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9th Annual IAIS Global Seminar Concludes after Wide-Ranging Discussion of Global Insurance Issues

Insurance Capital Standard, Systemic Risk and Emerging Market Issues Among the Topics Examined

Basel – The International Association of Insurance Supervisors (IAIS) welcomed nearly 250 Members and stakeholders to Budapest, Hungary for two days of presentations and dialogue at the 9th Annual IAIS Global Seminar. Hosted by the Central Bank of Hungary, the Global Seminar offered a diverse programme of topics relevant to both advanced and emerging insurance markets, in addition to the much-anticipated Executive Committee Dialogue.

“For two days, IAIS Members studied and discussed key global insurance issues and IAIS projects from a variety of perspectives,” stated Victoria Saporta, Chair of the IAIS Executive Committee. “Through their participation in these critical discussions, Members reinforced the central role that local participation and approaches play in developing global standards and the importance of international cooperation in achieving our mission of protecting policyholders and promoting global financial stability.”

As part of its commitment to public engagement and transparency on key IAIS initiatives, the Executive Committee held a stimulating 90-minute dialogue with consumer, industry and peer organization representatives on a full spectrum of global insurance issues. As Yoshihiro Kawai, IAIS Secretary General and Dialogue Moderator, observed: “The Dialogue gave an intensive focus to the critical work the IAIS is doing with many of the affected interests. We discussed IAIS achievements in standard-setting and in promoting global financial stability, proportionate implementation, as well as exploring new opportunities to engage with stakeholders.”

In addition to the Executive Committee dialogue, the Global Seminar produced the following exchanges:

- **Global capital standards and the development of the ICS.** Members were updated on IAIS progress in developing the risk-based Insurance Capital Standard (ICS). With interest continuing to grow, ICS Version 1.0 (for confidential reporting) remains on track for completion in mid-2017 and ICS Version 2.0 in 2019 as part of the IAIS ComFrame package applicable to all Internationally Active Insurance Groups (IAIGs). During the confidential reporting phase, the IAIS expects full IAIG participation in ICS field testing. The IAIS intends to publish the ICS consultation document in mid-July. IAIS representatives made it clear that the IAIS strategy is one of continuing convergence to the ultimate goal of a single ICS—achieving substantially the same outcomes across the jurisdictions. Panellists agreed with the goal of having a common regulatory capital framework.
- **G-SII assessment and designation process.** Panellists shared perspectives on the Updated G-SII Assessment Methodology ([G-SII Press Release](#)) released earlier that day and on evaluating systemic risk at the firm level in a combination of quantitative and qualitative criteria and/or evaluating systemic risk at the insurance sector level in a potential activity-based approach. Discussions ensued on the importance of having a transparent

About the IAIS: The IAIS is a global standard setting body whose objectives are 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. Its membership includes insurance regulators and supervisors from more than 200 jurisdictions in nearly 140 countries. For more information, please visit www.iaisweb.org.

process—one that makes results comprehensible but which does risk making public confidential data—and an independent review. Also discussed were distinctions between domestic systemically important and global systemically important companies.

- **Selected insurance issues in emerging economies and developing insurance markets.** Panellists discussed progress on the restructuring of SUSEP, the Brazilian insurance supervisory entity. Key issues facing countries planning to liberalise Motor Third Party Liability premiums were described based on the experience of Slovenia and other countries in the Balkan region. Panellists considered global trends and supervisory challenges in inclusive insurance markets, noting the multiple insurance challenges many countries face and the important role proportionality plays in addressing these. The role of supervisory judgement in applying proportionality was also emphasized.
- **Conduct of business supervision.** Panellists discussed various approaches to conduct of business supervision. Presentations focused on the approach to market conduct supervision in Canada and the development of its cooperative framework; conduct of business risk in mobile phone insurance in Ghana and steps being taken to mitigate the risk; the regulatory and supervisory landscape at the European Union and challenges in balancing quality and quantity in product disclosures; and the case for consumer involvement in the standard-setting process
- **Assessment as a first step in implementing Insurance Core Principles (ICPs).** This panel discussed the critical role of implementation for a standard-setting body and the use of assessments to identify gaps and promote observance and understanding of the ICPs. Presenters discussed five steps to maximize the value of an assessment and heard regional perspectives on ways supervisors share and discuss practical solutions to increase observance of these core principles.
- **Cyber risk and cyber insurance.** After noting the forthcoming IAIS Issues Paper on Cyber Risk to the Insurance Sector, panellists discussed the multifaceted nature of cyber risk from different perspectives. They recognised the scarcity of historical data and the current absence of a common language for cyber risk, including risk categorisation. Firms were reminded that today's best practices could quickly become outdated. Insurance supervisors play a key role in supporting the development of best practices, including facilitating information sharing. Panellists cautioned against imposing prescriptive regulatory requirements due to the ever-changing nature of cyber risk.

The Seminar concluded with a focus on the state of the global insurance market. This included a presentation of findings from the recent IAIS report on the global insurance market ([GIMAR](#)) and a recent International Monetary Fund Report on global financial stability. The final presenter stressed the necessity of a flourishing insurance market as integral to successfully addressing many of the most pressing global concerns.

The Global Seminar program is available [here](#).