



IAIS

INTERNATIONAL ASSOCIATION OF
INSURANCE SUPERVISORS

Public background session:

Application Paper on Proactive Supervision of Corporate Governance

Annick Teubner, Chair of the Governance Working Group

15 November 2018



Background information

- Outcome of 2014 Self-Assessment and Peer Review (SAPR): supervision of corporate governance not proactive enough
- Corporate governance-related problems often root cause of insurer's failures
- Less visible and tangible, need for supervisory judgment
- The response of the IAIS:
 - Application Paper on the Composition and the Role of the Board (endorsed by the Executive Committee on 7 November; to be discussed during the public discussion session on 21 November)
 - Application Paper on Proactive Supervision of Corporate Governance (covered by this public background session)

Overarching issues

- Nature of the Application Papers:
 - Provide further advice, illustrations, recommendations or examples of good practice to supervisors on how supervisory material could be implemented
 - Do not include new requirements (in addition to those set out in the ICPs)
- Proactive supervision of corporate governance should be carried out:
 - Proportionately to the issues identified
 - Using an approach customised to the circumstances
- Legislative changes
 - May be needed when supervisor chooses to implement suggested supervisory practices
 - It is up to the supervisor to take the appropriate steps to do so

Issues addressed in the Application Paper (1)

- There are various ways to improve the supervisory organisation, culture and processes, such as:
 - Supervision of financially sound insurers
 - Supervisory expertise
 - Supervisory “blind spot”
 - Willingness to act
 - Organisational impediments
- Gathering relevant information from different sources
 - The supervisor needs to have relevant information to be able to carry out proactive supervision
 - The supervisor may consider a range of approaches to gathering such information

Issues addressed in the Application Paper (2)

- Yellow and red flags
 - Early warning system of mainly non-financial (but also financial) indicators of corporate governance problems
 - Proposed flags structured in several categories
- Effective communication with insurers and the wider public
 - Includes sharing with insurers and the wider public the objectives and strategy of supervision and principles guiding the supervisory approach
 - Possible forms of communication:
 - Verbal or written
 - Directed to the entire industry or selected insurers facing the same issues

Public consultation process

Comments invited by **17 December 2018 at 24:00 Basel time (Central European Time)**.

Please use the Consultation Tool available at the consultation page of the public section to provide your comments or by clicking [here](#).

Questions?



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Public discussion session:

Application Paper on the Use of Digital Technology in Inclusive Insurance

Peter van den Broeke, Senior Policy Advisor, IAIS Secretariat
15 November 2018



Development process

1. Developed by the Financial Inclusion WG
2. Consultation started 15 February for 30 days
3. Public background session on 2 March 2018
4. End of consultation: 16 March 2018
5. Comments reviewed and resolved by FIWG
6. Adopted by the Executive Committee on 7 November 2018 in Luxembourg

Objective of the Paper

- Digital Technology and M-Insurance: important areas in which guidance can be provided to balance in a proportionate way consumer protection with market development objectives
- Provide guidance to supervisors, regulators and policymakers when considering, designing and implementing regulations and supervisory practices in respect of the use of digital technology in inclusive insurance.
- Primary focus of this paper is on building inclusive insurance markets.
- Building on the Issues Paper on Conduct of Business in Inclusive Insurance (2015)

Structure of the Paper

1. Section 2 describes the typical inclusive insurance market and the typical inclusive insurance customer. This explanation is provided to offer context of the environment within which the supervisor is operating.
2. Section 3 offers a specific description of the use and implications of digital technology within inclusive insurance markets. In combination with section 2, section 3 portrays the context within which the ICPs should be proportionately applied.
3. Section 4 provides application guidance on the relevant ICPs, regarding the use of digital technology in inclusive insurance. Where relevant, examples of observed practices have been included.
4. The material should assist in finding proportionate solutions to comply with the ICPs

Feedback on the Public Consultation

1. Comments received: 81 (from 8 organisations)
2. Resolutions – ref to document with resolutions of comments
 - A. Comments were noted, misunderstandings clarified or proposed text added
 - B. Reference to IAIS Report on FinTech Developments in the Insurance Industry explained
3. Further changes:
 - A. New section 3.2 Digital technology applications in an inclusive insurance context to precede the section on m-insurance
 - B. Additional material from the A2ii report Regulating Mobile Insurance, Insurance business via mobile phones: regulatory challenges and emerging approaches, A2ii (April 2018)
 - C. Clarifying the principle of proportionality in section 4.1
 - D. Material on facilitating innovations / sandboxes added (para 56 and subsequent box)
 - E. Text added on fermium and deductions of airtime in para 77 and in para 86 in response to comments including from the MCWG
 - F. Text of section 4.2.5 (Financial Integrity) changed based on comments from the Financial Crime Task Force.

Documents

1. Final Application Paper on the Use of Digital Technology in Inclusive Insurance on the IAIS website (www.iaisweb.org) under Supervisory Material / Application Papers
2. Resolution of comments on the IAIS website under Projects and Activities / Consultations and Surveys / Former Consultations/ 2018 / [Application Paper on the Use of Digital Technology in Inclusive Insurance](#)

Questions?

Contact information

Peter van den Broeke

IAIS Secretariat

Telephone: + 41 61 280 8747

Email: peter.vandenbroeke@bis.org

c/o Bank for International Settlements

Centralbahnplatz 2

CH-4002 Basel

Switzerland

Website: www.iaisweb.org