INTERNATIONAL ASSOCIATION OF INSURANCE SUPERVISORS

REPORT
ON
INSURANCE CORE PRINCIPLES SELF-ASSESSMENT EXERCISE 2004/2005

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Insurance Core Principles Self-Assessment Exercise
2004/2005

This report has been prepared by the Working Group on Analysis of Self-Assessment Questionnaires[1] with the assistance of the IAIS Secretariat. It contains an analysis of the results of the Insurance Core Principles self-assessment exercise that was carried out during June 2004 – December 2005.

Contents

[1] The list of the members of the Working Group is attached as Annex 1.

I. Overview of the self-assessment exercise

1. Background – Insurance core Principles and methodology

The Insurance Core Principles (ICP) provides a globally-accepted framework for the regulation and supervision of insurers and reinsurers. The International Association of Insurance Supervisors (IAIS) principles, standards and guidance papers expand on various aspects of the ICPs. They provide a basis for the evaluation of insurance legislation, supervisory systems and procedures.

In October 2003, the IAIS revised and expanded its *Insurance Core Principles and Methodology*. The 28 principles now cover all aspects of insurance industry regulation and supervision – from licensing a company to winding it up. Principles addressing such issues as transparency of the supervisory process, assessment and management of risk, consumer protection, and anti-money laundering have been added.

International agreement on globally acceptable principles and standards is clearly intended to contribute towards the creation of a sound insurance system. However, implementation of those principles and standards is necessary to achieve the supervisory objectives set out by the IAIS. The implementation of the agreed principles and standards helps to improve the insurance supervisory framework strengthens domestic and international insurance markets and contributes to financial stability.

A judgement on the effective implementation of standards requires an objective assessment of the existing insurance system in order to identify weaknesses and develop and carry out an action plan for addressing these weaknesses. The self-assessment on observance of standards therefore allows the insurance supervisor, and in some instances the government, to initiate an appropriate strategy for improving insurance supervision. The results of such an exercise also assist the IAIS to prioritize future work.

2. The self-assessment exercise

The IAIS periodically conducts self-assessment exercises to provide a snapshot of the overall level of observance of the ICPs amongst IAIS members. While considering and carrying out the assessment the diversity in regulatory frameworks and supervisory approaches is well recognised. Aspects related to the domestic context, industry structure and stage of development of the financial system and overall macroeconomic conditions are taken into account. While good implementation practices should be kept in mind, there is no mandated method of implementation.

The self-assessment programme consists of two parts:

i. *“Summary self-assessment”*: Members are required to summarise their assessment on their observance of each ICP. In addition, where Principles are not observed, Members are asked to include action plans for attaining observance (including a timeline for completion) or explain why they have no plan to observe. Members also indicate areas in which IAIS' assistance is needed.

ii. *"Self-assessment Questionnaire":* This part (Annexure 2) provides a list of essential and advanced criteria for jurisdictions to evaluate the regulatory and supervisory system in their jurisdiction against the ICPs. Members are also expected to provide a qualitative assessment of the degree of observance with each Principle; these responses form the basis for the summary self-assessment.

3. Assessment methodology

3.1 Assessment of essential criteria and advanced criteria

An essential criterion or an advanced criterion should be assessed using five categories: **observed, largely observed, partly observed, not observed,** and **not applicable**.

For a criterion to be considered **observed**, it is necessary that the supervisor have the legal authority to perform its tasks and that it exercises this authority to a satisfactory standard. While the supervisory authority sets requirements, it should also ensure that these requirements are implemented. It is essential for the supervisory authority to have the necessary resources to effectively implement the requirements. It is insufficient to accept the power of the law for full observance to be recorded against a criterion, except where the criterion is specifically limited in this respect. In the event that the supervisor has a history of using a practice for which it has no explicit legal authority, the assessment may be considered as observed if the practice is clearly substantiated as common and undisputed.

For a criterion to be considered as **largely observed**, it is necessary that only minor shortcomings exist which do not raise any concerns about the authority's ability to achieve full observance with the criterion. One example would be when a jurisdiction has in place a proposal to institute regulatory and supervisory reform that would lead to full observance, and it is not expected that this reform will be unduly delayed.

A criterion is considered **partly observed** whenever, despite progress, the shortcomings are sufficient to raise doubts about the authority's ability to achieve observance. For example, a jurisdiction has been actively discussing and developing reform proposals that would bring about full compliance. However, substantial challenges related to economic and political structure of the jurisdiction remain, making successful and timely implementation of the proposals doubtful.

A criterion is considered **not observed** whenever no substantive progress toward observance has been achieved.

A criterion is considered **not applicable** whenever the criterion does not apply given the structural, legal and institutional features of a jurisdiction. For the purpose of this self-assessment exercise, when the member submitting the response is not the entity responsible for implementing a criterion, it still helps to clearly identify the entity/entities responsible for implementing that criterion.

The criteria should normally apply to all sectors of the insurance market. Material differences between the levels of observance of a criterion among sectors may lead to different ratings being assigned to the sectors if the assessment had been carried out separately (for example, where a jurisdiction supervises direct insurers and not reinsurers). One may opt to present such differing ratings in this self-assessment programme.

Assessments are based solely on the laws, regulations and other supervisory requirements and practices that are in place at the time of assessment. Proposed improvements that have yet to be fully implemented can be noted in the assessment report by way of additional comments to reflect key efforts made. Similarly, laws that do not meet with a satisfactory level of observance in practice cannot be recorded as "observed".

3.2 Assessment of Principles

The level of observance for each Principle reflects the assessments of the essential criteria **only**. Assessment of advanced criteria is not included in assessing observance with Principles. A Principle is considered **observed** whenever all the essential criteria are considered to be observed or when all the essential criteria are observed except for a number that are considered not applicable. A Principle is considered to be **not applicable** when the essential criteria are considered to be not applicable.

With respect to an assessment of a Principle that is other than observed or not applicable, similar guidance is to be followed as applies to the criteria themselves. So, for a Principle to be considered **largely observed**, it is necessary that only minor shortcomings exist which do not raise any concerns about the authority's ability to achieve full observance with the Principle. A Principle will be considered **partly observed** whenever, despite progress, the shortcomings are sufficient to raise doubts about the authority's ability to achieve observance. A Principle will be considered **not observed** whenever no substantive progress toward observance has been achieved.

While it is generally expected that full observance of a Principle would be achieved through the observance of the essential criteria, there are instances, where a member can demonstrate that observance with a Principle has been achieved through different means. Conversely, due to specific conditions in a jurisdiction, meeting the essential criteria may not be sufficient to achieve observance of the objective of a Principle. In such cases, additional measures need to be adhered to for observance of the particular Principle to be considered effective.

4. Overview of results

Fifty-eight jurisdictions completed their self-assessment on observance of the Insurance Core Principles as of 1 December 2005. Various types of supervisory authorities are among the responding jurisdictions, which provide a representative sample, albeit not a statistically valid sample.

Some of the key findings include:

- There are more integrated supervisors among the respondents compared to the previous self-assessment (2001).

- Of the jurisdictions that reported a high level of observance with IAIS Insurance Core Principles, it was observed that:

    - Eight jurisdictions reported that they **observed** or **largely observed** all 28 principles.

    - Thirty-one jurisdictions **observed** or **largely observed** 25 or more principles (out of 28).

    - The principles most frequently reported as being **observed** (in order of frequency) are:

        - Principle 14 ‘Preventive and corrective measures

        - Principle 16 ‘Winding-up and exit from the market

        - Principle 2 ‘Supervisory objectives

    - The principles reported as being **least observed (in order of frequency)** are:

        - Principle 22 ‘Derivatives and similar commitments

        - Principle 18 ‘Risk assessment and management

        - Principle 17 ‘Group wide supervision

        - Principle 27 ‘Fraud

    - The other principles with a low level of observance are

        - Principle 9 ‘Corporate governance

        - Principle 25 ‘Consumer protection

Ethical standards for the different professions utilized in the insurance industry seem to be missing in some jurisdictions. This is an area where the IAIS could give assistance by drawing the attention to the lack of such professional standards.

A review on the level of reported observance for each assessment criteria also suggests that there may be situations where a criterion is reported as **observed** merely because it is provided in law. However, in reality it may not be a general practice of that jurisdiction.

The goal of the self-assessment exercise has always been to follow an objective criterion. These aspects are relevant while considering improvements to future exercises. Some criteria are not considered as applicable in relation with the "captives". An analysis of this subject could be of interest in the future.

5. Benefits and shortcomings of the self-assessment programme

IAIS members have responded favourably to the benefits of the self-assessment programme. Not only does it provide an opportunity for supervisors to gain a better understanding of the Insurance Core Principles, it also enables identification of regulatory gaps in the insurance supervisory system, and assists in the development of a strategy to strengthen the system. At the same time, members identified several shortcomings of the self-assessment exercise, namely:

- a number of new principles assume that a reasonably well developed market exists in the jurisdiction;
- it is virtually impossible to observe principles with a large number of criteria (ICP 3 in particular); and
- some interpretation of precise intent is still necessary for some ICPs.

While fifty-eight jurisdictions or two thirds of the IAIS members replied to the self-assessment questionnaire, more than 4 replies failed to follow the guidelines noted in the self-assessment questionnaire and the Insurance Core Principles Methodology. These replies

- did not provide qualitative or written comments on the reasons underlying the assessment, for example by citing relevant insurance regulations or describing the institutional capacity of the supervisory authority to implement relevant rules; and
- did not give reasons for non-compliance and details of a plan to improve the compliance.

Therefore, the challenges in aggregating conclusions reached by different FSAP assessors in a diverse range of jurisdictions and at varying levels of market development should be recognized in interpreting the results/analysis.

Corporate governance standards, internal controls and market conduct are the key areas of concern, as it was not observed by 50% of the countries.

Generally, in more developed economies, market discipline and higher consumer awareness are effective complements to the regulatory/supervisory in encouraging insurers to adopt robust corporate governance and professional market conduct. In well functioning markets, regulatory regimes and structures typically evolve to take into account of the size as well as sophistication and complexities of the underlying market.

6. Technical assistance requests

Several respondents have suggested that technical assistance is necessary to enable them to implement the Insurance Core Principles. The technical assistance requests include the following areas: investments, corporate governance, internal control, market analysis, winding up and exit, group wide supervision and fraud. Training needs to be provided in the area of corporate governance, including studies on the practical experience of implementing regulations. With the increasing interest in 'risk based supervision' the role and operation of internal control systems, and the supervisors assessment of them, will be increasingly important.

Although many jurisdictions requested technical assistance in order to implement the Insurance Core Principles, the IAIS does not have the means to meet these requests. It is currently seeking assistance for this matter from the IMF and World Bank, but as yet has received no commitment from either. The IAIS is developing a list of experts who can be used to provide technical assistance.

II. Principle Analysis

This section analyses the responses to the self-assessment questionnaire, including the number and proportion of jurisdictions that observe or do not observe the principles and the underlying criteria.

Annex 2 provides information on observance of the underlying assessment criteria for each principle.

Principle 1 – Conditions for effective insurance supervision

Criteria	a	b	c	d	e	f	g	h	i
Observed (%)	87	91	80	64	76	67	93	78	72
Largely observed (%)	7.4	5.5	13	29	18	17	3.6	13	15
Partly observed (%)	5.6	3.6	5.6	5.5	5.5	9.3	3.6	9.3	11
Not observed (%)	0	0	1.9	1.8	0	7.4	0	0	1.9

1. ICP 1 is among those with a significant level of observance, with only one jurisdiction reporting more than one criterion "**not observed**". All the criteria were observed in twenty jurisdictions. Essential criterion (f) (*Professional bodies set and enforce technical and ethical standards. These standards are accessible to the public)* received the most not observed assessments. All nine essential and advanced criteria were observed in 20 jurisdictions.

2. Forty-seven respondents provided detailed explanations to their assessments.

3. There were significantly more integrated supervisors among the respondents compared to the 2001 self-assessment. Types of supervisory authorities represented included: solo insurance supervisors; insurance and pension supervisors; and integrated supervisors with different levels of integration (i.e. fully integrated to include banking, capital market, insurance and pension fund supervision or integrated to the extent of combining two or more of these functions).

4. Practically, all jurisdictions reported that a policy statement aimed at ensuring financial stability is publicly disclosed, and this statement also covers also the question of effective financial (including insurance) supervision.

5. In respect to the criterion (c), interacting with the legal and court systems, remarks were expressed on the efficacy of the court system.

6. Professional standards, although in place in most of the jurisdictions, are at different levels. Ethical standards for different professions seem to be missing in some jurisdictions. The IAIS could provide assistance by drawing the attention of the international professional associations to such shortcomings.

7. Macroeconomic statistical data is generally published by Central Statistical Offices and/or Central Banks. The supervisory authorities generally publish data on the insurance industry. Most of the jurisdictions publish industry statistics through the Internet and, some do so exclusively.

Principle 2 – Supervisory Objectives

Criteria	a	b	c	d	e
Observed (%)	87	85	77	74	84
Largely observed (%)	11	11	16	13	13
Partly observed (%)	0	1.8	4.7	5.3	2.6
Not observed (%)	1.8	1.8	2.3	7.9	0

1. ICP 2 also manifested a **high level of observance**.

2. Three criteria, (c), (d) and (e) were assessed not applicable by 12, 17 and 17 jurisdictions, respectively. In the case of the latter two criteria, existing laws do not allow the jurisdiction to explain any deviations from goals or to reconcile contradictory goals. This situation was raised by more than 30% of the respondents.

3. For many supervisors deviation from objectives and correction of contradictory objectives are not applicable, as the objectives of the supervision are normally set by law (on insurance or on supervision/supervisory authority).

4. Most respondents reported a high-level objective to protect the interests of policyholders.

5. Most respondents reported on the obligations on them to publish the information on activities, objectives, and mission statements etc, which indicates a high level of transparency of the supervisory authority and its operation.

Principle 3 – Supervisory authority

Criteria	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r	s	t	u
O (%)	100	87	80	81	58	87	70	71	75	80	95	81	72	85	59	84	60	81	89	87	84
LO (%)	0	7.3	13	15	31	5.6	20	17	13	16	0	9.6	18	9.1	15	0	22	5.6	7.9	11	10
PO (%)	0	5.5	5.5	1.9	5.5	7.4	9.3	7.7	9.4	3.6	5.5	7.7	4	5.5	20	2.2	16	7.4	0	1.8	0
NO (%)	0	0	1.8	1.9	5.5	0	0	3.8	1.9	0	0	1.9	6	0	5.6	13	1.8	5.6	2.6	0	6

1. ICP 3 with 21 criteria is the most detailed and comprehensive core principle covering six subjects relating to the supervisory authority. While criterion (a) is the only criteria of all with 100% observance, the overall assessment for this principle is considered only average among the 28 core principles. 13 criteria were "not observed", in one or more jurisdictions, leaving only 8 criteria that were "observed" – though at widely different levels – by all respondents.

2. With regard to the power of the supervisory authority, respondents reported a wide range of measures allowed by legislation. The detailed explanation shows that the level of discretion, which can be exercised in the decision-making process, varies by jurisdiction. Some must supervise institutions licensed by another government organisation, while in other jurisdictions; the supervisor has the power to issue a conditional licence, even if it is not certain that the applicant will meet all requirements. Only a few supervisory authorities are empowered to issue supplemental orders or binding rules/regulations.

3. Financing is one of the decisive elements of the independence of the supervisory authorities. The respondent supervisory authorities are generally funded by supervised entities through some combination of fees and service charges or from the jurisdiction’s central budget. Among those funded by payments made by supervised entities only a small percentage are “co-financed” by the state budget. Nearly the same explanation was given in connection with criterion (h) and (o) by several respondents, though they also cover several aspects of funding.

4. All respondents demonstrated accountability of the supervisory authority by way of reporting either to the Minister of Finance, to the Parliament or to other administrative bodies. Annual Reports are also made available to the public in most cases.

5. In many jurisdictions, salaries at the supervisory authority are sufficiently competitive to attract and retain highly qualified staff. Several respondents reported that employee compensation at the supervisory authority is closer to the average market rates than in other sectors of the civil service. Staff compensation is often based on regulations for employees of the public administration. However, in other jurisdictions, restrictions or approval of the authority’s budget by a superior body tended to have a negative effect on salaries.

6. In most jurisdictions the employees of the supervisory authority are civil servants, thus their protection against legal liability is ensured. If there is no specific regulation in this respect, unless the employee is acting deliberately, illegally or is grossly negligent, the employer generally assumes liability for the employee’s actions. However, a lack of necessary legal protection was also reported by some jurisdictions.

7. To avoid conflicts of interest, several respondents reported that employees must not have any other private or public employment nor can they pursue other activities during their employment at the authority. The same conflict of interest also refers to dealing in shares. Some respondents emphasised that no political activities are allowed for the employees of the supervisory authority.

8. Outsourcing of supervisory functions (criterion (s)) is a common practice in many of the jurisdictions and this is not perceived to diminish the level of competence for the supervision of outsourced activities. However, in some jurisdictions outsourcing supervisory functions is not allowed.

9. Most of the respondents reported that strict provisions are in place relating to the appointment and dismissal of managers of the supervisory authority.

10. All respondents reported of high-level requirements safeguarding the confidentiality of information received by the supervisory authority (criterion (t)).

Principle 4 – Supervisory process

Criteria	a	b	c	d	e	f	g	h
Observed (%)	74	76	89	91	82	89	82	83
Largely observed (%)	15	15	5.5	5.5	11	3.6	9.1	12
Partly observed (%)	9.3	7.3	5.5	1.8	5.5	7.3	5.5	3.8
Not observed (%)	1.9	1.8	0	1.8	1.8	0	3.6	1.9

1. There were substantial levels of observance with ICP 4, with all criteria reported "observed" by 22 jurisdictions.

2. In connection with criterion (a) practically all respondents reported transparent supervisory processes and regulations, however, at different levels. Supervisors make their annual reports also available on their websites.

3. In observance of criteria (b) and (d) several respondents noted the maintenance of procedure manuals or handbooks to ensure consistency in the treatment of administrative and regulatory matters.

4. With regard to criterion (f) it was reported that decisions of the supervisory authority could only be appealed to the court of justice. However, in some cases, a complaint can be filed with the highest administrative and constitutional courts. Some respondents mentioned provisions by which the government/ministry serves as the appeal body in cases where the decision of the supervisor is questioned. Provisions such as these could impair the independence of the supervisor.

Principle 5 – Supervisory cooperation and information sharing

Criteria	a	b	c	d	e	f	g	h	i	j
Observed (%)	91	89	78	80	84	80	81	61	67	68
Largely observed (%)	1.8	3.7	11	13	3.9	11	7.5	16	8.3	6
Partly observed (%)	3.6	5.6	5.5	3.6	3.9	5.5	1.9	4.1	4.2	6
Not observed (%)	3.6	1.9	5.5	3.6	7.8	3.6	9.4	18	21	20

1. Among the ten criteria three ((h), (l), and (j)) were assessed as **"not observed**" by more than 15% of the respondents. From among those finding all criteria applicable 23 had all the criteria **"observed".**

2. In connection with criterion (a), 90% of the respondents indicated that formal agreement is not a prerequisite for the exchange of information.

3. Most of the supervisory authorities can enter into agreements. For example the EU/EEA exchange of supervisory information is regulated by multilateral protocols –

arrangements that work smoothly in practice. However, some respondents noted that such memoranda of understanding (MoU) could be considered as an international agreement only after approval by the legislature.

4. Ensuring that any information shared is treated confidentially by the receiving supervisor and used only for supervisory purposes is a general precondition of exchanging information in all jurisdictions. However, reciprocity is not a general precondition. Some respondents stated that their authority denies providing any information in justified cases. For example, when they are unable to ascertain that the information will be treated with the required confidentiality.

Principle 6: Licensing

Criteria	a	b	c	d	e	f	g	h	i	j	k
Observed (%)	96	69	96	75	98	78	92	90	89	87	89
Largely observed (%)	3.6	18	3.6	12	1.9	12	5.9	3.9	9.3	11	5.5
Partly observed (%)	0	9.1	0	7.7	0	8.2	0	2	0	0	3.6
Not observed (%)	0	3.6	0	5.8	0	2	2	3.9	1.9	1.9	1.8

1. This core principle reported a high level of observance. This is consistent with the reports provided in the previous ICP self-assessment exercise. Furthermore the revisions to the ICPs were less substantive with respect to licensing than in other areas.

2. Criteria (b), (d), and (f) saw the lowest level of observance with the main shortcomings identified reflecting a lower level of clarity of detail or absence of transparency of that detail. On one hand, respondents suggested that progress in documenting procedures would advance their level of observance. On the other hand there are limitations in meeting the requirements on suitability of persons of those that the supervisory authority believes would be implied for full observance. With respect to criteria (f), a number of respondents reported that consultation with the home country supervisor was not required or was not conducted in practice. EU member states noted that the arrangements between states provided relevant observance for companies domiciled in other member states. However, the practice with respect to non-member state domiciled companies was reported as being more variable.

3. With respect to criteria (f), a number of respondents reported that consultation with the home country supervisor before issuing a license was not required or was not conducted in practice. E.U. member states noted that the arrangements between states provided relevant observance for companies domiciled in other member states. However, the practice with respect to nonmember state domiciled companies was reported as being more of a variable.

4. Additionally, a number of respondents reported an absence of a power to impose additional requirements, conditions or restrictions on licenses (criteria (h)). Yet, in a few cases, respondents were not fully satisfied with arrangements to separate life and non life insurance business where licensing of composite insurers was permitted (criteria (g)). A small number of respondents also noted an absence of a legal licensing

requirement on foreign branch operations coupled with an absence of a requirement for effective home country supervision.

5. Some respondents took advantage of the option under the assessment methodology to distinguish between the supervision of direct insurance companies and reinsurance companies, reporting a lower level of observance for reinsurance supervision in such cases.

6. Particularly noteworthy is the positive feedback received in the context of continuing convergence of best practices. The descriptions provided by many respondents indicated that observance of the criteria, where this was the case, comprehensively followed the ICP descriptions closely, rather than relying on a broader or less direct interpretation of practices.

Principle 7: Suitability of Persons

Criteria	a	b	c	d	e	F	g	h	i
Observed (%)	81	68	69	78	71	66	68	67	78
Largely observed (%)	13	7.5	23	11	9.1	19	5.7	24	12
Partly observed (%)	5.6	9.4	5.8	9.1	15	3.8	11	9.8	3.9
Not observed (%)	0	15	1.9	1.8	5.5	11	15	0	5.9

1. Observance of this principle continues to be reported as being less than complete. Although taken with the level of reported criteria that are largely observed, the shortcomings tend to reflect an absence of completeness rather than a complete absence of attention to this important issue. For example, criterion (h) gives specific attention to actuaries and auditors and a number of respondents reported that their regulation did not extend beyond key management or board positions. A number of respondents pointed out that the lack of development of the professional associations, particularly with respect to the actuarial profession, hindered the situation in their country.

2. Many respondents reported current regulatory reform projects underway and some respondents where insurance supervision is relatively more recent also noted that the supervisory function in this area was still under development.

3. The main areas where requirements were identified as being less than fully observant of the core principle were that the scope of the regulation and supervisory assessment. Either they did not cover all of the identified key functionaries, or the criteria for the assessment focused more on the legal fitness of the functionaries and less on their professional or technical capacity.

4. Two criteria reported higher levels of non observance ((b) and (g)) although it is noted that the reported levels of full observance of these criteria was not the lowest for the principle overall. Criterion (f) reported a low level of full observance. It is notable that these criteria are critical to supervisory intervention. Commonly reported weaknesses were that the power to approve appointments did not extend to the power to remove those that were subsequently found or became 'unsuitable'. Some jurisdictions without

this power reported that they were able to achieve the same result, however, through other informal means in contrast to the explicit power granted to supervisors in other jurisdictions. A second weakness was an absence of a requirement to report to the supervisor in the case of a person ceasing to be suitable. Some respondents noted, however, with respect to criterion g, that reporting of all new appointments, and usually approval, was a requirement.

Principle 8: Change of Control and Portfolio Transfers

Criteria	a	b	c	d	e	f	g	h	i	j	k	l
Observed (%)	79	82	79	79	83	74	87	78	93	89	85	91
Largely observed (%)	9.4	3.6	3.8	5.8	3.7	11	5.5	9.3	3.7	5.5	7.3	5.5
Partly observed (%)	5.7	11	5.7	5.8	5.6	3.7	1.8	0	3.7	3.6	5.5	1.8
Not observed (%)	5.7	3.6	11	9.6	7.4	11	5.5	13	0	1.8	1.8	1.8

1. This principle manifested a high level of observance. Most of the reporting jurisdictions noted that obligations in the regulation and procedures were in place to deal with them in practice. As a result, a number of respondents reported that the level of activity in their jurisdiction was small in reality. Most respondents reported either that the approval is required in advance of the transaction or, at least, did not report that the power was restricted to intervention after the event.

2. Criteria (c), (f) and (h) can be considered the weaker reported criteria under this principle and criterion (i) reports a particularly high level of observance. Where criterion (c) was reported as not being fully observed, a common issue was that only the interests of the controller (defined as the majority or substantial shareholder) were subject to oversight rather than other material. However, effective control in the absence of direct ownership was not fully addressed. Criterion (f), addressing the structure of financial groups, was commonly noted as not being an element that was covered in the regulation or that it was not addressed explicitly as part of the assessment of a proposed change in control. With respect to criterion (h), the most common reason given for less than total observance was an absence of specificity in the regulation. Most of the respondents reported that financial and non-financial resources were given attention in practice when approvals were being considered.

3. A number of respondents identified limitations in their jurisdiction. This includes the absence of requirements to oversee portfolio transfers from one insurer to another or internal procedures that were under development. In addition, after reviewing the totality of the submissions made in support of the self-assessments, it was observed that the threshold for supervisory review was usually of the order of 10% to 25%.

Principle 9: Corporate Governance

Criteria	a	b	c	d	e	f	g
Observed (%)	46	36	54	64	41	54	64
Largely observed (%)	22	38	29	18	12	20	23
Partly observed (%)	26	23	13	12	27	16	2.3
Not observed (%)	5.6	3.8	3.8	6	20	10	11

1. This principle revealed a lower level of observance than the others in the same group of ICPs. Some respondents noted that, although rules were developed, the supervision and inspection of corporate governance issues was at a preliminary or developmental stage. Others noted that there are no specific powers that would enable the supervisory authority to extend, elaborate, or deepen the more generally applying corporate governance regulations in the jurisdiction.

2. Criterion (e) stands out in particular as it has a high level of non-observance, and a criterion (b) has a low level of observance although other ratings are more likely to be largely or partly observed. Criterion (b) is notable as it has a large number of subsidiary points. This led a number of respondents to note that it was not possible to claim full observance of that criterion due to its extensive nature. Criterion (e) addresses the specific issue of remuneration of directors and senior management. Many respondents reported that this matter does not get specific supervisory attention. Instead it is being addressed as a matter for shareholders and boards.

3. The concept of a designated compliance officer was noted by some respondents as not being a feature of their regulatory structure and, therefore, a reason for reporting less than full observance with criterion (f). Similarly, a number of respondents that indicated that they did not have a 'responsible actuary' system (criterion (g)). However, they did not rate this criterion as 'not applicable' and preferred to report on the practice that it was observed.

Principle 10: Internal Controls

Criteria	a	b	c	d	e	f	g	h	i	j	k	l
Observed (%)	74	63	67	54	49	57	67	72	63	58	80	72
Largely observed (%)	15	20	19	22	25	24	17	11	15	17	9.3	10
Partly observed (%)	7.5	13	11	19	22	11	11	9.4	13	13	5.6	10
Not observed (%)	3.8	3.7	3.7	5.6	3.9	7.4	5.6	7.5	9.3	11	5.6	8

1. Sound corporate governance is very closely linked to and relies on effective systems of internal control. It is not surprising that the ratings for this principle were similar to ICP 9. At the same time, the ratings are, on average, a little higher. General comments indicated intended future improvements. These included suggestions related to implementation of on-site inspections, making regulations more specific, and

introducing particular amendments to reinforce the role of the board of directors in line with the ICP.

2. In a number of cases, the substantial absence of regulation in this area was noted as requiring special attention.

3. Several of the criteria, and criterion (e) in particular, were rated poorly, but the commentary provided with the assessments was more positive. To an extent, the ratings reflect the absence of a specific mandate for boards to have internal control systems associated with the particular aspect referred to (market conduct and outsourcing were frequently cited as examples) in the regulation. Some respondents report initiatives to amend the regulation to make this mandate on the board more explicit or more specific.

4. Criteria (a) and (k) noted the highest levels of observance within this principle. Supervisory oversight of the internal control issue has been a more long standing practice amongst a number of respondents albeit that it may have had a specific focus or evolved from other practices such as audit related activities.

5. Again, similarly to ICP 9, several respondents suggested that training was needed on the practical experience of implementing regulations in this area, and assessing the quality of internal control systems in practice.

Principle 11 - Market analysis

Criteria	a	b	c	d	e	f	g
Observed (%)	68	53	64	91	68	50	55
Largely observed (%)	15	28	19	7.5	17	24	25
Partly observed (%)	15	17	15	1.9	13	18	12
Not observed (%)	1.9	1.9	1.9	0	1.9	8	7.8

1. ICP 11, requiring the supervisory authority to monitor and analyse factors, which may have impact on insurers, is one of the most observed principles.

