Activities from January through December 2018
Including 2018 Financial Statements
TABLE OF ACRONYMS

A2II  Access to Insurance Initiative
AAWG  Accounting and Auditing Working Group
AGM  Annual General Meeting
AI  Artificial Intelligence
AML/CFT  Anti-Money Laundering and Combating the Financing of Terrorism
ARC  Audit and Risk Committee
ASSAL  Latin American Association of Insurance Supervisors
BIS  Bank for International Settlements
BCBS  Basel Committee on Banking Supervision
CIE  Coordinated Implementation Framework
CPMI  Committee on Payments and Market Infrastructure
CSFWG  Capital, Solvency and Field Testing Working Group
DLT  Distributed Ledger Technology
EXCO  Executive Committee
FCFT  Financial Crime Task Force
FIWG  Financial Inclusion Working Group
FSB  Financial Stability Board
FSTC  Financial Stability and Technical Committee
G-AWG  G-SII Analysts Working Group
GIMAR  Global Insurance Market Report
G-SII  Global Systemically Important Insurer
GWS  Group-wide Supervisor
IAA  International Actuarial Association
IAASB  International Auditing and Assurance Standards Board
IAC  Implementation and Assessment Committee
IAIG  Internationally Active Insurance Group
IASB  International Accounting Standards Board
IFRS  International Financial Reporting Standards
IGWG  Insurance Groups Working Group
ICP  Insurance Core Principle
ICS  Insurance Capital Standard
IOSCO  International Organisation of Securities Commissions
IoT  Internet of Things
ISA  International Standard on Accounting
KIRT  Key Insurance Risks and Trends
KPI  Key Performance Indicator
MGWG  Market Conduct Working Group
MPC  Macroeprudential Committee
MPSWG  Macroeprudential Policy and Surveillance Working Group
MMOU  Multilateral Memorandum of Understanding
OECD  Organisation for Economic Co-operation and Development
ORSA  Own Risk and Solvency Assessment
PCR  Prescribed Capital Requirement
ReWG  Resolution Working Group
SAPR  Self-Assessment and Peer Review
SAWG  Standards Assessment Working Group
SIF  Sustainable Insurance Forum
SMRTF  Supervisory Material Review Task Force
SPFO  Strategic Plan and Financial Outlook
SPFOTF  Strategic Plan and Financial Outlook Task Force
SRADG  Systemic Risk Assessment Drafting Group
SRAP  Systemic Risk Assessment and Policy
SSB  Standard Setting Body
TCFD  Task Force on Climate-related Financial Disclosures

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I am pleased to present the 2018 Annual Report of the International Association of Insurance Supervisors (IAIS).

Since our founding in 1994, the IAIS has evolved from being an informal forum for insurance supervisors to discuss issues of mutual interest to now being the global standard-setting body for insurance supervision, with more than 200 Members from over 140 jurisdictions.

Over the course of 2018, the IAIS focussed intensively on supporting IAIS Members to deliver on our commitments to the post-crisis reform agenda. We made significant progress in this regard, as described in this Annual Report. In addition to these immediate policy priorities, we continued our efforts towards globally consistent implementation of our supervisory material through our implementation assessments, capacity building initiatives and support for supervisory cooperation. Our achievements are comprehensively described under the section on the work of the Implementation and Assessment Committee.

We also worked to build a new strategic plan for 2020–2024. I am pleased that our Members endorsed the strategic direction for our Association at our 2018 Annual General Meeting.

In 2018, we also continued our commitment to robust stakeholder engagement, with nearly 50 different engagement opportunities over the course of the year. As we move to a greater focus on emerging risks and trends under our new Strategic Plan, the nature of IAIS engagement with stakeholders will also continue to evolve.
These are areas where there is a high degree of alignment in the objectives of both supervisors and stakeholders. This means that as we look to our future agenda, we need to jointly explore ways to move from a consultative to a more collaborative approach.

Thank you to our Members and other stakeholders for the continued commitment to the work of the IAIS, through contributing to our Committee and Working Group deliberations, participating in our implementation activities and engaging in our consultations. Thank you also to a truly dedicated and talented Secretariat team for their excellent work during 2018 in support of our Members’ objectives.

I look forward to continuing our efforts in the years ahead.

Jonathan Dixon
ABOUT US

Established in 1994, the International Association of Insurance Supervisors (IAIS) is a voluntary Member-driven, non-profit organisation of insurance supervisors and regulators, formed under Article 60 of the Swiss Civil Code. With 217 Members (accounting for 97% of worldwide premium volume), the IAIS is the international global standard-setting body for insurance supervision.

The IAIS provides an important forum for Members and stakeholders to discuss supervisory practices and issues of mutual interest.

Because the IAIS represents a body of informed professional opinion within the field of insurance supervision, the Group of 20 (G20) and many international bodies routinely call upon the collective expertise of IAIS Members.

Hosted by the Bank for International Settlements (BIS), the IAIS operates with the support of a Secretariat located in Basel, Switzerland under the direction of a Secretary General.

IAIS COMMITTEES, 2018

![IAIS Committees Diagram]

Figure 1

IAIS ANNUAL REPORT 2018
NEW GOVERNANCE CHANGES ADOPTED

The Executive Committee mandate for the Strategic Plan and Financial Outlook Task Force (SPFOTF) included a request to put in place “the most effective governance arrangements necessary to implement the Strategic Plan”. This included the membership of the main IAIS committees; specifically, the Executive Committee. On 8 November, the Annual General Meeting approved changes giving effect to:

- Voting members of the Executive Committee that represent “Standing Jurisdictions.”
- Voting members of the Executive Committee that are selected by IAIS Regions so as to maintain geographic diversity.
- Non-voting members of the Executive Committee from non-supervisory Members.
- Non-voting members of the Executive Committee from central bank Members.

These changes were implemented in Q1 2019.

GOVERNING STRUCTURE

The IAIS consists of the following three organs: the General Meeting of Members, the Executive Committee and its committees and subcommittees, and the Secretariat.

The General Meeting of Members may amend the by-laws; adopt principles, standards and guidance developed by the Association, or other persons or entities, not already adopted by the Executive Committee (eg Executive Committee defers the decision to the General Meeting); elect Executive Committee Members and take other actions specified in the by-laws.

The Executive Committee is responsible for providing strategic direction and managing IAIS affairs in a manner consistent with the specific duties set forth in the by-laws. It appoints the Secretary General and takes all decisions necessary to achieve the IAIS Mission in accordance with the directions given by the General Meeting. From time-to-time, it creates subcommittees to work on specific issues. Representatives are drawn from every region of the world and different types of insurance markets.

The Secretariat is directed by the Secretary General who is appointed by, and acts at the direction of, the Executive Committee. Its main responsibilities are to support IAIS activities; ensure efficient communication among Members, stakeholders and others; maintain and reinforce the IAIS; facilitate cooperation with other institutions; manage the financial, material and human resources of the IAIS and carry out all other functions assigned by the Executive Committee.

In accordance with IAIS by-laws, the Executive Committee has established the following five committees, all of which report to the Executive Committee:

- Audit and Risk Committee (ARC)
- Budget Committee (BC)
- Implementation and Assessment Committee (IAC)
- Macroprudential Committee (MPC)
- Policy Development Committee (PDC)

The ARC reviews IAIS internal controls and monitors IAIS activities to ensure that objectives are met in compliance with applicable procedures and resolutions.

The BC proposes the annual budget and membership scheme to the Executive Committee and periodically reports to the Executive Committee on the financial situation of the IAIS.

The IAC is responsible for issues related to assessments and assistance in the implementation of IAIS principles, standards and guidance.

The MPC deals with issues related to financial stability, systemic risk and macroprudential supervision and surveillance. It steers and oversees financial stability work, consistent with strategic guidance from the Executive Committee. This includes analysing and developing IAIS supervisory and supporting material on issues related to financial stability, systemic risk and macroprudential supervision.

The PDC develops international principles, standards, guidance and other documents related to insurance supervision. It steers and oversees this standard-setting work consistent with strategic guidance from the Executive Committee. This includes, but is not limited to, completing, reviewing and updating IAIS supervisory and supporting material and developing a Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame), including an Insurance Capital Standard (ICS).

The IAIS holds committee meetings at least four times a year, and subcommittee meetings on an as-needed basis, in Basel and Member jurisdictions throughout the world.
MISSION

The IAIS is guided by the following mission statement:

The IAIS Mission is to promote effective and globally consistent supervision of the insurance industry in order to develop and maintain fair, safe and stable insurance markets for the benefit and protection of policyholders, and to contribute to global financial stability.

In carrying out its mission, the IAIS operates in an open manner, abiding to the highest standards of transparency, administrative due process and governance, while also enabling the exchange of sensitive and confidential information among supervisors. Consultations on supervisory and supporting material are conducted in public.

Stakeholder meetings are an integral part of the IAIS decision-making process. Extensive stakeholder engagement is reflected in the work of IAIS committees and subcommittees and in the commitments contained in the IAIS Stakeholder Engagement Plan.

In addition to its mission statement, the IAIS is guided by a five-year Strategic Plan and Financial Outlook (SPFO), with the current version covering the period 2015-2019. This SPFO includes “High Level Goals”, each of which is accompanied by specific strategies for achieving that goal and supported by a detailed project roadmap. The IAIS will adopt a new SPFO for the period 2020-2024 in mid 2019.

“In an increasingly connected world, the ability to build personal relationships with colleagues at IAIS meetings and events has enabled me to gain broader perspectives and insights to deliver on APRA’s mandate and commitment to the Australian community.”

Geoff Summerhayes, Executive Board Member, Australian Prudential Regulation Authority (APRA)
"Hong Kong, China has benefitted immensely from its participation in the IAIS. As the Insurance Authority, that commenced independent operation in 2017, strives to fulfil an expanded statutory mandate, we will not lose sight of the need to achieve better alignment with the High Level Goals and strategic priorities set by the IAIS."

Clement Cheung, Chief Executive Officer, Hong Kong Insurance Authority (HKIA)
ACTIVITIES

The IAIS reach in the global insurance sector covers a broad and diverse range of workstreams including, but not limited to, accounting and auditing, capital and solvency, climate risk, conduct of business, emerging markets, financial inclusion, financial stability, FinTech, governance, reinsurance, resolution, supervisory capacity building, sustainable insurance and systemic risk.

The IAIS’ three-tier approach reflects the proportionate response of the IAIS; that is, that supervisors should have the flexibility to tailor certain supervisory requirements and actions in accordance with the nature, scale and complexity of individual insurers and exercise "supervisory common sense", to fit solutions to risk in a flexible and evolving way that achieves IAIS objectives but does not impede stable business development.

All IAIS supervisory and supporting material must undergo a public consultation process.

(A comprehensive list of IAIS progress in 2018 on supervisory and supporting materials is available on pages 43-46 of this report.)

STANDARD-SETTING

Standard-setting is a core IAIS activity. The IAIS develops and publishes supervisory, supporting and other material with the objective of promoting consistent, sound and effective supervision of the insurance sector. The IAIS completed substantial standard-setting work in 2018.

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All IAIS supervisory and supporting material must undergo a public consultation process.

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FINANCIAL STABILITY

The IAIS has a key role in contributing to global financial stability. It does so throughout all its core functions:

1. Monitoring and assessing insurance market trends and developments.
2. Standard-setting through developing supervisory material.
3. Supporting supervisory practices and observance of standards.

The IAIS monitoring and assessment work related to financial stability includes various initiatives and is currently being enhanced as part of the development of the Holistic Framework for the Assessment and Mitigation of Systemic Risk in the Insurance Sector (the "Holistic Framework", (see page 17). The current initiatives include an annual data collection to identify individual insurers whose distress or disorderly failure would cause significant disruption to the global financial system and economic activity.

The IAIS also publishes the Global Insurance Market Report (GIMAR) annually. It is an important component of the IAIS’ work on monitoring insurance market trends and developments. The GIMAR collects and reports data reflecting the performance of insurers and reinsurers but also includes deeper-dive chapters into special topics.

Secondly, as part of the Holistic Framework, the IAIS is developing a set of enhanced supervisory measures and powers of intervention, including revising ICP 24 (Macroprudential Surveillance and Insurance Supervision). This Insurance Core Principle (ICP) sets out requirements for supervisors on how to monitor and address macroprudential risks in insurance.

Finally, the IAIS contributes to global financial stability by supporting consistent application of supervisory material. This is done through the development of enhanced macroprudential surveillance tools and Application Papers to support supervisors in implementing the relevant supervisory material, as well as through implementation assessment activities.
Ante Žigman, President of the Board,  
Croatian Financial Services Supervisory Agency (HANFA)

“The IAIS’s greatest strength lies in the mutual cooperation of Members through which we can design best practices in insurance supervision and participate in reaching an international consensus on standard setting in the insurance industry.”

IMPLEMENTATION

Achieving IAIS standard-setting objectives depends upon developing high-quality supervisory material and supporting its implementation. The Coordinated Implementation Framework (CIF) continues to provide the operational framework for the IAIS’ implementation activities. The CIF supports the efficient design, delivery and prioritisation of implementation activity by requiring the IAIS to focus on implementation activities that build upon its unique perspective as a global standard-setting body, engage with regions and regional associations to understand and address challenges from the bottom-up, leverage the capacity and commitment of partners to address implementation needs and embed the implementation perspective in IAIS standard-setting work.

IAIS implementation activities can be grouped into four categories:

- Assessment
- Capacity building
- Supervisory practices
- Supervisory cooperation and exchange

Assessment is the strategic core of the IAIS implementation programme. Assessments provide Members with an external view on observance of IAIS supervisory material and inform the IAIS of supervisory development needs for individual authorities, regional groupings of supervisors and globally. Assessments also support the on-going standard-setting activities of the IAIS.

Capacity building focuses on developing the capabilities of supervisors, from a staff, systems and processes perspective, to carry out supervisory duties and gain a better understanding of the intentions and rationales underlying the ICPs. The IAIS develops training material and supports training seminars and conferences, working closely with international organisations, training institutes, technical assistance providers, regional groups and supervisors.

