



IAIS

INTERNATIONAL ASSOCIATION OF
INSURANCE SUPERVISORS

Public background session

Consultation of revised ICPs and ComFrame-
specific material integrated with ICPs

15 March 2017



Agenda

- General information
- Introduction to ICPs and ComFrame and Assessment Methodology
- Question & answer session
- Supervisor and Supervisory Measures
 - Revised ICPs 9 and 10
 - ComFrame material integrated with ICPs 9 and 10
- Question & answer session
- Supervisory Cooperation and Coordination
 - Revised ICPs 3 and 25
 - ComFrame integrated with ICP 25
- Question & answer session

- **General information**

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Elements of the consultation package

- Introduction to ICPs and ComFrame and Assessment Methodology;
- Supervisor and Supervisory Measures:
 - Revised ICP 9 (Supervisory Review and Reporting) and revised ICP 10 (Preventive Measures, Corrective Measures and Sanctions);
 - ComFrame-specific material integrated with ICP 9 and ICP 10 (with ICPs 10 and 11 (Enforcement) combined into one ICP, i.e. ICP 10);
- Supervisory Cooperation and Coordination:
 - Revised ICP 3 (Information Sharing and Confidentiality Requirements) and revised ICP 25 (Supervisory Cooperation and Coordination)
 - ComFrame-specific material integrated with ICP 25,
- Governance:
 - ComFrame-specific material integrated with ICP 5 (Suitability of Persons), ICP 7 (Corporate Governance) and ICP 8 (Risk Management and Internal Controls)
- Resolution:
 - Revised ICP 12 (Exit from the Market and Resolution);
 - ComFrame material integrated with ICP 12.

* The current ICP 26 (Cross-border cooperation and coordination on crisis management) has been restructured and, consequently, part of it has been moved to ICP 25 and the rest to ICP 12. It is intended that all the requirements in ICP 26 are retained in other ICPs.

Background information

- Clean versions of both revised ICPs and ComFrame material published for public consultation.
- Consultation period – 90 days (comments due by 1 June 2017).
- Comparison table between the 2014 version and the current text published in order to allow for better understanding of the changes made since the IAIS published a draft of ComFrame in September 2014.
- Public consultation process amended to include qualitative field testing-related questions to IAIG volunteers and supervisors for the ComFrame material which was not subject to qualitative field testing in the past:
 - Supervisor and Supervisory Measures (ComFrame material integrated with ICPs 9 and 10);
 - Supervisory Cooperation and Coordination (ComFrame material integrated with ICP 25); and Resolution (ComFrame material integrated with ICP 12).
- Answers to qualitative field testing-related questions should not contain market sensitive information that would be subject to the field-testing confidentiality restrictions.

New structure of ComFrame

- ICP text not be copied into ComFrame text.
- Modular structure abandoned, instead ComFrame text adjusted to the ICP hierarchy (Standards and Guidance):
 - ComFrame Standards and ComFrame Parameters merged into a single level of ComFrame requirements, called ComFrame Standards;
 - ComFrame guidelines renamed ComFrame guidance
- Numbering corresponds with the ICP under which the ComFrame standard sits.

Adoption of ICPs being a foundation for ComFrame material

- Revisions of relevant ICPs to be generally adopted by Annual General Meeting (AGM) together with ComFrame at the end of 2019 (adoption before possible as exception to be justified by relevant Subcommittee).
- Revisions of ICPs completed before 2019 (as per current timeline) will be published on the IAIS website as drafts for information purposes only.
- Revised draft ICPs (to be published on the IAIS website) may be subject to potential further changes given ongoing work on ICPs/ComFrame material – before adoption by AGM at the end of 2019.
- Revised ICPs are not expected to be implemented until adopted by AGM.

