

Draft Issues Paper on roles and functioning of Policyholder Protection Schemes (PPSs)

Public background session

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Background

Objective

- The Paper
 - provides an updated overview of global practices regarding PPSs and their roles in insurance resolution and related activities;
 - serves as a guide for jurisdictions considering establishing a PPS or modifying an existing PPS.
- The Paper does not set any requirements related to PPSs.

Rationale

- The Paper was developed as a follow-up to the “Issues Paper on Policyholder Protection Schemes” that IAIS published in October 2013, in light of subsequent developments such as the adoption of the revised set of Insurance Core Principles (ICPs) and Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame), in Nov 2019.

Inputs

- Inputs received from 30 IAIS Members, who participated in a survey on this topic in early 2022.
- Feedback received from International Forum of Insurance Guarantee Schemes (IFIGS) who was consulted on this topic in July-Aug 2022.
- Other material, including FIGS Framework Guidance, and EIOPA’s (European Insurance and Occupational Pensions Authority) Opinion on the 2020 review of Solvency II.

Structure and content of the Issues Paper

Section	Content
Introduction (Section 1)	<ul style="list-style-type: none"> • General information on the Issues Paper
Roles of PPSs in recovery and resolution (Section 2)	<ul style="list-style-type: none"> • Various functions PPSs may undertake (eg payment of claims, bridge institution/run-off and cash injection) and how PPSs could use such functions in recovery and resolution
Coverage (Section 3)	<ul style="list-style-type: none"> • Scope of coverage, limits/methods of compensation, eligible policyholders and claimants • Treatment of unearned premiums • Cross-border issues of coverage (home- and host-jurisdiction principles)
Funding (Section 4)	<ul style="list-style-type: none"> • Different sources and models (ie ex-ante, ex-post or hybrid) for PPS funding • Determination of the levy level for insurers • Differences between resolution funds and PPSs
Disclosure and communication (Section 5)	<ul style="list-style-type: none"> • Considerations related to PPS disclosure, including relevant ICP material
Cooperation and coordination (Section 6)	<ul style="list-style-type: none"> • Cooperation and coordination between PPSs, and between a PPS and supervisor/resolution authority, including information exchange
Other policyholder protection mechanisms (Section 7)	<ul style="list-style-type: none"> • Other mechanisms aimed at protecting policyholders in insurance failure (preferred claims, tied assets, segregated assets), as well as those outside of insurance failure
Consideration of how and whether the existence of PPSs could affect behavior (Annex)	<ul style="list-style-type: none"> • Discusses the extent to which the existence of a PPS could increase the risk of moral hazard and measures to mitigate such risk

Next steps

- Public consultation launched on Monday 13 February 2023. Consultation document and relevant information are available at [this link](#).
- Comments are invited until **Friday 14 April 2023**. All comments must be submitted through consultation tool, which can be accessed at [this link](#).
- Following public consultation, the IAIS envisages to publish the final Paper, together with resolution of public consultation comments, by Q4 2023.
- Following publication of the final Paper, public discussion session will take place in order to present the Paper and resolution of public consultation comments.

Questions?

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