2. The explanatory notes submitted by the respondents suggest that the integrated supervisors have more systemic organizational structure for market analysis in place than the supervisory authorities that are exclusively in charge of the insurance sector. Some authorities utilise the database and analytical tools on their own, while others rely mostly on the public data reported by other governmental organizations and information provided by associations of insurers.

3. Respondents have different views on the necessity to conduct analysis of the domestic market, according to the structure and scale of their market. Some pay attention to the dynamic trend of global insurance markets and the movement of macro-economic indexes rather than to their own markets. In these cases, they tend

to make use of various sources of information, which are generally available, such as analytical reports of rating agencies, and insurance research institutions.

4. The major cause of weakness in this principle is found in areas such as the analysis based on future projections and global trends in macro economy which are major factors affecting domestic insurance market. This arises from the insufficiency of both human resources and expertise in macroeconomic analysis in the supervisory authorities.

5. Annual reports are among the most commonly used methods to publish aggregated market data. The reports typically contain information on the number of licensed insurers, market share, and other statistics on insurance market. Annual reports are made available for public use and can normally be downloaded from the websites of the supervisors. Some respondents have the obligation to submit a quarterly report on insurance market performance to their respective government.

6. Some respondents consider this principle as not applicable on the grounds that there is only wholesale market or captive insurers in their jurisdiction. It is often not necessary for them to monitor and analyse factors that may affect their insurance markets. It needs to be clarified that the principle continues to be relevant in these circumstances also.

Principle 12: Reporting to supervisors and off-site monitoring

Criteria	a	b	c	d	e
Observed (%)	93	93	60	75	78
Largely observed (%)	7.3	2.4	25	17	13
Partly observed (%)	0	4.9	13	7.5	7.4
Not observed (%)	0	0	1.8	0	1.9

1. ICP 12 requires that the supervisory authority should receive necessary information including financial and statistical information from all insurers licensed in the jurisdiction. This ICP is a pre-requisite for conducting effective off-site monitoring, evaluating individual insurers, as well as the overall insurance market.

2. The responses show a relatively high level of observance. The reason for non-observance is unknown, since those who responded as not observing the principle did not provide the details.

3. More than 90% of the respondents fully observe essential criteria (a) and (b) which relate to general requirement on reporting to the supervisory authority and equivalent treatment between domestically incorporated entities and branches of foreign entities or government-sponsored entity. With regard to essential criteria (b), the rest of the respondents consider it as not applicable.

4. However, a variety in the scope of reporting requirements can be found among the respondents who answered as fully observing the principle. In particular, some jurisdictions require the insurers to report the information about the financial condition and performance on a solo basis, but not on a consolidated or group-wide basis. Even those that require the insurers to submit consolidated reports do not necessarily define the scope and methods of consolidation.

5. Some respondents do not require the report on the outsourced functions of the insurer. As a result, authorisation of the supervisory authority may be limited to the financial sector and may not be extended to the commercial companies. Also, some respondents do not formally require insurers to report on material change. However, those who do not formally require such a report, ensure that the supervisors are kept informed of material changes through periodical meetings with insurers.

6. This ICP requires the supervisory authority to set out principles and norms regarding accounting techniques to be used, some respondents indicated that the insurers shall comply with the accounting principles provided by commercial code or generally accepted accounting principles applied in the jurisdiction. They are not directly responsible for the development of these principles, though they may have the opportunity to be involved in the process in their capacity as an interested organization.

7. The scope of financial reporting requires some insurers to submit only the public financial reporting, while others insurers define the scope and formality of the information to be submitted for supervisory purposes. This also includes off-balance sheet transactions, in addition to public financial reporting.

8. This ICP requires the supervisory authority to define the frequency of reporting. Some respondents require only annual reporting, while others require more frequent reporting ranging from monthly to quarterly. Most of the respondents have the discretionary power to require insurers to submit any information at any time if they find it necessary. Many respondents stated that they call for periodic formatted information and as a result ask for more detailed information on an ad-hoc basis, if required.

Principle 13: On-site inspection

Criteria	a	b	c	d	e	f
Observed (%)	93	72	91	80	84	73
Largely observed (%)	1.8	9.3	0	15	9.1	15
Partly observed (%)	5.5	19	7.3	3.6	5.5	11
Not observed (%)	0	0	1.8	1.8	1.8	1.8

1. ICP 13, requiring the supervisory authority to carry out on-site inspection to examine the business of an insurer and its compliance with legislation and supervisory requirements, scores a very high level of observance. However, this does not necessarily mean that on-site inspection is actually conducted as an indispensable part

of supervisory process in most jurisdictions. Some respondents have the statutory authority in place for on-site inspection, but do not have sufficient qualified staff to conduct effective on-site inspections.

2. A common feature among supervisors is that they have the authority to conduct on-site inspection without any particular reason to do so. However, the practice differs from jurisdiction to jurisdiction; some have imbibed on-site inspection as an indispensable part of the supervisory framework, conducting on-site inspection based on an annually established inspection plan, while others only undertake on-site inspection on an ad-hoc basis. This results in relatively lower level of observance of essential criteria (b), which requires the supervisory authority to verify information on regulatory returns periodically through on-site inspections. There are several jurisdictions that do not conduct on-site inspection by themselves, but engage independent actuaries and external auditors.

3. Criterion (d), requiring discussion on the findings between supervisors and the insurer. Respondents generally consider they observe the criteria as a general practice of the supervisory process, rather than as a statutory requirement. It seems that many jurisdictions do not have a formal communication protocol for obtaining appropriate feedback from the insurer and following up the issues in question to ensure that the required action has been taken by the insurer. In the absence of such formal communication, however, informal dialogue is normally held between supervisors and insurers, in a way that is considered most suitable under a particular circumstance.

4. Transparency of on-site inspection process could not be regarded as being uniformly ensured in all the jurisdictions. Some jurisdictions have internal manual for on-site inspection, which is made public to ensure transparency through the process of on-site inspection. Such a manual may provide for prior notice to the insurer, period and points to be checked in the inspection.

5. There were a wide variety of responses as to the scope of the objectives of on-site inspection among the jurisdictions. The authority to conduct on-site inspection does not always extend to intermediaries, or affiliated companies within the same group in all jurisdictions.

Principle 14*:* Preventive and corrective measures

Criteria	a	b	c	d	e
Observed (%)	78	80	91	89	84
Largely observed (%)	13	16	5.5	5.5	11
Partly observed (%)	9.1	3.6	3.6	5.5	5.5
Not observed (%)	0	0	0	0	0

1. This ICP shows the highest level of observance of all the ICPs.

2. It should be noted, however, that several jurisdictions do not have a progressive escalation of action or remedial measures, though they are under development in some of those jurisdictions. Other respondents claim that they do not have sufficient human resources for practical implementation of the regulations.

3. In some jurisdictions whose insurance markets are new or relatively small, they indicated that they have not yet identified situations that would call for punitive measures.

4. Some respondents have a progressive escalation of remedial measures according to the level of solvency, while others have the power to take progressive measures at their discretion.

5. Some of the responses reflect confusion between preventive measures and supervisory enforcement.

Principle 15: Enforcement and sanctions

Criteria	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
Observed (%)	95	95	62	65	73	91	91	84	79	87	89	64	87	89	93
Largely observed (%)	3.6	1.8	17	20	11	5.6	3.6	5.5	7.5	7.3	5.5	13	9.4	9.3	5.6
Partly observed (%)	1.8	1.8	9.6	11	13	3.7	5.5	7.3	7.5	0	3.6	11	3.8	1.9	0
Not observed (%)	0	1.8	12	3.6	3.6	0	0	3.6	5.7	5.5	1.8	11	0	0	1.9

1. ICP 15 requires that supervisory authority should enforce corrective action and where needed, imposes sanctions based on clear and objective criteria that are publicly disclosed. Not many jurisdictions regarded themselves as fully observant of this principle, but taking into account the number of the respondents that responded as largely observing, it may well be called a "well-observed" principle. The reason for the low rate of full observance along-with relatively high rate of largely observance may be due to the prescriptive structure of this principle which consists of 14 essential criteria.

2. Criteria (c), (d), (e), and (l) indicated lower levels of observance. Criterion (c) states that the supervisory authority can arrange for compulsory transfer of the obligations under the policies from a failing insurer to another insurer that accepts the transfer. In some jurisdictions, the supervisory authority can only recommend a failing insurer to transfer its portfolio, but does not have an enforceable power to order a transfer.

3. Criterion (d) requires the supervisor to have the ability to increase the capital level, restrict or suspend the payment of dividends, and restrict asset transfers. Even in the absence of explicit provisions in the relevant legislation that provide the supervisory authority with the power to restrict or suspend the payment of dividends, some respondents, in practice, are able to do so by other means such as challenging the resolution of the shareholders' meeting that approved the payment of dividends.

4. Criterion (e) showed limited ability to address management problems. When it comes to the deposition of individuals, including members of the board who are responsible for management of the company, the authority does not have the definite power to remove or bar them from performing duties. Among the jurisdictions that observed this essential criterion, some have broad discretion in ordering the replacement or removal of the controlling owners, directors and managers, while others are subject to strict conditions.

5. Particular weakness can be found in criterion (l), which requires the supervisory authority to have the power to protect one or more insurers within its jurisdiction that belong to a group from the financial difficulties in other parts of the group. This essential criterion is closely related to ICP 17 for group-wide supervision, and should be read together with that ICP. The respondents assessing themselves as not observing this essential criterion cited the grounds that there is no legislation that explicitly allows the supervisor to protect an insurer in a group from the financial difficulties in other parts of the group. Some respondents consider that they have such authority even though they do not have a specific legislation addressing the requirement. This is due to the existence of other supervisory rules defining the capital relationship between the insurer and the other members of the group in case financial difficulties arise.

Principle 16: Winding-up and exit from the market

Criteria	a	b	c
Observed (%)	93	87	78
Largely observed (%)	5.6	9.3	5.6
Partly observed (%)	1.9	3.7	9.3
Not observed (%)	0	0	7.4

1. This principle requires a supervisory regime to have provisions and procedures in place to ensure an orderly exit of insurers from the market place, including the ability of the supervisory authority to oblige or assist an insurer in financial difficulties to exit from the market.

2. Over 80% of the respondents replied that they are in compliance with this principle, weakness can be found in relation to essential criterion (c) which suggests a high legal priority is given to the protection of the rights and entitlements of policyholders in the event of insolvency or winding-up. Among those who answered that they largely or partly observe the principle, some do not have any legislative provisions, either in supervisory regulation or general commercial and insolvency law that provide for higher priority to the protection of the rights and entitlements of policyholders. While they are commonly equipped with the procedures for dealing with insolvency and the winding-up of the insurer. Nevertheless, this issue should be addressed in the context of the entire legal system of the jurisdiction.

3. Some jurisdictions provide for procedures for dealing with insolvency and the winding-up of the insurer in their supervisory regulations, while others provide it in their general commercial or insolvency laws. There are examples where two sets of procedures are in place. One procedure is based on insurance regulation and initiated by the supervisor and the other governed by insolvency law and dealt with by the court.

4. Most jurisdictions set solvency control levels, which proportionally trigger supervisory actions. For example, if the solvency level of the insurer fails to meet a required level, the supervisor normally obliges the insurer to submit a management-reforming plan and implement it in a specific period to restore its solvency level. The insurer failing to restore the solvency control level would be subject to stricter supervisory action, including compulsory liquidation.

5. The extent of supervisors' involvement in the liquidation or winding-up procedures varies from jurisdiction to jurisdiction. Some respondents do not have the opportunity to be involved in the procedure for liquidation once it starts. In other jurisdictions supervisors are supposed to cooperate, during the on-going procedure, with the court which has the legal obligation to ask for opinions of the supervisors from time to time.

6. In relation to the protection of the rights of policyholders, many respondents refer to policyholder protection schemes or, insurance guarantee funds, which provide for payment made out of the fund to the policyholders of an insolvent insurer. Such schemes or funds may or may not be compulsory. In addition, public policy of jurisdictions differs in relation to which type of insurance should be subject to such schemes. Some jurisdictions make it compulsory for life and health insurance only while others make it compulsory for automobile and employee compensation insurance, but not life insurance.

Principle 17: Group-wide supervision

Criteria	a	b	c	d	e	f	g
Observed (%)	62	58	60	45	72	62	63
Largely observed (%)	12	10	12	24	6.4	12	8.2
Partly observed (%)	12	18	19	16	4.3	10	12
Not observed (%)	14	14	9.6	16	17	16	16

1. This ICP for group-wide supervision is one of the least observed principles. It seems to be a common recognition that this area is in the process of development. Some supervisory regimes are exclusively rooted in solo basis supervision without encompassing any idea or definition of group or financial conglomerate. In such jurisdictions, there is likely to be no financial conglomerate, which is led by the principal entity incorporated and doing business in the jurisdiction. In this case, the supervisors do not tend to see an urgent need to establish a supervisory regime for insurance groups or financial conglomerates, since they do not anticipate that they will be a so-called "lead supervisor" or "home supervisor" in the near future.

2. It should be noted that EU member states have quite similar supervisory regimes with regard to insurance groups and financial conglomerates which derive from Directive 98/78/EC on the supplementary supervision of insurance undertakings in an insurance group (Insurance Group Directive), and Directive 2002/87/EC on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate (Financial Conglomerate Directive). In respect of insurance groups, the Helsinki-Protocol (DT/NL/194/00) encourages and facilitates the deepening of the practical co-operation between the relevant supervisory authorities.

3. The EU Financial Conglomerate Directive was adopted in 2004 with domestic legislation in the member states being formulated afterwards. Consequently some EU respondents stated that they do not have, at present the practical experience in executing the latter legislation.

4. The definition of insurance group and financial conglomerate seems to follow two approaches: one is to explicitly provide definition or criteria for group and financial conglomerate in domestic legislation, and the other is to define related entity or person with the insurer to extend the scope of supervision to such entities or persons. In both approaches there is not much commonality in the definitions across jurisdictions, except for EU member states.

5. In examining the extent of observance of essential criteria (b), (c) and (e) it is necessary to recognize two distinct types of supervisory authority, that is, integrated supervisors responsible for insurance, banking and security business, and independent supervisors responsible for insurance only. The internal structure of an integrated supervisor for dealing with groups or financial conglomerates may differ from jurisdiction to jurisdiction. Some have a specialized division for group supervision, and others charge supervisory responsibility of each part of a group on the respective supervisory division for a particular sector with appropriate coordination. In the case of non-integrated supervisory authorities, they may strive to achieve effective coordination between authorities by formulating a Collaboration Protocol, which governs exchange of information between the authorities within the jurisdiction, or by holding a regular meeting among the authorities.

6. With regard to cooperation between home and host supervisors, some conclude formal MoUs with the supervisors in other jurisdictions or may have formal protocols such as the so-called Helsinki-Protocol, in addition to or instead of concluding MoUs. Even without a formal procedure such as a bilateral MoU, effective cooperation and coordination among the supervisors is realized in a more practical way through holding regular meetings to discuss supervisory issues and exchange information on a financial conglomerate among supervisors in the jurisdictions where the members of the conglomerate operate their business.

7. As for the supervisory topics provided in (d), little explanation is given on how the respondents embed capital adequacy requirements, reinsurance risk and concentration in their supervisory regimes. A significant number of respondents do not

have fit and proper tests at the level of a group or financial conglomerate, but group-wide supervision is only supplementary. Per definition managers should already be tested for fit and proper, except for a group led by a non-financial entity.

Principle 18 - Risk assessment and management

Criteria	a	b	c	d	e
Observed (%)	49	44	46	46	41
Largely observed (%)	16	22	19	27	22
Partly observed (%)	25	24	26	19	20
Not observed (%)	9.1	9.3	9.3	7.7	16

1. ICP 18 was among the least observed of the 28 ICPs, and the level of observance varied significantly between jurisdictions. Among those who claimed observance with ICP 18, some did so through regulations on internal controls and corporate governance, while others had regulations dedicated to risk management. There are also several respondents who have claimed observance of this principle in a general way without offering any additional explanation.

   Although compliance with these regulations is checked during on-site inspections, thee are only a few respondents mentioned this aspect in an express manner.

   For example on the requirement to establish an appropriate tolerance level or risk limit for material sources of risks (essential criterion (b)), the respondents link the corresponding comment by citing that the verification of this aspect is evident through on-site inspection.

2. Reasons noted for non-observance include: (1) requirements to have proper risk assessment and management had not been formalised; and (2) while the requirements were in place, the supervisor had not checked, or developed a methodology to check compliance.

3. A significant number of respondents covered investment and underwriting risks. Other material risk types including operational risk were not mentioned in those responses. Some respondents noted that this was due to techniques in measuring and assessing such risks not being well developed. Others felt that such risks were not considered material.

4. Respondents tended to give little information specific to their assessment on essential criterion (d). This is understandable because if essential criterion"a" was satisfied, so would essential criterion (d) automatically. A high correlation in ratings for these criteria was observed.

5. A number of respondents, including those belonging to the EU, refer to the complete fulfilment of this principle in the future, once a more risk-orientated supervision is established.

Principle 19: Insurance activity

Criteria	a	b	c	d	e	f
Observed (%)	56	58	64	62	56	65
Largely observed (%)	17	24	18	18	31	21
Partly observed (%)	17	15	13	16	9.3	9.6
Not observed (%)	11	3.6	5.5	3.6	3.7	3.8

1. ICP 19, just as other ICPs related to prudential requirements, was not particularly well observed. Responses seemed to indicate that while legal requirements and powers are broadly in place, they might not be enforced as regularly as this ICP has envisaged they should be.

2. Essential criterion (a) was amongst the least observed criteria under this ICP, commonly because of the lack of formalised requirements. However, respondents do expect and check that insurers have in place proper underwriting and pricing policies as a matter of good business practice.

3. A number of respondents mentioned the various strategies in place, which need to be presented to the supervisor, without providing supporting details.

4. A wide array of methods was used to satisfy essential criteria (b) and (c) on the adequacy of premiums. At one end of the spectrum, especially in pricing statutory insurance or life and health insurance products, legal requirements have significant influence on the pricing process and assumptions used. In this case, insurers are generally required to file detailed pricing methods or assumptions with the supervisors. At the other end of the spectrum, the supervisory approach is to focus on ensuring that insurers maintain adequate technical provisions and exercise proper control on expenses. Actuarial resources were widely used particularly in the area of life and statutory insurance.

   A number of respondents refer to the requirements imposed by the supervisor on the insurers to present a "plan", outlining how they intend to overcome the difficulties that may occur in the course of their operations.

5. Almost all respondents had regulations or guidelines in place regarding risk limits and reinsurance. Review of reinsurance programmes or transactions were often part of the supervisory process. A few respondents had regulations in place that fully explained the quantity of risk that must be ceded.

6. Respondents to essential criterion (f) generally felt that the responsibility to check whether risk transfer instruments are properly accounted for lies with the auditors. Such checks are based on prevailing accounting rules or insurance regulations. Nevertheless, some respondents do make such checks as part of their supervisory procedures. It should be noted that some respondents interpreted the term "risk transfer instruments" strictly to mean alternative risk transfer transactions, while others took it to mean all risk transfer mechanisms, including traditional reinsurance.

Principle 20 - Liabilities

Criteria	a	b	c	d	e	f	g
Observed (%)	85	84	72	89	89	63	31
Largely observed (%)	11	9.1	19	1.8	5.6	24	9.6
Partly observed (%)	3.6	3.6	1.9	5.5	5.6	9.3	27
Not observed (%)	0	3.6	7.4	3.6	0	3.7	33

1. ICP 20 was the best-observed ICP among those on prudential requirements. Legal provisions were generally in place for establishing adequate technical provisions and other liabilities. For essential criterion (a), two approaches were used. One group of respondents had accounting and actuarial rules explicitly stated in the law, while the other group had laws that place the responsibility on accountants, auditors and actuaries to carry out and verify valuation based on generally (or internationally) accepted accounting and actuarial principles.

2. For respondents belonging to the first group, they were either directly involved in the drafting of the law or played an advisory role as far as insurance liabilities were concerned. Several respondents belonging to the second group reported that they worked closely with the local accounting and actuarial professional bodies to develop the valuation standards. Merely agreeing to the valuation standards used could satisfy essential criterion (b), there were respondents who were willing to accept a variety of valuation methods in so far as they were considered "generally (or internationally) acceptable..

3. As essential criterion (c) starts with the phrase "The supervisory authority in developing the standards …". It was hard for those respondents who did not participate in the standards development process to claim observance even if the standards adopted did address the three aspects stated in the criterion.

4. The respondents have cited almost perfect observance of essential criteria (d) and (e). Many respondents utilised their in-house actuarial resources to conduct off-site monitoring and on-site inspection. One respondent also mentioned its ability to appoint an independent actuary to value liabilities.

   With respect to essential criterion (d), not all respondents refer expressly to the on-site inspection. Most of those who do, consider this as a key tool in order to check the adequacy of its liability estimates.

5. As discussed under other ICPs, almost all respondents had regulations or guidelines related to reinsurance, which covers its valuation for solvency purposes. Most respondents disclose in the financial statements the respective gross and net figures.

Principle 21: Investments

Criteria	a	b	c	d	e	f	g	h	i	j	k
Observed (%)	71	89	56	63	71	75	61	65	56	38	37
Largely observed (%)	20	7.3	25	15	16	15	19	18	25	15	7.7
Partly observed (%)	7.3	0	13	13	9.1	1.8	9.3	11	11	19	19
Not observed (%)	1.8	3.6	5.5	9.3	3.6	9.1	11	5.5	7.3	28	37

1. Given that investments play an equally important role in insurers' operations as undertaking insurance risks, most respondents stated that laws or supervisory rules regarding investment activities were in place. These laws and rules generally covered all five areas stated in essential criterion, but some jurisdictions had weaker rules on liquidity and custodianship matters.

2. Some respondents prescribe rules on the valuation of investments, while others are able to accept valuations based on generally accepted accounting principles.

3. Several respondents did not require insurers to have an overall strategic investment policy nor any requirement for regular review of such policy. In addition, they did not require a policy to the level of detail set out in essential criterion (c).

4. Consistent with the findings under ICP 18 on risk assessment and management, essential criterion (d) was not particularly well observed. This was due to requirements for proper risk assessment not being formalised, or the supervisors' lack of ability to check for compliance effectively. As this criterion requires that risk management systems "cover" the stated risks, one respondent highlighted that while coverage was not an issue, neither the state of development of its financial market provided good data as inputs to the systems, nor the financial services sector supplied sufficient skilled professionals to effectively operate them.

5. The requirements for proper internal controls management and board accountability and audit process were available in most responding jurisdictions. There was often no specific requirement to have competent staff in the investment function. Instead, staff competence was covered in the broader corporate governance, fit-and-proper or internal control framework.

6. The problem of lack of precondition surfaced in relation to essential criterion (i) one respondent felt that, without a well-developed capital market, and hence a limited choice of financial instruments, it would be difficult to "ensure" that asset positions match the liabilities and risk profiles.

7. All respondents who claimed observance of essential criterion (j) cited their requirements on stress testing, scenario testing or some form of forward-looking tests in support of their claims. However, unlike stress tests, which focus on prevention, a

contingency plan, by definition, states how one plans to react should an adverse event occur.

Principle 22: Derivatives and similar commitments

Criteria	a	b	c	d	e	f	g	h	i
Observed (%)	74	64	56	44	47	61	50	39	53
Largely observed (%)	8.5	18	13	24	20	8.7	8.7	15	18
Partly observed (%)	0	4.4	13	8.9	16	15	20	17	11
Not observed (%)	17	13	18	22	18	15	22	29	18

1. One peculiarity about these criteria is that a substantial number of respondents did not consider it as applicable. Respondents cited that insurers under their supervision either do not, or seldom, use derivatives, or that there are no derivatives market currently active in their jurisdiction.

2. However, one respondent argued that this ICP is not applicable to its supervision of reinsurance business with a view to allow firms maximum flexibility in their investment decisions within the bounds of general rules on prudence and best practice. On the other hand, a few respondents either simply did not allow the use of derivatives or insisted on prior approval for each transaction.

3. In regard essential criterion (a), most respondents who set rules on derivatives allow these instruments to be used primarily for hedging purposes, be it foreign exchange or interest rate risks. Several respondents also allow derivatives to be used for efficient portfolio management. Other respondents mention the possibility to go further in this field, but in general in a limited and conditioned manner. One respondent noted that the use of derivatives is forbidden for covering technical provisions while there are no requirements for insurers regarding their free assets.

4. Several methods are used by respondents to ensure that insurers have sufficient expertise to deal with derivatives. These include having explicit rules in the general investment management standards, to requiring the board to sign an undertaking declaring that the board fully understands the derivative activities that the insurer has engaged in.

5. Nevertheless, several respondents continued to demonstrate the necessity of improving their expertise to deal with these instruments.

6. Rules that jurisdictions set regarding derivative transactions usually address the need to establish policy statements, and to put in place risk management and internal control mechanisms. However, jurisdictions with a low level of involvement in derivatives generally do not prescribe rules on valuation but instead rely on prevailing accounting standards.

Principle 23: Capital adequacy and solvency

Criteria	a	b	c	d	e	f	g	h	i	j	k
Observed (%)	78	62	87	64	84	78	71	63	87	34	54
Largely observed (%)	15	15	3.6	13	9.1	11	15	9.3	8.7	14	19
Partly observed (%)	5.6	13	5.5	20	3.6	7.3	11	13	2.2	16	15
Not observed (%)	1.9	11	3.6	3.6	3.6	3.6	3.6	15	2.2	36	13

1. Given the importance of capital adequacy and solvency in insurance supervision, the level of compliance with ICP 23 is not excellent. However, it is encouraging to note that many respondents have taken active steps to improve their solvency regimes.

2. Some of those who declared that they observed most of the criteria did not provide adequate explanations.

3. With close to a third of all respondents coming from Europe, both Solvency I and Solvency II of the EU were often cited. Solvency regimes in jurisdictions which had implemented Solvency I without supplementing it with their own modifications generally suffered from the following weaknesses:

    a. Not sufficiently sensitive to risk profiles of insurers.

    b. Lack of forward-looking features, such as stress test or resilience testing.

4. No precise reasons were given for the non-observance of criteria (b). Jurisdictions merely declared that partner/counterparty risk in risk transfer (reinsurance was often quoted) and risk mitigation was not taken into account for the calculation of capital requirement.

5. In regard to criterion (c) suitable forms of capital are usually defined. Use of hybrid or innovative capital instruments is often subjected to supervisory approval.

6. Respondents expressed little doubt that capital requirements in their solvency regimes were set at a sufficiently prudent level and would be able to absorb significant unforeseen losses. Several respondents cited the lack of insurers failing in their jurisdictions to support their claims.

7. Respondents who have moved to a risk-based capital regime had established explicit solvency control levels and had powers to intervene when such levels were breached. Some respondents also mentioned that they have the power to intervene

even when capital available is above the control levels as long as insurers are operating in manners detrimental to policyholders' interests.

8. Most respondents had in place some measures to prevent double or multiple gearing of capital. Some respondents considered this criterion as partly or non-observed because inflation of capital is not expressly dealt with in the solvency regime. However, there are some provisions that are considered to mitigate its impact like the monitoring of investment into subsidiaries.

Principle 24: Intermediaries

Criteria	a	b	c	d	e	f
Observed (%)	91	87	89	73	62	90
Largely observed (%)	7.5	5.7	7.5	9.6	19	7.7
Partly observed (%)	0	3.8	3.8	5.8	9.6	0
Not observed (%)	1.9	3.8	0	12	9.6	1.9

1. ICP 24 on intermediaries was fairly well observed.

2. Several approaches were reported in regard to the licensing and registration of intermediaries. One group of respondents adopted a self-regulation regime and required all intermediaries to register with local trade offices, chambers of commerce, professional associations or the like; while the second group required all intermediaries to be registered with (or licensed by) the authority. The third group adopted a mixture of these two approaches, requiring registration with, or licensing by, the authority for brokers (those who purport to act of the clients) and self-regulation for agents (those who act for insurers).

3. Rules that required intermediaries to be "fit and proper" were generally in place. Some respondents mentioned about the existence of a system for certification of intermediaries before registration or licensing either by themselves or through professional training organisations in their jurisdictions,.

4. Almost all respondents reported that they have sufficient powers and wide arrays of tools to deal with intermediaries' misconduct. In addition, all respondents stated that they had adequate powers to deal with intermediaries acting without registration or license.

5. While a small number of respondents reported that they had no rules that governed the handling of clients' money by intermediaries, all other respondents required sufficient safeguards for clients' funds. Most of the rules related to the maintenance of separate accounts or trust accounts. Some also cited financial requirements on intermediaries and/or requirements to purchase professional indemnity insurance as a safety net.

6. The distinction between agents and brokers divide was also observed in several jurisdictions regarding rules on the handling of client funds. In such cases, brokers were usually required to hold clients' funds in separate accounts, and insurers were responsible for the acts of their agents.

7. Several respondents did not require insurance intermediaries to disclose their status, such as independence and ability to contract, to their customers.

Principle 25: Consumer protection

Criteria	a	b	c	d	e	f	g	h
Observed (%)	78	49	57	65	65	60	38	49
Largely observed (%)	13	25	17	13	19	21	21	19
Partly observed (%)	5.6	17	17	17	13	10	33	17
Not observed (%)	3.7	9.4	9.4	5.6	3.7	8.3	8.3	15

1. ICP 25 on consumer protection was not well observed.

2. While supervisors generally require insurers and intermediaries to act with due skill, care and diligence (and to treat consumers fairly), most respondents did not go so far as to require the establishment of written policies. Some respondents cited the general consumer protection and competition laws as contributing to the fair treatment of consumers.

