



9 - 11 JULY 2024

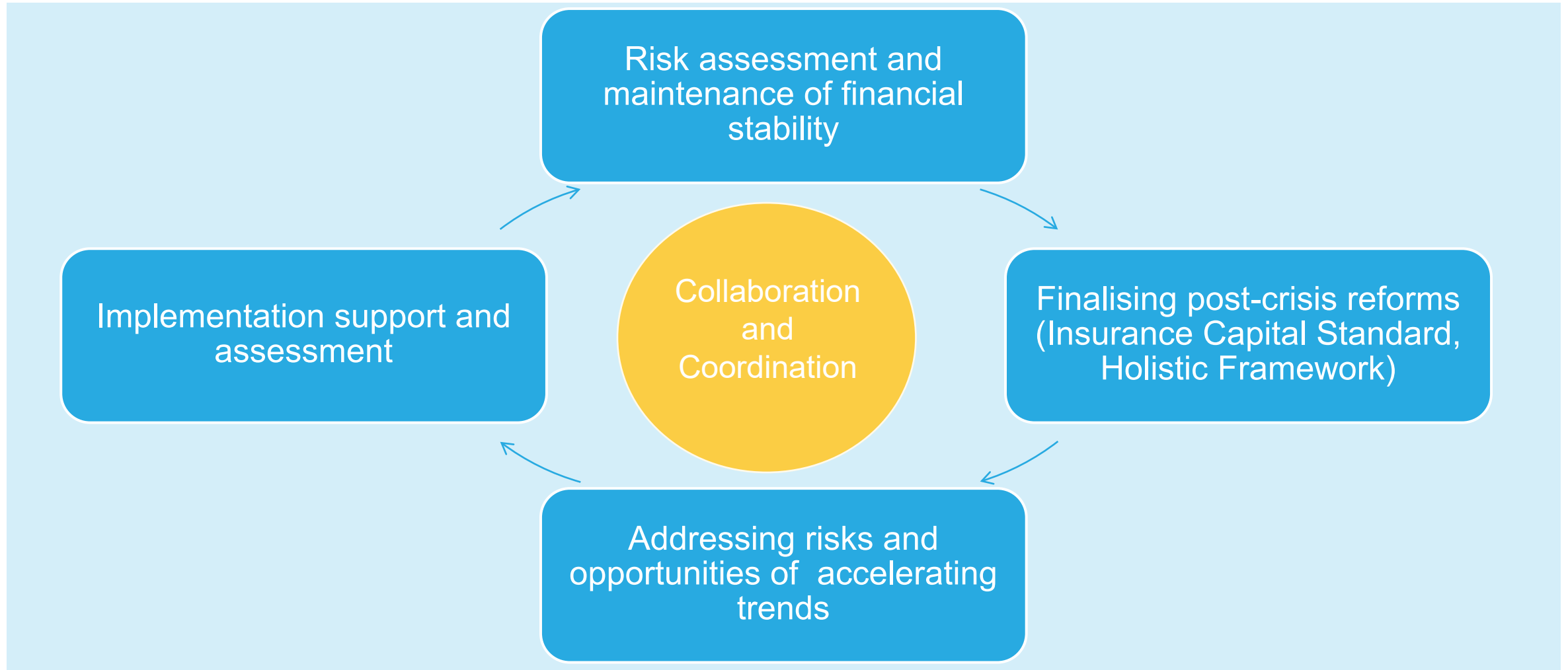
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Committee Chair Dialogue

11 JULY

IAIS work programme 2024





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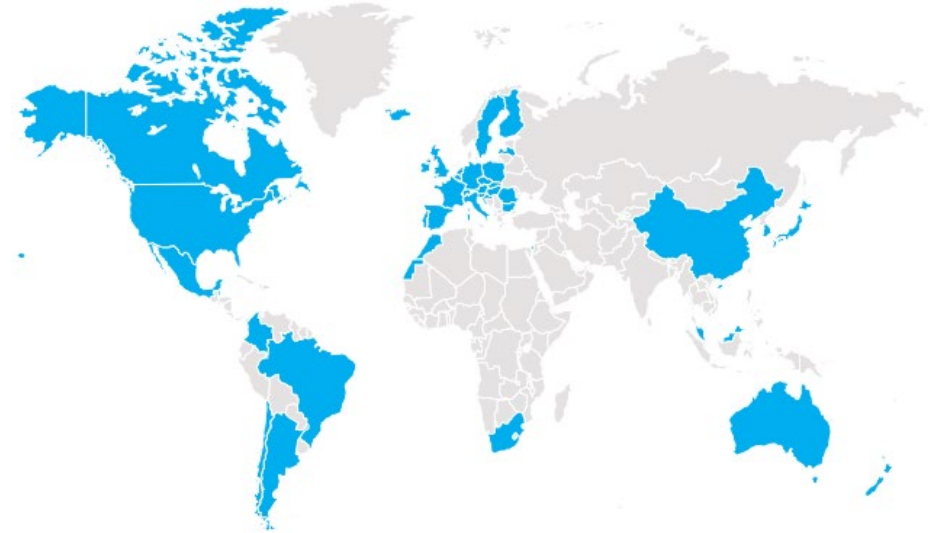
Macroprudential Committee

