



# IAIS

INTERNATIONAL ASSOCIATION OF  
INSURANCE SUPERVISORS

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# ANNUAL REPORT 2012-2013

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Activities from October 2012 to September 2013  
Including 2012 Financial Statements



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## Glossary of Abbreviations

A2ii	Access to Insurance Initiative
ComFrame	Common Framework for the Supervision of Internationally Active Insurance Groups
FSI	Financial Stability Institute
FSB	Financial Stability Board
GIMAR	IAIS Global Insurance Market Report
G-SII	Global Systemically Important Insurer
IAIG	Internationally Active Insurance Group
ICPs	Insurance Core Principles
IROSC	IAIS Repository of Supervisory Colleges
KIRT	IAIS Report on Key Insurance Risk and Trends
MMoU	IAIS Multilateral Memorandum of Understanding
SAPR	Self-Assessment and Peer Review
SPFO	IAIS Strategic Plan and Financial Outlook

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# 1. FOREWORD

The International Association of Insurance Supervisors (IAIS) is a voluntary membership organisation of insurance supervisors and regulators from more than 200 jurisdictions in nearly 140 countries. In addition to its Members, Observers representing international institutions, professional associations and insurance and reinsurance companies, as well as consultants and other professionals, participate in select IAIS activities. A full list of IAIS Members and Observers can be found on the IAIS website ([www.iaisweb.org](http://www.iaisweb.org)).

## THE IAIS MISSION

The mission of the IAIS is to promote effective and globally consistent supervision of the insurance industry in order to develop and maintain fair, safe and stable insurance markets for the benefit and protection of policyholders and to contribute to global financial stability.

Established in 1994, the IAIS is the international standard setting body responsible for developing and assisting in the implementation of principles, standards and other supporting material for the supervision of the insurance sector. The IAIS also provides a forum for Members and Observers to share their experiences and understanding of insurance supervision and insurance markets. In recognition of its collective expertise, the IAIS is routinely called upon by the G20 leaders and other international standard setting bodies.

The IAIS is a non-profit organisation formed under Article 60 of the Swiss Civil Code, domiciled in Basel, Switzerland. Its By-Laws can be found under the “About Us” section of the IAIS website. The activities of the IAIS are supported by its Secretariat located in Basel and headed by a Secretary General. The IAIS is hosted by the Bank for International Settlements (BIS).

## THE IAIS COMMITTEE SYSTEM

Under the direction of its Members, the IAIS conducts activities through a Committee system designed to achieve its mandate and objectives.

The IAIS Committee system is led by an Executive Committee whose members come from different regions of the world (see Appendix I). It is supported by five Committees established by the Executive Committee under the By-Laws – the Audit, Budget,

Financial Stability, Implementation, and Technical Committees – as well as by the Supervisory Forum (see Fig. 1). Committees may establish Subcommittees or Working Parties to help carry out their duties.

## THE THREE PILLARS OF IAIS ACTIVITIES

Activities undertaken in furtherance of its mission can be divided into three categories:

1. *Standard setting.* The IAIS develops supervisory material (principles, standards and guidance) for effective insurance supervision. The IAIS also prepares supporting papers (such as Issues Papers) that provide background on specific areas of interest to insurance supervisors.
2. *Implementation.* The IAIS actively promotes the implementation of its supervisory material. Working closely with international organisations, regional groups and supervisors, it supports training seminars and conferences and addresses financial inclusion. In addition, the IAIS conducts assessments and peer reviews of Members’ observance of supervisory material, consistent with the Financial Sector Assessment Program (FSAP) conducted by the International Monetary Fund (IMF) and the World Bank.
3. *Financial stability.* The IAIS plays a central role in financial stability issues, including developing a methodology for the identification of global systemically important insurers (G-SIIs) and policy measures to address systemic risk in G-SIIs. It also assists its Members in developing enhanced macroprudential surveillance tools.

## GLOBAL COORDINATION

The IAIS coordinates its work with other international financial policymakers and associations of supervisors or regulators, and assists in shaping financial systems globally. In particular, the IAIS is a:

- member of the Financial Stability Board (FSB)
- founding member and co-parent of the Joint Forum, along with the Basel Committee on Banking Supervision (BCBS) and the International Organisation of Securities Commissions (IOSCO)
- member of the Standards Advisory Council of the International Accounting Standards Board (IASB)
- partner in the Access to Insurance Initiative (A2ii).

The IAIS also participates as an observer or partner with numerous other organisations, including the Arab Forum of Insurance Regulatory Commissions (AFIRC), Asian Forum of Insurance Regulators (AFIR), Association of Latin American Insurance Supervisors (ASSAL), Consultative Group to Assist the Poor (CGAP), European Insurance and Occupational Pensions Authority (EIOPA), Financial Action Task Force (FATF), Financial Stability Institute (FSI), Group of International Insurance Centre Supervisors (GIICS), International Actuarial Association (IAA), International Monetary Fund (IMF), International Organisation of Pension Supervisors (IOPS), Islamic Financial Services Board (IFSB), National Association of Insurance Commissioners (NAIC), Organisation for Economic Cooperation and Development (OECD) and World Bank.

#### GLOBAL INVOLVEMENT

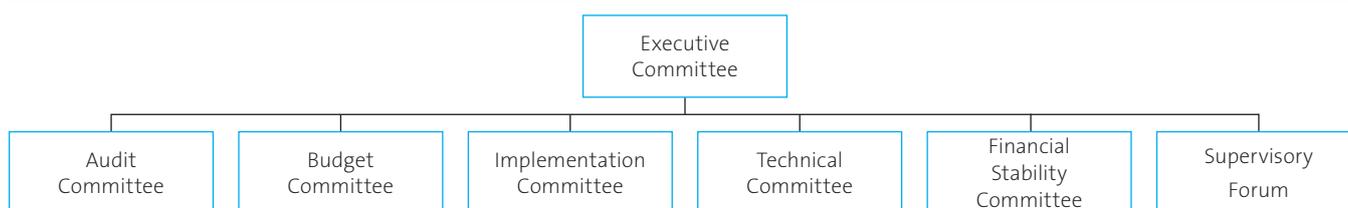
The IAIS holds Committee meetings four times a year, as well

as Working Party meetings as needed, in Member jurisdictions throughout the world.

At its June meetings, the IAIS hosts its Global Seminar affording insurance supervisors and industry representatives a unique opportunity to discuss current and globally significant matters impacting the insurance sector, as well as to learn about new international standards.

To further encourage multilateral discussions on topical issues for insurance supervisors and other insurance professionals, the IAIS holds an Annual Conference. In conjunction with this conference, it convenes an Annual General Meeting of Members where it conducts official business. A successful Annual Conference was held in Washington, D.C. in October 2012. The 2013 conference will be held in Chinese Taipei in October.

Fig. 1: The IAIS Committee System



*“With this year’s 20th IAIS Annual Conference, it is important to look back at the Association’s humble beginnings and appreciate how far it has come. Since the first conference in Baltimore, Maryland in 1993 and our initial mission of supervisory cooperation and information exchange, the IAIS has evolved into the international insurance standard setter and is now called on by the G20 for its unique expertise. The NAIC is proud to have played a key role in the formation and growth of the Association, and we look forward to what the future will bring.”*

Thomas B. Leonardi, Commissioner of the Connecticut Insurance Department and Chair of the NAIC International Insurance Relations Committee

## 2. REPORT FROM THE CHAIR OF THE EXECUTIVE COMMITTEE

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**Peter Braumüller**  
Chair, Executive Committee

*P. Braumüller*

Over the past year the Association continued working on its key initiatives. We completed the methodology for identifying Global Systemically Important Insurers (G-SIIs) and developed the policy measures that will apply to them. The Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame) project is also now poised to move from the Development Phase to field testing. In the area of implementation, the Self-Assessments and Peer Reviews of Members' observance of IAIS supervisory materials continued vigorously.

The work of the Association in the area of financial stability gained momentum in June as the FSB discussed the Association's assessment methodology and policy measures for G-SIIs. On the basis of this methodology, in July 2013 the FSB identified an initial list of G-SIIs and the policy measures that will apply to them, including recovery and resolution planning requirements under the FSB's Key Attributes of Effective Resolution Regimes, enhanced group-wide supervision and higher loss absorbency requirements. Going forward, as a foundation for higher loss absorption capacity for G-SIIs, the Association will start with the development of straightforward, backstop capital requirements to apply to all group activities. The Association has also decided to develop a comprehensive, group-wide supervisory and regulatory framework for IAIGs, including a quantitative capital standard.

A lot of effort and energy was again dedicated to the development of ComFrame which, once in place, will allow supervisors to efficiently and effectively cooperate and coordinate by providing a basis for comparing regulation and supervisory processes applicable to internationally active insurance groups (IAIGs). Later this year a draft ComFrame document will be issued for public consultation. Once revised, the new draft will serve as the basis for field testing, which will start in 2014. A Task Force has been established to prepare for the testing.

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In the area of standard implementation, the Implementation Committee started developing a Coordinated Implementation Framework which, using the cycle of implementation activities, will support the implementation objective of full observance of the ICPs by all Members. With the Self-Assessment and Peer Review (SAPR) exercise the Association has an important and internationally highly-regarded methodology to measure observance of its ICPs. This year SAPRs were finalised on observance of ICP 1 (Objectives, Powers and Responsibilities of the Supervisor), ICP 2 (Supervisor) and ICP 23 (Group-wide Supervision). As a result of this exercise, the IAIS assists Members where needed in further improving their regulation and supervision. The exercises also identify where improvements to existing ICPs are needed.

In addition, the Association has continued its activities promoting financial inclusion. The Application Paper on Regulation and Supervision Supporting Inclusive Insurance Markets was well-received. It is regarded as an important document for the proportionate application of the ICPs in support of access to insurance, and is the subject of an assessment and peer review exercise being managed by the Access to Insurance Initiative (A2ii). The number of signatories to the IAIS Multilateral Memorandum of Understanding (MMoU) has also continued to increase, and now covers jurisdictions which together account for over 54% of the global insurance market.

The current Strategic Plan & Financial Outlook (SPFO) ends in 2015. A group of Executive Committee members is reviewing the progress made by the Association since 2011 against the goals set in the SPFO. The group is also looking at the IAIS structure and operations, the allocation of resources, and its effectiveness and efficiency. Based on this review the group is developing proposals for priority-setting and decision-making, as well as proposals for a new Committee structure, resources and resource allocation.

The important achievements of the Association over the past year are the result of the dedication and energy of many Members and of the Secretariat who were determined to further the objectives of the Association and further strengthen insurance supervision. Without their support and engagement in many different ways the Association would not be where it is today. I would, therefore, like to thank the Membership and Secretariat for the commitment they have shown, and the Observers for their continued interest in our activities and their contributions to our different workstreams.

The Executive Committee is chaired by Peter Braumüller (Austria). The Vice Chairs are Naruki Mori (Japan) and Kevin McCarty (USA, Florida).



# 3. REPORT FROM THE IAIS SECRETARY GENERAL

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**Yoshihiro Kawai**  
IAIS Secretary General

A handwritten signature in black ink, which appears to read 'Y. Kawai'.

The IAIS has made significant progress in promoting globally consistent supervision of the insurance industry. The Annual Report describes our many achievements over the last year, including:

- Finalisation of the G-SII assessment methodology and policy measures and publication of a framework for macroprudential policy and surveillance in insurance
- Development of ComFrame, including the coming start of field testing
- On-going revisions to ICP 23 (Group-wide Supervision)
- SAPRs on supervisory power and group-wide supervision
- Development of the Coordinated Implementation Framework
- Growth of the IAIS MMoU

Over the next year, we will see that this momentum is maintained, with the Secretariat working to promote these initiatives and carry out follow-up tasks.

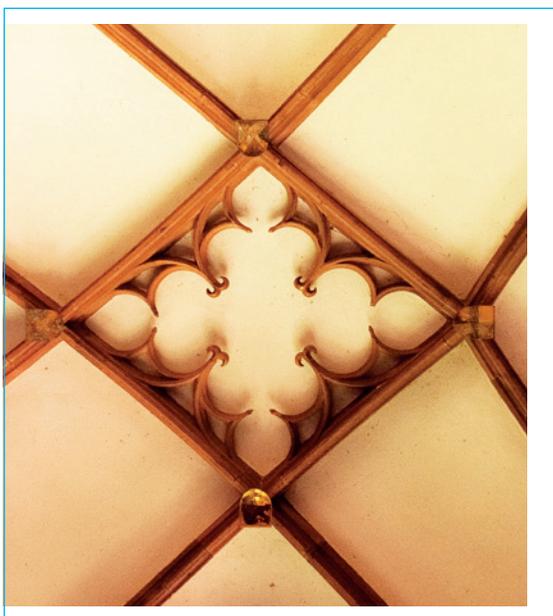
In spite of these achievements the IAIS faces significant challenges in the coming years. We recognize that, while the ICPs provide a good foundation for insurance supervision and regulation, our Members need more concrete standards to cope with increasingly globalised and interconnected insurance markets. This point is true not only for Members from developed markets but also for those from emerging markets. Timely completion of ComFrame is the first step in filling this gap - but it alone is not sufficient.

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The IAIS is committed to developing a comprehensive group-wide supervisory and regulatory framework for IAIGs, including a quantitative capital standard. This framework will promote globally consistent regulation and supervision of the insurance industry and, in so doing, contribute to policyholder protection and financial stability. Furthermore, by consistently enhancing sound insurance supervisory and regulatory systems around the world, the framework will benefit each of our Members, regardless of how developed their marketplace may be. The Association is devoted to achieving this challenging goal and will present a workplan setting out how we plan to do it.

