



Protecting your life insurance
Protection de votre assurance vie

September 28, 2017

Director
Financial Institutions Division – Financial Sector Branch
Department of Finance Canada
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Thank you for giving us the opportunity to submit Assuris' view on the Department of Finance Canada's second consultation paper on *Potential Policy Measures to Support a Strong and Growing Economy: Positioning Canada's Financial Sector for the Future*.

Assuris is the not for profit compensation association designated by the federal Minister of Finance under the Insurance Companies Act of Canada. Assuris is funded by the life insurance industry and protects Canadian policyholders against loss of benefits if a member company fails. We protect policyholders by minimizing the loss of benefits and ensuring a quick transfer of their policies to a solvent company, where their benefits will continue to be honoured.

Overview of Submission

The current resolution regime for life insurance companies in Canada works well. However, there are gaps in the system which could be addressed by assessing and improving resolvability and establishing a professionally managed solvent resolution process.

The Department of Finance may wish to consider strengthening the current resolution regime. This could be achieved by modest enhancements to legislation and guidance.

Gaps in the System

Our submission outlines gaps in the system which could be addressed by:

1. Assessing and improving resolvability – There is no authority in Canada, with a clearly defined role to assess and improve the resolvability of life insurance companies in Canada.
2. Clarifying and enhancing the current process for solvent resolution – The current process is not outlined in detail in the *OSFI Guide to Intervention for Federally Regulated Life Insurance Companies* (Guide) to ensure that it is professionally managed.

Proposed Enhancements to Legislation and Guidance

Changes to Legislation – Resolvability

OSFI should be given the mandate to assess and improve resolvability of life insurance companies. This could be achieved with amendments to the *Office of the Superintendent of Financial Institution Act* (OSFI Act) to give OSFI the specific power and authority to assess resolvability and if necessary require companies to take corrective action to improve resolvability.

Changes to Guidance – Resolvability

OSFI, in consultation with Assuris, should issue an updated Guide to outline the powers required to assess and improve resolvability. The changes to the Guide would require life insurance companies to provide information to enable a resolvability assessment; improve their resolvability; and prepare, if needed, resolution plans.

Changes to Guidance – Solvent Resolution

The Guide should also clarify and enhance the current process for solvent resolution for life insurance companies in Canada and should specify that OSFI may require life insurance companies to engage a restructuring professional to monitor the implementation of a recovery plan; develop an operational resolution plan; and execute a solvent resolution.

We would be pleased to meet with you to discuss how to strengthen the resolution regime for life insurance companies in Canada. We look forward to discussing these potential enhancements to the regime with you.

Sincerely,



Gordon M. Dunning
President & CEO

cc: Stephanie Greer, Assuris
Josée Rheault, Assuris



Assessing and Improving Resolvability and Enhancing the Current Process for Solvent Resolution

**Submission on enhancements to the life insurance resolution framework
to the Department of Finance
September 2017**

The Role of Assuris

Assuris' mission is to protect policyholders if their life insurance company should fail.

Assuris is the not-for-profit compensation association designated by the federal Minister of Finance under the Insurance Companies Act (Canada) (ICA). Assuris is funded by the life insurance industry and protects Canadian policyholders against loss of benefits if a member company fails. We protect policyholders by minimizing the loss of benefits and ensuring a quick transfer of their policies to a solvent company, where their benefits will continue to be honoured.

Founded in 1990, Assuris has been called upon to deal with four failures in its history. In all four cases, all Canadian policies were transferred to solvent life insurance companies. Assuris has protected almost 3 million policyholders representing over 10% of Canadian adults. In addition to providing financial support, Assuris has developed expertise in solving unique, and largely unprecedented, issues in life insurance company insolvencies.

The Current System Works Well

The current resolution regime for life insurance companies in Canada works well.

The Office of the Superintendent of Financial Institutions (OSFI) has the authority to supervise the companies, including clear power and criteria for taking control of a federal life insurance company and placing it under the Winding-up and Restructuring Act (WURA).

WURA gives the court the power to approve transactions transferring the businesses to other insurers. It can also, as an alternative to transfer, approve the wind-down of the businesses under court supervision. WURA also clearly lays out the priority of claims, whereby policyholders receive priority over ordinary creditors.

Assuris has the knowledge, expertise and operational capacity to deal with the insolvency of any size life insurance company. We have a successful track record and documented procedures to guide the course of a future resolution.

The Financial Stability Board (FSB) recommends a broad range of powers to resolve systemically important insurers and assumes that these powers are held by a resolution authority. In Canada, there are no systemically important insurers however, there are large complex internationally active insurers for which these powers may be appropriate. The FSB also recognizes that these powers can be exercised through a special administrator, receiver, conservator or other official. Furthermore, the Draft International Association of Insurance Supervisors (IAIS) *Insurance Core Principle 12 Exit from the Market and Resolution and ComFrame Module 3, Element 3, Recovery and Resolution* refers to resolution authority as the authorities that are responsible for exercising resolution powers over insurers. In Canada, these powers are well defined and distributed between the supervisor, the courts and Assuris, the policyholder protection scheme. The FSB and IAIS principles should be considered in the design of the Canadian system.

Gaps in the System

However, there are gaps in the system which, were identified in our November 9, 2016 submission to the Department of Finance, could be addressed by:

1. Assessing and improving resolvability – There is no authority in Canada, with a clearly defined role to assess and improve the resolvability of life insurance companies in Canada.
2. Clarifying and enhancing the current process for solvent resolution – The current process is not outlined in detail in the OSFI Guide to Intervention for Federally Regulated Life Insurance Companies (Guide) to ensure that it is managed by a restructuring professional.

Understanding and improving resolvability concerns will ensure a more stable and potentially more effective and timely resolution process. An effective and timely resolution will minimize the negative impact on the insurance industry and help maintain confidence and stability in the system. It will reduce the costs of resolution and minimize potential losses to policyholders.

A solvent resolution process 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. A solvent resolution provides a potentially less disruptive and less costly resolution than formal insolvency proceedings under WURA.

In studying the previous troubled Canadian life insurance companies, our experience has shown that two of the key elements required for a successful solvent resolution are that the supervisor has adequate powers and mandate and that there is strong professional restructuring management in place.

Consideration should be given to strengthening the current regime to achieve a rapid resolution through effective legislation and guidance to ensure the resolvability and resolution of all federal life insurance companies. These enhancements to the resolution system will ensure that Canada will be aligned with the recommendations of the FSB and the IAIS.

Assessing and Improving Resolvability

There is no authority in Canada, with a clearly defined role, to assess and improve the resolvability of life insurance companies in Canada. Resolvability is the ability to restructure a company, which is needed for achieving an effective resolution if recovery measures are not feasible or have proven ineffective. The resolvability of a life insurance company is the most important predictor of a successful resolution to protect policyholders and maintain consumer confidence in the industry.

OSFI, as the solvency supervisor, has a duty to strive to protect the interests of policyholders and creditors under section 4(2) of the OSFI Act, and that implicitly means, OSFI should be expected to ensure that resolvability of an insurer to properly protect their interests even if insurer becomes non-viable.

OSFI should have the powers and responsibility to analyze and ensure the resolvability of all federal life insurance companies. As part of normal activities and standard regulatory

filings, OSFI should request life insurance companies to provide information on risks in resolution. This information includes the current market value of assets and liabilities, the jurisdictional location of assets, the alignment of business units with legal entities and material intercompany agreements.

Assuris will also assess the resolvability of the life insurance company based on the information on risks in resolution. OSFI should consult with Assuris and hold formal meetings to discuss the resolvability risks.

If OSFI deems that there is a significant resolvability risk, they may opt to stage the company. In *Stage 1: Early Warning* of the Guide, OSFI should identify deficiencies and should require the company to improve their resolvability where necessary.

To avoid any potential conflicts with the company receiving directives from several federal authorities, OSFI should be the only authority that requires the life insurance companies to improve their resolvability. Assuris should not be mandated with requesting the company to improve its resolvability. However, Assuris has experience and expertise in resolving life insurance companies and can help in assessing resolvability. OSFI and Assuris will discuss and evaluate the company's progress in improving its resolvability.

