Holistic Framework for Systemic Risk in the Insurance Sector

IAIS Secretariat
Global Seminar - 13 June 2019, Buenos Aires
**Development of the Holistic Framework**

**Timeline**

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
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<tbody>
<tr>
<td>2017</td>
<td>February: Announcement of the IAIS Systemic Risk Assessment &amp; Policy Workplan</td>
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<td>2017</td>
<td>December: Release of interim public consultation on Activity Based Approach</td>
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<td>2018</td>
<td>February: Stakeholder event</td>
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<td>2019</td>
<td>January: Stakeholder event</td>
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<td>2019</td>
<td>Mid-June -&gt; mid-August: Public consultation revised ICPs and ComFrame related to Holistic Framework</td>
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<td>2019</td>
<td>November: Adoption of the Holistic Framework by the IAIS AGM</td>
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<td>2020</td>
<td>Implementation starts, including:</td>
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<td>2020</td>
<td>November: Global monitoring exercise by the IAIS</td>
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<td>2020</td>
<td>November: Implementation of revised ICPs and ComFrame</td>
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<td>2022</td>
<td>November: FSB review of the holistic framework and the role of an annual identification of G-SIIs</td>
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**KEY ELEMENTS:**
- An enhanced set of supervisory policy measures
- A global monitoring exercise by the IAIS
- Supervisory powers of intervention
- Mechanisms that help ensure the global consistent application of the framework
- IAIS assessment of implementation of supervisory material

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Supervisory material

Outcomes of the November 2018 public consultation

• Support for a proportionate application of policy measures targeted at potentially systemic activities and exposures to a broader portion of the insurance sector:
  ➢ ERM requirements related to transmission channels: liquidity risk, macroeconomic exposure and counterparty exposure
  ➢ Stressing the importance of principle of proportionality
  ➢ Questions for clarification around scope of application

• Concerns about how to ensure that supervisors follow due process and apply existing safeguards for powers of intervention based on macroprudential grounds
Supervisory material
Scope of the June 2019 public consultation

Enhancing the link of macroprudential monitoring to the supervisory framework:
- ICP 9 and ComFrame (Supervisory Review and Reporting)
- ICP 24 (Macroprudential Supervision)

Supervisory requirements on insurers:
- ICP 16 and ComFrame (Enterprise Risk Management for Solvency Purposes)
- ICP 20 (Public Disclosure)

Supervisory powers of intervention:
- ICP 10 (Preventive Measures, Corrective Measures, and Sanctions)
Supervisory material

Immediate next steps

• **Mid-June – mid-August**: Public consultation on draft revised supervisory material related to holistic framework

• **Mid-June**:
  - Publication of all consultation comments received on the November 2018 consultation document
  - Publication of a summary of main comments received and their resolution related to Section 3 (Supervisory policy measures)

• **2 July, 14.00 CEST**: Public background call
Global monitoring exercise
Outcomes from the November 2018 public consultation

• General support for the IAIS recommendation to suspend G-SII identification process

• Requests for more clarity on the modalities of the global monitoring exercise

• Support for sector-wide assessment, but also concern about additional burden:
  ➢ advocacy for leveraging existing data collections and supervisory returns

• No intention to use the ICS
Global monitoring exercise

Designed to detect the possible build-up of systemic risk in the global insurance sector

- Data collection and analysis:
  - Individual insurers
  - Sector-wide monitoring

- Forward looking, collective IAIS discussion on the assessment of risk and supervisory response

- Annual reporting to participating insurers and jurisdictions, the FSB and the general public

Systemic risk vulnerabilities

- Liquidity risk
- Interconnectedness
  - Macroeconomic exposure
  - Counterparty exposure
- Substitutability
- Other
Finalisation and plans for implementation

November 2019:
• 14 November: Adoption of the holistic framework and ICP and ComFrame by IAIS AGM
• 14 / 15 November: IAIS Annual Conference, Abu Dhabi

From 2020: start implementation
• Supervisors will be expected to implement the enhanced set of policy measures and supervisory powers of intervention contained in the ICPs and ComFrame
• The IAIS will coordinate the annual global monitoring exercise including annual data collections
• The IAIS will undertake an assessment of implementation of the supervisory material contained in the ICPs and ComFrame

By 2022: Review of the holistic framework
• Review by the FSB