

Draft revised Application Paper on recovery planning

November 2025

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Acronyms

CDS	Credit default swap
CMG	Crisis Management Group
ComFrame	Common Framework for the Supervision of Internationally Active Insurance Groups
ERM	Enterprise Risk Management
IAIS	International Association of Insurance Supervisors
IAIG	Internationally Active Insurance Group
ICP	Insurance Core Principle
IRRD	Insurance Recovery and Resolution Directive (EU)
KAs	Key Attributes of Effective Resolution Regimes for Financial Institutions
MIS	Management Information System
ORSA	Own Risk and Solvency Assessment
PCR	Prescribed Capital Requirement

1 Introduction

1. This Application Paper on recovery planning provides guidance with respect to supervisory material related to recovery planning in the Insurance Core Principles (ICPs) and the Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame). In particular, it is related to the material in ICP 16.15 and ComFrame 16.15.a and 16.15.b (ICP 16 (Enterprise risk management for solvency purposes)), and is also relevant to supervisory cooperation and coordination arrangements set out in ICP 23 (Group-wide supervision) and ICP 25 (Supervisory cooperation and coordination).

2. The Application Paper addresses the nature of a recovery plan, and the roles of the supervisor and insurer with respect to the plan. This includes a discussion of:

- The relationship between recovery plans and other enterprise risk management (ERM) tools, including Own Risk and Solvency Assessment (ORSA), contingency plans and other preventive or corrective measures;
- The circumstances in which it is appropriate for the supervisor to require a recovery plan; and
- The implementation of the proportionality principle with respect to a recovery plan.

3. This paper is an updated version of the Application Paper on recovery planning that was originally published in November 2019. This paper replaces the original paper, in light of:

- Revisions to the relevant standard ICP 16.15 and related ComFrame standard adopted in December 2024; and
- Evolving legislation and supervisory practices in jurisdictions, reflected in a member survey conducted in Q2 2025.¹

4. In this paper, terms have the same meaning as set out in the International Association of Insurance Supervisors (IAIS) Glossary.² The IAIS Glossary defines a “recovery plan” as a plan that identifies in advance options to restore financial position and viability if the insurer comes under severe stress. “In advance” is here to be understood as “in advance of any (reasonably foreseeable) crisis”. A recovery plan includes three elements: (i) credible options to cope with a range of severe stress scenarios, including both idiosyncratic and market-wide stress; (ii) scenarios that address capital shortfall and liquidity pressures; and (iii) processes to ensure timely implementation of effective recovery options in a range of severe stress situations. A recovery plan could be considered “credible” or “feasible”, for instance, if recovery options are implementable, if obstacles to implementation have been identified and addressed, and if they can be implemented in a timely manner.

5. This Application Paper should be read in the context of the proportionality principle, which provides supervisors with “the flexibility to tailor their implementation of supervisory requirements

¹ Inputs on the survey were provided by 24 IAIS members from the following jurisdictions: Australia, Barbados, Belgium, Bermuda, Canada, Chile, China, China Hong Kong, Chinese Taipei, France, Germany, Hungary, Italy, Malaysia, the Netherlands, Poland, Portugal, Romania, Singapore, South Africa, Spain, Switzerland, the UK and the USA.

² IAIS, [Glossary](#), December 2024.

and their application of insurance supervision to achieve the outcomes stipulated in the Principle Statements and Standards”, as described in the Introduction to the ICPs.

1.1 Purpose

6. The purpose of this paper is to:

- Provide recommendations and guidance to supervisors regarding recovery planning, and cooperation and coordination between supervisors;
- Provide additional information for insurers with regard to recovery planning; and
- Provide examples to illustrate the application of principles, standards and guidance relevant to recovery planning.

7. This paper does not establish new standards or expectations, but it provides guidance to supervisors on how to implement, in their own jurisdictions, the standards as set out in the ICPs and ComFrame regarding recovery planning, and how recovery planning could be constructed to prove useful to supervisors and insurers. It should not be considered an exhaustive compilation with respect to recovery planning. The examples in this paper are provided only to illustrate recovery planning concepts.

1.2 Scope

8. This paper and its concepts are relevant to all supervisors and insurers,³ and its recommendations are applicable across supervisory approaches among jurisdictions. Generally, the concepts described in the paper are equally applicable to primary insurance and reinsurance. The paper is also intended for supervisors of insurance groups with more complex structures or larger business operations that may particularly benefit from prior planning for recovery from severe stress.

9. The Financial Stability Board’s Key Attributes of Effective Resolution Regimes for Financial Institutions (KAs) and related materials contain information regarding recovery planning for “any financial institution that could be systemically significant or critical if it fails”. This paper has been informed by the KAs and, to the extent appropriate, provides background information and explains recovery-planning concepts.

10. This paper does not address resolution. This is covered in the Application Paper on resolution powers, preparation and plans.⁴

1.3 Structure of the Application Paper

11. The paper covers the following topics related to recovery planning:

- Objectives and concepts of recovery planning in Section 2 (ICP 16.15, first bullet point);
- Requirements for recovery plans, and the application of the proportionality principle to recovery planning in Section 3 (ICP 16.15, second and third bullet points);

³ The term “insurer” means insurance legal entities and insurance groups, including insurance-led financial conglomerates (see the ICP Introduction).

⁴ See IAIS, [Draft revised Application Paper on resolution powers, preparation and plans](#), November 2025.

- Governance-related matters in recovery planning, including the development and approval process of a recovery plan and how it relates to overall risk management of an insurer in Section 4 (ICP 16.15, second and third bullet points);
- Key elements of a recovery plan, and examples of how these can be addressed in a recovery plan in Section 5 (ICP 16.15, second and third bullet points); and
- The role of the supervisor (or supervisors in a cross-border group) in recovery planning in Section 6 (ICP 16.15, fourth bullet point).

Table: Sections in this Application Paper covering ICP 16.15 standards and guidance

ICP 16.15 standards	ICP 16.15 guidance	Sections in this paper
• The supervisor requires insurers to evaluate in advance their specific risks and options to recover from severe stress.	ICPs 16.15.1–16.15.3	Section 2
• The supervisor has a process to regularly assess which insurers are required to have a recovery plan, based on established criteria that consider the nature, scale and complexity of the insurer. • The supervisor requires, at a minimum, a recovery plan for any insurer assessed to be systemically important or critical if it fails.	ICPs 16.15.4–16.15.9	Sections 3–5
• The supervisor ensures that, when a recovery plan is required, the insurer has it in place and regularly reviews and updates it when necessary.	ICPs 16.15.10–16.15.11	Section 6

2 Objectives and concepts of recovery planning

12. ICP 16.15 provides that “the supervisor requires insurers to evaluate in advance their specific risks and options to recover from severe stress”. The standard and its guidance make a distinction between an evaluation and a recovery plan. Both have the same objective, which is to aid an insurer in understanding its own risks from severe stress situations, and to enhance its preparedness in delivering an effective response. The standard should be interpreted to be pre-emptive in nature and the evaluation should be performed in advance of any severe stress situation.

13. The evaluation – and the development of a recovery plan, if required – are the responsibility of the insurer. Although evaluation is a general requirement, the recovery plan requirement applies only to those insurers identified by the supervisor, as prescribed under ICP 16.15 and further discussed in Section 3.

