

GFIA response to IAIS public consultation on draft revised Application Paper on resolution powers, preparation and plans

Q1. General comments on the draft revised Application Paper on resolution powers, preparation and plans

The Global Federation of Insurance Associations (GFIA) welcomes the opportunity to provide comments to the IAIS Consultation Paper on the revised application paper on resolution powers.

The Consultation Paper explicitly expands expectations across resolution preparation and plans, broadening the practical perimeter for supervisors and insurance companies. Insurers will face new preparatory demands, which in our opinion, is not justified in the context of a risk-based approach and the stability of the insurance sector.

Fundamentally, international standards for the insurance sector, including the scope of the RRP, should be considered and developed by the IAIS, which possesses the deepest expertise in the insurance sector, is the standard-setting body with over 200 member jurisdictions, and has already established standards in this area through the ICP and ComFrame. Ultimately, RRP requirements should be considered by each country's authorities in light of their respective national circumstances.

Q2. Comments on Section 1 Introduction

NA

Q3. Comments on Section 1.1 Objectives and background

The objectives of the revised Application Paper are broadly supported, in particular the aim of enhancing preparedness for orderly resolution where needed. GFIA nevertheless notes that the conceptual shift from resolution planning towards a broader notion of resolution preparation goes beyond the scope of the 2021 Application Paper. This shift should be carefully aligned with proportionality and should not result in implicit new expectations for insurers that are not subject to resolution planning requirements.

Q4. Comments on Section 1.2 Scope of application

While formally applying to all insurers, the Draft-revised Paper introduces preparatory expectations that may also affect insurers not subject to a resolution plan requirement. GFIA considers this inconsistent with a risk-based approach and recommends clearer safeguards to ensure that small and non-complex insurers / non-IAIGs are not indirectly drawn into resolution planning.

Q5. Comments on Section 1.4 Terminology

The definition of resolution should be broadened to encompass a spectrum of exit strategies, including "solvent run-off" or "solvent exit," rather than focusing solely on "gone concern" actions or immediate liquidation. In the insurance context, particularly for reinsurance, a managed run-off is often the most efficient outcome for policyholders and stability.

Q6. Comments on Section 1.5 Related work by the IAIS

NA

Q7. Comments on Section 1.6 Related work by the FSB

NA

Q8. Comments on Section 2 Objectives and concepts of resolution of insurers

GFIA stresses that resolution should remain a last-resort tool, clearly distinct from recovery and supervisory intervention measures.

In the view of GFIA, the case of a 'voluntary exit from the market' referred to in paragraph 19 should be clearly outside the scope of this paper. The final sentence of the paragraph is drafted too broadly and ultimately provides no practical guidance; instead, it risks encouraging an overly expansive application of the measures set out in this paper to such cases.

Q9. Comments on Section 2.2 Objectives of a resolution framework

NA

Q10. Comments on Section 2.3 Resolution of an IAIG

The Paper appropriately highlights the complexity of resolving IAIGs. Resolution strategies should respect legal entity separability, national insolvency frameworks and cross-border legal constraints.

Q11. Comments on Section 2.4 Considerations related to reinsurance

Forced continuation or transfer of reinsurance arrangements should remain exceptional and subject to strict safeguards to avoid unintended market disruption.



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References to asset-intensive reinsurance in Section 2.4 would benefit from a more proportionate framing that reflects existing supervisory tools, collateralization practices, and the IAIS's own assessment that current exposures do not pose a material risk to global financial stability.

Q12. Comments on Section 2.5 Safeguards

NA

Q13. Comments on Section 3 Conditions for entry into resolution

The Consultation Paper consolidates and expands trigger examples, and stresses forward-looking triggers and governance of decision-making. Insurers must pre-align internal playbooks and data to supervisory expectations. We are concerned that more insurance companies could be captured earlier and that the readiness evidence and engagement would lead to more bureaucracy.

Paragraph 39 suggests that in a jurisdiction, the MCR could be designed in such a way that – due to potential run off costs – a resolution case might arise even where the MCR is adequately covered. This appears rather unrealistic and instead points to a miscalibration of the local MCR, which should preferably be addressed through a redefinition of the MCR rather than by premature intervention by a resolution authority.

Q14. Comments on Box 1: Illustrative examples of resolution conditions

When deriving the financing needs associated with the resolution plan, the relevant authority should allow for the fact that, as the prospect of failure is a criterion for activating the resolution plan, it is likely that the entity would have the relevant resources to implement the plan if it is triggered on time.

Regarding “Where a quantitative threshold is set, the exact level of this threshold ranges significantly between jurisdictions, with examples ranging between 70% and 150% of the Prescribed Capital Requirement (PCR);” a ratio of 150% is a sound financial condition under ICS.

