PIDM as deposit insurer and resolution authority for its MIs

As a resolution authority, PIDM's powers enable it to take pre-emptive measures and resolution actions. PIDM focuses on being resolution-ready during Business As Usual (BAU) times through resolution planning.

Since the Asian Financial Crisis 25 years ago, the Malaysian financial system has evolved significantly. Considerable measures have been taken to ensure the robustness of the financial system, including strengthened institutional arrangements. In 2005, PIDM was established as the nation's deposit insurer, as set out in Bank Negara Malaysia's (BNM) Financial Sector Masterplan 2001 - 2010. PIDM's roles are to protect consumers in case of a MI failure, incentivise sound risk management and promote financial system stability. These work together to enhance the confidence of financial consumers in FIs and the system as a whole.

PIDM also fulfils its public policy objectives by establishing an effective regime for the resolution of its member banks and insurers. As resolution authority for its MIs, PIDM has a broad range of powers and tools to maintain public confidence in the financial system, during BAU as well as in times of crisis. Depending on the situation, PIDM's powers can be deployed either pre-emptively to avert a risk to the financial system, or to resolve a MI that has been declared to be non-viable by BNM.[2] At a broader level, PIDM's policy apparatus include a blanket government deposit guarantee as a stabilisation measure (introduced during the GFC until December 2010). In times of crisis, these collective powers provide options for expedient decision making. Through regular simulations within PIDM and with domestic and foreign authorities, PIDM attains higher levels of operational readiness and strengthens the efficacy of its resolution framework.

PIDM works closely with BNM and the Ministry of Finance to strengthen the bank resolution framework and financial safety net. The composition of PIDM's Board of Directors includes ex-officio members, namely the Governor of BNM and the Secretary General of the Treasury, which facilitates the coordination of interventions and resolution actions involving troubled MIs. Inter-agency arrangements are continually tested and reinforced via joint simulation exercises. Additionally, the Strategic Alliance Agreement between PIDM and BNM ensures continuous collaboration in key areas, including timely exchange of information and policies such as the Recovery and Resolution Planning framework.

Preparing to be prepared in uncertain times - the best time to repair the roof is when the sun is shining

Recovery and Resolution Planning (RRP) interacts with other BAU frameworks to build the resilience of MIs and the financial system through robust planning.

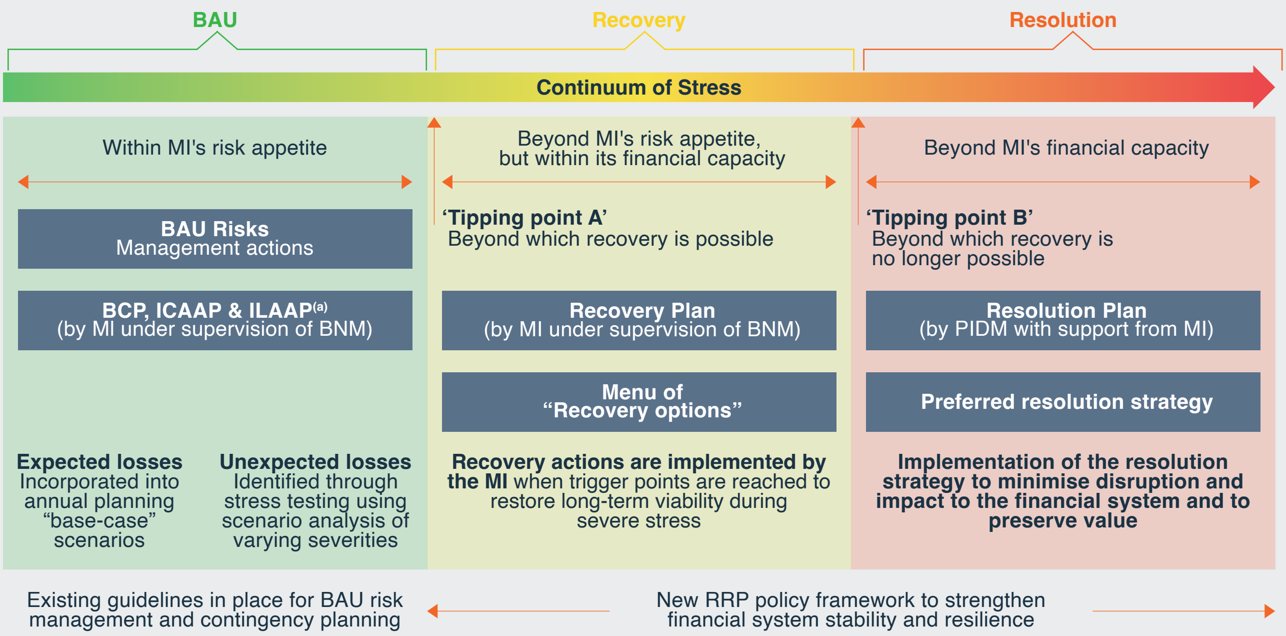
RRP is a key component of post-GFC reforms to build the resilience of FIs and the financial system. Many recall the chaos from the abrupt bankruptcy of Lehman Brothers on 15 September 2008. The ensuing resolution proved to be a highly complex exercise requiring more than a decade and counting. Here, RRP lends credence to the counterfactual scenario of distressed FIs being well-prepared for crisis and preventing contagion to the rest of the system.

