



IAIS

INTERNATIONAL ASSOCIATION OF
INSURANCE SUPERVISORS

ANNUAL REPORT

2015

Activities from October 2014 through December 2015
Including 2015 Financial Statements

Table of Acronyms

A2ii	Access to Insurance Initiative
ICS	Insurance Capital Standard
ICPs	Insurance Core Principles
NTNI	non-traditional non-insurance
G-SII	Global Systemically Important Insurer

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1. ABOUT US

The International Association of Insurance Supervisors (IAIS) is a voluntary membership organisation of insurance supervisors and regulators from more than 200 jurisdictions in nearly 140 countries. A full list of Members can be found on the IAIS website at iaisweb.org.

THE IAIS MISSION

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.

Established in 1994, the IAIS is the international standard-setting body responsible for developing and assisting in the implementation of principles, standards and other supporting material for the supervision of the insurance sector. The IAIS provides a forum for Members and stakeholders to share experiences and understanding of insurance supervision and insurance markets. It represents a body of informed opinion within the field of insurance supervision. The Group of 20 and other international bodies routinely call upon the collective expertise of IAIS Members.

Hosted by the Bank for International Settlements, the IAIS is a non-profit organisation formed under Article 60 of the Swiss Civil Code. The activities of the IAIS are supported by a Secretariat located in Basel, Switzerland under the direction of a Secretary-General.

THE IAIS COMMITTEE SYSTEM

The IAIS is a Member-driven Association. It consists of the following organs: the General Meeting of Members, the Executive Committee and its committees and subcommittees and the Secretariat. The Executive Committee is composed of representatives from every region of the world and different types of insurance markets. It appoints the Secretary General.

Pursuant to the bylaws, the Executive Committee has established the following five Committees:

- Audit and Risk
- Budget
- Financial Stability
- Implementation
- Technical

The Executive Committee has also created the Supervisory Forum. Subcommittees have also been created to help carry out committee responsibilities.

THE THREE PILLARS OF IAIS ACTIVITIES

Activities undertaken by the IAIS in furtherance of its mission can be grouped into three primary areas:

Standard setting

The IAIS develops supervisory material (ie principles, standards and guidance) for effective insurance supervision. ComFrame— a Common Framework for the Supervision of Internationally Active Insurance Groups— is one major standard-setting initiative. The IAIS also prepares supporting material in the form of Issues Papers and Application Papers for background on specific areas of interest to insurance supervisors.

Implementation

The IAIS supports implementation of its supervisory material. The IAIS also assesses Member observance of supervisory material through the Self-Assessment and Peer Review process. Assessment results feed back into standard-setting activities. As further support for implementation, 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. It also supports supervisory cooperation and information exchange, and a significant programme in support of financial inclusion through its partner, the Access to Insurance Initiative (A2ii).

Financial stability

The IAIS plays a central role in contributing to global financial stability. It does this in two key ways: one, by developing the Assessment Methodology used by the Financial Stability Board to designate global systemically important insurers (G-SIIs) and policy measures to address systemic risk in G-SIIs; and two, by assisting IAIS Members in enhancing macroprudential surveillance tools.

GLOBAL COORDINATION

The IAIS coordinates its work with other international financial policymakers and supervisory associations. The IAIS is a member of the Financial Stability Board and the International Financial Reporting Standards Advisory Council of the International Accounting Standards Board and founding partner in the A2ii.

The IAIS also participates in a number of other organisations as an observer or partner. These include the Arab Forum of Insurance Regulatory Commissions, Asian Development Bank, ASEAN Insurance Training and Research Institute, Asian Forum of Insurance Regulators, Association of Latin American Insurance Supervisors, CESEE Insurance Supervision Initiative, Caribbean Association of Insurance Regulators, Consultative Group to Assist the Poor, Committee of Insurance Supervisors and Non-Banking Authorities, East African Insurance Supervisors Association, Financial Action Task Force, Financial Stability Institute, Global Partnership for Financial Inclusion, Group of International Insurance Centre Supervisors, International Actuarial Association, International Monetary Fund, International Organisation of Pension Supervisors, Islamic Financial Services Board, Microinsurance Network, Organisation for Economic Co-operation and Development, Toronto Centre and World Bank.

GLOBAL INVOLVEMENT

The IAIS holds committee meetings at least four times a year, and subcommittee meetings on an as-needed basis, in Member jurisdictions throughout the world. It also hosts a Global Seminar and an Annual Conference to encourage multilateral discussions on issues and trends affecting insurance supervisors, insurance markets, insurance consumers and the insurance industry. In conjunction with the Annual Conference, the IAIS convenes a General Meeting of Members ("Annual General Meeting") to conduct official business. Amsterdam hosted the Annual Conference in October 2014; Marrakesh, Morocco, hosted it in November 2015.

In 2015, the Executive Committee approved a change in the reporting period for the Annual Report from October 1 – September 30 to a calendar year basis to coincide with the IAIS financial reporting cycle. The IAIS Annual Report 2014-15 approved at the Annual General Meeting in November 2015 covered the period October 2014 through September 2015. To effect the transition to the new calendar-year reporting period, the Secretariat has updated the IAIS Annual Report 2014-15 to include textual revisions to the existing report and supplement it with activities from the final quarter of 2015. Therefore, this IAIS Annual Report 2015 covers a 15-month period. Beginning with the IAIS Annual Report 2016, the reporting period will revert to 12 months.

2. REPORT FROM THE SECRETARY GENERAL



Yoshihiro Kawai
Secretary General

Over the past 20 years, the IAIS has matured into a key global financial player. Because of this heightened role, the Membership adopted an ambitious and expansive five-year strategic plan at its 2014 General Meeting. They created what amounts to a “new” IAIS. Throughout this process, I stressed the following three ambitions:

- One, a “new” IAIS indispensable to all insurance supervisors.
- Two, a “new” IAIS held in the highest esteem by the global financial community.
- Three, a “new” IAIS championing the very best supervisory practices.

We are well on our way to realising these ambitions and becoming this “new” IAIS. We have a great deal of momentum as we prepare to confront the next set of challenges.

During this reporting period, the “new” IAIS has had many substantive victories.

- We have developed the first-ever global insurance capital standards—the Basic Capital Requirement and Higher Loss Absorbency. These are key milestones in contributing to global financial stability. We have made considerable progress in the development of the global insurance Capital Standard (ICS). We can now see the ultimate goal and the way to achieve it.
- We have improved our fundamental standards—the Insurance Core Principles (ICPs)—in the areas of corporate governance and group-wide supervision. In addition, we have developed supporting material for market conduct and captives.
- We have introduced a thematic approach to IAIS standard-setting. This has allowed us to develop standards more consistently and efficiently and make significant strides in standards implementation work.
- We have successfully promoted the Coordinated Implementation Framework, Multilateral Memorandum of

Understanding and enhanced cooperation between and among key partners. We have more regional initiatives and workshops and seminars with our partner organisations than ever before.

- We have developed a macroprudential support tool and made solid progress in improving the G-SII Assessment Methodology. We launched public consultations on the revised G-SII Assessment Methodology and NTNI (ie non-traditional non-insurance) activities framework on 25 November 2015.

By achieving these milestones under extremely ambitious timeframes, the IAIS has reinforced its leading role in the coordination of insurance matters within the international financial regulatory community.

Organisationally, we have built a solid foundation. We have:

- Consolidated the IAIS structure to be fully financed by public sector funding from our Members and the Bank for International Settlements.
- Succeeded in transforming the IAIS into a more agile organisation able to develop quality supervisory material more expeditiously.
- Enhanced stakeholder participation through a transparent consultation process and structured dialogues. This year we allocated more energy and more time than ever before to stakeholder engagement.
- Developed sound financial and risk management processes and internal operational guidelines to support IAIS activities. We now have better project planning and organisation through our new Roadmap, Executive Dashboard, Risk Management Framework and Member and Secretariat Handbooks.
- Reinforced our cooperation with the Bank for International Settlements.

Over the next year, we will maintain our momentum and continue to make significant progress on key projects. We intend to:

- Promote capital standards work and make significant progress and improvements on ComFrame and ICPs.
- Conduct high quality Self-Assessment and Peer Reviews, support the exchange of information and cooperation among supervisors and encourage supervisory development and financial inclusion.
- Contribute to global financial stability by continuing to improve the G-SII Assessment Methodology and build upon IAIS work in macroprudential surveillance.
- Reinforce the IAIS position as a thought leader by proactively identifying and responding to risks and developments affecting the global insurance sector.

We will also continue to reinforce our organisational foundation—planning, budgeting, risk management, internal guidance, coordination among different IAIS activities and interaction with stakeholders. We must also reinforce effective internal and external communication—sharing our key messages with a wider audience in a more effective and timely manner.

The success the IAIS has enjoyed rests upon the demonstrated commitment of the Members, our organisational strength, the spirit of cooperation underpinning our substantive work, our partnerships with global peers and the way in which we engage with our stakeholders. This has been and will continue to be the way forward.

3. COMMITTEE AND SUBCOMMITTEE REPORTS

A.1. Executive Committee Report



Victoria Saporta
Chair, Executive Committee

The Chair of the Executive Committee is Victoria Saporta (United Kingdom, PRA) who succeeded Felix Hufeld (Germany, BaFin) as Chair in November 2015. Peter Braumüller (Austria—AMFA) also served as Chair for a portion of this reporting period.

We look back at a year of continued dedication to our mission to promote effective and globally consistent supervision of the insurance industry, develop and maintain fair, safe and stable insurance markets for the benefit and protection of policyholders and contribute to global financial stability. This Annual Report demonstrates that the IAIS has once again delivered significant results promoting the achievement of our mission in the areas of standard setting, financial stability and standard implementation.

The key message I would like to convey is that the IAIS supports its entire Membership in every jurisdiction regardless of the level of development or sophistication of the insurance market. We assign considerable time and resources to major projects on financial stability and capital requirements; at the same time, we apply ourselves to assisting Members in implementing our principles and standards, including those Members facing challenges in building supervisory capacity.

ComFrame

ComFrame is one of several signature projects of this Association. Field testing is fully underway. It reveals the impact of all elements of ComFrame, and tests the extent to which these elements lead to effective group-wide supervision, are of practical and substantive value and do not lead to excessive costs to Internationally Active Insurance Groups.

Global capital standards

The first public consultation on the ICS ended in February 2015. It generated important Member and stakeholder feedback on all ICS elements such as valuation, qualifying capital resources and an example of a standard method. In addition, the IAIS received input on other potential methods for determining the ICS capital requirement. This feedback will be relevant to future ICS iterations following the completion of ICS Version 1.0. This public consultation was the first step in a multi-year ICS development process.

Without specifying a date, the IAIS agreed that the ultimate goal of the ICS is to include a common methodology by which one ICS achieves comparable, ie substantially the same, outcomes across jurisdictions. The IAIS also agreed on detailed goals for its previously announced ICS Version 1.0 (for confidential reporting) and Version 2.0 (for adoption within ComFrame).

The IAIS adopted, and the Financial Stability Board endorsed, the first version of Higher Loss Absorbency for G-SIIs in late 2015. The primary purpose of Higher Loss Absorbency is to help reduce the probability and impact on the financial system of a G-SII distress or failure. Higher Loss Absorbency is intended to apply to G-SIIs from 2019, after refinements to reflect further work on the G-SII Assessment Methodology, definition of NTNI and insurance capital requirements.

Global Systemically Important Insurers

Additional important work took place in proposing the 2015 G-SII cohort, revising the methodology for G-SII designation, further clarifying the definition of NTNI activities and revising the following ICPs: ICP 4 (Licensing), ICP 5 (Suitability of Persons), ICP 7 (Corporate Governance), ICP 8 (Risk Management and Internal Controls), ICP 23 (Group-wide Supervision) and ICP 25 (Supervisory Cooperation and Coordination).

Macprudential surveillance

In the area of macroprudential surveillance, the IAIS also developed an online macroprudential support tool for Members to engage in macroprudential surveillance activities.

Conduct of business

The IAIS strategic plan recognizes the IAIS as the global standard-setter for insurance through the development of sound principles and standards for microprudential and macroprudential supervision and conduct of business supervision. One key strategy calls for the IAIS to develop guidance on effective conduct of business supervision and implementation proposals. With the IAIS Market Conduct Working Group having completed an Issues Paper on Conduct of Business Risk and its Management, and the Financial Inclusion Working Group having completed one on the Conduct of Business in Inclusive Insurance, the IAIS is delivering on this strategy.

Implementation

In the area of standards implementation, Members advanced several components of the Coordinated Implementation Framework. In particular, the IAIS made progress with respect to Self-Assessment and Peer Reviews and in the development of an Implementation Monitoring Framework. The IAIS developed a thematic approach to these reviews as a critical tool for promoting implementation of the IAIS ICPs. The latest Self-

Assessment and Peer Reviews covered ICP 9 (Supervisory Review and Reporting), ICP 10 (Preventive and Corrective Measures) and ICP 11 (Enforcement). Each of these assessments gave the IAIS and participating Members a window into the extent to which current supervisory practices meet the global standards, while also providing invaluable feedback to our standard-setting working groups on ICP effectiveness.