If OSFI is not satisfied with the company's improvement in resolvability or ability to satisfy all the claims of policyholders and creditors in an insolvency, OSFI may request that the company prepare a resolution plan. Assuris will assess the adequacy of the resolution plan. OSFI and Assuris should hold formal meetings to discuss and evaluate the resolution plan.

OSFI should assess if the company's resolution plan is satisfactory and if the company has reduced its risk profile. If OSFI deems that there is still a significant risk, they may opt to move the company to *Stage 2: Risk to financial viability or solvency*.

Clarifying and Enhancing the Solvent Resolution Process

If OSFI deems that there is a risk to the financial viability or solvency of the company, a solvent resolution should be considered. A solvent resolution can result in a better financial outcome for policyholders, shareholders and creditors than an insolvent resolution under WURA. Solvent resolutions have failed in the past because there was no restructuring professional to plan the resolution and balance the needs of all stakeholders. A professionally managed resolution can also result in a faster resolution with lower publicity and a reduced impact on the reputation of the industry and the Canadian financial sector.

It has become more common for companies and their board of directors, in all industries, to use a restructuring professional when companies are in trouble.

There is currently no detailed process for performing solvent resolution and ensuring that it is professionally managed. OSFI should have the powers and responsibility to facilitate the solvent resolution of federal life insurance companies.

If the life insurance company is in Stage 2, OSFI should require the company to engage a restructuring professional to monitor the implementation of the recovery plan. A restructuring professional will provide the company's Board of Directors, OSFI and Assuris with an objective view of the likelihood of recovery.

At this stage, Assuris should develop and share with OSFI its resolution strategy for the financially stressed company. Assuris should also share this resolution strategy with the restructuring professional.

The restructuring professional will report on the progress of the implementation of the recovery plan to the Board of the company. The restructuring professional will also share the report with OSFI and Assuris who will assess, discuss and evaluate the company's progress in implementing their recovery plan.

If OSFI deems that the implementation of the recovery plan has failed, they may opt to move the company to *Stage 3: Future financial viability in serious doubt*.

OSFI should now require the company to work with the restructuring professional to develop an operational resolution plan, in consultation with Assuris. An operational resolution plan is a detailed restructuring plan drafted by a restructuring professional that outlines a clear path to the resolution of the company. This operational resolution plan may include the steps to be taken to recapitalize and transfer the company to new owners or to transfer the blocks of business to a solvent life insurance company. The plan may also include a solvent resolution. The restructuring professional has the objectivity and experience to develop and propose a solvent resolution which balances the needs of all stakeholders. This role may include negotiating any required capital injection or guarantee from Assuris. The restructuring professional should also be able to manage the complex issues involved in executing a successful solvent resolution.

OSFI and Assuris should each respectively assess the operational resolution plan and provide feedback to the restructuring professional. OSFI should consider any solvent resolution proposed. At this stage, Assuris will consider guaranteeing or funding a solvent resolution under the conditions outlined in its By-laws.

OSFI and Assuris should discuss and evaluate the proposed solvent resolution. If the solvent resolution is not successful, OSFI may opt to move the company to *Stage 4: Non-viability / insolvency imminent*.

In Stage 4, OSFI should request that the Attorney General seek the appointment of the restructuring professional as the liquidator under WURA. OSFI and Assuris should discuss the appointment of the liquidator. Appointing the restructuring professional that has been involved with the attempted recovery and solvent resolution as liquidator could be beneficial. It will speed up the process of resolution under WURA and will likely provide a more certain outcome.

Assuris will prepare the required agreements with the liquidator for court approval. In the winding-up order, the liquidator may propose a pre-packaged sale transaction based on the solvent resolution. A pre-packaged sale transaction, commonly referred to as a "pre-pack" is a

transaction where the restructuring professional negotiates the sale of the company’s businesses or its assets on a going-concern basis before commencing formal insolvency proceedings. Once the transaction is finalized, the company commences formal insolvency proceedings and the transaction is submitted to the court for approval, usually on an expedited basis. Assuris will consider guaranteeing or funding the proposed pre-pack transaction.

If the pre-pack transaction is not acceptable, the company will proceed under a traditional liquidation process under WURA.

Roles, Responsibilities and Process for Federal Life Insurance Companies, OSFI and Assuris

The table below outlines the roles, responsibilities and process for the life insurance company, OSFI and Assuris in assessing and improving resolvability and establishing a solvent resolution process. It also outlines the joint activities for OSFI and Assuris at each stage based on the level of risk and concern for the solvency of the life insurance company.

Table 1: Roles, Responsibilities and Process for Federal Life Insurance Companies, OSFI and Assuris

Company	OSFI	OSFI & Assuris	Assuris
No significant problems/Normal activities			
Provides information requested by OSFI on risks in resolution and shares with Assuris	Requests information on risks in resolution	OSFI consults with Assuris on resolvability	Assesses resolvability based on information on risks in resolution
Prepares a recovery plan, if requested by OSFI and shares with Assuris	May request a recovery plan from the company		Assesses resolvability based on information on risks in recovery plan
	May stage company if there are significant resolvability risks		
Stage 1 – Early warning			
Improves its resolvability	Requires company to improve its resolvability	OSFI and Assuris discuss and evaluate the company’s progress in improving its resolvability	Assesses company’s improvement to its resolvability
Prepares a resolution plan if asked by OSFI	Requests a resolution plan be prepared if not satisfied with the improvement in resolvability	OSFI and Assuris discuss and evaluate the resolution plan	Assesses the adequacy of the resolution plan

Company	OSFI	OSFI & Assuris	Assuris
Stage 2 – Risk to financial viability or solvency			
Engages a restructuring professional to monitor implementation of the recovery plan	Requires the company to engage a restructuring professional to monitor the recovery plan implementation	Assuris shares its resolution strategy with OSFI and restructuring professional	Develops resolution strategy
	May move company to Stage 3 if not satisfied with the progress of the recovery plan		
Stage 3 – Future financial viability in serious doubt			
Works with restructuring professional to develop an operational resolution plan	Requires the company to work with restructuring professional to develop an operational resolution plan		Works with restructuring professional to develop an operational resolution plan
	Assesses operational resolution plan	OSFI and Assuris provide feedback to restructuring professional	Assesses operational resolution plan
Restructuring professional may propose a solvent resolution	Considers solvent resolution proposed by restructuring professional	OSFI and Assuris discuss and evaluate the solvent resolution	Considers guaranteeing or funding a solvent resolution
	May move company to Stage 4 if solvent resolution not successful		
Stage 4 – Non-viability/ insolvency imminent			
	Requests that the attorney general of Canada apply for winding-up order under WURA, based on the recommendation of restructuring professional	OSFI and Assuris discuss appointment of liquidator - restructuring professional may be appointed as liquidator	Prepares the required agreements with the liquidator for court approval

Company	OSFI	OSFI & Assuris	Assuris
Liquidation under WURA			
	Winding-up order may include the approval of a pre-pack transaction based on the solvent resolution		Considers guaranteeing or funding a pre-pack transaction

Proposed Changes to Guidance

The gaps in the system could be addressed through changes to the Guide.

Resolvability

OSFI, in consultation with Assuris, should issue an updated Guide that would clearly outline the powers required to assess and improve the resolvability of federal life insurance companies in Canada.

The changes to the Guide would require life insurance companies to:

- Provide information on risks in resolution to assess and evaluate resolvability;
- Improve their resolvability;
- Prepare, if needed, resolution plans;

Solvent Resolution

The Guide should also expand on the current process for solvent resolution for federal life insurance companies in Canada and should specify that OSFI may require life insurance companies to engage a restructuring professional to:

- monitor the implementation of a recovery plan;
- develop an operational resolution plan; and
- execute a solvent resolution.

The Guide should also outline the inter-agency activities and responsibilities between OSFI and Assuris to cooperate on assessing the company’s resolvability and, if needed, on resolving a life insurance company.

Proposed Changes to Legislation – Resolvability

OSFI should be given the specific mandate to assess and improve resolvability. This could be achieved with amendments to the *Office of the Superintendent of Financial Institution Act* to give

OSFI the power and this authority to assess resolvability, take corrective action to improve resolvability of life insurance companies:

Section 4 Establishment of the Office

Objects of Office – financial institutions

(2) The objects of the Office, in respect of financial institutions, are:

...