Therefore, citing such high figures as examples of triggers for initiating bankruptcy proceedings is misleading and may lead to the misconception that premature commencement of bankruptcy proceedings is permissible. To avoid misinterpretation regarding the appropriate timing for bankruptcy proceedings, these numerical examples should be removed.

If removal is difficult, we request an explanation of the reason for citing such figures as examples.

Q15. Comments on Section 4 Resolution powers

Some actions can significantly reduce the value of a firm. Therefore, resolution authorities should weigh the pros and cons and acknowledge that wealth reduction supervisory actions to manage low likelihood events might be a sub-optimal approach (despite the identified impediments to Resolution).

Q16. Comments on Section 4.1 Taking control

Paragraphs 57-58: Where Board Members, Senior Management or Key Persons are removed, the supervisor will have regard to customary information rights of the Shareholder and its interest in maintaining an observer on the Board of Directors. Any replacements will be fit and proper persons and will have the necessary skills for the roles that they are to assume.

We also seek clarification on whether the prohibition of payment and recovery of monies is extended to the variable and upfront payments of distribution partnerships, if a company's entering resolution is partly attributable to such partnerships.

Q17. Comments on Section 4.2 Withdrawal of licence

Withdrawal of a license can have significant market and policyholder effects. Potential unintended consequences should be carefully assessed before use.

Q18. Comments on Section 4.3 Override rights of shareholders

Where the insurer is solvent, it should be stated that the resolution authority will, in exercising powers, have due regard to the interests of shareholders, while nevertheless treating the interests of policyholders as paramount. Override of shareholder rights should remain strictly confined to resolution and be subject to safeguards.

Q19. Comments on Section 4.4 Restructuring mechanisms

NA

Q20. Comments on Section 4.5 Suspension of rights

The second bullet point in paragraph 100 states “The stay is strictly limited in time.” However, to align with the wording in Paragraph 99, it would be preferable to use phrasing such as “The stay would need to apply for a limited period of time” rather than “in time.”

Q21. Comments on Section 4.6 Transfer or sell assets or liabilities

NA

Q22. Comments on Section 4.8 Essential services and functions

Section 4.7: The concept of a “bridge institution” is largely banking-centric and creates unnecessary complexity for most insurance failures, where portfolio transfers or run-off entities are sufficient. If retained, this concept should be explicitly limited to insurers with unique and unusual critical functions where continuity is essential, rather than applied as a general resolution tool.

Q23. Comments on Section 4.9 Liquidation

NA

Q24. Comments on Section 5 Preparation for resolution

We are concerned that simplified resolution processes could also be implemented by insurance companies that are not required to have a resolution plan. If certain core elements of a resolution plan need to be implemented, there is a risk that significantly more or all insurance companies will be partially or fully affected by resolution planning. In our opinion, this is not justified in the context of a risk-based approach and the stability of the insurance sector.

Q25. Comments on Section 5.1 Options and risks

The timescale of a resolution in an insurance and reinsurance context is different from a resolution in a banking context (see also Recital 14 IRRD). A so-called “over-the-weekend” resolution is not necessary in the insurance business and we strongly advise against the use of this term. Unlike banks, insurers face liabilities that are generally illiquid and long-term; they rarely face the immediate liquidity “cliff-edge” that necessitates such rapid intervention. Encouraging such speed creates a bias toward hasty decisions rather than the measured approaches (such as rehabilitation or run-off) that are more appropriate for the sector.

Q26. Comments on Section 5.2 Information needs

The paragraph significantly expands the emphasis on information readiness, including insurers' ability to provide timely and comprehensive data to supervisors, resolution authorities and other relevant bodies. Targeted clarifications are needed to preserve the authority-led nature of resolution preparation, and to avoid unintended expansion of insurer responsibilities.

It should be ensured that authorities request necessary information primarily from each other and not from insurance companies. Only if authorities do not have information that they need should they be allowed to approach insurance companies.

Q27. Comments on Box 2: Internal resolution manual for the resolution of insurers in the Netherlands

If needed, resolution manuals or playbooks should be developed by the authority and not by the insurer.

Q28. Comments on Section 6 Resolution plans

NA

Q29. Comments on Section 6.1 Objective

NA

Q30. Comments on Section 6.2 Determining the need for a resolution plan

GFIA strongly supports focusing on systemic relevance and critical functions.

Q31. Comments on Box 3: FSB draft guidance on the scope of insurers subject to the recovery and resolution planning requirements

NA

Q32. Comments on Box 4: Examples of considerations of financial and economic functions in resolution

NA

Q33. Comments on Box 5: Resolution plan requirement under the EU IRRD

The requirements for IRRD resolution plans applicable within the EU are useful as information. However, given differences in the characteristics, scale, and complexity of insurance markets across other jurisdictions, the operational processes of resolution frameworks should be left to the discretion of each jurisdiction. Therefore, we request that this point be explicitly stated or that examples from other relevant jurisdictions be provided, not limited to the EU case. However, GFIA welcomes the explicit recognition of exemptions for small and non-complex insurers. This supports a proportionate resolution framework.