3. The concept of legislating needs-based selling was confined largely to the distribution of life insurance. Nevertheless, some industry associations took the initiative to incorporate needs-based selling in their codes of conduct.

4. Most respondents set requirements on disclosures to consumers, but some did not achieve the level of detail set out in the essential criterion. Disclosures about product features and policy provisions were more common, but not so for disclosure about charges and conflicts of interest. Several respondents also required that disclosures to consumers be made in plain language.

5. Several approaches were reported with respect to complaints management. They include requiring insurers to set up a complaint handling function, the use of ombudsmen bureaux, the establishment of a dedicated function within the supervisory authority to handle complaints, referrals to court, or a combination of the above.

6. Many respondents reported that the more broad-based data protection law administered by another agency governs protection of clients' private information. All insurers and intermediaries had to comply with that law, making it irrelevant for insurance supervisors to require insurers and intermediaries to set their own rules.

Principle 26: Information, disclosure & transparency towards the market

Criteria	a	b	c	d	e
Observed (%)	52	43	89	75	35
Largely observed (%)	30	31	3.6	13	18
Partly observed (%)	11	19	5.5	5.7	20
Not observed (%)	7.4	7.4	1.8	5.7	27

1. ICP 26 on transparency and disclosure is closely linked to accounting frameworks. Most respondents relied on the International Financial Reporting Standards (IFRS) and/or their national accounting standards. Where such standards did not adequately address insurance-specific matters, some respondents issued their own guidance as supplements. A small number of respondents did not have public disclosure requirements in place.

2. Essential criterion (a) sets out seven principles of accounting and efficient markets, which were reflected in most accounting standards that respondents relied on. However, not all accounting standards covered the information items listed in essential criterion (b). Qualitative information was often lacking. In particular, IFRS and other national standards had only limited requirements on the disclosure of risk exposures and risk management, and almost no requirement on disclosure of information on corporate governance. Several respondents also did not require the disclosure of basis, methods and assumptions underlying the accounts.

3. Almost all respondents required insurers to produce and distribute at least annual audited financial statements.

4. Most respondents also monitored disclosed information to stakeholders and acted to ensure insurers' compliance with disclosure requirements. For other jurisdictions, the duty to ensure compliance with disclosure requirements resides with external auditors and other governmental agencies or regulatory bodies.

5. While many respondents included descriptions about the reporting made by the licensed entities to supervisors under this ICP, no explanation was provided as to whether filings with supervisors were made available in the public domain.

Principle 27: Fraud

Criteria	a	b	c	d	e	f	g
Observed (%)	63	77	85	76	40	31	56
Largely observed (%)	20	5.8	1.9	13	25	29	21
Partly observed (%)	16	7.7	5.7	11	12	12	12
Not observed (%)	2	9.6	7.5	0	23	29	12

1. ICP27 on Fraud was amongst the least observed ICPs. Judging from the responses received, in particular those related to essential criteria (a), (e) and (f) not all supervisors have sufficient resources, data or skills in place for taking care of this aspect, compared to other aspects of insurance supervision. The same could be said for insurers and intermediaries capabilities to deal with fraud.

2. For essential criteria (b) and (c) most respondents reported that fraud, including those relating to insurance, was addressed under the general civil, penal or criminal code instead of legislation on insurance. Although fraud related offence is recognised in the law, insurance fraud may not have a specific penal description.

3. Respondents cited different means to ensure insurers and intermediaries operate with a high standard and integrity. These include general fit-and-proper requirements, rules on corporate governance and internal controls, and codes of conduct established by the insurance industry.

4. Though not a legal requirement, respondents reported that fraud management was checked during on-site inspections or promoted through sound and prudent management requirements. Respondents also noted that fraud related risk was included as part of operational risk and thus accounted for through sound and prudent management prescriptions as part of an insurers' risk management system.

5. On information exchange between insurers to combat fraud, many initiatives, such as common databases and blacklists, were reported. Most of these were industry initiatives, and some of these initiatives were targeted at motor insurance. Several respondents, however, reported that prevailing data protection laws prohibited such information exchange.

6. The level of cooperation between supervisors to counter fraud mirrored the level of cooperation reported under ICP 5, with a few respondents stating that their cooperation agreements/ gateways did not go so far to exchange information on insurance fraud.

Principle 28: Anti-money laundering, combating the financing of terrorism (AML/CFT)

Criteria	a	b	c	d	e
Observed (%)	68	68	83	62	62
Largely observed (%)	21	19	13	15	29
Partly observed (%)	7.5	9.4	0	17	5.8
Not observed (%)	3.8	3.8	3.7	5.7	3.8

1. ICP28 on Anti-money laundering/ combating the financing of terrorism AML/CFT had a fairly high level of reported observance. In fact, it was rated significantly better than ICP 27 on fraud. Responses showed that much of the progress in the AML/CFT area was made only in recent years, and which coincided with the two revisions that the Financial Action Task Force (FATF) made to its recommendations and the post-September 11 surge in awareness about terrorism.

2. A few of respondents provided a recommendation-by-recommendation "sign off" of their compliance with the FATF recommendations. Few reported significant non-compliance with the key aspects highlighted in essential criteria (a) and (e). At the minimum, most respondents reported observance of the version of FATF recommendations before they were amended in 2003.

3. The role of insurance supervisors in AML/CFT varied between jurisdictions. At one end of the spectrum were supervisors who were also the Financial Intelligence Units (FIUs) in their jurisdictions. In such cases, cooperation with enforcement agencies and other supervisors was not a problem. At the other end of the spectrum were supervisors who merely acted as passive conduits in passing irregularities discovered during on-site inspections and off-site reviews to FIUs. Sharing information with FIUs in these cases was less structured. The majority of the respondents were in the middle where, while they were not the FIUs, they actively monitored the regulated entities' compliance with the AML/CFT rules, initiated corrective actions where necessary and worked closely with their respective FIUs and enforcement agencies.

4. AML/CFT legislation generally existed on a stand-alone basis and was not in the insurance laws. Nevertheless, some respondents supplemented the legislations with supervisory rules and guidance, which among other things, covered AML/CFT typologies, suitability of persons, internal control and audit.

5. In regard to the sufficiency of supervisory resources in dealing with AML/CFT (criterion (d)), while some respondents were able to employ experts and train their staff to carry out the necessary surveillance and enforcement, others faced constraints, especially in area of human resources.

III. Next steps

This self-assessment exercise has highlighted ICPs and criteria that are not yet widely implemented within the community of insurance supervisors. To ensure the continuous proliferation of good supervisory practices, the Task Force proposes that:

a. the IAIS establishes a standards-implementation arm with adequate powers within its organisation structure to see through the implementation of the ICPs, in particular those highlighted by this report as having a low level of observance. This may be achieved by the Implementation, which shall be responsible for implementation issues across the whole IAIS membership.

b. where a member has provided the IAIS with its action plans to implement certain ICPs or criteria, the IAIS should follow-up on these plans in 2007/08 to take stock of the status of implementation.

c. the IAIS looks into requests received for technical assistance and design programmes that would best meet such needs.

Annex 1 Members of the Working Group on Analysis of Self-Assessment Questionnaires

Members

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Annex 2

Self-assessment Questionnaire

Introduction

This information applies to all Principles listed below.

Please complete this questionnaire as follows:

- Under each Principle, indicate the level of observance with each criterion (essential and advanced) in the column provided [O for *Observed*, LO for *Largely Observed*, PO for *Partly Observed*, NO for *Not Observed*, and NA for *Not Applicable*).
- The qualitative assessment should contain a discussion of the reasons underlying the assessment. The discussion should include

    (i) Identifying relevant insurance laws, regulations, practices including supervisory tools and instruments, which apply to each criterion.

    (ii) Institutional capacity of the supervisory authority to implement relevant rules and practices.

    (iii) Any other information you consider relevant to the assessment.

    Ideally, qualitative assessment should be made for each individual criterion. To facilitate future self-assessment exercises, one should also keep proper records of the workings that lead to the stated the assessment.

Before completing the self-assessment questionnaire you are strongly encouraged to read carefully the ***Insurance Core Principles and Methodology (IAIS, October 2003)***.

Detailed Assessment

Conditions for effective insurance supervision (ICP 1)

Principle 1: Conditions for effective insurance supervision Insurance supervision relies upon • a policy, institutional and legal framework for financial sector supervision • a well developed and effective financial market infrastructure • efficient financial markets.	
	O/LO/PO/NO/NA *
Financial sector policy framework ***Essential criteria*** a. The government establishes and publicly discloses a policy statement aimed at ensuring financial stability, including the provision of effective financial sector supervision covering the insurance and other financial sectors.	
b. An institutional and legal framework – comprising public institutions, laws and regulations – exists for financial sector issues, including those pertaining to insurance, to address system-wide issues. This framework is well defined and publicly disclosed.	
Financial market infrastructure ***Essential criteria*** c. There is a reliable, effective, efficient and fair legal and court system (a body of ethical, professional and trained lawyers and judges) whose decisions are enforceable. Alternative dispute mechanisms operate within an appropriate legal framework.	
d. Accounting, actuarial and auditing standards are comprehensive, documented, transparent and consistent with international standards. Accounting and actuarial standards are applied and disclosed in a manner that allows current and prospective policyholders, investors, intermediaries, creditors and supervisors to properly evaluate the financial condition of insurers.	
e. Accountants, actuaries and auditors are competent and experienced and comply with technical and ethical standards to ensure the accuracy and reliability of financial data and its interpretation. Auditors are independent from the insurer.	

f. Professional bodies set and enforce technical and ethical standards. These standards are accessible to the public.	
g. Basic economic, financial and social statistics are available to the supervisory authority, the industry and the public.	
Advanced criteria h. Laws and regulations are updated, as necessary, to reflect current best practices and industry conditions.	
Efficient financial markets ***Essential criteria*** i. Well-functioning money and securities markets exist to support the availability of both long-term and short-term investment opportunities.	
*** (O-Observed, LO-Largely Observed, PO-Partly Observed, NO-Not Observed, NA-Not Applicable)**	

The supervisory system (ICP 2 to ICP 5)

Principle 2: Supervisory objectives The principal objectives of insurance supervision are clearly defined.	
	O/LO/PO/NO/NA *
Essential criteria a. Legislation or regulation clearly defines the objectives of insurance supervision.	
b. The key objectives of supervision promote the maintenance of efficient, fair, safe and stable insurance markets for the benefit and protection of policyholders.	
c. In the event that the law mandates or specifies multiple objectives for insurance supervision, the supervisory authority discloses and explains how each objective will be applied.	
d. The supervisory authority gives reasons for and explains any deviations from its objectives.	
e. Where objectives are contradictory, the supervisory authority initiates or proposes correction in law or regulation.	
*** (O-Observed, LO-Largely Observed, PO-Partly Observed, NO-Not Observed, NA-Not Applicable**	

Principle 3:	**Supervisory authority**	
	The supervisory authority: • has adequate powers, legal protection and financial resources to exercise its functions and powers • is operationally independent and accountable in the exercise of its functions and powers • hires, trains and maintains sufficient staff with high professional standards • treats confidential information appropriately.	
		O/LO/PO/NO/NA *
Legal framework ***Essential criteria*** a. The legislation identifies the authority (or authorities) responsible for the supervision of insurance entities.		
b. The legislation gives the supervisory authorities the power to issue and enforce rules by administrative means (refer to ICP 4 EC a).		
c. The legislation grants sufficient powers for the effective discharge of supervisory responsibilities.		
Independence and accountability ***Essential criteria*** d. The governance structure of the supervisory authority is clearly defined. Internal governance procedures necessary to ensure the integrity of supervisory operations, including internal audit arrangements, are in place.		
e. There are explicit procedures regarding the appointment and dismissal of the head and members of the governing body. When the head of an authority or the governing body is removed from office, the reasons are publicly disclosed.		
f. The institutional relationships between the supervisory authority and executive and the judiciary branches are clearly defined and transparent. Circumstances where executive overrides are allowed are specified.		
g. The supervisory authority and its staff are free from undue political, governmental and industry interference in the performance of supervisory responsibilities.		
h. The supervisory authority is financed in a manner that does not undermine its independence from political, governmental or industry bodies.		
i. The supervisory authority has discretion to allocate its resources in accordance with its mandate and objectives and the risks it		

perceives.

j. The supervisory authority has transparent processes and procedures for making supervisory decisions. Supervisory decisions are demonstrably consistent.

k. All material changes to the insurance legislation and supervisory practices are normally subject to prior consultations with market participants.

Advanced criteria

l. Representatives of the supervisory authority publicly explain their policy objectives, and report on their activities and performance in pursuing their objectives.

m. Subject to confidentiality considerations, information is provided publicly about problem or failed insurers, including information on official actions taken.

Powers

Essential criteria

n. When necessary, the supervisory authority has the power to take immediate action to achieve its objectives, especially to protect policyholders' interests (refer to ICP 4 EC e).

Financial resources

Essential criteria

o. The supervisory authority has its own budget sufficient to enable it to conduct effective supervision. The supervisory authority is able to attract and retain highly skilled staff, hire outside experts as necessary, provide training, and rely upon an adequate supervisory infrastructure and tools.

p. The supervisory authority publishes audited financial statements on a regular basis.

Human resources and legal protection

Essential criteria

q. The supervisory authority and its staff

– observe the highest professional standards

– have the appropriate levels of skills and experience have the necessary legal protection to protect them against lawsuits for actions taken in good faith while discharging their duties, provided they have not acted illegally

– are adequately protected against the costs of defending their actions while discharging their duties

– act with integrity. Supervisory staff are subject to conflict of interest rules, such as prohibition on dealing in shares and

investing in the companies they supervise. The supervisory authority establishes and enforces a code of conduct that applies to all staff members.	
r. The supervisory authority has the authority to hire, contract or retain the services of external specialists through contracts or outsourcing arrangements if necessary.	
s. Where supervisory functions are outsourced to third parties, the supervisory authority is able to assess their competence, monitor their performance, and ensure their independence from the insurer or any other related party.	
Confidentiality ***Essential criteria*** t. The supervisory authority maintains appropriate safeguards for the protection of confidential information in its possession. Other than when required by law, or when requested by another supervisor who has a legitimate supervisory interest and the ability to uphold the confidentiality of the requested information, the supervisory authority denies requests for confidential information in its possession (refer to ICP 5).	
u. External specialists hired by the supervisory authority are subject to the same confidentiality and code of conduct requirements as the staff of the supervisory authority.	
*** (O-Observed, LO-Largely Observed, PO-Partly Observed, NO-Not Observed, NA-Not Applicable)**	

Principle 4: Supervisory process The supervisory authority conducts its functions in a transparent and accountable manner.	
	O/LO/PO/NO/NA *
Essential criteria a. The supervisory authority adopts clear, transparent and consistent regulatory and supervisory processes. The rules and procedures of the supervisory authority are published and updated regularly.	
b. The supervisory authority applies all regulations and administrative procedures consistently and equitably, taking into account the different risk profiles of insurers.	
c. The administrative decisions of the supervisory authority can be subject to substantive judicial review. However, such action must not unduly impede the ability of the supervisory authority to make timely interventions in order to protect policyholders'	

interests.	
d. The supervisory authority makes information on its role publicly available.	
e. The decision-making lines of the supervisory authority are so structured that action can be taken immediately in the case of an emergency situation (refer to ICP 3 EC n and ICP 15).	
f. The process to appeal supervisory decisions is specified and balanced to preserve supervisory independence and effectiveness.	
g. The supervisory authority publishes a regular report – at least annually and in a timely manner – on the conduct of its policy, explaining its objectives and describing its performance in pursuing its objectives.	
Advanced criteria h. The supervisory authority provides and publishes information about the financial situation of the insurance industry and observations on major developments in the insurance or financial market.	
*** (O-Observed, LO-Largely Observed, PO-Partly Observed, NO-Not Observed, NA-Not Applicable)**	

Principle 5: Supervisory cooperation and information sharing The supervisory authority cooperates and shares information with other relevant supervisors subject to confidentiality requirements.	
	O/LO/PO/NO/NA *
Essential criteria a. The existence of a formal agreement with another supervisor is not a prerequisite for information sharing.	
b. The supervisory authority, at its discretion, can enter into agreements or understandings with any other financial sector supervisor ("another supervisor") to share relevant supervisory information or to otherwise work together.	
c. When reasonably requested and with appropriate safeguards, the supervisory authority is able to exchange with another supervisor (refer to ICP 7 EC e) the following: – relevant supervisory information, including specific information requested and gathered from a supervised entity – relevant financial data – objective information on individuals holding positions of responsibility in such entities.	
d. Information sharing, whether carried out under formal or informal arrangements, allows for a two-way flow of	

information without requiring strict reciprocity in terms of the level, format and detailed characteristics of the information exchanged.	
e. The home supervisory authority provides relevant information to the host supervisor.	
f. The supervisory authority is required to take reasonable steps to ensure that any information released to another supervisor will be treated as confidential by the receiving supervisor and will be used only for supervisory purposes.	
g. The supervisory authority consults with another supervisor if it proposes to take action on the evidence of the information received from that supervisor.	
h. The home supervisory authority informs relevant host supervisors of any material changes in supervision that may have a significant bearing on the operations of foreign establishments operating in their jurisdictions.	
i. Where possible, the home supervisory authority informs the host supervisor in advance of taking any action that will affect the foreign establishment in the host supervisor's jurisdiction.	
j. Where possible, the host supervisory authority informs the home supervisor in advance of taking any action that will affect the parent company or headquarters in the home supervisor's jurisdiction.	
*** (O-Observed, LO-Largely Observed, PO-Partly Observed, NO-Not Observed, NA-Not Applicable)**	

The supervised entity (ICP 6 to ICP 10)

Principle 6: Licensing An insurer must be licensed before it can operate within a jurisdiction. The requirements for licensing are clear, objective and public.	
	O/LO/PO/NO/NA *
Essential criteria a. The insurance legislation: – includes a definition of insurers – requires licensing of insurers, and prohibits unauthorised insurance activities – defines the permissible legal forms of insurers – allocates the responsibility for issuing licences.	
b. Clear, objective and public licensing criteria require:	

	–the applicant's board members, senior management, auditor and actuary both individually and collectively to be suitable, as specified in ICP 7 –the applicant's significant owners (refer to ICP 8 EC a) to be suitable, as specified in ICP 7 –the applicant to hold the required capital –the applicant's risk management systems including reinsurance arrangements, internal control systems, information technology systems, policies and procedures to be adequate for the nature and scale of the business in question –information on the applicant's business plan projected out for a minimum of three years. The business plan must reflect the business lines and risk profile, and give details of projected setting-up costs, capital requirements, projected development of business, solvency margins and reinsurance arrangements. The business plan must present information regarding primary insurance and inward reinsurance separately –information on the products to be offered by the insurer –information on contracts with affiliates and outsourcing arrangements –information on the applicant's reporting arrangements, both internally to its own management and externally to the supervisory authority –input from the applicant's home supervisory authority when the insurer or its owners are not domestic and a home supervisory authority exists (refer to ICP 5).	
c.	The supervisory authority requires that no domestic or foreign insurance establishment escape supervision.	
d.	All insurance establishments of international insurance groups and international insurers are subject to effective supervision. The creation of a cross border establishment should be subject to consultation between the host and home supervisor.	
e.	The insurance legislation determines the method by which a foreign insurer can carry on business in the jurisdiction. This may be by way of a local branch or subsidiary that must be licensed, or on a services basis only.	
f.	If a foreign insurer is allowed to carry on business in the jurisdiction the supervisory authority must be provided with the following data: –confirmation from the home supervisory authority that the insurer is authorised to carry on the types of insurance business proposed –information from the home supervisory authority that the insurer is solvent and meets all the regulatory requirements in the home jurisdiction –in the case of a branch office: the name and address of the	

branch – the name of the authorised agent in the local jurisdiction in the case of insurance offered on a services basis (i.e., where a local branch or subsidiary is not established) – the information and documentation normally required to be licensed in the local jurisdiction, when appropriate These information requirements might be waived if insurance is offered on a services basis only.	
g. An insurer licensed to underwrite life insurance business must not also be licensed to underwrite non-life insurance business, and vice versa, unless the supervisory authority is satisfied that the insurer has satisfactory processes requiring that risks be handled separately on both a going-concern and a winding-up basis.	
h. The supervisory authority imposes additional requirements, conditions or restrictions on an applicant where the supervisory authority considers this appropriate. This might include restrictions on non-insurance activities.	
i. The supervisory authority assesses the application and makes a decision within a reasonable time. No licence is issued without its approval. The applicant must be informed of the decision without delay and, if the licence is denied or conditional, be provided with an explanation.	
j. The supervisory authority refuses to issue a licence where it considers the applicant not to have sufficient resources to maintain the insurer's solvency on an on-going basis, where the organisational (or group) structure hinders effective supervision, or where the application is not in accordance with the licensing criteria.	
k. As necessary, after an insurer has been licensed, the supervisory authority evaluates and monitors the degree to which the insurer satisfies the relevant licensing principles and requirements of the jurisdiction.	
*** (O-Observed, LO-Largely Observed, PO-Partly Observed, NO-Not Observed, NA-Not Applicable)**.	

Principle 7: Suitability of persons The significant owners, board members, senior management, auditors and actuaries of an insurer are fit and proper to fulfil their roles. This requires that they possess the appropriate integrity, competency, experience and qualifications.	
	O/LO/PO/NO/NA *

Essential Criteria a. Legislation identifies which key functionaries must meet fit and proper requirements. The key functionaries identified may differ depending on the legal form and governance structure of the insurer.	
b. In cases where significant owners no longer meet fit and proper requirements, the supervisory authority must be able to take appropriate action, including requiring that the owners dispose of their interests.	
c. The supervisory authority disqualifies the appointment of key functionaries including auditors and actuaries of insurers that do not comply with fit and proper requirements.	
d. The insurer should be required to demonstrate to the supervisory authority the fitness and propriety of key functionaries by submitting documentation illustrating their knowledge, experience, skills and integrity upon request, or where there are changes in key functionaries. The knowledge and experience required depends on the position and responsibility of the functionary within the insurer.	
e. The supervisory authority exchanges information with other authorities inside and outside its jurisdiction where necessary to check the suitability of persons. The supervisory authority uses this information as an additional tool to effectively assess the fitness and propriety of, or to obtain information on, a key functionary of an insurer (refer to ICP 5).	
f. The supervisory authority disallows actuaries, auditors, directors and senior managers, from simultaneously holding two positions in an insurer where this could result in a material conflict.	
g. Where the insurer becomes aware of circumstances that may be relevant to the fitness and propriety of its key functionaries, it is required to notify the supervisory authority as soon as possible.	
Advanced criteria h. Criteria to assess the fitness and propriety of auditors' and actuaries' include qualifications, professional proficiency, appropriate practical experience and updated knowledge on developments within their profession and membership of professional bodies.	
i. In the case of auditors and actuaries, the supervisory authority may give regard to or rely on professional bodies that set and enforce standards of professional conduct.	
*** (O-Observed, LO-Largely Observed, PO-Partly Observed, NO-Not Observed, NA-Not Applicable)**	

Principle 8:	**Changes in control and portfolio transfers** The supervisory authority approves or rejects proposals to acquire significant ownership or any other interest in an insurer that results in that person, directly or indirectly, alone or with an associate, exercising control over the insurer. The supervisory authority approves the portfolio transfer or merger of insurance business.

	O/LO/PO/NO/NA *
Changes in control ***Essential criteria*** a. The term “control” over an insurer is defined in legislation and it addresses: – holding of a defined number or percentage of issued shares or specified financial instruments (such as compulsory convertible debentures) above a designated threshold in an insurer or its intermediate or ultimate beneficial owner – voting rights attached to the aforementioned shares or financial instruments – power to appoint or remove directors to the board and other executive committees.	
b. The supervisory authority requires that the potential controlling owners apply for approval for the acquisition, or change in control, of the insurers. The insurer must inform the supervisory authority of any acquisitions or changes in control.	
c. The supervisory authority approves any significant increase in shareholdings above the predetermined control levels in an insurer by legal or natural persons, whether obtained individually or in association with others. This also applies to any other interest in that insurer or its intermediate or ultimate beneficial owners.	
d. The requirements in criteria b and c above also refer to the acquisition or change of control where the intermediate or ultimate beneficial owner(s) of an insurer is (are) outside the jurisdiction where the insurer is incorporated. Supervision of changes in control may require coordination with supervisors in other jurisdictions (refer to ICP 5).	
e. The supervisory authority must be satisfied that those seeking control meet the criteria applied during the licensing process. The requirements in ICP 7 – Suitability of persons – will apply to the prospective owners in control of insurers.	
f. The supervisory authority requires that the structures of the financial groups containing potential controlling owners of insurers be sufficiently transparent so that supervision of the	

insurance group will not be hindered (refer to ICP 17).	
g. The supervisory authority rejects applications of proposed owners to control insurers if facts exist from which it can be deduced that their ownership will be unduly prejudicial to policyholders. The supervisory authority should know who is the intended beneficial owner.	
h. To assess applications for proposed acquisitions or changes in control of insurers the supervisory authority establishes requirements for financial and non-financial resources.	
Advanced criteria i. Upon request insurers provide the supervisory authority with information on their shareholders and any other person directly or indirectly exercising control. The supervisory authority determines the content and format of this information.	
Portfolio transfer ***Essential criteria*** j. The supervisory authority requires that insurers get approval from the authority before they transfer all or any part of their insurance business.	
k. The supervisory authority establishes requirements to assess insurers' applications to transfer all or any part of their insurance business.	
l. The supervisory authority requires that the interests of the policyholders of both the transferee and transferor be protected when insurance business is transferred (refer to ICP 15 EC c).	
*** (O-Observed, LO-Largely Observed, PO-Partly Observed, NO-Not Observed, NA-Not Applicable)**	

Principle 9:	**Corporate governance** The corporate governance framework recognises and protects rights of all interested parties. The supervisory authority requires compliance with all applicable corporate governance standards.

	O/LO/PO/NO/NA *
Essential criteria a. The supervisory authority requires and verifies that the insurer complies with applicable corporate governance principles.	

b. The board of directors:

–sets out its responsibilities in accepting and committing to the specific corporate governance principles for its undertaking. Regulations on corporate governance should be covered in general company law and/or insurance law. These regulations should take account of the size, nature and complexity of the insurer.

–establishes policies and strategies, the means of attaining them, and procedures for monitoring and evaluating the progress toward them. Adherence to the policies and strategies are reviewed regularly, and at least annually.

–satisfies itself that the insurer is organised in a way that promotes the effective and prudent management of the institution and the board's oversight of that management. The board of directors has in place and monitors independent risk management functions that monitor the risks related to the type of business undertaken. The board of directors establishes audit functions, actuarial functions, strong internal controls and applicable checks and balances.

–distinguishes between the responsibilities, decision-making, interaction and cooperation of the board of directors, chairman, chief executive and senior management. The board of directors delegates its responsibilities and establishes decision-making processes. The insurer establishes a division of responsibilities that will ensure a balance of power and authority, so that no one individual has unfettered powers of decision.

–establishes standards of business conduct and ethical behaviour for directors, senior management and other personnel. These include policies on private transactions, self-dealing, preferential treatment of favoured internal and external entities, covering trading losses and other inordinate trade practices of a non-arm's length nature. The insurer has an on-going, appropriate and effective process of ensuring adherence to those standards.

– appoints and dismisses senior management. It establishes a remuneration policy that is reviewed periodically. This policy is made available to the supervisory authority.

–collectively ensures that the insurer complies with all relevant laws, regulations and any established codes of conduct (refer to EC f).

–has thorough knowledge, skills, experience and commitment to oversee the insurer effectively (refer to ICP 7).

–is not subject to undue influence from management or other parties. The board of directors has access to information about the insurer, and asks and receives additional information and analyses that the board sees fit.

–communicates with the supervisory authority as required and meets with the supervisory authority when requested.

–sets out policies that address conflicts of interest, fair

treatment of customers and information sharing with stakeholders, and reviews these policies regularly (refer to ICP 25).	
c. Senior management is responsible for: – overseeing the operations of the insurer and providing direction to it on a day-to-day basis, subject to the objectives and policies set out by the board of directors, as well as to legislation. – providing the board of directors with recommendations, for its review and approval, on objectives, strategy, business plans and major policies that govern the operation of the insurer. – providing the board with comprehensive, relevant and timely information that will enable it to review business objectives, business strategy and policies, and to hold senior management accountable for its performance.	
Advanced criteria d. The board of directors may establish committees with specific responsibilities like a compensation committee, audit committee or risk management committee.	
e. The remuneration policy for directors and senior management has regard to the performance of the person as well as that of the insurer. The remuneration policy should not include incentives that would encourage imprudent behaviour.	
f. The board of directors identifies an officer or officers with responsibility for ensuring compliance with relevant legislation and required standards of business conduct and who reports to the board of directors at regular intervals (refer to EC b).	
g. When a “responsible actuary” is part of the supervisory process, the actuary has direct access to the board of directors or a committee of the board. The actuary reports relevant matters to	

the board of directors on a timely basis.	

*** (O-Observed, LO-Largely Observed, PO-Partly Observed, NO-Not Observed, NA-Not Applicable)**

Principle 10: Internal control

The supervisory authority requires insurers to have in place internal controls that are adequate for the nature and scale of the business. The oversight and reporting systems allow the board and management to monitor and control the operations.