While capacity building focuses on developing the core competencies of insurance supervisors and enhancing supervisory knowledge and understanding, supervisory practices focus on the application of that knowledge in discharging supervisory responsibilities.

Cooperation and exchange between Members (eg within supervisory colleges) and other parties are necessary preconditions for effective cross-border supervisory practices. The IAIS Multilateral Memorandum of Understanding (MMoU) - a global framework for cooperation and information exchange between insurance supervisors - supports cooperation and exchange in this context. Supervisors participating in the MMoU are in a better position to exchange information with their counterparts.
GLOBAL COORDINATION AND COOPERATION

The IAIS promotes global coordination and cooperation in accomplishing its mission. For example, the IAIS facilitates information exchange among supervisors through its MMoU. It also promotes global coordination and cooperation through its work with other international financial policymakers and supervisory associations. Of particular note, the IAIS is a member of the Financial Stability Board (FSB) and the International Financial Reporting Standards (IFRS) Advisory Council of the International Accounting Standards Board (IASB) and is a founding partner in the Access to Insurance Initiative (A2ii).

The important role that the IAIS plays in furthering global cooperation and coordination is also evident from the many organisations it participates in as a member, observer or partner.13

In addition, the IAIS holds two major annual global events – the Global Seminar and the Annual Conference. These encourage multilateral dialogue on IAIS workstreams and provide an important opportunity to examine issues and trends affecting insurance supervisors, insurance markets, insurance consumers and the insurance industry. The Global Seminar includes an engaging Executive Committee Dialogue with stakeholders. In July 2018, The Central Bank of Russia hosted the 11th Annual IAIS Global Seminar in Moscow. In conjunction with the Annual Conference, the IAIS also convenes a General Meeting of Members (“Annual General Meeting” or AGM) to conduct official business. The Luxembourg Commissariat aux Assurances hosted the 25th IAIS Annual Conference in November 2018.

“One of the IAIS’ key strategies is to ensure effective implementation of supervisory material. For this purpose, the IAIS assesses and promotes observance of its standards and assists Members through supporting material and capacity building initiatives. Proper implementation of standards is key to achieving sound insurance markets, policyholder protection and financial stability.”

Peter Braumüller, Director for Insurance and Pension Supervision, Austria Financial Market Authority (FMA)
“The supervisory material provided by the IAIS is made to be applied to the insurance business, therefore it is essential to engage with those stakeholders that will be affected in order to include their perspective in the process of developing standards that are fit for purpose.”

Frank Grund, Executive Director, Insurance and Pension Fund Supervision, Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)

STAKEHOLDER ENGAGEMENT

The IAIS values the manner in which work is completed as much as the quality of the work itself. Robust and meaningful stakeholder engagement is integral to the IAIS decision making process as it instils public confidence in IAIS work products, protects the credibility of international standard-setting, and improves the quality of output.

Each year, the IAIS takes concrete steps to expand opportunities for stakeholder engagement.

In January 2018, the Executive Committee incorporated a number of commitments from its 2017 Stakeholder Engagement Plan into its procedural manual.

ASSESSMENTS

Evaluating the impact of IAIS work is critical to its organisational effectiveness. The principles, standards and guidance it develops and adopts are rooted in practical experience. The IAIS assesses its impact in many ways including, but not limited to, the following:

- Seeking and receiving stakeholder feedback on IAIS initiatives through the Executive Committee Dialogue, Annual Conference and Global Seminar panels, subject matter stakeholder meetings, targeted input at committee and subcommittee meetings and public background sessions.
- Conducting Self-Assessment and Peer Reviews (SAPRs) and examining the level of Member observance of the IAIS’ ICPs.
- Monitoring assessments conducted by the International Monetary Fund (IMF) and World Bank.
- Surveying IAIS Members and stakeholders.
- Responding to Member and stakeholder comments received during public consultations.
- Field testing work products.
The Annual Report is an opportunity to take stock of the work done over the past year and discuss plans for the upcoming year. It is also a fitting time to pay tribute to our membership. Thank you Members for your investment of time and know-how and your support in serving on IAIS groups; and for implementing, self-assessing and peer-reviewing our material. We are a Member-driven organisation: the Association is you and you are the Association. This Association is growing in stature. Nowhere is it more evident than in the work we did in 2018 and in the record attendance at our Annual Conference.

Achievements and Activities

The Three Pillars of IAIS Activities

With your help, we have delivered on our planned activities during 2018 and more besides. Our strategy for 2018 consisted of three pillars: 1) standard-setting; 2) spotting, assessing and responding to emerging risks; and 3) implementation and assessment.

Standard-setting

On standard setting – the first pillar – we completed a major public consultation on the various components of ComFrame and related ICPs.

Importantly, we delivered the planned, second consultation on ComFrame in its entirety. We remain on track to adopt ComFrame and the revised ICPs by November 2019.

The ICS is an important part of ComFrame and we took a huge step toward ICS version 2.0 by outlining our vision for its implementation. Our Members worked constructively to achieve several positive developments, which led to Executive Committee approval of the ICS version 2.0 consultation document and its publication in July. In 2019, we will have the final round of ICS Field Testing, before the adoption in November 2019 of ICS Version 2.0 for confidential reporting to supervisory colleges.

Emerging risks

On FinTech, our FinTech Forum met for the first time in September and the Executive Committee will begin to receive feedback from the Forum early in 2019. In November, we held an event in Palo Alto, California, with leading figures in technology, which touched on big data, artificial intelligence, data privacy and more.

We have also completed the Issues Paper on Increasing Digitalisation in Insurance and its Potential Impact on Consumer Outcomes. The IAIS is also planning to develop an Issues Paper on the use of Personal and Other Information in the Conduct and Supervision of Insurance in 2019.

Also in 2019, the FinTech Forum plans to debate a number of key challenges that supervisors face, such as dealing with algorithms and artificial intelligence used by insurance firms.

Closely related to this is our work on cyber risk. In November, we completed our Application Paper on Supervision of Insurer Cybersecurity. Alongside this, we have contributed to the FSB’s cyber lexicon, which is being presented to the G20 Summit in Buenos Aires.
In 2019, the IAIS will evaluate the effect of regulatory policies and supervisory practices on the development of a sustainable cyber insurance market through the formation of a small group of Executive Committee members on Sustainable Cyber Insurance Underwriting. We will also undertake work on the potential financial stability implications of cyber risks.

Climate change and climate-related risks were another priority that I identified last year. In July, we completed groundbreaking work with the Sustainable Insurance Forum, chaired by our very own Geoff Summerhayes, through the publication of a joint Issues Paper on Climate Change Risks to the Insurance Sector. This paper aims to strengthen understanding amongst supervisors of climate change and climate-related risks and complements our long-standing body of work on enhancing financial inclusion. I look forward to building on this work in the year ahead, including through the development of an issues paper on implementing the recommendations of the FSB’s Task Force on Climate-related Financial Disclosures (TCFD).

Implementation
The third pillar of our strategy was our work on implementation and assessment, which remains a priority for our Members. I have been, and continue to be, very conscious of the need for the Association to be relevant to all its Members.

Together with our implementation partners, in particular the A2ii, we are leading the way on financial inclusion, particularly as it relates to the use of digital technology. In June and November our Issues Paper on Index-based Insurance, particularly in Inclusive Insurance Markets and our Application Paper on the use of Digital Technology were released. Alongside these, we have also provided guidance to supervisors in such areas as governance and market conduct and we have developed an Application Paper on the Composition and the Role of the Board.

In Kuala Lumpur, in November 2017, we established a partnership with the A2ii and International Actuarial Association (IAA) to strengthen supervisors’ understanding and application of actuarial skills. I am pleased to say that this project received funding from the UK Department for International Development and is progressing.

We have also fostered improved links to the Financial Stability Institute (FSI) and launched a new selfassessment tool for Members and an enhanced SAPR programme. We have established the Standards Assessment Working Group (SAWG), chaired by William Mason, Director General at the Guernsey Financial Services Commission, and reporting to the IAC. The SAWG will oversee the rollout of these new tools and the pilots of our new Member Assessment Process.

In 2019, we will undertake Peer Reviews on “Supervisors and Supervisory Powers” and are also planning Peer Reviews on “Licensing and Suitability of Persons” and “Corporate Governance and Risk Management”.

Lastly, we plan to develop Application Papers on recovery planning; resolution planning; the use of key performance indicators and ratios in Inclusive Insurance Markets; the proactive supervision of governance; and the supervision of control functions.

Delivering on the Three Pillars
It is not enough alone to deliver on these commitments - we also need to go about this efficiently and effectively, as well as have a robust dialogue with our stakeholders. We continue to implement our Stakeholder Engagement Plan, which has led to a significant increase in stakeholder interactions on our key areas of work.

Operationally, 2018 has been the first year of Jonathan Dixon’s stewardship of the Secretariat, which has seen substantial and continuing improvements in the support provided by the Secretariat to Members. During 2019, we will continue to seek operational efficiencies as the Association transitions to the next Strategic Plan, as outlined below.

On governance, we have implemented the changes to the parent committee structures, as agreed to in 2017. We also went through a rigorous process of developing proposed changes to the composition of our Executive Committee, that were approved by the AGM in November. These changes saw an increase from 24 to 32 voting members on the Executive Committee, ensuring diversity of representation from all regions of the world, while at the same time ensuring that the major global insurance markets are always represented in our strategic discussions.

Strategic Plan and Financial Outlook 2020-2024
Early in 2018, the IAIS began developing its new SPFO for the period 2020-2024. It has been a very comprehensive and inclusive process. We actively invited and incorporated input from both our broader membership and industry stakeholders.
At the AGM in November, our Members endorsed the direction of this new SPFO. Finalising our current commitments to the post-crisis reform agenda will remain key - including ICS, ComFrame more broadly, and the Holistic Framework. But at the same time, it will see a significant pivot to emerging and accelerating trends, such as climate risk, cybersecurity, increased use of digital technology, and sustainable development – as well as an increased focus on assessing and supporting implementation of agreed global standards among our Members.

The next period will also likely see a more integrated approach to prudential and market conduct workstreams, reflecting the fact that many of the risks to policyholder protection, emerging from trends and developments, such as digital innovation, relate to the fair treatment of customers.

Conclusion

In conclusion, our plans have been, and continue to be, ambitious. The steps we took over the past year have solidified our place as the global standard-setting body for insurance. We have succeeded, in no small part, due to the exemplary commitment and contribution of our Members.

We are now entering a pivotal time for the future of the Association. Over 2019, we will finalise our post-crisis framework and transition toward a new five-year strategic plan. I am confident that, with your continued support, we can achieve our plans for 2019 and the next Strategic Plan period and deliver a step change in both the support the IAIS provides to our Members and our reputation in insurance and financial services more widely.

The Chair of the Executive Committee is Vicky Saporta (UK, BoE) and the Vice Chairs during the reporting period were Hiroshi Ota (Japan, FSA) and Julie Mix McPeak (USA, Tennessee).
KEY ELEMENTS OF THE HOLISTIC FRAMEWORK

- enhanced set of supervisory policy measures and powers of intervention
- IAIS global monitoring exercise, including a collective discussion of the outcomes and supervisory response
- robust assessment of consistent implementation of supervisory material

Achievements and Activities

Holistic Framework for the Assessment and Mitigation of Systemic Risk in the Insurance Sector

On 14 November, the IAIS published for public consultation its proposed Holistic Framework. With this framework, the IAIS proposed to evolve its current approach to systemic risk by:

- Recognising that systemic risk may arise from both the collective activities and exposures of insurers at a sector-wide level as well as from the distress or disorderly failure of individual insurers;
- Addressing cross-sectoral aspects of systemic risk, by comparing the potential systemic risk stemming from the insurance sector with other parts of the financial system; and
- Moving away from a binary approach in which certain additional policy measures are only applied to a relatively small group of insurers (the identified G-SIIs), to an approach with a proportionate application of an enhanced set of policy measures targeted at the exposures and activities that can lead to systemic risks from the insurance sector as a whole.
In developing the framework, the IAIS benefited from the input of Members and stakeholder through two public consultations and a number of stakeholder events. The Holistic Framework is slated for adoption in late 2019, with implementation beginning in 2020.


The MPC completed its annual G-SII assessment exercise. This included data collection from more than 50 insurers as well as analysis based on the Updated G-SII Assessment Methodology, published by the IAIS in June 2016. The committee also approved an enhanced public disclosure report and individual insurer reports developed through the G-AWG. Following Executive Committee approval, the IAIS published the G-SII Disclosure – 2018 Public Report on 14 December.

Reinsurance Data Collection and the Global Insurance Market Report

In late February, the IAIS published the 2017 GIMAR. At year end, the MPSWG had already made considerable progress on its draft 2018 iteration. The 2018 report considers several special topics, including the use of derivatives in hedging insurance risk, home bias of investments and concentrations, liquidity of insurance asset portfolios, macroprudential supervision of the insurance sector in various jurisdictions, and digitalisation of the global insurance sector.

The Chair of the MPC is Alberto Corinti (Italy, IVASS) and the Vice Chairs are Marcelo Ramella (Bermuda Monetary Authority) and Steven Seitz (USA, Treasury/FIO).

SUBCOMMITTEE REPORTS

G-SII Analysts Working Group

In implementing the Updated G-SII Assessment Methodology under the guidance of the MPC and Executive Committees, the G-AWG conducted data analysis and produced several interim reports for review; addressed the further development of indicators and disclosures; and prepared an enhanced public disclosure report and individual insurer reports, subsequently approved by the MPC and the Executive Committee. The IAIS published the G-SII Disclosure–2018 Public Report in December.

The Working Group also provided substantive input to other IAIS subcommittees, in particular for the development of the Holistic Framework.

The Chair of the G-AWG is Sebastian von Dahlen (Germany, BaFin). The Vice Chair is Anne-Gaëlle Zimmermann (France, ACPR).