Living in the age of highly interconnected financial markets, insurance supervisors and financial authorities around the world must work together closely. Accordingly, we will continue to liaise with organisations such as the BCBS, the FSB, IOSCO, the Joint Forum and other cross-sectoral bodies, demonstrating that as the global insurance standard setter the IAIS is key in leading insurance-related supervisory discussions.

I would like to thank all Members and Observers for actively participating and continuously supporting the work of the Association. The Secretariat remains committed to providing you with high quality service and advice and working with you to meet the challenges ahead.



*"The challenges posed by recent financial crises have highlighted the need to review and reform financial supervision for global stability. The IAIS, as the standard setter for international insurance supervision, is undoubtedly leading the way in facilitating a global benchmark for effective group-wide supervision and promoting active communication and cooperation amongst supervisors and the industry. To date, the IAIS has made significant achievements, for instance, updating the ICPs, developing ComFrame and the G-SII package, and promoting self-assessments and peer reviews, to name a few.*

*With the global economic outlook remaining uncertain, we believe that regulators and supervisors together with the IAIS will face more challenges in the years ahead. The Taiwan Insurance Institute (TII) will continue to support the IAIS and looks forward to working closely with the IAIS in the future."*

Mark C.C. Lai, Chairman,  
Taiwan Insurance Institute

## 4. REPORT FROM THE CHAIR OF THE TECHNICAL COMMITTEE



**Michael McRaith**  
Chair, Technical Committee

A handwritten signature in black ink, appearing to read 'Michael McRaith'.

The Technical Committee steers and oversees the IAIS' standard setting work consistent with strategic guidance from the Executive Committee. The goal of standard setting at the IAIS is to promote effective and transparent supervision of insurance markets through global, sustainable and coherent supervisory principles, standards and guidance, while minimising opportunities for regulatory arbitrage with a view to promoting comparability of regulatory oversight across jurisdictions.

Notably, the IAIS does not prescribe structural approaches to supervision and vests Members with that discretion. Within this context, the Strategic Plan & Financial Outlook 2011-15 sets out the Technical Committee's priorities and strategies:

- Strategy 1: Complete and update the comprehensive set of high-level principles-based supervisory material (ICPs, standards, guidance)
- Strategy 2: Provide adequate IAIS standard setting responses to developments within industry structures, financial markets, business practices and policyholder needs
- Strategy 3: Establish a common framework (ComFrame) for the supervision of internationally active insurance groups (IAIGs)

The Technical Committee also oversees the relationship between its Working Parties and international bodies or partners that support the achievement of IAIS standard setting objectives. Partners include the FSB, IMF, World Bank, OECD, Joint Forum, BCBS, IFSB, IOSCO, IOPS, FATF, and IAA.

*"The importance of IAIS work continues to grow as increasing attention is paid in particular to systemic risks and cross-border supervision. Real progress was made on many fronts during the year, reflecting the considerable commitment of members and the very able support of the Secretariat. APRA is proud to be associated with this work."*

Ian Laughlin, Deputy Chairman,  
Australian Prudential Regulation Authority

In 2011, the IAIS reached a major milestone with the completion of the review of its ICPs. It was then agreed that the ICPs, standards and guidance would be updated as needed. The first revision occurred in October 2012 with the adoption of a more comprehensive and better structured ICP 9 (Supervisory Review and Reporting). All the ICPs are accessible through an on-line tool on the IAIS website which is customizable and provides easy access to relevant supervisory material.

#### Further Review of ICPs Following Self-Assessments and Peer Reviews (the Feedback Loop)

The IAIS is committed to ensuring that its supervisory material is unambiguous, comprehensive and assessable, and reflects current industry and market developments. The IAIS regularly evaluates its standards and identifies whether additional clarification is needed.

The IAIS has started to systematically analyse the results of SAPRs of the current ICP material to identify and address any needed adjustments to the material subject to assessments, in a so-called “feedback loop” process. This work is well-progressed with respect to ICP 23 (Group-wide Supervision). A review of other ICPs that refer to group supervision is being undertaken

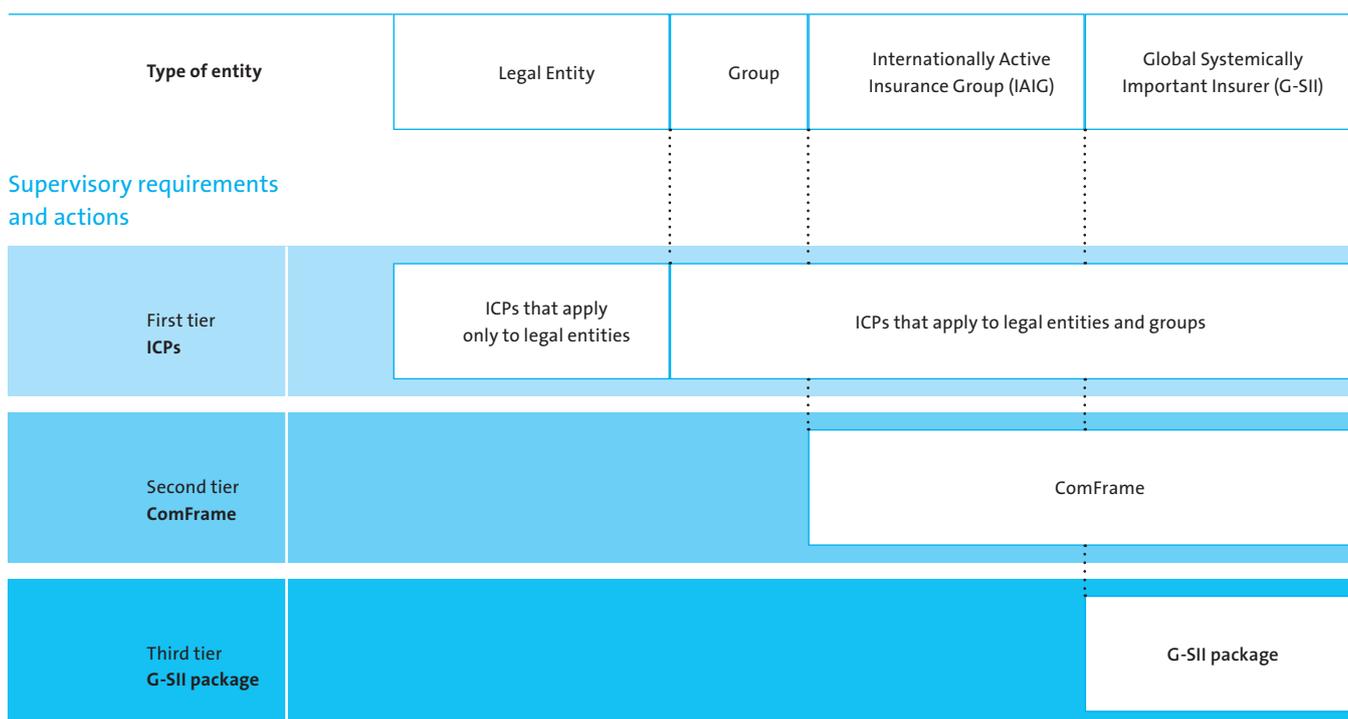
jointly and may lead to concrete proposals to align the rest of the supervisory material with a revised ICP 23, where necessary. This work is undertaken in coordination with the Implementation Committee and its Standards Observance Subcommittee.

#### ComFrame

In 2013, the development of ComFrame attracted the most attention and resources of the Technical Committee and its Subcommittees.

ComFrame is intended to apply to the supervision of IAIGs that include at least one sizeable insurance entity. The proposed IAIG identification criteria are based on size and international activity, and allow a degree of supervisory discretion in determining whether a particular group should, or should not, be considered an IAIG.

While the IAIS considers a sound comprehensive, group-wide supervisory and regulatory framework for IAIGs to be essential for supporting financial stability, ComFrame does not directly address systemic risks. The diagram below sets out the relationship between the tiers of IAIS supervisory requirements and actions.



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ComFrame is a set of international supervisory requirements focusing on the effective group-wide supervision of IAGs. ComFrame is built and expands upon the high-level requirements and guidance currently set out in the ICPs, which generally apply on both a legal entity and group-wide level.

IAGs, however, need tailored and more coordinated supervision across jurisdictions due to their complexity and international activity. This necessitates a specific framework to assist supervisors in collectively addressing group-wide activities and risks, identifying and avoiding regulatory gaps and coordinating supervisory activities under the aegis of a group-wide supervisor.

The Development Phase of ComFrame began in 2010 and is set to conclude by the end of 2013. In developing ComFrame, the IAIS has utilised an open and transparent process involving both Members and insurance professionals. A Concept Paper was issued for public consultation in 2011. In July 2012, the IAIS published a revised draft of ComFrame for consultation. The consultation period concluded at the end of August 2012. Throughout the remaining months of 2012 and into 2013, the Technical Committee and its Subcommittees considered those comments, appropriate responses to those comments and further developed and streamlined ComFrame. Over the last three years, the IAIS has also held numerous meetings and dialogues with industry participants in order to obtain and incorporate actual business experiences.

A major initiative of the Technical Committee was the establishment of the ComFrame Field Testing Task Force (FTTF). In 2013, it developed a work plan, coordinating closely with group-wide supervisors and relevant industry participants. Field testing will begin in 2014 and continue through to 2018. Field testing

will cover each of the ComFrame Modules, and the requirements for IAGs (Module 2) will be split into tests for qualitative and quantitative components.

#### Other Standard Setting Activities

Over the year several other significant standard setting initiatives were pursued, specifically in the areas of market conduct, financial crime (particularly AML/CFT), group supervision and branches, accounting and valuation, governance and resolution, with the overarching aim of improving the resilience of the global insurance sector. More details are included in the individual Subcommittee reports.

#### Cooperation and Coordination with the Financial Stability Committee

The Technical Committee has been meeting jointly with the Financial Stability Committee to discuss and resolve issues of common interest. These include:

- Resolution of G-SIIs – and any implication for other insurers and insurance groups – responding to the FSB Key Attributes of Effective Resolution Regimes
- Reliance on credit rating agencies – the FSB and IAIS have surveyed and analysed supervisors' reliance on CRA ratings
- Follow-up work on G-SII policy measures, in the three areas of enhanced supervision, effective resolution, and higher loss absorption capacity (HLA)

The Technical Committee is chaired by Michael McRaith (USA, Treasury/FIO). The Vice Chair is Marc Radice (Switzerland).



# 5. REPORTS FROM THE TECHNICAL COMMITTEE SUBCOMMITTEES

## ACCOUNTING AND AUDITING ISSUES SUBCOMMITTEE

The Accounting and Auditing Issues Subcommittee (AAISC) is responsible for the IAIS' external relationships with accounting and auditing bodies. It monitors accounting developments related to insurers and insurance supervision and responds on behalf of the IAIS where appropriate, including by providing input to the International Accounting Standards Board (IASB). The AAISC also provides input to the International Federation of Accountants on auditing standards developed by its standard setting board, the International Auditing and Assurance Standards Board (IAASB), and liaises with other organisations dealing with matters of mutual interest.

Over the year, the AAISC sent two letters on behalf of the IAIS to the IASB, commenting on:

- IFRS 9 Limited Exposure Draft (27 March 2013)
- Financial Instruments: Expected Credit Losses (5 July 2013)

The AAISC also sent two letters on behalf of the IAIS to the IAASB, commenting on:

- Improving the Auditor's Report (28 September 2012)
- The proposed revision of International Audit Standard 720 (13 March 2013)

The Subcommittee contributed to the development of the 2013 Draft ComFrame, in the areas of valuation and disclosure and reporting.

The AAISC is currently preparing a response to the IASB's Insurance Contracts Exposure Draft. It also has a project underway to develop standard setting material related to external audit matters.

Markus Grund (Germany, BaFin) was appointed Chair of the AAISC in January 2013 after the resignation of Richard Thorpe (UK, FSA). The Vice Chair is Rob Esson (USA, NAIC).

## COMFRAME FIELD TESTING TASK FORCE

The IAIS ComFrame Field Testing Task Force's (FTTF) overall objective is to:

- Perform impact studies of all elements of the Draft ComFrame to test if they lead to effective group-wide supervision of IAIGs, are practical and do not lead to excessive costs to IAIGs and their supervisory colleges
- Assess the results of such field testing so that the IAIS can determine any evidence-based changes that are necessary to the Draft ComFrame in view of a target date of adoption at the 2018 General Meeting

The FTTF is mandated to undertake its work in two phases. During the first phase of field testing, the FTTF will:

- Design a process for identifying IAIGs that will participate in field testing to ensure a representative sample of IAIGs and their supervisory colleges are involved
- Identify IAIGs and supervisory colleges to be involved in field testing
- Plan and organise a project for field testing all elements of the Draft ComFrame
- Design the impact studies of qualitative and quantitative requirements for IAIGs and of supervisory processes, including all options that will be selected to be tested with all participating IAIGs

In the second phase, the FTTF will conduct impact studies, using the conduit of group-wide supervisors and supervisory colleges of the participating IAIGs, and assess each IAIG's data submissions and feedback from implementation of qualitative requirements and supervisory processes. It will also assess the results of the impact studies in terms of the impact on IAIGs and their supervisory colleges and propose any necessary changes to the Draft ComFrame.

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These steps are to be taken in a transparent public manner involving consultation with IAIGs involved in field testing as well as Observers and the public more generally.

The FTTF intends to hold monthly meetings and will report at each Technical Committee meeting on its progress compared to its project plan.

The Chair of the FTTF is Paolo Cadoni (UK, PRA) with Co-Vice Chairs Tom Finnell (USA, Treasury/FIO) and Ian Marshall (South Africa).