	O/LO/PO/NO/NA *
Essential criteria	
a. The supervisory authority reviews the internal controls and checks their adequacy to the nature and the scale of the business and requires strengthening of these controls where necessary. The board of directors is ultimately responsible for establishing and maintaining an effective internal control system.	
b. The framework for internal controls within the insurer includes arrangements for delegating authority and responsibility, and the segregation of duties. The internal controls address checks and balances; e.g. cross-checking, dual control of assets, double signatures (refer to ICP 9 EC b).	
c. The internal and external audit, actuarial and compliance functions are part of the framework for internal control, and must test adherence to the internal controls as well as to applicable laws and regulations.	
d. The board of directors must provide suitable prudential oversight and establish a risk management system that includes setting and monitoring policies so that all major risks are identified, measured, monitored and controlled on an on-going basis. The risk management systems, strategies and policies are approved and periodically reviewed by the board of directors (refer to ICP 18).	
e. The board of directors provides suitable oversight of market conduct activities.	
f. The board of directors should receive regular reporting on the effectiveness of the internal controls. Internal control deficiencies, either identified by management, staff, internal audit or other control personnel, are reported in a timely manner and addressed promptly.	
g. The supervisory authority requires that internal controls address accounting procedures, reconciliation of accounts, control lists and information for management.	

h.	The supervisory authority requires oversight and clear accountability for all outsourced functions as if these functions were performed internally and subject to the normal standards of internal controls.	
i.	The supervisory authority requires the insurer to have an on-going internal audit function of a nature and scope appropriate to the business. This includes ensuring compliance with all applicable policies and procedures and reviewing whether the insurer’s policies, practices and controls remain sufficient and appropriate for its business.	
j.	The supervisory authority requires that an internal audit function: – has unfettered access to all the insurer’s business lines and support departments – assesses outsourced functions – has appropriate independence, including reporting lines to the board of directors – has status within the insurer to ensure that senior management reacts to and acts upon its recommendations – has sufficient resources and staff that are suitably trained and have relevant experience to understand and evaluate the business they are auditing – employs a methodology that identifies the key risks run by the institution and allocates its resources accordingly (refer to ICP 18).	
k.	The supervisory authority has access to reports of the internal audit function.	
l.	Where the appointment of an actuary is called for by applicable legislation or by the nature of the insurer's operations, the supervisory authority requires that actuarial reports be made to the board and to management.	
*** (O-Observed, LO-Largely Observed, PO-Partly Observed, NO-Not Observed, NA-Not Applicable)**		

On-going supervision (ICP 11 to ICP 17)

Principle 11: Market analysis Making use of all available sources, the supervisory authority monitors and analyses all factors that may have an impact on insurers and insurance markets. It draws conclusions and takes action as appropriate.	
	O/LO/PO/NO/NA *

Essential criteria: a. The supervisory authority conducts regular analysis of market conditions.	
b. The market analysis not only includes past developments and the present situation, but also aims to identify trends and possible future scenarios and issues, so that the supervisory authority is well prepared to take action at an early stage, if required.	
c. The market analysis is both quantitative and qualitative and makes use of both public and confidential sources of information.	
d. The supervisory authority or others, such as the insurance industry, publish aggregated market data that is readily and publicly available to the insurance industry and other interested parties.	
e. The supervisory authority requires market-wide systematic reporting to analyse and monitor particular market-wide events of importance for the financial stability of insurance markets.	
Advanced criteria: f. Insofar as international relationships affect internal insurance and financial markets, the analysis is not limited to the home market, but also includes developments elsewhere.	
g. The supervisory authority monitors trends that may have an impact on the financial stability of insurance markets. It assesses whether macro-economic risks and vulnerabilities are adversely impinging on prudential safeguards, financial stability or consumer interests.	
***Note: O = observed; LO = largely observed; PO = partly observed; NO = not observed; NA = not applicable.**	

Principle 12: Reporting to supervisors and off-site monitoring The supervisory authority receives necessary information to conduct effective off-site monitoring and to evaluate the condition of each insurer as well as the insurance market.	
	O/LO/PO/NO/NA *

Essential criteria: a. The supervisory authority: – sets the requirements for the submission of regular and systematic financial and statistical information, actuarial reports and other information from all insurers licensed in the jurisdiction – defines the scope and frequency of those reports and information, including any requirement that reports and information be audited – requires, as a minimum, an audit opinion should be provided annually (refer to ICP 1 EC e) – requests more frequent and more detailed additional information whenever there is a need.	
b. If making a distinction between the financial reports and requirements of companies incorporated in the jurisdiction and branches, or between private entities and government-sponsored insurers that compete with private enterprises, the supervisory authority should not distort the market in favour of or against any particular form of enterprise.	
c. The supervisory authority: – requires insurers to submit information about their financial condition and performance on both a solo and a group-wide basis. It may request and obtain financial information on any subsidiary of the supervised entity. – sets out the principles and norms regarding accounting and consolidation techniques to be used. The valuation of assets and liabilities should be consistent, realistic, and prudent (refer to ICP 21 EC b). – requires insurers to report any off-balance sheet exposures. – requires insurers to report on their outsourced functions. – requires that the appropriate level of an insurer's senior management is responsible for the timing and accuracy of these returns. – requires that inaccurate information be corrected and has the authority to impose sanctions for deliberate misreporting. – based on this information, maintains a framework for on-going monitoring of the financial condition and performance of the insurers.	
Advanced criteria d. From time to time, the supervisory authority reviews its regular and systematic reporting requirements to ensure they still serve their intended aims and are carried out in an efficient and effective manner.	

e. The supervisory authority requires insurers to report promptly material changes that affect the evaluation of their condition.	

***Note: O = observed; LO = largely observed; PO = partly observed; NO = not observed; NA = not applicable.**.

Principle 13: On-site Inspection	
The supervisory authority carries out on-site inspections to examine the business of an insurer and its compliance with legislation and supervisory requirements.	
	O/LO/PO/NO/NA *
Essential criteria:	
a. By law, the supervisory authority has wide-ranging powers to conduct on-site inspections and gather information deemed necessary to perform its duties.	
b. The supervisory authority, external auditors or other suitably qualified parties verify information in regulatory returns periodically through on-site inspections. Where parties other than the supervisory authority verify information, then arrangements for communication with the supervisory authority should be established.	
c. The supervisory authority may conduct on-site inspections on either a full scale, or a focussed basis investigating areas of specific concern.	
d. The supervisory authority promptly discusses findings and any need for corrective action with the insurer and obtains appropriate feedback from the insurer.	
e. The supervisory authority follows up with the insurer to ensure that any required action has been taken.	
f. The supervisory authority can extend on-site inspections to obtain information from intermediaries and companies that have accepted functions outsourced by the supervised insurer.	

***Note: O = observed; LO = largely observed; PO = partly observed; NO = not observed; NA = not applicable.**

Principle 14: Preventive and Corrective Measures	
The supervisory authority takes preventive and corrective measures that are timely, suitable and necessary to achieve the objectives of insurance supervision.	
	O/LO/PO/NO/NA *

Essential criteria: a. The supervisory authority has available and makes use of adequate instruments to enable timely preventive and corrective measures if an insurer fails to operate in a manner that is consistent with sound business practices or regulatory requirements.	
b. There should be a progressive escalation of action or remedial measures if the problems become worse or if management of the insurer ignores more informal requests from the supervisory authority to take corrective action.	
c. The supervisory authority has the capacity and standing to communicate with insurers, and insurers comply with such communications, to ensure that relatively minor preventive or corrective measures are taken.	
d. If necessary the supervisory authority requires the insurer to develop an acceptable plan for correction of problems. Corrective plans include agreed and acceptable steps to be taken to resolve the issues raised and an acceptable timetable.	
e. The supervisory authority initiates measures designed to prevent a breach of the legislation from occurring, and promptly and effectively deals with non-compliance with regulations that could put policyholders at risk or impinge on any other of the authority's objectives.	
***Note: O = observed; LO = largely observed; PO = partly observed; NO = not observed; NA = not applicable.**	

Principle 15: Enforcement or sanctions The supervisory authority enforces corrective action and, where needed, imposes sanctions based on clear and objective criteria that are publicly disclosed.	
	O/LO/PO/NO/NA *
Essential criteria: a. The supervisory authority can issue formal directions to companies to take particular actions or to desist from taking particular actions. Failure to comply with a formal direction issued by the supervisory authority has serious consequences for those that take such a step.	
b. The supervisory authority has the power to prevent the insurer issuing new policies.	
c. The supervisory authority can arrange for compulsory transfer of the obligations under the policies from a failing insurer to another insurer that accepts this transfer (refer to ICP 8 EC l).	

d. The supervisory authority can require capital levels to be increased, restrict or suspend dividend or other payments to shareholders, restrict asset transfers and restrict an insurer's purchase of its own shares. It can also initiate action to restrict the ownership or activities of a subsidiary where, in its opinion, such activities jeopardise the financial situation of the insurer.	
e. The supervisory authority has effective means to address management problems, including the power to have controlling owners, directors, and managers replaced or their powers restricted. More generally the supervisory authority in extreme cases, imposes conservatorship over an insurer that is failing to meet prudential or other requirements. The supervisory authority has the power to take control of the insurer, or to appoint other specified officials or receivers for the task, and to make such arrangements for the benefit of the policyholders as are necessary.	
f. Once action has been taken or remedial measures have been imposed, the supervisory authority periodically checks to determine that the insurer is complying with the measures.	
g. The insurance legislation provides for sanctions by way of fines against individuals and insurers where the provisions of the legislation are breached.	
h. The insurance legislation provides for sanctions against individuals who withhold information from the supervisory authority, provide information that is intended to mislead the supervisory authority or fail to provide information to the supervisory authority in a timely fashion.	
i. Individuals can be barred from acting in responsible capacities in the future.	
j. The process of applying sanctions should not delay necessary preventive and corrective measures and enforcement.	
k. The supervisory authority takes action to withdraw the license of an insurer where appropriate.	
l. The supervisory authority has the powers to protect one or more insurers within its jurisdiction that belong to a group from the financial difficulties in other parts of the group.	
m. The supervisory authority, or another responsible body in the jurisdiction, takes action to enforce all the sanctions noted above.	
n. The supervisory authority ensures consistency in the way insurers are sanctioned, so that similar violations and weaknesses attract similar preventive and corrective measures.	
o. The supervisory authority or other authority takes action against those individuals or entities that are operating an insurance business without a licence.	

***Note: O = observed; LO = largely observed; PO = partly observed; NO = not observed; NA = not applicable.**

Principle 16: Winding-up and exit from the market

The legal and regulatory framework defines a range of options for the orderly exit of insurers from the marketplace. It defines insolvency and establishes the criteria and procedure for dealing with insolvency. In the event of winding-up proceedings, the legal framework gives priority to the protection of policyholders.

	O/LO/PO/NO/NA *
Essential criteria:	
a. The legal and regulatory framework provides for the determination of the point at which it is no longer permissible for an insurer to continue its business.	
b. The procedures for dealing with insolvency and the winding-up of the insurer are clearly set forth in the law.	
c. A high legal priority is given to the protection of the rights and entitlements of policyholders and other policy beneficiaries in the event of an insurer becoming insolvent and winding-up. This priority ensures that, as far as is practical, there is limited disruption to the provision of benefits to policyholders.	

***Note: O = observed; LO = largely observed; PO = partly observed; NO = not observed; NA = not applicable.**

Principle 17: Group-wide supervision

The supervisory authority supervises its insurers on a solo and a group-wide basis.

	O/LO/PO/NO/NA *
Essential criteria:	
a. What constitutes an insurance group and financial conglomerate is clearly defined so that supervisors and insurers can determine: – which groups are considered to be insurance groups or financial conglomerates – which group or groups an insurer belongs to – the scope of the supervision.	
b. The supervisory authority ensures effective and efficient group-wide supervision. The supervisory authorities co-operate to avoid unnecessary duplication.	

c. Where different supervisory authorities are responsible for different parts of a group or conglomerate appropriate co-operation and co-ordination exists. The supervisory responsibilities of each authority are well-defined and leave no supervisory gaps.	
d. At a minimum, group-wide supervision of insurers which are part of insurance groups or financial conglomerates includes, as a supplement to solo supervision, at a group level, and intermediate level as appropriate, adequate policies on and supervisory oversight of: – group structure and interrelationships, including ownership and management structure – capital adequacy – reinsurance and risk concentration – intra-group transactions and exposures, including intra-group guarantees and possible legal liabilities – internal control mechanisms and risk management processes, including reporting lines and fit and proper testing of senior management.	
e. Host supervisory authorities avoid uncooperative behaviour with home supervisory authorities so as not to hinder effective supervision of groups and conglomerates (refer to ICP 5 EC i).	
f. The supervisory authority requires that insurance groups and financial conglomerates have reporting systems in place that adequately meet the supervisory information demands.	
g. The supervisory authority may deny or withdraw the license when the organisational (or group) structure hinders effective supervision (refer to ICP 6 and ICP 15).	
***Note: O = observed; LO = largely observed; PO = partly observed; NO = not observed; NA = not applicable.**	

Prudential requirements (ICP 18 to ICP 23)

Principle 18: Risk assessment and management The supervisory authority requires insurers to recognise the range of risks that they face and to assess and manage them effectively.	
	O/LO/PO/NO/NA *
Essential criteria a. The supervisory authority requires and checks that insurers have in place comprehensive risk management policies and systems capable of promptly identifying, measuring, assessing, reporting and controlling their risks (refer to ICP 10 EC d).	

b. The risk management policies and risk control systems are appropriate to the complexity, size and nature of the insurer's business. The insurer establishes an appropriate tolerance level or risk limit for material sources of risk.	
c. The risk management system monitors and controls all material risks.	
d. Insurers regularly review the market environment in which they operate, draw appropriate conclusions as to the risks posed and take appropriate actions to manage adverse impacts of the environment on the insurer's business.	
Advanced criteria e. Larger insurers establish a risk management function and a risk management committee.	
***Note: O-Observed; LO-Largely Observed; PO-Partly Observed; NO-Not Observed; NA-Not Applicable.**	

Principle 19: Insurance activity Since insurance is a risk taking activity, the supervisory authority requires insurers to evaluate and manage the risks that they underwrite, in particular through reinsurance, and to have the tools to establish an adequate level of premiums.	
	O/LO/PO/NO/NA *
Essential criteria a. The supervisory authority requires insurers to have in place strategic underwriting and pricing policies approved and reviewed regularly by the board of directors.	
b. The supervisory authority checks that insurers evaluate the risks that they underwrite and establish and maintain an adequate level of premiums. For this purpose, insurers should have systems in place to control their expenses related to premiums and claims, including claims handling and administration expenses. These expenses should be monitored by management on an on-going basis.	
c. The supervisory authority is able to review the methodology used by the insurer to set premiums to determine that they are established on reasonable assumptions to enable the insurer to meet its commitments.	
d. The supervisory authority requires that the insurer has a clear strategy to mitigate and diversify risks by defining limits on the amount of risk retained and taking out appropriate reinsurance cover or using other risk transfer arrangements consistent with its capital position. This strategy is an integral part of the insurer's underwriting policy and must be approved and regularly monitored and reviewed by the board of directors.	

e. The supervisory authority reviews reinsurance arrangements to check that they are adequate and that the claims held by insurers on their reinsurers are recoverable. This includes that: – the reinsurance programme provides coverage appropriate to the level of capital of the insurer (taking into account the real transfer of risk) and the profile of the risks it underwrites – the reinsurer's protection is secure. This might be addressed through different means, such as relying on a system of direct supervision of reinsurers or obtaining collateral (including trusts, letters of credit or funds withheld).	
f. The supervisory authority checks that risk transfer instruments are properly accounted for in order to give a true and fair view of the insurer's risk exposure.	
***Note: O-Observed; LO-Largely Observed; PO-Partly Observed; NO-Not Observed; NA-Not Applicable.**	

Principle 20: Liabilities The supervisory authority requires insurers to comply with standards for establishing adequate technical provisions and other liabilities, and making allowance for reinsurance recoverables. The supervisory authority has both the authority and the ability to assess the adequacy of the technical provisions and to require that these provisions be increased, if necessary.	
	O/LO/PO/NO/NA *
Essential criteria a. Legal provisions are in place for establishing adequate technical provisions and other liabilities based on sound accounting and actuarial principles.	
b. The supervisory authority prescribes or agrees to standards for establishing technical provisions and other liabilities.	
c. The supervisory authority in developing the standards considers: – what is to be included as a liability – the procedure and the internal control system that are in place to ensure reliable data (refer to ICP 10) – the methods and assumptions for assessing, on a reliable, objective, transparent and prudent basis, technical provisions to cover all expected and some unexpected claims and expenses.	
d. The supervisory authority reviews the sufficiency of the technical provisions through off-site monitoring and on-site inspection (refer to ICPs 12 and 13).	

e. The supervisory authority requires the technical provisions to be increased if they are not sufficient.	
f. The supervisory authority ensures that standards stipulate: – general limits for the valuation of the amounts recoverable under reinsurance arrangements with a given reinsurer for solvency purposes, taking into account the ultimate collectability and the real transfer of risk – sound accounting principles for the booking of the amounts recoverable under reinsurance arrangements – the credit for technical provisions for amounts recoverable under reinsurance arrangements. In that case, the amount recoverable is disclosed in the financial statement of the insurer by reporting the respective gross and net figures in the accounts.	
Advanced criteria g. The supervisory authority requires that insurers undertake regular stress testing for a range of adverse scenarios in order to assess the adequacy of capital resources in case technical provisions have to be increased (refer to ICP 21 AC k and ICP 23 AC j).	
***Note: O-Observed; LO-Largely Observed; PO-Partly Observed; NO-Not Observed; NA-Not Applicable.**	

Principle 21: Investments

The supervisory authority requires insurers to comply with standards on investment activities. These standards include requirements on investment policy, asset mix, valuation, diversification, asset-liability matching, and risk management.

	O/LO/PO/NO/NA *
Essential criteria a. Requirements regarding the management of investments are in place, either in the law or in supervisory rules. These requirements address, but may not be limited to, the following: – the mixture and diversification by type – limits or restrictions on the amount that may be held in particular types of financial instruments, property, and receivables – the safekeeping of assets – the appropriate matching of assets and liabilities – the level of liquidity.	

b. Investments are valued according to a method prescribed by or acceptable to the supervisory authority.

c. The supervisory authority requires insurers to have in place an overall strategic investment policy, approved and reviewed annually by the board of directors, that addresses the following main elements:

– the risk profile of the insurer

– the determination of the strategic asset allocation, that is, the long-term asset mix over the main investment categories

– the establishment of limits for the allocation of assets by geographical area, markets, sectors, counterparties and currency

– the extent to which the holding of some types of assets is restricted or disallowed, for example illiquid or volatile assets or derivatives

– the conditions under which the insurer can pledge or lend assets

– an overall policy on the use of financial derivatives and structured products that have the economic effect of derivatives (refer to ICP 22)

– clear accountability for all asset transactions and associated risks.

d. The risk management systems must cover the risks associated with investment activities that might affect the coverage of technical provisions and/or solvency margins (capital). The main risks include:

– market risk

– credit risk

– liquidity risk

– failure in safe keeping of assets (including the risk of inadequate custodial agreements).

e. The supervisory authority checks that insurers have in place adequate internal controls to ensure that assets are managed in accordance with the overall investment policy, as well as in compliance with legal, accounting, and regulatory requirements. These controls should ensure that investment procedures are documented and properly overseen. Normally the functions responsible for measuring, monitoring, settling and controlling asset transactions are separate from the front office functions (refer to ICP 10).

f. The supervisory authority requires that oversight of, and clear management accountability for, an insurer's investment policies

and procedures remain ultimately with the board of directors, regardless of the extent to which associated activities and functions are delegated or outsourced.	
g. The supervisory authority requires that key staff involved with investment activities have the appropriate levels of skills, experience and integrity.	
h. The supervisory authority requires that insurers have in place rigorous audit procedures that include full coverage of their investment activities to ensure the timely identification of internal control weaknesses and operating system deficiencies. If the audit is performed internally it should be independent of the function being reviewed.	
i. The supervisory authority requires that insurers have in place effective procedures for monitoring and managing their asset/liability position to ensure that their investment activities and asset positions are appropriate to their liability and risk profiles.	
j. The supervisory authority requires that insurers have in place contingency plans to mitigate the effects of deteriorating conditions.	
Advanced criteria k. The supervisory authority requires that insurers undertake regular stress testing for a range of market scenarios and changing investment and operating conditions in order to assess the appropriateness of asset allocation limits (refer to ICP 20 AC g and ICP 23 AC j).	
***Note: O-Observed; LO-Largely Observed; PO-Partly Observed; NO-Not Observed; NA-Not Applicable.**	

Principle 22: Derivatives and similar commitments	
The supervisory authority requires insurers to comply with standards on the use of derivatives and similar commitments. These standards address restrictions in their use and disclosure requirements, as well as internal controls and monitoring of the related positions.	
	O/LO/PO/NO/NA *
Essential criteria a. Requirements regarding the use of derivatives are in place, either in the law or in supervisory rules. The requirements consider the risks in the use of derivatives and similar commitments.	

b. The supervisory authority establishes disclosure requirements for derivatives and similar commitments.	
c. The supervisory authority requires the board of directors to satisfy itself that collectively the board has sufficient expertise to understand the important issues related to the use of derivatives, and that all individuals conducting and monitoring derivatives activities are suitably qualified and competent.	
d. The supervisory authority requires insurers using derivatives to have in place an appropriate policy for their use that must be approved and reviewed annually by the board of directors. This policy should be consistent with the insurer's activities, its overall strategic investment policy and asset/liability management strategy, and its risk tolerance. It addresses at least the following elements: – the purposes for which derivatives can be used – the establishment of appropriately structured exposure limits for derivatives taking into account the purpose of their use and the uncertainty caused by market, credit, liquidity, operations and legal risk – the extent to which the holding of some types of derivatives is restricted or not authorised; for example, where the potential exposure cannot be reliably measured, the closing out or disposal of the derivative could be difficult due to its lack of marketability (as may be the case with over-the-counter instruments) or the illiquidity of the market, or where independent (i.e. external) verification of pricing is not available – the delineation of lines of responsibility and a framework of accountability for derivatives transactions.	
e. The supervisory authority requires that insurers have in place risk management systems, covering the risks from derivatives activities to ensure that the risks arising from all derivatives transactions undertaken by the insurer can be: – analysed and monitored individually and in aggregate – monitored and managed in an integrated manner with similar risks arising from nonderivatives activities so that exposures can be regularly assessed on a consolidated basis.	
f. The supervisory authority requires that insurers have in place adequate internal controls to ensure that derivatives activities are properly overseen and that transactions have been entered into only in accordance with the insurer's approved policies and procedures, and legal and regulatory requirements. These controls ensure appropriate segregation between those who measure, monitor, settle and control derivatives and those who initiate transactions (refer to ICP 10).	
g. The supervisory authority requires that insurers have in place personnel with appropriate skills to vet models used by the front office and to price the instruments used, and that pricing follows market convention. These functions should also be separate	

from the front office.	
h. The supervisory authority requires that the board of directors ensure that the insurer has the appropriate capability to verify pricing independently where the use of 'over-the-counter' derivatives is permitted under the insurer's policy.	
i. The supervisory authority requires that insurers have in place rigorous audit procedures that include coverage of their derivatives activities to ensure the timely identification of internal control weaknesses and operating system deficiencies. If the audit is performed internally it should be independent of the function being reviewed.	
***Note: O-Observed; LO-Largely Observed; PO-Partly Observed; NO-Not Observed; NA-Not Applicable.**	

Principle 23: Capital adequacy and solvency

The supervisory authority requires insurers to comply with the prescribed solvency regime. This regime includes capital adequacy requirements and requires suitable forms of capital that enable the insurer to absorb significant unforeseen losses.

	O/LO/PO/NO/NA *
Essential criteria	
a. The solvency regime addresses in a consistent manner: – valuation of liabilities, including technical provisions and the margins contained therein – quality, liquidity and valuation of assets – matching of assets and liabilities – suitable forms of capital – capital adequacy requirements.	
b. Any allowance for risk mitigation or transfer considers both its effectiveness and the security of any counterparty.	
c. Suitable forms of capital are defined.	
d. Capital adequacy requirements are sensitive to the size, complexity and risks of an insurer's operations, as well as the accounting requirements that apply to the insurer.	
e. The minimum capital adequacy requirements should be set at a sufficiently prudent level to give reasonable assurance that policyholder interests will be protected.	
f. Capital adequacy requirements are established at a level such that an insurer having assets equal to the total of liabilities and required capital will be able to absorb significant unforeseen	

losses.	
g. Solvency control levels are established. Where the solvency position reaches or falls below one or more control levels, the supervisory authority intervenes and requires corrective action by the insurer or imposes restrictions on the insurer. The control level is set so that corrective action can be taken in a timely manner (refer to ICP 14).	
h. Inflation of capital – through double or multiple gearing, intra-group transactions, or other financing techniques available as a result of the insurer's membership in a corporate group – is addressed in the capital adequacy and solvency calculation (refer to ICP 17).	
i. The solvency regime addresses the requirements placed upon an insurer operating through a branch.	
Advanced criteria j. The solvency regime provides for periodic, forward-looking analysis (e.g., dynamic solvency/ stress testing) of an insurer's ability to meet its obligations under various conditions (refer to ICP 20 AC g and ICP 21 AC k).	
k. The supervisory authority assesses the structure of its solvency regime against structures of a peer group of jurisdictions and works towards achieving consistency.	
***Note: O-Observed; LO-Largely Observed; PO-Partly Observed; NO-Not Observed; NA-Not Applicable.**	

Markets and consumers (ICP 24 to ICP 27)

Principle 24: Intermediaries The supervisory authority sets requirements, directly or through the supervision of insurers, for the conduct of intermediaries.	
	O/LO/PO/NO/NA *
Essential criteria a. The supervisory authority requires intermediaries to be licensed or registered.	
b. The supervisory authority requires intermediaries to have adequate general, commercial and professional knowledge and ability as well as having a good reputation.	
c. If necessary, the supervisory authority takes corrective action, including applying sanctions, directly or through insurers, and cancelling the intermediary's licence or registration, when appropriate.	

d. The supervisory authority requires an intermediary who handles client's money to have sufficient safeguards in place to protect these funds.	
e. The supervisory authority requires intermediaries to give customers information on their status, specifically whether they are independent or associated with particular insurance companies and whether they are authorised to conclude insurance contracts on behalf of an insurer or not.	
f. The supervisory authority or other authority must have powers to take action against those individuals or entities that are carrying on insurance intermediation activity without license or registration.	
***Note: O-Observed; LO-Largely Observed; PO-Partly Observed; NO-Not Observed; NA-Not Applicable.**	

Principle 25: Consumer protection The supervisory authority sets minimum requirements for insurers and intermediaries in dealing with consumers in its jurisdiction, including foreign insurers selling products on a cross-border basis. The requirements include provision of timely, complete and relevant information to consumers both before a contract is entered into through to the point at which all obligations under a contract have been satisfied.	
	O/LO/PO/NO/NA *
Essential criteria a. The supervisory authority requires insurers and intermediaries to act with due skill, care and diligence in their dealing with consumers.	
b. The supervisory authority requires insurers and intermediaries to have policies on how to treat consumers fairly and to have systems and provide training to ensure compliance with those policies by their employees and other sales collaborators.	
c. The supervisory authority requires insurers and intermediaries to seek the information from their consumers that is appropriate in order to assess their insurance needs, before giving advice or concluding a contract.	
d. The supervisory authority sets requirements for insurers and intermediaries with regard to the content and timing of provision of information: – on the product, including the associated risks, benefits, obligations, and charges – on other matters related to the sale, including possible conflict of interest to existing or potential policyholders.	

e. The supervisory authority requires insurers and intermediaries to deal with claims and complaints effectively and fairly through a simple, easily accessible and equitable process.	
Advanced criteria f. The supervisory authority requires insurers and intermediaries to set rules on the handling of customer information paying due regard to the protection of private information of customers.	
g. The supervisory authority gives information to the public about whether and how local legislation applies to the cross-border offering of insurance, such as e-commerce. The supervisor issues warning notices to consumers when necessary in order to avoid transactions with unsupervised entities.	
h. The supervisory authority promotes the consumers' understanding of the insurance contracts.	
***Note: O-Observed; LO-Largely Observed; PO-Partly Observed; NO-Not Observed; NA-Not Applicable.**	

Principle 26: Information, disclosure & transparency towards the market

The supervisory authority requires insurers to disclose relevant information on a timely basis in order to give stakeholders a clear view of their business activities and financial position and to facilitate the understanding of the risks to which they are exposed.

