Scope of Insurers Subject to the Recovery and Resolution Planning Requirements in the FSB Key Attributes: Consultation report

Response to Consultation

The ABI

In general

1. **Are the Draft Guidance and comments on the Draft Guidance clear? Where would commenters seek further discussion?**

   EXECUTIVE SUMMARY:

   The ABI welcomes the FSB's structured Draft Guidance on determining which insurers should be subject to Recovery and Resolution Planning (RRP) requirements. Whilst we consider the six criteria (nature, scale, complexity, substitutability, cross-border activities, interconnectedness) to be a sensible baseline and broadly consistent with the IAIS's ICPs/ComFrame and the Key Attributes, we urge the FSB to maintain a proportionate approach that avoids duplicating well-established national frameworks, including jurisdictions where recovery planning and exit-related analyses are already firmly embedded in supervisory practice.

   We consider that, above all, a disciplined, proportionate approach, supported by transparent supervisory judgement, will help ensure the final framework remains both practicable for insurers and aligned with the FSB's mandate to safeguard financial stability.

   We support the proposed six criteria and do not see a need for additional headline criteria. The six criteria allow authorities to capture relevant risk drivers, and adding more could risk over-complexity and regulatory divergence among different jurisdictions.

   A central implementation issue is the timing with which information becomes available. The Guidance should distinguish clearly between data that can reasonably be maintained ex-ante and information that is only assembled at or near the point of entry into resolution. Greater clarity here will help keep expectations realistic and avoid undue operational burdens.

   We also encourage explicit recognition of insurance-specific features. Reinsurance is a mechanism for dispersing risk - not an indicator of destabilising interconnectedness – and standard ALM or hedging for long-term liabilities is risk-reducing, rather than a sign of structural over-complexity. These nuances matter when applying the criteria in practice, and are essential for ensuring that assessments remain focused on actual systemic relevance.

Finally, if the definition of 'critical functions' is revised so that a 'material impact' on the financial system or the real economy is sufficient for it to fall into scope, then this would require clear guardrails to avoid over-capturing firms that, while important to particular customer groups or regions, do not present broader financial-stability concerns.

Q1 Response:

We find the Draft Guidance to be generally clear and logically structured. We consider that the FSB provides a coherent framework for identifying insurers that may be systemically significant or critical upon failure, grounded in the Key Attributes and appropriately supported by explanatory material.

However, greater clarity would be helpful on the timing expectations for the information referenced in Section 3.3 of the Consultation Report. The report provides high-level examples of the types of information authorities may use when applying the six assessment criteria (such as operational structure, business lines, exposures, or interlinkages), but it does not distinguish which elements firms are expected to maintain ex-ante on an ongoing basis and which elements would be assembled only at or near the point of entry into resolution. Some of the examples cited, particularly valuation-ready, legal-entity-level data, cannot realistically be kept in a continuously updated, pre-packaged form without imposing disproportionate burdens. A clearer articulation of this distinction would support practical and proportionate implementation and help ensure that ex-ante expectations remain aligned with the objectives of the Key Attributes.

Paragraph 3: Assessment criteria

2. **How well-suited are the criteria in the Draft Guidance (nature, scale, complexity, substitutability, cross-border activities, interconnectedness) to determining which insurers should be subject to RRP requirements?**

   We broadly agree that the six criteria form a balanced and comprehensive basis for assessing which insurers should be subject to RRP. We consider that they are broad enough to accommodate diverse market structures, while focusing supervisory authorities' attention on the key drivers of potential systemic impact.

3. **What other criteria, if any, should be in the Draft Guidance for determining which insurers should be subject to RRP requirements? Discuss why any additional criteria should be added and the advantages and disadvantages of doing so.**

   We do not see a need for additional headline criteria. We consider that the six criteria already allow authorities to capture relevant risk drivers, and adding more could risk over-complexity and regulatory divergence among different jurisdictions.

4. **What other indicators could be provided as examples of ways that authorities could assess the criteria in the Draft Guidance?**

Without expanding the criteria themselves, certain indicators could usefully be highlighted:

• For interconnectedness, distinguishing between risk concentration and risk dispersion (e.g., reinsurance functioning as a risk-spreading mechanism) would help avoid misinterpretation.

• For nature/complexity, clarifying that standard ALM/hedging activities, which are important for long-term life business, are risk-reducing, not just inherently "complex," would be more accurate.

• For substitutability, examples could be included, such as market concentration metrics and identifiable barriers to the transfer of business.

These refinements could improve the usability of the guidance without cutting across national discretion.

5. **How could the comments to the Draft Guidance better explain the difference between any of the six criteria?**

The Draft Guidance is clear that the six criteria are distinct, but also acknowledges that they may draw on closely related, and in some cases the same, underlying information. Emphasising the practical distinctions between them (for example, scale vs substitutability, or complexity vs interconnectedness) would help ensure assessments remain targeted and avoid inadvertent duplication of effort.

6. **How could the comments on the Draft Guidance be made clearer to explain how the six criteria should be applied, while still allowing authorities the flexibility to consider the criteria in a manner that aligns with the specific characteristics of their jurisdictions?**

We support maintaining broad flexibility for national supervisory authorities. The Draft Guidance could, however, include illustrative examples of how criteria might be applied, without suggesting thresholds or prescriptive formulae. This would promote consistency while respecting local frameworks.

Paragraph 4: Specific circumstances that should necessitate RRP requirements

7. **Should RRP requirements apply in the two sets of circumstances identified in paragraph 4 of the Draft Guidance, notwithstanding any other facts or circumstances?**

We agree that RRP requirements should apply where an insurer provides a critical function, or where failure would likely have a significant impact on the financial system or real economy. We consider that the circumstances described in paragraph 4 appropriately capture cases where ex-ante RRP is necessary, consistent with the Key Attributes.

8. **What other circumstances should call for the application of RRP requirements to an insurer, notwithstanding any other facts or circumstances?**

Additional circumstances should remain limited and principles-based. If supplementary triggers are considered necessary, they should be clearly tied to systemic relevance, not operational or firm-specific issues that are better handled through national supervisory tools.

9. What are possible quantitative or qualitative thresholds concerning the six criteria or some combination of the six criteria that should necessitate RRP requirements, notwithstanding any other facts or circumstances? For example, should the Draft Guidance call for RRP requirements whenever the cross-border activities of an insurer exceed a certain threshold?

We would not support global quantitative thresholds. The Draft Guidance rightly avoids this. Fixed thresholds may not reflect idiosyncratic market structures or the relative importance of an insurer in its home jurisdiction. We consider that supervisory judgment, anchored in the six criteria, is the most credible approach.

Proposed revision to FSB guidance on critical functions

10. What are the advantages and disadvantages of revising the FSB's guidance on the definition of a critical function for insurers by changing the phrase "the sudden failure to provide the function would be likely to have a material impact on the financial system *and* the real economy" to "the sudden failure to provide the function would be likely to have a material impact on the financial system *or* the real economy"?

Changing "material impact on the financial system and real economy" to "material impact on the financial system or real economy" would broaden the test. We recognise the reasoning for this proposed change, but would flag a risk of over-capturing non-systemic firms, given that many insurance activities interact naturally with the real economy. If this revision is adopted, it should be accompanied by:

- an emphasis on proportionality;
- a materiality threshold centred on financial-stability relevance; and
- a requirement for a clear substitutability analysis.

This would ensure the definition remains aligned with the FSB's mandate, while avoiding unintended expansion.