

Resolution of comments on public consultation on Issues Paper on roles and functioning of policyholder protection schemes (PPSs)

December 2023

#	Organisation	Jurisdiction	Comments	Resolution of comments
General comments on the Issues Paper				
1	Property & Casualty Insurance Compensation Corporation (PCICC)	Canada	First of all would like to commend IAIS on the excellent progress made in this latest draft. It is measurably improved from previous (proof on your effective consultation process) and will deliver real value in final form.	Noted.
2	Insurance Europe	Europe	Insurance Europe welcomes the opportunity to provide comments on the IAIS' Issues Paper on roles and functioning of Policyholder Protection Schemes (PPSs). Insurance Europe would like to underline that PPS which are currently in place vary significantly across Europe but work generally well within their local context and laws. Some EU member states currently have arrangements equivalent to an insurance guarantee scheme (IGS), whereas other EU member states do not have an IGS but consider policyholder protection to be sufficient. Insurance Europe appreciates that the fact that the IAIS does not require jurisdictions to have PPSs in place. This should remain the case given that the appropriate level of policyholder protection is a question better addressed by each jurisdiction, taking into account national market features and specificities. The paper describes some of the roles that PPS could play in recovery and resolution phases of an insurance failure. Recognising the jurisdictional differences that exist, an important point that should be brought out in the paper is the need for a clear delineation of roles and responsibilities between supervisors, resolution authorities and PPS. Overlapping or unclear roles will create uncertainty and could exacerbate any potential problems which arise from a failing insurer. Finally, Insurance Europe wishes to stress that decisions related to IGS funding, as with decisions on resolution financing, should be left to individual member states' consideration, in consultation with local stakeholders.	<p>Noted.</p> <p>See updated Paragraph 16 which discusses the importance of a clear delineation of roles and responsibility between supervisors, resolution authorities and PPSs. Note that this point is also covered in Paragraph 116.</p> <p>Noted. As mentioned in the paper, the paper is not meant to set new standards or expectations with respect to supervisory practices around PPSs, including those related to PPS funding.</p>
3	Fonds de Garantie des Assurances Obligatoires de dommages (FGAO)	France	Nothing to comment in general, except concerning the relevance of the intervention of the host PPSS in favor of the victims - in a relationship of proximity (language) and understanding of the applicable law to compensation with recourse against the home PPSS alone in capacity to supervise	<p>Noted.</p> <p>For specific comment: See response to Comment 133.</p>

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			the insurer cross-border. There is too much differences between the laws on bankruptcy as well as on the supervision model to consider that the host PPS must support the consequences of the failure of a home insurer.	
4	CRO Forum	Global	Dear Dr. Saporta and Mr. Dixon: We hope this email finds you well. The CRO Forum has noted, with great interest, the IAIS consultation regarding Roles and Functioning of Policyholder Protection Schemes. Our members are of the view that the paper covers many interesting details and reflections, which show that it is no straightforward topic. Given the response by the insurance members of the Institute of International Finance (IIF) and the CRO Forum member's aligned view in terms of the high-level messages and key observations made by the IIF in their response, we would hereby like to inform you of the endorsement of the CRO Forum members of the IIF submission. No separate CRO Forum response will be submitted. Best regards, Helen Stijnen, on behalf of the CRO Forum	Noted.
5	GFIA	Global	The Global Federation of Insurance Associations (GFIA) welcomes the opportunity to provide input on this paper and appreciates the work already undertaken by the International Association of Insurance Supervisors (IAIS) on policyholder protection schemes (PPS). This current consultation is a welcome addition to the IAIS' previous work on PPS. While GFIA does not have extensive comments on the paper, it wishes to highlight four key aspects: 1) The importance of having a jurisdiction-specific approach. 2) The need for clear roles and responsibilities of supervisors, resolution authorities and PPS. 3) The need to have an overall balance of a prudential framework including any PPS; 4) The importance of having appropriate funding requirements. GFIA welcomes the IAIS' acknowledgment that the development of PPS is not a requirement of the ICPs or of ComFrame. GFIA firmly believes that the development of PPS should remain jurisdiction-specific to account for the differences in regulatory and legal frameworks across countries. A jurisdiction-specific approach	<p>1) Noted. As mentioned in the paper, issues papers are not meant to set new standards or expectations.</p> <p>2) See response to Comment #2.</p> <p>3) Noted. We have added language in several places clarifying the undesirability of distorting the market. The paper also notes that some observers have raised concerns that an overly generous PPS could create a moral hazard by encouraging insurers to take on excessive risks. However, the Annex concludes: <i>"It has not been documented, and it does not appear credible, that insurers could engage in</i></p>

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			<p>allows for tailor-made solutions that address the unique needs and characteristics of each market. The paper highlights a number of possible roles for PPS, including that of providing support for insurers in recovery situations. GFIA believes that the paper would be strengthened by introducing additional wording to highlight the need for clear delineation of the various roles and responsibilities of supervisors, resolution authorities and PPS, both before and during any period of potential failure. A key consideration in designing a PPS is striking a balance between the protection offered by the scheme and the level of protection provided by the solvency regime. Continuing the IAIS's previous approach, the paper recognises that solvency regimes and effective supervision do not create a zero-failure environment. However, just as balance is needed in creating a viable solvency regime, so too, is balance needed in designing a PPS that does not cause distortions in the marketplace. A PPS should complement the solvency regime, rather than undermine it. As noted in the paper, a PPS that is too generous may create a moral hazard by encouraging insurers to take on excessive risks, which may ultimately hurt policyholders. The funding requirements for PPS must also be carefully considered. It is essential to avoid imposing undue burdens on the insurance industry as this would ultimately result in costs for policyholders. Many solvency regimes already contain significant prudence which is likely to limit the financial impact on policyholders arising from an insurance failure. Along with any separate resolution financing provisions, prudence in the solvency regime could also be a source of financing for the implementation of resolution measures, when applicable. Any funding requirements for PPS should be proportional and account for the industry's size and capacity. Such requirements should also take into account the long-term sustainability of the PPS and the potential costs associated with its operation. In addition, it is considered beneficial to separately manage the operating costs and funds for policyholder protection. GFIA</p>	<p><i>increased risk-taking in the knowledge that the impact of their insolvency on protected policyholders would be mitigated by the PPS in the event of their insolvency."</i></p> <p>4) Noted. We agree that funding is a central area of concern and Section 4 discusses these concerns at length. Footnotes have been added to Paragraph 79 on separate funding for operating costs and benefit payments, and Paragraph 82 on surcharge on policyholders to acknowledge that the cost to the industry may ultimately be passed onto policyholders.</p>

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			suggests that some best practices in this regard could be a useful addition to the paper.	
6	The Life Insurance Association of Japan	Japan	<p>• 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 Draft Issues Paper on roles and functioning of Policyholder Protection Schemes (PPSs). • We recognize that this paper is intended to provide information such as a description of each jurisdiction’s practices and relevant regulatory and supervisory issues to jurisdictions that are considering establishing a PPS or modifying an existing PPS. It is also quite appropriate and meaningful that the purpose of this paper is not to set new supervisory standards with respect to PPSs or to set forth expectations of the IAIS for a particular supervisory approach. With this in mind, we would like to submit the following comments.</p>	Noted.
7	Financial Sector Conduct Authority	South Africa	<p>In general we are supportive of the material that has been included in the draft issues paper. The new material together with the updated jurisdictional case studies offer unique and valuable insights into the practical application of PPS. The information that has been presented in general affords any member jurisdiction contemplating a PPS a sound basis to develop the PPS. The FSCA appreciates the opportunity offered by the IAIS to comment on the draft Issues Paper on the roles and functioning of PPSs. We acknowledge the important role that a well-structured and suitable PPS can play in the protection of the policyholders in the event of an insurer’s failure. Overall, we are in support of the issues paper and believe that it will provide beneficial guidance to the jurisdictions considering establishing a PPS. We further welcome the many examples provided of global practices around PPSs and delivering a comprehensive update on the issues paper published in 2013. It may however be useful, in addition to the examples provided throughout the issues paper in respect of global practices, if a similar updated annexure to what was contained in Annexure III of the 2013 Issues Paper</p>	Noted.

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			<p>table could be included. Annexure III of the 2013 issues paper set out a summary of the functions that the PPS performs in various jurisdictions. This included whether the PPS relates to life or non-life insurance, if the PPS pay claims, and / provides a bridge, and whether there is financial support provided and which kind if yes. A similar updated table that includes whether the PPS is managed by regulators or the industry or another independent entity and whether the PPS is considered a separate legal person in the jurisdiction may prove helpful. The FSCA is of the view that this may be especially useful in jurisdictions where the planning of a PPS has not yet started or is in its infancy and further guidance is required. While the extensive inclusion of examples is much appreciated, in many cases it is unclear to what extent the various frameworks/structures have been applied or tested in practice. It would be useful to further augment conceptual examples with case studies demonstrating how the initiative has been applied and any lessons learnt that resulted in changes/refinements/enhancements to the approach in a particular jurisdiction. This would be particularly helpful where frameworks/structures have been in place for many years, and refinements are made to meet evolving economic and market conditions, and increasing policyholder vulnerabilities in certain risk segments. If available it would also be useful to expand on scenarios where these structures are used as early interventions for recovery purposes as opposed to resolution. The paper would also benefit from more detailed exploration of market conduct considerations and the interplay between the operation of a PPS and outcomes sought to be achieved/protected in ICP 19. It is noted that the paper deals with issues around communication and disclosure in section 5, however it is increasingly appreciated that fair customer treatment and public confidence encompass a much wider range of outcomes beyond communication and disclosure. Section 6 correctly emphasises the importance of meaningful cooperation and coordination between the resolution authority</p>	<p>We consider that the proposed annex and table, as well as case studies, are outside the scope of this paper which was agreed at the onset of this project. The comment will be considered as input to potential future IAIS work on this topic. Note that the summary outcome of IAIS Members survey on PPSs is available to IAIS Members (link) and in part provide insights into the aspects mentioned in the comment on an aggregate basis.</p> <p>Your comment in relation to Section 5 (Disclosure and Communication) has been noted. We agree that fair customer treatment and public confidence encompass broader themes than disclosure and communication, which is part of the scope of this paper agreed at the onset of this project. The comment will be considered as input for potential future IAIS work on this topic.</p>

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			and supervisor. Within the context of the paper, this will likely be understood to mean “prudential supervisor”. It would be helpful to make explicit that coordination would need to be on both prudential and market conduct considerations, and mechanisms need to be in place to appropriately balance these considerations even in a recovery or resolution scenario. If available, examples of how potential tensions in this regard could be/have been managed in various jurisdictions or supervisory regimes would be quite instructive.	See edits to Paragraph 112.
8	Association of British Insurers	United Kingdom	The ABI welcomes the opportunity to provide comments to the International Association of Insurance Supervisors (IAIS) on its Issues Paper on roles and functioning of Policyholder Protection Schemes (PPSs). Overall, the ABI is supportive of the aims of this issue paper in serving as a guide to jurisdictions considering establishing a PPS or modifying an existing PPS. However, whilst the Paper avoids prescribing a standard there is the need to stress that if a jurisdiction does choose to adopt a PPS it must be pragmatic in its design and implementation. This is to ensure that the PPS is reflective of the specificities of that jurisdiction. To this end, the Issue Paper should emphasise that it is not promoting any particular design considerations. Furthermore, the ABI also notes that whilst the aim of the paper is not to set new standards or expectations with respect to supervisory practices – it could be argued that the contrary has in part been portrayed. Examples of this are highlighted in further commentary to Paragraphs 43 and 79.	See response to Comment #5. See responses to your comments on those Paragraphs.
9	American Council of Life Insurers	United States	We would like to thank the Resolution Working Group for drafting this Issues Paper, and for providing us the opportunity to provide comments.	Noted.
10	Institute of International Finance	United States	Dear Dr. Saporta and Mr. Dixon: The insurance members of the Institute of International Finance (IIF) are pleased to respond to the IAIS’s Public Consultation on a Draft Issues Paper (Draft Issues Paper) on the Roles and Functioning of Policyholder Protection Schemes (PPS). We understand the interest of the IAIS in updating its 2013 Issues Paper on this topic, and in developing a compendium of current practices for PPS that	Noted.

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			<p>serve as a reference for jurisdictions establishing or modifying PPS. In this letter, we would like to put forward several suggestions for better balancing the regulatory and political considerations that are inherent in developing PPS.</p> <p>Overarching Comments If a Jurisdiction Elects to Adopt a PPS, the Design and Implementation of the PPS Should Be Flexible, Reflecting Jurisdictional Specificities. We appreciate that the IAIS notes that the Insurance Core Principles (ICP) and ComFrame do not create an expectation that jurisdictions have PPS in place. The final Issues Paper should refrain from making any statements that could be construed as negatively impacting flexibility for jurisdictions electing to adopt a PPS and should explicitly acknowledge the need for flexibility in the design and implementation of PPS for jurisdictions that elect to adopt one. Specifically, flexibility should be preserved in the design and implementation of any PPS in order to reflect the local or regional industry and markets and the political, legal, and supervisory specificities of the jurisdiction. The decision as to whether to establish a PPS are often grounded in political considerations, as are many aspects of key design elements, most notably PPS funding sources, the scope of coverage and home/host jurisdiction issues. Jurisdictions have to weigh carefully the needs of policyholders that are covered by the PPS, the classes of policies that are covered, as well as coverage limits. The Discussion of Moral Hazard in the Draft Issues Paper Would Benefit from Greater Nuance. Moral hazard can arise from the decisions that underlie a determination by a jurisdiction to establish a PPS as well as the design features that are implemented. The IAIS could further explore these political aspects of moral hazard in the final version of the Issues Paper. The discussion of moral hazard in Annex 1 would benefit from a greater focus on the insurance industry, as much of the discussion appears more relevant to the banking sector. It should also be bolstered by evidence that support the observations made, and the assumptions underlying those observations. This evidence would improve</p>	<p>See response to Comment #5.</p> <p>We have noted your comment seeming to provide different views with respect to the risk of moral hazard. Note that the last sentence of the second Paragraph of Annex has been removed.</p>