Macroprudential Policy and Surveillance Working Group

The MPSWG has established two main tools - the internal Key Insurance Risks and Trends (KIRT) survey and the annually published GIMAR.

With 46 IAIS Members participating from all nine IAIS Regions, representing in total more than 85% of world premiums, the 2018 KIRT covered a significant cross-section of the global insurance market. Members provided their qualitative assessment of the development of 29 different risk categories within their respective jurisdictions. The results were presented at the MPC meeting in July. There are plans to enhance the KIRT as a monitoring tool by adding quantitative information, where relevant, to different risk categories in the survey.

The annual GIMAR assesses developments relevant to the (re)insurance industry and identifies and documents main risks and vulnerabilities. In doing so, it promotes the awareness of the main market developments and risk trends among IAIS Members, stakeholders and interested parties. By providing a platform for the assessments of these market and risk developments, the report also plays an important role in the monitoring component of the IAIS’ evolving macroprudential policy and surveillance framework.

With the launch of the stakeholder consultation on the Holistic Framework, the Working Group began reviewing ICP 24 (Macroprudential Surveillance and Insurance Supervision). The ICP revisions are due for completion in 2019.

The Chair of the MPSWG since November is Dieter Hendrickx (Belgium, NBB). Until August, the Working Group was chaired by Edward Toy (USA, NAIC). The Vice Chair is Andreas Widmer (Switzerland, FINMA).
REPORT OF THE POLICY DEVELOPMENT COMMITTEE

Elisa Liebers (USA, NAIC)
(USA, National Association of Insurance Commissioners (NAIC))
Chair, Policy Development Committee

The PDC oversees the development and review of supervisory and supporting material in collaboration with the other relevant committees, in support of the IAIS’ goal of protecting policyholders and contributing to global financial stability.

In carrying out its mandate, the PDC is supported by the work of eight subcommittees, discussing and resolving complex technical and policy issues and providing steer to help progress work in such areas as accounting and auditing, capital and solvency, financial crime, governance, insurance groups, market conduct, resolution and supervisory material.

Working through these subcommittees, the PDC completed a number of key deliverables, with several other workstreams continuing into 2019. Key activities and achievements included revisions to ICPs and the development of ComFrame, including the risk-based global ICS and supporting material.

Achievements and Activities

Standard-setting

ICPs and ComFrame
The PDC devoted a considerable amount of time to advancing IAIS work on ICP revisions and the development of ComFrame. Public consultations were announced in March, June, July, and November.

On 1 March, the IAIS published a summary of the main comments received during the March - June 2017 public consultation on ComFrame material in ICP 5 (Suitability of Persons), ICP 7 (Corporate Governance), ICP 8 (Risk Management and Internal Controls), ICP 9 (Supervisory Review and Reporting), ICP 10 (Preventive and Corrective Measures), ICP 12 (Winding-up and Exit from the Market) and ICP 25 (Supervisory Cooperation and Coordination) and the resolution of these comments.

On 29 June, the IAIS published for consultation draft revised ICP 6 (Change of Control and Portfolio Transfers) and ICP 20 (Public Disclosure).

On 31 July, the IAIS released the draft Overall ComFrame material for 90-days public consultation. It included revised versions of the ComFrame material published in March 2017 and November 2017, as well as newly developed ComFrame material integrated into ICP 23 (Group-wide Supervision). On the same date, the IAIS published a summary of main comments received during the November 2017 - January public consultation on ComFrame material in ICP 8 (Risk Management and Internal Controls), ICP 15 (Investment), and ICP 16 (Enterprise Risk Management for Solvency Purposes) and the resolution of these comments.

In November, the IAIS adopted Revised ICP 6 (Change of Control and Portfolio Transfers). The Executive Committee endorsed the following items for publication as drafts:

- Revised ICP 8 (Risk Management and Internal Controls);
- Revised ICP 15 (Investment);
- Revised ICP 16 (Enterprise Risk Management for Solvency Purposes);
- Revised ICP 20 (Public Disclosure); and
- Revised ERM-related Glossary terms.

The draft revised ICPs were published on the IAIS website for information, together with the resolution of the public consultation comments. The revised ICPs and draft overall ComFrame are scheduled for adoption at the IAIS AGM in November 2019.
ICS
On 16 May, the IAIS successfully launched the 2018 ICS Field Testing exercise with the release of the field testing package. Close to 50 Volunteer Groups participated in field testing. The IAIS conducted three technical workshops with Volunteer Groups in order to help them complete the data template. In addition, the IAIS established a question and answer process that ran until the end of August.

On 31 July, the IAIS released the ICS Version 2.0 consultation document. The consultation document included the technical components of the ICS (both the reference ICS and the additional reporting, at the discretion of the group-wide supervisor), as well as details regarding IAIS and supervisor activities related to the ICS, during the first phase of implementation, called the monitoring period. Several stakeholder events were subsequently held to allow for further feedback on these two items.

“The IAIS is scheduled to adopt ICS Version 2.0 for the monitoring period, along with the rest of ComFrame, at its AGM in November 2019.” The monitoring period will begin in 2020.2

Application and Issues Papers
The PDC completed work on three papers: Issues Paper on Increasing Digitalisation in Insurance and its Potential Impact on Consumer Outcomes; Application Paper on Supervision of Insurer Cybersecurity; and Application Paper on the Composition and the Role of the Board, which were subsequently adopted by the Executive Committee and published in November. Work was also underway on the Application Paper on Recovery Planning.

The Chair of the PDC is Elise Liebers (USA, NAIC). The Vice Chairs are Craig Swan (Bermuda Monetary Authority) and Paolo Cadoni (UK, PRA)

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2 The purpose of the five-year monitoring period is to monitor the performance of the ICS over a period of time, not the capital adequacy of Internationally Active Insurance Groups (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. 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 (PCR) – i.e. the ICS results will not be used as a basis to trigger supervisory action. 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.
The Accounting and Auditing Working Group (AAWG) prepared a draft revised ICP 20 (Public Disclosure), which was released for a 60-day comment period in June. Based on the comments received, the Working Group finalised a revised ICP 20 that was endorsed by the PDC and Executive Committee in November. In support of the consultation, a public background session was held in July to discuss the proposed changes.

The Working Group submitted two comment letters on behalf of the IAIS: one to the Monitoring Group, commenting on the consultation on Strengthening the Governance and Oversight of the International Audit-related Standard-Setting Boards in the Public Interest (February); and one to the International Auditing and Assurance Standards Board, on its Exposure Draft, proposed ISA 315 (revised), Identifying and Assessing the Risks of Material Misstatements (November).

The Working Group continued its dialogue with staff of the International Accounting Standards Board (IFRS) on matters relating to IFRS 17 (the insurance contracts accounting standard) and monitored IFRS 17 implementation activities for the Capital, Solvency and Field Testing Working Group (CSFWG).

Two stakeholder sessions were held to receive public input. During its May and December meetings, the Working Group invited interested stakeholders to participate in a teleconference for the purpose of providing an update on the current status of work activities and plans going forward, as well as to gather feedback from interested stakeholders on various matters of mutual interest. Topics included implementation considerations with the then forthcoming IFRS 17; potential changes to ICP 20 (Public Disclosure) as a result of the Holistic Framework; insurer public disclosures/transparency as a regulatory tool; and initiatives to enhance insurer audit quality.

The Chair of the AAWG is Markus Grund (Germany, BaFin).
Throughout the year, the primary focus of the CSFWG was the development of the ICS. The Field Testing Analysis Team completed its analysis of 2017 field testing data early in the year. The results of this analysis, together with the feedback received on ICS Version 1.0 for extended field testing, informed further development for 2018 field testing. The IAIS released the ICS Version 2.0 consultation document in July. This is the final consultation prior to the adoption of ICS Version 2.0 for the monitoring period in November 2019. In addition to the technical components of the ICS, this consultation also provided a first opportunity for stakeholders to provide feedback on the five-year monitoring period of the reference ICS and additional reporting.

The first aggregation method additional data collection was launched in June, with data due at the end of August. Volunteer Groups from five jurisdictions submitted data.

In addition to its work on the ICS, the CSFWG resolved feedback received on the 2017 public consultation on revised ICP 15 (Investment) and ICP 16 (Enterprise Risk Management for Solvency Purposes). ComFrame material integrated into these two ICPs, and proposed definitions of enterprise risk management-related terms. ComFrame material integrated in ICPs 15 and 16 was then subject to another public consultation on the draft overall ComFrame in July. Comments were due in October and were undergoing review by the CSFWG at the end of the reporting period.

The Chair of the CSFWG is Paolo Cadoni (UK, PRA). The Vice Chairs are Sanders Shaffer (USA, FRB) and Gilbert Chin (Singapore, MAS).
Concern over cybersecurity continues to grow across the global economy. Cybersecurity incidents can impair the ability of insurers to conduct business, compromise the protection of commercial and personal data, and undermine confidence in the insurance sector.

Building on the Issues Paper on Cyber Risk to the Insurance Sector, published in August 2016, and after the Financial Crime Task Force (FCTF) reviewed and considered the many helpful stakeholder comments, the IAIS published its Application Paper on Supervision of Insurer Cybersecurity in November. This Application Paper is intended to provide further guidance to supervisors seeking to develop or enhance their approach to supervising insurer cybersecurity. Insurers are also invited to consider this Application Paper, in developing and implementing good cybersecurity practices.

The Task Force participates in various international workstreams on cyber risk and cybersecurity, including the Committee on Payments and Market Infrastructure (CPMI)/International Organisation of Securities Commissions (IOSCO) Working Group on Cyber Resilience and the recent Cyber Lexicon, developed by the FSB. The FCTF has Observer status with the Financial Action Task Force (FATF) and has been participating in work related to guidance on the implementation of the Anti-Money Laundering and Counter Terrorism Financing (AML/CTF) standards in the insurance sector, under the auspices of the FATF’s Policy Development Committee.

The Chair of the FCTF is Philip J. Goodman (USA, Treasury/FIO). The Vice Chair is Garrett Byrne (Bermuda Monetary Authority).

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4 According to the Financial Action Task Force, it is “an inter-governmental body established in 1989 by the Ministers of its Member jurisdictions. The objectives of the FATF are to set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system”, http://www.fatf-gafi.org/about/.
The Governance Working Group (GWG) completed the Application Paper on the Composition and the Role of the Board, which helps with the practical interpretation and application of selected standards and guidance of ICP 5 (Suitability of Persons) and ICP 7 (Corporate Governance), by providing additional guidance to supervisors on IAIS standards concerning supervision of board activities. The Application Paper covers formal aspects of board functioning (eg suitability, composition, allocation and delegation of responsibilities) and behavioural aspects (eg skills to challenge and to cooperate, capacity for change, openness to diversity as well as risks around dominance and too much influence). In June, the IAIS released a draft of this paper for public consultation and subsequently presented it during a public background call. Comments received during the public consultation were integrated before the paper was adopted by the Executive Committee in November. After adoption, the Working Group held a public discussion call on the final version and presented the resolution of the main comments received during the public consultation.

The Working Group continued to develop ComFrame material related to governance issues, integrated into ICPs 5, 7, and 8. Early in the year, the Working Group finalised its resolution of comments received during the 2017 public consultation on ComFrame in ICPs 5, 7 and 8. The main comments on this part of ComFrame and the resolution of these comments were included in a summary of the resolution of the main substantive comments received during the March-June 2017 public consultation of ComFrame material, published by the IAIS on 1 March. In the second quarter, the Working Group focused on finalising the revision of ComFrame in ICPs 5, 7 and 8, which was released for 90-day public consultation on 31 July as part of the draft overall ComFrame.

The Working Group also finalised revision of ICP 8 (Risk Management and Internal Controls), with the aim of removing overlap and duplication between ICP 8 and ICP 16 (Enterprise Risk Management for Solvency Purposes). Following the public consultation on draft revised ICP 8, which took place between November 2017 and January 2018, the GWG reviewed the comments received and amended the draft revised ICPs. In November, the IAIS published revised draft ICP 8 on the IAIS website as an Executive Committee-endorsed draft for information purposes, pending final adoption at the AGM in 2019.

The Working Group also worked on the Application Paper on Proactive Supervision of Corporate Governance, which sets out good practices related to the organisation and functioning of the supervisor (including relevant processes, information gathering and communication), with the objective of promoting proactive supervision of corporate governance. The IAIS released the draft for public consultation in November and subsequently presented the paper during a public background call. The Working Group began reviewing the public consultation comments at the end of 2018.

The Chair of the GWG is Anna Jernova (UK, PRA). Annick Teubner (The Netherlands, DNB) served as Chair for most of the reporting period.
Insurance Groups Working Group

Throughout the year, the Insurance Groups Working Group (IGWG) was focused primarily on developing the ComFrame material integrated into ICP 9 (Supervisory Review and Reporting), ICP 10 (Preventive and Corrective Measures), ICP 23 (Group-wide Supervision) and ICP 25 (Supervisory Cooperation and Coordination on Crisis Management).

The IAIS consulted on ComFrame material in 2017 and received comments between March and June 2017. At the beginning of 2018, the Working Group considered comments received in response to ComFrame material in ICPs 9, 10 and 25. The IAIS published the main comments on this section of ComFrame and the resolution of these comments on 1 March.

In the second quarter, the Working Group focused on input for the draft overall ComFrame package, released for public consultation on 31 July. The input prepared by the IGWG included:

- ComFrame material in ICPs 9, 10 and 25, revised on the basis of the 2017 public consultation comments and amended to reflect the impact of the Kuala Lumpur agreement on the implementation of ICS Version 2.0 on the reporting requirements as well as supervisory cooperation and coordination during the monitoring period.
- Newly developed ComFrame material integrated into ICP 23, published for consultation, and addressing the following areas:
  - IAIG identification criteria – integration of former Module 1 Scope of 2014 draft ComFrame into ICP 23;
  - Supervisory principles for the identification of the Head of the IAIG aimed at facilitating consistency of supervisory judgment without constraining flexibility; and
  - The scope of group-wide supervision for an IAIG and obtaining relevant information, including information about related group entities.