#### GOVERNANCE AND COMPLIANCE SUBCOMMITTEE

The Governance and Compliance Subcommittee (GCS) was established to provide a framework for developing and advancing high level corporate governance principles, standards and guidance applicable to the insurance industry, which are taken into account in insurance supervision. The GCS liaises with other relevant international standard setting bodies and follows developments related to corporate governance and risk management.

The mandate of the GCS was broadened in October 2012 to better capture its current workplan, including work on ComFrame, training materials and SAPRs, and to allow for any further standard setting work relating to corporate governance, as needed.

During this period, the GCS contributed to the drafting of ComFrame by developing standards, parameters and guidelines for the qualitative governance and risk management requirements. The qualitative requirements capture corporate and risk governance issues, suitability requirements as well as overarching requirements relating to risk management and internal control systems and processes.

In 2013, the GCS started developing an Issues Paper on Approaches to Group Corporate Governance: Impact on Key Control Functions. The objective of the Issues Paper is to identify risks and challenges arising within different models of governance that may be adopted within a group, such as centralised, decentralised and – more often – hybrid models

of governance, and the impact such models would have on the key control functions, particularly the risk officer function. The findings may highlight a need for additional supervisory material (guidance) or amendments to current supervisory material on the issue, particularly guidance related to ICP 7 (Corporate Governance) or ICP 8 (Risk Management and Internal Controls). It will also provide input, as appropriate, to the further development of ComFrame material during field testing.

The GCS discussed the FSB recommendations in the FSB Progress Report to the G20 Ministers and Governors of 1 November 2012, Increasing the Intensity and Effectiveness of SIFI Supervision, to assess the applicability of the recommendations for insurance supervision and any need for amendments to the ICPs and ComFrame.

The GCS also provided expert input to the Standards Observance Subcommittee on a SAPR on the topic of risk governance relating to ICP 4 (Licensing), ICP 5 (Suitability of Persons), ICP 7 (Corporate Governance) and ICP 8 (Risk Management and Internal Controls). A report is expected to be finalised by the end of the year.

In order to promote the effective and efficient application of the ICPs, standards and guidance relating to corporate governance and risk management, the GCS has also started developing training material for insurance supervisors on ICPs 4 and 5, and expects to finalise this material by the end of 2013. Training material on ICPs 7 and 8 will be developed in 2014.

The GCS is chaired by Dhammika Amukotuwa (UAE, Dubai FSA). The Vice Chair is William White (USA, Washington, D.C.).

#### INSURANCE GROUPS AND CROSS-SECTORAL ISSUES SUBCOMMITTEE

The Insurance Groups and Cross-sectoral Issues Subcommittee (IGSC) develops supervisory material on group-wide supervision, and is responsible for coordinating Joint Forum issues within the IAIS. It contributed significantly to the drafting of ComFrame, specifically in regard to the identification of groups that will be subject to ComFrame requirements and the supervisory process.

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By end 2013, the IGSC plans to publish its Issues Paper on Supervision of Cross-border Operations through Branches.

The IGSC is also reviewing the applicability of the FSB's Key Attributes for systemically important financial institutions, as well as for insurers in general, and is putting forward policy recommendations for both ComFrame and the ICPs taking into account the FSB Key Attributes.

The IGSC is chaired by Petra Faber-Graw (Germany, BaFin). Its Vice Chair is Urs Halbeisen (Switzerland). Shinya Kobayashi (Japan) served as a Co-Vice Chair until July 2013.

#### Joint Forum

The IGSC coordinates IAIS work related to the Joint Forum. Following publication of the revised Principles for the Supervision of Financial Conglomerates (the Principles) by the Joint Forum, the IGSC has also been mandated to prepare possible guidance in respect to the supervision of financial conglomerates. This is in addition to revising ICP 23 (Group-wide Supervision) as a result of feedback gathered during the assessment and peer review conducted on this issue.

By the end of 2013, the Joint Forum will finalise its work on longevity risk, mortgage insurance and point of sale disclosure. Links to these reports can be found on the IAIS and BCBS websites. Following successful completion of these workstreams, the Joint Forum has embarked upon new work on asset encumbrance and a stock-take of risk management approaches between sectors.

After finalising its review of the Principles and a follow-up assessment of the alignment of the preconditions of the core principles between the standard setting bodies, the Joint Forum working groups commenced a review of the implementation of the Principles on a sample jurisdictional basis. First results of this assessment are expected in early 2014.

The Chair of the Joint Forum rotates among the IAIS, BCBS and IOSCO and is currently held by the IAIS. The IAIS elected Thomas Schmitz-Lippert (Germany, BaFin) as its representative following the resignation of Terri Vaughan (USA, NAIC).

#### MARKET CONDUCT SUBCOMMITTEE

The Market Conduct Subcommittee (MCSC) is charged with developing and enhancing supervisory and supporting material related to market conduct supervision, providing oversight to the Financial Crime Working Group (FCWG) and coordinating with other international bodies dealing with the market conduct of insurers and intermediaries and financial consumer protection.

During the year the Subcommittee undertook work on an Issues Paper on Policyholder Protection Schemes, which is expected to be approved in October 2013, and continued work on an Application Paper on Approaches to Conduct of Business Supervision, expected to be approved in 2014. To obtain input into the latter it conducted a survey of IAIS Members on their approaches to conduct of business supervision. During the year the Subcommittee also produced a briefing note on Issues and Risks in Life Insurance Settlements, for information and to raise awareness to IAIS Members. Whilst the Subcommittee recognises that life insurance settlements can serve a useful purpose, the main purpose of the briefing note is to highlight issues and potential risks that may be involved from a supervisory perspective.

The Subcommittee also monitored developments and contributed to the work of other organisations in the area of consumer protection, which included participating in the OECD's Task Force on Financial Consumer Protection.

During the year, in light of developments at the Financial Action Task Force (FATF), the FCWG reviewed ICP 22 (Anti-money Laundering and Combating the Financing of Terrorism) and updated the existing Guidance Paper, now called Application Paper on Combating Money Laundering and Terrorist Financing, to reflect a more risk-based approach to AML/CFT. Both the revised ICP and Application Paper are expected to be adopted in October 2013. The working group liaises with other international bodies addressing financial crime in insurance, in particular the FATF.

The MCSC is chaired by Julien Reid (Québec, Canada, AMF). The Vice Chair is Leanne Jackson (South Africa).

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## PENSION COORDINATION GROUP

The mandate of the Pension Coordination Group (PCG) is to promote an integrated approach towards pension and insurance supervision. Based on the working agreement between the IAIS and the International Organisation of Pension Supervisors (IOPS), the PCG reviews and provides feedback on IOPS supervisory material, monitoring the consistency of standard setting work and publications. The PCG facilitates information transfer on pensions between the IAIS and IOPS and plays a key role as an advisor on pension issues within the IAIS. The PCG also monitors the developments and initiatives of other international bodies involved in pension supervision, especially the OECD Working Party on Private Pensions, EIOPA and the European Union.

During the year the PCG revised the working agreement between the IAIS and IOPS to enhance cooperation and coordination. In order to strengthen the IAIS-IOPS cooperation framework and to promote consistency of principles and standards on pension regulation and supervision, the IAIS and IOPS held a joint seminar in Macedonia in May 2012 covering the possible implications of the revised ICPs on pension supervisors. To maintain this momentum, the PCG is planning to hold another joint seminar with IOPS in the first quarter of 2014. In addition, the PCG is discussing subjects of mutual interest for a collaborative project with IOPS.

Two formal PCG meetings were held during the year that included updates from the Insurance and Pensions Unit of the European Union and from the World Bank. The PCG also held a joint symposium on pension supervision and regulation with the World Bank in October 2012 back-to-back with the IAIS Annual Conference. This event provided an opportunity to engage in an open discussion on insurance markets, insurance/pension regulation and supervision, the current major challenges in developing or strengthening insurance and private pension markets, and the improvement of information exchange and cooperation between regulatory organisations.

The PCG is chaired by Julia Cillikova (Slovakia). The Vice Chair is Nigel Woodroffe (Jersey).

## REINSURANCE AND OTHER FORMS OF RISK TRANSFER SUBCOMMITTEE

The Reinsurance and Other Forms of Risk Transfer Subcommittee (RSC) focused its work on reinsurance-related stability and resilience analysis. This work comes in addition to the RSC contributions to standard setting activities and reinsurance-related implementation efforts, i.e. the development of reinsurance specific education material.

Current RSC work includes:

- Contributing to the Global Insurance Market Report (GIMAR) from a reinsurance-related perspective, including analysing the overall reinsurance market and impacts from natural catastrophes
- Recommending steps for a further improved reinsurance-related data collection. The RSC focused on moving to better insights into reinsurance activities by reinsurers (retrocession)
- Providing better guidance regarding insurance captives. The Insurance Captives Drafting Group reports to and receives, as necessary, input and guidance from the RSC
- Contributing to improving the education on the supervision of reinsurance activities by enhancing IAIS teaching notes and tutoring material on reinsurance and other forms of risk transfer

As a key priority the RSC will continue to conduct in-depth work on reinsured natural catastrophes from a supervisorz perspective. The RSC worked on a number of related issues, such as providing, and in some cases increasing, insights into catastrophe-related risk transfers to the wider financial market. It asked the Secretariat to delve deeper into the economic impact and supervisory implications of reinsured natural catastrophes. This work has been undertaken jointly with BIS and IMF economists and has so far resulted in several publications, including:

- Unmitigated disasters? New evidence on the macroeconomic cost of natural catastrophes, available at <http://www.bis.org/publ/work394.htm>

- Natural catastrophes and global reinsurance – exploring the linkages, available at

[http://www.bis.org/publ/qtrpdf/r\\_qt1212e.pdf](http://www.bis.org/publ/qtrpdf/r_qt1212e.pdf)

- Severe natural catastrophes: Some lessons for insurance and reinsurance supervisors, available at

<http://newsletter.iaisweb.org/newsletterlink-381?newsid=966>

In 2013, joint work and coordination with other IAIS Working Parities will continue and specifically include cooperation with the Macroprudential Policy and Surveillance Subcommittee (MPSSC) and with the Supervisory Forum. Emerging risks are high on the agenda of the RSC.

The RSC is chaired by Ryan Couch (USA, NAIC). The Vice Chair is Lutz Oehlenberg (Germany, BaFin).

#### SOLVENCY AND ACTUARIAL ISSUES SUBCOMMITTEE

The Solvency and Actuarial Issues Subcommittee (SSC) is responsible for research into, and analysis of, solvency requirements, solvency assessment and risk management of insurance companies.

In the last 12 months the ComFrame-related work of the SSC continued to be focused closely on the solvency-related activities of IAIGs, and in particular on the capital component of such activities. This area of development has been the main focus of the work of the SSC.

Many Subcommittee members devoted a substantial amount of their time to ComFrame-related solvency issues, especially those involved in the “ad hoc drafting group.” This group consists of 14 members that meet monthly, in addition to the four annual meetings of the full Subcommittee. The IAIS is indebted to these members for their commitment.

The SSC is chaired by Ramon Calderon (USA, NAIC). The Vice Chair is Jumpei Miwa (Japan).

*“Safe and stable insurance markets are vital to the world’s policyholders and economies. And with increasing globalisation, globally consistent supervision of insurers is becoming more and more important. Insurance Europe, the European (re)insurance federation, therefore follows closely and appreciates the opportunity to contribute to the work of the IAIS.”*

Michaela Koller, Director General, Insurance Europe



## 6. STANDARD SETTING ACHIEVEMENTS DURING 2012 – 13

The following material was adopted on 1st October 2012

### INSURANCE CORE PRINCIPLES (ICPs)

#### ICP 9 SUPERVISORY REVIEW AND REPORTING

A major revision of the ICPs was adopted at the General Meeting in Seoul on 1 October 2011. However, a substantial revision of ICP 9 had been put on hold until after the adoption of the other ICPs, as this core principle would build on the other ICPs and would require more time and a coordinated approach involving a number of Working Parties.

The structure of the new ICP 9 has improved and the ICP takes a more holistic approach to supervisory review and reporting. The new ICP 9 addresses the supervisory powers needed to perform off-site monitoring, conduct on-site inspections and require information from insurers. It addresses the need for supervisors to have a documented framework for supervisory review and reporting, including supervisory plans. It contains standards and guidance on supervisory reporting requirements, off-site monitoring and on-site inspection, and the need for supervisory feedback to the insurers and follow-up.

### APPLICATION PAPER

#### APPLICATION PAPER ON REGULATION AND SUPERVISION SUPPORTING INCLUSIVE INSURANCE MARKETS

The Application Paper provides guidance to Members on how to best apply the ICPs in a manner that supports access to insurance products for the underserved. It was developed by the IAIS-Microinsurance Joint Working Group, which is a partnership between the IAIS and Microinsurance Network established in 2005.

The Application Paper provides actual examples for the practical application of principles and standards. Furthermore, it provides specific guidance in areas relevant for improving access, such as the need to:

- formalise informal providers, using where needed transitional measures,
- facilitate innovations that help overcome barriers to access to insurance, and
- regulate the use of pilot schemes.

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**THE FOLLOWING MATERIAL WAS DEVELOPED AFTER OCTOBER 2012 AND IS EXPECTED TO BE ADOPTED IN OCTOBER 2013 AFTER CONSULTATION**

**ICP 22 (ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM (AML/CFT))**

When the ICPs were revised in 2011, it was noted that ICP 22 would need to be reviewed further in view of the Financial Action Task Force's (FATF) revision of its Recommendations and Methodology, which was in progress at that time. The main changes to the ICP are to reflect a more risk-based approach to AML/CFT.