14. To be effective, the evaluation – which may include the development of a recovery plan, if required – should be integrated in the ERM framework of the insurer. Evaluating risks and recovery options in advance of any severe stress materialising is aimed to:

- Create awareness and preparedness for possible adverse situations;
- Enable the insurer to consider and evaluate the most appropriate and effective mitigation without the (time) pressure resulting from actual severe stress; and
- Enable the insurer to make more effective, comprehensive and thoughtful plans or evaluations and ensure their timely activation and implementation.⁵

15. Although ICP 16.15 is primarily intended to benefit insurers by helping them to prepare for severe stress, it can also benefit the supervisor by providing a better understanding of the insurer and a sense of how certain adverse situations may be addressed by the insurer. A recovery plan, if required, may serve as additional information for the supervisor when evaluating the insurer’s preparedness for severe stress situations and determining any necessary or beneficial supervisory actions.

2.1 Evaluation

16. The first bullet point of ICP 16.15 states that the supervisor “requires insurers to evaluate in advance their specific risks and options to recover from severe stress”. The objective of such evaluation is to aid an insurer in understanding its own risks from severe stress situations and to be better prepared to provide an effective recovery. To support supervisory review (see ICP 16.16), the supervisor may also require insurers to report the outcome of the evaluation.

17. For insurers that are required to have a recovery plan, developing such a plan satisfies the evaluation requirement. In other words, the first bullet point requirement in ICP 16.15, “to evaluate”, applies broadly to the insurance sector as a whole on a proportionate basis, whereas the “recovery plan” requirement applies only to a subset of the insurance sector (see Section 3).

⁵ However, as noted in ICP 16.15.11, if the insurer comes under severe stress, the actual nature and timing of recovery actions will ultimately depend on the circumstances.

18. Although the evaluation requirement is phrased in general terms, unlike the requirements relating to the recovery plan contemplated under the second, third and fourth bullet points of ICP 16.15, the supervisor should still use the proportionality principle to determine the intensity of this requirement. In this respect, the supervisor should take into account “the risks inherent to insurers, and the risks posed by insurers to policyholders, the insurance sector or the financial system as a whole. A proportionate application involves using a variety of supervisory techniques and practices that are tailored to the insurer to achieve the outcomes of the ICPs. Such techniques and practices should not go beyond what is necessary in order to achieve their purpose.” (see the ICP Introduction).

2.2 Recovery plan

19. As defined in the IAIS Glossary, a “recovery plan” is a plan developed and maintained by the insurer that “identifies in advance options to restore its financial position and viability if the insurer comes under severe stress”. The focus is on situations that pose a serious risk to the viability of the insurer or any material part of its business.

20. In the context of this Application Paper, the development of a recovery plan is pre-emptive in nature.⁶

2.3 Related concepts

21. It is important to understand the distinct objective of ICP 16.15 versus several other related concepts introduced in the ICPs, notably that of “preventive or corrective measures”, as well as the relationship with other ERM tools, such as the ORSA and contingency plans.

Preventive or corrective measures

22. Preventive or corrective measures, as defined in ICP 10 (Preventive measures, corrective measures and sanctions) are meant to prevent, or respond to, an actual breach of regulatory requirements by an insurer. The standard in ICP 10 is in response to problems that have already materialised or are likely to be imminent.

ORSA

23. The requirement in ICP 16.15 also generally differs from the ORSA requirement, in both perspective and objective. The ORSA is performed regularly by insurers to assess the adequacy of its risk management and capital to support current and anticipated business operations as a going concern. It encompasses all reasonably foreseeable and relevant material risks and identifies the relationship between management of those risks and the level and quality of financial resources that are needed and available to support those risks. A key objective of the ORSA is to prevent an insurer from coming under severe stress. In contrast, the requirement in ICP 16.15 suggests that the insurer should envision being confronted with severe stress, in order to contemplate the possible options and actions needed to mitigate this stress and restore the insurer’s financial position and viability.

⁶ Some jurisdictions use the term “recovery plan” to refer to the corrective action an insurer is required to take following a breach of its Prescribed Capital Requirement (PCR) – see ICP 17 (Capital adequacy) – and consequently use the term “pre-emptive recovery plan” to refer to the recovery plans contemplated in this Application Paper.

24. An insurer's evaluation of severe stress risks and recovery options may not be always included as an element of the insurer's ORSA. However, the insurer's ORSA, along with other ERM tools, could be used to inform, or serve as the basis of, this evaluation (see ICP 16.15.3). If a jurisdiction intends to rely on the ORSA as its mechanism for implementing this evaluation requirement, it should include clear provisions within its ORSA requirements that explicitly require an evaluation of specific risks and options to recover from severe stress.

Contingency planning

25. A contingency plan, as explained in ICP 16.0.9 and defined in the IAIS Glossary, "describes in advance the necessary actions and resources to limit business disruption and losses resulting from an adverse financial event (such as a sudden liquidity shortfall or sudden market movements) or an operational event (such as a natural disaster)". ICP 16.15, instead, specifically focuses on severe stress scenarios that may ultimately threaten the viability of the insurer. However, as noted in ICP 16.0.9, contingency planning may include a recovery plan.

26. What distinguishes the ICP 16.15 requirement from other elements of an insurer's ERM framework is that it specifically discusses situations of "severe" stress.

Alignment with ERM framework

27. The existing tools within an insurer's ERM framework may serve as a source of input when performing the evaluation or developing the recovery plan. They may include the ORSA, contingency plans, and capital and liquidity risk management plans. The potential benefits of using these tools as input are to ensure alignment with existing ERM tools and to allow the insurer to use its resources efficiently.

28. For example, an insurer may find that the appropriate governance arrangements and reporting lines to discuss in its recovery plan have already been identified in existing planning documents. An insurer should carefully consider the appropriateness of using aspects of existing ERM tools, and should not simply look to replicate existing documentation. Similarly, once a recovery plan is in place, the insurer should treat the recovery plan and other ERM tools as mutually reinforcing analyses and ensure that they remain in alignment.

29. Based on survey responses, most jurisdictions indicated that they consider the ORSA and other ERM tools as useful input or complements to recovery plans. Two jurisdictions mentioned that an insurer's ORSA should include either a recovery plan or a discussion of severe stresses that could trigger a recovery plan, along with a summary of available recovery options.

3 Scope of application and proportionality

30. This section is intended to provide guidance to assist supervisors when determining whether to require a particular insurer to have a recovery plan. It also provides guidance on what form, content and level of detail should be required when a recovery plan is required.

