

Questions for public consultation on draft revised Application Paper on recovery planning

Thank you for your interest in the public consultation on draft revised Application Paper on recovery planning. The Consultation Tool is available on the IAIS website.

Please note that **the following sections and boxes are not subject to the consultation**, as they have undergone only minor editorial changes or no changes from the previous version of the paper:

- Section 1.1 Purpose
- Section 4.2 Governance: monitoring, escalation and activation processes
- Section 5.1 Executive abstract of the recovery plan
- Box 3 Examples of criteria (quantitative or qualitative)
- Section 5.4 Governance
- Box 4 Examples of recovery options
- Section 5.7 Stress scenarios
- Box 5 Examples of recovery scenarios

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Consultation questions

1	General comments on the draft revised Application Paper on recovery planning
2	Comments on Section 1 Introduction
3	Comments on Section 1.2 Scope Paragraph 10, footnote 4: There should be a space between “November” and 2025”
4	Comments on Section 1.3 Structure of the Application Paper
5	Comments on Section 2 Objectives and concepts of recovery planning Paragraph 13, grammatical suggestion: The evaluation – and the development of a recovery plan, if required – <u>is</u> the responsibility of the insurer.
6	Comments on Section 2.1 Evaluation
7	Comments on Section 2.2 Recovery plan
8	Comments on Section 2.3 Related concepts
9	Comments on Section 3 Scope of application and proportionality
10	Comments on Box 1: Recovery plan requirement under the EU IRRD
11	Comments on Box 2: Matters specific to insurance groups
12	Comments on Section 4 Governance
13	Comments on Section 4.1 Governance – development, approval, review and testing
14	Comments on Section 5 Elements of a recovery plan
15	Comments on Section 5.2 Description of the insurer
16	Comments on Section 5.3 Trigger framework
17	Comments on Section 5.5 Recovery options
18	Comments on Section 5.6 Communication strategy Paragraph 88 – as the verb for the list of bullets is in the chapeau, suggest some rewording for consistency. Also, capitalize first set of sub-bullets for consistency.: It would be expected that the insurer informs the supervisor: <ul style="list-style-type: none">• In anticipation of a likely breach of one or more recovery trigger points, including a description of the circumstances leading to the potential activation of the recovery plan;• Immediately in the event of a breach of one or more recovery trigger points, describing the causes and consequences of such breach. This includes any host supervisors, if relevant (see also Section 6.2);• When a trigger point is breached but the insurer decides that activation of the recovery plan is not necessary. <u>In such circumstances</u>, the insurer should:<ul style="list-style-type: none">○ Fully discuss the decision with the supervisor; ○ explain management’s assessment and reasoning for not activating the recovery plan;

	<ul style="list-style-type: none"> ○ <u>Advise</u> as to the possible mitigating actions that the insurer intends to execute to restore its position and prevent a further deterioration of the situation; and ○ <u>Regularly report</u> on the effectiveness of any mitigating actions, and whether further action is required; ● When the recovery plan is activated: <ul style="list-style-type: none"> ○ Periodically after activation of the recovery plan, with updates on the progress and implementation status of the selected recovery options and their effects on the causes of the stress scenario, eg the solvency and liquidity positions of the insurer; and ○ <u>Once</u> the recovery has been successful and the insurer has moved outside of the recovery zone.
19	<p>Comments on Section 6 Supervisory considerations</p> <p>Paragraph 99 – the wording here is a bit odd; suggest making the point clearer: Recovery plans are developed, maintained and implemented by the insurer. <u>While recovery plans are</u> the responsibility of the insurer, <u>supervisors</u> should assess <u>such</u> plans and challenge insurers when these plans do not appear to be effective or suitable for the designed purpose of recovery.</p>
20	<p>Comments on Section 6.1 Assessing recovery plans</p> <p>Paragraph 105 – suggest for better readability: Supervisors should include the resolution authority in the assessment of the recovery plan. Indeed, resolution could be triggered <u>if</u> the insurer reaches non-viability due to the ineffectiveness of recovery options.</p>
21	Comments on Section 6.2 Supervisory cooperation and coordination

Questions for public consultation on draft revised Application Paper on resolution powers, preparation and plans

Thank you for your interest in the public consultation on draft revised Application Paper on Resolution Powers, Preparation and Plans. The Consultation Tool is available on the IAIS website.

