

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

Consultation report

25 November 2025



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Questions for consultation

The Financial Stability Board (FSB) is inviting comments on this consultation report and the questions set forth below. Responses should be submitted via this [secure online form](#) by Friday 6 February 2026. Comments will be published on the FSB's public website unless respondents expressly request otherwise when submitting comments.

Questions or materials to supplement responses may be sent to the FSB Secretariat at fsb@fsb.org. Materials sent by email should note the title of this consultation report in the subject line.

Background

Section 2 of this consultation report sets forth draft guidance (Draft Guidance) on how authorities with resolution powers over insurers¹ can determine which insurers should be subject to the recovery and resolution planning (RRP) requirements set forth in the FSB's resolution standard, the Key Attributes of Attributes of Effective Regimes for Financial Institutions (Key Attributes).² Section 3 of this consultation report provides explanatory comments to support understanding of the Draft Guidance.

Questions

In general

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 Are the Draft Guidance and comments on the Draft Guidance clear?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

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 How well-suited are the criteria in the Draft Guidance (nature, scale, complexity, substitutability, cross-border activities, interconnectedness) to determining which insurers should be subject to RRP requirements?
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 What other criteria, if any, should be in the Draft Guidance for determining which insurers should be subject to RRP requirements?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.
4. What other indicators could be provided as examples of ways that authorities could assess the criteria in the Draft Guidance?

¹ Consistent with the Key Attributes, "insurer" means insurance or reinsurance companies, groups and conglomerates; holding companies and significant non-regulated operational entities within a financial group or conglomerate that are significant to the business of the group or conglomerate; and branches of foreign insurers. FSB (2024), [Key Attributes of Effective Resolution Regimes for Financial Institutions \(revised version 2024\)](#) at II-Annex 2: Resolution of Insurers, April.

² FSB (2024), [Key Attributes of Effective Resolution Regimes for Financial Institutions \(revised version 2024\)](#), April [hereinafter "Key Attributes"].

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

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

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”?³

³ FSB (2023), *Identification of Critical Functions of Insurers: Practices paper*, November; FSB (2020), *Key Attribute Assessment Methodology for the Insurance Sector*, August; FSB (2016) [hereinafter, “KAAM”], *Developing Effective Resolution Strategies and Plans for Systemically Important Insurers*, June.

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Executive summary

The Key Attributes establish RRP requirements as a fundamental component of effective resolution regimes for financial institutions and call for their application, at a minimum, to insurers that could be systemically significant or critical upon failure. Building on existing materials, the Draft Guidance in this consultation report offers a structured approach for authorities to assess which insurers should be subject to RRP requirements based on clearly defined criteria, while allowing authorities some flexibility to develop their own methodologies.

The Draft Guidance outlines six key criteria—nature, scale, complexity, substitutability, cross-border activities, and interconnectedness—that authorities should consider when evaluating whether an insurer should be subject to RRP requirements. The consultation report also provides explanatory comments, including examples of indicators, to assist in the application of the six criteria. Additionally, the Draft Guidance identifies specific circumstances in which RRP requirements should always apply, such as when an insurer provides critical functions that cannot be easily substituted or when its failure would significantly affect financial stability or the real economy.

The approach aims to balance consistency across jurisdictions with flexibility to accommodate differences in market structures, legal frameworks, and supervisory practices. By addressing both firm-specific risks and broader sectoral considerations, the Draft Guidance seeks to support authorities in mitigating potential disruptions to the financial system and the real economy that could result from the stress or failure of certain insurers.

1. Introduction and background

The FSB adopted the Key Attributes in 2011 and revised them most recently in 2024.⁴ The Key Attributes set forth the core elements that the FSB considers necessary for an effective resolution regime, the purpose of which is to “make feasible the resolution of financial institutions without severe systemic disruption and without exposing taxpayers to loss, while protecting vital economic functions through mechanisms which make it possible for shareholders and unsecured and uninsured creditors to absorb losses in a manner that respects the hierarchy of claims in liquidation.”⁵ RRP requirements are “essential features” of an effective resolution regime.⁶

The RRP requirements in the Key Attributes apply to “all insurers that could be systemically significant or critical upon failure, and at a minimum to all global systemically important insurers (G-SIIs)” and “any other firm that its home authority assesses could have an impact on financial stability in the event of its failure.”⁷ In 2022, the FSB announced it would discontinue identifying G-SIIs and would, among other things, provide guidance regarding approaches to determine the scope of application of the Key Attributes to insurers.⁸ This consultation report proposes and seeks comment on such guidance.