**APPLICATION PAPER ON COMBATING MONEY LAUNDERING AND TERRORIST FINANCING**

The Application Paper updates the current Guidance Paper on Combating Money Laundering and Terrorist Financing, and takes into account developments at the FATF. The purpose of the Application Paper is to provide information on how money laundering and terrorist financing can occur within the insurance sector, and on controls to mitigate the risks, and thus supplements ICP 22. It provides specific information for insurers, intermediaries and insurance supervisors which is consistent with, and supplements, the FATF standards. Some parts of the Application Paper have adopted selected references from some of the FATF material in seeking to assist insurers and intermediaries in applying the FATF requirements.

**ISSUES PAPER ON POLICYHOLDER PROTECTION SCHEMES (PPSs)**

The Issues Paper acknowledges the role of PPSs as part of the financial safety net and the alignment of the objectives of PPSs with those of supervisory frameworks in protecting policyholders. It discusses various issues related to their organisation, operation and functions. The Issues Paper does not intend to express an opinion as to whether PPSs should necessarily be established in a jurisdiction or with what design features.

Importantly, the Issues Paper identifies the need for supervisors to understand the PPS protection that applies to insurers and policyholders under their jurisdiction. It highlights the need for cooperation between supervisors and PPSs, in particular where a supervisor assesses an insurer as vulnerable. It also points out the role of effective supervisory regimes in enhancing the effectiveness of PPSs.

**ISSUES PAPER ON THE SUPERVISION OF CROSS-BORDER OPERATIONS THROUGH BRANCHES**

The Issues Paper reviews current approaches to the supervision of branches on a cross-border basis. Work on the Issues Paper was initiated by means of an in-depth survey and was followed by a review of existing academic literature focussing on regulatory requirements and supervisory practice such as solvency, licensing and governance requirements as well as industry practices. The Issues Paper is meant to provide background, describe current practices and identify related regulatory and supervisory issues.

## 7. REPORT FROM THE CHAIR OF THE IMPLEMENTATION COMMITTEE



**Jonathan Dixon**  
Chair, Implementation Committee

A handwritten signature in black ink, appearing to read 'JDixon', written in a cursive style.

Immediately following the financial crisis, the IAIS, like other standard setting bodies, entered a phase of intense standard setting activities. Attention is now increasingly turning towards implementation of these standards.

The IAIS' current approach to implementation can be characterised as a cycle of implementation activities. Assessments, such as the SAPR or Member surveys on education needs, contribute to implementation activities related to supervisory development and capacity building. Further, assessment results are disseminated to key implementation partners, such as the Access to Insurance Initiative (A2ii) and the Financial Stability Institute (FSI), to inform their work.

Implementation activities also provide critical insights to the standard setting activities of the IAIS. For example, the assessment activities of the Implementation Committee Working Parties identify challenges Members may have in understanding the ICPs or incorporating them into their regulatory practice. This information is fed back to the Technical Committee and its Working Parties so that they can take Members' experiences into account in their future standard setting work.

The Financial Inclusion Subcommittee (FISC) provides a perspective on how to approach and address the question of financial inclusion and access to insurance – in particular how to give effect to the principle that the ICPs and standards should be applied in a way that is proportionate to the relative simplicity and low risk presented by typical microinsurance products.

The Supervisory Cooperation Subcommittee (SCS) focuses on supervisory cooperation as a central tenet and necessary precondition to effective implementation of the ICPs, at the same time furthering the implementation of the MMoU among Members. These two critically important areas sit alongside the cycle of implementation activities.

Over the past year, the Implementation Committee has focussed on strengthening our existing approach, through developing a Coordinated Implementation Framework (CIF). This framework aims to bring additional strategic focus to the existing cycle of implementation activities and assist the IAIS in better targeting its implementation activities.

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At the centre of the CIF is increased regional engagement. This regional engagement will be multifaceted, but will seek to draw forth regional perspectives on key implementation needs and support regional forums of insurance supervisors. The Implementation Committee believes that this is essential to ensuring that the implementation activities of the IAIS continue to meet Member needs and are demand driven. This work provides an exciting opportunity to strengthen the IAIS' focus on implementation, building on the significant achievements of the Implementation Committee's Working Parties over the past year.

The SCS continued to increase the number of signatories to the IAIS MMoU. The MMoU currently covers jurisdictions which together account for over 54% of the global insurance market measured in terms of premiums written. As the number of signatories continues to increase, IAIS Members will increasingly be able to rely on a supervisory authority's status as a signatory of the MMoU as the basis for cooperation and information exchange in the supervision of multinational insurers.

The SCS has continued its efforts in support of the IAIS Repository of Supervisory Colleges (IROSC), which serves as a central repository for insurance supervisors to obtain information on insurance supervisory colleges, and is developing an Application Paper on Supervisory Colleges Including Exchange of Information. These initiatives will continue to enhance the effectiveness and functioning of supervisory colleges.

The Standards Observance Subcommittee (SOSC) has made good progress on its ambitious plans for conducting a SAPR of all ICPs by the end of 2016. The SOSC released the Aggregate Report from the expert teams who completed the SAPR on ICP 1 (Mandate), ICP 2 (Supervisory Powers) and ICP 23 (Group-wide Supervision), as well as the IAIS Handbook for Self-Assessment and Peer Review.

In October 2012, the FISC completed the Application Paper on Regulation and Supervision Supporting Inclusive Insurance Markets. The work of the FISC builds on a strategic relationship with the A2ii, which is the IAIS' implementation partner in addressing financial inclusion. In May 2013, the FISC, in cooperation with the A2ii, launched a SAPR on regulation and supervision supporting inclusive insurance markets. In addition, the FISC has launched an extensive work plan focused on developing further guidance and supporting education activities of the IAIS in the area of financial inclusion.

The Education Subcommittee (ESC) has made significant progress towards its goal of helping supervisors across the globe observe the IAIS ICPs and standards. In this regard, the ESC has been actively refining its work program to align with the IAIS Education Strategy approved by the Executive Committee in 2011. The ESC has made progress on key strategic initiatives, including confirming the IAIS catalyst role in education and training; developing an induction seminar for new and junior insurance supervisors; elaborating a supervisory guide for Members; and establishing a group dedicated to designing a survey tool for pinpointing the tools and education programs that are of the greatest interest and use to the membership.

The Committee has benefited greatly from the time and effort provided by IAIS Members and Observers, particularly those who have served as Chairs and Vice Chairs, and urges more to become involved.

The Implementation Committee is chaired by Jonathan Dixon (South Africa). Its Co-Vice Chairs are Nóra Kiss (Hungary) and Walid Genadry (Lebanon).

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*"As the insurance market place in India continues to grow and evolve, we appreciate the support and guidance provided by and through the IAIS. The IAIS Insurance Core Principles and related guidance, Regional Seminars and other training activities, and practises of other Members have been a good learning experience for the IRDA all along. The IAIS provides an excellent platform for exchange of both views and information, and senior officials of IRDA have been positively contributing to the discussions and decision making as Chairs and Vice Chairs and as members of various Committees and Working Parties. We are proud to be a part of the IAIS and appreciative for the opportunities it provides to India and to the Asian region."*

T. S. Vijayan, Chairman, Insurance Regulatory and Development Authority, India

# 8. REPORTS FROM THE IMPLEMENTATION COMMITTEE SUBCOMMITTEES

## EDUCATION SUBCOMMITTEE

The Education Subcommittee (ESC) is responsible for establishing the IAIS' educational strategy. The IAIS aims to serve as a catalyst in supporting the development of supervisors in Member jurisdictions and promoting capacity building for effective supervision and regulation of respective insurance industries around the globe in accordance to the standards set by the IAIS. Amongst its responsibilities are the assessment of Members' development needs and the promotion and facilitation of supervisory development initiatives such as: (1) promoting the development of new educational materials; (2) developing an on-line library of material relevant to insurance supervisors; (3) organising and financially supporting a number of training seminars; and (4) coordinating the translation of IAIS material.

### *Training seminars*

In collaboration with other organisations, the IAIS plans, organises and supports up to 14 Regional Seminars and 1 Global Seminar every year. Care is taken to see that the seminars are evenly spread across all the regions of Member jurisdictions. Regional Seminars place emphasis on specific ICPs or other supervisory issues, depending on the interest and needs of the region. A list of seminars held during 2012-13 is included in Appendix II.

The annual Global Seminar addresses recent regulatory and supervisory activities, including standard setting and implementation. This year's Global Seminar took place in June, together with the Committee meetings held in Basel. The main topics discussed were standard setting (revision of ICP 23, ComFrame and Field Testing), financial stability (G-SIIs and macroprudential surveillance), and standard implementation activities (including SAPRs). The seminar also included a presentation from the FSB.

In addition, as part of its education strategy, the IAIS is proposing to organise web-based induction seminars targeting specific audiences, such as newly recruited supervisors.

### *Education materials*

The IAIS offers the Core Curriculum, jointly produced with the World Bank, which provides comprehensive training material on the various elements of insurance supervision. The existing Core Curriculum was developed during 2003-06 and predominantly follows the structure of the ICPs prior to their revision in 2011. Owing to the ICP revisions during 2011, the IAIS is working with

the World Bank to comprehensively update the Core Curriculum.

The IAIS also identified the need to develop a Supervisory Guide that will supplement supervisory standards by providing practical operational guidance on applying various standards set by the IAIS. The ESC has reached out to various jurisdictions and organisations for input in developing this guide.

In addition, the IAIS offers Teaching Notes for presentations on the IAIS supervisory materials to be used at various seminars.

### *Centralisation of supervisory material*

The IAIS is developing a library of supervisory material so that supervisors worldwide have access to relevant information and documents to help them optimise their knowledge and understanding of their profession. This information will be available on the IAIS website.

### *Translations*

The IAIS recognises the need for translation of key IAIS documents so that they can be better understood and implemented in a wider number of jurisdictions. The translation of top priority Core Curriculum modules and selected supervisory papers into French and Arabic is complete. The IAIS is currently planning the next set of translation activities.

The ESC is chaired by Walid Genadry (Lebanon). The Vice Chair is DVS Ramesh (India).

## FINANCIAL INCLUSION SUBCOMMITTEE

The mandate of the Financial Inclusion Subcommittee (FISC) is to promote the application of the ICPs and other supervisory material to support regulation and supervision of inclusive insurance markets, and other forms of insurance, particularly in emerging markets and developing economies. Its main activities include:

- Developing supervisory and other material concerning financial inclusion and other specific forms of insurance
- Promoting work of other standard setting bodies and other third party organisations related to specific forms of insurance, such as the Islamic Financial Services Board's work in Takaful (Islamic) insurance

- Strengthening the capacity of policymakers, regulators and supervisors seeking to advance insurance market access for low-income consumers (for example through leadership and active involvement in the A2ii)
- Liaising with other organisations and initiatives involved in financial inclusion, or other specific forms of insurance (for example the Microinsurance Network and G20 initiatives such as the Global Partnership for Financial Inclusion)

In October 2012, the Application Paper on Regulation and Supervision Supporting Inclusive Insurance Markets was released. It provides application guidance and examples of how the ICPs and standards can be practically applied in a manner that supports inclusive insurance markets.

In May 2013, the FISC, in cooperation with A2ii, launched a SAPR on regulation and supervision supporting inclusive insurance markets.

The FISC's workplan for 2013 and 2014 includes:

- Engaging with the A2ii to develop training materials, including a training module based on the Application Paper mentioned above
- Developing an Issues Paper on market conduct, distribution issues and consumer protection relating to financial inclusion
- Developing an Application Paper on the Use of Mutuals, Cooperatives and Community Organisations (MCCOs) in inclusive insurance markets in compliance with applicable ICPs
- Deepening the understanding of the risks of financial exclusion to financial stability and a loss of confidence resulting from a widespread failure and of changing risks and benefits of financial inclusion

The FISC will closely cooperate with the A2ii in order to align activities and strengthen the A2ii's service to the IAIS Membership in the area of supervisory development and capacity building in support of financial inclusion. To this end, the IAIS was closely involved in the strategic reorientation of the A2ii and its governance.

The FISC is chaired by Mustapha Lebbar (Morocco). The Vice Chair is Stephanie Siering (Germany, BaFin).

#### *Access to Insurance Initiative (A2ii)*

The A2ii is a global partnership between the IAIS and international development agencies to support insurance supervisors in the promotion of inclusive and responsible insurance. The partnership was initiated in 2009 by the IAIS, the German Federal Ministry of Economic Cooperation and Development (BMZ), the Consultative Group to Assist the Poor (CGAP), FinMark Trust and the International Labour Organisation (ILO). The Governing Board of A2ii is chaired by Jonathan Dixon (South Africa) and includes other IAIS representatives.

A2ii contributes to sound, effective and proportionate policies, regulation and supervision of insurance markets that facilitate the growth of insurance for low-income consumers. It assists in the application of insurance supervisory material in specific circumstances and provides support, in particular to emerging markets, in the implementation of ICPs and standards. In conjunction with G20 financial inclusion work and other initiatives, it helps to develop and maintain sound insurance markets by providing country diagnostics, undertaking country projects and contributing to IAIS standard setting.

In May 2013 the A2ii decided to further expand its efforts in improving access to insurance by extending its work on knowledge gathering and awareness creation to providing supervisory support and capacity building for insurance supervisors. In this next phase, the A2ii is aiming to become an important implementation partner of the IAIS to enhance access to insurance.

The IAIS and A2ii have two joint projects currently in progress. Specifically, we have launched the SAPR tool, based on the Application Paper on Regulation and Supervision Supporting Inclusive Insurance Markets, to review the supportiveness of IAIS Members' current policies, programs and initiatives to the cause of enhancing inclusive insurance markets. The IAIS and A2ii are also developing a training tool based on this Application Paper and the ICPs.

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### *The IAIS-Microinsurance Network Joint Working Group*

The IAIS–Microinsurance Network Joint Working Group (JWG), operating for almost a decade, includes representatives from the Microinsurance Network (MIN), CGAP, donors and other development agencies, as well as insurance and financial development experts. Members are either IAIS Members or MIN members.