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			<p>the Annex, which, at present, appears to provide differing viewpoints without reaching a firm conclusion. For example, we note that in some jurisdictions, the customer journey is specifically designed so that the existence of PPS is not disclosed in the marketing phase of customer contact in order to reduce the moral hazard and to incentivize customers to choose policies based on the reputation of the insurer in addition to pricing and coverage considerations. In other jurisdictions, insurers are required to make disclosures relating to their financial condition as an aid to customers' understanding of the financial soundness of the insurer. The IAIS could suggest to jurisdictional supervisors that they may wish to further explore the extent to which efforts to increase the information that is provided to prospective customers on the condition and solvency of the insurers in their markets and/or the existence of PPS, and the timing of that disclosure, may impact moral hazard. Supervisors may also wish to consider the extent to which various types of policyholders have the ability to assess the financial and solvency standing of the insurers offering products and services (or to engage a broker or agent to make this assessment). We would also note that, in Annex 1, the discussion of intermediaries does not recognize the incentives that market intermediaries have to recommend strong insurers to their clients in order to facilitate a good reputation for recommending appropriate and suitable products and services. Moreover, intermediaries that have a market-wide view are, in general, better placed than their clients, to assess the financial soundness and solvency of an insurer. Similarly, the statement that a PPS may result in reduced supervisory vigor does not recognize the incentives to reduce reputational damage and to preserve the supervisors' good standing amongst its peers and in supervisory colleges. We ask the IAIS to remove Paragraph 84 in the final version of the Issues Paper as it overstates the potential for customers to purchase policies based on price alone based on knowledge of PPS coverage. We also believe that this Paragraph overstates the incentive for</p>	<p>We have noted your point that disclosure requirements could help policyholders or some categories of policyholders, and their brokers, to choose a sound insurer. Nonetheless, the IAIS believes that insurance supervisors are the best placed to assess the solvency of an insurer, and that with the possible exception of insiders or very well informed policyholders, the "ordinary" policyholder does not have reason to suspect that a licenced and supervised insurer would not be sound.</p> <p>We have acknowledged your statement about the incentives to preserve supervisors from reputational damages and to preserve their good standings among their peers, but a number of recent failures in some regions of the world seem to suggest that these incentives are only effective in the long term.</p> <p>Paragraph 84 has been deleted.</p>

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			<p>insurers to price aggressively and to assume risks that threaten financial soundness. Insurers generally do not conduct their business in a manner that would impede future viability. If a PPS is Established, Ex-Post Funding is Preferable to Ex-Ante Funding or Policyholder Surcharges. When a decision is made to establish a PPS, the IIF has long encouraged the use of ex-post funding for several reasons. In general, given the rare incidence of insurer failures and the burden of ex-ante funding mechanisms, we are of the view that ex-post funding approaches are more appropriate. The use of ex-post funding avoids the issue of trapped assets that may never be needed for an insurer resolution or only needed many years in the future. As the IIF has noted in a number of past submissions to the IAIS and other standard setters, insurance resolutions are rare and generally proceed over several years through mechanisms such as run-off or portfolio transfer. [Statistics on the use of PPS funding for resolution over the past 10 or 20 years would be helpful.] The combination of ex-ante PPS and prudential capital requirements may result in an excessive level of prudence that may limit the ability of insurers to provide products and services to their customers. Paragraph 76 discusses funding of PPS by policyholder surcharges. It should be recognized that PPS in general impose costs on policyholders – either directly or indirectly. These costs should be weighed against the benefits of the additional protection provided. With respect to the discussion of risk-based levies in Paragraph 82, we note that size and premiums are not necessarily indicative of risk. We agree with the IAIS’s statement in Paragraph 85 that risk-based contributions are not straightforward to design and calibrate. In Order to Provide for Accountability, Jurisdictions that Elect to Establish PPS Should Clearly Delineate the Roles and Responsibilities of Supervisors, Resolution Authorities and Authorities Responsible for PPS. We encourage the IAIS to note the need for jurisdictions to provide a clear delineation of the respective roles and responsibilities of supervisors, resolution authorities</p>	<p>Noted. As mentioned in the paper, the paper is not meant to set new standards or expectations with respect to supervisory practices around PPSs. Section 4 sets out pros and cons of ex-ante and ex-post funding models in a descriptive manner and covers the points raised.</p> <p>A footnote has been added to Paragraph 82 on surcharge on policyholders to acknowledge that the cost to the industry may ultimately be passed onto policyholders.</p>

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			<p>and authorities responsible for PPS. The IAIS should not describe or assign those roles and responsibilities, which should remain subject to jurisdictional discretion based on the supervisory, resolution and PPS frameworks in a particular jurisdiction. Greater clarity on the respective powers of various authorities can facilitate accountability, reduce overlap or overreach, and provide greater clarity to insurers headquartered or operating in a particular jurisdiction.</p> <p>Paragraph 16 notes that there have been suggestions that a PPS could have a role in resolution planning, especially in the case of systemically important insurers. We note the need for clarity on the roles and responsibilities of the resolution authority and the PPS in such a situation. Any Role for Resolution Authorities and Authorities Responsible for PPS in Insurers' Recovery Should Be Carefully Considered.</p> <p>Paragraphs 16 and 25 suggests that a PPS could be used for recovery or to improve the chance of recovery of the insurer, without providing a description of how PPS have been used in various jurisdictions in support of recovery or specifying the actions that a PPS could take in furtherance of recovery. Under most circumstances, responsibility for recovery should remain in the first instance with the board of directors and senior management of the insurer, with appropriate communication with and oversight by the relevant supervisory authority or group supervisor. In exceptional circumstances (e.g. fraud or wrongdoing), the authorities responsible for PPS and resolution may need to become involved in the recovery stage but should do so according to the delineated roles and responsibilities discussed in the foregoing Paragraph. Moreover, the final Issues Paper should note that early regulatory or supervisory intervention in the recovery phase may result in inappropriate involvement in matters that are the responsibility of the board of directors or senior management of the insurer. In some cases, actions are taken by the resolution authority and/or authorities responsible for PPS in an effort to remove impediments to resolution. While well intentioned, these actions can be</p>	<p>See response to Comment #2.</p> <p>Additionally, Paragraph 117 has been edited to acknowledge that the specific roles and responsibilities for those involved in insurance failure will vary by jurisdiction.</p>

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			<p>overbroad and can inhibit the ability of the insurer to return to a business-as-usual condition, which could lead to avoidable resolution scenarios. We have particular concern about actions to change business strategies, the structure of a group, or the management of the group (in the last case, absent fraud or wrongdoing). As we noted in our response to the IAIS Application Paper on Resolution Powers and Planning, communication about actions taken by the authorities must include the insurer in order to ensure that those actions are appropriate, effective, and support the goal of restoring the insurer to viability. We appreciate the opportunity to comment on the Draft Issues Paper and welcome the opportunity for further dialogue on these important issues. Respectfully submitted, Mary Frances Monroe</p>	<p>We have added to Section 2.3.1 an example of another jurisdiction (Malaysia) where a PPS could intervene at recovery stage. We have also included additional text to Paragraph 26 to describe scenarios where PPSs could intervene for recovery purposes rather than for resolution purposes.</p> <p>We have noted your comment about early regulatory or supervisory intervention in the recovery phase. We consider that this topic is out of scope of this project, which is on roles and functioning of PPSs.</p>
11	National Association of Insurance Commissioners (NAIC)	United States	<p>Global Comment: Throughout the paper, “PPS” and “PPSs” are used to refer to “Policyholder Protection Scheme” and “Policyholder Protection Schemes” respectively. This reads a bit awkwardly. To streamline these references, on the acronym page (pg. 5) include one definition that covers the singular and plural and use “PPS” throughout the paper. Pg. 5: PPS – Policyholder Protection Scheme(s) Global Comment: We understand IAIS convention does not use the oxford comma for lists, but in some cases in this paper the oxford comma is used for lists. Please review for consistency with IAIS formatting. Global Comment: For some of the example boxes throughout the document there are awkward breaks and spaces between the jurisdiction and example. Please review and clean up formatting. Global Comment: need to review the use and formatting of em-dashes for consistency; see for example, paras 37, 40, 53, 110 and the blue box after 124.</p>	<p>No change has been made with respect to the use of acronym of “Policyholder Protection Scheme(s)” as it is consistent with that in the ICPs and ComFrame.</p> <p>Further editorial review has been conducted. (Secretariat to review the use of oxford comma, format of example boxes and em-dashes when the draft is in a good shape.)</p>
12	National Organization of Life and Health Insurance Guaranty	United States	<p>We compliment the Resolution Working Group on its hard work, which was evident in the quality of this consultation draft. We</p>	<p>Noted.</p>

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	Associations/National Conference of Insurance Guaranty Funds (NOLHGA)		also appreciate the Working Group's process in developing the consultation draft.	
13	American Property Casualty Insurance Association	United States	APCIA generally views the proposed Best Practices as providing an accurate account of the issues and practices jurisdictions will face in developing and maintaining policyholder protection schemes. In the United States, APCIA works closely with the National Council of Insurance Guaranty Funds (NCIGF) on these issues. We note that NCIGF, together with the National Organization of Life and Health Guaranty Funds (NOLHGA), have submitted comments on this consultation. We have reviewed those draft comments and find them generally to be in agreement with our views on policyholder protections issues, and we therefore commend them to the IAIS. APCIA will seek to expand on or amplify some of those comments in the responses we provide.	Noted.
General comments on Section 1				
14	Financial Sector Conduct Authority	South Africa	In general we are supportive of the Introduction to the issues paper. We would however like to propose an executive summary that would capture the gist of the issues paper in broad terms.	An executive summary has been added.
General comments on Section 1.1 Objectives and background				
15	PCICC	Canada	It remains our view that IAIS should amend ComFrame and ICPs to include a requirement for the formation of PPS/IGS in each member jurisdiction. The protection of consumers as a paramount objective of IAIS should lead to this logical conclusion. We understand that IAIS has not yet reached that conclusion, but as this Draft paper shows, the value-add to consumers from the existence of a well-designed PPS/IGS is compelling. We urge IAIS to move past this theoretical stage and more firmly declare the requirement for a PPS/IGS within the defined practices of a properly designed financial services safety net.	Noted. The comment will be considered as input to potential future review of the IAIS supervisory material.
16	Financial Sector Conduct Authority	South Africa	This section provides a good background and it is succinct in explaining what the objectives are in the issues paper. As explained in this section, the issues paper is among other	No change made. We consider that the proposed elements are sufficiently captured in this Paragraph (for example see the third

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			matters intended to provide guidance to jurisdictions considering establishing a PPS. To this end it may be useful to also set out briefly what the risks are that a PPS aims to address (e.g. adverse effects on policyholders and third-party claimants) and what some of the potential benefits (e.g. protection of customers, meeting government objectives etc) can be for the jurisdictions who establish a PPS.	sentence, which mentions that “ <i>when an insurer is failing... a PPS can provide a certain level of protection for the policyholders...</i> ”, the fourth sentence, which mentions that “ <i>PPSs may... ensure that resolution costs are borne by industry participants...</i> ” and the fifth sentence, which mentions that “ <i>PPSs may serve the supervisory objective of maintaining financial stability...</i> ”).
17	NOLHGA	United States	We agree with the premises that the Paper “is intended to serve as a guide” and “is not meant to set new standards.” We note, however, that the Paper often uses the word “should” when discussing features or considerations relevant to a PPS. We encourage the drafters to be mindful of the use of “should.”	Noted. We have reviewed the paper for the issue raised. However it should be noted that the use of “should” is common across IAIS supporting materials (issues and application papers) and is not meant as a requirement, but should be read as providing recommendations or examples of good practice.
Comments on Paragraph 1				
18	Financial Sector Conduct Authority	South Africa	Paragraph 1 alludes to the role of the PPS in “insurance resolution and a variety of related activities” but does not cover the role of the PPS in recovery scenarios which is discussed at various points in the Issues Paper. We suggest that the specific term “recovery be included at this juncture for consistency purposes and to align with the broader scope of the Issues Paper in terms of the role of a PPS in resolution and recovery.	No change made. “A variety of related activities” captures PPS’s roles in recovery, where a PPS assumes any role at recovery stage depending on jurisdictions. The referred description reflects the fact that the paper acknowledges that the primary objective of a PPS centres on the protection of policyholders against losses in the event of an insurer’s failure (rather than intervening at recovery phase).
Comments on Paragraph 2				
Comments on Paragraph 3				
19	Financial Sector Conduct Authority	South Africa	Suggest the amendment of sentence 3 through addition of the word “read” This Paper and the 2013 Issues Paper [read] together provide supporting material on PPSs. We suggest perhaps defining ‘unearned premium’ for clarity of the reader.	Definition of “unearned premiums” has been added to Paragraph 22 via footnote in line with the definition used in the level 2 document for “ Liquidity metrics as an ancillary indicator ” (Nov 2022).
Comments on Paragraph 4				

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20	Insurance Europe	Europe	The text should recognise the fact that an effective regulatory system, such as Solvency II, combined with effective supervision, as well as a proportionate and effective recovery and resolution framework, can reduce the probability and impact of an insurance failure. It is not necessarily the case that PPS should not bear the cost of resolution (eg PPSs may also provide a mechanism to ensure that resolution costs are borne by the industry). The main objective of PPS should be to provide compensation to policyholders in the case of an insurer failure.	The second sentence of Paragraph 4 has been revised based on the comment, including the reference to effective recovery and resolution framework, along with to effective supervision. Note that the paper acknowledges under Section 2.3.1 that the primary objective of a PPS centres on the protection of policyholders against losses in the event of an insurer's failure.
21	Financial Sector Conduct Authority	South Africa	Suggest the amendment of sentence 3 through addition of the word "determinable" When an insurer is failing and has inadequate capacity to fulfil its obligations to its policyholders, a PPS can provide a certain[or determinable] level of protection for the policyholders through mobilising its fund, which may be set up on either an ex-ante or ex-post basis. The word "determinable" accounts for a PPS to utilise a calculation methodology where the scheme elects no to have coverage caps in place. It is not entirely clear if in jurisdictions that have PPSs, insurers are obliged to participate in the PPS framework. The paper explains the scope of coverage in relation to classes of policies —or lines of business — protected by PPSs vary by jurisdiction. In jurisdictions where certain types of insurance are mandatory (e.g. 3rd party liability) the coverage by a PPS is also mandatory and therefore it follows that participation by those insurers licensed for those classes are mandatory. However, the reference to "insurers participating in PPS framework" in Paragraph 74 seem to suggest that it is not always compulsory for insurers to participate in the PPS framework. If this is the case, it would assist if this paper can provide an indication of instances where participation by insurers is voluntary / optional.	"A certain level of" has been deleted. No change made. Insurers' participation can go beyond funding a PPS to include roles in governance and administration. The word "participation" does not imply that participation must be voluntary; to the contrary, the paper includes a specific reference to one country's decision to make PPS participation mandatory.
22	NOLHGA	United States	We appreciate the acknowledgement that a PPS can be funded on an ex-post basis (here and later in the Paper).	Noted.
Comments on Paragraph 5				
Comments on Paragraph 6				

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23	Financial Sector Conduct Authority	South Africa	Suggest the amendment of the sentence through addition of the word "background" In line with the ICP Introduction and Assessment Methodology, this Paper therefore does not set any requirements related to PPSs, but instead aims to provide background [material], describe current practices, and identify related regulatory and supervisory issues and challenges.	Change made.
General comments on Section 1.2 Terminology				
24	PCICC	Canada	It is our understanding that when IAIS uses the term Policyholder, you are drawing from language in ICP which states that "the term "policyholder" is used to refer to a person (natural or legal) who holds an insurance policy, and includes, where relevant, other beneficiaries and claimants with a legitimate interest in the policy". However, to a general reader, the idea that the term "Policyholder" is deemed to include people who are not actually policyholders may be confusing. And thus, to use "Policyholder" as the general term in this paper is likely to lead many readers to incorrectly conclude the scope of a PPS/IGS is narrowly constrained to this subset of the total. We would encourage a broader definition be acknowledged throughout. At a minimum, the ICP definition of Policyholder should be included in this Terminology section.	A new Paragraph has been added under Section 1.2 to clarify the definition of "policyholder".
25	Insurance Europe	Europe	A graphical overview of the stages of recovery would be beneficial for all readers. The role of the PPS can be easily seen from a graphical representation. ¹	The ICPs and ComFrame includes in its Figure 12.1 a graphic of stylised relationship between solvency, viability and actions to be taken (including recovery and resolution). A reference to this figure has been added.
26	NOLHGA	United States	The terminology section and definitions table are helpful. We note that the terms used in the Paper may not align perfectly with terms used in each jurisdiction. The reader will need to be flexible and consider how the concepts apply to the construct in their jurisdiction even if the terminology doesn't align.	No change made. IAIS material is in line with IAIS terminology, and the IAIS glossary. This may be different from terminologies used in each jurisdiction.
Comments on Paragraph 7				
27	NAIC	United States	2nd sentence, the IAIS has moved away from referring to "best practices" and given this particular context is referring to self-	Change made.