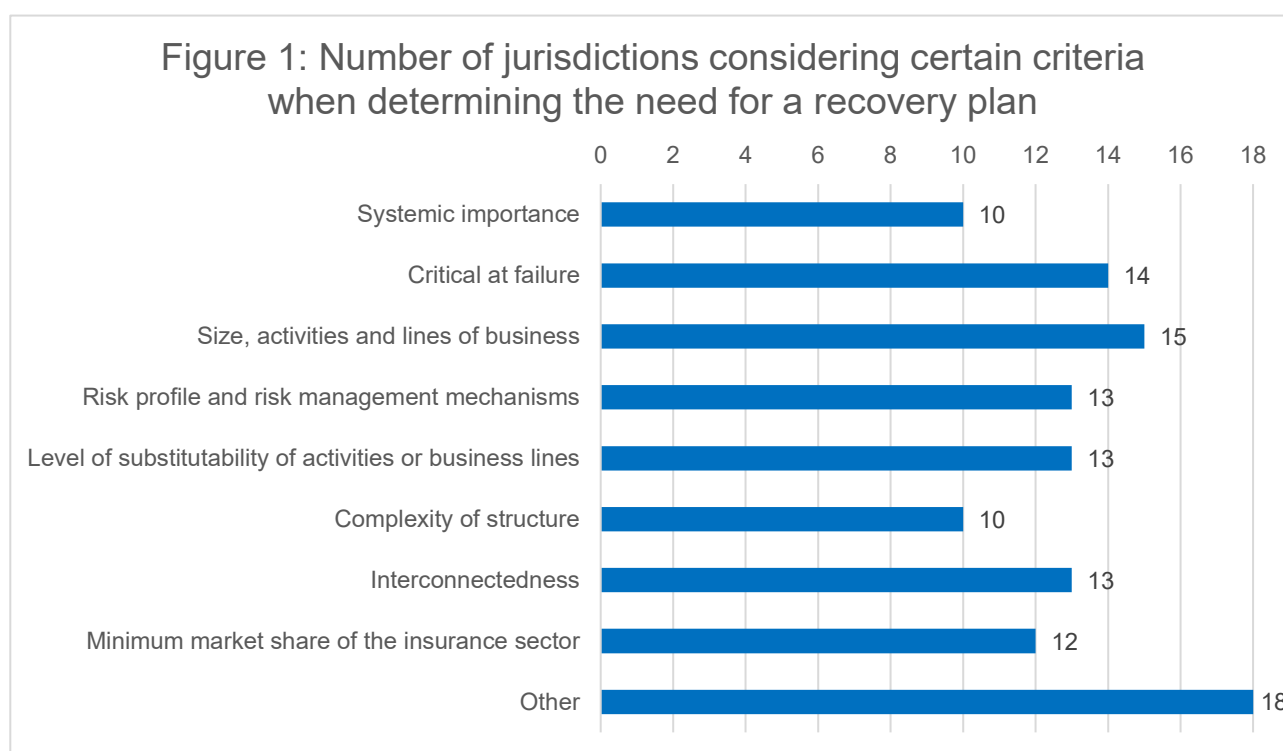
31. ICP 16.15 states that a supervisor "has a process to regularly assess which insurers are required to have a recovery plan, based on established criteria that consider the nature, scale and complexity of the insurer". It also states that a supervisor "requires, at a minimum, a recovery plan for any insurer assessed to be systemically important or critical if it fails". Therefore, supervisors are expected to establish an assessment process.

32. ICP 16.15.5 outlines factors that supervisors should consider when developing the criteria to determine which insurers should be subject to a recovery plan requirement. These factors include, amongst others, the insurer's size, activities, lines of business, risk profile, substitutability and interconnectedness.

33. The potential systemic importance of an insurer should be assessed in line with ICP 24 (Macroprudential supervision), as per ICP 16.15.7. Whether an insurer is considered "critical at failure" should be assessed based on the likelihood that its failure would have a significant impact on the financial system and/or the real economy of the jurisdiction.

34. Outcomes from the member survey indicate that various approaches have been used or considered to determine the need for a recovery plan. Most supervisors establish a framework that incorporates qualitative and/or quantitative factors to assess whether insurers within their jurisdiction require a recovery plan.

35. The survey results show that almost all members that responded have a process to determine whether to require an insurer to have a recovery plan or have plans to establish such a process.⁷



Source: IAIS member survey

36. Figure 1 presents how the criteria listed within ICP 16.15 and its guidance paragraphs are already used in practice by IAIS members when determining the need for a recovery plan. In general,

⁷ Consistent with the survey instructions, some EU jurisdictions have answered according to their future legislation after they have implemented the IRRD. Accordingly, some of them indicated that they will have such a process when the IRRD is implemented, although they may not have it as of now. It should be noted that the IRRD is of minimal harmonisation, and EU members will continue to have national specificities after it is implemented.

the results show that jurisdictions consider a variety of criteria when determining the need for a recovery plan. The survey results show that most jurisdictions that have a selection process in place consider “size, activities and lines of business” when determining the need for a resolution plan. Many of these jurisdictions also take into account “systemic importance”, “critical at failure”, “risk profile and risk management mechanisms”, and “complexity of structure”. An appreciable number of respondents look at “minimum market share”. Eighteen jurisdictions indicated that they consider other criteria, such as stress test results, whether subject to enhanced monitoring, cross-border activities or risks, Crisis Management Group (CMG) considerations, or financial or quantitative criteria (such as total assets or total gross written premiums).

37. The survey results also show that almost all jurisdictions that have a recovery plan requirement in place take the proportionality principle into account when applying such a requirement to the sector. Even where proportionality is not explicitly considered as part of the assessment process, the proportionality principle is implicitly embedded in the specific selection criteria, such as size, risk profile or complexity.

38. One jurisdiction stated that all insurers are required to develop plans, and another stated that all but a small subset of insurers falling outside of a pre-defined threshold are required to develop plans. Some other jurisdictions apply a quantitative threshold to set the scope for the recovery plan requirement, but allow supervisors to include other insurers on a case by case basis.

39. The relevant guidance material in ICP 16.15 states that the supervisor should also consider the factors above when deciding on the level of detail of a recovery plan. When the supervisor decides that a recovery plan is required for a particular insurer, it is expected that the insurer sets up a process for the development of the plan to achieve the objective of a recovery plan. As discussed in Section 2, in the preparations of the plan, the insurer may leverage, and should ensure alignment with, existing tools within its ERM framework.

Box 1: Recovery plan requirement under the EU IRRD

- Ten EU member jurisdictions responded to the survey, with some respondents basing their answers on the current situation prior to the application of the Insurance Recovery and Resolution Directive (IRRd), while others already reflected the upcoming changes to their framework by the application of the IRRd from 29 January 2027.
- After the IRRd’s application, all EU member jurisdictions will at least require their resolution authorities to subject insurers to a recovery plan on the basis of the insurer’s size, business model, risk profile, interconnectedness, substitutability, their importance for the economy of the jurisdiction in which they operate and their cross-border activities.
- The IRRd requires that at least 60% of a member state’s insurance market is subject to a recovery plan requirement, therefore allowing supervisors to exclude certain insurers from this requirement. However, every insurer that is subject to a resolution plan shall be subject to a recovery plan as well.
- Moreover, the Directive excludes small and non-complex insurers from the recovery plan requirement, unless the supervisor considers that such an insurer represents a particular risk at a national or regional level.

40. Supervisors may require simplified recovery plans, consistent with ICP 16.15. The survey results show that 16 of the responding jurisdictions allow for simplified recovery plans, either by

applying the general proportionality principle or by applying specific rules regarding eligibility, content and update frequency.

41. Supervisors may also apply proportionality regarding the development of recovery plans, while ensuring that the distinct perspective and objective of a recovery plan are maintained in the following ways:

- Allowing the insurer to use a phased approach for the development of a recovery plan, by submitting a high-level draft initially and taking a more extended period of time to prepare the complete document;
- Allowing the insurer to align the timing of the development process with that of existing tools to minimise the needed resources; or
- Varying the level of detail and content requested in the plan, for instance by allowing the insurer to omit some of the elements discussed in Section 5 or by detailing fewer recovery options and stress scenarios in the plan.

42. Regarding the maintenance of the recovery plan (see ICP 16.15.10), proportionality could be applied in the following ways, provided that the recovery plan remains usable and effective:

- Varying the frequency for the regular update of the recovery plan, especially when key relevant characteristics have not changed materially year on year; or
- Allowing the insurer to monitor some of the indicators in the recovery plan less frequently, such as the status of any non-material entities within a group.

