

The LIAJ comments on the Draft Issues Paper on roles and functioning of Policyholder Protection Schemes

Question	Comment
Q1. General comments on the Issues Paper	<ul style="list-style-type: none"> The Life Insurance Association of Japan (hereafter the “LIAJ”) appreciates the opportunity to submit public comments to the International Association of Insurance Supervisors (or the “IAIS”) regarding the Draft Issues Paper on roles and functioning of Policyholder Protection Schemes (PPSs). We recognize that this paper is intended to provide information such as a description of each jurisdiction’s practices and relevant regulatory and supervisory issues to jurisdictions that are considering establishing a PPS or modifying an existing PPS. It is also quite appropriate and meaningful that the purpose of this paper is not to set new supervisory standards with respect to PPSs or to set forth expectations of the IAIS for a particular supervisory approach. With this in mind, we would like to submit the following comments.
Q35. General comments on Section 2.3.1 Recovery phase	<ul style="list-style-type: none"> Since PPS is established in different countries with different backgrounds, rationale, functions and authority, as stated in paragraph 27 as “The form of any PPS intervention at the recovery phase should be carefully considered in order to minimise the risk of potential moral hazard that could arise from such an intervention,” we would like to confirm that the IAIS is not necessarily recommending PPS intervention in the Recovery phase, but is seeing “The primary objective of a PPS centres on the protection of policyholders against losses in the event of an insurer’s failure,” as stated in paragraph 25.
Q36. Comments on Paragraph 25	<ul style="list-style-type: none"> Since the paper states that “Only a few members responded to the survey that PPSs can be used for recovery in their jurisdiction. The primary objective of a PPS centres on the protection of policyholders against losses in the event of an insurer’s failure,” we recommend that the phrase “In some jurisdictions,” be included in the statement shown below in order to prevent the misunderstanding that intervention in the recovery phase is common. <u>“In some jurisdictions,</u> a PPS may also serve its functions at an earlier stage on a going concern basis; beyond its primary role of paying claims to policyholders on an ex-post crisis basis. A PPS may intervene early to restore the financial condition and viability of an insurer under severe stress.”