

Andres Portilla
Director, Regulatory Affairs Department



Mr. Svein Andresen
Secretary General
Financial Stability Board
Bank for International Settlements
Centralbahnplatz 2
CH-4002 Basel Switzerland

Re: FSB consultation on the Application of the Key Attributes of Effective Resolution Regimes to Non-Bank Financial Institutions (Resolution of Insurers: Appendix II)

Dear Mr. Andresen:

The Institute of International Finance appreciates the opportunity to comment on the Consultative Document, “Application of the Key Attributes of Effective Resolution Regimes to Non-Bank Financial Institutions (Resolution of Insurers: Appendix II)” prepared by the Financial Stability Board (FSB) and issued on August 12, 2013.

As consistently reiterated in previous IIF public responses, the Institute believes that generally resolution is an essential policy tool in order to address systemic risk in the financial sector. Furthermore, the Institute has been supportive of the work of the FSB in this area, in particular of the development of the Key Attributes of Effective Resolution Regimes. On this, we emphasize from the outset that their application to insurers needs substantial adaptation to the special characteristics of the industry.

The new proposed Appendix II on insurance resolution issues aims at adapting the Key Principles to the special characteristics of the insurance industry. In further developing the IIF’s Insurance Working Group comments, we believe it is important to reiterate the industry’s support for targeted and proportionate sector specific policy measures (including those in the area of recovery and resolution) designed to make the global financial system more stable. Our comments therefore will focus on those areas where we believe such adaptation needs to be further considered and in some cases reformulated.

General comments

- The insurance regulatory policy framework in the area of Recovery and Resolution needs to be **tailored to the characteristics of the industry, the specific risk profile of insurers** and the limited circumstances in which systemic risk can be originated by insurers. In that regard, it is essential to keep in mind the inverted production cycle of insurance and that characteristics such as maturity mismatches, illiquid assets and leverage that can result in precipitate failure with systemic consequences, are largely absent in traditional insurance. Similarly, the nature of insurers’ liabilities means that insurers don’t have to wind up their insurance operations overnight. The inverted

production cycle that characterizes insurance provides more time for early intervention. These factors (including asset liability matching) provide extended run-off profiles with prolonged time period to react to developing stress situations. This is reflected in the tools of the existing prudential regulatory frameworks for insurance and the orderly resolution of traditional insurance firms.

- Therefore, a key policy question is to consider when traditional tools used to deal with the supervision and insolvency of an insurer become insufficient or inadequate to deal with the potential propagation of systemic risk derived from the failure of an insurer. In other words, **discussion needs to take place as to when traditional run-off of insurance businesses ceases to be effective and formal resolution of an insurer becomes necessary**. Such transition is still not adequately discussed in the proposed Appendix.
- The **scope of resolution regimes** (i.e. appendix II, section 2) is vague mentioning ‘any insurer that could be systemically significant or critical if it fails’. In particular, while the concept of systemic significance is still evolving, there is a solid degree of understanding of what it entails. That is not the case, however, with the concept of ‘criticality’. In our view, this concept needs to be properly explained. Currently as it stands, it could be interpreted in many different ways and potentially in ways which would impose the type of demanding requirements that are associated with the development of a Recovery and Resolution plan. The FSB should further clarify what is meant by a ‘complex insurance group’ and confirm which kind of insurers (e.g. G-SIIs and D-SIIs) is in scope for Recovery and Resolution Plans (RRPs). Furthermore, we note that the FSB proposed approach is that resolution measures apply only to those insurers that undertake systemically relevant activities on a scale that poses a potential threat to the continued viability of the insurer and the smooth operations of markets and/or the real economy, if they could not be resolved in an orderly manner.
- We are concerned about the excessively broad scope with which the FSB document uses the concept of **critical functions**. Such a wide use of the term critical functions would capture almost the entire insurance balance sheet which is not appropriate. While any function could theoretically be classified as critical in reality most functions fail the materiality test (primarily in regard to the availability of adequate substitutes in the market). While in the banking arena the concept of “Key Critical Functions” has a proper meaning within resolution frameworks, and it is generally assigned to such critical activities such as payment systems, we would argue that functions with such level of criticality can’t be found in the insurance world. We would, however, suggest that it is still necessary to conduct further analysis to determine potential activities which could be critical in this respect.
- The Appendix would benefit from additional discussion of the common characteristics of large internationally active insurance groups. **Such characteristics include the predominant use of the subsidiary-based model, with broadly self-sufficient entities with their own balance sheets**. Such model has been particularly effective in providing resilience to the insurance group, even in situations of failure of a legal entity without any contagion extending to the larger group.

