



IAIS 25
YEARS

INTERNATIONAL ASSOCIATION OF
INSURANCE SUPERVISORS

Update on the ICS and IAIS Activities During the Monitoring Period

IAIS Global Seminar

13 June 2019, Buenos Aires



2019 Field Testing of ICS Version 2.0 for the monitoring period

- 2019 Field Testing launched on 30 April
- Submissions are due at the end of July
- 50 Volunteer Groups participating
- Public Field Testing package will be released later this month
- Stakeholder call on the field testing package will be organised in late-summer / early autumn

Purpose of the ICS

- Purpose of the ICS: to create a common language for supervisory discussions of group solvency to enhance global convergence among group capital standards with the ultimate goal of a single ICS that includes a common methodology by which one ICS achieves comparable, ie substantially the same, outcomes across jurisdictions.
- The intent has never been to raise capital in the market, nor to indicate that the insurance sector is undercapitalised.

Purpose of the Monitoring Period

- The purpose of the five-year period is to monitor the performance of the ICS over a period of time, not the capital adequacy of IAIGs
- For this purpose, the monitoring period is intended to be a period of stability for the reference ICS and the additional reporting. This does not preclude possible clarifications/refinements and correction of major flaws or unintended consequences identified during the monitoring period to improve the ongoing development of the ICS.

Purpose of the Monitoring Period

- A main objective of the monitoring period is to receive feedback from supervisors and IAIGs on the reference ICS and, if applicable, additional reporting. The assessment by GWS and supervisory colleges should include:
 - a comparison with existing group capital standards or calculations that are in development;
 - the extent to which material risks of the IAIG are captured;
 - the appropriateness and practicality of the calculations required; and
 - any difficulties in implementing the measure by the IAIG or the supervisor.

ICS During the Monitoring Period

- During the monitoring period, the ICS will be used for confidential reporting to group-wide supervisors and discussion in supervisory colleges. It will not be used as a prescribed capital requirement (ie the ICS results will not be used as a basis to trigger supervisory action).
- Therefore, during the monitoring period, IAIGs are not expected to manage their business to the ICS, since it is not a PCR. ICS Version 2.0 for the monitoring period is not for decision making by supervisors, nor is it intended for third-party reliance
- The feedback received during the monitoring period will be used to further improve the ICS. Prior to the adoption of ICS as a PCR, there will be a public consultation, which could result in changes to ICS Version 2.0.
- During the monitoring period, the IAIS intends to maintain the same level of engagement with stakeholders as it had during field testing.

Work on comparability criteria during the monitoring period

- The IAIS will be in a position by the end of the monitoring period to assess whether the aggregation method provides comparable, i.e. substantially the same (in the sense of the ultimate goal), outcomes to the ICS. If so, it will be considered an outcome-equivalent approach for implementation of ICS as a PCR.
- Development of the Aggregation Method by interested jurisdictions is underway. Work has begun on developing criteria to assess whether the AM provides comparable outcomes to the ICS, starting with a project plan focused on delivery by the end of the monitoring period.