

# Resolution Planning – Obtaining Key Risk Information and Enhancing Solvent Resolution

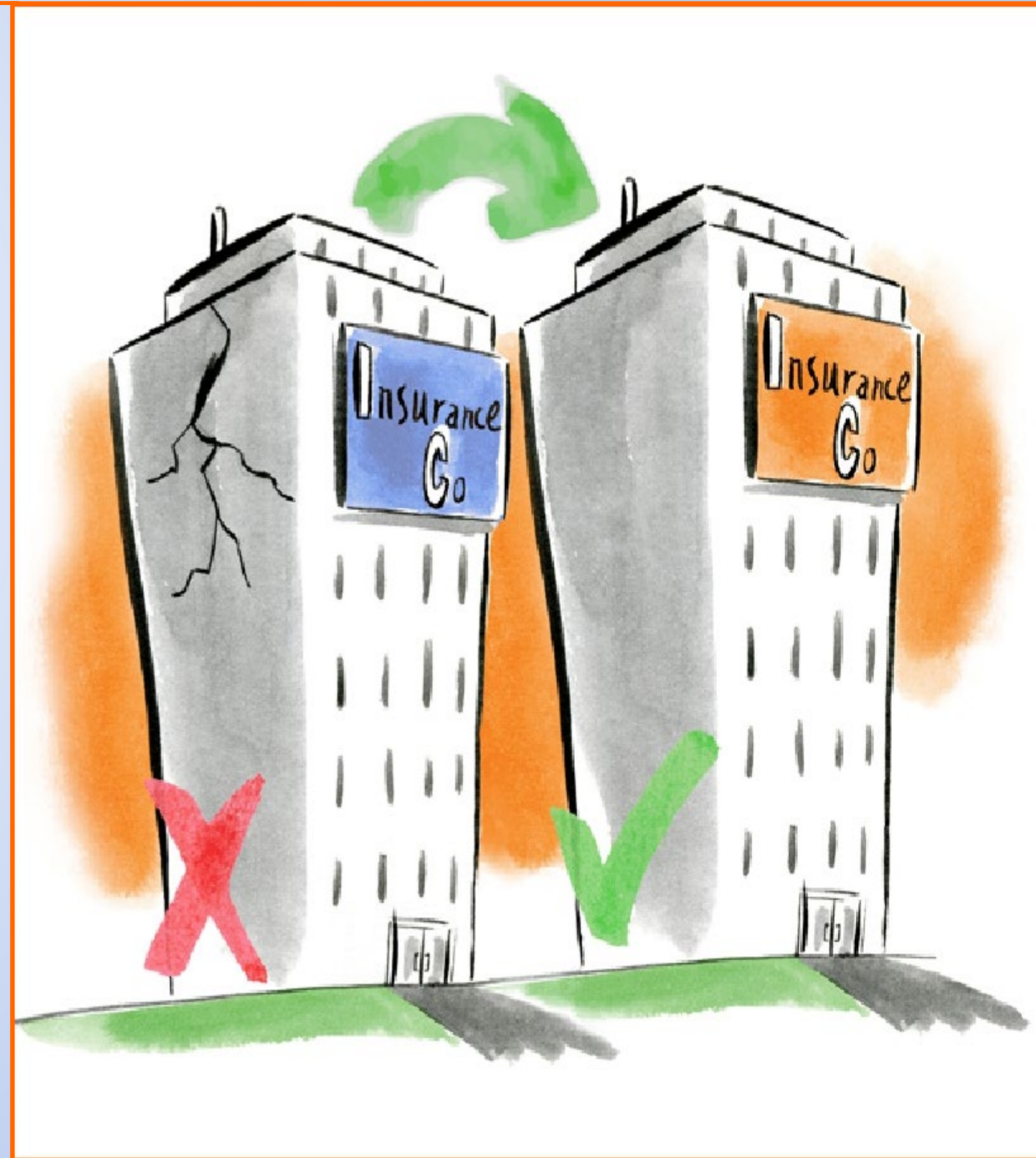


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○ **Resolution is what we are here to do.**

For this we need:

1. Key Risk Information
2. A Solvent Resolution Process



# Key Risk Information

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- 1. Realizable Values
- 2. Complex Financial Contracts
- 3. Trapped Capital / Assets

# Realizable Values

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graph TD; A[Realizable Values] --- B[Liabilities]; A --- C[Assets]; A --- D[Intangible assets];
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Liabilities

Assets

Intangible assets

# Complex Financial Contracts



Derivatives portfolio – impact on exit value

Reinsurance – impact on exit value

Claims in Canada of foreign policyholders

# Trapped Capital / Assets



Cross border

Obligations to foreign subsidiaries

Capital trapped in other entities

## What has changed?

- Industry consolidation
- Financial Stability Board (FSB) – Introduction of key attributes for effective resolution regimes
- International Association of Insurance Supervisors (IAIS) – ICP 12 and ComFrame



## ICP 12 and ComFrame Analysis

- Multiple resolution authorities
- Need for key risk information to assess resolvability
- Need to consult PPS
  - ✓ Experience and expertise
  - ✓ Develop resolution strategies and planning





## Solvent Resolution

- Considers options that allow for stabilization and restructuring to restore the viability of the business if recovery measures are not feasible or have proven ineffective



## Solvent Resolution

- Balances the needs of all stakeholders – policyholders, shareholders and, creditors
- Resolution plan managed by a restructuring professional
- Faster resolution = reduced impact on industry



## Role of the PPS

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- Assess and evaluate the company's progress in implementing their recovery plan
- PPS develops resolution strategy
  - ✓ Shares with supervisor
  - ✓ Shares with restructuring professional
- Work with restructuring professional to develop an operational resolution plan
- Consider guaranteeing or funding a solvent resolution

## ○ Solvent Resolution

- Policyholders get a new insurance provider
- Reduce market disruption
- Maintain confidence in the industry
- Minimum adverse publicity
- Avoid a fire sale
- Keep the business in resolution until there is a willing buyer