Box 2: Matters specific to insurance groups

- Group recovery plans should consider specific matters such as supervisory cooperation and coordination and the scope of application within the group, which, in the case of cross-border groups, is further explained in subsection 6.2.
- As the group recovery plan aims to describe how the group as a whole can recover from severe stress, a starting point would be the identification of all legal entities within the group and an assessment of their materiality. This includes the head of the group, the insurance legal entities, the branches, and the non-insurance legal entities (both regulated and non-regulated). Entities that are not material financially or operationally may be excluded from the plan, or the coverage within the plan may be limited to a short description. Material entities would be covered more extensively.
- The following factors may be taken into account when assessing the materiality of an entity:
 - Its significance to the group, for instance in terms of assets, liabilities, funding, capital, profits or risk profile, but also in terms of the functions that are performed within the entity, such as key operational, risk or administrative functions; or
 - Its significance to the financial system and/or the real economy in the jurisdiction or jurisdictions in which it operates, and the extent to which the failure to continue to perform its activities may have a negative impact on them.
- In the case of a cross-border insurance group, even if a group recovery plan is in place, a host supervisor may deem it appropriate to require a separate recovery plan for the insurance legal entity in its jurisdiction, particularly in cases where the entity in its jurisdiction is not sufficiently covered by the group recovery plan, or is deemed systemically important in that

jurisdiction. The decision to require a separate recovery plan may also include factors such as size and/or risk profile. In all such cases, it is expected that the host supervisor would cooperate and coordinate with the group-wide supervisor to avoid an inconsistent recovery plan and inconsistent actions in times of crisis (see Section 6).

- The same process may be applied in the case of financial conglomerates, where the relevant supervisors may deem it necessary to require separate plans for the insurance legal entity or entities.

4 Governance

43. This section addresses appropriate insurer governance for severe stress evaluation and recovery planning processes, building on an insurer's existing ERM framework and its strategies, policies and processes (see ICP 16 (Enterprise risk management for solvency purposes)). Effective governance should follow written policies and/or procedures that provide a clear and sufficiently detailed description of the operational development process, the approval process, and – if a recovery plan is required – the schedule and process for developing and maintaining recovery plans, as well as the schedule for monitoring of key metrics and operational procedures for activation of the recovery plan and any escalation processes.

44. For insurers that are not required to have a recovery plan in place, the concepts discussed here could inform their evaluations of their specific risks and options to recover from severe stress. Such an evaluation could lead the insurer to develop a full or partial recovery plan even if the supervisor has not chosen to require it.

45. Additionally, this section discusses the role of the Board, Senior Management and Key Persons in Control Functions relevant to recovery planning. It also addresses the various phases of the preparation of a recovery plan:

- **Development, approval, reviewing and testing** relates to the development phase of the recovery plan, which should occur in advance of any severe stress situation. This section provides examples of good practices of processes for developing the initial recovery plan and keeping it up to date where needed; and
- **Monitoring, escalation and activation** relates to governance processes when an insurer is faced with actual, severe stress. Adequate monitoring processes are needed to detect such situations promptly, and escalation and activation mechanisms are aimed to prompt the insurer to start the process of evaluating the various recovery options laid out in the plan in response to the specific circumstances. Such evaluation may also lead to the conclusion that the execution of the recovery options in the plan is unnecessary, premature, or no longer required, given the specific circumstances.

4.1 Governance: development, approval, review and testing

46. As discussed throughout this Application Paper, a recovery plan aims to equip insurers with comprehensive and credible options to restoring soundness that are kept up to date and can be implemented effectively and in a timely manner. To achieve this goal, a formalised governance process around developing, approving and updating the recovery plan will benefit from the participation of the insurer's Board, Senior Management and Key Persons in Control Functions

relevant to activation and implementation of the recovery plan. A governance process that includes such active participation in the development of the recovery plan will increase the likelihood that the recovery planning process and the substance of the recovery plans are fully integrated into the insurer's corporate governance arrangements (for supervisory expectations on an insurer's corporate governance arrangements, see ICP 7 (Corporate governance)) and the insurer's ERM.

47. Regarding the development and approval of the recovery plan, the insurer's governance could benefit from addressing the following elements in policies and procedures:

- Identification of Board Members, Senior Management, other relevant Key Persons in Control Functions and subject matter experts with significant roles in the development and approval of the recovery plan, and a description of their roles and responsibilities, including the development of key components of the plan such as the trigger framework and recovery options;
- The establishment of a development and approval process with an appropriate segregation of duties and controls between those persons accountable for the development of the plan, and those who review and/or approve the plan. It would be expected that the Board is responsible for the final approval of the recovery plan;
- Consideration of how the development and approval processes and the roles and responsibilities of key participants in those processes integrate and interact with the insurer's overall corporate governance framework;
- Review to ensure that the recovery plan is consistent with the insurer's overall ERM and risk appetite; and
- The establishment of communication procedures to ensure the supervisor is informed and updated appropriately during the development process.

48. Regarding review and updating the recovery plan, the insurer's governance could benefit from addressing the following elements in policies and procedures:

- Identification of (key) Board Members, Senior Management or other relevant Key Persons in Control Functions, and their roles and responsibilities with respect to reviewing and updating the recovery plan;
- A description of the frequency for reviewing and updating the recovery plan as follows:
 - Timing for keeping the plan up to date through regular reviews and updates;
 - Taking into consideration when reviews and updates could be triggered by:
 - Events internal to the insurer (eg material changes in the insurer's structure or operations, its strategy or aggregated risk exposure); or
 - Events external to the insurer that could materially affect the insurer or the viability of the plan (eg a significant change in capital markets that impacts the insurer's capital management or liquidity plans).
- Ensuring that any changes to the recovery plan are communicated in a timely manner to relevant parties, including the supervisor; and
- Ensuring that the insurer's Management Information System (MIS) and ERM capture events that would trigger the need to update the recovery plan and that they capture those events in a timely manner. An insurer should outline its process for regularly monitoring the internal and external events that could trigger a review and update of the plan.

49. Regarding testing of the recovery plan, the insurer's governance could benefit from addressing the following elements in policies and procedures:

- Establishment of regular tests of the recovery plan to check whether the plan can be activated and implemented in a timely manner, and that the operational procedures and implementation governance of the plan are effective. Any lessons learned should be incorporated in the update process;
- Operational testing of the recovery plan could focus on improving execution and training for internal escalation processes and communication strategies, or engaging in simulation exercises working through the recovery plan in a time-accelerated exercise with relevant key persons. It should be noted that such simulation exercises may be resource intensive and that different exercises may focus on different aspects of the recovery plan, such as effectiveness of recovery options, communication or governance; and
- The insurer's existing stress testing framework can also be an effective way to test the credibility of the recovery plan, particularly in relation to the menu of recovery options and the calibration of the trigger framework.

4.2 Governance: monitoring, escalation and activation processes

50. The recovery plan should also have an embedded governance process for monitoring breaches of recovery triggers and for escalating responses and activating the recovery plan, which should include a description of the key roles and responsibilities of the insurer's Board, Senior Management and Key Persons in Control Functions relevant in the plan, and for internal and external stakeholders – including supervisors.

51. Timing is a critical element in the ability of recovery plans to achieve their aims. As events and stressors may materialise at short notice and/or within short periods of time (eg an earthquake), it is essential that the event or stressor is quickly recognised and the recovery plan is activated in a timely manner. As a result, clear governance policies and procedures around (timely) monitoring, escalation and activation are critical.

