



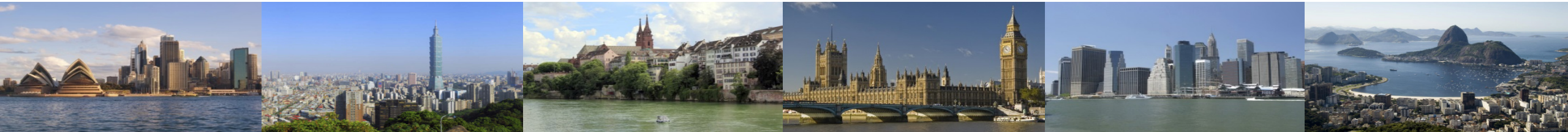
**IAIS** 25  
YEARS

INTERNATIONAL ASSOCIATION OF  
INSURANCE SUPERVISORS

# Journey through our major milestones 2019 and outlook 2020

IAIS Annual Conference

14 November 2019, Abu Dhabi



# Content

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- Revision of Insurance Core Principles (ICPs)
- Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame)
- Holistic Framework for Systemic Risk
- Insurance Capital Standard (ICS) Version 2.0 for the monitoring period
- Outlook 2020

# Revision of Insurance Core Principles (ICPs)

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## **Multi-year project of comprehensive revision of ICPs aimed at reflecting:**

- Findings from IAIS' Self-Assessments and Peer Reviews and IMF FSAPs
- Response to the 2008 global financial crisis, including recommendations from FSB/G20
- Consistency with the development of ComFrame
- Updates related to standards and guidance developed by other standard setting bodies
- Insurance market trends and developments

## **The outcome achieved:**

- Supervisory material reflecting all relevant developments, consistent with the outcome of ComFrame and the holistic framework
- Comprehensive set of supervisory material, constituting a sound basis for the shift to a greater emphasis on assessing implementation and facilitating supervisory capacity building

# Common Framework (ComFrame) – nature and purpose

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## **Characteristic of ComFrame:**

- First global framework for effective and globally consistent supervision of Internationally Active Insurance Groups (IAIGs)
- Important element of the post-crisis reform agenda
- Builds and expands upon standards and guidance set out in the ICPs

## **Objectives of ComFrame:**

- Comprehensive and outcome-focused framework aimed at facilitating effective group-wide supervision of IAIGs
- Qualitative and (in a future phase) quantitative supervisory minimum requirements tailored to activities and nature of IAIGs to help supervisors address group-wide risks and avoid supervisory gaps
- To provide supervisors with a common language for the supervision of IAIGs, for the benefit of both supervisors and IAIGs, and ultimately policyholders

# Common Framework (ComFrame) – next steps

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## **Identification of IAIGs:**

- Responsibility of the group-wide supervisors (GWSs) for identification of IAIGs
- Commitment of the GWSs to disclose publicly the identification of IAIGs at the earliest possible opportunity
- Public register of IAIGs that have been publicly disclosed by GWSs – to be compiled by IAIS

## **Implementation of ComFrame:**

- IAIS Members committed to implement ComFrame from the date of its adoption
- Time needed to implement ComFrame, to make appropriate changes in legislation and/or to adjust supervisory practices
- The IAIS' initial focus: supporting Members' efforts in the implementation of ComFrame
- Thereafter, the IAIS' focus will shift to assessment of implementation of ComFrame

# Holistic Framework for Systemic Risk - development

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## **Objective:**

- Whereas the ICPs and ComFrame as a whole are aimed at supporting the IAIS mission, the holistic framework in particular is aimed at our role of contributing to global financial stability

## **Several rounds of consultation:**

- December 2017: Interim Consultation Document (development of an “ABA”)
- November 2018: Consultation Document on overall Holistic Framework (including revisions to the methodology for assessing systemic risk stemming from individual insurers)
- June 2019: Consultation Document on Holistic Framework related revisions to ICPs and ComFrame

# Holistic Framework for Systemic Risk – outcomes achieved

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## **The AGM adopted:**

- The overarching document that sets out all key elements of the Holistic Framework:
  - Supervisory material
  - Global monitoring exercise
  - Implementation assessment
- The ICPs and ComFrame that reflect an enhanced set of supervisory policy measures and powers of intervention

## **Additionally, the Executive Committee approved:**

- A document setting out the objectives and process for the global monitoring exercise
- An Application Paper on Liquidity Risk Management for public consultation

# Holistic Framework for Systemic Risk – next steps

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## **Immediate next steps:**

- All documents related to the Holistic Framework are available on the IAIS website from this afternoon
- 10 December 2019: public discussion and background session via teleconference

## **From 2020:**

- Implementation of the holistic framework and its key elements
- Suspension of the G-SII identification

## **In 2022:**

- FSB review on the need to either discontinue or re-establish an annual identification of G-SIIs



# Insurance Capital Standard (ICS) Version 2.0 for the monitoring period

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## **ICS Version 2.0 for the monitoring period:**

- Consolidated group-wide capital standard for IAIGs for confidential reporting and discussion in supervisory colleges from the beginning of 2020
- Part of ComFrame
- Consists of three components: valuation, qualifying capital resources and a standard method for the ICS capital requirement

## **Objectives of the monitoring period:**

- Monitor the performance of the ICS over a period of time, not the capital adequacy of IAIGs
- Receive feedback from supervisors and IAIGs on the reference ICS and, if applicable, additional reporting
- Prior to the adoption of the ICS as a Prescribed Capital Requirement, there will be a public consultation on the ICS and the IAIS will undertake an economic impact assessment

# Insurance Capital Standard (ICS), Version 2.0 for the monitoring period

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## **Achievements this week:**

- Agreement on the design of the reference ICS for ICS Version 2.0 for the monitoring period
- Agreement on operationalisation of the monitoring period, including the collective effort of supervisors to make participation in the monitoring period as large as possible across different jurisdictions and business models in order to ensure that the ICS captures risk appropriately
- Agreement on the definition of comparable outcomes and an overarching approach to guide the development of high-level principles and criteria for the assessment of whether the Aggregation Method provides comparable outcomes to the ICS

# Outlook 2020 – Implementation and emerging(ed) trends

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## **FinTech:**

- FinTech Forum for supervisors to exchange good supervisory practices, given rapid changes
- Papers outlining issues and supervisory guidance

## **Cyber:**

- Paper outlining good supervisory practices on cyber resilience
- Supervisory perspective on sustainable cyber underwriting

## **Climate:**

- Application Paper on climate risks in the insurance sector
- Issues Paper on implementation of TCFD recommendations

## **Conduct and Culture:**

- Issues Paper on the interconnectedness of prudential and conduct risks

## **Sustainable Finance:**

- Prudential treatment of infrastructure investments in ICS
- Financial inclusion: supervisory guidance

# THANK YOU

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