

Newsletter

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Issue 65



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In Memoriam

Former IAIS Executive Committee member Luis Fernando Gonzalez-Prada passed away on 2 June 2017. He served as the Deputy Superintendent of Insurance Supervision in Peru.

Luis Fernando always admired the IAIS and its commitment to promoting healthy, transparent and inclusive insurance markets while protecting policyholders. He made substantial contributions to this work. He will be fondly remembered by everyone who had the privilege of working with him at the IAIS.

We extend our deepest condolences to Luis Fernando's family. He is survived by his mother, wife, daughter and two sons.

For more information or to subscribe to the newsletter and e-mail alerts, please visit iais@bis.org. Comments and suggestions are always welcome.

From the Secretary General

Global Seminar to Feature ExCo Dialogue as part of Major Stakeholder Event

On 29-30 June, nearly 300 IAIS Members and stakeholders will gather in Old Windsor, United Kingdom, for the 10th Annual Global Seminar. In addition to lively panel discussions and presentations on key global insurance issues, the Global Seminar will provide opportunities for direct engagement and frank discussions between IAIS Members and stakeholders through the ExCo Dialogue.

The ExCo Dialogue will consist of three parts: one will cover ComFrame and the Insurance Capital Standard (ICS); a second will cover financial stability, market conduct and other topics; a third will be reserved for a dialogue with the audience on any issues.

Besides the ExCo Dialogue, the Global Seminar programme for 29 June covers the following topics:

- ComFrame: Looking Towards Implementation
- An Activities-Based Approach to Systemic Risk

Topics slated for 30 June include:

- Implementation and Market Development
- IFRS 17
- Conduct of Business in Insurance Distribution
- Climate Change and Financial reporting by Insurers

Since this is a recorded event, if you are unable to attend, you may follow the discussion once the video has been uploaded onto the IAIS website soon after the Global Seminar has concluded.

We look forward to welcoming you to Old Windsor.



In Focus...**4 Pillars of Implementation**

The IAIS develops and publishes supervisory material with the objective of supporting the consistent, sound and effective supervision of insurance. Meeting this objective depends on both high-quality supervisory material and its implementation.

In its November 2016 Newsletter, the IAIS reported that it is building on its significant accomplishments in implementation. This article elaborates further on the different ways in which the IAIS supports implementation by its Members and, looking forward, its plans to strengthen this support.

4 Pillar Framework

The IAIS approach to implementation is guided by 4 pillars. The 4 pillars do not exist in isolation, but operate in a complementary manner.

The 4 pillars are:

- Pillar 1: Assessment
- Pillar 2: Capacity building
- Pillar 3: Supervisory practices
- Pillar 4: Cooperation and exchange

Assessment is at the core of the IAIS' implementation programme. Assessments provide Members with an external view on their observance of IAIS supervisory material and informs the IAIS in understanding supervisory development needs for individual authorities, for regional groupings of supervisors and globally. Over time, assessments also act as a management tool for monitoring improvements to supervision and regulation. Lastly, assessments inform the IAIS' on-going standard-setting activities.

Capacity building focuses on developing the capabilities of supervisors, from both the staff and systems and processes perspectives, to carry out supervisory duties and to better understand the intentions and rationales underlying the IAIS' Insurance Core Principles (ICPs).

While capacity building focuses on developing the core competencies of insurance supervisors and enhancing supervisory knowledge and understanding, supervisory practices focus on the application of that knowledge as supervisors discharge their obligations. The two are clearly interlinked.

Cooperation and exchange between Members (such as Supervisory Colleges) and other parties (such as other Standard Setting Bodies) are necessary preconditions for effective implementation and the development of supervisory practices. In an increasingly technological age, this reflects the growing reality that insurers supervised in one jurisdiction (where their head office resides) also do business in other jurisdictions. The IAIS Multilateral Memorandum of Understanding (MMoU) provides a key tool for supporting cooperation and exchange.