¹ See Annex I for graphic that was included in this comment.

#	Organisation	Jurisdiction	Comments	Resolution of comments
			reported practices, perhaps reword this to: (eg when describing examples of practices within those jurisdictions)	
Comments on Paragraph 8				
Comments on Paragraph 9				
28	Insurance Europe	Europe	Insurance Europe agrees that the focus of a PPS should be only on the individual insurer, not on the insurance group. In addition, Insurance Europe believes that compensation should be focused on the policyholder and beneficiary, not on other creditors of the insurer.	Noted.
29	Financial Sector Conduct Authority	South Africa	In this Paragraph it is mentioned that insurer groups and reinsurers are rarely covered by a PPS. In that same vein, it could also perhaps be mentioned whether the issues paper deals with micro-insurers and whether any PPS examples exist in respect thereof.	The paper does not discuss issues specifically related to microinsurance – there were also no examples as part of the member survey.
Comments on Paragraph 10				
30	Insurance Europe	Europe	Insurance Europe agrees with the IAIS' assessment that reinsurers are rarely covered by PPS. This makes sense because, as noted above, compensation from a PPS should be focused on the policyholder and beneficiary, not on other creditors of the insurer. Reinsurance companies should also not have to pay into resolution funds that cover the costs of failures of primary insurers. The business model of reinsurers is based on taking over risks from primary insurers in exchange for a premium, which helps their clients mitigate the risks of failure. Resolution financing arrangements should be restricted to the compensation of individual (and not business) policyholders and to the administration costs of the resolution tools. In addition, reinsurance is different from primary insurance due to its intrinsically cross-border nature.	Noted.
Comments on Paragraph 11				
31	Insurance Europe	Europe	There should be a proper understanding and description of the so called 'ladder of intervention' and the role of the PPS. In the first instance, an insurer that breaches their prudential solvency ratio must outline measures to resolve this breach (this is often called a recovery plan). In this phase, the insurer is still a going concern and subject to the 'normal' supervisory dialogue. Only	No change made. The paper builds on practices of different jurisdictions, including those where PPS interventions are possible at recovery phase. PPS interventions in different stages (ie recovery and resolution) are addressed in Section 2, building on the

#	Organisation	Jurisdiction	Comments	Resolution of comments
			when a breach of the minimum capital requirement or a predefined other capital limit is breached - and the insurer is not able to recover from this breach - a so called 'recovery phase' in the sense of the PPS would start. The resolution authority would then take over the supervisory tasks. The definition of the term 'run off' is not unambiguous as it could also be used for the so called 'closed book' approaches of insurers.	characteristics of recovery described in this Paragraph. For more elaboration on recovery and resolution planning, please also refer to ICP 12, and application papers covering resolution and recovery planning.
32	NOLHGA	United States	We recommend revising the first sentence of the definition of "Run-off" as follows – "A process under which an insurer ceases to write new business but provides continuation of coverage for existing policy obligations."	No change made. As noted in the paper, the definition of "run-off" is a direct quotation of the definition in the IAIS Glossary.
General comments on Section 1.3 Inputs				
Comments on Paragraph 12				
33	PCICC	Canada	IFIGS will update the Framework Guidance link on our website to correct the PDF filename	Noted.
34	NOLHGA	United States	We note the reference to EIOPA's Opinion on the 2020 review of Solvency II. Given the fact that certain of the European Parliament's Economic and Monetary Affairs (ECON) committee's amendments to the to the European Commission's proposal for an Insurance Recovery and Resolution Directive (IRR) evidence that the question of harmonization of IGSs in the EU is not a settled issue, this reference may need to be updated for later versions of this paper. The EIOPA Opinion may not be the latest word on the topic by the time this goes to print for consultation or finalization.	Noted.
General comments on Section 1.4 Structure				
Comments on Paragraph 13				
35	PCICC	Canada	Typo. "reminder" should be "remainder"	Change made.
36	NAIC	United States	Fix typo in the first sentence – "reminder" should be "remainder"	See response to Comment 35.
37	NOLHGA	United States	In the first sentence, "reminder" should be "remainder."	See response to Comment 35.
Comments on Paragraph 14				
General comments on Section 2				
38	Financial Sector Conduct Authority	South Africa	This section sets out the Role of PPS in recovery and resolution well. One of the additional benefits a PPS could bring	Paragraph 16 has been revised to capture the comment.

#	Organisation	Jurisdiction	Comments	Resolution of comments
			that is not mentioned is creating a level playing field between that various financial services sectors e.g. where other sectors such as banks may have deposit insurance schemes, introducing PPS in the insurance sector may enable equal levels of protection for financial customers.	
General comments on Section 2.1 Overview				
Comments on Paragraph 15				
39	Insurance Europe	Europe	If a PPS has a role in the recovery phase, the role should not distort the competitive landscape of the distressed insurer in relation with the other insurers operating in the market.	Paragraphs 16, 17 and 26 have been revised to capture the comment.
40	Financial Sector Conduct Authority	South Africa	Suggest the amendment of sentence 3 through addition of the word “insurance”. A PPS may have a role in both recovery and resolution (including liquidation), with a focus on minimising disruption of [insurance] coverage and payments to policyholders and maximising the performance of the insurer’s obligations to them. Suggest the amendment of sentence 6 through addition of the words “of the PPS may”. Functions and powers [of the PPS may] vary widely by jurisdiction.	Change made.
41	NOLHGA	United States	We suggest moving the final sentence earlier in the Paragraph. It is important for the reader to understand early on that some matters may vary widely by jurisdiction.	No change made. The first sentence (“a PPS is established in a jurisdiction by legislation that authorises the PPS (...)”) is implicit that functions and powers of a PPS vary by jurisdiction.
Comments on Paragraph 16				
42	Financial Sector Conduct Authority	South Africa	Suggest the amendment of sentence 1 through addition of the word “causal”. Similarly, [causal] events that trigger the engagement of a PPS may vary depending on its roles and functions.	No change made. We consider that the original language is sufficient and more succinct than the proposal.
43	NOLHGA	United States	The second sentence references “insolvency proceedings.” This term is not addressed/defined in Section 1.2. Consider defining “insolvency proceedings” or using an already defined term. Is this meant to be the same as resolution proceedings? We do not agree that the distinction between public and private nature of a PPS should affect the role a PPS can play in resolution planning. We suggest deleting the last sentence.	“Insolvency” has been replaced with “resolution” in this Paragraph (see also responses to Comments #49 and #55). The final sentence was not deleted. It is open-ended, citing the public/private distinction as one example of institutional considerations which “may” affect the point of engagement or

#	Organisation	Jurisdiction	Comments	Resolution of comments
				the roles the PPS may play. Some of these considerations are discussed more fully in Paragraph 27.
44	American Property Casualty Insurance Association	United States	The last sentence of this Paragraph suggests that the public or private nature of a PPS "may limit the point of engagement or roles the PPS may play" in recovery and resolution. No support is provided for this statement. APCIA does not see differences between public and private PPS's that would justify limiting the engagement of a PPS in the recovery or resolution process. Therefore, we recommend that this sentence be deleted.	See response to the second recommendation in Comment 43.
Comments on Paragraph 17				
45	Insurance Europe	Europe	This Paragraph could even lead to more confusion as it seems three types of supervisors could discuss the financial and solvency situation of a distressed insurer: the normal supervisory authority, the resolution authority and the PPS. The role is not to duplicate, but to transfer authority when due and the timely distribution of information to each other.	We agree that a clear delineation of the roles of the supervisor, the resolution authority, and the PPS is important, and have added language to Paragraph 16 emphasising that point. See also Paragraph 28 and Section 6.2. However, "supervisor" is a defined term, and refers unambiguously to the normal supervisory authority, especially in the context of this sentence when the insurer is not in resolution and the supervisor is making decisions that relate to the engagement of the PPS.
46	Financial Sector Conduct Authority	South Africa	Suggest the amendment of the sentence 1 through addition of the word "causal". In recovery scenarios, [causal] events that trigger the engagement of a PPS may include the supervisor's assessment of an insurer's financial condition, eg asset adequacy, cash flow testing, and/or capitalisation; certain supervisory measures and/or court-ordered actions taken to address an insurer's financial condition.	See response to Comment #16.
Comments on Paragraph 18				
47	Insurance Europe	Europe	The PPS should not be a measure which could be used as easily as suggested, but is to help if no other measures could prevent policyholders from being negatively affected by the failure of a distressed insurer. If the PPS is a measure which	Noted. We do not find, however, that the text suggests that "the PPS is a measure which can be accessed easily": the Paragraph starts with the phrase "Within resolution ".

#	Organisation	Jurisdiction	Comments	Resolution of comments
			can be accessed too easily, the issue of moral hazard becomes more important.	
48	Financial Sector Conduct Authority	South Africa	Suggest the amendment of sentence 1 through addition of the word "causal". Within resolution or insolvency, the involvement of a PPS may be triggered by [causal] events that include a declaration that an insurer is no longer viable or likely to cease to be viable, supervisory or court-ordered merger of an insurer; formal entry of the insurer into resolution or an insolvency order; appointment of an administrator or liquidator of an insurer; de-registration of an insurer; forced portfolio transfer; and/or certain events of default by the insurer.	See response to Comment #16.
49	NOLHGA	United States	"Insolvency" is used here but is not defined in Section 1.2. Is this meant to be the same as liquidation?	"Or insolvency" has been deleted.
Comments on Paragraph 19				
General comments on Section 2.2 Functions of PPSs				
50	Insurance Europe	Europe	Recognising the jurisdictional differences that exist, an important point to note is the need for a clear delineation of roles and responsibilities between supervisors, resolution authorities and PPS. Overlapping or unclear roles will create uncertainty and could exacerbate any potential problems which arise from a failing insurer. This is acknowledged in respect to PPS/resolution funding in Article 89 of the paper, but wider consideration of this point is also merited.	The comment is reflected in Paragraph 15.
Comments on Paragraph 20				
51	Insurance Europe	Europe	There is a real concern regarding a possible role of the PPS in protecting the financial stability at an early stage, as suggested by the IAIS. Who decides the actual point and is this also not more of a political decision? Why should the PPS be 'liable' for the negative fall out of the recovery while all kinds of other measures are still possible? It seems that this relates to systemically important insurers, if their distress would endanger financial stability. In various jurisdictions, a recovery and resolution scheme is actually initiated or used to avoid the issues with a failure of an (important) insurer which could endanger financial stability. The 'moral hazard' as mentioned is not only a possibility to emerge within the market but should	The Paragraph has been amended. However, its content also reflects the results of a survey that IAIS performed among its members.

#	Organisation	Jurisdiction	Comments	Resolution of comments
			also be addressed from the perspective of the supervisory community.	
52	Financial Sector Conduct Authority	South Africa	Suggest the amendment of sentence 1 through addition of the word “legislative”. Depending on national [legislative] frameworks, PPSs could fulfil various functions in different stages of recovery and resolution. Suggest the amendment of sentence 2 through deletion of the words “make interventions” and addition of the word “intervene”. Furthermore, in some jurisdictions, a PPS could be triggered to [intervene] at an even earlier stage, in order to facilitate the recovery of a troubled insurer for the purpose of protecting financial stability. Resolution processes are mostly commonly triggered due to prudential requirements not being met by an insurer, or over solvency concerns. There have not been many examples to our knowledge of market conduct risks being cited as the reason for a curatorship or liquidation. In terms of early intervention processes, it would be valuable if there are any examples of resolution processes that have been initiated based on market conduct concerns, if there are any such examples available from the member survey conducted in 2022.	The text has been revised. With respect to the point about market conduct risks, note that the focus of the paper is not on resolution in general, but on roles and functioning of PPSs.
53	NAIC	United States	Not all frameworks are necessarily national; suggest: Depending on jurisdictional frameworks, PPSs could fulfill various functions in different stages of recovery and resolution.	See response to the first point in Comment #52.
Comments on Paragraph 21				
54	Financial Sector Conduct Authority	South Africa	Suggest the amendment of sentence 1 to correct syntax. One of the main functions of a PPS is to minimise [financial loss] to policyholders. Comment to sentence 8: In addition, some PPSs can provide loans to policyholders of the failing insurer. Such loans will be repaid when the policyholders later receive payments from the failing insurer. In some jurisdictions the granting of loans may inadvertently drive the PPS into classification as a “credit provider.” This may subject the PPS to additional regulatory requirements. Member jurisdictions should consider the mechanism of these loans and the	Change made.