Recovery Planning (RCP) aims to restore the long-term viability of an institution and return it to BAU when it comes under severe stress. RCP is under BNM's purview and the policy for banks was issued in July 2021, with a phased implementation approach. If recovery options fall short in addressing the long-term viability of an institution, the focus shifts to achieving a prompt and orderly resolution of the failing MI. This is where RSP comes into play, as a policy tool and process used by PIDM to prepare in advance for resolution. With such crisis preparedness arrangements in place, MIs can fail in a safe manner irrespective of their size, with minimal disruptions to the market, financial system and economy. PIDM issued its guidelines on RSP requirements to member banks in September 2023.

[2] PIDM's loss mitigation powers allow it to undertake early intervention actions on MIs to reduce or avert a risk to the financial system or a threatened loss to PIDM. These include acquiring the assets of an MI, and acquiring or subscribing to its shares or capital instruments. Save for purposes of liquidity assistance, PIDM may extend or guarantee loans, advances or financing to an MI. PIDM's failure mitigation powers can be applied once BNM issues a non-viability notice for an MI. These include powers to transfer assets and liabilities to an existing entity, bridge institution or asset management company; to appoint an administrator to assume control of and manage or restructure the MI; to temporarily stay early termination rights or proceedings; to close and liquidate the failed bank with timely reimbursement of deposits and others

As part of inter-agency coordination, RRP policies have been streamlined by BNM and PIDM to minimise regulatory burden on the industry.[3] As depicted in Diagram 1, the interaction of RRP within an institution's risk management and contingency planning framework can be framed through the overarching lens of a stress continuum on the institution. It covers the condition from BAU operations to when recovery actions are triggered, and further deterioration leading to the activation of resolution strategies.

Diagram 1: Overview of interlinkages between existing risk management practices of MIs, RCP and RSP



(a) Business Continuity Plan (BCP); Internal Capital Adequacy Assessment Process (ICAAP); Internal Liquidity Adequacy Assessment Process (ILAAP)

Resolution planning for institutions to be 'transfer-ready'

Ideally, the most suitable resolution strategy depends on the structure, financial and operational dependencies, as well as idiosyncrasies of the MI. In Malaysia, 'transfer-ready' is the primary resolution strategy.

Through RSP, PIDM aims for member banks to be transfer-ready and resolvable, ensuring that critical economic functions performed by the institution can continue with minimal disruption to the financial system and economy. The institution's franchise value can also be better preserved. In essence, the going concern resolution strategy involves transfer of shares, businesses and / or portfolio of assets and liabilities of the institution to a private sector purchaser (commonly referred to as purchase and assumption or P&A) or in the absence of acquirers, to a temporary bridge institution run by PIDM. Restructuring of the institution is another option, which covers possible assets carve-out through an asset management vehicle. For smaller and less complex institutions, an alternative gone concern strategy is to wind up and liquidate the failed institution, while ensuring timely reimbursements to depositors.