The purpose of the Implementation Monitoring Framework is to capture the state of ICP implementation based on the observance data produced by the Self-Assessment and Peer Reviews and any other IAIS assessments. The ultimate objective of this framework is to have a single portal for Members to access IAIS supervisory material and identify observance trends, compare observance levels among jurisdictions with similar profiles and identify key implementation and observance challenges.

Financial inclusion

Enhancing financial inclusion for people without adequate access to insurance is a key objective of the IAIS. Important work is being done on the “Access Agenda” of the IAIS through the development of material enabling Members to implement the ICPs in a proportionate manner appropriate to the supervisory objectives of a jurisdiction. By doing so, unnecessary barriers to market access for insurance providers servicing the underserved can be removed or avoided. In addition, through our strong support and guidance of the A2ii— our primary implementation partner for financial inclusion—the IAIS helps Members meet their capacity-building needs at the regional level.

Multilateral Memorandum of Understanding

Over this reporting period, the number of signatories to the Multilateral Memorandum of Understanding increased to 55, representing more than 65% of global insurance premium volume. This growth continues to reinforce this vehicle as a foundation for cooperation and information exchanges among insurance supervisors.

Stakeholder engagement

While we have accomplished much in terms of our substantive work, we have also made noticeable progress in reforming our approach to stakeholder engagement. In early 2015, the IAIS adopted and implemented new policies and procedures and made a number of new commitments. In particular, the

Membership created more opportunities for public participation in the consultation process and extended this process to the development of supervisory and supporting material. In 2015, the IAIS held more than 140 hours of public dialogue sessions and roundtables with insurance sector experts. Consistent with these commitments, the IAIS also held open dialogues on major IAIS activities such as ICP revisions, ComFrame, the development of capital standards, the implementation of IAIS supervisory material, financial stability and disaster risk. We continue to assess these new processes and explore additional opportunities for public participation.

On the occasion of our 2015 Global Seminar in Macau, the Executive Committee convened a stakeholder dialogue session to receive input and respond to questions concerning major IAIS initiatives. This open discussion covered three topics: ICS objectives, convergence of supervisory regimes and the impact of recent organisational reforms. Members of the Executive Committee offered perspectives their approach to these issues and on the importance of the work taking place at the IAIS within their home jurisdictions.

As you can conclude, the Association has been extremely productive over the past year. The dedication and efforts of the Members and of the Secretariat have been crucial for these achievements. I would like to thank them for the commitment they have shown. Without the contributions of the Membership and the Secretariat, our work cannot be done and our mission cannot be achieved.

A.2. EXECUTIVE COMMITTEE: *Subcommittee Report*

G-SII METHODOLOGY TASK FORCE

In November 2014, the IAIS established the G-SII Methodology Task Force to assess and make recommendations for improvements to the G-SII Assessment Methodology. The Task Force reports directly to the Executive Committee. The G-SII Analysts Working Group supports the Task Force by performing specific analyses of any proposed refinements to the methodology.

The IAIS has committed to, and focused on, reviewing various aspects of the G-SII Assessment Methodology including, but not limited to, appropriately addressing all types of insurance and reinsurance, the role and structure of supervisory judgment, skewness, double counting, quality of data reporting and indicator responsiveness. The Assessment Methodology is interlinked with IAIS work on NTNI and the 2015 framework for Higher Loss Absorbency.

On 25 November 2015, the IAIS launched the public consultation on the proposed updated G-SII Assessment Methodology.

The Chair of the G-SII Methodology Task Force is Michael McRaith (USA, Treasury/FIO). The Vice Chair is Alberto Corinti (Italy).

B.1. TECHNICAL COMMITTEE REPORT



Michael McRaith
Chair, Technical Committee

Editor's note: Following this reporting period, the Technical Committee merged with the Financial Stability Committee to become the Financial Stability and technical Committee effective January 1, 2016.

The Chair of the Technical Committee is Michael McRaith (USA, Treasury/FIO). The Vice Chair is Urs Halbeisen (Switzerland).

The Technical Committee is responsible for steering and overseeing the standard-setting work of the IAIS. The goal is to promote effective and transparent supervision of insurance markets through global, sustainable and coherent supervisory principles, standards and guidance, while minimising opportunities for regulatory arbitrage. The committee is specifically responsible for:

- Providing adequate IAIS standard-setting responses to developments within industry structures, financial markets, and business practices and policyholder needs.
- Completing, reviewing and updating the comprehensive set of high-level principles-based supervisory and supporting material.
- Requiring and considering impact assessments, as appropriate, to inform the standard setting.
- Establishing a ComFrame, including an ICS.
- Liaising with the Financial Stability Committee, the Implementation Committee and other committees and subcommittees in regard to standard-setting issues of relevance to the IAIS.
- Liaising with all other external bodies on standard-setting issues, including the International Monetary Fund, World Bank, Bank for International Settlements, Basel Committee on Banking Supervision and International Organisation of Securities Commissions.

Over the last year, the Technical Committee and its subcommittees placed a special focus on:

- Launching a multi-year programme to review all ICPs by 2018 as a foundation for ComFrame, notably taking into account the feedback from Self-Assessments and Peer Reviews.
- Progressing work in the areas of accounting and auditing by sending comment letters to the International Accounting Standards Board and the International Auditing and Assurance Standards Board.
- Developing supporting material and identifying further work on guidance for supervisors.
- Working together with the Financial Stability Committee on Higher Loss Absorbency for G-SIIs, ComFrame, capital standards and resolution.

Additional context and detail for these projects are provided in the reports of the respective subcommittees.

B.2. TECHNICAL COMMITTEE: *Subcommittee Reports*

ACCOUNTING AND AUDITING WORKING GROUP

The Accounting and Auditing Working Group is responsible for IAIS activities relating to accounting and auditing matters for insurers and insurance supervision, including:

- Maintaining external relationships with accounting and auditing bodies.
- Monitoring relevant international accounting and auditing developments.
- Sending comment letters and other papers to accounting and auditing bodies.
- Developing, updating or providing input into the development or updating of applicable IAIS high-level principles-based supervisory and supporting material.

During the reporting period, the Working Group sent three letters on behalf of the IAIS to the International Accounting Standards Board, commenting on:

- The Agenda Consultation of the International Accounting Standards Board (17 December 2015).
- The exposure draft proposing changes to the Conceptual Framework (25 November 2015).
- A discussion paper outlining a portfolio revaluation approach to macro-hedging (14 October 2014).

The Working Group organised a regular dialogue with the International Accounting Standards Board staff to monitor developments with the insurance contracts and conceptual framework projects.

In November 2015, the Working Group also sent a letter on behalf of the IAIS to the International Financial Reporting Standards Foundation Trustees, commenting on their Review of Structure and Effectiveness.

In addition, the group sent three letters on behalf of the IAIS to the International Auditing and Assurance Standards Board, as follows:

- An exposure draft proposing changes to International Standards of Auditing addressing disclosures in the audit of financial statements (3 October 2014).
- An exposure draft proposing changes to ISA 800 and ISA 805 (22 April 2015).
- A statement of IAIS priorities for consideration by the Financial Institutions Working Group of the International Auditing and Assurance Standards Board (3 July 2015).

During 2015, the Working Group engaged in a dialogue with the International Auditing and Assurance Standards Board on the work plans of its Financial Institutions Working Group. The Accounting and Auditing Working Group intends to be an active contributor to the future work of the Financial Institutions Working Group.

In addition, the Working Group sent a letter on behalf of the IAIS to the International Ethics Standards Board for Accountants commenting on their exposure draft proposing changes to certain provisions of the Code of Conduct addressing the long Association of personnel with an audit or assurance client (12 November 2014).

The Working Group also developed preliminary proposals for further enhancing IAIS standards and supporting material with respect to external audit related matters. The exact nature and scale of the Working Group's future work in this area is currently being determined.

The Chair of the Accounting and Auditing Working Group is Markus Grund (Germany, BaFin). The Vice Chair is Jay Muska (USA, Federal Reserve Board).

CAPTIVES PAPER TASK FORCE

The Captives Paper Task Force developed an Application Paper on the Supervision and Regulation of Captive Insurers. The paper focused on the application of the ICPs and standards for captive insurers and supervisory practices concerning insurance managers, protected cell companies and other cell company structures.

The IAIS released a draft of the Application Paper for public consultation in June 2015. Two stakeholder consultation sessions

were held. The paper, adopted in November 2015, was revised to reflect comments received during the consultation.

The Chair of the Captives Task Force was Caroline Bradley (Guernsey). The Task Force was disbanded after completing its mandate.

FINANCIAL CRIME TASK FORCE

The IAIS recognizes that cyber security is a growing concern. In recent years, cyber attacks have become increasingly sophisticated. The level of awareness of cyber threats and cyber security within the insurance sector, and supervisory approaches to combat these risks, appear to vary across jurisdictions.

Risks from cyber incidents can materially impact insurers and consumer protection and confidence in the insurance and financial sectors. This is currently the main focus of the Financial Crime Task Force. The Task Force is developing an Issues Paper on Cyber Risk to the Insurance Sector for completion in 2016.

The Task Force has been asked to assess whether or not there is any need for supervisory guidance on this subject and, if appropriate, to consider responding to this need by working on an Application Paper. The mandate was updated accordingly during 2015.

Further additions to the 2015 mandate included:

- Monitoring initiatives with respect to cyber crime and supervisory approaches within the financial sector and liaising with other international organisations.
- Monitoring developments in combatting terrorist financing.
- Understanding developments in the cyber insurance market.

The Task Force participates in various international work streams on cyber risk and cyber security, including the CPMI/IOSCO Working Group on Cyber Resilience. It also has Observer status with the Financial Action Task Force, whose work focuses on combatting the financing of terrorism.

The Chair of the Financial Crime Task Force is Philip J. Goodman. (USA, Treasury/FIO). There is no Vice Chair.

GOVERNANCE WORKING GROUP

The Governance Working Group is charged with providing a

framework for developing and advancing high level corporate governance principles, standards and guidance for the supervision of insurers. In 2014, the Working Group developed an Issues Paper on Approaches to Group Corporate Governance; Impact on Key Control Functions. This paper identified risks and challenges arising within the different models of governance adopted within an insurance group, such as centralised, decentralised and—more common in practice—hybrid models of governance. It also examined the impact these models could have on Key Control Functions, particularly the Risk Officer function. The findings from the paper provided input into the revision of ICP 7 (Corporate Governance) and ICP 8 (Risk Management and Internal Controls), and the further development of ComFrame material.

The Working Group met five times during the reporting period. The members presented national developments and exchanged good practices, such as suitability assessments and the management of emerging climate change risks. It also worked on revising ICP 4 (Licensing), ICP 5 (Suitability of Persons), ICP 7 (Corporate Governance), ICP 8 (Risk Management and Internal Controls) and related glossary terms following the 2014 Self-Assessment and Peer Review of these ICPs. As part of these revisions, the Working Group invited the Organisation for Economic Co-operation and Development and the Basel Committee on Banking Supervision to discuss their updated governance principles. Based on these discussions, ICP 7 and 8 were amended to ensure alignment with corresponding principles, standards or guidance from these organisations. In cooperation with the Accounting and Auditing Working Group, the Governance Working Group enhanced insurer board responsibilities in ICP 7 with respect to the external auditors, following from guidelines on external audits of banks adopted by the Basel Committee on Banking Supervision in March 2014.

The Working Group organised its first interested stakeholder dialogue on 13 May 2015 on the review of ICP 4 (Licensing). Stakeholders were invited to provide comments on the draft ICP revisions in advance of the dialogue and roughly 50 stakeholders participated in person or by teleconference. Before and after the public consultation, the second and third stakeholder meetings were held. The IAIS adopted the revised ICPs in November 2015.

In regard to ComFrame, the Working Group worked closely with the Field Testing Working Group in analysing the responses to the qualitative field testing exercise of ComFrame Module 2, Elements 1 and 2. Since field testing outcomes (especially the

high compliance rate) gave rise to questions concerning whether or not ComFrame meets IAIS governance expectations, the Working Group started an exercise to examine and ensure the added value of the ComFrame requirements to the ICPs.

In May 2015, the Working Group and the Financial Stability Board organized a joint workshop on insurer compensation practices. The workshop focused on various elements of sound compensation policies, including compensation governance, alignment of compensation with prudent risk-taking and the role of compensation in supporting a sound risk culture. Members from the Financial Stability Board Compensation Monitoring Contact Group and the Working Group, along with twelve senior insurance company executives responsible for remuneration and risk management, participated in the workshop.

In its August 2015 meeting, the Working Group started with an Application Paper on Group Governance as a followup to the 2014 Issues Paper. As part of this project, it organised a workshop for insurers to learn about and discuss the practical ways insurers deal with issues of group governance.

