



Developments in Recovery and Resolution Planning for Insurers

Reinsurance Discussion Group

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Overview

- The importance of recovery and resolution planning
- International policy developments
 - Financial Stability Board (FSB)
 - International Association of Insurance Supervisors (IAIS)
- APRA's approach



Recovery and resolution

Recovery

- the insurer taking action itself
 - responding to a significant stress
 - To restore to a financially sound position.
- *Planning led by the financial institution, working with regulatory authorities*

Resolution

- institution is no longer viable in current form
 - regulatory intervention
 - exit strategy needed eg run-off, portfolio transfer.
 - Financial stability or market impacts
- *Planning led by regulatory authorities, working with the financial institution*



Why does planning matter?

- The Global Financial Crisis (GFC) demonstrated that financial institutions were insufficiently prepared to implement recovery actions, often necessitating significant public sector support.
- Recovery and resolution planning is an integral part of the post-crisis response to this failure.
- Significant policy developments since the GFC with the aim to improve resolution regimes globally to avoid systemic disruption and to minimise losses from failure being borne by taxpayers.

Global regulatory policymakers



APRA

Financial Stability Board (FSB)



- *reducing systemic disruption*
- *risk to global financial system*
- *Globally Systemically Important Banks (GSIBs) and Insurers (GSIs)*

International Association of Insurance Supervisors (IAIS)



- *Standards setting and implementation*
- *All insurer focus*

Key global policy documents



APRA

Financial Stability Board (FSB)



- *Key Attributes of Effective Resolution Regimes for Financial Institutions (2011)*
- *Developing Effective Resolution Strategies and Plans for Systemically Important Insurers (2016)*

International Association of Insurance Supervisors (IAIS)



- *Draft Insurance Core Principle 12 (Exit from the Market and Resolution) - current consultation*



Recovery planning

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Recovery plans - Key principles



Timely

- Early detection of risks
- Effective escalation and activation processes

Comprehensive

- Wide range of recovery options to address stresses
- Consideration of a number of scenarios

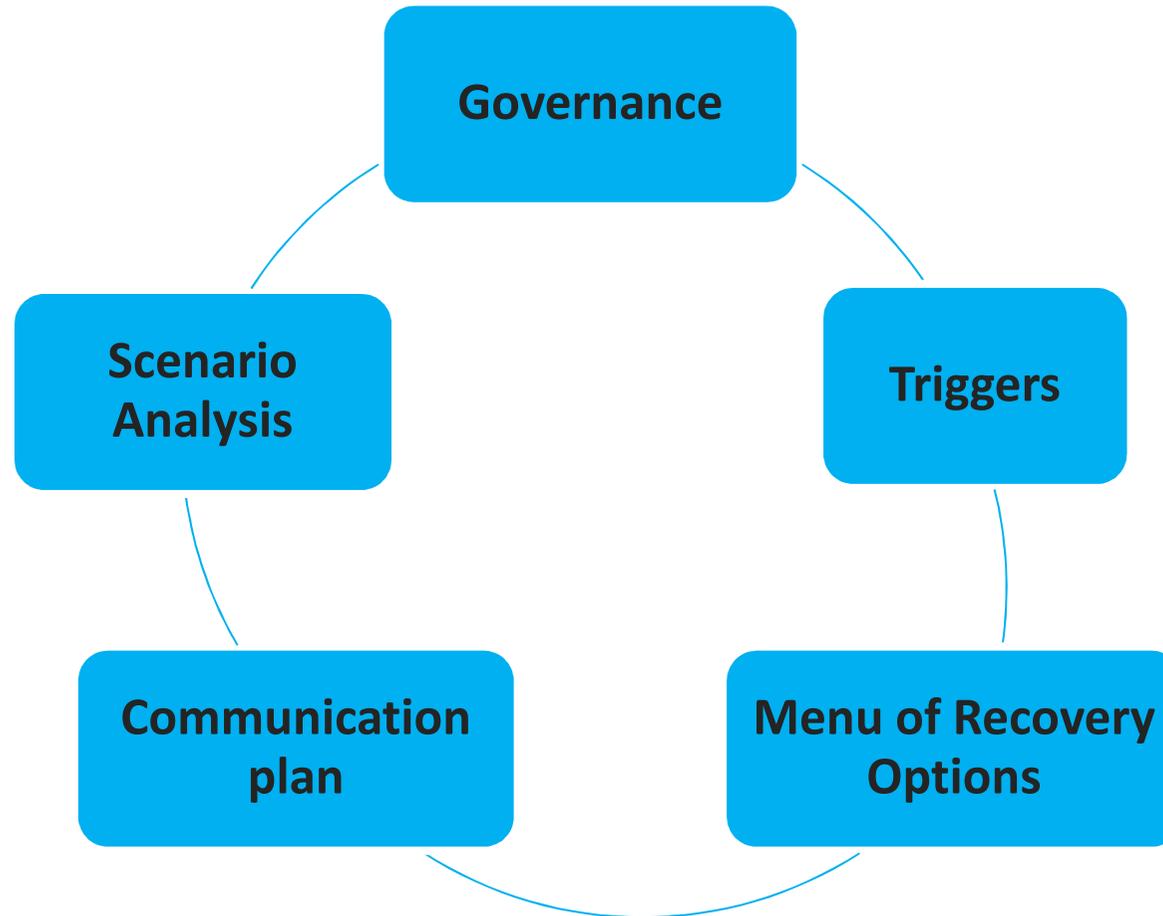
Credible

- Realistic recovery options with supporting analysis - 'playbook'
- A robust communication strategy

Integrated

- Robust governance arrangements
- Embedded with broader risk management framework

Recovery plans - content





APRA's approach

- Recovery planning
 - Pilot exercise for a selection of large and medium insurers to begin in 2017.
- Resolution planning
 - Framework development still underway.
 - Work regarding resolution planning for insurers will follow recovery planning.



APRA

Questions?