Q34. Comments on Section 6.3 Information needs

GFIA supports the approach that necessary information should be primarily requested from other authorities. Duplicative data requests should be avoided.

Q35. Comments on Section 6.4 Key elements of a resolution plan

The key elements of a resolution plan should be non-binding. Proportionality should guide content requirements.

Q36. Comments on Section 6.4.1 Executive Summary

NA

Q37. Comments on Section 6.4.2 Insurer resolution plan overview

This section lists an extensive set of information covering institutional structure, critical functions, resolution options, operational continuity, MIS mapping and detailed data requirements, including granular legal entity-level information for groups. Taken together, these elements amount to a highly detailed blueprint for resolution plans, closely resembling supervisory or regulatory technical standards. While such depth may be appropriate for IAIGs or insurers assessed as systemically important or critical at failure, the text does not sufficiently emphasize that the content, granularity and breadth of the overview should be strictly proportionate to the nature, scale and complexity of the insurer.

In addition, this section extends the overview to include governance arrangements, MIS capabilities, resolvability assessments, communication strategies and resolution implementation strategies. While these elements are relevant, their inclusion in the “insurer resolution plan overview” risks blurring the distinction between descriptive information and authority-led analytical assessments, in particular resolvability and systemic impact analyses. Moreover, when read together with references elsewhere

in the paper to insurer participation, the wording could be interpreted as implying a significant role for insurers in developing or owning these analytical components, rather than supporting authorities through information provision and operational input. This would not be consistent with the authority-led nature of resolution planning under ICP 12.

Q38. Comments on Section 6.4.3 Entry into resolution

Triggers should remain principle-based. They should not undermine recovery measures.

Q39. Comments on Section 6.4.4 Analysis of potential financial stability impacts of failure

NA

Q40. Comments on Section 6.4.5 Resolution strategy

NA

Q41. Comments on Section 6.4.6 Operational aspects

We take a critical view on the development and ownership of operational guides or manuals by insurers. As resolution plans are prepared by the supervisory and/ or resolution authority, also these guides or manuals should be developed by them.

Moreover, the outsourcing of the resolvability assessment will put a significant burden on the industry that will lead to a reduction of the competitiveness of the insurance sector.

Regarding paragraph 159, it says that failure at a parent level can sometimes be more “isolated” than failure of one or more legal entities, but the content, including the examples, is unclear and confusing. We suggest either clarifying the wording or deleting this paragraph altogether.

Regarding paragraph 162, we are concerned that ad hoc reporting requests to insurance companies for the purpose of testing their information gathering and reporting capabilities may impose an excessive burden on them. Even when requesting information, the wording should be formulated with consideration for the burden, such as recommending implementation as part of the authorities' annual information collection process, or noting that raising awareness among insurance companies about MIS development can serve as an alternative to conducting tests.

Q42. Comments on Section 6.4.7 Governance of resolution processes and procedures

In the first sentence of paragraph 164, the reference should be to paragraph 133, not paragraph 132.

Q43. Comments on Section 6.4.9 Impact of the PPS(s)

6.4.8: We caution against the recommendation for immediate public announcements of resolution actions. In the insurance sector, premature publicity can trigger "runs" (mass lapses) driven by panic. Authorities should retain the discretion to defer disclosure until a stabilizing transaction, such as reinsurance or a guarantee, is fully operational.

Q44. Comments on Section 7 Resolvability Assessments

Resolvability assessments are an important supervisory tool. They should focus on material impediments and remain proportionate.

The proposed frequency of biannual resolvability assessments in paragraph 188 appears disproportionate, particularly for undertakings maintaining robust solvency coverage (e.g. consistently above 150% over a three-year horizon). The qualifier 'as considered appropriate' should be explicitly broadened to embed the principle of proportionality within the prudential framework. Likewise, the reference to conducting resolvability assessments for groups in an 'iterative manner' under the same context seems excessive and should be recalibrated to reflect risk-based differentiation and supervisory proportionality, avoiding undue regulatory burden.

Paragraph 189 acknowledges that simulation exercises may be resource intensive. The GFIA would welcome an explicit general recognition in the paper that any involvement of the resolution authority requiring engagement by the insurer constitutes a cost factor, which ultimately translates into higher premiums for consumers. Therefore, the guideline should incorporate a requirement for resolution authorities to assess, for each measure or requirement, whether early and resource intensive interventions deliver a net benefit to policyholders (through enhanced consumer protection in the event of resolution) or rather impose harm (through increased premiums that policyholders must pay even if resolution never materialises). This cost benefit assessment should form part of the proportionality principle within the prudential framework and guide supervisory calibration of resolution measures.