[3] An example is PIDM leveraging existing data gathered from the strategic analysis exercise during the RCP process to support RRP requirements

Benefits derived by financial institutions from enhanced planning for crisis

Being transfer-ready helps institutions to unlock strategic value during BAU times, including for Mergers and Acquisitions (M&A)

It is important to recognise that crisis preparedness yields on-going, beneficial outcomes to institutions. Through RSP, if done right, being transfer ready improves the ability to affect a transfer at BAU and at resolution, thereby facilitating better and swifter valuation of the institution. By building this capability during peacetime, institutions can quickly act on any opportunities for M&A, which will enhance their overall value. In addition, when the business is viewed from the perspective of resolution, institutions can uncover new insights.

For instance, the Board and senior management will have greater clarity of roles and responsibilities to guide decisive actions in times of very severe stress. When identifying impediments to resolution, institutions can also improve operations and risk management in areas such as Management Information Systems capabilities, legal certainties, crisis communications plans, and others. Moving forward, more resolvability criteria will be incorporated into PIDM's differential premium systems framework (in addition to the three resolution centric criteria) to further incentivise the resolvability of institutions.

Gleaning insights from global case studies of resolution

The case studies of the resolution of troubled banks and insurance companies enable us to draw new insights from global experiences, adapted for domestic situations or needs

To highlight actual scenarios and experience from the implementation of various resolution strategies, PIDM has developed 25 case studies of bank and insurance resolution (refer Table 1 and Table 2).

Table 1: List of case studies of bank resolution

	Resolution strategy	Jurisdiction(s)	Financial Institution	Year
Banking	P&A and Bridge bank	United States	Silicon Valley Bank	2023
	P&A	United States	Washington Mutual Bank	2008
	Sale of business; Insolvency	Croatia, Slovenia; Austria	Sberbank d.d., Sberbank banka d.d.; Sberbank Europe AG	2022
	Sale of business	Spain	Banco Popular Español	2017
	Bridge bank	Japan	Incubator Bank of Japan	2010
	Moratorium and restructuring	India	YES Bank	2020
	Temporary capital placement	Indonesia	PT Bank Century	2008
	Nationalisation and restructuring	China	Baoshang Bank	2019 - 2020
	Nationalisation and restructuring	United Kingdom	Royal Bank of Scotland	2008
	Nationalisation and restructuring	Korea	Woori Financial Group	1998
	Precautionary recapitalisation[4]	Greece, Italy	National Bank of Greece, Piraeus Bank, Banca Monti dei Paschi di Siena	2015 - 2017
	Insolvency	Germany	Wirecard AG	2020
	Bankruptcy	Netherlands	Amsterdam Trade Bank N.V.	2022
	Voluntary market exit[5]	Australia	Xinja Bank	2020 - 2021

[4] Although precautionary recapitalisation is not a resolution tool, it has been included in the case studies due to the relevance of early interventions in steering solvent but troubled institutions towards recovery, and pre-emptively averting the failure of such institutions

[5] The experience of a voluntary market exit by a digital bank was included to highlight the commercial decision by Xinja to surrender its banking license and return deposits to customers

Transfer approaches including P&A as the key strategy for the resolution of banks

The cases of bank resolution include actions using the transfer approaches (comprising the P&A and the sale of business mechanisms), which enabled effective execution of the resolution strategy by authorities in the US and Europe. Recent cases of bank failure in the US also demonstrate that the capability to execute transfers expeditiously proved to be crucial. The speed of deposit runs and large withdrawals were unprecedented,[6] pressuring authorities to act urgently as liquidity risks pushed banks over the edge.

The transfer or P&A tool is widely considered as the most efficient and least disruptive resolution method. Among others, it preserves critical functions performed by the institution, protects depositors by ensuring continued access to banking services, and minimises the contagion of risks to the rest of the banking system. Advanced planning for transfers during BAU times also yield benefits such as managing buyer-seller expectations of the transfer price, minimising friction costs associated with the transaction, or estimating the exposures of DIs towards facilitating a conducive market for clearance of the transaction.

