Application Paper on resolution powers, preparation and plans

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Acronyms

ACPR	Prudential Supervision and Resolution Authority (France)
AIR	Asset-intensive reinsurance
CMG	Crisis management group
ComFrame	Common Framework for the Supervision of Internationally Active Insurance Groups
DNB	De Nederlandsche Bank
FMI	Financial Market Infrastructure
FSB	Financial Stability Board
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
KAAM	Key Attributes Assessment Methodology
MCR	Minimum Capital Requirement
MIS	Management Information System
MMoU	Multilateral Memorandum of Understanding
NCWOL	No Creditor Worse Off than in Liquidation
PCR	Prescribed Capital Requirement
PPS	Policyholder Protection Scheme
SCR	Solvency Capital Requirement

1 Introduction

1.1 Objectives and background

1. This Application Paper on resolution powers, preparation and plans provides supporting material related to resolution, which is defined in the International Association of Insurance Supervisors (IAIS) Glossary[1] as "actions taken by a resolution authority towards an insurer that is no longer viable, or is likely to be no longer viable, and has no reasonable prospect of returning to viability."

2. In particular, this Application Paper provides background for the application of ICP 12 (Exit from the market and resolution), including the ComFrame standards and guidance, and is also relevant to ICP 25 (Supervisory cooperation and coordination), including the ComFrame standards and guidance (related to crisis management planning).[2]

3. This paper is an updated version of the Application Paper on resolution powers and planning, originally published in June 2021. This paper replaces the original paper, in light of:

- Revisions to the relevant standards in ICP 12 and related ComFrame standards and guidance adopted in December 2024; and
- Evolving legislation and supervisory practices in jurisdictions, reflected in a member survery conducted in Q2 2025.[3]

Where appropriate, responses from the previous member survey conducted in Q4 2019 are also referenced in the Application Paper, and in such cases they are explicitly indicated as "2019 member survey".[4]

4. Application Papers do not set new standards or expectations. This paper aims to:

- Provide support to supervisors and/or resolution authorities on the practical application of resolution powers, as well as on cooperation and coordination between authorities when planning for, and exercising, such powers;
- Provide support to supervisors and/or resolution authorities with regard to resolution preparation and plans, as per ICPs 12.3 and 12.4; and
- Provide guidance and examples to illustrate the application of standards and guidance relevant to resolution:

[1] IAIS, Glossary, December 2024.

[2] IAIS, Insurance Core Principles and ComFrame. The current versions of ICPs 12 and 25 were adopted at the IAIS Annual General Meetings in December 2024 and November 2019, respectively.

[3] Inputs for the 2025 member 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.

[4] Inputs for the 2019 member survey were provided by 23 IAIS members from the following jurisdictions: Australia, Bermuda, Brazil, British Virgin Islands, Chile, France, Germany, India, Ireland, Italy, Japan, Malaysia, the Netherlands, Norway, New Zealand, Portugal, Russia, Saudi Arabia, Singapore, South Africa, Turkey, the UK and the USA.

- Further guidance and clarifications around expectations for resolution preparation and plans;
- Explanations and examples of the application of resolution powers;
- The practical application of proportionality in the case of resolution plans and actual resolution; and
- The role of policyholder protection schemes (PPS) in resolution.[5]

It should be noted that as per ICPs 12.3, 12.4 and 16.15, although recovery planning is an insurer-owned process, resolution planning and resolvability assessment are authory led processes.

1.2 Scope of application

5. This paper and most of its concepts are relevant to the business of primary insurers and reinsurers,[6] as well as to both insurance legal entities and insurance groups. Its recommendations and examples of good practice are applicable across supervisory approaches amongst jurisdictions. This paper does not address cross-sectoral issues, such as resolution planning for financial conglomerates.

6. This paper also provides guidance to certain additional elements that are set out in ComFrame, which focuses on Internationally Active Insurance Groups (IAIGs), in particular the requirements related to crisis management groups (CMGs). These sections are thus intended to be particularly useful for home and host supervisors and/or resolution authorities of IAIGs where cross-jurisdictional coordination is required.

1.3 Proportionality

7. This Application Paper should be read in the context of the proportionality principle, as described in the Introduction to the ICPs, which provides supervisors and/or resolution authorities "the flexibility to tailor their implementation of supervisory requirements and their application of insurance supervision to achieve the outcomes stipulated in the Principle Statements and Standards". In particular, proportionality allows ICP 12 to be translated into a jurisdiction's resolution framework in a manner appropriate "to its legal structure, market conditions and consumers"; and allows the supervisor and/or resolution authority "to increase or decrease the intensity of supervision according to the risks inherent to insurers, and the risks posed by insurers to policyholders, the insurance sector or the financial system as a whole".

8. Where appropriate, the paper provides practical examples of the application of the proportionality principle.

[5] As described in Section 1.5, the IAIS also published the Issues Paper on roles and functioning of policyholder protection schemes (PPSs) in December 2023.

[6] See Section 2.4 for a description of considerations related to reinsurance.

1.4 Terminology

9. In this paper, terms have the same meaning as set out in the IAIS Glossary. To facilitate the understanding of the paper, definitions of terms that are used frequently in the paper are shown in the table below.

10. When this paper refers to an "insurer", in line with the Introduction to the ICPs, this means insurance legal entities and insurance groups, including insurance-led financial conglomerates, and refers to the business of both primary insurers and reinsurers.

Table 1: List of resolution-related terms in the IAIS Glossary, supplemented by additional guidance in italics

Term	Glossary definitions and/or *additional guidance*
Essential services and functions	*Services and/or functions that are significant for the continuation of (all or parts of) the insurer (for example, shared services, such as information technology services and outsourced functions).*
Liquidation	A process to terminate operations and corporate existence of the entity through which the remaining assets of the insurer will be distributed to its creditors and shareholders according to the liquidation claims hierarchy. Branches can also be put into liquidation, separately from the insurance legal entity they belong to. *However, there are jurisdictions where the branch cannot be liquidated separately from the insurance legal entity it belongs to.*
No creditor worse off than in liquidation (NCWOL)	*The principle that requires that, in a resolution action other than a liquidation, creditors should be entitled to compensation if they receive less than they would have received if the insurer was liquidated.*
Portfolio transfer	Transfer of one or more policies together with, when relevant, the assets backing those liabilities.
Resolution	Actions taken by a resolution authority towards an insurer that is no longer viable, or is likely to be no longer viable, and has no reasonable prospect of returning to viability.
Resolution authority	A person that is authorised by law to exercise resolution powers over insurers. *This expression includes authorities that are vested with resolution powers and/or that are involved in processes after resolution has been instituted. This includes supervisors acting under their resolution powers.*

	Depending on the jurisdiction, this term may also include other governmental entities or private persons (including administrators, receivers, trustees, conservators, liquidators or other officers), or courts authorised by law to exercise resolution powers (see ICP 12.0.3).
Resolution plan	A plan that identifies in advance options for resolving all or part(s) of an insurer to maximise the likelihood of an orderly resolution, the development of which is led by the supervisor and/or resolution authority in consultation with the insurer in advance of any circumstances warranting resolution.
Run-off	A process under which an insurer ceases to write new business and administers existing contractual obligations. A "solvent run-off" is the process initiated for an insurer that is still able to pay debts to its creditors when the debts fall due. An "insolvent run-off" is a run-off in which the insurer is no longer expected to be able to pay all of its debts when due.
Supervisor	*This term is used when it involves responsibilities and/or roles of the day to day supervisor of an insurer (see ICP 12.0.3).*
Supervisor and/or resolution authority	*This term is used when it involves responsibilities for planning and/or initiation of resolution and encompasses supervisors acting in their pre-resolution roles (eg before a supervisor or resolution authority institutes resolution and/or obtains any necessary administrative and/or judicial approvals to do so; see ICP 12.0.3).*

1.5 Related work by the IAIS

11. Although this paper discusses the role that a PPS under Section 6.4.9, if established within a jurisdiction, may have in relation to certain resolution powers as well as in relation to the resolution authority, it does not, however, aim to provide a comprehensive overview on the role of PPSs in resolution. On this topic, the IAIS published an Issues Paper in December 2023.[7]

12. Simultaneously with this paper, the IAIS also published the updated version of the Application Paper on recovery planning,[8] providing supporting material to ICP 16.15 and ComFrame standards therein on recovery-related matters.

1.6 Related work by the Financial Stability Board (FSB)

13. The FSB's Key Attributes of Effective Resolution Regimes for Financial Institutions (KAs) set out the core elements that the FSB considers necessary for an effective resolution regime for any

[7] IAIS, Issues Paper on roles and functioning of policyholder protection schemes (PPSs), December 2023.

[8] IAIS, Application Paper on recovery planning, July 2026.

type of financial institution, across sectors, that could be systemically significant or critical if it fails.[9] The ICPs and ComFrame material, as well as this paper, are intended to be aligned with the FSB's KAs.

14. Both the respective KAs (KAs 8-11) and ICPs (ICP 12) on resolution are minimum requirements. For example, both the KAs and the ICPs require resolution plans, at a minimum, for any insurer assessed to be systemically important or critical if it fails.

15. In April 2026, the FSB published its guidance on the scope of insurers subject to the recovery and resolution planning requirements in the KAs.[10] The guidance outlines what criteria authorities should consider to determine which insurers are subject to the recovery and resolution planning requirements in the KAs. The scope of application of RRP requirements in the Key Attributes and ICPs are closely aligned, as both call for, at a minimum, insurers that could be systemically significant or critical upon failure to be subject to RRP requirements.[11] In addition, the guidance draws from the ICPs and their supporting guidance. See Box 4 in Section 6.2 for more details of the guidance.

1.7 Structure

16. The remainder of the paper is structured as follows. Section 2 sets the scene by discussing the objectives and concepts of resolution. Section 3 discusses concepts around the point of non-viability and entry into resolution. Sections 4, 5, 6 and 7 provide further guidance and practical examples around, respectively, resolution powers, preparation for resolution, resolution planning and resolvability assessments. Section 8 deals with coordination and cooperation amongst involved authorities.

2 Objectives and concepts of resolution of insurers

2.1 Concepts

17. As explained in the introductory guidance of ICP 12, exit from the market refers to the cessation of an insurer's business, either in part or in whole. Insurers may be required by the supervisor and/or resolution authority to exit from the market, and that insurer may be "resolved". Such a situation occurs when a troubled insurer is no longer viable, or is likely to be no longer viable, and has no reasonable prospect of returning to viability in its current form. Thus, resolution can be seen as a final step taken by the supervisor and/or resolution authority, where all other preventive or corrective measures are inadequate to preserve or restore an insurer's viability (see ICP 10 (Preventive measures, corrective measures and sanctions)).

18. Resolution powers may be used in combination where, for example, parts of the insurer are put in run-off, parts are liquidated, and/or parts are transferred to another insurer. Both during and

[9] See FSB, Key Attributes of Effective Resolution Regimes for Financial Institutions. In August 2020, the FSB published the Key Attributes Assessment Methodology for the Insurance Sector (revised in April 2026), which is a methodology for assessing the implementation of the KAs in the insurance sector.

[10] FSB, Scope of Insurers Subject to the Recovery and Resolution Planning Requirements in the FSB Key Attributes: Consultation report, April 2026.

[11] Key Attributes II-Annex 2, paragraph 9.1; ICPs 12.4 and 16.15.

after resolution, the insurer continues to be subject to applicable laws and regulations. This is particularly the case for a solvent run-off, until all insurance obligations are either discharged or transferred to a succeeding insurer, or when a restructured entity is fully restored and re-enters active market participation.

19. An insurer may also decide to exit from the market on a voluntary basis for business and/or strategic reasons, even when that insurer is still viable and meets regulatory requirements. This may include an insurance group's decision to wind up one or more insurance legal entities. Although such a situation is often referred to as "voluntary exit from the market", it is not the focus of this paper; however, insurers, supervisors and resolution authorities may find certain elements of the paper helpful in these situations.

2.2 Objectives of a resolution framework

20. As indicated in the introductory guidance of ICP 12, "an orderly process for an insurer's withdrawal from the market helps to protect policyholders and contributes to the stability of the insurance market and the financial system". ICP 12 therefore requires jurisdictions to have a framework in place for the resolution of insurers that is provided for by legislation (ie a resolution framework). A resolution framework may serve objectives that include: policyholder protection, contributing to financial stability and minimising the reliance on public funding. A jurisdiction may, at its discretion, choose to rank these resolution objectives.

21. The protection of policyholders is crucial, and legislation should support the objective of protecting policyholders. However, this does not mean that policyholders will be fully protected in all circumstances and does not exclude the possibility that some losses could be absorbed by policyholders, to the extent they are not covered by PPSs or other mechanisms. The legislation should provide a scheme for prioritising the payment of claims of policyholders and other creditors in liquidation (liquidation claims hierarchy). Resolution powers should be exercised in a way that respects the hierarchy of creditors' claims in liquidation. In a resolution action other than a liquidation, creditors should be entitled to compensation if they receive less than they would have received if the insurer was liquidated (ie the NCWOL principle). The NCWOL principle may require funding to provide compensation to creditors so that they receive at least as much as they would have received in a liquidation.

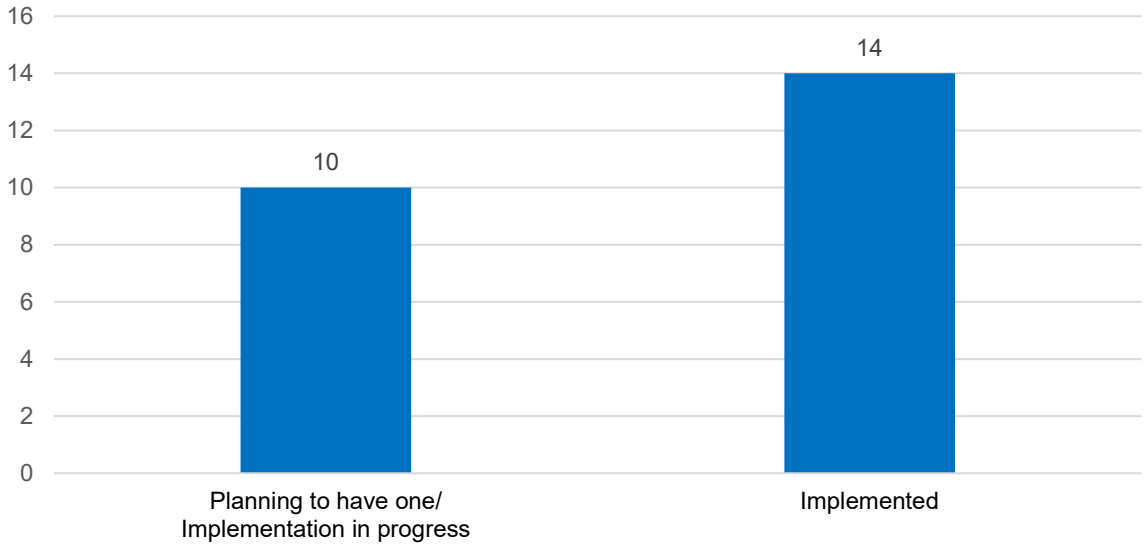
22. From a financial stability perspective, a disorderly failure of an insurer that is systemically important, or critical if it fails, may cause significant disruption to the financial system and/or the real economy of the jurisdiction or various jurisdictions. Systemic importance or criticality is not synonymous with size. For instance, a disorderly failure of a niche insurer that performs a specialised function to a segment of the economy may cause a sudden and significant withdrawal of insurance coverage that, at a minimum, would lead to increasing costs for those policyholders relying on these key services for their day to day business. Likewise, a disorderly simultaneous failure of various insurers that perform similar activities or have common exposures could, collectively, pose a risk to financial stability.[12] Having a resolution framework in place, and engaging in resolution planning for such insurers, should limit the risk of a disorderly failure and thus contribute to financial stability.

[12] See Section 1 of the IAIS Holistic Framework for the assessment and mitigation of systemic risk in the insurance sector for a detailed description of possible sources of systemic risk.

23. Finally, resolution should seek to minimise any reliance on public funding. An expectation that public funding will be available to remedy an insolvency may create a "moral hazard" and provide an incentive for an insurer to engage in risky behaviour. Furthermore, as provided in ICP 12, in principle, any public funding used for the resolution of the insurer should be recouped from the insurance sector in a transparent manner; such recouping strengthens market discipline and encourages players to act responsibly.

24. Amongst the IAIS members who responded to the 2025 survey, all have implemented or are planning to implement a resolution framework. Consistent with ICP 12, the development and implementation of a resolution framework remains a priority for members. For example, the introduction of the Insurance Recovery and Resolution Directive (IRRD) sees its transposition into EU member states' law. This would build upon existing resolution frameworks for some and new frameworks for others, as indicated by the large number of respondents planning to implement new frameworks.

Figure 1: Number of responding jurisdictions with a resolution framework



Source: IAIS member survery

2.3 Resolution of an IAIG

25. Dealing with the resolution of an IAIG presents unique challenges, particularly in the case of a group with highly interconnected legal entities. Insurance legal entities in the group may be regulated by different supervisors, and some other entities, in particular non-financial entities, may not be regulated by any authority. Non-financial legal entities could include both holding companies of financial institutions and unrelated nonfinancial businesses within a conglomerate ownership structure.

2.4 Considerations related to reinsurance

26. As noted in paragraph 5, the paper and most of its concepts are relevant to the business of primary insurers and reinsurers. Nevertheless, when reinsurance is involved, some specific features of the business of reinsurance may need to be considered when planning for resolution or exercising resolution powers for ceding insurers as well as for reinsurers.

27. Guidance under ICP 8 details that the risk management system should cover reinsurance and other risk mitigation techniques. ICP 13 also requires the ceding insurer to manage effectively its use of reinsurance and other forms of risk transfer. Supervisors and/or resolution authorities should utilise insights from prudential supervision when considering reinsurance-related matters in resolution planning or the exercise of resolution powers.

28. Furthermore, guidance under ICP 3 sets out the framework through which supervisors and/or resolution authorities may obtain and exchange information – which includes information on reinsurance arrangements – with relevant counterparts, subject to confidentiality, purpose and use requirements. Where relevant considerations related to reinsurance are identified in the context of the supervision or resolution of a ceding insurer, cooperation and information exchange with the supervisor of the reinsurer, consistent with ICPs 3 and 25, can support a shared understanding of relevant matters and inform supervisory, crisis management or resolution preparedness work, as appropriate.

29. Supervisors and/or resolution authorities should also be mindful of specificities that are relevant for the resolution planning of reinsurers, or of insurers with a significant volume of assumed reinsurance business, particularly considering potential cross-border aspects and financial stability, including day-to-day economic activity (for example, employers' liability, trade credit and transport liability insurance).

30. Irrespective of whether the entity experiencing distress is a ceding insurer or a reinsurer, there should also be a review of the relevance of reinsurance to the continuity of critical functions, interdependencies within groups and/or other structures, market stability and contagion prevention, and the preservation of the value of reinsurance contracts.

31. In the resolvability assessment (Section 7), supervisors and/or resolution authorities should also assess the significance of reinsurance arrangements. The findings of the assessment should be taken into account when designing the resolution strategy.

32. In the exercise of resolution powers (Section 4), particularly the power to restructure, write down or limit reinsurance liabilities, the nature of the business and of the liabilities of the ceding insurer or reinsurer in resolution need to be taken into account when considering reinsurance arrangements, particularly where reinsurance is material to the resolvability of the distressed entity.

33. The application of the NCWOL principle needs to consider where reinsurance claims rank compared with primary insurance claims in the liquidation hierarchy.

2.4.1 Resolution planning for ceding insurers

34. In preparation for resolution and resolution plans (Sections 5 and 6) for ceding insurers, it might be appropriate, in collaboration with the reinsurer's supervisor and/or resolution authority, to

assess the potential impact on the ceding insurer of a reinsurer's failure to whom the insurer has ceded a significant part of its business.

35. It can also be good practice to consider how deteriorating global economic conditions could affect counterparties of the ceding insurer in difficulty, particularly when such economic conditions have been identified as being material to them.

2.4.2 Resolution planning for reinsurers

36. In preparation for resolution and resolution plans (Sections 5 and 6) for reinsurers, the supervisor and/or resolution authority may coordinate with ceding insurers' supervisor and/or resolution authority, especially as part of crisis management groups regarding intragroup reinsurance arrangements.

37. To define the scope of resolution planning for reinsurers, supervisors and/or resolution authorities of the reinsurer may assess the potential impact of the resolution actions on cedants of the reinsurer, utilising relevant insights shared by other supervisors and/or resolution authorities.

38. It can be good practice to consider how deteriorating economic conditions in relevant markets could affect identified resolution strategies by the supervisor and/or resolution authority of the reinsurer, and the potential impact of contagion to other reinsurers or to the cedants of the reinsurer.

Box 1: Example of potential considerations for Asset Intensive Reinsurance

The IAIS published the Issues Paper on structural shifts in the life insurance sector in November 2025.[13] The paper discusses the increased allocation to alternative assets in life insurers' portfolios and the rising adoption of cross-border asset-intensive reinsurance (AIR). Building on the Issues Paper, the following are potential considerations for resolution and resolution plans in relation to AIR.

- AIR is one example of a type of reinsurance where the potential impact of the reinsurer's failure, including the potential cross-border impact could be relevant.
- Amongst others, risks in the case of a reinsurer's failure could include scenarios where reinsurance business is transferred back to the ceding insurer(s) (recapture), potentially creating contagion risks for the other party(ies), depending on which party exercises the relevant option.[14] For instance, in such cases of contagion from a reinsurer's failure to all or some of its ceding insurers, it could be assessed whether resolution strategies for those ceding insurer(s) – to the extent they could, for instance, interrupt reinsurance cover or payments, or lead to distressed asset sales – could also have repercussions on policyholder outcomes.
- Such an assessment could also leverage the insights of supervisory activities, particularly regarding the potential benefits and risks of recapture driven by contractual termination clauses that could be invoked by either party. These could, in some circumstances, amplify the strains on the failing ceding insurer both of a financial (capital impact) and non-financial (legal expertise, management stretch etc) nature.