52. With respect to monitoring, policies and procedures should:

- Ensure that the insurer's MIS captures any trigger event and does so in a timely manner. An insurer should outline its process for regularly monitoring the range of criteria in its trigger framework. Insurers should be able to demonstrate that appropriate MIS are in place to support this monitoring process;
- Outline the circumstances in which the insurer would consider an increased level of monitoring and reporting to the Board and Senior Management – for example, more granular and/or more frequent reporting of management information; and
- Form necessary monitoring and governing committees, such as a crisis management team.

53. With respect to escalation and activation, policies and procedures should:

- Clearly identify the process and timing for escalation to the Board and Senior Management upon stress events implicating the possibility of recovery actions, and this should include the process required when one or more specific criteria in the trigger framework have been breached;

- Clearly identify the process for activation of the recovery plan upon severe stress events, including but not limited to occurrence of the specific criteria in the trigger framework as identified in the plan;
- Identify the roles and responsibilities of the Board, Senior Management and other relevant Key Persons in Control Functions; and
- Include procedures that ensure that any activation of the recovery plan is communicated in a timely manner to all relevant parties, including the supervisor.

54. The points above emphasise the role of the insurer's Board and Senior Management in the context of a recovery plan, as it may involve decisions that significantly affect the insurer. Recovery plans should not commit an insurer to take any action without first evaluating relevant information and deliberating on the best course of action. In fact, the insurer may, in some circumstances, conclude that implementation of the recovery options in the plan may be unnecessary, premature or no longer required, based on an evaluation of the relevant information. It can be helpful for the Board and Senior Management to consider their recovery options through development of operational guides or manuals, but this should not bind or limit the actions taken when stress actually occurs.

55. The recovery plan should establish adequate procedures for keeping supervisors notified of an emerging stress scenario and for sharing plans on the recovery options contemplated for implementation, including adequate time and governance controls to ensure that any applicable supervisory approvals are obtained (see also Section 5.6). For insurers with significant cross-border operations, it is particularly important to keep foreign supervisors and local management notified (see also Section 6.2).

5 Elements of a recovery plan

56. The key elements of a recovery plan will often include:

- An **executive abstract** of the most important substantive elements of the recovery plan, most notably the trigger framework and available recovery strategies;
- A **description of the insurer** that outlines the insurer's legal structure, its main activities, and key financial and operational characteristics, including the identification of material legal entities and an analysis of the intragroup dependences;
- A **trigger framework** that allows the insurer to identify in a timely manner any emerging risks that may have the potential to threaten its viability;
- A description of its **governance** for recovery planning and utilisation of the plan itself, including the alignment of the plan within existing corporate governance and risk management frameworks and a description of how the recovery plan is activated in crisis;
- A menu of credible **recovery options** outlining ways in which the insurer could recover from severe stress scenarios, including an assessment of the feasibility and impact of recovery options;
- A **communications strategy** to keep internal and external stakeholders, media and supervisors informed and to help manage the expectations, and/or retain (or restore) the confidence of market participants and policyholders as necessary; and
- A set of **stress scenarios** to assist in assessing the credibility and feasibility of the recovery plan, notably of the trigger framework and recovery options.

57. As in the rest of the paper, the guidance provided in this section can be used by both supervisors and insurers. Supervisors may use it as input for developing more detailed guidelines within their jurisdictions. Insurers may find it useful background information when developing or assessing their recovery plans.

5.1 Executive abstract of the recovery plan

58. It may be useful for the insurer to develop a high-level abstract of the main operational components of the recovery plan. It may be considered good practice to include a summary of the most significant trigger points, key recovery strategies and the operational plan for implementation.

59. The purpose of the executive abstract is to serve as a roadmap of the recovery plan to enable the Board and Senior Management to quickly understand and assess the governance, trigger framework, recovery options and communication strategies for effectively responding to a severe stress situation. It may be helpful to use tables and flow charts to summarise these operational details. It may also be helpful to include a description of how the recovery plan is integrated into the overall ERM of the insurer (see Section 2).

60. It may be useful for the insurer to document a record of all material changes incorporated into the recovery plan as it is updated. This can be a useful reference for the Board and Senior Management when reviewing and using the plan.

61. The executive abstract can also serve as a useful aid for supervisors when reviewing and assessing recovery plans, as it should reflect any material changes made and outline the operational components of a credible recovery plan.

5.2 Description of the insurer

62. The description should summarise the insurer's operational business structure, legal structure, material legal entities, key jurisdictions in which it is active, entities covered by the plan, functions and/or services that are significant for the continuation of business, key dependencies or inter-dependencies, and any other relevant information. Examples of functions and/or services that are significant for the continuation of business include information technology services, management services, shared services (if a group) and necessary outsourced functions. This will enable all decision-makers and supervisors to assess the implications of different recovery actions for the insurance legal entity, or for the insurance group as a whole and all its entities if the plan deals with a group.

63. The description may include additional characteristics such as interconnections (both internal and external), potential sources of intra-group contagion risk, critical functions and/or services, and significant contracts.

5.3 Trigger framework

64. The trigger framework should identify a set of pre-defined criteria, which may trigger the activation of the recovery plan so as to allow the insurer to successfully monitor, escalate and activate the appropriate range of responses for an emerging stress event.

65. The trigger framework should be established, measured and monitored at the group and material legal entities levels. Triggers at holding company and/or intermediate holding company level may also be appropriate.

66. The trigger framework should be aligned with contingency plans and processes in the insurer's ERM such as the ORSA and capital and liquidity risk management policies. For example, supervisors may observe an overlap between the criteria being monitored under existing capital management policies, stress testing and any contingency plans, including risk metrics and limits defined in the risk appetite.

67. The trigger framework should be tailored to reflect the insurer's risk profile and operating environment, and should use appropriately calibrated metrics so that the recovery plan is activated when the insurer is under stress.

68. The trigger framework should include a broad range of criteria that are pre-determined and well defined to prompt timely responses from the insurer. It should operate in a cascading manner to reflect the fact that different levels of response will be required, depending on the circumstances and severity of the stress event. For instance, an insurer may choose to use certain criteria as "early warning indicators" to alert it to emerging risks and determine that these criteria require heightened monitoring. Other criteria may be used as "trigger points" for informing more intensified responses such as instigating escalation procedures and activation of the recovery plan.

69. The framework should include quantitative and qualitative criteria and include a forward-looking element, where possible. For example, the survey showed that effective trigger frameworks may include criteria relating to capital, liquidity, asset quality, profitability, market conditions, macroeconomic conditions and the insurer's operational conditions.

Box 3: Examples of criteria (quantitative or qualitative)

By way of illustration, the insurer may consider incorporating the following types of criteria:

- **Solvency:** identify deterioration in the insurer's quantity and quality of capital, including metrics that may be sourced from an applicable capital framework;
- **Liquidity:** identify deterioration in the insurer's capacity to meet its liquidity needs, including metrics that may be sourced from any existing liquidity management policies;
- **Asset quality:** identify deterioration in the quality of the insurer's asset mix;
- **Insurance liabilities:** capture changes in the external or internal environment that may cause an increase in the technical provisions, for instance related to mortality, claim severity or interest rates;
- **Profitability:** capture deterioration in the insurer's financial position due to insurance or investment related losses;
- **Market:** capture deterioration in investment performance and market confidence in an insurer's financial condition, such as credit default swap (CDS) spreads, share price movements and rating downgrades;
- **Macroeconomic:** identify emerging risks in the insurer's operating environment, such as unemployment rates, interest rates, inflation or real estate prices; and
- **Operational:** capture operational events that could threaten financial viability, such as fraud, reputational damage, regulatory fines or cyber-attacks.