Where Current Activities Fit In

The August 2016 IAIS Newsletter contains an article outlining activities under Pillar 1, Assessment. In particular, the regular IAIS surveys (most recently conducted in 2016) on supervisory capacity and needs provide valuable feedback to implementation activity planning. The September 2016 IAIS Newsletter contains an article outlining activities under Pillar 4, Cooperation and exchange.

Some activities that are part of Pillar 2, Capacity building, include:

FIRST ONE Programme. This successful joint programme with the Financial Stability Institute (FSI) is now entering its third year of operation. It continues to grow with over 200 participants from over 50 jurisdictions. Supervisors who have recently joined a supervisory agency are its target market.

FSI Connect. The FSI provides an online learning tool and information resource for financial sector supervisors, including insurance supervisors. These tools are accessible with an FSI Connect license.

IAIS Core Curriculum. In 2006, the IAIS and the World Bank established a joint programme resulting in the development of approximately 60 Core Curriculum modules. These modules support supervisory training and provide further insights into the ICPs. The IAIS has begun updating the Core Curriculum modules and aligning them with the current ICPs. When updated, the Core Curriculum modules will be publically available.

Some activities that are part of Pillar 3, Supervisory practices, include:

Additional guidance. The IAIS regularly publishes Application Papers and Issues Papers. These cover many current topics ranging from inclusive insurance to cyber risk.

Peer-to-peer exchange. The encouragement of peer-to-peer exchange and discussion occurs in many ways. This can be facilitated by regional meetings to discuss matters of regional interest. In cooperation with the A2ii, the IAIS is developing virtual tools for supervisory exchanges.

Moving Forward

The IAIS' focus is on core themes and facilitating, catalysing and encouraging the delivery of more specific services through its key external partners and taking full advantage of three unique IAIS characteristics: its global credibility and reach; its access to a global pool of experts; and its direct and confidential communication channels with its Members. The IAIS is neither a training institute nor a technical assistance provider.

Key implementation partners such as the FSI and the Access to Insurance Initiative (A2ii) are integral to the success of IAIS implementation activities. A key focus of IAIS implementation activities is on developing and maintaining effective relationships with these and other partners.

The IAIS also acknowledges the diversity and needs of all markets, with an increasing focus on the needs of emerging markets. As such, the IAIS utilises multiple approaches to effectively support capacity building and good supervisory practices by its Members, recognising the multiple and diverse challenges faced by its Members.

The IAIS will be discussing steps to enhance its assessment programme. The proposed approach will be discussed at the June Committee meetings and will ultimately lead to strengthening the strategic core of IAIS support for implementation.

For further information regarding IAIS implementation activities please email IAIS-Implementation@bis.org

Stakeholder Engagement

Actuaries and Inclusive Insurance – Roundtable

On 7-8 June, the IAIS hosted a roundtable discussion in Basel to discuss work in progress on the joint project with the International Actuarial Association (IAA) regarding actuaries and inclusive insurance. Ten participants were present and several more dialed in

for parts of the meeting.

As a joint project between the IAIS and the IAA, the meeting was opened by Yoshihiro Kawai, IAIS Secretary General and Tom Terry, IAA President. Under the chairmanship of Peter Braumüller, the meeting discussed drafts of the two key project deliverables—an IAIS paper focused on proportionate prudential supervision in inclusive insurance markets and an IAA paper focused on providing actuarial services in inclusive insurance markets. The papers will complement each other and, when read together, are expected to provide a valuable contribution to the development of inclusive insurance from an actuarial perspective. Members from both drafting groups and the project’s Advisory Group were present and contributed valuable input. These papers are currently scheduled for completion around the end of 2017.

For more information, please contact Jules Gribble (jules.gribble@bis.org)

Meetings and Events

Upcoming IAIS Meetings: June – September 2017

All of the following IAIS meetings will be held in Basel unless otherwise noted. Members should visit the IAIS website at www.iaisweb.org for more information on a specific meeting and to confirm dates and locations.