Please note that **the following sections and boxes are not subject to the consultation**, as they have undergone only minor editorial changes or no changes from the previous version of the paper:

- Section 1.3 Proportionality
- Section 1.7 Structure
- Section 2.1 Concepts
- Section 4.7 Bridge institution
- Box 6 TopCo versus OpCo strategy
- Section 6.4.8 Communication strategy

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Consultation questions

1	General comments on the draft revised Application Paper on resolution powers, preparation and plans
2	Comments on Section 1 Introduction
3	Comments on Section 1.1 Objectives and background
4	Comments on Section 1.2 Scope of application
5	Comments on Section 1.4 Terminology
6	Comments on Section 1.5 Related work by the IAIS
7	Comments on Section 1.6 Related work by the FSB
8	Comments on Section 2 Objectives and concepts of resolution of insurers
9	Comments on Section 2.2 Objectives of a resolution framework
10	Comments on Section 2.3 Resolution of an IAIG
11	Comments on Section 2.4 Considerations related to reinsurance
12	Comments on Section 2.5 Safeguards
13	Comments on Section 3 Conditions for entry into resolution
14	Comments on Box 1: Illustrative examples of resolution conditions
15	Comments on Section 4 Resolution powers Table 2 - In the fifth box on right side under “Powers in ICP 12 and ComFrame”, there is a typo: “Mmembers”.
16	Comments on Section 4.1 Taking control
17	Comments on Section 4.2 Withdrawal of licence
18	Comments on Section 4.3 Override rights of shareholders
19	Comments on Section 4.4 Restructuring mechanisms
20	Comments on Section 4.5 Suspension of rights
21	Comments on Section 4.6 Transfer or sell assets or liabilities
22	Comments on Section 4.8 Essential services and functions
23	Comments on Section 4.9 Liquidation
24	Comments on Section 5 Preparation for resolution
25	Comments on Section 5.1 Options and risks
26	Comments on Section 5.2 Information needs
27	Comments on Box 2: Internal resolution manual for the resolution of insurers in the Netherlands
28	Comments on Section 6 Resolution plans
29	Comments on Section 6.1 Objective
30	Comments on Section 6.2 Determining the need for a resolution plan

31	Comments on Box 3: FSB draft guidance on the scope of insurers subject to the recovery and resolution planning requirements
32	Comments on Box 4: Examples of considerations of financial and economic functions in resolution
33	Comments on Box 5: Resolution plan requirement under the EU IRRD
34	Comments on Section 6.3 Information needs
35	Comments on Section 6.4 Key elements of a resolution plan
36	Comments on Section 6.4.1 Executive Summary
37	Comments on Section 6.4.2 Insurer resolution plan overview
38	Comments on Section 6.4.3 Entry into resolution
39	Comments on Section 6.4.4 Analysis of potential financial stability impacts of failure
40	Comments on Section 6.4.5 Resolution strategy
41	Comments on Section 6.4.6 Operational aspects
42	Comments on Section 6.4.7 Governance of resolution processes and procedures
43	Comments on Section 6.4.9 Impact of the PPS(s)
44	Comments on Section 7 Resolvability Assessments
45	Comments on Section 7.1 Resolving impediments
46	Comments on Section 8 Cooperation and Coordination
47	Comments on Section 8.1 Cooperation and coordination in normal times
48	Comments on Section 8.2 Cooperation and coordination in times of crisis
49	Comments on Section 8.2.1 Preparation for resolution
50	Comments on Section 8.2.2 Resolution
51	Comments on Section 8.3 Coordination agreements
52	Comments on Annex 1: Examples of relevant existing and proposed legislation on resolution powers
53	Comments on Annex 2: Examples of approaches to determining critical functions / criticality <p style="color: #0070C0;">Under the United States, 3rd paragraph, “Interdependencies” does not need to be capitalized in the first sentence. Also “Material Entities” does not need to be capitalized in the 3rd sentence, consistent with “other legal entities.” Also, the last paragraph left/right justification should match the others.</p>
54	Comments on Annex 3: Key aspects of resolution preparation, resolution plans and resolution strategy <p style="color: #0070C0;">The table would benefit from the use of bullets to better differentiate the items listed in each box from each other.</p>