- The **implementation timeframe for G-SII recovery and resolution regimes outlined in the IAIS document seems overly ambitious**. Such implementation is likely to require extensive legislative change across jurisdictions. Some of the proposed changes touch fundamental aspects of insolvency law, creditor hierarchies and principles of contract law leading to a lengthy implementation process (e.g. the treatment of policyholder claims). While the Appendix (and any related future peer-review and similar processes) should encourage jurisdictions to make rapid progress on implementation, timelines should remain realistic.
- The proposed Appendix adequately covers a range of preconditions and steps necessary to set up effective resolution regimes. However, we believe the current draft should cover the efforts and initiatives that regulators and government officials need to undertake in order to **address (and remove) any potential international legal barriers to effective cross border resolution**. The Institute would welcome a more forceful statement by the FSB, in coordination with the IAIS, signaling their intention to drive these efforts. Similarly, we believe the IAIS should develop an institutional framework for its work on resolution matters.
- Clearly, cross-border resolution presupposes effective coordination and collaboration among supervisors. We note, however, that experience with effective international supervisory colleges and / or other **supervisory coordination arrangements** is still in early stages and as of today has not reached the levels that would otherwise ensure smooth transitioning to the area of cross-border resolution. The Key Attributes appendix should encourage rapid progress on the development of the necessary channels for the exchange of information and related cooperation and coordination of supervisory actions. In this context, it is important to also consider local resolvability issues as such arrangements will inform the cross-border resolution.
- The concept of **viability** of an insurer must be better defined in the area of insurance. Resolution should focus on cases where a judgment has been reached that existing supervisory tools have been exhausted and an insurer is no longer viable. A complete ‘wind-up’ of an insurer should be generally avoided as this would be incompatible with the principle of policyholder protection and continuity of cover in most cases. Resolution should focus on delivering the best outcome for investors and policyholders in a way that delivers the intended outcomes of the Key Attributes through recapitalization (either through capital injection, or restructuring liabilities) and portfolio transfer.
- The IIF would underscore the case for additional discussion and analysis of the circumstances in which risk contagion could originate in an insurance company. Given the different characteristics of the insurance industry, in particular its lack of interconnectedness, any potential contagion would occur at a much reduced rate and significantly lower pace. As experience shows, insurers can be run-off over an extended period. The Institute would therefore recommend that there should be a **focus on those activities whose interruption could have a systemic impact** to the global financial system or real economy. The current description of such activities within the Annex does not provide the necessary detail.

Specific comments - Questions 22-33

In addition to the general comments presented above, the Institute would like to offer some answers to the specific questions raised in the consultation:

Q22. Are the general resolution powers specified in KA 3.2, as elaborated in this draft guidance, together with the insurance-specific powers of portfolio transfer and run-off, as specified in KA 3.7, sufficient for the effective resolution of all insurers that might be systemically important or critical in failure, irrespective of size and the kind of insurance activities (traditional and ‘non-traditional, non-insurance’ (NTNI)) that they carry out? What additional powers (if any) might be required?

The underlying assumption for this question is that a conclusive set of resolution powers exist in order to resolve any failing firm. However, resolution frameworks should remain flexible to accommodate tools and powers that might be needed to address unforeseen circumstances, particularly in the case of insurance.

More concretely, the Institute believes that the guidance document could be further refined so that resolution powers be more adequately tailored to the insurance business model. IIF members are concerned that the lack of adequate tailoring might lead to the development of a resolution regime with elements which are not appropriate for insurers (e.g. ‘timely payout or transfer of insured deposits and prompt (for example, within seven days) access to transaction accounts and to segregated client funds’). Rather than preventing systemic risk, this could result in detrimental effects for the insurance market and financial stability.

Instead the FSB guidance should be proportionate and tailored to the insurance business model recognizing that a failure of an insurer is a rare event and that systemic consequences are exceptional. The focus should be on a methodology for the identification of potentially critical and material functions which might create or amplify systemic risk in the market. In addition, it should also emphasize the relative greater importance of recovery for insurers as opposed to other financial institutions as reflected in existing regulatory frameworks for insurance.