This Draft Guidance does not reestablish the G-SII identification process. Under that discontinued process, the FSB publicly identified G-SIIs using a methodology from the International Association of Insurance Supervisors (IAIS) and in consultation with national authorities, which was meant to result in heightened supervision, greater loss-absorbing capacity requirements, and certain recovery and resolution requirements for those insurers. By contrast, this Draft Guidance concerns only which insurers should be subject to the RRP requirements in the Key Attributes, and any such determination is made by national authorities.⁹

The IAIS has also adopted a standard concerning RRP requirements in its Insurance Core Principles (ICPs).¹⁰ Specifically, ICPs 12.4 and 16.15 set forth the scope of insurers that should be subject to the RRP requirements set forth in the ICPs.¹¹ The FSB and IAIS work in close coordination and endeavour for consistency in their standards and guidance when appropriate. To that end, 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

⁴ Key Attributes.

⁵ Ibid at 4.

⁶ Ibid at Foreword.

⁷ Key Attributes II-Annex 2, paragraph 9.1; KAAM.

⁸ FSB (2022), *The FSB endorses an improved framework for the assessment and mitigation of systemic risk in the insurance sector and discontinues annual identification of global systemically important insurers (G-SIIs)*, December.

⁹ The FSB may publicly express its views on the appropriateness and sufficiency of the scope of insurers subject to the Key Attributes, based on whether an insurer could be systemically significant or critical if it fails. Ibid.

¹⁰ IAIS (2024), *Insurance Core Principles and Common Framework for the Supervision of Internationally Active Insurance Groups*, December. The same document also sets forth additional requirements for Internationally Active Insurance Groups, which are insurers that meet criteria related to international activity and size (ComFrame). IAIS (2025), *Register of Internationally Active Insurance Groups based on information publicly disclosed by group-wide supervisors*, September.

¹¹ Ibid.

critical upon failure to be subject to RRP requirements.¹² In addition, the Draft Guidance draws from the ICPs and their supporting guidance.

Section 2 sets forth which insurers should be subject to RRP requirements and how authorities should identify such insurers. Section 3 provides explanatory comments to further explain the text of section 2. Section 4 discusses proposed changes to relevant FSB documents concerning critical functions of insurers to align with the Draft Guidance.

2. Draft Guidance on the scope of insurers subject to RRP requirements

The following text is the Draft Guidance that sets forth which insurers should be subject to RRP requirements and how authorities should identify such insurers.

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.
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 or the real economy; and
 - c. the function cannot be substituted within a reasonable period of time and at a reasonable cost; or

¹² Key Attributes II-Annex 2, paragraph 9.1; ICPs 12.4 and 16.15.

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

3. Explanatory comment to the Draft Guidance

This section provides explanatory comments to further explain the meaning of the Draft Guidance in section 2. The comments in section 3.0 explain at a high-level how the four paragraphs of the Draft Guidance relate to one another. The comments in sections 3.1 through 3.4 provide more specific comments on each of the paragraphs in the Draft Guidance. Section 3.3, which concerns the assessment criteria in paragraph 3, also provides non-exhaustive lists of ways that FSB members evaluate the six criteria in paragraph 3 and other example indicators that authorities could use in considering the six criteria. The relevant statutory and regulatory materials for the examples of how FSB members evaluate the six criteria are set forth in the Annex.

The Draft Guidance and the explanatory comments in this consultation report are intended to be consistent with the FSB Key Attributes and the FSB's Key Attributes Assessment Methodology for the Insurance Sector (KAAM).¹³

3.0. In general

Paragraph 1 of the Draft Guidance recites the existing Key Attribute standard setting forth the scope of insurers that should be subject to RRP requirements. **Paragraph 2** calls upon a jurisdiction's appropriate authority (i.e., either a resolution or supervisory authority) to evaluate which insurers meet the standard in paragraph 1, and to do so based on criteria that are established prior to the determination (i.e., *ex ante*). **Paragraph 3** sets forth six criteria that an authority should consider in all cases when determining whether an insurer satisfies the Key Attributes standard in paragraph 1. Finally, **paragraph 4** sets forth specific circumstances that, if met by an insurer, mean the insurer should be subject to RRP requirements, notwithstanding any analysis of the criteria in paragraph 3.