[13] IAIS, Issues Paper on structural shifts in the life insurance sector, November 2025.

[14] A recapture is the termination of all or a portion of a reinsurance agreement, which results in the cedent recapturing all risks and assets held in the collateral accounts. Recapture can occur at the discretion of the cedent, by mutual agreement of the cedent and reinsurer, or in the case of a termination event. The 2025 Issues Paper discusses this in more detail.

- The supervisor and/or resolution authority of the reinsurer, the supervisor and/or resolution authority of the ceding insurer, or both, should be responsible for performing the assessment.
- It may also be relevant, when drafting the resolution plan for a ceding insurer and a reinsurer, to consider the impact of potential concentrations in the market and the effect this could have in terms of counterparty risk.
- Collateral structures and arrangements are also a common feature of AIR transactions and, when appropriately designed and operational, can mitigate risks relevant to resolution and contagion risks arising from either party being in difficulty – particularly those relating to counterparty risk, and specifically a potential recapture scenario. Supervisors and/or resolution authorities should therefore understand the collateral arrangements underpinning material AIR transactions, assess how they would function under stress from the perspective of both the ceding insurer and the reinsurer, and incorporate this analysis into resolution planning. Supervisors and/or resolution authorities may also consider any operational or legal constraints that may affect the availability or effectiveness of collateral in resolution as part of resolvability assessments.

2.5 Safeguards

39. As stated in ICP 12.11, the resolution authority is required to exercise resolution powers in a way that respects the liquidation claims hierarchy and adheres to the NCWOL principle. Guidance under ICP 12.11 provides some elementary examples of how the NCWOL principle can be implemented, but legislation to implement resolution powers can provide more detailed procedures to effectuate the NCWOL principle. These may include the following:

- Clear standards for determining compliance with the NCWOL principle;
- Use of independent experts to review a resolution proposal, including a valuation of claims in insolvency and a review of the NCWOL outcomes;
- A process for development of counterfactual scenarios showing how policyholders and other creditors would fare if the insurer were liquidated (including considering whether a PPS would be available in liquidation);
- A requirement to provide a transparent explanation of how the proposed resolution complies with the NCWOL principle, and notice to policyholders and other creditors;
- Procedures for addressing comments or objections by interested parties, where applicable; and/or
- Approval by any relevant authority or body (eg a court) .

40. The NCWOL principle requires that creditors are entitled to an outcome at least what they would have obtained in a liquidation of the insurer. Creditors whose contractual rights are impaired by resolution actions should be compensated if the impairment is worse than it would be under liquidation. Accordingly, legislation should provide a remedy to compensate such creditors if resolution fails to achieve compliance with the NCWOL principle. This could be done, for instance, through the operation of a resolution fund.[15]

[15] As a reference material on resolution funds, see the FSB, Resolution Funding for Insurers: Practices Paper, January 2022.

41. For insurers with long-term, hard-to-predict risks, the resolution authority may simplifiy the insurer's portfolio by restructuring insurance policies or settling them partially or fully for cash. The NCWOL principle requires the transaction to be fair to each affected policyholder, relative to liquidation. It may be considered as sufficient, based on information available at the time, that the policyholder's expected value in resolution is no lower than in liquidation (including any expected PPS payment). There may be situations where multiple options could be provided to the policyholder, and these options should be clearly explained. Once a policyholder makes an informed choice, they should not be entitled to compensation if it transpires that another option may have paid out a larger benefit.

3 Conditions for entry into resolution

42. ICP 12 requires legislation to provide criteria for determining the circumstances in which the supervisor and/or resolution authority initiates resolution of an insurer ("entry into resolution"). Entry into resolution should be initiated when an insurer is no longer viable ("failing"), or is likely to be no longer viable ("likely to fail"), and has no reasonable prospect of recovering to viability. The resolution regime should have a forward-looking trigger that would provide for entry into resolution before an insurer is balance sheet insolvent (that is, the value of the assets of the insurer is less than the value of its liabilities) or is likely to be unable to pay its obligations as they come due.

43. An approach that looks to whether the insurer can run off, or continue to run off, could be more appropriate for the long-term nature of some insurance liabilities, as opposed to an approach that considers viability on a shorter timeframe.

44. There should be resolution conditions that need to be satisfied in order to justify initiating resolution. At a minimum, this should include the determination that the insurer is failing, or is likely to fail, and has no reasonable prospect of recovering to viability. For example, this includes situations where recovery is unlikely to be achievable within a reasonable timeframe. Jurisdictions should articulate clear standards or suitable indicators of non-viability in the frameworks developed by their relevant authorities to guide decisions on whether an insurer meets the conditions for entry into resolution. Relevant authorities should assess such standards or indicators in the context of the actual circumstances pertaining to the specific situation being considered. To facilitate the resolution of IAIGs, it is recommended for involved supervisors to share information on, and, where possible, coordinate, the applicable triggers for entry into resolution in their respective jurisdictions (see Section 7).

45. Box 2 provides illustrative examples of possible resolution conditions in place in various jurisdictions, based on the 2019 member survery. Various approaches can be identified:

- The use of one or more conditions (most jurisdictions use a set of conditions). In some jurisdictions, resolution can only be initiated if all conditions are met, whereas other jurisdictions may have a more flexible approach; and
- The use of qualitative guidelines, the assessment of which entails a certain degree of judgment or quantitative (financial) thresholds.

Box 2: Illustrative examples of resolution conditions

The conditions and considerations for determining whether to initiate the resolution of an insurer include the following:

- The relation between available capital resources against the required regulatory capital:
    - Where a quantitative threshold is set, the exact level of this threshold ranges significantly between jurisdictions, with an example of 70% of the Prescribed Capital Requirement (PCR), or when the insurer is in breach of the MCR and there is no reasonable prospect of restoring compliance with MCR; or
    - There could be two thresholds: a higher threshold that authorises the supervisor and/or resolution authority to take action, and a lower threshold where action is required;
- If the insurer has exhausted all management actions, or remaining management actions are considered to be insufficient to provide a reasonable prospect of restoring the capital position and return to viability;
- If possible recovery measures have been exhausted – either tried and failed, or ruled out as implausible to return the undertaking to viability – or cannot be implemented in a timely manner;
- If the value of the assets of the insurer is less than the value of its liabilities ("balance-sheet insolvent"), or there are objective indications that this will be the case in the foreseeable future;
- If the insurer is, or is likely to be, unable to meet its debt obligations or other liabilities as they fall due ("cash-flow insolvent");
- If the significant owner of the insurer is in financial difficulty and the insurer's financial condition is being significantly impacted with possible insolvency as a result;
- If the insurer does not operate in a manner that is consistent with regulatory requirements – for instance, there are serious governance issues (including criminal activity or fraud), or risk management and control deficiencies that may significantly impact the financial position of the insurer;
- Continued deterioration in the insurer's financial condition. Erosion of available capital resources may be indicated, for instance, by an inability to comply with an order to increase capital, or by signs of increasing financial distress such as the need to trigger sales of illiquid assets;
- Loss or likely loss of confidence in the insurer by the public, financial markets, policyholders, investors or creditors. This may be characterised by unusually high insurance policy surrenders, increased difficulty in obtaining or rolling over short-term funding, a rapid rise in the market spread of its Credit Default Swaps, a material downgrade in its credit rating, or rapid and sustained decline in its share price or market activity;
- Some jurisdictions use a "public interest" test as a resolution condition. In those cases, the resolution authority should determine that the use of resolution powers is necessary to achieve the resolution framework objectives. These objectives can include: minimising disruption to policyholders, ensuring continuity of coverage, protecting public funds, enhancing financial stability or supporting the long-term economy:

    - The results of public interest tests will depend largely on the resolution objectives of each jurisdiction, of any prioritisation of those objectives (whether explicit or implicit) in the jurisdiction, and the specific context of each jurisdiction;
    - For example, in a jurisdiction where the primary or sole objective of resolution is minimising disruption to policyholders, and where it is also observed that judicial liquidations generally span over one or more decades, a public interest test may show that an administrative resolution, which is faster than a judicial liquidation, generally better meets the objectives of resolution;
- Conversely, in a jurisdiction that prioritises the protection of financial stability and/or the preservation of critical functions, the public interest test can consider resolution primarily for insurers that are systemic if they fail and/or that perform critical functions; and
- Before initiating resolution, to consider whether alternative solutions are available (eg closure of one specific line of business to new business, transfer of a specific portfolio, solvent exit from the market).

During the 2025 member survery, a number of the criteria above were mentioned by jurisdictions as criteria for determining when resolution actions should be triggered. This covered a cross section of trigger points such as solvency and liquidity measures, specific criteria outlined in the resolution plan and specific failure criteria. Many members referred to the incoming IRRD as the basis of their planned implementation of trigger points.

Source: IAIS 2019 and 2025 member surverys

46. Jurisdictions should consider internal governance arrangements for the decision-making processes for determining whether any of the resolution conditions are met. The resolution authority should consider the appropriate level of seniority required for the decision, whether it should be a single individual or a committee decision, the amount of supporting evidence provided, and timeframes between the decisions taken for each resolution condition.

47. Considerations should also be made as to whether other relevant stakeholders should be consulted or informed for the resolution condition assessments, and whether a joint institutional decision could be required for specific conditions under all or some circumstances. At the same time, consideration should be made to the risk that any undue interference, delay or disclosure of information could compromise the swift execution of resolution measures. Other relevant stakeholders could include the government's treasury function, the prudential and/or conduct supervisor (as appropriate and depending on the structure of regulatory and supervisory authorities in the jurisdiction), the PPS (if there is one) and the courts.

4 Resolution powers

48. ICP 12.8 and CF 12.8.a require "legislation to provide a range of powers to resolve insurers effectively, which are appropriate to the nature, scale and complexity of the jurisdiction's insurance sector, and for these powers to be exercised proportionately with appropriate flexibility and subject to adequate safeguards".

49. This section provides guidance for using these resolution powers. Each of the resolution powers listed in ICP and ComFrame provide a description of its intended benefits and use, and considerations in its application. As appropriate, it also discusses any specific considerations related

to the resolution of an insurance group. Annex 1 provides examples of how resolution powers have been enacted in some jurisdictions.

50. The powers listed in ICP 12.8 and CF 12.8.a-i are identical. However, the powers in ICP 12.8.6 have the status of guidance (ie a recommendation), whereas the powers in CF 12.8 have the status of a standard (ie a requirement). Therefore, for jurisdictions that have one or more IAIGs, all powers listed under CF 12.8.a-i are required to be available for use in resolving an IAIG. For other jurisdictions, or for insurers that are not IAIGs, ICP 12.8 requires a range of powers appropriate to the nature, scale and complexity of the jurisdiction's insurance sector, and ICP 12.8.6 recommends powers that should be available to the resolution authority. An appropriate range of powers should allow the effective and orderly resolution of the insurers established in a jurisdiction, taking into account the specificities of the insurers, such as the impact of their failure and their type of business. In jurisdictions in which large, complex or systemically important insurers are established, it is particularly important for the supervisor and/or resolution authority to have available a sufficiently wide and suitable range of resolution powers.

51. As indicated in Section 2.1, there are similarities between preventive and corrective measures (ICP 10) aimed "to prevent an insurer from being no longer viable, or likely to become no longer viable", and resolution powers, which are used only after an insurer has already passed the point of non-viability. Some of the resolution powers build on these preventive and corrective measures. The table below provides a list of powers in ICP 10 and ICP 12 that are similar or even identical. Those powers that are not listed in the table below are unique for resolution purposes.

Table 2: Overview of similar powers discussed in ICPs 10 and 12

Powers in ICP 10	**Powers in ICP 12 and ComFrame**
• Prohibiting the insurer from issuing new policies or new types of products • Withholding approval for new business activities or acquisitions • Suspending the licence of an insurer	• Withdraw the licence to write new business
• Restricting the transfer of assets • Restricting purchase of an insurer's own shares	• Prohibit the transfer of the insurer's assets
• Restricting or suspending dividend or other payments to shareholders	• Prohibit the payment of dividends to shareholders
• Facilitating the transfer of obligations under the policies to another insurer that accepts this transfer • Prohibiting the insurer from continuing a business relationship with an intermediary or other outsourced provider, or requiring the terms of such a relationship to be varied	• Terminate, continue or transfer contracts

• Replacing or restricting the power and role of Board Members, Senior Management and/or Key Persons in Control Functions if the supervisor has material concerns with management or governance	• Remove or replace Mmembers of the Boards, Senior Management and/or Key Persons in Control Functions
• Temporarily delaying or suspending, in whole or in part, the payments of the redemption values on insurance liabilities or payments of advances on contracts	• Temporarily restrict or suspend the policyholders' rights of withdrawing their insurance contracts

52. In ICP 12.8.6, the powers have been grouped based on common characteristics to facilitate describing the powers and their benefits and uses. To avoid repetition, each power is listed only once, but some powers can support more than one objective. As indicated in ICP 12.8.6, the list of resolution powers is not exhaustive and the resolution authority should have discretion to apply other available powers when developing and implementing its resolution strategy. The order of presentation of the powers is not an indication of the sequence in which these powers could be exercised, or of their priority.

53. The powers have been grouped as follows in line with ICP 12.8.6:

A. Taking control

- Take control of and manage the insurer, or appoint an administrator or manager to do so;
- Remove or replace Members of the Boards, Senior Management and/or Key Persons in Control Functions;
- Prohibit the payment of dividends to shareholders;
- Prohibit the payment of variable remuneration to, and allow the recovery of monies from, Members of the Boards, Senior Management, Key Persons in Control Functions and major risk taking staff, including claw-back of variable remuneration; and
- Prohibit the transfer of the insurer's assets without supervisory approval.

B. Withdrawal of licence

- Withdraw the licence to write new business and put all or part of the insurance contracts into run-off.

C. Override rights of shareholders

- Override requirements for approval by shareholders of particular transactions or to permit a merger, acquisition, sale of substantial business operations, recapitalisation, or other measures to restructure and dispose of the insurer's business or its liabilities and assets; and
- Sell or transfer the shares of the insurer to a third party.

D. Restructuring mechanisms

- Restructure, limit or write down liabilities (including insurance liabilities), and allocate losses to creditors, shareholders and policyholders where applicable and in a manner consistent with the liquidation claims hierarchy and jurisdiction's legal framework.

E. Suspension of rights

- Temporarily restrict or suspend the policyholders' rights of withdrawing their insurance contracts;
- Stay rights of the reinsurers of the ceding insurer in resolution to terminate, or not reinstate, coverage relating to periods after the commencement of resolution;
- Impose a temporary suspension of payments to unsecured creditors and a stay on creditor actions to attach assets or otherwise collect money or property from the insurer; and
- Temporarily stay early termination rights associated with derivatives and securities financing transactions.

F. Transfer or sell assets or liabilities

- Transfer or sell the whole or part of the rights, assets and liabilities of the insurer to a solvent third party, and to take steps to facilitate transfer, run-off and/or liquidation;
- Terminate, continue or transfer certain types of contracts, including insurance contracts; and
- Transfer any reinsurance associated with transferred insurance policies without the consent of the reinsurer.

G. Bridge institution

- Establish a bridge institution.

H. Essential services and functions

- Take steps to provide continuity of essential services and functions.

I. Liquidation

- Initiate the liquidation of the whole or part of the insurer.

The following subsections provide explanations and guidance on each power.

4.1 Taking control

54. Taking control of the insurer is a critical step in the resolution process, as it is a prerequisite for exercising many of the other resolution powers. The resolution authority's powers should not require, or be contingent on, the cooperation of the insurer or its shareholders.

55. Taking control should include the power to replace key decision-makers to ensure effective management of the insurer during and post resolution.

56. In addition, the resolution authority should also have the ability to prohibit dividends to shareholders, prohibit or claw-back the payment of variable remuneration to the insurer's management, and prohibit the transfer of certain assets without supervisory approval. These actions can help to prevent a withdrawal of assets that could hamper or undermine the effectiveness of the resolution action. A supervisor may also apply these powers prior to resolution (ie in the recovery phase) to preserve, or improve, the financial condition of the insurer.

57. These measures can limit or recoup payments from an insurer that could be used to absorb losses in resolution. Thus, in a resolution scenario, these powers generally aim to protect policyholders and other creditors as asset withdrawals could further worsen the financial position of the insurer. Powers to prevent the outflow of assets can help achieve the resolution objectives by preserving value in the insurer.

Take control of and manage the insurer, or appoint an administrator or manager to do so

58. With this power, the resolution authority takes control of the insurer in resolution in place of the insurer''s Board and shareholders, to direct its activities so the insurer can continue to operate. This includes the management and disposal of the insurer's assets and liabilities. The resolution authority should have all of the powers of the insurer's Board and Senior Management, whose authority is suspended except as permitted by the resolution authority. The resolution authority should also have the power to manage or discharge employees.

59. The resolution authority can exercise its control of the insurer in resolution directly or through the appointment of one or more persons, including an administrator or manager. The role of such an appointment is to facilitate and implement necessary measures to achieve the resolution objectives, at the direction of the resolution authority. The resolution authority, its administrator or manager, should have authority to obtain any other professional services. The compensation of an administrator, manager or others providing services would normally be paid by the insurer unless otherwise specified in the particular jurisdiction.

60. Finally, the resolution authority should be able to take control of and deal with all of the insurer's property.

Remove or replace Members of the Boards, Senior Management and/or Key Persons in Control Functions

61. The aim of replacing key decision-makers is to ensure effective management of the insurer during and post resolution.

62. The supervisor should require Board Members, Senior Management and Key Persons in Control Functions of an insurer to be, and remain, suitable to fulfil their respective roles (see ICP 5 (Suitability of persons)). This is also true in resolution. The resolution authority may consider senior key decision-makers within the insurer to be unsuitable, and consequently may need to remove or replace them. The fact that an insurer enters a resolution phase may itself be an indication that some or all Board Members, Senior Management and/or Key Persons do not meet suitability requirements.

Prohibit the payment of dividends to shareholders

63. The prohibition of dividend payments prevents cash outflow, which would lead to a further deterioration of the solvency position.

Group perspectives

64. If only a part of an insurance group is failing, imposing restrictions on the whole group in group resolution could retain the liquidity that could be used for the resolution of the failing part.

65. It may be legally difficult to prohibit dividend payments by the parent company if the parent company is not a regulated legal entity. This makes it essential to have the power to prohibit dividend payments by regulated legal entities into the head of the insurance group, and, where appropriate and feasible, to negotiate legally binding commitments by the head of the insurance group. In cases of significant amounts of intragroup transactions, dividend payments can give rise to increased risks at both insurance legal entity level and group level. The impact of all such risks should be taken into account in the overall assessment by the resolution authority.

Prohibit the payment of variable remuneration and claw-back of variable remuneration

66. This power enables the resolution authority to prohibit the payment of variable remuneration to, and allow the recovery of monies from, Members of the Board, Senior Management, Key Persons in Control Functions and major risk-taking staff, including claw-back of variable remuneration. In some jurisdictions, recovering monies from these persons may require a court order.

67. Legislation can specify the circumstances in which the resolution authority may prohibit or claw-back variable remuneration. Ideally, the resolution authority should have the discretion to decide when and how to exercise this right, as this flexibility will promote the objective of implementing resolution powers proportionately. The following examples illustrate some of the potential factors that the resolution authority could consider when deciding whether to prohibit or claw-back variable remuneration:

- The conduct or performance of the persons to whom payments are due or were made;
- The amount of the payment relative to the person's salary or other compensation; and
- The impact of the aggregate payments on the financial condition of the insurer.

68. Codifying this power may be beneficial even in situations where an insurer is not yet in resolution. If an insurer experiences financial distress, the insurer's key decision-makers are on notice that certain payments may be subject to claw-back if the insurer enters into resolution. Finally, the very presence of this power in legislation may encourage the insurer's key decision-makers to avoid taking unacceptable risk, and hence may work as a preventive tool as well.

69. There may be limitations on the resolution authority's power to prohibit or claw-back payments. According to the IAIS member survery, the lack of a legal basis for claw-back poses a barrier to the operationalisation of this power in some jurisdictions.

Prohibit the transfer of the insurer's assets without supervisory approval

70. This power is used to ensure the preservation of the insurer's assets to retain value in the insurer and can support orderly resolution powers (if these are eventually needed), by ensuring that management does not make undesirable or inconsistent transfers.

71. The prohibition of asset transfers should be applied selectively, as forbidding some transfers may be detrimental to policyholders. For example, if there are reinsurance agreements, a cessation of all payments to reinsurers could cause reinsurers not to pay claims to the ceding insurer, which could negatively impact the primary policyholders. Or, if payments are due within an insurance group,

suspending these payments could unduly impact some policyholders. In such cases the resolution authority may restrict specific transactions or types of transactions.

72. Depending on the resolution powers available and authorities involved, exercising this power may be complex. According to the IAIS member survery, in some jurisdictions the resolution powers are divided, with no single authority responsible for all resolution powers or all phases of resolution. In particular, resolution powers other than liquidation may be conducted by the resolution authority, while liquidation may be conducted by an insolvency administrator or liquidator in the same manner as non-insurance insolvencies. This can limit the resolution authority's ability to exercise its resolution powers. In some jurisdictions, the supervisor acting as the resolution authority might not have readily available powers to prohibit the insolvency administrator or liquidator from lawfully transferring assets pursuant to the domestic bankruptcy law if the licence of an insurer was withdrawn and it is no longer a supervised entity. According to ICP 12.9.2, in such cases legislation should either "require prior approval of the supervisor" or at least "require prior coordination with the supervisor". If these two requirements are not met, legislation "should provide that the supervisor may challenge the person's action". This situation illustrates the advantages of comprehensive legislation governing insurance resolution, which can be tailored to comport with ICP 12.

Group perspectives

73. In the context of insurance groups, it may be useful to impose restrictions on asset transfers at the beginning of the resolution process, as it may be difficult to reverse transfers retrospectively to recover assets once the legal entity in resolution has already transferred assets to another entity or group holding company. There may be further complexities to the reversal of a transfer if the original transfer was to a non-regulated entity or an entity that resides in another jurisdiction.