Date	Group
22-23 June	Macroprudential Policy and Surveillance Working Group (Chicago, IL/USA)
24 June	Financial Inclusion Working Group Index-based group (Kampala)
26 June	Systemic Risk Assessment Task Force (Old Windsor, United Kingdom)
26-28 June	IAIS Parent Committee Meetings (Old Windsor, United Kingdom)
29-30 June	IAIS Global Seminar (Old Windsor, United Kingdom)
5-7 July	G-SII Analysts Working Group
17-21 July	G-SII Analysts Working Group
17-18 July	Insurance Groups Working Group (Hamilton, Bermuda)
17-21 July	G-SII Analysts Working Group
24 July	Financial Stability and Technical Committee
26-27 July	Systemic Risk Assessment Task Force (New York City)
6-7 Sept	Financial Crime Task Force (Montreal)
6-7 Sept	Accounting and Auditing Working Group (Washington, D.C.)
11-15 Sept	Capital, Solvency and Field Testing Working Group (Ottawa)
12-15 Sept	G-SII Analysts Working Group
13-14 Sept	Insurance Groups Working Group (London)
14-15 Sept	Macroprudential Policy and Surveillance Working Group
21-22 Sept	Market Conduct Working Group (Tokyo)
25 Sept	Financial Stability and Technical Committee
25-26 Sept	Governance Working Group (Tokyo)

Stakeholder Meetings

For information about any planned stakeholder meetings, please visit the Stakeholder Meetings page of the IAIS website by clicking [here](#).

Committee and Subcommittee Activities

Committee Activities

The Committees did not meet during the period covered by this edition of the newsletter.

Subcommittee Activities

Accounting and Auditing Working Group

The Accounting and Auditing Working Group (AAWG) met on 7-8 June in Toronto, Canada. The meeting included a stakeholder call-in session as well as outreach discussions on topics of interest with representatives of the International Accounting Standards Board (IASB), International Auditing and Assurance Standards Board (IAASB), International Actuarial Association, and Monitoring Group.

The AAWG also finalised a draft comment letter on the IAASB's revised ISA 540 Exposure Draft.

Secretariat Support: mark.causevic@bis.org

Capital, Solvency and Field Testing Working Group

The Capital, Solvency and Field Testing Working Group (CSFWG) met in Rome from 5-9 June for the first time since launching 2017 field testing in mid-May.

The CSFWG held a workshop with field testing volunteers on 7 June to present the technical specifications and template for ICS Version 1.0 for extended field testing and answer questions. This year, participation in field testing has increased in line with the IAIS objective of extending it to all potential IAIGs and interested volunteers.

The CSFWG also discussed the forthcoming ICS Version 1.0 for extended field testing public document which will be released this July. This less technical document will describe the progress made since the last field testing

exercise and the consideration given to the feedback received during the 2016 ICS consultation.

Two other Volunteer Workshops will be held: one in Washington (held on 20 June) and one in Tokyo (to be held on 23 June)

Secretariat Support: peter.windsor@bis.org and danita.pattemore@bis.org

Financial Crime Task Force

The Financial Crime Task Force (FCTF) met on 23-24 May in Paris. The main items discussed were:

- Updating ICPs 21 (Countering Fraud in Insurance) and ICP 22 (Anti-Money Laundering and Combating the Financing of Terrorism or AML/CFT).
- Developing an Application Paper on Cybersecurity.

Both workstreams are expected to be completed in 2018.

As part of the work on the ICPs and the Application Paper, the FCTF received four presentations – two from the French regulator and the Financial Action Task Force on AML/CFT, and two from the Organisation for Economic Co-operation and Development and an expert on cyber insurance.

Secretariat Support: tsuyoshi.saito@bis.org and lance.leatherbarrow@bis.org

Market Conduct Working Group

At the June 2017 committee meetings the Market Conduct Working Group will be seeking the approval of its parent committees to consult on revised versions of ICPs 18 (Intermediaries) and 19 (Conduct of Business). A 60 day consultation is scheduled to commence on 30 June.