3.1. Paragraph 1: Existing Key Attribute standard

Paragraph 1 recites the existing expectation in the Key Attributes concerning which insurers should be subject to RRP requirements. This paragraph is intended to repeat, not alter, that existing standard.

¹³ Key Attributes; KAAM.

There are two categories of insurers set forth in paragraph 1: (i) insurers that could be systemically significant or critical upon failure¹⁴ and (ii) insurers that could have an impact on financial stability in the event of their failure.¹⁵

The Key Attributes and this Draft Guidance set forth a minimum expectation concerning which insurers should be subject to RRP requirements. These materials are not intended to limit a jurisdiction's discretion to subject additional insurers to RRP requirements.

3.2. Paragraph 2: Authority assessment

Paragraph 2 calls for the appropriate authority in a jurisdiction to assess which insurers meet the standard set forth in paragraph 1. Specifically, it calls for either the resolution or supervisory authority, as appropriate, to make the relevant determination. The Draft Guidance is agnostic as to whether a supervisory or resolution authority should determine which insurers are subject to RRP requirements. However, paragraph 2 calls for the determination to be made based on "established" criteria. This means the criteria should be determined *ex ante* by the appropriate authority so that the framework for this determination is consistently applied. This is consistent with the KAAM.¹⁶

3.3. Paragraph 3: Assessment criteria

Paragraph 3 sets forth six criteria that authorities should consider systematically when assessing whether an insurer should be subject to RRP requirements: nature, scale, complexity, substitutability, cross-border activities, and interconnectedness. The framework promotes consistency with a common baseline across jurisdictions. However, because the criteria are broad, they also give authorities flexibility to choose how to evaluate them in ways that are appropriate for the markets, insurers, and legal frameworks unique to each jurisdiction. The six criteria are drawn from existing materials. Notably, they are broadly consistent with the criteria identified in Key Attribute 11.3 concerning criteria that should be reflected in the RRP of financial institutions.¹⁷ The criteria also are consistent with ICPs 12.4 and 16.15, and guidance provided for those ICPs.

The six criteria are distinct, but not mutually exclusive. Some information may be relevant to multiple criteria. For example, an insurer's market share could relate to both its scale and substitutability. However, to ensure a comprehensive assessment, authorities should avoid using the same information to solely evaluate multiple criteria. For each criterion, at least one piece of distinct and criterion-specific information should be considered. This approach prevents the multiple-use of the same information to ensure that each of the six criteria are meaningfully and independently assessed.

¹⁴ Key Attributes at 1.1, 11.1; Key Attributes II-Annex 2 at 2.1, 9.1. The Key Attributes clarify that II-Annex 2 concerning resolution of insurers should be read in conjunction with the KAs to which the annex relates and that, where components of II-Annex 2 have been deemed important for purposes of assessing compliance with the Key Attributes, such components are explicitly reflected in the KAAM. Key Attributes at II-Annex 2: Resolution of Insurers, introductory text.

¹⁵ Key Attributes at 11.2.

¹⁶ KAAM at 18-19 ("The scope of application of the resolution regime and the circumstances in which it applies are clearly defined in the legal framework. The resolution regime should be transparent as to the insurers within its scope").

¹⁷ Key Attribute 11.3.

To provide authorities with flexibility, paragraph 3 does not specify thresholds for when a particular criterion, or combination of criteria, should trigger RRP requirements. Instead, authorities are tasked with determining the degree of a criterion (e.g., how much complexity should give rise to RRP requirements) or combination of criteria that would classify an insurer as systemically significant or critical in the event of failure. Importantly, RRP requirements may be appropriate even if only a subset of the six criteria would call for RRP requirements. The Draft Guidance does not call for all six criteria to be satisfied to justify the application of RRP requirements. For instance, an insurer with no cross-border activities or limited complexity could still warrant RRP requirements if the other criteria sufficiently demonstrate the need.