(2.2) Additional object of Office – life companies – In addition to the objects referred to in subsection (2), the objects of the Office, in respect of life companies, are to assess, in consultation with the compensation association designated by order of the Minister pursuant to subsection 449(1) of the Insurance Companies, life companies in order to determine if they can be resolved in a timely manner and without any decreases in benefits to policyholders, or losses to either policyholders or creditors and, if necessary, to require management and the board of directors of the company to take corrective action to improve resolvability.

International Principles for Life Insurance Resolution

Assuris is closely following the development of international standards including the recommendations of the FSB and the IAIS. As an interested stakeholder, we have recently responded to the IAIS Resolution Working Group request for feedback on the *IAIS ICP 12 Exit from the Market and Resolution and ComFrame Module 3, Element 3, Recovery and Resolution*.

Based on our analysis of the ICP 12 and ComFrame, we believe that the principles are useful to provide guidance, but we need to ensure that these principles and the evolution of the resolution regime is beneficial for Canada.

As per ICP 12, Assuris strongly supports the focus on policyholder protection and the important role played by the policyholder protection scheme (PPS) in providing this protection in resolution and in maintaining confidence in the insurance sector. Strengthening and clarifying the resolution powers will ensure that Canada continues to have a robust resolution regime for life insurance companies that meets the following recommendations:

- The definition of multiple resolution authorities – It is important to note that at different stages of resolution, different relevant authorities may take the lead to coordinate a successful resolution. Close cooperation and coordination between the supervisors, resolution authorities and the PPS is essential to ensure an effective resolution of an insurer.
- The need for key risk information – Key risk information is critical in resolution planning and assessing resolvability. Resolution plans should only be required if the resolution authorities believe that the insurer needs to improve its resolvability or have solvency concerns.
- The need to consult the PPS as they have resolution experience and expertise – The PPS, as a relevant authority, can significantly contribute in developing resolution strategies, resolution planning, and assessing resolvability.

See Appendix for the *Analysis of the IAIS ICP 12 and ComFrame and as it Relates to Canadian Legislation and Guidance*.

Ensuring the Resolvability and Resolution of all Federal Life Insurance Companies

The proposed enhancements to the legislation and guidance should better ensure the resolvability and resolution of all federal life insurance companies. These enhancements will strengthen the current system and facilitate a successful and rapid resolution that is in the best interest of consumers. This would contribute to maintaining confidence and stability in the system. These enhancements to the resolution regime will also ensure that Canada is aligned with the recommendations of the FSB and the IAIS.

**Appendix: Analysis of the IAIS ICP 12 and ComFrame
as it Relates to Canadian Legislation and Guidance**

Cite	Subject Matter or Key Language	Gap	Observations and Comments
ICP 12.0.1	An orderly process for an insurer’s withdrawal from the business of insurance helps to protect policyholders, and contributes to the stability of the insurance market and the financial system. Jurisdictions should have transparent and effective regimes for an insurer’s exit from the market and the resolution of an insurer.	No Gap	Through OSFI, Assuris and the Courts Canada has a transparent and effective regime for the resolution of an insurer.
ICP 12.0.2	In this ICP “resolution” refers to an action taken by a resolution authority towards an insurer that is no longer viable, or is likely to be no longer viable, and has no reasonable prospect of returning to viability. Resolution actions include portfolio transfer, run-off, restructuring, and liquidation.	No Gap	The resolution system in Canada can include portfolio transfer, run-off, restructuring and liquidation.
ICP 12.0.3	<p>In this ICP, the term “resolution authority” refers to authorities that are responsible for exercising resolution powers over insurers. Depending on the jurisdiction, this term may include supervisors, other governmental entities or private persons (including administrators, receivers, trustees, conservators, liquidators, or other officers), or courts authorised by law to exercise resolution powers. Thus in this ICP:</p> <ul style="list-style-type: none"> • “supervisor” is used when the standard and/or guidance involves responsibilities and/or roles of the day-to-day supervisor of the insurer; • “resolution authority” is used when the standard and / or guidance involves resolution powers and/or processes after resolution has been instituted: this includes supervisors acting under their resolution powers; and • supervisor and/or “resolution authority” is used when the standard and/or guidance involves responsibilities for planning and/or initiation of resolution and encompasses 	No Gap Could be enhanced	<p>In Canada, we have multiple authorities that play a role in resolving an insurer. OSFI’s role is to supervise insurers and, if they are no longer viable, take control and ask the Attorney General for a winding-up order under the Winding-up and Restructuring Act (WURA). Assuris plays a key role in the resolution of the insurer through the court to protect policyholders. The court has the role of reviewing and approving actions of the liquidator that are in the best interests of the stakeholders.</p> <p><i>The Guide to Intervention for Federally Regulated Life Insurance Companies</i> clearly lays out the role of OSFI and Assuris and the cooperation in the resolution process.</p>

Cite	Subject Matter or Key Language	Gap	Observations and Comments
	supervisors acting in their pre-resolution roles (e.g. before a supervisor or resolution authority institutes resolution and/or obtains any necessary administrative and/or judicial approvals to do so).		There could be more clarity in the <i>Guide to Intervention for Federally Regulated Life Insurance Companies</i> in defining the roles and responsibilities for planning and initiating resolution.
ICP 12.0.4	The structure and roles of resolution authorities vary across jurisdictions. In some jurisdictions, the resolution authority and the supervisor may be one single authority; in other jurisdictions, resolution of insurers may be the responsibility of one or more separate authorities. In some jurisdictions, certain resolution powers may be exercised or overseen by the court. Whatever the allocation of responsibilities, a transparent and effective resolution regime should clearly delineate the responsibilities and powers of each authority involved in the resolution of insurers. Where there are multiple Authorities responsible for the resolution of insurers, the resolution regime should empower the relevant authorities to cooperate and coordinate with each other.	No Gap	Same as ICP 12.0.3.
ICP 12.0.5	Exit from the market refers to cessation of the insurer's business, in part or in whole. Insurers that meet regulatory requirements may decide to exit from the market on a voluntary basis for business and/or strategic reasons. This is often referred to as 'voluntary exit from the market'. Insurers may also be required by the supervisor to exit from the market.	No Gap	OSFI ensures all insurers maintain their viability when they voluntarily exit from Canada. This includes ensuring the insurer has sufficient capital for all policyholder benefits to be paid in full. Voluntary exits by insurers would not usually involve Assuris.
ICP 12.0.6	Jurisdictions may need to have mechanisms in place to determine whether the continuity of insurance cover is necessary when insurers exit from the market. Any such continuity should preferably be on the same contract terms, but when necessary, on amended terms. Such mechanisms need to be proportionate to the unique nature and structure of the insurance market in each jurisdiction. Continuity of insurance cover may be facilitated by transferring insurance portfolios to a succeeding insurer, including a bridge institution. Continuity	No Gap	With an involuntary exit, the continuity of insurance coverage is necessary to maintain consumer confidence in the insurance market. In Canada, WURA can be used to transfer policies to a new insurer or a bridge institution. Assuris can assist in this transfer of policies to a new insurer or to its bridge institution, CompCorp Life.

Cite	Subject Matter or Key Language	Gap	Observations and Comments
	of some insurance contracts, particularly for some non-life products, may be necessary for only a short period (for example 30 or 60 days) so that the policyholder has sufficient time to find another insurer. Facilitating continuity of insurance cover might not be necessary for certain types of insurance products, such as those that are offered by many insurers in a market and which are highly substitutable.		Insurance contracts were transferred to another insurer in the previous four life insurance insolvencies in Canada. In one case, some blocks of business were transferred to CompCorp Life.
ICP 12.0.7	Where an insurer exits from the market and there is no succeeding insurer or no similar insurance products available in the market, mechanisms that facilitate the availability of alternate cover may need to be explored by the supervisor, such as when the exiting insurer delivers insurance contracts that cover risks that may be important to a particular jurisdiction's economy and/or are compulsory insurance in legislation.	No Gap	Life insurance products in Canada do not normally have issues with substitutability. In the case of no succeeding insurer, Assuris can assist in transferring policies to its bridge institution, CompCorp Life.
ICP 12.0.8	Supervisory measures and/or sanctions may result in an insurer exiting from the market (i.e. involuntary exit from the market) (see ICP 10 Preventive and Corrective Measures and Sanctions).	No Gap	OSFI has these powers.
ICP 12.0.9	Insurers that are no longer viable or likely to be no longer viable and have no reasonable prospect of becoming so through their recovery action or supervisory measures, should be resolved. Figure 1 illustrates the relationship between solvency, viability and the nature of actions to be taken.	No Gap	OSFI has these powers.
ICP 12.0.10	A resolution regime should make it possible for any losses to be absorbed by: i) shareholders; ii) general creditors; and iii) policyholders, in a manner that respects the jurisdiction's hierarchy of claims in liquidation. Policyholders should absorb losses only after all lower ranking creditors have fully absorbed losses. Mechanisms, such as policyholder protection schemes (PPSs), may mitigate the need for the absorption of losses by policyholders.	No Gap	The order of priorities under WURA section 161(1) are as follows: 1) Costs of liquidation 2) Claims of employee unpaid salaries or wages 3) Claims of policyholders except for guarantees owing segregated fund policyholders 4) Claims on guarantees owing to segregated fund policyholders

