted.
216. The Life Insurance Association of Japan	Japan	No	- Regarding the impact on the Policyholder Protection Scheme (or "PPS"), Section 5.4.9 (Impact on the PPS) states "considerations should be made for the potential scope and magnitude of impact that the resolution plan may have on the PPS". It is our understanding that this statement suggests the resolution plan could not override the legal authority of the PPS without any legal basis. If this is not the case, it is inappropriate to consistently give superiority to the resolution plan over the PPS since the establishment process, basis, functions, and authority of the PPS differ from country to country.	No change needed.
218. NOLHGA & NCIGF	United States	No	The PPS may not be able to know with certainty the protection that would be provided when doing advance planning for resolution. We also recommend defining or explaining the term "loss-absorbing capacity." "Loss-absorbing capacity" generally refers to the ability of a financial institution to suffer losses without falling below defined regulatory or statutory capital thresholds. That does not make sense in the context of a resolution. Further, in some jurisdictions (e.g., Germany and the United States), a PPS does not have the authority to provide financial support or rescue financing in a resolution.	This comment will be considered as part of the next project (developing an Issues Paper on the role of PPS).
219. American Council of Life Insurers	USA	No	- The term "loss-absorbing capacity" is not applicable to a PPS and should be replaced with another term, such as "policyholder relief" or "policyholder protection".	See response to comment 218
Q192 Comment on paragraph 157				

221. NOLHGA & NCIGF	United States	No	The PPS may not be able to know with certainty the protection that would be provided when doing advance planning for resolution.	Noted.
Q193 Comment on paragraph 158				
223. NOLHGA & NCIGF	United States	No	Please see comment regarding "loss-absorbing capacity" in response to paragraph 156. PPSs pay for the delivery of consumer protection from a combination of funding sources. First, PPSs generally have access to the assets of the failed company. Failing insurance companies, although insolvent, typically have substantial assets when they enter resolution that finance a significant part of the costs of protecting policyholders. Second, PPSs have the ability to assess a substantial amount of money from their member insurance carriers writing covered lines of business. Historically, in the US, even during the periods of heaviest insolvency activity, the assessments called did not remotely approach the theoretical maximum annual assessment capacity of the US PPS. Finally, PPSs may have access to other funds (e.g., future premiums on continuing policies, "ceding" commissions paid by carriers who assume ongoing business and loans against the security of future assessments.) For these reasons, analyses focusing solely on a PPS' assessment capacity are incomplete. Assessments may not be the sole (or even the primary) source of funding for PPSs. Some PPS obligations to policyholders often stretch out for years or even decades, meaning that funds equal to the total obligations of a failed company are not immediately required.	See previous response.
224. American Council of Life Insurers	USA	No	- The term "loss-absorbing capacity" is not applicable to a PPS and should be replaced with another term, such as "policyholder relief" or "policyholder protection".	See response to comment 214.
Q194 Comment on section 6 Resolvability Assessments				
225. Institute of International Finance	United States	No	We note that ComFrame 12.3.b.1 calls for the group supervisor to undertake resolvability assessments at the level of those entities where it is expected that resolution actions would be taken. The IAIS should reflect this element of ComFrame in the Application Paper in order to avoid any impression that a resolvability assessment would necessarily need to include the entire IAIG. We would urge the IAIS to shift the focus of resolvability assessments in the Application	Change made Para 164 notes that resolvability assessments should be carried out 'as considered appropriate'

			Paper to situations where there has been a material change in the business structure of an insurer, again, consistent with ComFrame 12.3.b.. To require these assessments more broadly could impose undue burden on both insurers and insurance supervisors. Paragraph 165 states that a resolvability assessment should identify any impediments to resolution that could arise from the legal or operational structure of the firm. Paragraph 164 states that, where impediments are identified, authorities should have in place a process for requesting that the insurer take prospective action to correct those impediments. While material impediments to resolution could require prospective correction, we caution against any approach that substitutes the judgment of the insurer's board and senior management for the views of supervisors with respect to the insurer's business practices, legal, operational or financial structure, or organization. These matters are properly within the purview of the insurer's board and senior management, and there should be a high bar for supervisory interference in these business decisions. We would emphasize the language in ComFrame 12.3.b.4, which is referenced in Paragraph 167: "When the resolution plan and/or resolvability assessment identifies potential barriers to effective resolution, the IAIG may be given the opportunity to propose its own prospective actions to improve its resolvability by mitigating these barriers." We would go further and encourage supervisors to look to the IAIG in the first instance to both identify potential enhancements to its resolvability and address material impediments to resolvability. Paragraph 163 also notes that resolvability assessments could benefit from simulation exercises working through the resolution plan in a time-accelerated exercise with relevant key persons. It is not clear whether the relevant key persons refer to supervisors or to key persons within the insurer. In either case, the costs of such intensive exercises should be weighed carefully against any perceived benefits. In the first instance, we would encourage supervisors to consider the results of stress testing, scenario analyses, or testing of contingency or recovery plans conducted by the insurer, before commencing supervisory simulation exercises.	The application paper only provides guidance and does not set new standards or expectations as noted in section 1.1. See paragraph 113 of the application paper
Q195 Comment on paragraph 159				
Q196 Comment on paragraph 160				
226. General Insurance Association of Japan	Japan	No	Regarding resolvability assessments, we believe that it is difficult "to evaluate the feasibility and credibility of available resolution strategies" in normal times. It is practical to only evaluate whether there are impediments and barriers to resolution strategies.	Change made to para 160