4.2 Withdrawal of licence

Withdraw the licence to write new business and put all or part of the insurance contracts into run-off

74. The withdrawal of the licence to write new business,[16] including an immediate freeze on the power of intermediaries to bind coverage, is a general (supervisory) power that can be applied in a wide variety of circumstances, including in resolution. Without a licence to write new business, but with continuing obligations to existing policyholders (and normally subject to ongoing supervision by the relevant authority or authorities), the insurer would effectively be in run-off. Freezing the power of intermediaries to bind coverage should, where appropriate, be implemented after consultation with, or a timely warning to, the intermediary.

75. One of the purposes of this measure will be to prevent new policyholders from being exposed to certain risks associated with a failing insurer. It is also important for existing policyholders and other creditors to prevent the insurer from taking on additional risk (ie new policyholder liabilities) when it is under financial distress and is likely to fail.

76. This measure can also help to reduce operational costs, as that insurer would no longer require certain functions within its business. Costs can be reduced by reducing the headcount of staff or by cancelling or modifying outsourcing arrangements with third parties, especially in respect

[16] This may also be achieved through the supervisory power to suspend the licence or a restriction on writing new policies (see Table 2).

to product development, sales, advertising and related distribution. However, a withdrawal of the insurer's licence to write new business may have unintended consequences, which should be adequately considered prior to a decision to withdraw. For example, the withdrawal of the insurer's licence to write new business could have an adverse impact on the insurer's cashflow, which could cause subsequent liquidity issues. Additionally, regulatory intervention may adversely affect policyholders' perception of the robustness of the insurer, and, particularly for insurers with long-term products, this may incentivise some policyholders to surrender their policies or lapse on premium payments, which could lead to liquidity issues or the forced sale of assets below market price to meet those claims.

77. Both the intended and unintended consequences of withdrawing the licence to write new business should be evaluated appropriately before its use, given the relevant facts at the time.

78. Additionally, the withdrawal of the licence will, in many cases, be accompanied by additional measures, including restructuring mechanisms or a full or partial portfolio transfer. Additional measures intended to be implemented by the resolution authority should also be considered in its evaluation of whether to withdraw the insurer's licence.

79. The withdrawal of the licence would enable a resolution exit strategy that contemplates the insurer's run-off. A run-off would provide continuity of cover to policyholders. Depending on the type of business, and on its solvency position, an insurer that is no longer licensed to write new business might remain permitted or obligated to continue renewing its in-force policies. If prompt action is taken, even an insurer that is already insolvent might be able to run off all of its insurance liabilities successfully, so that only lower-ranking creditors are impaired.

80. It is possible for an insurer to fail to meet its regulatory capital requirements, but still be solvent and able to satisfy all its liabilities to their maturity. It would be prudent for the resolution authority to require the insurer to produce a solvent run-off plan and conduct actuarial and sensitivity analysis to that plan to receive sufficient assurance that the insurer can reasonably run-off its liabilities to maturity. As the insurance portfolio runs off over time, the profitability of the insurer would decrease, but fixed costs (eg administration costs) would not decrease proportionately, and this could cause potential liquidity or solvency issues as the insurance portfolio matures. As the run-off tails off, there may be benefit in the transfer of the small remaining insurance portfolio to a private sector purchaser, or even to liquidating the insurer.

81. However, the withdrawal of the licence may not need to be permanent and could just be temporary. For example, if the resolution strategy was to re-capitalise the insurer so that it meets its PCR, then there could be a reasonable rationale to justify reinstating the insurer's licence as part of the exit strategy for resolution. There would need to be consideration for policyholder protection and fair treatment between policyholders at the point of resolution and future policyholders post-resolution, particularly if policyholder liabilities were written-down as part of a restructuring. This, of course, will depend heavily on the resolution strategy and relevant facts at the time.

4.3 Override rights of shareholders

Override requirements for approval by shareholders of particular transactions or to permit a merger, acquisition, sale of substantial business operations, recapitalisation or other measures to restructure and dispose of the insurer's business or its liabilities and assets

82. This power is necessary to implement other resolution powers. While the insurer is in resolution, the voting rights attached to shares of the insurer are suspended. The resolution authority should be able to act in accordance with its resolution objectives without the need to obtain shareholder approval, so that the actions conducted by the resolution authority can be implemented in a timely manner, consistent with the parameters provided to it under that jurisdiction's resolution regime. Where the insurer is solvent, the resolution authority would, in exercising powers, have due regard to the interests of shareholders, while nevertheless treating the interests of policyholders as paramount.

Sell or transfer the shares of the insurer to a third party

83. The power to sell or transfer insurers' shares and the power to "transfer or sell the whole or part of the rights, assets and liabilities of the insurer to a solvent third party", addressed in Section 4.6 below, are related to each other to some extent in their nature.

84. There may be challenges in finding a willing buyer of shares in a failed insurer (ie an acquirer of the entire business, including the totality of its liabilities), and the transfer of some of its assets and liabilities to one or various private sector purchasers may be more easily achieved. This is further discussed under Section 4.6.

4.4 Restructuring mechanisms

85. In some situations an insurer can be restructured, which can permit all or part of the business to be saved. Some measures can impact the rights of third parties. These actions, which are subject to the safeguards discussed in Section 2.5, can include the following:

Restructure, limit or write down liabilities (including insurance liabilities), and allocate losses to creditors, shareholders and policyholders where applicable and in a manner consistent with the liquidation claims hierarchy and jurisdiction's legal framework

86. The FSB KAs provide a list of resolution powers that fit well under restructuring mechanisms, and that the resolution authority should have at its disposal to absorb losses and achieve the resolution objectives:[17]

- Write down equity and cancel shares or other instruments of ownership of the insurer;
- Write down unsecured creditor claims;
- Convert all or part of unsecured creditor claims into equity or other instruments of ownership of the insurer, any successor in resolution (such as a bridge institution to which part or all of the business of the failed insurer is transferred) or the parent company within that jurisdiction, or exchange such claims for such equity interests;
- Override pre-emption rights of existing shareholders of the insurer;
- Issue new equity or other instruments of ownership;
- Issue warrants to equity holders or subordinated (and if appropriate senior) debt holders whose claims have been subject to bail-in[18] (to enable adjustment of the distribution of shares

[17] See paragraphs EC 3.11 and EC 3.13 of the FSB KAAM for the Insurance Sector.

[18] Bail-in, as defined by the FSB, means restructuring mechanisms that enable loss absorption and the recapitalisation of an insurer in resolution or the effective capitalisation of a bridge institution through the cancellation, write-down or termination of

based on a further valuation at a later stage); and

- Restructure insurance liabilities (whether currently due and payable or contingent).

87. The primary objective of using a write-down tool is to absorb losses by reducing the value of a failing insurer's liabilities. When possible, this may enable the insurer to restore its viability such that it can continue to operate following the write-down. Also, it may be used to enable other resolution actions that would not have been feasible without a write-down, including run-off or portfolio transfer. For example, a restructuring of insurance liabilities may be needed in order for the portfolio to be transferred to a private sector purchaser. That may be in the interest of the policyholders as the policies are continued, even though the insurer does not continue to exist.

88. In using the write-down tool, the resolution authority should remain mindful of the NCWOL principle. The higher a claim stands in the liquidation claims hierarchy, the more likely it will be that the NCWOL principle will constrain the options for writing down that claim. Given the high priority of policyholder claims relative to other creditors, this is of particular relevance for policyholder liabilities, whereby a write-down would be limited to scenarios where the affected policyholders do not receive less than they would have in liquidation (see ICP 12.10). If a PPS is available to pay claims in a liquidation, the NCWOL analysis should consider the protection provided by the PPS to policyholders, as well as the impact of the write down on any policyholders whose claims are not covered by the PPS in whole or in part.

89. The resolution authority will need to assess the level of capitalisation required to gain sufficient comfort of the insurer's financial position post-write-down. This could be determined ex ante (for example, the insurer could be required to meet a predetermined percentage of its PCR) or determined on a case by case basis (for example, taking into consideration the insurer's size, business model, nature of policyholder liabilities or the resolution strategy, such as whether the authorities intend to allow the insurer to continue to sell new business or put the insurer into run-off).

90. The resolution authority may want to consider whether policyholder premiums should be adjusted post-write-down to reflect the write-down of their liabilities. The resolution authority would need to be mindful of the NCWOL principle when making this consideration.

91. Jurisdictions that have a PPS may want to consider providing a legal right to the PPS to be subrogated to the claims of insured policyholders in the liquidation of the insurer (ie have the same right that the policyholder would have had to make a claim), up to the total amount the PPS made in payments to protected policyholders.

92. A write down will necessarily be based on the projected performance of the insurer's business over the course of the run-off. If the performance exceeds these assumptions, there may be more funds available than anticipated. If this occurs, the resolution authority may consider a mechanism to distribute any surplus funds by a "write-up" that reduces the severity of the write-down. This could be implemented by a distribution of the surplus in accordance with the liquidation claims hierarchy. The resolution authority could make a series of periodic distributions that are recalibrated over the run-off, as experience replaces assumptions. The pro rata payments would compensate policyholders (and potentially other creditors) for the amounts they were owed that were written-

equity, debt instruments and other senior or subordinated unsecured liabilities of the insurer in resolution, and the conversion or exchange of all or part of such instruments or liabilities (or claims on the insurer) into or for equity in or other ownership instruments issued by that insurer, a successor (including a bridge institution) or a parent company of that insurer.

down. This could be applied retrospectively (ie on claims that were previously written-down) and prospectively, consistent with the jurisdiction's legal framework. If policyholders receive the full amount of their claim, any remaining surplus would be distributed to other creditors in accordance with the liquidation claims hierarchy.

4.5 Suspension of rights

Temporarily restrict or suspend the policyholders' rights of withdrawing from their insurance contracts

93. A moratorium on policyholder surrender rights, for a defined, limited period of time, would provide that any request given by a policyholder to withdraw funds or to surrender the policy is either of no effect or deferred. It could thereby provide financial stability to the insurer, for example, by preventing the risk of mass lapse for the duration of the moratorium. In certain circumstances, it would also provide stability and time to better allow for valuation (for example, to prepare for a portfolio transfer) and implementation of restructuring or a write-down tool. Such a moratorium also ensures even treatment of policyholders, avoiding a "race to surrender", which could have an adverse financial impact on the remaining policyholders.

94. The legislation should provide for the scope of the moratorium to be as broad as necessary, so that all policyholders (whether protected or unprotected by a PPS) could be in scope when appropriate. When exercising the power, the resolution authority should then have the flexibility to determine which policyholders would fall into scope of the moratorium on a case by case basis. For example, there may be a rationale to exclude annuitants from a moratorium.

95. The population of policyholders to which the moratorium might apply in a specific resolution may be driven by policy type and whether they are being transferred (in addition to the general purpose of the moratorium).

96. Insurance policy lapses or the exercise of surrender rights differs from the immediate withdrawal of deposits on request in the banking context. Depositors have an immediate right to withdraw from a bank. For a policyholder to exercise surrender rights, a surrender request must be submitted and there is generally a contractual window of time for the insurer to actually effectuate the payment.

Stay rights of the reinsurers of the ceding insurer in resolution to terminate, or not reinstate, coverage relating to periods after the commencement of resolution

97. The purpose of placing a stay on the termination rights of reinsurance contacts is to prevent reinsurance counterparties from terminating their contracts on the sole ground of the insurer's entry into resolution. Operation of the stay may depend on whether the insurer is still performing its substantive obligations towards the reinsurer. If the substantive obligations are still being performed, there should be no loss that would give the counterparty the right to claim damages. If the insurer in resolution defaults in performance of any of its substantive obligations under the reinsurance contract following the expiry of the stay, any applicable early termination rights would then be exercisable.

98. This power should not be construed as constituting forced continuation of reinsurance beyond the stipulations of the reinsurance contract. For example, it is not envisaged for resolution authorities to compel reinsurers to keep a reinsurance contract in force beyond the original duration or date of maturity, or to require reinsurers to continue renewable contracts where the reinsurer has the right not to renew the contract at the end of the term of the current insured period.

Impose a temporary suspension of payments to unsecured creditors and a stay on creditor actions to attach assets or otherwise collect money or property from the insurer

99. Actions by unsecured creditors to attach or sequester the insurer's assets can result in uneven treatment of creditors, and hinder efforts to resolve an insurer. If an action to seize assets is successful, it can result in a full payment of one creditor's claim that would result in reduced payments on other claims, including policyholder claims. A statutory or judicial stay on creditor actions can thus prevent a "race to payment", and preserve assets so that all creditors, depending on their ranking, are evenly treated.

100. Although not explicitly listed as a power in ICP 12, a moratorium on payments to creditors would provide breathing room, in the case of a write-down, to temporarily pause payments of claims while the write-down of the contract value is implemented, so that payments can be made at the reduced rate. This temporarily avoids paying creditors who are due to be written down, but without giving cause of action for any consequential losses arising from delayed payments that have fallen due. In the case where the moratorium would suspend payments to creditors, there would need to be an explicit power accompanied by provision that the insurer would not be in breach of its contractual obligations for the duration of the moratorium.

Temporarily stay early termination rights associated with derivatives and securities financing transactions

101. The purpose of placing a stay on the termination rights in financial contracts is to prevent financial counterparties from terminating their contracts on the sole ground of the insurer's entry into resolution, preventing, in particular, the close-out of financial contracts in significant volumes. This allows for derivatives contracts to continue to offset financial risks through the resolution process (provided that the insurer in resolution, or any successor to which the contracts have been transferred, continues to perform its obligations under those contracts).The termination of large volumes of financial contracts upon entry into resolution could result in a disorderly rush for the exits, creating further market instability and frustrating the proper implementation of resolution powers.

102. The financial contracts within scope of this power are defined by jurisdictional law,[19] but typically consist of derivatives and other contracts, such as repo or reverse repo, securities lending and other similar transactions that are subject to contractual set-off and netting arrangements. Insurance contracts do not fall into this category. The scope of the temporary stay on early termination (close out) and netting should be as broad as possible so that all financial contracts with such early termination rights could be in scope. The stay may be automatic or discretionary. An automatic stay would apply for the period specified by statute on the entry of an insurer into resolution (or the occurrence of any other event defined as triggering the stay), without any discretion on the part of the resolution authority. A discretionary stay power would provide the resolution authority with the flexibility to decide on a case by case basis which contracts should be subjected to the stay.

103. The temporary stay would need to apply for a clearly limited period of time, but that time must be sufficient to provide "breathing space" so that other resolution powers can be implemented (for example, the restructuring of liabilities, the transfer of assets and liabilities etc).

[19] "Financial contracts" may be defined for the purposes of specific treatment under insolvency law, for example, to exclude them from any moratorium on the exercise of contractual rights to close-out netting in insolvency.

104. To be effective and consistent with the objectives of resolution, temporary stays are frequently subject to the following conditions:[20]

- The stay should apply to early termination rights that are triggered by the entry into resolution, by the reasons for entry into resolution or by the use of resolution powers;
- The stay applies for a limited period of time;
- The resolution authority would only be permitted to transfer all of the eligible contracts with a particular counterparty to a new entity and would not be permitted to select for transfer any individual contracts with the same counterparty and subject to the same netting agreement (ie the "no cherry-picking" rule);
- The early termination rights of the counterparty are preserved against the insurer in resolution in the case of any default occurring before, during or after the period of the stay if the default is not remedied by the resolution authority on entry of the insurer into resolution, or if the default is not related to entry into resolution or the exercise of a resolution power (for example, a failure to make a payment or the failure to deliver or return collateral on a due date);
- Following a transfer of financial contracts, the early termination rights of the counterparty are preserved against the acquiring entity in the case of any subsequent independent default by the acquiring entity; and
- After the period of the stay, early termination rights could be exercised for those financial contracts that are not transferred to a sound insurer, bridge institution or public entity.

105. The failure by the insurer to meet a substantive obligation against any counterparty can trigger the termination of the financial contract to exercise any acceleration or early termination rights that arise as a result of that failure. For example, this may include the situation where the insurer is unable to post required collateral or to meet settlement obligations against a Financial Market Infrastructure (FMI).

4.6 Transfer or sell assets or liabilities

Transfer or sell the whole or part of the rights, assets and liabilities of the insurer to a solvent third party, and to take steps to facilitate transfer, run-off and/or liquidation

106. Instead of selling or transferring the shares of the failed insurer (see Section 4.3 above), a transfer of some or all of its assets and liabilities to a private sector purchaser may be more easily achieved. In some circumstances, an insurer might not be viable on its own, but its portfolio or parts of its portfolio could still be a profitable component of a larger insurer with the necessary expertise or complementary business units. Even if the profitability of the transferred business is uncertain, a buyer or various buyers with enough loss-absorbing capacity might assess that the potential rewards — including maintaining financial stability — outweigh potential costs. In such a situation, viability can be restored by selling the failing insurer's businesses to one or more third parties that are willing to recapitalise adequately.

107. Some of the factors that will affect the feasibility of finding a prospective purchaser or purchasers for all or portions of the insurer include:

- The size of the failing insurer compared with the overall market;

[20] See also paragraph 2.1 of I-Annex 5 of the FSB Key Attributes.

- The product types the insurer underwrites and the relative size of the respective books of business;
- Whether there are any issues with the treatment of policyholders that may complicate a transfer (for example, if policies had specific clauses, such as guarantees backed by the insurer's holding company on default of the insurer, which would fall away once the transfer completes);
- Any problems with the quality or accuracy of the policyholder data;
- The financial position of the failing insurer at the point the assessment is made (for example, if there were sufficient assets to at least meet the Current Estimate of Liabilities,[21] then it would be easier to find a prospective purchaser);
- Market capacity/appetite to take on a (large) book(s) of business (this would depend on market conditions and the financial position of competitors at the point of the assessment);
- The timeframe that the resolution authority assesses a property transfer would need to be completed by; and
- The impact on diversification at the level of the purchaser(s).

108. A transfer could be made more viable if the insurer's larger books of business were split into multiple blocks, with different blocks potentially relating to different products or risk profiles. The resolution authority could break down the portfolio so that individual books of business were of a quantum that could be taken on by another insurer. How the liabilities could be split up would be situation and fact dependent, although resolution planning would provide the means to identify potential ways the failing insurer's liabilities could be split so that they could be transferred.

Terminate, continue or transfer certain types of contracts, including insurance contracts

109. This power facilitates and supplements internal restructuring by enabling the resolution authority to move ownership of contracts to third parties or across legal entities within the same group. This could include intragroup services contracts, intragroup financial contracts and policyholder liabilities. The restructuring of policyholder liabilities via intragroup transfers could be beneficial, for example, to restructure the insurance legal entity in resolution so that it is more attractive to a private sector purchaser.

Transfer any reinsurance associated with transferred insurance policies without the consent of the reinsurer

110. This power may be required in circumstances where the resolution authority intends to transfer, in whole or in part, the assets and liabilities of the insurer to a solvent insurer or third party, where insurance policies are, prior to the transfer, covered, in whole or in part, by reinsurance. This power provides the resolution authority with the ability to transfer insurance policies without changing the portfolio's risk profile and associated capital requirements by retaining the economic benefit provided by the reinsurance.

111. The reinsurance associated with the transferred insurance policies will have a direct impact on the portfolio's exposure to the total value of potential claims and therefore will also have a direct impact on the amount of capital required to back those policies for the acquiring insurer to meet its PCR post-transfer. In absence of the pre-existing reinsurance, there may be insufficient assets to

[21] See ICP 14.7.4.

back the insurance policies, or the portfolio may become less commercially attractive, which would likely create difficulties in finding a willing third party to purchase the insurance contracts as part of a transfer.

4.7 Bridge institution

Establish a bridge institution

112. A bridge institution is a temporary institution aimed at receiving a transfer of assets and insurance liabilities from an insurer in resolution, with the intention to transfer the received assets and liabilities to a private sector purchaser at a later stage. The bridge institution is temporary in nature to facilitate a transfer that does not attract purchasers at the specific timing of resolution (for example, a market-wide stress or macroeconomic conditions make finding a prospective purchaser challenging), while continuing to operate certain essential services and functions and viable operations of a failed insurer. A bridge institution should not intentionally be used as a run-off vehicle where assets and liabilities are held to maturity or completion.

113. A bridge institution should be controlled by the resolution authority. Such control could result from, inter alia, a majority ownership by the resolution authority, control voting rights in shares issued by the bridge institution, a Board majority etc. Legislation should establish provisions, and the resolution authority take steps and arrangements, for the appropriate management of the bridge institution.

114. A bridge institution may require authorisations (for example, permissions to carry insurance contracts or to make payments to policyholders) prior to receiving a transfer of insurance contracts. Authorisation requirements are likely to be jurisdiction specific.

115. To achieve the desired outcomes, the provisions for a bridge institution will likely include:

- The power to establish the terms and conditions under which the bridge institution has the capacity to operate as a going concern;
- The power to reverse asset and liability transfers, or forward those transfers to a third party; and
- The power to arrange the sale of the insurance portfolio of the bridge institution to a private sector purchaser so as best to achieve the objectives of the resolution authority.

4.8 Essential services and functions

Take steps to provide continuity of services and functions that are essential to the insurer

116. Legislation can require that the resolution authority approve contracts between an insurer in resolution and other legal entities within the group (including non-regulated entities) to ensure that there are no impediments to continuing essential services to the insurer in resolution or any purchasing insurer. As a general matter, legislation can also specify mandatory terms in an insurer's contract with any party providing services to prohibit the party from unilaterally cancelling the contract if the insurer is placed in resolution. The party providing services should be permitted to charge a reasonable amount for services, but not necessarily to require the payment of charges incurred before resolution as a condition of providing services.

117. If an insurer's policies are transferred to a purchasing insurer, it may be necessary to ensure that the residual entity, or the third parties providing services to the latter, can temporarily provide services to the successor or acquiring entity.

4.9 Liquidation

Initiate the liquidation of the whole or part of the insurer

118. Although other resolution powers may aim to stabilise or restructure an insurer, in a liquidation, it is common for the insurer's corporate existence to be terminated, its policies rapidly cancelled or transferred, its assets sold and converted to cash and its funds distributed (with a number of exceptions, often varying by jurisdiction, such as in the case of a life insurer, where the cancellation of an insurance policy would be overly detrimental to policyholders). Liquidation is typically sought only after other efforts to rehabilitate an insurer are not successful, or when it appears that alternatives would be futile. Liquidation can be used in conjunction with other resolution powers.