Cite	Subject Matter or Key Language	Gap	Observations and Comments
			5) Unsecured creditors
ICP 12.0.11	Depending on the circumstances, resolution measures may be applied to one or more separate entities in an insurance group, such as: i) the head of the insurance group; ii) an intermediate holding company below the head of the insurance group; iii) an insurance legal entity within the group; iv) a branch of an insurance legal entity within the group; or v) other regulated (e.g. banks) or non-regulated entities within the group. For other regulated entities within the group (e.g. banks), a resolution regime relevant to their sector may apply.	No Gap	
ICP 12.0.12	Some insurers operate on a cross-border basis through subsidiaries or branches in another jurisdiction, or through providing insurance services on a cross-border basis without setting up a physical presence outside their home jurisdiction. Also, where an insurance legal entity is a member of a group, there could be intra-group transactions and guarantees among insurance legal entities and/or other group entities in different jurisdictions. Cross-border coordination and cooperation, including exchange of information, is necessary for the orderly and effective resolution of insurers that operate on a cross-border basis.	No Gap Could be enhanced	There are no formal agreements in place for Canadian supervisors with foreign supervisors, but there is currently good cooperation among supervisors. Cooperation could be enhanced by creating formal Memorandum of Understandings (MOU) between supervisors to facilitate resolution. Precedence exists for cooperation between Canadian and US jurisdictions for life insurer insolvencies from the Confederation Life liquidation.
ICP 12.1	Legislation provides a framework for voluntary exit from the market that protects the interests of policyholders.	No Gap	Same as 12.0.5.
ICP 12.1.1	Voluntary exit from the market is initiated by the insurer or by its owners, such as shareholders (or policyholders in the case of mutuals).	No Gap	Same as 12.0.5.
ICP 12.1.2	The supervisor should require the insurer which voluntarily exits from the market to make appropriate arrangements for the voluntary exit (e.g., run-off or portfolio transfer), including having adequate human and financial resources to fulfil all its insurance obligations.	No Gap	Same as 12.0.5.

Cite	Subject Matter or Key Language	Gap	Observations and Comments
ICP 12.1.3	<p>The supervisor should require the insurer which voluntarily exits from the market through run-off to submit a run-off programme to the supervisor. The programme should include at least the following information:</p> <ul style="list-style-type: none"> • expected timeframe • projected financial statements; • human and material resources that will be available; • governance and risk management of the process; • communication with policyholders about the insurer’s exit from the market; and • communication to the public. 	No Gap	Same as 12.0.5.
ICP 12.1.4	<p>Insurers that exit from the market on a voluntary basis should continue to be subject to supervision until all insurance obligations are either discharged or transferred to succeeding insurers. Legislation should provide for appropriate requirements for these exiting insurers.</p>	No Gap	Same as 12.0.5.
ICP 12.2	<p>Legislation provides a framework for resolving insurers which:</p> <ul style="list-style-type: none"> • protects policyholders; and • provides the absorption of losses in a manner that respects the hierarchy of claims that would exist if the insurer was in liquidation. 	No Gap	Same as ICP 12.0.10
ICP 12.2.1	<p>The legislation should support the objective of protecting policyholders. This however does not mean that policyholders will be fully protected under all circumstances and does not exclude the possibility that losses be absorbed by policyholders, to the extent they are not covered by PPSs or other mechanisms. A jurisdiction may have additional resolution objectives in the legislation, such as maintaining financial stability.</p>	No Gap	
ICP 12.2.2	<p>Resolution should seek to minimise reliance on public funding. In principle, any public funding used for the resolution of the insurer should be recouped from the insurance sector.</p>	No Gap	Assuris protects policyholders through funds raised from life insurers and does not rely on government funding. Assuris' assessment system has the capacity

Cite	Subject Matter or Key Language	Gap	Observations and Comments
			to deal with any failure and does not cause contagion to other insurers.
CF 12.2a.1	In addition to the objectives in 12.2, the resolution objectives in respect of IAIGs should also include maintenance of financial stability, where applicable. A jurisdiction may, at its discretion, choose to rank these resolution objectives with respect to an IAIG.	No Gap	Resolution of a large life insurance company in Canada, although significant, would not threaten financial stability
CF 12.2b	The resolution of IAIG does not rely on public ownership or bail-out by use of public funds.	No Gap	
CF 12.2b.1	Bail-out by use of public funds does not include use of funds from policyholder protection schemes or resolution funds to support the implementation of resolution actions. However, funds, in principle, should be ultimately recovered from the insurance sector.	No Gap	Same as 12.2.2.
ICP 12.3	The supervisor requires insurers to plan for contingencies based on their specific risk in a gone-concern situation.	Gap	<p>OSFI does not currently require insurers to plan for contingencies based on their risks in resolution. This gap could be addressed by expanding OSFI's mandate to ensure that insurers can be resolved in a timely manner to minimize losses to policyholders.</p> <p>OSFI could request insurers to prepare information on risks in resolution. This information will allow OSFI, in consultation with Assuris, to understand the key resolution risks and assess the insurer's resolvability.</p>
ICP 12.3.1	The supervisor may identify risks, specific to an insurer's circumstances, that would arise in resolution and which may impact the supervisor achieving the resolution objectives of the jurisdiction. For example, such risks may relate to the insurer's provision of relevant information to the supervisor or resolution authority, the continuity of certain business operations, and/or the orderly implementation of a jurisdiction's PPS.	Gap	Same as 12.3.

Cite	Subject Matter or Key Language	Gap	Observations and Comments
ICP 12.3.2	The supervisor should require the insurer to consider such risks and where appropriate, prepare contingency plans to mitigate the risk.	Gap	Same as 12.3.
ICP 12.3.3	The supervisor should require that the insurer have a plan and procedures in place to provide necessary information (e.g. policyholders' names, types of their contracts, and the value of each contract) to a relevant organisation (such as a PPS) in a timely manner when the insurer enters into resolution.	Gap	<p>OSFI does not require insurers to prepare information needed for resolution.</p> <p>This gap could be addressed by expanding OSFI's mandate to ensure that insurers can be resolved in a timely manner to minimize losses to policyholders. This information is needed to facilitate the transfer of businesses and to apply Assuris' protection to policyholders.</p>
CF 12.3a	Resolution plans are in place for IAIGs in cases where the group-wide supervisor and/or resolution authority in consultation with the crisis management group of the IAIG (IAIG CMG), deems necessary.	Gap	<p>OSFI has not yet determined if it is necessary for IAIGs to prepare resolution plans and form CMGs. OSFI should determine if IAIGs need to prepare resolution plans based upon their concerns with the company and discussion with the CMG, if one exists. If requested by OSFI, the resolution plans should be completed by the company and reviewed annually. The resolution plan should be shared with OSFI and Assuris who will respectively review. Together, OSFI and Assuris should discuss and evaluate the resolution plan.</p> <p>This gap could be addressed by expanding OSFI's mandate to ensure that insurers can be resolved in a timely manner to minimize losses to policyholders. Assuris should be included in a CMG.</p>
CF 12.3a.1	The group-wide supervisor and/or resolution authority should decide whether resolution plans are needed for an IAIG in consultation with members of the IAIG CMG, taking at least the following issues into consideration:	Gap	Same as 12.3a.