Q197 Comment on paragraph 161				
227. General Insurance Association of Japan	Japan	No	While it is stated that "a resolvability assessment may allow for the consideration of the systemic impact of the insurer to the real economy", it should be noted that there are limits to the consideration of the systemic impact of the insurer to the real economy through a resolvability assessment. This is because it is difficult "to evaluate the feasibility and credibility of available resolution strategies" in normal times, as we commented on paragraph 160.	Agree, hence the use of 'may' and change made to make it clearer.
Q198 Comment on paragraph 162				
228. General Insurance Association of Japan	Japan	No	We believe that appropriate responses should be taken to ensure that resolvability assessments do not impose an excessive burden on insurers and insurance groups. In particular, for those insurers and insurance groups which demonstrate sound financial conditions and no sign or imminent risk of deterioration, due consideration should be given to the content and frequency of the assessments. In addition, regarding information needed for the assessments, we also believe that "the group-wide supervisor and/or resolution authority should aim at collecting the information in a manner that is efficient and limits the burden to the insurer" and that as a first step "it is advised to request necessary information from other officials responsible for supervising the group", as stated in paragraph 112.	Agreed, Para 164 note that resolvability assessments should be carried out 'as considered appropriate' Agreed, addressed in para 143
229. American Council of Life Insurers	USA	No	- Resolvability assessments should only be performed when there is a material change that could affect the appropriateness or effectiveness of the resolution plan.	Change made
Q199 Comment on paragraph 163				
230. General Insurance Association of Japan	Japan	No	Regarding the assertion that "Assessment of operational resolvability could focus on improving execution and training for escalation processes and communication strategies, or engaging in simulation exercises working through the resolution plan", given that they require a lot of resources, we believe that it is excessive to ask insurers and insurance groups to participate in such simulation exercises. Since resolvability assessments can be achieved using other approaches, this should be revised as follows: "Assessment of operational resolvability could focus on improving execution and training for escalation processes and communication strategies, or engaging in simulation exercises working through the resolution plan in a time-accelerated exercise with relevant key persons, where appropriate."	Change made

232. American Council of Life Insurers	USA	No	- For the second bullet, third sub-bullet - Each jurisdiction should be able to determine if public funding should be allowed in resolutions, and if so, to what extent. In the U.S., most states, for sound public policy purposes, allow for those assessed to claim tax offsets, which is ultimately absorbed by taxpayers.	One of the objectives of resolution, as set out in the ICP, is to minimise reliance on public funds
Q200 Comment on section 6.1 Resolving impediments				
Q201 Comment on paragraph 164				
Q202 Comment on paragraph 165				
Q203 Comment on paragraph 166				
Q204 Comment on paragraph 167				
235. APCIA	United States	No	APCIA is disturbed by the suggestion that industry-funded PPS assessments could pose systemic risk. At least in the United States, industry assessments are subject to an annual cap, which would work to mitigate any potential systemic risk. As NCIGF and NOLHGA have pointed out, insolvencies in the U.S. occur infrequently and state assessment caps have seldom been approached.	Removed the last bullet point on para 167, which references PPS
236. NOLHGA & NCIGF	United States	No	Loss absorbing capacity. Please see comment regarding "loss-absorbing capacity" in response to paragraph 156. PPS capacity. Please see comment regarding PPS capacity in response to paragraph 158. Systemic risk from industry funding. Insurers' obligations to pay PPS assessments do not pose a threat either to insurers or to the financial system; to the contrary, insurer participation in the system tends to promote the financial stability of individual insurers and the broader financial system. In the U.S., PPS assessments to member insurers in each state are subject to annual statutory "caps" that effectively limit in each year the amount of assessments an individual carrier would be required to pay to support PPS protection of consumers. Given several historical facts regarding past insurer resolutions (the relative infrequency of insurer insolvencies, the typically high level of assets available when an insurer fails, and the low level of liquidity required to fund claims that are due and payable at the time of liquidation) that cap -typically about 2% of premium collections - provides ample funding to support consumer safety net protection, and the cap in fact has seldom been approached for a given insurer in a single state, let alone nationally. Additionally, the statutory cap on assessments	See response to comment 235.