The Chair of the Governance Working Group is Annick Teubner (Netherlands). The Vice Chair is Micheal J Newman. Susan L. Donegan (USA, Vermont) served as Vice Chair during the reporting period.

SUPERVISORY MATERIAL REVIEW TASK FORCE (FORMERLY ICP REVIEW TASK FORCE)

In November 2015, the Supervisory Material Review Task Force inherited the mandate of the ICP Review Task Force. The ICP Review Task Force had been established in February 2015 to address a variety of issues related to the overall project to revise the ICPs. In the context of the thematic approach to standard setting—where work on a given theme is synchronized to the extent possible between the three levels of supervisory material (ie ICPs, ComFrame and G-SII Policy Measures)—the mandate was expanded to include all supervisory material.

The Supervisory Material Review Task Force is responsible for:

- Reviewing and drafting amendments to the ICP Introduction and Assessment Methodology (including addressing the pre-conditions and the approach to proportionality in the ICPs).
- Reviewing and proposing amendments to ICPs not under the

responsibility of a specific subcommittee:

ICP 1: Objectives, Powers and Responsibilities of the Supervisor

ICP 2: Supervisor

ICP 6: Changes in Control and Portfolio Transfers

ICP 9: Supervisory Review and Reporting

ICP 10: Preventive and Corrective Measures

ICP 11: Enforcement

- Commenting on proposed new and amended supervisory material by other subcommittees to ensure consistency in approaches and drafting styles, including proposing resolution of double/multiple jeopardy issues.
- Discussing, providing steering on and/or proposing solutions to overarching issues and issues of general concern in the supervisory material under review, particularly on how proportionality should be reflected.

In carrying out its work, the Supervisory Material Review Task Force will liaise with other subcommittees (including subcommittees of the Implementation Committee) as relevant, and with the International Monetary Fund and the World Bank with respect to the G-SII Assessment Methodology in particular.

INSURANCE GROUPS WORKING GROUP

The Insurance Groups Working Group is responsible for providing a framework for developing and advancing efficient and effective group-wide supervision.

Over the course of the reporting period, work continued on the development of ComFrame, specifically in regard to the identification of groups that will be subject to ComFrame requirements (Module 1). Most notable were improvements to the application of supervisory discretion in the identification of Internationally Active Insurance Groups. Further improvements were also made to Module 3 allowing for results of the field testing. The group also finalised teaching material on several ICPs. During 2015, the Working Group finalised its revisions to ICP 23 (Group Wide Supervision) and related ICPs. In June 2015, the IAIS released a fully revised ICP 23 and partially revised ICP 25 (Supervisory Cooperation and Coordination) and group-related glossary definitions for public consultation. At the 2015 Annual General Meeting, the IAIS adopted the ICP revisions and glossary terms to reflect comments received.

The Chair of the Insurance Groups Working Group is Tom Crossland (UK, PRA). Petra Faber-Graw (Germany, BaFin) served as Chair until November 2015. The Vice Chair is Christine Neighbors (USA, Nebraska). Julia Rathgeber (USA, Texas) also served as Chair during the reporting period.

MARKET CONDUCT WORKING GROUP

The Market Conduct Working Group is charged with:

- Developing and enhancing IAIS high-level principles-based supervisory and supporting material in relation to market conduct supervision.
- Coordinating with other international bodies dealing with market conduct of insurers and intermediaries and financial consumer protection.

During the reporting period, the Working Group developed an Issues Paper on Conduct of Business Risk and its Management. The paper is intended to contribute to a comprehensive understanding and assessment of a sound risk culture and raise

awareness of conduct of business risk, with a primary focus on risks to retail customers. The IAIS adopted the paper in November 2015.

The Working Group also began drafting an Application Paper on Approaches to Supervising the Conduct of Intermediaries. This paper is designed to complement ICPs 18 (Intermediaries) and ICP 19 (Conduct of Business) in a way similar to that in which the Application Paper on Approaches to Conduct of Business Supervision supplements and complements ICP 19. Adoption of this paper is expected in November 2016.

The Chair of the Market Conduct Working Group is Olivier Fliche (France). Leanne Jackson (South Africa) served as Vice Chair during the reporting period.

C.1. FINANCIAL STABILITY COMMITTEE REPORT



Alberto Corinti
Chair, Financial Stability Committee

The Chair of the Financial Stability Committee is Alberto Corinti (Italy). The Vice Chair is Elise Liebers (USA, NAIC).

The Financial Stability Committee undertakes numerous activities, including the following:

- Developing the IAIS strategy for contributing to global financial stability.
- Coordinating IAIS activities with the Financial Stability Board and the Group of 20, including responses to requests for submissions and all representatives to serve on Financial Stability Board standing committees and work groups.
- In cooperation with the Technical Committee and its subcommittees, developing IAIS supervisory papers on issues related to financial stability, systemic risk and macroprudential supervision (including macroprudential tools) as they relate to insurance.
- Analyzing issues related to financial stability, systemic risk and macroprudential supervision (including macroprudential surveillance) as they relate to insurance.
- Liaising with all other external bodies on financial stability issues, including the International Monetary Fund, World Bank, Bank for International Settlements, Basel Committee on Banking Supervision and Committee on the Global Financial System.
- Conduct any other activities on financial stability, systemic risk and macroprudential supervision requested by the Executive Committee.

Over the last year, the Financial Stability Committee and its subcommittees have emphasized further advancement of work and measures related to G-SIIs. In particular, they:

- Executed a third comprehensive data collection exercise from approximately 50 insurers and refined data definitions to ensure consistency and further enhance data quality across insurers.
- Performed the third successive annual assessment of the G-SII status of insurers. This work was combined with an extensive testing and analysis of possible measures to further improve the existing methodology as input to the work by the G-SII Methodology Task Force on revisions to the methodology.
- Drafted a paper providing further clarification on the concept of NTNI activities and guidance on how to identify those activities. The work builds on the G-SII Policy Measures document published in July 2013. The IAIS published the consultation document in November 2015.

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- Worked with the Technical Committee on Higher Loss Absorbency for G-SIIs, ComFrame, capital standards and resolution.
 - Progressed work in the field of macroprudential surveillance.

Editor's note: Following this reporting period, the Financial Stability Committee merged with the Technical Committee to become the Financial Stability and technical Committee effective January 1, 2016. At that same time, the NTNI work stream was taken up by an NTNI Task Force reporting to the Executive Committee.

On 25 November 2015, the IAIS launched the public consultation on the proposed updated G-SII Assessment Methodology.

Additional context and detail for these projects are provided in the reports of the respective subcommittees.

NTNI work stream

The NTNI work stream provided further clarity on the NTNI concept, building on the G-SII Policy Measures document from July 2013. Given its linkage with the G-SII Assessment Methodology review, the Basic Capital Requirement and Higher Loss Absorbency and the need to provide a clearer description of specific features that turn activities into NTNI, this is an important work stream.

C.2. FINANCIAL STABILITY COMMITTEE REPORT: *Subcommittee Reports*

G-SII ANALYSTS WORKING GROUP

The G-SII Analysts Working Group is responsible for the coordination of the annual review of potential G-SIIs in accordance with the G-SII Assessment Methodology. In 2015, the review involved the examination of the financial data of approximately 50 insurers and reinsurers. The data was collected in Spring 2015 and the analysis took place over several weeks of Working Group meetings. To allow for further specific assessment of the reinsurance business, supplementary data points were requested on reinsurance activities, including the potential exposure to severe catastrophes such as 1-in-100 year events.

Based on the analysis, the Financial Stability Board updated the list of G-SIIs in November 2015. This timing aligns with designation of global systemically important banks.

In addition, as part of the review of the G-SII Assessment Methodology, the Working Group performed a range of tests and in-depth analyses. The respective considerations included the quality and responsiveness of indicators, measures to deal with the skewed distribution of some indicators or the treatment of unintentional double counting of risks in the existing methodology.

The Chair of the G-SII Analysts Working Group is Sebastian von Dahlen (World Bank). The Vice Chair is Jean-Baptiste Feller (France).

MACROPRUDENTIAL POLICY AND SURVEILLANCE WORKING GROUP

At the beginning of 2015, the Macroeconomic Policy and Surveillance Working Group took over the responsibilities of the

former Macroeconomic Policy and Surveillance Subcommittee and the macroprudential responsibilities of the Reinsurance Subcommittee.

To further the expertise of the Working Group in the field of reinsurance in the context of macroprudential policy and surveillance, industry practitioners and experts were invited to panel discussions at some meetings.

In cooperation with and under the guidance of the Working Group, the Secretariat continued to monitor the financial and macroeconomic market, focusing on the potential impacts on the insurance sector. The Key Insurance Risks and Trends covered several of the challenges insurers are currently facing, including but not limited to a prolonged low interest rate environment, soft reinsurance markets and high volatility and low liquidity in capital and foreign exchange markets.

The IAIS 2015 Global Insurance Market Report (GIMAR), scheduled for publication in January 2016, will further elaborate on some of these challenges for the insurance sector.

The Chair of the Macroeconomic Policy and Surveillance Working Group is Edward Toy (USA, NAIC). The Vice Chair is Christian Schmidt (Liechtenstein).

D.1. JOINT REPORT FROM THE CHAIRS OF THE FINANCIAL STABILITY AND TECHNICAL COMMITTEES

The Financial Stability and Technical Committees and their Subcommittees worked to further advance the ComFrame, the capital standards project plan and the resolution work streams. In particular, they:

- Finalised the first-ever global insurance capital standard—the Basic Capital Requirement for G-SIIs— as a foundation for Higher Loss Absorbency.
- Developed and finalised Higher Loss Absorbency for G-SIIs.
- Conducted the second qualitative ComFrame field testing exercise on the legal and management structures of Internationally Active Insurance Groups, governance and Enterprise Risk Management.
- Significantly progressed work on the risk-based global ICS for Internationally Active Insurance Groups by: 1) releasing the first consultation document in December 2014 and analysing the feedback received; 2) conducting the 2015 comprehensive quantitative field testing exercise, which included data required for the Basic Capital Requirement, Higher Loss Absorbency design and calibration, and a field testing version of ICS; and 3) adjusting the ComFrame and ICS delivery schedule to allow field testing volunteers sufficient time to complete the on-going data requests and more time for the subsequent analyses.
- Progressed work on resolution, including consideration of whether or not loss absorbing capacity, in addition to existing capital and other regulatory requirements, is needed as a G-SII policy measure for resolution, including stabilisation, given the nature of the insurance market and supervision; conducting and analysing stock taking surveys on policyholder protection schemes and the hierarchy of creditors; analysing the liability structure of major insurers and cases of troubled insurers in the past; developing the ComFrame element on Recovery and Resolution and reviewing the related ICPs and participating in the relevant working parties of the Financial Stability Board.

Additional project context and detail are provided in the reports of the respective subcommittees.

D.2. FINANCIAL STABILITY AND TECHNICAL COMMITTEES: *Joint Subcommittee Reports*

FIELD TESTING WORKING GROUP AND CAPITAL DEVELOPMENT WORKING GROUP

Throughout the reporting period, the Field Testing Working Group (FTWG) and Capital Development Working Group (CDWG) met jointly to develop consultation documents and field testing exercises requiring close coordination. These two Working Groups work intensively with meetings most months. These meetings are supplemented by data analysis meetings and teleconferences of the CDWG/FTWG to maintain the momentum of work. In addition, teams working on the Basic Capital Requirement, Higher Loss Absorbency and ICS components hold meetings and teleconferences to progress the work between the FTWG/CDWG meetings.

The objective of the CDWG is to:

- Coordinate closely with the FTWG on the proposed design of global insurance capital standards.
- In conjunction with the FTWG, design field testing impact studies of all global insurance capital standards to help develop and refine them.
- Assess field testing results to determine any evidence-based refinements necessary to the global insurance capital standards between the target dates of adoption for the Basic Capital Requirement, Higher Loss Absorbency, ICS and the conclusion of field testing.
- Provide advice on all solvency ICPs and related issues to IAIS committees and subcommittees to assist with the maintenance and development of solvency-related supervisory material.

The objectives of the FTWG are to:

- Perform impact studies of all elements of the draft ComFrame to test if they lead to effective groupwide supervision of Internationally Active Insurance Groups, are practical and do not lead to excessive costs to these groups.
- Perform impact studies of all global insurance capital standards to test the level of proposed capital requirements with existing capital requirements and to help develop and refine the design of those global insurance capital standards.

- Assess field testing results to determine any evidence-based changes necessary to the draft ComFrame and global insurance capital standards in view of the adoption target date.
- Coordinate closely with the CDWG on the proposed design and refinement of global insurance capital standards.
- Evaluate the potential impact of global insurance capital standards on long-term life insurance guarantees as an explicit component of testing.

Basic Capital Requirement

On 23 October 2014, the FTWG and CDWG met their first deadline when the IAIS published the first-ever global insurance capital standard—the Basic Capital Requirement for G-SIIs. The Basic Capital Requirement was endorsed by the Financial Stability Board and the Group of 20.