#	Organisation	Jurisdiction	Comments	Resolution of comments
			regulatory impact on the PPS to comply with ancillary usury legislation.	
55	NOLHGA	United States	In the fourth to last sentence, what is meant by "a regular insolvency procedure"? Consider revising this sentence as follows – "Ideally, the liquidator and the PPS work together..."	Replaced "regular insolvency procedure" with "resolution procedure".
Comments on Paragraph 22				
56	NOLHGA	United States	Consider revising the third sentence as follows – "The PPS pays the claim of the policyholder and attempts to recovers the funds from the failing insurer." Add (before the last sentence) – "The assets that remain when an insurer fails are often substantial and typically serve as the primary source of funding for PPS payments to policyholders." We pause at the reference to ICP 12.9. Even in jurisdictions where the PPS's administrative claims are higher priority than policyholder claims, policyholder claims are still higher priority than claims of ordinary unsecured creditors (as required under ICP 12.9). The PPS's administrative claims are simply treated more like the expenses of the resolution authority – i.e., as expenses necessary for policyholder protection to be provided.	<p>The requested addition was made, using slightly different wording. See also response to Comment #140.</p> <p>The final sentence which referenced ICP 12.9 has been deleted.</p>
Comments on Paragraph 23				
57	NOLHGA	United States	"The U.S. life PPS has used a bridge institution approach twice in recent resolutions. When a large annuity writer was placed in liquidation in 2013 and again when two affiliated long-term care insurers were placed in liquidation in 2017, the affected PPSs formed captive insurance companies to collectively manage and administer PPS covered liabilities. Each of these captive insurance companies engaged a third-party administrator to service the business, investment managers to manage assets available to fund PPS coverage, and other service providers to assist in coordinating the discharge of the PPSs' obligations. At this point, the captives are handling the long-term runoff of the business, but they could serve as a true bridge institution and transfer the PPS covered obligations to a purchaser if such a transaction becomes feasible and is approved by the PPSs."	We have not taken the suggested example on board as we consider that the existing text would provide sufficient examples of functions of PPSs in different jurisdictions.
Comments on Paragraph 24				

#	Organisation	Jurisdiction	Comments	Resolution of comments
58	PCICC	Canada	This Paragraph suggests that cash supports should be considered a "last resort". Perhaps further clarification would help...if the intent is to protect policyholders (and in particular avoid "haircuts"), the sentence should clarify that such supports should not in any way benefit the initial capital providers backing the distressed insurer.	The suggested clarification has been added to the Paragraph.
59	Insurance Europe	Europe	A comment on the sentence "in some jurisdiction the PPS can be used to facilitate specific resolution actions" should be added to reflect the points made in para. 89 (overlapping PPS and resolution funding)	Reflected by adding a new sentence to end of Paragraph 16.
60	NOLHGA	United States	The suggestion that a sale requiring a cash injection should only be used as a measure of last resort is, at least in part, inconsistent with U.S. experience. A sale can be a cost-effective way of avoiding a costlier liquidation or of discharging the PPS's obligations in liquidation. We recommend revising the first part of Paragraph 24 as follows: "In some cases, a sale of the failing insurer might be possible only with a cash injection. In some jurisdictions, this option is used only as a measure of last resort to ensure the continuation of critical insurance coverage, e.g., where no comparable coverage is available in the market through another insurer. In other jurisdictions, a sale may be a preferred approach (even if a cash injection is required) – in order to avoid a liquidation or as the most efficient means for a PPS to discharge its obligations to provide continuation of coverage for policyholders in liquidation. A sale-of-business can be the most practical and cost-effective way of ensuring the continuation of coverage. A PPS may be able to support the sale of business by providing funding...." We also recommend noting the importance of the resolution authority and PPS considering the strength of the buyer in any sale of a failing insurer to ensure that the buyer does not similarly fail (and trigger the PPS again).	Some changes were made to the paragraph to reflect this comment.
61	American Property Casualty Insurance Association	United States	As the NCIGF/NOLHGA comments have pointed out, it is not universally true that a sale requiring a cash injection is used only as a measure of last resort. While some jurisdictions may hold that view, it is not consistent with the approach take in the	See response to Comment #60.

#	Organisation	Jurisdiction	Comments	Resolution of comments
			U.S. where the sale of a business may be seen as the best way to avoid liquidation and to ensure continuation of coverage. We therefore endorse the suggested edits to this Paragraph that have been proposed by the NCIGF and NOLHGA.	
General comments on Section 2.3 Intervention by PPSs				
62	NOLHGA	United States	Consider changing the title of Section 2.3 to "Phases of Intervention by PPSs" to better reflect the content.	Change made.
General comments on Section 2.3.1 Recovery phase				
63	Insurance Europe	Europe	The causes described makes it even more important to describe the actual roles of the three types of supervisors related to an insurer in the various stages of the (in)solvency. How would you ensure that the PPS, the resolution authority and the supervisory authority work in harmony? The objectives of the three supervisors could be different: while naturally the overriding objective would be protecting the interest of the policyholder, the manner in which this is achieved is different. See also comment on Section 2.2 Functions of PPSs.	See response to Comment #2.
64	The Life Insurance Association of Japan	Japan	<ul style="list-style-type: none"> Since PPS is established in different countries with different backgrounds, rationale, functions and authority, as stated in Paragraph 27 as "The form of any PPS intervention at the recovery phase should be carefully considered in order to minimise the risk of potential moral hazard that could arise from such an intervention," we would like to confirm that the IAIS is not necessarily recommending PPS intervention in the Recovery phase, but is seeing "The primary objective of a PPS centres on the protection of policyholders against losses in the event of an insurer's failure," as stated in Paragraph 25. 	We confirm that the discussion of possible roles of a PPS at recovery phase is intended only to illustrate the range of practices in some jurisdictions. It is not intended and should not be regarded as a recommendation We have rearranged the contents of the Paragraph for better clarity.
Comments on Paragraph 25				
65	The Life Insurance Association of Japan	Japan	<ul style="list-style-type: none"> Since the paper states that "Only a few members responded to the survey that PPSs can be used for recovery in their jurisdiction. The primary objective of a PPS centres on the protection of policyholders against losses in the event of an insurer's failure," we recommend that the phrase "In some jurisdictions," be included in the statement shown below in order to prevent the misunderstanding that intervention in the recovery phase is common. "In some jurisdictions, a PPS may 	Change made.

#	Organisation	Jurisdiction	Comments	Resolution of comments
			also serve its functions at an earlier stage on a going concern basis; beyond its primary role of paying claims to policyholders on an ex-post crisis basis. A PPS may intervene early to restore the financial condition and viability of an insurer under severe stress.”	
66	Financial Sector Conduct Authority	South Africa	Suggest amending sentence 3 by addition of the words “through the financial system, the” and addition of the word “consequentially”. In this way, a PPS may contribute to the mitigation of contagion risks [through the financial system, the] safeguarding public interests and [consequentially] financial stability. We agree and take note of the sentence that states that a PPS may contribute to the mitigation of contagion risks. In addition, we suggest that perhaps in respect of the benefits of implementing a PPS in the recovery phase, this Paragraph can be slightly more elaborated upon to also highlight that the implementation of a PPS in this phase can help maintain public confidence in the insurance industry that reduces the risk of contagion, which often affects the most vulnerable insurers when there is a sustained run on the insurers. We find the examples provided in respect of the different roles in the recovery phase helpful.	The sentence has been revised in order to capture the comment.
67	NOLHGA	United States	We recommend adding the following at the end of Paragraph 25 – “Even PPSs that are not activated in recovery likely can lend perspective, experience and expertise which the Supervisor would be well served to leverage.”	No change made. See Section 6 considerations relevant to cooperation and coordination between a supervisor, a resolution authority and a PPS.
68	American Property Casualty Insurance Association	United States	APCIA appreciate the comments in this Paragraph acknowledging that PPS's can play a role in recovery and resolution beyond their primary mission to protect policyholders. We comment to the IAIS the language suggested by NCIGF and NOLHGA that a PPS can often lend “perspective, experience, and expertise” even then not formally activated in a recovery.	See response to Comment #67.
Comments on Paragraph 26				
69	NAIC	United States	In the blue box, for the UK example, while the first sentence may be true, it does not seem necessarily relevant for what this	The example was updated.

#	Organisation	Jurisdiction	Comments	Resolution of comments
			example is illustrating, which is focused on recovery – suggest deleting this first sentence as it can be confusing or otherwise find a way to clarify. In the last sentence, rather than say “currently” which will lose meaning as the paper ages, suggest noting the year this legislation is proposed.	
Comments on Paragraph 27				
70	PCICC	Canada	There will always be risk of moral hazard when business assumes “bail-outs” will readily be available. As a general rule, the solution is to ensure that policy prescribes that if there is to be a “recovery” option using public or industry funds, management and Boards of Directors of the distressed insurer will be replaced, and original capital providers will not recoup their investments. Also see comment below about final outcome being exit from market...	Text has been added to the Paragraph to capture the comment.
71	Insurance Europe	Europe	The moral hazard also resides with the supervisory community. If the fund will pay, why take harsh measures which could have negative publicity, etc? The example “PPS provides funding to recapitalise an insurer” should be removed if it is not based on a specific jurisdiction. The document should not set standards or expectations (para. 1).	The referred sentence was deleted.
Comments on Paragraph 28				
72	PCICC	Canada	Suggest addition of a further concluding sentence to this important Paragraph as follows “Where industry funds are utilised in a recovery scenario, it is generally accepted that the final outcome of the process will be the exit from the market of the temporarily rehabilitated insurer – in other words, industry funds are not used to “bail out and revive” a failed competitor.”	Noted.
73	Insurance Europe	Europe	This Paragraph should also reflect the fact that both in resolution and recovery, but certainly in recovery, a PPS intervention could easily distort competition. This is briefly stated in Paragraph 28 but could be elaborated on in more detail.	Noted.
74	Financial Sector Conduct Authority	South Africa	Consider rephrasing sentence 2 to clarify potential anti-trust actions by insurers that govern the PPS and how these actions may stymie the efficacy of the PPS in recovery.	Noted.
General comments on Section 2.3.2 Resolution phase				

#	Organisation	Jurisdiction	Comments	Resolution of comments
75	NOLHGA	United States	We recommend deleting the second Paragraph of footnote 17 as it is not relevant to the point about third-party beneficiaries. Also, moral hazard is covered in detail elsewhere in the Paper.	No change was made, since we consider that the second sentence of the footnote provides relevant background, underlining the paper's overall analysis of the moral hazard arguments around PPSs.
Comments on Paragraph 29				
76	NAIC	United States	Given how other parts of the paper note how the scope, role, functions, etc. of a PPS can vary, it seems a bit odd to say a "PPS could intervene in all situations, albeit in different ways." Is it really all situations? Suggest considering clarifying the intended point here.	"All situations" has been replaced with "either case" for better clarity.
Comments on Paragraph 30				
77	NOLHGA	United States	In the second sentence, should "administrator" be "resolution authority"? Also, consider referencing the life insurance scenario in this Paragraph or a new Paragraph – i.e., in life, the PPS typically steps in to continue coverage until the policies run-off and seek to recover funds from the failed insurer's estate.	The text has been revised based on the first point of the comment. The last sentence of Paragraph 30 has been added.
Comments on Paragraph 31				
78	Insurance Europe	Europe	The interventions of the PPS should be carefully assessed as it should not distort the markets and provide competitive advantages.	The last two sentences of Paragraph 32 have been added to capture the comment.
79	NAIC	United States	Suggested revisions to the 2nd sentence: Alternatively, under open firm bail-in (see Paragraph 24), the insurance contracts will continue with the same insurer which has been allowed to restart its operations.	The sentence has been revised accordingly.
Comments on Paragraph 32				
80	Insurance Europe	Europe	Not all non-life claims and insurance contracts have a short duration. For example, liability insurance can take many years. There is also an open question: how to tackle a claim which is incurred but not reported which emerges over time. Would a PPS have a role to cover those even of the non-life insurer ceases to exist and all known claims are resolved?	The Paragraph has been revised to capture the comment. Regarding the second point, please see the newly added last sentence of Paragraph 31 (see also response to Comment #77).
81	Financial Sector Conduct Authority	South Africa	Suggest amending sentence 1 by deletion of the letter "s" in the word "protections" The nature of a PPS intervention would also differ depending on the products being offered by the insurer,	Change made.

#	Organisation	Jurisdiction	Comments	Resolution of comments
			these can be either products with long term [protection] (typically life policies) or products with short term protection (typically non-life policies).	
82	NAIC	United States	Suggested revisions to the 1st sentence, replace the comma with a semi-colon: The nature of a PPS intervention would also differ depending on the products being offered by the insurer; these can be either products with long term protections (typically life policies) or products with short term protection (typically non-life policies). Suggested revisions to the 2nd sentence, replace the comma with a semi-colon and fix grammar and capitalization: For life products, claims payments likely need to continue over longer periods; for non-life products, payments might be necessary for only a short period (eg 30 or 60 days) so that the policyholder has sufficient time to find another insurer.	Change made.
83	NOLHGA	United States	Since PPS protection for life products is about continuation of coverage, not just payment of claims, we recommend revising the second sentence as follows – "For life products, coverage likely will need to be continued over long periods."	Change made.
Comments on Paragraph 33				
84	PCICC	Canada	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 always come first.	Text has been added to the Paragraph to capture the comment, including reference to ICP 12.7.11.
85	Insurance Europe	Europe	Insurance Europe believes it is important that there is an objective justification for a PPS to compensate losses. In many cases the compensation of losses by a PPS results in the attribution of losses to others than those who are responsible for the occurrence of these losses. If a PPS is industry-funded, generally the solvent insurers will bear the losses for a weaker insurer in the market and, while there might be reasons for such a distribution of losses, there should be good and objective reasons why creditors and policyholders should not	See response to Comment #78.

#	Organisation	Jurisdiction	Comments	Resolution of comments
			bear their own losses. Supervisory regimes are generally not designed to be zero-failure regimes.	
86	NOLHGA	United States	We recommend adding the following footnote after the first clause of the first sentence – "Given the importance of policyholder protection, insurance liabilities are expected to 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 of the PPS." The second sentence suggests that policies cannot be continued in liquidation. That is not the case in the U.S., at least with respect to life, annuity, non-cancellable health and workers' compensation lines of business. (Traditional health and property/casualty policies typically can be cancelled or non-renewed in accordance with the terms of the policy.) We recommend restating the second and third sentences as follows – "The most important reason for avoiding liquidation of a failing insurer is to ensure the continued payment of full benefits under the policies. The most A common way to do this is to facilitate a sale of the business."	See response to Comment #84 for the first point of the comment. Based on the second point of the comment, we have revised the referred sentence as follows: <i>"It is important to ensure the continued payment of benefits under the policies"</i> .
87	American Property Casualty Insurance Association	United States	APCIA has, on several previous occasions, emphasized to the IAIS that insurance liabilities should be written down, if at all, only in very rare circumstances, and never in such a way as to deprive policyholders of PPS protection. We therefore endorse the suggested footnote to this effect in the comments submitted by the NCIGF and NOLHGA.	See response to Comment #84.
Comments on Paragraph 34				
88	NAIC	United States	The 1st sentence is awkwardly written and its intent is unclear; consider revising. Last sentence, for consistency with usual IAIS phrasing, suggest: It should be noted that not necessarily all jurisdictions fully observe ICP 12 given their resolution frameworks or have comprehensive PPSs in place.	We have created a new introductory Paragraph immediately following the sub-heading "2.3.2 Resolution phase" and moved relevant contents in old Paragraph 34 to the new Paragraph so that the contents flow in a more logical and clear manner. The last sentence has been deleted.