119. The phrasing of this resolution power could be read as implying that liquidating an insurer is something separate and distinct from resolution. However, liquidation is just one process for dealing with an insurer that is no longer viable, and it uses some or all of the same powers enumerated above as resolution powers. In some jurisdictions, the law explicitly establishes a specialised liquidation scheme for insurers (or for financial institutions) as part of a comprehensive resolution regime. In other jurisdictions, liquidation is conducted through the same liquidation process available for general corporations. ICP 12 provides standards and guidance that specifically apply to the liquidation of insurers:

- ICP 12.9 states that the supervisor is involved in the initiation of the liquidation. If another person is allowed to initiate liquidation, the supervisor should be involved as described in ICP 12.9.2. Under ICP 12.8.6, the resolution authority (which may be different from the supervisor) should be authorised to initiate liquidation of an insurer.
- ICP 12.9 requires liquidation laws to provide a high priority to policyholders' claims within the liquidation claims hierarchy.

120. Liquidation is generally viewed as the remedy of last resort, as it results in the termination of the insurer, its business and its policies, in a fashion that might not be the best option for policyholders. This could be the case, in particular, when the liquidation is conducted by a court of law that is not specialised in insurance, that does not have policyholder protection or financial stability amongst its primary objectives, and/or when the procedure itself does not take (sufficient) account of the specific characteristics of the insurance sector and the need to efficiently protect policyholders (in particular by settling their claims reasonably quickly). Where liquidation is entrusted to a court of law, some jurisdictions note that judicial liquidation can often extend for a decade or more. Further, it may affect other insurers by undermining public confidence in insurance. Where available, resolution actions other than liquidation might help to preserve value, as well as achieving "public interest" resolution objectives, such as policyholder protection, preservation of financial stability and maintaining economically important functions. However, any other resolution action is subject to the NCWOL principle (see Section 2.4).

121. There may be cases where liquidation is the most appropriate alternative. The decision on when and how liquidation should be sought can involve a number of factors, as well as competing considerations:

- If liquidation is initiated abruptly, it can create a hardship on policyholders, especially if the liquidation laws mandate the immediate termination of policies. If possible, policyholders should have sufficient notice to obtain replacement coverage, assuming that it is available;
- The existence of a PPS may affect timing of liquidation. For example, if there is no PPS, it may be necessary to take immediate action to liquidate an insurer in order to preserve assets and avoid preferential payments. In contrast, if a PPS is available to continue the payment of claims, the resolution authority may need to coordinate with the PPS before initiating liquidation;
- In an insurance group context, some insurance legal entities may be liquidated and others not. For example, some insurance legal entities might remain viable, others might need to be resolved using other powers than liquidation, and others might have no other option than liquidation; and
- Resolution actions other than liquidation may not be an option in all cases. If there is a public interest threshold for the use of certain resolution tools, then a failing insurer that does not satisfy such a public interest test may have to be liquidated in regular insolvency procedure (eg this may be the case for smaller insurers in some jurisdictions).

5 Preparation for resolution

122. ICP 12.3 provides that "the supervisor and/or resolution authority has in place effective processes and procedures to prepare for and conduct the resolution of insurers." In cases where an insurer-specific resolution plan (as per ICP 12.4) is not required, this standard may be implemented by adopting simplified resolution processes and procedures, for instance as part of the normal crisis management and business continuity procedures. This may be done by developing a common plan or process for resolving certain types of insurers that have common characteristics, or by developing simplified plans for resolution strategies for an individual insurer, focusing only on some key elements listed in subsection 6.4 of this paper (such as the strategic and legal analysis of the insurer, the communication plan, the description of the resolution strategy and/or the conclusion of the resolvability assessment).[22] Also, ICP 12.3 may be implemented through engaging with insurers on these issues as part of the day to day supervision, such as their crisis management and business continuity procedures, as well as contingency capital and funding plans. See Annex 3, which outlines key aspects of resolution preparation, as well as resolution plans and resolution strategy.

[22] An example of a proportionate uniform approach is Australia's recovery and exit planning framework (Standard and Practice Guide). A plan must be appropriate to the size, business mix and complexity of the APRA-regulated entity, with certain requirements for larger and more complex entities. Subject to meeting requirements under the Standard, entities have the flexibility to manage their recovery and exit planning practices in a manner that is best suited to achieving their objectives. APRA does not expect that all entities will have access to the same recovery and exit actions.

5.1 Options and risks

123. In cases where an insurer is approaching the resolution triggers, and a resolution plan as such has not been developed in advance, it can be assumed that resolution capacities and processes would be needed, mapping the resolution powers available to the particular situation. Resolution may be complicated when the markets are in stress (eg in case of multiple simultaneous failures) and/or when resolution measures need to be taken within a very short period of time.

5.2 Information needs

124. Authorities should ensure that they can obtain the information needed to develop and implement the resolution strategy and plan (see also Section 6.3 below). According to ICP 12.3.4, insurers should have processes and procedures in place to be able to provide necessary information to the supervisor and/or resolution authority, as well as any other relevant organisation (such as a PPS) in a timely manner when the insurer enters into resolution. Such information could include entity level non-consolidated financials, policy level data, actuarial valuation inputs, reinsurance details (particularly for complex or asset intensive arrangements) and clarity on critical service dependencies. CF 12.3.a also introduces a requirement for all IAIGs to have and maintain group-wide management information systems (MIS) to respond on a timely basis to any information request. Authorities should identify any impediments to providing up to date and reliable information in a timely manner and require the insurer to address these, where applicable.

125. Another source of information may be the insurer's recovery plan, which, according to ICP 16.15 and CF 16.15.a, is required to be developed by all IAIGs and all insurers assessed to be systemically important or critical if they fail, and other insurers based on their nature, scale and complexity. For instance, a recovery plan would provide inputs on the insurer's operational business structure, legal structure, 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.

Box 3: Internal resolution manual for the resolution of insurers in the Netherlands

The De Nederlandsche Bank (DNB), which is the Dutch resolution authority, has established an internal resolution manual for the resolution of insurers. This framework comprises three main phases: the pre-resolution phase, the resolution phase and the post-resolution phase. Throughout all phases, the DNB works within a crisis management team structure to ensure clear accountability and effective coordination. Internal guidance materials, playbooks and project management tools support consistent and timely execution.

1. Pre-resolution phase: Although this phase begins when an insurer is deemed to be failing or likely to fail, based on indicators such as solvency breaches, negative equity or lack of liquidity, preparatory work may already be under way beforehand. The supervisor has the lead in assessing whether private alternatives or supervisory measures can avert failure within a reasonable timeframe, in coordination with the resolution authority. If failure cannot be prevented, the resolution authority assesses whether resolution is in the public interest, using the public interest test. To support these determinations, the DNB conducts an ex ante valuation, assessing regulatory balance sheet values, insolvency liquidation values and post-resolution solvency. A resolution plan, prepared ex ante for insurers, informs the preferred resolution strategy and potential use of resolution tools and powers.

Preparatory actions include engagement with the insurer (eg through recovery plans and playbooks), legal analysis, data requests and operational readiness (such as preparing the appointment of a special administrator or the suspension of contractual obligations). The DNB can also conduct dry runs or simulations using this framework.

2. Resolution phase: Upon a formal resolution decision, the DNB gains access to a range of resolution tools and special powers.
3. Post-resolution phase: Once resolution measures are implemented, the DNB transitions to the post-resolution phase. Key activities include: an ex-post valuation to assess compliance with the NCWOL principle; adjustment of creditor treatment (eg increasing recovery amounts or compensating excess losses via the resolution financing arrangement); handling of legal proceedings; final communication with policyholders and public authorities (eg parliament); and coordination of any remaining supervisory requirements, such as portfolio run-off, governance reforms or risk appetite adjustments.

6 Resolution plans

6.1 Objective

126. A resolution plan identifies in advance options for resolving all or part(s) of an insurer with the ultimate aim to be better prepared for resolution. Therefore, a resolution plan serves as a guide to authorities for maximising the likelihood of an orderly resolution. A resolution plan should also establish a range of measures that can be taken to minimise the impact of an actual or prospective failure, limiting the risk to public funds. Furthermore, the plan should identify the insurer's financial and economic functions that need to be continued to achieve the resolution objectives and put in place measures, including the necessary steps and time to implement such measures, to ensure continuation of these functions in resolution or set appropriate measures for running off these functions in an orderly manner if that would best serve the interests of policyholders and reduce any negative impact on financial stability, the real economy and taxpayers. See Annex 3 for key aspects of resolution plans.

6.2 Determining the need for a resolution plan

127. ICP 12.4 requires that "the supervisor and/or resolution authority has a process to regularly assess which insurers to subject to a resolution plan requirement". The assessment should be "based on established criteria that consider the nature, scale and complexity of the insurer". And, at a minimum, "any insurer assessed to be systemically important or critical if it fails" should have a resolution plan. Therefore, supervisors and/or resolution authorities are expected to establish an assessment process. ICP 12.4.1 provides a list of factors that supervisors and/or resolution authorities should consider when developing the criteria to determine which insurers should subject to a resolution plan requirement, including size, risk profile, substitutability and interconnectedness. Potential systemic importance of an insurer should be assessed in line with ICP 24 on macroprudential supervision (ICP 12.4.3). Whether an insurer is considered "critical at failure" should be assessed on the basis whether its failure is likely to have a significant impact on the financial system and/or the real economy of the jurisdiction (ICP 12.4.4). See Annex 2 for examples of approaches to determining critical functions/criticality.

Box 4: FSB guidance on the scope of insurers subject to the recovery and resolution planning requirements

- The FSB KAs[23] require a resolution regime for "any financial institution that could be systemically significant or critical if it fails".
- The FSB published its guidance on the scope of insurers subject to the recovery and resolution planning requirements in the KAs, [24] as noted in Section 1.6. Building on existing materials,[25] the guidance outlines what criteria authorities should consider to determine which insurers are subject to the recovery and resolution planning requirements in the KAs, as follows:

    1. **Existing Key Attribute standard.** An insurer that could be systemically significant or critical upon failure, or could have an impact on financial stability in the event of its failure, should be subject to a requirement for an ongoing process of RRP.
    2. **Authority assessment.** An insurer's resolution or supervisory authority, as appropriate, should assess which insurers "could be systemically significant or critical upon failure, or could have an impact on financial stability in the event of their failure," based on established criteria.
    3. **Assessment criteria.** The criteria for the assessment in paragraph 2 should consider the insurer's nature, scale, complexity, substitutability, cross-border activities, and interconnectedness. Each of the criteria should be considered in a distinct manner.
    4. **Specific circumstances that should necessitate RRP requirements.** Notwithstanding any evaluation of the criteria in paragraph 3, an insurer "could be systemically significant or critical upon failure, or could have an impact on financial stability in the event of its failure" and its resolution or supervisory authority should therefore determine that the insurer should be subject to an ongoing process of RRP if:

        (i) It provides a critical function, which is a function with the following three elements:

            a. The function is provided by the insurer to third parties not affiliated with the insurer;

            b. The sudden failure to provide the function would be likely to have a material impact on the financial system and/or the real economy; and

            c. The function cannot be substituted within a reasonable period of time and at a reasonable cost; or

        (ii) Its failure is likely to have a significant impact on the financial system and/or the real economy of the jurisdiction, including by:

[23] FSB, Key Attributes of Effective Resolution Regimes for Financial Institutions, October 2011, revised in April 2024.

[24] FSB, Scope of Insurers Subject to the Recovery and Resolution Planning Requirements in the FSB Key Attributes: Consultation report, April 2026.

[25] For instance, FSB Key Attributes Assessment Methodology for the Insurance Sector, August 2020, revised in April 2026.

a. Materially affecting a large number of policyholders in the case that the insurer's activities, services or operations are significantly relied upon and cannot be substituted with reasonable time and cost; or

b. Causing a systemic disruption or a loss of general confidence in the insurance sector or financial system.

- On the identification of critical functions, the FSB also published a Practices Paper describing the approaches taken by four jurisdictions to share knowledge and experience.[26] The paper outlines commonalities and differences in background, scope, methodology and review process, including the identified critical functions and main considerations for the assessment.

128. The existence of financial and economic functions that need to be continued to achieve the resolution objectives should be taken into account when considering the need for preparing resolution processes and procedures.

Box 5: Examples of considerations of financial and economic functions in resolution

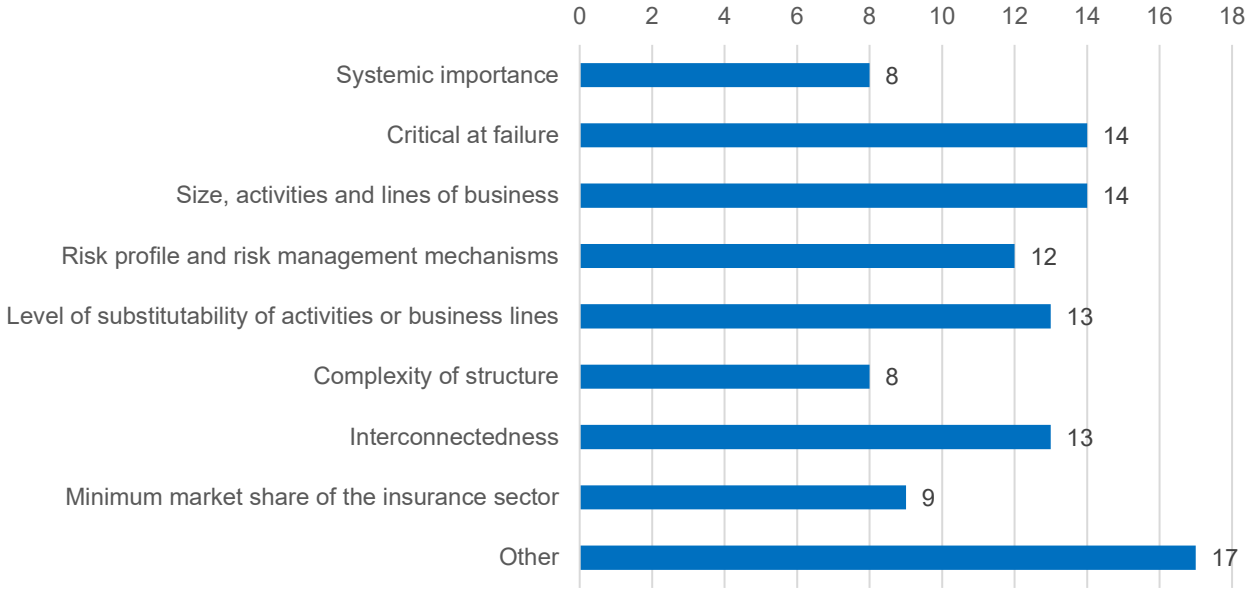
- In the EU, the IRRD requires that the resolution authority will draw up resolution plans for those insurers for which a resolution action is more likely in the public interest compared to other insurers, or which perform a critical function. Accordingly, in France, the Prudential Supervision and Resolution Authority (ACPR) resolution planning effectively covers all insurers deemed potentially systemic and is extended to a larger set of insurers providing critical functions or amongst the most significant ones on French market based on multiple criteria emanating from the IRRD. The ACPR regularly publishes working papers in particular relating to the public interest assessment or the identification of the critical functions of insurance undertakings. See also Box 3 for an example from the Netherlands.

129. The 2025 survey results show that:

- A majority of the jurisdictions have a process to determine whether an insurer needs a resolution plan. The survey results also show that a majority of the jurisdictions require at a minimum a resolution plan for insurers assessed to be systemically important or critical if they fail, in line with ICP 12.4 and associated ComFrame standards;
- One jurisdiction does not require a full set of resolution plans, but simplified resolution plans for which it has a determination process in place; and
- Two jurisdictions currently do not have a determination process in place but indicate that with the implementation of the IRRD, they will have such a process in the near future.

[26] FSB, Identification of Critical Functions of Insurers: Practices paper, November 2023, revised in April 2026.

Figure 2: Number of jurisdictions considering certain criteria when determining the need for a resolution plan



Source: IAIS member survery

130. As part of the 2025 survey, jurisdictions were asked about certain criteria they consider when determining the need for a resolution plan (see Figure 2). The 2025 survey results show that most jurisdictions that have a determination process in place consider "critical at failure", "size, activities and lines of business" and "interconnectedness" when determining the need for a resolution plan. Many of these jurisdictions also take into account "systemic importance", "risk profile and risk management mechanisms", "level of substitutability", and "complexity of structure". A number of jurisdictions also consider the "minimum market share". Seventeen respondents indicated that they consider other criteria such as cross-border activities, CMG decisions, proportionality, public interest tests, financial or quantitative criteria (such as the number of policyholders, the amount of technical provisions, gross written premiums or total assets), and critical functions. In general, the results show that jurisdictions consider a variety of criteria when determining the need for a resolution plan.

131. The 2025 survey results also show that jurisdictions that have a determination process in place take the proportionality principle into account when determining the scope of insurers subject to a resolution plan. Often the proportionality principle is already embedded in the specific criteria, such as size, risk profile or complexity. Furthermore, proportionality is also taken into account in the expert judgment that often complements the more quantitative assessment.

Box 6: Example of the resolution plan requirement under the EU IRRD

- Ten EU member jurisdictions responded to the 2025 member survey, with some respondents, consistent with the survey instructions, basing their answers on their future legislation after they have implemented IRRD, while others reflected on their current situation prior to the implementation of the IRRD, by 29 January 2027.

- After the IRRD's implementation, all EU member jurisdictions will at least require their resolution authorities to subject insurers to a resolution plan for which:
    - It is more likely, when compared with other insurers under their remit, that resolution would be in the public interest; or
    - It is assessed that they perform a critical function.
- The assessment of relative public interest and the performance of critical functions shall in turn take into account, as a minimum, the insurer's size, business model, risk profile, interconnectedness, substitutability and its cross-border activity.
- The IRRD requires that at least 40% of a member state's insurance market is subject to a resolution plan requirement, therefore allowing resolution authorities to exclude certain insurers from this requirement.
- Moreover, the Directive excludes small and non-complex insurers from the resolution plan requirement, unless the resolution authority considers that such an insurer represents a particular risk at national or regional level.
- It should be noted that the IRRD is of minimal harmonisation and will not preclude EU members from maintaining or introducing national specificities in their resolution frameworks.

132. Ways to apply proportionality in the development of resolution plans include:

- Limiting the content and level of detail of a resolution plan;
- Limiting the level of detail of information requested from the insurer, and/or the level of detail in developing the resolvability assessment and strategy;
- Implementing a phased approach whereby the focus initially is on the larger, more complex insurers and other plans are only developed in later stages; and/or
- Lowering the frequency of updating a resolution plan.

6.3 Information needs

133. Authorities need to ensure that they are able to obtain the information needed to develop and implement the resolution strategy and plan (see also Section 5 above).

134. Relevant information needs in relation with the development of a resolution plan may relate to:

- General information on the insurer:
    - Information specific to legal entities, a mapping of legal entities to essential functions, and a description of interconnectedness of group entities and relevant intragroup transactions;
    - Insurance policies and benefits under those policies;
    - A description of the relevant lines of business carried out by the insurer and of the localisation of the policyholders;
    - The reinsurance coverage in place;
    - Assets, in particular assets backing insurance liabilities (and details of location and custodians, fungibility of surplus assets between jurisdictions etc); and
    - Insurance contracts or financial products of the insurer that could be prone to "runs".

- To facilitate the execution of certain resolution powers:
    - Information needed to facilitate the transfer of insurance business (including all the assets and liabilities) to another insurer;
    - Information needed for the valuation of insurance business and for carrying out "due diligence" by any potential purchaser of all or parts of the insurance business; and
    - Information needed for the purpose of carrying out a run-off of the insurance obligations.
- Other:
    - Policyholders expected to be covered by a PPS (where it exists) and the estimated amount or proportion of protection provided; and
    - Information needed to facilitate continuity of essential services and functions, eg information about arrangements and service level agreements with internal and external service providers that support critical shared services.

135. When developing resolution plans and conducting resolvability assessments, the supervisor and/or resolution authority should aim at collecting the information in a manner that is efficient and limits the burden to the insurer. As a first step, therefore, it is advised to request necessary information from other bodies responsible for supervising the insurer. These could include legal entity supervisors in other jurisdictions or market sectors, and also the supervisor when the resolution authority is a different body or is an autonomous body within the supervisor. The resolution authority can then request any information that is not (yet) available directly from the insurer. Also, it may be considered to organise interactive workshops with the insurer to retrieve information necessary for the resolution plan.

6.4 Key elements of a resolution plan

136. The key elements of a resolution plan will often include:

- An executive summary of the most important elements of the resolution plan, including the resolvability assessment;
- A description of the insurer that outlines the legal structure, its main activities, its financial and operational dependencies and key financial and operational characteristics;
- A trigger framework for entry into resolution;
- An analysis of the impact of the failure of the insurer on other parts of the financial system, or on the real economy, including the identification of any financial and economic function that need to be continued to achieve the resolution objectives;
- A description of the preferred resolution strategy, which includes a mapping and a description of the resolution powers available and considerations of appropriateness dependent on relevant factors and scenarios;
- An operational plan for the implementation of the resolution strategy;
- A description of the governance for the preparation of the resolution plan and for the resolution process;
- A communication strategy to help manage expectations, and/or retain (or restore) the confidence of market participants and policyholders; and
- An analysis of the impact on the PPS (if applicable).

137. As indicated in ICP 12.4.10, “in the case of a group, the group-wide supervisor and/or resolution authority should lead the development of the group-wide resolution plan, in coordination with other involved supervisors and/or resolution authorities and should involve the group as appropriate”. In practice, in most jurisdictions, the group-wide supervisor and/or resolution authority develops and maintains the resolution plan, and not the insurer. In some jurisdictions, however, the insurer is required to develop and maintain the resolution plan. In such cases, the group-wide supervisor and/or resolution authority should provide oversight, review and non-objection or approval of the resolution plan. The process should require correction of any deficiencies.