70. The trigger framework should be calibrated to provide enough time for the Board and Senior Management to:

- Fully evaluate the circumstances of the stress;

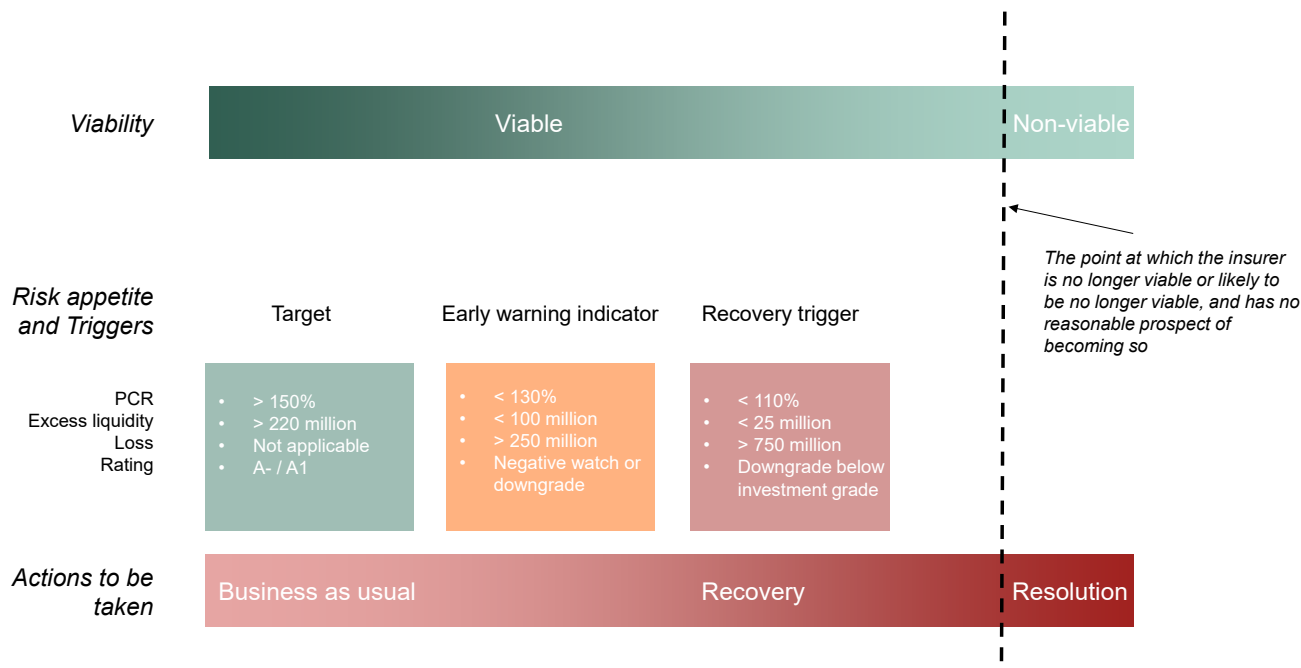
- Engage in effective decision-making on the appropriate recovery option(s); and
- Implement action on the selected recovery option(s) to respond effectively to the emerging stress event.

71. For example, with regard to solvency criteria, an insurer may decide to calibrate trigger points for activation of the recovery plan at a credible distance from any regulatory minimums, such as the PCR.

72. Stress testing and scenario analysis can provide an important feedback loop into the effectiveness of the trigger framework's calibration by demonstrating that the trigger points are calibrated to enable effective recovery options to be chosen and implemented in a timely manner.

73. Figure 2 illustrates in a stylised way the relationship between, on the one hand, viability, the risk appetite and the trigger framework, and, on the other hand, the nature of actions to be taken. It captures the principles discussed in this section, such as alignment with the ERM and the cascading nature of the criteria. The left-hand (green) part is related to an insurer's risk appetite framework, which generally identifies target levels in which the insurer is operating "business as usual". The middle (orange) and right-hand (red) parts of the figure relate directly to the recovery plan, in which criteria are set at cascading levels to indicate emerging stress. The part to the right of the point of non-viability is related to the phase of resolution and is not in the scope of this paper. The specific thresholds in the figure are hypothetical and are included purely for illustrative purposes.

Figure 2: Stylised relationship among recovery triggers, viability and actions to be taken



5.4 Governance

74. The recovery plan should describe the governance for recovery planning and utilisation of the plan itself, including alignment of the plan within existing corporate governance and risk management frameworks, as described in more detail in Section 4. This includes a description of

the processes for monitoring, escalating and activating the recovery plan, and a description of the key roles and responsibilities of stakeholders for each part of the governance process.

5.5 Recovery options

75. The core of the recovery plan is the menu of credible options that an insurer identifies in advance of any stress as potential pathways to effective recovery in the event of severe stress. This menu of options should be comprehensive, with a focus on options that are able to significantly enhance and restore the capital and/or the liquidity position in times of severe stress. The range of recovery options would usually include acts to raise capital or other funding, increase liquidity, reduce costs and enhance risk mitigation. The recovery options may also include options that have permanent structural or strategic implications when necessary. See Box 4 for examples of possible recovery options.

76. The menu of recovery options should be developed without being limited to any specific stress scenario, with the scenario analysis then being used to help assess whether the recovery options provide sufficient capacity for recovery across a range of potential stresses and whether they can be implemented in a timely manner.

77. If some recovery options require regulatory or supervisory approval or assistance, the plan would need to include other options in case such approval or assistance is not determined to be appropriate.

78. The menu of recovery options should be supported by information required to assess and implement each option, including appropriate strategic, financial and operational analysis. It is important that this analysis is underpinned by realistic assumptions, particularly in relation to pricing and valuation, to properly reflect that the option would be implemented in circumstances of severe stress. Independent third-party evaluations may provide further assurance on the credibility and feasibility of proposed actions.

Box 4: Examples of recovery options

By way of illustration, the insurer may consider incorporating the following types of recovery options:

- Strengthening the insurer's capital position, such as recapitalisations, rights issue, institutional or strategic private placements, triggering convertible instruments or inter-fund transfers;
- Actions of capital conservation, such as cost containment, suspension of dividends and variable remuneration payments or elimination of major projects;
- Business strategies, such as changes to underwriting practices, repricing of insurance contract premiums, realignment to reinsurance programmes, or other de-risking of the business via, for example, reducing premium volumes;
- Investment strategies, such as changes to asset allocation and to hedging programmes;
- Voluntary restructuring of liabilities, such as debt-to-equity conversion;
- Reinsurance actions, such as expanded use of quota share on all or selected business lines or products or whole of account, or enhanced adverse development covers;
- Strategic, such as run-offs, portfolio transfer arrangements and sales. These could be solvent run-offs of business lines (particularly those that are non-core), and the sale of strategic investments and of domestic or overseas subsidiaries; and

- Liquidity, such as accessing available contingent capital as envisioned in the liquidity risk management plan, more frequent settlement of intra-company balances and deferring or halting unnecessary cash outflows.