IIF members value the introductory remarks of the FSB guidance referring to the assumption ‘that traditional and even some non-traditional insurance activities will typically be resolved through run-off and portfolio transfer procedures.’ However, the FSB guidance document describes subsequently insurers with other non-traditional business and non-insurance activities that could be systemically significant should therefore be subject to the Key Attributes. It remains unclear however on the specific criteria that should be used to determine when the application of “run-off” tools might not be sufficient and the use of the key attributes should proceed.

Q23. Should the draft guidance distinguish between traditional insurers and those that carry out NTNI activities? If yes, please explain where such a distinction would be appropriate (for example, in relation to powers, resolution planning and resolvability assessments) and the implications of that distinction.

The focus of the draft guidance should be on systemically relevant activities which could potentially lead (due to their materiality) to a non-viability of an insurer and a systemic impact to financial markets and / or the real economy. Systemically relevant activities might be a subset of NTNI activities for which no clear definition exists. However, there should not be a differentiation between insurers based on whether they carry out NTNI activities or not. The resolution powers should be applied equally to all types of insurers depending on the circumstances of their resolution.

Q24. Are the additional statutory objectives for the resolution of an insurer (section 1) appropriate? What additional objectives (if any) should be included?

The objective as outlined in 1.1 is appropriate for the resolution of a genuinely Global Systemically Important Insurer (G-SII). However, the statutory objective should also focus on prioritizing the claims. We would recommend that further clarity is added that in case of an insurer failure the application of a resolution framework could potentially result in losses to policy holders. In this regard, it is important that policyholder protection is limited to prevent moral hazard which arises when policyholders are absolved of all responsibility over their choice of insurance company.

The objectives of a recovery and resolution plan should also include securing appropriate continuity of vital economic functions provided by insurers. However, the definition of vital economic functions is excessively broad and, in theory, could cover all possible insurance activities. Taken in the broadest sense possible, this would imply that all insurance contracts are critical, which obviously is not the intended scope of the proposed standard. This would also be inappropriate as the distinction between what is systemically relevant and what is not would be lost. The Institute would recommend therefore that there should be a focus on those activities that due to their size and market concentration could have a systemic impact to the global financial system or real economy. We also note that the current description within the annex does not provide such detail.

In addition, it should be recognized that insurance activities are not critical in the same way as, for example, payment services which cannot be readily substituted. In the great majority of cases, insurance products and services are readily substitutable in the market, with portfolios being transferable to alternate providers.

The assessment of what constitutes vital economic functions should be proportionate and recognize the following factors:

- For prospective customers, most insurance functions like pooling of savings can be substituted by offerings from other industries, e.g. asset managers;
- There is a high substitutability of products as they are provided in mostly very competitive markets;
- Resolution mechanisms like portfolio transfers, run-offs and liability restructuring will ensure continuity of cover.

Q25. Is the scope of application to insurers appropriately defined (section 2), having regard to the recognition set out in the preamble to the draft guidance that procedures under ordinary insolvency law may be suitable in many insurance failures and resolution tools are likely to be required less frequently for insurers than for other kinds of financial institution (such as banks)?

The scope of resolution regimes seems to be too broad mentioning ‘any insurer that could be systemically significant or critical if it fails’. In section 2.1, IIF members suggest that instead of ‘Any insurer that could be significant or critical ...’ the text should be amended to ‘Those insurers that undertake systemically relevant activities on a material scale that might threaten the viability of the group AND poses systemic risk to financial markets AND / OR the real economy.’ IIF members believe that in most cases existing insolvency regimes will be adequate.

Q26. Does the draft guidance (section 4) adequately address the specific considerations in the application to insurers of the resolution powers set out in KA 3.2? What additional considerations regarding the application of other powers set out in KA 3.2 should be addressed in this guidance?

Entry into resolution

Section 4.1 requires authorities to set out clear standards or suitable indicators of non-viability. The guidance requires timely and early entry into resolution before an insurer is balance sheet insolvent. However, the indicators for timely and early entry into resolution are very vague i.e. ‘unacceptable low probability’ in 4.1 (i) to (ii). This seems to give too much discretion to the resolution authority. The IIF recommends that all triggers (i) to (v) be revised. While it is reasonable to initiate resolution before balance sheet insolvency to protect policyholders and minimize systemic impact, resolution should only be considered once all other management and supervisory options have been exhausted. Similarly, the FSB should give more clarity on this while keeping in mind that sufficient attention is given to recovery of insurers.