In the US, since 2007, P&A represented about 95% of the Federal Deposit Insurance Corporation's (FDIC) total resolutions, which generally involved a single acquirer assuming most of the liabilities of the failing bank.[7] Additionally, recent research of P&A transactions for failed US commercial banks over 30 years demonstrated that the combined entity improved over a long-term in the areas of bank profitability, capital strength and portfolio risk.[8] A study of bank failures in the US from 2008 to 2013 also highlighted total estimated savings of $42 billion using loss sharing transactions (as part of P&A), when compared to the estimated costs of reimbursement to depositors.[9]

At a broader level, resolution toolkits (going and gone concern) provide authorities with a range of resolution options, which can be used by themselves or in combination. A recent resolution strategy that has been added in some jurisdictions internationally is the "bail-in" regime. However, in Asia, it remains relatively new and untested.[10] Selecting the optimal resolution approach will depend on, among others, the size, complexity, interconnectedness and substitutability of the institution and its businesses.

As for liquidation and reimbursement, these are typically applied for smaller banks that do not perform critical economic functions. Across the Asia Pacific region, this tool has been widely used in several jurisdictions with a larger presence of rural banks (since the inception of various deposit insurance schemes, there has been 1,656 cases which were resolved via liquidation and reimbursement).[11]

Table 2: List of case studies of insurance resolution

	Resolution strategy	Jurisdiction(s)	Financial Institution	Year
Insurance	Transfer of business and run off	Germany	Mannheimer Life	2003
	Supervised run off, liquidation and payment of claims	United States	Lumbermens Mutual Casualty Company	2003
	Bridge institution and transfer of business	Japan	Nissan Mutual Life	2007
	Nationalisation, bridge institution, and restructuring	China	Anbang Insurance Group	2018
	Liquidation and payment of claims	Australia	HIH Insurance Group	2001
	Bankruptcy	Netherlands	Conservatrix N.V.	2020
	Insolvency	United States	Merced Property & Casualty Company	2018

6 Justin R., Federal Reserve Bank of St. Louis (2023). *Understanding the Speed and Size of Bank Runs in Historical Comparison.* Economic Synopses 2023, No. 12
7 Martin J. G., FDIC (2019). An Underappreciated Risk: *The Resolution of Large Regional Banks in the United States*
8 Spokeviciute L., Jahanshahloo H., Keasey K., and Vallascas F. (2021). *Three Decades of Failed Bank Acquisitions*
9 FDIC (2017). *Crisis and Response: An FDIC History,* 2008-2013. Washington, DC: *FDIC*
10 The South East Asian Central Banks (SEACEN) Research and Training Center (2021). *To Bail-in or Not to Bail-in: A Question for Asian Financial Policymakers*
11 IADI (2020). *Membership Profile of the Asia-Pacific Regional Committee – Research Paper*

Differences in the resolution of failed insurers for life and non-life segments

Compared to bank failures, the nature of insurer failures is typically less time-sensitive. The resolution approach for insurers reflects this 'slow-burn' characteristic by prioritising continuity of coverage to protect policy-owners (particularly for the life segment) through transfer of business or portfolio run-off.

According to the International Associations of Insurance Supervisors (IAIS) – "the resolution strategy needs to recognise that resolution schemes play out very differently depending on the type of business involved; for example, the difference between contracts where premium is calculated year-to-year and claims are closed shortly after the end of the policy period; long-duration claims that might be paid out for decades after the losses have incurred; and long-term contracts where the premium paid in early years is intended to subsidise the insurer's long-term obligations when claims are much more likely to occur. This distinction is important for liquidation as well as for non-liquidation alternatives".[12]

Global research on the failures of insurance companies and resolution approaches have yielded many useful insights. A comprehensive study of 437 cases (150 life and 287 property and casualty insurers) in 2019 concluded that for the life sector, asset mix was a significant factor in predicting an impairment, with no influence from operating efficiency. Conversely, for non-life insurers, operating efficiency was prominent (as opposed to asset mix).[13]