138. While the remainder of this section describes the development of the plan from the perspective of the supervisor and/or resolution authority, in cases where insurers play a larger role in the preparation of a resolution plan, some of the following may actually be the responsibility of the insurer. In such cases, this guidance may be helpful for both the insurer (in developing the plan) and the authority (in reviewing the plan).

6.4.1 Executive Summary

139. It may be useful to develop an executive summary of the main components of the resolution plan, where relevant in coordination with other involved supervisors and/or resolution authorities. It is considered to be good practice to include a summary of the resolvability assessment (including possible impediments to resolution), the most significant trigger resolution points, key resolution strategies, and the operational plan for implementation. An executive summary would provide:

- A high-level overview of the resolution plan, including material changes since the previous version of the plan;
- Information about the governance of the preparation of the resolution plan; and
- Information about the key elements of the resolvability assessment.

140. The purpose of the executive summary is to help the supervisor and/or resolution authority (and the Board of the insurer, to the extent they are involved in the elaboration of the plan) to quickly understand the resolution plan and assess the governance, trigger framework, resolution options and communication strategies for effectively responding to a severe stress.

141. It may be helpful to use tables and flow charts to summarise these operational steps. It may also be useful if the supervisor and/or resolution authority documents a record of all material changes incorporated into the resolution plan as it is updated. The executive summary can also serve as a useful aid for the supervisor and/or resolution authority when reviewing and assessing resolution plans, as such a summary should reflect any material changes made and outline the operation components for a credible resolution plan.

6.4.2 Contents of a resolution plan

142. A resolution plan is a strategic document designed to facilitate the orderly resolution of an insurer in the event of failure, ensuring the continuity of critical functions, protection of policyholders, and preservation of financial stability (see Section 6.1). Each jurisdiction will decide on the exact contents of the resolution plan. The level of detail and scope of the information should be proportionate to the insurer’s nature, scale, and complexity. Some information would be obtained from the insurer and some information would be developed by the supervisor and/or resolution

authority based on information that the insurer provides. The following are the key components about the entity that should be included in a resolution plan:

- Institutional overview: description of the insurer's business model, legal and operational structure, core business lines, and material entities;
- Critical functions: identification of functions essential to financial stability and policyholder protection;
- Resolution options: strategies to preserve or wind down critical functions in an orderly manner;
- Policyholder protection: measures to safeguard policyholders during resolution;
- Exit strategy: principles and options for exiting the resolution process;
- Operational continuity and support: identification of essential services and shared functions (eg IT, outsourcing), mapping of MIS to core services and critical functions, and legal constraints on information exchange amongst entities; and
- Defining data requirements: the data that would be required during resolution should be anticipated and communicated before a crisis emerges and would include: financial statements, capital adequacy and liquidity positions; details on intercompany and external financial interconnections; information on shareholder equity; related party transactions; and insurance assets. It would also include the contact details for key personnel whose roles are essential to the execution, governance and operational continuity of a resolution strategy once an insurer enters resolution.

For groups, also included should be:

- The group's corporate structure (eg a diagram), identifying also the location of the different legal entities and respective supervisors and/or resolution authorities, including non-insurer legal entities within the group;
- The legal entities that fall under each jurisdiction with more detailed corporate structure diagram (for example, the whole group for a single jurisdiction, such as an intermediate holding company);
- The legal entity(ies) that fall in scope of the resolution plan, with a more detailed corporate structure including subsidiaries, branches, relevant lines of business, reinsurance arrangements, counterparty risks, interconnectedness, ancillary (including investment management) services arrangements and any outsourcing arrangements;
- Key MIS used in material entities, mapped to core services and critical functions;
- Any legal constraints on the exchange of management information amongst material entities; and
- Specific information at legal entity level, including information on intragroup guarantees booked on a back to back basis, or information on the assets supporting policyholder liabilities.

143. A resolution plan should also include planning considerations for the effective execution of a resolution. These include, but are not limited to:

- Governance and accountability: clearly defined roles and responsibilities for resolution planning, regular reviews and updates to reflect changes in operations or regulations and internal audits and compliance checks to ensure accountability;
- MIS capabilities to support resolution planning and potential resolution actions;

- Resolvability assessment: an evaluation of feasibility and credibility of resolution strategies, identification of legal, regulatory and financial barriers, an assessment of interconnectedness and systemic impact, and an analysis of potential effects on stakeholders;
- Communication strategy: clear communication protocols for internal and external stakeholders and coordination mechanisms to ensure consistent messaging during resolution; and
- Resolution implementation strategy: steps for executing the resolution plan, including operational details and funding sources.

6.4.3 Entry into resolution

144. The resolution plan should clearly articulate the triggers for entry into resolution in the relevant jurisdictions and refer to any condition assessment(s), and the internal processes and governance arrangements for determining that the resolution conditions have been met.

145. The group-wide supervisor and/or resolution authority may find it appropriate to present the information in a summarised form in the resolution plan, referring to other documentation, ie statutory or policy documentation, which provides the relevant information in more granular detail. See Section 3 for discussions on entry into resolution.

146. Resolution actions are typically initiated when an insurer is deemed to be failing or likely to fail, and when no viable private sector alternatives exist to restore viability within a reasonable timeframe. Resolution may be triggered by a non-viability notice from the supervisor or through court orders in certain jurisdictions. Common considerations include:

- Financial and regulatory indicators: breach or likely breach of the MCR or Solvency Capital Requirement (SCR), inability to meet debts or liabilities, including obligations to policyholders, assets less than liabilities, or projected to be so in the near future, failure to meet licensing or regulatory requirements, or rapid deterioration in financial condition, including erosion of capital or own funds;
- Operational and supervisory assessments: failure of recovery measures or inability to implement them effectively, loss of public or market confidence in the institution, non-compliance with regulatory obligations, triggering escalation through supervisory frameworks (eg Ladder of Intervention or Supervision Risk and Intensity (SRI) model), or missed deadlines for remedial plans, such as equity or investment deficit regularisation;
- Public interest considerations: resolution is necessary to protect policyholders, maintain financial stability and avoid systemic disruption, as liquidation under normal insolvency would not achieve resolution objectives as effectively; and
- Jurisdiction-specific mechanisms: supervisory authorities may act based on indicators, internal escalation procedures or statutory powers.

6.4.4 Authority's analysis of potential financial stability impacts of failure

147. The resolution plan should allow an assessment, by the supervisor and/or resolution authority, of its feasibility and credibility in light of the likely impact of the insurer's failure on the financial system, its stability and real economy, taking into account the financial and economic functions that need to be continued to achieve the resolution objectives.

148. These functions should include those that are material for the financial system and/or the real economy, at the international and/or national level. The identification of these functions could be made taking into account the following elements:

- The nature, scale, complexity and scope of the activity and its lines of business;
- The material impact on third parties to carry out economic activity (considering volume and number of transactions, the number of customers and counterparties materially impacted and the number of customers for which the insurer is a significant insurance partner);
- The risk profile and risk management systems;
- The significance of the insurer's operations, which may be assessed on the basis of its size, market share, external and internal interconnectedness, complexity and cross-border activities;
- The nature of the customers and other stakeholders affected by the function, such as retail customers, corporate customers and public entities, taking into account possible reputational effects on the insurance sector;
- The potential impact of disruption of the function on markets, infrastructures, customers and public services;
- The potential losses to taxpayers, as well as possible pressures for government interventions if the insurer fails.
- The level of substitutability of the insurer's activities or business lines;
- Thresholds like monetary values or number of policyholders; and
- Extent and materiality of cross-border activities.

149. The analysis of the impact of failure of an insurer should be related to the relevance of the business carried out by the insurer in a certain market, also considering the features of the market and the substitutability of the insurer's products. An insurer will be considered critical if, for instance, the impact of failure could be very high if the failure caused a consistent reduction of the number of insurance products offered in a certain geographic area, without the capacity of other insurers to readily offer same or similar products.[27] When a particular segment of activities is considered vital for the real economy (eg air and road circulation, medical practice), the sudden withdrawal of insurance coverage in that segment could cause the interruption of significant economic activities. The likely impacts at various levels (supra-national, national, regional, local) should be distinguished. The impact of failure should also consider the extent of reliance on that insurer's policies by a large number of policyholders. The analysis should also consider whether the failure would cause a loss of general confidence in the insurance sector.

150. To develop resolution strategies, the group-wide supervisor and/or resolution authority should have regard to insurance functions in light of their economic importance. For instance, depending on the nature of the activities of the individual insurer, disruption of a particular function or discontinuity of specific types of coverage could have a material impact on the financial system or, more broadly, on the real economy.

151. Where the likely impact of an insurer's failure on the financial system would affect its stability and real economy, then resolvability assessments should be performed to evaluate whether the

[27] This is often referred to the issue of "limited substitutability".

insurer can be resolved in an orderly manner without causing significant adverse effects on policyholders, financial stability or the use of public funds.

6.4.5 Resolution strategy

152. A resolution strategy should set out the key elements of the proposed approach to resolution, setting out the actions necessary to implement the strategy and best achieve any institution-specific resolution objectives. The strategy should set out the conditions for entry into resolution (see Section 3) and explain the activation of the operational resolution plan and funding arrangements. See Annex 3, which describes key aspects of the resolution strategy.

153. The resolution strategy should align to the existing powers that are available to be utilised during a resolution. Broadly, these powers include taking control of the insurer and removing the Board, Senior Management and Key Persons in Control Functions. In addition, an effective resolution strategy might require sale or transfer of shares from the existing shareholders to a third party. This can be done without consent of the shareholders under the resolution powers enumerated in ICP 12.8.

154. The resolution strategy may also describe the key operational issues and the approaches that may be adopted following resolution. The resolution strategy should address the continuity of essential services and functions performed by non-regulated entities, both within and outside of a group.

155. The strategy should provide a summary of the key options for resolving the failing insurer in a way that safeguards financial and economic functions that need to be continued to achieve the resolution objectives, public funds and financial stability, and otherwise achieves relevant resolution objectives. Each of the options being considered as a resolution strategy should be tailored to the circumstances of the insurer. The resolution strategy should also explain the internal and external circumstances that are likely to affect the activation of the resolution options, and the potential sequence or combination of the resolution options.

156. The group-wide supervisor and/or resolution authority should develop a preferred resolution strategy or strategies that is best capable of achieving the institution-specific resolution objectives given the structure and the business model of the insurance group, the resolution regimes applicable to the legal entities of the group and the resolution tools available to authorities in all relevant jurisdictions. The development of a preferred resolution strategy may depend on many factors such as the existing structure and business model, the need for recapitalisation or the degree of internal interconnectedness within the group. In addition, to increase degree of optionality, one or more alternative strategies could be developed concurrently in case the preferred strategy turns out to be infeasible at the time of crisis.

157. The resolution strategy needs to recognise that resolution schemes play out very differently depending on the type of business involved – for example, the difference between contracts where premium is calculated year to year and claims are closed shortly after the end of the policy period; long-duration claims that might be paid out for decades after the losses have incurred; and long-term contracts where the premium paid in early years is intended to subsidise the insurer's long-term obligations when claims are much more likely to occur. This distinction is important for liquidation as well as for non-liquidation alternatives. Both resolution legislation and PPS powers, and also operating plans where applicable, need to be designed with this principle in mind.

158. The resolution strategy needs to be tailored to the specific risks to which each individual insurer may be exposed, the insurance functions that it provides and the potential systemic impact of its failure, with the aim of protecting policyholders and, as applicable, contributing to financial stability.

159. The resolution plan should contain the description of the preferred resolution strategy/strategies that could be adopted, whereby a comparison can be made between a "TopCo" strategy (entry into resolution at the level of non-operating holding or sub-holding company strategy) and an "OpCo" strategy (entry into resolution at the level of individual operating entities), outlining the two approaches and the factors that would lead to preference of one over the other (eg group structure/intragroup arrangements or the nature of the stress event triggering resolution, such as holding company debt or a particular operating company's loss portfolio). Box 7 elaborates further.

Box 7: TopCo versus OpCo strategy

Certain types of insurers may be better suited to a resolution strategy that takes place at the TopCo level in a manner that maintains the structure of the group and preserves diversification benefits. The TopCo may be an insurance (or reinsurance) legal entity or a holding company that carries out no financial business other than acting as a holding company. Group structures that may be more suited to a resolution strategy that takes place at the TopCo level typically have many of the following characteristics:

- Fungibility of capital and liquidity between parent and subsidiary entities;
- Systematic intragroup support with financial exposure between group entities;
- Ability of the holding or sub-holding company to support its subsidiary entities financially or provide intragroup guarantees;
- Centralised group funding; or
- Interdependencies arising from shared services provided by affiliates.

Group structures that meet these conditions typically include groups that pool risks and capital in one place and that distribute centrally held capital through reinsurance contracts. Although the determination of the preferred resolution strategy will be based on the structure and business model of the individual insurer, it is possible that there will remain obstacles to resolution that are related to the insurance group structure or business model (see Section 6).

Group structures that may be more suited to a resolution strategy that takes place at the OpCo level typically have many or all of the following characteristics:

- Local subsidiaries managed as standalone entities with respect to governance and often with only limited fungibility of capital and liquidity;
- Local client basis;
- Limited amount of intragroup transactions, executed at arm's length;
- Intragroup reinsurance that is generally conducted at arm's length and collateralised against default risk;
- Intragroup shared services that are generally provided by separate legal entities that are funded by revenues from the services they provide; or
- Legal and operational separability.

These conditions may be met by subsidiary-based insurance groups (for example, many insurance legal entities that provide direct life and non-life insurance and similar business

models). These characteristics are illustrative of the differences between TopCo and OpCo strategies and should not be interpreted as requirements or prescriptive criteria.[28]

160. Resolution strategies should be adaptable to different scenarios by setting out alternative options that may be used. Accordingly, resolution plans should identify and set out how to execute options for actions (including a fall-back option(s) where preferred options are not available) for a range of severe scenarios, including both idiosyncratic and market-wide stress with failure at a parent level and, alternatively, isolated failure of one or several legal entities. Resolution strategies and plans should also distinguish between fast and slow-moving scenarios, as the adequate responses to these might differ materially. Especially when there is no preferred strategy and the choice amongst available tools may depend on actual circumstances, the supervisor and/or resolution authorities may benefit from defining a limited set of scenarios to determine the preferred strategy for each scenario. The range of scenarios should be reasonably comprehensive (eg asset shock, liability shock, idiosyncratic shock (fraud or cyber risk) and/or combination).

6.4.6 Operational aspects

161. The resolution plan should provide operational detail of how the strategy might be implemented. The plan may include the following elements:

- Cross-border aspects of the operational plan and actions (recognition or support) that will be needed by authorities in other jurisdictions to ensure that resolution measures are effective;
- Transfer of reinsurance (if any) and impact on cover;
- Operational and practical arrangements for ensuring continuity of cover and payment under insurance policies; and
- Treatment of any derivatives portfolio, and possible need to maintain or replace hedges.

162. To operationalise the resolution plan, the supervisor and/or resolution authority could consider the development of operational guides or manuals (called playbooks in some jurisdictions), but this should not bind or limit the actions taken when stress actually occurs. These are operational documents developed through coordination and interaction between the insurer and the supervisor and/or resolution authority with the aim of supporting the execution of the resolution strategy and the application of resolution tools selected by the supervisor and/or resolution authority. These documents could address all internal and external actions that must be undertaken by, or on behalf of, the insurer to ensure effective application of the resolution tool.

163. In the resolution processes and procedures, the supervisor and/or resolution authority should also take into account the time required to implement the resolution options. In particular, in some jurisdictions, the courts may play a role in the application of certain resolution powers. Where the implementation of resolution options requires judicial authorisation or intervention, authorities should have regard to any implications for timing that this process may entail. In the event where time constraints implied by the resolution strategy and by the preferred powers could jeopardise the resolution objectives, authorities should consider alternative powers that would not be subject to similar constraints.

[28] Further examples can be found in the ACPR note on the "Points of entry into resolution in the insurance sector" (June 2025), available here.

164. In case of groups, the plan should also discuss group risks (see also Box 7 above). Failure at holding company level can sometimes be more contained, as a practical matter, than failure of one or more of the individual operating entities. In a simplified example, in case of failure at the holding company level, it could just be a matter of writing down debt to address failed investment risk, and either maintaining the group as a going concern or selling off some functional business units. But stress at the holding company level has its unique challenges as well, in particular, preventing financial or operational contagion to the operating companies (including blocking the flow of assets upstream). And in some jurisdictions, the complication is that the holding company will be resolved as an ordinary business corporation, with no formal institutional role for insurance supervisors or resolution authorities.

165. The supervisor and/or resolution authority should develop a clear understanding of a number of factors relevant for triggering resolution actions, including:

- The resolution triggers under applicable regimes;
- The processes needed to coordinate action amongst the authorities involved during the preceding period as it becomes increasingly certain that failure will take place; and
- Any automatic effects (domestically or in other jurisdictions) of triggering resolution.

166. Where a resolution strategy provides for the preservation of parts of the business of the failed insurer – for example, through recapitalisation via bail-in or through the use of a bridge institution – the resolution strategy and the resolution plan need to set out clearly how exit from the resolution process will be achieved. This includes setting out measures to restore the viability of the operations that the resolution will preserve, for example, transfer of decision-making and of other governance functions to a new Board and Senior Management. It also includes the consideration of legal requirements that need to be met, including, for example, licensing and other regulatory approvals; limits on the duration for bridge institutions; restrictions under competition law; governance and requirements under securities laws (such as listing rules); and suitability assessments for new management.

167. A key aspect of ensuring the operationality of the resolution plan is to ensure the insurer maintains high-level MIS capabilities. These capabilities should support decision-making both in resolution planning as during a resolution case, including to inform the decision to take specific resolution action, by providing in a timely fashion accurate, granular and comprehensive information required by the resolution authority. For these purposes, these capabilities should be tested periodically, for example by requesting the insurer to provide on an ad hoc basis accurate, granular and comprehensive information on essential services and functions of the insurer or liabilities that could be subject to bail-in. The results of such a testing exercise could inform the resolution authorities' request to implement measures to improve the MIS capabilities. Alternatively, such requests could also be embedded in annual reporting processes.

6.4.7 Governance of resolution processes and procedures

168. This subsection addresses appropriate governance arrangements for resolution processes and procedures. Each jurisdiction should appropriately translate processes and governance in line with its resolution framework.

169. As mentioned in paragraph 137, in most jurisdictions the supervisor and/or resolution authority develops and maintains the resolution plan. In some jurisdictions, however, the insurer is

required to develop and maintain the resolution plan. In such cases, the supervisor and/or resolution authority should provide oversight, review and non-objection or approval of the resolution plan. The process should require correction of any deficiencies. In addition, the insurer should be required to have a robust governance process to support its processes and procedures to prepare for possible resolution, and this should be integrated into the insurer's overall Corporate Governance and Enterprise Risk Management.

170. For resolution to be effective, authorities need to have a clear governance structure for appropriate oversight of the resolution processes and procedures. Thus, authorities should have a documented process that provide a clear and sufficiently detailed description of the operational development process, the schedule and process for updating resolution plans, and operational procedures for activation of the resolution plan and any escalation processes, including a process for interaction with the insurer in its resolution preparedness measures.[29] The governance structure should also explicitly define decision rights, escalation paths and coordination routines across supervisor, resolution authority, liquidator (where relevant) and PPS (where applicable), including confidentiality compliant information-sharing.

171. In order to enable the resolution authority to draw up a resolution plan it is necessary that it has the power to require the insurer to submit all necessary information for the development of the resolution plan (see ICP 12.4.6). The authority may also use other avenues to request information, as discussed in subsection 6.3.

172. A formalised governance process around developing, maintaining and updating the resolution plan will benefit from the participation of all relevant authorities involved in supervision and resolution of an insurer; and where appropriate, CMGs and the insurer itself. A governance process that includes such active participation in the development of the resolution plan will increase the likelihood of a feasible resolution while meeting important policy goals. For example, a successful resolution of an insurer means, amongst other things, that it would not cause severe systemic disruption and/or expose taxpayers to loss.

173. The resolution plan should also have an embedded governance process for monitoring resolution triggers and for activating the resolution plan, which includes a description of the key roles and responsibilities of the authorities, stakeholders and key persons relevant in the plan.

174. Timing is critical in the ability of resolution plans to achieve their objectives. As events and stressors may materialise at short notice and/or within short periods of time, it is essential that the event or stressor is quickly recognised and the resolution plan is activated in a timely manner, even though full resolution may take some time. Clear governance policies and procedures should be developed and maintained to support this.

175. Resolution plans should not commit authorities to take any specific action. It is always necessary to evaluate relevant information and deliberate on the best course of action. Authorities should exercise flexibility and, in some circumstances, might conclude that resolution is unnecessary

[29] Where court orders are required to apply resolution measures, resolution authorities should take this into account in the resolution planning process, so as to ensure that the time required for court proceedings will not compromise the effective implementation of resolution actions.

or premature notwithstanding the triggers set forth in the plan, or that implementation of the specific resolution options set forth in the plan may no longer be the best alternative.

176. The resolution plan should establish adequate procedures for notifying relevant authorities of an emerging stress scenario, and to share plans on the resolution powers contemplated for implementation, including adequate time and governance controls. Keeping other involved supervisors and/or resolution authorities informed is particularly important for groups with significant cross-border operations. In such cases, relevant authorities may benefit from establishing coordination or information sharing agreements (see Section 7).

6.4.8 Communication strategy

177. Before, during and after resolution, the supervisor and/or resolution authority needs to be in regular contact with insurer's management and also needs to consider communication with external stakeholders, including policyholders and other creditors. For this reason, as part of the resolution processes and procedures, a communication strategy should be developed in advance. A communication strategy would describe means for effective and clear communications with relevant stakeholders, how to manage external stakeholders' expectations, and how to retain (or restore) their confidence if necessary. In the lead-up to an actual resolution, the communication strategy may need to be updated into a concrete communication plan.