The JWG supports the development of regulatory and supervisory frameworks focused on policies conducive to protecting policyholders and supporting inclusive insurance markets especially for the low-income segments. The JWG’s workplan contributes to strengthening the insurance financial system and fosters financial inclusion to promote economic growth. The JWG played a key role in drafting the Issues Paper on Market Conduct, Distribution and Consumer Protection in Inclusive Markets.

As a consequence of the strategic reorientation of the A2ii, the JWG has also reviewed its functioning and will become the consultative forum on access to insurance, in which members of the IAIS and the MIN can share experiences and information on developments.

### **STANDARDS OBSERVANCE SUBCOMMITTEE**

The mandate of the Standards Observance Subcommittee (SOSC) is to contribute to enhanced observance of IAIS ICPs and standards through overseeing and reporting outcomes from SAPRs. The IAIS is committed to conducting SAPRs on all ICPs on a thematic basis by 2016.

The SAPR process entered its second year. IAIS Members have found participation in these assessments to be a very valuable experience. Specifically, IAIS Members have relied on these reports to identify areas where supervisory practice could be enhanced, regulatory frameworks improved and additional assistance could be sought. From the perspective of the IAIS, the

findings from the SAPR exercises have informed the standard-setting work of the Technical Committee and its Working Parties and the work of the Implementation Committee in identifying implementation priorities.

The first ICPs to be assessed were based on recommendations from the FSB’s paper Intensity and Effectiveness of SIFI Supervision; namely, ICP 1 (Mandate), ICP 2 (Supervisory Powers) and ICP 23 (Group-wide Supervision). A report providing high level findings from the expert review teams conducting the SAPRs is available on the IAIS website.

Currently, the SOSC is overseeing a SAPR on the theme of Corporate and Risk Governance, which includes ICPs 4 (Licensing), 5 (Suitability of Persons), 7 (Corporate Governance) and 8 (Risk Management and Internal Controls). The final reports from this exercise should be completed by the end of 2013. IAIS Members are encouraged to participate in the SAPR process.

The SOSC is chaired by Ekrem Sarper (USA, NAIC). The Vice Chair is Mamta Suri (India).

### **SUPERVISORY COOPERATION SUBCOMMITTEE**

The mandate of the Supervisory Cooperation Subcommittee (SCS) is to strengthen cooperation and the exchange of information among IAIS Members, as elaborated in the IAIS MMoU and in the relevant ICPs related to supervisory cooperation and information exchange. The Subcommittee coordinates with the MMoU Signatories Working Group (SWG) to promote accession and help improve the functioning and effectiveness of cooperation and information exchange both under the MMoU and outside the MMoU.

During the year the SCS started work on an Application Paper on Supervisory Colleges Including Exchange of Information, which will cover the specific modus operandi of supervisory colleges and the specific arrangements needed to accommodate

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their functioning, including guidance on information exchange and confidentiality issues between supervisors. In an effort to identify possible shortcomings in information exchange between supervisors in a college and to provide practical input into the Application Paper, the SCS completed two surveys on applicability of the IAIS MMoU to supervisory colleges and on supervisory cooperation including use of the IAIS MMoU. The SCS has also examined the findings and recommendations from the report on the pilot SAPR on supervisory cooperation and information exchange, which was undertaken in 2012, so as to reflect them in the Application Paper.

The SCS also issued new MMoU FAQs on the newly revised MMoU section of the IAIS website to provide information for those looking for a better understanding of the MMoU, including its confidentiality framework and the process for admission. In addition to the FAQs, the revised MMoU webpage contains the text of the MMoU, a list of all MMoU signatories and a link to the MMoU tool.

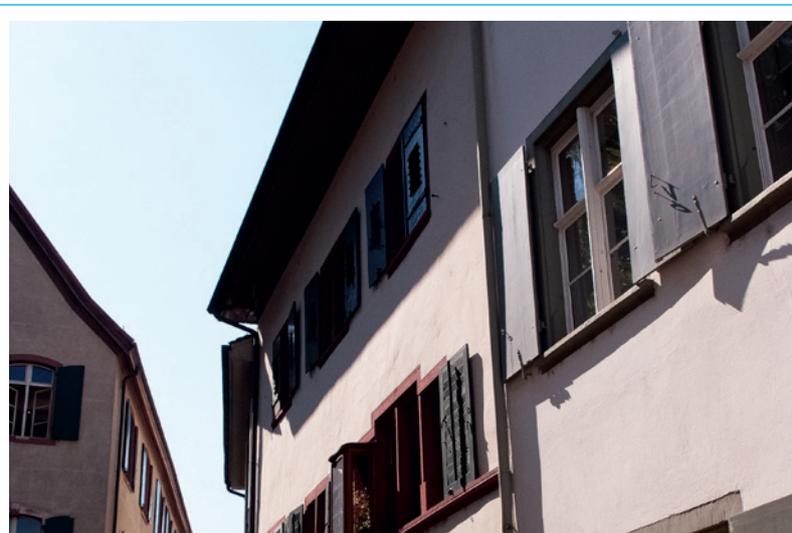
The SCS discussed revisions to the MMoU to accommodate cooperation among supervisors in a supervisory college, to clarify the confidentiality provisions in the annex, and to consider transfer of IAIS Membership from one Member to another under the circumstance of a change of supervisory architecture. The SCS also continued updating the IROSC to serve as a central repository for insurance supervisors on insurance supervisory colleges and is considering expanding IROSC into a web-based platform for cooperation between supervisory colleges.

### Signatories Working Group

The Signatories Working Group (SWG) is responsible for monitoring the validation of applications to the MMoU received from interested IAIS Members, commenting on validation reports and recommending new signatories. Since its inception in 2007, the IAIS MMoU has become a true global supervisory tool, with a growing number of jurisdictions interested in joining. As of September 2013, there are 37 jurisdictions admitted as signatories to the MMoU, representing more than 54% of worldwide premium volume, and validation is currently in progress for 18 applicant jurisdictions. The IAIS is happy to welcome the following new signatories in this reporting period:

- Financial Market Authority, Liechtenstein
- Washington State Office of the Insurance Commissioner, Washington, USA
- Istituto per la Vigilanza sulle Assicurazioni Private e di Interesse Collettivo, Italy
- Central Bank of Ireland, Ireland
- Undersecretariat of Treasury, Turkey
- Nebraska Department of Insurance, Nebraska, USA
- Insurance Regulatory and Development Authority, India

The SCS and SWG are chaired by Michael Kehr (Germany, BaFin), who replaced Richard Walker (Guernsey).



## 9. REPORT FROM THE CHAIR OF THE FINANCIAL STABILITY COMMITTEE



**Paul Sharma**  
Chair, Financial Stability Committee

A handwritten signature in black ink, appearing to read 'P. Sharma', with a stylized flourish at the end.

During the year, the Financial Stability Committee (FSC) finalised the methodology to identify G-SIIs and the policy measures that will apply to them. The FSB, which is coordinating global efforts to reduce the moral hazard posed by these institutions, endorsed the G-SII package and announced the first list of nine G-SIIs in July, based on the IAIS methodology. The G20 Finance Ministers and Central Bank Governors welcomed the publication of the initial list of G-SIIs to which resolution planning and group-wide supervision will apply. They also welcomed the IAIS' plan to develop straightforward, backstop capital requirements to be finalised by the time of the G20 Summit in 2014. These are intended to serve as a foundation for higher loss absorbency requirements for G-SIIs. The IAIS measures and framework complete a major piece of this reform in a manner specifically designed for the insurance sector.

The decision on possible G-SII designation of major reinsurers has been deferred until July 2014 to provide more time to evaluate the circumstances of the individual reinsurance companies in question. While the IAIS believes that traditional insurance is unlikely to cause, or amplify, systemic risk, reinsurers could create systemic risk through non-insurance activities (e.g. writing CDS). Whereas the G-SII methodology focuses on non-traditional or non-insurance (NTNI) activities, for reinsurers the issues relating to substitutability and interconnectedness are more complex and require further study and analysis. Additional time is also needed to identify policy measures that are targeted to mitigating financial stability risks associated with the major reinsurers' business models.

### *G-SIIs: Initial Assessment Methodology*

The IAIS' initial methodology to assess the systemic importance of insurers was applied using year-end 2011 data collected from selected insurers in 2012. The initial assessment methodology involves three steps: the collection of data, a methodical assessment of that data and a supervisory judgment and validation process.

The structure of the indicator-based assessment approach is similar to the approach developed by the Basel Committee for global systemically important banks. However, the specific nature of the insurance sector has influenced the selection, grouping and weights assigned to certain indicators. The IAIS' assessment methodology identifies five categories to measure relative systemic importance: non-traditional insurance and non-insurance (NTNI) activities, interconnectedness, substitutability, size and global activity. Within these 5 categories are 20 indicators, including: intra-financial assets and liabilities, gross notional amount of derivatives, Level 3 assets, non-policyholder liabilities and non-insurance revenues, derivatives trading, short term funding and variable insurance products with minimum guarantees.

### *G-SIIs: Policy Measures*

The IAIS' framework of policy measures for G-SIIs is based upon the general framework published by the FSB with adjustments that, as with the proposed

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assessment methodology, reflect the factors that make insurers different from other financial institutions. The proposal consists of three main types of measures:

1. *Enhanced Supervision.* These measures build on the IAIS Insurance Core Principles and the FSB's Supervisory Intensity and Effectiveness recommendations and include the development of a systemic risk management plan and enhanced liquidity planning and management. They also require the group-wide supervisor to have direct powers over holding companies to ensure that a direct approach to consolidated and group-wide supervision can be applied.

2. *Effective Resolution.* Based on the FSB's Key Attributes of Effective Resolution Regimes for Financial Institutions, these measures include the establishment of crisis management groups, the elaboration of recovery and resolution plans, the conduct of resolvability assessments, and the adoption of institution-specific cross-border cooperation agreements. The IAIS proposals take account of the specificities of insurance through the inclusion of plans for separating NTNI activities from traditional insurance activities, the potential use of portfolio transfers and run-off arrangements, and the recognition of existing policyholder protection and guarantee schemes.

3. *Higher Loss Absorption (HLA) Capacity.* As a foundation for HLA requirements for G-SIIs, the IAIS will as a first step develop straightforward, backstop capital requirements to apply to all group activities, including non-insurance subsidiaries. This measure will be finalised by the end of 2014, after a period of public consultation. The IAIS proposes that G-SIIs should have higher loss absorption capacity and that a distinction may be made based upon whether or not the firm's non-traditional insurance and non-insurance financial activities have been effectively separated from the traditional insurance business. The IAIS also proposes that, where possible, HLA may be targeted at the entities where the systemically important activities are located or where the HLA is most likely to reduce the expected systemic impact.

By the end of 2015, the IAIS will develop, after public consultation, the implementation details for HLA that will apply to designated G-SIIs starting from 2019. The IAIS will also consult on related issues such as the scope of the G-SII group on which HLA will be assessed.

Apart from these specific measures, the IAIS also considers a

sound capital and supervisory framework for the insurance sector more broadly to be essential for supporting financial stability. Accordingly, it will prepare a workplan to develop a comprehensive group-wide supervisory and regulatory framework for internationally active insurance groups, including a quantitative capital standard.

#### *Macprudential Policy and Surveillance (MPS) in Insurance*

In addition to the measures to identify and address G-SIIs, the IAIS also published its framework for implementing macroprudential policy and surveillance (MPS) in the insurance sector. In contrast to microprudential supervision, which is concerned with the viability of individual institutions, MPS takes a market-wide perspective with a view to maintaining financial stability. Its focus is on enhancing the supervisory capacity to identify, assess and mitigate macro-financial vulnerabilities that could lead to severe and wide-spread financial risk.

The financial crisis has demonstrated the critical absence of effective mechanisms to monitor the growing complexity and opacity of financial institutions and assess the extent of cross-border exposures. Accordingly, the IAIS is encouraging the development and enhancement of supervisory capacity to identify, assess and mitigate macro-financial vulnerabilities in areas of economic significance to the global insurance sector. The macroprudential framework will support the goal of maintaining financial stability and minimising the incidence and impact of disruptions in the provision of key financial products and services.

Going forward, the IAIS plans to further refine the MPS framework by issuing guidance on the practical application of related IAIS ICPs and by developing a toolkit and data template of early warning risk measures to be leveraged for stress testing.

In addition, the FSC closely monitored other key FSB and BCBS developments, including the proposed resolution assessment methodology, shadow banking workstreams, proposed extension of the G-SIB framework to domestic banks, reforms to capital and liquidity requirements for banks, reforms to over-the-counter (OTC) derivatives, the introduction of a legal entity identifier and related implementation monitoring via self-assessments and peer reviews.

The FSC is chaired by Paul Sharma (UK, PRA), who replaced Peter Braumüller in January 2013. The Vice Chair is Elise Liebers (USA, NAIC).

# 10. REPORTS FROM THE FINANCIAL STABILITY COMMITTEE SUBCOMMITTEES

## FINANCIAL STABILITY DATA ANALYSTS SUBCOMMITTEE

The Financial Stability Data Analysts Subcommittee (FSD) was formed in February 2013 as a result of the reorganisation of the Subcommittee structure under the FSC. The FSD assumed responsibility for the data-related work from the former FSC Specialists Group.