	O/LO/PO/NO/NA *
Essential criteria a. Insurers are required to disclose information on their financial position and the risks to which they are subject. Specifically, information disclosed should be: – relevant to decisions taken by market participants – timely so as to be available and up-to-date at the time those decisions are made – accessible without undue expense or delay by the market participants – comprehensive and meaningful so as to enable market participants to form a well-rounded view of the insurer – reliable as a basis upon which to make decisions – comparable between different insurers – consistent over time so as to enable relevant trends to be discerned.	

b. Information includes quantitative and qualitative information on: – financial position – financial performance and a description of: – the basis, methods and assumptions upon which information is prepared (and comments on the impact of any changes) – risks exposures and how they are managed – management and corporate governance.	
c. Insurers are required to produce, at least annually, audited financial statements and make them available to stakeholders.	
d. The supervisory authority monitors the information disclosed by insurers and takes the necessary actions to ensure the compliance with disclosure requirements.	
Advanced criteria e. Information includes quantitative information of relevant risk exposures.	
***Note: O-Observed; LO-Largely Observed; PO-Partly Observed; NO-Not Observed; NA-Not Applicable.**	

Principle 27: Fraud The supervisory authority requires that insurers and intermediaries take the necessary measures to prevent, detect and remedy insurance fraud.	
	O/LO/PO/NO/NA *
Essential criteria a. The supervisory authority has the powers and resources to establish and enforce regulations and to communicate as appropriate with enforcement authorities, as well as with other supervisors, to deter, detect, record, report and remedy fraud in insurance.	
b. Legislation addresses insurer fraud.	
c. Claims fraud is a punishable offence.	
d. The supervisory authority requires insurers and intermediaries to ensure high standards of integrity of their business.	
e. The supervisory authority requires that insurers and intermediaries allocate appropriate resources and implement effective procedures and controls to deter, detect, record and, as required, promptly report fraud to appropriate authorities. This function is under the responsibility of senior staff of the insurer and intermediary.	
f. As required, the supervisory authority ascertains that insurers take effective measures to prevent fraud, including providing counter-fraud training to management and staff. The supervisory authority promotes the exchange of information between insurers with respect to fraud and those committing fraud including, as appropriate, through the use of databases.	
g. The supervisory authority co-operates with other supervisory authorities including, as appropriate, in other jurisdictions in countering fraud.	
***Note: O-Observed; LO-Largely Observed; PO-Partly Observed; NO-Not Observed; NA-Not Applicable.**	

Anti-money laundering, combating the financing of terrorism (ICP 28)

Principle 28: Anti-money laundering, combating the financing of terrorism (AML/CFT)

The supervisory authority requires insurers and intermediaries, at a minimum those insurers and intermediaries offering life insurance products or other investment related insurance, to take effective measures to deter, detect and report money laundering and the financing of terrorism consistent with the Recommendations of the Financial Action Task Force on Money Laundering (FATF).

	O/LO/PO/NO/NA *
Essential criteria	
a. The measures required under the AML/CFT legislation and the activities of the supervisors should meet the criteria under those FATF Recommendations applicable to the insurance sector[1].	
b. The supervisory authority has adequate powers of supervision, enforcement and sanction in order to monitor and ensure compliance with AML/CFT requirements. Furthermore, the supervisory authority has the authority to take the necessary supervisory measures to prevent criminals or their associates from holding or being the beneficial owner of a significant or controlling interest or holding a management function in an insurer or an intermediary.	
c. The supervisory authority has appropriate authority to co-operate effectively with the domestic Financial Intelligence Unit (FIU) and domestic enforcement authorities, as well as with other supervisors both domestic and foreign, for AML/CFT purposes.	
d. The supervisory authority devotes adequate resources - financial, human and technical - to AML/CFT supervisory activities.	
e. The supervisory authority requires insurers and intermediaries, at a minimum those insurers and intermediaries offering life insurance products or other investment related insurance, to comply with AML/CFT requirements, which are consistent with the FATF Recommendations applicable to the insurance sector, including: – performing the necessary customer due diligence (CDD) on customers, beneficial owners and beneficiaries – taking enhanced measures with respect to higher risk customers – maintaining full business and transaction records,	

[1] See FATF Recommendation 4-6, 8-11, 13-15, 17, 21-23, 25, 29-32 and 40 as well as Special Recommendations IV, V and the AML/CFT Methodology for a description of the complete set of AML/CFT measures that are required.

including CDD data, for at least 5 years – monitoring for complex, unusual large transactions, or unusual patterns of transactions, that have no apparent or visible economic or lawful purpose – reporting suspicious transactions to the FIU – developing internal programmes (including training), procedures, controls and audit functions to combat money laundering and terrorist financing – ensuring that their foreign branches and subsidiaries observe appropriate AML/CFT measures consistent with the home jurisdiction requirements.	
***Note: O-Observed; LO-Largely Observed; PO-Partly Observed; NO-Not Observed; NA-Not Applicable.**	

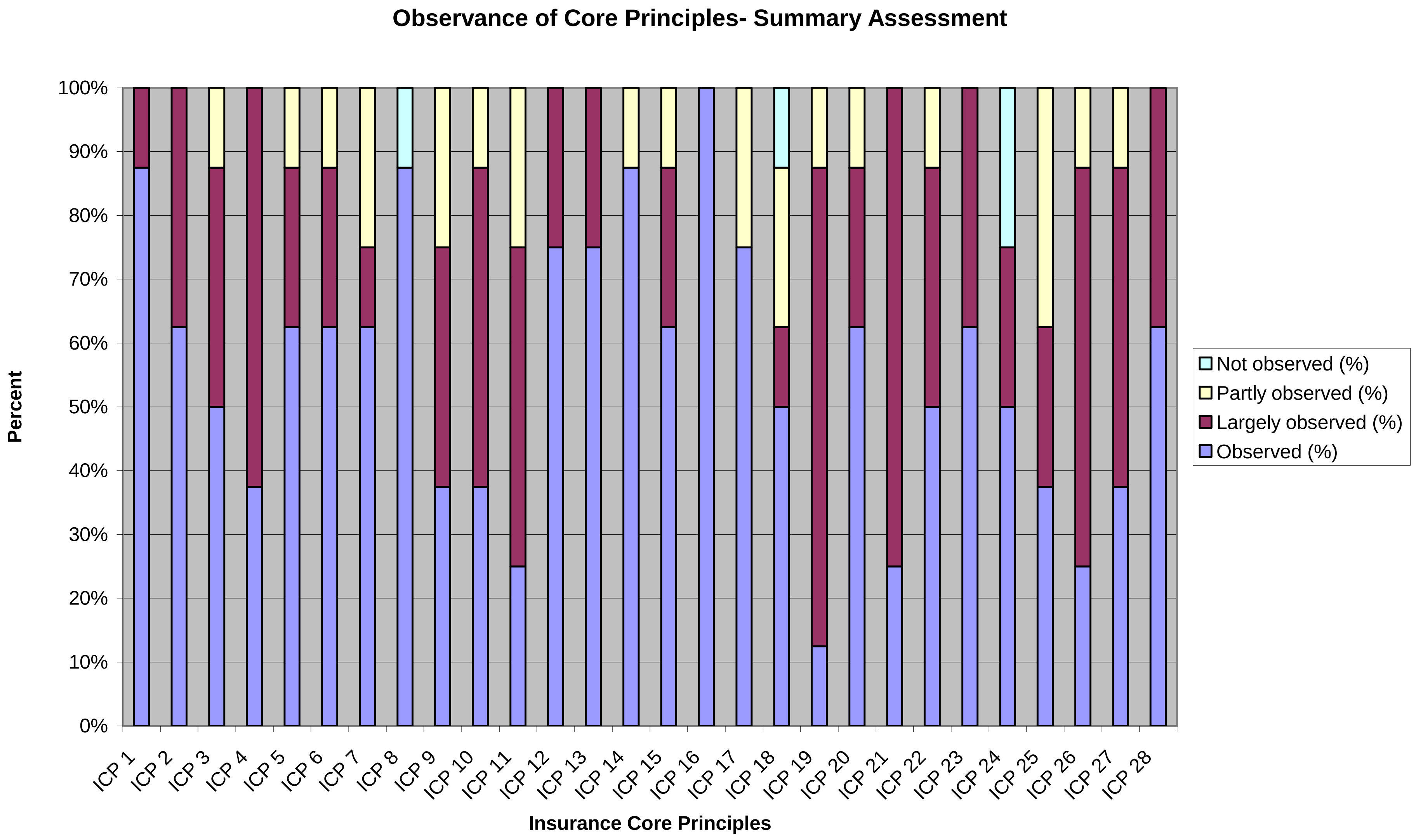
Annex 3: List of participating jurisdictions

The following countries participated in the Insurance Core Principles self-assessment exercise 2004-2005:

Asia[2]	**North America**
Bhutan	Canada
Hong-Kong SAR	Mexico
Israel	Quebec (Canada)
Japan	United States (NAIC)
Korea	
Malaysia	**Offshore**
Pakistan	Belize
Singapore	Bermuda
Thailand	Cyprus
	Gibraltar
Central and Eastern Europe	Guernsey
Czech Republic	Isle of Man
Hungary	Jersey
Latvia	Mauritius
Lithuania	Netherlands Antilles
Poland	Trinidad and Tobago
Romania	
Slovak Republic	**Sub-Sahara Africa**
Slovenia	Botswana
Ukraine	South Africa
	Uganda
Latin America	
Brazil	**Western Europe**
Chile	Austria
Panama	Denmark
Peru	Finland
Uruguay	France
	Germany
Middle East and North Africa	Iceland
Bahrain	Italy
Egypt	Malta
Israel	Netherlands
United Arab Emirates	Norway
	Portugal
	Spain
	Sweden
	Switzerland
	United Kingdom

2 The grouping of countries by region is in accordance with the IAIS Medium Term Work Plan (2003).

Annex 4


Observance of Core Principles- Summary Assessment
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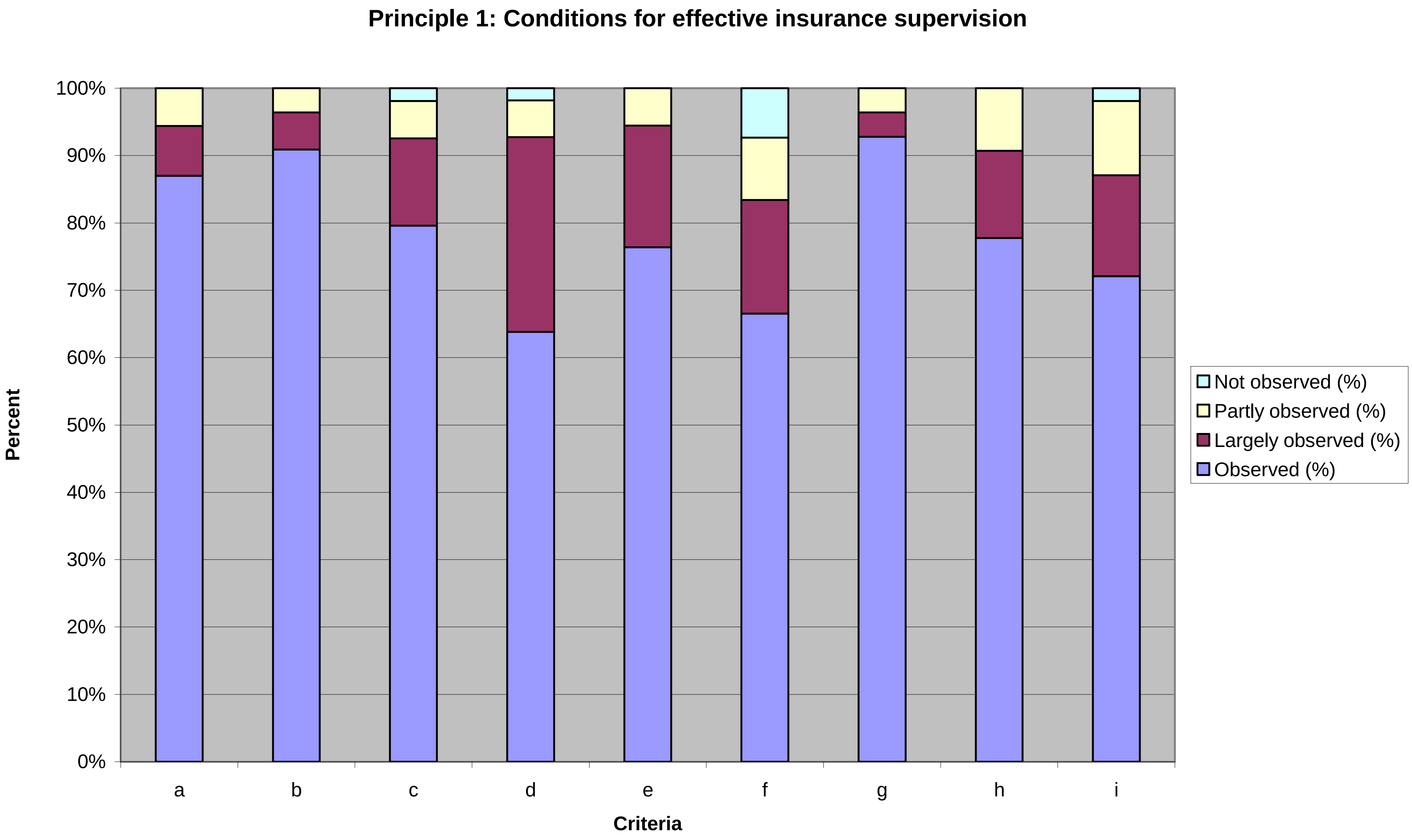
ICP 3
ICP 4
ICP 5
ICP 6
ICP 7
ICP 8
ICP 9
ICP 10
ICP 11
ICP 12
ICP 13
ICP 14
ICP 15
ICP 16
ICP 17
ICP 18
ICP 19
ICP 20
ICP 21
ICP 22
ICP 23
ICP 24
ICP 25
ICP 26
ICP 27
ICP 28
Insurance Core Principles
Not observed (%)
Partly observed (%)
Largely observed (%)
Observed (%)

Annex 5


Principle 1: Conditions for effective insurance supervision
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Criteria
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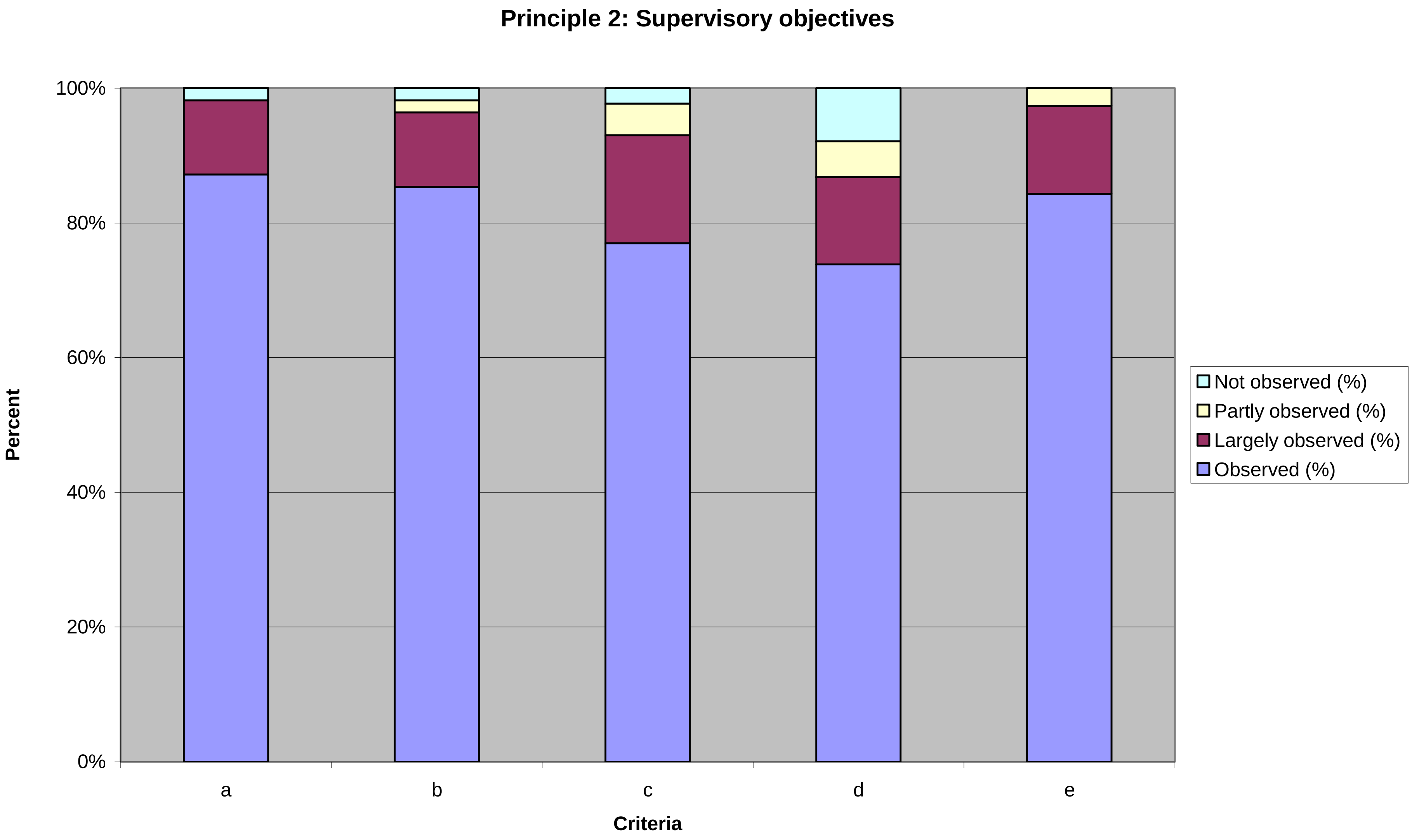
Partly observed (%)
Largely observed (%)
Observed (%)


Principle 2: Supervisory objectives
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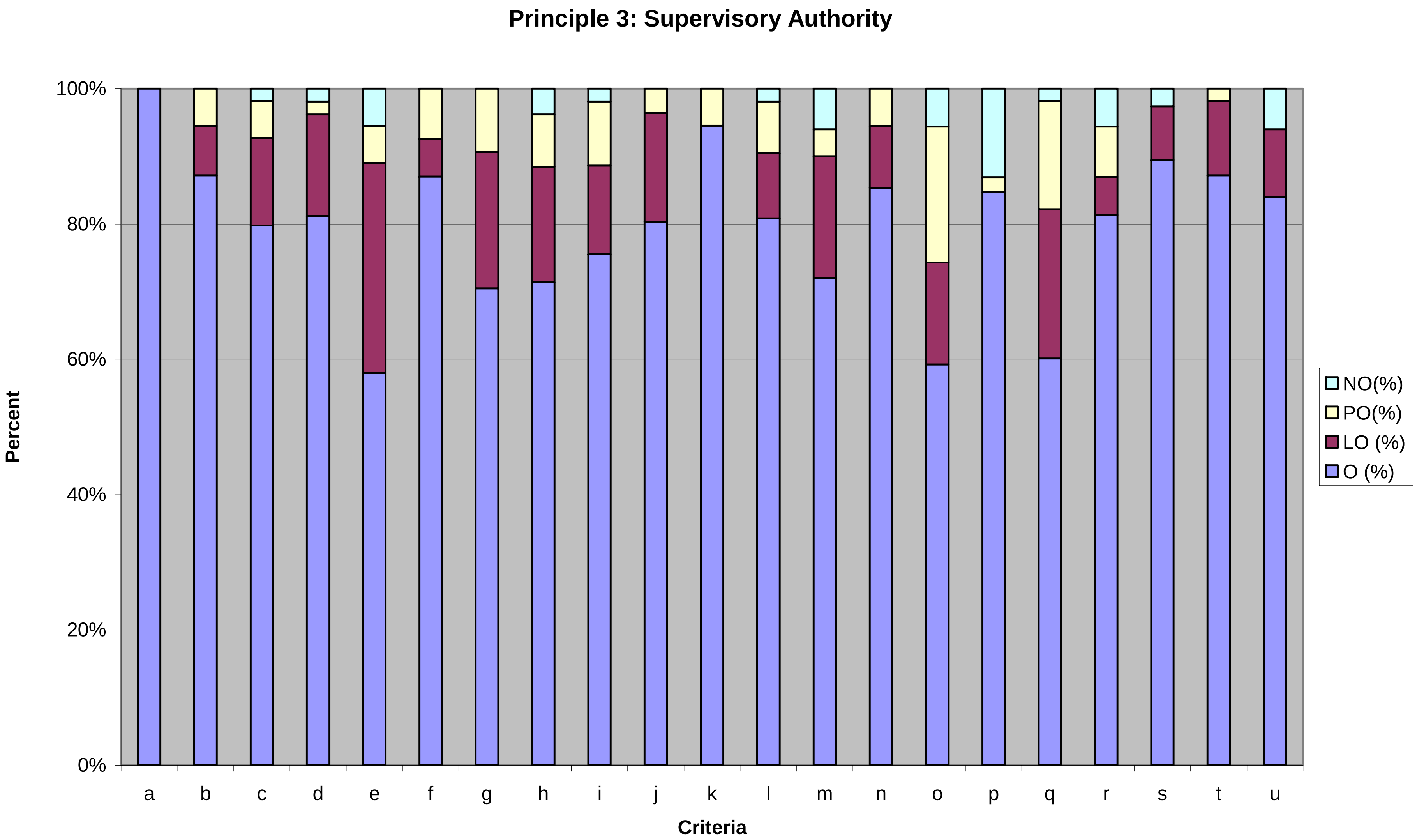
Criteria
Not observed (%)
Partly observed (%)
Largely observed (%)
Observed (%)

Annex 5


Principle 3: Supervisory Authority
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Criteria
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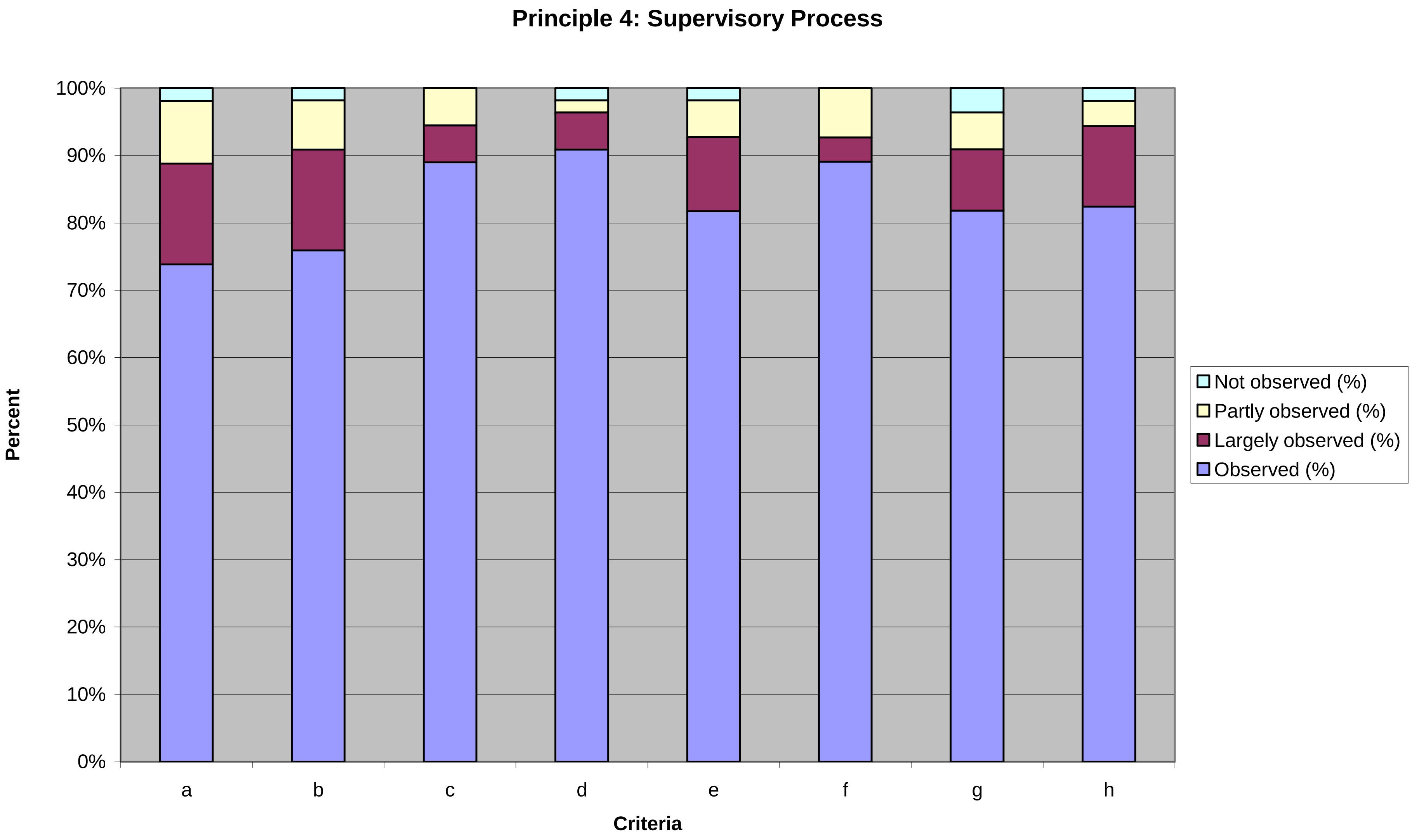
Principle 4: Supervisory Process
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Criteria
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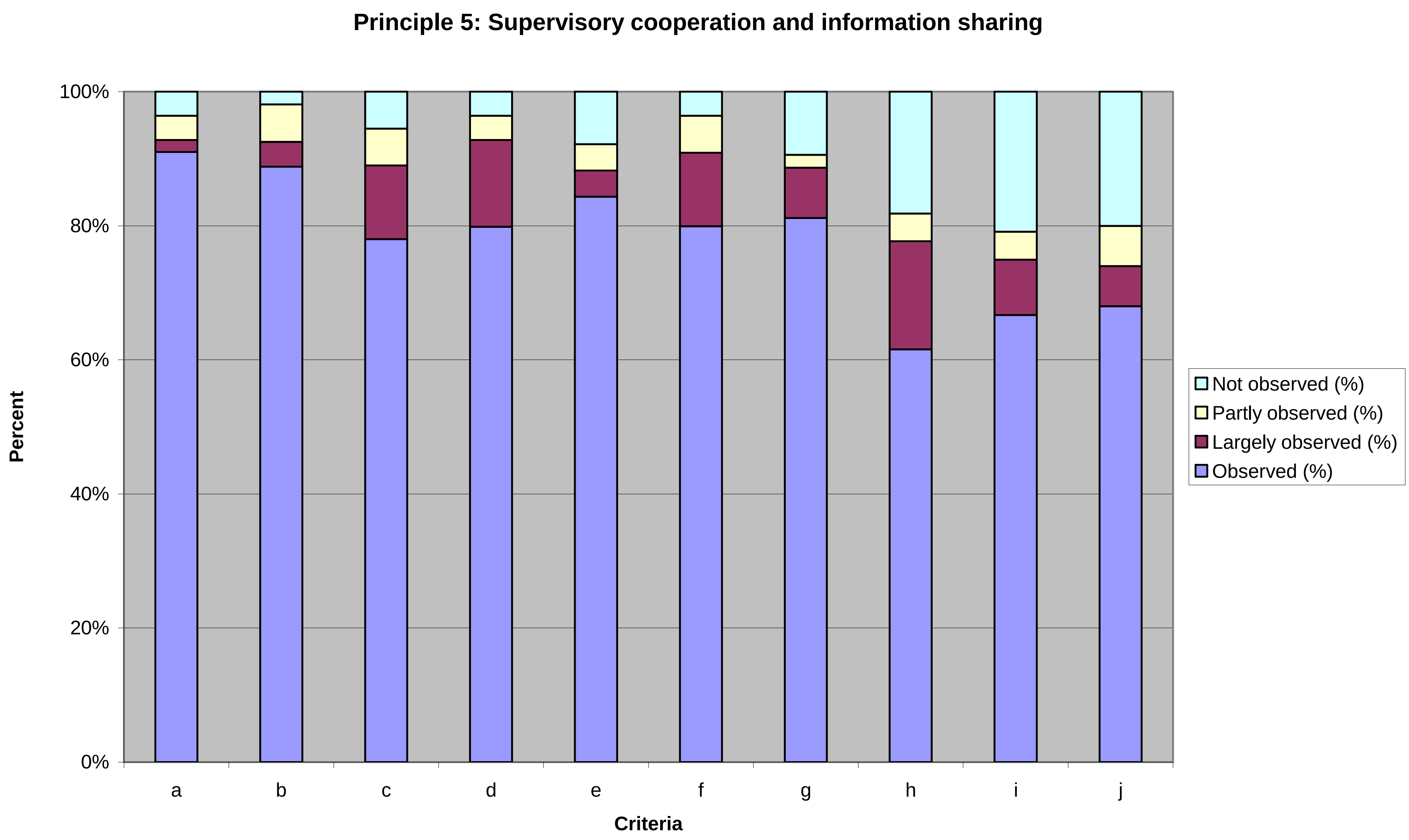
Partly observed (%)
Largely observed (%)
Observed (%)

