



IAIS

INTERNATIONAL ASSOCIATION OF
INSURANCE SUPERVISORS

Public background session

Consultation on (1) draft Application Paper on the Composition and the Role of the Board, (2) draft Application Paper on Supervision of Insurer Cybersecurity, (3) draft revised ICP 6 and (4) draft revised ICP 20

16 July 2018



Agenda for public background call

- General information for Application Papers
- Draft Application Paper on the Composition and the Role of the Board
- Draft Application Paper on Supervision of Insurer Cybersecurity

- General information for draft revised ICPs
- Draft revised ICP 6 (Change of Control and Portfolio Transfers)
- Draft revised ICP 20 (Public Disclosure)

GENERAL INFORMATION FOR APPLICATION PAPERS

General Information for Application Papers

- **Application Papers** provide additional material related to one or more ICPs, ComFrame or G-SII policy measures, including actual examples or case studies that help practical application of supervisory material. Application Papers could be provided in circumstances where the practical application of principles and standards may vary or where their interpretation and implementation may pose challenges. Application Papers can provide further advice, illustrations, recommendations or examples of good practice to supervisors on how supervisory material may be implemented. (Source: <https://www.iaisweb.org/page/supervisory-material/application-papers>)
- Timeline:
 - Consultation started on 29 June 2018
 - Public background call on 16 July 2018
 - Comments due by 13 August 2018

DRAFT APPLICATION PAPER ON THE COMPOSITION AND THE ROLE OF THE BOARD

Annick Teubner, Chair of the Governance Working Group

Draft Application Paper on the Composition and the Role of the Board (1)

- Follow up on the outcome of the 2014 Self-Assessment and Peer Review: the need for more proactive supervision of governance by the insurance supervisors.
- Scope of the paper:
 - precisely specified and limited only to challenges related to supervision of the competence and the role of the Board;
 - does not cover all areas related to supervision of the Board's functioning.
- Structure of sections: description of problems or potential supervisory challenges followed by proposals for supervisory tools and good practices.

Draft Application Paper on the Composition and the Role of the Board (2)

Areas covered by the draft Application Paper:

- **Formal aspects:**
 - Competence of individual Board members and diversity of competencies of the Board;
 - Allocation of the roles and responsibilities and delegation of activities and tasks of the Board;
 - Combining the roles of the Chair and CEO;
 - Being a Board member of multiple entities within the same group;
 - Access to information.

- **Behavioural aspects:**
 - Dominating personality of the Chair or CEO;
 - Involvement of the Chair or CEO in the Board Committee functioning;
 - Interference by the owner or founder of the Board's responsibilities;
 - “Groupthink” tendency;
 - Trust deficit at the Board level.

Any Questions?

DRAFT APPLICATION PAPER ON SUPERVISION OF INSURER CYBERSECURITY

Philip Goodman, Chair of the Financial Crime Task Force

Draft Application Paper on Supervision of Insurer Cybersecurity (1)

- Follow up on the IAIS Issues Paper on Cyber Risk to the Insurance Sector (August 2016).
- The Application Paper is intended to provide further guidance to supervisors seeking to develop or enhance their approach to supervising the cyber risk, cybersecurity, and cyber resilience of insurers.
- Insurers are also invited to consider this Application Paper, to assist in developing and implementing good cyber security practices in their organisations.

Draft Application Paper on Supervision of Insurer Cybersecurity (2)

- Generally principles-based and builds on frameworks and guidance from multiple sources, including *the G7 Fundamental Elements of Cyber Security for the Financial Sector*, the related *G7 Fundamental Elements for Effective Assessment of Cybersecurity for the Financial Sector*; and the *CPMI-IOSCO Guidance on Cyber Resilience for Financial Market Infrastructures*.
- This Paper is advisory (not prescriptive), intendeds to have broad applicability across jurisdictions, and to be consistent with the IAIS principle of proportionality.

Any Questions?

GENERAL INFORMATION FOR ICPs

Ryan Workman, Chair of the Supervisory Material Review Taskforce

General information for ICPs (1)

- Development of Supervisory and Supporting Material by IAIS is subject to Public Consultation
- Part of the consultation is a Public Background Session to provide background information, describe the subject matter and specific issues
- Clean versions of both revised ICPs published for public consultation
- Comments to be submitted via the Consultation tool on the IAIS website
- Consultation period – **60 days** (comments due by 28 August 2018).