The mandate of the FSD is to:

- Coordinate the annual review of potential G-SIIs in accordance with the framework and timelines determined by the FSC
- Provide core resources for the analysis team undertaking the annual review and the related supervisory judgment processes
- Develop technical papers and procedures on specific issues related to the development of data collection instructions and the implementation of the assessment methodology for G-SIIs for review by the FSC or for input to the Financial Stability Policy Specialists Subcommittee before and during each year's review
- Undertake other activities as requested by the FSC related to the data analysis of potential G-SIIs

Since its formation, the FSD has focused on developing and finalising the methodology to identify G-SIIs by the examination of financial data collected from 50 insurers worldwide. The methodology allows the FSD, together with national authorities, to identify which are G-SIIs. The approach is similar to that used by the BCBS to identify global systemically important banks (G-SIBs), but it also reflects the particularities of the insurance business.

The FSD has also conducted the supervisory judgment and validation process. This process included intensive discussions with select G-SII candidates and their supervisors. These discussions enhanced understanding about the data flowing into the indicators, revealing extenuating circumstances which could not otherwise easily be quantified and providing more information about the systemic relevance of semi- and non-traditional insurance activities.

The list of G-SIIs will be updated and published by the FSD each November beginning in 2014. The FSD therefore expects the next data call exercise for 2013 data to take place in early 2014.

The FSD is chaired by Dean Minot (UK, PRA). The Vice Chair is Andy Jobst (Bermuda).

## FINANCIAL STABILITY POLICY SPECIALISTS SUBCOMMITTEE

The Financial Stability Policy Specialists Subcommittee (FSP) was formed in February 2013 as a result of the reorganisation of the Subcommittee structure under the FSC. The FSP assumed responsibility for the policy-related work from the former FSC Specialists Group and is charged with developing policy measures for potential G-SIIs.

The FSP is mandated to:

- Develop technical papers, policies and procedures for review by the FSC on financial stability issues, especially in relation to the assessment methodology and policy measures for both global and domestic systemically important insurers
- Coordinate with other IAIS Working Parties as required including the Financial Stability Data Analysts Subcommittee, the Macroprudential Policy and Surveillance Subcommittee, the Solvency and Actuarial Issues Subcommittee and the Insurance Groups and Cross-sectoral Issues Subcommittee on financial stability issues
- Undertake other activities as requested by the FSC

The FSP's core function is to provide the policy framework which will apply to designated G-SIIs. The policy measures are intended to:

1. Reduce negative externalities stemming from the distress or disorderly failure of a G-SII
2. Reduce the probability and impact of default of G-SIIs and thus the expected systemic impacts
3. Incentivise G-SIIs to become less systemically important
4. Be linked to the drivers of the G-SII status of each G-SII

The G-SII policy measures can be grouped under four headings:

1. Enhanced Supervision
2. Effective Resolution

### 3. Loss Absorbency – Applicable to All Group Activities

### 4. Higher Loss Absorbency- Applicable to NTNI Activities

Within this structure, the FSP has designed a comprehensive framework with special consideration for the nature, scale, and complexity of G-SIIs.

*Enhanced supervision:* Enhanced supervision applies immediately to all G-SIIs to ensure that they rapidly achieve the higher standards of risk management their G-SII status demands. The ICPs, ComFrame, and the FSB's Supervisory Intensity and Effectiveness recommendations provide the foundation for the IAIS' approach to enhanced supervision, while special emphasis is placed on group-wide supervision and liquidity planning. The group-wide supervisors should also analyse activities that cause systemic importance of G-SIIs and take necessary measures to reduce that systemic importance.

The G-SII in consultation with the group-wide supervisor should start developing the Systemic Risk Management Plans (SRMP) immediately after its designation. The purpose of the SRMP is for the G-SII, under the oversight of the group-wide supervisor, to describe how it will manage, mitigate and possibly reduce its systemic risk. The plan should address the risks identified in the decision to designate the insurance group as a G-SII. Discussions with the G-SII would focus first on the particular drivers of G-SII status. The group-wide supervisor would immediately begin to implement measures to enhance supervision (including development of the SRMP) and effective resolution.

*Increased resolvability:* The FSB's Key Attributes on Effective Resolution Regimes provide the basis for improved resolvability and would help reduce the impact of a G-SII failing. Under the Key Attributes, all G-SIIs will be required to produce recovery and resolution plans in cooperation with their group-wide supervisor.

*Loss Absorbency (LA) capacity:* G-SIIs will be required to hold regulatory capital for all group activities. The development of straightforward, backstop capital requirements will be completed by the end of 2014.

*Higher loss absorption (HLA) capacity:* In addition, from 2019, G-SIIs will be subject to an increased loss absorption capacity requirement based on the NTNI activities that those G-SIIs undertake.

The FSD is chaired by Randall Dodd (USA, Treasury/FIO). The Vice Chair is Stanislav Georgiev (Germany, BaFin).

### MACROPRUDENTIAL POLICY AND SURVEILLANCE SUBCOMMITTEE

The Macroprudential Policy and Surveillance Subcommittee (MPSSC) successfully completed its report on Macroprudential Policy and Surveillance (MPS) in Insurance. This MPS report sets forth the IAIS' approach to the identification of key indicators of macro-financial vulnerabilities within a macroprudential framework for the insurance sector. In so doing, the MPSSC strengthened its role as a macroprudential intelligence hub, servicing supervisors in individual jurisdictions and other IAIS Committees. At the same time the MPS report complements the IAIS considerations regarding G-SIIs described above.

Building on the results presented in the MPS report the group developed analytical macroprudential tools, identifying key risk categories that will be useful in a tool kit for supervisors. This work will ultimately also serve as input to macroprudential stress testing exercises. In this respect it remains the ultimate aim to limit or to mitigate systemic risk with the goal of maintaining financial stability and minimising the incidence and impact of disruptions in the provision of key financial products and services that can have adverse consequences for the real economy and broader implications for economic growth. The Subcommittee will continue to liaise with, and leverage the work of, several other regional and international organisations engaged in financial sector related macroprudential analysis.

Under the guidance of the Subcommittee, the IAIS Secretariat has continued to monitor the macroeconomic and financial market environment with a focus on potential impacts on the insurance sector. This work includes the periodic Key Insurance Risks and Trends (KIRT) survey and the GIMAR.

The MPSSC is chaired by Edward Toy (USA, NAIC), who replaced Mary Frances Monroe (Bermuda). The Vice Chair is Christian Schmidt (Lichtenstein), who replaced Marc Radice (Switzerland).

# 11. REPORT FROM THE CHAIR OF THE SUPERVISORY FORUM



**Jörg Krause**  
Chair, Supervisory Forum

A handwritten signature in black ink that reads "Krause". The signature is written in a cursive, flowing style.

The Executive Committee established the Supervisory Forum in 2011 to provide expert input from a supervisory practice perspective into IAIS activities, thus helping to strengthen the effectiveness of insurance supervision and to foster convergence of supervisory practices. Forum members are senior practitioners involved in the supervision of IAIGs who are committed to participating actively in regular meetings. By doing so they have created an environment of trust in which information and supervisory experience can be easily shared.

The Forum acts as a sounding board for the IAIS and provides input into other IAIS work. It routinely discusses any matters that are referred to it by other Working Parties. It also discusses emerging and topical issues relevant to the supervision of IAIGs, and provides summaries of its discussions shortly after each meeting for the benefit of all IAIS members. The group has benefitted from representatives from other Working Parties or subject matter experts attending its meetings to explore specific topics.

The Forum met four times over the last year and discussed a range of topics that includes: practical issues in the operation of supervisory colleges, supervisors' use of financial analysis and risk dashboards, the drivers behind insurers' use of reinsurance and approaches to its supervision, approaches to the supervision of branch operations, developments and challenges to supervisors related to variable annuity business, approaches to assessing group capital including its fungibility, and the timing of formal supervisory intervention.

In addition to producing summaries of its meetings, the Forum is considering additional ways of communicating its activities and providing value to the broader IAIS Membership.

The Supervisory Forum is chaired by Jörg Krause (Germany, BaFin). The Vice Chair is Douglas Slape (USA, Texas).

## 12. REPORT FROM THE CHAIR OF THE AUDIT AND RISK COMMITTEE



**Ian Laughlin**  
Chair, Audit and Risk Committee

A handwritten signature in black ink, appearing to read 'Ian Laughlin'.

The General Meeting established the Audit Committee in 2009. Pursuant to the By-Laws, it is responsible for reviewing the internal controls of the Association and monitoring that its activities achieve their objectives through effective and efficient operations. It is also charged with reviewing whether the Association's activities are compliant with applicable procedures and resolutions.

In 2013, the Committee engaged in discussions with the Budget Committee in order to prevent duplicative efforts between the two Committees. Following these discussions, the Committee obtained approval from the Executive Committee for an amended Charter and mandate that more closely follow its charges in the By-Laws and clarify its role, both on its own and in regard to tasks shared with the Budget Committee.

In particular, the Committee's role was clarified in relation to risk management and internal controls, compliance, financial reporting and the external auditor. The Committee was also given a role in monitoring and coordinating the implementation, adequacy and effectiveness of strategic and operational performance assessments. In recognition of the Committee's important role in monitoring the risks to which the Association is exposed, the Executive Committee also amended its name to the Audit and Risk Committee.

Over the last year, the Committee has devoted significant time to developing a comprehensive risk management framework and internal control system (RMF/ICS) for the Association. The Committee also spent time developing and implementing methods of measuring performance against operational and strategic goals. This led to the introduction of a "Dashboard" for each of the Committee and Working Parties as a manner of tracking performance against operational goals.



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The Committee is close to presenting to the Executive Committee the comprehensive draft RMF/ICS. As being developed, the framework is intended to apply to all operations of the Association, including staff functions and those taken by Members on behalf of the Association. It would also:

- Require the establishment and maintenance of a formal risk strategy that includes – a risk appetite statement, risk tolerances, a risk register, and risk reports
- Formalise arrangements within the Secretariat in regard to risk management and internal controls
- Establish processes for identifying, measuring and managing emerging or identified risks
- Describe the governance arrangements, including the responsibilities of the Executive Committee, Audit and Risk Committee, and Secretariat

The Audit and Risk Committee is chaired by Ian Laughlin (Australia). Its Vice Chair is Kevin McCarty (USA, Florida).

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*“We would like to thank the IAIS leadership and professional Secretariat for their continued tireless work and diligence to promote stable insurance markets, while enhancing global financial stability. With the role of the IAIS increasing in importance, the American Council of Life Insurers (ACLI) has dedicated significant resources to follow the critical initiatives currently underway and appreciates the continued engagement with IAIS Observers. Together we are a strong voice for the benefits the insurance sector brings to global growth and job creation, in both emerging and developed economies.”*

Lauren Scott, Director, International & Insurance Regulation,  
American Council of Life Insurers (ACLI)

# 13. REPORT FROM THE CHAIR OF THE BUDGET COMMITTEE



**Victor Rod**  
Chair, Budget Committee

A stylized, handwritten signature in black ink, consisting of a large, bold letter 'V' followed by a horizontal line that curves upwards at the end.

The 2012 IAIS financial statements were prepared in accordance with Swiss law and, where possible, International Financial Reporting Standards have been applied. They were audited by Ernst & Young, this being their first year of audit following a rotation of auditors. They raised no management issues as a result of their audit.

The audited financial statements show a surplus of CHF 247,474 compared with an approved budgeted net expenditure of CHF 684,300. The surplus was due largely to savings in certain key areas, as well as higher income than anticipated in others. Individual circumstances and lower benefit entitlements resulted in salaries, benefits and relocation costs being lower than anticipated. Expenditure on implementation activities was lower than budgeted due to fewer than anticipated training seminars being held. A major upgrade of the website, originally planned for 2011-12, is now taking place in 2013 resulting in lower expenditure in 2012. Also, Secretariat travel expenses were lower than anticipated as a result of cost saving measures. Income was higher than anticipated as a result of new Observers joining the Association, and from an unanticipated surplus from the 2012 Annual Conference in Washington, D.C.

In 2013 expenditures are budgeted to exceed revenue by CHF 437,000. This is consistent with the financial forecast for 2013 which reflects the additional costs, agreed upon as part of the Strategic Plan and Financial Outlook 2011-15, needed to strengthen Secretariat staff resources in order to provide sufficient support to the IAIS' prioritised work. The on-going challenges to provide sufficient resources for different important areas of work continue to put pressure on our financial resources. Nevertheless, we are conscious of the need to take measures that promote work efficiency and mitigate costs, and I hope that, overall, expenses for 2013 will turn out to be lower than anticipated.

The IAIS maintains a conservative investment policy. Funds are invested primarily in bank current and deposit accounts, as well as in certain investments with capital protection. These provide a high degree of capital security.

The IAIS continues to receive support from certain Members and third parties in the form of grants or support in-kind, such as secondments of staff to the Secretariat. The IAIS is grateful to these parties for their contributions and would like to acknowledge the special support provided during 2012-13 by the Bank for International Settlements, the Bermuda Monetary Authority, the China Insurance Regulatory Commission, the Financial Supervisory Commission (Chinese Taipei), the Financial Services Agency (Japan), and the Financial Supervisory Service (Republic of Korea).

The Budget Committee is chaired by Victor Rod (Luxembourg). Its Vice Chair is Ryan Workman (USA, NAIC).

# 14. AUDITOR'S REPORT



Ernst & Young Ltd  
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To the Members of  
**International Association of Insurance Supervisors, Basel**

Zurich, 26 June 2013

## Report on the financial statements

At your request, we have audited the accompanying financial statements of the International Association of Insurance Supervisors (the "IAIS"), which comprise the Statement of Financial Position, the Statement of Activities, the Statement of Cash Flows and Notes, for the year ended 31 December 2012.

### *Managements' responsibility*

The Management is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the by-laws of the association. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Management is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Member of the Swiss Institute of Certified Accountants and Tax Consultants

**Opinion**

In our opinion, the financial statements for the year ended 31 December 2012 comply with Swiss law and by-laws of IAIS.