178. In case of groups, the development of the communication strategy should be led by the group-wide resolution authority and coordinated with the CMG to ensure consistent creditor and market communications across jurisdictions. When appropriate, the resolution authority should take advantage of the communication infrastructure of the insurer in resolution to deliver communications, and consider any extra resources that will be needed to support communication to creditors and the market.

179. The communication strategy should also consider circumstances where confidentiality needs to be maintained regarding the resolution strategy or the exercise of resolution powers. When developing the communication strategy, the supervisor and/or resolution authority should be mindful of any legal requirements regarding disclosure and confidentiality around information sharing (see ICP 3 (Information sharing and confidentiality requirements) and ICP 20 (Public disclosure)).

180. The communication strategy should provide clear unified messaging, and should cover all relevant stakeholders. This could include:

- Insurance intermediaries;
- Shareholder(s);
- Employees;
- Policyholders and other creditors;
- Insurance intermediaries;
- Relevant financial market participants, including key counterparties in reinsurance or derivative contracts and FMIs;
- Other interested parties, such as rating agencies;
- Media and general public; and
- Administrative or judicial bodies.

The communication strategy should clearly identify the moment when the supervisor and/or resolution authority is expected to notify the relevant authorities in accordance with jurisdictional law and resolution regime policy. In addition, it would be helpful to also include a concrete list of all persons or institutions (eg PPS or other regulators in the jurisdiction) that will need to be informed.

181. The communication strategy with external stakeholders should consider possible options for the detail and timing of information to be provided, and the level and form of communication. It may also be needed to have separate communications for the holding company versus legal entities, as appropriate. These communications may support the effectiveness of certain types of resolution actions. The communication strategy should also consider website updates and possible joint CMG communications strategy.

182. The communication strategy should address the different communication tools to be used, depending on the circumstances and the stakeholder involved, which may include written notices, press releases, 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) 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).

183. The supervisor and/or resolution authority should also develop a comprehensive creditor and market communication strategy with the objective of promoting confidence, informing creditors and the market of the implications of the resolution, limiting contagion, and avoiding uncertainty and potential runs.

184. The supervisor and/or resolution authority, in coordination with other relevant authorities, should make a public announcement of the resolution action as soon as reasonably practicable following entry into resolution, unless the measures that have been taken are confidential. The resolution authority's initial communication should provide clear and robust information to mitigate the risk of inconsistent communications and limit the need for subsequent additional announcements. In case of groups, relevant host authorities should consider making a corresponding announcement alongside that made by the home resolution authority, and home and host authorities should coordinate the timing and content of their respective announcements in line with their responsibilities.

6.4.9 Impact of the PPS(s)

185. For jurisdictions that have a PPS, considerations should be made for the potential scope and magnitude of impact that the PPS may have on the resolution plan, in particular with regard to the funding of the resolution strategy and considering other funding sources, such as a resolution fund.

186. As part of the resolution preparation, the resolution authority could consider – given the PPS's specific coverage scope, eligibility and protection limits – the extent to which the protection coverage provided by the PPS could provide loss-absorbing capacity in the resolution of the insurer. Additionally, it could be considered how any coverage limits and restricted eligibility of the PPS affect the loss-absorbing capacity, liquidity needs and communication strategy.

187. For example, analysing the breakdown of the policyholders that are eligible/ineligible and insurance liabilities that are protected/unprotected could assist the resolution authority in understanding:

- The total value of eligible policyholder liabilities protected by the PPS;
- The total value of policyholder liabilities that are neither eligible nor protected, and therefore show the total value of policyholder liabilities where any losses would be imposed directly on the policyholder; and
- The extent to which the PPS may be required to provide resolution funding depending on the severity of the insurance failure. For example, projections of the anticipated financial impact on the PPS if the insurer had a shortfall in assets of X million, Y million and Z million.

188. The resolution authority could also consider the "affordability" of the loss absorbing capacity provided by the PPS depending on the structure of its funding model. For example, if the PPS is funded by an ex-post levy on the industry, resolution authorities may find it beneficial to understand the magnitude of losses required to exhaust various degrees of capacity of the PPS based on any limits of its levying capacity. Additionally, if the PPS has access to a credit facility, the time needed for the PPS to replenish its financial resources and repay any loan to cover the funding provided could also be considered.

189. In the resolution processes and procedures, the resolution authority could also consider the roles and functions of PPS in their jurisdiction. The primary functions of a PPS may include paying policyholder claims, providing liquidity, managing a run-off, effecting a portfolio transfer and establishing a bridge institution or serving in that capacity. As the functions and powers of a PPS may vary widely by jurisdiction, a clear delineation of roles and responsibilities between supervisors, resolution authorities, liquidators and PPSs can minimise uncertainty and prevent exacerbation of any potential problems that arise from a failing insurer. In combination with a timely involvement of the PPS in the resolution processes and procedures, such delineation reduces uncertainty and enables a swift application of the resolution strategy.

7 Resolvability assessments

190. If a resolution plan is required, then a resolvability assessment is also necessary. In the case of a group, the group-wide supervisor and/or resolution authority, in coordination with other involved supervisors and/or resolution authorities, should involve the group as appropriate to undertake resolvability assessments (see ICP 12.4.10).[30] Coordination may be done through a supervisory college or CMG if any is in place.

191. A resolvability assessment is the step in preparation for resolution that logically follows the decision that a firm needs a resolution plan and the development of the resolution plan. The resolvability assessment draws on elements similar to those considered in these first two steps, but extends that analysis to also identify any potential impediments to an orderly resolution and how to mitigate them. It allows the group-wide supervisor and/or resolution authority to evaluate the feasibility and credibility of available resolution strategies. A resolvability assessment also allows the

[30] ICP 12.4.10 states that "Resolvability assessments should be conducted at the level of those entities where it is expected that resolution actions would be taken, in accordance with the resolution strategies for the group, as set out in the resolution plan."

measurement of the level of readiness, of both the resolution authority and the insurer, to implement the resolution strategy if necessary, and the evaluation of whether it is feasible and credible to resolve the insurer in a way that protects policyholders and contributes to financial stability while minimising reliance on public funds.

192. Furthermore, a resolvability assessment may support the consideration of the systemic impact and criticality in failure of the insurer to the financial system and/or real economy. The group-wide supervisor and/or resolution authority may also consider implications to financial stability if the resolution plans of several insurers would result in turning to the same sources of capital.

193. ICP 12.4.8 requires resolvability assessments to be undertaken on a regular basis. For example, this could be done an on annual or biennial basis as considered appropriate. Resolvability assessments should also be updated when there are material changes to the insurer's business or structure, or any other change that could have a material impact on the resolvability assessment. The group-wide supervisor and/or resolution authority may use the resolvability assessment in an iterative manner so as to refine the resolution planning process and the resolvability of the insurer. In the specific case of IAIGs, these should also be subject to regular reviews within the IAIG's CMG.

194. The resolvability assessment could benefit from the following elements:

- Regularly assessing the plan for the insurer's resolvability. The group-wide supervisor and/or resolution authority may test 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. This may include the assessment of the availability of timely, sufficiently detailed and accurate information to support an effective resolution.
- A process for assessing if the resolution strategies will be capable of achieving its objectives:
    - Protecting policyholders, notably limiting the negative impacts on policyholders;
    - Contributing to financial stability, notably ensuring that those financial and economic functions that need to be continued to achieve the resolution objectives can be continued; and
    - Minimising reliance on public funds.
- As part of the resolvability assessment, there should be a process of identifying any barriers or impediments to resolution that may arise from the legal and/or operational structure of the insurer (see Section 7.1).[31]
- Assessment of operational resolvability could focus on improving execution and training for escalation processes and communication strategies, or engaging in simulation exercises working through the resolution 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 resolution plan, such as effectiveness of resolution options, communication or governance.
- The insurer's existing stress testing framework can also be an effective way to test areas of the credibility of the resolution plan, particularly in relation to the menu of resolution options and the calibration of the trigger framework.

[31] APRA's resolution prudential practice guide CPG 900 notes that barriers to resolution could arise from a range of sources, including but not limited to contracts that do not allow for transferability of functions or prevent recapitalisation objectives.

- The authorities should leverage the information available through the existing recovery plans and ordinary risk management/supervisory processes, so that duplication of requests for information is avoided and the effectiveness of the authorities' resolvability assessments is ensured.
- As part of resolvability assessment, there should also be an assessment if there are appropriate mechanisms in place, including adequate legal tools and operational capacity, to ensure effective coordination between the group-wide resolution authority and other involved resolution authorities in carrying out resolution.
- There should also be a process to ensure that the results of the resolvability assessments contribute to the ongoing improvements of the recovery and resolution planning and plans of the insurer. This should include consideration of the types of resolution capabilities that insurers may need to build in order to make plans more credible at the point of execution.

7.1 Resolving impediments

195. Where impediments are identified, authorities should have a process for requesting an insurer to take prospective action to address such obstacles so as to improve its resolvability where necessary. Any lessons learned should be incorporated in the update process. The insurer should be given the opportunity to propose its own prospective actions to improve its resolvability by mitigating these barriers, before it is required to do so by the supervisor and/or resolution authority (ICP 12.4.9).

196. Thus, regularly conducting resolvability assessments should help identify any impediments (barriers) to resolution that may arise from, for instance, the legal and operational structure of the insurer.

197. Any action taken to remedy impediments should be appropriate and proportionate. The decision to require any specific action, especially during business as usual, should take due account of the effect on the soundness and stability of the ongoing business. Also, as indicated in ComFrame and ICP guidance, the insurer may be given the opportunity to propose its own prospective actions to improve its resolvability.

198. Examples of areas that may lead to impediments that may be identified are listed below. These examples are illustrative and should not be considered an exhaustive list.

- Intragroup considerations (which may materialise in an OpCo strategy):
    - Financial interconnectedness: this may include intragroup reinsurance, loans, guarantees and capital support deeds. Also, noting what is collateralised and what is not; and
    - Operational dependencies: this may include custodian services with third parties, intragroup IT services, treasury services, asset management services, staff signing authority or critical staff (ie decision-makers outside of the legal entity in resolution).
- Legal issues. These may include legal risk of implementation of a specific resolution power;
- Complex policies. Complexities could for instance derive from reinsurance arrangements, guarantees which would fall away in case of a transfer (due to policy wording), or similarly policy benefits that are non-transferable;

- Termination of derivatives and reinsurance.[32] Regulatory intervention is not an uncommon termination clause in financial contracts; and
- Complex reinsurance arrangements, and risks ceded to cross-border jurisdictions when no supervisory dialogue has been engaged with the cross-border supervisor (see ICP 13.4), and/or with legal impediments to the effective enforcement of reinsurance claims in crisis times.

199. Supervisors and/or resolution authorities may require insurers to take a range of potential measurers to improve resolvability where impediments are identified. Jurisdictions may have a range of measures of this kind available to them.[33]

8 Cooperation and coordination

200. Cooperation and coordination have proven to be essential for effective crisis management. Lack of cooperation and coordination, where all involved parties seek their own interest without considering the effectiveness of the overall resolution process, could lead to a suboptimal resolution outcome, particularly in cross-border cases.

201. ICP 12.0.12 states that "Cross-border coordination and cooperation, including exchange of information, is necessary for the orderly and effective resolution of insurers that operate on a cross-border basis." Indeed, cooperation and coordination are necessary both for enhancing preparedness for crises and for facilitating the management of a resolution. This corresponds to two different stages of a crisis management flow: the preparation phase in a "business-as-usual" environment and the actual management of the crisis in the resolution phase. This section has been structured along these lines.

202. Cooperation and coordination both in normal and crisis times must be undertaken with confidentiality in mind. Cooperation and coordination require exchanging information that may be of (highly) confidential nature. If leaked, it could deteriorate the situation of a troubled insurer even further, complicate the resolution process and potentially affect financial markets. This calls for a "need-to-know" principle when sharing the information amongst interested parties. In line with ICP 3, supervisors should obtain from and share information with relevant supervisors and authorities subject to confidentiality, purpose and use requirements.

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[32] This impediment is likely to only be relevant in those jurisdictions that do not yet have temporary stay powers, which, in line with ICP 12.8.6, is required to be available to resolution authorities that are responsible for the resolution of an IAIG.

[33] In Australia, APRA has powers under prudential standard CPS 900 Resolution Planning to require an entity to develop and implement a pre-positioning plan to remove barriers to the execution of resolution options and mitigate execution risks. This includes changes to organisational or legal structure, including the location of any shared services within a group renegotiation of contracts, including with third-party service providers; development of wind-down or run-off plans for particular businesses or assets; measures to ensure the operational continuity of key functions and services during resolution; capabilities necessary to support APRA in effecting the resolution options; and any other actions required to remove barriers to the execution of resolution options or mitigate execution risks, including additional actions APRA determines are necessary to support the resolution plan.

In the EU, Article 15 of the EU Insurance Recovery and Resolution Directive provides a minimum list of powers for resolution authorities to address impediments to resolvability if an insurer does not effectively address substantive impediments itself within a certain timeline. Those powers include requiring an insurer to revise intra-group financing arrangements, imposing information requirements relevant for resolution purposes, requiring the insurer to divest specific assets.

203. Although the primary function of a PPS is the compensation of policyholders for losses in the event of a liquidation, in several jurisdictions PPSs also play a relevant role in the resolution process, eg funding the transfer of the insurer's portfolio or acting as a bridge institution. As a consequence, cooperation and coordination with the PPS, where they exist, should also be considered to the extent allowed by the legislation, and taking into account confidentiality requirements. This cooperation and coordination could be considered both in normal times (eg sharing the necessary information with the resolution authorities, supervisors and CMGs in order to develop the resolution strategies and, more in general, for the resolution planning purposes) or in times of crisis (involving them in the resolution process). This will help the PPS to carry out its duties more effectively, contributing to a better outcome of the resolution process.

8.1 Cooperation and coordination in normal times

204. As ICP 25.0.1 states, "Supervisors of the different insurance legal entities within an insurance group with cross-border activities should coordinate and cooperate in the supervision of the insurance group as a whole. Supervisors of different insurance legal entities which are not part of the same group may also need to cooperate and coordinate particularly where the insurers are connected through reinsurance treaties or when difficulties in one insurer may affect the market more generally, such as in resolution situations". The resolution of an insurer may have implications beyond the jurisdiction where the insurer is supervised. This is in particular true for any group with cross-border business. For IAIGs specifically, ComFrame in ICP 25 requires CMGs to be set up.

205. In normal times, cooperation and coordination should focus on the exchange of views and the development of all necessary processes and procedures to prepare for an orderly resolution when needed. This could include the following issues:

- Progress in coordination and information sharing within the CMG (where this has been established), and with host authorities that are not represented in the CMG;
- Any differences in legal resolution frameworks between jurisdictions, such as related to available resolution powers or applicable triggers for entry into resolution in the respective jurisdictions;
- The recovery and resolution planning process for an insurer under institution specific cooperation agreements; and
- The resolvability assessment of the insurer.

206. Cooperation and coordination can take different forms. An example could be the CMGs. CF 25.7.a requires the group-wide supervisor to establish a CMG with the objective of enhancing preparedness for the recovery and resolution of the IAIG.

207. As noted in ICP 12.0.4, "whatever the allocation of responsibilities between the supervisor and the resolution authority, a transparent and effective resolution regime should clearly delineate the responsibilities and powers of each authority involved in the resolution of insurer. Where there are multiple authorities responsible for the resolution of insurers, the resolution regime should empower the relevant authorities to cooperate and coordinate with each other." Also, the FSB KAs

stress that there should be a certain degree of operational independence, to avoid potential conflicts of interest.[34]

208. Authorities may also decide to extend these cooperation platforms to other insurers with cross-border operations that are not classified as IAIGs. Alternatively, where the setup of such a body is not deemed necessary, another type of arrangement could be considered, such as a Memorandum of Understanding – see, in particular, the IAIS Multilateral Memorandum of Understanding (MMoU) – or the supervisory college. Parties to the cooperation agreement(s) should include all relevant authorities within the jurisdiction that could be involved in the resolution process in cross-border situations. The participation, besides the group-wide supervisor and/or resolution authority, would normally include relevant involved supervisors and/or resolution authorities, taking account of the materiality and proportionality principle (see ICP 25.7).

209. ICP 25.7 states that "The group-wide supervisor coordinates crisis management preparations with other involved supervisors and relevant authorities". Cooperation with host authorities of IAIGs that are not represented in the CMG, and cooperation with host authorities of other insurers that have cross-border operations but do not meet the threshold for IAIG status, should follow the principle of proportionality. A group-wide supervisor or resolution authority should consider cooperation with a host authority for crisis preparation if the insurer's activities are significant in the host jurisdiction (eg they represent a sizeable part of the market in the host jurisdiction), even though the host jurisdiction's share of the total activity of the insurer is small. As discussed in ICP 25.0.1, cooperation is the responsibility of all involved supervisors, so the supervisor, when it is a host authority for a cross-border group, should cooperate with the group-wide supervisor as needed for effective crisis preparation.

8.2 Cooperation and coordination in times of crisis

8.2.1 Preparation for resolution

210. The management of a crisis would rely on the preparatory work carried out in normal times. Although crises cannot be foreseen in all their dimensions and a high degree of flexibility is needed, the preparatory work will be useful to ensure the success of resolution. Whether through a supervisory college or a CMG, coordination between authorities is crucial when preparing for an insurance group's resolution (see also ICP 12.5 and ICP 25.7).[35]

211. According to ICP 12.4.10, the group-wide supervisor and/or resolution authority should lead the development of a group-wide resolution plan in coordination with other involved supervisors and/or resolution authorities. If a host jurisdiction decides to establish a resolution plan, it should cooperate with the group-wide supervisor and/or resolution authority to ensure that the host

[34] See the FSB KAAM (2020), notably KA 2.5, which stresses that "[t]he resolution authority should have operational independence consistent with its statutory responsibilities, transparent processes, sound governance and adequate resources and be subject to rigorous evaluation and accountability mechanisms to assess the effectiveness of any resolution measures" and its explanatory note EN 2(F).

[35] ICP 12.5 requires that "the roles and responsibilities of relevant authorities within a jurisdiction that are involved in exit of insurers from the market or their resolution are clearly defined", whereas ICP 25.7 requires that "The group-wide supervisor coordinates crisis management preparations with other involved supervisors and relevant authorities.".

jurisdiction's plan is as consistent as possible with the group-wide resolution plan. For IAIGs, CF 12.4.b has similar requirements to ICP 12.4.10.

212. With regard to the relevant information to be shared in crisis times, its nature and scope should ideally be agreed and/or defined in normal times. This could be done, for example, by developing a template that includes all information expected to be relevant in times of crisis, organised around the following topics:

- Background information: it is important to know what triggered the stress of the insurer, the possible impact on other parts of the financial system and/or the real economy and the current state of basic financial information on assets, liabilities, own funds, technical provisions, capital requirements, rating changes etc. For example, qualitative information should also be provided as it relates to failure of governance processes;
- Measures taken: timely notification to resolution authorities where recovery measures are taken to improve their preparedness, followed by a description of the recovery measures taken and an explanation of the reasons why they were not effective;
- Any impediments to resolution action: any resolution action that has already been taken should also be identified and described; and
- Possible actions to take: as stated in ICP 12.6.6, cooperation and coordination are crucial when considering resolution actions such as ordering the insurer to cease business (for example, when the insurer has branches), freezing the insurer's assets, and/or removing management of branches, subsidiaries or holding companies.

213. The effective exchange of information also requires identifying and removing (to the extent possible) all legal, regulatory or policy impediments that hinder the appropriate exchange of information. For this reason, it is important that all relevant parties participate in cooperation arrangements. Furthermore, the insurer's MIS in different subsidiaries and branches should be able to communicate effectively, both in normal times and during the resolution process (see Section 5.2).

8.2.2 Resolution

214. In crisis times, the main objective of cooperation and coordination should be to achieve a cooperative solution with authorities who are concerned with the resolution of an insurance legal entity or an insurance group within a jurisdiction as well as in other jurisdictions (see ICP 12.5 and ICP 12.6). Intensive and continuous dialogues, sharing all relevant information and reciprocal trust amongst supervisors and resolution authorities are key factors of success of the resolution process.

215. Two of the main elements of cooperation and coordination in a crisis are the exchange of information between supervisors and resolution authorities and effective communication with external stakeholders.

216. Aligning communication during a crisis has proved to be very important. Misaligned timing or messages can increase the uncertainty and exacerbate the impact of the crisis and hinder the resolution process. A coordinated communication strategy should be described in the resolution plan (see Section 6.4.8) and should be implemented by all parties involved in the resolution process.

8.3 Coordination agreements

217. The functioning of a CMG is supported by a coordination agreement, which, according to CF 25.7.b and its guidance, describes at least the roles and responsibilities of the respective members of the IAIG CMG and the process for coordination and cooperation, including information sharing, amongst members of the IAIG CMG.