In the second half of the year, the Working Group considered how to resolve comments from the public consultation on the draft overall ComFrame package.

The Chair of the IGWG is Tom Crossland (UK, PRA). The Vice Chair is Justin Schrader (USA, Nebraska).

Market Conduct Working Group

The Market Conduct Working Group (MCWG) completed its work on the Issues Paper on Increasing Digitalisation in Insurance and its Potential Impact on Consumer Outcomes, which was adopted in November.

Digitalisation is rapidly transforming the insurance business and has considerable disruptive potential. The paper focuses on product design and underwriting along with marketing, sales and distribution aspects of the insurance value chain. Mobile devices, the internet of things (IoT), telematics, big data, machine learning and artificial intelligence (AI), “chat-bots”, distributed ledger technology (DLT), comparators, robo-advice, peer-to-peer and platform business models all affect the insurance value chain. Their impacts range from the design, underwriting and pricing of products, marketing and distribution, through to claims processing and the ongoing management of customers. The paper considers the impact of the increasing use of digital technology in insurance in light of ICP 19 (Conduct of Business), consumer outcomes and what digitalisation means for insurance supervision. Other aspects, most notably pricing, will be addressed in other IAIS work.

In addition, the Working Group has started to develop an Issues Paper on the Use of Personal and Other Information. This paper will consider the use of personal and other information by insurers and intermediaries and identify challenges and risks this could have for customers. Personal and other information is used in various processes throughout the insurance value chain, for example, for prevention (ie moving up the value chain) or for response and support (ie moving down the value chain).

The Working Group attaches considerable importance to sharing information on conduct of business related developments in Member jurisdictions. It continues to be an important platform for sharing information between insurance supervisors with a mandate in conduct of business supervision.

The Chair of the MCWG is Michael Saadat (Australia, ASIC). Michael Sicsic (UK, FCA) served as Vice Chair.
Resolution Working Group
The Resolution Working Group (ReWG) made further progress towards having final proposals for recovery and resolution-related supervisory material ready for adoption by November 2019.

As part of the ComFrame project, the Working Group contributed to the development of the draft overall ComFrame material that was presented for public consultation in July. This includes the ComFrame material on recovery planning in ICP 16 (Enterprise Risk Management for Solvency Purposes) and the ComFrame material on resolution and resolution powers in ICP 12 (Winding-up and Exit from the Market). Between 2017 and 2018, the material on recovery planning was moved from ICP 10 (Preventive and Corrective Measures) to ICP 16 because of the better logical fit and also in response to consultation comments.

In 2018, the subcommittee also started a new project, which is the development of a set of Application Papers on recovery and resolution. The first Application Paper focuses on recovery planning and is aimed at providing additional guidance and describing good practice. In developing this Application Paper, the Working Group benefited from input received from stakeholders during a stakeholder event held on 12 September. In November, the Application Paper was published for consultation. The Working Group will consider the comments received during 2019 with a planned adoption by November – alongside the revised ICPs and ComFrame.

The Chair of the ReWG is Alex Hart (USA, Treasury/FIO), who was appointed in April 2018, succeeding Urs Halbeisen (Switzerland, FINMA). The Vice Chair is François Tempé (France, ACPR), who was appointed in June 2018.

Supervisory Material Review Task Force
The Supervisory Material Review Task Force (SMRTF) continued its work on the revisions to ICPs and the development of ComFrame.

The Task Force finalised the revision of ICP 6 (Change of Control and Portfolio Transfers). Revisions focused on streamlining and updating the ICP to be more coherent and consistent with other ICPs as well as to provide more helpful guidance. For instance, introductory guidance was added to assist in understanding the content of the ICP and to introduce some of the terminology used. The IAIS published a draft revised ICP 6 for consultation in June. After resolving the comments received from Members and stakeholders, the Task Force presented the further revised ICP 6 to the AGM, which was adopted in November.

The Task Force also contributed in various ways to the draft overall ComFrame, published for consultation in July.

The SMRTF developed the ComFrame Introduction that was part of the consultation package. It also ensured consistency in content and drafting styles, including resolution of double/multiple jeopardy issues and provided steering to other subcommittees on overarching issues in the supervisory material under review and development.

Lastly, the Task Force provided comments and suggestions to other subcommittees during their process of revising existing ICPs including ICP 15 (Investment), ICP 16 (Enterprise Risk Management for Solvency Purposes) and ICP 20 (Public Disclosure) which were endorsed by the Executive Committee in November.

The Chair of the SMRTF is Ryan Workman (USA, NAIC).
Assessments provide critical insight into the state of implementation and are valuable for identifying demand for capacity building and training needs.

Hannah Grant, Head of Secretariat, Access to Insurance Initiative (A2ii)
Assessments
Assessments provide a critical insight into the state of implementation and are valuable for identifying demand for capacity building and training needs. The IAIS conducts, or provides Members with access to, three different levels of assessments: self-assessment, peer-review and member assessment processes. These processes are built off the success of the Self-Assessment and Peer Review (SAPR) programme conducted between 2012 and 2018. During that period, the IAIS performed more than 2,500 individual ICP assessments with the participation of nearly 130 authorities, covering 190 standards of 21 different ICPs.5

In recognition of the importance of its assessment work, the IAIS established the SAWG in 2018 to oversee the various assessment activities. In September 2018, the SAWG launched the first Peer Review Process (PRP) and a pilot for the Member Assessment Process (MAP).

The IAC, in partnership with the A2ii, also began developing a self-assessment tool, capitalising on the tools built by the SAPR programme. In addition, the A2ii and the IAIS launched an assessment of how insurance supervisory frameworks in different jurisdictions are supportive of financial inclusion, based on the Application Paper on Regulation and Supervision Supporting Inclusive Insurance Markets.

In addition to the work undertaken by the SAWG, the IAC oversaw a deep dive assessment, looking at how Group Wide Supervisors (GWSs) assess liquidity management and planning for G-SIIs.

IAIS ASSESSMENTS: KEY

- Nearly 130 authorities have participated in at least one SAPR assessment since 2012.
- An average of approximately 70 authorities have participated in a SAPR, representing all IAIS regions and varying levels of insurance and economic market development.
- 21 ICPs, including more than 190 Standards, have been assessed in the SAPR programme.
- In 2018, the IAIS adopted a strengthened approach to assessments, the Peer Review Process (PRP). The first PRP launched at the end of 2018 covering ICP 1 (Objectives, Powers and Responsibilities of the Supervisor) and ICP 2 (Supervisor) with 72 Members participating.

5 The IAIS’ Assessment Programme has been recognised by the FSB, the IMF and the World Bank as a robust tool for assessing ICP observance.
Capacity Building

Supporting supervisors to enhance their understanding and observance of the IAIS’ supervisory material is a core part of the IAC’s work. The IAIS is neither a technical assistance provider nor a training institute. However, the IAIS facilitates capacity building work by leveraging its unique global position as the global standard-setter for insurance, through strategic alliances with implementation partners to develop and deliver capacity building activities.

The IAIS’ implementation partners supporting capacity building include the FSI, the A2ii, the IAA, regional associations of insurance supervisors and international financial institutions.

In addition to sponsoring Regional Seminars and supporting other training programmes, the IAIS facilitates capacity building for Members by providing access to training resources, such as e-learning through the FSI-IAIS regulatory and supervisory online programme (FIRST ONE) and self-paced online learning material in the form of the Core Curriculum.
**Regional Seminars and Workshops**

The IAIS supported 10 regional seminars benefiting more than 400 participants in Asia and Oceania, Central and Eastern Europe and Transcaucasia (CEET), Latin America, Sub-Saharan Africa and Off-Shore jurisdictions, many of which were organised in collaboration with IAIS partners - the A2ii and FSI. More than 2,500 supervisors and insurance professionals have participated in IAIS-sponsored seminars since 2013.

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<tr>
<th>Date</th>
<th>Location</th>
<th>Host / Organisers</th>
<th>Seminar title</th>
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<tr>
<td>9-11 January</td>
<td>Auckland</td>
<td>GIICS</td>
<td>Auckland Mid-Level Training Seminar</td>
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<tr>
<td>30-31 January &amp; 1 Feb</td>
<td>Pretoria, South Africa</td>
<td>Financial Services Board, IAIS &amp; A2ii</td>
<td>IAIS-A2ii Regional Meeting &amp; AAISA Meeting</td>
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<td>19-22 March</td>
<td>Manila, Philippines</td>
<td>The ASEAN Insurance Training &amp; Research Institute (AITRI),</td>
<td>Workshop on Self-Assessment of IAIS Insurance Core Principles (ICPs)</td>
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<td>IAIS &amp; Toronto Centre</td>
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<td>08-11 April</td>
<td>Santo Domingo, Dominican</td>
<td>Superintendence of Insurance of the Dominican Republic (SIS);</td>
<td>XIX Conference on Regulation and Supervision of Insurance. “Risk Analysis</td>
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<td>Republic</td>
<td>IAIS, FSI &amp; ASSAL</td>
<td>and Assessment in the Insurance Industry”.</td>
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<td>24-26 April</td>
<td>Moscow, Russia</td>
<td>Bank of Russia, IAIS &amp; FSI</td>
<td>Sound and Stable Insurance Markets - Problem Prevention and Policyholder</td>
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Table 2
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<th>Date</th>
<th>Location</th>
<th>Host / Organisers</th>
<th>Seminar title</th>
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<tr>
<td>29-31 May</td>
<td>Montevideo, Uruguay</td>
<td>Superintendencia de Servicios Financieros IAIS, FSI &amp; ASSAL</td>
<td>Regional Seminar for Insurance Supervisors in Latin America on Assessing, Managing and Mitigating Risks</td>
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<tr>
<td>18-22 June</td>
<td>Rabat, Morocco</td>
<td>ACAPS IAIS, A2ii, &amp; Toronto Centre</td>
<td>Inclusive Insurance Training Programme</td>
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<td>1-4 October</td>
<td>Cape Town, South Africa</td>
<td>South African Reserve Bank IAIS &amp; A2ii</td>
<td>FSI-IAIS Regional Seminar on Risk Based Supervision of Insurance Legal Entities and Groups and IAIS-A2ii Peer Learning Workshop</td>
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<tr>
<td>22-24 October</td>
<td>Buenos Aires, Argentina</td>
<td>Superintendencia de Seguros de la Nacion de Argentina (SSN) IAIS &amp; ASSAL</td>
<td>ASSAL-IAIS Regional Seminar for Insurance Supervisors of Latin America</td>
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<tr>
<td>12-16 November</td>
<td>Vilnius, Lithuania</td>
<td>Central Bank of Lithuania IAIS, A2ii, Toronto Centre, Global Affairs Canada; Sida &amp; IMF</td>
<td>Inclusive Insurance (Microinsurance) Regional Training Programme for Insurance Supervisors</td>
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In July, the IAIS, the A2ii and the Superintendencia General de Seguros (SUGESE) co-organised the workshop “Inclusive insurance - regulatory challenges in the face of mass distribution” in San Jose, Costa Rica. The workshop focused on the opportunities and risks involved in the provision of inclusive insurance through mass distribution channels. Two roundtable discussions took place: one on inclusive insurance business models with a particular focus on mass distribution channels, and the other on risks and challenges associated with the conduct of business in inclusive insurance.

In October, the IAIS, the A2ii and the Prudential Authority at the South African Reserve Bank co-organised a Peer Learning Session for Sub-Saharan African supervisors in Cape Town, South Africa. This session provided regional supervisors with an opportunity to share their approach to regulating and supervising corporate governance. This was followed by a tour de table where participants shared their approach and experiences in supervising corporate governance. Supervisors discussed challenges around ensuring that board members have appropriate skills, experience and independence.

**FIRST ONE Programme**

The FIRST ONE Programme is a joint initiative between the IAIS and the FSI. The key objective of FIRST ONE is to provide a basic understanding of insurance supervision to a primary audience of supervisors who are new to insurance supervision, through a series of live webinars and e-learning tutorials. The fifth iteration of this highly subscribed to programme took place from August to December, with 224 supervisors enrolled from 47 institutions in 44 jurisdictions. FIRST ONE is delivered through the FSI Connect e-learning platform.

**Core Curriculum**

The Core Curriculum is a comprehensive resource for supervisors supporting an improved understanding of concepts and issues discussed in IAIS supervisory material. An updated version of the Core Curriculum was made available on the IAIS website between July and October. Over 100 volunteers from over 40 jurisdictions were involved in updating the Core Curriculum. Core Curriculum updated materials have already been downloaded more than 5,000 times.

“The Sustainable Insurance Forum has been developing some very useful supervisory tools but lacked a platform and reach. The IAIS has stepped in to help it overcome these challenges and use this opportunity to provide capacity-building tools to its extensive network of supervisors, especially in developing and emerging economies”.

Geoff Summerhayes, Executive Board Member, Australian Prudential Regulation Authority (APRA)
**Supervisory Practices**

The IAIS’ focus on implementation and assessments grew as anticipated, as the development phase of the IAIS’ post-crisis reform agenda approached its final stage. Supporting the practical application of the adopted standards and policies, as well as identifying emerging risks and trends, constituted a significant part of the implementation and assessment work of the Association.

**Application Papers**

With its revised mandate, the IAC is overseeing the development of supporting material, particularly Application Papers.

In November, the IAC oversaw the development and adoption of the *The Application Paper on the Use of Digital Technology in Inclusive Insurance*, prepared by the Financial Inclusion Working Group (FIWG). This is the IAIS’ third FinTech-related publication. It provides guidance to supervisors, regulators and policymakers when considering, designing and implementing regulations and supervisory practices with respect to the use of digital technology in insurance, particularly in inclusive insurance markets.

**Identifying Emerging(ed) Risks and Trends Facing Supervisors**

Financial inclusion continues to be an issue of interest to the Members and the Association, particularly those from EMDEs, which account for over 60% of the IAIS membership. This is reflected in our decade-long work through the FIWG, and the partnership with the A2ii. More recently, the IAIS has undertaken a number of initiatives on the topic of financial inclusion and innovation addressing the opportunities that FinTech presents for financial inclusion and the risks arising from the digital transformation of the insurance business to both insurers and consumers.