Secretariat Support: peter.cooke@bis.org

Access to Insurance Initiative (A2ii) Report



The Access to Insurance Initiative (A2ii) is a unique global partnership which inspires and supports insurance supervisors in promoting access to insurance for underserved and low-income populations. It is the IAIS implementation partner on financial inclusion.

Recent Events

Inclusive Insurance and Microinsurance Conference, 17 May 2017, Ljubljana, Slovenia

The Inclusive Insurance and Microinsurance Conference was brought together under the leadership of the Slovenian Insurance Agency with the aim of stimulating discussion on the potential for inclusive insurance in the Central and Eastern Europe and the Transcaucasian (CEET) region. About 100 representatives from supervisory authorities, the industry and others involved in inclusive insurance debated whether or not the business models and supervisory approaches applied in microinsurance in Africa, Asia and Latin America could help increase the very low insurance penetration rates currently seen across the CEET region. In particular, the significant uninsured exposure to national catastrophes was cited by a number of speakers as a key area that needed to be addressed.

Peter Braumüller, Austrian Financial Markets Authority and member of the A2ii's Governing Council, in his keynote address highlighted the need for all stakeholders to work together in addressing the insurance protection gap in the region. In particular, with reference to natural catastrophes, he highlighted the need for policymakers to carefully reflect on the impact of their disaster recovery relief efforts so as not to undermine individuals' incentives to take out policies and potentially hinder private market growth.

As part of the introductory panel, the A2ii shared its research on differences in regulatory and supervisory approaches taken by supervisors aiming to make their markets more inclusive. Of the 20 countries that have implemented a different approach for microinsurance, with a similar number working on it, it was noted that none are located in the CEET region. However, from the ensuing discussion the general feeling was that low demand, rather than regulatory barriers or affordability, is the main challenge for increasing insurance penetration in the region.

For more information on the conference including the presentations, please visit the conference website: <http://inclusiveinsurance.eu/>.

22nd A2ii-IAIS Consultation Call: "The Importance of Insurance Regulation in Disaster Resilience", 18 May 2017

On the 22nd Consultation Call, technical experts stressed the important role insurance can play in enhancing resilience against natural disasters at the (sub) sovereign level. They furthermore stated the need for sound and effective insurance regulation in order to facilitate the deployment of insurance sector capacities, including insurance laws and regulations, tax laws and disaster prevention and response policies, among others. In addition, possibilities for coordination between the various stakeholders to develop access to insurance coverage and risk resilience were discussed. In this regard, participants were informed about the establishment of the Insurance Development Forum (IDF) [\[http://theidf.org\]](http://theidf.org) as a platform to exchange knowledge and build cooperation for governments, industries and civil societies to enhance resiliency (and sustainable development).

Representatives from the Moroccan and Mexican supervisory authorities shared their experiences with insurance against natural catastrophes on a sovereign level and the important role regulation plays in this field. In Mexico, for example, software was developed to calculate the Probable Maximum Losses (PML) from earthquakes and the insurance premium. Based on this information the capital requirements and reserves for catastrophic risks can be calculated. In Morocco, a

mechanism to cover the consequences of catastrophic events was established in 2016.

Over the course of four calls held in English, French and Spanish, a total of 48 insurance supervisors from 26 countries participated and discussed important questions around the topic, such as why supervisors should consider sub-sovereign and sovereign insurance and what the benefits are compared to insurance on the household level.

Expert presentation can be found here: <https://a2ii.org/en/consultation-calls/22nd-a2ii-iais-consultation-call-importance-insurance-regulation-disaster>.

A full report summarising the call will be available soon.

10th Consultative Forum on “Scaling up agricultural index insurance in Africa: building disaster resilience of smallholder farmers”, 24-25 May 2017, Kampala, Uganda

During the afternoon of 24 May and the morning of 25 May, over 90 supervisors, insurance industry representatives and other stakeholders from 30 countries across Africa gathered in Kampala, Uganda to discuss achieving scale, sustainability and ensuring client value in agricultural insurance for small-scale farmers.