Publication of the Basic Capital Requirement was the culmination of more than a year of intensive effort involving two consultation documents in December 2013 and July 2014, and design of the first quantitative field testing exercise in 2014. The analysis of the quantitative field testing data informed the design of the Basic Capital Requirement.

The Basic Capital Requirement is the comparable foundation for Higher Loss Absorbency, and together they will provide a consolidated group-wide capital requirement applicable only to G-SIIs. The Basic Capital Requirement reflects major categories of risks impacting the businesses of G-SIIs and accounts for on- and off- balance-sheet exposures.

Higher Loss Absorbency

Development of the Higher Loss Absorbency effectively commenced in September 2014, with the publication of the ten Higher Loss Absorbency principles used to guide discussions with Members, G-SIIs and other stakeholders and the actual development process. On 25 June 2015, the IAIS published the Higher Loss Absorbency for G-SIIs consultation document seeking input on several options to further support and inform the design, development and calibration of Higher Loss Absorbency. Comments were due by 21 August 2015. The public consultation did not focus on specific formulas but instead sought feedback on a structure designed to address the key objectives of risk sensitivity, robustness and simplicity.

During the consultation period, 2015 quantitative field testing data was analysed including the confidential reporting of the Basic Capital Requirement to G-SII group-wide supervisors. Together with the Higher Loss Absorbency consultation document comments, the field testing data helped to inform the development of the Higher Loss Absorbency prior to its journey of approval and endorsement from IAIS parent committees for approval in September 2015 to endorsement by the Financial Stability Board also in September 2015 and ultimately the Group of 20 in November 2015.

Qualitative Field Testing

The second qualitative field testing exercise for ComFrame was launched during a workshop for field testing volunteers on 22 October 2014 in parallel with IAIS Committee meetings in Amsterdam. This exercise covered the field testing of ComFrame Module 2, Elements 1 to 4. These address the legal and management structures of Internationally Active Insurance Groups, Governance and Enterprise Risk Management. The qualitative field testing exercise assessed these two ComFrame modules from different perspectives: against existing practices of field testing volunteers (Internationally Active Insurance Groups) and against existing jurisdictional requirements.

The objectives of the surveys of field testing volunteers were to understand:

- The gaps that may exist between current practices of participating volunteers and the provisions of ComFrame.
- The potential incremental benefits and costs to participating volunteers associated with closing those gaps to the extent that may be required solely due to implementing the provisions of ComFrame.

The objectives of the surveys of group-wide supervisors were to understand:

- The gaps that may exist between the current requirements of group-wide supervisors and the provisions of ComFrame.
- The potential incremental benefits and costs to the group-wide supervisors associated with closing those gaps to the extent that may be required solely due to implementing the provisions of ComFrame.

In a broader sense, the objectives of field testing are to improve upon the overall quality of the ComFrame text, and the efficacy of its proposed standards and parameters.

The qualitative field testing exercise consisted of two phases. Phase 1 covered Module 2, Element 1 (Legal and Management Structures) and Module 2, Element 2 (Governance). Responses were due from supervisors and field testing volunteers on 31 January 2015. Phase 2 covered Module 2, Element 3 (Enterprise Risk Management) and Module 2, Element 4 (Enterprise Risk Management Policies) and responses were due from supervisors and field testing volunteers on 30 April 2015.

Thirty-one field testing volunteers and 20 group-wide supervisors participated in this qualitative field testing exercise. The report on phase one findings was provided to both the Technical Committee and Financial Stability Committee in September 2015. A report on the Phase 2 findings was expected in February 2016.

Insurance Capital Standard

The IAIS achieved a major milestone in the development of the risk-based global ICS in December 2014, with the release of the first ICS consultation document. Comments were due in February 2015. Those comments were taken into account in the development of the 2015 field testing exercise and continue to inform ICS development.

In February 2015, the IAIS made a significant announcement concerning the ultimate goal for the ICS as determined by the Executive Committee. This was then complemented by the announcement in June 2015 of interim goals for ICS Version 1.0 (2017) and ICS Version 2.0 (2019) developed by the FTWG and CDWG for endorsement by the Executive Committee.

Further, to allow field testing volunteers sufficient time to complete the on-going data requests and more time for the subsequent analyses, the IAIS adjusted the ComFrame and ICS delivery schedule. The three key highlights of this adjusted delivery schedule are:

- The second ICS consultation will now occur in mid-2016 instead of at the end of 2015.
- ICS Version 1.0 will be completed by mid-2017 rather than at

the end of 2016.

- ICS Version 2.0 will be completed by year-end 2019 rather than at the end of 2018.

This adjusted delivery schedule does not change the expected intensity of CDWG and FTWG work. It simply reflects the extent of work necessary for both field testing volunteers and the CDWG/FTWG.

Quantitative Field Testing

On 30 April 2015, the IAIS launched its second quantitative field testing exercise with a series of workshops for volunteers beginning on 30 April 2015 in Basel, followed by another workshop on 5 May 2015 in New York and a final workshop on 11 May 2015 in Tokyo. This was a comprehensive exercise which included data required for the Basic Capital Requirement, Higher Loss Absorbency design and calibration, and a field testing version of the ICS. As a result of the complexity of this exercise, submission of volunteer responses was staggered in two phases.

The first objective of the second quantitative field testing exercise was to inform the design and development of Higher Loss Absorbency and as such Phase 1 data. This data, relevant to the Basic Capital Requirement calculation on which Higher Loss Absorbency would be added, was due in July 2015. This enabled further refinement of the Higher Loss Absorbency design, which was the subject of consultation in June 2015.

The second objective was to test a preliminary design of the ICS with a comprehensive field testing specification of an example of the standard method for the ICS capital requirement and a comprehensive specification of ICS capital resources, along with field testing of two valuation options: market-adjusted valuation (as used for the Basic Capital Requirement and Higher Loss Absorbency) and GAAP with adjustment (“GAAP” is “generally accepted accounting principles”). A major aim of Phase 2 of the quantitative field testing exercise was to test design options for the ICS. Calibrations were initial, tentative and subject to change and refinement. Phase 2 data was due in September 2015. For both phases of this field testing exercise, 34 field testing volunteers (ie G-SIIs and Internationally Active Insurance Groups) participated.

The Chair of the Field Testing Working Group is Paolo Cadoni (UK, PRA). The Vice Chair is Tom Finnell (USA, Treasury/FIO). Ian Marshall (South Africa) served as Vice Chair until July 2015. The Chair of the Capital Development Working Group is John Maroney (IAIS).

RESOLUTION WORKING GROUP

The Resolution Working Group mandate is to address matters relating to recovery and resolution of insurers (both G-SIIs and non-G-SIIs). Specifically, the Working Group is tasked with:

- Developing and maintaining supervisory material on recovery and resolution of insurers (including development of the relevant part of ComFrame and revision of recovery and resolution-related ICPs).
- Dealing with all standard-setting matters regarding resolution initiated by the Financial Stability Board (including addressing consultations by the Board on resolution-related principles, standards, and guidance).
- Representing the IAIS at relevant working parties within the Financial Stability Board, such as the Steering Group on Resolution and the Cross-border Crisis Management Group.

The Working Group is tasked with considering whether or not loss absorbing capacity, in addition to existing capital and other regulatory requirements, is needed as a G-SII policy measure for resolution, including stabilisation. Also, if the IAIS comes to the conclusion that it should be, then proposing how loss absorbing capacity in resolution requirements should be developed. The Executive Committee approved an updated work plan for the work stream in June 2015.

The Working Group also conducted stock-taking surveys on policyholder protection schemes and the hierarchy of creditors, respectively, and analysed key features in major jurisdictions, including the home jurisdictions of the 2014 G-SII designees. The Working Group also analysed the liability structure of major insurers, including G-SIIs, and cases of troubled insurers in the past. These surveys and analyses are expected to inform the work on loss absorbing capacity in resolution.

Another key work stream is ComFrame and the ICPs. The Working Group has been developing ComFrame Module 3, Element 3

(Recovery and Resolution) and reviewing ICPs relating to recovery and resolution, especially ICPs 12 (Winding Up and Exit from the Market) and 26 (Cross-border Cooperation and Coordination on Crisis Management).

The Working Group has participated in relevant working parties of the Financial Stability Board. It provided input to discussions on critical functions of insurers and those on resolution strategies of insurers.

The Chair of the Resolution Working Group is Urs Halbeisen (Switzerland). The Vice Chair was Tom Crossland (UK, PRA) until May 2015. Alex Hart (USA, FIO) currently serves as Vice Chair.

E. 1. IMPLEMENTATION COMMITTEE REPORT



Jonathan Dixon
Chair, Implementation Committee

The Implementation Committee is chaired by Jonathan Dixon (South Africa). Li Tang and Ekrem Sarper serve as Co-Vice Chair. Walid Genadry (Lebanon) served as a Co-Vice Chair until May 2015.

As a standard-setting body for insurance and a global forum for insurance supervisors, the IAIS brings a unique perspective to implementation of international standards for insurance supervision.

Over the past year, the Implementation Committee focused its attention on unpacking the Coordinated Implementation Framework. The Coordinated Implementation Framework provides a framework for aligning and enhancing the impact of IAIS implementation activities.

Key achievements under this framework are many.

Regional Coordination and Outreach

The Implementation Committee believes increased regional engagement is critical to ensuring that IAIS implementation activities satisfy Member needs and are demand-driven. In 2015, the Implementation Committee adopted an overall framework for regional engagement and outreach. Over the coming year, the Implementation Committee will lead efforts to encourage the development and operationalisation of regional implementation plans, in particular, through regional meetings with IAIS Members. While this work is in its early stages, collective progress made by Members has been very positive.

Partnerships

As the IAIS is neither a training institute nor a technical assistance provider, it is essential to partner with organisations with the capacity and expertise to support on-the-ground training and capacity building for our Members.

The Implementation Committee strengthened the relationship with the A2ii, designating it a key partner in capacity building and financial inclusion. In 2014, the Implementation Committee and the A2ii jointly developed respective Roadmaps for 2015. This fostered an efficient use of resources and an alignment of activities.

Over the course of this reporting period, the Implementation Committee also continued its important work with the Financial Stability Institute around regional seminars, FSI Connect and with the successful launch of the FSI-IAIS Regulatory and Supervisory Training Online for New Entrants (FIRST ONE) Programme for new insurance supervisors.

The IAIS also launched a comprehensive multi-year capacity building project in Asia in partnership with the Asian Development Bank. Based on the IAIS methodology and tools, the Asian Development Bank is organising seminars and training on the ICPs and assessing ICP observance.

Assessments

Under the Common Implementation Framework, assessments, such as Self-Assessment and Peer Reviews, or surveys of education needs, help map out gaps and challenges in ICP observance and understanding. This information is then used to inform IAIS implementation activities and highlight challenges and issues to implementation partners by pointing to regional and global needs.

In 2014, we concluded the assessment on supervisory measures, covering ICP 9 (Supervisory Review and Reporting), ICP 10 (Preventive and Corrective Measures) and ICP 11 (Enforcement). In 2015, we launched an assessment on the thematic topic of Market Conduct, covering ICP 18 (Intermediaries) and ICP 19 (Conduct of Business), and also thematic assessment on Solvency and Solvency related Issues, which addresses ICP 14 (Valuation), ICP 15 (Investment), ICP 16 (Enterprise Risk Management for Solvency Purposes), ICP 17 (Capital Adequacy) and ICP 20 (Public Disclosure).

The Implementation Committee accomplishes much of its work through its Working Groups. Highlights from the Working Groups over this reporting period are as follows:

- The Financial Inclusion Working Group continued to provide a perspective on how to approach and address the question of financial inclusion and enhance access to insurance—in particular, how to give effect to the principle that the ICPs and standards should be applied in a way that is proportionate to the market and products. This work is critically important for supervisors grappling with new insurance products targeting low income segments of the population.

- The number of signatories to the IAIS Multilateral Memorandum of Understanding continued to grow and stood at 55; total signatories accounted for 65% of the global insurance market measured in terms of premium written. As the number of signatories grows, Members are increasingly able to rely on other supervisory authorities as a signatory as the basis for cooperation and information exchange in the supervision of multinational insurance groups. The Signatories Working Group will continue to manage this process and aims to steadily increase the number of signatories.
- The Supervisory Development Working Group made significant progress in helping supervisors across the globe observe and understand the ICPs. The IAIS has partnered with the Financial Stability Institute to launch the FIRST ONE Programme. To support this programme, the IAIS also purchased 500 licenses for FSI Connect, which were distributed to Members on a needs basis, primarily to those in developing markets. Further, the Supervisory Development Working Group has led IAIS efforts to partner with the World Bank to update the Core Curriculum and to develop a Supervisory Guide for IAIS Members.