Annex 5



Principle 5: Supervisory cooperation and information sharing
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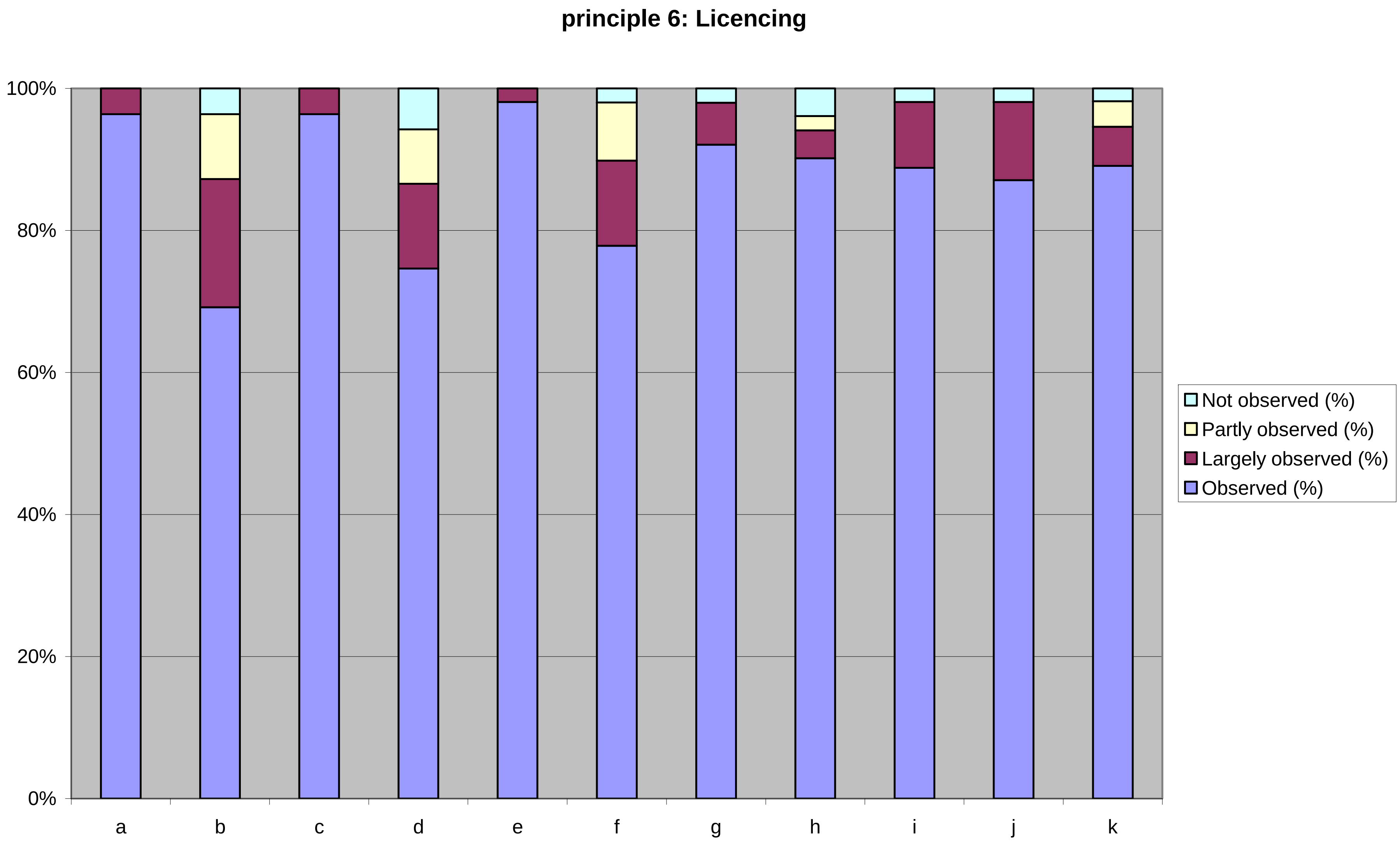
Criteria
Not observed (%)
Partly observed (%)
Largely observed (%)
Observed (%)

Annex 5


principle 6: Licencing
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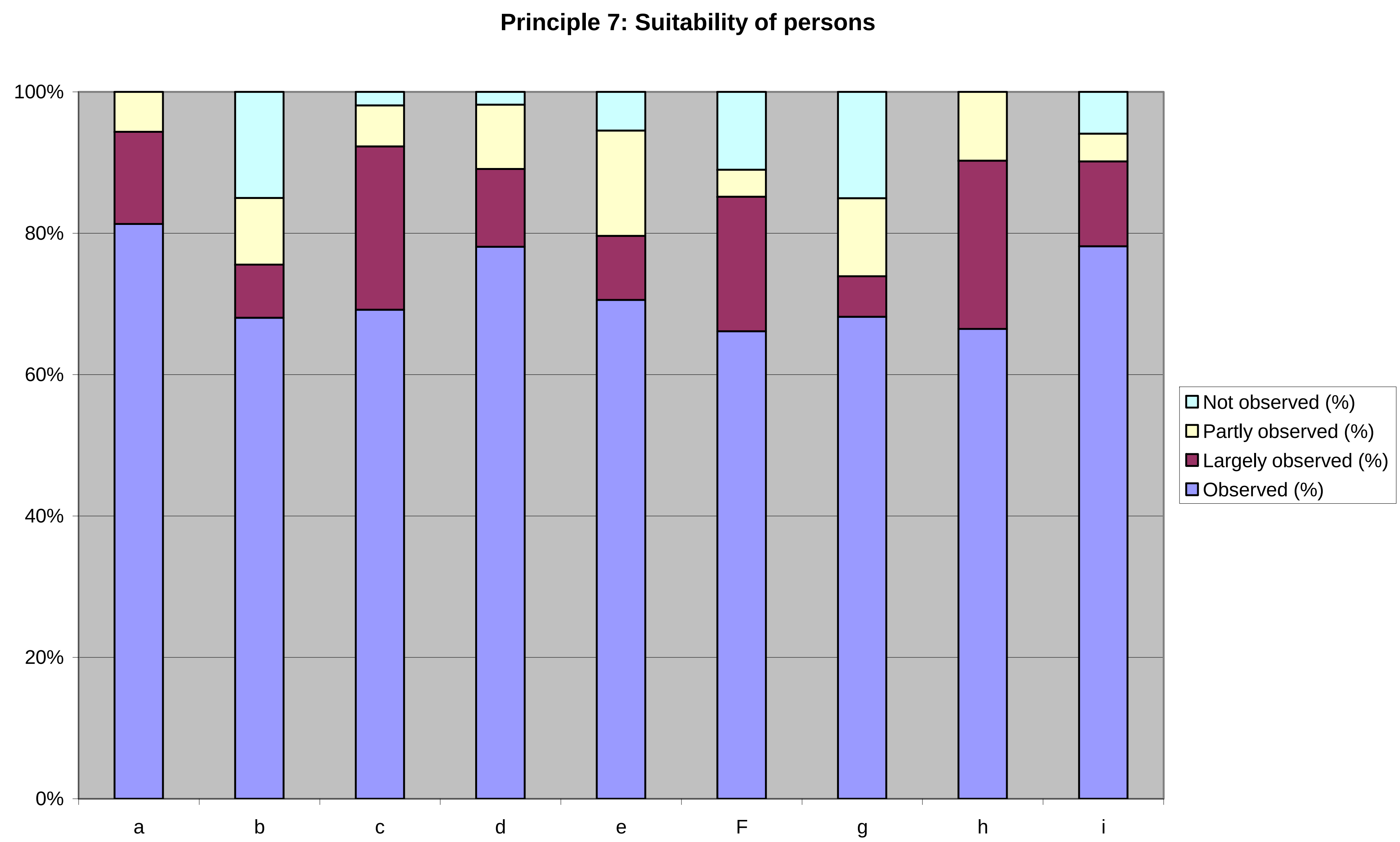
Annex 5



Principle 7: Suitability of persons
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Largely observed (%)
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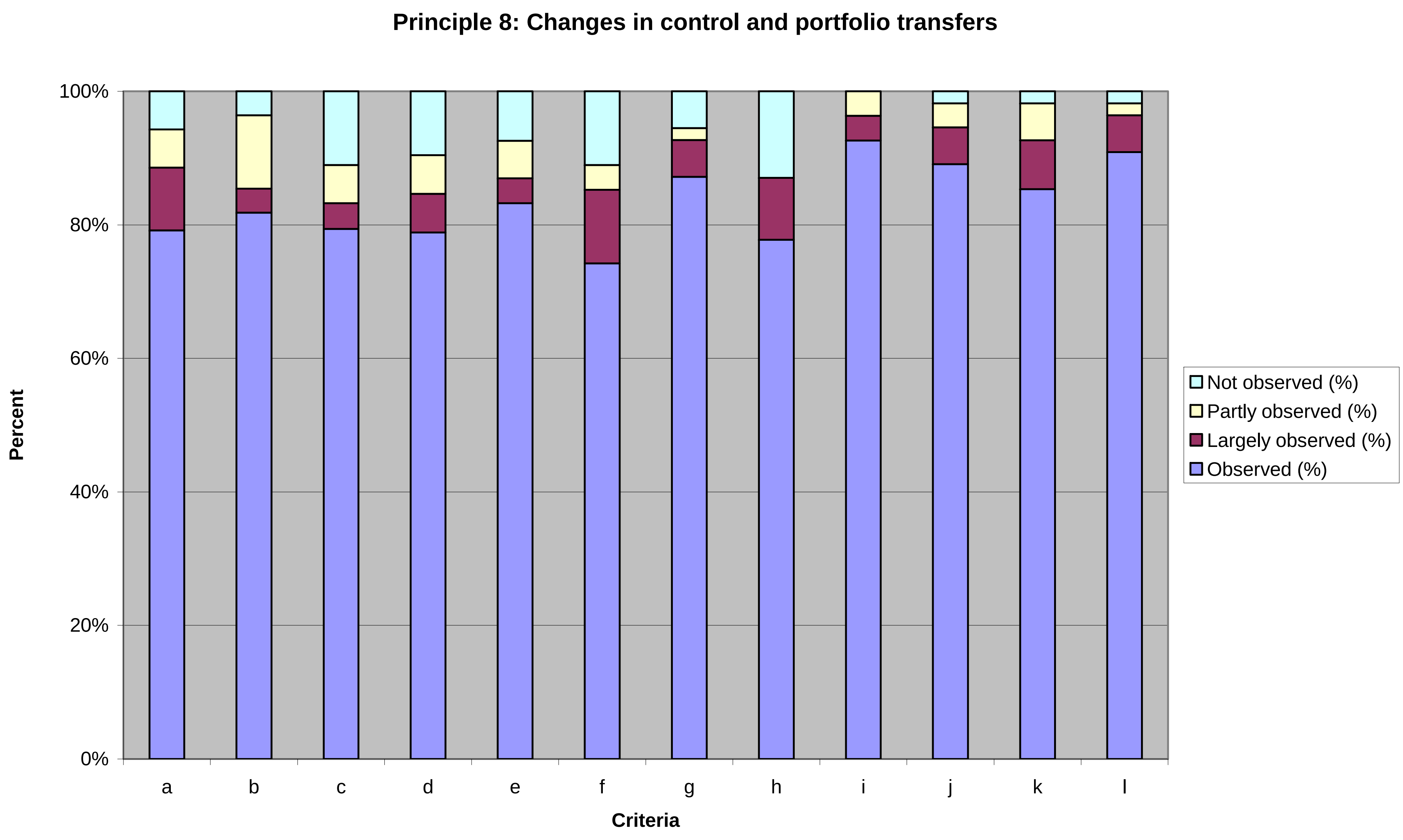
Annex 5


Principle 8: Changes in control and portfolio transfers
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Criteria
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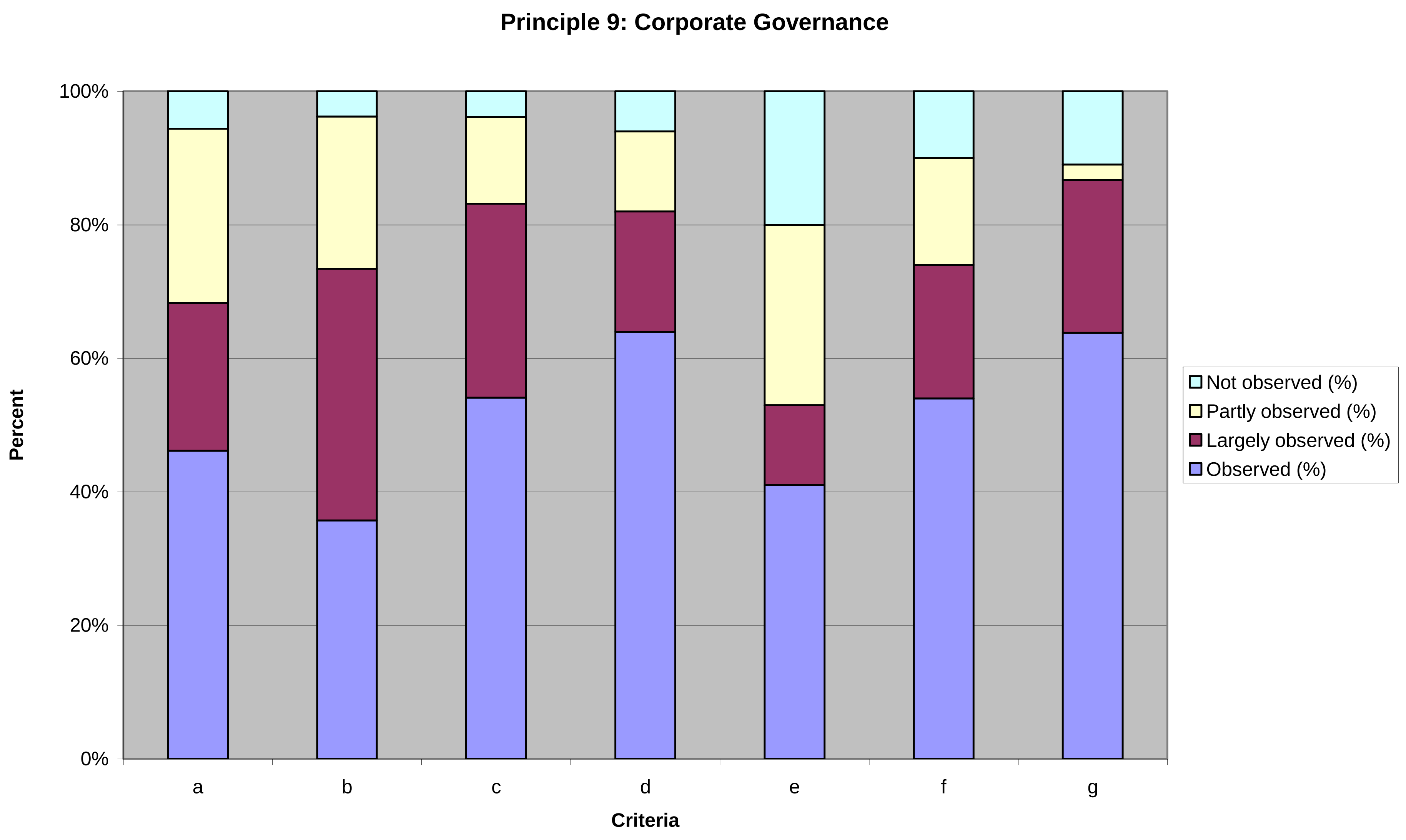
Partly observed (%)
Largely observed (%)
Observed (%)

Annex 5


Principle 9: Corporate Governance
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Criteria
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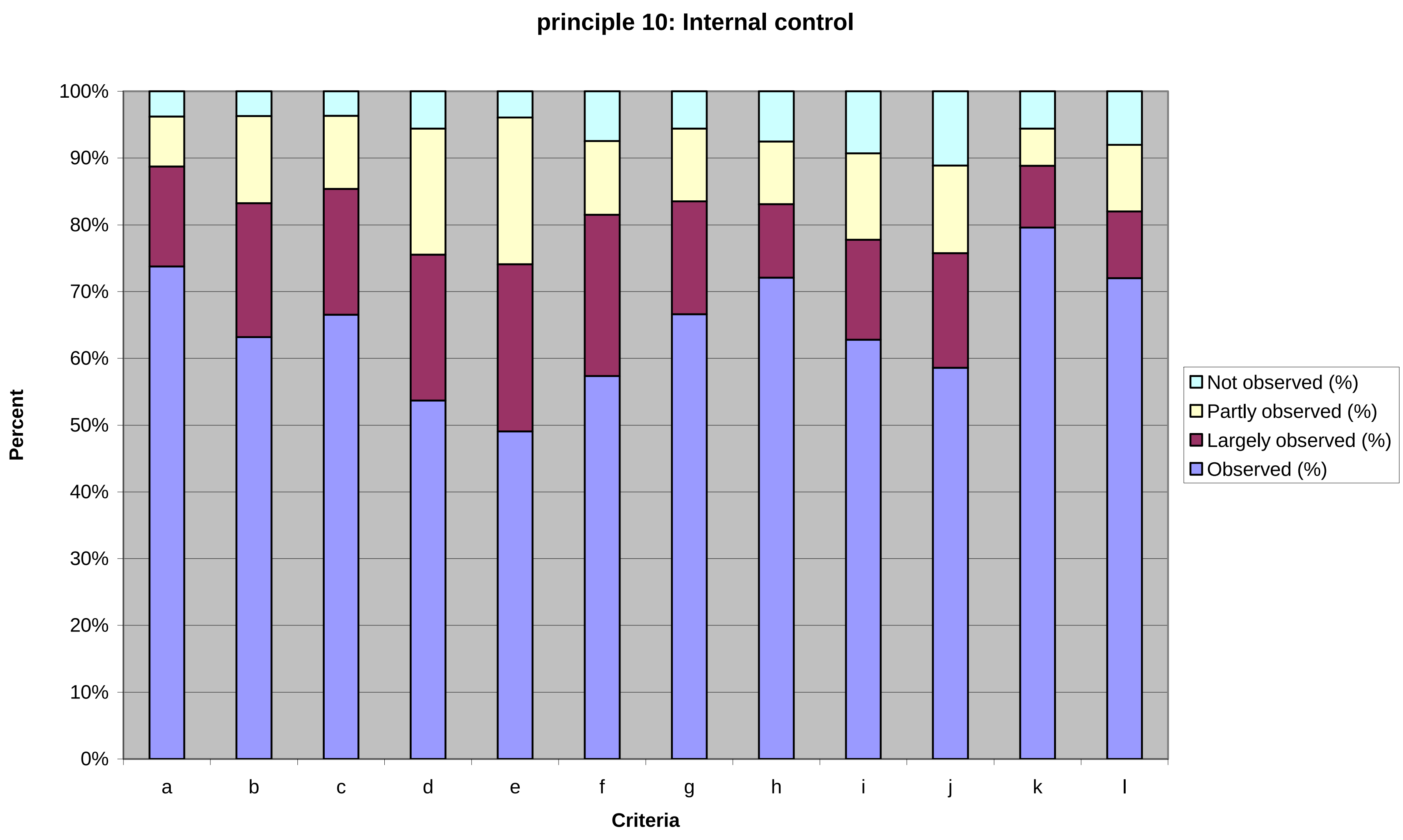
Partly observed (%)
Largely observed (%)
Observed (%)

Annex 5


principle 10: Internal control
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Criteria
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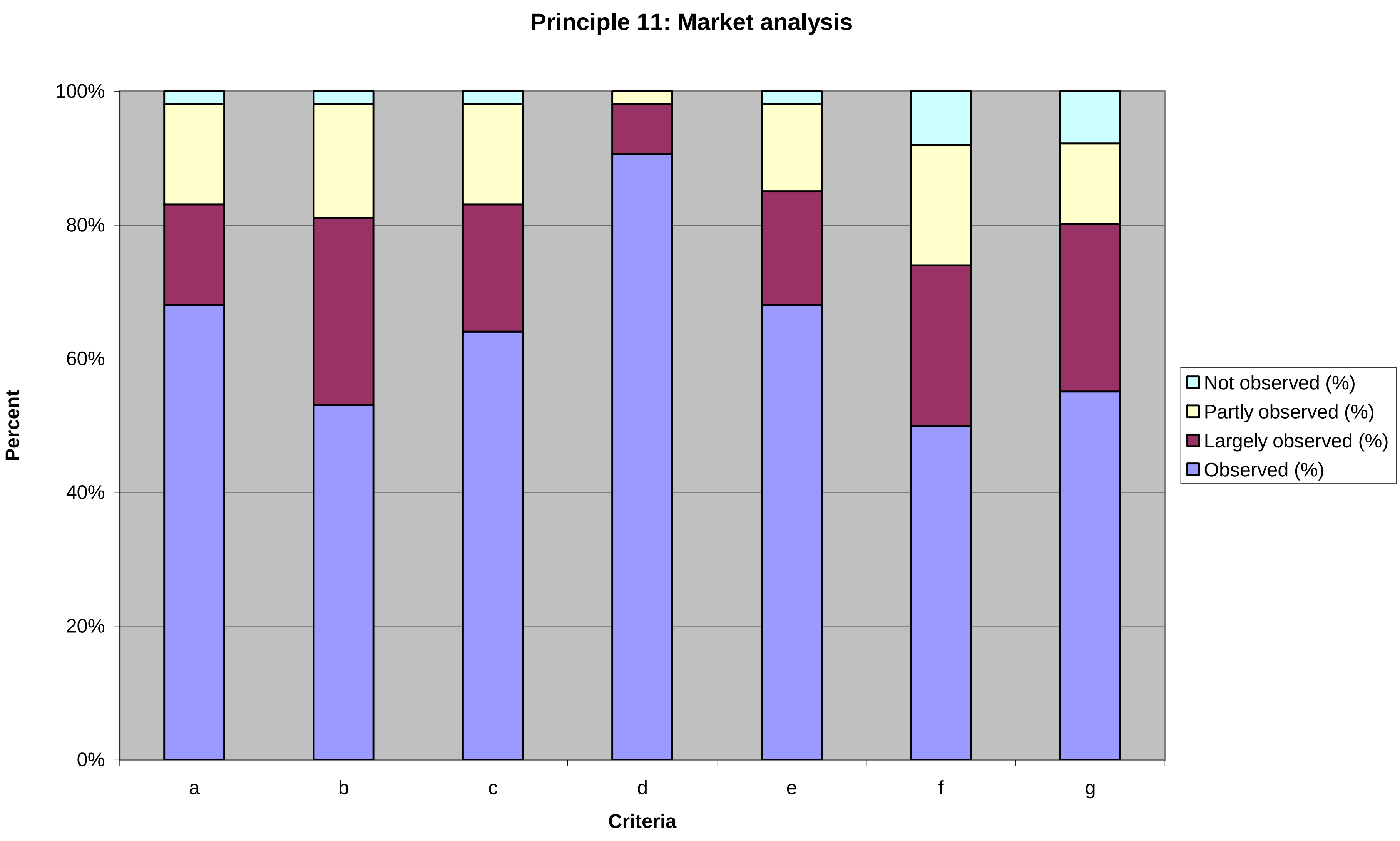
Partly observed (%)
Largely observed (%)
Observed (%)

Annex 5



Principle 11: Market analysis
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Criteria
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Largely observed (%)
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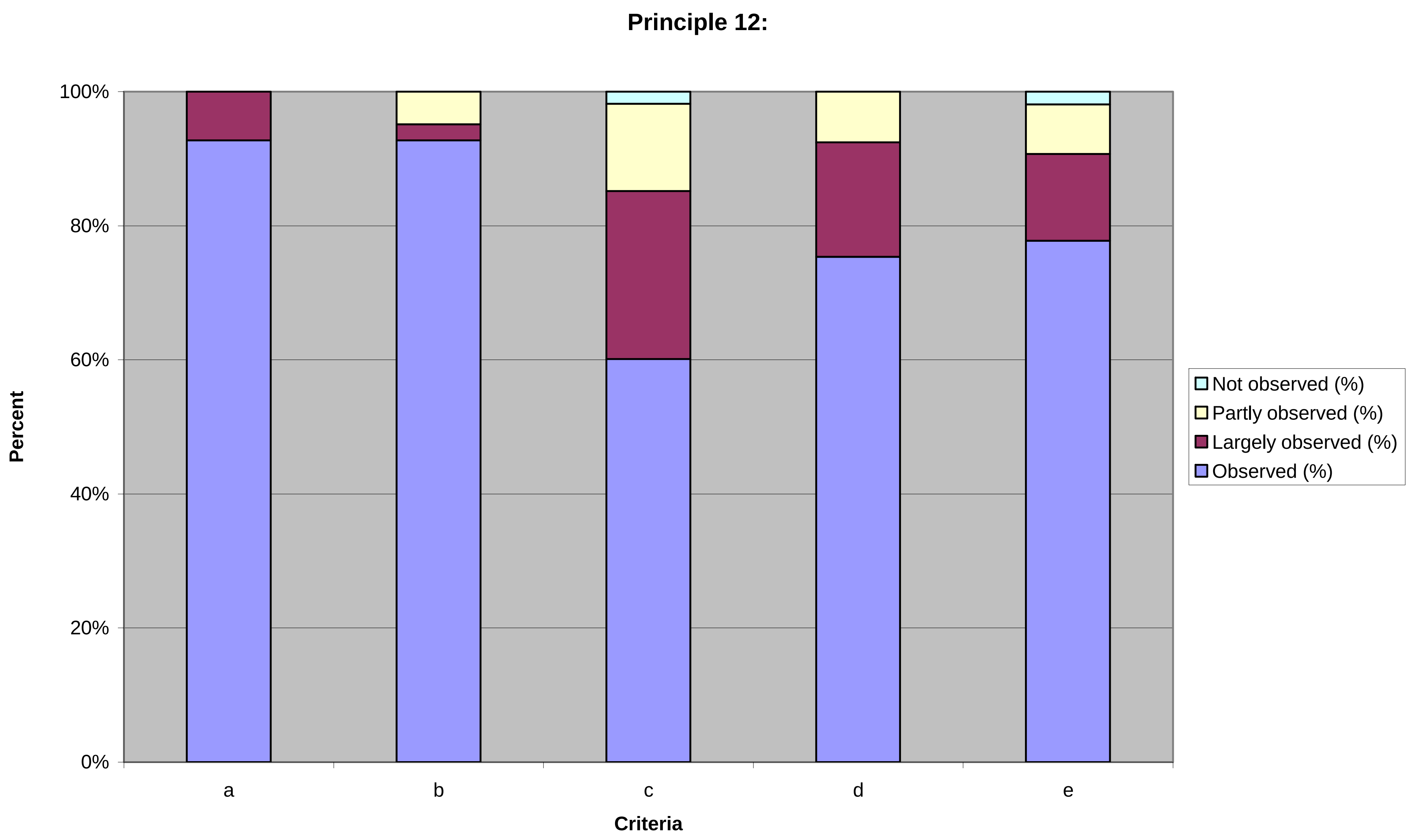
Annex 5



Principle 12:
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Criteria
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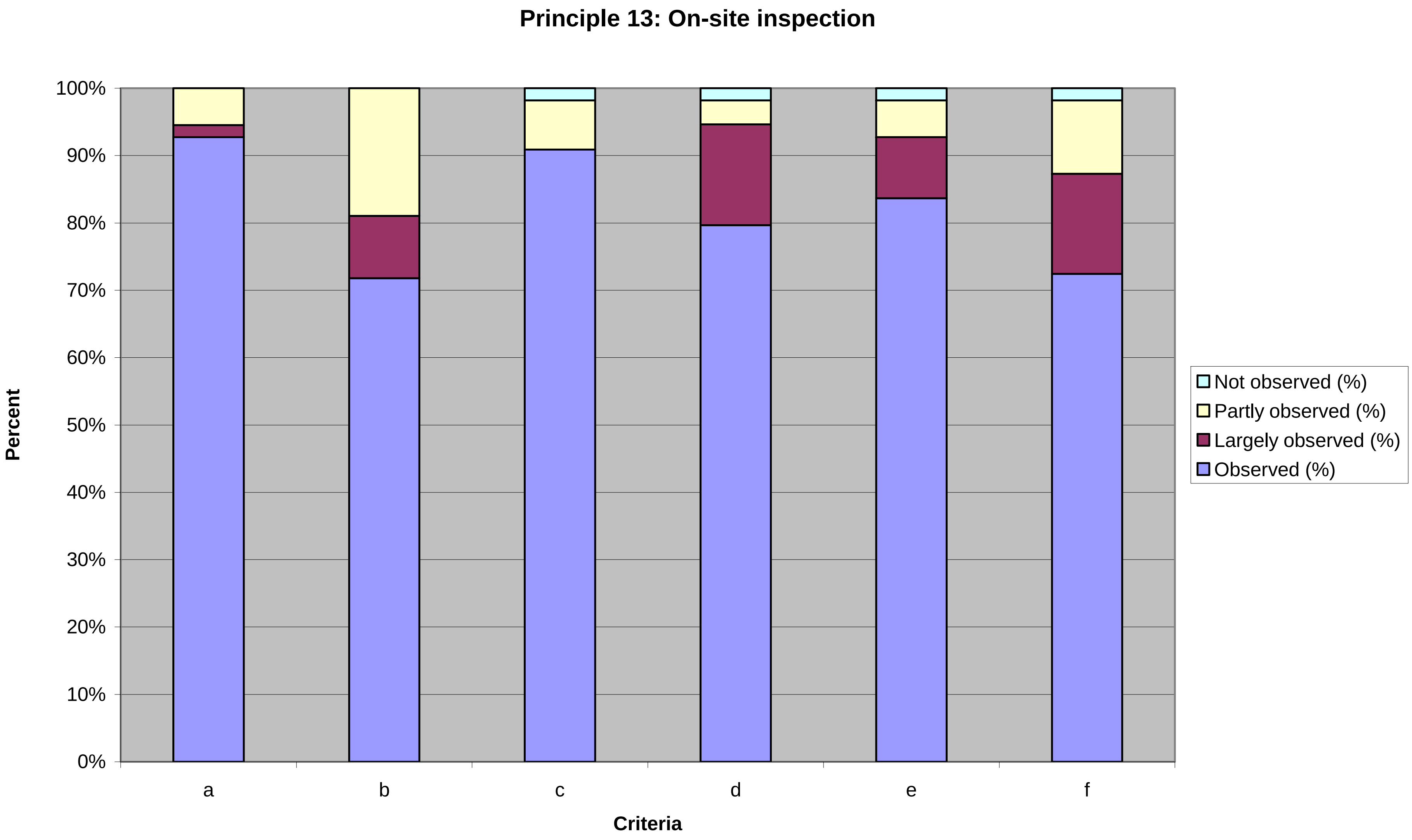
Partly observed (%)
Largely observed (%)
Observed (%)