#	Organisation	Jurisdiction	Comments	Resolution of comments
General comments on Section 3				
89	Insurance Europe	Europe	When considering coverage, care should be taken to also assess what happens if, for example, several big insurers would fail together: would the PPS be able to withstand this scenario or would the PPS draw the failure of the whole industry?	The second sentence of Paragraph 47 has been added to capture the comment. Note that this issue is also addressed in Paragraph 49.
Comments on Paragraph 35				
90	PCICC	Canada	This Paragraph refers to potential moral hazard of PPS intervention. In footnote 17, the paper correctly concludes that the potential of a PPS to introduce moral hazard for ordinary policyholders is entirely remote. Why introduce the concept of moral hazard at all in this Paragraph?	We have edited this Paragraph to make it clear that this Paragraph is a description of points discussed in the 2013 Issues Paper. Text of this Paragraph has been further reviewed for clarity.
91	NAIC	United States	Typo: "The 2013 Issues Paper..."	Change made.
92	NOLHGA	United States	We recommend revising the first sentence to read "The 2013 Issues Paper"	Change made.
Comments on Paragraph 36				
Comments on Paragraph 37				
General comments on Section 3.1 Scope of coverage				
Comments on Paragraph 38				
Comments on Paragraph 39				
Comments on Paragraph 40				
93	PCICC	Canada	A critical element of our feedback here...the second bullet in the list exemplifies exactly why the term "policyholder" can be seen as too narrow. But beyond the point above, you add a MAJOR point regarding "moral hazard" here but only include it in a footnote (17). This should be incorporated as a full-fledged Paragraph and should also be re-stated in the Annex regarding Moral Hazard.	With respect to the first point of the comment, we have added a new Paragraph under Section 1.2 "Terminology" in order to clarify the IAIS definition of "policyholder", which includes, where relevant, not only the specific natural or legal person who holds an insurance policy but also other beneficiaries and claimants with a legitimate interest in the policy. With respect to the second point of the comment, no change has been made since this issue is comprehensively discussed in the Annex. Paragraph

#	Organisation	Jurisdiction	Comments	Resolution of comments
94	Financial Sector Conduct Authority	South Africa	This should not be a limited list of policy features. There may be instances where member jurisdictions may deem other policy features as worthy of protection, where such benefits may drive policy considerations. In this Paragraph, a list is provided with examples of features that increase the need for a PPS. We agree that different product features necessitate different levels of coverage. For instance, some insurance products have market risk exposure and should receive limited coverage.	Note that the list in this Paragraph is not meant to be exhaustive. This is already clarified in the first sentence, which expressly presents this list as a list of “examples”.
95	NAIC	United States	Footnote 17 appears to have an unnecessary Paragraph break after the first sentence.	The Paragraph break has been deleted.
96	NOLHGA	United States	We recommend revising footnote 17 to read as follows: “It should be noted that moral hazard considerations do not apply to third-party claims or to group insurance offered by employers as an employee benefit, because the claimants who are protected by the PPS had no role in selecting the underlying insurance cover.” The deleted language discusses points that are well covered elsewhere in the paper and may be confusing here because it is not directly relevant to the bullet on third-party beneficiaries.	Change not made, because as proposed to be drafted in the comment, it also suggests that employers could not be affected by moral hazard—a view that not everybody would endorse.
Comments on Paragraph 41				
Comments on Paragraph 42				
97	NOLHGA	United States	In the U.S. example, we recommend revising the first sentence of the second Paragraph as follows – “The Property and Casualty Insurance Guaranty Funds cover property and liability kinds of insurance but exclude reinsurance....”	The text has been revised based on the comment.
General comments on Section 3.2 Limits on compensation				
Comments on Paragraph 43				
98	Insurance Europe	Europe	In this Paragraph, only moral hazard with respect to consumers is addressed. However, moral hazard exists for all stakeholders /parties.	Noted. The moral hazard is discussed in the Annex, which concludes that there is no evidence of moral hazard when it comes to the insurer’s conduct.
99	Financial Sector Conduct Authority	South Africa	Suggest amending sentence 1 by addition of the word “financial” A PPS does not have unlimited [financial] resources at its disposal, so it cannot be expected to provide unlimited	Change made.

#	Organisation	Jurisdiction	Comments	Resolution of comments
			protection for all claimants in order to leave them in exactly the same position as though the insurer were still solvent.	
100	Association of British Insurers	United Kingdom	Paragraph 43 highlights a favourable opinion despite the aims of the paper to avoid prescribing a standard. Paragraph 43 limits the impact of moral hazard on those consumers who can assess at the time of purchase an insurers financial strength or potential weakness. However, it has not been shown that any jurisdiction with an existing PPS has induced moral hazard. ABI members believe that the evidence pertaining to moral hazards as discussed in the annex does not evidence its connections to insurance. The annex discusses moral hazards in relation to banking on the assertion that intermediaries may not be able to distinguish between weak and strong insurers. Therefore, ABI members believe this point should be further researched to evidence any conclusions on moral hazard.	Your comment is noted. We are not aware of much research work on moral hazard induced by PPS in insurance, however, work done in other sectors is instructive and suggests that conclusions in the insurance sector would likely be similar. To date there has not been clear evidence that the existence of a protection scheme in any sector could significantly affect the conduct of consumers. See response to Comment #101.
101	NOLHGA	United States	Moral hazard concerns are referenced in 12 Paragraphs in the body of the Paper (not including the Annex). The number of references to moral hazard seems disproportionate in light of the conclusion in Paragraph 43 (and supported by the Annex) that there does not appear to be any actual evidence that existing PPSs have induced moral hazard. If the earlier references to moral hazard stay in the Paper, we recommend moving the last sentence of Paragraph 43 to earlier in the Paper. We also recommend revising the last sentence as follows – "So far, there does not appear to have been any actual evidence in any jurisdiction that existing PPSs with reasonable coverage limits have induced moral hazard."	The last sentence of Paragraph 47 has been amended as you suggested. Additionally, Paragraph 84 has been deleted.
Comments on Paragraph 44				
102	NOLHGA	United States	We don't quite follow the last sentence. Wouldn't a policyholder purchase multiple policies to evade a per-policy limit (not a per-claim limit)? Have the drafters seen this happen?	The last sentence of the Paragraph has been revised for clarity. The incentives for per-policy and per-claim limits are similar. For life insurance, there can only be one claim per policy, and more generally, splitting a claim into multiple claims against the same policy is likely to be more difficult than splitting a policy onto multiple policies.

#	Organisation	Jurisdiction	Comments	Resolution of comments
Comments on Paragraph 45				
103	NAIC	United States	Second sentence, if the practice is done in multiple jurisdictions, singling out one jurisdiction seems odd, so would suggest deleting "(eg in Canada)". If this is unique to Canada, then suggest using a sentence structure more common to other IAIS material: In Canada, the PPS has a "circuit breaker" where the level of protection may depend on the level of difficulty the provided protection would cause to the other industry players.	See revised Paragraph 45 which captures the comment.
104	NOLHGA	United States	Other means of avoiding contagion that could be referenced in Paragraph 45 include annual caps on levies against individual insurers and the ability to defer or prevent levies against insurers if their financial condition so warrants. Also, a PPS generally has access to the assets of the failed insurer and will not need to collect all assets immediately when triggered by a failed insurer since claims/benefits are paid over time.	See revised Paragraph 49 which now captures these points.
Comments on Paragraph 46				
Comments on Paragraph 47				
105	NAIC	United States	Consider capitalizing the first word of each bullet.	Formatting changes were made throughout document in line with IAIS drafting style.
106	NOLHGA	United States	We suggest adding "the average cost of benefits/claims" to the list in Paragraph 47.	"The typical cost of a claim" has been added to the list. We have not used the suggested wording as averaging might not be the right approach in all lines of business.
Comments on Paragraph 48				
107	NAIC	United States	Third sentence, if the practice is done in multiple jurisdictions, singling out one jurisdiction seems odd, so would suggest deleting "(eg in Canada)". If this is unique to Canada, then suggest using a sentence structure more common to other IAIS material: In Canada, the PPS is allowed to provide higher compensation than the pre-set limit, in cases where it appreciates that observing the pre-set limit would constitute a hardship case.	See revised Paragraph 52 which captures the comment.
Comments on Paragraph 49				
Comments on Paragraph 50				
108	NOLHGA	United States	Consider also noting that limitations help control the cost for those subject to levies to fund the PPS.	It is noted from the outset that this is the most fundamental purpose of limits on

#	Organisation	Jurisdiction	Comments	Resolution of comments
				compensation. The introductory Paragraph to this section, begins: "A PPS does not have unlimited resources at its disposal, so it cannot be expected to provide unlimited protection for all claimants in order to leave them in exactly the same position as though the insurer were still solvent."
General comments on Section 3.3 Method of compensation				
Comments on Paragraph 51				
109	Financial Sector Conduct Authority	South Africa	Products that require prompt payment upon the failure of an insurer may make the funding of a policyholder protection scheme more challenging. For example - funeral policies require prompt payment as the costs incurred to cover a funeral is often immediate (the burial of the deceased may be within a period of a week or shorter period in some jurisdictions).	See newly added Paragraph which addresses this comment.
Comments on Paragraph 52				
Comments on Paragraph 53				
110	Insurance Europe	Europe	In these instances, the PPS will compete with going concern insurers. Care should be taken not to distort the level playing field, especially if it is being paid by the same insurers on the market being affected by the potential distortion.	The first sentence of Paragraph 58 has been amended to make it clear that what is described in the first sentence is the run-off of the portfolio of the failed insurer; so there is no attempt to the level playing field.
Comments on Paragraph 54				
Comments on Paragraph 55				
111	NOLHGA	United States	Consider addressing when policy commutation (mentioned in the last sentence) might be appropriate.	See revised Paragraph which clarifies that policy commutation could be appropriate when the policyholder and the PPS find it mutually beneficial.
General comments on Section 3.4 Eligible policyholders and claimants				
112	Financial Sector Conduct Authority	South Africa	Besides upfront eligibility criteria, it would be useful to include considerations on potential criteria to fast track or expedite pay outs to certain policyholders/segments of policyholders based on urgent need, depending on the nature of certain policies or specific vulnerabilities of certain policyholder/claimant segments.	See newly added Paragraph 56 which addresses this comment (see response to Comment #109).
Comments on Paragraph 56				

#	Organisation	Jurisdiction	Comments	Resolution of comments
113	NAIC	United States	In the blue box, suggest the text could be streamlined as follows: In the United States most non-life PPSs have “high net worth” exclusions. These exclude a small number of wealthy individuals who are deemed to be sophisticated purchasers, but operate primarily to exclude larger commercial policyholders. A common threshold is \$50 million, but some states draw the line as low as \$10 million.	The text has been revised in line with the comment.
Comments on Paragraph 57				
Comments on Paragraph 58				
114	NAIC	United States	In the 3rd sentence the use of the word “devastated” is a bit loaded. Consider changing to something more neutral, such as “unduly impacted.”	Wording has been adjusted to make it more neutral.
Comments on Paragraph 59				
115	NOLHGA	United States	To clarify, the high net worth exclusion applied by non-life PPSs in the United States (discussed in the example under Paragraph 56) applies based on the policyholder's net worth, not the beneficiary's net worth. For workers compensation insurance, it is the employer's net worth, not the employee's net worth, that must be below the net worth limit.	See the last two sentences newly added to the example of the United States after Paragraph 61.
General comments on Section 3.5 Treatment of unearned premiums				
116	PCICC	Canada	Writing from a jurisdiction where we do cover unearned premiums (to a defined limit) we suggest it might be useful to reflect the core rationale (at least as we see it). After a general insurer becomes insolvent, every policyholder is affected...and concerned. A rapid refund of even small amounts of unearned premium rapidly removes stress from the system and reduces the number of affected customers from 100% to the 2-4% with an outstanding claim (speaking here of P&C insurance). This is the benefit that refunding unearned premiums brings to enhance systemic confidence in a period of stress.	We agree with your comment that the non-refunding of unearned premiums will affect many more policyholders than not fully paying outstanding claims —potentially it will affect all policyholders, as you rightly underline it. Accordingly, we have added a Paragraph to take account of your comment on the benefit of enhancing systemic confidence. However, there are also strong arguments against covering unearned premium. As noted in response to Comment #133, where the ICPs provide flexibility for practices to differ across jurisdictions, the role of an issues paper is to layout the options and their benefits and drawbacks, not to dictate one choice or another.

#	Organisation	Jurisdiction	Comments	Resolution of comments
Comments on Paragraph 60				
Comments on Paragraph 61				
117	NAIC	United States	Similar to the comment for Paragraph 47, consider capitalizing the first word of each bullet. Following the bullets, suggest it would read better as: In this case, unearned premiums amount to 50 million CUs; outstanding claims amount to 80 million CUs OR In this case, unearned premiums amount to CU 50 million; outstanding claims amount to CU 80 million	The format for currency units has been aligned.
118	NOLHGA	United States	We recommend adding the following at the end of Paragraph 61 – "A counterargument is that unearned premium refunds can provide the funds necessary for a policyholder to purchase replacement coverage, especially with respect to non-life products. If the PPS does not cover unearned premium refunds, the policyholder may not have the funds available to purchase replacement coverage, thus increasing the possibility of a future uninsured loss."	The point is captured in a new Paragraph which discusses the merits in refunding unearned premiums (see response to Comment #116).
General comments on Section 3.6 Cross-border issues of coverage: home- and host-jurisdiction principles				
119	Insurance Europe	Europe	If home and host are seen in different jurisdictions and cross border insurance exists, policyholders could always be at risk of not being protected by a PPS. This is unavoidable. There is an issue in home jurisdiction explained on page 17. In 2015, the European Commission (EC) asked France to change the rules of the Mandatory Third-Party Liability Insurance Guarantee Fund (Fonds de Garantie des Assurances Obligatoires de dommages, "FGAO"), taking the view that the IGS was discriminating against insurers based in other EU countries as it only covered insurers headquartered in France.	Noted. We agree that, where cross-border insurance exists, it is important to pay particular attention to the risk for cross-border policyholders. This section is intended to discuss home- and host-jurisdiction principles and to provide jurisdictions insights into how to mitigate such risks.
120	NAIC	United States	Graph on pgs. 25-26, consider numbering or naming the graph. In the first diagram, add a bit more space to the depiction of "Policyholders of Insurer A domiciled in B."	Change made.
Comments on Paragraph 62				
121	FGAO -	France	The most suitable hypothesis is to distinguish 1- the need to compensate in the country of the policy holder (host) taking into account the applicable law (contractual or tort compensation), the language and the proximity 2- the country of bankruptcy	Noted. No change has been made as these points were covered in the paper.