The first day saw panellists from the Insurance Regulatory Authority Uganda, Acre Africa and Swiss Re share their experiences around overcoming the challenges in achieving scale, product affordability and managing basis risk for agricultural index insurance. This was then followed by a lively fishbowl discussion on the same topic.

The second day featured a workshop on product design and the product approval process. To help inform the discussions, consultant Agrotosh Mookerjee shared his technical expertise from his work in the African and Asian regions helping structure and design agricultural index-based products. A case study on product approval was also provided by Joseph Ownor from the Kenyan Insurance Regulatory Authority based on the Kenyan draft index-based insurance regulations. It was noted that their product approval guidelines cover both the financial viability and management of

basis risk, fair product features and disclosures to customers.

It was evident from the Forum that there is growing interest in agricultural and, in particular, index insurance in the region; however, despite recent innovations, there is still a way to go before schemes achieve scale and become sustainable. More also needs to be done to ensure that insurance products better meet the needs of small-scale farmers. A number of practical suggestions were made on ways some of these challenges can be overcome, including:

- Establishing public-private partnerships.
- Leveraging of new technologies in both product design and distribution.
- Using trusted distribution channels like agricultural input providers.
- Developing clear policy and regulatory frameworks which permit a broad range of distribution channels, including agricultural input providers such as seed suppliers.
- Balancing the objectives of the wide range of stakeholders in the value chain and ensuring that all derive “value” from their involvement.
- Bundling insurance with other value added services such as health and life products to meet a wider range of smallholder farmers needs.
- Integrating insurance with other risk management techniques to increase farmers’ overall resilience.
- Avoiding the use of jargon when explaining products to farmers and instead use language that farmers understand, focusing on the “output” or cover provided.

The forum was jointly organised by the African Insurance Organisation, A2ii, IAIS and Microinsurance Network (MIN). All event materials are available on the A2ii website: <https://a2ii.org/en/event/10th-consultative-forum-topic-scaling-agricultural-index-insurance-africa-building-disaster>.

A conference report will be available in June.

The 10th Consultative Forum took place alongside the 44th Conference of the African Insurance Organisation

The theme of the AIO conference was “Furthering the Financial Inclusion Agenda of African Nations through Insurance”. A number of perspectives on expanding insurance markets and using innovative approaches to reach unserved customers were discussed. Jonathan Dixon, Deputy Executive Officer of the South African Financial Services Board and Chair of the A2ii’s Governing Council, spoke on a panel examining regional harmonisation of regulation. The A2ii also attended the Association of African Insurance Supervisory Authorities (AAISA) meeting and gave an update on upcoming IAIS-A2ii activities for Sub-Saharan Africa for 2017.



Recent Publications

Report on the 9th Consultative Forum

The Briefing Note from the 9th Consultative Forum is available in English, French and Spanish. The Forum took place on 14 March 2017 in Singapore and focused on the topic of “Exploring challenges in scaling up insurance as a disaster resilience strategy for smallholder farmers”.

Download the report and expert presentations here: <https://a2ii.org/en/event/9th-consultative-forum-topic-exploring-challenges-scaling-insurance-disaster-resilience>.

Spanish Version now available: IAIS Issues Paper on Conduct of Business in Inclusive Insurance

The IAIS Issues Paper adopted in November 2015 gives an overview of the issues with respect to conduct of business in inclusive insurance markets that affect the extent to which customers are treated fairly, both before a contract is entered into and through to the point at which all obligations under a contract have been satisfied. Recognising the increased vulnerability of the typical customer in this market segment and based on the typical characteristics of the business and distribution models that have emerged in inclusive insurance – as described further on in the paper – the objective of this paper is to promote the understanding of these particular issues among regulators and supervisors and other organisations and parties with an interest in this area.

The Issues Paper is now also available in Spanish. The translation was organised by the A2ii with peer review support provided by the Superintendencia de Banca y Seguros del Peru. A French version will follow shortly.