The explanatory comments for each criterion below identify examples of indicators that could be reviewed to evaluate the six criteria. Stated otherwise, the six criteria are “what” should be assessed, and the example indicators are “how” they could be assessed. The examples are not exhaustive and are intended to be illustrative. They are drawn from a variety of FSB and IAIS resources concerning which insurers should be subject to RRP requirements and how to evaluate risks in individual insurers.¹⁸ Although this Draft Guidance gives significant latitude to authorities to determine the indicators they use to evaluate the six criteria, authorities should be mindful of the proportionality principle when selecting and applying indicators.¹⁹

3.3.1. Nature

The “nature” of an insurer is a broad category that refers to an insurer’s inherent qualities, particularly the type of business it undertakes. The nature of an insurer could include its business model, operational structure, activities, and product offerings (e.g., life insurance or reinsurance). The nature of an insurer helps identify the risks associated with the insurer’s business. For example, life insurers may face different funding needs relative to insurers offering other types of products. Accordingly, understanding the nature of an insurer is fundamental to considering whether it should be subject to RRP requirements. For example, it may be appropriate to subject an insurer whose nature is inherently risky because of the types of business in which it engages or products it offers to RRP requirements.

Including “nature” as a criterion for determining whether an insurer should be subject to RRP requirements is consistent with Key Attribute 11.3, the KAAM,²⁰ and ICPs 12.4 and 16.15.²¹ Other parts of the Key Attributes also refer to the nature of a firm.²²

¹⁸ See FSB, IMF, BIS (2009), *Guidance to Assess the Systemic Importance of Financial Institutions*, November; IAIS (2023), *Holistic Framework for Systemic risk in the Insurance Sector: Global Monitoring Exercise*, June. The IAIS has issued a public consultation concerning how to monitor risk related to individual insurers. IAIS (2025), *Public consultation on the review of the Global Monitoring Exercise: Individual Insurer Monitoring Assessment methodology*, June.

¹⁹ Key Attributes II-Annex 2: Resolution of Insurers at 9.2 (“Recovery and resolution plans [] need to be tailored to the specific risks and systemic implications that each insurer may be exposed to or create and take into account factors such as the types of business the insurer engages in, its derivatives transactions, intercompany guarantees, inter-affiliate support arrangements, risk pooling, shared services, risk management model and the nature of its assets and liabilities.”).

²⁰ KAAM at EC 11.2.

²¹ Cf. KA 11.6 and *ibid.* para. 122

²² E.g., KA 4.8 (Power to suspend insurance policyholders’ surrender rights, 9.2 (Recovery and resolution planning); I-Annex 4: Essential Elements of Recovery and Resolution Plans at 1.2 (Objectives and governance of the RRP); II-Annex 2: Resolution of Insurers at 4.2 (Choice of resolution powers).

Examples

FSB members incorporate the nature of an insurer into their resolution regimes for insurers in various ways. For example, in the Netherlands, the type of insurance product offered by an insurer is a criterion considered to evaluate whether the insurer is subject to RRP requirements. In Australia, insurers could be classified as “significant financial institutions” if their total assets surpass a quantitative threshold, which changes depending on whether the insurer is a general insurer, private health insurer, or life insurer. In the United States, an insurer could be designated as a systemically important financial institution if the U.S. Financial Stability Oversight Council (FSOC) determines that the nature or mix of the activities of the insurer could pose a threat to U.S. financial stability. The Insurance Recovery and Resolution Directive (IRRDR) will require European Union (EU) Member States to examine the nature of an insurer because it influences the insurer’s risk profile. The IRRDR will also require EU Member States to evaluate the nature of an insurer to determine the appropriateness of full or simplified RRP requirements, including based on an insurer’s business model and risk profile.²³

Other indicators that could be used to explore the nature of an insurer include:

- Business model characteristics;
- Lines of business (e.g., life, non-life, reinsurance, or mixed operations);
- Degree of involvement in non-traditional or non-insurance activities;
- Use of derivatives (e.g., for hedging or speculative purposes);
- Leverage of the insurer;
- Whether the insurer is part of a conglomerate (i.e., a group that offers non-insurance products, like banking products);
- Level of profitability;
- Balance sheet structure (e.g., duration mismatch or asset-liability structure); or
- Types of products offered.

