IAIS Town Hall

Sustainable Insurance: Emerging Risks, Trends and Opportunities

3 December 2020
Agenda

Sustainable Insurance: Emerging Risks, Trends and Opportunities

• ExCo Chair open remarks
• Secretary General remarks - Key themes for 2021
• Update from Chairs of the IAC, MPC and PDC
• Update from ExCo Chair and Vice Chairs
• Q&A session
• Distinguished Fellows
2020: year in review

Responding to Covid-19 and maintaining momentum on implementation of agreed reforms

- Covid-19 highlights the importance of implementing agreed reforms
- Insurance sector acted as a shock absorber, rather than an amplifier of vulnerabilities
- Continued good progress on key emerging and accelerating themes
Key themes for 2021
Supporting a resilient insurance sector

- Risk assessment

- Finalisation and implementation of key reforms (Holistic Framework, ICS)

- Peer exchange and supervisory guidance on emerging/accelerating trends
  - Technological innovation and cyber risk
  - Climate risk
  - Financial inclusion and sustainable development

- Implementation support and assessment
Implementation and Assessment Committee

Assessment and Implementation Monitoring

Member Assessment Process (MAP):
• MAP Morocco was finalised. Final report approved for publication
• MAP Mexico is ongoing

Peer Review Process (PRP):
• PRP on ICPs 4, 5, 7 and 8 was finalised. Aggregate Report approved for publication.
• PRP on ICP 19 is ongoing and will be finalised in 2021
Implementation and Assessment Committee

Assessment and Implementation Monitoring and Supervisory Cooperation

Holistic Framework Implementation Assessment (HF-IA)

- Baseline assessments were carried out in 2020 for 25 jurisdictions
- Targeted jurisdictional assessments are scheduled for 2021/22 for 10 jurisdictions
- Steps to further implement the Holistic Framework supervisory material are in process in the majority of jurisdictions

IAIS MMoU

- 75 Signatories - two joined in 2020
- Signatories now cover 76% of global insurance market
- Continued interest from IAIS Members - including those from EMDEs
Macroprudential Committee

Covid-19 targeted assessment

- The Global Monitoring Exercise (GME) is IAIS’ framework to assess global insurance market trends and developments and detect the possible build-up of systemic risk in the global insurance sector

- 2020 GME was repurposed to assess impact of Covid-19 on the sector

- **High-level results:**
  - Main impact on asset side, impacting profitability and solvency
  - Insurers remained operationally and financially resilient


- **Looking ahead:**
  - High degree of uncertainty about duration and impact of Covid-19
  - Potential vulnerabilities: credit quality fixed income portfolios and deepened low interest environment
The IAIS made considerable progress in developing further material to support the implementation of the Holistic Framework.

**Liquidity Risk Management**
- Application Paper on Liquidity Risk Management, including:
  - Liquidity risk stress testing
  - Contingency funding planning
  - Liquidity risk management report
  - [Access Paper on IAIS website](#)

**Liquidity Metrics**
- The IAIS is developing liquidity metrics as an ancillary indicator in the GME Individual Insurer Monitoring.
- On 9 November, we published a consultation on one such metric, using an exposure approach.
  - [Access consultation on IAIS website](#)

**Macroprudential Supervision**
- Application Paper to support implementation of ICP 24 (currently in development):
  - Macroprudential data collection and analysis
  - Assessing systemic importance
  - Supervisory response
  - Transparency
  - [Public consultation: March 2021](#)
ICS Version 2.0 for the Monitoring Period

- ICS Data Collection and AM Data Collection (launched in April 2020)
- Documents for supervisory college discussions of the ICS will be circulated to group-wide supervisors later in 2020
- Collection of investment information (infrastructure and strategic equity) (two stocktake questionnaires launched in September 2020)

Implementation of ComFrame

- Monitoring of the identification of IAIGs by group-wide supervisors
- Publication of the register of IAIGs publicly disclosed by the group-wide supervisors (July 2020)
- Initial discussion on the timing of the assessment of ComFrame implementation (October 2020)
Policy Development Committee
Developing supporting material and changes in the Subcommittees structure

Supporting material

• Issues Paper on the Use of Big Data Analytics in Insurance
  o Published in March 2020

• Application Paper on Resolution Powers and Planning
  o Draft under public consultation until 5 February 2021

• Issues Paper on Insurer Culture
  o Work in progress, scheduled for public consultation in 2021

Establishment of new Subcommittees

• Infrastructure Task Force
• Operational Resilience Task Force
Draft definition of comparable outcomes and high-level principles

• Draft definition of comparable outcomes agreed and published in November 2019, along with an overarching approach (ie areas of focus) to guide the development of high-level principles and criteria

• Recent work has focused on transforming the areas of focus into high-level principles to inform that will be used to assess whether the AM provides comparable outcomes to the ICS

• Due to the Covid-19 pandemic, the consultation was rescheduled in order to provide operational relief to member supervisors, insurers and other stakeholders

• Future work: more detailed criteria will be developed for each high-level principle and in such a manner that the AM is neither precluded at the outset as an outcome equivalent approach to the ICS for measuring group capital, nor given a free pass.