The guidance should also allow for some safeguards to ensure that timing of entry into resolution is not premature and only be conducted after other options such as run-off and portfolio transfer were tested. In addition, entry into run-off of one subsidiary does not mean that another subsidiary within the same group has to be run-off as well. In a broader context, it should be reiterated that recovery planning of an insurance group as a viable concern should always be considered as a first option as an extended time horizon is normally available.

The guidance also requires resolution regimes to set out clear standards or suitable indicators of non-viability to guide the decision for entry into resolution. IIF members strongly believe that this should not imply agreeing fixed triggers that would result in entry into resolution. The decision for entry into resolution should include an appropriate and pragmatic element of judgment on the side of the resolution authority. Significant judgment is required to ascertain the point of non-viability and safeguards should be in place to ensure that the judgment is exercised appropriately.

Choice of resolution powers

IIF members agree that the choice and application of resolution powers should take into account insurance specificities and, in particular, the types of business and the nature of its assets and liabilities. Further, ideally a third party exercises an oversight to ensure that the resolution authorities use a proportionate and tailored approach.

Control, manage and operate the insurer or bridge institution

The proposed annex appropriately notes that resolution authorities should have the power to carry on some or all of the insurance business, either within the existing entity or using a bridge institution, with a view to maximizing value for policyholders as a whole and providing continuity of insurance coverage.

In the context of resolution powers being exercised in a situation where the insurer is no longer viable, continuing some of the insurers business, for example making payments to annuitants, would be consistent with policyholder protection.

The nature of a bridge institution in an insurance context is not elaborated on within the annex. In the insurance context, a bridge institution could be another means of portfolio transfer. This is an area where IIF members would encourage policy makers to make further considerations in terms of the purpose and ownership structure of such an institution.

Q27. Does the draft guidance deal appropriately with the application of powers to write down and restructure liabilities of insurers (paragraphs 4.4 to 4.6)? What additional considerations regarding the application of ‘bail-in’ to insurers (if any) should be addressed in the draft guidance?

Restructuring of liabilities

As mentioned earlier, the resolution of an insurer is takes place over a longer time period. This is also due to the fact that a ‘run’ or a liquidity crunch is very unlikely to occur in insurance. The extended time horizon provides time for important management actions to restore the situation.

Restructuring policyholder liabilities may be appropriate where an insurer is no longer viable, and all other recovery options have been unsuccessful, to enable continuity of policies albeit at reduced values. In most cases this would seem to provide for a preferable outcome to a wind up of the insurer.

The powers to restructure liabilities should be subject to appropriate safeguards, which are to be defined in the enacting legislation that jurisdictions will necessarily have to put in place to adopt the Key Attributes.

Importantly, it should be noted that currently restructuring liabilities would be a matter requiring court approval in many jurisdictions. Therefore, the proposed powers for insurance supervisors would require substantial legislative changes.

Certain potential measures like conversion of annuities to lump-sum payments (v) may not be desirable. Their application might not achieve the desired outcomes in terms of reduction

of systemic risk or protection of policyholders' interests and may introduce a liquidity stress if the insurer has to settle the lump-sum payments in a short period of time.

In regard to the power (vi) to settle insurance obligations by payment of a proportion of estimated present and future claims, we note that practical challenges are likely to emerge and that a flexible approach should be preserved. For example, in the case of accident and health insurance the extent of long-term care and treatment costs may not be clear at the point of non-viability of an insurer. In such cases the resolution authority should not be allowed to settle obligations in advance of a full assessment of such long-term costs.

IIF members note that there might be little value in the conversion (vii) of one type of insurance liability into another as these policyholder conditions have been different from the outset. The resolution framework should therefore not overrule or otherwise affect those decisions and established business relationships between the policyholder and the insurer.

More generally, we would recommend that the FSB further reviews the proposed measures in this section and analyzes them more strictly when the principles of property and ownership rights would need to be affected in order to ensure effectiveness of the resolution process.

Bail-in

We believe that additional analysis needs to take place in order to consider the usefulness of bail-in in an insurance context (in particular regarding debt liabilities). Given the current structure of most insurers' balance sheets, other loss-absorbing funds (including capital, reserves and the non-guaranteed component of policies) are more effective and readily available sources. In addition, it should not be overlooked the fact that the type of liquidity runs that affect banks do not take place in insurance.

Portfolio transfer

It is important that assets (including derivatives) be transferred along with liabilities that they back. The guidance also seems to envisage that there would not be sufficient time to evaluate liabilities in case of portfolio transfer and therefore expects a pre-agreed mechanism to adjust value of contracts after transfer. Usually, time will be not an issue when resolving insurers.