3.3.2. Scale

The “scale” of an insurer refers generally to its size in absolute and relative terms. Scale can be measured using, for example, total assets, liabilities, gross written premiums (GWP), total income, or number of policyholders. Scale is a useful criterion for evaluating whether an insurer should be subject to RRP requirements because, all else equal, the risk to the financial system or real economy from the potential failure of an insurer correlates with its size. The scale of a firm also correlates with other criteria in the Draft Guidance. For example, a larger insurer is

²³ EU (2025), *Directive (EU) 2025/1 of the European Parliament and of the Council of 27 November 2024 establishing a framework for the recovery and resolution of insurance and reinsurance undertakings* [hereinafter, “IRRDR”]. The IRRDR will be implemented by EU Member States by January 2027.

more likely to have greater interconnectedness with other parts of the financial system, to have more cross-border activities, and to be more complex. The public and markets may also react more strongly to the stress or failure of a larger insurer.

Including “scale” as a criterion in the Draft Guidance would be consistent with Key Attribute 11.3, the KAAM, and ICPs 12.4 and 16.15. Scale is also implicated by other parts of the Key Attributes.²⁴

Examples

Scale is a commonly used criterion by FSB members for determining whether an insurer is subject to RRP requirements. For example, Australia, China, France, and Singapore use total assets as one metric to determine whether insurers are subject to RRP requirements. Switzerland also uses total GWP and GWP written in Switzerland. Many FSB members also consider whether an insurer is an internationally-active insurance group as defined by the IAIS, which includes quantitative criteria that assess scale, including total assets and total GWP.²⁵ Under the IRRD, size is assessed differently by insurer type: life insurers based on gross technical provisions, non-life on GWP. Total assets may be considered when relevant, for example, for insurers with both life and non-life activities.

Other indicators that could be used to explore the scale of an insurer include:

- Total revenues;
- Market share in specific business lines (e.g., consumer, mortgage, corporate lending);
- Volume of insurance liabilities;
- Size of reinsurance operations; or
- Number of employees or branch network size.

3.3.3. Complexity

The “complexity” criterion refers to the intricacies of an insurer, which could be due to legal, financial, structural or cross-border attributes of the insurer. Managing, supervising, and resolving an insurer with greater complexity may be more challenging or require greater resources. Accordingly, RRP requirements may be helpful for a complex insurer so that the challenges to the execution of a resolution presented by its complexities can be addressed *ex ante* rather than during the onset of a crisis. Planning requirements also afford insurers and their relevant authorities time to identify the issues presented by complexity, which can be overlooked during stress events where time and resources are more constrained.

²⁴ E.g., I-Annex 4 Essential Elements of Recovery and Resolution Plans at 1.2 (Objectives and governance of the RRP).

²⁵ IAIS (2024) at 23.0.a, December. The ComFrame calls for all IAIGs to develop a recovery plan that identifies in advance options to restore the financial position and viability of the IAIG if it comes under severe stress. Ibid at 16.15.a.

Including “complexity” as a criterion would be consistent with Key Attribute 11.3, the KAAM, and ICPs 12.4 and 16.15. Various parts of the Key Attributes also reference the complexity of a firm.²⁶

Examples

Several FSB members take complexity into account when deciding whether an insurer should be subject to RRP requirements. For instance, Japan assesses the complexity of a group’s organisational structure and its business operations. Similarly, Singapore evaluates the complexity of an insurer’s group structure from a resolvability standpoint. Australian authorities may classify an insurer as an Australian significant financial institution after considering factors such as the complexity of its operations. The complexity of an insurer is a key factor under the IRRD and includes the consideration of the extent of cross-border activities, complexity of financial instruments, and intricacy of group structures.

Other indicators that could be used to explore the complexity of an insurer include:

- Number of legal entities within a group and the group’s structure;
- Use of complex financial instruments (e.g., structured products, derivatives);
- Whether the insurer is part of a conglomerate;
- Exposure to illiquid assets;
- Degree of decentralisation of capital and liquidity management across jurisdictions;
- Use of over-the-counter versus centrally cleared derivatives;
- Shareholder structure or legal form; or
- Operational, legal, financial and business interconnections within a group.²⁷

3.3.4. Substitutability

The “substitutability” criterion assesses the extent to which an insurer’s activities, products or services can be replaced by other market participants within a reasonable timeframe and at a reasonable cost. Investors or the public may be more sensitive to the stress or failure of an insurer with low substitutability, fearing the markets and counterparties served by the insurer will necessarily be adversely affected. Substitutability can also correlate with market power, meaning the failure of a firm with limited substitutability may result in the breakdown of the market served by the insurer. In the event of failure, the transition costs for a firm with limited substitutability also are likely to be higher. RRP requirements can mitigate these risks by helping insurers with

²⁶ Key Attribute 10.5 (“Resolvability assessments”); I-Annex 4: Essential Elements of Recovery and Resolution Plans at 1.2 (“Objectives and governance of the RRP”); KAAM at III (“Conduct of compliance assessment”) and EC 11.2.