Annex 5



Principle 13: On-site inspection
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Criteria
Not observed (%)
Partly observed (%)
Largely observed (%)
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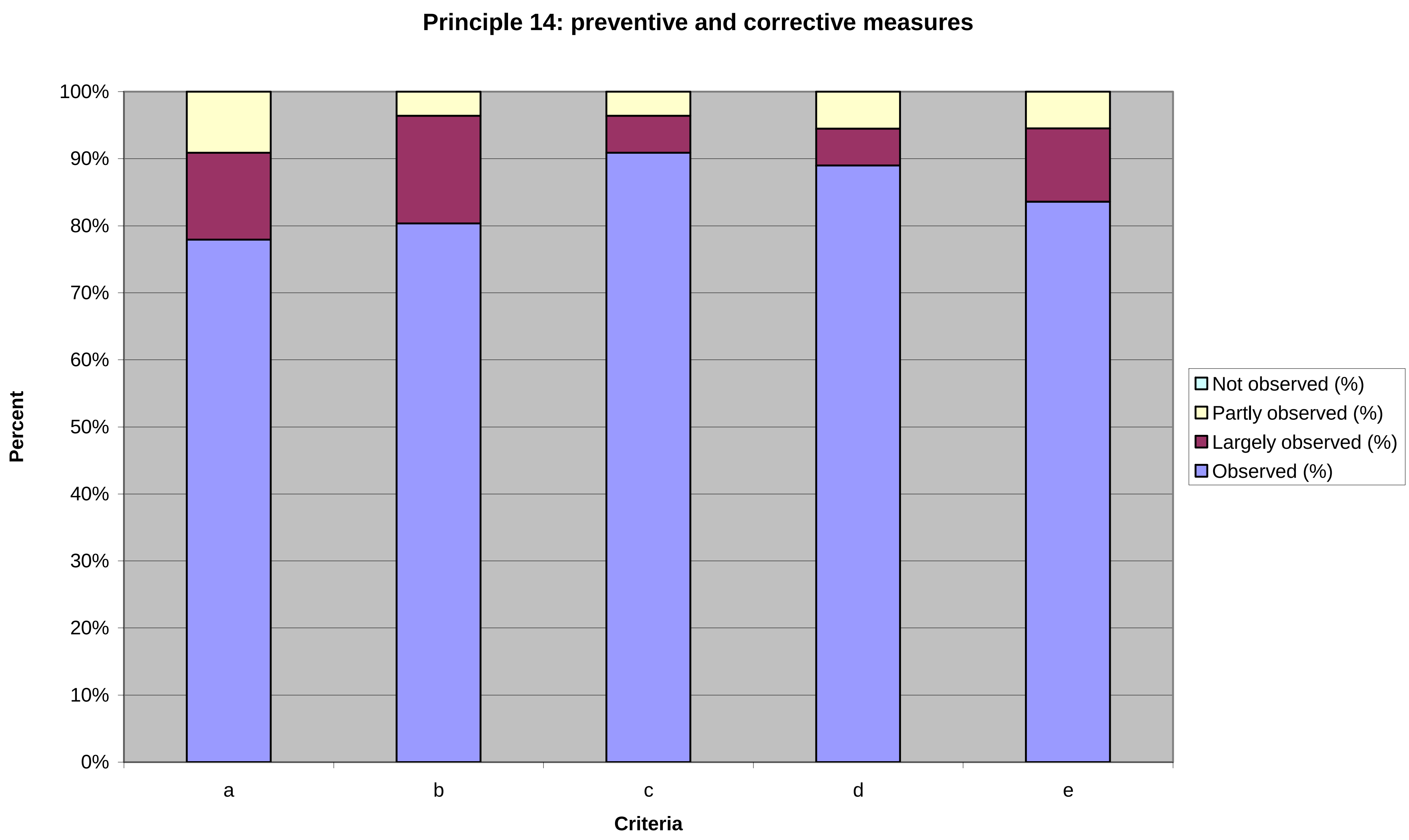
Annex 5


Principle 14: preventive and corrective measures
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Criteria
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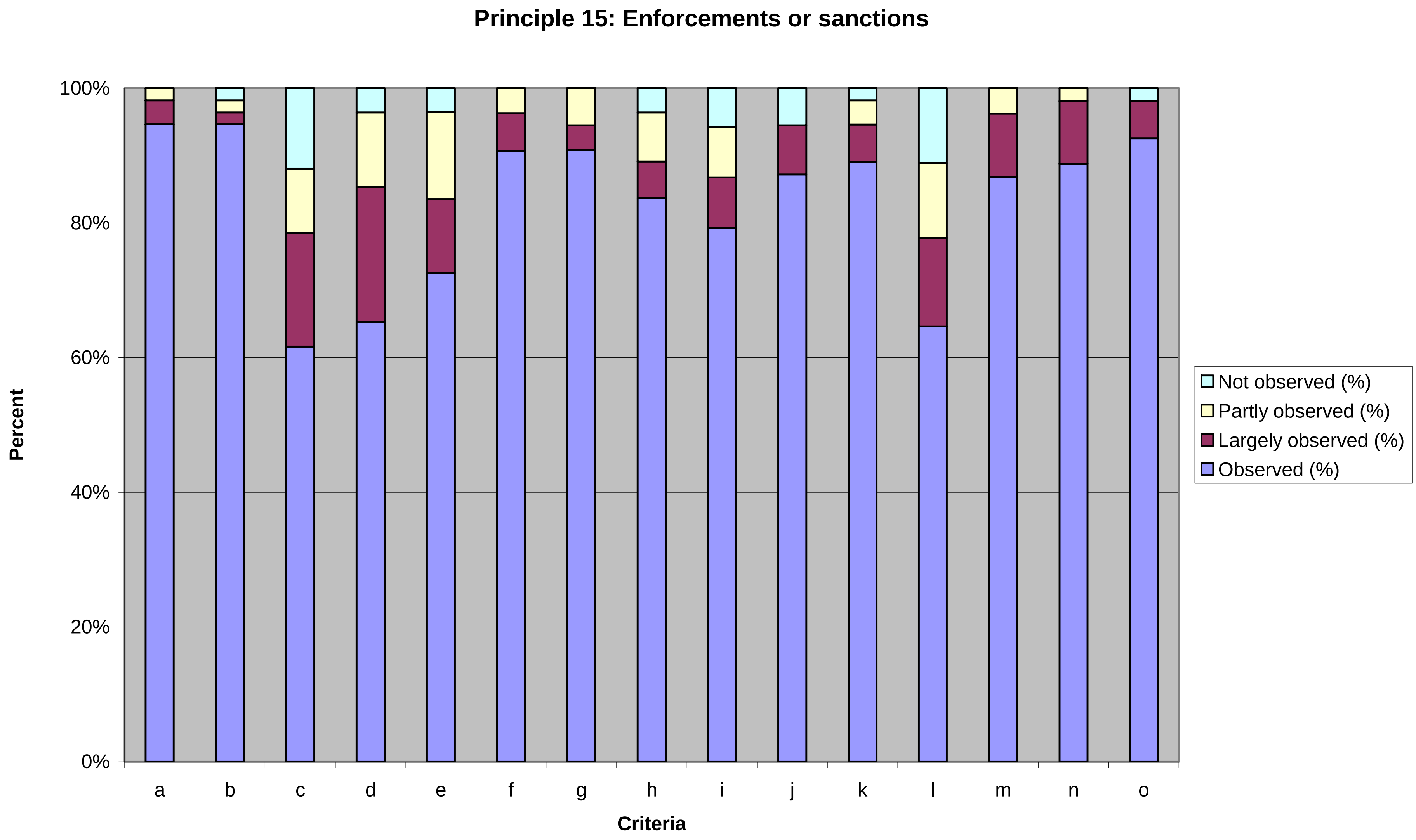
Annex 5


Principle 15: Enforcements or sanctions
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Criteria
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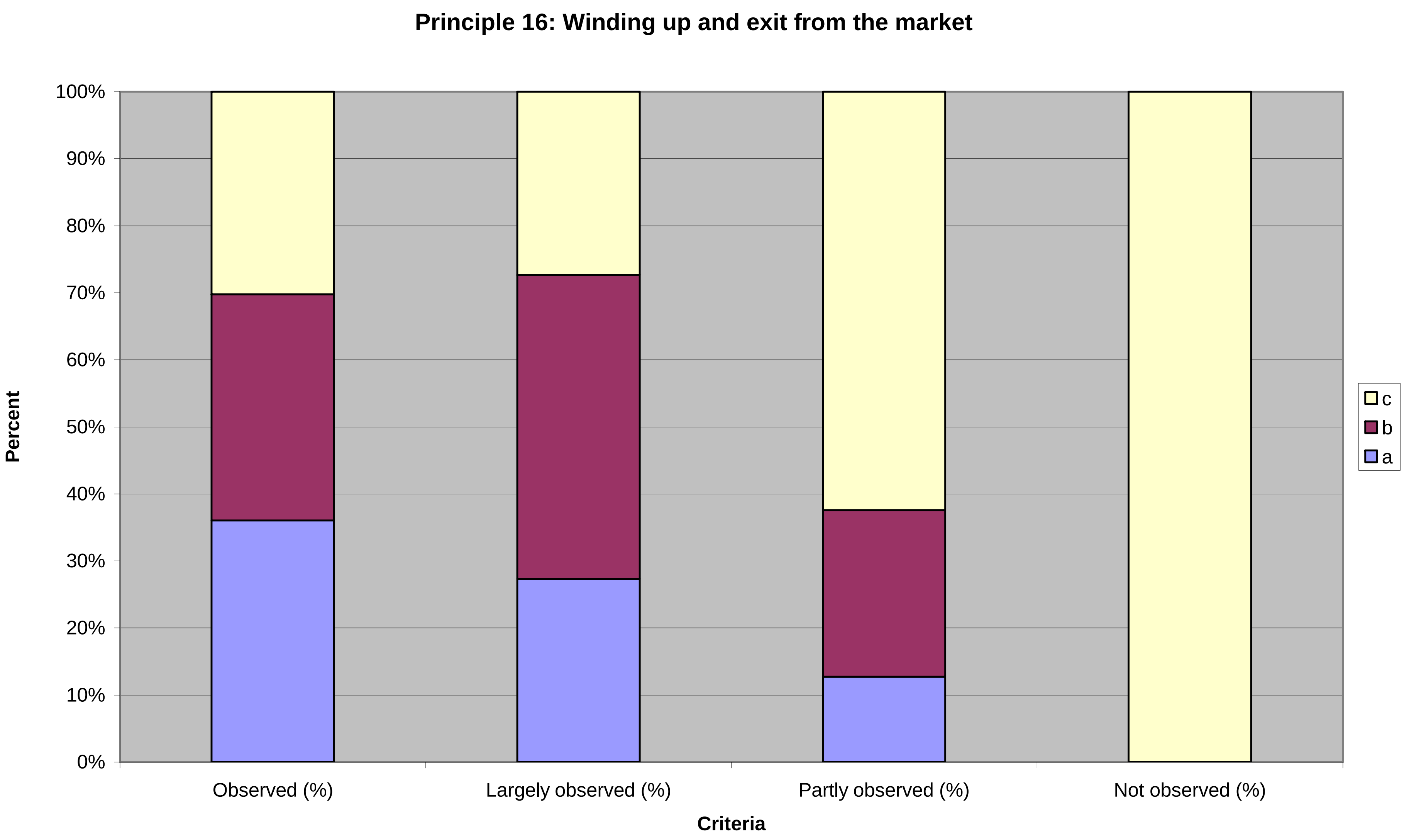
Principle 16: Winding up and exit from the market
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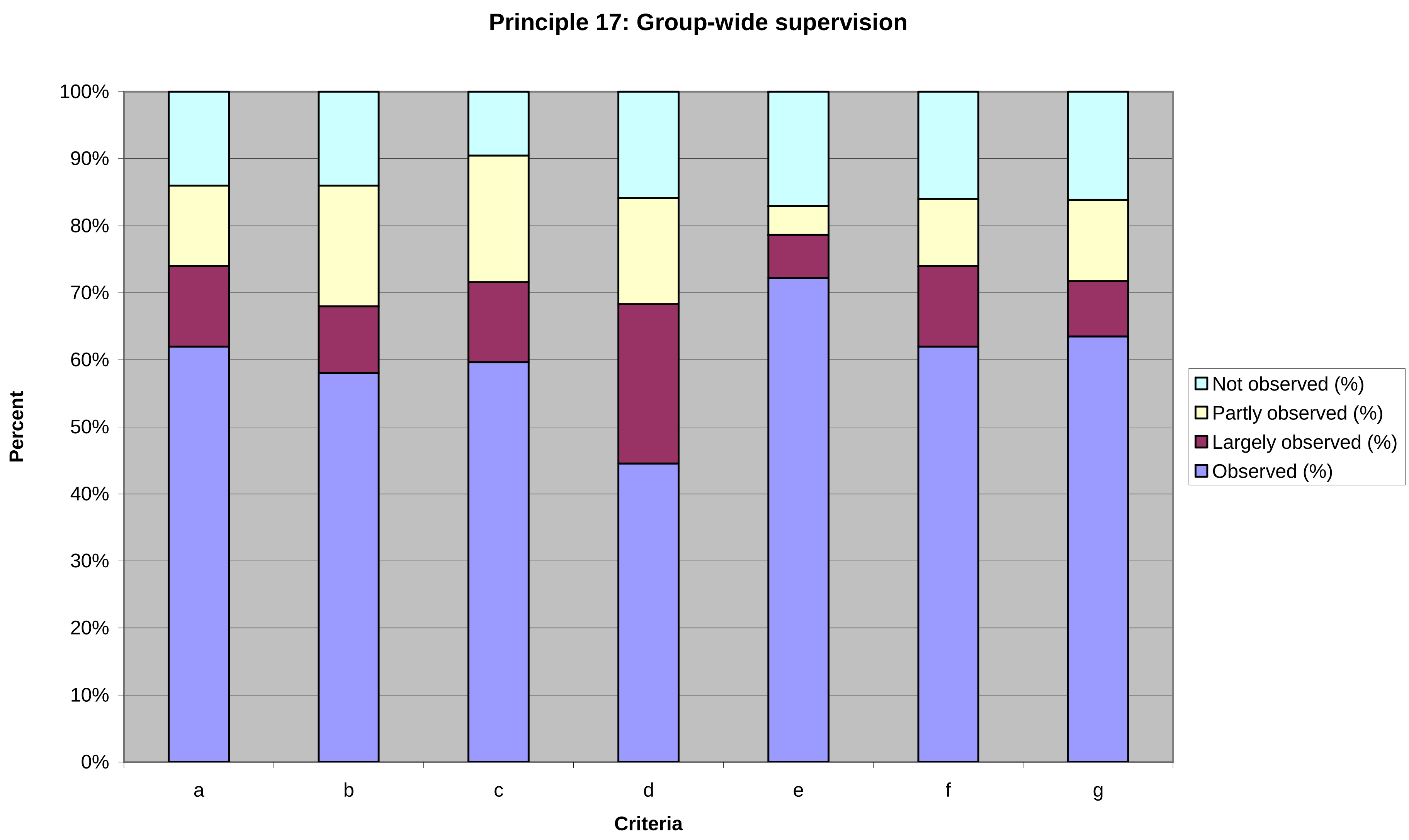
Criteria

Annex 5


Principle 17: Group-wide supervision
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Criteria
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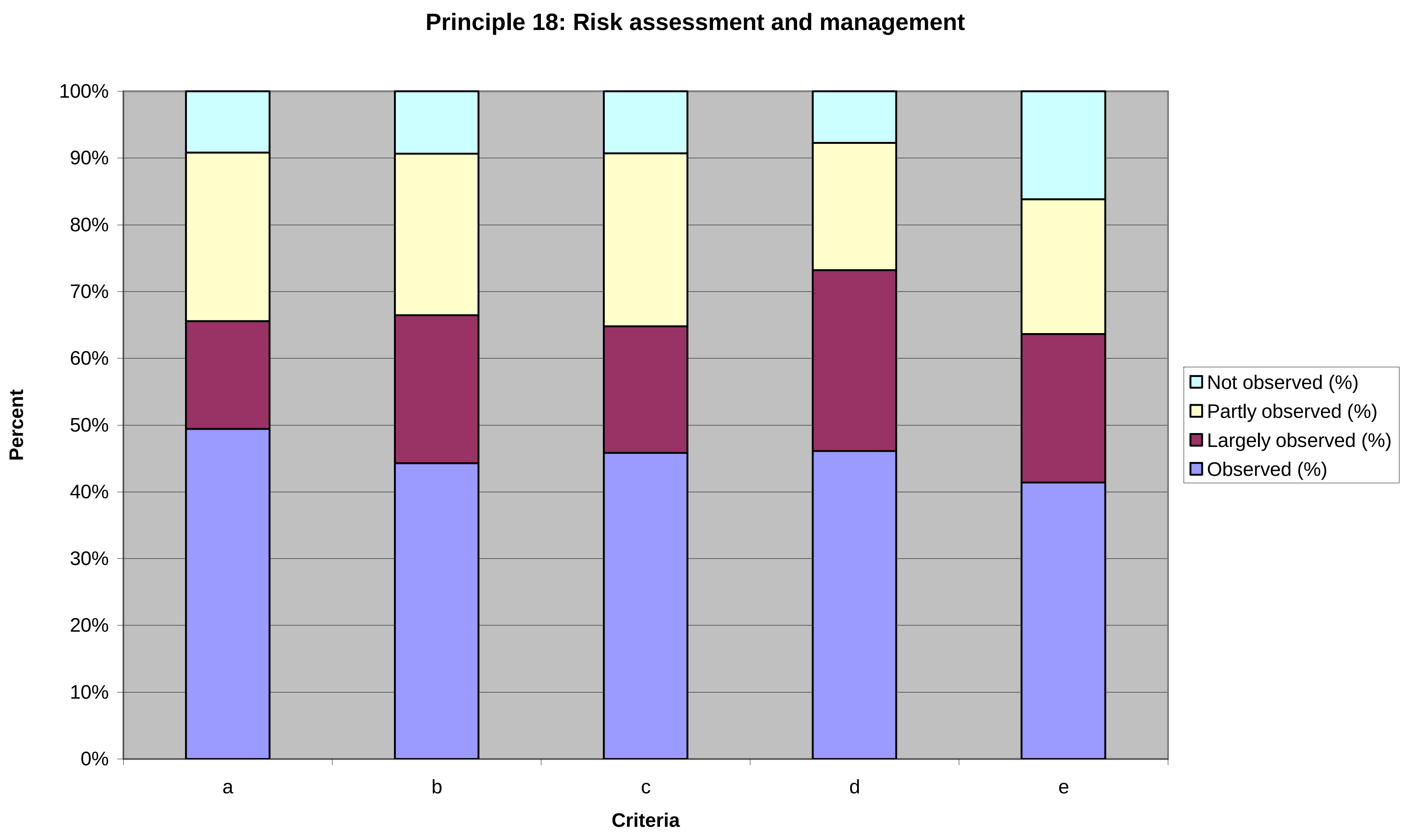
Observed (%)


Principle 18: Risk assessment and management
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Criteria
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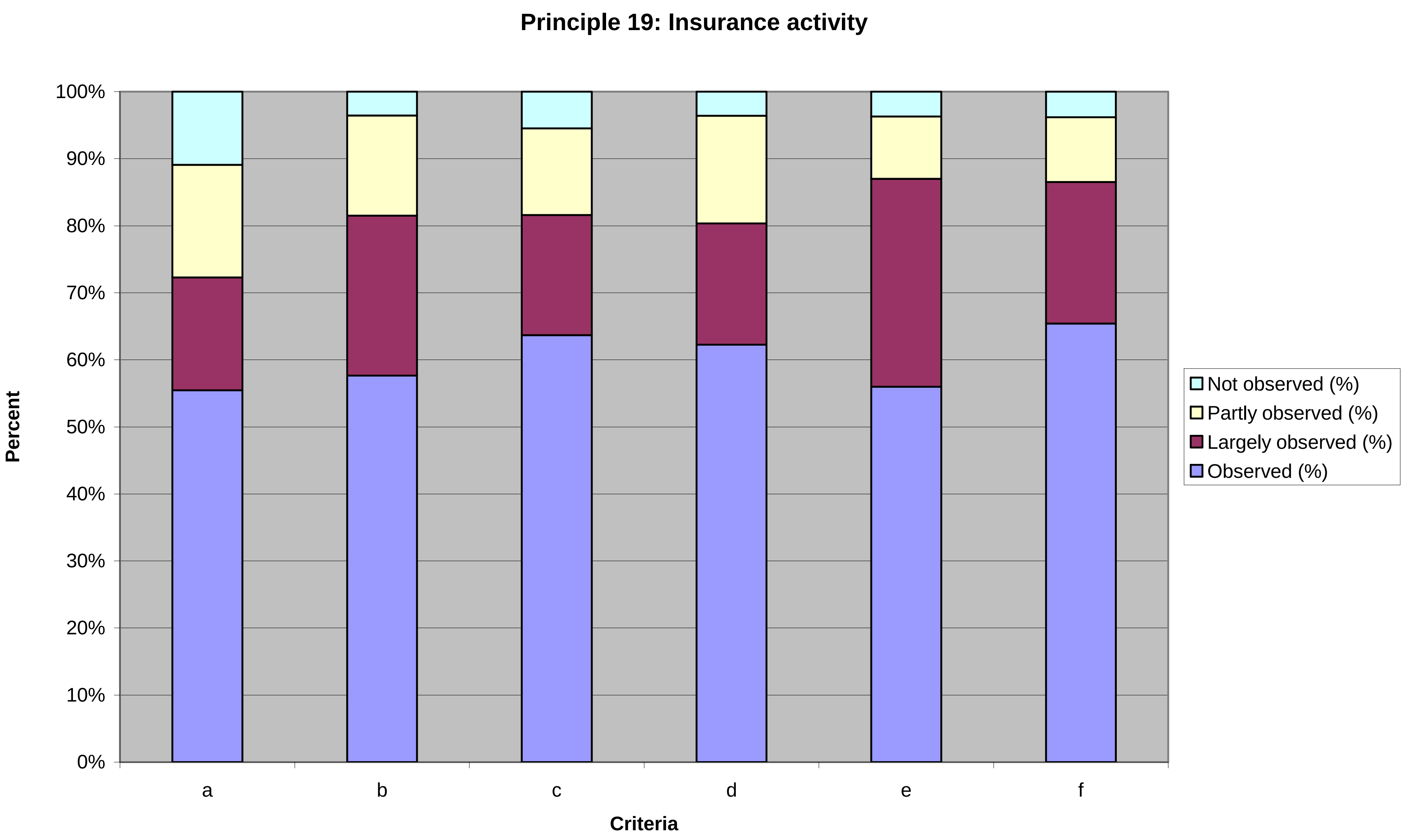
Partly observed (%)
Largely observed (%)
Observed (%)

Annex 5


Principle 19: Insurance activity
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Criteria
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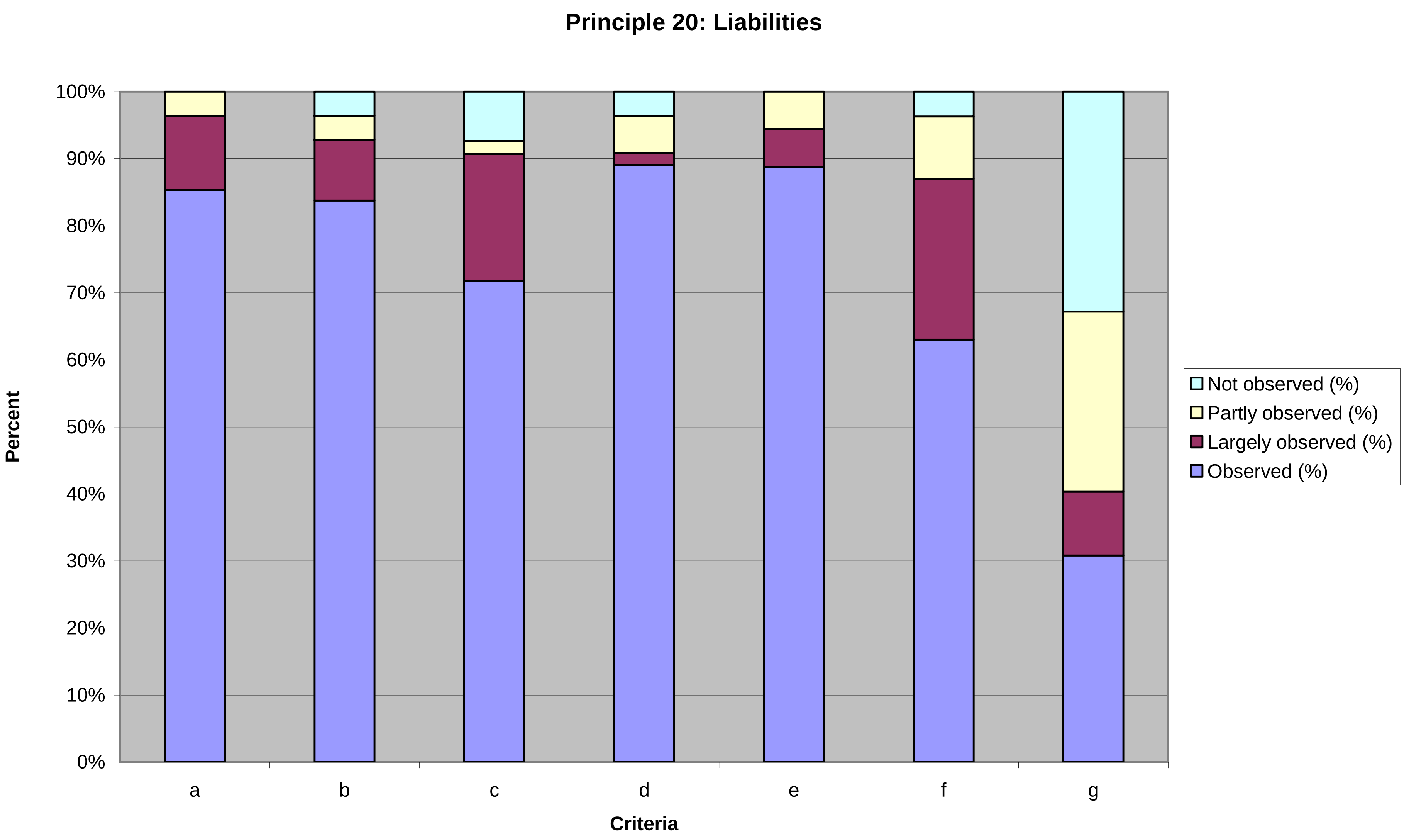
Partly observed (%)
Largely observed (%)
Observed (%)

Annex 5


Principle 20: Liabilities
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Criteria
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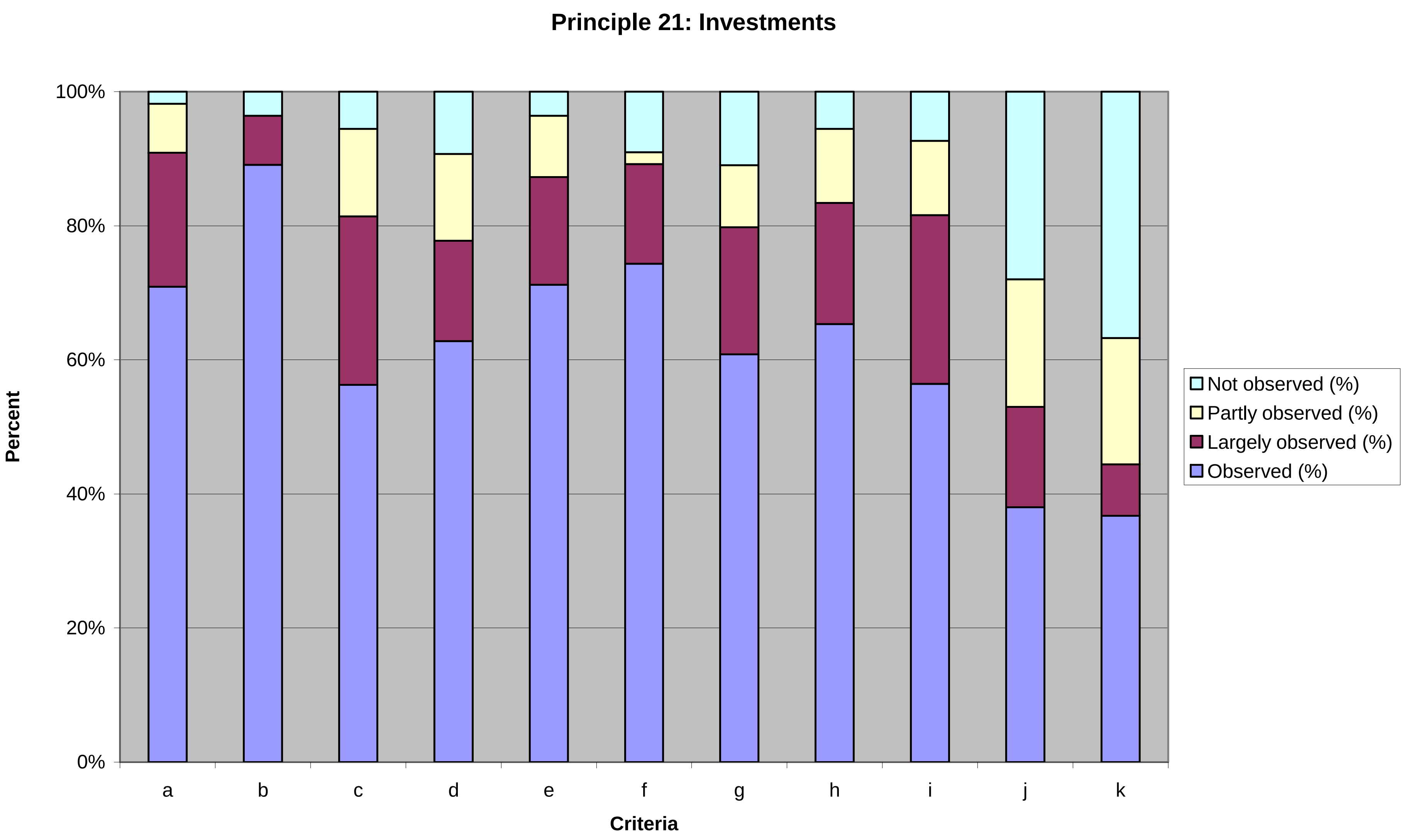
Largely observed (%)
Observed (%)


