INTERNATIONAL ASSOCIATION OF INSURANCE SUPERVISORS

Draft agenda of the resolution-related stakeholder meeting on 19 January 2016

(as of 21 December 2015)

1. Draft agenda

2:00 to 3:00pm	Opening remarks and Introduction • Presenter: Urs Halbeisen (ReWG Chair)
3:00 to 4:00pm	Panel session 1 (Resolution of non-G-SII insurers) • Moderator: ReWG member(s) • Speakers: IAIGs etc.
4:00 to 4:20pm	Coffee break
4:20 to 5:50pm	Panel session 2 (Loss absorbing capacity in resolution) • Moderator: ReWG member(s) • Speakers: GSIIs etc.
5:50 to 6:00pm	Wrap-up and closing remarks

2. Outlines of the respective sessions

(1) General

- Each selected speakers will make a presentation (approx. 10 minutes), in which speakers will be requested to address questions specified below.
- Presentations will be followed by discussions by the moderator and speakers.
- After the discussions, the floor will be open for comments and/or questions.

(2) Panel session 1

- Background
    - The IAIS is currently developing ComFrame Module 3 Element 3 (Recovery and Resolution) and revising ICP 12 (Winding-up and Exit from the Market). One of the issues for which further investigation is needed is what powers should be available for the recovery and resolution of non-G-SII insurers. To consider that, the current ICPs and the KAs, including the Insurance Annex to the KAs, can be reference materials.

- In developing M3E3 and revising ICP 12, it is also important to acknowledge that (i) the ICPs note that it is recognised that supervisors need to tailor certain supervisory requirements and actions in accordance with the nature, scale and complexity of individual insurers and (ii) the KAs (Insurance Annex) do that. The choice and application of the resolution powers provided for in KA 3 should take into account insurance specificities and, in particular, the types of business the insurer engages in and the nature of its assets and liabilities.
- The objective of this session is to explore what powers should be available for the resolution of insurers that are not G-SIIs, especially IAIGs that are not G-SIIs.

- Questions for discussion
    - Which powers on the list (see Annex) should be available or should not be available for the resolution of either (i) IAIGs that are not G-SIIs or (ii) insurers that are neither G-SIIs nor IAIGs? Why? (Please address (a) whether powers that adjust rights and obligations of creditors (e.g. stays and bail-in) need to be available for the resolution of non-G-SII insurers and (b) whether recovery and resolution plans need to be required for IAIGs.)

(3) Panel session 2

- Background
    - The objective of an effective resolution regime is to make feasible the resolution of financial institutions without severe systemic disruption and without exposing taxpayers to loss, while protecting vital economic functions through mechanisms which make it possible for shareholders and unsecured and uninsured creditors to absorb losses in a manner that respects the hierarchy of claims in liquidation (Preamble in the Key Attributes).
    - The KAs note that jurisdictions should have in place a resolution regime that provides the resolution authority with a broad range of powers and options to resolve a firm that is no longer viable and has no reasonable prospect of becoming so and the regime should include stabilisation options and liquidation options. Stabilisation options achieve continuity of systemically important functions by way of a sale or transfer of the shares in the firm or of all or parts of the firm's business to a third party, either directly or through a bridge institution, and/or an officially mandated creditor-financed recapitalisation of the entity that continues providing the critical functions (KAs).
    - When an insurer becomes no longer viable and has no reasonable prospect of becoming so, there might be a situation where resolving the insurer through existing regimes, such as court-involved insolvency proceedings and

administrative processes, is considered to be inadequate to meet the objective of the resolution and, accordingly, the authorities might consider using stabilisation options.

    - The objective of this session is to explore issues around using stabilisation options for an orderly resolution of G-SIIs, mainly focusing on creditor-financed recapitalisation options.

- Questions for discussion

    - In what cases (e.g., where an insurer is highly interconnected with other SIFIs through transactions) and/or for what purposes (e.g., ensuring continuity of essential services and functions) do you think that creditor-financed recapitalisation can be a legitimate option to stabilise situations surrounding the failing insurer?

    - Where the insurer's capital has already been eroded, which liabilities can feasibly and credibly absorb losses when the authorities use a stabilisation option, taking into consideration technical difficulties and financial stability/policyholder protection concerns? (Please consider different types of liabilities, such as subordinated debt and senior unsecured debt, and differences in policyholder liabilities.)

    - What roles can policyholder protection schemes play to facilitate the use of stabilisation options? If there is no policyholder protection scheme in place, what should be alternatives?

    - Should any requirement to hold LAC in resolution only apply to G-SIIs where the resolution strategy involves the use of a stabilisation tool? Should LAC in resolution be considered on a firm-specific basis? How important is it to have a global level playing field?

Annex

Preliminary draft list of powers for recovery and resolution of non-G-SII insurers

Disclaimer: The following two types of powers are listed here: (i) powers that are in the KAs and can be considered relevant to non-G-SII insurers (especially IAIGs) and (ii) powers that are not mentioned in the KAs but can be considered relevant to non-G-SII insurers (especially IAIGs). The list is under consideration in the IAIS Resolution Working Group and no decision on the list has been taken yet. The list does not mean that all these powers should be applied to all IAIGs as well as non-G-SII-IAIG insurers; application of powers, including proportionality, will be discussed further.

1. (The power to) appoint an administrator to take control of and manage the entity
2. transfer or sell the whole or part of assets and liabilities of the entity to a solvent third party
3. sell or transfer the shares in the insurer to a third party or a bridge institution
4. establish a bridge institution
5. remove and replace the senior management and directors of the entity
6. override rights of shareholders of the firm in resolution
7. temporarily restrict or suspend the policyholders' rights of withdrawing their insurance contracts
8. stay rights of reinsurers of an insurer or of another reinsurer in resolution to terminate or not reinstate coverage on the sole ground of the reinsurer's entry in recovery or resolution
9. impose a moratorium with a suspension of payments to unsecured creditors and a stay on creditor actions to attach assets or otherwise collect money or property from the firm, while protecting the enforcement of eligible netting and collateral agreements
10. prohibit the entity from paying dividends to shareholders
11. prohibit the entity from paying variable remunerations to senior officers
12. recover monies from responsible persons, including claw-back of variable remunerations
13. withdraw license to write a new business and to put the whole or part of insurance contracts of the entity into a run-off process
14. terminate, continue or assign certain types of contracts
15. prohibit the entity from transferring their assets (in particular, the insurer's assets corresponding to insurance liabilities) without approval of the supervisor
16. effect the liquidation of the whole or part of the IAIG
17. ensure timely payment of policyholder claims in due course
18. cooperate with other relevant authorities that are responsible for recovery and resolution of entities within the group

19. order the entity to take recovery actions
20. require the IAIG to develop a recovery plan
21. order relevant entities within the group to submit necessary information for the supervisor to be able to develop resolution plans
22. require the IAIG to take actions to improve its resolvability, including to change its corporate/group structure
23. stay early termination rights associated with derivatives and securities lending transactions
24. ensure continuity of essential services (e.g., IT)
25. restructure, limit or write down liabilities (including insurance liabilities), and allocate losses to creditors and policyholders in a way consistent with the statutory creditor hierarchy
26. amend terms of insurance contracts