Q45. Comments on Section 7.1 Resolving impediments

Insurers should be given flexibility to propose solutions. Any remedial actions required by the authorities should be exceptional and as ultima ratio. This is particularly key given the low likelihood of resolution being necessary and hence imposed measures having a potential positive impact. Meanwhile, the negative consequences of imposed measures (e.g. a required restructuring or forced sale of illiquid assets) have an immediate and certain negative impact on the financial situation of the undertaking or

group as well as the customer value of products (e.g. through lower profit participation rates). Therefore, remedial actions can only be justified by the removal of real, demonstrable impediments. In addition, it should be highlighted that crises in the insurance sector develop much more slowly than in the banking sector and that there is therefore more time to remove impediments and find adequate solutions in the crisis.

The ‘examples’ cited in paragraph 193 are not, in fact, concrete examples of impediments to be removed; rather, they represent a broad categorization of risk types or areas where potential obstacles might arise. What is missing is a clear description of how a restriction would constitute an impediment in the sense of the resolution objective. For instance, ‘financial interconnectedness’ on its own does not amount to a barrier to resolution—particularly not within an insurance group, where intragroup equity linkages through participations are inherent. GFIA is concerned that such a generic listing of areas, instead of specific examples, could lead to disproportionate and overly burdensome reporting requirements resp. queries for insurers. More clearly articulated examples would enable resolution authorities to formulate more precise and targeted information requirements, thereby saving time and costs on both sides.

We recommend that the IAIS reinforce that well-governed intra-group reinsurance arrangements can be stabilising and should be assessed on their economic substance rather than assumed to introduce contagion risk.

Q46. Comments on Section 8 Cooperation and Coordination

NA

Q47. Comments on Section 8.1 Cooperation and coordination in normal times

NA

Q48. Comments on Section 8.2 Cooperation and coordination in times of crisis

NA

Q49. Comments on Section 8.2.1 Preparation for resolution

This section strengthens expectations around crisis-time coordination and preparatory intensity. It moves beyond high-level coordination principles and increasingly resembles prescriptive guidance on crisis playbooks, information templates and sequencing of actions. The cumulative effect is a shift towards bank-like crisis data readiness, without a sufficiently explicit acknowledgement of structural differences in insurance liabilities and resolution dynamics. Such a shift warrants careful reconsideration considering proportionality, legal diversity across jurisdictions and the non-binding nature of Application Papers. GFIA recommends that the IAIS more clearly distinguish baseline principles from advanced or

exemplary practices, particularly for IAIGs, and clarify that crisis templates and detailed information packages may be illustrative good practice, not de facto requirements.

Q50. Comments on Section 8.2.2 Resolution

NA

Q51. Comments on Section 8.3 Coordination agreements

NA

Q52. Comments on Annex 1: Examples of relevant existing and proposed legislation on resolution powers

NA

Q53. Comments on Annex 2: Examples of approaches to determining critical functions / criticality

NA

Q54. Comments on Annex 3: Key aspects of resolution preparation, resolution plans and resolution strategy

Annex 3 lists *insurers* as stakeholders involved in resolution preparation and resolution planning. While insurers clearly have an important role in providing information and supporting preparedness, the current wording risks overstating their role in resolution-specific processes, which are, by design, the responsibility of supervisors and/or resolution authorities. The description of resolution preparation goes beyond process-oriented readiness and increasingly resembles substantive pre-resolution planning obligations. References to developing simplified procedures, identifying insurers needing plans, and assessing MIS capabilities could be interpreted as implying a continuous and structured preparatory framework applicable across insurers. While this approach may be appropriate for IAIGs or insurers assessed as systemically important or critical at failure, the Annex does not sufficiently emphasize that, consistent with ICP 12, resolution preparation should be proportionate and primarily authority-led. Without further clarification, there is a risk that Annex 3 is read as supporting a generalised expectation of insurer-level resolution preparedness, even where a resolution plan is not required.

GFIA recommends explicitly reaffirming in Annex 3 that resolution preparation and strategy are authority-led processes and reinforcing that the depth and scope of resolution preparation activities are subject to strict proportionality, particularly for small and non-complex insurers / non-IAIGs.



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About GFIA

The Global Federation of Insurance Associations (GFIA), established in October 2012, represents through its 43 member associations and 3 observer associations the interests of insurers and reinsurers in 69 countries. These companies account for 89% of total insurance premiums worldwide, amounting to more than \$4 trillion. GFIA is incorporated in Switzerland and its secretariat is based in Brussels.