

High Level Messages: ICS Version 2.0 for the monitoring period and Comparability Assessment

The Insurance Capital Standard (ICS) is being developed by the International Association of Insurance Supervisors (IAIS) with the purpose of creating a common language for supervisory discussions of group solvency of Internationally Active Insurance Groups (IAIGs) to enhance global convergence among group capital standards. The ultimate goal is a single ICS that includes a common methodology by which one ICS achieves comparable, ie substantially the same, outcomes across jurisdictions.

A milestone in the journey towards the ultimate goal is the publication of ICS Version 2.0 for the monitoring period. Starting from January 2020, the ICS enters a five-year “monitoring period”, during which it will be used for confidential reporting to the group-wide supervisor (GWS), discussion in supervisory colleges, and further analysis by the IAIS. It will not be used as a prescribed capital requirement (PCR); that is, the ICS results will not be used as a basis to trigger supervisory action and IAIGs are not expected to manage their business to the ICS. ICS Version 2.0 for the monitoring period is also not for decision making by supervisors, nor is it intended for use by third parties. In this context, the IAIS encourages IAIGs not to disclose their ICS results to any third parties.

The purpose of the monitoring period is to monitor the performance of the ICS over a period of time, and not the capital adequacy of IAIGs. For this purpose, the monitoring period is intended to be a period of stability for the reference ICS and 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.

The active participation of IAIGs in the monitoring period is very important to provide effective feedback on the ICS (covering both the reference ICS and, if applicable, additional reporting at the discretion of the GWS). Although the Aggregation Method (AM) is not part of ICS Version 2.0 for the monitoring period, the IAIS will continue to collect data from interested jurisdictions relevant to the development of the AM. Through this approach, the IAIS aims to be in a position by the end of the monitoring period to assess whether the AM provides comparable, ie substantially the same, outcomes to the ICS.

The IAIS is seeking to make participation as large as possible across different jurisdictions and business models in order to ensure that the ICS captures risk appropriately. With that aim, the IAIS will send a letter to group-wide supervisors strongly encouraging the participation of IAIGs in their jurisdiction with an expectation that GWSs will convey the message to their IAIGs, in an appropriate form. While the IAIS will strongly encourage IAIGs to participate, the IAIS is a standard setting body and does not have the legal power to directly mandate any

reporting and ultimate decision making rests with the GWS. In addition, there will be an annual review point for IAIG participation.

The feedback received during the monitoring period will be used to further improve the ICS. In addition to the feedback from supervisors, the IAIS will consider feedback from stakeholder engagement, a public consultation and the results of an economic impact assessment, all of which could result in changes to ICS Version 2.0. During the monitoring period, the IAIS intends to maintain the same level of engagement with stakeholders as it had during field testing.