Another study across the European landscape (180 insurance undertakings from 31 countries) in 2018 also delineated primary causes that led to the failure or 'near misses' of failure, of life and non-life insurers. For the life segment, the key risks (listed in order) were from management and staff, investment (asset-liability management), market, evaluation of technical provisions and the economic cycle. For the non-life segment, the top five risks that emerged were evaluation of technical provisions, internal governance and control, management, and staff, as well as underwriting and accounting.[14]

Meanwhile, in the US and Japan, research findings from insolvency cases of selected life insurers show that the adverse impact of failure on policy owners were mitigated through several resolution actions – imposing immediate suspensions of surrenders, changing contract provisions, avoiding the fire sale of assets, and finding other healthy institutions to take over assets and liabilities of the failed life insurer.[15] Lastly, research by the Canadian Property and Casualty Insurance Compensation Corporation (PACICC) identified common primary and contributing causes of Property & Casualty (P&C) insurance company failures as stemming from internal operations, organisational structure, adequacy of regulatory oversight as well as natural disasters.[16]

The new mantra of 'just-in-case'

Low probability, high-impact events are a fact of life … humanity reveals instead a preference to ignore them until forced to react – even when foresight's price-tag is small

The Economist

In response to crisis events of the past few years, corporate and governmental mindsets alike have shifted from a 'just-in-time' to 'just-in-case' posture. Crisis preparedness and management is increasingly recognised as a strategic capability to tackle challenges ahead.[17]

In the context of the financial sector, the last decade has seen many institutions working with authorities in their jurisdictions on RRP and resolvability assessments. These collective efforts have contributed towards stronger risk management for those institutions, as well as greater stability and resilience of the financial system against crisis. With advanced planning, authorities are able to better assess the possible systemic impact, risks and complexities of an FI's failure, and to respond appropriately. This offers alternative options to bail out during a crisis, with the strategic aim of making the financial system more resilient and sustainable.

Going forward, technological innovations, climate-related risks and new developments will see the financial sector evolve towards greater market dynamism. Equally important is the focus on building resilience and preserving the stability of financial systems. PIDM will continue to stay abreast of emerging challenges and global experiences, in developing potential solutions to the complexities of the Malaysian financial system.

[12] IAIS (2021). *Application Paper on Resolution Powers and Planning*
[13] Oliver B., George O., Banque de France (2019). *Why do insurers fail? A comparison of life and non-life insolvencies using a new international database. Note: the authors of the paper used the definition of 'impairment', which includes some firms that have returned to financial health after interventions (major restructuring or large-scale government bail-out)*
[14] European Insurance and Occupational Pensions Authority (EIOPA) (2018). *Failures and near misses in insurance – overview of the causes and early identification*
[15] Geneva Association (2015). *US and Japan Life Insurers Insolvencies Case Studies – lessons learned from resolutions*
[16] Peng Z., Campbell I., & Kelly G., PACICC (2022). *Why insurers fail. Mapping the road to ruin: Lessons learned from four recent insurer failures*
[17] BSI (2018). *Crisis Management – Building A Strategic Capability. PD CEN/TS 17091: 2018 standard*