The IAIS also strengthened its support of FinTech issues through the establishment of the Fintech Forum in order to provide an ongoing and flexible platform for technical experts to share insights and discuss developments in the area of FinTech (including InsurTech, RegTech and SupTech).

Sustainable insurance and climate change risk are significant trends affecting our Members and captured in IAIS’ activities through the support provided to the work of the Sustainable Insurance Forum (SIF), including the joint publication of *IAIS and SIF Issues Paper on Climate Change Risks to the Insurance Sector* (July). This Issues Paper seeks to raise supervisor and insurer awareness of the challenges presented by climate change, including current and contemplated supervisory approaches for addressing these risks.

Cybersecurity continues to present a multifaceted challenge to the insurance sector. Following the recommendations put forward on the *Issues Paper on Cyber Risk to the Insurance Sector* (August 2016), the Association continues to explore cyber risk, cybersecurity, cyber resilience, and emerging supervisory practices for the insurance sector.

Finally, the Supervisory Forum continues to bring together senior supervisors from our Members to identify and discuss emerging trends and risks, as well as current challenges for supervision.

**High-Level Meetings**

The IAIS co-organised three high-level meetings in Latin America and Asia in collaboration with the FSI, and in Sub-Saharan Africa with the A2ii. High-level meetings bring together top officials from financial authorities to discuss the latest regulatory developments and regional supervisory priorities.

**Latin America**

The IAIS-FSI high-level meeting took place on 12 April in Santo Domingo, Dominican Republic. In attendance were the IAIS Secretary General, FSI Chairman, and representatives of insurance supervisory authorities. The meeting focussed on global insurance standards and supervisory priorities in Americas.

**Asia**

The IAIS-FSI high-level meeting took place on 6 June in Hong Kong. In attendance were the Chair of the IAIS Executive Committee, FSI Chairman, and representatives of insurance supervisory authorities in the region. The meeting focussed on exchanging views and sharing experiences on topical issues in insurance supervision.

**Sub-Saharan Africa**

The IAIS-A2ii Regional Meeting for insurance supervisors took place on 30-31 January in Pretoria, South Africa, with the attendance of the IAIS Secretary General, the A2ii’s Secretariat and 31 supervisors representing 20 countries in the Sub-Saharan African region. At this high-level gathering, supervisors shared key developments in their jurisdictions, their current priorities and capacity building needs, and discussed their regional implementation plan.

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7 The FinTech Forum met for the first time on 25 September in Singapore.
A2ii-IAIS Consultation Calls
The A2ii-IAIS Consultation Calls are bi-monthly topic-focused webinars for insurance supervisors. Four calls are conducted during the course of the day - two in English, one in French and one in Spanish - which enables supervisors in all time zones to participate and discuss current regulatory and supervisory topics and trends around access to insurance.

- Index Insurance: Status and Regulatory Challenges (January)
- Innovation Hubs and Accelerators (March)
- Ratios and Cost Structures in Insurance Supervision (May)
- Supervisory Responses to Fraud (July)
- Climate Risk Insurance and the InsuResilience “Risk Talk” tool (September)
- Climate Change Risks to the Insurance Sector (November)

Presentations delivered during the calls and a report synthesising discussions are published on the A2ii website (www.a2ii.org) in three languages.8

IAIS CAPACITY BUILDING: KEY ACHIEVEMENTS

- Since 2013, over 2,000 supervisors and insurance professionals participated in IAIS sponsored events.
- The IAIS supported 10 regional seminars benefiting more than 400 insurance supervisors and participants.
- From 2013-2018, approximately 2,500 supervisors and insurance professionals have participated in IAIS-sponsored capacity building activities.
- Approximately 100 insurance professionals from over 40 jurisdictions have volunteer to review and undertake the Core Curriculum Refresh Project.

Table 3

8 Available in the Knowledge Centre under Consultation Call Reports.
Supervisory Cooperation and Exchange

The IAIS promotes supervisory cooperation and information exchange among Members through its MMoU. The MMoU is a framework that establishes a formal basis for global cooperation and information exchange among insurance supervisors. Before signing the MMoU, Members undergo a rigorous review process. The Signatories Working Group of the MMoU and the Secretariat manage the application and approval process for signatories. By year-end, the number of signatories stood at 71 jurisdictions, which now accounts for nearly 75% of global premiums.

Looking Forward

At the 2018 AGM in Luxembourg, Members provided approval in principle of the High Level Goals and Strategies that are the foundation of the pending strategic plan for 2020-2024.

As the IAIS finalises its part of the post crisis reform agenda in 2019, the association will begin a pivot towards providing increased support for the implementation of our standards and the development of effective supervisory practices. Moreover, the IAIS will provide a platform for supervisors to discuss emerging risks, trends and opportunities for insurance supervisors.

The CIF anticipates a greater focus on implementation in the coming years and, in conjunction with the IAC’s existing activities, provides a strong foundation for increased activities in this area.

Peter Braumüller (Austria, FMA) is Chair of the IAC. During the reporting period, Jose (Pepe) Lopez Hoyo (Mexico, CNSF) served as Chair of the IAC, and Ekrem Sarper (USA, NAIC) and Li Tang (China, CIRC) served as Vice Chairs.

9 To be a MMoU signatory, a jurisdiction must be an IAIS Member and undergo a rigorous review process by a validation team made up of information exchange experts. If approved by the validation team, a jurisdiction can officially become a signatory. This rigorous process assures other signatories that information can be exchanged and that it will be protected in line with the MMoU.
The SAWG oversees the assessment of implementation of the IAIS’ supervisory material. It is specifically responsible for:

- Providing on-going oversight of the IAIS' assessment activities.
- Establishing and overseeing Expert Teams conducting assessments.
- Reviewing and approving all reporting from Expert Teams.
- Revising the Handbook for Assessing Implementation of the IAIS’ Supervisory Material, as necessary.

The SAWG commenced activities with an initial meeting in Basel. It immediately contributed to its mandate by putting together two Expert Teams to work on a thematic assessment and a jurisdictional review.

In this vein, the SAWG launched the first PRP focusing on ICP 1 (Objectives, Powers and Responsibilities of the Supervisor) and ICP 2 (Supervisor), covering 17 standards across 72 jurisdictions. It also launched a pilot MAP to develop and test an assessment methodology. This process is expected to provide a comprehensive, credible and intensive implementation assessment of the ICPs on a jurisdictional basis.

The experience gathered in the first PRP and the pilot MAP will inform the revision of the Assessment Handbook to reflect the strengthened assessment programme.

The Working Group will follow assessment activities of other Standard Setting Bodies (SSBs), the FSB, and other relevant regional or international bodies pertaining to assessment activities.

The Chair of the SAWG is William Mason (Guernsey, GFSC) and the Vice-Chair is Harald Eschmann (Germany, Bafin).
Financial Inclusion Working Group

The FIWG developed the following supporting material:

• Issues Paper on Index-based Insurances Particularly in Inclusive Insurance Markets.

Index-based insurances are insurance contracts in which a claim is defined with reference to a pre-determined index (sometimes also referred to as parametric insurance). Since index-based insurances are increasingly looked to as a means to manage weather and catastrophic events, support food security and enhance access to insurance, this Issues Paper provides background on this product, describes practices and actual examples, and identifies related regulatory and supervisory issues and challenges. The paper’s main focus is on weather-related or natural catastrophe event risks. It addresses various issues typical to index-based products such as their design as a micro, meso and macro scheme; the roles of various stakeholders (including donors and sponsors); legal certainty, insurable interest, and the nature of the product as insurance; as well as issues relating to consumer protection, including the consideration of basis risk, setting a sound and credible index, and the role of subsidies.

• Application Paper on the Use of Digital Technology in Inclusive Insurance

This Application Paper provides guidance to supervisors, regulators and policymakers when considering, designing and implementing regulations and supervisory practices concerning the use of digital technology in inclusive insurance. The paper has been developed as a sequel to the Issues Paper on Conduct of Business in Inclusive Insurance to provide guidance on mobile phone insurance and other uses of digital technology relating to inclusive insurance. Technological innovations were introduced in inclusive insurance markets as a response to challenges in distribution, access to insurance, reducing costs, and creating sufficient scale for a viable business. There are also specific challenges for supervisors who need to find a proportionate response to the increased use of technical solutions, particularly those that involve multiple parties, both in and outside the insurance sector.

The Acting Chair of the FIWG is Luc Noubissi (Gabon, CIMA).

Supervisory Forum

Established in 2011, the Supervisory Forum provides senior insurance supervisors with an opportunity to discuss common supervisory issues and approaches, trends in the insurance industry, and emerging risks. Forum members include representatives from the supervisory authorities of major and developing insurance markets, with additional regional regulators often invited to attend local meetings to promote broader engagement with the wider regulatory community, beyond its permanent membership. In addition, the Forum works closely with the IAIS Secretariat to ensure it maintains a broad understanding of IAIS developments and priorities. Finally, as part of its meetings, the Supervisory Forum engages with representatives from various external stakeholders to help understand industry trends and developments.

The Supervisory Forum held two meetings over the course of the year, and discussed a variety of topics including approaches to risk-based supervision and the Own Risk and Solvency Assessment (ORSA), stress testing, the use of new technology by supervisory bodies, trends in reinsurance, management of legacy insurance portfolios, supervision of insurers’ exposure to climate change risk, cyber risk, and the supervision of insurers in a low interest rate environment. The Forum also received presentations from local industry speakers on relevant topics, including approaches to emerging risk assessment, some current emerging risks, and global trends in insurance markets.

Two additional countries joined the Supervisory Forum as permanent members during the course of the year.

The Chair of the Supervisory Forum is Gareth Truran (UK, PRA) and the Vice-Chair is Joerg Krause (Germany, BaFin).
Core Curriculum Task Force
The CCTF is a temporary group created in 2016 to review and refresh the Core Curriculum material.

The purpose of the Core Curriculum is to provide training materials to support insurance supervisors as they implement the ICPs in their jurisdictions. These materials give insight and background to the ICPs and focus on the practical application of supervisory concepts. They are intended to provide readers with resources that help them better understand the underlying concepts, terminology and interactions that will support the successful implementation of the ICPs in their jurisdictions.

The Core Curriculum has been available to the public since 2003.

The CCTF successfully completed the refresh of the Core Curriculum. In 2018, over 100 volunteers from more than 40 jurisdictions were involved in the updating process. These updated materials are available on the IAIS website and have already been downloaded more than 5,000 times.

The Chair of the CCTF during the reporting period was Li Tang (China, CBIRC) and the Vice-Chair was Marcelo Ramella (Bermuda Monetary Authority).

“I am pleased that the CMA has become a signatory to the IAIS MMoU, which will definitely enrich, facilitate and improve our operations. This agreement strengthens our ability to work cooperatively with other supervisors and monitor large cross-border insurers—cooperation that is critically important to promoting effective supervision and protecting our consumers”.

His Excellency Abdullah bin Salim Al-Salmi, the Executive President of the Capital Market Authority of the Sultanate of Oman (CMA of Oman)
At a ceremony on the sidelines of the IAIS Annual Conference in Luxembourg on 8 November, His Excellency Abdullah bin Salim Al-Salmi, the Executive President of the Capital Market Authority of the Sultanate of Oman (CMA of Oman) signed the IAIS MMOU – an international supervisory cooperation and information exchange agreement.
REPORT ON SUSTAINABILITY

In January, the Executive Committee appointed Geoff Summerhayes from the Australian Prudential Regulatory Authority (APRA) as its Sustainability Champion to facilitate and accelerate strategic consideration of sustainability topics by the IAIS. Mr. Summerhayes is also Chair of the SIF. The SIF is a global network of insurance supervisors and regulators working together to strengthen responses to sustainability challenges facing the insurance sector.

A growing number of supervisors are examining the relevance of climate risks for insurance supervision, both individually and collaboratively through the SIF. It was launched in December 2016 as a global platform for international collaboration by insurance regulators and supervisors on sustainability issues, with a special focus on climate risks. The SIF, in cooperation with the IAIS, supports supervisors’ efforts to mainstream climate risk issues into everyday practices. Armed with new tools and a growing understanding of the prudential threat that climate change poses to the industry as a whole and also to the entities they supervise, regulators are poised to step up their engagement on these issues.

Supervisory Papers
In 2018, the IAIS released the Issues Paper on Climate Change Risks to the Insurance Sector – the first effort by an international SSB to assess how climate risks may affect financial institutions. The Issues Paper provides an overview of how climate change is currently affecting, and may affect, the insurance sector now and in the future; provides examples of current material risks and impacts across underwriting and investment activities; and describes how these risks and impacts may be of relevance for the supervision and regulation of the sector. The Issues Paper also calls attention to the importance of the recommendations and supplemental guidance of the FSB’s TCFD. These set a global voluntary framework for the identification, assessment, management, and public disclosure of climate-related risks and opportunities in mainstream financial filings.

Looking Ahead
In 2019, in support of our Members, the IAIS will collaborate with the SIF to develop an Issues Paper on TCFD implementation for the Insurance Sector. This topic aims to open the dialogue between insurance regulators, regulated firms and other stakeholders around awareness of climate-related disclosures, use of scenarios and metrics, and supporting the development of best practices to be considered by insurers in their financial disclosures.
The ARC oversees the:

- Risk management Framework, internal control systems, and compliance with relevant laws, regulations, rules and procedures;
- Strategic and operational performance;
- Financial reporting; and
- Relationship with the external auditor.

In addition, the ARC monitors the Executive Dashboard on a quarterly basis to examine the adequacy and effectiveness of the Association’s assessment and reporting of its strategic and operational performance.

In cooperation with the Budget Committee, the ARC continues to review and monitor the Association’s financial reporting processes as well as the external audit of the Association’s accounts to ensure that these are appropriately handled and compliant with current procedures. There are no material issues to report on with regard to the now finalised 2017 accounts.