Cite	Subject Matter or Key Language	Gap	Observations and Comments
	<ul style="list-style-type: none"> • number of jurisdictions where the IAIG operates; complexity of the IAIG’s group structure; and • possible impact on the financial system and the macro economy in the jurisdictions within which the IAIG operates. 		
CF 12.3a.2	<p>The group-wide supervisor and/or resolution authority leads the development of group resolution plans in coordination with members of the IAIG CMG. Resolution plans should include a substantive resolution strategy and operational plan for its implementation and identify in particular:</p> <ul style="list-style-type: none"> • financial and economic functions that need to be continued to achieve the resolution objectives for the IAIG; • suitable resolution options to preserve such functions or wind them down in an orderly manner; • data requirements on the IAIG’s business operations, structures, and those functions; • potential barriers to effective resolution and actions to mitigate those barriers; • actions to protect policyholders; and • clear options or principles for the conclusion of the resolution process. 	Gap	Same as 12.3a.
CF 12.3a.3	Host supervisors and/or resolution authorities may have their own resolution plans for the IAIG’s insurance legal entity in their jurisdictions, cooperating with the group-wide supervisor and/or resolution authority to ensure that the plan is as consistent as possible with the resolution plan for the IAIG.	No Gap	The only internationally active life insurers in Canada are Canadian insurers. Therefore, OSFI is not the host supervisor for any insurers that are not based in Canada.
CF 12.3a.4	Resolution plans (where required) are reviewed at least annually or when there are material changes to a firm’s business or structure, and subject to regular reviews within the IAIG CMG.	Gap	Same as 12.3a.
CF 12.3b	Where a resolution plan is required, resolvability assessments are regularly undertaken by relevant resolution authorities and/or the IAIG CMG to evaluate the feasibility of resolution	Gap	Same as 12.3a. Resolution plans are not necessary in assessing resolvability. It is more important to understand the

Cite	Subject Matter or Key Language	Gap	Observations and Comments
	strategies and their credibility in light of a possible impact of the IAIG’s failure on policyholders and creditors, on the financial system and on the macro-economy in the jurisdictions within which the IAIG operate.		key resolution risks. OSFI, in consultation with Assuris, should assess an insurers’ resolvability by requiring information on risks in resolution from insurers. Resolvability assessments are the most important predictor of a successful resolution to protect policyholders and maintain consumer confidence in the industry.
CF 12.3b.1	Resolvability assessments should be conducted at the level of the respective entity where it is expected that resolution actions are taken in accordance with the resolution strategies for the IAIG as set out in the resolution plan for the IAIG. The group-wide supervisor and/or resolution authority is responsible for resolvability assessments conducted at the group level in coordination with other IAIG CMG member jurisdictions.	Gap	Same as 12.3b.
CF 12.3b.2	Resolvability assessment should consider if it is feasible and credible for the resolution authority to resolve IAIG in a way that protects policyholders and maintains financial stability without use of public funds.	Gap	Same as 12.3b.
CF 12.3b.3	Resolvability assessments should be conducted at least on the Head of the IAIG by the group-wide supervisor and/or resolution authority. Where the resolution strategy envisages that the IAIG would be resolved at lower levels, such as an intermediate holding company level or insurance legal entity level, resolvability assessments should also be conducted at such lower levels.	Gap	Same as 12.3b.
CF 12.3c	Resolution authority requires IAIG to develop and maintain management information systems (MIS) that are able to produce information on a timely basis to supervisor and/or resolution authorities for purposes of resolution planning and resolution actions.	Gap	OSFI has not yet determined if IAIGs should develop and maintain resolution information. This gap could be addressed by expanding OSFI’s mandate to ensure that insurers can be resolved in a timely manner to minimize losses to policyholders.

Cite	Subject Matter or Key Language	Gap	Observations and Comments
			<p>OSFI could request the insurer to prepare information on risks in resolution. OSFI could also request for the IAIG to develop and maintain a MIS, so resolution information could be provided quickly to OSFI and Assuris.</p> <p>During the OSFI pilot resolution plan project for an insurer, the legal entity information was not readily available from the insurer.</p>
CF12.3c.1	Information should be available at the group and the legal entity level.	Gap	Same as 12.3c.
CF12.3c.2	<p>The IAIG's MIS should:</p> <ul style="list-style-type: none"> • maintain a detailed inventory, including a description and location of the key MIS used in material legal entities of the IAIG, mapped to core services and critical functions; • identify and address legal constraints on the exchange of management information among material entities of the IAIG (for example, as regards the information flow from individual entities of the group to the head); • demonstrate, as part of the recovery and resolution planning process, that they are able to produce the essential information needed to implement plans within an appropriate period of time; and • maintain specific information at a legal entity level, including, for example, information on intra-group guarantees booked on a back-to-back basis. 	Gap	Same as 12.3c.
ICP 12.4	The roles and responsibilities of relevant authorities within a jurisdiction that are involved in exit for insurers from the market or their resolution are clearly defined.	No Gap Could be enhanced	In Canada, we have multiple authorities that play a role in resolving an insurer. OSFI's role is to supervise insurers and, if they are no longer viable, take control and ask the Attorney General for a winding-up order under the Winding-up and Restructuring Act (WURA). Assuris plays a key role in the resolution of

Cite	Subject Matter or Key Language	Gap	Observations and Comments
			<p>the insurer through the court to protect policyholders. The court has the role of reviewing and approving actions of the liquidator that are in the best interests of the stakeholders.</p> <p><i>The Guide to Intervention for Federally Regulated Life Insurance Companies</i> clearly lays out the role of OSFI and Assuris and the form of cooperation in the resolution process.</p> <p>There could be more clarity in the <i>Guide to Intervention for Federally Regulated Life Insurance Companies</i> in defining the roles and responsibilities for planning and initiating resolution.</p> <p>OSFI could have a more defined role once a company enters WURA. Also, to ensure that the resolution is professionally managed, there could be a role for a restructuring professional to be involved throughout the resolution process.</p>
ICP 12.4.1	The jurisdiction should have a designated authority or authorities empowered to exercise powers for the resolution of an insurer. Where there are multiple authorities in a jurisdiction their mandates, roles and responsibilities should be defined and coordinated.	No Gap Could be enhanced	Same as 12.4.
ICP 12.4.2	Where different authorities within a single jurisdiction are in charge of the resolution of an insurer, a lead authority that coordinates the resolution of the insurer should be identified.	No Gap Could be enhanced	Same as 12.4.
ICP 12.4.3	<p>Examples where a lead resolution authority should be identified should include, but should not be limited to, the following:</p> <ul style="list-style-type: none"> • there are multiple authorities who supervise the insurer or 	No Gap Could be enhanced	Same as 12.4.

Cite	Subject Matter or Key Language	Gap	Observations and Comments
	<p>some of its legal entities (e.g. prudential supervisor and conduct supervisor), or</p> <ul style="list-style-type: none"> the insurer has insurance and other financial operations (such as banking), and the other financial operations are supervised by an authority other than the insurance supervisor in the jurisdiction. 		
ICP 12.5	The supervisor and/or resolution authority shares information, cooperates and coordinates with other relevant authorities for the exit of insurers from the market or their resolution.	No Gap Could be enhanced	There has been a history of cooperation however, formal agreements for cooperation including MOUs between Canadian protection plans such CDIC and PACICC would increase certainty for how these organizations will work together during resolution of a complex financial conglomerate.
12.5.1	Relevant authorities in this context may include the group-wide supervisor and/or resolution authority, host supervisors and/or resolution authorities and others that may need to be involved in the resolution of insurers, such as PPS and supervisors in other financial sectors.	No Gap	
ICP 12.5.2	When insurer voluntary exits from the market, the supervisor should cooperate and coordinate with other relevant supervisors as necessary.	No Gap	
ICP 12.5.3	Cooperation and coordination should include matters, among others, such as consulting with or informing other relevant authorities of e.g. the anticipated exercise of resolution powers that the resolution authority considers necessary before taking resolution actions, where this is practicable.	No Gap	
ICP 12.5.4	When consulting, authorities should seek to determine if coordinated action on the resolution of an insurance group is necessary to avoid or minimise adverse impact on other group entities.	No Gap	
ICP 12.5.5	The supervisor and/or resolution authority should seek to achieve a cooperative solution with authorities in other	No Gap	