²⁷ Additional discussion of internal interconnectedness can be found in FSB (2022), *Internal Interconnectedness in Resolution Planning for Insurers: Practices Paper*, January.

low substitutability and their relevant authorities anticipate how to preserve the insurer's provision of relevant products or services in case of the firms' stress or failure.

Substitutability is especially a concern where an insurer provides a critical function, which is one where the failure to provide it would likely have a material impact on the financial system or the real economy.²⁸ As explained in paragraph 4 of the Draft Guidance and discussed below, such an insurer should be subject to RRP requirements notwithstanding the evaluation of the other criteria in this Draft Guidance.

Including "substitutability" as a criterion is consistent with KA 11.3, the KAAM, and guidance provided for ICPs 12.4 and 16.15.²⁹

Examples

France assesses substitutability by considering portfolio size and complexity of the portfolio; market concentration and competition; competitor capacity and willingness to take over activities; and regulatory, legal and operational barriers. Under the IRRD, authorities assess substitutability by determining whether alternative providers can take over the insurer's functions within a reasonable timeframe and at a reasonable cost. Authorities consider a range of qualitative and quantitative factors in this assessment, including market concentration, the availability and capacity of alternative providers, the nature and complexity of the products and services offered, characteristics of policyholders, as well as potential regulatory, operational, and legal barriers to substitution.

Other indicators that could be used to explore the substitutability of an insurer include:

- Market share in key insurance or financial services;
- Availability of alternative providers for the same products or services;
- Concentration measures (e.g., Herfindahl-Hirschman Index for market share);
- Role in providing guarantees (e.g., structured finance guarantees, public finance guarantees); or
- Legal and operational hurdles to a substitution.

3.3.5. Cross-border activities

The "cross-border activities" criterion assesses the extent of an insurer's operations in foreign jurisdictions. An insurer operating in multiple jurisdictions may conduct different operations in different jurisdictions and likely is subject to multiple supervisory, regulatory, or resolution

²⁸ A "critical function" has 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 or the real economy; and (c) the function cannot be substituted within a reasonable period of time and at a reasonable cost. KAAM definitions; FSB (2023); FSB (2016).

²⁹ I-Annex 4: Essential Elements of Recovery and Resolution Plans at 1.2 ("Objectives and governance of the RRP"); KAAM at EC 11.2; ICP 12.4.1.

regimes. In the event of distress or failure, these multiple operations and regimes could present challenges for sharing information among relevant authorities or moving capital and funding resources where they are most needed. RRP requirements are appropriate in these circumstances to help address these challenges prior to stress or failure, and to facilitate cooperation and coordination among authorities from different jurisdictions.

Including “cross-border activities” as a criterion would be consistent with Key Attribute 11.3, the KAAM, and guidance for ICPs 12.4 and 16.15.³⁰

Examples

Several FSB members consider the presence and extent of cross-border activities for determining whether an insurer should be subject to RRP requirements, including China, France, Japan, Singapore, and Switzerland. French authorities consider whether 50 percent of premiums are collected in jurisdictions other than that of the insurer’s head office. In Singapore and Switzerland, authorities consider the number of jurisdictions in which an insurer operates. The IRRD evaluates “cross-border” activities based on the share of GWP generated under the right of establishment or freedom to provide services in other EU Member States, as well as on the number of countries where the insurer operates cross-border business. Other EU legislation requires cross-border activity to be considered “significant” when exceeding certain thresholds, such as EUR 15 million in annual premiums in a host EU Member State.³¹

Other indicators that could be used to explore the cross-border activities of an insurer include:

- Presence of branches or subsidiaries in foreign jurisdictions;
- Revenues derived outside of the home country;
- Number of jurisdictions in which the insurer operates;
- Ratio of foreign premiums to total premiums;
- Share of assets or liabilities in foreign jurisdictions;
- Cross-border intra-group commitments and exposures;
- Degree of reliance on foreign reinsurance markets; or
- Exposure to foreign currency risks (e.g., foreign-currency-denominated assets or liabilities).