			also limits the PPS funding strain that can be imposed, either on a single insurer or on the industry or the financial system as a whole. Further, as noted in the 2013 IAIS paper on policyholder protection schemes, "[u]nder some systems, a PPS has the ability to abate or defer an assessment on an insurer if payment of the assessment would endanger the insurer's ability to fulfil its contractual obligations." While the costs of providing the consumer safety net are relatively modest, the benefits of the PPS are profound - both to the millions of consumers who have been protected to date, together with those who will be protected in the future - and to an industry whose consumers have an additional source of financial protection in the unlikely event that an insurer fails. This not only protects consumers financially but also instils confidence in the industry's promise to pay claims.	
237. American Council of Life Insurers	USA	No	- The term "loss-absorbing capacity" is not applicable to a PPS and should be replaced with another term, such as "policyholder relief" or "policyholder protection".	See response to comment 235.

Q205 Comment on section 7 Cooperation and Coordination				
238. Institute of International Finance	United States	No	We reiterate our comments above regarding the importance of communication with the company, all relevant supervisors, and the CMG during any recovery or resolution process. Effective and timely communication helps to prevent unintended consequences from uncoordinated actions that can be to the detriment of a company's policyholders and the insurance markets.	Noted.
Q206 Comment on paragraph 168				
Q207 Comment on paragraph 169				
Q208 Comment on paragraph 170				
Q209 Comment on paragraph 171				
239. Global Federation of Insurance Association	Global	No	As stated by the IAIS, it is essential to take existing legislations into consideration. To that extent, in some jurisdictions in Europe, Insurance Guarantee Schemes are last-resort mechanisms providing additional protection after all resources from the insurance undertaking have been exhausted and should remain that way. In the U.S., however, its state-based guaranty associations do more than just assess its member insurers and remit payments to covered policyholders during the liquidation of an insolvent insurer. They play a much more important role in the resolution of an insurer, both before and during a liquidation. Accordingly, resolution authorities, supervisors and CMGs should coordinate and cooperate with guaranty associations in order to develop sound resolution strategies to the extent that necessary confidentiality concerns are effectively addressed.	Noted. The paragraph has been further developed to reflect the importance of the role of the PPS in the resolution of an insurer. See also the paragraph 186. More technical guidance about the involvement of the PPSs in the resolution process will be provided by the forthcoming Issues Paper that will specifically focus on the PPS role in resolution.
241. APCIA	United States	No	APCIA strongly agrees with this paragraph. Early coordination between supervisors or resolution authorities and PPSs is advantageous to all parties.	Noted.
242. NOLHGA & NCIGF	United States	No	We strongly support the recognition of the value provided by PPSs. It is important to note that a PPS can be much more than a payment mechanism; a PPS that has been involved in significant insurer resolutions in its jurisdiction has valuable and often unmatched practical experience with resolutions. Accordingly, we believe that PPSs can and should play an important role in developing resolution strategies, and therefore, should be part of resolution planning, CMG and other coordination efforts, with the appropriate confidentiality protections in place.	Noted. See also the resolution of the comment no. 239.

