Zurich Response to Public Consultation on the Development of a National Resolution Framework for (re)Insurers

Zurich welcomes the opportunity to provide feedback on the Department of Finance (the 'Department'), in collaboration with the Central Bank of Ireland (the 'Central Bank'), consultation on the development of a national resolution framework for (re)insurers.

Zurich is a leading multi-line insurer that serves its customers in global and local markets. With about 55,000 employees, it provides a wide range of property and casualty, life insurance products and services in more than 215 countries and territories. Zurich's customers include individuals, small businesses, and mid-sized and large companies, as well as multinational corporations.

Zurich Insurance plc ('ZIP') is a non-life insurance company headquartered in Dublin that offers a broad range of non-life insurance products and services to a wider variety of retail and commercial customers. Business is written from Ireland, from 11 branches regulated in the European Economic Area ('EEA') and from the UK branch which is currently deemed authorized under the Temporary Permission Regime ('TPR').

Zurich Life Assurance plc ('ZLAP') is one of Ireland's most successful life insurance companies, offering a full range of Pension, Investment and Protection products.

The main objective of resolution frameworks is to adequately protect policyholders (and, thereafter, other creditors) in situations of failure or near-failure of an insurer and to ensure an orderly process and outcome, either through recovery or resolution. It is therefore of utmost importance that all involved supervisors and resolution authorities (thereafter 'authorities') fully cooperate and coordinate their actions, nationally, and internationally, in case of insurance groups operating cross-border. Supervisory coordination and cooperation, during a crisis, will ensure the best possible outcome for policyholders. Accordingly, supervisory cooperation should be clearly promoted by the relevant legislation.

In that context thought should be given to the interoperability of national recovery and resolution frameworks. The alignment with EU proposals for a consistent and coordinated European recovery and resolution framework will be critical.

Specific comments to the proposed resolution framework:

It is important that the resolution framework in Ireland is aligned with international standards, such as the Financial Stability Board Key Attributes of Effective Resolution Regimes and International Association of Insurance Supervisors Common Framework for the Supervision of Internationally Active Insurance Groups) on insurance resolution and the proposed EU Insurance Recovery and Resolution Directive ('IRRD'). International and EU alignment is essential to lay the foundations for effective supervisory cooperation and coordination across borders to ensure the best possible outcomes for policyholders.

Consequently, we would like to bring forward the following observations:

1. The structure of any national resolution framework should be aligned with relevant international standards and the IRRD, to avoid an uneven playing field for Irish insurers with cross border activities. The resolution framework in the IRRD foresees a resolution plan at the level of the group, and only at the level of individual insurers if no group plan exists, while at the same time providing for cooperation between EU resolution authorities, with the purpose of achieving the best outcome for policyholders. A national framework that foresees entity level plans in all cases, is clearly not in line with the core principles of the IRRD.

2. The timing of the implementation of an Irish national resolution framework should be aligned with that of the IRRD, which is currently under discussion and expected to enter into force in 2024. Implementation of a national framework while EU negotiations are underway will lead to unnecessary uncertainty for insurers, and ultimately, their policyholders. Implementing a new system, which may then be changed in the short term to re-align with the IRRD to ensure adequate interoperability, could also introduce unnecessary costs. Therefore, we would strongly recommend aligning the timing of any Irish resolution framework with the implementation of the finalized IRRD.

3. For Irish insurers that are part of a non-EU insurance group, if a group resolution plan exists, it should be considered as eligible for addressing Irish' requirements. In the case of Irish insurers that are part of an insurance group domiciled in Switzerland and falling under Swiss group supervision, Irish supervisory and resolution authorities should liaise with FINMA, which is in the process of setting up Crisis Management Groups.

With regard to the specifics of a possible national resolution framework as outlined in the consultation document, we would like to share the following observations:

a) Question 5b asks who should prepare the resolution plan. In the absence of a group resolution plan, local resolution plans should be prepared by local resolution authorities in cooperation with all relevant authorities, with insurer participation. Zurich believes that the collaboration between local and international resolution and supervisory authorities is crucial to ensure that authorities develop an aligned resolution plan, recovery and resolution plans are aligned and there are no contradictory requests to the insurer.

b) Question 6b enquires after the impact of additional capital buffers. Capital buffers are unnecessary as the Solvency II legal framework requires insurers to hold capital in accordance with their risks and defines an intervention ladder for when insurers fall below the Solvency Capital Requirement. Moreover, capital buffers are not consistent with the proposed IRRD: the proposed resolvability measures (proposed art. 15 IRRD) do not contain such a measure. In fact, the Explanatory Memorandum to the IRRD proposal, on page 2, explicitly states that for the purpose of achieving full consistency with Solvency II, the IRRD does not propose a new pre-defined intervention trigger, other than the level of the Solvency Capital Requirement. Lastly, a capital buffer would increase the cost of capital for Irish based insurers, negatively impact profitability and lessen Ireland's attractiveness as a financial hub.

c) Zurich fully supports the response to the consultation from Insurance Ireland, which provides more detailed feedback on all the questions raised in the consultation paper.