Cite	Subject Matter or Key Language	Gap	Observations and Comments
	jurisdictions who are concerned with the resolution of the insurance group.		
ICP 12.5.6	Cooperation and coordination would be crucial when considering resolution action such as ordering the insurer to cease business (for example, when the insurer has overseas branches), freezing the insurer’s assets, and/or removing management of overseas branches, subsidiaries, or holding companies.	No Gap	
ICP 12.5.7	Information sharing, cooperation and coordination should be undertaken in a manner that does not compromise the prospect of successful exit or resolution.	No Gap	
ICP 12.6	Legislation provides criteria for determining the circumstances in which the supervisor and/or resolution authority initiates resolution of an insurer.	No Gap	Section 679(1) (1.1) of the Insurance Companies Act, lists the triggers for when OSFI may take control of a company.
ICP 12.6.1	<p>Resolution should be initiated where an insurer is no longer viable, or is likely to be no longer viable and has no reasonable prospect of becoming so, even if the entity is solvent in light of financial reporting standards. Criteria that determine or help determine when the supervisor and/or resolution authority initiates resolution should be considered in light of the insurer and the circumstances of its resolution. Criteria for determining whether resolution processes should be initiated may include, but are not limited to, any of the following:</p> <ul style="list-style-type: none"> • the insurance legal entity is in breach of the minimum capital requirement (MCR) and there is no reasonable prospect of restoring compliance with MCR; • the consolidated own funds of the insurance group are lower than the sum of the proportional shares of the MCRs, or minimum capital requirements of the regulated legal entities belonging to the insurance group (e.g. due to double-gearing); • the insurer is in breach of other prudential requirements 	No Gap	Same as 12.6

Cite	Subject Matter or Key Language	Gap	Observations and Comments
	<p>(such as a requirement on assets backing technical provisions) and there is no reasonable prospect of compliance being restored;</p> <ul style="list-style-type: none"> • there is a strong likelihood that policyholders or creditors will not receive payments as they fall due; • intra-group transactions impede or are likely to impede the ability of the insurer to meet policyholder and/or creditor obligations as they fall due; or • measures attempting the recovery of the insurer have failed, or there is a strong likelihood that such proposed measures will: i) not be sufficient to return the insurer to viability; or ii) cannot be implemented in a timely manner. 		
ICP 12.7	Legislation provides an appropriate range of powers to resolve insurers effectively. These powers are exercised proportionately and with appropriate flexibility.	No Gap Could be enhanced	Same as 12.0.3.
ICP 12.7.1	Powers described below should be exercised in a proportionate manner that resolves the insurer most effectively in light of the circumstances and objectives of resolution. Some powers may not be needed for all insurers but only for insurers that are, for example, of systemic importance in the jurisdiction. Some powers may only affect the insurer, while others may impact contractual rights of third parties (such as a suspension of policyholders' rights or restructuring of policies). When exercising resolution powers that allocate losses, the resolution authority should attempt to ensure that no creditor receives less (after compensation, where necessary) than they would have received if the insurer had been liquidated (the "no creditor worse off than in liquidation" —NCWOL— principle) (the term 'creditor' includes policyholders).	No Gap	
ICP 12.7.2	Some resolution powers are exercised in an aim to stabilise or restructure an insurer and avoid liquidation. Liquidation can be used in conjunction with other resolution actions, and is often	No Gap Could be enhanced	There could be more clarity in the <i>Guide to Intervention for Federally Regulated Life Insurance</i>

Cite	Subject Matter or Key Language	Gap	Observations and Comments
	<p>the last resort option if these actions are not available or do not succeed. Liquidation may be incompatible with some resolution powers (e.g. stay early termination rights associated with derivatives and securities financing transactions). Conversely, in some circumstances, certain powers may only be compatible with a liquidation of one or more insurance legal entities, for instance when transferring part of the assets and liabilities of the insurer to a third party and placing the remaining business in a run-off or liquidation.</p>		<p><i>Companies</i> in defining the current process for solvent resolution for life insurance companies in Canada.</p> <p>The process could allow OSFI to require the insurer to engage a restructuring professional to monitor the recovery plan implementation and develop an operational resolution plan.</p>
ICP 12.7.3	<p>If a court order is required for the resolution authority to exercise resolution powers, the time required for court proceedings should be taken into consideration for the effective implementation of resolution actions.</p>	No Gap	
ICP 12.7.4	<ul style="list-style-type: none"> • Powers that may be exercised, subject to adequate safeguards, should include, but are not limited to, the following. This list is not exhaustive and the resolution authority should have discretion to apply other available powers. The order of presentation of the powers is not an indication of the sequence in which these powers could be exercised. • prohibit the insurer from paying dividends to shareholders; • prohibit the insurer from paying variable remuneration to Senior Management; • recover monies from the Board, Senior Management, Key Persons in Control Functions and major risk taking staff, including claw-back of variable remuneration; • prohibit the insurer from transferring its assets without supervisory approval; • retain, remove or replace the Senior Management and / or Board Members; • take control of and manage the insurer, or appoint an administrator to do so; 	No Gap	<p>The combination of OSFI supervision powers and the provisions in WURA meet all of these criteria.</p>

Cite	Subject Matter or Key Language	Gap	Observations and Comments
	<ul style="list-style-type: none"> • withdraw license to write new business and put all or part of the insurance business contracts into run-off; • initiate the liquidation of the whole or part of the insurer; • sell or transfer the shares of the insurer to a third party; • restructure, limit or write down liabilities (including insurance liabilities), and allocate losses to creditors and policyholders, where applicable and in a manner consistent with the statutory creditor hierarchy and jurisdiction’s legal framework; • override rights of shareholders of the insurer in resolution, including requirements for approval by shareholders of particular transactions, in order to permit a merger, acquisition, sale of substantial business operations, recapitalisation or other measures to restructure and dispose of the insurer’s business or its liabilities and assets; • terminate, continue or transfer certain types of contracts, including insurance contracts; transfer or sell the whole or part of assets and liabilities of the insurer to a solvent insurer or third party; • transfer any reinsurance associated with transferred insurance policies without the consent of the reinsurer; • temporarily restrict or suspend the policyholders’ rights of withdrawing their insurance contracts; • stay rights of the reinsurers of the cedent in resolution to terminate or not reinstate coverage relating to periods after the commencement of resolution; and • impose a temporary suspension of payments to unsecured creditors and a stay on creditor actions to attach assets or otherwise collect money or property from the insurer 		
ICP 12.7.5	The choice and application of the powers set out above should take into account whether an insurer’s disorderly failure would potentially cause significant disruption to the financial system	No Gap	Resolution of a large life insurance company in Canada, although significant, would not threaten financial stability.

Cite	Subject Matter or Key Language	Gap	Observations and Comments
	and economic activity, the types of business the insurer engage in, and the nature of its assets and liabilities.		
ICP 12.7.6	Where the resolution authority takes action which leads to another person taking control of an insurer with a view to restoring, restructuring or running off the business, the resolution authority should continue to exercise functions which ensure that the objectives of resolution are met, notwithstanding any additional responsibilities which the person appointed may have to the insurer or to the courts.	No Gap	In Canada, there are multiple relevant authorities. At least one authority is always leading the resolution but all authorities should be involved in the process.
ICP 12.7.7	Resolution powers should be exercised in a manner that does not discriminate between creditors on the basis of their nationality, the location of their claim, or the jurisdiction where it is payable.	No Gap	WURA
ICP 12.7.8	Mechanisms should be in place to (i) enable continuity of cover for policyholders where this is needed and (ii) ensure timely payment of claims to policyholders of the insurer in resolution, with the aim to minimise disruption to the timely provision of benefits to policyholders. A PPS can be one of the mechanisms that can help ensure timely payments to policyholders and minimise disruption.	No Gap	Assuris ensures continuation of cover for policyholders.
12.7.9	When requiring contracts to be transferred to another insurer, the resolution authority should satisfy itself that the interests of the policyholders of the transferor and of the transferee are safeguarded. In some cases, this may be achieved through varying, reducing or restructuring the transferred liabilities.	No Gap	WURA
12.7.10	Portfolio transfers and transfers of other types of contracts of the insurer in resolution should not require the consent of each policyholder or party to the contract.	No Gap	WURA
12.7.11	Consistent with the creditor hierarchy principle, insurance liabilities should be written down only after equity and all liabilities that rank lower than insurance liabilities have absorbed losses, and only if the resolution authority is satisfied	No Gap	WURA