#	Organisation	Jurisdiction	Comments	Resolution of comments
			law (home), in which the PPSS assumes the consequences of its level of control	
122	NOLHGA	United States	The last sentence of Paragraph 62 is a bit awkward. Consider restating as – "A host-jurisdiction will provide protection for policyholders resident in the jurisdiction, insured property in the jurisdiction, and/or policies issued in the jurisdiction."	The sentence has been revised taking into account the comment.
Comments on Paragraph 63				
123	FGAO -	France	Assuming the financial consequences necessarily reinforces the level of control of the home PPSs	The second sentence has been revised for further clarity.
124	NOLHGA	United States	Consider adding at the end of Paragraph 63, ", whereas the cost would be spread among multiple PPSs under the host-jurisdiction approach."	Revisions have been made in response to this comment.
Comments on Paragraph 64				
125	PCICC	Canada	The last sentence in this Paragraph obviously made sense to the author...but might benefit from some additional editing help. 😊	The sentence has been revised and moved to Paragraph 69 for better clarity and readability.
126	NAIC	United States	Recent examples of failures in the EU suggest, however, that even with a host-jurisdiction principle, the treatment of policyholders of a failed insurer may still be highly dependent on the jurisdiction where the failed insured was headquartered (the "home" jurisdiction), notably because the liquidation laws that will apply are those of the home jurisdiction, and liquidation laws sometimes vary markedly across jurisdictions.	Change made.
127	NOLHGA	United States	In the United States example in the box after Paragraph 64, please revise the first part as follows – "The first PPS in the U.S. was established in 1941 by the state of New York, for domestic life insurers, and operated on the home-jurisdiction principle. Others were subsequently established on a state-by-state basis, and in 1969 and 1970, the NAIC facilitated the creation of a multi-state system by adopting two model laws. The first provided for each state to establish a non-life PPS following the host-jurisdiction principle, and the second, which was less widely adopted at the time, provided for each state to establish a life and health PPS following the home-jurisdiction principle. In 1985, the U.S. life and health PPS system began to	The example has been revised in line with the comment, with some additional clarifications.

#	Organisation	Jurisdiction	Comments	Resolution of comments
			transition to the host-jurisdiction principle, when the life and health model act was amended to provide protection based on the insured's state of residence. All U.S. states now provide both life/health and non-life PPS coverage on that basis. There is a gap-filling provision (see box after Paragraph 71) under which the home-state life/health PPS responds if the failed insurer was never licensed in the insured's state of residence...."	
Comments on Paragraph 65				
128	Financial Sector Conduct Authority	South Africa	To address the gaps and duplication issues, perhaps there could be mention made of possible memorandums of understanding entered into between different jurisdictions where these issues are identified.	A reference to MoUs was added to the next paragraph.
Comments on Paragraph 66				
Comments on Paragraph 67				
129	PCICC	Canada	Struggling to understand the last sentence in this Paragraph. Might be just us...	The sentence has been revised for clarity.
130	NOLHGA	United States	The last sentence is not clear. It seems like ex post systems would have an easier time avoiding double levying because they would levy only after knowing which PPS has responsibility for policyholder protection.	A clarification has been made in response to this comment.
Comments on Paragraph 68				
Comments on Paragraph 69				
131	PCICC	Canada	The complex charts on the following pages are an earnest effort to help think through the options for Europe...because a harmonized solution has not yet been found. There is limited application around the rest of the world...perhaps this section belongs in an Annex?	Noted.
132	NOLHGA	United States	With respect to the illustrations of different schemes of protection, we recommend using consistent terminology in the text and in the graphics in order to improve clarity. For example, the text around the illustration refers to "policyholders "living" in jurisdiction B" whereas the graphic refers to "policyholders of Insurer A "domiciled" in B." The language in the graphics should be clarified for consistency.	Some changes were made for clarification.
Comments on Paragraph 70				

#	Organisation	Jurisdiction	Comments	Resolution of comments
133	FGAO -	France	The relevance of the intervention of the host PPSS in favor of the victims - in a relationship of proximity (language) and understanding of the applicable law to compensation with recourse against the home PPSS alone in capacity to supervise the insurer cross-border. There is too much differenceS between the laws on bankruptcy as well as on the supervision model to consider that the HOST PPS must support the consequences of the failure of a home insurer.	Your observations regarding the differences in supervision models and insolvency laws are well taken, and are addressed in Paragraphs 69 and 70. We have made edits to clarify this discussion in response to comments such as these. However, there are advantages and disadvantages to both the home-jurisdiction and the host-jurisdiction approaches, and the advantages of one do not make the advantages of the other irrelevant. Different jurisdictions have chosen to follow different approaches, and the purpose of an issues paper is to present the rationales and the factors to consider, not to conclude that one approach is the correct approach. See also response to Comment #116.
Comments on Paragraph 71				
134	NOLHGA	United States	In the United States example immediately following Paragraph 71, the second sentence should read as follows: "For life and health insurance, if the policyholder moves from the state where they bought the policy to another state where the insurer has never been licensed, the policyholder would have no coverage from the PPS in their current state of residence."	The example has been revised in line with the comment.
General comments on Section 4				
135	Insurance Europe	Europe	Insurance Europe believes that decisions related to IGS funding should be left to individual member states' consideration, in consultation with local stakeholders. Insurance Europe broadly agrees with the pros and cons outlined by the IAIS and wishes to highlight the following elements: - The main arguments in favour of ex-post funding are that this will not result in contributions from insurers unless there is a failure, so insurers will have more funds at their disposal. This reduces management costs and avoids investment risks. Contributions to the fund will be computed according to actual need (outstanding claims/policies concerned). With ex-post funding, a certain amount of liquidity is needed on a rather short notice,	See response to the point about funding in Comment #2.

#	Organisation	Jurisdiction	Comments	Resolution of comments
			<p>yet there is no risk that funds are not used exclusively for the defined purposes of the IGS. However, in this case, the failing company will not have contributed to the fund. - Some member states could see ex-ante funding as a more efficient way to ensure speedy pay-outs to policyholders in the case of an insurer's insolvency. With ex-ante funding, contributors can better schedule payments into the fund. In addition, all insurers (including the one that will fail) will have contributed in advance, which seems a fairer outcome. - But ex-ante funding also has a number of disadvantages, especially with regard to financial management. Experience has shown that funding on an ex-ante basis often leads to the multiplication of tasks that the fund needs to run. Ex-ante funding with immediate fund transfer to the IGS also involves greater administrative duties and costs. Unused funds (which become disproportionately large when insurance failures are infrequent or have a limited impact) would block financial resources for a long period of time, exposing them to risks of inefficient use and bad management. - In any case, an IGS should not be expected to guarantee to repay policyholders in full. Therefore, one would expect there to be restrictions (caps and limits) on the amounts that can be reclaimed under this system and IGS funds cannot be expected to be equivalent to the full value of the technical provisions. - In small, concentrated markets, IGS will only be able to protect consumers from the failure of small insurance companies. Any failure of a medium-sized or large company in a small, concentrated market will require state assistance in order to protect consumers effectively. In the absence of state assistance, and should sound companies be required to fill in funding gaps if a large insurance company collapses, interconnectedness between insurance companies operating in such markets would increase and this would give rise to systemic risks concerns.</p>	
136	General Insurance Association of Japan	Japan	Regarding a PPS's operating costs and funds for policyholder protection, it would be useful to clarify the purpose and management method (keeping the two separate). As some	A footnote was added to reflect this.

#	Organisation	Jurisdiction	Comments	Resolution of comments
			countries have stipulated this in legislation or in the operating rules of the PPS, we suggest adding the explanation to this issues paper.	
Comments on Paragraph 72				
137	Financial Sector Conduct Authority	South Africa	Suggest amending sentence 2 by replacement of the word “quickly” with “readily.” The PPS needs to have sufficient, [readily] available and adequate funds and funding mechanisms necessary to facilitate prompt funding of obligations or any assumption of contracts.	Change made.
138	NOLHGA	United States	The third sentence of Paragraph 72, should read as follows: “The PPS needs to have readily available adequate funds and funding mechanisms necessary to ensure prompt funding of obligations or any assumption of contracts; it is important to note that available funding includes remaining insurer assets.” The changes in the first clause above more accurately tracks the IFIGS Guidance, which is carefully and precisely worded.	The first part of the sentence has been changed as suggested. In response to the second part of the comment, a new heading discussing “assets of the insolvent insurer” has been added as a source of PPS funding under Section 4.1.
General comments on Section 4.1 Sources for PPS funding				
139	PCICC	Canada	This section makes no mention that a PPS may borrow funds from capital markets. There are examples, most recently, in the American state of Louisiana, the PPS issued more than \$450 million in bonds to fund the liquidation of failed insurers.	A new sentence has been added to address this comment.
140	NOLHGA	United States	PPSs have a variety 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. In some jurisdictions, the resolution authority is required to distribute assets of the failed company to the PPS shortly after the insurer is placed in liquidation so that the PPS has prompt access to assets to support continuing coverage. In the U.S., in exchange for this “early access” to the insurer’s assets, the PPS agrees to return any assets ultimately needed for the resolution authority to satisfy claims of higher priority creditors (if any). Second, PPSs have the ability to assess a substantial amount of funds from their member insurance carriers writing covered lines of business. Historically, in the US, even during	“Assets of the insolvent insurer” has been added as a source of PPS funding under Section 4.1 (see response to Comment #138).

#	Organisation	Jurisdiction	Comments	Resolution of comments
			<p>the periods of heaviest insolvency activity, assessments called did not remotely approach the maximum annual assessment capacity of the US PPS. Third, PPSs may have access to other funds (e.g., future premiums on continuing policies, deposits required by regulatory authorities to be held for the benefit of policyholders, “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 to match the total obligations of a failed company are not immediately required. We note that the draft Issues Paper does not mention the first or third elements of funding identified above, nor does it note the fact that payment obligations can extend over period of years, as opposed to an immediate need such as that required for bank failures. This is a critical distinction between insurance and banking and should be acknowledged in the paper.</p>	
Comments on Paragraph 73				
141	NOLHGA	United States	<p>We suggest opening the Paragraph with the following: “The assets that remain when an insurer fails are often substantial and typically serve as the primary source of funding PPS payments to policyholders. The conservative nature of insurance company investing, strong supervision, and rating agency pressure usually helps to minimize the shortfall of assets to liabilities.” This helps to put the PPS’ funding obligation into context and differentiates the way insurers tend to fail from that of banks.</p>	<p>Elements of this comment have been captured under the new Paragraph which discusses “Assets of the insolvent insurer” as a source of PPS funding.</p>
Comments on Paragraph 74				
Comments on Paragraph 75				
142	PCICC	Canada	<p>While it is fair to say that ex-ante funds may provide benefit in systemic-wide crises...it is also fair to point out that it is unlikely to be capital-effective for most systems to retain an ex-ante fund so large as to be able to really help in tail-risk scenarios of</p>	<p>Noted. See the box following Paragraph 86, which describes the point raised as one of the cons of ex ante funding.</p>

#	Organisation	Jurisdiction	Comments	Resolution of comments
			such severity. Backstop mechanisms for events of such magnitude are more likely to be public...while, as a general rule, there should be no need for general “run-of-the-mill” failure scenarios to be publicly funded.	
143	Financial Sector Conduct Authority	South Africa	In our view using this funding model may force insurers to manage their businesses more effectively for example by better monitoring insurers' risk activities and mitigating industry risks relating to, for example taking on failing books of business. It must however be kept in mind that an increase in operating costs for an insurer may ultimately be carried over to the policyholders if it results in an increase in cost of insurance.	See response to point 4) of Comment #5. Paragraph
144	NOLHGA	United States	In order to present a more balanced view of ex ante versus ex post funding, we suggest removing the final sentence in Paragraph 75. As written, this Paragraph fails to acknowledge the distinct possibility that ex ante funding may not provide sufficient funding in a systemic-wide crisis.	Change was made.
145	American Property Casualty Insurance Association	United States	APCIA questions whether the last two sentences of this Paragraph are accurate, at least with respect to property casualty insurance. There is considerable evidence from the 2008 financial crisis and elsewhere that traditional property casualty insurance activities do not pose systemic risk. We were not aware of any circumstance in 2008 in which a solvent insurer faced limitations in its ability to pay guaranty fund assessments due to the economic turmoil of the time. We therefore do not believe it accurate to suggest that "ex-post" funding approaches necessarily threaten to weaken the insurance sector in times of economic stress. We therefore suggest that these two sentences be deleted. However, at a minimum (and in the interest of balance) the document should note that pre-funding approaches run the risk that the amounts available will prove insufficient to meet the need when an insolvency arises and, in any event, require the costly sidelining of assets potentially long before they are needed (if they are ever needed at all).	<p>The last sentence has been deleted (see response to Comment #144), but the second to last sentence has been kept. Note that the sentence does not assert that the ex-post funding model “necessarily” threatens to weaken the insurance sector in times of economic stress.</p> <p>The table following Paragraph 86 captures the stated risks associated with ex-ante funding model.</p>
Comments on Paragraph 76				

#	Organisation	Jurisdiction	Comments	Resolution of comments
146	Financial Sector Conduct Authority	South Africa	Sentence 2 should be clarified in relation to what is meant by “public understanding and how will this be determined. Should this sentence not rather be couched from the perspective of disclosure? See suggested amendment below. [Public disclosure] may be required when taking such measures, as the policyholder directly bears the burden of funding policyholder protection in the event of an insurer’s failure. In terms of the surcharge on policyholders as a source of funding, if any jurisdictions employ this an example here would be useful. We are aware of one jurisdiction where policyholders are charged a small percentage on non-life policies for PPS funding. Such a funding model may also affect affordability for customers in respect of the financial products they hold and would require consideration of the local economic climate. Similarly to our comment above on funding thorough contributions from insurers explained in Paragraph 75, the costs related to this method of funding may ultimately be carried over to the policyholders, if it results in an increase in cost of insurance.	The comment highlights the difficulty of clarifying the second sentence of this Paragraph. The sentence in question has been deleted.
147	Association of British Insurers	United Kingdom	This Paragraph discusses PPS funding by surcharges on policyholders. However, ABI members wish for wider consideration in this area because even in the case of no direct levy or tax on the policyholder, the costs are still likely to impact them indirectly in some form. To this end, the trade-off between costs and benefits in this respect are perhaps one for political considerations rather than for insurance supervisors.	See response to point 4) of Comment #5.
Comments on Paragraph 77				
Comments on Paragraph 78				
General comments on Section 4.2 Ex-ante, ex-post and hybrid funding				
Comments on Paragraph 79				
148	PCICC	Canada	There is a typographic error here with a duplication of sentences 2 and 3.	The sentence is replaced with a new one explaining the meaning of ex-ante funding.
149	Insurance Europe	Europe	A sentence is duplicated: With ex-post funding arrangements, solvent insurers pay assessments after the insolvency has occurred	See response to Comment #148.

