



IAIS

INTERNATIONAL ASSOCIATION OF
INSURANCE SUPERVISORS

Consultation on:

ICP 4 Licensing

ICP 5 Suitability of Persons

ICP 7 Corporate Governance

ICP 8 Risk Management and Internal Controls
and related Glossary Terms

Annick Teubner

Chair, Governance Working Group

Stakeholder Session

5 October 2015



Consultation – June - August 2015

Comments and input received

On Glossary:

Comments from

- 2 Industry
- 4 Members

On ICPs 4, 5, 7 and 8:

Numerous comments from

- 17 Industry
- 6 Members

Overarching issues

Issue / comment	Proposed resolution
Need for the IAIS to better communicate the approach being taken to proportionality as part of the overall ICP revision project	Proportionality applies in general throughout the ICPs. This will be better clarified in the revision of the introduction to the ICPs.
Some comments about adding text that national/jurisdictional law/regulations/requirements prevail	This is a general issue that applies to all international standards – they are not directly applicable but need to be implemented in national legislation/regulation. This will be reflected more clearly in the ICP Introduction.
Too prescriptive guidance	Guidance is <u>not</u> requirement – only intention is to provide examples and further explanations. Jurisdictions are not assessed on guidance.

ICP 4 Main comments

Comment	Proposed resolution
ICP 4 Some concerns about requirements for transparency with respect to restrictions/conditions to the license.	ICP 4 is about the initial licensing procedure - added "to the license" to emphasize this. Amendments made as not all conditions need to be public.
Comments about more guidance related to branch supervision	This ICP focusses on the initial licensing of an insurer - not on supervision (This ICP is not the appropriate place for issues related to branch supervision).
Request to add "pursuant to local (company, trade or commercial) law and requirements" when ensuring that insurance legal entities meet their obligations".	See Overarching Issues Following local laws and requirements is true of all supervisory action; the ICPs do not suggest otherwise (and particularly not necessary in Guidance)
Comments concerning recognition of "passporting" systems and unnecessary guidance	ICPs are for a global audience. Passporting is a commonly understood within the EU - but not necessarily in other regions. Other regions may consider such a concept and could benefit from the guidance given.

ICP 5 Main comments

<p>ICP 5 Some concerns about proposals in the draft revision for enhanced regulatory scrutiny in respect of suitability requirements.</p>	<p>There has not been a substantive change from the requirements of the existing ICP. These concerns would appear, at least in part, to reflect differences between jurisdictions.</p>
<p>Many comments to 5.3.7 (on assessment of integrity) Main concern appear to be over the potential subjectivity of the language and meaning of concepts such as "civil liability".</p>	<p>This section was considerably expanded to provide additional guidance - GWG is working to improve the clarity of this guidance. (Section previously titled 'criminal indicators' has been renamed 'legal indicators')</p>
<p>"Evidence" of competence and integrity...</p>	<p>Will not use the term "evidence" – but "demonstration" of ...</p>
<p>Too much detailed and prescriptive "requirements" in guidance – (e.g. "requiring" Board members to participate in tailored and comprehensive induction programmes...)</p>	<p>Only Guidance – not requirements. Some changes made to alleviate the concerns. (e.g. edited to "access to ongoing training on relevant issues" ...)</p>

Main issues ICP 7

Issue / comment	Proposed resolution
Various comments on Board structures and terminology (e.g. to align terminology with Solvency II: replace “Board” by “Administrative, managing and supervisory body”).	IAIS will keep the agreed definition of Board and use of term “Board” throughout the ICP material – allowing for all kinds of Board structures. The IAIS does not see a need to align language with Solvency II.
Comments of Mutuals on the descriptions of board structures and their applicability to mutuals.	GWG revised the relevant paragraphs to better allow for mutuals.
The Board cannot “ensure” (use of the word ensure)	The word “ensure” appropriately qualifies the responsibility of the Board. The Board is ultimately responsible.
Various comments on “responsibility” of Board or SM or Key Persons in Control Functions	Not necessarily in person – but ensure that it is done/implemented

Main issues ICP 8

Issue / comment	Proposed resolution
Risk Management: Definition in Glossary somewhat different from ICP 8	GWG has aligned the definitions in the Glossary and ICP 8 (Guidance 8.1.1.)
Concern about terminology related to Risk management: e.g. the meaning of the word 'mitigate' (vs 'risk management')	Mitigation is one of the elements of risk management and does not necessarily means that risk should be brought down to zero.
Standard 8.5 Compliance function – comments on role with respect to “internal policies”	Deleted responsibility for “internal policies” in Standard 8.5
Activities of the actuarial function. (e.g. capital adequacy assessments or financial projections to be included in ORSA...)	To be discussed in GWG next week

Glossary – Risk management

Proposal for consultation:

- The processes established to ensure that all material risks of the insurer are identified, measured, limited, controlled, mitigated and reported on a timely and comprehensive basis.
- Some discomfort with the term “mitigate” – use other term?

BCBS definition of Risk management:

The processes established to ensure that all material risks and associated risk concentrations are identified, measured, limited, controlled, mitigated and reported on a timely and comprehensive basis.

Next steps

- Final revision of ICPs and Glossary by GWG 13-14 October
- Publication of final drafts by 28 October
- Approval by Parent Committees 10-11 November
- Adoption by the General Meeting on 12 November
- Final adopted ICPs included in the ICP on-line tool and update of on-line Glossary



IAIS

INTERNATIONAL ASSOCIATION OF
INSURANCE SUPERVISORS

Comments/Questions?



Contact information

Annick Teubner, DNB, Netherlands
Chair – Governance Working Group

Nina Moss
Senior Policy Advisor, IAIS Secretariat

Telephone: + 41 61 280 9163
Mobile: + 41 76 350 9163
E-mail: nina.moss@bis.org

c/o Bank for International Settlements
Centralbahnplatz 2
CH-4002 Basel
Switzerland
Website: www.iaisweb.org