IIF members agree that portfolio transfer might be an appropriate tool available in the resolution process. However, the inclusion of a pre-agreed mechanism to adjust the value of the contract after the transfer has been finalized would likely deter insurers from agreeing to such transfers. The inclusion of this provision seems to be based on an assumption that speed is a critical factor in resolution, whereas the timing characteristics of insurance should allow for a valuation to be prepared before a transfer is agreed. We would recommend that the FSB reconsiders this requirement.

Q28. Is it necessary or desirable for resolution authorities to have the power to temporarily restrict or suspend the exercise of rights by policyholders to withdraw from or change their insurance contracts in order to achieve an effective resolution (paragraph 4.9)?

Power to suspend insurance policyholders' surrender rights

The proposed Annex to the Key Attributes notes that to achieve an effective resolution, the power of the resolution authority to suspend creditor rights in resolution should extend to the ability to temporarily restrict or suspend the rights of insurance policyholders to withdraw from or change their insurance contracts.

The introduction of such a power for supervisors while an insurer is still viable (as is the case currently in some jurisdictions, e.g. France), would seem most appropriate. This would provide supervisors with the tool necessary to mitigate the perceived risk (e.g. in the case of a run on a sound insurer, a temporary suspension of surrenders should be an available supervisory tool) relating to the liquidity of insurance liabilities. Such a stabilization tool would address the risk perceived by policy makers that insurers may be exposed to a run which is highly unlikely in insurance. In addition, the supervisor right to suspend surrenders must not be limited to the resolution of a firm but be eventually extended to the whole market.

Additionally, the authority should also have the power to suspend other policyholder options such as automatic increase in insurance covers, options to take out policy loans.

Q29. Are there any additional considerations or safeguards that are relevant to the treatment of reinsurers of a failing insurer or reinsurer, in particular to:

- (i) the power to transfer reinsurance cover associated with a portfolio transfer (paragraphs 4.7 and 4.8); and
- (ii) the power to stay rights of reinsurers to terminate cover (paragraph 4.10)?

The measures proposed under 4.7 and 4.8 regarding portfolio transfer need careful consideration and might be potentially addressed through pre-agreed mechanism in place. As an example, any obligations of the cedant towards the reinsurer should transfer to the new owner including any collateral posted. Furthermore, section 4.10 proposes that 'the resolution authority should also have the power to stay any right to no longer reinstate reinsurance cover upon payment of a premium'. We do not consider that this power is essential and potentially risks increasing contagion by demanding reinsurers to maintain exposure to greater risks.. Any stay should be of limited duration and only apply to cover that would have been contractually available to the original entity. The staying of any right to not reinstate needs very careful consideration as the extra reinstatements would neither have been priced in the original premium structure nor in the reinsurers' assessment of the impact of the treaty on its own underwriting limits.

Funding resolutions

While the Institute supports the use of policyholder protection schemes in resolution, particularly to fund losses to policyholders and ensure continuity of cover, we would recommend that the FSB Annex explicitly recognize that the use of such schemes should not aim at eliminating all risks for policyholders. This would prevent creation of a moral hazard from a policyholder perspective. In addition, there are concerns that large and well capitalized companies would effectively have to contribute paying losses from other less capitalized companies if such distinction is not effectively made.

Q30. What additional factors or considerations (if any) are relevant to the resolvability of insurers or insurers that carry out particular kinds of business (section 9)?

IIF members consider several elements outlined in the guidance document not suitable for the resolution of insurers. The following comments address issues in section 9:

The resolvability assessment should consider how policyholders' interests can be best protected in the situation where an unpredictable event has led an insurer to a point of non-viability.

Given that the objectives of resolution include among others policyholder protection and continuity of cover, this would seem to point to recapitalization of the insurance entity as the preferred outcome. This may necessitate a change of ownership of an insurance entity where parental support is either unviable or unavailable.