Download the Spanish version here: <https://a2ii.org/en/knowledge-centre/iais-issues-papers>.

Report of 21st A2ii-IAIS Consultation Call on “Measuring insurance development: beyond the insurance penetration rate”

The report from the 21st Consultation on “Measuring insurance development: beyond the insurance penetration rate”, which took place on 23 May 2017, is now available in English, French and Spanish. Download the papers here: <https://a2ii.org/en/consultation-calls/21st-a2ii-iais-consultation-call-measuring-insurance-development-beyond-insurance>.

French Version now available: Proportionate Regulatory Frameworks in Inclusive Insurance: lessons from a decade of microinsurance regulation

This milestone publication looks back over the past decade since the first microinsurance regulations were introduced in India in 2005, examining what supervisory approaches have

been undertaken since and drawing upon lessons from the past. It also looks forward and examines ongoing and emerging market trends and challenges that insurance supervisors find themselves confronted with, in addition to highlighting the areas where supervisory capacity building will be important as inclusive insurance markets worldwide continue to innovate and grow.

The booklet draws upon the intensive discussions at the A2ii-IAIS-CGAP Experts Symposium organised in Washington D.C. in December 2014, as well as the A2ii's experiences in engaging with supervisors on the ground.

The report is now available in French here:

<https://a2ii.org/en/report/regulation-and-supervision/proportionate-regulatory-frameworks-inclusive-insurance-lessons>.

Upcoming Events

IAIS Global Seminar, 29-30 June 2017, London, United Kingdom

The 10th IAIS annual Global Seminar will take place on 29-30 June in Old Windsor, United Kingdom. This two-day event serves as an opportunity for IAIS Members and stakeholders to receive updates and exchange views on IAIS activities and initiatives, as well as discuss global insurance trends. Topics will include ComFrame as a comprehensive framework and structure, an activities-based approach to systemic risk, promoting good conduct of business in insurance distribution, digitalisation in the insurance sector and sustainable insurance, among others. More information on the event can be found here: <https://www.iaisweb.org/page/events/global-seminar/london-2017>.

23rd A2ii-IAIS Consultation Call, 20 July 2017

Our next Consultation Call will be held on 20 July, with the topic still to be determined. We are always keen to hear preferred topics from supervisors and encourage you to submit any requests for future calls either to consultation.call@a2ii.org or through our website: [https://a2ii.org/en/iaisas2ii-](https://a2ii.org/en/iaisas2ii-consultation-calls/iaisa2ii-consultation-calls-discussing-key-topics-supporting-inclusive)

[consultation-calls/iaisa2ii-consultation-calls-discussing-key-topics-supporting-inclusive](https://a2ii.org/en/iaisas2ii-consultation-calls-discussing-key-topics-supporting-inclusive).

Microinsurance Learning Session, 29-30 August 2017, Kigali, Rwanda

At the end of August, the A2ii will co-host a multi-stakeholder Microinsurance Learning Session with the Munich Re Foundation, Access to Finance Rwanda, FSD Africa, Cenfri and the International Labour Organisation (ILO) in Kigali, Rwanda. More information on how to register for the event will be available on our website soon.

About the IAIS

The International Association of Insurance Supervisors (IAIS) is a voluntary membership organisation of insurance supervisors and regulators from more than 200 jurisdictions. 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 principles, standards and other supporting material for the supervision of the insurance sector and assisting in their implementation. The IAIS also provides a forum for Members to share their experiences and understanding of insurance supervision and insurance markets.

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), member of the Standards Advisory Council of the International Accounting Standards Board (IASB) and partner in the Access to Insurance Initiative (A2ii). In recognition of its collective expertise, the IAIS also is routinely called upon by the G20 leaders and other international standard setting bodies for input on insurance issues as well as on issues related to the regulation and supervision of the global financial sector.

International Association of Insurance Supervisors
c/o Bank for International Settlements
CH-4002 Basel
Switzerland

Tel: +41 61 280 80 90
Fax: +41 61 280 91 51

www.iaisweb.org

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