3.3.6. Interconnectedness

The interconnectedness criterion refers to the degree to which an insurer is linked to other financial institutions or the broader financial system, including through its activities, exposures,

³⁰ KAAM at EC 11.2.

³¹ See DIRECTIVE (EU) 138/2009/EC (SOLVENCY II DIRECTIVE).

or relationships. For example, engaging in transactions (e.g., loans, derivatives, or reinsurance agreements) with financial system counterparties, providing services to other financial institutions, or using financial system infrastructure relied on by other financial institutions can increase interconnectedness. The 2008 global financial crisis highlighted the importance of this approach, as vulnerabilities were often linked to the intrinsic nature of insurance activities and their interconnectedness within the financial system.

A company with high interconnectedness can transmit financial distress to other entities, amplifying systemic risks and potentially destabilising the financial system. Markets and the public may also react more strongly to the distress or failure of a highly interconnected institution, fearing that such distress necessarily will have knock-on effects. RRP requirements can be appropriate in these circumstances to help authorities consider how to prevent the stress or failure of a highly interconnected institution from spreading to its counterparties.

Including “interconnectedness” as a criterion would be consistent with Key Attribute 11.3, the KAAM, and guidance to ICPs 12.4 and 16.15. Other parts of the Key Attributes also reference interconnectedness for various purposes³² and essential elements in the KAAM call for authorities to consider an insurer’s interconnectedness when evaluating whether it should be subject to RRP requirements.

Examples

Some FSB members consider interconnectedness when determining insurers subject to RRP requirements, including Hong Kong, The Netherlands, and the United States. The FSOC evaluates the extent to which the interconnectedness of an insurer could pose a threat to U.S. financial stability and can consider, among other things, the importance of the insurer as a source of credit and liquidity. Under the IRRD, authorities evaluate both internal interlinkages within the insurance group and external connections to other financial institutions, markets, and the real economy. This includes exposures to counterparties, concentration of financial instruments, intra-group transactions, reinsurance links, and the criticality of operational services provided by the insurer.

Other indicators that could be used to explore the interconnectedness of an insurer include:

- Reinsurance exposure;
- Financial guarantees provided;
- Concentration in counterparty exposures, including to other financial institutions;
- Cross-ownership or custodial relationships with other financial institutions; or
- Use of short-term funding or reliance on repo markets.

³² Key Attributes I-Annex 3: Resolvability Assessments at 4.5 and 4.6 (“Internal interconnectedness”); Key Attributes I-Annex 4: Essential Elements of Recovery and Resolution Plans at 5.1 (“Information requirements for recovery and resolution plans”); Key Attributes II Annex 2: Resolution of Insurers at 8.3(vii) (“Resolvability assessments”), 9.10(ix) (“Resolution strategies and plans”); KAAM EC 11.2. See also KAAM EN 11(a).

3.4. Paragraph 4: Specific circumstances that should necessitate RRP requirements

This paragraph sets forth specific circumstances that, if met, mean an insurer should be subject to RRP requirements notwithstanding any evaluation of the criteria in paragraph 3 of the Draft Guidance. The two circumstances are drawn from existing materials related to when an insurer is critical or provides a critical function. One comes from the FSB work concerning critical functions and the other from ICP guidance concerning when an insurer is critical.

The first is the FSB's definition of critical functions for insurers, which are "activities performed by an insurer for third parties that cannot be substituted within a reasonable time and at a reasonable cost, and where the failure to perform the activities would be likely to have a material impact on the financial system and real economy."³³ The second is the approach taken in guidance to ICP 12.4.4, which indicates an insurer is considered critical if its failure is likely to have a significant impact on the financial system and/or the real economy. The ICP guidance also identifies two specific circumstances where this would be true: (i) by 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; and (ii) by causing a systemic disruption or a loss of general confidence in the insurance sector.³⁴ This second specific circumstance is included in the Draft Guidance with one small modification: it includes a loss of general confidence in the financial system in addition to the insurance sector. This addition would be consistent with the FSB's responsibility to consider risk across the financial system, including across multiple sectors.