Principle 21: Investments
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Criteria
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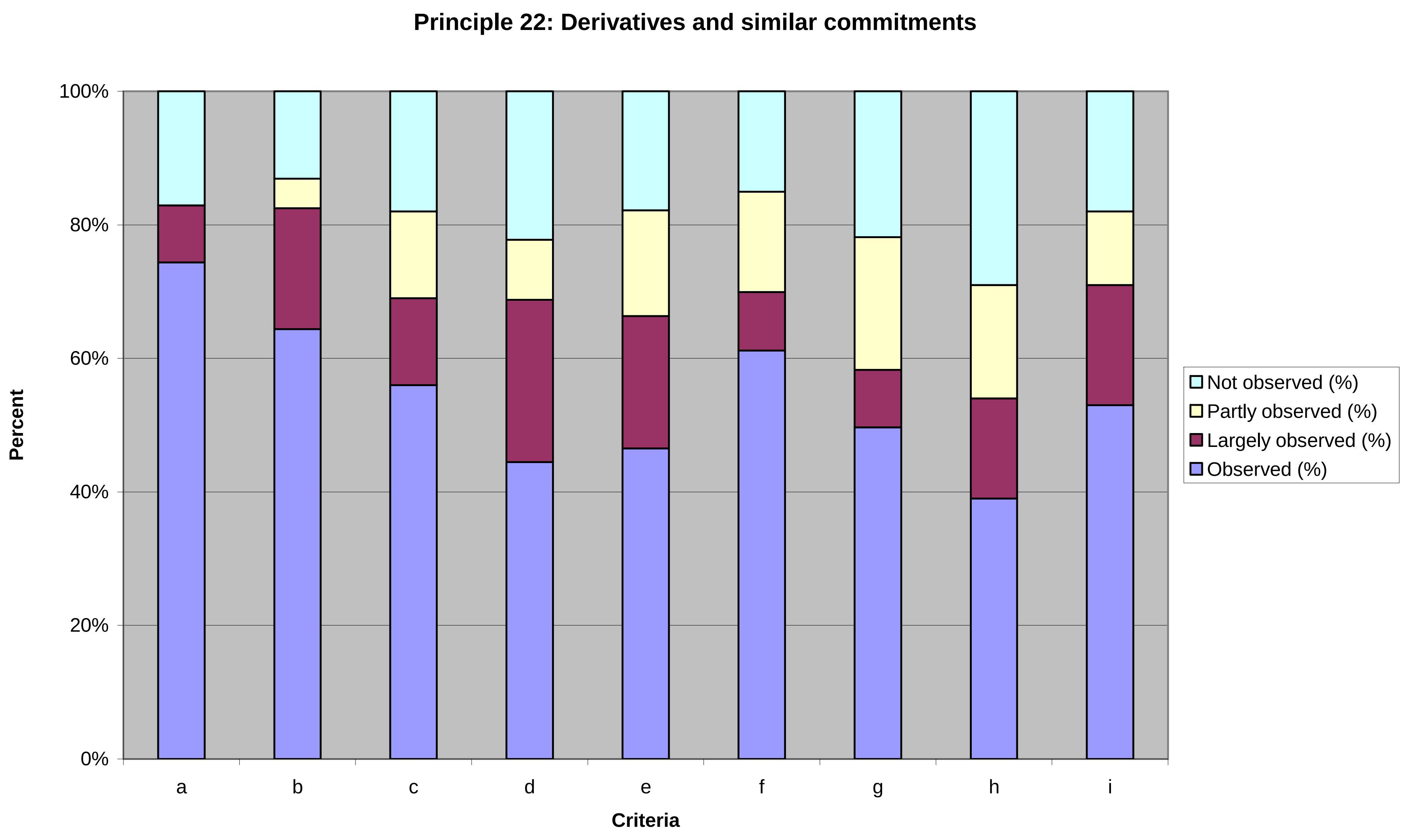
Partly observed (%)
Largely observed (%)
Observed (%)


Principle 22: Derivatives and similar commitments
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Criteria
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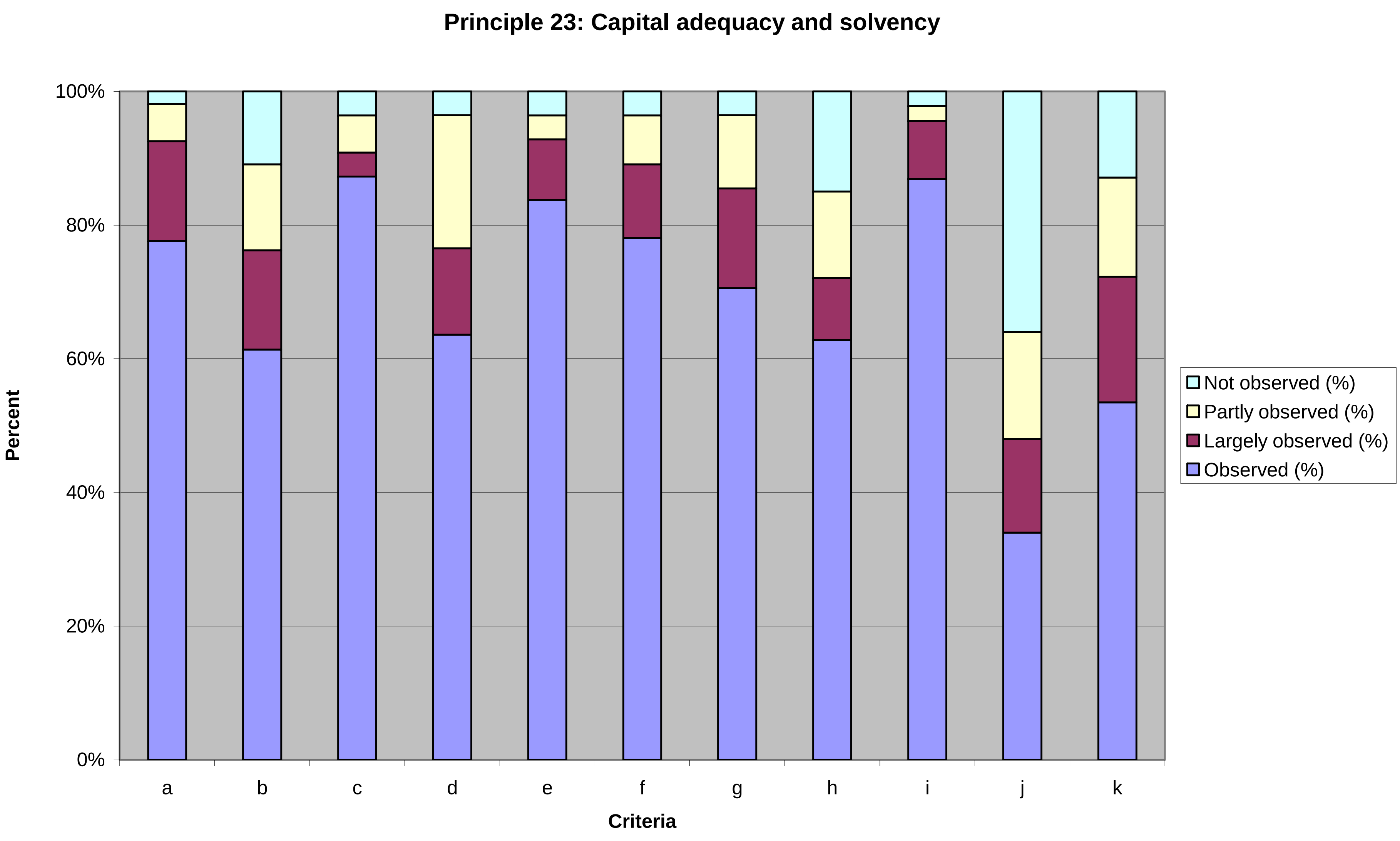
Partly observed (%)
Largely observed (%)
Observed (%)

Annex 5


Principle 23: Capital adequacy and solvency
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Criteria
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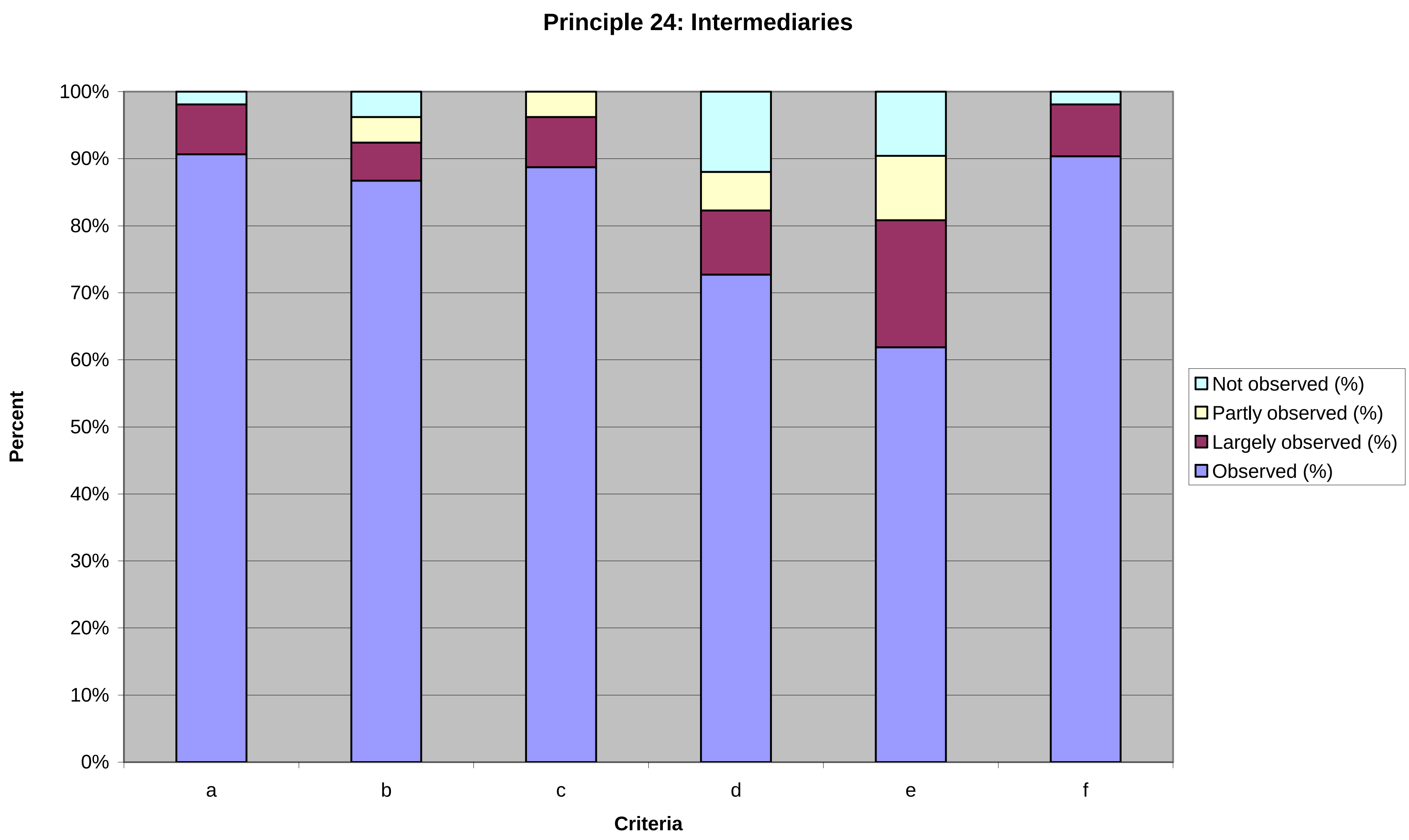
Largely observed (%)
Observed (%)


Principle 24: Intermediaries
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Criteria
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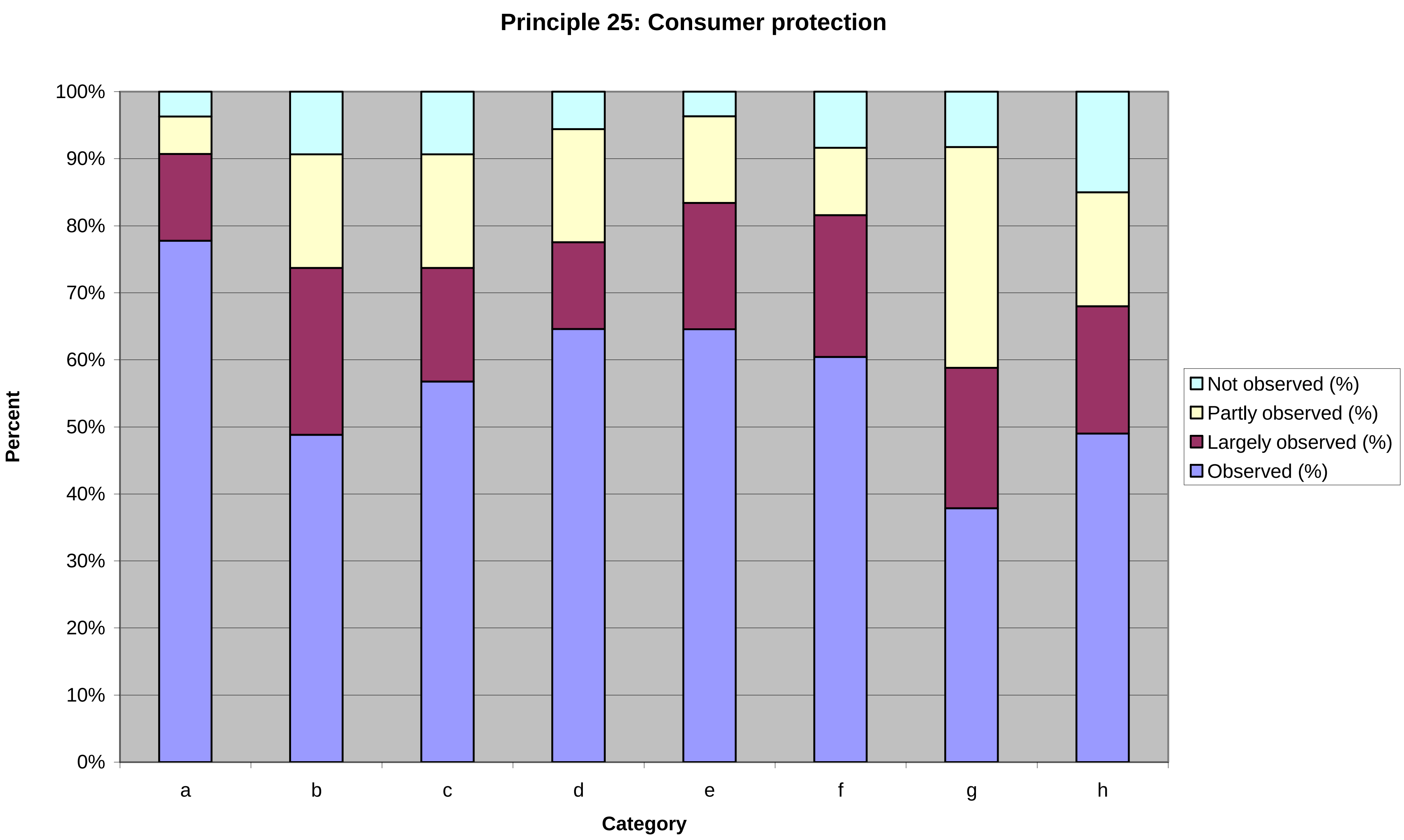
Largely observed (%)
Observed (%)


Principle 25: Consumer protection
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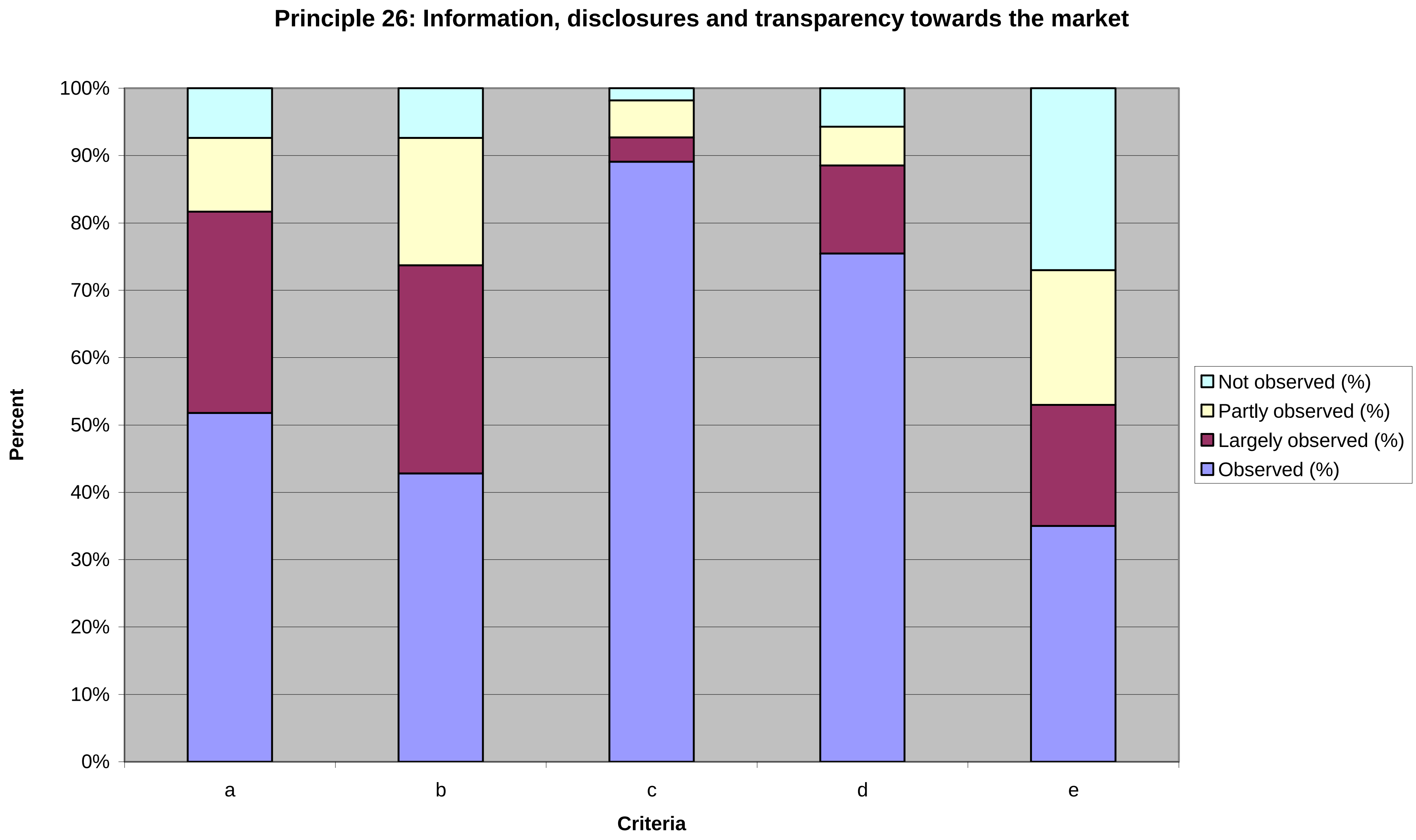
Category
Not observed (%)
Partly observed (%)
Largely observed (%)
Observed (%)


Principle 26: Information, disclosures and transparency towards the market
100%
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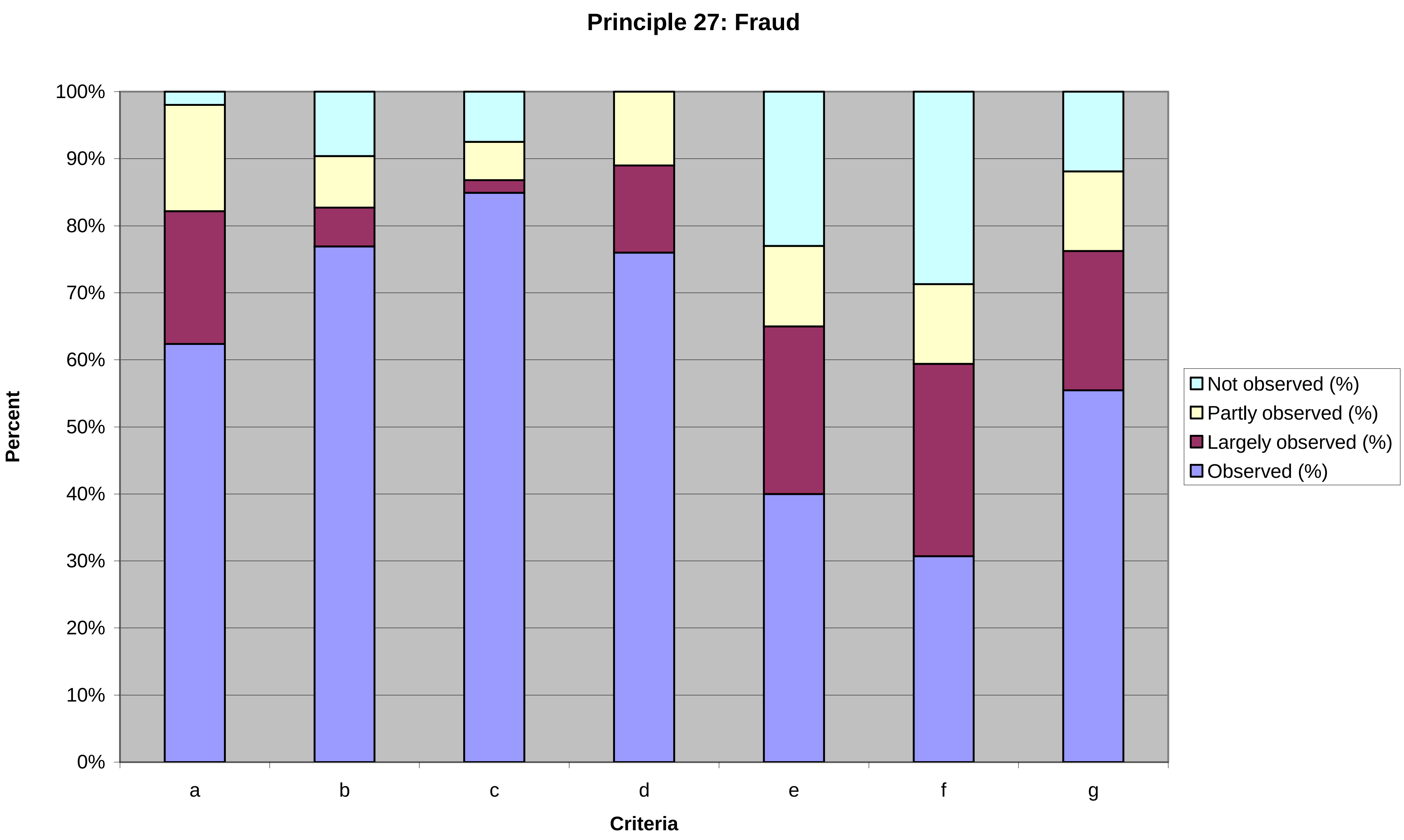
Criteria
Not observed (%)
Partly observed (%)
Largely observed (%)
Observed (%)

Annex 5


Principle 27: Fraud
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Criteria
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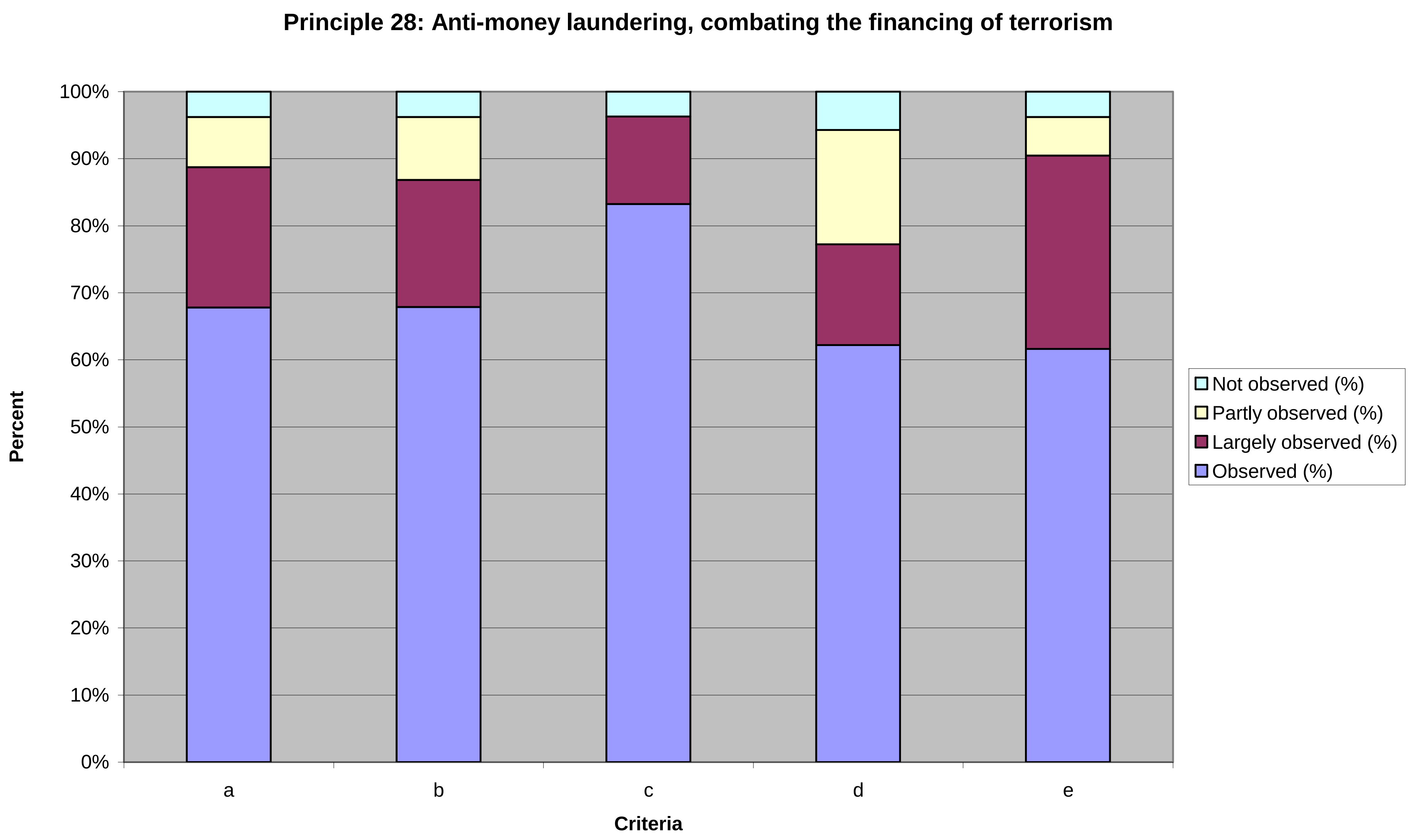
Principle 28: Anti-money laundering, combating the financing of terrorism
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Criteria
Not observed (%)
Partly observed (%)
Largely observed (%)
Observed (%)

Annex 6

Technical assistance requests

ICP	Number of requests	Countries
1.	1	Bhutan
2.	1	Bhutan
3.	1	Bhutan
4.	Nil	
5.	Nil	
6.	Nil	
7.	2	Bhutan, Uganda
8.	1	Uganda
9.	4	Bhutan, Brazil, Poland, Uganda
10.	2	Poland, Uganda
11.	3	Bahrain, Belize, Uganda
12.	2	Bhutan, Pakistan
13.	3	Bhutan, Brazil, Pakistan
14.	1	Bhutan
15.	1	Bhutan
16.	1	Bhutan
17.	2	Mauritius, Poland
18.	4	Bhutan, Pakistan, Poland, Uganda
19.	2	Bahrain, Bhutan
20.	4	Bahrain, Bhutan, Pakistan, Uganda
21.	2	Bhutan, Uganda
22.	3	Lithuania, Mauritius, Peru
23.	4	Bhutan, Brazil, Pakistan, Uganda
24.	1	Bhutan
25.	2	Bhutan, Uganda
26.	Nil	
27.	4	Bhutan, Lithuania, Pakistan, Peru
28.	3	Bhutan, Pakistan, Uganda