Cite	Subject Matter or Key Language	Gap	Observations and Comments
	that policyholders are no worse off than in liquidation (after compensation, where necessary). The NCWOL principle should also apply to any creditors and shareholders who are bailed in (e.g. through debt restructuring).		
ICP 12.7.12	Information on the period during which policyholders are prohibited from withdrawing from their insurance contracts should be available to policyholders in a transparent manner for the purposes of policyholder protection.	No Gap	Court process under WURA
ICP 12.7.13	The exercise of stay powers, their scope of application and the duration of the stays should be designed to address the specific situation of the insurer in resolution. For example, the duration of the stay could depend on the type of the insurance contract.	No Gap	Court process under WURA
ICP 12.7.14	There may be circumstances where resolution powers will need to be exercised at the level of the head of the insurance group and/or non-regulated entities. Resolution authorities should have the capacity to exercise resolution powers directly on such entities within their jurisdiction to the extent necessary and appropriate. Where resolution powers need to be exercised on entities outside of their jurisdiction or legal authority, the resolution authority should have the capacity to cooperate with relevant supervisors and resolution authorities in the relevant jurisdictions.	No Gap	
ICP 12.7.15	Unless otherwise specified by the resolution authority, resolution powers exercised on an insurance legal entity (for instance to cease writing business) should also apply to the legal entity's branches. However, the resolution authority responsible for a branch can also exercise powers toward the branch. In either case, the resolution authorities responsible for the branch and the insurance legal entity should consult and cooperate with one another.	No Gap	
ICP 12.7.16	The resolution authority may choose which power, or which combination of powers, is applied to which entity within the	No Gap	

Cite	Subject Matter or Key Language	Gap	Observations and Comments
	group. Different types of powers may be applied to different parts of the entity's business.		
CF 12.7a	<ul style="list-style-type: none"> • The powers that supervisors and / or resolution authorities may exercise, subject to adequate safeguards, for the resolution of an IAIG include, but are not limited to, the following: • prohibit the insurer from paying dividends to shareholders; • prohibit the insurer from paying variable remuneration to Senior Management; • recover monies from the Board, Senior Management, Key Persons in Control Functions and major risk taking staff, including claw-back of variable remuneration; • prohibit the insurer from transferring its assets without supervisory approval; • retain, remove or replace the Senior Management and / or Board Members; • take control of and manage the insurer, or appoint an administrator to do so; • withdraw license to write new business and put all or part of the insurance business contracts into run-off; • initiate the liquidation of the whole or part of the insurer; • sell or transfer the shares of the insurer to a third party; • restructure, limit or write down liabilities (including insurance liabilities), and allocate losses to creditors and policyholders, where applicable and in a manner consistent with the statutory creditor hierarchy and jurisdiction's legal framework; • override rights of shareholders of the insurer in resolution, including requirements for approval by shareholders of particular transactions, in order to permit a merger, acquisition, sale of substantial business operations, recapitalisation or other measures to restructure and dispose 	Gap	<p>The provision of a stay on early termination rights associated with derivatives would be beneficial.</p> <p>Currently, there is no stay for derivatives, which limits the liquidator's ability to transfer EFCs to third parties, as counterparties may terminate the contracts immediately upon liquidation. The insurer's hedging program may collapse if derivative contracts are cancelled, which could significantly increase their liabilities.</p> <p>WURA could be changed to allow for a temporary stay on the company's eligible financial contracts upon a company entering WURA.</p>

Cite	Subject Matter or Key Language	Gap	Observations and Comments
	<p>of the insurer’s business or its liabilities and assets;</p> <ul style="list-style-type: none"> • terminate, continue or transfer certain types of contracts, including insurance contracts; transfer or sell the whole or part of assets and liabilities of the insurer to a solvent insurer or third party; • transfer any reinsurance associated with transferred insurance policies without the consent of the reinsurer; • temporarily restrict or suspend the policyholders’ rights of withdrawing their insurance contracts; • stay rights of the reinsurers of the cedent in resolution to terminate or not reinstate coverage relating to periods after the commencement of resolution; • impose a temporary suspension of payments to unsecured creditors and a stay on creditor actions to attach assets or otherwise collect money or property from the insurer; • require relevant entities within the group to submit necessary information for the resolution authority to be able to develop resolution plans; • require the IAIG to take actions to improve its resolvability; • establish a bridge institution; • take steps to provide continuity of essential services and functions by requiring other companies in the same group (including non-regulated entities) to continue to provide these essential services to the entity in resolution, any successor or an acquiring entity; ensuring that the residual entity in resolution can temporarily provide such services to a successor or an acquiring entity; or procuring necessary services from unaffiliated third parties; and • temporarily stay early termination rights associated with derivatives and securities financing transactions. 		

Cite	Subject Matter or Key Language	Gap	Observations and Comments
CF 12.7a.1	In some jurisdictions, PPSs can be utilised as a bridge institution to which insurance contracts of the IAIG are transferred.	No Gap	Assuris has established CompCorp Life, a special purpose life insurer to act as bridge institution if it were needed for resolution. This company was used as a bridge institution during the Sovereign Life liquidation.
CF12.7a.2	The power to require the IAIG to take actions to improve its resolvability should be exercised in a proportionate manner and the IAIG should, where reasonable, first be given the opportunity to make its own proposal to remove any identified impediments.	Gap	<p>OSFI does not have in their mandate the responsibility to ensure the resolvability and resolution of all federal life insurance companies.</p> <p>This gap could be addressed by expanding OSFI's mandate to ensure that insurers can be resolved in a timely manner and to minimize losses to policyholders. OSFI could request insurers to prepare information on risks in resolution. This information will allow OSFI in consultation with Assuris to understand the key resolution risks and assess the insurer's resolvability. Based on the resolvability assessment, OSFI should have the power to force the insurer to take corrective actions to improve its resolvability.</p>
CF 12.7a.3	The resolution authority should exercise resolution powers with the necessary speed and flexibility. Such powers should be used only if suitable and necessary to meet the resolution objectives.	No Gap	
CF 12.7a.4	Essential services mentioned under the 21st bullet point would include, in particular, IT.	No Gap	
ICP 12.8	Legislation provides that the supervisor is involved in the initiation of the liquidation of an insurance legal entity (or a branch of a foreign insurer in its jurisdiction).	No Gap	
ICP 12.8.1	Legislation should define the involvement of the supervisor in a liquidation, which promotes the protection of policyholders. The supervisor should be authorised to initiate the liquidation	No Gap	

Cite	Subject Matter or Key Language	Gap	Observations and Comments
	<p>of an insurance legal entity, or a branch of a foreign insurer in its jurisdiction. In some jurisdictions, the supervisor has sole authority to initiate such liquidation. If legislation permits another person (such as a creditor of the insurance legal entity, the insurance legal entity itself, or the court) to initiate liquidation, it should: i) require prior approval of the supervisor, or ii) at a minimum, require prior coordination with the supervisor. If legislation permits another person to initiate liquidation without such prior approval or coordination, it should provide that the supervisor may challenge the person's action.</p>		
ICP 12.9	<p>Legislation provides a high legal priority to policyholders' claims within the hierarchy of claims in liquidation.</p>	No Gap	<p>The order of priorities under WURA section 161(1) are as follows:</p> <ol style="list-style-type: none"> 1) Costs of liquidation 2) Claims of employee unpaid salaries or wages 3) Claims of policyholders except for guarantees owing segregated fund policyholders 4) Claims on guarantees owing to segregated fund policyholders 5) Unsecured creditors
ICP 12.9.1	<p>Policyholders should receive high legal priority in the liquidation of an insurance legal entity (or branch) so that policyholders rank above ordinary unsecured creditors. However, it is common in many jurisdictions that a higher priority is given to a limited number of other categories of claims. These may include claims:</p> <ul style="list-style-type: none"> • by liquidators, such as claims corresponding to expenses arising from the liquidation procedure; • by employees; • by tax or fiscal authorities; • by social security systems; and • claims on assets subject to rights in rem (e.g. through 	No Gap	Same as 12.9