General information for ICPs (2)

- At the IAIS Annual General Meeting (AGM) in Luxembourg in November 2018, the IAIS Executive Committee will be asked to:
 - **Endorse ICP 20 (Public Disclosure)** to be published on the IAIS website as a draft for information purposes only; and
 - **Adopt ICP 6 (Change of Control and Portfolio Transfers)**
- Revised draft ICPs published on the IAIS website may be subject to potential further changes given ongoing work on ICPs/ ComFrame material before adoption by AGM at the end of 2019.
- Adoption of some revised ICPs before 2019 (like revised ICP 6) is being done on an exception basis.
- Only revised ICPs adopted by AGM are expected to be implemented.

DRAFT REVISED ICP 6 (CHANGE OF CONTROL AND PORTFOLIO TRANSFERS)

Ryan Workman, Chair of the Supervisory Material Review Taskforce

Draft Revised ICP 6: Change of Control and Portfolio Transfers (1)

- Draft revisions have focused on streamlining and updating the ICP to be more coherent and consistent with other ICPs as well as to provide more helpful guidance
- Introductory guidance was added to assist in understanding the content of the ICP and to introduce some of the terminology used
- Also, a draft definition of “control” is proposed to be added to the IAIS Glossary:

Control: The ability to exercise significant influence over an insurer by the holding of either:

- more than a defined percentage of shares or financial instruments in the insurer or the insurer’s holding company, where relevant; or
- a right to exercise more than a defined percentage of voting rights in either the insurer or the insurer’s holding company, where relevant; or
- such amount of shares, financial instruments or voting power in the insurer or the insurer’s holding company, where relevant, to be able to exercise significant influence over the management of the insurer.

Draft Revised ICP 6: Change of Control and Portfolio Transfers (2)

- The ICP is now clustered into three themes:
 - Change of Control
 - (De)mutualisation
 - Portfolio Transfer
- ICP 6.1 deals with the legislation addressing control and ICP 6.2 with the role of the supervisor for notification and assessment of proposals for change of control including on cross-border considerations
- ICP 6.3 requires supervisor's approval in case of a change of a mutual company to a stock company, or vice versa
- ICP 6.4 requires the supervisor to assess and decide on portfolio transfers, taking into account the financial condition of both the transferee and transferor as well as the protection of the interest of their policyholders

Revised ICP 6: Question and answer session

Any Questions?

DRAFT REVISED ICP 20 (PUBLIC DISCLOSURE)

Markus Grund, Chair of the Accounting and Auditing Working Group

Revised ICP 20: Public Disclosure (1)

- Draft revisions were initiated to address ICP 20 clarity and consistency issues noted within the IAIS Self Assessment and Peer Review (SAPR) findings
- The draft ICP 20 revisions substantially restructures, removes redundancies, de-clutters and strengthens the requirements and guidance material. The IAIS believes the draft revisions provide better clarity and flow to ICP 20
- The only new substantive material is a short section to cover practices for non-GAAP disclosures → an ICP 20 enhancement following discussion with IOSCO
- ICP 20 has also been revised to improve the consistency of language and terminology across the ICPs.
- Principle Statements and Standards are outcomes based
 - the intended outcome is reflected
 - allowing a proportionate implementation and application

Revised ICP 20: Public Disclosure (2)

- The Principle Statement looks to the supervisor to require insurers to provide disclosures that give policyholders and market participants a clear view of business activities, risks, performance and financial position
 - Relevant, comprehensive and timely information
- Required public disclosure is expected to enhance market discipline by providing meaningful and useful information for decision-making
- The supervisor's application of disclosure requirements will depend on the nature, scale and complexity of insurers.
- Insurers should be able to leverage existing disclosure requirements under their jurisdictional financial accounting and/ or regulatory disclosure requirements
- Consider disclosures that deliver key information rather than unnecessary volumes of data. Excessive disclosure requirements will not lead to effective disclosures and will be burdensome for insurers.

Revised ICP 20: Public Disclosure (3)

- 20.1 - make audited financial statements available at least annually;
- 20.2 - at least annual required disclosure of detailed quantitative and qualitative information on the insurer, its governance, financial position and performance, financial risks and capital adequacy;
- 20.3 - disclosures of the insurer's company profiles;
- 20.4 - disclosures of the insurer's corporate governance framework;
- 20.5 - disclosures of the insurer's technical provisions;
- 20.6 - disclosures of insurance risk exposures and their management;
- 20.7 - disclosures of insurer's financial instruments & other investments;
- 20.8 - disclosures of investment risk exposures and their management;
- 20.9 - disclosures of the insurer's asset-liability management;
- 20.10 - disclosures of the insurer's capital adequacy;
- 20.11 - disclosures of the insurer's financial performance
- New** → 20.12 - public disclosure of non-GAAP financial measures to adhere to specific practices that aim to reduce the potential for misunderstanding

Revised ICP 20: Question and answer session

Any Questions?