Overview of Case Studies

Banking institutions

	Case studies		Reasons for distress / failure	Overview of resolution actions
1	Silicon Valley Bank *(SVB) (2023, United States)*	Non-systemic. However systemic risk exception was triggered due to concerns of broader risk contagion	Rapid growth in deposits and investments in securities (unrealised losses in rising interest rate environment), poor risk management of business model and balance sheet strategies, liquidity crisis from significant deposit withdrawals / bank run by uninsured depositors	**Purchase and Assumption** of **SVB Bridge Bank** by First Citizens Bank & Trust Company (First Citizens), including $72 billion of assets, and a loss sharing transaction between the FDIC and First Citizens. FDIC also provided First Citizens with a credit facility of $70 billion and a loan of $35 billion, and received equity appreciation rights for common stocks of First Citizens (valued up to $500 million); systemic risk exception was applied by US authorities to protect all deposits (including uninsured) in SVB; and the SVB Bridge Bank was established to provide time for the FDIC to source for prospective acquirers for SVB. In the UK, the Bank of England sold Silicon Valley Bank UK Limited to HSBC UK Bank Plc for £1.
2	Washington Mutual Bank *(WaMu) (2008, United States)*	Failure during GFC / systemic crisis[18]	Aggressive expansion into subprime mortgages, substantial deposit outflows	**Purchase and Assumption** of WaMu by JPMorgan Chase Bank (JPMorgan Chase) for $1.9 billion; WaMu's bondholders, shareholders and investors bore losses of about $30 billion. Prior due diligence by JPMorgan Chase contributed to the swift resolution.
3	Sberbank Europe AG *(Sberbank Europe),* Sberbank d.d. *(Sberbank Croatia),* Sberbank banka d.d *(Sberbank Slovenia). (2022, Austria, Croatia, and Slovenia)*	Resolution of Sberbank Croatia and Sberbank Slovenia was in public interest to maintain financial stability	Geopolitical crisis - Russian invasion of Ukraine. Sberbank Europe was a fully-owned subsidiary of Sberbank of Russia[19]	**Sale of business** – transfer of shares from Sberbank Croatia to Hrvatska Poštanska Banka d.d. (Croatian Postbank) for HRK71 million (€9.4 million / $10.5 million) and from Sberbank Slovenia to Nova Ljubljanska Banka d.d. (NLB) for €5.1 million ($5.7 million); **insolvency** of parent entity, Sberbank Europe in Austria and payout by Austrian Deposit Guarantee System; **moratorium** (suspension on payments, enforcement and termination rights) applied by the EU Single Resolution Board (SRB) for 48 hours.
4	Banco Popular Español *(Banco Popular) (2017, Spain)*	Resolution was in public interest to maintain financial stability	Spanish financial crisis, high Non-Performing Loans (NPLs), bank runs / liquidity crisis	**Sale of business** - transfer of shares to Banco Santander for €1; Banco de Espana (Spanish Central Bank) provided Emergency Liquidity Assistance (ELA) of €3.5 billion ($4 billion) to Banco Popular prior to its failure. **Write-down** of Additional Tier 1 and Tier 2 bondholders of €2 billion ($2.25 billion).
5	Incubator Bank of Japan *(IBJ) (2010, Japan)*	Non-systemic	Over-expansion and risky business model	A **bridge bank** was established by the Deposit Insurance Corporation of Japan (DICJ) to take over IBJ's good assets and insured deposits (uninsured deposits and general claims remained with IBJ and were reimbursed through civil rehabilitation procedures over a period of six years). DICJ provided financial assistance to the bridge bank and IBJ. Shares of IBJ were transferred from the bridge bank to AEON Bank 15 months after IBJ's failure.

[18] The systemic risk exception was not applied to WaMu
[19] The largest bank in Russia and majority-owned by the Russian Federation

