Committee Chair Dialogue

11 JULY
IAIS work programme 2024

- Risk assessment and maintenance of financial stability
- Finalising post-crisis reforms (Insurance Capital Standard, Holistic Framework)
- Addressing risks and opportunities of accelerating trends
- Implementation support and assessment

Collaboration and Coordination
Macroprudential Committee
Dieter Hendrickx
IAIS risk assessment through the GME

Global Monitoring Exercise (GME) data collected from ~60 of the largest international insurance groups as well as 45 supervisors, covering >90% of global gross written premiums.

• Annual report to FSB.
• Report to participating insurers and supervisors.
• Aggregate findings disclosed in the year-end Global Insurance Market Report (GIMAR), with an interim update in July.
• Public consultation on ancillary indicators expected in Q4 2024.

Themes in focus of 2024 GME:
• Interest rate, liquidity and credit risks in a challenging macroeconomic environment
• Structural shifts in the life insurance sector, including greater allocation of capital to alternative assets and increased reliance on cross-border asset-intensive reinsurance
Solvency and liquidity positions remained strong. Participating insurers expect stability over the next two years

- Uncertainty on global macroeconomic trajectory – impacted by geopolitical risk, financial market volatility.

Aggregate systemic risk scores increased: driven mostly by level 3 assets

- Further analysis to evaluate options for a more comparable, substance-based risk assessment of mark-to-model assets that is less dependent on accounting treatment.
Theme 1: Interest rate, liquidity and credit risks in a challenging macroeconomic environment

The global economy has demonstrated strong resilience. Growth could be negatively affected by prolonged high interest rates in certain markets, high government debt, a tightening in monetary and/or fiscal policies and geopolitical tensions.

Specific areas of attention under this theme:

• **Interest rate and liquidity risks**, stemming from eg lapses and surrenders, funding pressures, and derivatives margin calls

• **Credit risk**, including debt sustainability of fixed-income assets and second-round effects from commercial real estate (CRE) exposures

• Transmission channels from **geopolitical risks**

• The impact of **digitalisation and artificial intelligence (AI)** on these risks.
Theme 2: Structural shifts in the life insurance sector

Trends partly driven by insurers either owned by – or whose assets are managed by – private equity (PE) groups. PE groups have brought welcome investment but trend raises concerns about potential conflicts of interest, increased risk-taking and internal governance issues.

Growing investment in alternative assets

- Increased exposure to risks:
  - Liquidity
  - Valuation
  - Hidden leverage
  - Credit
- Potential conflicts of interest with affiliated-party transactions

Cross-border asset-intensive reinsurance*

- Knowledge gaps re. offshore prudential frameworks
- Limited information exchange
- Potential conflicts of interest within corporate structures
- Jurisdictional and reinsurer-level concentration risks
- Possible herd behaviour amongst insurers

IAIS Issues Paper 2025

- Share IAIS member practices for supervising risks associated with alternative assets
- Develop a principles-based classification for alternative assets for purposes of the analysis
- Explore supervisory practices to managing risks of cross-border asset-intensive reinsurance – including understanding different jurisdictional approaches to capital, collateral, reserving, and asset valuation
- Identify potential gaps in IAIS supervisory material (ie, principles, standards and guidance) on reinsurance.

* Reinsurance across borders whereby a material part of the investment risk is also transferred to the reinsurer
Policy Development Committee
Matt Walker
Insurance Capital Standard (ICS)

On track to finalise the ICS as a prescribed capital requirement (PCR) by end 2024

<table>
<thead>
<tr>
<th>Time</th>
<th>Task / milestone</th>
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<tbody>
<tr>
<td>February</td>
<td>Finalisation of the analysis of 2023 ICS Monitoring Period exercise and of the 2023 ICS public consultation responses (including those related to the Economic Impact Assessment)</td>
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<td>March</td>
<td>Specifications of the candidate ICS for the last year of the monitoring period</td>
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<td>April</td>
<td>Launch of 2024 Monitoring Period exercise</td>
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<td>End July</td>
<td>2024 ICS Monitoring Period exercise data due</td>
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<td>August – October</td>
<td>Data analysis and potential refinements to the ICS</td>
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<td>December</td>
<td>Planned adoption of the ICS as a PCR. Publication of the: ICS level 1 and level 2, calibration document, resolution of comments to the 2023 public consultation and the Economic Impact Assessment report</td>
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Recovery and resolution

Consultation on the proposed changes to the ICPs and ComFrame standards related to recovery and resolution plans and powers recently closed

The IAIS annually reports to the Financial Stability Board on the implementation of the Holistic Framework, including key outcomes of the GME and collective discussion and details on implementation of recovery and resolution regimes.
Operational Resilience

- Developing **objectives and an accompanying toolkit** to support insurance supervisors in their oversight of insurance sector operational resilience.

- A consultation of the objectives will be launched in August, followed by a consultation of the accompanying toolkit in early 2025.
Conduct and culture

Across Market Conduct Working Group (MCWG) and Governance Working Group (GWG) we are exploring topics such as:

- Potential unfair treatment of customers in relation to natural catastrophe protection products or sustainability-focused products (for example “greenwashing” or misleading information).
- How remuneration policy and practice can drive good outcomes for insurance companies and their customers.
- More forward-looking and outcomes-based approaches to conduct supervision, particularly through the use of data as conduct indicators.
Implementation and Assessment Committee
Peter Braumüller
Financial Inclusion and Protection Gaps

Updating our Application Paper on inclusive insurance to reflect changes in the regulatory landscape and the impact of technology since the paper’s original publication in 2012.

Continued work on protection gaps following the publication “A call to action”:

- Collaboration with the OECD on the G7 High-Level Framework on Public-Private Insurance Programmes against natural hazards
- Support for A2ii in collaboration with SUGESE and Global Shield
- 2025 GIMAR special topic to focus on financial stability impact of NatCat protection gaps
Implementation assessment

Current in-depth assessment of Sultanate of Oman as part of the Member Assessment Programme. Costa Rica will be next.


Second wave of targeted jurisdictional assessments of implementation of Holistic Framework supervisory material in six jurisdictions: Australia, Bermuda, Italy, Singapore, South Africa and Spain.
Capacity building

Our six forums continue to provide platforms for sharing supervisory practices:

- Financial Crime Forum
- Financial Inclusion Forum
- FinTech Forum
- Retirement Income and Pensions Forum
- Risk-bases Solvency Implementation Forum
- Supervisory Forum

Continued support from our implementation partners at A2ii, FSI, IAA and Toronto Centre.