**Report on other legal requirements**

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 69b Swiss Civil Code (CC) in connection with article 728 CO) and that there are no circumstances incompatible with our independence.

In accordance with article 69b CC in connection with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Management.

Ernst & Young Ltd



John Alton  
Licensed audit expert  
(Auditor in charge)



Marco Stampfli  
Licensed audit expert

**Enclosures**

- Financial statements (Statement of Financial Position, Statement of Activities, Statement of Cash Flows and Notes)

# 15. FINANCIAL STATEMENTS

INTERNATIONAL ASSOCIATION OF INSURANCE SUPERVISORS  
STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2012  
(IN SWISS FRANCS)

	Note	2012	2011
<b>ASSETS</b>			
Cash and cash equivalents	6	5,443,604	6,147,231
Investments held to maturity	7	3,000,000	3,000,000
Accounts receivable	8	1,193,483	899
Other receivables		600	–
Prepayments and accrued interest		17,991	26,421
<b>Total assets</b>		<b>9,655,678</b>	<b>9,174,551</b>
<b>LIABILITIES</b>			
Accounts payable	9	1,936,666	1,338,048
Deferred revenue	10	777,917	1,096,342
Advances received	4	–	2,202
Provision for standard implementation activities	14	647,146	691,484
<b>Total liabilities</b>		<b>3,361,729</b>	<b>3,128,076</b>
<b>UNRESTRICTED NET ASSETS</b>			
Balance brought forward from previous year		6,046,475	5,786,247
Net result from activities		247,474	260,228
<b>Total unrestricted net assets</b>		<b>6,293,949</b>	<b>6,046,475</b>
<b>Total liabilities and unrestricted net assets</b>		<b>9,655,678</b>	<b>9,174,551</b>

There were no movements in equity during the year other than those included in the Statement of Activities.  
The accompanying notes form part of these financial statements.

INTERNATIONAL ASSOCIATION OF INSURANCE SUPERVISORS  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED 31 DECEMBER 2012  
 (IN SWISS FRANCS)

	Note	2012	2011
<b>OPERATING REVENUE</b>			
Membership fees		3,545,400	3,407,500
Observership fees		2,330,000	2,079,000
Annual conference income	12	1,190,157	1,012,944
Miscellaneous income		14,986	–
<b>Total operating revenue</b>		<b>7,080,543</b>	<b>6,499,444</b>
<b>OPERATING EXPENSES</b>			
Administration	11	54,115	28,708
Annual conference expenses	12	967,374	968,093
Audit		7,400	8,178
Consultancy fees		23,261	–
Editing		8,293	2,336
Implementation activities		129,292	177,215
Information services		61,680	4,051
Insurance		45,413	–
Meetings		93,171	72,005
Provision for bad debts	8	18,500	103,776
Relocation		87,984	148,146
Salaries		4,763,395	4,116,098
Training		14,878	13,214
Travel		525,529	537,724
Website & IT		63,704	87,308
<b>Total operating expenses</b>		<b>6,863,989</b>	<b>6,266,852</b>
<b>Net result from activities before investment income and exchange rate movements</b>		<b>216,554</b>	<b>232,592</b>
Investment income	13	32,407	30,402
Net foreign exchange differences	15	(1,487)	(2,766)
<b>Net result from activities</b>		<b>247,474</b>	<b>260,228</b>

The accompanying notes form part of these financial statements.

INTERNATIONAL ASSOCIATION OF INSURANCE SUPERVISORS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED 31 DECEMBER 2012  
 (IN SWISS FRANCS)

	Note	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net results from activities		247,474	260,228
Adjustments for:			
Investment income		(32,407)	(30,402)
Net foreign exchange loss		1,487	2,766
		<b>216,554</b>	<b>232,592</b>
(Increase)/decrease in accounts receivable		(1,192,584)	647,363
Decrease/(increase) in prepayments and other receivables		7,830	(20,331)
Increase in accounts payable and other advances receivable		596,416	108,752
(Decrease)/increase in deferred revenue		(318,425)	260,842
(Decrease) in provision for standard implementation activities		(44,338)	(37,206)
<b>Net cash (used in) from operating activities</b>		<b>(734,547)</b>	<b>1,192,012</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from maturity of time deposit		–	2,000,000
Investment in floating rate note		–	(1,000,000)
Interest received		32,407	30,922
Tax on purchase of time deposits		–	–
<b>Net cash from investing activities</b>		<b>32,407</b>	<b>1,030,922</b>
Effects of exchange rate changes on cash and cash equivalents		(1,487)	(2,766)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(703,627)</b>	<b>2,220,168</b>
<b>Cash and cash equivalents at beginning of year</b>	6	<b>6,147,231</b>	<b>3,927,063</b>
<b>Cash and cash equivalents at end of year</b>	6	<b>5,443,604</b>	<b>6,147,231</b>

The accompanying notes form part of these financial statements.

## 1. NATURE OF ORGANISATION

The International Association of Insurance Supervisors (“IAIS” or “the Association”) is an association established under Swiss Law. The Association is domiciled in Basel, Switzerland and receives fees from its members and observers worldwide.

The IAIS provides an independent forum for insurance supervisors to promote cooperation among its members in carrying out their responsibilities and to enhance their ability to protect insurance policyholders and promote secure and efficient insurance markets.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### *a. Statement of compliance*

The financial statements have been prepared in accordance with Swiss law. Where possible, International Financial Reporting Standards are considered in the preparation of the financial statements.

### *b. Basis of preparation*

The financial statements have been prepared on the historical cost basis, and income and expense items are recorded on the accruals basis. The principal accounting policies are set out below.

### *c. Scope of financial statements*

These financial statements contain all assets and liabilities that are controlled by the Association and in respect of which the economic benefits as well as the rights and obligations lie predominantly with the Association.

### *d. Functional and presentation currency*

The functional and presentation currency is the Swiss franc.

As a result of its international activities the Association is exposed to various other currencies. All transactions are recorded in Swiss francs at the exchange rates ruling at the date of the transaction.

Exchange differences arising from the retranslation of monetary assets and liabilities are included as net foreign exchange gains or losses in the Income Statement.

### *e. Cash and cash equivalents*

Cash and cash equivalents comprise bank current and deposit accounts which are highly liquid and readily convertible to cash.

### *f. Investments*

Investments in time deposits, fixed term structured products, bonds and treasury notes are held to maturity and are accounted for at amortised cost using the effective interest method.

Returns from investments are accounted for in interest income.

### *g. Receivables and Accounts payable*

Receivables and accounts payable are principally short-term amounts relating to the settlement of transactions as a result of the Association's activities. They are included in the Statement of Financial Position at amortised cost.

### *h. Provision for bad debts*

Provisions are recognised as a charge to the Income Statement if the Association has concern over the recovery of outstanding receivables. The policy of the Association is to write off membership fees that remain unpaid for two consecutive years, or upon confirmation of non recovery if earlier.

### *i. Withholding taxes*

Interest income is reported net of withholding taxes and included as part of investment income.

### *j. Provision for standard implementation activities*

With effect from 2010, the costs of standard implementation activities are expensed in the year incurred. The previous treatment was for unspent budgeted amounts to be accrued in a provision for standard implementation activities. The balance on the provision is being utilised to fund expenditure on specified implementation initiatives, which are in addition to ongoing annual expenditure. Movements on the provision are set out in Note 14.

### 3. BENEFITS RECEIVED

The IAIS is hosted by the Bank for International Settlements (BIS) and benefits from administration, accounting, office space and other advisory services which are provided by the BIS. The BIS also administers a staff pension scheme of which a number of IAIS staff are entitled to membership. The pension obligations lie with the BIS and the IAIS has no legal commitment for the payment of pension amounts to staff.

The Association also benefits from Members' secondment of staff to its Secretariat. The total amount of these benefits has not been determined.

### 4. THIRD PARTY CONTRIBUTIONS

The use of these funds is restricted as determined by agreements with the contributors.

#### DNB Dutch Contribution

USD 50,000 was contributed in October 2002. The balance as at 31 December 2011 was CHF 2,202, and this balance was utilised in full during 2012.

#### FSA Japan Grant

Funds are contributed annually and are held in a separate CHF-denominated bank account, on which there was a balance of CHF 403,292 as at 31 December 2012. These funds are held outside the IAIS financial statements; all transactions are financially independent from the IAIS and the financial records are independently audited.

#### IAIS Education Fund

The fund represents contributions received from donors to be used for educational purposes. The balance on the fund as at 31 December 2012 was equivalent to CHF 129,172. The funds are held outside the IAIS financial statements; all transactions are financially independent from the IAIS and the financial records are independently audited.

### 5. INCOME TAXES

The Association is exempt from income tax.

	2012	2011
<b>6. CASH AND CASH EQUIVALENTS</b>		
USD Current accounts	–	16,541
CHF Current accounts	5,443,604	6,130,690
	<b>5,443,604</b>	<b>6,147,231</b>

	2012	2011
<b>7. INVESTMENTS</b>		
<b>Investments held to maturity</b>		
Time deposits	2,000,000	2,000,000
Floating rate note	1,000,000	1,000,000
	<b>3,000,000</b>	<b>3,000,000</b>

The amounts held in time deposits mature in December 2013 (CHF 1,000,000) and December 2014 (CHF 1,000,000). The investment in a floating rate note matures in December 2016.

The floating rate note is a structured product with full capital protection and a five year term. Capital will be repaid on maturity in December 2016; interest is variable, based on CHF LIBOR and subject to a minimum (floor) and maximum (cap)

	2012	2011
<b>8. ACCOUNTS RECEIVABLE</b>		
Annual conference (Note 12)	1,190,157	–
Membership fees receivable	35,326	44,157
Other	–	49,742
	<b>1,225,483</b>	<b>93,899</b>
Less: provision for bad debts	(32,000)	(93,000)
	<b>1,193,483</b>	<b>899</b>

	2012	2011
<b>MOVEMENT IN PROVISION FOR BAD DEBTS:</b>		
Charge to operating expenses:		
Provision made during the year	32,000	106,500
Recovery of amounts written off in prior year	(13,500)	(2,724)
Charge to operating expenses	<b>18,500</b>	<b>103,776</b>
Movement in provision:		
Opening balance	93,000	–
Provision made during the year	18,500	106,500
Provisions written off in year	(79,500)	(13,500)
Closing balance	<b>32,000</b>	<b>93,000</b>

	2012	2011
<b>9. ACCOUNTS PAYABLE</b>		
Annual conference expenses (Note 12)	977,046	–
Advances received	78,442	–
Audit	8,000	8,000
Bank for International Settlements	515,901	908,624
Implementaion:		
Seminars	86,807	45,159
Translations	27,977	64,905
Other	20,305	–
Website & IT	–	65,938
Other	222,188	245,422
	<b>1,936,666</b>	<b>1,338,048</b>

Amounts due to the Bank for International Settlements are in respect of operating expenses.

	2012	2011
<b>10. DEFERRED REVENUE</b>		
Membership fees	348,338	526,756
Observership fees	429,579	569,586
	<b>777,917</b>	<b>1,096,342</b>

As at 31 December 2012 some Members and Observers had paid fees in advance for the year 2013. These amounts will be reflected as income in the Statement of Activities for 2013.

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	2012	2011
<b>11. ADMINISTRATION</b>		
Bank charges	3,341	647
Copies & postage	460	208
Printing & documentation	12,076	9,112
Telephone & fax	32,986	18,741
Miscellaneous	5,252	-
	<b>54,115</b>	<b>28,708</b>

	2012	2011
<b>12. ANNUAL CONFERENCE</b>		
<b>Income</b>		
Conference fee and sponsorship income	1,190,157	1,012,944
<b>Expenditure</b>		
Conference expenditure incurred by host	977,046	945,434
Other conference expenditure paid	12,987	22,659
Expenditure from 2011 conference reimbursed in year	(22,659)	-
	<b>967,374</b>	<b>968,093</b>

Conference fee and sponsorship income were received, and the majority of conference expenditure incurred, by the conference host on behalf of the IAIS. Such transactions were recorded in a designated account maintained by the host, independent from the host's books and records. The net balance due to the IAIS was settled after the year end. See also Note 15.

	2010	2011
<b>13. INVESTMENT INCOME</b>		
<b>Interest on:</b>		
Bank accounts	5,782	7,856
Time deposits	14,828	22,172
	<b>20,610</b>	<b>30,028</b>
Floating rate note	11,797	374
	<b>32,407</b>	<b>30,402</b>

The Association presents interest net of withholding tax. See also Note 2.

#### 14. PROVISION FOR STANDARD IMPLEMENTATION ACTIVITIES

In 2008 and 2009, budgeted amounts earmarked for standard implementation activities that were not incurred were set up as a provision for standard implementation activities, resulting in a provision at the start of 2010 of CHF 728,690. In 2010, there was a change in accounting policy and unspent budgeted amounts are no longer accrued. The balance on the provision is being utilised to fund expenditure on specified implementation initiatives, which is in addition to ongoing annual expenditure. Movements on the provision are as follows:

	2012	2011
Opening balance	691,484	728,690
Expenditure charged against provision during year	(44,338)	(37,206)
<b>Closing balance</b>	<b>647,146</b>	<b>691,484</b>

#### 15. INVESTMENT POLICY AND RISK MANAGEMENT

The Budget Committee meets three times a year and assesses the financial risks that could have an impact on the Association. The Secretariat monitors the day-to-day activities of the Association and provides regular reports to the Budget Committee.

The Association derives income primarily from membership fees. As a non-profit making organisation, it invests surplus income to fund future operations. Security of capital, represented by unrestricted reserves, has the highest priority within the investment policy, to ensure that the Association can continue as a going concern to support its activities for the foreseeable future.