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**



GIMAR: Mid-year report

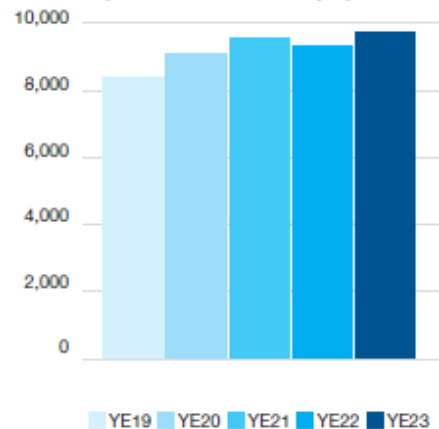
Solvency and liquidity positions remained strong. Participating insurers expect **stability** over the next two years

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

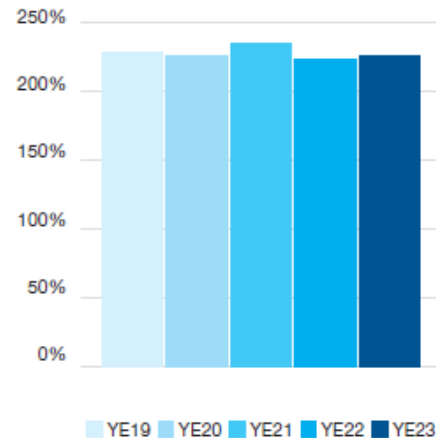
Aggregate **systemic risk scores increased**: driven mostly by level 3 assets

- 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.

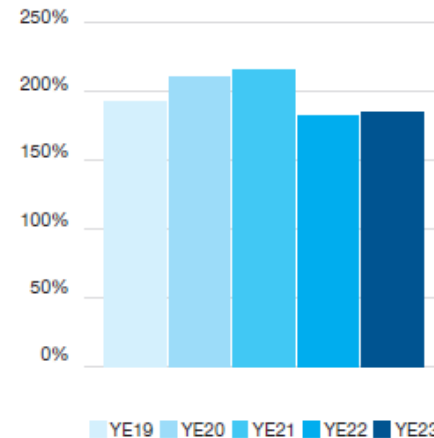
Aggregate systemic risk scores
(YE19–YE23, in bps)



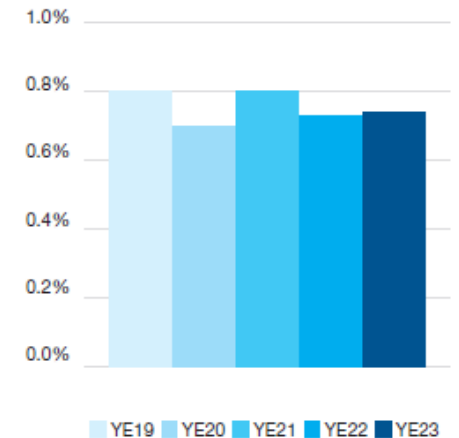
Solvency ratios
(YE19–YE23, in %)



Insurance liquidity ratio
(1 year) (YE19–YE23, in %)



Return on assets
(YE19–YE23, in %)



Source: IIM 2024 – interim result

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



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Policy Development Committee

Matt Walker

Insurance Capital Standard (ICS)

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

Time	Task / milestone
February	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)
March	Specifications of the candidate ICS for the last year of the monitoring period
April	Launch of 2024 Monitoring Period exercise
End July	2024 ICS Monitoring Period exercise data due
August – October	Data analysis and potential refinements to the ICS
December	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



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.



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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.

Thematic peer review of ICP 16 (Enterprise Risk Management for Solvency Purposes) nearly finalised – covering 67 jurisdictions.

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.**