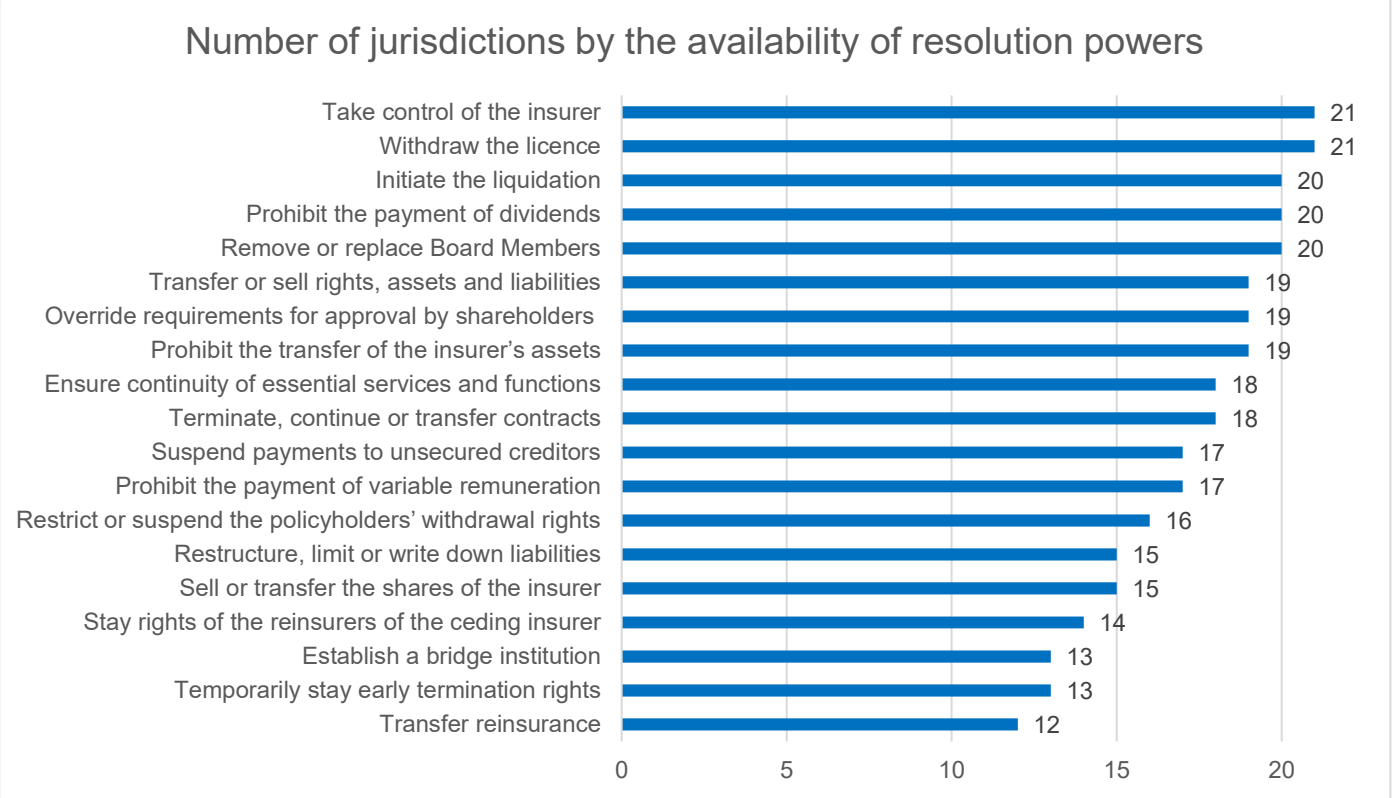
218. Coordination agreements need to be firm-specific and support the development and implementation of the resolution strategy and operational plan. They should be agreed by the group-wide supervisor and other involved supervisors (or resolution authorities) represented in the CMG, and in particular they should:

- Establish the objectives and processes for cooperation through CMGs;
- Define the roles and responsibilities of the authorities in the recovery and resolution planning phases and during a crisis;
- Set out the process for information sharing before and during a crisis, including sharing with any host authorities that are not represented in the CMG and the PPSs, if applicable, for the resolution planning purposes;
- Set out the processes for coordination in the development of the resolution plan, including parent or holding company and significant subsidiaries, branches and affiliates that are within the scope of the agreement, the PPSs, if applicable, and for engagement with the insurer as part of this process;
- Set out the processes for coordination amongst home and host authorities in the conduct of resolvability assessments;
- Include agreed procedures for the group-wide supervisor to inform and consult host authorities, and PPSs if applicable, in a timely manner when there are material adverse developments affecting the insurer and before taking any significant action or crisis measures;
- Include agreed procedures for the host authority to inform and consult the group-wide supervisor in a timely manner when there are material adverse developments affecting the insurers and before taking any discretionary action or crisis measures;
- Provide an appropriate level of detail with regard to the cross-border implementation of specific resolution measures, including the use of a bridge institution and bail-in powers;
- Provide for meetings to be held regularly, or when there are material changes, involving senior officials of the home and relevant host authorities, to review the robustness of the overall resolution strategy; and
- Provide for regular reviews by appropriate senior officials of the operational plans implementing the resolution strategies.

219. As regards information exchange within CMGs, the IAIS MMoU provides a global framework for cooperation and information exchange between insurance supervisors. All signatories to the IAIS MMoU undergo a validation process in which they must demonstrate that their laws and regulations are consistent with the MMoU's strict confidentiality regime, based on the confidentiality requirements in ICP 3. For this reason, if all relevant parties are signatories to the IAIS MMoU, it is the preferred framework for multilateral information exchange.

Annex 1: Examples of relevant existing and proposed legislation on resolution powers

As mentioned in Section 1.1, a member survey was conducted in Q2 2025, with responses provided by 24 IAIS members. Based on the member survey, the availability of resolution powers varies widely. The figure below shows the number of jurisdictions that reported the availability of powers listed in ICP 12.8.6. Although some powers are available across most member jurisdictions that participated in the survey, there are other powers that have been established in legislation by fewer jurisdictions.[36]



The more widely available resolution powers, where **over 70% of jurisdictions (17 or more jurisdictions)** indicate that this power is available, include:

- Take control of and manage the insurer, or appoint an administrator or manager to do so;
- Withdraw the licence to write new business and put all or part of the insurance contracts into run-off;
- Initiate the liquidation of the whole or part of the insure;
- Prohibit the payment of dividends to shareholders;

[36] Ten EU member jurisdictions responded to the survey, with some respondents basing their answers on the current situation prior to the application of the IRRD, while others already reflected the upcoming changes to their framework by the application of the IRRD from 29 January 2027, after which resolution authorities in all EU member jurisdictions will at least have available all the powers provided for in the IRRD. See also the examples in the remainder of this Annex.

- Remove or replace Members of the Board, Senior Management and/or Key Persons in Control Functions;
- Transfer or sell the whole or part of the rights, assets and liabilities of the insurer to a solvent third party, and to take steps to facilitate transfer, run-off and/or liquidation;
- Override requirements for approval by shareholders of particular transactions or to permit a merger, acquisition, sale of substantial business operations, recapitalisation, or other measures to restructure and dispose of the insurer's business or its liabilities and assets;
- Prohibit the transfer of the insurer's assets without supervisory approval;
- Take steps to provide continuity of essential services and functions;
- Terminate, continue or transfer certain types of contracts, including insurance contracts;
- Impose a temporary suspension of payments to unsecured creditors and a stay on creditor actions to attach assets or otherwise collect money or property from the insurer; and
- Prohibit the payment of variable remuneration including claw-back.

Resolution powers that are available to a majority of participating members, with **50 to 70% of jurisdictions (12–16 jurisdictions)** indicating that this power is available, include:

- Temporarily restrict or suspend the policyholders' rights of withdrawing their insurance contracts;
- Restructure, limit or write down liabilities (including insurance liabilities), and allocate losses to creditors, shareholders and policyholders;
- Sell or transfer the shares of the insurer to a third party;
- Stay rights of the reinsurers of the ceding insurer in resolution to terminate, or not reinstate, coverage relating to periods after the commencement of resolution;
- Establish a bridge institution;
- Temporarily stay early termination rights associated with derivatives and securities financing transactions; and
- Transfer any reinsurance associated with transferred insurance policies without the consent of the reinsurer.

The remainder of this Annex provides some examples of jurisdictions that have established resolution powers into jurisdictional legislation, or are in the process of doing so. Some of the material referred to in this Annex may not be available in the English language.

Australia

In Australia, different resolution powers are provided by different existing legislation such as:

- Insurance Act 1973;
- Life Insurance Act 1995; and
- Financial Sector (Transfer and Restructure) Act 1999.

In addition, the Prudential Standard CPS 900 Resolution Planning, which sets out requirements for insurers to support the Australian Prudential Regulation Authority (APRA) in the development of the resolution plan, came into effect on 1 January 2024. Prudential Practice Guide CPG 900 Resolution Planning is also publicly available here.

Belgium

Currently, the National Bank of Belgium (NBB) has no resolution framework and has not yet designated a national resolution authority. However, 1) following the IRRD, the NBB intends to transpose the full set of resolution powers included in the Directive into the national legislative framework and 2) the current prudential law already foresees a series of supervisory powers that are similar to several of the resolution powers listed in ICP 12.8.6 and which can be used in case of a situation of recovery and/or (near) liquidation. Examples of existing resolution-like powers in the prudential law are:

- Balancing the tariffs: supervisor forces a premium increase to put balance again between losses and premiums;
- Impose valuation rules or value adjustments in scope of the calculation of capital requirements;
- Limit or prohibit the distribution of profit sharing, dividend distributions and variable remunerations;
- Coercive measures (eg designation of a "special" external auditor; replacement of the administrative, management or supervisory bodies (AMSBs); suspension/transfer of all or part of the activities; limit or prohibit the free disposal of assets);
- Restrictive measures towards risk concentration/limitation of exposures on (certain) assets;
- Additional reporting requirements/set a higher frequency to report;
- Withdrawal of the authorisation/licence;
- Reduction of the guaranteed interest rate for life insurance contracts, termination of insurance contracts; and
- No powers to set up a bridge institution, but possibility to establish a "newco" to transfer a separate book of liabilities.

Canada

Assuris and the Property and Casualty Insurance Compensation Corporation (PACICC) – private, member-funded Canadian compensation organisations that act to protect eligible policyholders from undue financial loss in the event of a member insurer's insolvency – have a range of options, including funding the run-off and sale of all or part of an insurer. Their websites provide more details on their mandates and their role in the protection of policyholders:

- Assuris; and
- PACICC.

Federally regulated insurers

In connection with the Superintendent's power to take control of a federally regulated insurance company or its assets under section 679 of the *Insurance Companies Act* (ICA), section 684.1 of the ICA allows the Superintendent to request the Attorney General of Canada to apply to the court for a winding-up order under section 10.1 of the *Winding-up and Restructuring Act* (WURA).

The WURA provides for the liquidation and winding-up of an insurance company. The bodies responsible for dealing with the winding-up of an insurer are clearly set out in the WURA: a Canadian court and a court-appointed liquidator.

Provincially regulated insurers (Québec only)

If the insurer is in a situation of near-insolvency or deemed to be insolvent, the appointment of a receiver by the Superior Court of Québec, as requested by the Autorité des marchés financiers (AMF), and the participation of the compensation organisations will ensure an effective exit from the market, which may result in the liquidation of the insurer, with full protection of the policyholders.

Depending on the insurer's situation, the receiver may be granted by the court powers to take possession of all the property belonging to the insurer, to take any conservatory measure related to its affairs or to wind it up according to the applicable act.

As a supervisor, the AMF has no powers, per se, to initiate the wind-up of an insurer. If the insurer is deemed to be insolvent, the Superior Court of Québec may order, per WURA, the winding-up of the insurer as requested by the appointed receiver, or – but less likely – by the insurer itself or one of its creditors. Therefore, the AMF can only initiate the appointment of the receiver, which may result in its winding-up.

China, Hong Kong

There are two key ordinances related to resolution in Hong Kong:

(1) Insurance Ordinance (Cap. 41): the purpose of this ordinance is to vest the Insurance Authority with a suite of regulatory powers that include specific provisions governing the winding up of insurers in distress.

(2) Financial Institutions (Resolution) Ordinance (Cap. 628): the purpose of this ordinance is to establish a cross-sectoral resolution regime that safeguards the interest of bank depositors and insurance policyholders while maintaining stability and effective working of the financial system in Hong Kong.

Chinese Taipei

In Chinese Taipei, the legislative and regulatory framework for resolution is mainly composed of Article 143-1, Article 143-3 and Article 149 to Article 150 of the Insurance Act, complemented with relevant regulations governing supervision, conservatorship or receivership over the insurance enterprises.

European Union (European Commission and EIOPA)

On 8 January 2025, the IRRD was published. The IRRD puts forward minimum harmonized rules on insurance and reinsurance recovery and resolution, which become applicable from January 29, 2027. Currently, EU member states are in the process of transposing these rules in their national law.

In short, the Directive provides a framework in which EU member states need to designate an insurance resolution authority granted with resolution tools and powers. The framework prescribes that at least part of the insurance market needs a pre-emptive recovery plan and a resolution plan. In order to ensure proper coordination and cooperation amongst authorities, the framework also puts forward rules for cross-disciplinary and cross-border coordination, cooperation and information exchange, including through resolution colleges.

Regarding resolution tools and powers, the Directive includes provisions on:

- Resolution tools:

  - The solvent run-off tool;
  - The sale-of-business tool;
  - The bridge undertaking tool;
  - The asset and liability separation tool; and
  - The write-down or conversion tool.
- Resolution powers and ancillary powers, such as:
  - To take control of an undertaking under resolution;
  - To transfer shares or other instruments of ownership issued by, or rights, assets or liabilities of an undertaking under resolution;
  - To restructure insurance claims or reduce amounts due;
  - To close out and terminate financial contracts or derivatives;
  - To remove or replace the administrative, management or supervisory body and senior management of an undertaking under resolution;
  - To appoint a special manager; and
  - To suspend temporarily termination rights.

The Directive also includes empowerments to the European Insurance and Occupational Pensions Authority (EIOPA) to specify further certain aspects of the Directive in 19 Guidelines and Technical Standards which support the further implementation of the Directive by the national authorities and foster harmonisation and consistency of the framework across the Union. These empowerments are issued or approved within 12, 24 or 36 months after the entry-into-force of the Directive.

France

Articles 42 to 54 of the IRRD provide a clear description of the resolution powers, and the French framework will at least include all the powers provided for in the IRRD. Examples of resolution powers are:

- Assumption of control: the French ACPR will be empowered to take over the whole undertaking, replacing shareholders and management and exercising all voting, governance and property rights either directly or through an appointee.
- Transfer of equity: all shares or other ownership instruments in the failed firm will be transferable to any acquirer (including the bridge institution) without shareholder consent.
- Bridge-undertaking authorisation: the ACPR will have authority to license a newly incorporated “bridge” institution that may be allowed, for a short period not exceeding 24 months, not to meet all the requirements of Solvency II Directive, so that the bridge can immediately and promptly write or renew business.
- Information-gathering: the ACPR will be able to require any person (insurer , director, auditor, service-provider, branch or natural person holding data) to hand over whatever information that ACPR will need, including by on-site inspection, in order to decide on or prepare a resolution action. Failure to comply will constitute an offence punishable by domestic administrative sanctions.

Italy

Work is currently under way in Italy to develop a resolution regime that will implement the IRRD at national level by 29 January 2027.

Nevertheless, the existing national legislation already incorporates some of the powers outlined in ICP 12.

Legislative Decree No. 209 of 7 September 2005 (the Italian Code of Private Insurance) sets out, under Title XVI, a range of safeguards, reorganisation and winding-up measures that empower the Institute for the Insurance Supervision (IVASS) to exercise powers comparable to those foreseen under ICP 12.

Although certain powers referred to in ICP 12 – such as overriding rights of shareholders, restructuring mechanisms – are not explicitly mentioned in the national framework, IVASS can take measures along these lines using other powers. The enforcement of these powers is envisaged when the sound and prudent management or the stability of a (re)insurance undertaking is at risk or undermined.

Furthermore, Article 188 of the Italian Code of Private Insurance grants IVASS a broad range of intervention powers within the context of prudential supervision, extraordinary administration and the compulsory winding up proceedings, enabling IVASS to take actions, – including (temporarily) imposing limitations/restrictions on policyholders' rights and prohibiting (re)insurance undertakings to perform certain operations – with the aim of safeguarding the policyholders' interests and maintaining financial stability.

Malaysia

All of the powers listed in ICP 12.8.6 are available in Malaysia based on the Malaysia Deposit Insurance Corporation Act 2011 (Perbadanan Insurans Deposit Malaysia (PIDM) Act), except for powers to "restructure, limit or write down liabilities (including insurance liabilities), and allocate losses to creditors, shareholders and policyholders, where applicable".

Notwithstanding, in a winding-up scenario, a liquidator appointed by PIDM (under the direction and supervision of PIDM), may apply to the High Court for an order to reduce the liabilities under life policies and family takaful certificates or other liabilities, for the purpose of transferring the assets and liabilities of Insurer Members (IM) to another IM or bridge institution.

Further to the above, the liquidator may continue a life business or family takaful business with the view to transfer such business to another IM without affecting any of the IM's new policies or takaful certificates.

The Netherlands

The Dutch resolution framework is expected to be updated by the forthcoming IRRD, which will introduce a harmonised European regime for the recovery and resolution of insurers. The IRRD harmonises the use of resolution tools, including the sale of business (transfer of ownership of parts of the insurer or its shares to third parties), solvent run-off (continued servicing of existing contracts without writing new business), the establishment of a bridge institution, and the use of an asset and liability management vehicle to isolate distressed assets and liabilities. It also harmonises safeguards, including valuation requirements, no-creditor-worse-off protection, and appeal rights.

Romania

The Romanian Financial Supervisory Authority (ASF), in its capacity as resolution authority, is empowered to apply the resolution tools to insurers that meet the conditions for triggering resolution.

The resolution tools are the following:

a) Sale of the activity and portfolio;

b) Bridge institution; and
c) Separation of assets.

The ASF, in its capacity as resolution authority, may apply the resolution tools individually or in any combination. The asset separation tool shall apply only together with another resolution tool. In the event that only the resolution tools provided for in letters a) and b) are used, and they are used to transfer only partially assets, rights or obligations of an insurer subject to resolution, the residual insurer from which the assets, rights or obligations were transferred shall be wound up, in accordance with the normal insolvency procedure. The winding up shall be carried out within a reasonable period, taking into account any eventual situation in which the residual insurer must provide services or support to enable the recipient to carry on its activities or to provide services related to the transferred elements, as well as any other reason which makes it necessary for the residual insurer to continue its activity in order to achieve the objectives of the resolution or to comply with the principles provided for in the law.

The ASF, in its capacity as resolution authority, and the Insurance Guarantee Fund, in its capacity as administrator of the Insurers Resolution Fund, may recover any reasonable expenses incurred in a justified manner in connection with the use of the resolution tools, with the exercise of the resolution powers, in one or more of the following ways:

a) As a deduction from any consideration paid by the recipient to the insurer under resolution or, as the case may be, to the owners of the shares or other instruments of ownership;
b) From the insurer under resolution, as a preferential creditor; and
c) From any proceeds resulting from the cessation of the operation of the bridge institution or the asset management vehicle, as a preferential creditor.

It is anticipated that there will be amendments and completions to the resolution framework according to the IRRD. The new framework which is to be drafted will enter into force in late January 2027.

Singapore

The role of the Monetary Authority of Singapore (MAS) as a resolution authority is set out in the Monetary Authority of Singapore Act 1970 and MAS' resolution powers are provided for in Part 8 of the Financial Services and Markets Act 2022. Winding up-related provisions which are specific to particular classes of financial institutions are contained within their respective legislation. For licensed insurers and designated financial holding companies (licensed insurer), the winding up-related provisions are set out in the Insurance Act 1966 and Financial Holding Companies Act 2013 respectively. The Monograph on "MAS' Approach to Resolution of Financial Institutions in Singapore" ("MAS Monograph on Resolution") explains MAS' role as resolution authority, with the overarching objective to achieve an orderly resolution when a financial institution (FI) is no longer viable, such that financial stability and the continuity of critical functions performed by FIs are maintained.

Priority of claims of policy owners and other liabilities

Section 203 of the Insolvency, Restructuring and Dissolution Act 2018 sets out the priority of payment of debts in a winding up event. Section 123 of the Insurance Act 1966 further states that where an insurer becomes unable to meet its obligations or becomes insolvent, its insurance liabilities have priority over all unsecured liabilities of the insurer other than the preferential debts, as specified in the Insolvency, Restructuring and Dissolution Act 2018.

No creditor worse-off than in liquidation (NCWOL)

MAS has put in place a creditor compensation framework which gives creditors the right to compensation if they receive less in resolution than what they would have received in a liquidation of the non-viable FI. An NCWOL assessment will hence be performed whenever MAS exercises resolution powers that will directly affect shareholders' or creditors' rights. MAS will also engage a qualified independent valuation agent to determine the potential amount of compensation payable. The NCWOL safeguard is formalised under Section 123(1) of the Financial Services and Markets Act 2022.

Policy Owners' Protection Scheme (PPF Scheme)

Under Section 46(1) of the Deposit Insurance and Policy Owners Protection Schemes Act 2011, the exercise of MAS' resolution powers under Part 8 of the Financial Services and Markets Act 2022 is one of the events that could trigger the use of the PPF Funds. Under Section 46(2) of the Deposit Insurance and Policy Owners Protection Schemes Act 2011, the PPF Funds can be used to fund certain resolution actions, namely to fund the transfer of the whole or part of the business of the failed PPF Scheme member to another insurer and the run-off of the failed PPF Scheme member's business.

Resolution Fund

In scenarios where PPF Funds cannot be used (ie payment of NCWOL claims) or are insufficient, Section 108 of the Financial Services and Markets Act 2022 provides for the establishment of a resolution fund for MAS to achieve its resolution objectives. The resolution fund may only be used to the extent necessary to support effective implementation of resolution measures. Prior to using the monies in the resolution fund, MAS is required to have regard to whether private sector funding can be obtained by failed insurer and whether appropriate losses have been imposed on unsecured subordinated creditors and shareholders of the failed insurer.

South Africa

There is a framework for the resolution of designated institutions and has been compiled in a manner that should enable application to any entity that is determined to be a designated institution (DI). Although South Africa has not yet designated any insurers as DIs, the legislation in place would be applicable to insurers once they become DIs. The Financial Sector Regulation Act 9 of 2017 (as amended), in chapter 12A outlines the powers and tools that exist in the South African jurisdiction. These includes the following:

Resolution Powers

(a) Managing and taking control: when a DI is in resolution, the Reserve Bank has the power to manage and take control of the affairs of such DI. This means that the Reserve Bank may exercise powers of shareholders and the Board of Directors, which includes the power to convene creditor meetings, negotiating with creditors regarding settlement of claims against a DI in resolution, entering into arrangements or compromises between the DI and its creditors;[37]

[37] Financial Sector Regulation Act No. 9 of 2017 (hereinafter FSR Act), s 166M (1) and (2).

