



# IAIS

INTERNATIONAL ASSOCIATION OF  
INSURANCE SUPERVISORS

## Public background session

Consultation of revised ICPs and ComFrame-specific material integrated with ICPs (Governance and Resolution) and the draft Application Paper on Group Corporate Governance

20 March 2017



# Agenda

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- General information
- Question & answer session
- Governance
  - Presentation of ComFrame material integrated with ICPs 5, 7 and 8
  - Presentation of the draft Application Paper on Group Corporate Governance
- Question & answer session
- Resolution – revised ICP 12 and ComFrame integrated with ICP 12
- Question & answer session

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# Elements of the consultation package

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- 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

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- 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

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- 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

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- 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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  - Resolution – revised ICP 12 and ComFrame integrated with ICP 12
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# ComFrame material integrated with ICPs 5, 7 and 8 (1)

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- Scope of consultation: ComFrame material only
  - ICPs 5, 7 and 8 consulted and published in 2015
  - ICP text greyed out
- Material integrated from draft ComFrame September 2014
  - Module 2 Element 2 (Governance)
  - first standard of Module 2 Element 1 (IAIG's legal and management structures)
- Qualitative field testing exercise in 2014/15

# ComFrame material integrated with ICPs 5, 7 and 8 (2)

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- Revised ComFrame material significantly shorter
  - Overlaps with ICPs removed;
  - Term 'insurer' in revised ICPs also include insurance groups;
  - Some field testing outcomes already addressed in revision of ICPs in 2015.
  
- Reasons for revisions:
  - Changes in style and structure resulting from the integration exercise;
  - Address overall outcome of qualitative field testing exercise and accommodate specific comments made by field testing participants;
  - The revised ICPs 5, 7 and 8 (November 2015);
  - The need to improve clarity and consistency of language and terminology; and
  - To reflect other international standards, such as principles of the Joint Forum regarding risk management and internal controls.

## ComFrame material integrated with ICPs 5, 7 and 8 (3)

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### Focus on:

- The complexity and cross-border nature of IAIGs, e.g.:
  - Competence of the IAIG Board members, Senior Management and Key Persons in control functions (CF 5.2a);
  - Policies and procedures to identify, avoid or mitigate conflicts of interests that may adversely affect the IAIG as a whole or its legal entities (CF 7.3b);
  - Requirements regarding outsourcing of functions and activities (CF 8.8a-d)
- Group wide coherence and individual legal entities' interests and obligations, e.g.:
  - Corporate governance framework appropriate to the structure, business and risks of the IAIG and its legal entities (CF 7.0b);
  - Annual assessment that the internal controls systems at the group-wide and legal entity levels are coherent, complete and effective (CF8.2b)

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# AP on Group Corporate Governance (1)

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- Follow up on the IAIS Issues Paper on Group Corporate Governance, Impact on Control Functions (October 2014);
- The aim of the Application Paper:
  - To provide good practices and examples for the supervisors of insurance groups and insurance legal entities within groups;
  - To create a common understanding amongst supervisors on how to assess or evaluate the governance frameworks of insurance groups.
- Survey of IAIS members launched in March 2016;
- 30-day consultation period (comments due by 3 April 2017).

# AP on Group Corporate Governance (2)

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- Relevant for all groups, but particularly useful for the supervisors of internationally active insurance groups.
- Distinction between more centralised and more decentralised governance models – where possible specific supervisory practices.
- Areas covered by the Application Paper
  - Supervisory cooperation and coordination
  - Objectives and strategies
  - Allocation of oversight and management responsibilities
  - Policies and processes
  - Risk management and Compliance
  - Control Functions

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3. Major changes from August 2016
4. Key issues to highlight

# 1. Background

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## **January 2016: Stakeholder meeting on resolution**

- Discussion on ComFrame requirements focusing on powers for resolution of insurers was held.

## **August 2016: Request for Feedback**

- An initial draft of ICP 12 and ComFrame Module 3 Element 3 was shared with Interested Stakeholders as well as IAIS Members asking for input on the draft.

## **September 2016: Stakeholder meeting on resolution**

- Objectives of resolution, triggers for resolution actions, resolution powers, recovery plans for IAIGs, and group resolution, etc. were discussed.

## **March 2017: Public consultation**

## 2. Outline of revised ICP 12

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- ICP 12, including ComFrame text in ICP 12, focuses on exit from the market (both voluntary exit and ‘forced exit’) and resolution.
- Resolution is defined as a notion that covers portfolio transfer, run-off, restructuring, and liquidation.
- Revised ICP 12 is intended to apply both on a legal entity basis and a group basis like other ICPs.
- ICP 12.1 is solely for voluntary exit from the market.
- ICP 12.4 and 12.5 (cooperation and coordination) and 12.10 and 12.11 (safeguards) apply any types of resolution as well as exit from the market.

### 3. Major changes from August 2016

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Major changes from the version for the Request for Feedback include:

- ComFrame requirements have been integrated into ICPs.
- Requirements on recovery planning are placed in ICP 10 and those on crisis management in ICP 25.
- Text on proportional application of e.g., recovery plans and resolution powers has been added.
- Both ‘supervisors’ and ‘resolution authorities’ are used in ICP 12.
- Descriptions regarding ‘fungibility’ have been removed.

## 4. Key issues to highlight

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- Questions are posed for ComFrame 12.7a (last bullet) and ICP 12.12. Respondents are invited to provide written input on these questions.
- Recovery plans are mandatory for all IAIGs subject to a proportionality principle; resolution plans are required for IAIGs where deemed necessary by the group-wide supervisor.
- The objectives of recovery plans are different from those of ORSA. Recovery plans need to address all the elements required by ComFrame.

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