#	Organisation	Jurisdiction	Comments	Resolution of comments
150	General Insurance Association of Japan	Japan	"With ex-post funding arrangements, solvent insurers pay assessments after the insolvency has occurred." is duplicated in this Paragraph, and therefore should be revised.	See response to Comment #148.
151	NOLHGA	United States	Delete the second sentence as it is duplicative of the third sentence in the Paragraph. Presumably, the second sentence should be revised to explain the meaning of "ex ante" funding. Also, in the text box immediately following Paragraph 79, we recommend adding the following to the "Pros" of ex post funding: - "Some PPS obligations to policyholders often stretch out for years or even decades, meaning that funds to match the total obligations of a failed company are not immediately required. Ex post funding permits the PPS to assess only the amount needed and at the time the funding is needed."	See response to Comment #148. The suggested pro of ex-post funding has been added to the table with some textual revisions.
Comments on Paragraph 80				
152	PCICC	Canada	As mentioned above, it is unrealistic to believe that an ex-ante fund can be accumulated which is sufficiently large as to manage "system-wide" events. Naturally, a hybrid solution is a more likely outcome.	Noted. The point made in the comment is covered in Paragraph 87.
153	Insurance Europe	Europe	A possible hybrid approach could be to allow insurers to keep PPS contributions on their own balance sheets, rather than transferring any required ex ante funds to an external fund.	Noted. This point is covered under the table after Paragraph 86 as one of pros for ex-ante funding.
General comments on Section 4.3 Determining the levy level for insurers				
154	Insurance Europe	Europe	The levy for an insurer should be risk-based and not necessarily be connected to GWP.	Noted. Pros and cons of risk-based levies are discussed in Paragraph 91, but the purpose of an issues paper is not to recommend one particular solution in preference to others.
Comments on Paragraph 81				
Comments on Paragraph 82				
155	Financial Sector Conduct Authority	South Africa	A risk-based contribution approach, or size dependent calculation for traditional insurers seems practical, and this can potentially be supplemented by a lower threshold or fixed amount for new market entrants and smaller or micro insurers, in order to not overburden these types of insurers or stifle market growth.	Noted. See response to Comment # 154.
Comments on Paragraph 83				
Comments on Paragraph 84				

#	Organisation	Jurisdiction	Comments	Resolution of comments
156	PCICC	Canada	The Paragraph is a mystery...and a disappointment. Earlier in this paper (footnote 17 connected to Paragraph 40) you correctly point out that there is ZERO actual evidence of moral hazard risk associated with the existence of an IGS. Later you confirm this crucial point in your lengthy Annex on the subject. This Paragraph seems to be an outlier given your evolving thinking on this subject...and should best be removed entirely.	The Paragraph has been deleted.
157	NAIC	United States	As written, the 1st sentence is a bit speculative, suggest the following revisions: As price is one of the most important factors in choosing an insurer, competition may create incentives for insurers to price their products aggressively, potentially assuming risks that threaten the firm's financial soundness.	See response to Comment #156.
Comments on Paragraph 85				
158	NAIC	United States	In the blue box, UK example, FSCS is already spelled out on page 13 so can just use the acronym here.	Change made.
159	NOLHGA	United States	Please add the following US example to the text box highlighting approaches to insurer assessments or levies: "All insurers licensed to issue covered lines of business in a jurisdiction are obliged to be members of the guaranty association of that jurisdiction. The costs of covering consumers and of operating the association that are not provided from assets of an insolvent carrier or any ongoing premiums in respect of contracts continued by the association are financed by assessments payable by member companies. Those assessments are levied in proportion to each insurer's market shares within the jurisdiction and are subject to an assessment cap each year (typically 2 percent of an insurer's gross premium in the assessed line of business). Many jurisdictions provide a premium tax offset to PPS member companies for all or a portion of the assessments a company pays to provide protection for consumers."	We have not taken the suggestion on board as we consider that the existing examples are sufficient to illustrate different practices for determining levy rate in various jurisdictions.
General comments on Section 4.4 Differences between resolution funds and PPSs				
Comments on Paragraph 86				
160	NOLHGA	United States	In the text box following Paragraph 86, the US example should be revised as follows: "If a non-bank financial company is designated as a systemically important financial institution	The final sentence has been deleted.

#	Organisation	Jurisdiction	Comments	Resolution of comments
			(SIFI) by the Financial Stability Oversight Council, it may be resolved, if it fails, by the Federal Deposit Insurance Corporation (FDIC) under its Orderly Liquidation Authority conferred by Title II of the Dodd-Frank Act. Funding is available for the FDIC under this framework for purposes such as loans to the financial institution, transfers of assets and liabilities or payments to certain creditors. However, if the failed SIFI is an insurer, or has subsidiaries or affiliates that are insurers, the insurer(s) will be liquidated or rehabilitated under state law.” The deleted language is not technically correct and should be eliminated.	
Comments on Paragraph 87				
Comments on Paragraph 88				
Comments on Paragraph 89				
General comments on Section 5				
Comments on Paragraph 90				
161	American Council of Life Insurers	United States	We suggest adding the following after "an ongoing basis": ", though the disclosure of the PPS (and its benefits and limitations) can be made by an insurer to its policyholders by the distribution of a summary document at the time of delivery of the policies or contracts, as it does in the U.S."	Change made. The Paragraph is intended to underline importance and general expectation for PPSs to inform the public about their benefits and limitations on an ongoing basis. Different approaches to achieve this objective are discussed in later Paragraphs. The suggested example is covered in Paragraph 95.
162	NAIC	United States	Second sentence, not clear what “prescriptions” means in this context – suggest considering a better word choice. Perhaps “conditions of coverage”?	“Prescriptions” has been replaced with “coverage”.
163	NOLHGA	United States	We would recommend eliminating the first sentence of Paragraph 90 as we believe it is overstated. “Well functioning” PPSs can exist even in jurisdictions that limit public promotion of a PPS, such as the United States.	The text has been revised.
General comments on Section 5.1 ICPs and PPS disclosure				
Comments on Paragraph 91				
Comments on Paragraph 92				

#	Organisation	Jurisdiction	Comments	Resolution of comments
General comments on Section 5.2 Disclosure considerations relevant to PPS				
Comments on Paragraph 93				
164	Financial Sector Conduct Authority	South Africa	Consider providing an example of how this principle of proportionality can be applied in public disclosures.	Noted, but there was no example readily available.
Comments on Paragraph 94				
Comments on Paragraph 95				
165	American Council of Life Insurers	United States	We suggest replacing the last 2 sentences with: "Accordingly, some jurisdictions restrict public disclosure of information by insurers about PPSs by imposing an advertising prohibition. In addition, some jurisdictions require disclosure of specific information such as limits on PPS coverage at particular stages, such as at the point of sale or at the time of delivery of the policy or contract".	Change made.
166	NOLHGA	United States	We recommend deleting "for secrecy reasons" in the second sentence. It suggests that some jurisdictions are trying to hide the PPS from the public, which we do not think is true. For example, in the U.S., such restrictions are intended to ensure that the existence of the PPS is not used as an inducement for the sale of insurance.	See response to Comment #165.
167	American Property Casualty Insurance Association	United States	We agree with the NCIGF/NOLHGA comment that the phrase "for secrecy reasons" might be read by some to suggest that insurers seek to hide from the public the existence and activities of PPS's. We are not aware of jurisdictions or insurers who seek to keep that information secret. Thus, we recommend deletion of the phrase.	See response to Comment #165.
Comments on Paragraph 96				
Comments on Paragraph 97				
Comments on Paragraph 98				
Comments on Paragraph 99				
168	American Council of Life Insurers	United States	We suggest changing "should" to "could".	The general goals of public disclosure and building credibility should not be controversial, so we have not made the suggested change to this Paragraph. We agree, however, that the specifics of such programmes should be discussed through examples rather than

#	Organisation	Jurisdiction	Comments	Resolution of comments
				recommendations. See response to Comment # 170.
169	NAIC	United States	Suggested revisions to the 1st and 2nd sentences: The PPS should, through its public disclosure programme, build credibility with policyholders and stakeholders through an active communication process that is effective at different levels of stakeholders, eg insurers, consumers and intermediaries. The public disclosure programme may consider a tailored approach for the various classes of stakeholders.	Change made.
Comments on Paragraph 100				
170	General Insurance Association of Japan	Japan	The degree of need for a public awareness programme may vary considerably depending on the circumstances in each jurisdiction. In some jurisdictions, the existence of a PPS is already made known at the time of insurance sales. Therefore, the use of external experts may not always be necessary. For this reason, we suggest replacing "should" in the first sentence with "may" and adding a phrase such as "if deemed necessary in light of the materiality principle".	"Should" has been replaced with "may".
171	American Council of Life Insurers	United States	We suggest changing "should" to "could".	See response to Comment #170.
Comments on Paragraph 101				
172	American Council of Life Insurers	United States	We suggest changing "ongoing basis" to "as-needed basis".	Consistent with Paragraph 92, use of the term "ongoing basis" ensures that the PPS remains relevant and connected to its purpose viz. information in the public domain. The frequency of "on-going basis" can be determined by the PPS.
Comments on Paragraph 102				
173	General Insurance Association of Japan	Japan	It is sufficient for the PPS to monitor its public awareness activities and arrangements periodically only when necessary, depending on the situation in each country. Therefore, we suggest replacing "should" in the first sentence with "may" and adding a phrase such as "if deemed necessary in light of the materiality principle".	Change not made. The proposal detracts from the intent of the Paragraph. Paragraph 104 sets a preference that a PPS should remain cognisant of its public awareness programme to ensure that such a programme remains relevant.
174	American Council of Life Insurers	United States	We suggest changing "should monitor" to "should consider monitoring".	Change not made. The intention is for the PPS to remain cognisant of the effectiveness of its

#	Organisation	Jurisdiction	Comments	Resolution of comments
				public disclosure programme. The proposal imports a degree of discretion that takes away from the intent of the Paragraph.
175	NAIC	United States	Suggested revision to the 2nd sentence to eliminate redundancy: In the event of an insurer failure the PPS or an empowered authority, liquidator or court appointee should notify policyholders as expeditiously and appropriately as possible of the role of the PPS and how protection will be provided, via media such as press releases, print advertising, websites and other outlets.	Change made.
General comments on Section 6				
Comments on Paragraph 103				
Comments on Paragraph 104				
General comments on Section 6.1 Cooperation and coordination between PPSs				
176	PCICC	Canada	This section should include a brief discussion on the important role that courts play in an insolvency. When an insurer becomes insolvent, primary oversight of the insurer moves (in Canada at least) from the supervisor to the court. PPSs reduce the number of policyholders that are forced to seek assistance from a Court. That is an important role in “Cooperation and coordination”.	The suggested point has been added to Paragraph 22.
177	Insurance Europe	Europe	Particular attention should be paid to the position of financial conglomerates, interactions with resolution regimes in both the banking and insurance sectors, compensation of deposit holders by a DGS and resolution strategies applied by the various resolution authorities, in particular when bail-in would be applied.	Noted.
178	General Insurance Association of Japan	Japan	Regarding cooperation and coordination between home and host jurisdictions, it is difficult to determine a unified operating method because of jurisdictional differences in the existence, nature (funded by the government, insurance companies, or policyholders), structure, and level of coverage of PPSs. We would like to confirm that Section 6.1 is intended to sort out key issues and does not recommend any particular operating method (e.g., the PPS of the host jurisdiction acting as a “front office”).	We confirm that Section 6.1 is intended to discuss key issues relevant to cooperation and coordination between PPSs and does not recommend any one-size-fits-all approach to address such issues.

#	Organisation	Jurisdiction	Comments	Resolution of comments
Comments on Paragraph 105				
179	NAIC	United States	As not all PPSs are necessarily national, suggest: Where this activity is material, cooperation and coordination between PPSs across jurisdictions are essential,	Change made.
Comments on Paragraph 106				
Comments on Paragraph 107				
Comments on Paragraph 108				
180	NAIC	United States	As not all insurance is necessarily issued at national level, suggest: ie where the domestic PPS covers policies issued by domestic insurers both within the jurisdiction and abroad	The sentence has been deleted (see response to Comment #180).
181	NOLHGA	United States	We recommend eliminating the reference to “home-jurisdiction approach” in Paragraph 108. Cooperation and coordination are equally important in jurisdictions that follow a host-jurisdiction approach.	Cooperation and coordination could be even more important under the host-jurisdiction approach than under the home-jurisdiction approach. The Paragraph has been edited on that basis.
Comments on Paragraph 109				
Comments on Paragraph 110				
182	NAIC	United States	In the blue box, while the European Union example has interesting information, it does not seem particularly relevant given the focus is on coordination and cooperation. Suggest considering whether there is a more relevant place for this example.	We have kept the example in the original place since we consider that the issue discussed in the example could have implications on better cooperation and coordination between PPSs.
General comments on Section 6.2 Cooperation and coordination between a PPS and a supervisor/resolution authority				
183	Insurance Europe	Europe	The cooperation between the various supervisors should not lead to the duplication of supervision. As mentioned in this section, the supervisory community should assist each other in obtaining clearly set objectives. An example of the cooperation in different stage is: ²	No change made. The focus of the paper is on roles and functioning of PPSs and not on cooperation and coordination in recovery and resolution in general.
Comments on Paragraph 111				
Comments on Paragraph 112				
Comments on Paragraph 113				
184	NOLHGA	United States	We recommend adding the following language to the end of Paragraph 113: “PPS involvement should be early enough that	A new paragraph has been added to discuss the suggested point in a neutral manner.

² See Annex II for graphic that was included in this comment.