			Supervisors and resolution authorities should coordinate and cooperate with PPSs. Early PPS involvement in a resolution is a critical part of policyholder protection.	
243. American Council of Life Insurers	USA	No	- PPSs, where available, can play an important role in the resolution of an insurer. Accordingly, resolution authorities, supervisors and CMGs should coordinate and cooperate with PPSs in order to develop sound resolution strategies to the extent that necessary confidentiality concerns are effectively addressed. PPSs do more than just assess solvent insurers and remit payments to covered policyholders. o We also support the comments relating to PPSs that have been submitted by NOLHGA and NCIGF.	Noted. See also the resolution of the comment no. 239.
Q210 Comment on section 7.1 Cooperation and coordination in normal times				
Q211 Comment on paragraph 172				
Q212 Comment on paragraph 173				
Q213 Comment on paragraph 174				
244. Swiss Financial Market Supervisory Authority (FINMA)	Switzerland	No	As stated in CF material (25.7.a) an IAIG CMG can be set up under a different name, for example using the supervisory college framework, as long as CMG objectives are fulfilled. It is FINMA's view that supervisory colleges are a well-established framework for efficient and effective cooperation. Therefore, the AP could benefit from explicitly mentioning and further elaborating on this possibility.	Noted. The Paper deals more with the objectives of a CMG for resolution purposes and is not focused on the process for setting up a CMG. This is indeed dealt with in the CF material itself. The paragraph now better reflects the need to ensure the adequate independence of the resolution authorities involved in cooperation and coordination.
Q214 Comment on paragraph 175				
Q215 Comment on paragraph 176				
Q216 Comment on section 7.2 Cooperation and coordination in times of crisis				
Q217 Comment on paragraph 177				
Q218 Comment on paragraph 178				
Q219 Comment on paragraph 179				

Q220 Comment on paragraph 180				
245. International Actuarial Association	International	No	The IAA suggests changing the words "all relevant information in times of crisis" to "all information expected to be relevant in times of crisis". As this refers to information identified in normal times, it will generally not be possible to identify all information relevant to a future crisis. (If this were possible, then it is likely that a future crisis would have been adverted before it happened.)	The text has been revised accordingly.
Q221 Comment on paragraph 181				
246. General Insurance Association of Japan	Japan	No	It is stated that "the supervisor should assess whether insurers required to maintain MISs are able to produce all necessary information on a timely basis, both in normal times and in the course of the resolution process" in this paragraph. However, as it is stated in paragraph 112, when developing resolution plans and conducting resolvability assessments, we also believe that "the group-wide supervisor and/or resolution authority should aim at collecting the information in a manner that is efficient and limits the burden to the insurer", and that as a first step "it is advised to request necessary information from other officials responsible for supervising the group".	Noted.
Q222 Comment on paragraph 182				
Q223 Comment on section 7.3 Coordination agreements				
Q224 Comment on paragraph 183				
Q225 Comment on paragraph 184				
248. APCIA	United States	No	APCIA agrees that it is imperative for supervisors and resolution authorities to consider the impact of resolutions on PPSs. As we have stated in our response to other questions, we strongly encourage early coordination with PPSs as we believe they can often provide valuable expertise to the resolution process and can help supervisors and resolution authorities achieve their objectives.	The text has been integrated in order to further reflect the potential role of the PPSs for the resolution planning purposes. See also the resolution of the comment no. 239.
249. NOLHGA & NCIGF	United States	No	Please see comment in response to paragraph 171.	Noted.
250. American Council of Life Insurers	USA	No	- PPSs, where available, can play an important role in the resolution of an insurer. Accordingly, resolution authorities, supervisors and CMGs should coordinate and cooperate with PPSs in order to develop sound resolution strategies to the extent that necessary confidentiality concerns are effectively addressed. PPSs do more than just assess solvent	See resolution of the comments no. 239 and 248.

			insurers and remit payments to covered policyholders. o We also support the comments relating to PPSs that have been submitted by NOLHGA and NCIGF.	
Q226 Comment on paragraph 185				

Q227 Comment on the Annex: Examples of relevant legislation on resolution powers				
251. Global Federation of Insurance Association	Global	No	The Annex only addresses resolution powers and legislation in four countries, so it appears to be incomplete. Furthermore, in the U.S. section, it focuses on the NAIC's Insurer Receivership Model Act (IRMA) even though it has only been adopted in two states (Utah, Texas). This section should also address the IRMA's predecessor, the Insurers Rehabilitation and Liquidation Model Act, which has been adopted by many more states, either in whole or in part.	Various additional information was included in the latest version. What about the comment on the US situation?
252. National Association of Insurance Commissioners	United States	No	The Annex contains examples of legislation in four jurisdictions. It would be helpful to provide a more in-depth discussion of these laws, and how they function.	See response to comment 251
253. American Council of Life Insurers	USA	No	- The Annex only addresses resolution powers and legislation in four countries, so it appears to be incomplete. Furthermore, in the U.S. section, it focuses on the NAIC's Insurer Receivership Model Act (IRMA) even though it has only been adopted in two states (Utah, Texas). This section should also address the IRMA's predecessor, the Insurers Rehabilitation and Liquidation Model Act, which has been adopted by many more states, either in whole or in part.	See response to comment 251