Therefore the resolvability assessment should focus on:

- Sources of support including policyholder protection schemes that can be called on;
- Enforceable intra-group agreements;
- Transferability of service level agreements

In regard to the resolvability assessments outlined in section 9 we offer the following comments:

- 9.3 (iv) notes that in a solvent run-off there is a risk that later maturing policies may not receive their benefits in full which should not contribute to any systemic event. This risk is no greater in an insurer that is in a solvent run-off than in an insurer that is actively taking new business. In both cases the insurer will be subject to prudential regulation as a going concern and will need to be capitalized to meet their obligations to their policyholders as they fall due.
- 9.3(vi) notes that the alignment of corporate structures and business units to facilitate sale of different parts of the group should be considered. The important issue is not whether there is alignment between corporate structures and business units, but whether there are appropriate service agreements in place such that services provided to a legal entity could continue if it were separated from the group.
- 9.3(viii) notes that the resolution assessment should consider the legal, operational and financial separateness of traditional insurance from non-traditional insurance.. Given that the aim of the resolution regime is the policyholder protection and continuity of

insurance operations, a distinction between insurance and non-insurance activities will be more relevant than the use of the non-traditional category.

- 9.3(x) notes that the assessment should consider the effect of intra-group transactions in resolution. The focus should be on the enforceability of intra-group transactions, (the effect of enforcing the transactions should be considered as part of the going concern management actions and recovery scenarios).
- 9.3 (xiii) notes that ring fencing of surplus assets should be considered. The guidance should discourage individual regulators from ring-fencing.

Q31. What additional matters (if any) should be covered by recovery plans or resolution plans for insurers or insurers that carry out particular kinds of business (section 10)?

Some of the requirements of the resolution plans seem to lack a clear justification for the perspective of the goals that are sought. Such requirements might prove to be too onerous and may be of limited use in an actual resolution scenario. Some examples are:

- Resolution plans are required to include independent exit value actuarial valuation of technical provisions. The exit value of liabilities would be closely linked to the actual scenario that leads to resolution and it will not be feasible to envisage and estimate exit values in all possible scenarios. Obtaining possible exit values at regular intervals will therefore be onerous, expensive and potentially of limited use.
- Resolution plans are required to include an estimate of the outcome for each class of policyholder upon winding up. This would again be of limited use as the outcome would be dependent on the scenario that leads to resolution. Also, an important objective of resolution would be to achieve continuity of cover via portfolio transfer or run-off. We believe that resolution plans should only document the relative ranking of various categories of policyholders and creditors in case of a wind-up and lay down principles that would determine allocation of losses to the various categories.

IIF members believe that the resolution plan should focus on setting out the principles that could be followed for resolution and not focus on becoming repositories of lots of data that could become outdated quickly.

Section 10.2 notes that RRP's should be tailored to the specific risks and systemic implications insurers are exposed to or engaged in. It is therefore necessary that national supervisors are able to clearly communicate what activities they consider to pose potentially systemic risk.

Section 10.3 notes that a strategic analysis of the firm's essential functions and systemically important functions are a key component of RRP's. As noted earlier, the definitions within the paper of what may be regarded as essential, vital or critical are excessively broad. The guidance should focus on suggesting a methodology for assessing whether activities that due to their size and/or market concentration could have a systemic impact on the global financial system or national economy.

Q32. Are the proposed classes of information that insurers should be capable of producing (section 11) feasible? What additional classes of information (if any) should insurers be capable of producing for the purposes of planning, preparing for or carrying out resolution?

Data information systems should be aligned with normal Enterprise Risk Management systems. In this regard, the requirements suggested seem in general feasible.

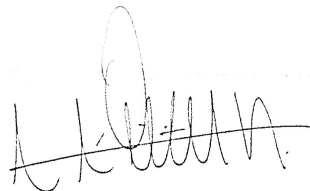
Q33. Does this draft Annex meet the overall objective of providing sector-specific details for the implementation of the Key Attributes in relation to resolution regimes for insurers? Are there any other issues in relation to the resolution of insurers that it would be helpful for the FSB to clarify in this guidance?

The Institute welcomes the work initiated by the FSB in order to adapt the Key Attributes to the specifics of the insurance business model. However, as underscored in a number of areas, we believe that further progress can be made to better align the Key Attributes to the realities of the insurance industry. While the guidance rightly draws attention to the possibility of an insurer failure, and to the possible systemic consequences, it fails to recognize the limited circumstances in which failure causes serious systemic consequences.

The IIF Insurance Working Group welcomes the opportunity to comment on the Consultative Document and looks forward to further engagement with the FSB on these issues. As already indicated, many issues require ongoing development and thought, and the Institute hopes to continue dialogue with the official sector on these vital issues.

Should you have any questions on the issues raised in this letter, please contact Andres Portilla (aportilla@iif.com) or Martin Weymann (mweymann@iif.com)

Very truly yours,

A handwritten signature in black ink, appearing to read 'Andres Portilla', written over a horizontal line.

Andres Portilla