E. 2. IMPLEMENTATION COMMITTEE: *Subcommittee Reports*

FINANCIAL INCLUSION WORKING GROUP

The Financial Inclusion Working Group is responsible for:

- Developing supervisory and other material in consultation with relevant IAIS committees and subcommittees concerning financial inclusion and other specific forms of insurance as necessary to identify, explore or address specific implementation issues.
- Promoting the work of other standard-setting bodies and other third party organisations in work related to specific forms of insurance, such as the Islamic Financial Services Board in Takāful (Islamic) insurance.
- Enhancing and promoting the capacity of policymakers, regulators and supervisors seeking to advance insurance market access for low income consumers by engaging in the identification of capacity-building needs; the generation and dissemination of knowledge, diagnostic studies and research; the development of tools for country-level assessments and implementation; and training material and other learning opportunities.
- Supporting the Implementation Committee in developing positions to inform IAIS representatives on the A2ii governing bodies.
- Holding joint meetings, following developments and liaising with other organisations and initiatives involved in financial inclusion, or other specific forms of insurance (eg the Microinsurance Network and Group of 20 initiatives such as the Global Partnership for Financial Inclusion).

On 11 November 2015, the Executive Committee adopted the Issues Paper on Conduct of Business in Inclusive Insurance. This paper is the result of a joint effort with the A2ii and the Microinsurance Network. The paper gives an overview of the issues in respect of conduct of business in inclusive insurance markets affecting the extent to which customers are treated fairly, both before a contract is entered into and through to the point at which all obligations under a contract have been satisfied. Recognising the increased vulnerability of the typical customer in this market segment and based on the typical characteristics of the business and distribution models that have emerged in

inclusive insurance, the objective of this paper is to promote the understanding of these particular issues among regulators and supervisors and other organisations and parties with an interest in this area. The public consultation was held in June-July 2015.

In addition, the Issues Paper on Microtakāful was adopted as a joint paper of the Islamic Financial Services Board and the IAIS. Takāful, as a specific form of insurance required to be Sharia compliant, can support increased access to insurance in jurisdictions with an Islamic population. This Issues Paper examines the various issues in the Microtakāful sector. The Islamic Financial Services Board released a questionnaire to gather information on the various types of Microtakāful models, supervisory frameworks, and prevalent issues faced by the Microtakāful providers and regulators, and to obtain effective examples from the industry. This paper is intended to provide guidance to regulatory and supervisory authorities on effective supervision for Microtakāful. It serves as a starting point for further work to be done by the Islamic Financial Services Board in promoting the development of a prudent and transparent Islamic financial services industry. This will be done through the introduction of Microtakāful standards and guidelines consistent with Sharia principles. The IAIS released the draft for public consultation in June-July 2015 and adopted it on 11 November 2015.

Work also commenced on the development of an Application Paper on the Use of Mutuals, Cooperatives and Community Organisations in Inclusive Insurance Markets. The objective of the paper is to raise policymaker, regulator and supervisor awareness of the role these entities can play in enhancing access to insurance. At the same time, the purpose of this paper is to provide application guidance on the way the ICPs could be applied in a proportionate manner. This should contribute to removing unnecessary barriers created by disproportionate regulation and supervision. The paper is expected to be released for public consultation in mid-2016.

Furthermore, the Working Group began an examination of issues in the regulation and supervision of index-based insurance. Index-based insurance products, projects and programmes are increasing in number and coverage especially directed at making agricultural and natural hazard protections more accessible to low-income populations. A dedicated subgroup of the Financial Inclusion Working Group is expected to identify the challenges

and the issues in this area and prepare recommendations by the end of 2017.

Finally, the Working Group started working on the enhancement of actuarial expertise in inclusive insurance markets. The purpose of this work, conducted in cooperation with the International Actuarial Association, is to identify and develop approaches to establish or reinforce actuarial expertise in inclusive insurance markets based on an understanding of a proportionate application of prudential requirements in inclusive insurance markets. This would be captured in a paper *Approaches to Actuarial Services in Inclusive Insurance Markets* and an *Application Paper on Proportionate Prudential Requirements in Inclusive Insurance Markets*. Work is expected to be finished by the end of 2017.

The Chair of the Financial Inclusion Working Group is Sriram Taranikanti (India). The Vice Chair is Sekayi Campbell (Jamaica)

SUPERVISORY DEVELOPMENT WORKING GROUP

The Supervisory Development Working Group is responsible for activities aimed at enhancing the skills and competency of insurance supervisors. To achieve this mandate, the Working Group acts as a catalyst, working with IAIS implementation partners, to promote supervisory capacity building and effective implementation of globally accepted supervisory practices among IAIS Members. With respect to this mandate, the Working Group made progress on numerous initiatives:

Core competencies and learning paths for insurance supervisors

The Working Group began discussions on defining core competencies for insurance supervisors and learning paths to guide supervisors in developing their skills and competencies in a structured manner. This is expected to help supervisors identify training material or programmes to address their needs such as FSI Connect, the Core Curriculum, the FSI-IAIS Regulatory and Supervisory Training—Online New Entrants (FIRST ONE) Programme—and material in the online library. The Working Group aims to advance these discussions.

Survey on supervisory capacity-building needs

The IAIS must understand Member needs to support their efforts to build supervisory capacity. In 2016, in partnership with the A2ii, the IAIS will conduct a survey of the capacity-building needs of Members. The IAIS hopes to generate insights into key challenges and priorities for insurance supervisors.

Training material and online library

The IAIS has been providing insurance supervisors with learning opportunities by sponsoring regional seminars and developing training material such as FSI Connect and the Core Curriculum, in collaboration with partners.

The IAIS also launched an online library—a single portal for education purposes—on a Members-only website in 2015. The content of the online library covers material provided in various events, including regional seminars, the Global Seminar and the Annual Conference; and other useful information. Users can search information by keywords.

Further, in collaboration with the World Bank, the IAIS made the Core Curriculum publicly available on its public website.

Training seminars

The Working Group has been playing a key role in the IAIS in sponsoring online training and regional seminars jointly with partners.

FIRST ONE Programme

In 2014, the inaugural FIRST ONE Programme, an online training programme for new supervisors, brought together supervisors from across the globe—119 people from 36 insurance supervisory authorities—to learn about the foundations of insurance supervision. Feedback from the participants and their managers highlighted the value of the programme, in particular the well-targeted content and the flexible and charge-free nature of the delivery model. In 2015, the second FIRST ONE Programme ran from 17 August to 30 November with 177 participants from 46 insurance authorities.

To support Member participation in the FIRST ONE Programme and programme development, the IAIS purchased 500 FSI Connect licenses. The IAIS distributed these licenses to Members free-of-charge. The licenses have been distributed to IAIS Members from more than 73% of the low- and middle-income jurisdictions represented at the IAIS and more than 58% of all Member jurisdictions.

Regional seminars

From October 2014 to December 2015, the IAIS decided to provide financial support to 11 regional seminars. Further details of these seminars is found in Appendix II.

Translation

To improve access to IAIS supervisory material, the Working Group drafted a guideline to provide financial support to Members translating IAIS documents into languages widely spoken across borders. After the approval of the Executive Committee, the guideline was published on the IAIS website in May 2015.

Walid Genadry (Lebanon) served as the Chair until May 2015. François Tempé (France) served as the Acting Chair for the remainder of the reporting period.

SIGNATORIES WORKING GROUP

The Multilateral Memorandum of Understanding Signatories Working Group is responsible for monitoring the validation of applications received from interested IAIS Members, commenting on validation reports and recommending new signatories.

Besides the promotion of, and accession to, the Multilateral Memorandum of Understanding, the Working Group:

- Promotes and reviews the functioning and effectiveness of cooperation and information exchange under the Multilateral Memorandum of Understanding, including monitoring compliance of signatories with the provided framework.
- Maintains dialogue with stakeholders on subjects related to the exchange of confidential supervisory information in multilateral contexts.
- Strengthens cooperation and the exchange of information via multilateral frameworks (eg college agreements) for information exchange.

Since its inception in 2007, the IAIS Multilateral Memorandum of Understanding has become a true global supervisory tool with a growing number of jurisdictions interested in joining. As of 31 December 2015, there are 55 jurisdictions admitted as signatories, representing more than 65% of worldwide premium volume. The IAIS welcomed the following new signatories during this reporting period:

- Autorité des marchés financiers, Canada (Québec)
- Bank Negara Malaysia, Malaysia
- Delaware Department of Insurance (USA)

- Financial Services and Markets Authority, Belgium
- Financial Services Commission, Gibraltar
- Florida Office of Insurance Regulation (USA)
- Iowa Division of Insurance (USA)
- Maine Bureau of Insurance (USA)
- Michigan Department of Insurance and Financial Services (USA)
- Missouri Department of Insurance, Financial Institutions and Professional Registration (USA)
- National Bank of Slovakia
- Pennsylvania Insurance Department (USA)
- Reserve Bank of New Zealand

The Working Group continued its efforts to improve the efficiency of the validation process. In particular, the following initiatives were taken up:

- Introduction of a Mentor for Validation Teams. The Mentor will support the members of a Validation Team in matters of substance as the Validation Team reviews applications. Specifically, the Mentor will be expected to: provide advice to Teams on the processing of specific validations; serve as a sounding board for Teams dealing with specific assessment issues; review analysis and/or draft validation reports prepared by a Team; and respond to requests for support within a narrow time frame.
- Reviewing the efficiency of the validation process. This project was started in 2015 to identify areas where the validation process could be improved and to propose recommendations for improvement. The Working Group adopted several recommendations in late 2015, and continued to discuss other proposed recommendations into 2016..
- Appointment of a Working Group Vice Chair. To support the Working Group Chair, the IAIS introduced the position of Vice Chair. This required an amendment to the Administration and Accession Procedures.

The Chair of the Signatories Working Group is Michael Kehr (Germany, BaFin). The Vice Chair is Gita Timmerman (USA, NAIC).

F. AUDIT AND RISK COMMITTEE REPORT



William Mason
Chair, Audit and Risk Committee

The Chair of the Audit and Risk Committee is William Mason (Guernsey). The Vice Chair is Bernard Dupont (Canada, OSFI).

The Audit and Risk Committee is responsible for monitoring the Association's:

- Risk management framework and internal control system.
- Compliance with relevant laws, regulations, rules and procedures.
- Strategic and operational performance.
- Financial reporting.
- Relationship with the external auditor.

Risk management and internal controls

In January 2014, the Executive Committee agreed to the development of a Risk Management Framework for the Association subject to a 12-month pilot to test its appropriateness. In early 2015, the Executive Committee formally approved and adopted the Risk Management Framework. Following this approval, the focus in 2015 was on overseeing the integration of the Framework into the IAIS operations.

The Risk Appetite Statement was also approved in early 2015. This sets out the IAIS' risk tolerances in regard to reputational, standard setting, strategic, financial and operational exposures. The Secretary General now provides regular updates on the most substantial risks facing the IAIS and how these are being managed. The Risk Appetite Statement is now applied on an annual basis to evaluate the 2015-19 Strategic Plan and Financial Outlook to ensure risks remain within the agreed upon thresholds. The Committee has been working with management and closely monitoring developments while providing recommendations to the Executive Committee when needed.

Strategic and operating performance

Through effective application of the Executive Dashboard, the Committee is monitoring the adequacy and effectiveness of the Association's assessment and reporting of its strategic and operational performance. The Committee has made and will continue to make recommendations for improvement when it perceives the need to do so. In a small organisation employing fewer than 30 people, we are conscious of the need for proportionality.

Financial reporting and relationship with the external auditor

The Audit and Risk Committee, in cooperation with the Budget Committee, reviews and monitors the Association's financial reporting processes, as well as the external audit of the Association's accounts, to ensure they are prudent and appropriately handled.

G. BUDGET COMMITTEE REPORT



Peter Braumüller
Chair, Budget Committee

The 2015 IAIS financial statements were prepared in accordance with Swiss law. They were audited by Ernst & Young, who issued an unqualified audit opinion.

The audited financial statements show a positive net result of CHF 374,726 compared with a budgeted deficit of CHF 585,000. The turnaround in net result compared with the budget was due largely to two categories of expenditure – salaries and relocation costs – where there was lower cost than in the budget, due to slower than anticipated recruitment of new staff. Also, travel expenditure was lower than expected, and a contingency for unexpected expenditure included in the budget was not utilised.

For 2015, revenue included a financial contribution from the Bank for International Settlements.

The IAIS maintains its conservative investment policy. Funds are invested primarily in bank current and deposit accounts, as well as in certain investments with capital protection. These provide a high degree of capital security.

Finally, the IAIS greatly appreciates the continuing support from Members and third parties whose contributions include grants or in-kind support, such as secondments of staff to the Secretariat. For this past year, the IAIS is grateful particularly for the contributions and special support provided during 2014-15 by the Bank for International Settlements, the Bermuda Monetary Authority, the China Insurance Regulatory Commission, the Financial Supervisory Commission (Chinese Taipei), the Financial Services Agency (Japan), the Financial Supervisory Service (Republic of Korea) and the Monetary Authority of Singapore.

The Chair of the Budget Committee is Peter Braumüller (Austria). The Vice Chair is Ryan Workman (USA, NAIC).