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Introduction and Assessment Methodology (1)

- For consultation: A) Introduction and B) the Assessment Methodology
- Objective:
 - Explain clearly and concisely what the ICPs and ComFrame material are and how they should be read.
 - The revised ICP Assessment Methodology explains how the ICPs can be used to assess observance of the ICPs.
- Nature of the revision: material has been rearranged for a more logical flow or revised for clarity and consistency. A few paragraphs were deleted as they were unnecessary or already addressed by specific ICPs.
- Structure of A) Introduction:
 - Structure ICP Material
 - Overarching Concepts (Applicability / Proportionality and Risk-based Supervision / Terminology / Group-wide Supervision)
 - Box with ComFrame Introduction

Introduction and Assessment Methodology (2)

- Proportionality Principle (paragraph 9):
 - Proportionality underlies all ICPs
 - Linked to outcomes based nature of Principle Statements and Standards
 - Distinction between implementation and application
- implementation and application needs to be tailored to achieve the outcome intended by a specific ICP
- No reference to proportionality in specific Principle Statements and Standards needed unless it provides additional clarification
- Section B) Assessment Methodology
 - Objective: to reword existing material for better reading and consistency with editing style of the rest of the ICPs.
 - The Assessment Methodology may be revised after a more fundamental reconsideration of the methodology by the IAIS in coordination with the IMF and World Bank.

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ICPs 9 and 10 (general)

- For consultation:
 - Revised ICP 9 (Supervisory review and reporting),
 - revised ICP 10 (Preventive Measures, Corrective Measures and Sanctions)
 - Integrated draft ComFrame material → introduced separately
- ICPs 9 and 10 have been revised to improve the consistency of language and terminology across the ICPs.
- Principle Statements and Standards are outcomes based
 - the intended outcome is reflected
 - allowing a proportionate implementation and application

Revised ICP 9: Supervisory review and reporting (1)

- Focus on the general process and procedures of supervisors in respect of supervisory review and reporting
- Supervisory review encompasses off-site monitoring and on-site inspections
- The Principle Statement requires the supervisor to use off-site monitoring and on-site inspections to:
 - Examine the business of each insurer;
 - Evaluate its financial condition, conduct of business, corporate governance framework and overall risk profile;
 - Assess its compliance with relevant legislation and supervisory requirements.
- The Principle Statement also requires the supervisor to obtain necessary information to conduct effective supervision of insurers and evaluate the insurance market.
- In specific ICPs additional requirements or assessment aspects can be provided, for example on governance, solvency or conduct of business

Revised ICP 9: Supervisory review and reporting (2)

Standards:

- 9.1 - documented framework for review and reporting;
- 9.2 - development of supervisory plans as part of the framework;
- 9.3 - supervision of material outsourced activities or functions to be carried out to the same level as non-outsourced material activities and functions;
- 9.4 - regular reporting of qualitative and quantitative information;
- 9.5 - off-site monitoring on an on-going basis using supervisory reports and other relevant information;
- 9.6 - planning and conduct of on-site inspections;
- 9.7 - feedback by the supervisor on the findings of the supervisory review and discussing necessary measures if any.

Annex giving examples for off-site monitoring and on-site inspections.

Revised ICP 10: Preventive Measures, Corrective Measures and Sanctions (1)

- Deals with escalating measures to deal with a breach of regulatory requirements by an insurer.
- Combines the current ICPs 10 (Preventative and Corrective Measures) and 11 (Enforcement) to remove inconsistencies and artificial distinctions.
- The Principle Statement:
 - imposes the obligation on the supervisor to require and enforce preventative and corrective measures and impose sanctions
 - that are timely and necessary to achieve the objectives of insurance supervision and
 - that are based on clear, objective, consistent and publically disclosed general criteria.
- Considerations regarding the use of preventative and corrective measures and sanctions are part of the supervisory framework of Standard 9.1.

Revised ICP 10: Preventive Measures, Corrective Measures and Sanctions (2)

Standards:

- 10.1 - action against conduct of business without a licence;
- 10.2 - preventive measures from a supervisors if an insurer seems likely to operate in a manner inconsistent with regulatory requirements;
- 10.3 - corrective measures if an insurers fails to operate in a manner consistent with regulatory requirements;
- 10.4 - insurer to take action to address the supervisor's concerns. The supervisor to periodically check that the insurer is taking action and to assess the effectiveness of these actions.
- 10.5 - supervisor to escalate measures if its concerns are not addressed by the insurer;
- 10.6 - supervisor to impose - where appropriate - sanctions proportionate to the breach of regulatory requirements or other misconduct.