#	Organisation	Jurisdiction	Comments	Resolution of comments
			the PPS can immediately undertake its duties once a triggering event occurs. As a practical matter, this calls for involvement as soon as it appears that there is a significant possibility that PPS intervention will be required. Early involvement of a PPS will reduce any delay in transitioning claims or utilizing other benefits of the PPS. In some instances, it may be appropriate for the PPS to be involved as early as when the insurer is first identified as being a potentially troubled company.”	
185	American Property Casualty Insurance Association	United States	APCIA has consistently advocated for early involvement of PPS's in resolutions. The additional language suggested by the NCIGF and NOHLGA would therefore help the document to make this point.	See response to Comment #184.
Comments on Paragraph 114				
Comments on Paragraph 115				
Comments on Paragraph 116				
186	General Insurance Association of Japan	Japan	While Paragraphs 115 to 124 deal with the facilitation of information sharing, as pointed out in this subsection, confidentiality protections are essential. It is important to strike a balance between sharing information and not impeding competition among insurance companies.	Confidentiality is discussed extensively in these paragraphs. In consideration of the reference to “competition among insurance companies,” we have added some language noting the confidentiality issues that arise when the PPS is operated by insurers.
187	NOLHGA	United States	We recommend revising the last sentence of Paragraph 116 as follows: “It should be noted that some jurisdictions do not have a PPS ...” Starting the sentence with “on the other hand” suggests that the sentence presents an argument against a PPS being involved in resolution planning or strategizing, which is not the case.	The sentence beginning with “on the other hand” has been deleted.
Comments on Paragraph 117				
Comments on Paragraph 118				
Comments on Paragraph 119				
Comments on Paragraph 120				
188	NOLHGA	United States	We suggest adding an example as follows reflecting US experience: United States State insurance regulators have a formalized vehicle for collaboration through the NAIC's Financial Analysis Working Group (FAWG), a body of state regulators that (i) analyzes nationally significant insurers and	We have added a streamlined version of the suggested example to the blue box at the end of Section 6.2, shortened to eliminate background material we consider to be out of scope.

#	Organisation	Jurisdiction	Comments	Resolution of comments
			<p>groups that exhibit characteristics of trending toward or being financially troubled, and (ii) assists and advises key regulators on appropriate regulatory strategies and responses to such insurers and groups. Based upon the widely recognized success of FAWG, the state insurance regulators then established the Receivership Financial Analysis Working Group (RFAWG) for the purpose of monitoring nationally significant insurers/groups in receivership to support, encourage, promote, and coordinate effective multi-state efforts to address any emerging concerns. In 2017, RFAWG leadership requested that NOLHGA and NCIGF participate in RFAWG meetings. Since that time, NOLHGA and NCIGF representatives have participated in portions of RFAWG meetings – sharing their perspectives and experiences on cross-border insolvencies. This has enhanced the coordination between regulators and the PPS.</p>	
Comments on Paragraph 121				
Comments on Paragraph 122				
189	NAIC	United States	<p>Typically Issues Papers avoid wording that suggests setting requirements – suggest revising the wording, in particular to avoid the use of “must”: The sharing of confidential information is important to enable supervisors, resolution authorities and PPSs to fulfil their respective responsibilities effectively. Therefore, jurisdictions should consider whether the governing laws clearly delineate when and how confidential information can be shared, and what obligations must be assumed by the recipient of the information.</p>	Change made.
Comments on Paragraph 123				
190	NAIC	United States	<p>Typically Issues Papers avoid wording that suggests setting requirements – suggest revising the wording, in particular to avoid the use of “must”. In particular, it could be useful for there to be explicit legal authority for the supervisor and/or resolution authority to have the discretion to share confidential information about insolvent and impaired insurers with a PPS, and to make this discretion explicitly subject to the condition that the PPS is bound by the same obligations of professional secrecy that</p>	Change made.

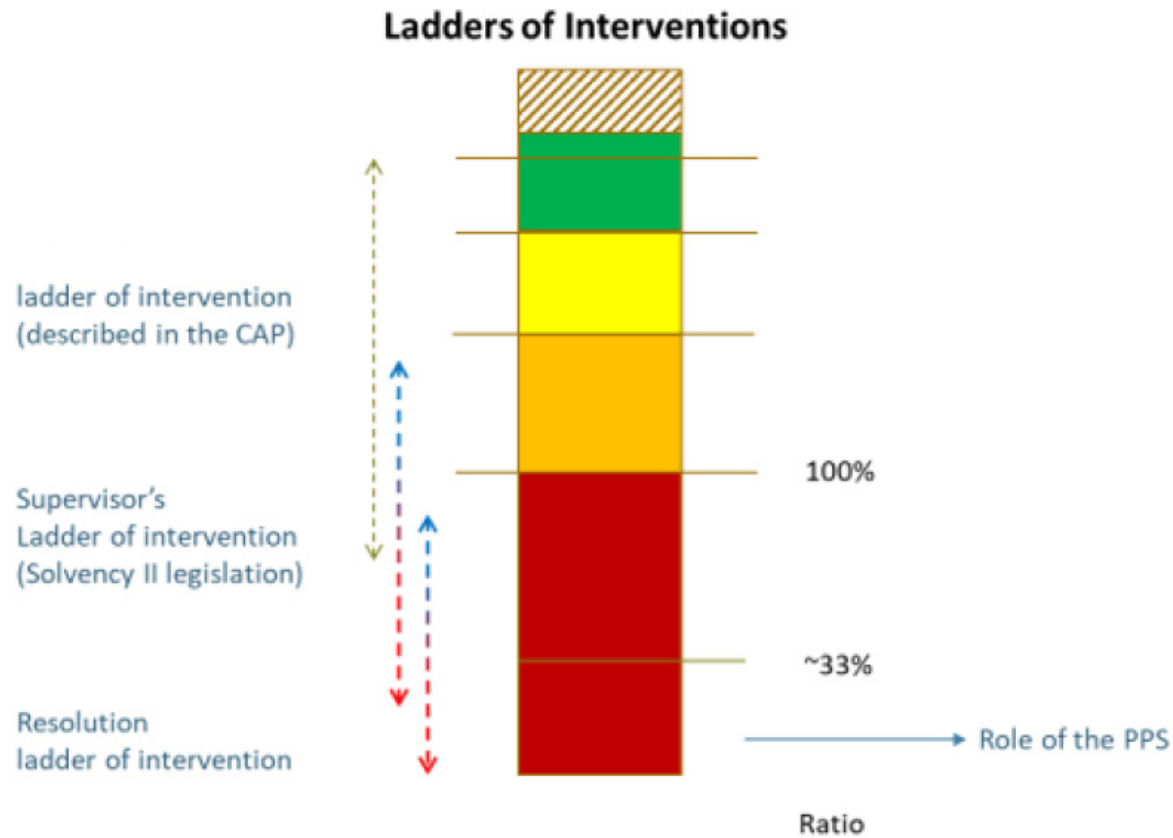
#	Organisation	Jurisdiction	Comments	Resolution of comments
			apply to the supervisor and/or resolution authority. Confidentiality protocols may also be embedded in the internal operating documents of the PPS.	
Comments on Paragraph 124				
191	Financial Sector Conduct Authority	South Africa	This Paragraph seems to relate to instances where PPSs have equal powers to the supervisor, and where the resolution authority is separate from the supervisory authority. Perhaps it could be clarified that this part relates to those instances where the PPS is a separate legal entity and in those instances information-sharing MoU's may be required.	We have edited the first sentence of the Paragraph in order to address the situation where the supervisor is the resolution authority.
192	NAIC	United States	In the blue box, while the Canada example has interesting information, only the end of the second Paragraph seems particularly relevant to the topic of coordination and cooperation. Suggest moving the remainder to a more appropriate place such as Section 2.3, where the powers of a PPS and the timing of intervention are discussed.	The first three Paragraphs of this example have been moved to Section 2.3.1.
General comments on Section 7				
General comments on Section 7.1 Other mechanisms aimed at protecting policyholders in the event of an insurer failure				
193	Insurance Europe	Europe	An essential mechanism to protect policyholders in the event of an insurer failure is the availability of an orderly resolution regime. Orderly resolution (such as, for example, an orderly run-off in resolution) can help to prevent avoidable losses when an insurer has failed (eg through fire sales of assets, early terminations of policies). Even if an insurer fails there may be sufficient funds available to cover outstanding claims, continue policies, while it may not be possible to continue as going concern insurance company. Orderly resolution can play an important role to mitigate the costs of a PPS, by reducing the risk that losses occur.	Paragraph 6 has been revised to acknowledge the importance of an orderly resolution for policyholder protection.
Comments on Paragraph 125				
194	Financial Sector Conduct Authority	South Africa	This Paragraph deals with other mechanisms being utilised for mitigation, for instance by way of "tied" assets" and "preferred claims" The use of the term "schemes" in the last sentence on page 40 is confusing as the term scheme in the paper is used in a different context. See the sentence that reads: "However, all these schemes aim at ensuring precedence of insurance	Change made.

#	Organisation	Jurisdiction	Comments	Resolution of comments
			claims over other claims." It is suggested that the reference to "schemes" perhaps be changed to "mechanisms" as this wording is used elsewhere in respect of these alternatives.	
Comments on Paragraph 126				
195	General Insurance Association of Japan	Japan	It is unclear what the distinction is between "sits outside of the supervisory framework" and "fall within the supervisory framework". Therefore, it would be sufficient to simply describe, for example, "Subsequent Paragraphs provide an overview of 'preferred claims', 'tied assets', and 'segregated assets'". We would like to ask the IAIS to clarify the intention behind such distinction.	Change made.
General comments on Section 7.1.1 Preferred claims				
Comments on Paragraph 127				
196	BonkNote	USA	Comments on Paragraph 127 • (p13) - John Garamendi (California Insurance Commissioner) - In the name of elementary fairness, Mr. Chairman and members, the IRS should move back in the line. Its claims, however legitimate, should be subordinated to the claims of the absolutely innocent, the unknowing victims of what to them looks like a draconian system of accounting games and legal niceties. 1991 0522 - Certain Issues Related to the Conservatorship of the Executive Life Insurance Company. House - Committee on Ways and Means - Subcommittee on Select Revenue	While ICP 12.9 provides that legislation should provide a high legal priority to policyholders' claims within the liquidation claims hierarchy, it also acknowledges that it is common in many jurisdictions that a higher priority is given to a limited number of other categories of claims, which may include claims by tax or fiscal authorities. No change has been made to the referred Paragraph as the Paragraph is consistent with this ICP guidance.
General comments on Section 7.1.2 Tied assets				
Comments on Paragraph 128				
Comments on Paragraph 129				
197	NAIC	United States	Referring to tied assets as an "institution" seems a bit odd; suggest considering different wording to make the intended point clearer.	"The institution of" has been deleted.
General comments on Section 7.1.3 Segregated assets				
Comments on Paragraph 130				
Comments on Paragraph 131				
Comments on Paragraph 132				
198	PCICC	Canada	This sentence rather understates the risks associated with a segregated funds solution. Our research/analysis confirms that one of the largest single causes of insurer failure is mis-	While we consider that the essence of the comment would in part be captured in the

#	Organisation	Jurisdiction	Comments	Resolution of comments
			estimation of liabilities. Relying on a segregated fund solution is likely to prove completely inadequate in cases where failure is driven by this chronic problem.	current Paragraph, we revised Paragraph 128 to include an additional reference to this.
General comments on Section 7.2 Other protection mechanisms outside of insurers' failure				
Comments on Paragraph 133				
General comments on Section 7.2.1 Mechanisms that indemnify the victim when the responsible person is unknown or uninsured				
Comments on Paragraph 134				
Comments on Paragraph 135				
199	NAIC	United States	The example jurisdictions are mentioned in an odd place; suggest this could read better as: Not infrequently, the bodies compensating the victims when there is no identified insurer, are the same as those compensating policyholders when an insurer is insolvent (eg in France, Italy, Switzerland). This can make sense since, in both cases, it is about compensating victims in the absence of an insurer capable of doing so.	Change made.
General comments on Section 7.2.2 Mechanisms covering catastrophe risks				
Comments on Paragraph 136				
General comments on Annex				
200	PCICC	Canada	We are very pleased to see the continued evolution of IAIS thinking on this critical issue. PPS/IGS are not drivers of moral hazard at the institutional level or at the policyholder level. This is precisely why it makes sense to remove Paragraph 84 which says the opposite.	Paragraph 84 has been deleted.
201	NOLHGA	United States	We recommend shortening the Annex on moral hazard as it provides undue emphasis on the issue. We suggest eliminating the sections on the IADI guidance as it is irrelevant in the insurance context.	Because more work has been done analysing related moral hazard issues in the banking sector, this is where the most instructive source material can be located. See response to Comment #100. A new sentence has been added to the third Paragraph of the Annex to explain this context.
Comments on Section 1 Moral hazard				
202	Financial Sector Conduct Authority	South Africa	We found this section to be particularly valuable in articulating this concept relative to the PPS and Deposit Insurance. We note that the material also assists in dispelling the simplistic notion that there is always a direct correlation between excessive risk taking by insurers and the interplay with a PPS.	Noted.

#	Organisation	Jurisdiction	Comments	Resolution of comments
203	NAIC	United States	Suggest revision to the 2nd sentence of the 2nd Paragraph: The problem of moral hazard, particularly for larger and more systemic institutions, was illustrated by the behaviour of some market participants in the years preceding the great financial crisis of 2007–09. Page 46, second Paragraph, can remove the period in the quote before footnote 62: “is not an effective tool ... as it can inflict losses without instilling discipline and may trigger bank runs”. Page 47, second Paragraph, second sentence, the phrase “lay policyholder” is a bit odd; suggest using “average policyholder” or simply “policyholders” in this context. Last sentence, to help improve readability: This is all the more true in multi-jurisdictional single markets such as the EU or the USA, where a policyholder based in one place (eg in Portugal or in California) is not expected to exert vigilance on the soundness of an insurer headquartered in another place (eg in Finland or in Maine).	Changes made. Rather than making editorial corrections to the last sentence, we have deleted it because it is not accurate. It is true that information that is readily available to consumers is unlikely to be sufficient to justify making them responsible for exercising vigilance over the insurers in the marketplace, but that point applies equally to domestic and foreign insurers. The information that is available to consumers in cross-border markets will generally address all insurers with a significant market presence, not just domestic insurers.
204	NOLHGA	United States	It may be worth noting that the risk of moral hazard vis a vis policyholder behavior may vary between life and non-life. A policyholder may be more likely to research the financial strength and wherewithal of an insurer (or use the guidance of a financial planner or intermediary) when purchasing long term protection as in a life insurance policy. The policyholder may be less inclined to do so with respect to short term or easily replaceable coverage, such as motor insurance. PPSs that cover long term liabilities may play a different role with respect to moral hazard mitigation than those that cover only short-term liabilities.	While we do not substantively disagree with the comment, we also consider that the point raised is relevant only where policyholders have knowledge or skills to distinguish between weak and strong insurers, which the paper mentions is questionable. We are thus of the view that no change is needed.

Annex I: Graphic included in comment #25



Annex II: Graphic included in comment #183