4. REPORT FROM THE ACCESS TO INSURANCE INITIATIVE

The partnership between the A2ii and the IAIS has matured over the last year. For the first time, the two organisations have developed their respective work plans in close coordination and consultation. The IAIS helps drive A2ii's agenda through strong representation in the governing structure.

Furthermore, the A2ii is an official member of the IAIS Financial Inclusion Working Group, Supervisory Development Working Group and ICP Review Task Force. The A2ii has continued to support the development of new supervisory material through actively participating in the IAIS drafting groups responsible for the following papers:

- Application Paper on Mutuals, Cooperatives and Community-based Organisations
- Issues Paper on Conduct of Business in Inclusive Insurance
- Issues Paper on Takaful Microinsurance
- Index-based Insurance

Feeding back lessons learned through our work with supervisors on the ground into the standard-setting activities of the IAIS remains a crucial part of the A2ii's work. In this regard, the IAIS has asked the A2ii to develop case studies on proportionality in practice— a new type of supervisory guidance. In addition, the move of A2ii's IAIS liaison office in Basel into the IAIS Secretariat offices has further reinforced the close working relationship.

Regional implementation

In line with the new strategic approach to implementation by the IAIS, the A2ii has increasingly taken a regional focus to its capacity-building activities, understanding there is no "one-size-fits-all" approach.

The region where the A2ii is most advanced in supporting IAIS Members in developing a regional implementation plan is Sub-Saharan Africa. A number of meetings of key representatives from the subregional associations (East African Insurance Supervisors' Association; Committee of Insurance, Securities and Non-banking Financial Authorities; and the Conférence Interafricaine

des Marchés d' Assurances) and national supervisors took place over the course of 2015. During an IAIS regional Sub-Saharan Africa meeting in February 2015, participants agreed that there was benefit to bringing the regional forums together to address common challenges associated with ICP observance and supported regional capacity building needs. As a result, work commenced on the development of a regional implementation plan based on a bottom-up, demand-driven approach that will be combined with top-down insights gleaned from the IAIS Self-Assessment and Peer Reviews. The initial results of the latter were presented at the Sub-Saharan Africa regional supervisory breakout session held alongside the IAIS meetings in Marrakesh, Morocco, in November 2015. The results showed a real need for capacity building in the region with significant variation between countries in their level of ICP observance. Additional information will be submitted by several countries until the end of Quarter 1, 2016, to complete the study.

In Latin America, on 16 April 2015, during the Annual Conference of the Asociación de Supervisores de Seguros de América Latina in San José, Costa Rica, the IAIS, A2ii Asociación de Supervisores de Seguros de América Latina signed a Memorandum of Understanding. The Memorandum of Understanding identifies high level objectives and principles of cooperation and details some specific ways the three organisations can work collaboratively. This provides a clear indication of the commitment of all three organisations to work together in the future to support supervisors in the region.

Based on the findings generated by the country diagnostics conducted as part of the Inter-American Development Bank and A2ii regional project, regulatory roadmaps have been developed and approved in Colombia, Jamaica and Peru. Implementation activities as identified in the Roadmaps have commenced in all three countries and will conclude in May 2016.

With respect to Asia, in 2015 the A2ii has focused primarily on building relationships and partnerships in the region with the intent of working with the Asian Development Bank and regional supervisory associations, including the Asian Forum of Insurance Regulators to support collaborative supervisory capacity-building efforts in the region in 2016.

Events

In close partnership with the IAIS, the A2ii brought together insurance supervisors and stakeholders at several knowledge-sharing and training events:

- Consultation calls. Since March 2014, the A2ii in partnership with the IAIS has facilitated a series of Consultation Calls to promote peer learning exchanges among insurance supervisors. From October 2014 to December 2015, seven Consultation Calls were held, with an average of 50 participants representing 26 different jurisdictions participating on each call. These calls focused on IAIS and A2ii activities: the opportunity to tell us what you need (20 November 2014), formalisation (22 January 2015), mutuals, cooperatives and community-based organisations (26 March 2015), actuarial approaches to inclusive insurance (21 May 2015), risk-based supervision in inclusive insurance (23 July 2015), financial consumer education (24 September 2015) and supervisory responses to consumer risks in mobile insurance (26 November 2015). These calls have been held in French, Spanish and English.
- Expert symposium. The A2ii took the year of its fifth anniversary as an occasion to distill key lessons from the experience of inclusive insurance regulation and supervision. In December 2014, the IAIS and the Consultative Group to Assist the Poor jointly organized an Expert Symposium on “Proportional regulatory approaches in inclusive insurance markets—Capturing what we learned for the future” held in Washington, D.C. This symposium brought together regulatory experts, insurance regulators and supervisors and development partners.
- Training. In partnership with the IAIS and the Toronto Centre, the A2ii organised two training events in Gabon and Peru on inclusive insurance regulation for supervisors. The training drew from the A2ii-IAIS Module on “Regulation and Supervision Supporting Inclusive Insurance Markets” and employed interactive tools and methodologies to build insurance supervisor knowledge on themes including supervisory and regulatory approaches to encourage soundly supervised, inclusive insurance markets. Given the very positive feedback received from participants, plans have been

made to roll out three seminars in 2016.

- Consultative forums. As in previous years the A2ii and IAIS joined hands with the Microinsurance Network to organise three Consultative Forums between October 2014 and December 2015, providing a platform for discussions and exchange of information between regulators and the insurance industry on issues related to inclusive insurance. Given the success of the forums to date, the IAIS, Microinsurance Network and A2ii have agreed to increase the number organised each year from two to three. This will bring the conference into each of the A2ii main target regions – Latin America and the Caribbean, Africa and Asia – on an annual basis.
- Global and regional meetings. To promote knowledge exchange and global learning on inclusive insurance regulation, the A2ii team presented at a total of 15 global and regional meetings in 2015, disseminating the work of A2ii and informing about recent trends and developments in regulating inclusive insurance markets.

Publications

In line with the A2ii’s objective to build knowledge on inclusive insurance among policymakers and supervisors, the A2ii released the following publications:

- In October 2014, the A2ii published a briefing note on “Inclusive insurance protects households and promotes economic growth.” This note provides a high level description of the role of insurance in economic growth and development and outlines the concept of pathways to development.
- In October 2014, the A2ii launched a new series of short Technical Notes to summarise the key technical documents produced by the A2ii: Technical Note 1: “Evolving microinsurance business models and their regulatory implications;” Technical Note 2: “Regulatory approaches to inclusive insurance market development;” Technical Note 3: “Self-assessment and peer review on regulation and supervision supporting inclusive insurance markets;” Technical Note 4: “Training module on regulation and supervision supporting inclusive insurance markets.”

- Country diagnostic reports, analysing both the demand and supply environment in an insurance market, were published for the following countries: Peru – December 2014; Colombia – December 2014; and Jamaica – January 2015.
- In June 2015, the Financial Stability Institute and the A2ii released an e-learning tool based on the IAIS-A2ii Training Module on Regulation and Supervision Supporting Inclusive Insurance Markets. The training module takes about one hour to complete and fits in the series of existing ICP tutorials.
- In July 2015, the A2ii published an article in the new annual Microinsurance Network publication ‘The state of Microinsurance.’ In the article titled “State of Regulation and Supervision Supporting Inclusive Insurance Markets,” the A2ii provided an overview of the current state of microinsurance regulation, highlighted recent trends in inclusive insurance markets and provided an outlook on regulatory implications and potential challenges.

Looking ahead

Regionally focused implementation activities will remain key to the A2ii’s approach in 2016. It is intended that the regional implementation plan in Sub-Saharan Africa will be finalised and, following dialogue with supervisors in Asia and Latin

America, work will also potentially commence to develop regional implementation plans in these regions. The A2ii will also include new regions in its work and, for the first time, A2ii will be holding events and provide training in the Middle East and North Africa region and the Caribbean. A2ii will also continue to provide a platform for peer exchange through organising consultation calls and other events. In 2016, these will include three training events on financial inclusion organised in partnership with the Toronto Centre, three Consultative Forums with IAIS, Microinsurance Network and other regional partners and an event focused on Financial Consumer Education in Sub-Saharan Africa.

The joint project with the Inter-American Development Bank to improve the regulatory and supervisory environment for inclusive insurance in Peru, Jamaica and Colombia—began in August 2012—is due to conclude in May 2016. This will be followed by an evaluation of its impact and sharing of the final results and learnings with other supervisors in Latin America, the Caribbean and globally.

Furthermore, supporting IAIS standard-setting activities on financial inclusion through participation in relevant IAIS committees and subcommittees will remain a crucial part of the work of the A2ii.

5. SUPERVISORY AND SUPPORTING MATERIAL ADOPTED DURING THE REPORTING PERIOD

The IAIS adopted substantial supervisory and supporting material during the reporting period.

SUPERVISORY MATERIAL

The IAIS adopted revisions to the following ICPs:

- ICP 4 (Licensing)
- ICP 5 (Suitability of Persons)
- ICP 7 (Corporate Governance)
- ICP 8 (Risk Management and Internal Controls)
- ICP 23 (Group-wide Supervision)
- ICP 25 (Supervisory Cooperation and Coordination)

The IAIS also adopted the first-ever global capital standards—the Basic Capital Requirement (2014) and Higher Loss Absorbency (2015). These are key milestones in contributing to global financial stability.

SUPPORTING MATERIAL

The Executive Committee adopted the following Issue Papers and Application Papers during the reporting period:

Application Paper on Approaches to Conduct of Business Supervision

This Application Paper identifies approaches to conduct of business supervision that IAIS Members may wish to consider when supervising compliance with the requirements of ICP 19 (Conduct of Business) as well as implementing the related components of ICP 9 (Supervisory Review and Reporting) and incorporating them into their broader supervisory frameworks. The paper aims to provide a useful source of ideas and tools to supervisors in supervising conduct of insurance business.

Application Paper on the Supervision and Regulation of Captive Insurers

This Application Paper was developed by the Captives Paper Task Force and directed at the supervision and regulation of captive insurance companies. The paper focuses on the application of the ICPs and its standards to captive insurers and supervisory practices concerning insurance managers, protected cell companies and other cell company structures.

Issues Paper on Approaches to Group Corporate Governance; Impact on Control Functions

This Issues Paper identifies risks and challenges arising within different models of governance that may be adopted within an

insurance group, such as centralised, decentralised and—more common in practice—hybrid models of governance, and the impact the use of such models would have on the Key Control Functions, particularly the Risk Officer function.

Issues Paper on Conduct of Business Risk and its Management

This Issues paper contributes to a comprehensive understanding and assessment of a sound risk culture and raise awareness of conduct of business risk, with a primary focus on risks to retail customers.

Issues Paper on Combating Bribery and Corruption

This Issues Paper discusses the issues of bribery and corruption in the insurance sector, the relationship between measures to combat bribery and corruption and frameworks for anti-money laundering/combating the financing of terrorism, and the role of the insurance supervisor in combating bribery and corruption.

Issues Paper on Conduct of Business in Inclusive Insurance

This Issues Paper has been developed in a joint effort with the A2ii and the Microinsurance Network. The paper gives an overview of the issues in respect of conduct of business in inclusive insurance markets affecting the extent to which customers are treated fairly, both before a contract is entered into and through to the point at which all obligations under a contract have been satisfied. Recognising the increased vulnerability of the typical customer in this market segment and based on the typical characteristics of the business and distribution models that have emerged in inclusive insurance, the objective of this paper is to promote the understanding of these particular issues among regulators and supervisors and other organisations and parties with an interest in this area.

Issues Paper on Microtakāful

This Issues Paper was adopted as a joint paper of the Islamic Financial Services Board and the IAIS. Takāful, as a specific form of insurance that is required to be Sharia compliant, can support increased access to insurance in jurisdictions with an Islamic population. This paper examines the various issues in the Microtakāful sector. It is intended to provide guidance to regulatory and supervisory authorities on effective supervision for Microtakāful.

6. AUDITOR'S REPORT



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To the General Meeting of
International Association of Insurance Supervisors, Basle

Basle, 9 May 2016

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 Statement of Financial Position, Statement of Activities, Statement of Cash Flows and Notes for the year ended 31 December 2015.