With a rotation in auditors expected in 2019, the ARC has worked with the Secretariat to ensure a smooth transition. The ARC has also been involved in overseeing the drafting of the 2020-2024 SPFO, principally by scrutinising the High Level Goals, their resourcing and application against the Risk Appetite Statement to ensure that the Association’s planning remains within the stated tolerances.

The Chair of the ARC is Geoff Summerhayes (Australia, APRA). During the reporting period through November, William Mason (Guernsey, GFSC) served as Chair and Damian Jaworski (Poland, KNF) served as Vice Chair.
The 2018 IAIS financial statements were prepared in accordance with Swiss law. They were audited by Ernst & Young that issued an unqualified audit opinion.

The audited financial statements show net expenditure of CHF 1,027,392 compared to budgeted net expenditure of CHF 1,078,590. Increases in expenses for employment and relocation were offset by lower than expected travel, training and consultancy costs.

The conclusion of the 2018 audit also marks the end of the appointment of Ernst & Young, originally nominated in 2012, as the IAIS’ external auditor. Moving forward, PriceWaterhouseCoopers (PwC) has been tasked to undertake the statutory audit of the Association.

The BC closely followed the 2018 budget execution, established the 2019 budget on the basis of the 2014-2019 SPFO and discussed the budgets for the Annual Conference and Global Seminar. In August, the triennial fee reclassification exercise was carried out as per the IAIS fee methodology. The outcome of this exercise saw a handful of Members re-categorised to fee buckets that more appropriately reflect their jurisdictional characteristics (ie Gross Domestic Product/capita and insurance premium). These changes were communicated to the relevant Members and take effect from 2019.

Additional activities undertaken throughout the year included a review of the Hosting Guide for the IAIS’ Global Seminar and strengthening of the Financial Control Framework, and an in-depth review of the IAIS reserve policy focused on optimising the cap and floor levels. Work on the reserve policy is expected to be concluded in 2019.

Besides the annual fees received from Members, the IAIS greatly appreciates the continuing support it receives from Members whose contributions include grants or in-kind support, such as secondments of staff to the Secretariat. The IAIS is particularly grateful for the contributions and support provided during 2018 by the BIS, the China Banking and Insurance Regulatory Commission, the Financial Supervisory Commission (Chinese Taipei), the Financial Services Agency (Japan), the Financial Supervisory Service (Republic of Korea), the Financial Supervisory Authority (Romania), the French Ministry of Finance and the Monetary Authority of Singapore.

The Chair of the Budget Committee is Subhash C. Khuntia (India, IRDAI). During the reporting period, Peter Braumüller (Austria, FMA) served as Chair. The Vice Chair is Ryan Workman (USA, NAIC).
The following ICP and ComFrame supervisory material was under development in 2018:

### Introduction and methodology
The Introduction to ICPs and ComFrame and the ICP Assessment Methodology

### Governance
- ICP 5 (Suitability of Persons)
- ICP 6 (Change of Control and Portfolio Transfers)
- ICP 7 (Corporate Governance)
- ICP 8 (Risk Management and Internal Controls)
- ComFrame material integrated

### The Supervisor and Supervisory Measures
- Revised ICP 9 (Supervisory Review and Reporting)
- Revised ICP 10 (Preventive and Corrective Measures)
- ICP 10 and ICP 11 (Enforcement) are combined into a single ICP
- ComFrame material integrated

### Supervisory Cooperation and Coordination
- Revised ICP 3 (Information Exchange and Confidentiality Requirements)
- Revised ICP 25 (Supervisory Cooperation and Coordination)
- ComFrame material integrated

### Enterprise Risk Management
- ICP 15 (Investments)
- ICP 16 (Enterprise Risk Management for Solvency Purposes)
- ComFrame integrated material
The Executive Committee adopted the following supporting material in 2018:

**ICP 20 (Public Disclosures)**

  - This paper builds off the Issues Paper on Conduct of Business in Inclusive Insurance. The purpose of this paper is to address the crucial role new technologies play in inclusive insurance markets. (Adopted in November).

**Resolution**

- Revised ICP 12 (Winding-up and Exit from the Market), plus ComFrame integrated material
- ICP 26 (Cross-border Cooperation and Coordination on Crisis Management) is currently planned to be integrated with ICPs 12 and 25.

**Application Paper on Supervision of Insurer Cybersecurity.**

- This paper is a follow-up to the 2016 Issues Paper on Cyber Risk to the Insurance Sector. The purpose is to explore issues related to cyber risk and, in particular, to provide insurance supervisors with further guidance. (Adopted in November).
The Executive Committee adopted the following supporting material in 2018:

**Application Paper on the Composition and Role of the Board.**

The outcome of the SAPR conducted by the IAIS in 2014 showed a need for more proactive supervision of corporate governance by insurance supervisors. Considering particular challenges for achieving effectiveness in supervision of the Board, this paper aims to provide additional material to help with the practical interpretation and application of selected standards and guidance of ICP 5 (Suitability of Persons) and ICP 7 (Corporate Governance). (Adopted in November).

**Issues Paper on Climate Change Risks to the Insurance Sector.**

This joint IAIS-SIFpaper is designed to raise supervisor and insurer awareness of the challenges presented by climate change, including current and contemplated supervisory approaches for addressing these risks. (Adopted in July).

**Issues Paper on Index-based Insurances Particularly in Inclusive Insurance Markets.**

Index-based insurance products, projects and programmes are increasing in number and coverage. As a result, the IAIS prepared this paper to examine the various issues and challenges. (Adopted in June).

**Issues Paper on Increasing Digitalisation in Insurance and its Potential Impact on Consumer Outcomes.**

This paper identifies issues in digitalisation of the insurance business model, with a focus on distribution, including benefits and potential risks to fair treatment and appropriate consumer protection. (Adopted in November).
The following supporting material was under development in 2018:

**Issues Paper on the use of Personal and Other Information in the Conduct and Supervision of Insurance.**

This paper explores issues around the use of personal and other information in conducting insurance business and its supervision, including its impact on consumers. (Work on this paper began this year).

**Application Paper on Sales Channels in Inclusive Insurance.**

This paper provides guidance to supervisors, regulators and policymakers when considering, designing and implementing regulations and supervisory practices with respect to sales channels typical to inclusive insurance markets.

The purpose of this paper is to identify and describe those Key Performance Indicators (KPIs) and ratios that can inform supervisors in the exercise of the oversight of insurers and/or intermediaries from a conduct of business perspective.
ANNUAL EVENTS:
ANNUAL GENERAL MEETING
LUXEMBOURG / 8 NOVEMBER 2018

The 2018 AGM was the first following the adoption of a new committee structure in 2017, effective 1 January 2018. A number of business items were completed, including the adoption of the 2017 Annual Report, approval of the audited financial statements, appointment or reappointment of Executive Committee members and approval of the admission of four new IAIS Members: Croatian Financial Services Supervisory Agency, Superintendencia de Seguros (Dominican Republic), Astana Financial Services Authority (Kazakhstan), and Prudential Authority (South Africa).

Executive Committee Chair Vicky Saporta delivered the annual Chair’s Address following the report of Secretary General Jonathan Dixon. Chairs Elise Liebers, Alberto Corinti and Jose (Pepe) Lopez Hoyo delivered the respective reports of the PDC, MPC and IAC. Peter Braumüller delivered the BC report, while William Mason presented the ARC report.

The membership also looked to the future, with Chair Vicky Saporta presenting the draft SPFO for 2020-2024, covering milestones to date, emerging themes, key messages, High-Level Goals, financial outlook and next steps.

The AGM adopted revisions to ICP 6 (Change of Control and Portfolio Transfers), and received an update on Executive Committee-endorsed drafts of revised ICP 8 (Risk Management and Internal Controls), ICP 15 (Investment), ICP 16 (Enterprise Risk Management for Solvency Purposes) and ICP 20 (Public Disclosure).

The membership also approved important governance changes in support of the emerging strategic direction for 2020-2024, which resulted in the Executive Committee membership increasing from 24 to 32 voting members, to include supervisors from both major global insurance markets and a diversity of regional representation from both developed and emerging jurisdictions. These changes were implemented during Quarter 1, 2019.

“Culminating in the decisions of the membership at the Annual General Meeting, this was a week of extraordinary achievement in advancing current IAIS initiatives and receiving endorsement from our Members on the future strategic priorities for 2020-2024”.

Victoria (Vicky) Saporta,
IAIS Executive Committee Chair
Through interactive panels, robust dialogue and extensive networking opportunities, the Annual Conference helps foster and reinforce a shared commitment to a common mission and a mutual understanding and awareness of the diverse perspectives of the Association’s 217 Members. This produces the kind of cooperation and collaboration necessary to achieve consensus in setting global insurance standards.

Hosted by the Luxembourg Commissariat aux Assurances, the Annual Conference drew another record crowd for a day-and-a-half of lively discussion and audience participation. In keeping with the conference theme - “Reimagining Insurance” - panellists explored the role of supervisors in supporting sustainable economic development, responding to technology developments related to Big Data and AI, closing the protection gap that is becoming more challenging due to climate risk, and making the necessary linkages between prudential and conduct of business supervision.

Videos and slide presentations from the Annual Conference are available on the IAIS website.

SESSION HIGHLIGHTS

• **Session 1**: Looked at the status of key IAIS initiatives, with IAIS committee leadership providing updates that included revisions to the ICPs and ComFrame, along with progress in developing ICS Version 2.0, and the Holistic Framework for the Assessment and Mitigation of Systemic Risk in the Insurance Sector. The update also covered developments in the area of implementation and assessment.

• **Session 2**: Considered the “Brave New World” of Big Data and AI and what it means for the insurance sector and insurance supervision. Panellists examined the relationship between enhanced data capture, analytic capabilities, and AI and their implications for the insurance sector.

• **Session 3**: Explored the role of insurance supervisors in supporting sustainable economic development. Panellists agreed on the importance of insurance supervisor support for sustainable economic development, but their view on the scope of that support varied, from supervisors having an active role clearly assigned in applicable laws and regulations to a less active role aligned with related goals such as financial inclusion, sustainability and policyholder protection.

• **Session 4**: Examined climate risk and natural catastrophes and the impact on the insurance protection gap. Drawing on the perspectives of insurers and supervisors, panellists highlighted the important role that supervisors can play in supporting efforts to close the protection gap, particularly in the area of disaster risk.

• **Session 5**: Explored the link between prudential and conduct of business supervision. Most panellists thought the misuse of personal data presented the biggest challenge and emphasised the importance of appropriate data management.
IAIS representatives attending the Annual Conference were granted an audience with His Royal Highness Grand Duke Henri of Luxembourg.

Secretary General Jonathan Dixon extends a warm welcome to the over 460 Members and stakeholders attending the 25th Annual Conference in Luxembourg.
The IAIS 11th Annual Global Seminar was hosted by the Bank of Russia and featured two days of discussion between Members and stakeholders on a range of current and emerging insurance topics at the centre of IAIS work. These included ComFrame, including the ICS, and the Holistic Framework.

Also examined were emerging risks such as climate risk and cybersecurity, as well as the role of insurance in promoting inclusive economic development.

**SESSION HIGHLIGHTS**

- **Session 1: ComFrame – Delivering on Current Commitments.** IAIS representatives provided an update of IAIS progress in developing ComFrame, including the risk-based global ICS and, in particular, the consultation package subsequently released on 31 July. Panellists shared their perspectives on selected issues related to the development of ComFrame and discussed issues related to the ICS monitoring period. Industry representatives shared their expectations regarding discussions on, and analysis of, the reference ICS and the additional reporting during the monitoring period.

- **Session 2: Progress towards a Holistic Framework for Mitigating Systemic Risk.** IAIS representatives provided an update on progress towards the development of a Holistic Framework for mitigating systemic risk. The main elements of the framework were highlighted as was the timeline through to project completion. Discussion also focused on global monitoring.

- **Session 3: Executive Committee Dialogue.** This year’s instalment of the annual Executive Committee Dialogue with stakeholders featured a panel discussion with industry and consumer representatives covering four areas: ComFrame/ICS, financial stability, emerging issues (such as FinTech and climate risk), and implementation. This was followed by an audience question and answer segment. In the second half of the dialogue.

- **Session 4: Insurance in Support of Inclusive Economic Development.** Panellists first examined the relationship between insurance and economic development. Through polling, a majority of the audience felt insurance and economic development complement each other. The panellists discussed gaps that exist, and described the current state of insurance and economic development globally and domestically. Panellists recognised that insurance supervisors play an essential role in promoting insurance market and economic development.

- **Session 5: The Use of Innovation Facilities as a Regulatory Tool.** Panellists discussed how innovations can help insurance markets function better and improve customer outcomes. They felt that supervisors can facilitate innovations, but must understand the market and regulatory barriers to innovation. They also discussed the need for the insurance industry to understand customers’ needs and innovate in response to these customer expectations. Panellists had somewhat differing views on the role of supervisors.

- **Session 6: Climate Change and Climate-related Risk – What it means for Insurance Supervisors.** In this session, the joint IAIS and SIF Issues Paper on Climate Change Risks to the Insurance Sector was presented and discussed. Panellists considered how insurance supervisors and insurers are responding to climate risk from both an investment and underwriting perspective, the ways in which insurers and insurance supervisors can address the growing protection gap and how supervisors can engage different stakeholders in addressing climate risk. Panellists also touched on how the insurance sector is engaging with the recommendations from the FSB TCFD.

- **Session 7: Supervision of Insurer Cybersecurity and Risks Associated with Third-Party Service Providers.** This session featured two presentations. The IAIS presented its draft Application Paper on Supervision of Insurer Cybersecurity. The FSI shared preliminary findings from its forthcoming paper on the emerging regulatory frameworks and supervisory practices for dealing with risks associated with technological third-party service providers in the insurance industry.

Presentations from the Global Seminar are available on the IAIS website.
“The Global Seminar featured lively and informative exchanges between Members and stakeholders on the full range of IAIS work. These conversations will help forge greater understanding and lead to better solutions as we respond to our shared challenges”.