Cite	Subject Matter or Key Language	Gap	Observations and Comments
	collateral, lien, mortgage).		
ICP 12.9.2	In some jurisdictions, policyholders receive higher priority but only on a determined part of the insurance legal entity's assets (e.g. the assets covering technical provisions). In such jurisdictions, with respect to this portion of the insurer's assets, policyholders' claims are generally subordinate only to liquidation expenses.	No Gap	
ICP 12.9.3	In some jurisdictions, a PPS or other protection mechanisms can contribute to a resolution and ensure timely payment of claims to policyholders. Where a bridge institution is available, this can ensure continuity of insurance products in cases where no insurer present in the market takes over the insurance portfolio of the insurance legal entity that would otherwise be liquidated. A PPS or other protection mechanisms could also ensure compliance with NCWOL principle by providing compensation to policyholders so that none are worse off than in liquidation. Mechanisms achieving these objectives (i.e. ensuring timely payment and, when needed, continuity of contracts) should be in place. In some jurisdictions, a PPS can only pay claims after liquidation has been initiated.	No Gap	Assuris can provide financial assistance in a solvent resolution, if certain conditions are met as outlined in Assuris' By-law. Assuris can also assist in the orderly resolution through a formal liquidation process by using its bridge institution to protect policyholders.
ICP 12.10	The resolution authority exercises resolution powers in a way that respects the hierarchy of creditors' claims in liquidation and adheres to the NCWOL principle. If the resolution authority departs from the general principle of equal treatment of creditors of the same class (pari passu), the resolution authority explains the reasons for such departure to all affected parties.	No Gap	
ICP 12.10.1	While respecting the hierarchy of claims, the resolution authority could treat certain types of creditors differently from others in the same class of creditors' hierarchy. In such cases, the reasons for such a treatment need to be clearly explained. Concerned creditors should be protected by the NCWOL	No Gap	

Cite	Subject Matter or Key Language	Gap	Observations and Comments
	principle and where they do not receive at a minimum what they would have received in a liquidation of the entity they should have a right to compensation.		
ICP 12.10.2	<p>For instance, different types of creditors could be:</p> <ul style="list-style-type: none"> • two categories of creditors ranking pari passu where one is covered by a PPS while the other is not; or • two categories of creditors ranking pari passu but the creditors are different in nature (e.g. direct policyholders versus cedents). 	No Gap	
ICP 12.10.3	<p>Different treatment of creditors could be:</p> <ul style="list-style-type: none"> • Settling contracts pari passu at a different pace; or • Reducing (writing down) contracts ranking pari passu at a different rate. 	No Gap	
ICP 12.10.4	<p>These options could be used provided this does not infringe the NCWOL principle. For instance, Figure 2 illustrates the insurance liabilities (ILs) of an insurance legal entity consisting of two portfolios (A and B), with the ILs of each portfolio amounting to 100 and assets amounting to 120. Assuming that each policyholder would thus receive 60% of their credit in liquidation, the resolution authority could reduce the ILs of A to 80 and the ILs of B to 70 (for instance, in the event where a sound insurer or sound insurers accepted to fund part of but not the whole shortfall). If the resolution authority reduces the ILs of B to 40, the resolution authority will need to provide compensation to policyholders of portfolio B (in the amount of 20) in order to meet the NCWOL principle. This simplified example does not take account of potential PPSs which could pay some claims.</p>	No Gap	
ICP 12.10.5	<p>The resolution authority could take actions which could worsen the position of some creditors provided that said creditors receive compensation sufficient to meet the NCWOL. Figure 3 illustrates this approach – it would be beneficial to</p>	No Gap	

Cite	Subject Matter or Key Language	Gap	Observations and Comments
	policyholders in portfolio B to have their policies transferred, but the portfolio transfer worsens the position of policyholders in portfolio A, who therefore should receive appropriate compensation. This example does not take account of potential PPSs which could pay some claims.		
ICP 12.11	Legislation provides whether insurance liabilities may be restructured and whether policyholders may absorb losses.	No Gap	
ICP 12.11.1	<p>In some jurisdictions, insurance liabilities may be restructured. Restructuring, limiting or writing down insurance liabilities may include:</p> <ul style="list-style-type: none"> • suspending or postponing payments to policyholders; • amending terms of insurance contracts; • terminating or restructuring options provided to policyholders; • reducing the value of current and future benefits; • early settling of contracts by payment of a proportion of the insurance liabilities to provide a more rapid and cost-effective resolution. This can apply to future determined benefits but also, and in particular in the case of inward (accepted) reinsurance, to future contingent claims; or • reducing the value of, or restructuring reinsurance contracts issued by the insurer, to allow losses to be imposed on cedents as appropriate and having regard to the NCWOL principle. <p>In most cases, approval from the court is required for the restructuring, while in some jurisdictions the resolution authority is empowered to restructure all or part of insurance liabilities without court approval. Restructuring should only occur if it adheres to the NCWOL principle.</p>	No Gap	<p>In Canada through WURA, insurance liabilities may be restructured. This includes:</p> <ol style="list-style-type: none"> 1) Proportional reduction - per Part III, Section 162.1, if liquidator estimates that the assets of the company are insufficient to provide for the payment in full of the preferred claims, the claims and the transfer or reinsurance may be completed at a percentage of the full amount of the policies, as may be approved by the court. 2) Modification of policies - per Part III, Section 162.2, the court may modify the terms of all or any policies of an insurance company if it will have no material impact on the policyholders under terms of the policies.

Cite	Subject Matter or Key Language	Gap	Observations and Comments
ICP 12.11.2	Where insurance liabilities may be subject to restructuring in resolution, the resolution authority should clearly communicate information (for example, the processes through which such restructuring is undertaken and the extent that policyholders may be forced to absorb losses) to interested stakeholders.	No Gap	
ICP 12.12	Where the insurance legal entity belongs to a group and the head of the insurance group is located in the same jurisdiction as the legal entity, mechanisms are in place through which the head of the insurance group is able to be resolved.	No Gap	
ICP 12.12	This Standard has been created on the grounds that the revised ICP 12 addresses not only legal entity issues but also group issues like other ICPs and resolution of insurance legal entities can be complex where they belong to a group. The IAIS acknowledges that liquidation will take place in most cases on a legal entity basis. On the other hand, there might be cases where resolution actions on one entity can impact other entities within the group (e.g. resolution of the head of the insurance group can impact insurance legal entities in the group). The IAIS acknowledges that guidance needs to be provided under this Standard to help ensure appropriate implementation of the Standard. Please provide your thoughts on what guidance can help implementation of this Standard. Concrete ideas with supporting rationale are welcome.	No Gap	
CF 12.12a.1	<p>The scope of ICP 12 and CF 12 is not limited to insurance legal entities within the group but, where appropriate, is also extended to:</p> <ul style="list-style-type: none"> • the head of the IAIG, and any intermediate holding company within the IAIG; • non-regulated operational entities within the IAIG that are significant to the business of the group; • financial institutions other than insurers within the IAIG; and • branches of insurers within the IAIG. 	No Gap	

Cite	Subject Matter or Key Language	Gap	Observations and Comments
CF 12.12a.2	Resolution options are taken for entities within the group that fall within the scope stipulated above as necessary and appropriate.	No Gap	
CF 12.12a.3	CF12.12a.1 is not intended to override any existing sectorial requirement, for example for banks.	No Gap	
CF 12.13	The resolution authority has the authority to resolve a branch of a foreign insurer located in its jurisdiction.	No Gap	
CF12.13.1	The resolution authority for a branch should have the ability to support a resolution carried out by the resolution authority of the insurance legal entity or insurance group which owns the branch or by the resolution authority responsible for the resolution of the insurance group to which the branch belongs.	No Gap	
CF 12.13.2	The resolution process may differ in the jurisdiction of the branch and in that of the insurance legal entity due to such things as different insolvency laws and creditor hierarchies.	No Gap	
CF 12.13.3	Where the resolution authority of the insurance legal entity which owns the branch or the resolution authority responsible for the resolution of the insurance group to which the branch belongs are not taking action, or are acting in a manner that does not take sufficient account of the objectives of resolution in the branch jurisdiction, the resolution authority responsible for the branch may take actions of its own initiative.	No Gap	
CF 12.13.4	Where the resolution authority for a branch takes resolution action of its own initiative, it should give prior notification and consult the supervisor or resolution authority of the insurance legal entity which owns the branch and/or the supervisor or resolution authority of the insurance group to which the branch belongs.	No Gap	