The two specific circumstances in paragraph 4 are not mutually exclusive, nor are they coextensive. It is likely that an insurer that meets one of the circumstances also meets the other. However, this is not always the case. For example, the FSB's definition of critical functions for insurers does not mention explicitly a material impact on a large number of policyholders, as is the case for guidance in ICP 12.4.4. Accordingly, authorities should examine whether each specific circumstance is realised and avoid concluding that the failure to realise one means failure to realise the other. Authorities should also consider whether there are other specific circumstances that, in their judgment, should necessitate RRP requirements notwithstanding any other facts or circumstances. The Draft Guidance should not be read to imply that the two circumstances in paragraph 4 are exhaustive.

4. Proposed revision to FSB guidance on critical functions for insurers

As noted above, this Draft Guidance calls for an appropriate authority to subject an insurer to RRP requirements if, among other things, the insurer provides a critical function. However, the Draft Guidance modifies the definition of critical function set forth in prior FSB materials. These materials specify that "the sudden failure to provide the function would be likely to have a material

³³ KAAM definitions; FSB (2016). For a discussion of practices to identify critical functions, see FSB (2023). These cited materials also further discuss the topic of criticality of a function.

³⁴ ICP 12.4.4.

impact on the financial system **and** the real economy.”³⁵ By contrast, this consultation report proposes to amend that language so that the references to material impact would be “on the financial system **or** the real economy.” If finalised, this change would also be made in the previous materials issued by the FSB that discuss critical functions for insurers.

The proposed change would align the definition for critical function with other important materials. For example, the guidance in ICP 12.4.4 refers to impact on the financial system “and/or” the real economy.³⁶ Similarly, the FSB’s guidance concerning critical functions for banks sets forth three types of impact, any one of which alone is enough.³⁷ They do not need to occur together in order for the discontinuation of a function to be critical.

This revision would also represent a better policy outcome. Under the existing definition, a function would not be critical even if discontinuation of that function would have an impact on financial stability. Considering the purposes of the FSB and the Key Attributes to promote financial stability, a function should be considered critical if, notwithstanding anything else, its discontinuation would have an impact to the financial system.

³⁵ KAAM definitions; FSB (2016). For a discussion of practices to identify critical functions, see FSB (2023). These cited materials also further discuss the topic of criticality of a function.

³⁶ ICP 12.4.4.

³⁷ FSB (2013), Recovery and Resolution Planning for Systemically Important Financial Institutions: Guidance on Identification of Critical Functions and Critical Shared Services, July.

Annex: Table of cited authorities for recovery and resolution planning requirements of FSB member jurisdictions

The following authoritative texts from FSB member jurisdictions are cited in the consultation report.

Jurisdiction	Cited authoritative texts for RRP requirements
Australia	APRA (2022), <u>Prudential Standard CPS 190: Recovery and Exit Planning</u> , December; APRA (2023), <u>Prudential Standard CPS 900: Resolution Planning</u> , May.
China	People's Republic of China (2016), <u>Insurance Law of the People's Republic of China</u> , April.
European Union	<u>Directive (EU) 2025/1 of the European Parliament and of the Council of 27 November 2024 establishing a framework for the recovery and resolution of insurance and reinsurance undertakings</u> ; <u>DIRECTIVE (EU) 138/2009/EC (SOLVENCY II DIRECTIVE)</u> .
France	<u>Section 47-V of Act 2016-1691 ('Sapin 2' Law) of 9 December 2016</u> ; <u>French Ordinance No. 2017-1608 of 27 November 2017</u> ; ACPR (2020), <u>Identification of the critical functions of insurance undertakings</u> , December.
Hong Kong	Hong Kong (2025), <u>Cap. 628 Financial Institutions (Resolution) Ordinance</u> , May; Hong Kong (2025), <u>Insurance Ordinance</u> , May.
Japan	Financial Services Agency (2021), <u>Comprehensive Guidelines for Supervision of Insurance Companies: Main Document</u> , July.
The Netherlands	De Nederlandsche Bank N.V. (2023), <u>Policy rule on resolvability of insurers</u> , March.
Singapore	Republic of Singapore Government Gazette (2022), <u>Financial Services and Markets Act 2022</u> , April (Singapore).
Switzerland	FINMA (2024), <u>Insurance Supervision Act</u> , January; FINMA (2024), <u>Insurance Supervision Ordinance</u> , January.
United States	Code of Federal Regulations (2025), <u>§1310.10 Council determinations regarding nonbank financial companies</u> .