	Case studies		Reasons for distress / failure	Overview of resolution actions
6	YES Bank *(2020, India)*	Non-systemic, but was India's fourth largest private lender	Aggressive growth, depositor run, default on bond coupon payment, management and governance crisis	**Restructuring – moratorium** on depositor withdrawals and prohibition on granting loans or payments; **Reconstruction scheme** drawn up within 14 days including new investments by a government-owned commercial bank and a consortium of seven private FIs totalling INR100 billion ($1.35 billion); write down of INR84 billion ($1.1 billion) of AT1 bonds; Reserve Bank of India extended credit line of INR600 billion ($7.9 billion) to YES Bank.
7	PT Bank Century *(2008, Indonesia)*	Failure during GFC (adverse contagion impact)	Negative capital position	**Temporary capital placement** – renamed as PT Bank Mutiara; total capital injections of IDR8 trillion ($658 million) by Indonesia Deposit Insurance Corporation (IDIC); sale of Bank Mutiara to a Japanese finance company, J Trust Co for IDR4.4 trillion ($360 million) in 2014.
8	Baoshang Bank *(Baoshang) (2019-2020, China)*	Non-systemic. However, broader concern on overall health of regional / small banks	Fraud and related party transactions (linked to Tomorrow Group)	**Nationalisation and restructuring** – blanket guarantee of all Baoshang's retail and corporate deposits, and interbank debts up to CNY50 million ($7.2 million); liquidity support of CNY23.5 billion ($3.38 billion) by People's Bank of China (PBOC); appointment of China Construction Bank to manage Baoshang's day to day operations; transfer of business, assets and liabilities to Mengshang Bank (new entity) and Huishang Bank (with financial assistance of CNY34.4 billion ($5 billion) from PBOC); liquidation of bad bank; write down of Tier 2 bonds of CNY6.5 billion ($984 million).
9	Royal Bank of Scotland *(RBS) (2008, United Kingdom)*	Failure during GFC / systemic crisis	Capital, funding and governance issues, over-expansion, uncertain asset quality, credit trading losses	**Nationalisation and restructuring** – total capital injection of £45.5 billion ($75.8 billion) by Her Majesty's Treasury resulting in ownership of 84% of RBS; Bank of England provided ELA in USD and £ (usage peaked at $25 billion and £29.4 billion ($47.9 billion), and was repaid in December 2008); RBS established internal non-core division to manage £258 billion ($426 billion) of bad assets. The UK government still holds 38.6% in RBS with plans for full disposal by 2026.
10	Woori Financial Group *(Woori) (1998, Korea)*	Systemic, failure during Asian Financial Crisis (AFC) (adverse contagion impact)	High NPLs during AFC	**Nationalisation and restructuring** – Open Bank Assistance / capital injection of $7.9 billion by Korea Deposit Insurance Corporation (KDIC); MoU between KDIC and Woori for oversight; restructuring and listing of Woori on Korea Stock Exchange and New York Stock Exchange; Korean government owns remaining stake of 3.6% in Woori with plans for full divestment.
11	National Bank of Greece *(NBG),* Piraeus Bank *(2015, Greece)*	Systemic[20]	Severe economic downturn in Greece	NBG and Piraeus: **Precautionary recapitalisation** totalling €5.4 billion ($6 billion) by Hellenic Financial Stability Fund in the form of contingent convertibles and ordinary shares.
	Banca Monti dei Paschi di Siena *(MPS) (2017, Italy)*		Losses from acquisitions, risky derivative trades, high NPLs	MPS: **Precautionary recapitalisation** of €5.4 billion ($6 billion) by way of capital injection and compensation to retail investors for the mis-selling of financial products by MPS,[21] as well as comprehensive restructuring plan.

[20] These banks are deemed to be systemically important institutions by authorities in the relevant jurisdictions

[21] This case study focuses on precautionary recapitalisation for the resolution of MPS. Other actions included restructuring and NPL divestments

	Case studies		Reasons for distress / failure	Overview of resolution actions
12	Wirecard AG *(2020, Germany)*	Non-systemic, but key payments / card provider (Europe's largest Fintech)	Accounting fraud, gap in regulatory oversight	**Insolvency** of Holding Company providing Fintech services; regulators ring-fenced subsidiary (Wirecard Bank); UK Financial Conduct Authority suspended the e-money license of Wirecard UK. Wirecard Bank carried out private sector wind down in 2021.
13	Amsterdam Trade Bank N.V. *(ATB) (2022, Netherlands)*	Non-systemic	Operational failure due to sanctions imposed on ATB and its parent (Alfa Bank)[22] from Russian invasion of Ukraine	**Bankruptcy** – ATB was declared bankrupt by the Amsterdam District Court (pursuant to ATB's filing). The Deposit Guarantee Scheme for account holders of ATB was activated by the Dutch Central Bank (DNB).
14	Xinja Bank Limited *(Xinja) (2020-2021, Australia)*	Non-systemic, newly licensed neo / digital bank	Funding and business model concerns	**Voluntary market exit** – commercial decision by Xinja to surrender its banking license in mid-December 2020. Deposits of AUD252 million ($191 million) were successfully returned to customers within 1 month after the exit was announced. This includes the use of the Australian Prudential Regulation Authority's (APRA) powers to effect the voluntary transfer of remaining tail deposits to the National Australia Bank.