Consistent with the investment policy, as at 31 December 2012 the IAIS's investments in financial assets other than cash comprised of investments in bank time deposits and in a structured product with full capital protection (see Note 7 above), minimising exposure to credit risk and market risk.

##### Liquidity risk

The Association holds sufficient liquid funds to ensure that it is able to meet its liabilities as they fall due.

##### Foreign currency risk

The revenue and expenditure of the Association are predominantly received and paid in Swiss francs. To minimise the exposure of investments to foreign currency risk, investments were held in Swiss franc-denominated financial assets as at 31 December 2012. The Association holds the majority of its cash balances in Swiss francs (CHF) and a small balance is held in US dollars (USD). The year end exchange rate used to convert monetary assets and liabilities was 1 USD: 0.91335 CHF (2011: 0.93765 CHF).

The IAIS holds an annual conference which takes place in a different member jurisdiction each year. The majority of expenditure is incurred in the local currency of the host; conference income is received in a currency other than the Swiss franc, and sometimes one which also differs from the local currency.

The 2012 annual conference was held in Washington DC, United States. Conference income was receivable, and the majority of conference expenditure incurred, in US Dollars. The financial statements for the conference were prepared in US Dollars and the conference income and expenditure were converted at a rate of 1 USD: 0.91335 CHF for inclusion in the financial statements. See also Note 12 above.

##### Credit Risk

The major source of funding for the Association is Member and Observers fees. Members represent insurance regulators and supervisors from over 190 jurisdictions in some 140 countries and Observers represent more than 120 insurance professionals, insurers, reinsurers and trade associations. Due to the nature of the Association's activities, credit risk is low.

# EXECUTIVE COMMITTEE MEMBERS

## AUGUST 2013

### APPENDIX I



**Peter Braumüller**  
Austria  
Financial Market Authority  
[Chair](#)



**Naruki Mori**  
Japan  
Financial Services Agency  
[Vice Chair](#)



**Kevin McCarty**  
USA, Florida  
Florida Office of  
Insurance Regulation  
[Vice Chair](#)



**Ian Laughlin**  
Australia  
Australian Prudential  
Regulation Authority  
[Chair of Audit and Risk Committee](#)



**Gaetano Geretto**  
Canada  
Office of the Superintendent  
of Financial Institutions



**Gordon Rowell**  
Cayman Islands  
Cayman Islands Monetary  
Authority



**Fernando Coloma**  
Chile  
Superintendencia de  
Valores y Seguros



**Junbo Xiang**  
China  
China Insurance Regulatory  
Commission



**Gabriel Bernardino**  
EIOPA  
European Insurance and  
Occupational Pensions Authority



**Thomas Schmitz-Lippert**  
Germany  
Bundesanstalt für  
Finanzdienstleistungsaufsicht

APPENDIX I  
EXECUTIVE COMMITTEE MEMBERS



**Michael Oliver**  
Gibraltar  
Financial Services Commission



**TS Vijayan**  
India  
Insurance Regulatory and  
Development Authority;  
replaced J. Hari Narayan, India,  
Insurance Regulatory and  
Development Authority, March 2013



**Luke Park**  
Korea (Republic of)  
Financial Supervisory Service;  
replaced Jong Wook Lee, Korea  
(Republic of), Financial Supervisory  
Service, May 2013



**Walid Genadry**  
Lebanon  
Ministry of Economy and Trade,  
Insurance Control Commission



**Victor Rod**  
Luxembourg  
Commissariat aux Assurances  
**Chair of Budget Committee \***



**Manuel Aguilera-Verduzco**  
Mexico  
Comisión Nacional  
de Seguros y Fianzas



**Hassan Boubrik**  
Morocco  
Direction des Assurances et  
de la Prévoyance Sociale

**Daniel Schydrowsky**  
Peru  
Superintendencia de Banca,  
Seguros y Administradoras Privadas  
de Fondos de Pensiones del Peru



**Luz Foo**  
Singapore  
Monetary Authority of Singapore



**Julia Cillikova**  
Slovakia  
National Bank of Slovakia



**Jonathan Dixon**  
South Africa  
Financial Services Board  
**Chair of the Implementation  
Committee**



**Patrick Raaflaub**  
Switzerland  
Swiss Financial Market  
Supervisory Authority



**Julian Adams**  
United Kingdom  
Prudential Regulatory Authority



**Tom Leonardi**  
USA, Connecticut  
Connecticut Department of Insurance; replaced Terri Vaughan, USA, National Association of Insurance Commissioners, Jan. 2013



**Michael McRaith**  
USA  
Federal Insurance Office, United States Department of Treasury  
**Chair of the Technical Committee**

\* Chairs of the Technical, Implementation and Budget Committees are ex officio non-voting members of the Executive Committee if they do not otherwise hold voting membership of the Executive Committee.

# 2012 – 2013 REGIONAL TRAINING SEMINARS

## APPENDIX II

The IAIS sponsored and organised the following training seminars for insurance supervisors during the period from October 2012 to September 2013.

DATE	LOCATION	ORGANISER(S)	MAIN TOPICS
November 2012	Cape Town, South Africa	FSB of South Africa, Financial Stability Institute (FSI), IAIS	Risk quantification and aggregation, internal models and the role of stress and scenario testing; Regulatory capital requirements to risks; Enterprise Risk Management (ERM); Insurers' Own Risk and Solvency Assessment (ORSA).
November 2012	San Jose, Costa Rica	Superintendencia General de Seguros de Costa Rica, Asociación de Supervisores de Seguros de América Latina (ASSAL), IAIS	General description of capital requirement systems; Best practices in establishing technical provisions; Corporate governance and internal control; Standards on actuarial practices applied to insurance products; Future of insurance group supervision.
April 2013	Panama City, Panama	Superintendencia de Seguros y Reaseguros de Panama, ASSAL, IAIS	The role of intermediaries and market conduct; Business conduct supervision; Consumer protection; Anti-money laundering and combating the financing of terrorism.
April 2013	Amman, Jordan	Insurance Commission of Jordan, FSI, IAIS	Overview of the revised Insurance Core Principles (ICPs) – challenges in implementing them and assessing their compliance; IAIS peer review and the Financial Sector Assessment Programme (FSAP).

DATE	LOCATION	ORGANISER(S)	MAIN TOPICS
May 2013	Chisinau, Moldova	National Commission for Financial Markets of Moldova, FSI, IAIS	Main ICPs on education and consumer protection; Good practices of consumer protection and education; Insurance intermediaries' roles in promoting public trust and financial awareness; Policies promoting the fair treatment; Supervisory actions assessing insurers' compliance as well as corrective and remedial actions; Supervisory activities to safeguard the interests of the policyholders.
May 2013	Brunei Darussalam	Autoriti Monetari Brunei Darussalam, ASEAN Insurance Training and Research Institute (ARTRI), Toronto Centre, IAIS	Overview of risk based supervision: Key principles; Significant activities; Inherent risk; Operational management; Introduction to Risk management control function (RMCFs); Off-site supervision; What is net risk (importance, direction).
June 2013	Seam Reap, Cambodia	Ministry of Economy & Finance, Cambodia, ARTRI, FSI, IAIS	Market and environmental factors that may impact insurers and pre-emptive actions to mitigate risks; Effective and sound stress scenario analysis; Aligning capital with risk using standardised approaches; Internal models and the application process; Improving the standard requirement in managing capital adequacy and solvency; Fundamentals of ERM and its application.

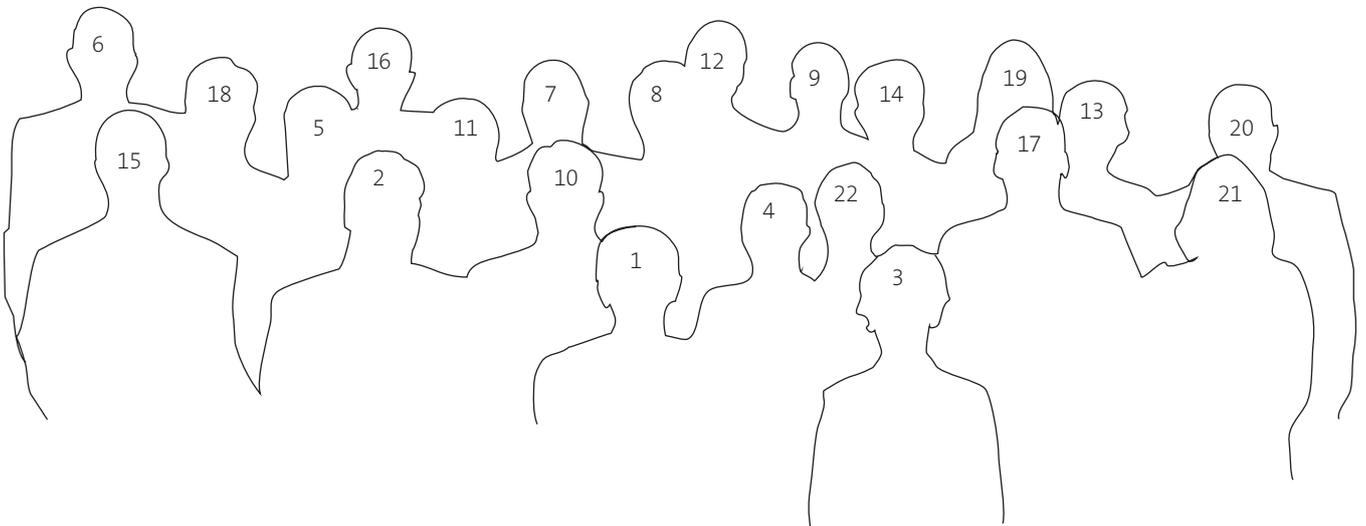
## APPENDIX II

### 2012 – 2013 REGIONAL TRAINING SEMINARS

DATE	LOCATION	ORGANISER(S)	MAIN TOPICS
June 2013	Turks and Caicos	Caribbean Association of Insurance Regulators, IAIS	Introduction to reinsurance; Types and uses; Risk protection; Underwriting factors; Pricing; Supervisory risks.
July 2013	Willemstad, Curaçao	Centrale Bank van Curaçao en Sint Maarten, NAIC, IAIS	Strengthening of the regional insurance supervisors capabilities to meet IAIS ICPs 7, 8, 9 and 15 by focusing on skills necessary to perform a proper financial analysis and risk focused examination.
September 2013	Istanbul, Turkey	Insurance Supervision Board, Insurance Association of Turkey, IAIS	Risk based capital and financial stability; Role of on-site and off-site supervision.
September 2013	Montevideo, Uruguay	Superintendencia de Servicios Financieros - Banco Central del Uruguay, ASSAL, OECD, IAIS	Appropriate conditions for macroprudential supervision; Technical knowledge on insurance statistics; International perspectives, coordination and homogenization on insurance statistics calculation and reporting; Transparency in insurance statistics; Experience in dealing with macroprudential policy.
September 2013	Livingstone, Zambia	Pensions and Insurance Authority of Zambia, FSI, IAIS	Essential requirements for introducing risk-based supervisory approaches; Solvency and quantitative assessment of risk; Early intervention and dealing with troubled insurance companies.

# STAFF OF THE IAIS SECRETARIAT AUGUST 2013

APPENDIX III



The staff of the IAIS Secretariat play a key role in supporting the Association. Secretariat members from October 2012 to September 2013 were:

*Staff are financed by the IAIS unless indicated by an asterisk (\*)*

1. Yoshihiro Kawai Secretary General	12. Bernhard Mayr From August 2013 Member of the Secretariat	<i>Not pictured:</i>
2. George Brady Deputy Secretary General	13. Shimika Rojas* (Bermuda Monetary Authority) From January 2013 Member of the Secretariat	Peter Cooke Member of the Secretariat
3. Catherine Lezon Deputy Secretary General	14. Tsuyoshi Saito* (Financial Services Agency, Japan) From July 2013 Member of the Secretariat	John Maroney Head of Financial Stability
4. Melinda Chung* (Financial Supervisory Commission, Chinese Taipei) Member of the Secretariat	15. Andrew R. Stolfi Member of the Secretariat and Communication Officer	Nina Moss Member of the Secretariat
5. Conor Donaldson Member of the Secretariat	16. Peter Van den Broeke Member of the Secretariat	Peter Windsor Member of the Secretariat
6. Dave Finnis Member of the Secretariat	17. Sebastian Von Dahlen Economic Counsellor	Anne-Marie Kelly Administrative Officer
7. Jules Gribble from July 2013 Member of the Secretariat	18. Han Wang* (China Insurance Regulatory Commission) from January 2012 Member of the Secretariat	Yasa Fujioka* (Financial Services Agency, Japan) until July 2013 Former Member of the Secretariat
8. Shinya Kobayashi* (Financial Services Agency, Japan) from July 2013 Member of the Secretariat	19. Carine Notter* (BIS) Technical Administrator	Daniel Hoffman until January 2013 Former Economic Counsellor
9. Lance Leatherbarrow Member of the Secretariat	20. Simon Bichsel Administrative Officer	Kwan Jung* (Financial Supervisory Service, Republic of Korea) until February 2013 Former Member of the Secretariat
10. Jun Lee* (Financial Supervisory Service, Republic of Korea) from February 2013 Member of the Secretariat	21. Sylvie Ellet Administrative Officer	Mala Nag until March 2013 Former Member of the Secretariat
11. Aina Liepins Member of the Secretariat	22. Anne Neale Administrative Officer	Jelani Scott (Bermuda Monetary Authority) until April 2013 Former Member of the Secretariat
		Yoshitaka Wada* (Financial Services Agency, Japan) until July 2013 Former Member of the Secretariat

# IAIS ORGANISATIONAL STRUCTURE

## AUGUST 2013

### APPENDIX IV



<sup>1</sup> Subgroups of Working Parties are not shown