79. The menu of recovery options should include a detailed description for each recovery option identified. In particular, the following items could be included in the description:

- A summary analysis that reports the essential elements of the option;
- A description of the option;
- An overview of the key assumptions underlying the option and the basis for any expert judgment;
- An assessment of strategic implications of executing the option;
- An assessment of the financial impact in normal and stressed market conditions (it may be appropriate to consider a range of pricing and asset valuation outcomes);
- Potential adverse consequences of executing the option;
- Speed and timing for effective execution;
- Any dependency on external counterparties for effective execution;
- Operational aspects underlying effective execution, highlighting delegated authorities, accountability, approval requirements and public communication plans;
- An assessment of potential impediments and constraints to effective execution, both internal and external; and
- A brief description of any previous experience with applying a certain option, including lessons learned from that experience.

The insurer could summarise this information in a table for ease of use.

80. It may also prove helpful to assess the compatibility of recovery options. This will aid the insurer in designing a flexible plan with a wide range of options to respond to different types of stress scenarios. By assessing compatibility, the plan will envision how options can be combined to help the insurer recover from a severe stress. For each option, it is appropriate to consider the impact it may have on the execution of any subsequent recovery actions.

81. The review of recovery options should be comprehensive and wide-ranging. It may be appropriate to conduct qualitative analyses, and to incorporate expert judgment into this process. In general, options that do not generate material benefits in terms of capital or liquidity, or that present significant impediments or constraints, are likely to be inappropriate and should be dismissed. As the insurer is not bound by the recovery options in the plan, it may be helpful upon implementation of the plan to identify any potentially valid options that were considered but dismissed, including a brief explanation and the reason why the options were dismissed.

82. Lastly, the insurer may decide to take any preparatory measures to facilitate the implementation of the recovery plan, for instance to overcome any identified impediments to effective execution of a recovery option, or to increase the chance of timely execution of a recovery option. These measures and any progress towards them could be noted in the recovery plan.

5.6 Communications strategy

83. The communications strategy is important for successfully implementing a recovery plan, as it will ensure effective and clear communications with internal and external stakeholders and will be

particularly important in helping to manage external stakeholders' expectations, and retain (or restore) their confidence if necessary.

84. The strategy should consider circumstances where confidentiality needs to be maintained regarding the impact of the severe stress and the implementation of the recovery plan. There may be circumstances where the implementation of recovery actions should be kept confidential, in consultation with supervisors. When developing the communications strategy, the insurer should be mindful of any legal and regulatory requirements regarding disclosure and confidentiality (see ICP 20 (Public disclosure)).

85. The plan may include tailored communications strategies that recognise the different communication needs depending on the stress scenario and the recovery action(s) being implemented. An effective communications strategy will consider the scope, detail and timing of the disclosures, and the form of communication. The insurer would also need to consider the additional resources (human, facilities etc) required to support the communications strategy.

86. The strategy should consider communication with both internal and external stakeholders, including supervisors, management, staff, key counterparties and policyholders. Communication with analysts and the press may also be relevant. Depending on the audience and the recovery actions, it may be appropriate to describe the key roles and responsibilities of Board Members, Senior Management, Key Persons in Control Functions and relevant business units (such as the communications office) related to the activation of the communications strategy.

87. The communications strategy should consider the impact of social media and the resulting rapid nature of information being disseminated. The roles and responsibilities for the execution of the communications plan should be clearly defined.

88. As part of its communications strategy, the insurer should consider the frequency and detail of updates to the relevant supervisor(s). It would be expected that the insurer informs the supervisor:

- In anticipation of a likely breach of one or more recovery trigger points, including a description of the circumstances leading to the potential activation of the recovery plan;
- Immediately in the event of a breach of one or more recovery trigger points, describing the causes and consequences of such breach. This includes any host supervisors, if relevant (see also Section 6.2);
- When a trigger point is breached but the insurer decides that activation of the recovery plan is not necessary, the insurer should:
 - fully discuss the decision with the supervisor;
 - explain management's assessment and reasoning for not activating the recovery plan;
 - advise as to the possible mitigating actions that the insurer intends to execute to restore its position and prevent a further deterioration of the situation; and
 - regularly report on the effectiveness of any mitigating actions, and whether further action is required;
- When the recovery plan is activated:
 - Periodically after activation of the recovery plan, with updates on the progress and implementation status of the selected recovery options and their effects on the causes of the stress scenario, eg the solvency and liquidity positions of the insurer; and

- Finally, once the recovery has been successful and the insurer has moved outside of the recovery zone, it should also give prompt notice to the relevant supervisor(s).

89. The communications strategy with other external stakeholders, including investors, analysts, rating agencies and the media, should consider possible options for the detail and timing of information to be provided, and the level and form of communication. These communications may support the effectiveness of certain types of recovery options.

90. Overall, the strategy should address the different tools that the insurer could use, depending on the circumstances and the stakeholder involved, which may include written notices, press releases, social media content, press conferences, conference calls, and physical meetings. Examples of communication channels for policyholders may include:

- Agents and employees who are in direct contact with policyholders (contact centre and customer relationship managers);
- Proactive communication (websites, press releases, email and social networks, and telephonic) in order to ensure real time communication, particularly in the event of an emergency; and
- Reactive communication (inbound calls in contact centres, emails and online chats)

91. It is important to recognise that in times of crisis, employees may be ambassadors to external stakeholders and will likely need clear and timely updates. Internal and external messages should align, with a fresh and frequent flow of updates to avoid speculation and rumour. It would be beneficial if there is a core communication team that performs an overall coordination role in line with the approved communications strategy. These may include establishment of the following:

- Key messages and Q&A for agents and customer-facing employees;
- An insurer message to all employees; and
- Management speaking points for plenary/functional meetings.

5.7 Stress scenarios

92. Recovery plans should include credible options to respond to a range of severe stress scenarios. This subsection provides guidance on stress scenarios, drawing on the experience of various jurisdictions. Although stress scenarios are helpful and an important tool to test the feasibility of recovery options, it is impossible to foresee all possible relevant scenarios that may ultimately affect the viability of the insurer. Consequently, insurers should not limit themselves to looking at a predetermined set of stress scenarios when developing their recovery plans.

93. The use of scenario analysis helps to assess the credibility and feasibility of the recovery plan, including the trigger framework and menu of recovery options. It also gives insurers and supervisors insights into major risk factors and possible impediments to recovery. Furthermore, scenario analysis may support the decision-making process concerning the recovery actions to be taken after implementation of the recovery plan.

94. It is best for stress scenarios to be severe but plausible, tailored to the risks of the insurer, and result in a serious risk to the viability of the insurer. For example, calibration to represent a near-default scenario, such as a breach of the PCR, would achieve this goal. Additionally, reverse stress testing could be chosen for one or more scenarios.

95. The scenarios should simulate appropriately defined events that are most relevant to the insurer, taking into account the insurer's risk profile, business model, group structure (if applicable) and other relevant factors, and include:

- Idiosyncratic stress events, where the negative impact is specific to an insurer or group;
- Market-wide stress events, affecting the financial system and/or real economy; and
- A combination of idiosyncratic and market-wide stress events.

The scenarios could include both slow-moving and fast-moving adverse events.

96. For each scenario, the insurer should estimate the impact on the solvency, capital and liquidity of the insurer and other relevant material entities in the group, and consider whether there are critical operational dependencies that make the insurer more vulnerable to a crisis. The nature and extent of impacts on policyholders should also be considered. Other impacts may also be appropriate for consideration/calculation.

