Financial Stability Institute | BIS

Effective resolution strategies and plans for insurers – Executive Summary

Purpose and scope

The *Key Attributes of Effective Resolution Regimes for Financial Institutions* (Key Attributes) of the Financial Stability Board (FSB) require resolution plans to be developed for all financial institutions, including insurers, that could be systemically significant or critical upon failure. Accompanying the Key Attributes, the FSB published guidance to assist authorities in meeting the recovery and resolution planning (RRP) requirements.[1] More recently, the FSB issued guidance offering a structured approach to assist authorities in assessing which insurers should be subject to RRP requirements based on six criteria: nature, scale, complexity, substitutability, cross-border activities and interconnectedness.[2] Further guidance is provided by the International Association of Insurance Supervisors (IAIS) in its *Application Paper on Resolution Powers and Planning*.[3]

Objectives of resolution strategies

A firm-specific resolution strategy should make it feasible to resolve a failing insurer while protecting its key economic functions. This resolution should be done without severe systemic disruption or exposing taxpayers to loss, through mechanisms that make it possible for the insurer's shareholders and unsecured creditors to absorb losses. The specific objective is to maintain financial stability and protect the insurer's policyholders, beneficiaries and claimants to the fullest extent possible.

In developing strategies, authorities should identify institution-specific resolution objectives that relate to the firm's specific activities. It may be appropriate to consider insurance functions in the light of their economic importance. While non-binding, the resolution strategy should serve as a guide to authorities for achieving orderly resolution where recovery measures are ineffective or not feasible. The feasibility and credibility of a resolution strategy should be regularly reviewed within crisis management groups through technical resolvability assessments.

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1 FSB, *Developing Effective Resolution Strategies and Plans for Systemically Important Insurers*, 2026. This guidance was originally issued in 2016. In 2022, the FSB announced it would discontinue identifying global systemically important insurers (G-SIIs), deciding instead to use assessments available through the International Association of Insurance Supervisor's Holistic Framework to inform its considerations of systemic risk in the insurance sector. The FSB started to publish annually a list of insurers subject to resolution planning standards aligned with the FSB Key Attributes. In 2026, the guidance document was amended to add an explanatory note on the new definition of a critical function; otherwise, it remains unchanged.

2 See FSB, Scope of Insurers Subject to the Recovery and Resolution Planning Requirements in the FSB Key Attributes, 2026.

3 IAIS, Application Paper on Resolution Powers and Planning, 2021. This paper is currently being updated.

Determination of a preferred resolution strategy

Identifying the point of entry

Authorities should tailor resolution strategies to the insurer's structure, business model and jurisdictional frameworks. This includes identifying the appropriate point or points of entry for resolution actions within the group. Resolution strategies are set at each point of entry. The key factor in choosing the point of entry is the group's structure and the level of centralisation of its activities.

For example, strategies that involve entry at the individual operating entity level may be more suited for groups with local subsidiaries managed as standalone entities, limited fungibility of capital and liquidity, a local client base, low intergroup interconnectedness and high separability. Conversely, strategies that take place at the level of holding or sub-holding company may be more suitable for groups with more centralised activities, with characteristics such as a high degree of interdependency (for example, from shared services), high fungibility of capital and liquidity, and systematic intragroup support. Such groups typically pool risks and capital in one place and distribute centrally held capital through internal reinsurance contracts.

Any obstacles to resolution stemming from a group's structure or business model should be identified in resolvability assessments. Where necessary, authorities may require firms to make appropriate and proportionate changes to legal and business structures to address such obstacles.

Identifying preferred resolution tools

In developing an insurer's preferred resolution strategy, authorities should identify resolution tools that could be applied at the points of entry envisaged in the strategy, considering the firm-specific resolution objectives and the nature of the insurer. Those tools may include more traditional run-off or portfolio transfer procedures. Resolution tools broadly fall into three categories:

1. Stabilisation and restructuring tools, including a share, portfolio or business transfer to a third party, or a bridge entity, which may achieve continuity of business operations and functions. Creditor-financed recapitalisation, in accordance with the creditor hierarchy, allows continuation through restructuring or writedown and conversion of liabilities
2. Tools aimed at an orderly run-off of existing insurance business lines or insurance products on either a solvent or an insolvent basis
3. Stay and suspension powers, including those that impose short stays on contractual early termination or surrender rights to suspend payouts for a longer time. Temporary stays may be used to gain time to apply other resolution tools and preserve value or liquidity in the short term

Strategic analysis underlying the development of the resolution strategy

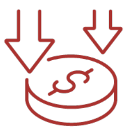
Resolution strategies should be tailored to the specific risks of the insurer in question, the critical functions that it provides and the potential systemic impact of its failure. Accordingly, their design should take account of a range of factors:

The insurer's various business segments, such as life insurance, property and casualty insurance, reinsurance, and financial market activities and investment products or any combination of these.

The insurer's critical functions, defined as functions whose sudden discontinuation would materially affect the financial system and/or real economy and that cannot be substituted in a reasonable time frame.[4]

Operational continuity, by ensuring that critical shared services that support the performance of critical functions are maintained during resolution.

Policyholder protection schemes, which may be used to secure continuity of cover and payments, where available.



Adequate and appropriately located loss-absorbing resources that can credibly absorb losses in a way that is consistent with the creditor hierarchy.

Funding and liquidity needs arising from the fact that an insurer in resolution may not have access to previous sources of funding.

Making the resolution strategy operational

Developing operational resolution plans

A resolution strategy should be supported by a detailed plan for each point of entry. Where courts may play a role in resolution, plans should reflect such involvement, in particular, in terms of timing. Operational details may include the following elements, as appropriate to the insurer:

- roles and responsibilities of authorities and communication plans
- cross-border coordination, including recognition needed to make resolution actions effective
- transfer of reinsurance (if any) and impact on cover
- continuity of cover and payment under insurance policies
- treatment of derivatives portfolios and possible need to maintain hedges
- access to financial market infrastructures.

[4] See FSB, Identification of Critical Functions of Insurers, 2026.

Failure scenarios, triggers and exit

Plans should be adaptable and include alternative options for varying failure scenarios, including idiosyncratic and market-wide stress events; identify factors relevant for triggering resolution; and, where relevant, outline a way to exit from the resolution process.

Information systems and data

Insurers must maintain robust information systems and controls to provide timely and accurate data for resolution planning and execution. This includes data relating to insurance policies, reinsurance arrangements, assets backing insurance liabilities, critical shared services and information needed for the valuation.

This Executive Summary and related tutorials are also available in FSI Connect, the online learning tool of the Bank for International Settlements.