Jonathan Dixon, IAIS Secretary General
Since its creation in 2004, the IAIS Distinguished Fellows Programme has honoured former Member representatives for their outstanding service and substantial involvement in IAIS activities. Honourees are nominated and approved by their peers. It is a special way of paying tribute to those who have selflessly contributed their time and expertise to advance the IAIS Mission. In the words of Victoria (Vicky) Saporta, Executive Committee Chair, “the Distinguished Fellows Programme recognises extraordinary dedication to this Association”.

In 2018, the IAIS conferred this honour upon three former colleagues:

**EDWARD (ED) FORSHAW (FORMERLY WITH UK, PRA)**

Edward (Ed) Forshaw retired from the Prudential Regulation Authority at the Bank of England in August 2017, after a long career in financial services regulation that included involvement in the IAIS since the late 1990s. For several years, Ed chaired the IAIS Technical Committee’s Exchange of Information Subcommittee that developed the IAIS Supervisory Standard on the Exchange of Information adopted in 2002. Under his leadership, the Subcommittee prepared a Model Memorandum of Understanding, Principles Applicable to the Supervision of International Insurers and Insurance Groups and their Cross-Border Business Operations and a Supervisory Standard on the Exchange of Information. He was also heavily involved in developing an earlier version of the IAIS Insurance Core Principles and was an active participant in other IAIS committees – most recently, the Implementation and Budget Committees and the Stakeholder Engagement Task Force that produced the Stakeholder Engagement Plan in 2017.
URS HALBEISEN (FORMERLY WITH FINMA)

Urs Halbeisen was a long serving and active member of a number of IAIS committees and subcommittees, including the Insurance Groups and Crosssectoral Issues Subcommittee (Vice Chair, 2010-2014); Resolution Working Group (Chair, 2014-2017); Technical Committee (Vice Chair, 2014)/Financial Stability and Technical Committee (Vice Chair, 2015-2017); Coordination Group (2015-2017); Policy Development Committee (2018); ICS Task Force (2017-2018); and G-SII Analysts Working Group (2015-2018). In these roles, Urs contributed to and provided leadership on a number of high-profile IAIS workstreams including ComFrame and the development of the ICS; the G-SII assessment methodology; and supervisory material related to recovery and resolution. Urs not only covered a broad range of topics and contributed actively to each, he also took a leading role in promoting good cooperation among IAIS Members.

YOSHIHIRO (YOSHI) KAWAI
(FORMERLY IAIS SECRETARY GENERAL)

Yoshihoro (Yoshi) Kawai dedicated nearly 20 years of his professional career to the IAIS, leading the Secretariat through a period of enormous growth – the number of Secretariat staff nearly tripled; the budget increased almost ten-fold and the membership nearly doubled. Yoshi led the IAIS through the adoption of comprehensive ICPs, identification of global systemically important insurers (G-SIIs) and development of G-SII policy measures, and development of the first-ever global insurance capital standard – the Basic Capital requirement (BCR). His continuous commitment to a single global consolidated and risk-based capital standard and his perseverance in striving to achieve this goal even under difficult circumstances, is widely acknowledged. Yoshi’s leadership was instrumental in transforming the IAIS into the renowned international standard-setter for insurance that it is today.

These 2018 Distinguished Fellows joined the ranks of other individuals honoured in previous years.
To the General Meeting of
International Association of Insurance Supervisors, Basle

Basle, 24 May 2019

Report of the auditor on the financial statements

As auditor in accordance with article 11 of your by-laws, we have audited the accompanying financial statements of International Association of Insurance Supervisors, which comprise the balance sheet, income statement, cash flow statement and notes for the year ended 31 December 2018.

Executive Committee’s responsibility
The Executive Committee is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the by-laws. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Executive Committee is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor’s responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity’s preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the existence and effectiveness of the entity’s internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended 31 December 2018 comply with Swiss law and the by-laws.
Report on other requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 69b Swiss Civil Code (CC) in connection with article 728 CO) and that there are no circumstances incompatible with our independence.

In accordance with article 69b CC in connection with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Management.

Ernst & Young Ltd

Christian Fleig
Licensed audit expert
(Auditor in charge)

Jenny Technow
Master of science

Enclosure
- Financial Statements (balance sheet, income statement, cash flow statement and notes)
FINANCIAL STATEMENTS

INTERNATIONAL ASSOCIATION OF INSURANCE SUPERVISORS
BALANCE SHEET
AT 31 DECEMBER 2018
(IN SWISS FRANCS)

<table>
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<tr>
<th>Note</th>
<th>2018</th>
<th>2017</th>
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<tbody>
<tr>
<td></td>
<td>ASSETS</td>
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<tr>
<td></td>
<td>Cash and cash equivalents</td>
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<tr>
<td></td>
<td>Other short-term receivables</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>Prepaid expenses and accrued income</td>
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<tr>
<td></td>
<td>Total current assets</td>
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<tr>
<td></td>
<td>Total assets</td>
<td></td>
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<td></td>
<td>LIABILITIES AND EQUITY</td>
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<tr>
<td></td>
<td>Other short-term liabilities</td>
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<tr>
<td></td>
<td>Accrued expenses and deferred income</td>
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</tr>
<tr>
<td></td>
<td>Total liabilities</td>
<td></td>
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<tr>
<td></td>
<td>Voluntary retained earnings</td>
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</tr>
<tr>
<td></td>
<td>Balance brought forward</td>
<td>–</td>
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<tr>
<td></td>
<td>Net result for year</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>Total equity</td>
<td></td>
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<tr>
<td></td>
<td>Total liabilities and equity</td>
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</tbody>
</table>

There were no movements in equity during the year other than those included in the Balance Sheet.

The accompanying notes form part of these financial statements.
INTERNATIONAL ASSOCIATION OF INSURANCE SUPERVISORS
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018
(IN SWISS FRANCS)

Other than financial income and expenses included above, there was no non-operating income or expenses, no extraordinary items or significant adjustments in respect of prior periods.

The accompanying notes form part of these financial statements.

<table>
<thead>
<tr>
<th>Note</th>
<th>2018</th>
<th>2017</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2017</td>
</tr>
<tr>
<td>OPERATING INCOME</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Membership fees</td>
<td>6,110,913</td>
<td>5,546,950</td>
</tr>
<tr>
<td>Contributions received</td>
<td>2,000,000</td>
<td>2,300,000</td>
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<tr>
<td>Total operating income</td>
<td>8,110,913</td>
<td>7,846,950</td>
</tr>
<tr>
<td>OPERATING EXPENSES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions paid</td>
<td>270,308</td>
<td>130,139</td>
</tr>
<tr>
<td>Staff costs</td>
<td>7,438,009</td>
<td>7,086,020</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>1,406,170</td>
<td>1,417,285</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>9,114,486</td>
<td>8,633,444</td>
</tr>
<tr>
<td>Operating result</td>
<td>(1,003,573)</td>
<td>(786,494)</td>
</tr>
<tr>
<td>Financial income</td>
<td>193</td>
<td>412</td>
</tr>
<tr>
<td>Financial expenses</td>
<td>(24,011)</td>
<td>(30,092)</td>
</tr>
<tr>
<td>Net result for year</td>
<td>(1,027,391)</td>
<td>(816,174)</td>
</tr>
</tbody>
</table>
INTERNATIONAL ASSOCIATION OF INSURANCE SUPERVISORS
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018
(IN SWISS FRANCS)

<table>
<thead>
<tr>
<th>Note</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net result for year</td>
<td>(1,027,391)</td>
<td>(816,174)</td>
</tr>
<tr>
<td>(Increase) in other short-term receivables</td>
<td>(25,743)</td>
<td>(50,088)</td>
</tr>
<tr>
<td>Decrease (increase) in prepaid expenses and accrued income</td>
<td>8,848</td>
<td>(29,500)</td>
</tr>
<tr>
<td>Increase (decrease) in other current liabilities</td>
<td>89,000</td>
<td>(11,000)</td>
</tr>
<tr>
<td>Increase in accrued expenses and deferred income*</td>
<td>179,746</td>
<td>1,385,060</td>
</tr>
<tr>
<td>Cash (outflow)/inflow from operating activities</td>
<td>(775,540)</td>
<td>478,298</td>
</tr>
<tr>
<td>Cash (outflow)/inflow for financing activities</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Cash (outflow)/inflow for investing activities</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Change in cash and cash equivalents</td>
<td>(775,540)</td>
<td>478,298</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of year</td>
<td>6</td>
<td>10,707,216</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of year</td>
<td>6</td>
<td>9,931,676</td>
</tr>
<tr>
<td>Change in cash and cash equivalents</td>
<td>(775,540)</td>
<td>478,298</td>
</tr>
</tbody>
</table>

* A delay in the IAIS being charged for expenses incurred during last quarter of 2017 led to an increase in accrued expenses at year-end 2017. These were settled in full at the start of 2018.

The accompanying notes form part of these financial statements.
1. NATURE OF ORGANISATION
The International Association of Insurance Supervisors ("IAIS" or "the Association") is an association established under Swiss Law. The Association is domiciled in Basel, Switzerland and receives fees from its Members worldwide.

The IAIS provides an independent forum for insurance supervisors to promote cooperation among its Members in carrying out their responsibilities. Its mission is to promote effective and globally consistent supervision of the insurance industry in order to develop and maintain fair, safe and stable insurance markets for the benefit and protection of policyholders, and to contribute to global financial stability.

2. KEY ACCOUNTING PRINCIPLES

2.1 Statement of compliance
The financial statements have been prepared in accordance with the provisions of the Swiss Law on Accounting and Financial Reporting (32-d Title of the Swiss Code of Obligations) enacted on 23 December 2011 by the Federal Assembly of the Swiss Confederation, that became effective on 1 January 2013. It is applicable to financial statements from the financial year 2015.

2.2 Scope of the financial statements
These financial statements contain all assets and liabilities that are controlled by the Association and in respect of which the economic benefits as well as the rights and obligations lie predominantly with the Association.

2.3 Basis of preparation
The financial statements have been prepared on a going concern basis. They have been prepared on the historical cost basis, and income and expense items are recorded on the accruals basis. All amounts disclosed in the financial statements have been rounded off to the nearest unit. The principal accounting policies are set out below.

2.4 Functional and presentation currency
The functional and presentation currency is the Swiss franc.

2.5 Cash and cash equivalents
Cash and cash equivalents comprise bank current and deposit accounts which are highly liquid and readily convertible to cash.

2.6 Provision for bad debts
Provisions are recognised as a charge to the Income Statement if the Association has concern over the recovery of outstanding receivables. The policy of the Association is to write-off membership fees that remain unpaid for two consecutive years, or upon confirmation of non-recovery if earlier, in accordance with its fee policy.

2.7 Withholding taxes
Interest income is reported net of withholding taxes and included as part of financial income.
3. BENEFITS RECEIVED

3.1 Membership fees
The majority funding of the Association comes from membership fees paid by its Members who represent insurance regulators and supervisors in over 140 countries. As per the Association’s By-Laws, the annual fees payable by each Member are determined by the General Meeting based on the recommendation of the Executive Committee. The yearly recommended fees are calculated based on a methodology approved by the Members to support the activities of the Association.

3.2 Contributions received
The IAIS is hosted by the Bank for International Settlements (BIS). It benefits from various support provided by the BIS that includes the provision of meeting organisation services, administration, accounting, human resources, legal and other advisory services, office space and IT equipment, and one full-time technical administrator. The BIS also administers a staff pension scheme of which a number of IAIS staff are entitled to membership. The pension obligations lie with the BIS and the IAIS has no legal commitment for the payment of pension amounts to staff. In addition, from 2015 until 2019, the BIS will make annual financial contributions to the IAIS, in accordance with an agreement between both parties. This funding is in recognition of the financing gap created by the discontinuation of the industry Observer status from 2015. The contribution provided in 2017 and 2018 was CHF 2,300,000 and CHF 2,000,000, respectively.

The Association also benefits from Members’ secondment of staff to its Secretariat. The total amount of these benefits does not form part of these financial statements.

4. THIRD PARTY CONTRIBUTIONS
The use of these funds is restricted as determined by agreements with the contributors.

FSA Japan Grant
Funds are contributed annually to support the IAIS’ activities and are held in a separate CHF denominated bank account, on which there was a balance of CHF 4,417 as at 31 December 2018. These funds are held outside the IAIS financial statements; all transactions are financially independent from the IAIS and the financial records are independently audited.