ComFrame material integrated with ICPs 9 and 10 (1)

- Material integrated from draft ComFrame September 2014 :
 - Module 3 Element 1 (Group-wide supervisory process)
 - Module 3 Element 2 (Supervisory colleges, cooperation and coordination)
- Changes in style and structure resulting from the integration exercise and revision of ICPs 9 and 10.
- Clarity and consistency of language and terminology improved.

ComFrame material integrated with ICPs 9 and 10 (2)

- More structured requirements regarding the supervisory process of the IAIGs:
 - Group-wide risk assessment conducted at least annually (CF9.2a);
 - Minimum list of elements of the group-wide risk assessment of the IAIG (CF9.2b).
- New requirements regarding recovery (CF10.3a):
 - Development of a recovery plan by the IAIG (CF10.3a);
 - Taking actions by the IAIG or recovery (CF10.3a);
 - Development and maintenance by the IAIG of the management information system (MIS) (CF 10.3b).

ComFrame material integrated with ICPs 9 and 10 (3)

- Application of supervisory measures and imposition of sanctions directly to the Head of the IAIG within the group-wide supervisor's jurisdiction, even when the Head of the IAIG is an unregulated financial holding company (CF10.0a, 10.6a).
- The standard CF 10.0a does not specify a minimum set of supervisory measures which should be available to the group-wide supervisor.
- Examples of supervisory measures included as guidance in ICP 10.2.5
- Input sought on the following issue:
 - Should the ComFrame standard refer to any specific measures which must be available to the group-wide supervisor to apply directly to the Head of the IAIG?
 - If yes, what measures should be referred to in the standard?

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Revised ICP 3

- Consistency of language and terminology improved, e.g.
 - “requesting supervisor” and “requested supervisor”;
 - “sharing” and “obtaining” information instead of “exchanging”.
- Some overlaps between ICPs 3 and 25 removed (e.g. professional secrecy requirements included only in ICP 3 and removed from ICP 25).
- The importance of having a basis to exchange information between supervisors in different jurisdictions and various forms of cooperation explained:
 - Bilateral or multilateral agreements can be used to facilitate information sharing.
 - IAIS MMoU as a preferred preferred framework for multilateral information exchange if all relevant parties are signatories of the IAIS MMoU.
 - Greater clarity that consent required before onward sharing from one supervisor to another relevant authority.
- The concepts of a legitimate interest and a valid supervisory purpose explained (guidance to ICP 3.3).

Revised ICP 25

- ICP 25 significantly reorganised and shortened, with consistency of language and terminology improved and a clearer focus on intra-group cooperation.
- Avoidance of unnecessary text duplications within the ICP itself and with the 2014 IAIS Application Paper on the functioning of colleges.
- Much of the current ICP 26 (Cross-border cooperation and coordination on crisis management) moved to ICP 25 (restructured and reworded content in ICP 25.7 – ICP 25.9).
- Main elements of revised ICP 25:
 - Group-wide supervisor: identification process and main responsibilities.
 - Other involved supervisors: main responsibilities.
 - Coordination arrangements as a general framework for supervisory cooperation.
 - Supervisory colleges: establishment and functions.
 - Supervisory cooperation in preparing for crisis management and during a crisis.

ComFrame material integrated with ICP 25

- Material integrated from draft ComFrame September 2014:
 - Module 3 Element 2 (Supervisory colleges, cooperation and coordination).
- Clarity and consistency of language and terminology improved.
- Having regard to the direct powers over the head of the IAIG when agreeing who is the group-wide supervisor.
- Overlaps with ICP 25 removed, especially with regard to the organisation of the supervisory colleges.
- The establishment of the colleges for IAIGs maintained as a requirement (CF25.6a).
- The need for ongoing communication and information exchange in the IAIG colleges highlighted (CF25.6b).
- New standards and guidance addressing the specificity of crisis management for IAIGs, which should take place within crisis management groups (CMG) (CF25.7a).

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