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 2015 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)

Jens Thomae
Licensed audit expert

Enclosure

- ▶ Financial statements (Statement of Financial Position, Statement of Activities, Statement of Cash Flow and Notes)

7. FINANCIAL STATEMENTS

INTERNATIONAL ASSOCIATION OF INSURANCE SUPERVISORS
BALANCE SHEET
AS AT 31 DECEMBER 2015
(IN SWISS FRANCS)

	Note	2015	2014
ASSETS			
Cash and cash equivalents	6	9,455,787	5,457,714
Other short-term receivables	7	91,218	1,341,658
Prepaid expenses and accrued income		127,375	67,262
Total current assets		9,674,380	6,866,634
Financial assets	8	1,000,000	4,000,000
Total non-current assets		1,000,000	4,000,000
Total assets		10,674,380	10,866,634
LIABILITIES AND EQUITY			
Other short-term liabilities	9	141,560	934,712
Accrued expenses and deferred income	10	1,609,286	1,383,114
Total liabilities		1,750,846	2,317,826
Voluntary retained earnings			
Balance brought forward		8,548,808	6,935,657
Net result for year		374,726	1,037,160
Release of provision for standard implementation activities	17	–	575,991
Total equity		8,923,534	8,548,808
Total liabilities and equity		10,674,380	10,866,634

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 2015
 (IN SWISS FRANCS)

	Note	2015	2014
OPERATING INCOME			
Membership fees		4,539,900	4,237,900
Observership fees		–	2,902,900
Contributions received	3	2,600,000	–
Annual conference income	11	–	1,239,820
Total operating income		7,139,900	8,380,620
OPERATING EXPENSES			
Contributions paid	12	223,603	67,911
Staff costs	13	5,342,130	5,018,762
Other operating expenses	14	1,140,489	1,339,488
Annual conference expenses	11	–	934,712
Total operating expenses		6,706,222	7,360,873
Operating result		433,678	1,019,747
Financial income	15	12,282	22,256
Financial expenses	16	71,234	4,843
Net result for year		374,726	1,037,160

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.

INTERNATIONAL ASSOCIATION OF INSURANCE SUPERVISORS
 CASH FLOW STATEMENT
 FOR THE YEAR ENDED 31 DECEMBER 2015
 (IN SWISS FRANCS)

	Note	2015	2014
Net result for year		374,726	1,037,160
Decrease/(increase) in other short-term receivables		1,250,440	(97,971)
(Increase) in prepaid expenses and accrued income		(60,113)	(8,399)
(Decrease)/increase in other current liabilities		(793,152)	(159,450)
Increase/(decrease) in accrued expenses and deferred income		226,172	(1,285,242)
(Decrease) in provision for standard implementation activities	17	–	(20,967)
CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES		998,073	(534,869)
Proceeds from maturity of term deposit		3,000,000	1,000,000
Investment in term deposit		–	(3,000,000)
CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES		3,000,000	(2,000,000)
Change in cash and cash equivalents		3,998,073	(2,534,869)
Cash and cash equivalents at beginning of year	6	5,457,714	7,992,583
Cash and cash equivalents at end of year	6	9,455,787	5,457,714
Change in cash and cash equivalents		3,998,073	(2,534,869)

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.

Until the end of 2014, the IAIS also received fees from Observers, representing international institutions, professional associations, insurance and reinsurance companies, consultants and other professionals. In 2015 the IAIS discontinued the Observer category.

2. KEY ACCOUNTING PRINCIPLES

a. Statement of compliance

The financial statements have been prepared in accordance with the provisions of the Swiss Law on Accounting and Financial Reporting (32nd 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 for the financial year 2015.

b. 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.

c. 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. The principal accounting policies are set out below.

d. Functional and presentation currency

The functional and presentation currency is the Swiss franc.

As a result of its international activities the Association is exposed to various other currencies. All transactions are recorded in Swiss francs at the exchange rates ruling at the date of the transaction.

e. Cash and cash equivalents

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

f. Financial assets

Investments in term deposits and fixed term structured products are held to maturity and are accounted for at amortised cost.

Income from investments is accounted for as financial income.

g. 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.

h. Withholding taxes

Interest income is reported net of withholding taxes and included as part of financial income.

i. Provision for standard implementation activities

Since 2010 the costs of standard implementation activities have been expensed in the year incurred. The previous treatment was for unspent budgeted amounts to be accrued in a provision for standard implementation activities. Until the end of 2014, the balance on the provision was utilised to fund expenditure on specified implementation initiatives, which were in addition to ongoing annual expenditure. On 31 December 2014, the balance on the provision was transferred to voluntary retained earnings. Movements on the provision are set out in Note 17.

3. BENEFITS RECEIVED

The IAIS is hosted by the Bank for International Settlements (BIS), which is not an IAIS Member. 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 in 2014. The contribution provided in 2015 was CHF 2,600,000.

The Association also benefits from Members' secondment of staff to its Secretariat. The total amount of these benefits has not been determined.

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's activities and are held in a separate CHF-denominated bank account, on which there was a balance of CHF 34,513 as at 31 December 2015. These funds are held outside the IAIS financial statements; all transactions are financially independent from the IAIS and the financial records are independently audited.

IAIS Education Fund

The fund represents contributions received from donors to be used for educational purposes. The balance on the fund as at 31 December 2015 was equivalent to CHF 25,854. The 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.

	2015	2014
6. CASH AND CASH EQUIVALENTS		
CHF Current accounts	7,441,319	3,443,121
CHF Short term savings accounts	2,014,468	2,014,593
	9,455,787	5,457,714

	2015	2014
7. OTHER SHORT-TERM RECEIVABLES		
Annual conference (Note 11)	77,056	1,239,820
Membership fees receivable	41,862	21,145
Observership fees receivable	–	102,478
Other	600	95,793
	119,518	1,459,236
Less: provision for bad debts	(28,300)	(117,578)
	91,218	1,341,658

	2015	2014
Movement in provision for bad debts:		
<i>Charge to operating expenses:</i>		
Provision made during the year	49,900	264,578
Amounts written off/(recovered) in year	(15,100)	(15,200)
Charge to operating expenses	34,800	249,378
<i>Movement in provision:</i>		
Opening balance	117,578	43,700
Charge to operating expenses	34,800	249,378
Amounts written off in year	(124,078)	(175,500)
Closing balance	28,300	117,578

	2015	2014
8. FINANCIAL ASSETS		
Investments held to maturity		
Term deposits	–	3,000,000
Floating rate note	1,000,000	1,000,000
	1,000,000	4,000,000

During the year a term deposit of CHF 3,000,000 matured.

The floating rate note is a structured product with full capital protection and a five year term. Capital will be repaid on maturity in December 2016; interest is variable, based on CHF LIBOR and subject to a minimum (floor) and maximum (cap).

	2015	2014
9. OTHER SHORT-TERM LIABILITIES		
Contribution towards Annual Conference and General		
Meeting expenses (Note 11)	100,000	934,712
Other	41,560	–
	141,560	934,712

	2015	2014
10. ACCRUED EXPENSES AND DEFERRED INCOME		
<i>Accrued expenses:</i>		
Audit	9,000	9,000
Bank for International Settlements	771,891	545,720
Consultancy	35,000	17,500
Seminars	32,283	30,000
Website & IT	31,725	39,600
Other	230,362	179,004
<i>Deferred income:</i>		
Membership fees received in advance	499,025	562,290
	1,609,286	1,383,114

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.

	2015	2014
11. ANNUAL CONFERENCE AND GENERAL MEETING		
Income		
Conference fee and sponsorship income	–	1,239,820
Expenditure		
Conference expenditure incurred by host	–	925,712
Other Conference expenditure incurred	–	9,000
Overaccrual of 2014 Conference expenditure	(1,075)	–
Contribution towards Annual Conference and General Meeting expenses	100,000	–
	98,925	934,712

Each year the IAIS holds an Annual Conference and General Meeting.

Until 2014, conference income comprised fees and sponsorship. These were received by the conference host, and conference expenditure incurred by the host, on behalf of the IAIS. These transactions were recorded in a designated account maintained by the host, independent from the host's books and records. Any surplus arising from the conference was remitted to the IAIS, and any deficit borne by the host.

From 2015, sponsorship does not apply. 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 2015 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, were borne by the host.

	2015	2014
12. CONTRIBUTIONS PAID		
Annual Conference and General Meeting (Note 11)	98,925	–
Regional seminars	84,678	32,156
Global seminar	40,000	35,755
	223,603	67,911

	2015	2014
13. STAFF COSTS		
Employment costs	5,252,733	4,922,923
Relocation	89,397	95,839
	5,342,130	5,018,762

The IAIS has no more than 50 full time positions.

	2015	2014
14. OTHER OPERATING EXPENSES		
Audit	9,000	12,000
Consultancy fees	74,500	44,118
Copies & postage	147	1,338
Editing	–	5,057
Information services	47,798	61,072
Insurance	84,948	38,620
Meeting expenses	130,172	133,084
Miscellaneous	22,876	722
Printing & documentation	1,320	26,442
Provision for bad debts	34,800	249,378
Telephone & fax	9,821	8,974
Training	43,200	11,967
Travel	527,118	628,642
Website and IT	154,789	118,074
	1,140,489	1,339,488

	2015	2014
15. FINANCIAL INCOME		
Interest on:		
Bank accounts	199	2,194
Term deposits	455	8,402
	654	10,596
Floating rate note	11,628	11,660
	12,282	22,256

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

	2015	2014
16. FINANCIAL EXPENSES		
Bank charges	35,815	4,843
Foreign exchange loss	35,419	–
	71,234	4,843

The foreign exchange loss relates to a receipt during the year in respect of the 2014 annual conference surplus and retranslation of the outstanding balance as at 31 December 2015, due to exchange rate movements between the Euro and Swiss franc during the year.

17. PROVISION FOR STANDARD IMPLEMENTATION ACTIVITIES

Until 2014, unspent budgeted amounts for standard implementation expenditure were retained in a provision account and utilised to fund expenditure on specified implementation initiatives. In 2014, the Association decided that from 2015 the costs of all implementation-related expenditure should be treated consistently with the expenditure related to the other activities and charged to the income statement as incurred. Consequently the balance on the provision account was released to voluntary retained earnings at the end of 2014. Movements on the provision are as follows:

	2015	2014
Opening balance	–	596,958
Expenditure charged against provision during year	–	(20,967)
Released to voluntary retained earnings	–	(575,991)
Closing balance	–	–

18. 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 the highest priority within the investment policy, to ensure that the Association can continue as a going concern to support its activities for the foreseeable future.

Consistent with the investment policy, as at 31 December 2015 the IAIS's investment in financial assets other than cash comprised an investment with a high degree of capital protection (see Note 8 above), minimising exposure to credit risk and market risk.

Liquidity risk

The Association holds sufficient liquid funds to ensure that it is able to meet its liabilities as they fall due.

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 held in Swiss franc-denominated financial assets. The Association's cash and cash equivalents are also held in Swiss francs.

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.

19. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events between the balance sheet and the approval of these financial statements by the IAIS Executive Committee on 09 May 2016 which could impact the book value of assets and liabilities or which should be disclosed in these financial statements.

20. PRESENTATION OF FINANCIAL STATEMENTS AND COMPARATIVE FIGURES

Changes in the presentation of the financial statements have been made to comply with new requirements of the Swiss Code of Obligations that arise from a new Swiss financial reporting law, applicable from 2015 onward. Comparative figures have been reclassified to conform with the current year's presentation.

CURRENT EXECUTIVE COMMITTEE MEMBERS

APPENDIX I EXECUTIVE COMMITTEE MEMBERS

Victoria Saporta United Kingdom Prudential Regulation Authority Chair	Gabriel Bernardino EIOPA European Insurance and Occupational Pensions Authority	Keng Yi Lee Singapore Monetary Authority of Singapore
Takashi Hamano Japan Financial Services Agency Vice Chair	Hassan Boubrik Morocco Direction des Assurances et de la Prévoyance Sociale	Sandrine Lémercy France Autorité de Contrôle Prudentiel et de Résolution
Julie Mix McPeak USA, Tennessee Department of Commerce & Insurance Vice Chair	Keith Chapman Australia Australian Prudential Regulation Authority	David Mattax USA, Texas Texas Department of Insurance
Peter Braumüller, ex officio Austria Financial Market Authority Chair, Budget Committee	Bernard Dupont Canada Office of the Superintendent of Financial Institutions	Ted Nickel USA, Wisconsin Office of the Commissioner of Insurance
Jonathan Dixon South Africa Financial Services Board Chair, Implementation Committee	Michele Fields Bahamas The Insurance Commission of The Bahamas	Norma Alicia Rosas Rodriguez Mexico Comisión Nacional de Seguros y Fianzas
William Mason Guernsey Financial Services Commission Chair, Audit and Risk Committee	Peter Giger Switzerland Swiss Financial Market Supervisory Authority	Thomas Sullivan USA Federal Reserve Board
Michael McRaith, ex officio USA Federal Insurance Office, United States Department of Treasury Chair, Financial Stability and Technical Committee	Luis Fernando Gonzalez-Prada Peru	Carlos Pavez Tolosa Chile Superintendencia de Valores y Seguros
Ebrahim Obaid Al Zaabi United Arab Emirates	Dr Frank Grund Germany Bundesanstalt für Finanzdienstleistungsaufsicht	T S Vijayan India Insurance Regulatory and Development Authority
	Damian Jaworski Poland Financial Supervisory Authority	Junbo Xiang China China Insurance Regulatory Commission
	Taeguk Jin Korea (Republic of) Financial Supervisory Service	

EXECUTIVE COMMITTEE MEMBERS (SERVING DURING THE REPORTING PERIOD)

APPENDIX I

THE FOLLOWING INDIVIDUALS SERVED AS EXECUTIVE COMMITTEE MEMBERS DURING SOME OR ALL OF THE REPORTING PERIOD:

Ebrahim Obaid Al Zaabi United Arab Emirates Insurance Authority	Julia Cillikova Slovakia National Bank of Slovakia	Peter Giger Switzerland Swiss Financial Market Supervisory Authority
Manuel Aguilera-Verduzco Mexico Comision Nacional de Seguros y Fianzas	Michael Consedine USA, Pennsylvania	Takashi Hamano Japan Financial Services Agency Served as both Member and Vice Chair
Khalid S. Althieb Saudi Arabia Saudi Arabian Monetary Agency	Alberto Corinti Italy Istituto per la Vigilanza sulle Assicurazioni Ex officio	Felix Hufeld Germany Bundesanstalt für Finanzdienstleistungsaufsicht Served as both Member and past Chair
Nina Arquint Switzerland Swiss Financial Market Supervisory Authority	Jonathan Dixon South Africa Financial Services Board	Damian Jaworski Poland Financial Supervisory Authority
Gabriel Bernardino EIOPA European Insurance and Occupational Pensions Authority	Susan Donegan USA, Vermont Department of Financial Regulation	Taeguk Jin Korea (Republic of) Financial Supervisory Service
Hassan Boubrik Morocco Direction des Assurances et de la Prévoyance Sociale	Bernard Dupont Canada Office of the Superintendent of Financial Institutions	Kenneth Kobylowski USA, New Jersey
Peter Braumüller Austria Financial Market Authority Served as both past Chair and Member ex officio	Patricio Espinoza Chile	Ian Laughlin Australia Australian Prudential Regulation Authority
Keith Chapman Australia Australian Prudential Regulation Authority	Michele Fields Bahamas The Insurance Commission of The Bahamas	Thomas B. Leonardi United States Connecticut Department of Insurance
	Walid Genadry Lebanon	

APPENDIX I

THE FOLLOWING INDIVIDUALS SERVED AS EXECUTIVE COMMITTEE MEMBERS DURING SOME OR ALL OF THE REPORTING PERIOD:

Sandrine Lémercy France Autorité de Contrôle Prudentiel et de Résolution	Carlos Pavez Tolosa Chile Superintendencia de Valores y Seguros	Daniel Schydrowsky Peru Superintendencia de Banca, Seguros y Administradoras Privadas de Fondos de Pensiones del Peru
Elise Liebers United States National Association of Insurance Commissioners Ex officio	Heungchan Park Republic of Korea Financial Supervisory Service	Cindy Scotland Cayman Islands Cayman Islands Monetary Authority, BWI
William Mason Guernsey Financial Services Commission	Ernesto Rios Chile Superintendencia de Valores y Seguros	Thomas Sullivan USA Board of Governors of the Federal Reserve System
Kevin McCarty USA, Florida Florida Office of Insurance Regulation Served as both Member and Vice Chair	Victor Rod Luxembourg Commissariat aux Assurances Ex officio	T S Vijayan India Insurance Regulatory and Development Authority
Julie Mix McPeak USA, Tennessee Department of Commerce & Insurance	Norma Alicia Rosas Rodriguez Mexico Comisión Nacional de Seguros y Fianzas	Junbo Xiang China China Insurance Regulatory Commission Member
Michael McRaith USA Federal Insurance Office, United States Department of Treasury Served as both Member and Member ex officio	Victoria Saporta United Kingdom Prudential Regulation Authority Served as both a Member and current Chair	Siew Yee Loo Singapore Monetary Authority of Singapore
Michael Oliver Gibraltar Financial Services Commission	Thomas Schmitz-Lippert Germany Bundesanstalt für Finanzdienstleistungsaufsicht	Keng Yi Lee Singapore Monetary Authority of Singapore

* Chairs of the Budget, Financial Stability, Implementation and Technical Committees are ex officio non-voting members of the Executive Committee if they do not otherwise hold voting membership of the Executive Committee.

REGIONAL TRAINING SEMINARS

APPENDIX II

The IAIS sponsored the following training seminars for insurance supervisors.

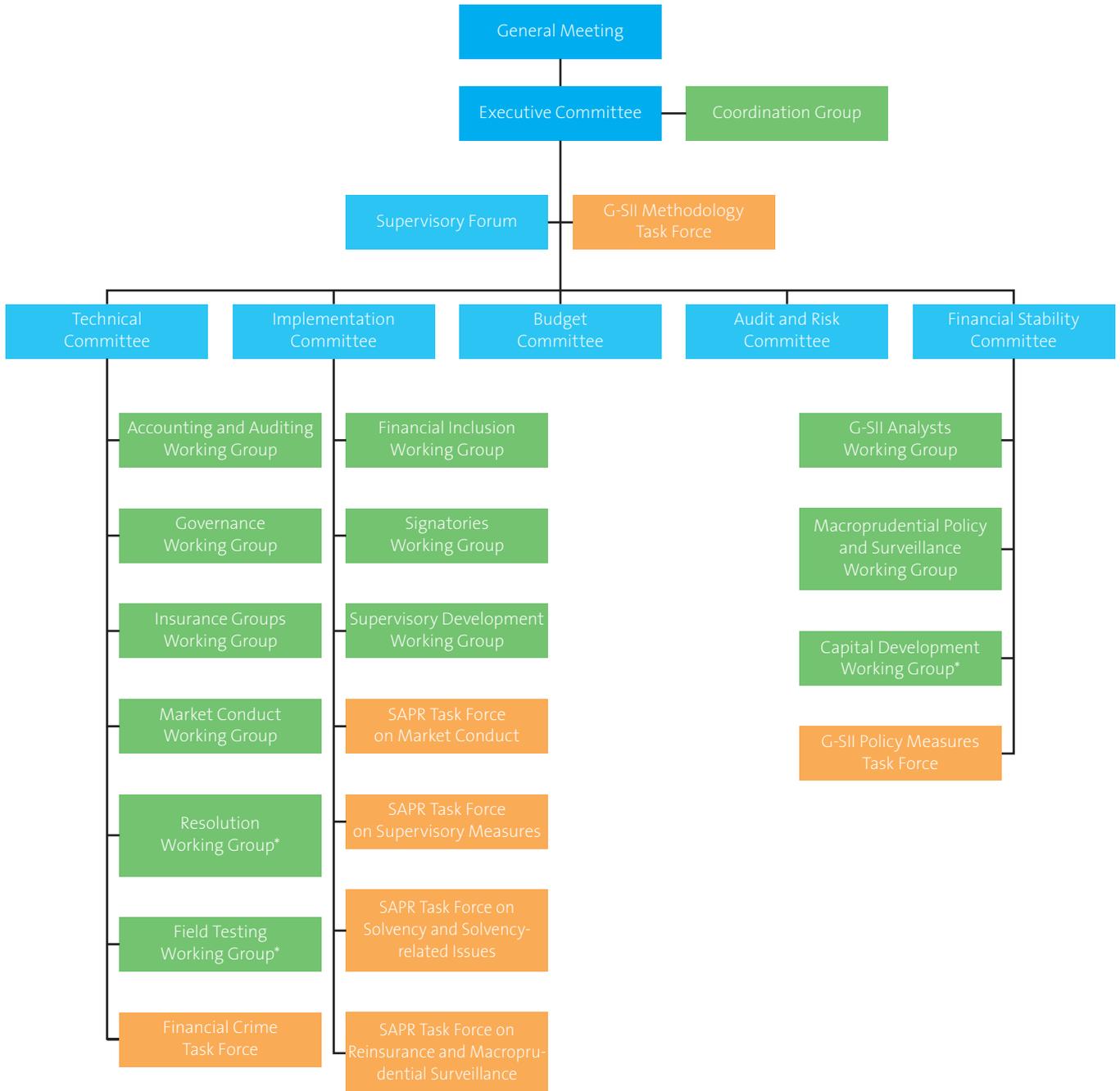
DATE	LOCATION	ORGANISER(S)	MAIN TOPICS
April 2015	San José, Costa Rica	ASSAL, Insurance Authority of Costa Rica (SUGESE), IAIS	Longevity risk management for life and variable annuities; The effectiveness of static hedging using longevity bonds and derivatives; Improving Corporate Governance and Transparency In Insurance; Economic valuation of assets and liabilities; Implementation of a risk management strategy.
April 2015	Hong Kong, China	Group of International Insurance Centre Supervisors (GIICS), IAIS	Insurance Distribution Risk; Risk in Offshore General; Insurance; Risk based supervision; Risks in Captives; Quantitative Risk based Solvency; the role of Insurance Manager
April 2015	Manila, Philippine	ASEAN Insurance Training & Research Institute (AITRI), Toronto Centre, IAIS	Overview of Risk Based Supervision; Offsite monitoring and analysis; on-site supervision
May 2015	Bogotá, Colombia	ASSAL, Financial Stability Institute (FSI), The Colombian Insurance Supervisor, IAIS	Effective insurance supervision—international standards and their implementation; Risk mitigation and reinsurance—industry perspective; Alternative risk transfers; Risk-based supervision of reinsurers and insurers' reinsurance coverage; Reinsurance supervision in the region; Supervisory prevention and intervention
August 2015	Yogyakarta, Indonesia	AITRI, FSI, Insurance Authority of Indonesia (OJK), IAIS	Risk-based solvency and financial stability; international standards on ERM for solvency purposes; Risk quantification and stress and scenario testing

APPENDIX II
REGIONAL TRAINING SEMINARS

DATE	LOCATION	ORGANISER(S)	MAIN TOPICS
October 2015	Bratislava, Slovakia	National Bank of Slovakia, FSI, IAIS	Risk-based supervision and practices; supervisory intervention and protective measures
October 2015	Georgetown, Cayman Islands	Cayman Islands Monetary Authority, Group of International Insurance Centre Supervisors, IAIS	Risk Based Supervision; Captive insurance and catastrophe reinsurance; Soft skills to conduct meetings and on-site inspections; Corporate governance and internal Control; Assessment of compliance with ICPs 7 to 10
October 2015	Nanyuki, Kenya	Kenya Insurance Regulatory Authority, FSI, IAIS	Effective insurance supervision; Group-wide supervision and financial stability; Assessment of risks and calibration of capital; Supervision and solvency assessment of insurers; Market conduct and information disclosure
November 2015	Paris, France	Banque de France, Autorité de Contrôle Prudentiel et de Résolution, Comité Général des Assurances, FSI, IAIS	Risk-based solvency and financial stability; Enterprise risk management; Insurers' Own Risk and Solvency Assessment (ORSA)—example of the Solvency II framework; Supervision of insurers and insurance groups; Anti-money laundering and combatting the financing of terrorism (AML and CFT)
December 2015	Santiago, Chile	Superintendence of Securities and Insurance of Chile; ASSAL, IAIS	Inclusive Insurance; Use of the Internal Capital Model; AML and CFT; Establishing ORSA; Fair Treatment for the Insured; Natural Disasters Risk Mode and Management; Technical Risk Management in Life Insurance

IAIS ORGANISATIONAL STRUCTURE (NOVEMBER 2015)

APPENDIX III



¹ Reports jointly to the Financial Stability and Technical Committees

IAIS SECRETARIAT STAFF (2015)

APPENDIX IV

The staff of the IAIS Secretariat play a key role in supporting the Association. Secretariat members from October 2014 to December 2015 were:

Staff are financed by the IAIS unless indicated by an asterisk ()*

Yoshihiro Kawai Secretary General	Carole Lin* (Financial Supervisory Commission, Chinese Taipei) Member of the Secretariat	Anna Aubel Administrative Officer
George M. Brady Deputy Secretary General	Bernhard Mayr Member of the Secretariat	Laura Brandt Administrative Officer
Catherine Lezon Deputy Secretary General	Nina Moss Member of the Secretariat	Joao Carneiro Administrative Officer
John Maroney Head of Capital and Solvency	Danita Pattemore Member of the Secretariat	Sylvie Ellet Administrative Officer
Mark Causevic Member of the Secretariat	Tsuyoshi Saito* (Financial Services Agency, Japan) Member of the Secretariat	Anne-Marie Kelly Administrative Officer
Peter Cooke Member of the Secretariat	Andrew R. Stolfi Member of the Secretariat and Communication Officer	Carine Notter* (BIS) Technical Administrator
Rogier Derksen Member of the Secretariat	Sicheng Su* (Monetary Authority of Singapore) Member of the Secretariat	
Jules Gribble Member of the Secretariat	Xiaowu Sun* (China Insurance Regulatory Commission) Member of the Secretariat	
Anastasia Kartasheva Member of the Secretariat and Economic Advisor	Peter van den Broeke Member of the Secretariat	
Kyuri Kim* (Financial Supervisory Service, Republic of Korea) Member of the Secretariat	Pierre-Jean Vouette Member of the Secretariat	
Shinya Kobayashi* (Financial Services Agency, Japan) Member of the Secretariat	Taijaun Talbot* (Bermuda Monetary Authority) Member of the Secretariat	
Lance Leatherbarrow Member of the Secretariat	Peter Windsor Member of Secretariat	