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IAIS Publishes Public Consultation Document on a Holistic Framework for Systemic Risk in the Insurance Sector

Basel – The IAIS has today published for public consultation its proposed holistic framework for the assessment and mitigation of systemic risk in the insurance sector. With this, the IAIS proposes to evolve its current approach to systemic risk by:

- Recognising that systemic risk may arise from both the collective activities and exposures of insurers at a sector-wide level as well as from the distress or disorderly failure of individual insurers;
- Addressing cross-sectoral aspects of systemic risk, by comparing the potential systemic risk stemming from the insurance sector with other parts of the financial system; and
- Moving away from a binary approach in which certain additional policy measures are only applied to a relatively small group of insurers (the identified G-SIIs), to an approach with a proportionate application of an enhanced set of policy measures targeted at the exposures and activities that can lead to systemic risks from the insurance sector as a whole.

Dr. Victoria Saporta, Chair of the IAIS Executive Committee stated: “The publication of this consultation document is a significant step forward in the IAIS’ contribution to broader financial stability. Appropriately implemented, this holistic framework will provide an enhanced basis for mitigating systemic risk in the insurance sector”.

The holistic framework includes the following key elements:

- An enhanced set of supervisory policy measures for macroprudential purposes providing the pre-emptive part of the framework;
- A global monitoring exercise by the IAIS designed to detect the possible build-up of systemic risk in the global insurance sector at an individual insurer level and at sector-wide level;
- Where a potential systemic risk is detected, supervisory powers of intervention that enable a prompt and appropriate response;
- Mechanisms that help ensure the global consistent application of the framework, by having a collective assessment of potential global systemic risk and a coordinated supervisory response when needed; and
- An assessment by the IAIS of the consistent implementation of enhanced on-going supervisory policy measures and powers of intervention.

The holistic framework is slated for adoption in late 2019, with implementation beginning in 2020. The IAIS will further refine the proposed framework, taking account of the public consultation feedback.

Public comments on the consultation document are invited by 25 January 2019, through the IAIS consultation tool, with a public background session via teleconference scheduled for 29 November 2018 to discuss the consultation material. To access the consultation tool and view the consultation document, click [here](#). To register and receive dial-in details for the public background call, click [here](#).

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. For more information, please visit www.iaisweb.org.