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Triggers – Entry to resolution

- What indicators should be used by the resolution authority to assess if the conditions for resolution have been met?

Triggers for resolution should be clearly defined and verifiable, i.e. transparent and quantifiable. Consequently, the validity for legal purposes would be secured, the assessment would lead to an unambiguous result, such that timely resolution measures could be enacted.
Resolution measures should not be possible before a clearly defined measure in the sense of e.g. the Solvency II Minimum Capital Requirement (MCR) would be breached.
Moreover, any trigger framework defined in the fashion outlined above must not interfere with existing regulation, such as Solvency II.

- What should be considered a reasonable timeframe for recovery?

Recovery periods should be defined in close alignment with the respective supervisor along the measures laid out in the respective recovery plan and in line with existing regulation. E.g. Solvency II defines 6 months as the default period for recovery measures to be effective, with the possibility to extend up to 7 years in cases of a sector-wide crisis in alignment with relevant supervisors.

Resolution Powers

- What are key factors when choosing between resolution powers?

As a general rule, the intervention should be as small as possible to reach the desired effect. Furthermore, a connection of applicable resolution powers to the transparent and quantifiable trigger framework should be aimed at.

- How could restructuring mechanisms be operationalized in non-life versus life business?

While in the life business, run-off and portfolio transfer solutions should be viable and suitable, in the non-life business compensation solutions should be the means of choice.

- What should be the role of a PPS in resolution?

The differentiation between life and non-life business is important in defining the role of a PPS in resolution. In life business, PPS related bridge institutions should play a role to facilitate the run-off of the portfolio, while payout should only be considered as a means of last resort in liquidation. Non-life related PPS should ensure that any policyholder compensation for incurred claims (unearned premium should not be covered by PPS) exceed a minimum level.

- For instance, should the role of a PPS be limited to pay-out after liquidation, or should it also facilitate the execution of other resolution powers such as restructuring mechanism? If so, how and under what conditions?

For life insurance any PPS should be organized in the legal form of bridge institutions that operate as insurance companies under the normal Solvency framework. Any restructuring powers with impact on policy terms (such as reduction in guaranteed benefits or ordered stays in payout) should be taken by the supervisors before the transfer to the PPS.

For non-life PPS see answer to question “What should be the role of a PPS in resolution?”.