(b) Suspension/ prohibition of litigation or arbitration: the Reserve Bank may suspend or prohibit the commencement of legal or arbitration proceedings against a DI in resolution within a reasonable period;[38]

(c) Cancellation of agreements: the Reserve Bank may, if it determines that it is necessary for an orderly resolution, by written notice to the other parties to an agreement to which the designated institution is a party, being an agreement that came into effect before the designated institution was put in resolution, cancel the agreement;[39]

(d) Suspending claims: the Reserve Bank may by notice suspend the institution of any claim for damages in respect of loss sustained by a person resulting from the cancellation of an agreement;[40]

(e) Suspend obligations: the Reserve Bank may by notice, suspend an obligation of a party to the agreement

(f) Transferring of shares: approval of the Reserve Bank is required for trading of shares of a Diin resolution;[41] and

(g) Winding up and similar actions in respect of DIs: concurrence of the Reserve Bank is required for any of the actions listed in s 166D(1) of the FSR Act.

Resolution tools

(a) Bridge company: the Reserve Bank may for purposes of exercising its resolution functions incorporate a bridge company;[42]

(b) Resolution action, including restructuring and bail-in: if the Reserve Bank determines that it is necessary for the orderly resolution of a designated institution in resolution that the designated institution enter into a particular transaction, the designated institution may enter into the transaction, and may do so despite any law or agreement that would otherwise restrict or prevent it from doing so, including a law or agreement that requires consent or approval by a specified person.

(i) Transferring, creating an interest in, or dealing in any other way with, assets and liabilities of a designated institution;[43]

(ii) An amalgamation or merger, or a scheme of arrangement that involves a designated institution;[44]

(iii) Cancelling a share of the designated institution that is valued, in terms of section 166Q(1), at zero value, in liquidation;[45]

(iv) Issuance of new shares of the designated institution;[46]

(v) Reducing the amount that is or may become payable;[47] and

38 FSR Act, s 166R(1)(e); s 166R (5).

39 FSR Act, s 166R (1)(a).

40 FSR Act, s 166R (1) (c).

41 FSR Act, s 166P(2).

42 FSR Act, s 166F.

43 FSR Act, s 166S (2)(a).

44 FSR Act, s 166S (2)(b).

45 FSR Act, FSR Act, s 166S (6)(a).

46 FSR Act, s 166S (6)(b).

47 FSR Act, s 166S (7)(a).

(vi) Cancellation of the agreement.[48]

(c) Bail-in: the Reserve Bank introduced FLAC instruments to be identified in the Prudential Standard,[49] which set requirements for debt instruments that banks are required to hold to be readily available to be bailed in, for purposes of recapitalising a bank in resolution

(d) Liquidation: the Reserve Bank may apply to a competent court for the winding-up of a designated institution on the grounds that the institution has been placed in resolution and there are no reasonable prospects that the institution will cease to be in resolution.[50]

Spain

"Resolution powers" strictly speaking do not exist in Spanish legislation, because there is not yet a resolution framework stricto sensu for the (re)insurance market; the new regulation of the resolution's requirements and process will be adopted by 29 January 2027. As there are still ongoing discussions on some elements, it can be only confirmed at this point that resolution powers will be fully aligned with the resolution powers laid down in the IRRD. Nevertheless, although there are no "powers to resolve" stricto sensu, the Spanish regulatory framework has various mechanisms to face (re) insurers' crisis: the "special control measures" and the system for winding up insurance undertakings through the Spanish PPS, the "Consorcio de Compensación de Seguros" (CCS).

Special control measures (EIM)

These measures are supervisory powers aimed at handling (re) insurers' financial conditions deterioration and to preserve or restore so. Their legal base can be found in their national law, in Articles 155 to 168 of Law 20/2015, of 14th of July, on organisation, supervision and solvency of insurance and reinsurance undertakings (LOSSEAR)[51]. Under the umbrella of the EIM, the Spanish supervisor may make a set of decisions and actions regarding the undertaking concerned under a set of circumstances, listed in Articles 159 to 161 of LOSSEAR. Such enabling circumstances go beyond a breach of the SCR and include a comprehensive set of situations (ranging from infringements of the prudential requirements (eg insufficient eligible own funds to cover the MCR or SCR, deficit greater than 20 per cent in the calculation of the SCR, failure to comply with the rules relating to the valuation of assets and liabilities, including technical provisions etc, to other infringements of LOSSEAR, together with factual situations, deduced from verifications carried out by the supervisor which could jeopardize the solvency of the entity, the interests of the policyholders or the fulfilment of the contractual obligations, amongst others conditions). The exact enabling conditions are set out in Article 159 of LOSSEAR.

Insurers' liquidation/winding up conducted by the CCS

When a winding up is mandated to CCS, it takes control of an insurer in winding-up and exercises all the rights and powers conferred upon the shareholders, other owners and the administrative, management or supervisory body of the insurer under liquidation (see Article 184 LOSSEAR). Besides, the CCS has one crucial power: the purchase of credits. As per Article 186 LOSSEAR, CCS may acquire the insurer's debts owed by policyholders and other creditors by assignment of

48 FSR Act, s 166S (7)(b).

49 Prudential Standard RA03.

50 FSR Act, s 166H.

51 This law is complemented by Royal Decree 1060/2015, of 20 November, on organisation, supervision and solvency of insurance and reinsurance undertakings (RDOSSEAR). Links to both regulations: LOSSEAR and RDOSSEAR.

receivables to improve and achieve their faster satisfaction. The CCS subrogates to the position of those creditors in the insurer's liquidation plan.

Switzerland

According to Art. 51a of the Insurance Supervision Act (ISA), the Swiss Financial Market Supervisory Authority (FINMA) can order a resolution procedure in case there are reasonable grounds for concern that an insurance company is overindebted or has serious liquidity problems.

Furthermore, Art. 51 ISA allows FINMA to order protective measures either as part of a resolution procedure or prior to it in case the insurance company does not comply with the provisions of the ISA, an ordinance or FINMA orders or otherwise appears to jeopardise the interests of the insured persons. These protective measures also comprise certain resolution powers and can be ordered separately or in combination with a resolution procedure. The resolution powers include, such as:

- Transfer all or part of the powers vested in the governing bodies of an insurance company to a third party (Art. 51 al 2 c ISA);
- Demand the dismissal of the persons entrusted with the ultimate direction, supervision, control or management of the company or of the authorized representative(s) and the responsible actuary and prohibit them from exercising any further insurance activity for a maximum of five years (Art. 51 al 2 f ISA);
- Prohibit the free disposal of the insurance company's assets (Art. 51 al 2 a ISA);
- Replace senior management and appoint an independent third party instead which may block payments of renumerations (Art. 51 al. 2 c ISA and Art. 36 of the Financial Market Supervision Act (FINMASA));
- Withdraw the authorisation, recognition, approval or registration of a supervised person or entity if the supervised person or entity no longer meets the requirements for the activity or seriously violates supervisory provisions. Upon withdrawal, the supervised person loses the right to exercise the activity (Art. 37 FINMASA);
- If FINMA withdraws an insurance company's licence to conduct business, this shall result in its liquidation. FINMA appoints the liquidator and supervises its activities (Art 52 ISA).

In general, FINMA's powers are exemplary and FINMA could order further measures in case necessary.

United States

Framework and authorities: In the United States, insurer resolution (often referred to as "receivership") is primarily a matter of state law, administered by the state insurance commissioner (typically acting as receiver) and supervised by a state court in the insurer's state of domicile. State receivership statutes are generally based on the NAIC Insurer Receivership Model Act (Model #555) (or predecessor Model Acts) and interact with state guaranty association laws (based on the NAIC Life and Health Insurance Guaranty Association Model Act (Model #520) and Property and Casualty Insurance Guaranty Association Model Act (Model #540)). Receivership outcomes are also shaped by state case law and, in some instances, receivership-specific administrative practice and guidance.

Resolution vs liquidation (rehabilitation and conservation tools): State frameworks typically provide for multiple proceedings (names and thresholds vary by state), including conservation/supervision, rehabilitation (aimed at restoring viability and/or enabling an orderly transfer/run-off), and liquidation (winding-up and distributing assets under a statutory priority scheme). For group structures, the insurer legal entity is generally resolved under state insurance law, while a non-insurer holding

company or affiliate may be subject to federal bankruptcy (Title 11) or other applicable federal regimes.

Safeguards and creditor hierarchy (NCWOL concept): State receivership laws generally include a structured claims filing and adjudication process, statutory priority of distribution of estate assets (with preference to policyholder claims), and court oversight of key actions. In addition, US resolution practice commonly considers a liquidation counterfactual – ie how policyholders and other creditors would be expected to fare in liquidation – when evaluating and selecting among available resolution strategies (such as rehabilitation, run-off or portfolio transfer). While this "no creditor worse off than in liquidation" (NCWOL) concept may be used as an analytical tool to support decision-making and fairness assessments, it is not necessarily implemented as a standalone statutory compensation entitlement in the same manner as in certain other jurisdictions.

Powers and tools commonly available: Depending on the state, courts and receivers generally have powers that include:

- Taking control/management replacement: Appointment of a receiver (or rehabilitator/liquidator) with authority to take possession of the insurer's assets and operate the business, including replacing management and directing operations.
- License and new business restrictions/run-off: Authority to restrict business activities, suspend or withdraw authority to write new business, and administer a controlled run-off.
- Stays and moratoria: Authority to seek court-ordered stays of litigation, attachments, and other creditor actions to preserve estate value and facilitate orderly administration; in some cases, targeted stays related to contract terminations may be available.
- Portfolio transfers: Authority to transfer policies and related assets (eg through assumption reinsurance or portfolio transfer mechanisms) subject to court approval and statutory safeguards; authority to effect commutations or settlements where permitted.
- Asset disposition and avoidance: Authority to sell, transfer, or otherwise dispose of assets under court supervision; authority to pursue avoidance/recovery actions (eg preferences or fraudulent transfers) under applicable state law.
- Claims administration and priority: Authority to establish and administer a claims process, apply statutory priorities, and make asset distributions consistent with the priority scheme.
- Guaranty association support: In liquidation, state guaranty associations provide policyholder protection subject to statutory limits, primarily through assumption reinsurance/portfolio transfers or by paying claims/continuing policies in coordination with other affected guaranty associations.

Reinsurance considerations: The resolution of US insurers frequently involves reinsurance, and state receivership frameworks typically provide tools to manage reinsurance-related issues, including the collection of reinsurance recoverables, coordination with reinsurers regarding claims administration, and the facilitation of assumption reinsurance or portfolio transfers. Treatment of reinsurance contracts (including commutations, continuation, or termination) may depend on state law, contract terms, and court supervision, and may require coordination to mitigate disruption to cedants and policyholders.

Group and cross-border considerations: US insurer receivership is generally entity-based at the state level; group-wide solutions may therefore rely on coordination among multiple state receiverships, supervisors, and courts, and on cooperation with foreign resolution authorities where the group has

cross-border operations. The NAIC's coordination frameworks support information sharing and coordination, subject to confidentiality and legal constraints.

Federal regimes for non-insurers and systemic entities (where relevant): A holding company or other non- insurer affiliate may be resolved through Chapter 11 (or other provisions) of the US Bankruptcy Code. Certain entities (eg bank affiliates) may be subject to federal bank resolution regimes. If a financial company were designated for systemic resolution, it could be subject to resolution under Title II of the Dodd-Frank Act (Orderly Liquidation Authority), as applicable.

Annex 2: Examples of approaches to determining critical functions/criticality

This Annex provides examples of approaches used in some jurisdictions to determine critical functions/criticality. These examples are jurisdiction-specific and illustrative, and are not intended to establish default thresholds that could be applied mechanistically across jurisdictions.

France

Article L.311-2 of French insurance code defines "critical functions" as activities, services or operations matching the following characteristics:

- They are provided by the insurer to unrelated third parties;
- The insurer's inability to perform those functions would be likely to have a significant impact on financial stability or real economy; and
- The insurer's contribution (or performance?) cannot be replaced at a reasonable cost and within a reasonable time.

Maintaining critical functions is one of the 4 objectives of resolution listed in Art.L.311-22.[52]

In December 2020 ACPR issued a note on how ACPR identifies the critical insurance functions (or lines of business (LoBs)) of insurers operating in France. ACPR's approach comprises 2 steps: (i) determining a list of functions critical by their nature; (ii) determining criticality thresholds under these functions. The approach is evolutionary, and the following elements may vary in the future.

(i) In determining those activities (LoBs) that are critical by their nature, ACPR considered, amongst other things:

- Whether the LoB was mandatory;
- The duration of liabilities (long-term commitments may be assumed to be more critical than short-term commitments);
- The impact resulting from a breach of protection;
- The impact resulting from an inability to honour commitments; and
- Whether a failed insurer active in the LoB would be easily substitutable (substitution would be easier in a low concentrated market).

This led ACPR to determine that (at least) six LoB can be deemed critical: savings, motor liability, medical liability, construction, agricultural insurance, credit insurance and suretyship. The list could be broadened in the future.

(ii) As a 1st attempt, the criticality threshold was fixed at 10% of the market share in the considered LoB.

The Netherlands

From Public Interest Assessment to IRRD-based critical function identification

[52] The three others are protecting financial stability, protecting public purse and protecting policyholders' interests. These objectives are not ranked.

1. The Dutch Public Interest Assessment (PIA)

The current Dutch resolution regime for insurers does not explicitly aim to protect "critical functions" as defined in the Bank Recovery and Resolution Directive (BRRD) or IRRD. Instead, the DNB applies a Public Interest Assessment (PIA) to determine whether resolution is preferable to regular insolvency proceedings. This assessment is based on four statutory resolution objectives:

- A. Protection of policyholders;
- B. Prevention of material negative impact on society;
- C. Prevention of significant impact on the financial system or real economy; and
- D. Prevention of the use of public funds.

The PIA is applied at multiple levels of granularity:

- Periodically, the DNB reviews whether any Solvency II insurers have grown materially or changed in such a way that resolution planning may be warranted. This check is based on the objectives B (societal impact) and C (impact on the financial system or the real economy). If these objectives could be at stake in case of failure, the insurer becomes eligible for resolution planning.
- In detail, during the development of resolution plans for eligible insurers, where the added value of resolution is assessed against all four objectives.
- At the point of failure, taking into account the specific circumstances of the insurer, the sector, and broader societal conditions at that time.

The four objectives are not ranked in order of importance. However, objective A (policyholder protection) must always be considered in conjunction with at least one of the other three objectives. In contrast, achieving objective B (societal impact), C (financial/economic impact), or D (avoidance of public funds) alone is sufficient to justify resolution. Therefore, the two objectives that can be associated with critical functions (B and C) justify by themselves a positive public interest test.

To support the assessment, the DNB uses a combination of quantitative and qualitative indicators, including:

- The size of the insurer (eg technical provisions, number of policyholders);
- The type of insurance products offered;
- The characteristics of the policyholder base;
- The potential impact on policyholders;
- The insurer's interconnectedness with the financial system;
- The impact on consumer confidence in the financial and insurance sector; and
- The substitutability of products, particularly in niche markets.

These indicators are scored individually and assessed in aggregate, with the final conclusion based on a holistic view supported by expert judgment. Dutch law provides indicative thresholds – such as technical provisions exceeding EUR 1 billion or more than 1 million policyholders – which suggest that resolution may be in the public interest. However, these thresholds are not binding and serve primarily as guidance.

In recent years, the DNB has identified between 10 and 15 insurers or insurance groups as eligible for resolution planning. Examples include:

- Large insurance groups that exceed the indicative thresholds and provide pension products essential to policyholders' livelihoods, thereby posing a potential societal impact (objective B).
- Smaller non-life insurers with dominant positions in niche markets (eg medical liability or climate-related risks), where failure could leave policyholders without viable alternatives, thus affecting substitutability and market functioning (objective C).

The list of insurers subject to resolution planning is reviewed annually, and resolution plans are updated at least every three years to reflect changes in risk profiles and market conditions.

2. Shift towards the IRRD

With the upcoming implementation of the IRRD, the Dutch framework is expected to undergo targeted adjustments, particularly in how critical functions are identified and assessed. While the current approach already incorporates societal and financial impact through the PIA the IRRD introduces a more formalized and detailed definition of critical functions. Under the IRRD, critical functions are defined as activities, services or operations performed by an insurance or insurance undertaking for third parties that:

- Cannot be substituted within a reasonable time or at a reasonable cost;
- Whose discontinuation would likely have a significant impact on the financial system or the real economy in one or more member states, including:
    - Adverse effects on the social welfare of a large number of policyholders, beneficiaries or injured parties;
    - A systemic disruption; or
    - A loss of general confidence in the provision of insurance services.

These additions may have implications for the Dutch resolution framework and are currently being reviewed. As part of this process, the DNB is exploring how these elements can be integrated into existing assessment practices. This includes a reflection on whether the current use of indicative quantitative thresholds remains appropriate, or whether a more qualitative approach may offer a better fit with the IRRD's objectives. This review is ongoing and forms part of a broader effort to ensure alignment with international standards (eg FSB guidance) and to support the continuity of essential insurance services in resolution planning.

3. Next steps

The refinement of the Dutch resolution framework is progressing in parallel with developments at the European level. On 29 April 2025, EIOPA published the draft guidelines on the identification of critical functions under the IRRD. The final adoption is expected in 2026, depending on the outcome of the consultation and the formal approval process.

DNB will continue to actively contribute to the EIOPA process, sharing practical insights from its experience with resolution planning and advocating for a framework that reflects both systemic relevance and consumer-level risks, such as the inability of policyholders to obtain equivalent coverage due to personal circumstances (eg age, health or fiscal consequences), the loss of essential income protection, or broader erosion of trust in the continuity of insurance services. This collaborative effort is essential to ensure a coherent and harmonized approach across jurisdictions, supporting a level playing field and enhancing the effectiveness of resolution planning throughout the EU.

United States

In the United States, the assessment of “critical functions” is typically performed through a resolvability and operational continuity lens rather than through a standalone critical functions taxonomy. Group-wide supervisors evaluate whether disruption of specific activities would materially impair policyholder protection or market functioning, including the insurer’s ability to administer policies, process and pay claims, maintain asset management and liquidity operations supporting policyholder obligations, and sustain access to essential shared services and third-party providers. This analysis is informed by the insurer’s stress testing and contingency planning processes, but also considers operational dependencies and substitutability, including intra-group service arrangements, outsourcing and vendor concentration, reinsurance arrangements and recoverables, derivatives and collateral processes, and intercompany guarantees or liquidity support. While an IAIG may not be viewed as systemically important to overall US financial stability, supervisors may still identify functions that are critical to the continuity of insurance coverage and timely claims payment, and resolution planning focuses on maintaining those functions (or temporary continuity) to facilitate transfer, run-off or orderly wind-down.

An IAIG headquartered in the US has reported to its group-wide supervisor (GWS), the supervisory authority of its state of domicile, that it does not have any critical operations, the failure or discontinuance of which would pose a threat to the financial stability of the USA. The IAIG advised further that similarly, the United States Federal Reserve Board had not identified any critical operations when conducting its own systemic risk review under federal law.

The GWS describes its review process as follows. In determining whether the insurer’s self-evaluation is accurate or whether critical operations do exist, the GWS gives great weight to the Capital Stress Testing Process (or Capital Funding and Contingency Plan (CFCP)) to identify and assess events and circumstances that would cause the insurer’s business model to become unviable. The GWS independently assess the level of proposed capital buffer and ensure that the buffer is at a level that any single loss from the stresses does not result in a breach of the solvency capital.

In reviewing for the existence of critical functions, the GWS looks at the nature of the interconnections and interdependencies. The GWS requires the insurer to provide a description of intercompany financial interconnections, including intercompany pooling, loans, guarantees and tax-sharing agreements. This governance aspect of the stress scenario review is driven by a discussion of operational interconnections amongst material entities (MEs) and other legal entities (LEs) within the group, as well as shared services. Evaluation of the impact on financial stability focuses on the availability of cover and the timely payment of claims, and includes an analysis of key external interconnections with credit rating agencies, regulators, and third-party vendors. Description of derivatives activities, including how such activities would be impacted by insolvency and resolution.

Firms are required to segment interconnections into three categories: financial interconnections, operational interconnections, and external interconnections. Operational interconnections amongst MEs and LEs have five subsections; employees, MIS, real estate, shared services, and intellectual property. The Interconnections and Interdependencies section of the Resolution Plan focuses on describing the key functions of the insurer, and the resolution strategy includes discussion of the appropriate actions that help maintain continuity of those functions or, at a minimum, temporary continuity to facilitate substitutability over time.

Annex 3: Key aspects of resolution preparation, resolution plans and resolution strategy

Aspect	Resolution preparation	Resolution strategy	Resolution plan
Purpose	• Establish processes and procedures to prepare for resolution	• Define the preferred approach to resolving a failing insurer	• Document all elements needed to execute resolution effectively
Key activities	• Develop simplified procedures • Identify insurers needing plans • Engage with insurers on crisis readiness • Assess MIS capabilities	• Select resolution tools • Map resolution powers to scenarios • Align with resolution objectives • Consider TopCo vs OpCo approaches	• Compile insurer overview • Define triggers • Assess financial stability impact • Detail operational execution • Include governance and communication plans
Triggers	• Not applicable directly; focuses on readiness	• Entry into resolution (eg failing or likely to fail, public interest test)	• Includes trigger framework and criteria for entry into resolution
Tools used	• Internal manuals, playbooks, crisis management teams	• Resolution powers (eg transfer, run-off, bridge institution)	• All relevant resolution powers and operational details
Stakeholders involved	• Supervisor and/or resolution authority • Insurer (for info sharing)	• Resolution authority • Supervisor • Other involved authorities	• Supervisor and/or resolution authority • Insurer • CMGs • Other stakeholders

Outputs	• Internal readiness • Ad-hoc plans if needed • Coordination mechanisms	• Preferred and fallback strategies • Mapping of powers to scenarios • Continuity of critical functions	• Full documentation of resolution approach • Resolvability assessment • Communication strategy • Impact on PPS
Level of detail	• High-level, flexible, proportionate	• Strategic, scenario-based	• Detailed, comprehensive, tailored to insurer/group
Frequency	• Ongoing, as part of supervision	• Reviewed and updated as needed	• Regularly updated (eg every three years or upon material change)

Note: Any resolution preparation activities by the authority should be applied on a strictly proportionate basis, reflecting the nature, scale and complexity of the insurer.