

Public consultation on draft revisions to supervisory material related to the Holistic Framework

Public background session

Macroprudential Supervision Working Group (MSWG)
Resolution Working Group (ReWG)

11 April 2024, 14:00-15:00 CEST



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ICPs and ComFrame

The Insurance Core Principles (ICPs) form the **globally accepted framework for insurance supervision**. The ICPs seek to encourage the maintenance of consistently high supervisory standards in IAIS member jurisdictions. It applies to all insurers.

The Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame) builds on ICPs and establishes **supervisory standards** and guidance **focusing on** the effective group-wide supervision of **Internationally Active Insurance Groups (IAIGs)**.

The **proportionality principle** applies to the ICPs and ComFrame, which allows supervisors to tailor their requirements to the size, complexity and risk profile of insurance companies.

Holistic Framework

The IAIS [Holistic Framework](#) is an integrated set of key elements aimed at assessing and mitigating systemic risk in the global insurance sector. It was adopted in November 2019 by the IAIS to replace the (annual) global systemically important insurers (G-SII) identification process. The framework consists of three main elements: **supervisory material**, a global monitoring exercise, and an implementation assessment.

As part of this, new and revised supervisory material (ICPs and ComFrame) were adopted in November 2019 in order to improve the assessment and mitigation of systemic risk in the insurance sector.

Holistic Framework supervisory material

The areas where new supervisory material were adopted and enhanced are:

- **Macroprudential supervision:** Enhance the link of macroprudential supervision to supervisory review and reporting. Set requirements on Macroprudential Supervision. (ICP 9.1, 9.2 and 24)
- **Requirements on insurers:** Enterprise Risk Management requirements related to liquidity risk, counterparty exposures and macroeconomic exposure. Public disclosure requirement for liquidity risk (ICP 16 and 20.11)
- **Crisis management and planning:** Coordination of crisis management preparations, requirement on recovery plans and resolution plans and resolution framework powers (ICP 25.7, 16.15, 12)
- **Powers of intervention:** Preventive and corrective measures (ICP 10.2 and 10.3)

Background of this consultation

As part of its endorsement by the Financial Stability Board (FSB), the IAIS committed to consider lessons learnt from its implementation, particularly through the Targeted Jurisdictional Assessments (TJAs), which are intensive assessments of the implementation of the Holistic Framework supervisory material.

Accordingly, the IAIS has reviewed certain ICPs and related ComFrame standards that form part of the Holistic Framework supervisory material.

This consultation covers proposed revisions to supervisory material that incorporate lessons learnt, enhance clarity on intended outcomes, ensure consistency in interpretation and avoid unintended consequences.

Background (cont'd)

- The revisions include:
 - Standards and guidance material related to liquidity risk, counterparty risk appetite, contingency funding plans in ICP 16 (Enterprise Risk Management (ERM) for Solvency Purposes); and
 - Standards and guidance material related to recovery and resolution plans and resolution powers in ICP 12 (Exit from the Market and Resolution), ICP 16 and related ComFrame material.
- The revisions are planned to be finalised, taking into account consultation feedback, by the end of 2024, following which the IAIS will also prepare and consult on necessary updates to the associated supporting material (“application papers”).



Timelines and process of this consultation

- The consultation period is 27 March to 27 June 2024 24:00 CEST.
- Feedback is sought on the draft revision to ICP 12 and 16 and their related ComFrame standards.
- Submit your feedback via the consultation tool accessed via the [consultation page](#).
- A final version of the material, informed by consultation feedback, is anticipated in Q4 2024, following adoption by the IAIS AGM.

Proposed changes to ICP 16 related to liquidity risk, counterparty risk appetite, contingency funding plans

ICP 16.6 (Counterparty risk)

- **ICP 16.6 and CF16.6.b:**
 - The current standards require insurers' ERM framework *“to include an explicit investment policy that.... includes a counterparty risk appetitive statement”*
 - The proposed changes make the standard less prescriptive by allowing the counterparty risk appetite to be *specified* within the investment policy.
 - There are also minor changes to the guidance to align it with the proposed changes to the standard.

ICP 16.9 (contingency funding plan)

- **ICP 16.9 and CF 16.9.c:**

- The current standard requires the insurer to “*establish more detailed liquidity risk management processes, as part of its ERM framework, that include....a contingency funding plan*”.
- There are no proposed changes to the standards. However, there are proposed changes to the *guidance* clarify that the *contingency funding plan*, at the discretion of the supervisor, may be either a standalone document or integrated fully and comprehensively into another document as part of other elements of the ERM.
- There are proposed changes to the numbering of the guidance to improve clarity.

Questions?

Proposed changes to ICPs 12 and 16 related to recovery and resolution plans and powers

ICP 12.3/.4 and related CF (Resolution plans)

- At the ICP standard level, the IAIS proposes to include a requirement for supervisors and/or resolution authorities to have a process to prepare for resolution in general (ICP 12.3); and a separate requirement for a process to regularly assess which insurers must have a resolution plan (ICP 12.4).
- This means that it is proposed to move the resolution plan requirement from ComFrame to the ICPs, to be applied to not only “IAIGs, as necessary”, but all insurers as necessary based on established criteria, and at a minimum for any insurer that is assessed to be systemically important or critical if it fails.
- These proposed changes are made to ensure consistency in determining insurers in scope of the requirement, recognising that resolution plans may also be needed for non-IAIGs, and to align the standards with the [FSB Key Attributes of Effective Resolution Regimes for Financial Institutions](#)

ICP 12.8 and CF12.8.a-i (Resolution powers)

- New language is proposed for ICP 12.8 to clarify the meaning of "an appropriate range of powers" and ensure global consistency.
- The resolution powers are grouped into eight separate categories. Also, the following powers that originally were only included in ComFrame are added to the ICP, as they may also be relevant for resolving an insurer that is not an IAIG:
 - temporarily stay early termination rights associated with derivatives and securities financing transactions;
 - establish a bridge institution; and
 - take steps to provide continuity of essential services and functions.
- At the ComFrame level, instead of covering all required resolution powers in one standard, these are proposed to be covered in multiple standards, thereby allowing for a more precise implementation assessment.

ICP 16.15 and new ICP 16.16 (Recovery plans)

- The proposed changes for recovery plans are made to align with those for resolution plans in ICPs 12.3 and 12.4, noting that:
 - Insurers are required to evaluate in advance their specific risks and options in possible recovery scenarios; and
 - The scope of requirement for the development of a recovery plan is aligned with that of a resolution plan (ie, based on established criteria, and at a minimum for any insurer that is assessed to be systemically important or critical if it fails).

Consultation questions

The IAIS is inviting general comments on the draft revisions and comments on each of the sections in ICPs and ComFrame, and feedback on the following additional questions:

- **Question related to ICP 12.3 and ICP 16.15:** The requirements are to be applied to the sector as a whole, but in a proportionate manner, striking a balance between effective supervision and avoiding undue burden on smaller or less complex insurers. There may be a need to further specify the application of the principle, and the IAIS is inviting feedback and examples.
- **Question related to CF 12.4.a:** Recovery plans are required for all IAIGs. Resolution plans are required to be in place, at a minimum, for any insurer assessed to be systemically important or critical if it fails (regardless of their status as an IAIG). We are seeking feedback on the possibility to require all IAIGs to have a resolution plan in place.

Questions?



Thank you