Insurance companies

	Case studies		Reasons for distress / failure	Overview of resolution actions
1	Mannheimer Life *(2003, Germany)*	Life	Challenge in meeting guaranteed investment returns, significant equity investments / slump in capital markets	**Transfer of business** to Protektor Lebensversicherungs-AG (Protektor), a private safety net scheme by Germany's life insurers – about €240 million ($285 million) was allocated from Protektor to meet Mannheimer Life's solvency requirement; Protektor undertook **run-off scheme** to protect policy owners and after 15 years, transferred remaining policies to Entis, which was then sold to Viridium Group, a specialised insurance portfolio manager.
2	Lumbermens Mutual Casualty Company *(2003, United States)*	Non-life	Asbestos claims from workmen compensation policies, difficulty in raising capital (as mutual insurer)	**Supervised run-off** successfully implemented – surplus and liquidity enhancing transactions, staff retention, and close supervision by Illinois Department of Insurance (over 500 corrective orders, allowances for accounting practices); orderly transition towards **liquidation** after about 10 years in 2013. The liquidation then triggered **payment of claims** by insurance guarantee funds for liabilities up to coverage limits.
3	Nissan Mutual Life *(Nissan Life) (1997, Japan)*	Life	Economic recession, prolonged low interest rates, poor stock market performance, default on loans to real estate developers	Setup of **bridge insurer** (Aoba Life Insurance Co) under the Life Insurance Association of Japan to take over Nissan Life's assets and existing policies; Insurance Policyholders Protection Fund provided ¥200 billion ($1.8 billion) with balance of losses borne by policy owners; suspension of policy surrenders to manage liquidity; **transfer of business** / sale of Aoba to Artemis (French retailer group), which then sold Aoba to Prudential Life Insurance (US) after five years.

[22] Alfa Bank was the largest private bank and fourth largest financial institution in Russia

	Case studies		Reasons for distress / failure	Overview of resolution actions
4	Anbang Insurance Group *(Anbang)* *(2018, China)*	Composite	Aggressive expansion: overseas acquisitions of loss-making insurers and property assets, high guaranteed yield / equity investments and mismanagement	**Nationalised**: China Banking and Insurance Regulatory Commission assumed control of Anbang for two years, including restructuring efforts with PBOC and other authorities; the China Insurance Security Fund injected fresh capital of CNY60.8 billion ($8.6 billion) into Anbang, owning 98.2%; established new entity (Dajia Insurance Group) / **bridge institution** to acquire Anbang's core businesses of life insurance, general insurance, pension insurance and asset management.
5	HIH Insurance *(HIH)* *(2001, Australia)*	Non-Life	Improper reserving practice, aggressive pricing, rapid business expansion, conglomerate complexity, poor governance, abuse of reinsurance, others	Placed into **liquidation**; liquidator worked with other insurers to cover protection gaps (e.g. builder's warranty insurance); government and industry setup a claims support scheme (HIH Scheme) for **payouts** / compensation of losses to policy owners – this scheme was worth more than AUD500 million ($318 million); Royal Commission established to look into the failure of HIH – the Australian government adopted an Insurance Guarantee Scheme (IGS) for general insurers in 2008, administered by APRA.
6	Conservatrix N.V. *(Conservatrix)* *(2020, Netherlands)*	Life	Unable to sustain high guaranteed returns and profit-sharing policies	**Bankruptcy** declared in 2020 as Conservatrix was unable to meet future obligations to policy owners; DNB appointed a trustee, to look into supporting the continuity of insurance coverage for policy owners which were eventually assumed in July 2022 by Waard, Chesnara PLC's Dutch closed book operation; previous action taken by DNB in 2017: transfer of Conservatrix shares to a new owner, which then recapitalised the institution.
7	Merced Property & Casualty Company *(Merced)* *(2018, United States)*	Non-life	Climate / natural disaster risk (wildfires), over-concentration of geographical risks	**Insolvency** – California State Insurance Commissioner declared Merced insolvent and initiated liquidation proceedings. The IGS: California Insurance Guaranty Association (CIGA) assumed covered policies and reimbursed almost 90% of total losses suffered by owners of Merced's insurance policies.