97. Furthermore, an effective analysis of the scenario would include an explanation of the triggers that are breached under each scenario and when they occurred.

98. The insurer should set out which recovery actions it would consider in each of the scenarios, taking into account the stressed market conditions. This will further the insurer's understanding of which recovery actions may be favoured and which are less viable in given scenarios. For instance, some recovery actions may be less realistic and viable in a systemic scenario where it is likely that more than one insurer will be seeking to implement similar recovery actions.

Box 5: Examples of recovery scenarios

By way of illustration, the insurer may consider using the following types of stress scenarios:

Market-wide events:

- A significant fall in financial markets;
- Significant changes in the interest rate environment;
- A high-impact catastrophic event, such as a pandemic or climate-related event; or
- A significant increase in longevity following a medical breakthrough.

Idiosyncratic events:

- Mass lapse;
- The failure of counterparties that are significant to the insurer;
- Severe losses through a rogue trader; or
- A major cyber-security breach.

6 Supervisory considerations

99. Recovery plans are developed, maintained and implemented by the insurer; in short, it is the responsibility of the insurer. Supervisors should assess recovery plans and challenge insurers when these plans do not appear to be effective or suitable for the designed purpose of recovery.

100. The supervisor may require the insurer to provide adequate assurance of the validity and completeness of the recovery plan. This could be done by the internal audit function or a third-party consultant which would independently assess the recovery plan for validity and completeness.

6.1 Assessing recovery plans

101. A first key supervisory consideration is having the ability to require amendments to the plans when necessary, and to require being kept informed by the insurers about any changes to the plans or activation of the plans (see Section 5.6). In addition, the supervisor should consider whether it has sufficient quantity and quality of supervisory capacity (eg personnel, technology etc) to be able to carry out its responsibility to supervise insurers' recovery plans.

102. Supervisors should assess whether recovery plans are satisfactory, considering among other things if the plans are complete and align with the insurer's risk profile and risk management. Supervisors should assess the quality of the plan, including whether the plan is clear and comprehensive, contains relevant and complete information, is sufficiently detailed, contains a sufficient range of recovery options and is internally consistent (eg aligned with other contingency plans and integrated with the insurer's overall risk management framework). In addition, supervisors should assess the credibility of the plan, whether the recovery options identified are implementable (eg if a recovery option involves the sale of a subsidiary, whether this can be done expediently) and whether any obstacles to implementation have been identified and addressed. Supervisors should assess whether the recovery plan can be implemented in a timely manner, and whether it is capable of restoring the insurer's financial condition and viability.

103. Supervisors should assess the trigger framework for reasonableness, including calibration.

104. Supervisors should assess recovery plans with due consideration for proportionality and the reasonableness of the information provided.

105. Supervisors should include the resolution authority in the assessment of the recovery plan. Indeed, resolution could be triggered in case the insurer reaches non-viability due to the ineffectiveness of recovery options.

106. Supervisors should challenge insurers when they identify concerns regarding the robustness of the recovery plan. For example, supervisors may form the view that:

- The stress scenarios provided in the recovery plan are not sufficiently severe, and do not include stresses that actually threaten the insurer's viability;
- The trigger framework is inappropriate for the purpose of invoking the recovery plan in a timely manner;
- The menu of recovery options is insufficient or inadequate;
- The valuations or anticipated execution timeframes of recovery options are not feasible;
- The impediments to some or all of the recovery options, or to other components of the plan, have not been adequately considered; and/or
- The insurer does not have adequate governance around recovery plan development, approval and monitoring.

107. As described in ICP 16.15.9, where supervisors identify any concerns regarding the robustness of the recovery plan, they should have the power to require the insurer to address these deficiencies and resubmit the recovery plan.

108. Recovery plans should not be seen by the insurer as a trivial compliance exercise but, more broadly, as an integral and important part of the insurer's risk management framework. In this respect, the supervisor can look for evidence of engagement from the insurer's Board and Senior

Management in designing, challenging and testing the plan. The supervisor should also check that the plan has been correctly structured in a usable document. The effectiveness of recovery planning can be enhanced if Board Members and Senior Management have been involved in developing the plan and when the plan is owned by the most senior people in the organisation.

109. Supervisors may find it helpful to assess recovery plans not only on an insurer by insurer basis, but also on a comparative and an aggregate basis. Benchmarking recovery plans from different insurers may help in assessing the quality and credibility of the individual plans, while recognising the difference in business models among insurers. Moreover, by looking across the industry, the supervisor may better understand and be able to compare how insurers would react in a stress scenario. For instance, supervisors may find it helpful as part of their macroprudential surveillance to assess how an insurer's recovery actions may impact or be impacted by actions of other insurers in cases of market-wide stress, such as a severe market down-turn. This also includes whether each insurer's recovery strategy makes sense and is feasible compared to peers (comparative level analysis and assessment), and whether multiple insurers trying to take similar actions at the same time could lead to contagion (aggregate level analysis and assessment).

110. Supervisors should also require insurers to keep their recovery plans up to date and should encourage them to test its usability in practice (see Sections 3.1 and 4.1).

6.2 Supervisory cooperation and coordination

111. An insurer's recovery planning may have implications beyond the jurisdiction of the insurer. This is particularly true for IAIGs. Whenever recovery planning concerns more than one supervisor, there should be arrangements in place to enable cooperation and coordination among supervisors. Supervisory colleges and CMGs are examples of supervisory cooperation and coordination arrangements (see ICPs 23 and 25, and the related ComFrame material for details on supervisory colleges and CMGs, respectively). Appropriate processes should be in place for sharing confidential information with other supervisors (see ICP 3 (Information sharing and confidentiality requirements)).

112. Supervisory cooperation and coordination arrangements contribute to the effectiveness and efficiency of recovery planning at both group and legal entity levels. Effective coordination among supervisors is critical to ensure timely crisis response, avoiding unnecessary delays and disruptions to policyholder protection. Insufficient coordination can heighten systemic risks and pose threats to the broader financial market. To support these outcomes, cooperation and coordination arrangements should clearly define the scope and modalities of engagement among supervisors throughout the various stages of recovery planning and action discussed in this Application Paper. Among other things, it may help to identify and address any cross-border elements that may affect recovery planning and action, for example regulatory approvals that would be needed for the execution of a recovery option.

113. Supervisory cooperation and coordination can also help ensure that the interests of each jurisdiction are given due consideration and are balanced appropriately, for example when recovery options contemplate group-level funding of cross-border subsidiaries.

114. If multiple recovery plans are created within a group (eg recovery plans on a group level, and on a legal-entity level in certain jurisdictions), supervisory cooperation and coordination arrangements should address alignment between the plans, and contribute to identifying and addressing any elements that may affect the effective and efficient interaction between these plans.

The insurance group, on its part, should ensure the consistency of recovery options, trigger frameworks and governance arrangements between group-level and legal entity-level plans, and be transparent about any interdependencies between the group and legal entity levels.

115. In some cases, there may not be supervisory colleges or CMGs in place, even though the insurer performs cross-border activities that may necessitate cooperation and coordination amongst supervisors. In these cases, supervisors should consider alternative arrangements. The IAIS Multilateral Memorandum of Understanding can help facilitate such arrangements.

116. Cooperation and coordination in respect of recovery planning may also involve other bodies in addition to insurance supervisors, such as resolution authorities or policyholder protection schemes. The supervisor should identify these bodies and, as appropriate, consider establishing cooperation arrangements with them.