FSB FINANCIAL STABILITY BOARD

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

Response to Consultation

Institute of International Finance (IIF)

In general

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 **Are the Draft Guidance and comments on the Draft Guidance clear?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

   The Draft Guidance is generally clear, though we have identified areas where additional clarity would be helpful, as discussed in our full response. In particular, further guidance on the relationship between recovery and resolution planning, on how the criteria should be weighed against each other, and on how the fundamental heterogeneity of the insurance sector should inform application of the criteria, would strengthen the framework. We also recommend that the FSB more fully integrate references to the IAIS Holistic Framework and rely more heavily on IAIS supervisory standards and guidance in supporting supervisors in assessing the designation of insurers subject to resolution planning requirements.

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 **How well-suited are the criteria in the Draft Guidance (nature, scale, complexity, substitutability, cross-border activities, interconnectedness) to determining which insurers should be subject to RRP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

   While the IIF appreciates that the Draft Guidance draws criteria from existing IAIS materials, the FSB should explicitly recognize that the insurance sector is characterized by significant heterogeneity that limits the utility of uniform and standalone criteria application—and by extension, the utility of a consolidated list that does not reflect this diversity.

   Life insurers, P&C, reinsurers, and specialty insurers operate under fundamentally different business models with distinct liability structures, time horizons, asset-liability matching approaches, and potential pathways to distress.

   This heterogeneity means that the same indicator—whether total assets, cross-border premium share, or counterparty exposures—may signal different risk characteristics depending on the insurer's business model and risk profile. A framework that applies criteria uniformly without accounting for these variations could result in a list that conflates institutions with marked differences in their resolution considerations, potentially distorting market perceptions and supervisory priorities. We encourage the FSB to increase its reliance on the IAIS's insurance expertise in finalizing the guidance.

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 propose additional criteria at this time. However, we note that the recent regulatory focus has shifted toward asset-side factors, such as private credit and alternative investments. While important for continued monitoring, the FSB and IAIS should ensure that application of the criteria is based on a total balance sheet approach and an assessment of actual risk to global financial stability, rather than a narrow focus on insurers' investment strategies. Well-matched long-term investments can actually reduce systemic risk by avoiding liquidity and duration transformation.

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

   We would encourage the FSB and IAIS to emphasize that indicators should be selected and calibrated based on the insurer's business model. A single indicator set will not be equally meaningful across life insurers, P&C insurers, reinsurers, and specialty carriers.

   Authorities should also consider integrating the dimension of time in their assessment. Insurers rarely fail suddenly through classic bank runs, and recovery interventions unfold over longer horizons. Insurance liabilities are typically long-term and illiquid. This lower velocity of distress gives insurers more time than banks to recover.

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

   While we appreciate the FSB's clarification that authorities should avoid using the same information to evaluate multiple criteria, the guidance could further clarify that the six criteria should be evaluated holistically, as they are often interdependent, and that the relative importance of each criterion may differ depending on the nature of the insurer being assessed. The IAIS Holistic Framework provides useful standards and guidance for this integrated approach, and we repeat our recommendation that the FSB more fully reference these materials in supporting supervisors with their assessments.

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?**

   The FSB should articulate the interdependencies of the criteria, relying on the experience of the IAIS stressing that criteria reinforce one another rather than operate in isolation. The IAIS standards and guidance are explicit that vulnerabilities may propagate through several channels and that expert judgment is needed precisely because these criteria are inter dependent and dynamic.

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?**

   The Draft Guidance identifies two circumstances that should necessitate RRP requirements regardless of the criteria assessment: (i) provision of critical functions and (ii) likely significant impact on the financial system or real economy. As discussed in our response, critical functions in insurance should be defined restrictively. Insurers provide relatively few, if any, functions that meet the standard of criticality applied to banking functions. Insurance products are generally substitutable, and the failure of an individual insurer—while potentially harmful to policyholders—would not typically disrupt the functioning of the financial system or real economy. The threshold for defining an insurance function as critical should be very high.

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

   We do not propose additional circumstances at this time. We would caution against expanding the list of circumstances that automatically trigger RRP requirements, as this could undermine the principles-based flexibility needed for jurisdictional discretion.

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 are cautious about specifying any quantitative thresholds given the heterogeneity of the insurance sector. A threshold appropriate for life insurers may be inappropriate for reinsurers; a threshold appropriate for large markets may be inappropriate for smaller jurisdictions.

   We also recommend that determinations regarding the scope of RRP requirements for entities within an international group be coordinated through the supervisory college, with the group-wide supervisor facilitating consistency and avoiding duplicative or conflicting requirements at the legal entity level.

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"?**

The FSB proposes changing the critical functions definition from requiring impact on the financial system "and" the real economy to "or" either. We have concerns about this proposed change as applied to insurers.

The existing "and" formulation appropriately reflects that insurance functions genuinely critical to the financial system would also need to be critical to the real economy, and vice versa, given the nature of insurance activities. An "or" standard could capture functions that affect only one dimension, potentially lowering the threshold for criticality. Given that the criticality determination triggers mandatory RRP requirements regardless of other factors, the threshold should remain appropriately high.

Should either the FSB or the IAIS proceed with this change, we would encourage that it be accompanied by guidance clarifying that the standard remains one of material impact, and that ordinary commercial consequences of insurer failure (e.g., the need for policyholders to seek alternative coverage, competitive adjustments as other insurers absorb displaced business), do not constitute financial system or real economy impact. The guidance should clarify that policyholder harm, while warranting supervisory attention and consumer protection measures, does not alone constitute the type of systemic impact that should trigger mandatory RRP requirements.