5. INCOME TAXES
The Association is exempt from Swiss income tax.

6. CASH AND CASH EQUIVALENTS

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHF Current accounts</td>
<td>1,916,877</td>
<td>2,692,610</td>
</tr>
<tr>
<td>CHF Short term savings accounts</td>
<td>8,014,798</td>
<td>8,014,606</td>
</tr>
<tr>
<td></td>
<td>9,931,676</td>
<td>10,707,216</td>
</tr>
</tbody>
</table>
7. OTHER SHORT-TERM RECEIVABLES

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Membership fees receivable</td>
<td>50,095</td>
<td>–</td>
</tr>
<tr>
<td>Other</td>
<td>204,635</td>
<td>200,137</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>254,730</td>
<td>200,137</td>
</tr>
<tr>
<td>Less: provision for bad debts</td>
<td>(28,850)</td>
<td>–</td>
</tr>
<tr>
<td><strong>Movement in provision for bad debts:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charge to operating expenses</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Provision made during the year</td>
<td>28,850</td>
<td>7,322</td>
</tr>
<tr>
<td>Amounts recovered in year</td>
<td>–</td>
<td>(29,350)</td>
</tr>
<tr>
<td><strong>Charge to operating expenses</strong></td>
<td>28,850</td>
<td>(22,028)</td>
</tr>
<tr>
<td><strong>Movement in provision:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opening balance</td>
<td>–</td>
<td>36,673</td>
</tr>
<tr>
<td>Charge to operating expenses</td>
<td>28,850</td>
<td>(22,028)</td>
</tr>
<tr>
<td>Amounts written off in year</td>
<td>–</td>
<td>(14,645)</td>
</tr>
<tr>
<td><strong>Closing balance</strong></td>
<td>28,850</td>
<td>–</td>
</tr>
</tbody>
</table>

8. OTHER SHORT-TERM LIABILITIES

<table>
<thead>
<tr>
<th>Contribution towards Annual Conference and General Meeting expenses (Note 10)</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>100,000</td>
<td>11,000</td>
</tr>
</tbody>
</table>
9. ACCRUED EXPENSES AND DEFERRED INCOME

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Accrued expenses:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audit</td>
<td>11,000</td>
<td>11,000</td>
</tr>
<tr>
<td>Bank for International Settlement</td>
<td>1,800,692</td>
<td>1,478,434</td>
</tr>
<tr>
<td>Consultancy</td>
<td>19,200</td>
<td>10,400</td>
</tr>
<tr>
<td>Seminars</td>
<td>120,150</td>
<td>109,608</td>
</tr>
<tr>
<td>Travel</td>
<td>26,603</td>
<td>65,507</td>
</tr>
<tr>
<td>Website &amp; IT</td>
<td>4,800</td>
<td>12,000</td>
</tr>
<tr>
<td>Other</td>
<td>279,871</td>
<td>626,968</td>
</tr>
<tr>
<td><strong>Deferred income:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Membership fees received in advance</td>
<td>1,151,993</td>
<td>920,646</td>
</tr>
<tr>
<td></td>
<td><strong>3,414,309</strong></td>
<td><strong>3,234,563</strong></td>
</tr>
</tbody>
</table>

Amounts due to the Bank for International Settlements are in respect of staff costs and other operating expenses. All other accrued expenses relate to third parties.
10. ANNUAL CONFERENCE AND GENERAL MEETING

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contribution towards Annual Conference and General Meeting expenses</td>
<td>100,000</td>
<td>11,000</td>
</tr>
<tr>
<td>Over-accrual of 2016 Conference expenditure</td>
<td>-3,013</td>
<td>-470</td>
</tr>
<tr>
<td></td>
<td>96,987</td>
<td>10,530</td>
</tr>
</tbody>
</table>

The Annual Conference fees and expenditure are the responsibility of the host. The host is also responsible for organising a General Meeting, the costs of which are borne by the IAIS. The IAIS set aside in its annual budget for 2018 a maximum amount of CHF 100,000 to cover the costs of the General Meeting and contribute towards costs related to the Annual Conference. Any net costs, after taking into account the IAIS contribution, are borne by the host.

11. CONTRIBUTIONS PAID

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Conference and General Meeting (Note 10)</td>
<td>96,987</td>
<td>10,530</td>
</tr>
<tr>
<td>Regional seminars</td>
<td>113,321</td>
<td>59,609</td>
</tr>
<tr>
<td>Global seminar</td>
<td>60,000</td>
<td>60,000</td>
</tr>
<tr>
<td></td>
<td>270,308</td>
<td>130,139</td>
</tr>
</tbody>
</table>

12. STAFF COSTS

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment costs</td>
<td>7,096,584</td>
<td>6,957,923</td>
</tr>
<tr>
<td>Relocation</td>
<td>341,425</td>
<td>128,097</td>
</tr>
<tr>
<td></td>
<td>7,438,009</td>
<td>7,086,020</td>
</tr>
</tbody>
</table>

The IAIS has on an annual average no more than 50 full time positions.
13. OTHER OPERATING EXPENSES

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit</td>
<td>9,984</td>
<td>11,860</td>
</tr>
<tr>
<td>Consultancy fees</td>
<td>28,000</td>
<td>53,987</td>
</tr>
<tr>
<td>Copies &amp; postage (incl. editing)</td>
<td>306</td>
<td>117</td>
</tr>
<tr>
<td>FSI Connect licences</td>
<td>64,359</td>
<td>–</td>
</tr>
<tr>
<td>Information services</td>
<td>75,183</td>
<td>53,592</td>
</tr>
<tr>
<td>Insurance</td>
<td>94,925</td>
<td>94,926</td>
</tr>
<tr>
<td>Meeting expenses</td>
<td>162,189</td>
<td>148,178</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>9,795</td>
<td>25,467</td>
</tr>
<tr>
<td>Printing &amp; documentation</td>
<td>16,375</td>
<td>3,500</td>
</tr>
<tr>
<td>Bad debts expense / (recovered)</td>
<td>28,850</td>
<td>(22,028)</td>
</tr>
<tr>
<td>Recruitment</td>
<td>26,552</td>
<td>43,442</td>
</tr>
<tr>
<td>Telephone &amp; fax</td>
<td>5,182</td>
<td>7,820</td>
</tr>
<tr>
<td>Training</td>
<td>43,263</td>
<td>66,300</td>
</tr>
<tr>
<td>Travel</td>
<td>655,860</td>
<td>750,434</td>
</tr>
<tr>
<td>Website and IT</td>
<td>185,347</td>
<td>179,690</td>
</tr>
<tr>
<td></td>
<td><strong>1,406,170</strong></td>
<td><strong>1,417,285</strong></td>
</tr>
</tbody>
</table>

The FSI Connect licenses expense occurs every two years and the benefits of the licenses lie with the recipient Members.

14. FINANCIAL INCOME

Interest on:

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank accounts</td>
<td>193</td>
<td>412</td>
</tr>
</tbody>
</table>

The Association presents interest net of withholding tax. See also Note 2.
15. FINANCIAL EXPENSES

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank charges &amp; custody fees</td>
<td>1,335</td>
<td>1,098</td>
</tr>
<tr>
<td>Bank interest</td>
<td>22,757</td>
<td>28,994</td>
</tr>
<tr>
<td>Foreign exchange loss/(gain)</td>
<td>(81)</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>24,011</td>
<td>30,092</td>
</tr>
</tbody>
</table>

16. INVESTMENT POLICY AND RISK MANAGEMENT

The Budget Committee meets at least four times a year and assesses the financial risks that could have an impact on the Association. The Secretariat monitors the day-to-day activities of the Association and provides regular reports to the Budget Committee.

The Association derives income primarily from membership fees. As a non-profit making organisation, it invests surplus income to fund future operations. Security of capital, represented by voluntary retained earnings, has a high priority within the investment policy, to ensure that the Association can continue as a going concern to support its activities for the foreseeable future.

As at 31 December 2018 the IAIS’ investment in financial assets comprised banks current and deposit accounts.

16.1 Liquidity risk
The Association holds sufficient liquid funds to enable it to meet its liabilities as they fall due.

16.2 Foreign currency risk
The revenue and expenditure of the Association are predominantly received and paid in Swiss francs. To minimise the exposure of investments to foreign currency risk, investments are normally held in Swiss franc-denominated financial assets. The Association’s cash and cash equivalents are also held in Swiss francs.

16.3 Credit Risk
The major source of funding for the Association is fees from Members. Members represent insurance regulators and supervisors from over 200 jurisdictions in more than 140 countries. Due to the nature of the Association’s activities and broad membership, credit risk is considered to be low.

17. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events between the balance sheet and the approval of these financial statement by the IAIS Executive Committee on 24 May 2019 which could impact the book value of assets and liabilities or which should be disclosed in these financial statements.
APPENDIX I
EXECUTIVE COMMITTEE MEMBERS
AS OF NOVEMBER 2018

Victoria (Vicky) Saporta
United Kingdom
Prudential Regulatory Authority (PRA),
Bank of England (BoE)
Chair

Julie Mix McPeak
USA, Tennessee
Department of Commerce & Insurance
Vice Chair

Hiroshi Ota
Japan
Financial Services Agency (FSA)
Vice Chair

Ebrahim Obaid Al Zaabi
United Arab Emirates
Insurance Authority

Gabriel Bernardino
EIOPA
European Insurance and Occupational
Pensions Authority

Hassan Boubrik
Morocco
Supervisory Authority of Insurance
and Social Welfare (ACAPS)

Peter Braumüller (ex officio)
Austria
Financial Market Authority (FMA)
Chair, Budget Committee

Michael Consedine
USA
National Association of
Insurance Commissioners (NAIC)

Alberto Corinti
Italy
Institute for the Supervision of Insurance (IVASS)
Chair, Macroprudential Committee

Joaquin Cortez
Chile
Financial Market Commission (CMF)

Bernard Dupont
Canada
Office of the Superintendent
of Financial Institutions (OSFI)

Raymond Farmer
USA
South Carolina Department of Insurance

Michele Fields
Bahamas
The Insurance Commission of the Bahamas

Frank Grund
Germany
German Federal Financial Supervisory Authority
(BaFin)

Hern Shin Ho
Singapore
Monetary Authority of Singapore (MAS)

José G. (Pepe) López Hoyo (ex officio)
Mexico
National Insurance and Surety Commission (CNSF)
<table>
<thead>
<tr>
<th>Name</th>
<th>Location</th>
<th>Organization</th>
<th>Role</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carlos Izaguirre</td>
<td>Peru</td>
<td>Superintendency of Banking, Insurance and Private Pension Fund Administrators (SBS)</td>
<td></td>
</tr>
<tr>
<td>Mojca Piškurič</td>
<td>Slovenia</td>
<td>Insurance Supervision Agency (AZN)</td>
<td></td>
</tr>
<tr>
<td>Subhash C. Khuntia</td>
<td>India</td>
<td>Insurance Regulatory and Development Authority of India (IRDAI)</td>
<td></td>
</tr>
<tr>
<td>Chang-Woog Lee</td>
<td>Korea (Republic of)</td>
<td>Financial Supervisory Service (FSS) &amp; Financial Services Commission (FSC)</td>
<td></td>
</tr>
<tr>
<td>Frédéric Hervo</td>
<td>France</td>
<td>Prudential Supervision and Resolution Authority (ACPR)</td>
<td></td>
</tr>
<tr>
<td>Elise Liebers (ex officio)</td>
<td>USA</td>
<td>National Association of Insurance Commissioners (NAIC)</td>
<td>Chair, Policy Development Committee</td>
</tr>
<tr>
<td>William Mason</td>
<td>Guernsey</td>
<td>Financial Services Commission (GFSC)</td>
<td>Chair, Audit and Risk Committee</td>
</tr>
<tr>
<td>Norma Alicia Rosas Rodriguez</td>
<td>Mexico</td>
<td>National Insurance and Surety Commission (CNSF)</td>
<td></td>
</tr>
<tr>
<td>Thomas Sullivan (non-voting)</td>
<td>USA</td>
<td>Board of Governors of the Federal Reserve System (FRB)</td>
<td></td>
</tr>
<tr>
<td>Geoff Summerhayes</td>
<td>Australia</td>
<td>Australian Prudential Regulation Authority (APRA)</td>
<td></td>
</tr>
<tr>
<td>Suzette Vogelsang</td>
<td>South Africa</td>
<td>Prudential Authority</td>
<td></td>
</tr>
</tbody>
</table>
IAIS SECRETARIAT STAFF

APPENDIX II
SECRETARIAT STAFF
AS OF NOVEMBER 2018

Jonathan Dixon
Secretary General

Catherine Lezon-Gaertner
Deputy Secretary General

Romain Paserot
Deputy Secretary General / Head of Capital and Solvency

Conor Donaldson
Head of Implementation

Anna Aubel
Administrative Officer

Peter van den Broeke
Member of the Secretariat

Joao Carneiro
Finance Officer

Aurélien Cosma
Member of the Secretariat

Rogier Derksen
Member of the Secretariat

Malene Duncan
Member of the Secretariat

Becky Easland
Member of the Secretariat

Sylvie Ellet
Administrative Officer

Jules Gribble
Member of the Secretariat

Martin Hahn
Member of the Secretariat

Daisuke Hirose*
(Financial Services Agency, Japan)
Member of the Secretariat

Stephen Hogge
Member of the Secretariat / Communications

Yukiko Kamegawa
(Financial Services Agency, Japan)
Member of the Secretariat

Anastasia Kartasheva
Member of the Secretariat and Economic Advisor

Bas Kiviet
Operations Manager
Member of the Secretariat

Grzegorz Komarnicki
Member of the Secretariat

Lance Leatherbarrow
Member of the Secretariat

Carole Lin*
(China Banking and Insurance Regulatory Commission)
Member of the Secretariat

Jia Yun Loo*
(Monetary Authority of Singapore)
Member of the Secretariat

Bernhard Mayr
Member of the Secretariat

Jay Muska
Member of the Secretariat

Carine Notter*
(BIS)
Technical Administrator

Danita Pattemore
Member of the Secretariat

Andrei Radu*
Member of the Secretariat

Gemma Schneider
Administrative Officer

Alka Sharma
Administrative Officer

Zoe Smoke
Administrative Officer

Tomas Stastny
Member of the Secretariat

Jun Zhang*
(China Banking and Insurance Regulatory Commission)
Member of the Secretariat

Hanne van Voorden
Member of the Secretariat

Pierre-Jean Vouette
Member of the Secretariat

Myungshin Yoo*
(China Banking and Insurance Regulatory Commission)
Member of the Secretariat

Staff not financed by the IAIS indicated by an asterisk (*)
APPENDIX III
ORGANISATIONAL STRUCTURE DURING REPORTING PERIOD

General Meeting

Executive Committee

Coordination Group

Policy Development Committee
- Accounting and Auditing Working Group
- Capital, Solvency and Field Testing Working Group
- Governance Working Group
- Insurance Groups Working Group
- Market Conduct Working Group
- Resolution Working Group
- Supervisory Material Review Task Force
- Financial Crime Task Force

Macropurudential Surveillance Committee
- G-SII Analysts Working Group
- Macroprudential Policy and Surveillance Working Group
- Systemic Risk Assessment Drafting Group

Implementation and Assessment Committee

Budget Committee

Audit and Risk Committee

Supervisory Forum
- Financial Inclusion Working Group
- Signatories Working Group
- Standards Assessment Working Group
- Core Curriculum Task Force